

Financing your strategy

The challenges of today and the opportunities of tomorrow



About the report

Over the course of the first quarter of 2010, Remark, the research and publications arm of The Mergermarket Group, canvassed the opinions of 150 CEOs and CFOs from UK-based mid-market corporates. Respondents came from a wide variety of sectors, giving us a broad overview on trends, but also allowing us to gather sector-specific sentiment. Respondents were asked to give their opinions on a number of issues relating to how they go about financing their strategy in the current market environment. The survey was broken into four sections, allowing us to seek respondents' specific feelings about the following issues:

- The market and how it is affecting the respondent's business
- Funding and finance
- Corporate strategy and growth plans

All answers were confidential and results have been reported in aggregate.

Contents

Methodology		What role are the banks playing?	24
About the report	2	Spotlight on asset based lending	30
Foreword	3	The view from private equity	32
Executive summary		M&A – making a comeback?	34
Road to recovery	4	IPOs – emerging from the doldrums?	36
Findings		About us	38
Challenges of the uncertain economy	5	Contact us	40
How are companies responding to the new market environment?	8		
Internationalisation of business	12		
Internationalisation of business – emerging markets?	18		
Financing implications	20		

Foreword

In Autumn 2008 Grant Thornton conducted a survey of mid-market CEOs and CFOs with mergermarket on the subject of 'Securing Finance'. With hindsight this was undertaken in the thick of the financial storms which pounded Corporate Britain and the findings reflected some of that immediate shock and devastation.

Now, more than 18 months on, we felt that a degree of calm and stability had returned to the financial markets and we believed a return to this topic as a follow up would be well timed. Hence this survey which focuses on 'Financing your strategy' and the challenges and opportunities this presents mid-market companies in 2010.

Again, in conjunction with mergermarket, we have an authoritative snapshot of the views of mid-corporate Britain gleaned from 150 CEO and CFO representatives. The overriding themes reflect a marked improvement in the climate from the dark days of 2008, but nevertheless reveal a number of key issues:

- The challenge of forward planning in a period of economic uncertainty and limited market visibility
- How companies best respond to a radically changed market environment with radical steps and strategies
- How the changes in the global economy have compounded the opportunity and challenges for UK companies

- How UK banks and other funders have themselves responded to the dramatic market changes, and how this has translated into the relationships and terms for companies dealing with banks

In summary, the picture presented shows the vitality of mid-market Corporates in responding to unprecedented economic and financial challenges. This optimism provides confidence that the vigorous response to the recession by these companies will lead to improving financial health in the months to come.



David Ascott
Corporate Finance Partner,
Grant Thornton UK LLP

Road to recovery

While the UK economy is on the road to recovery, mid-market businesses are finding it to be something of a long haul. Indeed, the macroeconomic environment is still a cause for concern for many firms, with a lack of market visibility impairing their ability to forecast future performance. Tellingly, 56% of survey respondents consider their business sector to still be in recession. Significant variances emerged across different industry sectors with a large proportion of respondents from the Construction (87%) and Industrials & Chemicals (58%) sectors believing that they are still in the midst of a recession, 18 months on from the acute onset of the financial crisis.

The financing environment also remains a key challenge for UK firms, although there are signs that companies, having spent the last year shoring up their balance sheet and addressing their capital structure, are adapting to the new reality. There has certainly been a shift away from debt financing, and this is not set to change in the foreseeable future with 64% of respondents most likely to use internal resources to finance their corporate strategy over the next three years.

Looking ahead, while external financing will continue to play a role, sentiment among UK mid-market firms has changed, no doubt spurred on by their view that bank debt at acceptable terms remains challenging. Certainly, the relationship between corporates and banks has been redefined by the financial crisis, and survey respondents have noticed a difference in the attitude of lenders: 50% say that the cost of financing has increased as a result of the crisis, with 35% believing that banks are imposing stricter terms and lending requirements.

Such findings herald the question, is the conservative approach of lenders

adversely affecting the economic recovery in the UK? The survey results suggest not, with a number of corporates now seemingly ready, willing and able to emerge from the 'survival mode' that has characterised strategy in recent times. Growth and expansion strategies are now being pursued, and this change in emphasis is reinforced by the fact that 64% of respondents plan to expand their market share over the next 12 months. In stark contrast, when asked to look back, 67% state that cost reduction has thus far underpinned their corporate strategy.

A renewed focus on growth should result in M&A continuing to gradually return to the corporate agenda in the UK. Indeed, a significant 27% of respondents explicitly state that they plan to expand via acquisitions over the next 12-18 months. Furthermore, with the UK economy struggling to shake off the effects of the downturn, a number of respondents are looking to focus on international markets. Nineteen per cent of respondents plan to achieve growth through international expansion over the next 18 months.

Challenges of the uncertain economy

How businesses are doing in the aftermath of the financial crisis depends partly on the sector they operate in. However, while the extent to which they are suffering is largely sector-dependent, the lack of visibility is hindering the majority of businesses across all sectors and impacting upon firms' ability to plan over the long term.

Even as the first signs of recovery are emerging, there are still many UK businesses that are feeling the pain and are suffering from the aftershocks of the recent financial crisis. Significant differences between individual sectors are easily identified – while the FMCG space is overall described as 'stable' and 'in recovery', the Construction industry still sees itself as in the midst of a recession, while TMT respondents feel most strongly that their sector has already emerged from recession.

Unsurprisingly, the Construction industry is still suffering, with a high number of respondents from this category stating that their industry is still in recession. Notably, one particularly bearish respondent went on to state that "I do not see any recovery happening within 12-18 months." Nevertheless, there are tentative signs of recovery, with one respondent saying that while the sector is "still in recession, orders are up on six months ago." A second gave a similarly positive spin on things, saying that "there are some signs of recovery as customers are coming in with new enquiries and quotations."

Elsewhere, respondents from the FMCG space were all in all more positive about the state of their industry. Over 71% of the respondents in that category feel their industry is in the early stages of recovery. Overall, the sentiment of

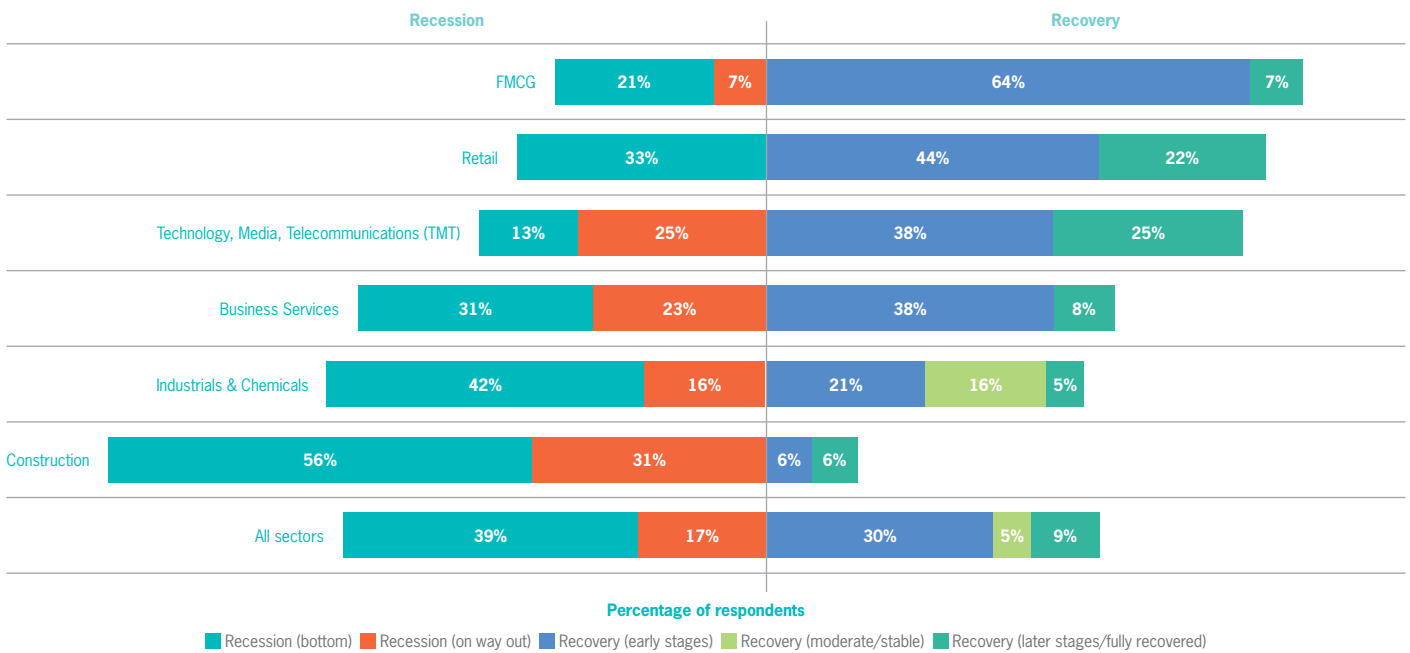


KP Doyle,
Chief Financial
Officer,
Nuffield Health

Our business straddles two sectors, one division operating in healthcare and the other in the wellbeing space; recovery post-crisis and post-election will be difficult and present differing challenges.

respondents was that the space was not as heavily impacted upon by the recession as others, thus making recovery easier and more pronounced. Nevertheless, respondents conceded that companies in the space did experience 'reduced growth', with another such respondent stating that while the food space is in recovery, it is "very sensitive to input prices and significant volatility in commodities could easily undermine that recovery."

