



AUGUST  
equity

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Review

Illuminated Insight



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# Chairman's Statement

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## Building Strong

Welcome to the first review produced by August Equity. Although not obliged to conform to the Walker guidelines, we believe they are positive for our industry. They promote greater openness and transparency, and we fully support this.

### Investment Activity

Since closing our latest fund in the summer of 2008 we have focused our origination activities on those sectors where our team has significant knowledge and experience and where we feel there will be exciting investment opportunities despite the current economic conditions. In August 2008, our funds invested £15.1 million to support the £36.5 million buy-out of Accura Support Services, a provider of highly specified mission critical components primarily for the oil and gas and aerospace sectors. During 2008, our funds invested £7 million to fund the acquisition of Enara Community Care, a buy-and-build in the UK domiciliary care sector and subsequently increased the investment to £23 million alongside a £23 million bank facility. This has enabled the company to complete 14 bolt-on acquisitions.

In the recent economic climate, with a lack of liquidity for trade and private equity buyers and depressed multiples, we did not believe it was in the interests of our investors or management teams to realise investments over the last year.

### Portfolio

When reviewing investment opportunities we identify companies that are leaders in their niche and have an established and defensible market position. This strategy has, to a large extent, produced robust and credible performance across our portfolio. We believe that building strong relationships with the management

## Foundations for the Future

teams we back and supporting them to achieve their business objectives is the best way to build value. We buy businesses in partnership with management. We work alongside our management teams, supporting them every step of the way, providing guidance to help them develop and expand the businesses we invest in. The support we provide has a direct impact on the success of the business, leading to stronger performance and better returns for our investors.

We encourage our portfolio companies to review their acquisition strategies and have assisted them to identify bolt-on acquisitions. Imagine Publishing has acquired two complementary magazine titles and Boat International has acquired the leading magazine in the US market.

### Talented Team

Our people-sensitive approach starts at home, with our team. It is the most important part of our business. We begin by recruiting people with the right mix of skills and talents and invest heavily in mentoring, training and career development to enhance our business. We recently added two new members to the team. We give our team responsibility early on in their careers, enabling them to get involved in deals and gain transaction experience far sooner than they would elsewhere in our industry.

Our partners and investment professionals have the experience and knowledge to manage in the challenging environment in which we operate and the entrepreneurial talent to identify the

attractive investment opportunities that will arise as the economy moves out of recession.

### Our Approach

Relationships are the life-blood of our business. We are firmly committed to developing close relationships with all of our stakeholders, including our management teams, our own team and, of course, our investors. Our relationship-driven approach, sector-focused origination and the support we provide to our companies helps differentiate our investment strategy in today's challenging climate. We believe in capitalising on the strengths, experience and skills of our team and are firmly committed to developing and growing our business within the UK mid-market. Continuing to invest only in UK companies will enable us to add the most value in the long term, consequently providing greater stability of returns and benefit to our investors. We intend to remain flexible when it comes to fundraising to enable us to take advantage of the best opportunities as and when they arise. The decisions we make as a partnership are geared to differentiate August Equity within our industry.

### Governance

Good governance is vital. We insist on portfolio companies having proper board meetings and papers, undertaking regular strategic planning and having a clear focus on the revenue opportunities and operational improvements that will drive shareholder value. We apply the same disciplines to our own business. Our

decision to change August Equity to a limited liability partnership has made us more responsive as a business. Our five partners hold regular board meetings as well as weekly operational meetings and we make quick and efficient decisions on matters as they arise.

### Outlook

The current economic climate makes investing that much more challenging. However, it is in such times that our experience helps us to identify outstanding investment opportunities. We have substantial cash resources to invest at a time when we believe asset prices are attractive. Identifying investment opportunities at relatively low entry prices but with growth strategies will provide good returns for our investors. We have developed some excellent long term banking relationships such that we still find it possible to attract debt finance to fund the deals we want to do.

Looking forward, we believe that the importance we place on building stakeholder relationships, our commitment to the UK mid-market and the investment we make in developing our team combine to build strong foundations and a bright future for August Equity.

**Richard Green**  
Chairman

# August Equity's Strength is in its People.



"GMPF has committed to both August Equity Partners I and II for reasons including the team's historic track record in delivering strong returns to investors. In addition, August Equity has consistently applied its stated and differentiated strategy in the UK mid market – a segment of the market that has historically performed well for us".

**Nigel Frisby**  
Current pension fund investor

The ability to identify investment opportunities, work with management teams to create lasting value, and to generate attractive returns – especially in difficult markets – is what makes August Equity a successful private equity fund investor. We've chosen to structure ourselves as a limited liability partnership because doing so enables us to broaden the equity participation in the business, share the rewards of our success and create a structure which allows for developing the team and succession.

The business is managed by the Partnership Board. The Board is made up of our five partners and meets formally at least once a quarter, and informally every week. Individual partners have specific functional responsibilities for different areas of the business with formal committees for investment decisions and remuneration recommendations.

Our funds under management are structured as limited partnerships to suit the needs of our UK and international institutional investors. We currently manage two such partnerships, which – together with co-investment vehicles – amount to funds under management of £300 million.

