



Bank of Scotland's Integrated Finance team brings you up to speed

Issue 11

# inFORM



Integrated Finance

LOOK AT THINGS DIFFERENTLY

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# inFORM

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brings you up to speed



I'm delighted to deliver the latest issue of inFORM – the newsletter brought to you by Bank of Scotland's Integrated Finance team.

Each issue of inFORM highlights our recent success stories – exploring the deals we've completed and looking at what sets them apart. We've already closed five new deals in 2008 and you will find more details on them in this edition.



Mark Hammond

The climate for making investments is clearly quite different from this time last year. I am particularly pleased, therefore, that we are able to demonstrate our 'through the cycle' approach in the deals we have been funding.

Last issue I wrote about how our success has been underpinned by our unique 'one cheque from one team' approach and I want to reiterate that. One of the key benefits of Integrated Finance is the strong deliverability of our deals that comes from being the sole provider of capital. This approach has proved even more critical in recent months as market conditions have become more turbulent. Although conditions in the syndicated debt markets are difficult, equity markets remain highly

**"The strength of the management teams we choose to support is a fundamental part of our success. We only back the best."**

competitive. Being able to speak for our own debt is of vital importance, particularly to vendors seeking comfort that all the funding needed for their deals is there.

That's not the only reason we're one of the market leaders. The strength of the management teams we choose to support is a fundamental part of our success. We only back the best. Although we see a huge amount of the market volume, we don't back everything we're shown. The quality of our offering allows us to pick and choose the companies we work with and it's their strength of management that distinguishes them, particularly as conditions get more challenging.

Finally, our advantage is reinforced by our regional approach. Our footprint in regions across the UK ensures that we're close to local advisers and companies in all parts of the UK. I plan to spend a lot of my time this summer in regions across the country and I very much hope to meet as many local intermediaries as I can.

I hope you enjoy this edition of inFORM.

Mark Hammond, Head of Bank of Scotland Integrated Finance

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APRIL 08 **INTEGRATED SUBSEA SERVICES** **ISS**  
**£80m Growth Funding**



“They’ve certainly delivered exceptional growth over the last five years.”

**It’s a phenomenal success story.**”

**An innovative £80m debt and equity funding package devised by Bank of Scotland Integrated Finance (IF) has put one of Scotland’s leading subsea service companies on an accelerated international growth track.**

**Aberdeen-based Integrated Subsea Services (ISS), launched only six years ago, is now predicting that turnover will climb to £150m within three years.**

The ambitious North Sea firm owns and operates a modern fleet of 20 remotely operated vehicles (ROVs)

providing worldwide inspection and drill support services for oil and gas production and pipeline installations.

It recently significantly strengthened its fleet with a £20m investment in ROVs capable of working in up to 3,000m of water to service expanding deepwater oil and gas field operations off West Africa and in the Gulf of Mexico.

And, last July, ISS spent another £9m extending its specialist capabilities by acquiring the Aberdeen-based offshore acoustic surveyors and hydrographers, Andrews Survey, with 50 staff.

With a workforce of over 500, ISS has built a strong North Sea and international blue-chip customer base since its Bank of Scotland funded launch in 2002 by Ian Herd, Managing Director, and Bruce Webster, HR Director.

“We identified the Bank as the best partners to finance our continued growth,” they explain, “and the beauty of their package is that our management team retains control of the business, safe in the knowledge that we have the Bank’s expertise on hand whenever we need it. We’ll use this new investment to continue our rapid growth and capitalise on international opportunities.”

Ritchie Clark, Director, IF, adds: “The deal meets the founders’ two important aspirations: it realises some of the value in the enterprise they’ve worked so hard to build; and it ensures they retain both equity and strategic control of the company. That was fundamental to them – and, given their tremendous track record, it was vital for us as well.

“We’re in business to support strong management teams and they’ve certainly delivered exceptional growth over the last five years to become a leading force in one of the oil and gas industry’s fastest growing sub-sectors. It’s a phenomenal success story.”

