

RNS Number : 2458V
Environ Group (Investments) PLC
09 January 2012

Environ Group (Investments) Plc
("The Company" or "The Group")

Proposed Disposals

9 January 2012

Further to the announcement by the Company on 23 December 2011, it is proposed by the majority of the Board that the cancellation of the admission to trading on AIM of the Company's Ordinary Shares, together with the disposal of 51 per cent. of the Company's interests in two of its wholly-owned subsidiaries, BGC Limited ("BCG") and Fenhams Limited ("Fenhams"), would be the most appropriate way of deriving Shareholder value and be in the best interests of the Company and of Shareholders as a whole ("the Disposals"). Save as set out in this announcement, defined terms are those set out in the circular ("the Circular") which has been sent to shareholders today.

The Company has today entered into the BGC Sale and Purchase Agreement in respect of the BGC Disposal, and has also entered into the Fenhams Sale and Purchase Agreement in respect of the disposal of 51 per cent. of the Company's interests in its wholly-owned subsidiary, Fenhams.

The BGC Disposal to BGC Group (UK) and the Fenhams Disposal to Fenhams Contracts Limited, companies in which Mark Sims and Paul Richardson, directors of the Company, are respectively interested, constitute substantial property transactions involving directors under the Companies Act 2006 and, accordingly, the BGC Sale and Purchase Agreement and the Fenhams Sale and Purchase Agreement are conditional upon the approval by Shareholders at the General Meeting. In addition, the Disposals will also constitute a fundamental change of business for the purposes of Rule 15 of the AIM Rules and are conditional upon the passing of resolutions 1 and 2 at the General Meeting.

1. Irrevocables Received Regarding Cancellation

As announced on 23 December 2011, the Cancellation is subject to the approval of not less than 75 per cent. of the votes cast by Shareholders (whether in person or by proxy) at the General Meeting. The Directors, other than Neil Chapman and Christopher Arnott, and Shareholders Stephen Hancock and Janet Domin, both former directors, have irrevocably undertaken to vote in favour of the Cancellation Resolution in respect of their own beneficial holdings of Ordinary Shares, representing 66.41 per cent. of the current issued ordinary share capital of the Company.

2. Background to and reasons for the Disposals

The Company has today entered into the BGC Sale and Purchase Agreement relating to the sale of 51 per cent. of the issued share capital of its wholly owned subsidiary BGC to BGC Group (UK) Limited (formerly known as MSSH1 Limited). Further details of the proposed BGC Disposal, which is subject to Shareholder approval, are set out in paragraph 3 below.

The Company has today also entered into the Fenhams Sale and Purchase Agreement relating to the sale of 51 per cent. of the issued share capital of its wholly owned subsidiary Fenhams Limited to Fenhams Contracts Limited. Further details of the proposed Fenhams Disposal, which is subject to Shareholder approval, are set out in paragraph 4 below.

The Group's credit terms are being contracted in the current challenging economic environment. The majority of the Board feel that by unwinding the Group structure, individual subsidiaries, negotiating their own credit terms, will fare better than they would have done so as part of the Group. By maintaining an ownership structure whereby Environ retains a holding of 49 per cent. in each of BGC and Fenhams but has an option to increase that holding to 69 per cent. in the three years following completion of the Disposals, the majority of the Board feel that entrepreneurial drive will be restored to BGC and Fenhams, which could increase value for Shareholders.

The Directors, other than Mark Sims (who is interested in the BGC Disposal), Neil Chapman and Christopher Arnott, and Shareholders Stephen Hancock and Janet Domin, both former directors, have irrevocably undertaken to vote in favour of the BGC Disposal in respect of their own beneficial holdings of Ordinary Shares, representing 56.19 per cent. of the current issued ordinary share capital of the Company.

The Directors other than Paul Richardson (who is interested in the Fenhams Disposal), Neil Chapman and Christopher Arnott, and Shareholders Stephen Hancock and Janet Domin, both former directors, have irrevocably undertaken to vote in favour of the Fenhams Disposal in respect of their own beneficial holdings of Ordinary Shares, representing 62.78 per cent. of the current issued ordinary share capital of the Company.

3. BGC Disposal

The Company today entered into the BGC Sale and Purchase Agreement for the sale of 51 per cent. of the issued share capital of BGC to BGC Group (UK) for a consideration of £1.00, subject to shareholder approval and any necessary banking consents. The BGC Sale and Purchase Agreement is also conditional upon entry into an appropriate shareholders' agreement between the Company and BGC Group (UK).

