

KEYDATA INCOME VCT 1 PLC AND KEYDATA INCOME VCT 2 PLC

UPDATE ON INVESTMENTS AND
PROPOSED MERGER WITH FORESIGHT VCT PLC

WASTE WOOD BECOMES **ELECTRICITY** SOLD TO THE **NATIONAL GRID**



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INCOME VCT 1&2 PLCS

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Introduction

In June 2009 Foresight Group was appointed as investment manager of Keydata Income VCT 1 plc and Keydata Income VCT 2 plc. The appointment came after the FSA announced that it had placed the incumbent manager, Keydata Investment Services, into administration.

At the time, Foresight Group Managing Partner, Bernard Fairman, announced:

“By assuming the role of investment manager to these two companies – focussed on areas which are highly complementary to the experience we have gained through our existing mandates – we further expand our reach in the environmental infrastructure arena.”

Stephen Oxenbridge, chairman of the Keydata companies, added:

“We are aware of the need for a period of stability following recent events and believe that the expertise and support provided by Foresight’s team will be in

the best interests of both Keydata Companies and their respective investors.”

Background

Keydata Income VCT 1 plc and Keydata Income VCT 2 plc (the “Keydata VCTs”) raised £7 million each (£14 million in total) in 2006 to invest in biomass to energy projects. In total, £12.4 million was invested into seven portfolio companies (presented later in this document) called the Keydata Operating Companies.

The original project had intended to generate electricity from gasifying waste wood at a site in St Helens, Merseyside. Unfortunately the engineering contractor

experienced financial difficulties in the second half of 2008, resulting in significant delays to the project. As previously communicated to all shareholders, it was concluded that the project could not continue at St Helens so all contracts with existing parties were terminated.

Foresight Group has spent the last nine months examining all options for redeployment of the existing equipment owned by the Keydata Operating Companies and developing a new project. This document presents the key highlights with regards to redeployment of the equipment in a new project at a site in Derby and the planned rollout of further facilities.

Project Highlights

Planning permission has been granted and contracts signed for the establishment of a new Alternative Energy Centre on a 27,000 sq ft site in Derby.

Foresight has developed a project in Derby which has permission for 3.0mw of electricity generation with a first stage development providing 0.5mw increasing to 1.5mw over a 12-month period.

A strategic agreement has been signed with O-Gen UK Limited, one of the UK's leading developers of waste wood gasification facilities. This strategic development