“The beauty of the package is that we retain control of the business, knowing we’ve got the Bank’s expertise on hand whenever we need it.”

## VERNACARE

Secondary Buy-out



**T**he management team at Verna Group are pressing ahead with plans for international expansion thanks to a deal with Bank of Scotland Integrated Finance (IF). The healthcare firm specialises in the field of infection control, supplying products (including disposable bed-pans and urinal bottles) to hospitals, which help prevent the spread of hospital acquired infections such as MRSA and C-difficile.

the future. We're moving into a new period for the business as we expand internationally. A Private Equity company had owned us for the last two years and that had got us to where we wanted to go with a couple of years of very intensive restructuring. We felt the next stage was more of a five year plan with a period of growth and investment and we needed someone who was prepared to stay with us for that period of time."



**Catherine Houghton, Director, IF, believed Verna Group was ideally suited to an IF proposition: "Verna is a solid, market-leading business in the UK in a sector which is getting a lot of investment at the moment. It is a very stable business with good cash flows, just the type of deal that we like to back."**

Verna was also very keen to have a funder who was prepared to back the company in the long-term, having undergone a period of great change in the last couple of years. Karen Haslam, Chief Executive, Verna Group commented: "The IF model really stood out for us as it was perfectly in tune with our vision for

Having secured the deal, Verna now has its sights set on replicating its UK dominance overseas. The potential for international growth is significant, as the rest of the world is realising the value of using disposal pulp products which have been shown to reduce the risk of cross-infection.

The management team's strategy to move the business from its position as the UK market leader to being a major player on the world stage is one that IF is happy to back.

"They are making really good progress internationally," Catherine continues, "doing particularly well in America, Australia and South Africa. It's a very exciting time for Karen and the Verna team."

## CHARTERHOUSE PRINT MANAGEMENT

Institutional Debt and Equity package

Inspirational print management  
= Charterhouse

**T**he great success story of Charterhouse Print Management is set to continue following a transaction which has seen Bank of Scotland Integrated Finance (IF) make a significant investment in the business.

**The management team, led by Gary Mahoney, will maintain strategic control of a company which has enjoyed spectacular growth. Charterhouse boasts a portfolio of blue-chip clients such as T-Mobile, Shell and Sony amongst others and acquired a major contract with BMW whilst in discussion with IF.**

The stewardship of Gary Mahoney has been critical to this success. "Gary is a driven and inspired CEO and he is recognised throughout the print management sector as an industry leader," explains Nigel Irvine, Regional Director, IF. "The management team is very relationship-focused and very cohesive as a group. IF is committed to backing strong, successful management teams and this is a

classic example of that approach."

Charterhouse provides high-quality, bespoke, full-service solutions. By building strong ties to its customers, it has seen its sales levels rocket from £3m to over £65m in less than 10 years. This focus on its customer relationships impressed the IF team, which also included Owen Sennitt (Director) and Jamie Foster (Senior Analyst). "Many of these relationships are very long term and they have never lost a single customer," says Nigel Irvine. "When we were getting due diligence back from customer interviews, the feedback was overwhelmingly positive."

The young but experienced management team has now been joined by a non-executive chairman to help drive the business to the next level. Charterhouse will now have the opportunity to expand sales across Europe with both existing and new clients. With a strong track record of integrating other firms, potential bolt-on acquisitions have not been ruled out either.

Speaking of the deal, Gary Mahoney said: "We are delighted to form a partnership with IF and we look forward to working with them in the coming years to deliver even greater value to our clients and stakeholders. Charterhouse has a tremendous opportunity to build on its market leading position and we are looking forward to the future with great confidence."

**“...has a tremendous opportunity to build on its market leading position”**



**QUARTIX Ltd****£12m** Integrated Solution

QUARTIX



“It is one of the fastest-growing and highest-margin businesses in its market and an exciting investment for us.”