In terms of recession or recovery, how would you position your sector today?



Matt Osborne,
Director,
Debt Finance Origination,
HSBC

Compared to the recession of the early '90s, I would actually say that UK firms were better prepared for this downturn. Corporates have been proactive in preserving working capital and fewer have failed than what perhaps would have been expected. The swift reduction in interest rates has also helped and, absent a double dip recession, I would say that the worst has now passed. Corporates still recognise that there is some pain ahead as the economy emerges from recession. Many have been in survival mode in recent months but this will slowly change as growth becomes the main objective once again.



Ian Durant,
FD,
Liberty
International

The high levels of uncertainty in relation to a wide variety of issues such as interest and exchange rates, but also potential tax changes, make planning incredibly difficult.

Meanwhile, positive feelings were most pronounced among respondents from the TMT space, with 25% of respondents stating that they are in the later stages of recovery or in fact fully recovered. One respondent described his sector as “very strong and in very good shape.” Another said that the “market is improving, especially overseas.” While the TMT sector is relatively well placed, generic obstacles persist with corporates across all sectors being impaired by the fundamental lack of visibility in the economy.

Overall, the uncertain economic and political landscapes are undoubtedly two of the biggest challenges that UK businesses currently face. Indeed, in a breakfast discussion in preparation for this report, chief executives and chief

financial officers from a number of UK businesses expressed concern that the current environment is making developing and executing strategy more challenging. Particularly, respondents from the Construction industry expressed concerns, stating that they are under continued pressure to develop new strategies to cope with the fallout from the financial crisis. Furthermore, the attendees of the discussion felt that government support was taking time to trickle down to individual businesses, with access to external finance remaining a key issue for many firms.



Comment

As Warren Buffett observed:
When the tide goes out those swimming without shorts will be found out.
Naked bodies were found out months ago, but it remains unclear for most whether it is now time for another dip.

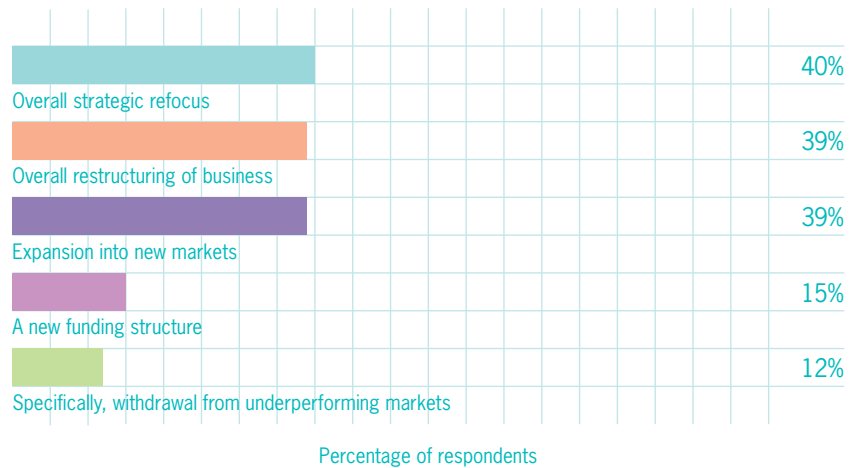
David Ascott,
Corporate Finance Partner,
Grant Thornton UK LLP

Findings

How are companies responding to the new market environment?

The changed market conditions are forcing many UK businesses to take radical steps. And while the focus on keeping costs down remains, the need to return to a growth path is forcing businesses to pursue a two-pronged strategy – one that sees them having to balance keeping one foot on the accelerator while having one foot on the brake, still looking to reduce costs where possible. One respondent from a VC-backed business reinforced this point to good effect by stating that while the company is now very much “focusing on growth”, a close eye has to be kept on controlling costs and strengthening their balance sheet. KP Doyle, CEO at Nuffield Health, stated that Nuffield Health had toughed out the crisis by “internalising”, evaluating on how to best apply capex and getting the ‘best bang’ for your buck. “We have used the time of downturn to tactically address different issues and then act on strategy when the time is right,” he added. Durant referred to the recent strategic developments at his business which will see the demerger of one business division, and indicated that this decision was taken as a result of the recent financial crisis.

What strategic changes has your company made to deal with the impact of the financial crisis?



Tony Nash,
Area Director,
Lloyds Banking Group

I feel UK businesses have responded very positively to the challenges of the financial crisis, making tough calls and addressing the challenges head on.



Comment

While the response from companies to the impact of the banking crisis and recession has varied from company to company and sector to sector, all have focused on cost cutting and reshaping working practices. For a growing number and in a world where the customer is more savvy, old business models have had to be drastically reshaped in order to gain exposure to new markets and 'on-line' buying. In order to win over their workforce and face these tough challenges, management have been confronted on the integrity of their plans.

David Brooks,
Corporate Finance Partner,
Grant Thornton UK LLP



Case Study

Radical strategy in action

Housing 21 is a not-for-profit (NFP), residential, social and health services provider with an annual turnover of £130 million and an asset value of over £600 million.

In September 2009, Grant Thornton UK LLP advised Housing 21 on a takeover of Claimar Care – an AIM-listed provider of nursing care to individuals living in their own homes. The acquisition of Claimar would offer Housing 21 the opportunity to achieve a large part of its five-year corporate plan for older people's services in a single transaction. Specifically the acquisition will enable Housing 21 to:

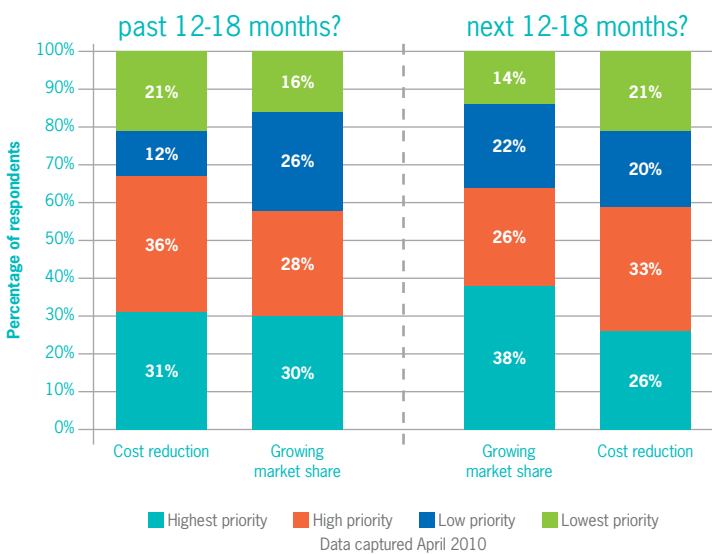
- Position itself as a principal provider in the community care sector delivering over 80,000 hours of home care and a range of other care services
- Offer integrated housing, health and social care to more older people

- Expand the range and location of specialist care services
- Achieve greater efficiencies and reduced operating costs in an environment of challenging public expenditure

The takeover valued the equity of Claimar Care at £19.5 million and gave it an enterprise value of over £40 million. Housing 21 funded the transaction using existing bank debt facilities.

The deal was the first of its kind in the UK where a NFP organisation has completed the full acquisition of a publicly quoted corporation, and symbolises an increasing commercial outlook for NFP organisations to better meet the increasing needs of their beneficiaries.

What best describes the number one priority underpinning your business strategy over the:



Looking first at how businesses are now going about achieving growth, we found that survey respondents are reacting to the radically changing market environment with similarly radical steps. An overwhelming number of respondents state that their company is pursuing a new strategy as a mechanism to cope with the impact of the financial crisis and subsequent economic downturn. In many cases, companies have moved to redefine their strategic focus and expand into new markets, while others have also moved to alter their funding structure. Indeed, 40% of respondents state that their firm has

implemented an overall strategic refocus, 39% have restructured the business while a further 39% have moved to expand into new markets.

Interestingly, one respondent stated that their firm has “shifted focus from core construction projects to civil engineering” while another stated strict cost control measures had been implemented along with a “new model for selling our products”. Similarly, a respondent also stated that the business has worked hard on “improving the efficiency of the supply chain and getting into the energy and environmental markets.”

While new methods of growth are very much part of UK businesses’ corporate development strategy for the coming months, businesses will no doubt retain a focus and emphasis on cost control. “Cost control is the tangible strategy that drives all,” Doyle says. “We are continuously battering down costs while at the same time looking at growth opportunities.” Indeed, 67% of respondents state that cost reduction has been a high priority in underpinning their business strategy over the past 12-18 months. Durant agreed with these respondents and said that for his firm cost cutting is still part of daily operations.



Comment

“But coupled with the desire to grow this of course puts us, like many other businesses, in somewhat of a dilemma. Maintaining a healthy cash flow was our main priority over the last year or so and still is,” one respondent states. A second said that “you obviously have to look more after the pennies during a recession, but our priority is still increasing profit” while another respondent noted that “the main focus is to reduce costs and increase efficiencies”.

