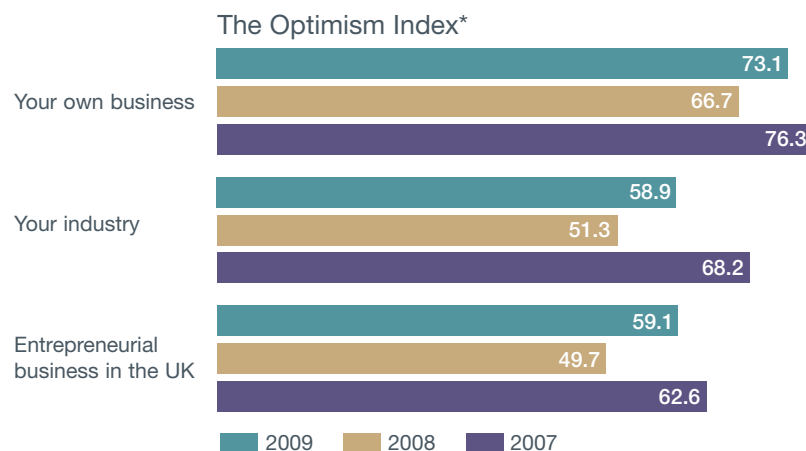


Confidence is returning to UK entrepreneurial businesses from its nadir 18 months ago, according to the third issue of the Bowmark Entrepreneurs' Index, a survey of directors of small to medium-sized businesses in the UK. The survey also reveals dramatic variations in the performance of different sectors in the past year and their outlook for the future.

Highlights

- the Optimism Index (below), measuring how positive respondents are about their own businesses, has recovered 6.4 points since July 2008 to 73.1. The measure of prospects for entrepreneurial businesses overall brightened even more - up 9.4 points;
- 59% of respondents expect a sustained recovery in the UK economy in 2010, though 45% overall say not until the second half;
- 78% think the Conservatives would be more supportive of entrepreneurs. Respondents say keeping interest rates low, simplifying employment law and reducing red tape should be priorities for the next government; and
- nearly three-quarters of healthcare sector respondents expect the government to outsource services to the private sector.



*Index scores are calculated from the average score between 0 and 100 (from strongly disagreeing to strongly agreeing) given by each respondent when asked whether they thought prospects were good for the next 12 months.

“The disparity in optimism between industries demonstrates the varying impact of the recession on different sectors of the UK economy”

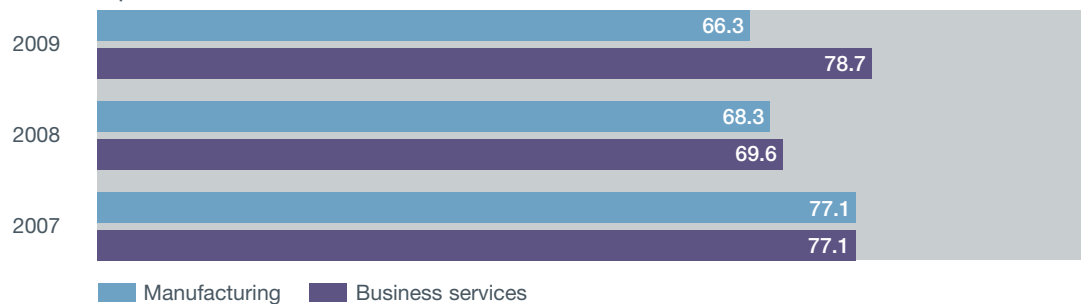
Optimism on the up

Small and medium-sized businesses’ confidence in the future is on the mend after being badly dented at the time of our July 2008 survey. The Optimism Index, on the previous page, shows a 6.4 point rise to 73.1 in respondents’ confidence about the prospects for their own businesses over the next 12 months.

Their improved optimism about the future of UK entrepreneurial businesses overall is even more striking - up 9.4 points to 59.1. This may reflect their hopes for an economic recovery. Their view of their own industries’ prospects also brightened and sent the Index up 7.6 points to 58.9 - though that still lags significantly the level reached two years ago of 68.2.

The overall scores mask wide variations between the sectors surveyed. As the chart below shows, business services companies’ optimism stands higher even than two years ago, while manufacturers’ confidence about their own businesses has continued its downward slide. Travel and leisure firms were the least optimistic about their sector (51.8) and about entrepreneurial businesses overall (48.2). Companies in south-west England were the most confident about their own prospects of any region (77.1) - a 14.6 point rise since our first survey.