**Q**uartix Ltd, one of the UK's fastest-growing hi-technology companies and a leading supplier of vehicle tracking systems, has created an important partnership with Bank of Scotland Corporate. The Bank has acquired a 20% stake as part of a funding package enabling the Powys/Cambridge based firm to boost its strategy to maximise its market share.

Launched in 2001, Quartix Ltd has made a big impact with its telemetry, embedded computing, communications and database design systems. Today, more than 1,500 fleet operators use its technology to log vehicle movements from any PC, without the need to install software.

The Welsh firm last year won a raft of awards for its growth and service quality. It took its place among the UK's top 50 fastest-growing hi-tech companies named by Deloitte Technology. It won the AXA SME business award for the Wales and West of England region, and walked off with the 2007 Van Fleet World Honours Technology Award.

The deal maintains the management team's strategic and operational control with 80% of the equity. This was of paramount importance to Managing Director Andy Walters who is impressed with the comprehensive single source package from the Bank's Integrated Finance (IF) team, made up of Owen Sennitt, Director; Fiona Gibson, Associate Director and Ben Stephenson, Associate Director. Andy comments: "We've got the equity, the mezzanine finance and the senior debt, together with the on-going relationship, all coming from the same source," explains Andy. "It's efficient – and comforting – to be dealing with just one financing partner who understands our whole funding package. This investment gives us the impetus to maximise our market share. We're aiming to be the supplier of choice to most companies considering vehicle tracking in the UK."

From the Bank's point of view, Quartix amply measures up to the IF team's philosophy of backing strong management with impressive promise. "They've got a unique low cost and high margin proposition," says Owen, "and a strategy that's perfectly defensible in the market they're targeting. It's a dynamic business with a robust customer base."

Quartix's user-friendly technology enables small businesses and major corporations alike to optimise fleet efficiency and monitor the latest legislative requirements. Proven commercial benefits include lower operating costs, more responsive delivery times and improved vehicle security.

"Product development is very much a customer-focused process," explains Owen. "They've gradually built functionality in the product as customers have required it and spent money on R&D to cement these ties. It is one of the fastest-growing and highest-margin businesses in its market – and an exciting investment for us."

Support from Bank of Scotland Integrated Finance (IF) has enabled the UK's market leader in crane hire, Ainscough Crane Hire Limited, to acquire crane services company James Jack Lifting Services.

The funding package was put together by David Mowat and Andrew Browning of the IF portfolio management team, against very short timescales. It ensures the firm can forge new relationships into a new region and a new sector as, although head-quartered in Aberdeen, James Jack provides crane hire services

across Scotland. As well as giving Ainscough penetration into the Scottish market, the acquisition also ensures it gains access to the oil and gas sector, opening up significant opportunities going forward.

Neil Partridge, Chief Executive, Ainscough, comments: "James Jack Lifting Services is a good business and will be an excellent complement to Ainscough. Whilst we intend that the company will operate independently for some time, we extend a warm welcome to all employees, customers and suppliers of James Jack."



...both IF and the firm's management team enjoyed a **sizeable return** on their investments.



Last year, IF provided a debt and equity package to fund the £255m MBO of Ainscough to Managing Director Neil Partridge and the management team. Daniel Appleton, Associate Director, IF, comments: "When we originally invested in Ainscough in October last year, management were very clear that part of moving forward would involve some acquisitions. James Jack has great potential and is an excellent fit for Ainscough. We were delighted to support Neil and the team in the acquisition and to help them pursue their ambition to consolidate their position as the UK's market leader in crane hire. It's a classic example of

the type of entrepreneurial management teams we're proud to back."

Neal Edwards, Associate Director, IF adds: "We only back strong management teams and Ainscough has the best in the industry. Additionally, Ainscough is synonymous with impeccable safety standards and has assisted the Government in bringing in new industry-wide health & safety legislation. This reputation, combined with the strength of the management team, has cemented lasting relationships with customers and suppliers alike and will ensure the continued success of the business."

## Get in touch

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package.”

*Andy Walters,  
Managing Director,  
Quartix Ltd*