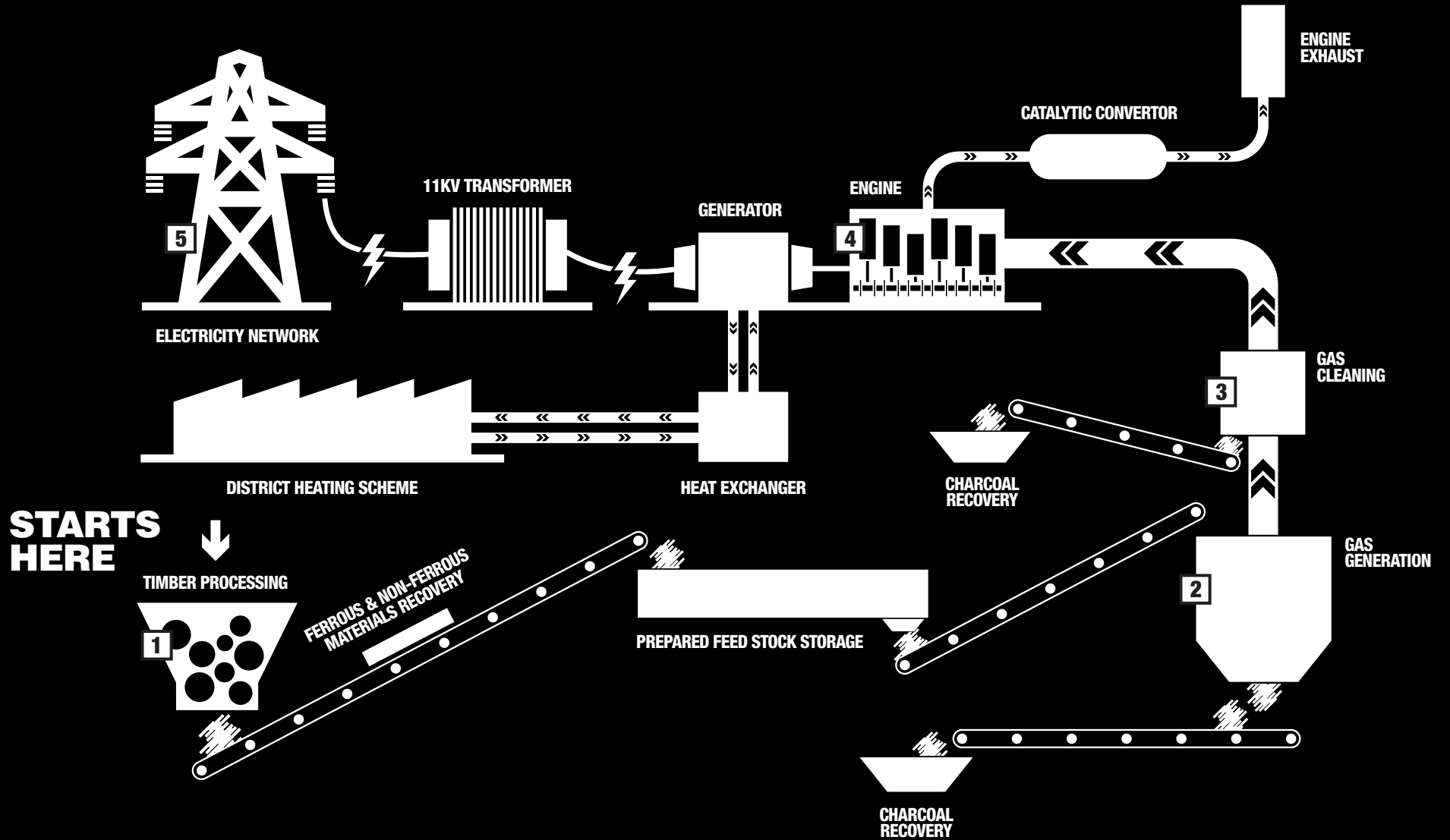
agreement aims to provide 10MW of electricity generation investment, using gasification technology.

Technical consultants, Haden Freeman, have been contracted to provide detailed design and project engineering. Technical drawings are under review and are expected to be finalised by the end of June 2010.

Construction is expected to start in July 2010 with a target of commissioning the first stage plant and operation by December 2010.



GASIFICATION PROCESS TIMBER RESOURCE RECOVERY CENTRE



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Thermal Gas Production

Fuel is initially converted to gas by carefully controlled burning in “air starved” conditions (gasification) or in the complete absence of air (pyrolysis). The gas is cleaned and fed into an internal combustion engine or gas turbine to generate electricity directly. Gasification is proven to be capable of reliably operating with waste wood.

O-Gen UK Limited, our strategic development partner, is in the final stages of commissioning their 3.0mw waste wood gasification facility in Stoke on Trent. They have spent considerable time and effort fine tuning the process to ensure the best gas quality before converting this into electricity. The Keydata Operating Companies have taken all the learning experiences from the Stoke facility to design and implement an electricity generating plant in Derby that we are confident will be generating electricity within the time frames detailed later in this document.

Key stages of the process include:

- 1** Waste wood from construction and demolition waste as well as civic amenity sites is delivered pre-shredded to site for inclusion in the process.
- 2** The waste wood is added to the gasifier, at which point the dirty gas is extracted.
- 3** This dirty gas is cleaned extensively via a variety of gas cleaning equipment.
- 4** With the resulting clean gas being run through an engine to generate electricity.
- 5** This electricity can then be exported and sold to the National Grid.



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Proposed Merger

London Stock Exchange Announcement - 19th May 2010

The Boards of Keydata Income VCT 1 plc and Keydata Income VCT 2 plc and Foresight VCT plc (together “the companies”) today announce that, following the appointment of Foresight Group LLP as the manager of Keydata Income VCT 1 plc and Keydata Income VCT 2 plc (“the Keydata VCTs”) in June 2009, terms for the merger of the companies, with a view to creating cost savings and other strategic benefits, are at an advanced stage of discussion between the Boards.

