

Castle Street Investments PLC
("Castle Street" or "the Company")

Acquisition of C4L

Castle Street Investments plc (AIM: CSI), is pleased to announce that it has acquired C4L Group Holdings Limited ("C4L"), a successful and growing network services and data centre hosting business, for a total consideration of £20.2 million in cash and shares (the "Acquisition").

Highlights:

- Acquisition of C4L is a key component in building out Castle Street's platform
- C4L brings a high quality core network infrastructure with substantial capacity for growth and a broad data centre infrastructure
- 45 staff based in Bournemouth and Docklands, C4L provides services to over 800 customers (primarily in the UK), over 90% of its revenues are recurring
- C4L's current trading in the three months to 31 January 2016 has delivered an annualised turnover of £14m and run rate EBITDA of £2m with further growth expected
- The acquisition will be immediately earnings enhancing and, in line with the Company's strategy, will facilitate a broader integrated service offering to a larger client base while focusing on delivering higher margin services
- Mathew Hawkins, C4L Chairman and Founder, and Simon Mewett, C4L CEO, will join the Board of Castle Street Investments PLC as Chief Technology Officer (CTO) and Chief Operating Officer (COO) respectively.

Founded in 2000, C4L is a successful and growing network services and data centre hosting business. C4L owns and manages core network infrastructure and data centre assets, including:

- coreTX™ - one of the UK's largest privately owned 100Gbps MPLS network built on modern Juniper technology
- coreTX™ is ready for the next generation of software defined networking ("SDN"); offering a substantial advantage over most legacy networks
- fibre connectivity into over 50 data centres across the UK
- a 3MW data centre in Bournemouth
- one of the UK's largest on-net DDoS Cloud protection platforms available in 50% of the UK's data centres
- PortaOne – a carrier grade VoIP platform.

Andy Ross, CEO of Castle Street, commented: "C4L combined with our recent acquisition of Selection Services demonstrates the progress we are making towards becoming an integrated IT Services and Cloud provider. C4L has a high quality, next generation infrastructure which has been well invested. Allied to a successful business with high levels of recurring revenue it offers strong growth opportunities. The enlarged customer base and product portfolio strengthen and consolidate our position in the industry and as a Board we are excited by this Acquisition which supports the next step in the Company's development.

Jonathan Watts, Chairman of Castle Street added: "Matt and Simon have done an excellent job in building C4L. We welcome them to the Board and look forward to their contribution as we continue to execute on our focused growth strategy."

Castle Street Investments plc

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Further Information on the Acquisition and Proposed Directors:

The addition of C4L will create a business with a total of over 400 highly skilled staff, and the combined strengths in networks, data centre and managed services means the Company can now offer a much broader range of products and services to a wider customer base.

The Acquisition is for the entire issued share capital of C4L Group Holdings Limited and the following subsidiaries; Connexions4London Limited, Mimic Ltd and Orbis Telecom Ltd (the "Group").

For the year ended 31 October 2015, the Group's revenue amounted to £13.9 million with a reported loss before tax of £0.40 million. At 31 October 2015 the Group's gross assets amounted to £5.2 million. EBITDA for the year to 31 October 2015 amounted £1.0 million.

The total consideration payable for the acquisition is approximately £20.2m and is to be satisfied by £14.2m in cash, funded through the Company's existing cash resources and debt facilities, with the balance to be satisfied through the allotment of 18,346,918 new ordinary shares in the Company, to be issued at a price of 32.5p per share ("Consideration Shares"). In addition as part of the Acquisition the Company will assume liabilities of approximately £2.8 million. The Consideration Shares will be subject to a 12 month lock-in agreement, followed by certain orderly market provisions for a further 12 month period.

Application will be made to the London Stock Exchange for the Consideration Shares to be admitted to trading on AIM and admission is expected to take place on or around 19 February 2016 ("Admission").

Following Admission, the number of Ordinary Shares that the Company will have in issue will be 190,902,721. The total number of voting rights of the Company will be 190,902,721. This figure may be used by Shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the Company under the FCA's Disclosure and Transparency Rules.

Mathew Paul Hawkins, aged 40, has held the following directorships during the past five years:

Current:

Connexions4London Limited

C4L Group Holdings Limited
C4L Ltd
Fibreband Networks Ltd
Fibreband Ltd
Fibreband Media Ltd
Infiniserv Limited
Orbis Telecom Ltd
Mimic Ltd
Teletracks Limited

Previous:

Save for the above, there is no further information required to be disclosed under paragraph (g) of Schedule 2 of the AIM Rules, with respect to the appointment of Mathew Hawkins.

Simon Charles Mewett, aged 49, has held the following directorships during the past five years:

Current:

Connexions4London Limited
C4L Group Holdings Limited

Previous:

Easy Computers (Southern) Limited
Easy Networks Limited
Kent IT Maintenance Limited
Iugo Group Limited (formerly Easy Group Limited)
Iugo Mobiles Limited (formerly Easy Mobiles Limited)
Iugo Telephones Limited (formerly Easy Telephones Limited)

Save for the above, there is no further information required to be disclosed under paragraph (g) of Schedule 2 of the AIM Rules, with respect to the appointment of Simon Mewett.

Information to be disclosed pursuant to Schedule 4 of the AIM Rules:

Mathew Hawkins

Mathew has entered into a letter of appointment with the Company dated 15 February 2016 in relation to his appointment as Chief Technology Officer. Mathew has also entered into a service agreement with Connexions4London Limited. The service agreement can be terminated by either party giving to the other not less than six months' notice in writing. The agreement contains provisions for early termination, inter alia, in the event that he breaches any material term of the agreement. The basic salary payable to Mathew is £140,000 per annum. This is to be reviewed on 1st January each year without any obligation to increase the same. In addition, Mathew may be eligible to participate in bonus schemes from time to time, such participation being at the sole discretion of the employer. He is also entitled to basic healthcare for himself and his immediate family, death in service cover at the level of four times basic salary and a car allowance of £7,000 per annum, payable monthly. Connexions4London Limited operates an auto-enrolment pension scheme with the level of employee and employer contributions being set out in the service agreement. The service agreement contains restrictive covenants for a period of 6 months following the termination of his employment.

Simon Mewett

Simon has entered into a letter of appointment with the Company dated 15 February 2016 in relation to his appointment as Chief Operating Officer. Simon has also entered into a service agreement with Connexions4London Limited. The service agreement can be terminated by either party giving to the other not less than six months' notice in writing. The agreement contains provisions for early termination, inter alia, in the event that he breaches any material term of the agreement. The basic salary payable to Simon is £140,000 per annum. This is to be reviewed on 1st January each year without any obligation to increase the same. In addition, Simon may be eligible to participate in bonus schemes from time to time, such participation being at the sole discretion of the employer. He is also entitled to basic healthcare for himself and his immediate family, death in service cover at the level of four times basic salary and a car allowance of £7,000 per annum, payable monthly. Connexions4London Limited operates an auto-enrolment pension scheme with the level of employee and employer contributions being set out in the service agreement. The service agreement contains restrictive covenants for a period of 6 months following the termination of his employment.