

Northern businesses are putting risk management high on the agenda

Having asked businesses in the North what gets regular airtime in the boardroom, the Monitor shows that annual revisions to strategy; health and safety; compliance and employee legislation are all hot topics for directors.

But also getting aired in the North are the so-called softer issues of reputation

management and crisis management. It puts Northern companies at the forefront of the wider risk management agenda.

Some 73% of Northern firms regularly discuss reputation management – compared to 48% of Midlands firms and 62% in the South.

Northern firms are also more likely to be prepared in the event of a crisis as

58% discuss crisis management regularly at board level. This compares with 39% and 44% in the Midlands and South respectively.

And Northern firms are also more likely to be on top of their pension liabilities with 39% putting it on the agenda regularly compared to under one quarter in the rest of the country.

Northern stars shine brightly

Over one in three Northern companies is planning to do a deal in the next 12 months and nearly one in four is planning some kind of corporate activity within the next six months. The figures reinforce just how active the corporate finance scene has been in the North in 2004 and the ongoing positive outlook for Northern companies.

That compares favourably with companies in the South – where just 24% are planning a deal and is on a par with the Midlands where 36% are planning a deal within the next year.

The figures also show how Northern firms are taking advantage of a healthy underlying economy. Turnover is up at nearly three in four firms with a full 73% claiming to have a higher turnover than 12 months ago. That outstrips the 64% in the Midlands and the 59% in the South seeing higher sales.

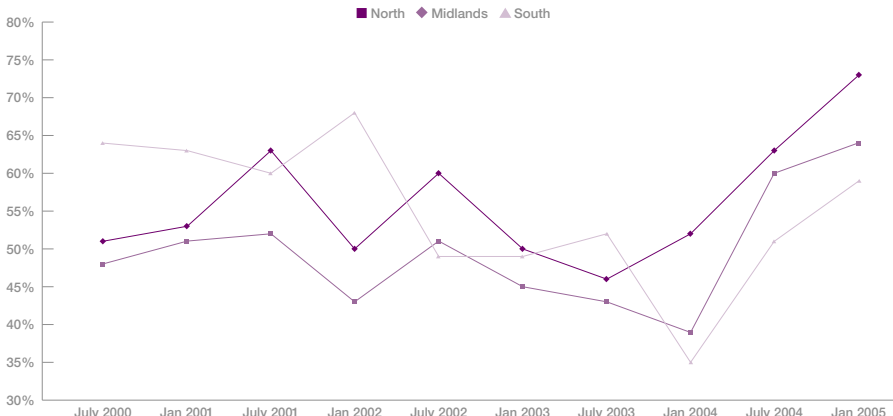
Nearly six in ten Northern firms are also claiming to have higher profitability than the year before. This is on a par with firms in the South and higher than those in the Midlands. All in all this makes the North very optimistic about growth prospects with 70% of firms interviewed expecting to see an increase in their turnover in the next 12 months.

Staffing solutions

Northern firms give their staff a big thumbs up with one in three claiming that their staff is the biggest advantage to being based in their region. The figure outstrips the reliance placed on staff in both the Midlands and South, 15% and 21% respectively, and shows just how important staff are to doing business in the North.

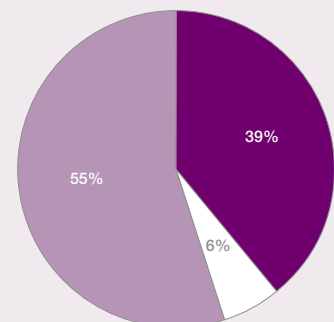
And it seems that Northern businesses are happy with the staff that they have as just one in four is hiring this year. But over half are maintaining current headcount meaning that just 6% of firms and looking to cut staff numbers.

FIRMS REPORTING HIGHER TURNOVER

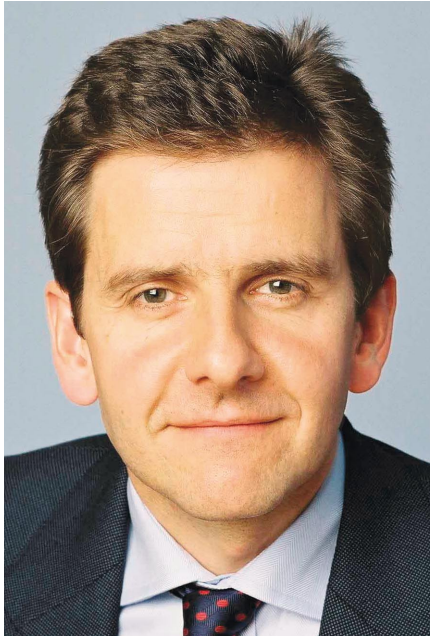


NORTHERN FIRMS STAFF NUMBERS

■ Increase □ Decrease ■ Keep the same



The Northern View



Once again the Monitor confirms what we are hearing and seeing from our businesses in the region. It has been another stellar year for mid-market firms in the North. A great outlook for the economy has delivered many with booming sales

and higher profits. But it would be wrong just to give the credit to the economy without understanding a little about the underlying businesses.

What has developed in the North is a growing, and increasingly sophisticated, consumer market combined with many industrial businesses that have adapted to the new economy. One example of this is Skelmersdale-based Flowtech, where we backed a management buy out earlier this year. The business supplies over 40,000 pneumatic and hydraulic parts – what some would loosely refer to as ‘widgets’.

It already supplies the largest number of ‘widgets’ in the country and is looking to increase the number of products on offer this year. But more importantly the business has recognised the value add to its end clients. As well as offering next day delivery, customers can take advantage of own branded catalogues, logistical and administrative support as well as a range of back office services. It’s a very traditional business but with a very modern twist having transitioned to a support services model.

The same applies to the other Northern businesses we have invested in this year. Ansa deals with drainage claims but its surveying, training and integrated claims management solution offers a one-stop shop to insurers. Individual Restaurant Company offers the increasingly sophisticated consumer market a range of eating out options through its Bar & Grill and Piccolino concepts.

We have already enjoyed a phenomenal year in the North in 2004 but we welcome the new year with open arms. We hope that 2005 continues to see the positive underlying economic growth predicted in the Monitor and that, as a result, many businesses are able to pursue their ambitions for growth, whether that is organic or acquisitive. It all lends credence to our belief that we will see another great year from our office in Manchester and for all of our businesses across the North.

Simon Inchley is a director of Gresham's Manchester office

About the Monitor

Gresham is one of the few regionally-based UK private equity houses specialising in investing in mid-market companies. Transactions are typically valued at between £5 million and £75 million.

The Gresham Monitor is a regular survey of the mid-market sector in England

and Wales. This latest survey looked at how the middle market finance business transactions and monitored aspects of their economic and corporate outlook and performance. This is the tenth issue and was conducted by ICM in November 2004.

The survey comprised board level interviews with directors of 100 mid-market

companies balanced between the service and manufacturing sectors, broadly reflecting the UK business population.

These companies typically have turnovers of between £10 million and £100 million, employ 50 to 500 people and account for nearly a third of the UK economy, as measured by turnover and employment.

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