Under the terms of the BGC Sale and Purchase Agreement, the Company has an option to buy back such number of shares from BGC Group (UK) as is equal 20 per cent. of the total number of BGC Shares at the date of the BGC Sale and Purchase Agreement, for a consideration of £500,000 in cash. The Company shall give 28 days' notice of exercise of the buy back option, which shall be exercisable during the period of three years from completion of the BGC Disposal.

Mark Sims is a director and shareholder of both BGC Group (UK) and the Company and is also a director of BGC. The BGC Disposal is therefore classified as a "Related Party Transaction" under the AIM Rules. The BGC Disposal also constitutes a substantial property transaction under section 190 of the Companies Act 2006 and is therefore subject to the approval of Shareholders in a general meeting.

Where a company, whose shares are traded on AIM, enters into a related party transaction, rule 13 of the AIM Rules requires the independent directors of such company to consider, having consulted with the company's nominated adviser, whether the terms of the transaction are fair and reasonable insofar as its shareholders are concerned.

The Directors, other than Mark Sims (who is interested in the BGC Disposal), consider, having consulted with Grant Thornton UK LLP in its capacity as the Company's nominated adviser, that the terms of the related party transaction with BGC Group (UK) (in which Mark Sims is interested) are fair and reasonable insofar as Shareholders are concerned.

The Disposals are together deemed to be a disposal resulting in a fundamental change of business for the purposes of Rule 15 of the AIM Rules and therefore are conditional on approval from Shareholders by the passing of resolutions 1 and 2 at the General Meeting.

The principal activity of BGC is that of the installation and maintenance of gas central heating systems and building adaptations. During the seven months ended 31 October 2011 BGC generated sales of £4.0 million (unaudited) and pre-tax losses of £30,000 (unaudited). During the year ended 31 March 2011 BGC generated sales of £9.1 million (audited) and pre-tax profits of £363,000 (audited). The net assets of BGC were £1.5 million at 31 October 2011 (unaudited) and £1.4 million at 31 March 2011 (audited). Net assets as at 31 December 2011 includes amounts of £1.36 million owed by the Group which are to be written off prior to the completion of the BGC Disposal.

If the BGC Disposal is completed, the Company would still hold 49 per cent. of the BGC Shares. BGC's assets, liabilities and operations, however, would no longer be consolidated into the Group's financial statements.

4. Fenhams Disposal

The Company today also entered into the Fenhams Sale and Purchase Agreement for the sale of 51 per cent. of the issued share capital of Fenhams to Fenhams Contracts Limited for a consideration of £1.00, subject to Cancellation, shareholder approval and any necessary banking consents. The Fenhams Sale and Purchase Agreement is also conditional upon entry into an appropriate shareholders' agreement between the Company and Fenhams Contracts Limited.

Under the terms of the Fenhams Sale and Purchase Agreement, the Company has an option to buy back such number of shares from Fenhams Contracts Limited as is equal 20 per cent. of the total number of Fenhams Shares at the date of the Fenhams Sale and Purchase Agreement, for a consideration of £500,000 in cash. The Company shall give 28 days' notice of exercise of the buy back option, which shall be exercisable during the period of three years from completion of the Fenhams Disposal.

Paul Richardson is a director and shareholder of both the Company and Fenhams Contracts Limited and is also a director of Fenhams. The Fenhams Disposal is therefore classified as a "Related Party Transaction" under the AIM Rules. The Fenhams Disposal also constitutes a substantial property transaction under section 190 of the Companies Act 2006 and is therefore subject to the approval of Shareholders in a general meeting.

Where a company, whose shares are traded on AIM, enters into a related party transaction, rule 13 of the AIM Rules requires the independent directors of such company to consider, having consulted with the company's nominated adviser, whether the terms of the transaction are fair and reasonable insofar as its shareholders are concerned.

The Directors, other than Paul Richardson (who is interested in the Fenhams Disposal), consider, having consulted with Grant Thornton UK LLP in its capacity as the Company's nominated adviser, that the terms of the related party transaction with Paul Richardson are fair and reasonable insofar as Shareholders are concerned.

