

Company [St Peter Port Capital Limited](#)
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St Peter Port Capital Limited
(the "Company")

Publication of circular to Shareholders

The Company announces that a circular containing a notice convening an Extraordinary General Meeting of the Company for 18 June 2012 (the "Circular") is being posted to Shareholders today.

The EGM is being convened to approve the recommended proposals to continue the life of the Company (the "Ordinary Resolution") and to make certain changes to the Articles (the "Special Resolution"). The EGM will be held at Martello Court, Admiral Park, St Peter Port, Guernsey on 18 June 2012 at 11.15 a.m.

Recommendation

For the reasons set out below:

the Directors consider that the Ordinary Resolution is in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors unanimously recommend that Ordinary Shareholders vote in favour of the Ordinary Resolution to be proposed at the EGM as they intend to do in respect of their own beneficial shareholdings, which in aggregate amount to 5,300,000 Ordinary Shares, representing approximately 7.8 per cent. of the issued ordinary share capital of the Company; and

the Independent Directors consider the Special Resolution to be in the best interests of the Company and its Ordinary Shareholders. Accordingly, the Independent Directors unanimously recommend that Ordinary Shareholders vote in favour of the Special Resolution to be proposed at the

EGM as the Directors intend to do in respect of their own beneficial shareholdings, which in aggregate amount to 2,800,000 Ordinary Shares, representing approximately 4.1 per cent. of the issued ordinary share capital of the Company.

The Company has received in aggregate irrevocable undertakings to vote in favour of the Resolutions from certain Ordinary Shareholders in respect of their beneficial shareholdings or over Ordinary Shares which they exercise voting control, which in aggregate amount to 29,354,027 Ordinary Shares, representing approximately 43.0 per cent. of the issued ordinary share capital of the Company, including over 5,600,000 Ordinary Shares held by Shore Capital Group Investments Limited ("SCGIL") and 2,500,000 Ordinary Shares held by Broughton Limited ("Broughton").

Shareholders should be aware that, should the Ordinary Resolution not be passed, the Directors and the Investment Manager would, in accordance with the Articles, be required to proceed to wind up the Company through a process of orderly realisation by the Company of its investments.

Further details on the Circular and the Resolutions being proposed at the EGM are set out below. The Circular and related materials will be available on the Company's website at <http://www.stpeterportcapital.gg>.

Introduction and background to the proposal of the Resolutions

The Company was admitted to trading on AIM approximately five years ago on 16 April 2007 as a newly incorporated, Guernsey registered, closed-ended investing company. It had the aim of generating value for Shareholders by investing in growth companies, predominantly immediately prior to an initial public offering. As reported today, the NAV per share of the Company at 31 March 2012 was 106 pence and since Admission on 16 April 2007, the Company has made realisations of investments in aggregate amounting to approximately £55.7 million.

At the time of Admission, the directors of the Company undertook in the Admission Document and in the Articles that, every five years, Ordinary Shareholders should be afforded the opportunity, by the passing of an ordinary resolution of the Company (requiring 50 per cent. of Ordinary Shares voting at an extraordinary general meeting of the Company) to determine whether the Company should continue as an investing company admitted to trading on AIM or should instead be wound up by the Directors and the Investment Manager. Accordingly, the Ordinary Resolution is being proposed at the EGM as required by the Articles and in accordance with the Admission Document. The Articles require that, no later than 30 May 2012 (being 30 Business Days after the fifth anniversary of Admission), a notice of meeting be issued by the Directors convening an EGM to propose the Ordinary Resolution.

If the Ordinary Shareholders vote that the Company should not continue but should instead be wound up, which will be deemed to be the case if the Ordinary Resolution is not passed, a two-stage winding-up process would follow as provided by the Articles and the Admission Document. The Directors and the Investment Manager would be required to commence a process of orderly realisation by the Company of its investments to be completed by the Directors and the Investment Manager within a period of no more than one year. The Directors would then be required, no later than 12 months from the date on which Ordinary Shareholders vote for the Company to be wound up, to convene a further extraordinary general meeting of the Company at which a further resolution would have to be tabled to wind up the Company by the appointment of a liquidator.