Optimism Index for own business

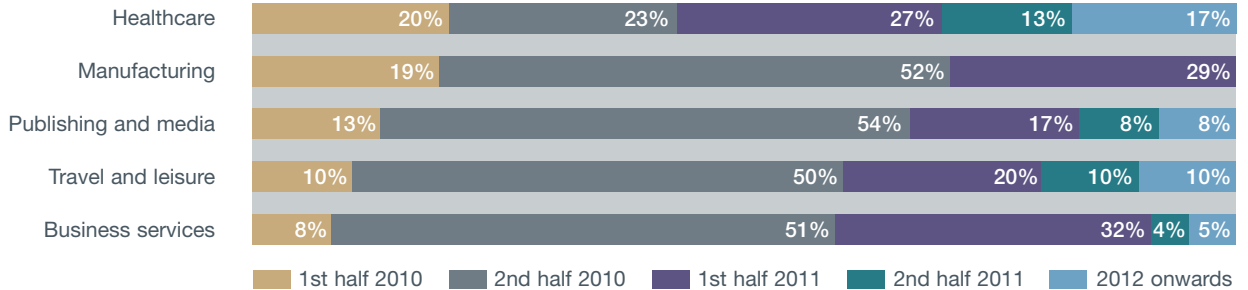


“Historically, it has taken two or three years for activity to recover fully from a recessionary trough. But most entrepreneurs in our survey expect a faster return to economic growth”

Economic recovery on the way

The majority of entrepreneurial companies anticipate that the economy will recover this year. Some 59% expect to see a sustained upturn during 2010, albeit 45% overall think it will not come until the second half of the year. A further 26% predict sustained recovery will happen in the first half of 2011. Only 15% think a return to economic growth will take longer.

Timing of economic upturn



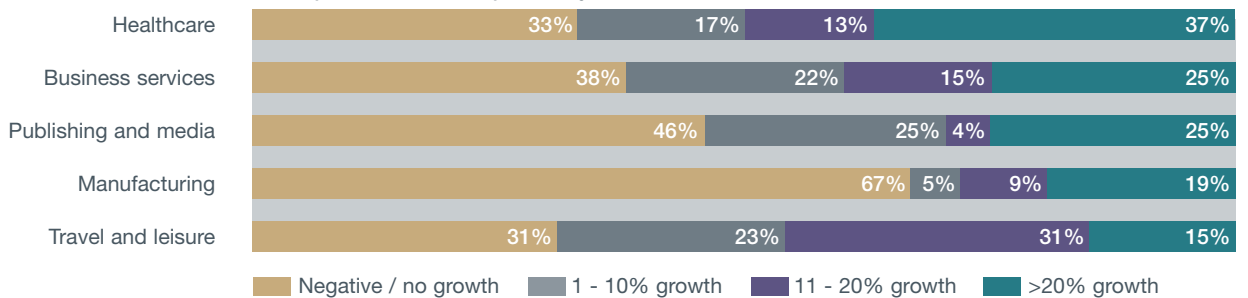
Sectors differ on when sustained growth will occur. While healthcare companies are pretty evenly divided over the timing of the recovery up to 2012, 71% of manufacturers forecast recovery this year. Regionally, two-thirds of respondents in Greater London and the north expect the economy to be back on track this year.

“Cutting costs is the key to surviving a recession. Our survey suggests that axing jobs was a major element of respondents’ cost-saving initiatives”

Recession impacts performance

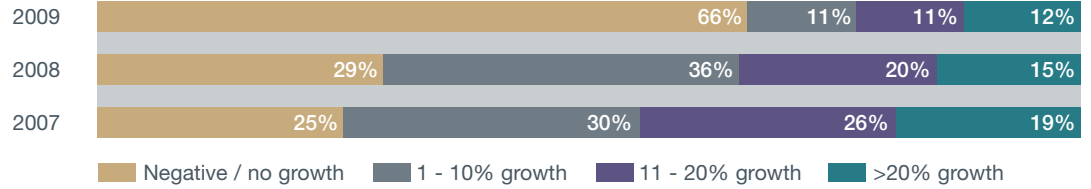
The recession took its toll on respondents’ revenue, profits and job numbers at both ends of the spectrum. Fewer companies than in previous surveys reported 20%+ growth in all three areas while substantially more revealed static or lower figures. Indeed, nearly half reported unchanged or lower revenue - more than three times as many as in the first report.

