

15 July 2011

Hasgrove plc

Sale of Interel - public affairs and strategic communications business

Hasgrove plc (AIM: HGV, 'Hasgrove', 'the Group', 'the Company'), the pan European marketing and communications services group, has sold Interel, its Public Affairs and Strategic Communications Division, ("Disposal"), for a total cash consideration of €9.55m (£8.45m) and the assumption of liabilities of €0.90m (£0.80m).

Highlights

- Total cash consideration of €9.55m (£8.45m) and the assumption of liabilities of €0.90m (£0.80m).
 - Interel paid €1.51m (£1.23m) dividend to Group in June 2010
- Buyer is a newly formed company set up by the management of Interel
- Hasgrove to focus on provision of digital and communication services.
- Significant opportunity for growth in digital activities
- Well positioned in providing digital strategy, internal communications and infrastructure for large organisations
 - Initial cash payment €7.635m (£6.756m) will pay off a substantial proportion of Group's net debt (£6.7m as at 31 December 2010). Balance used for working capital product development.

The Group expects to publish a trading update for the digital business at the end of July.

Godfrey Taylor, Hasgrove Chairman, said:

"This is an important transaction for the Group allowing the management to focus on developing our digital businesses. We will take advantage of the exciting opportunities available in a rapidly changing marketplace."

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Information on Interel

[Interel](#) is an international consulting group specialising in public affairs, strategic communications and association management with offices in Brussels, London, Berlin, Paris, Prague and Washington DC and has a network of partners in other major cities in Europe and internationally.

For the year ended 31 December 2010, Interel contributed £13.1m of total Group revenues of £35.4m (representing 37%) and £0.96m of total Group operating profits of £2.4m (after management recharges and exceptional items - representing 40%).

Background to and reasons for the Disposal

Hasgrove is the holding company for a group of marketing and corporate communications companies. The Group consists of two divisions: Digital and Communication Services, and Public Affairs and Strategic Communications operating as Interel.

Hasgrove was formed in 2004 with a "build and buy" strategy aimed at developing a pan-European marketing and communications business. Between 2006 and 2008 the Company acquired three public affairs businesses (Interel, Cabinet Stewart and Politics International) which were integrated to form the Public Affairs and Strategic Communications division, operating as Interel.

Following a review of its business in the current economic climate, the Board has concluded that the greatest opportunity for growth and generating value for shareholders lies in its digital activities, where the Group is well positioned. The Board has therefore decided to dispose of Interel.

Use of Proceeds

The initial payment on completion amounting to euro €7.635m (£6.756m) will be applied to paying off a substantial proportion of the Group's net debt (being £6.7m as at 31 December 2010). The balance will be used for working capital product development and, if considered appropriate at the time, buy-back of the Company's shares. A dividend of €1.512m (£1.228m) was also paid in June by Interel to the Company.

Post Disposal Strategy

Following the Disposal, Hasgrove's remaining trading activity will be the provision of digital and communication services.

The Board believes that there is a significant opportunity for growth in its digital activities, where the Group is well positioned, particularly in the key areas of developing digital strategy, internal communications and infrastructure for large organisations

The Group will continue to invest in digital activities including product development, building intellectual property, extending geographic coverage and expanding capacity to satisfy client requirements.

The Board announced last year that it will be initiating the recommendation of a progressive dividend policy with the aim of materially increasing its dividend subject to maintaining cover of at least two times underlying earnings per share.

Board change

Fredrik Lofthagen has resigned as a Hasgrove director with immediate effect.

Terms of the Disposal

The entire issued share capital of Interel will be acquired for €9,548,000 (the "Consideration"). Of the total Consideration €7,634,851 was paid on completion of the Disposal ("Completion"), a further €750,000 is payable in two equal instalments on the first and second anniversaries of Completion and the balance of €1,163,149 ("Further Consideration") is payable on the second anniversary of Completion. As security for the payment of the Further Consideration, the Buyer has granted a charge to the Company over its holding of 1,163,149 ordinary shares of the Company transferred to it, in part, by the Interel Directors. The Employee Benefit Trust of the Company has the option to acquire these shares at any time prior to such date at a price not less than €1 per share.

It has been further agreed that one of the former Interel businesses, Landmarks, a corporate design business that works closely with Amaze in Brussels with revenues in 2010 of approximately €1.4m, will not be sold with the business and is therefore being legally transferred to the Company from Interel. The Landmarks' performance in 2010 is not included in the figures reported for Interel above.

Related Party transaction

As the Interel Directors are also existing Directors of the Company, the Interel Disposal is deemed to be a related party transaction for the purposes of Rule 13 of the AIM Rules for Companies. It is therefore a requirement that Peel Hunt LLP, in their capacity as nominated adviser to Hasgrove, provide a statement of their opinion of the terms of the Disposal to the independent directors of the Company, being the Directors of the Company excluding the Interel Directors (the "Independent Directors").

The Independent Directors, having consulted with Peel Hunt LLP, consider that the terms of the Disposal are fair and reasonable and in the best interests of the Shareholders as a whole. In providing advice to the Independent Directors, Peel Hunt has relied upon information supplied by the Independent Directors and their commercial assessments.