Any merger would require the approval of the Companies’ shareholders and discussions between the Boards are proceeding on the basis that, subject to that approval, a merger would be effected pursuant to a scheme of

reconstruction under s.110 of the Insolvency Act 1986 whereby the assets and liabilities of the Keydata VCTs would be transferred to Foresight VCT plc in consideration for the issue of Foresight VCT plc ordinary shares directly

to the shareholders of the Keydata VCTs. A merger effected on this basis would be outside the City Code on Takeovers and Mergers. The merger would be completed on a relative net asset basis as at the date of the merger.

Expected Timetable

| | |
|---|------------------------|
| Agreement of merger terms including net asset valuation | End June 2010 |
| Mailing of merger documentation to shareholders | End July 2010 |
| Extraordinary General Meeting to discuss merger | Mid August 2010 |
| Completion of merger | End August 2010 |

A further update on the merger terms will be provided during the course of July 2010



MANAGEMENT STRUCTURE

KEYDATA INCOME VCT 1 PLC

KEYDATA INCOME VCT 2 PLC

DIRECTORS
STEPHEN OXENBRIDGE
DAVID HURST-BROWN

COMPANY SECRETARY
FORESIGHT FUND MANAGERS LIMITED

KEYDATA OPERATING COMPANIES

**BOYLE ELECTRICAL
GENERATION LIMITED**

**BURLEY
ENERGY LIMITED**

**COOKE GENERATION
LIMITED**

**NEVIN ENERGY
RESOURCES LIMITED**

**HUGHES
POWER LIMITED**

**CLARKE POWER
SERVICES LIMITED**

**SPENCER ENERGY
SERVICES LIMITED**

DIRECTORS
ALAN WILSON
DAVID HURST-BROWN
RAYMOND SPENCER
THOMAS THORP

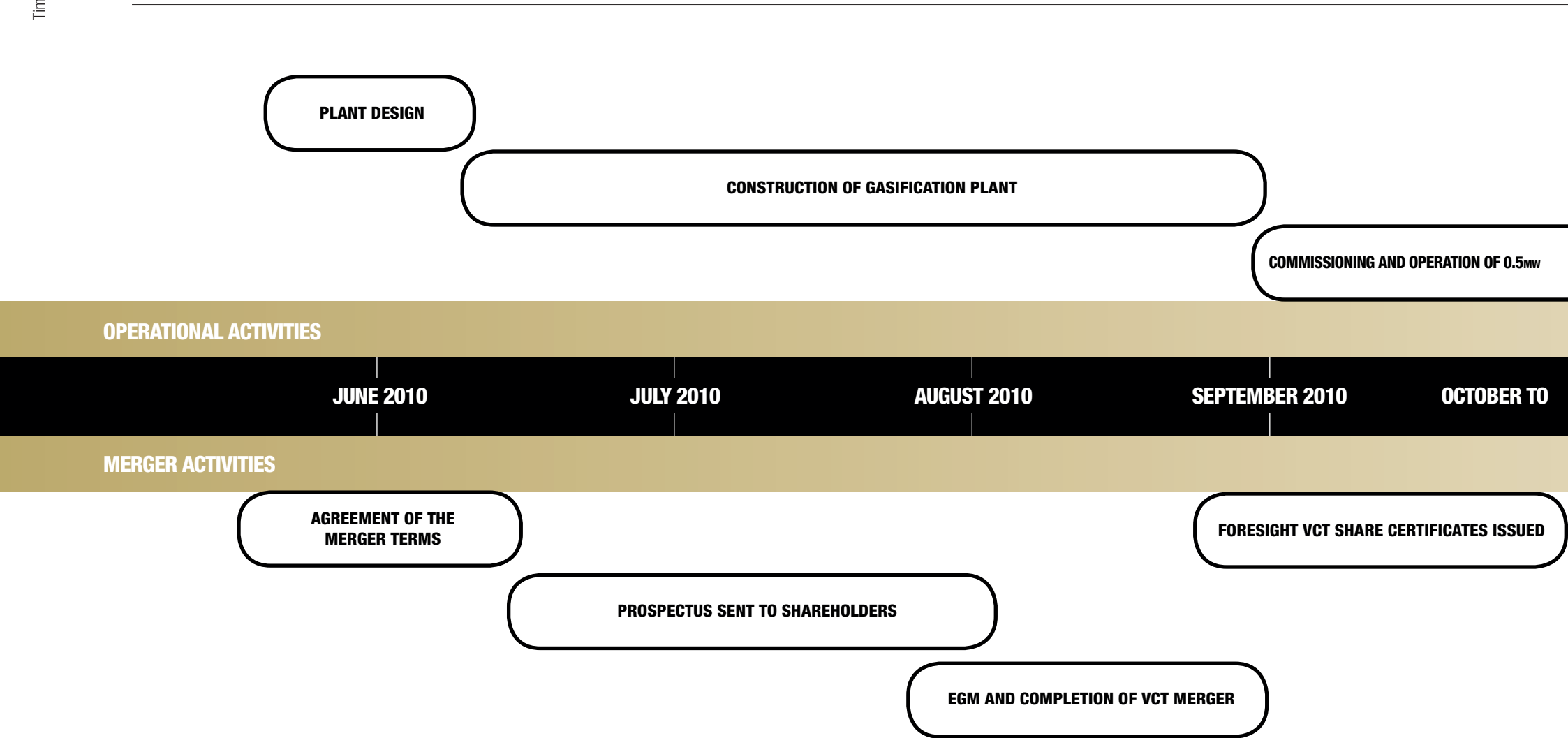
COMPANY SECRETARY
FORESIGHT FUND MANAGERS LIMITED

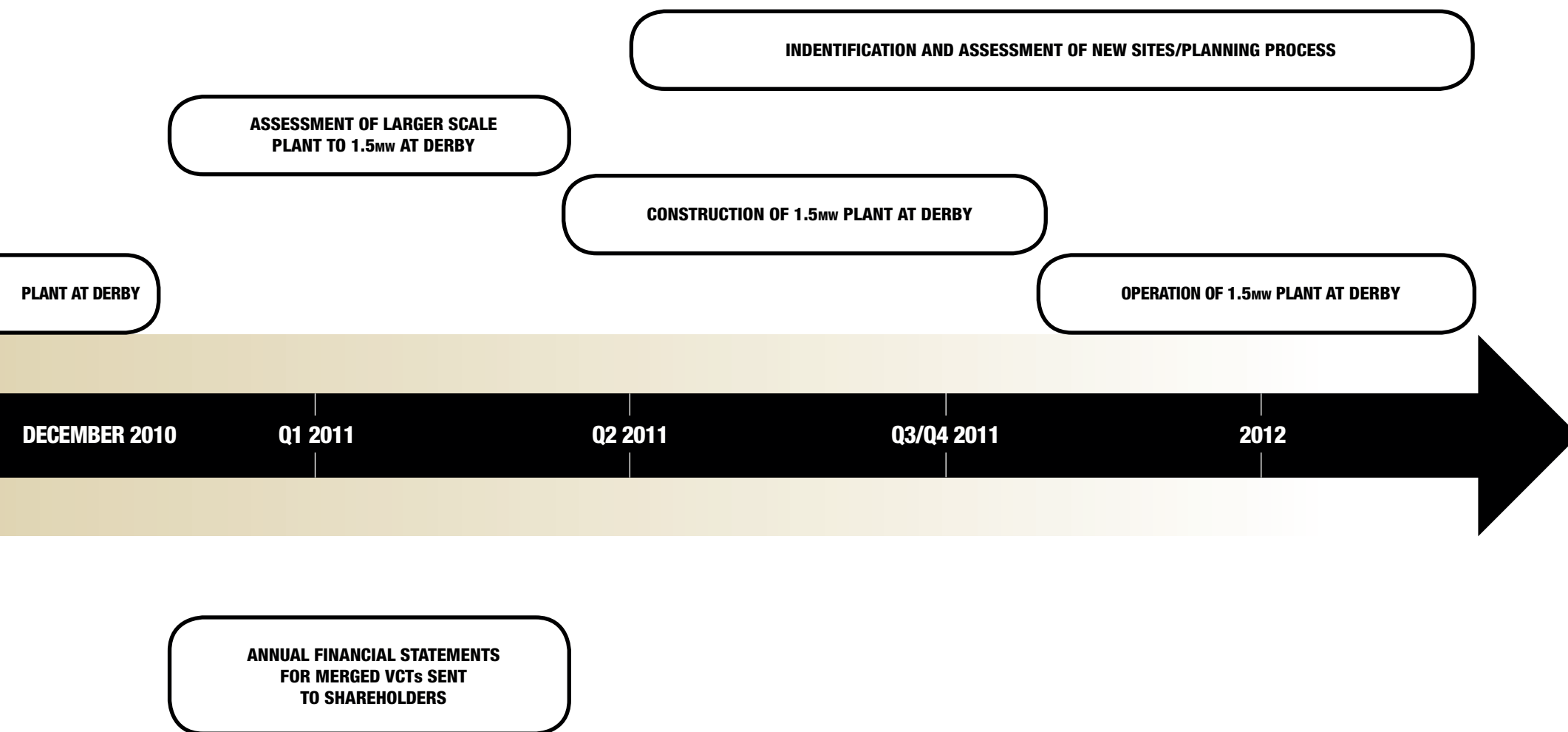
MANAGEMENT TEAM

DESIGN/PROJECT MANAGEMENT
OPERATIONS MANAGER