Going forward, the key challenge UK businesses face is reconciling the continued focus on cost reduction and efficiency with the strategic repositioning of operations that has become necessary as a means of dealing with the fallout from the recent financial crisis. When asked about their priorities for the next 12-18 months, 64% of respondents say that growing market share will be a high priority. No doubt cost control and efficiency gains will still be keenly targeted, although it seems that the coming months could see new growth strategies taking precedence.

How companies have responded to the recession has been dependent on specific developments within their sectors. We have seen companies take advantage of struggling competitors to increase market share, renegotiate better terms with suppliers, expand into new markets, in the attempts to alleviate the declining sales in their current markets and so on. What we have also seen is a drop in companies seeking financing for strategic change. Whereas in 2006 and 2007 we saw retailers looking to refinance activities to raise funds for aggressive store roll out plans, we now see companies restructuring and reducing their store portfolio and operations in the hope of helping cash flow or stem the continual losses generated by poorly performing assets.

We have seen two kinds of responses from companies in the recession. The first and more common is the fire fighting response where companies throw resources and time into one or several specific problems (bad cash flow, poorly performing assets, suppliers/customers going bankrupt, etc) which have been

created by the recession.

The second is the bolder and riskier response where companies identify an opportunity and commit to a strategy which involves more exposure to a market in a volatile economic environment, using a significant amount of debt and equity to finance it. These companies either feel there will be financial upside in aggressively growing market share or entering a new market, or feel they have no choice but to do the above in order to survive.

As it stands, it is too early to understand if the cautious or bold response will prove the most effective. What we have found is that in such a volatile time, there is no one rule which fits all. In a time when some markets are booming and some are falling, the response or strategy a company should choose is entirely dependent on its specific position and predicament and not something based on the ‘me too’ perspective.

Lushani Kodituwakku,
Head of Commercial
Strategic Intelligence,
Grant Thornton UK LLP

Findings

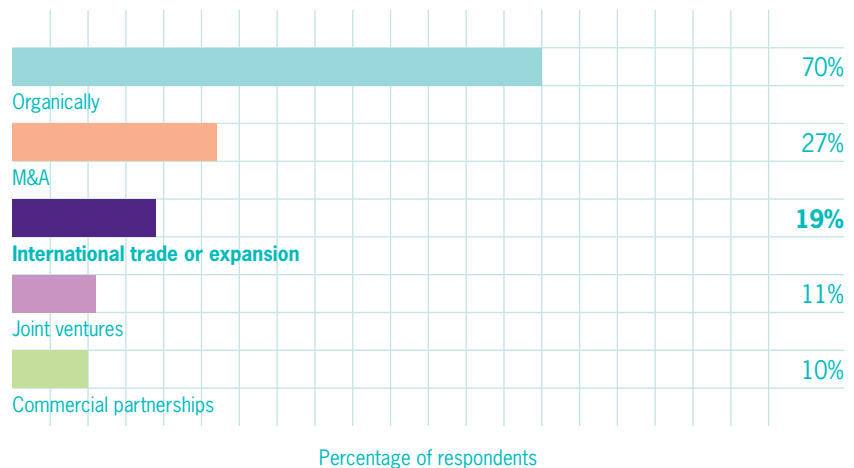
Internationalisation of business



One of the key strategic changes UK corporates can undertake in the face of lagging growth in the home market has clearly got to be the pursuit of new opportunities overseas. Indeed, one survey respondent explains that his firm is “going overseas to escape the impact [of the crisis], to Australia where the market has been less affected and to Poland as it is coming out of recession.” In fact, this respondent is one among a sizable one in five of the total who say they expect growth to come from international trade or expansion.

However, the internationalisation of your business is not a simple task. It requires careful and considered planning, with firms having to take into account all of the possible challenges and pitfalls that come along when expanding into new markets. For instance, which markets offer the best investment and export opportunities? If undertaking an M&A transaction, how should the deal be structured? Should it be financed in sterling or the local currency of your target market? Given that planning and executing overseas expansion is more time and cost intensive than growing the business at home, firms clearly have to assess whether they have enough headroom to pursue such a strategy.

If you are expecting to grow, how do you expect to do this in the next 12-18 months?





Martin Smith,
Chief Corporate
Officer, Cubiks

Cubiks Group Ltd is an international human resources consultancy, with corporate headquarters in the UK. First established in 2000 with the objective of capitalising on the growing business need for assessment instruments that could be delivered online, the company combines consulting expertise with a broad portfolio of services and psychometric products. With 9 offices throughout Europe and an established international network of licensed distributor operations, it delivers competency-driven assessment development solutions to both public and private sector organisations in over 50 countries.

Martin Smith, Chief Corporate Officer of Cubiks, provided a few front-line insights around the challenges of running an extensive international operation like Cubiks

Strategy and operations

At an operational level, Cubiks is organised on a regional basis with country managers responsible for their local operating unit reporting directly to a regional director. The country managers are responsible for ensuring the achievement of their operation's business plan, which is expressed through a common 'management' P&L rather than a conventional fiscal model. To ensure the country managers are able to focus their attention on the critical tasks of client management, business development and internal team

leadership, they receive support from local finance managers who coordinate local financial activities and manage all regulatory matters. The common management P&Ls are applied consistently across the business, and well-established internal rules of engagement between countries enable cross border co-operation when serving international clients, either when delivering a multi-national service assignment or when implementing a product licence in numerous territories.

This approach, which has been tailored to suit the needs and nature of the business, has worked well for the established international business units, but can sometimes present a challenge when Cubiks has to establish an operation in a new location. To mitigate this challenge, the business ensures that it is able to call upon the expertise of reliable advisers, accountants, bankers and lawyers, who all play an important role. Leveraging their respective knowledge of local markets to provide the required support and insight is key.

Strategy is formed by the company's management team, which encompasses both operational and functional managers, and agreed by the board. By encouraging participation from all heads of operating units, the company secures buy-in and commitment at country level, which is fundamental for an internationally-dispersed business such as Cubiks.

The country managers recognise that it is critically important to present a

consistent international brand to clients wherever they do business. While individuals are encouraged to understand and respond to local market and cultural preferences, they know they must also uphold the international brand and follow agreed processes and procedures. Great efforts have been made to instil a common identity and universal appreciation of the company's vision, strategy, mission and values. All staff are incentivised through equity ownership, allowing them to have both a financial and emotional commitment to the company's future.

Exchange rates

With the UK operation holding the corporate debt, cash and profits are repatriated. The business does not run a dedicated treasury function or operate sophisticated hedging facilities, and therefore fluctuations in exchange rates present a challenge. The risk is mitigated through natural cost hedges and from managing the cash flow patterns linked to the sterling commitments.

Cubiks has grown successfully in the past 10 years, achieving double digit growth each year and increasing its global footprint, with the large majority of the group's revenue now derived from its international operations.



Insight

Expanding overseas, some key considerations

If you want to expand overseas, how do you do this?

Expanding into any new market requires research – you need to gain an insight into how the market operates and what the market wants.

Researching an overseas market is a greater challenge than the domestic market, but there are plenty of resources available to you to help, many of which are free.

Use your contacts – others who have been there and done it, and learn from their lessons. Make use of government resources too: the UKTI and the British embassies and consulates when you are in overseas territories are invaluable sources of information and contacts. And there are many other business organisations that have units dedicated to helping businesses to export or invest overseas: the Chambers of Commerce, Trade Associations, the CBI, and many others are all worth approaching for advice. Don't forget your own professional advisers, who should also be able to introduce you to their overseas affiliates to help you understand the local environment and maybe introduce you to relevant contacts.

The most often heard question about potential business partners or customers is “How do I know I can trust them?” Do your due diligence, making use of the contacts above, and maybe also instructing specialist agencies to make enquiries. Think carefully about how you will manage the business after agreements are signed. Will you have any of your own people on the ground? How often will senior management visit? Are all parties clear on the reporting lines, performance requirements, responsibilities? Who will be authorised to sign cheques and move monies? And many more considerations...

What are the key financing implications?

Stick to what you're good at – if you aren't a foreign exchange dealer, talk with your bankers about your overseas investment or trading plans. Foreign exchange volatility is a fact of business life, and a risk that needs careful managing. For an investment, look to raise finance in the same currency if possible, or consider how to put in place an effective hedge against possible fluctuations. Depending on the jurisdictions you may find you can't get tax relief for losses on exchange, or you

may be taxed on gains which you won't have recognised. There may be restrictions on how much you can finance by way of loans rather than equity capital.

If you are trading overseas, consult your bankers about what facilities might be available. Apart from the exposure to exchange rate risk, you might not want to provide open account facilities to new customers, especially where there are difficulties in ascertaining reliable credit risk information, or where the local legal environment does not seem to support contractual rights as strongly as you might wish. So letters of credit – and there are many differing types – or other trade financing instruments may provide a solution.

In short, take advice. It is cheaper than writing off a bad debt on your first shipment, or abandoning your joint venture investment.

