



Signed, sealed and delivered

Gresham has delivered one of its busiest years with six new investments completed during 2004.

They span the length of the country and cover businesses operating in industries as diverse as low-cost food retail; insurance claims management; pumping stations and restaurants.

One of the highlights is Gresham's investment in Flowtech in September

this year. Flowtech is the UK's leading catalogue distributor of pneumatic and hydraulic parts.

The deal capped a busy year in the North with many companies taking advantage of good corporate finance markets and a positive local economy.

To read more about Gresham's investment in Flowtech, turn to page 2 ▶

Signed, sealed and exited

In addition to a busy year on the new investment front, Gresham has managed 11 exits at an average of 4x money.

The exits include trade sales and a secondary buy-out and one of the highlights was the £65 million IPO of office2office on the main London Stock Exchange generating a return to Gresham of over 7x money.

To read more about Gresham's portfolio activity in 2004, turn to page 3 ▶

Pictured right: Ray Peck, chief executive of office2office plc



Pharmaceuticals ▶

Penn Pharmaceuticals, the outsourcing services and manufacturing business, has been exited following the sale of the bulk of the business to US-based Celgene together with a secondary buy-out of the remaining operations.

Gresham backed the original buy-out of Penn Pharmaceuticals in September 2000. Tredegar-based Penn was subsequently demerged into two separate companies to maximise the value of the business. The transaction represents over 8x money on Gresham's investment.

Financial services ▶

Gresham achieved a successful exit from the fast growing consumer debt purchase and collection business 1st Credit by selling to a £72 million secondary buy-out at a 50% IRR. Gresham initially invested £5 million in 1st Credit in January 2002 and raised its investment to £10 million during a second round of funding in October 2003.

To read more about all of Gresham's exits this year, turn to page 3 ▶

Industrial products ▶

Gresham's Birmingham office has backed the management buy-out of Minivator, a manufacturer of stairlifts. The deal allows the firm to continue investment in research and development to improve and expand the product range and customer service.

Support services ▶

Gresham's most recent investment backed the £12 million buy-in management buy-out of PIMS Services Ltd, a business offering installation and maintenance of pumps.

Gresham had previously backed Charlie White, the leader of the team, in the MBO of Penny and Giles. He had been working as business development director prior to the deal and became managing director at completion.

To read more about Gresham's new investments this year, turn to page 2 ▶

Life in the fast lane at Flowtech

In September, Gresham completed its largest investment of the year in Flowtech, the UK's leading catalogue supplier of pneumatic and hydraulic products. Gresham backed an existing operational management team and introduced a new chief executive, Stan Keyworth.

Headquartered in Skelmersdale, Lancashire, Flowtech has achieved an average rate of growth of 20% per annum. It has done that by focusing solely on supplying the independent distributor market in the UK and providing a value added service by offering distributors their own branded catalogues, marketing, logistical support and back office services. It offers next day delivery on over 40,000 products.

Flowtech has approximately 3,500 customers throughout the UK and across a broad section of British industry – including utilities, food processing, building maintenance and general manufacturing.

Flowtech already has made one small acquisition since the investment and is looking to increase its product offering, grow its customer base and improve its customer support.

“ FLOWTECH HAS ACHIEVED AN AVERAGE RATE OF GROWTH OF 20% PER ANNUM ”



Pictured above, from left to right: Merchandising director, Kevin McMullen; buying director, John Farmer; chief executive, Stan Keyworth; finance director, Keith Crosby; and business development director, Keith Dickinson

Minivator – going up in the world

Gresham was busy throughout the summer months with investments across its regional offices.

In August, Gresham backed the management buy-out of West Midlands-based Minivator, a stairlift manufacturer, led by managing director Mike Lord. The company designs, manufactures and installs each stairlift to the bespoke requirements of its customers. Minivator has invested heavily in extending its product range and customer service and the business now employs nearly 200 people. The business has demonstrated strong growth over the past three years with sales growing from £6 million to £20 million over the period.

The stairlift market is estimated to be worth approximately £200 million per annum globally, with 45 per cent of sales taking place in the UK. The market is expected to continue to exhibit strong growth, fuelled by an ageing population, increased



Pictured above: Paul Franks, Gresham investment director, left, with Mike Lord, managing director, Minivator

customer acceptance of the product as well as government funding and legislative support for increased accessibility to all, for example the Disabled Facilities grant and the provisions of the Disability Discrimination Act coming into force.

In June, Gresham backed the management buy-out of Ansa, a national outsourcing service that offers a fully integrated product to deal with insurers' drainage claims. Based in Yorkshire, the business has enjoyed growth levels of 60% per annum. The business now has a turnover of over £18 million and 170 staff. The market in outsourcing drainage insurance claims is currently estimated to be worth £150 million per annum by the Association of British Insurers' Drainage Forum.

The buy-out is being led by chief executive Steve Watkins and will allow Ansa to expand its client base further and develop additional services focused around its core areas of claims management expertise.

Exits on the agenda

In addition to the strong activity on both new investments and portfolio acquisitions, 2004 was an excellent year for exits. Gresham managed 11 exits for the year at an average of 4x money.

One of the highlights for the year was the flotation of office2office on the main London Stock Exchange. The IPO took place in June and valued the company at £65 million.