FINANCE

HADEN FREEMAN LIMITED
APPOINTMENT PENDING
IAN SLATER

EXPECTED TIMETABLE OF EVENTS





PLEASE NOTE AS DETAILED EARLIER IN THIS DOCUMENT, THE BUILD OUT PROPOSAL TO INCREASE THE SIZE OF THE DERBY FACILITY TO 1.5MW, AS WELL AS IDENTIFICATION AND ASSESSMENT OF THE NEW SITES, WILL BE SUBJECT TO THE SUCCESSFUL OPERATION OF THE 0.5MW INITIAL FACILITY AT DERBY

Q&A Operational

Where does the waste wood come from?

Waste wood will be sourced from local waste providers within a 30 mile radius of the Derby site. This waste wood is made up of old kitchen cupboards, doors, MDF and other waste wood collected from civic amenity sites in the local area.

How proven is gasification technology?

Gasification technology such as the equipment to be used at the Derby site has been extensively used on virgin biomass in Germany and other European countries. The challenge relates to using waste wood rather than new wood to fuel the gasifier equipment. O-Gen UK has spent a considerable amount of time commissioning their facility in Stoke on Trent – we have made sure that we apply the lessons learnt from this plant to the proposed plant at Derby

How much electricity does the Derby plant generate? How many houses will this power?

Initially the Derby plant will generate 0.5MW of electricity which is sufficient energy to power up to 500 homes. The intention is to increase the size of the plant up to 1.5mw (up to 1,500 homes). It would be possible under the planning permission that we have to generate sufficient electricity for up to 3,000 homes.

What are the key revenue streams?

There are two revenue streams within the Derby project – revenue from the generation and sale of electricity and revenue received from the government incentive, Renewable Obligation Certificates