The effect of this would be to require the Company and its Investment Manager to seek to dispose of all the Company's investments within a year of the Ordinary Resolution not being passed as well as precluding the Company from making new investments in a climate which the Directors consider to be particularly favourable for pre-IPO investments.

One of the purposes of the Circular is to provide Ordinary Shareholders with details of the Ordinary Resolution to continue the life of the Company. If passed, the Company will continue for another five years. After this, it will again hold a vote on continuing the life of the Company.

It is also proposed to amend the Articles by way of Special Resolution in relation to the dividend entitlements of the holders of the Founder Shares. The rationale for these proposed amendments to the Articles is set out below. Because Broughton and SCGIL are the holders of the Founder Shares, the amendments to the Articles are deemed to be a related party transaction requiring notification under AIM Rule 13. As a result, an independent committee of the Board has been convened to consider the Amendment. Broughton, a company which Timothy Childs, a director of the Company, is interested in through family trusts, holds 50 per cent. of the Founder Shares and 3.7 per cent. of the Ordinary Shares. SCGIL, a subsidiary of Shore Capital Group Limited (a company in which Graham Shore, a director of the Company, is interested), holds 50 per cent. of the Founder Shares and approximately 8.2 per cent. of the Ordinary Shares.

Reasons why the Directors believe Ordinary Shareholders should vote in favour of the Ordinary Resolution

The Company has assembled a diverse portfolio of investments, many of which the Directors believe offer potential for large capital gain from the values at which they are currently being held. However, many of the most interesting and potentially rewarding of these investments are also illiquid. If the Company was to be wound up within a year of the continuation vote, it would be difficult to secure good value for these promising but illiquid investments as their sale would be premature.

Moreover, several of the investee companies in the portfolio have potentially very exciting prospects but have required a high degree of attention from the Investment Manager. This has culminated in the Company taking majority control of the assets in question. As a result, the Directors believe that there is the potential to secure substantial gains from these investee companies. However, continued input will be required by the Investment Manager over a longer period than just one year using the close knowledge of the assets which the Investment Manager has acquired.

Furthermore, the Directors believe that the investment climate at present is unusually favourable for strong returns from fresh pre-IPO investments of the kind the Company has made over the last few years. The gap between pre-IPO and post-flotation values is especially large and there is greatly reduced competition from other potential investors when negotiating deal terms. If Ordinary Shareholders vote in favour of the Ordinary Resolution, the Directors believe there are significant opportunities to make strong returns for Shareholders. The Directors do not believe this is the appropriate time to wind up the Company as doing so at this stage would preclude the Company from making new investments in what the Directors consider to be a particularly favourable investment climate for pre-IPO investments.

The past five years of the Company's life have coincided with one of the most turbulent periods for investment markets in the living memory of most investors. As a result, it has been a difficult period for all types of investment to demonstrate the merits of the Company's investment strategy and the Board believes that to deliver investment growth, albeit below the level initially hoped for, over this period is a creditable outcome.

The portfolio offers the prospect of sizeable profitable realisations over the next few years and, following feedback from Shareholders, the Board proposes making higher cash distributions from future realisations of investments. The Company has, since Admission on 16 April 2007, made realisations of investments in aggregate amounting to approximately £55.7 million. The Company therefore proposes that, in respect of each period of six months following 31 March 2012 and subject to the requirements of Guernsey Law as to solvency, it will pay out in cash fifty per cent. of the net gains from future realisations made. It is hoped that this policy will improve the attractiveness of the Company's Ordinary Shares and hence reduce the discount to NAV per share of the Company's share price.