Gresham initially invested £6.5 million in the £10 million buy-in management buy-out of the business in December 2000 and over the life of the investment Gresham realised over 7x money and a 83% IRR. Gresham realised its entire stake in the flotation.

Other highlights for the year include the sale of the bulk of Penn Pharmaceuticals to US-based Celgene and a secondary buy-out of the remaining services business in which Gresham retains a stake. The £80 million deal represents a return of over 8x money on Gresham's investment of £5.8 million.

Following Gresham's investment in September 2000, the business was demerged to maximise value. The business has grown substantially – sales up four times, profits up eight times and the company invested in new facilities and created more than 60 new jobs in South Wales. Penn restructured its core business and expanded into new international markets, particularly the USA, Japan and South East Asia, which culminated in Penn winning the Queen's Award for Enterprise 2003 for International Trade.

Gresham's other exits include the successful sale of Dimensions Holdings to Johnson Service Group. Gresham originally backed the management buy-out in December 2000. The business supplies corporate workwear to a number of the UK's leading retail businesses and has been expanding its offering into the travel, finance, hotels and leisure sectors.

Portfolio perfection

Gresham's existing portfolio companies have also been expanding both organically and through acquisition.

2escape2 was set up last year by chief executive Terry Burt and chief operating officer Mark McVeigh. 2escape2 is a vehicle to buy and build a balanced portfolio of companies focused on the support, networking and managed services sector of the IT services market.

Gresham backed the management team of 2escape2 to support its buy and build strategy. The IT services group has made five acquisitions and won significant new contracts.

In April 2004 2escape2 completed the acquisition of Prime Business Solutions,

a provider of voice/data convergence technology, such as voice over IP, and other leading edge technologies.

Prime sells its services into a broad range of organisations such as House of Fraser, Halliburton, Vodafone and Dresdner Kleinwort Wasserstein. Other acquisitions include Dutch-based companies Dynamic BV and Motifact BV.

Dynamic's core competencies are built around network and systems management. Motifact offers high-level consultancy solutions for organisations such as Hewlett Packard, Deloitte and KPMG.

To date Gresham has supported 2escape2 with a total funding package of £30 million and the group continues to target further acquisitions.

Consumer confidence

Gresham's consumer businesses have also benefited from the positive economic conditions and have taken the opportunity to expand their franchises.

Cooltrader, the discount frozen food retailer, has also been in acquisitive mode with the purchase of Poundfreeze. The eight Poundfreeze stores add to the existing 12 Cooltrader stores in the North West and gives the firm a presence in the Midlands. Cooltrader was founded in 2001 by the management team that built up the Iceland group. Gresham's funding supports the management team in its aim of rolling out 40 new stores nationwide.

Also taking advantage of the booming consumer economy is Manchester-based Individual Restaurant Company. From its base in the North West, the company is looking to roll out its Bar & Grill and Piccolino concepts across the UK with the £18 million funding package secured



Individual Restaurant Company's staff are an essential part of the business's success

in May. The management team is led by Stephen Walker, founder of Manchester's Sugar Lounge bar and who recently sold his food business to the Irish food group Greencore.

The first new Piccolino site was opened in Liverpool and the group has a strong pipeline of new sites to be opened in 2005.



GRESHAM MANAGED 11 EXITS FOR THE YEAR AT AN AVERAGE OF 4X MONEY



Investments

2escape2

Sector: Support Services
Deal type: Buy-in/management buy-out
Region: South



Individual Restaurant Company

Sector: Consumer
Deal type: Buy-in/management buy-out
Region: North West



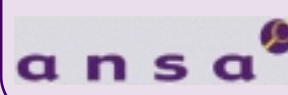
Cooltrader

Sector: Consumer
Deal type: Development capital
Region: North West/Midlands



Ansa

Sector: Support Services
Deal type: Management buy-out
Region: North West



Minivator

Sector: Industrial Products
Deal type: Management buy-out
Region: West Midlands



Flowtech

Sector: Support Services
Deal type: Buy-in/management buy-out
Region: North West



PIMS

Sector: Support Services
Deal type: Buy-in/management buy-out
Region: South



Exits

office2office

Deal size: £65 million
Sector: Support Services
Exit type: Flotation
Region: South



Dimensions Holdings

Deal size: £27.4 million
Sector: Support Services
Exit type: Trade sale
Region: Midlands



Penn Pharmaceuticals

Deal size: £80 million
Sector: Pharmaceuticals
Exit type: Trade sale
Region: Wales



1st Credit

Deal size: £72 million
Sector: Financial Services
Exit type: Secondary buy-out
Region: South



About Gresham

Gresham is the regionally based UK private equity house specialising in investing in mid-market companies.

Transactions are typically valued at between £5 million and £75 million. The group focuses on management buy-outs, buy and build opportunities and transactions requiring expansion and replacement capital.

Gresham's offices in London, Birmingham and Manchester give direct access to the main centres of UK buy-out activity. This regional focus provides strong local knowledge and a network of contacts essential to sourcing new deals and effectively working with management teams across the UK.

A focused portfolio management team works alongside investee companies

in dealing with key commercial and financial aspects of the business to enhance the value of an investment and to focus on profitable exits. Gresham has a successful investment track record with a gross realised investment return of 34 per cent and a cash return of 2.7 times on 114 investments made since 1980.

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