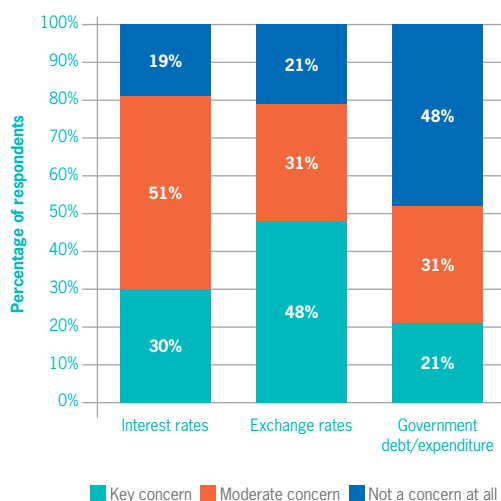
Stephen Weatherseed,
Head of China Group,
Grant Thornton UK LLP

In contrast, a smaller proportion of those surveyed (12%) say that they have exited underperforming markets in response to the crisis.

Looking ahead, responses to our survey confirm a trend towards greater internationalisation of business for UK mid-market firms over the short to medium term. Indeed, 19% of respondents note that their firm expects to achieve growth through international trade or expansion over the next 12-18 months. One survey participant notes that his firm will be “opening offices in new geographical areas” in the period, while another says, “We’ve established ourselves in the Far East recently and want to continue to expand geographically.”

While emerging cross-border business opportunities are expected to be a key driver of growth for these UK corporates, the uplift in UK exports has not been as robust as anticipated throughout much of 2009, especially given the post-crisis weakening of sterling. In part, this may have reflected the languid demand conditions in many of Britain’s overseas export markets, particularly in Europe which accounts for some two-thirds of UK export receipts.

With regard to financing your strategic plans, how significant a concern are the following factors?



Nevertheless, some firms have actually benefited from the weak sterling, with one respondent explaining, “Our industry is tourist based and the depreciation of the pound has helped the business.”

Notwithstanding this, as the recovery in international markets has progressed, export activity emerged as the most dynamic driver of GDP growth late in the year: indeed, in Q4 2009 exports grew by a brisk 3.8% quarter on quarter, well above the 0.4% for the UK economy as a whole. Certainly, the slide in the value of sterling presents new opportunities, but also risks. Respondents recognise this and when asked to rate the significance of interest rates, exchange rates and government debt/expenditure for financing their strategic plans, nearly half (48%) identified exchange rates as a key concern, while a further 31% say that it is a moderate concern. One respondent explains, “Exchange rates affect input prices which in turn require price increases to be agreed with customers,” while another states, “Exchange rates are a concern in terms of managing our financial gearing. Our loans are 80% fixed rate, so only 20% are affected by interest rate fluctuations.”



Jason Gaywood,
Forex Adviser,
HiFX

For the last 24 months, financial directors across the globe will have suffered sleepless nights as a result of the unprecedented volatility in the foreign exchange markets. A quarter through 2010 and volatility remains a key theme. 2008 and 2009 took everyone by surprise, including experienced traders. For corporates, the impact of the credit crisis has forced companies, from board level down, to look for easy, transparent ways to reduce their foreign exchange risk, optimise the timing of their currency transactions and save money on their international payments.

As a nation of importers, UK corporates were hit particularly hard by the dramatic fall in sterling and were left with the uphill task of trying to raise prices or risk going out of business. Of course there were those who had some hedging in place, but most companies were quickly faced with significantly higher costs for importing their products or raw

materials. But it wasn't just the importers who were left in a difficult situation. Exporters who had hedged their exposure (not forgetting the dollar had been on a downward path in five of the six preceding years) were left potentially uncompetitive by more aggressive firms which hadn't hedged or by competition from overseas.

FX strategic planning is now more than ever an important issue for SMEs to large corporations. The importance of getting it right, without hindering sales, growth and profitability, is now the remit for finance teams previously unfamiliar with such problems. In the current environment with high levels of volatility, wide ranging views on the markets and an increased number of ever more complicated instruments available, the decision making process has become a difficult minefield to negotiate. Nevertheless, as with any problem, there is ultimately a solution and with the right guidance, a safe passage can be found.

Those British companies looking for new geographic markets should benefit in the coming months from a continued weak pound: the Economist Intelligence Unit expects goods exports, for example, to expand by 11% in 2010 and 6% in 2011, after a steep decline in 2009; imports will also resume growth this year and next, although at slower rates. By the same token, the weak currency will make UK M&A targets more attractive for foreign suitors; inward foreign direct investment is expected to expand by one-third this year and by 50% in 2011.

Selected UK trade and investment indicators, 2008-2011 (US\$bn)

	2008	2009	2010*	2011*
Goods exports fob	466.8	357.2	396.3	420.0
Goods imports fob	640.9	480.9	515.7	540.3
Inward direct investment	97.5	39.2	52.1	78.2
Outward direct investment	139.3	121.5	118.9	129.2

*Forecast

Reproduced content from Grant Thornton's report *Retrench or Refresh*; Economist Intelligence Unit data published March 2010.



Comment

Export led recovery lagged for much of 2009 but now seems to be building as manufacturers get a fillip from weak sterling.

David Ascott,
Corporate Finance Partner,
Grant Thornton UK LLP

Internationalisation of business – emerging markets?



Comment

Expansion into India

India offers relatively significant advantages of language, legal systems, ease of doing business and strong historical and cultural links with the UK.

Sectors of interest

India, with its 300 million plus growing middle-class market and its significant need for investment in various sectors, offers immense trading, market and investment opportunities for UK businesses. We are seeing opportunities in the FMCG space, services sector, manufacturing as well as the health, education and infrastructure sectors. For example, we are acting for a company in the hospitality sector that is looking for fast food franchises to bring to India.

Challenges of doing business in India

While the regulatory environment has improved significantly over the last

10 years, India is relatively regulated compared to the UK and it is important to ensure that you understand the regulations. India is still also bureaucratic in some of its processes, relatively speaking. Lastly, there is a need to recognise that India is a very relationship driven society and business is even more about relationships than in the UK. A fair degree of patience is therefore required, but once you have invested in a relationship it can be a very strong foundation for doing business in the future. Finding the right local partner connection is also essential.

Anuj Chande,
Head of South Asia Group,
Grant Thornton UK LLP



Matt Osborne,
Director,
Debt Finance
Origination, HSBC

Many UK firms that are domestically focused are still struggling due to the moribund economy. However, firms with an international presence are generally trading well, especially in Asia where economic performance has remained relatively robust throughout the downturn.

Comment

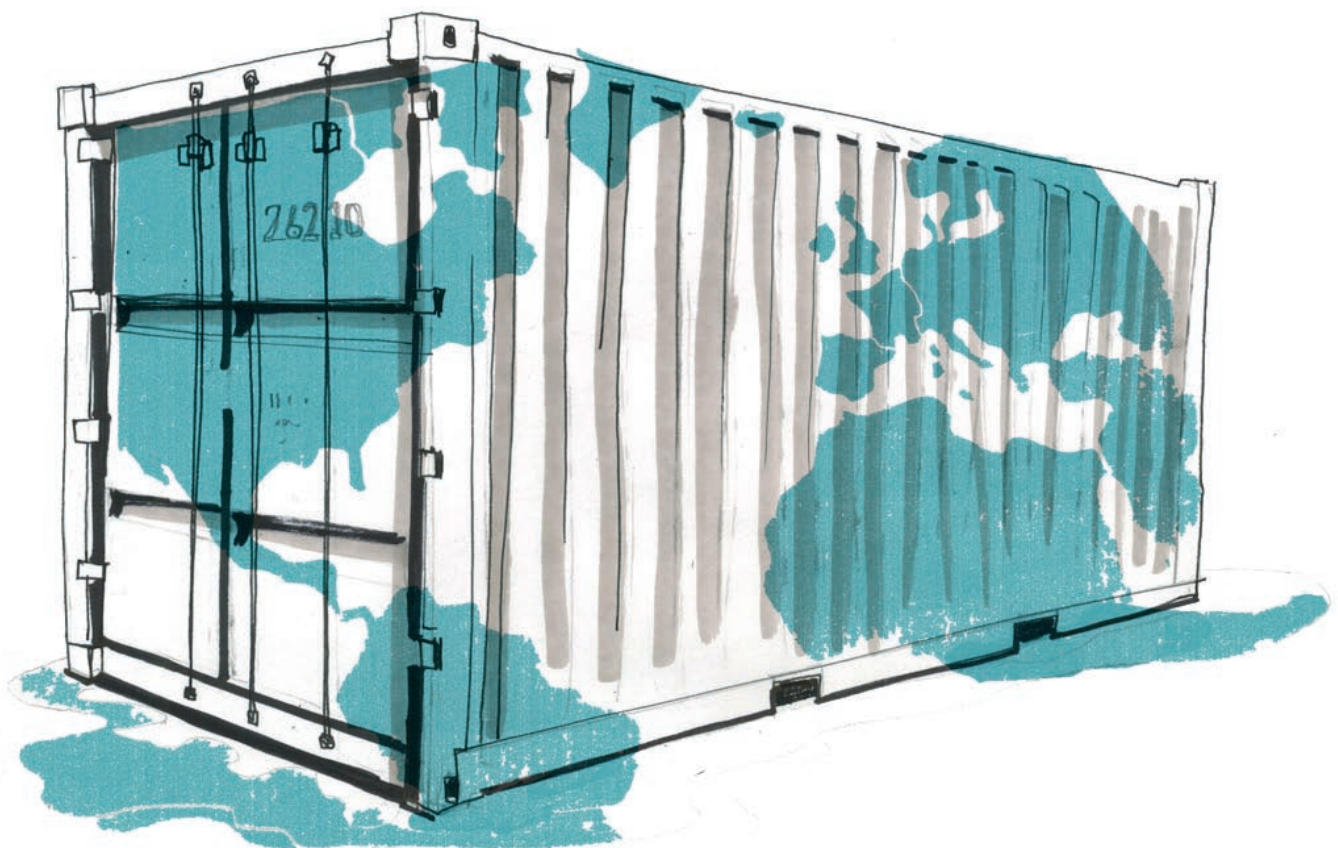
Expansion into China

In light of the findings of this survey, it might seem that China is an obvious place for UK businesses to explore as a new market. Interestingly, the statistics do not show any great increase in exports or investment into China from the UK. While we are still seeing a lot of interest among our clients in investigating the market, it seems that

many businesses are being cautious about committing to any significant investment in China. And this is all very healthy. China is clearly a very important market, and for any business with aspirations to competing internationally it should figure in your strategic considerations, even if it is dismissed or postponed as being too risky, not yet ready or even too competitive. The important thing is that it

is on the business agenda: from this, you can form an informed assessment of its domestic market, and also assess its own home-grown businesses as potential competitors elsewhere in world markets, even right here in the UK.

