

**Science Group plc**  
("Science Group" or the "Group")

**Business Update and Acquisition of Freehold Property**

Leatherhead Research Limited, a subsidiary of Science Group plc, acquired the business and assets of Leatherhead Food International ("LFI") on 16 September 2015 for a cash consideration of £1.625 million. Since that time, a restructuring has been undertaken to refocus the business on core activities and to reduce the cost base accordingly, particularly overhead costs. Going forward, Leatherhead will comprise three business areas:

- Science & Innovation;
- Global Regulatory Services; and
- Consumer Sensory Services.

The initial integration phase has been successful to date and is continuing. The LFI business was operating at a loss, which has increased in the short term by the termination of some activities as the Leatherhead business is refocused. In addition, the anticipated restructuring and non-recurring charges associated with the acquisition are estimated to be approximately £0.8 million in the current financial year. The Group consolidated 2015 results will reflect these charges. Consistent with the Board's business plan at the time of the acquisition, 2016 will be a year of transition including full relocation of the operations into the new facility (see below) during the first half of the year, which will result in duplication of some operating costs and additional non-recurring charges in 2016.

With regard to the Group's Sagentia and Advisory operations, trading remains satisfactory. As always, the Board remains cautious in its forward outlook, particularly in the current volatile global economic climate, which is not anticipated to improve in the foreseeable future. (Approximately 80% of the Group's fee revenue was derived from international markets in the first half of 2015). As a consultancy, forward visibility is always limited and a prudent management approach will be maintained.

# science group

## **Acquisition of Freehold Property**

Science Group plc (AIM:SAG) has acquired the freehold property at Great Burgh, Epsom for £7.0 million from EauRouge Properties Limited. Comprising approximately 35,000 sq ft NIA (estimated 50,000 sq ft gross), during its history, Great Burgh has been the laboratory of Distillers Group, BP and Smith Klein Beecham. During the past 15 years, the property vendor has undertaken a major overhaul and made substantial investment in Great Burgh's infrastructure and facilities, including new buildings, refurbishment of original buildings, high quality mechanical and electrical installations and a full-site standby generator.

Great Burgh will comprise offices, laboratories, a consumer sensory centre and conference facilities and the property offers areas suitable for each of these diverse requirements providing an ideal base for the Group's South-of-London operations. Furthermore, as a result of the high quality infrastructure, fit-out costs are anticipated to be lower than expected for such a large property with complex business operating requirements, at approximately £1.5 million. The property acquisition and fit-out will be funded from the Group's existing cash resources. (The purchase of the Great Burgh freehold property offers the Board the option of increasing debt financing in due course.)

In deciding to purchase the property, the Board explored a variety of alternatives, both freehold and leasehold. Great Burgh not only offered solutions to the diverse operating requirements (including, for example, an area with concrete flooring for laboratories and suspended floor for offices), but also an attractive forward operating cost model relative to a typical full repairing leasehold. The Board also considered long term factors related to leasehold properties, particularly end of lease liabilities related to laboratory activities, which can potentially be onerous. As such, and taking into account the substantial investment previously undertaken on the property, the Board consider Great Burgh to be a highly attractive long term solution which will provide an outstanding facility for the Group's South-of-London operations.

## **Summary**

In summary, the integration of the Leatherhead business is progressing satisfactorily and the acquisition of Great Burgh is a major step in that process. From the positive reaction of the Group's customers, the Board considers that there are potentially attractive medium term synergies to be derived from the acquisition of Leatherhead, but these will not be realised

# science group

until the relocation has been completed. In parallel, the Board maintains its prudent approach to the operational management of the businesses within the Group.

- Ends -

**For further information:**

**Science Group plc**

Martyn Ratcliffe, Chairman

Tel: +44 (0) 1223 875 200

Rebecca Hemsted, Finance Director

**Numis Securities Limited**

**Nominated Adviser:** Simon Willis / Paul Gillam

Tel: +44 (0) 20 7260 1000

**Corporate Broking:** James Serjeant