
Press Release

2nd July 2007

£300 MILLION COMMITMENT TO HERMES PRIVATE EQUITY THIRD DIRECT FUND AND FIVE NEW APPOINTMENTS

Hermes Private Equity (HPE), the private equity arm of Hermes Pensions Management, announces that the BT Pension Scheme ("BTPS") has approved £300 million for investment into a third direct private equity fund, Hermes Private Equity Partners III (HPEP III). BTPS's approval follows on from the doubling of its overall asset allocation to private equity in 2006 from 2% to 4% of total assets.

The £250 million second direct fund, HPEP II has allocated nearly 70% of its funds to date. Like the first two funds, HPEP III will invest primarily in middle-market buyouts in the UK and Europe, typically valued in the range of £20 million to £150 million, but with access to a larger pool of capital from Hermes for bigger transactions if necessary.

Hermes Private Equity has exited all except one of the six direct investments in its first direct fund HPEP I

To meet the demand for increased investment allocation and strengthen the team, HPE has made five new appointments across both the direct investments and funds areas. Three executives join the direct investment team - Steve Bonnard from Deloitte Corporate Finance, Robin Lawson from LEK and Tim Thomas from RJD Partners. Their appointments bring the team total to 9.

Susan Flynn is joining as head of the Funds team in September. She is currently at Collier Capital. In addition the team has recently recruited Khim Tan from GIC.

These appointments bring the funds team to a total of 5.

Rod Selkirk, Chief Executive of Hermes Private Equity, said: “With the increased emphasis on private equity as an asset class by BTPS, we are continuing to increase and strengthen the teams to ensure that we continue to be well-resourced going forward. We are looking for further hires for both the direct and funds teams.

“I am delighted that we have secured £300m from BTPS into our third direct fund, HPEP III, for a first closing. Our track record for investors in our first two funds is very encouraging and we look forward to building this further in our third fund.”

Ends

For further information:

Hermes Private Equity

Rod Selkirk, Chief Executive

020 7680 2235

Hogarth Partnership

Nick Denton

020 7357 9477

Notes to editors

Hermes Private Equity (HPE), the private equity arm of Hermes Pensions Management, is a distinctive private equity firm. HPE has c £1 billion committed to private equity, both as an active investor in external private equity partnerships, and through its own direct investment activity. The direct investment activity held a closing of its second fund HPEP II for £250 million in 2005. The fund is focused on the UK and European medium-sized buy-out market. HPE has led the management buy-outs of Walbrook, Merlin Entertainments, OyezStraker Group, The Works, Ashworth Mairs Group, Riva Gaming, Siblu Holdings and Independent Living Group. www.hermesprivateequity.co.uk