Stephen Weatherseed,
Head of China Group,
Grant Thornton UK LLP



Financing implications

In the face of the challenging market environment over the past 18 months, many UK corporates undertook necessary measures to bolster their balance sheets and see themselves through the worst of the economic downturn. As such, it is not surprising that around half of the respondents now feel well placed and do not foresee problems with respect to financing their strategy over the next 18 months.

However, as these firms begin to develop more aggressive growth strategies, it is foreseeable that finance will become more of a concern. To be sure, expansion will need more funding.

Despite this bullishness, the issue of financing clearly stands as a significant concern for a number of UK firms. Indeed, when asked what were the main challenges respondents envisage in terms of financing their strategy over the next 18 months, 23% of those surveyed say that securing finance in itself will be a challenge, while 11% point to the costs of credit and 3% to servicing debts and covenant compliance. On this subject, one respondent notes that a key challenge going forward will be “securing debt at terms which are acceptable to our private equity

partners and securing the quantum of debt facility to push ahead our strategy.”

Meanwhile, just as businesses have adjusted to the effects of slumping economic activity, they too have had to adjust their funding strategies. By way of example, 15% of survey respondents say their firm has made a strategic decision to adopt a new funding structure as a means of dealing with the impact of the crisis.

KP Doyle,
Chief Financial
Officer,
Nuffield Health

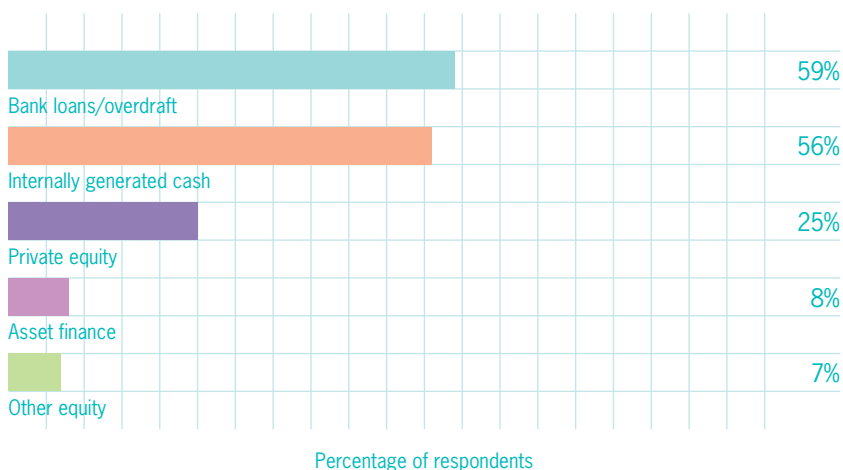
When looking at any acquisition, debt funding is likely to remain tight for the foreseeable future and extremely difficult in sectors that have ‘turned off’ the banks.

Comment

Cutting the housekeeping and raiding the piggy bank to pay off the credit card bills has been the hallmark of much of mid-market Corporate Britain in 2009. But with survival and stability now achieved for most, there are huge financing challenges over the next steps. Just as consumers have lost huge financial players like Northern Rock and HBOS, so the corporate debt world offers less choice just at a time when with recovery, more support will be required.

David Ascott,
Corporate Finance Partner,
Grant Thornton UK LLP

What best describes your current funding structure?



One such respondent explains, “We didn’t stop growing because of the crisis, it’s just that now we avoid contracting debt to fund ourselves.”

Looking forward, funding structures could alter somewhat with a combined 65% of respondents saying that they are most likely to source financing internally over the next three years. While firms are increasingly looking to utilise their own balance sheet to finance their strategy, it is clear that external financing will continue to play a role over the next three years. Doyle, however, expressed a reluctance to depend on banks in the future, stating he would like to see his business funded in other ways. Looking at current funding

structures, the majority of respondents indicate that they are most reliant on bank loans/overdrafts (59%), marginally ahead of internally generated cash (56%). Private equity also plays an important role for these mid-market firms, with 25% of respondents relying on funding from the asset class.

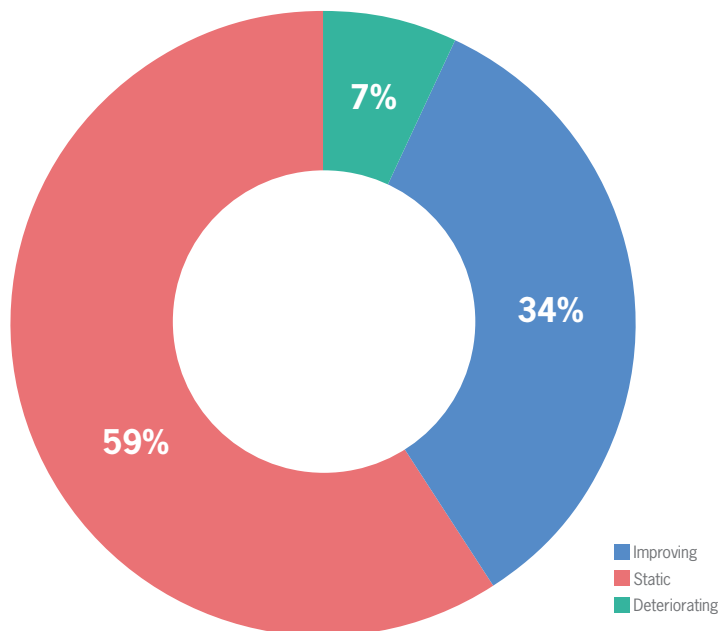
The fact that internal cash is set to become increasingly important raises interesting questions regarding firms’ perceptions of the current funding environment. In this regard, it is noteworthy that 59% of respondents feel that the funding environment currently faced by businesses is static. It should be noted that this is especially the case for

businesses in the GBP150m-250m turnover range; 70% of such businesses surveyed felt that the funding environment is static, with only 26% holding the belief that it is improving. This figure is slightly down compared to respondents in other size brackets with 32% (GBP25m-50m) and 36% (GBP50-150m) remarking that the funding environment is improving. Anecdotal evidence from chief executives and chief financial officers suggests that getting smaller funding packages is easier than bigger parcels, comments that are supported by the findings of this survey.

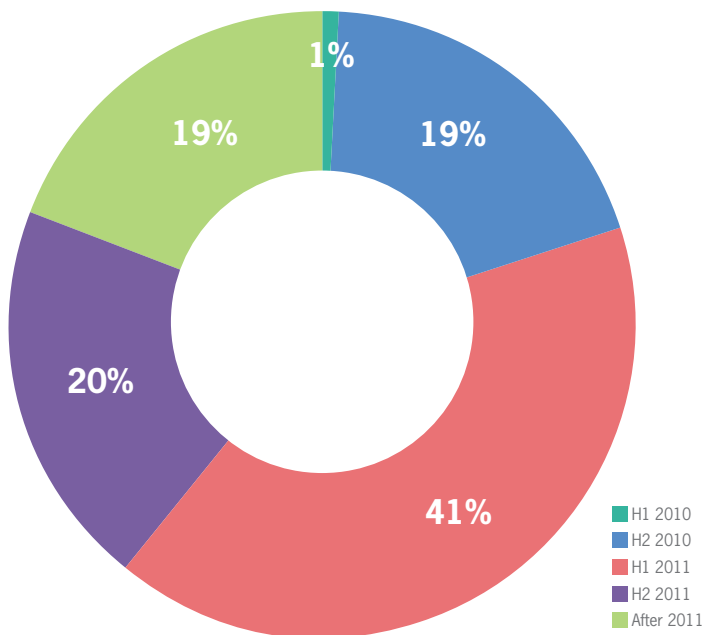
With regards to the potential timing of improvement in the funding environment, 41% of respondents feel that an improvement will be felt in the first half of 2011, while the rest of respondents were split between expecting a better funding environment in the second half of 2010, the second half of 2011 or at an even later stage. Tellingly, only a very small number of respondents felt that the first half of the current year (2010) would see a marked improvement.

When the findings of the survey were broken up according to the size of the business that the respondent came from, we found that smaller businesses (GBP25m-50m and GBP50m-150m turnover range) felt that recovery would come in the first half of 2011, with just a small number expecting a recovery before this. Expectations among larger businesses were substantially more varied, with some even saying that they expected the funding environment to become more favourable in the first half of 2010.

