

## **Quester (Spark) VCT AGM Report – An Unusual Event**

by R.W.Lawson, UKSA, 18/6/2008

Today I attended the Annual General Meeting of Question VCT Plc – a venture capital trust with a pretty dismal performance record over the last ten years. I think this was the first AGM I have ever attended where shareholders voted down the payment of a dividend recommended by the directors on a show of hands, and likewise also voted not re-elect two of the directors.

Quester is a venture capital trust which was formed by the merger in 2005 of the three former Quester VCTs (1, 2 and 3) which focussed on investment in technology companies. The total return (dividends plus net asset value) of the original company is now 84p, but investors in Quester 3 are now down to 44p.

When the merger was done a new incentive scheme was introduced based on dividends paid to shareholders with a clear focus on achieving realisations from the portfolio to enable dividends to be paid, which had been lacking of late. The merger was successful in that it reduced the expenses of running the company. Thereafter the former Quester fund management operation was acquired by Spark and the company was renamed Spark VCT at this AGM.

Significant dividends have been paid in the last couple of years from realisations but the portfolio performance has continued to be poor, with net asset value declining again in the last financial year to 33.2p even after taking account of the dividend of 4.2p in that year.

The shareholders who turned up for the AGM (of which there were about 20) seemed to be concerned with a number of issues, but the two main ones were:

1. That the directors had chosen to recommend the payment of a dividend of 2.8p even though the company had made a loss in the last year. This had the result of crystallising the payment of the managers performance incentive bonus of £1,040,000 which would not otherwise have been payable – and that is not a trivial sum when the net assets of the company were only £37.7m at the year end.
2. That a new incentive scheme was being proposed at an EGM in a few weeks time which had a fairly low hurdle rate (5%) and was being rebased on the recent net asset value.

When it came to the show of hands vote on the dividend payment resolution it was lost by about 10 votes to 5 as were the resolutions to reappoint the Chairman, Mr Birney, and Mr Sooke. Polls were therefore called on these resolutions by the Chairman when all were carried by more than 80%. Note that the show of hands votes were not an organised “putsch” by a group of shareholders, simply the views of individuals who turned up at the meeting and based on what I and other shareholders said before the vote was taken.