

Regulatory Story

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Company	Keydata Income VCT 1
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Headline	Keydata Income VCT 1 plc - VCT Merger
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Keydata Income VCT 1 plc and Keydata Income VCT 2 plc

Merger Update and Suspension of Share Listing

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 merger talks announcement on 19 May 2010, terms for the merger of the Companies have been agreed between their respective Boards.

The merger requires the approval of the Companies' shareholders and would be effected pursuant to a scheme of reconstruction under s.110 of the Insolvency Act 1986 whereby the assets and liabilities of Keydata Income VCT 1 plc and Keydata Income VCT 2 plc (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.

For the purposes of the merger the underlying value of the assets owned by the Keydata VCTs is considered to be made up of two component parts: the physical valuation of the assets (mainly engines and gasification equipment in storage and cash at bank) and the future operational value of the assets once they are generating electricity and potentially inputting to the National Grid.

In recognition of both the current physical valuation and future operational value of these assets, it is proposed that the proceeds of the merger for the Keydata VCTs' shareholders should be satisfied in two tranches:

- Initially, on the date of the merger, ordinary shares in Foresight VCT plc will be issued to Keydata VCT shareholders based on a physical valuation of the Keydata VCTs assets at that time. As a consequence of the exclusion of the future operational value of these assets, this physical valuation will be significantly lower than the last announced net asset value of the shares of the Keydata VCTs; and
- Further entitlement to additional ordinary shares in Foresight VCT plc shares will be granted as deferred consideration to Keydata VCTs' shareholders. This deferred consideration will be issued after 30 September 2013, which will give sufficient time for the plant to be built and the assets to achieve necessary performance milestones. It is anticipated that, if the plant is operationally successful, the value of the deferred consideration will compensate Keydata shareholders for the difference between the physical valuation of the assets at the time of merger and the net asset value of their shares in Keydata VCTs at that time (less merger costs).

The Boards of the Keydata VCTs believe that the above structure takes account of the current and potential value of the assets of the Keydata VCTs and recognises the execution risks that Foresight VCT plc will be assuming as a consequence of the proposed merger. Foresight Group, the Companies' investment manager, is confident that the assets can be successfully deployed so as to achieve the performance milestones, thereby triggering the deferred consideration payment in 2013. Although the payment of the deferred consideration is not guaranteed, Foresight Group has secured commitments from Foresight VCT plc and other funds managed by Foresight Group to invest a further £3 million in the project which reflects their confidence in a successful outcome.

The Keydata VCTs are required to publish their annual financial report for the year ended 30 April 2010 by 31 August 2010. As described above the Companies, continue to progress the proposed merger, and as a result the Keydata VCTs annual financial reports will not be published as required by the Listing Rules and therefore the listings of the ordinary shares of the Keydata VCTs have been suspended today, 1 September 2010, and will remain so until such time as the Keydata VCTs' shareholders have voted on the proposals. Assuming the merger proposals are successful, it is expected that the Keydata VCTs' shareholders will receive Foresight VCT plc ordinary shares in October 2010 which will be listed and tradeable on the London Stock Exchange.

The Companies expect to convene general meetings to vote on the proposals during October 2010 and full details of the terms of the proposed merger will be published in the coming weeks.

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