Do you feel the funding environment is improving, static, or deteriorating?



When do you believe it will become more favourable?



Tony Nash,
Area Director,
Lloyds
Banking Group

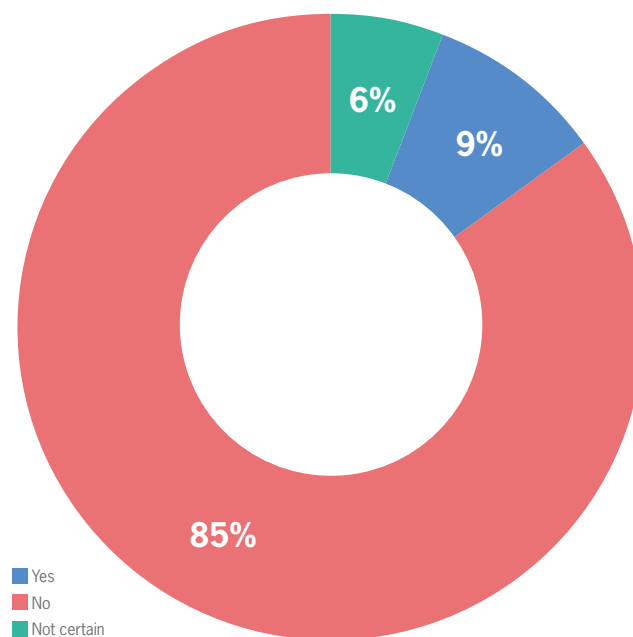
I am convinced that the funding for realistic proposals has been available for some time. I believe this is a demand-led issue. When businesses have greater confidence we will see a further increase.

What role are the banks playing?

The UK banking sector has undergone a profound change in the past two years. “The entire space has been transformed and that naturally has a knock on effect on many other sectors,” says Durant. Mega-mergers involving some of the country’s largest financial institutions have been announced, while the government and monetary authorities have also moved to inject significant capital into the system in a bid to improve liquidity. While these measures helped prop up the struggling banking sector, the strain that banks came under in the wake of the crisis was nevertheless severe.

Consequently, there is a feeling among many respondents that banks have become more conservative in the way that they now conduct business,

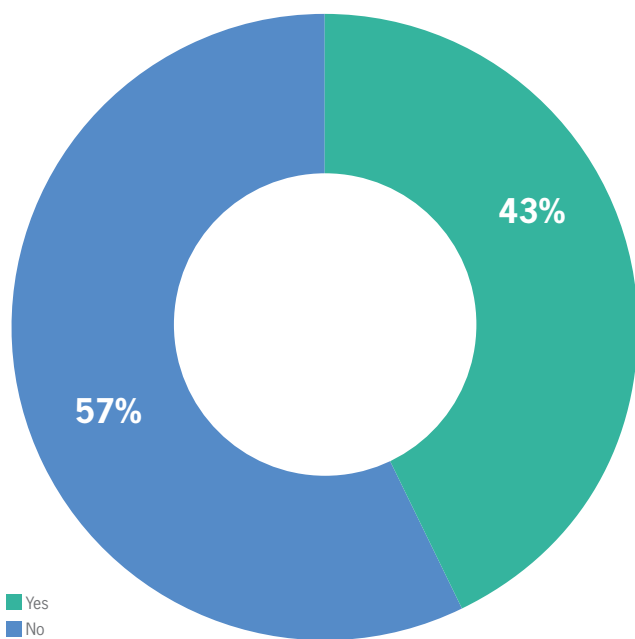
Do you feel the government bailout money has filtered down to businesses like yours?



Tony Nash,
Area Director,
Lloyds Banking
Group

I am somewhat surprised to hear that 85% of businesses surveyed do not feel that government bailout funds have filtered down to businesses like theirs, and feel that this finding needs to be viewed in the context that banks right now are not very popular. Also, it is important to keep in mind that even before the crisis, people felt that banks were never lending enough.

Have you noticed a difference in different banks' approaches to lending?



providing financing only to secure borrowers and at higher rates than those enjoyed in the past. Given the role that mid-market firms will have in the economic recovery, there is some risk that the austere debt financing environment will constrain growth prospects for the economy going forward.

To a degree, the risk-averse posture of banks may in part stem from the limited effectiveness of government and central bank measures to kick-start lending to SMEs. "There is a direct relationship between the strength of the bank and the support they give. Banks with clean balance sheets are extremely supportive," Doyle said, while making the point that banks that themselves are dealing with challenges and weak balance sheets have become very difficult to deal with.





Matt Osborne,
Director,
Debt Finance
Origination, HSBC

Lenders are certainly more positive than 12 months ago, although the strength of the relationship remains very important. Companies need support from lenders and at HSBC we have benefited from a continued customer and market focus whilst a number of our competitors have been inward facing as they dealt with their own financing challenges. Things are beginning to change and with some continental banks also returning to the UK market it is reasonable to expect liquidity to continue to improve over the next 12 months.

HSBC has had a clear focus on increasing market share and we have increased hold levels and acquired new customers throughout the downturn. We have remained open for business while some of our competitors have struggled. The challenge is to maintain this growth, although our pipeline remains strong.

Durant agreed and differentiated between banks that are open for business and those that are not. He further made the point that it is mainly European banks that are open for business, while UK banks are still in a certain degree of shock and are focusing on shoring up their balance sheet.

With respect to government bailout funds, the overwhelming majority of respondents (85%) do not feel that they have filtered down to businesses like theirs. “Obviously it’s good for everyone that the banks have been kept afloat, but promises of increased lending are more of an exercise in window-dressing,” comments one respondent. Interestingly, there is some variation in the assessment across industry sectors. In the Construction sector, for instance, 18% of respondents believe that government bailout funds have filtered down to firms like theirs, a figure that stands at just 5% for FMCG respondents.

Against this backdrop, it is not surprising that 43% of respondents say that they have noticed a marked difference between the attitudes of various lenders. Among these respondents, many single out banks bailed out by the government, with 41%

believing that government-backed banks have taken a more conservative approach to lending. An additional 35% say that such banks are now imposing stricter terms and lending requirements.

One such respondent comments, “Government-owned banks are much more cautious, although this is understandable given the political ramifications if they aren’t.”

Meanwhile, fully 50% of respondents say that prices for bank funding have gone up as a result of the financial crisis. Notably, respondents were very apt to comment on this issue. One states, “The cost of debt with our existing lenders is exorbitant,” while another says, “Our relationship has certainly become more difficult, prices shot up last year.” Another explains, “Despite having a very good credit rating, the bank wanted to charge us significantly more money for having an overdraft – so we decided to cancel it. I can only imagine what banks are doing to those with a bad credit history.” Another respondent comments, “They have been very slow to respond to new funding requirements. There is a lot more information required and many more hurdles to get over to get terms and agreement.”



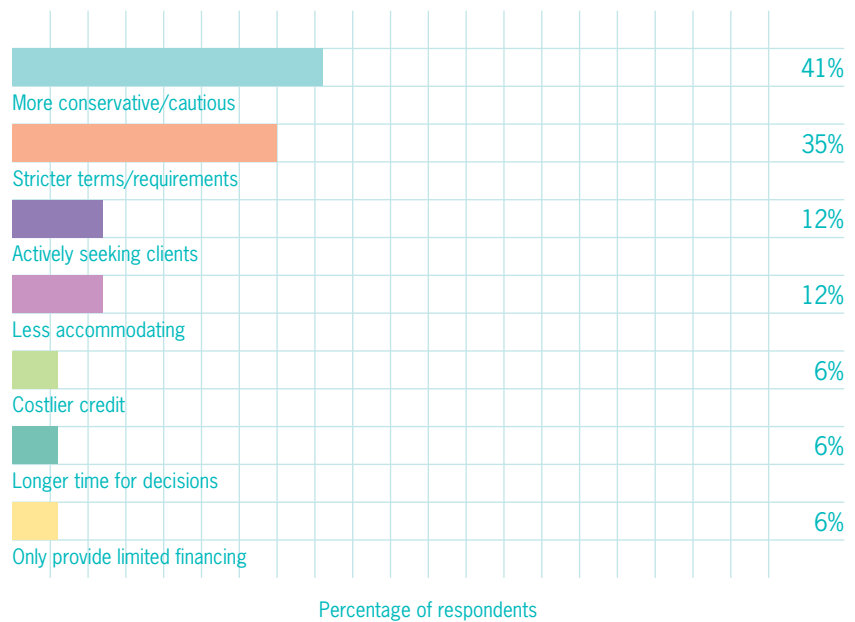
The banks play a critical role in restoring confidence to the mid-corporate market. There are signs that banks are gaining more trust in corporate profitability which is leading to support for sensibly structured deals. In turn, liquidity returning to the banking markets breeds confidence in corporates looking to invest and many are now exploring growth strategies both organic and by acquisition.

As the economy recovers it is essential that credit is made available to support working capital needs, and the continuing emergence of asset based lenders is key in this respect. It is understandable that banks are weary of loosening their current strict credit policies, but too strict a policy runs the risk of stifling the recovery.