Continuation of the Company will therefore permit the Investment Manager to secure for Shareholders the potential gains within the Company's portfolio without the undue pressure of a forced liquidation, to continue to harvest the potential of those investments which require close attention and also to provide a flow of cash to Shareholders which should greatly enhance the attractiveness of the Company's Ordinary Shares, including the ability to make follow-on and new investments.

Changes to certain terms relating to the Founder Shares

When the Company was established, the Board put in place an incentive arrangement by way of a carried interest for the Founder Shareholders (who also own the Investment Manager), payable in the form of a dividend on Founder Shares. This carried interest was payable if performance conditions were met. The performance conditions were framed by reference to the Company's share price as quoted on AIM. The share price, averaged over 30 dealing days, had to have grown from a benchmark price by reference to all previous periods and absolute shareholders returns to have exceeded an 8 per cent. per annum hurdle.

As a result of difficult stock markets for small cap closed-ended funds since 2008, the Company's share price has not reflected the changes in NAV per share. The discount widened hugely in 2009 and although it has since reduced it has remained substantial - in excess of 40 per cent. in recent months.

A number of institutional Ordinary Shareholders have represented to the Board that the current carried interest arrangement does not properly align the interests of Ordinary Shareholders with Founder Shareholders. They have therefore suggested that the arrangement be restructured in order that it is no longer determined by reference to the performance of the Company's share price but instead to the future level of cash distributions to Ordinary Shareholders by the Company. On this basis, the carried interest formula would be re-based to begin at the audited NAV per share as at 31 March 2012, being 106 pence. To satisfy the conditions for carried interest, cash distributions to Ordinary Shareholders following 31 March 2012 would need to exceed the 31 March 2012 NAV, as increased over time by the hurdle rate of 8 per cent. per annum.

Thus no carried interest would be payable until, in periods following the EGM (including on any future winding up of the Company), 106 pence plus 8 per cent. per annum per share had been distributed in cash to Ordinary Shareholders. The effect of this change would, in the view of these institutional Ordinary Shareholders, improve incentives and better align them with the desire of Ordinary Shareholders for higher cash distributions in future.

All other elements of the carried interest, including the form of payment, the percentage rate of payment, the method and circumstances in which it becomes payable, would remain unchanged. The differences would be that the threshold for calculating the hurdle would begin with the 31 March 2012 audited net assets and only cash distributions would qualify in the calculation.

A Special Resolution which would put these proposals into effect is set out in the Notice of EGM contained in the Circular. The Founder Shareholders have passed the Founder Class Resolution and have thereby approved the variations to the rights attaching to the Founder Shares which will result if the Special Resolution is passed.

Due to Broughton and SCGIL being the holders of the Founder Shares, the amendments to the Articles are deemed to be a related party transaction requiring notification under AIM Rule 13. As a result, an independent committee of the Board has been convened to consider the Amendment.

The Independent Directors consider, having consulted with its nominated adviser, that the terms of the Amendment are fair and reasonable insofar as the Ordinary Shareholders are concerned.

Extraordinary General Meeting

The EGM will be held at Martello Court, Admiral Park, St Peter Port, Guernsey on 18 June 2012 at 11.15 a.m. If the Resolutions proposed at the EGM are passed, then they will be binding on all Shareholders, whether or not they voted in favour of the Resolutions or at all.

At the EGM, the Ordinary Resolution will be proposed as to whether the life of the Company should be continued or not. Ordinary Shareholders should note that, as is set out in the Notice of EGM contained in the Circular, a vote in favour of the Ordinary Resolution shall be deemed to be a vote against an ordinary resolution to wind up the Company under the Articles and vice versa (including a consequential change in the Company's Investing Policy (as defined in the AIM Rules for Companies) (the "Revised Investing Policy"). The Special Resolution will also be proposed at the EGM to change the Articles, as set out in the Circular. This Special Resolution is conditional on the Ordinary Resolution being passed by Ordinary Shareholders.

For further information:

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Capitalised terms not otherwise defined, shall have the same meanings as set out in the Circular.

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