The principal activity of Fenhams is that of installation and maintenance of gas central heating systems. During the seven months ended 31 October 2011 Fenhams generated sales of £4 million (unaudited) and pre-tax losses before goodwill amortisation of £200,000 (unaudited). During the year ended 31 March 2011 Fenhams generated sales of £8 million (audited) and pre-tax profits of £52,000 (audited). The net assets of Fenhams were £1.3 million at 31 October 2011 (unaudited) (which includes goodwill of £3.9 million) and £1.5 million at 31 March 2011 (audited) (which includes goodwill of £3.9 million). Net assets as at 31 December 2011 also includes amounts of £1.87 million owed to the Group which are to be written off prior to the completion of the Fenhams Disposal.

If the Fenhams Disposal is completed, the Company would still hold 49 per cent. of the Fenhams Shares. Fenhams' assets, liabilities and operations would no longer be consolidated into the Group's financial statements.

5. Irrevocable Undertakings

The Company has received irrevocable undertakings to vote in favour of the Cancellation from Stephen Hancock and Janet Domin, both former directors and current Shareholders, and Nigel Wray, Mark Sims, Paul Richardson and Michael Clough who together are interested in 91,438,212 Ordinary Shares, representing 66.41 per cent. of the current issued ordinary share capital of the Company.

The Company has received irrevocable undertakings to vote in favour of the BGC Disposal from Stephen Hancock and Janet Domin, both former directors and current Shareholders, and Nigel Wray, Paul Richardson and Michael Clough who together are interested in 77,358,134

Ordinary Shares, representing 56.19 per cent. of the current issued ordinary share capital of the Company.

The Company has received irrevocable undertakings to vote in favour of the Fenhams Disposal from Stephen Hancock and Janet Domin, both former directors and current Shareholders, and Nigel Wray, Mark Sims and Michael Clough who together are interested in 86,438,212 Ordinary Shares, representing 62.78 per cent. of the current issued ordinary share capital of the Company.

6. General Meeting

The General Meeting of the Company, the notice of which is set out in the Circular, will be held at Memery Crystal LLP, 44 Southampton Buildings, London WC2A 1AP on 25 January 2012 at 12.00 noon.

7. Recommendation

The Directors, with the exception of Neil Chapman and Christopher Arnott, consider the Cancellation to be in the best interests of the Group and its Shareholders as a whole, and most likely to promote the success of the Group for the benefit all of its Shareholders and accordingly recommend that Shareholders vote in favour of the Cancellation Resolution to be proposed at the General Meeting as they have irrevocably undertaken to do in respect of their own beneficial holdings of Ordinary Shares, amounting, in aggregate, to 72,599,159 Ordinary Shares, representing 52.73 per cent. of the current issued ordinary share capital of the Company.

Having consulted with Grant Thornton UK LLP (the Company's nominated adviser) the Directors (with the exception of Mark Sims, who is interested in the BGC Disposal) consider that the terms of the BGC Disposal are fair and reasonable insofar as Shareholders are concerned. The Directors, with the exception of Mark Sims (who is interested in the BGC Disposal), Neil Chapman and Christopher Arnott, consider the BGC Disposal to be in the best interests of the Group and its Shareholders as a whole, and most likely to promote the success of the Group for the benefit all of its Shareholders and accordingly recommend that Shareholders vote in favour of the Cancellation Resolution to be proposed at the General Meeting as they have irrevocably undertaken to do in respect of their own beneficial holdings of Ordinary Shares, amounting, in aggregate, to 58,519,081 Ordinary Shares, representing 42.5 per cent. of the current issued ordinary share capital of the Company.

Having consulted with Grant Thornton UK LLP the Directors (with the exception of Paul Richardson, who is interested in the Fenhams Disposal) consider that the terms of the Fenhams Disposal are fair and reasonable insofar as Shareholders are concerned. The Directors, with the exception of Paul Richardson (who is interested in the Fenhams Disposal), Neil Chapman and Christopher Arnott consider the Fenhams Disposal to be in the best interests of the Group and its Shareholders as a whole, and most likely to promote the success

of the Group for the benefit all of its Shareholders and accordingly recommend that Shareholders vote in favour of the Fenhams Disposal as they have irrevocably undertaken to do in respect of their own beneficial holdings of Ordinary Shares, amounting, in aggregate, to 67,599,159 Ordinary Shares, representing 49.1 per cent. of the current issued ordinary share capital of the Company.

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