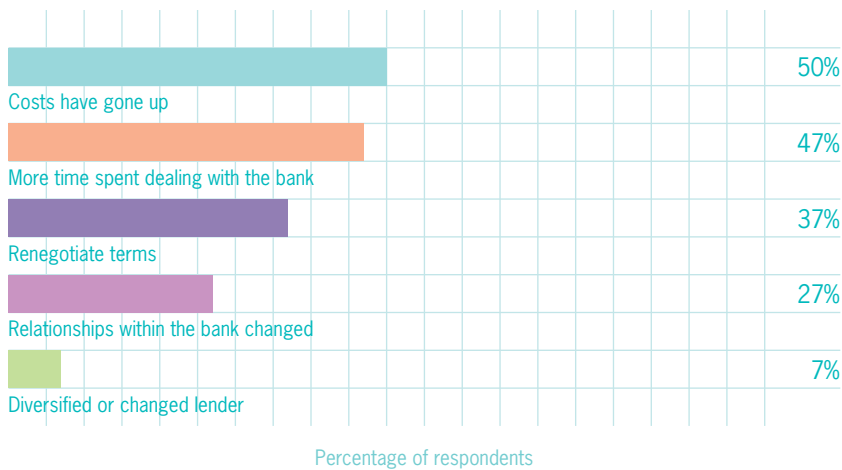
Geoff Davies,
Head of Corporate Finance,
Grant Thornton UK LLP

A notable minority of respondents identify several ways in which their banks have not been supportive – among them by denying lending (12%), imposing stricter lending terms (7%) and changing terms or withdrawing credit facilities (5%). Despite this, a small proportion of those surveyed do feel that their bank(s) have been supportive throughout the downturn by continuing to provide finance (20%) and through good communication and service (11%).

If stating yes when asked if you see a difference in attitudes of lenders, what are the differences? (With regards to Government backed)



What impact has the financial crisis had on your experiences of funding and banking requirements?



Comment

The speed at which the financial world went from ‘cov-lite’ to cash sweep in 2008 was clearly alarming and highlighted the difference between the old and the new financial order. As easy credit gave way to bust banks it is no surprise the banks themselves sought to restore profitability through increasing margins and more prudent use of their scarce capital.

David Ascott,
Corporate Finance Partner,
Grant Thornton UK LLP

Spotlight on Asset Based Lending

Given the lower regulatory capital requirements of asset based lending when compared to traditional overdraft lending, it is surprising that only 5% of companies surveyed currently have asset finance and likewise fewer are considering it in the next three years.

Perhaps this indicates that this more securitised and traditional form of funding could be underutilised.



What we are seeing is that the clearing banks are pushing asset based lending as it is an 'attractive product' internally for them given its capital efficiency under Basel II. There is clear evidence of the banking community moving customers from overdraft facilities to invoice discounting or full ABL facilities. Basel II is also driving other behaviors, such as passing on the cost of undrawn facilities to customers. Given the above, why is the ABL market not booming? I think it is a function of caution in the business community, with many businesses having reduced gearing and not wanting to increase risk by re-gearing in a flat market.

Rupert Rawcliffe,
Corporate Finance Director,
Grant Thornton UK LLP

A large, stylized orange speech bubble containing the name and title of Paul Beveridge.

Paul Beveridge,
Managing Director,
KBC
Business Capital

It is surprising to me that in today's economic climate only 8% of respondents indicated that they currently use a form of asset based lending (ABL) within their current funding structure.

ABL has a number of advantages over other forms of funding:

- Debt is cheaper than equity – that is if you can access debt readily
- ABL is currently very accessible – because it is provided based on a business's assets and future forecasts rather than historic financial results
- ABL is more flexible than other bank debt – the availability of funds moves in line with the business assets
- ABL is a more committed form of finance than, say, a bank overdraft, in that it is often delivered as a committed line of credit, subject to the quantum of collateral available to support the facility, and performance

by the borrowing company to pre-agreed financial covenants
We are currently seeing businesses turn to ABL in order to satisfy a number of funding requirements; for example to refinance in order to maximise the amount of funding available for growth, or to create financial headroom to execute a turnaround strategy.

Over the coming years, more banks will be attracted to ABL, as it will allow institutions, many of which are currently capital constrained, to deploy their capital more efficiently.

This will in turn lead to a wider use of ABL and a greater acceptance of ABL as a mainstream funding tool.

In ten years' time, I would expect a similar survey to yield very different results.



Case Study

Quattro Plant


Quattro Plant is a leading provider of specialist plant-hiring services (equipment and operatives) to the rail industry and to highways-related sectors, with revenues of more than £30 million. The company was established in 1989 by John Murphy, operates from Stratford in East London and has depots across the UK. The business has grown in recent years following the successful acquisitions of the rail division of Ardmor plc and more recently some of the highways assets (specifically gritters, sweepers and gulley cleaners) and the brand from the administration of Kent Sweepers.

KBC Business Capital, the specialist asset based lending (ABL) division of

Belgian banking group KBC Bank, provided a three-year £19 million ABL facility to Quattro Plant. The loan enables a financial restructure, and encompasses accounts receivable and plant & machinery.

The new financing received by Quattro allows the company to capitalise on the huge investment being undertaken across the rail network and in the UK's highways projects.

The financial restructure led by Grant Thornton also saw KBC Business Capital's funding being complemented by the injection of additional funds into the group by ICON Capital, the US-based capital equipment and infrastructure fund.



Chris Hawes,
Head of Portfolio
Management and
Structuring,
RBS Invoice Finance

Those of us who've been in the asset based lending industry for a while have long become accustomed to the flexibility it brings to companies and the close relationships it engenders between the company and its financier. However, ABL has largely been seen as the preserve of the specialist funder and most FDs/ CFOs of successful businesses obtained their debt in more conventional senior or leveraged structures. That is changing as the world changes. Past leverage multiples are no longer there, banks have cut unsecured lines of credit and businesses which are trading well through the current downturn (and we see a lot of these) need to look to alternative solutions. This may be because their existing facilities are coming up for maturity and need to be restructured, they need to make acquisitions or simply need flexible funding to increase with their own organic growth.

Only 8% of respondents
have asset finance as
part of their funding structure

The view from private equity

There is certainly an opportunity for private equity investors to fill the apparent financing void in the mid-market space. Tellingly, a not insignificant 37% of respondents from private equity-backed firms cite the provision of financial support as the primary way in which they have been supported. One respondent says, “Private equity has helped in terms of finance during the absence of bank lending,” while another states, “[They] injected significant working capital in Q1 2009 which gave confidence to our supply base. We have now reversed the working capital deficit. We asked for additional funding for

capital projects, which was granted, but at a price.”

Conversely, 11% of private equity-backed respondents say that their financial sponsor(s) have been unable to help by providing funds. Nonetheless, financial investors clearly bring other things to the table that banks do not. In this respect a respondent explains, “Their market due diligence confirmed that the company had substantial potential for growth. They then identified a large number of suitable sites across the country where we could open new stores. We have begun this process and thus increased our revenue.”

25% of
respondents
are private
equity backed



Steve Tudge,
Managing Director,
ECI Partners

Private equity as an investment model has generated above market returns for decades by helping to create value in investee companies.

This model appears to have been forgotten by much of the private equity community in the credit fuelled boom of 2006 and 2007. However, this was not the case in much of the mid-market.

Private equity should bring more than money to the table for any investment, regardless of where we are in the economic cycle. In fact, every investee company should demand it. Most mid-market private equity firms are run by teams with decades of experience, investing in companies in most sectors and through several economic cycles. At the least, investee companies can leverage this experience to help navigate through these troubled waters and maximise their growth potential.

Over the last few years we, like many firms, have invested in more resources to help our investee companies.

The manner in which we can help companies varies according to the very specific needs of each company.

However, we have seen some common themes over the last few years:

- Operational improvement – this includes introducing a purchasing expert (the people we know have saved millions for our companies in the last 18 months alone), working capital improvement, process re-engineering or sourcing new, cheaper, better quality and more reliable suppliers. We have found we can help our companies identify the best person or company to employ to solve all these problems
- International growth – many of our portfolio companies have sought our support and help to grow overseas through opening new offices or acquisition (in the last year we have

helped companies acquire or open facilities in Australia, Israel, Belgium and the USA)

- Board support – some companies have wanted sector expert non-executive directors, others interim operational directors or permanent sales director. Whatever a company's need, again we may know a collection of relevant people, but if not we will always know how to find them
- Exit preparation – having invested in over 250 companies, we understand what buyers value in a company. We learn from every previous process involving our investee companies to ensure that any issues that might have put off the key buyers of a company last time are fixed prior to our exit. It is also essential to start the dialogue with credible buyers well before exit so that they can get comfortable with the team and business model

M&A – making a comeback?

Given the collapse in UK deal activity over the past 18-24 months, it is encouraging that 27% of respondents plan to expand via acquisitions over the next 12-18 months. Moreover, a number of respondents noted that they had already done deals and were eager to broker new acquisitions in the coming months. Certainly it would appear that UK firms are once again willing to consider M&A as a way of expanding their business, with one respondent stating, “We’re open to acquire opportunistically... we are always on the lookout for more deals. I see significant potential for M&A due to the surplus in undervalued businesses. There are real bargains to be had,” Doyle said. Durant agreed, and expressed confidence that the M&A market in the UK would pick up again as stronger corporates once again engage in M&A plays.