# Corporate Governance and Conflicts

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Balancing the needs of stakeholders is essential if we are to develop a sustainable business, and we are mindful of the often-conflicting needs of our investors, portfolio company management teams and employees, our own team, and our suppliers.

Structuring deals to incentivise the management teams of portfolio companies, delivers attractive risk-weighted returns for the investors who provide the risk capital, and rewards us for identifying and delivering growth opportunities. This principle underpins the success and importance of private equity. Our rewards structure is designed to align the interests of the team and the investors in our funds. The long-term and collaborative nature of private equity investing makes it a unique asset class.

As a financial services business we are regulated by the Financial Services Authority (FSA) which sets out stringent reporting, prudential and procedural policies. These are primarily aimed at our relationships with our clients, though they also address broader challenges, such as combating money laundering and the use of the proceeds of crime.

We are a full and active member of the British Private Equity and Venture Capital Association (BVCA), the trade association for the industry. The BVCA not only acts on behalf of private equity fund managers, it also seeks to promote best practice within the industry. We fully support the codes of conduct and ethics set out by the BVCA.

Each of our investment partnerships has its own advisory committee which meets twice a year and comprises representatives from the full range of our investors. As well as acting as a sounding board in the event of a potential conflict of interest, the committee is also used as a forum to discuss developments within the industry and the firm, and to seek the opinion of our investors.

“I have worked with August Equity in a chairman's capacity for a number of their investments and I have consistently seen that they have the expertise, network and know-how to partner management teams in developing growth companies.”

**Richard Moon**  
Current portfolio company chairman

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# Our Portfolio

We only invest in UK based companies:



**4Projects**  
Project collaboration solutions



**Imagine Publishing**  
Consumer magazine publisher



**Accura Support Services**  
Mission critical supply



**Lifeways Community Care**  
Specialist care provider



**Boat International Media**  
Superyacht media group



**Planit Holdings**  
Software and services



**Enara**  
Domiciliary care provider



**Rixonway**  
Social housing



**Hat Trick Productions**  
Television programme production

“We have provided debt funding for many of the August Equity deals. They are very focused in the types of deals they invest in and take a sensible approach to their financial structures. They produce returns by building business not through financial engineering.”

**Graeme Strommen**  
Banking facility provider

# Corporate Social Responsibility

At August Equity, we are committed to taking responsibility for our position within the community, and to managing our business in a way that provides a positive impact on society. We are mindful of our responsibility to our stakeholders, and the way we do business reflects our commitment to profitable growth, sustainable development and integrity.

We ensure our business is always conducted according to ethical, professional and legal standards. Our aim is to be commercial and fair, to maintain our integrity and professionalism, and to behave ethically. We fully adhere to the BVCA Code of Conduct and Code of Ethics, and have committed to the London Better Together charter.

## Employees

We recognise that our employees are vital to the continued success of our business.

We offer a competitive and fair employment environment, and provide the opportunity for our staff to develop and advance in their careers. We also provide a range of benefits to ensure the health and wellbeing of partners, employees and their families.

We encourage an open and honest culture in all our dealings with employees. Channels of communication have been established to allow staff to voice their views, ideas and concerns, and we keep employees fully informed on all relevant matters.

## Community

We encourage our partners and employees to contribute their time and skills to help the community in areas where we work and live. Our employees' contributions include school governor duties, trustee of the Cranleigh Foundation, membership of the Council of the Institute of Chartered Accountants in England & Wales, membership of the development board for Mansfield College, Oxford University, developing a medical centre in Pakistan, and working on a project to provide clean water in Kenya.

## Environment

We recognise the impact that our business has on the environment and, as a minimum standard, comply with current applicable legislation in the United Kingdom.

We are committed to reducing our carbon footprint, and have instigated a recycling policy in our office as well as enrolling in the Carbon Smart scheme, which measures current carbon output and identifies ways to reduce our output in the future.

We are committed to continuous improvement in our environmental performance, preventing pollution and improving efficiency in the use of resources including energy, water, packaging and other raw materials.

## Marketplace

We act honestly and fairly in all our dealings with our stakeholders, and we are aware of the impact of our business behaviour within our marketplace.

We are supportive of the Principles of Responsible Investing, and ensure the growth of our portfolio companies is achieved in a responsible manner.

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# Our Investors

## INVESTORS

We manage a wide range of funds on behalf of institutional investors, including pension funds, funds of funds and investment trusts. The investment team at August Equity invests directly alongside our investors in the funds we manage, aligning interests of the team with our investors.



