

Turnover ▶

Sales are booming in the North led by the service sector. A full 89% of businesses are claiming to have either higher or the same turnover as 12 months ago, which compares to 78% as recently as June. That leaves just 11% of businesses seeing a drop at the top line.

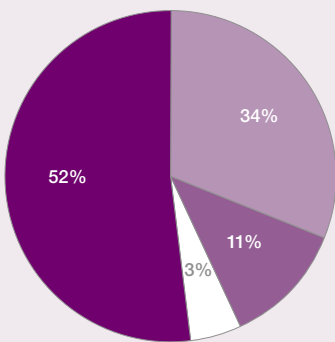
The rise is most marked in service industries with 76% reporting a rise and 25% seeing a consolidation in turnover. The manufacturing sector is also feeling the effects with a full 52% seeing higher sales and 30% sitting pretty on the same levels as last year.

Profit ▶

Growing turnover is dropping down to the bottom line for most companies with 52% reporting higher profits than last year. While this figure was 55% in June, many more companies are showing a consolidation of profits at last year's levels. Just 11% have seen profits dwindle in the last year compared to 21% in June.

NORTHERN FIRMS PROFITABILITY

■ Higher ■ Same ■ Lower ■ Other



Threats ▶

Businesses see rising costs as the biggest challenge over the next 12 months with nearly eight in ten citing it as a worry. This compares with just 61% concerned over their cost base back in June. The issue of controlling costs has overtaken competition – which far outstripped all other threats in the summer.

At the other end of the scale just 11% consider raising finance an issue, showing just how buoyant the Northern corporate finance market is.

Northern businesses value personality over pay cheques

Northern companies place more value in good business relationships than cash availability when it comes to raising money – according to the findings from Gresham's Northern Monitor. The results show that businesses in Greater Manchester, the North West and Yorkshire and Humberside value factors such as personal chemistry and relationships over the amount of cash that is on offer.

Over one third of businesses are concerned about building a relationship with their financial backers. As well as wanting to get on with their partners, Northern businesses appreciate funders that have relevant sector experience – with two in ten claiming that would be the decisive factor in choosing their financial backer.

In contrast, just 5% value timing and 11% claim that the amount of finance on offer would influence their decision.

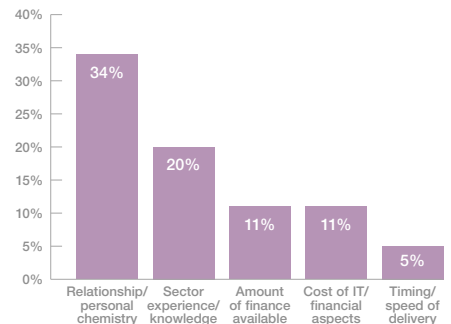
Further evidence of how important the relationship is in determining business funding, is the fact that over half of businesses think it is important to have local advisers and funders. Just 7% of Northern businesses claim that having a local relationship is not important at all.

It all goes to show that doing business in the North is about far more than material

considerations – it is about building good relationships and having knowledge of the local market.

Stan Keyworth, chief executive of Gresham backed Flowtech which is the UK's leading catalogue distributor of pneumatic and hydraulic parts, explained: "When you choose a financial backer for your business, it is about finding a partner that you can work with for the long term. Although there was the potential to get higher offers, we needed to be sure that we had partners who would work with us to take the business forward and understood our vision for reaching the full potential of Flowtech. And we knew that when we met Andy Marsh and Andy Tupholme, we were meeting people who were empowered to make the decisions."

FACTORS INFLUENCING CHOICE OF PARTNER



Business confidence shines in the North

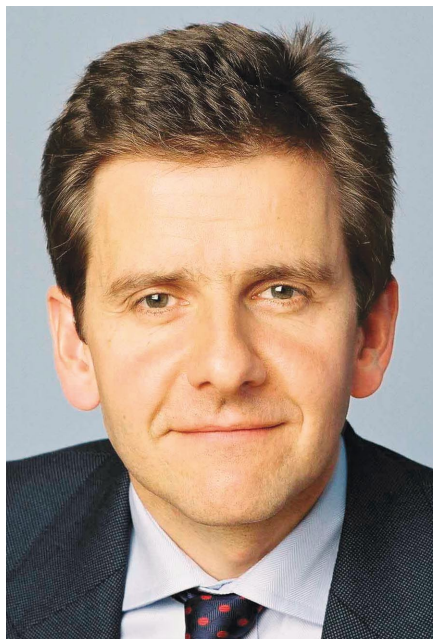
Confidence in Northern businesses continues to consolidate at high levels and lead positive sentiment ahead of the rest of the country.

The number of businesses claiming to be optimistic has continued at high levels at 73%. This maintains the high level set in both June and January this year. Northern businesses were already amongst the

most positive in the country and the latest results confirm that optimism among middle market firms has strengthened.

This optimism is being reflected in higher employment with more than eight in ten firms either looking to increase or maintain current headcount. Just 14% of firms are considering reductions – showing how bright the business climate is in the North.

The Northern View



Yet again the Gresham monitor confirms that business is booming in the North – with levels of optimism continuing at high levels. As well as growing optimism, businesses are seeing higher turnover, increasing headcount and just one in ten are experiencing difficulty raising money.

Against the backdrop of such a positive business climate it is no surprise

that Northern businesses are looking for more than just a blank chequebook in their business partners. But even without this positive climate, such a holistic approach is symptomatic of the middle market as a whole.

At Gresham we recognise that local businesses are a focal point of the community, an important job provider as well as being a platform for the UK's most entrepreneurial and motivated management teams.

Several years ago, we recognised the importance of making a long term commitment to the North. Since 2001 we have had a dedicated office building our relationships and presence in the local market. We believe it is a key aspect of our approach to be on the ground with an intimate knowledge of the local business community.

We have also developed valuable sector experience, focusing on the businesses that form the backbone of the UK economy – such as business services; consumer; industrial products; pharmaceuticals and healthcare.

Gresham backs businesses in the £5-75m enterprise value range where the right backer is your partner – partners are selected on broader

criteria than purely price differentiation. Gresham is often chosen over trade or financial backers prepared to pay a higher price for the business. Typical non-price differentiators include flexibility of approach, post investment style, sector experience and local presence.

This year alone we have backed four management teams in the North – a catalogue distributor of hydraulic products based in Skelmersdale; an insurance claims management company based in Oldham; a frozen food retailer with branches across the North West and a restaurant group headquartered in Manchester.

Partly as a result of the booming local economy, there is no shortage of finance on offer – just 10% of businesses claim that they have a problem raising money. When there is plenty of funding available, the intangible and qualitative factors will always be more important in choosing a business partner. At Gresham we have always recognised the importance of relationships and believe that our approach has paid dividends this year and will continue to do so in future.

Simon Inchley, director of Gresham's Northern Investment Team

About the Monitor

Gresham LLP is the regionally-based UK private equity house specialising in investing in mid-market companies. Transactions are typically valued at between £5m and £75m. The Gresham Monitor is a regular survey of the UK mid-market sector. This latest survey looked at how the middle market finances

business transactions and monitored aspects of their economic and corporate outlook and performance. This is the fifth year of surveying the mid-market and our first focusing just on the North. The survey, conducted by ICM in October 2004, comprised board level interviews with directors of 40 mid-market companies

in the North balanced between the service and manufacturing sectors, broadly reflecting the UK business population. These companies typically have turnovers of between £10m and £100m, 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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