How do renewable obligation certificates work?

These are the main support scheme for renewable electricity projects in the UK. It places an obligation on UK suppliers of electricity to source an increasing proportion of their electricity from renewable sources. A Renewables Obligation Certificate (ROC) is a green certificate issued to an accredited generator for eligible renewable electricity generated within the United Kingdom and supplied to customers within the United Kingdom by a licensed electricity supplier. One ROC is issued for each megawatt hour (MWh) of eligible renewable output generated. Revenue from ROCs is received by the project approximately 3 months after the electricity has been produced.

Can the waste heat be used?

There is a significant amount of heat generated by the engines during the process. This heat could be used locally in district heating systems in housing, offices and factories. At Derby, we are looking to discuss the possibility of our neighbours using the excess heat.

What are the risks for delay to the project?

As with any construction process, there could be unexpected delays to construction and operation. However we have endeavoured to mitigate all risks of delay by utilising knowledge learnt at O-Gen to fine tune the design of the plant at Derby. In addition, the plant will be constructed off site so that installation back on site can be swift and straight forward.

Where will future sites be?

O-Gen UK have agreed as part of the strategic development agreement with the Keydata Operating Companies to identify sites and gain planning permission for these sites in the geographical area of the East and West Midlands. Sites will be identified to provide a total 10MW of electricity generation.

