

Progility plc

("Progility" or "the Company" or "the Group")

Acquisition of Starkstrom Group Limited

Progility plc (AIM: PGY), the project management services group, is pleased to announce that it has acquired the entire share capital of Starkstrom Group Limited ("Starkstrom") for an aggregate consideration, payable in cash and loan notes, of £9.68 million from its owner managers.

Starkstrom is the holding company of, Starkstrom Limited, a UK based project management services' company specialising in manufacturing and supplying medical infrastructure equipment for operating theatres and intensive care units. Established in 1971, Starkstrom has been a trusted and leading supplier, in its areas of expertise, to the NHS and UK private hospitals for the past 40 years. Starkstrom designs, builds and supplies medical equipment to support the requirements of a modern operating theatre from the central control panel to the ceiling pendants supplying power and medical gases, lighting and the operating table backed by uninterruptible and independent power supplies. Headquartered in Eastcote, North West London and with a manufacturing and assembly facility in Leicester, Starkstrom, has 123 employees, including a national network of field engineers providing ongoing maintenance support.

In its last audited accounts for the year ended 31 May 2013, Starkstrom generated revenues of £13.7 million, made a profit before tax of £1.8 million and had net assets of £4.9 million.

This acquisition formally establishes Progility's healthcare division as a provider of project management services and solutions to hospitals. Currently, Progility Technologies Pty Ltd. is providing communications and systems integration products and services to hospitals in Australia and the Directors believe that there is significant cross over with the technology being employed by Starkstrom's complete solutions for operating theatres and intensive care units. The transaction creates scope for collaboration on product development and the opportunity to use Progility's international reach to extend Starkstrom's business beyond the UK into the Middle East and Australasia.

Wayne Bos, Executive Chairman, commented, "We are pleased to bring Starkstrom into the Progility Group. As a project management focused business with a long established and well recognised brand in its market, Starkstrom is a platform around which we can build our healthcare division. This is a material addition to the Group and a significant step in our plan to build a substantially larger and more profitable business."

The purchase has been made from Siavash Tabibi (Starkstrom's chief executive), his wife, Primary Management Services Limited, Andrew King (technical director) and his wife, William Evans (sales director) and B.P.G. Projects Limited. Arrangements have been made with Mr Tabibi and Mr King to stay on with the business on a consultancy basis for a phased handover. Mr Evans will remain in his current role.

Prior to completion F1 Manufacturing Limited ("F1"), a metal fabricating subsidiary of Starkstrom and certain other assets were demerged from Starkstrom. In the year to 31 May 2013 F1 had turnover £2.9 million and a profit before tax of £48,000. As part of the transaction Starkstrom acquired the undertaking and assets of F1's assembly division and F1 will continue to supply Starkstrom with certain metalwork.

The consideration payable is £6.96m in cash on completion and the issue to the Vendors of £2.72m of zero coupon loan notes repayable in four half-yearly tranches over the two years following Completion. The loan notes will be convertible into new ordinary Progility shares, at the prevailing market price, in the event of non-payment.

The Share Purchase Agreement contains a net asset adjustment by reference to completion accounts



which will be prepared following completion. In addition the Share Purchase Agreement contains warranties, indemnities and other undertakings usual for a transaction of this nature. The £6.96m cash consideration payable on Completion will be financed initially by issuing £7.15 million of the recently created redeemable loan stock (announced on 1 July 2014) to DNY Investments Limited, an asset of the DNY Trust, a family trust of which Wayne Bos is a discretionary beneficiary. The Independent Directors of Progility, having consulted with Spark Advisory Partners, as Nominated Adviser to the Company, consider the terms of the Loan Notes to be fair and reasonable insofar as the shareholders are concerned. In providing advice to the Independent Director, Spark Advisory Partners has taken into account the Independent Directors' commercial assessments of this related party transaction.

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Group Description

Progility plc is the holding company of a project management services group specialising in people, processes, training and systems integration. The Group has four divisions: Technology Solutions, Training, Consulting and Recruitment.

Technology Solutions

The technology solutions division comprises Progility Technologies and Starkstrom. Progility Technologies operates a communication systems integration business that designs, implements and maintains solutions for medium and large enterprises with a focus on the rail, port, oil and gas, power, water and healthcare industries in Australia and on the mining industry globally.

The business, which was merged with the Group in October 2013, is headquartered in Melbourne, Australia, and has offices in Castlemaine, Perth, Sydney, Latrobe Valley, and Brisbane.

It has three operating divisions: **Communications Australia**, focuses on communications systems integration, designs voice and IP communications solutions for specific customers' operating environments and is a major provider of enterprise based Siemens unified communication systems in Australia; **CA Bearcom**, Australia's largest distributor of two-way radio communications products, primarily supplied by Motorola Australasia; and **Minerals & Energy Technologies**, which designs, implements and manages an array of integrated communications solutions for specific mining, oil and gas, rail and port applications.

Starkstrom is a UK based project management services' company specialising in manufacturing and supplying medical infrastructure equipment for operating theatres and intensive care units. Acquired in July 2014, Starkstrom is headquartered in North West London and with a manufacturing and assembly facility in Leicester.

Training

The training division comprises ILX Group, which provides a blend of on-line learning, games and simulations, traditional classroom training, practical workshops and coaching. ILX delivers training in the UK Cabinet Office's best management practice products, primarily in PRINCE2, MSP and ITIL.



Consulting

The consulting division comprises Obrar in the UK and ILX Consulting in Australia. Obrar is a consulting and project management services company, focused on multimedia contact centres, corporate technology infrastructure and associated operational change, with extensive experience in delivering contact centre outsourcing on a global basis. ILX Consulting, located in Sydney, is an organisational improvement and project management services company, specialising in information technology, service and supply chain improvement and overall project and programme management.

Recruitment

The recruitment division comprises TFPL and Sue Hill Recruitment. TFPL is a recruitment, training and consulting business specialising in the knowledge, information and data management industries, which was acquired in July 2013. TFPL provides executive search, managed services and the placement of permanent, interim and contract personnel into the public and private sectors. Sue Hill Recruitment, which was founded in 1997, is a specialist employment agency to the UK information, market research, insight and analysis sectors and was acquired in November 2013.