The majority of respondents who state that M&A will be part of their growth plans generally characterise their acquisition strategy as opportunistic, rather than set in stone. One respondent notes that their firm is looking to opportunistically acquire targets, but notes that if that does not happen, the company will grow organically. Elsewhere, a smaller number of respondents are actively on the acquisition trail, no doubt spurred on by relatively low corporate valuations. “Prudent financial multiples will become

an even more important factor for buyers,” Doyle said.

Meanwhile, a number of challenges are clearly deterring some corporates from undertaking transactions. Deal financing remains an obstacle, with a number of respondents stating securing finance to do deals remains difficult. In this regard, one respondent stated that “getting funding from the bank is a major challenge” while a second says that securing bank debt was “difficult”. “Finding people willing to lend” is another difficulty that respondents are running into. Doyle concurred, saying the biggest challenge to acquisitive buyers is their “ability to get funding”.

Comment

Whilst battening down the hatches and focusing on organic growth and reducing reliance on bank funding was typical of our clients’ first response to the recession, we now see plenty of evidence of M&A returning to the agenda – high prices are even being achieved for quality growth assets as confidence returns to the mid-market.

Simon Davies,
Corporate Finance Partner,
Grant Thornton UK LLP

Matt Osborne,
Director,
Debt Finance Origination,
HSBC

I would expect M&A levels to continue to rise over the rest of 2010 and into 2011. All industry sectors have seen winners and losers and strong companies will look to be acquisitive. HSBC is looking positively at underwritings to finance acquisitions, and, as always we will continue to support M&A if the deal is right.

27% of respondents expect to grow via M&A in the next 12-18 months



Case Study

Apogee

Apogee is one of the UK's leading digital document solution providers, and sells multi-function print equipment backed up by long-term service contracts.

In the year to December 2008, Apogee generated turnover of c.£29 million, with EBITDA in excess of c.£6 million, and has plans to grow the business to in excess of £80 million turnover by 2013.

In November 2009, the shareholders appointed Grant Thornton to help them find a private equity partner to help take their business to the next stage. The additional investment was intended to raise money both for the shareholders and to support Apogee's buy-and-build acquisition strategy.

A few months later, LMS Capital plc, a main list financial investor with net

assets of over £200 million, and investments across a wide variety of sectors in the UK and US, agreed to acquire a minority shareholding in Apogee Group Limited.

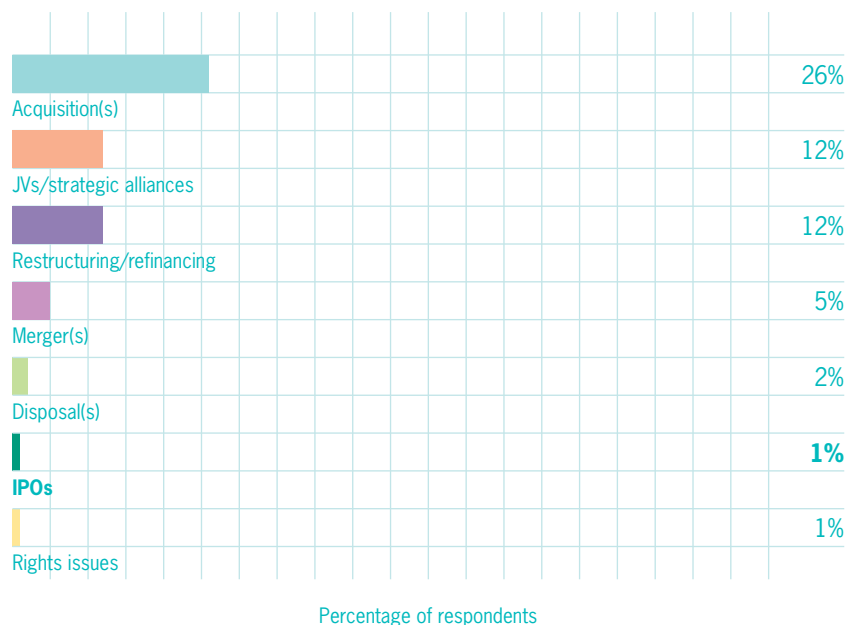
The transaction also involved commitment to provide follow-on funding to support the buy-and-build.

This transaction along with other recent deals demonstrates that private equity activity levels have gained momentum, thus providing alternative financing options to corporates in a debt market which remains challenging. Equally, this deal illustrates the fact that private equity investors are open to considering 'cash out' or investing in minority stakes in businesses, a situation that is driven in many cases by the paucity of leveraged debt financing.

IPOs – emerging from the doldrums?

Elsewhere, against the backdrop of the recovering equity markets it is surprising that so few respondents view an IPO as an attractive move for their business. While a large number of respondents feel that internal capacity is sufficient to finance their strategy, very few people felt that their businesses would consider an IPO to shore up funds and drive expansion in the coming months.

Which, if any, significant transactions do you expect to complete over the next 12 months?



Comment

Going public has been an unattractive option for almost two years, since the sub-prime fallout and the collapse of Lehman which destabilised equity capital markets globally and introduced unprecedented levels of volatility and uncertainty. This resulted in almost a complete halt to the supply of equity capital to prospective IPO candidates. It is therefore not unsurprising that

turning to a public market for growth capital or for a partial or full exit has not featured particularly highly in financing strategies, considering the recent turbulence. The good news is that confidence has grown rapidly and equity capital markets are again open for business, albeit at levels tempered by a cautious outlook. Against the continued backdrop of a reluctance

of banks to lend, and a contraction in the availability of private equity, the provision of growth capital from equity capital markets will once again play an important part in the funding escalator.

Philip Secrett
Partner, Capital Markets,
Grant Thornton UK LLP



Tracey Pierce,
Director of Equity
Primary Markets,
London Stock Exchange

You only have to look at the statistics from last year, a record for equity fundraising on the London Stock Exchange, to see that public markets are as relevant today as ever. With debt finance currently often unavailable to companies, particularly younger, innovative firms, the access to equity capital our markets provide is even more vital to entrepreneurial activity and economic growth.

Of course, not every company will be an appropriate candidate for life on a public market – a firm's size, objectives and funding needs must be suitable. But for firms with an appropriate

growth story to tell investors, and which are committed to a public market, there are a whole raft of benefits – including access to capital, improved liquidity and an enhanced profile with key stakeholders and customers.

Our pipeline of new companies looking to come to market remains strong, with firms from a broad range of countries and sectors looking to list alongside their global peers in London. We are confident that more firms will seek to take advantage of the profile and access to capital that a London listing offers.

About us

About Grant Thornton

Grant Thornton UK LLP is a leading business and financial adviser with offices in 28 locations nationwide. Led by 235 partners and over 4,000 of the profession's brightest minds, we provide personalised assurance, tax and specialist advisory services to over 40,000 individuals, privately-held businesses and public interest entities.

Our market-facing business units are supported by relevant sector specialists who share their expertise and insight across our firm, resulting in an agile and innovative environment. We're flexible to respond to our clients' increasingly discerning requirements and meet the challenges posed by our rapidly changing marketplace.

Taking everything into account, Grant Thornton UK LLP strives to speak out on issues that matter to business and are in the wider public interest. We focus on being a bold and positive leader in our chosen markets and within the accounting profession.

About Remark and The Mergermarket Group

Remark is the market research, publications and events division of The Mergermarket Group. Remark publishes M&A and private equity reports, industry sector and country insights, and thought leadership studies on a range of extant topics affecting corporations and their service providers.

The Mergermarket Group is a division of the Financial Times Group, publisher of the Financial Times newspaper and FT.com.

Notes

Contact us

For further information on any of the issues explored in this report contact:

David Ascott

T 020 7728 2315

E david.p.ascott@gtuk.com

Geoff Davies

T 01223 225630

E geoff.davies@gtuk.com

Lucy Canning

T 020 7728 2669

E lucy.canning@gtuk.com

or email us at heretohelp@gtuk.com

For other queries please contact your local Grant Thornton office:

Belfast

T 028 9031 5500

Birmingham

T 0121 212 4000

Brighton

T 0870 381 7000

Bristol

T 0117 305 7600

Bury St Edmunds

T 01284 701271

Cambridge

T 01223 225600

Cardiff

T 029 2023 5591

Edinburgh

T 0131 229 9181

Farnham

T 01252 734345

Gatwick

T 0870 381 7000

Glasgow

T 0141 223 0000

Ipswich

T 01473 221491

Kettering

T 01536 310000

Leeds

T 0113 245 5514

Leicester

T 0116 247 1234

Liverpool

T 0151 224 7200

London

T 020 7383 5100

Manchester

T 0161 953 6900

Milton Keynes

T 01908 660666

Newcastle

T 0191 261 2631

Northampton

T 01604 826650

Norwich

T 01603 620481

Oxford

T 01865 799899

Reading

T 01189 839600

Sheffield

T 0114 255 3371

Slough

T 01753 781001

Southampton

T 023 8038 1100



© 2010 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton UK LLP is a member firm within Grant Thornton International Ltd ('Grant Thornton International'). Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered by the member firms independently.

This publication has been prepared only as a guide. No responsibility can be accepted by us for loss occasioned to any person acting or refraining from acting as a result of any material in this publication.

www.grant-thornton.co.uk

B1576401