Do the Keydata Operating Companies have the right technical skills to run this plant?

Haden Freeman have extensive experience with process design and project management of large and small projects of this type throughout the UK. They have assumed full responsibility for designing and constructing the gasification equipment on the Derby site. In addition, the Keydata Operating Companies are in the process of recruiting a full time Operations Manager.

Q&A Proposed Merger

At what price will the proposed merger take place?

The proposed merger will take place at the relative net asset values of the companies at the merger date. Prior to the merger, an independent valuation of the Keydata assets will be undertaken to assist in determining net asset value at that time.

How certain is the proposed merger with Foresight VCT plc?

The terms for the merger of Foresight VCT plc and the Keydata VCTs, with a view to creating cost savings and other strategic benefits, are at an advanced stage of discussion between the Boards. These discussions should conclude over the coming weeks with the intention that the merger documentation including prospectus will be sent to all shareholders in July 2010.

Assuming that the merger proceeds, what will I receive?

Based on the relative net asset values of the companies at the merger date, you will receive an ordinary share certificate (for the number of shares determined by the net asset values of the companies at the merger date) in Foresight VCT plc which will replace your share certificate in either or both of Keydata Income VCT 1 plc and Keydata Income VCT 2 plc.

What are the benefits to me of the proposed merger?

The Foresight VCT includes a diversified portfolio of companies across several industries and sectors. A full list of investments within the Foresight VCT portfolio are presented in the annual accounts on Foresight Group's website at www.foresightgroup.eu

When am I likely to receive a dividend on my shares within the merged VCT?

Foresight's intention is to pay dividends to shareholders annually, the magnitude of which will be linked to the underlying level of income and capital gains generated by the underlying portfolio companies.

Do I have to hold the new Foresight VCT shares for a further 5 years, and will they qualify for 30% income tax relief?

No, shareholders do not have to hold new shares in Foresight VCT for a further 5 years. As this is a merger of existing VCTs and not a purchase of new shares, you will not be entitled to a further 30% of income tax relief.

Does the Foresight VCT have a buyback mechanism, and if so what is the target discount to NAV?

Yes, Foresight does have a buyback mechanism. The target discount to NAV is 10%.

How quickly can I register for the buyback after the shares are issued?

Buybacks are carried out at agreed times in the year – shareholders are able to register for such a buyback once the merger has completed by contacting Michael Bellamy of Singer Capital Markets on 020 3205 7517

Does the Foresight VCT have the same dividend aspirations as the original Keydata Income VCTs?

Yes, Foresight VCT does have the same dividend aspirations and are targeting 5 pence per share per annum.

We will be providing regular operational updates of progress at the site. These will be posted on our Foresight Group website. Please refer to the website for further information. www.foresightgroup.eu/page/258/Keydata-Income-VCTs-1-2

KEY DATA

Important Notice

All statements of opinion and/or belief contained in this newsletter and all views expressed and all projections, forecasts or statements relating to expectations regarding future events or the possible future performance of Keydata Income VCT 1 PLC and Keydata Income VCT 2 plc or their

merger with Foresight VCT PLC represent Foresight Group LLP's own assessment and interpretation of information available to it as at the date of this document. No representation is made or assurance given that such statements, views, projections or forecasts are correct or that the objectives of

Foresight Group LLP will be achieved. This newsletter does not include all the information necessary to make an investment decision in relation to the shares of Keydata Income VCT 1 PLC and Keydata Income VCT 2 plc.



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INCOME VCT 1&2 PLCS

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Authorised and regulated by the Financial Services Authority; 25 The North Colonnade, Canary Wharf, London, E14 5HS. Foresight Group is an alternative asset manager with a strong 25 year track record and specific expertise in environmental infrastructure, solar energy and private equity investment strategies. Foresight manages over £200 million across a number of funds, including Limited Partnerships, Enterprise Investment Schemes (EIS) and Venture Capital Trusts (VCTs) and offers private, high net-worth and institutional investors access to a number of investment opportunities and a complete management service. Foresight's current unquoted portfolio comprises more than 60 companies spanning a wide range of sectors including environmental infrastructure, renewable energy, communications, IT, media, support services and manufacturing.