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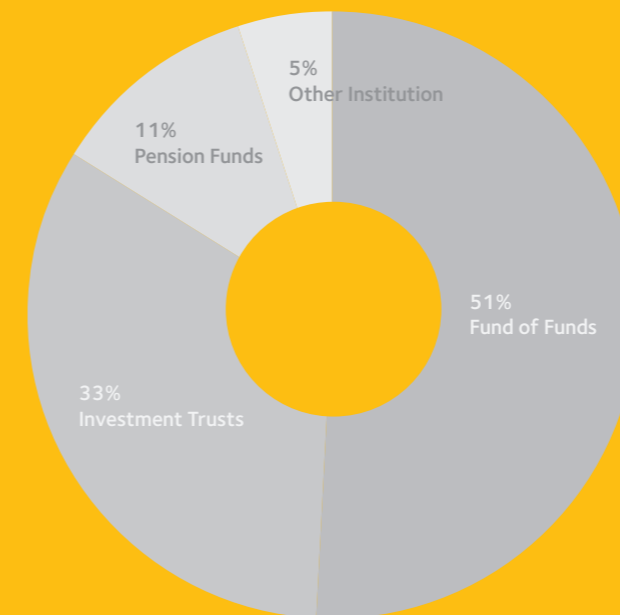
# ➤ Our Investors

The number of investors has increased from nine in our first fund to 14 in our latest.

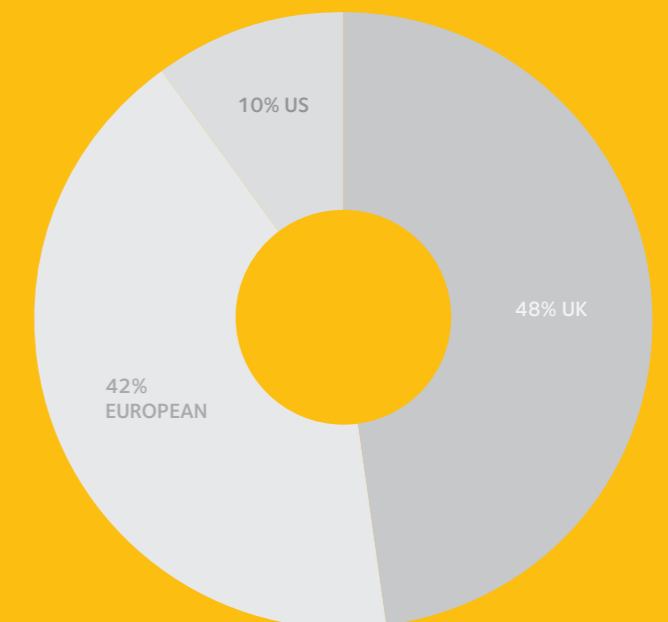
# ➤ Our Returns

We have £300 million under management and have invested £183 million. Total proceeds are £185 million, generating a return of 3x cost on fully realised investments.

Investor by type



Investor by geography



# Our Investment Philosophy

“From a management team perspective we look to work with private equity houses that understand what we are trying to achieve, can act quickly, show imagination and innovation and deliver on their commitments. Many houses promise but few deliver – August Equity is one of the few. That is why we have maintained a strong working relationship and I hope to work with them again.” **Bruce Brain**  
Former August Equity investee company CEO

### Building rapport

Experience tells us that one of the most effective ways to build a strong business is to build strong relationships. To do this we spend considerable time getting to know our management teams and their businesses, creating strong working relationships with our advisors, and letting our investors know how we create value.

We judge the strength and success of these relationships by the number of people who choose to work with us time and time again. Former management teams have brought us new investment opportunities, advisors continually recommend us to their clients, and investors repeatedly trust us with their capital.

### Forward thinking

We focus on the future potential of the various industries in which we invest. Before making any investment we consider all the drivers within the sector, and work with management teams and businesses to ensure we have a full understanding of the industry.

The knowledge gained from this in-depth research ensures we are well placed to identify the best management teams and, ultimately, the best investment opportunities.

### Consolidating markets

We typically invest in fragmented markets where consolidation encourages accelerated growth and allows for operational efficiencies. We believe that consolidating markets can lead to better product and service offerings, and that this ultimately leads to a stronger market position.

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**Acquisitions in 14 months at one of our buy-and-build investee companies**  
We help develop our investee companies by supporting acquisitions

➔ 30%

**Year on year sales growth following implementation of a sales and CRM improvement in one of our investee companies**  
We bring in specialists to help our management teams refine their sales and CRM strategies

➔ 2 + 2 + 2

**Two new verticals, two new offices in two new geographies developed by one of our investee companies since our investment**  
We support our management teams in developing new verticals and geographies

➔ £1M

**Invested in new technology in just one of our investee companies since acquisition**  
We invest in improved technology to help our investee companies reach their full potential

# Creating Value

Our overall aim is to build our investee companies into strong, profitable businesses, and to deliver them to the next stage of growth. We use our experience and network of contacts to create operational efficiencies that enable our investee companies to develop and grow.

Our approach to creating growth and generating value isn't about financial engineering or over-leveraging the business – it's about working in tandem with the management team to achieve their business plan. Together we identify the best method of growth, be that organic, through acquisitions or a combination of both.

## Organic growth

Organic growth is vital to building a stronger business. We work with our management teams to identify and develop sound organic growth plans through sales strategies, expansion into new markets, and new product and service offerings.

## Acquisitive growth

Increasing the scale of our portfolio companies also increases their value potential, so we believe acquisitive growth is important for a company's development. As well as providing the capital required to make acquisitions we also work with our management teams in identifying potential targets, completing the acquisition, and post-acquisition integration.

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