Past performance - profit by sector



Disparity between sectors was marked. Healthcare companies were the most resilient with 37% reporting 20%+ profits growth in the previous 12 months. An increasing proportion of companies in this sector has reported 20%+ growth in each survey. In contrast, two-thirds of manufacturers revealed unchanged or lower profits - 3.5 times more than in our first survey. The proportion of publishing and media firms reporting static or decreased profits (46%) was over 4.5 times more than in 2007.

Past performance - employment



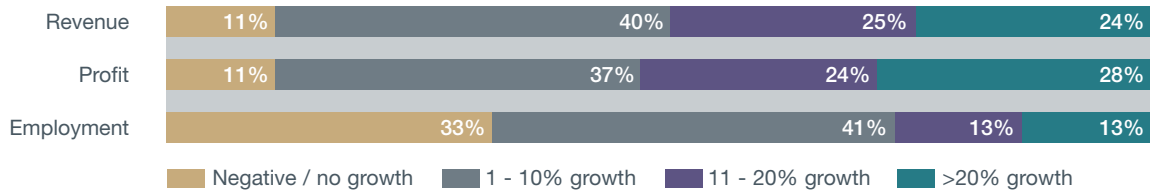
Jobs in entrepreneurial businesses were a big casualty of the recession, as the chart shows. Our poll showed that 86% of manufacturers, 75% of publishing and media firms and 63% of business services companies reported unchanged or lower job numbers.

“By their nature, entrepreneurs are more optimistic than other people. Most expect a strong recovery in the year ahead from the depths reached last year”

Prospects - triumph of hope over experience

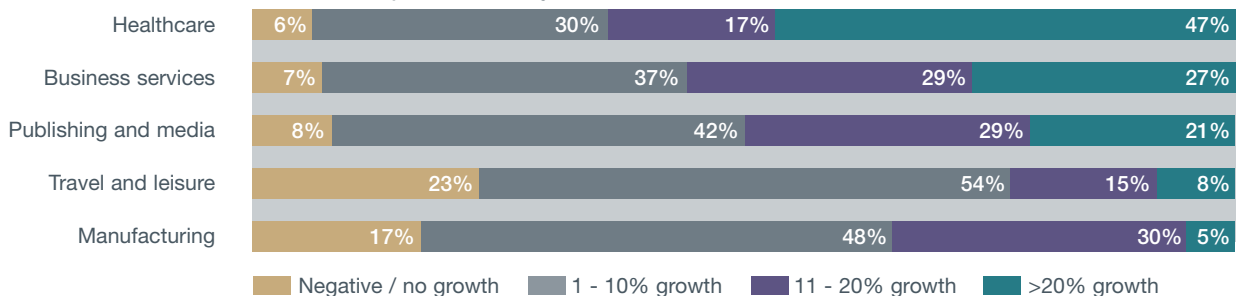
Respondents believe that better times lie ahead with 89% expecting revenue and profits to grow in the next 12 months. Employment remains a thornier issue with one-third expecting job numbers to plateau or fall.

Expectations for the year ahead



Healthcare companies are most confident with 47% predicting 20%+ revenue growth in the next 12 months, more than in previous surveys. They are less positive about profit growth - just 27% anticipate a comparable rise. Travel and leisure firms were most pessimistic. Just 8% forecast a 20%+ improvement in revenue and profits, while 23% expect unchanged or lower revenue and 15% see flat or falling profits. Regionally, companies in the south-west are the most confident. Half expect 20%+ revenue growth in the next 12 months and 45% see a similar rise in profits.

Revenue expectations by sector



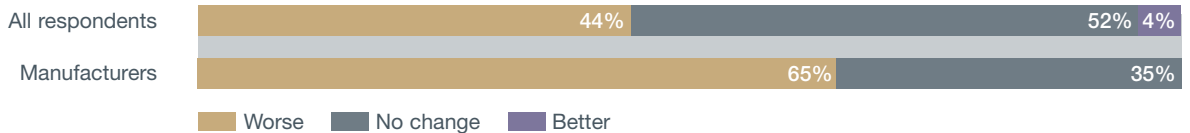
“Given the depth of the recession and the turmoil caused by the banking crisis, entrepreneurs’ financing problems could arguably have been worse”

The credit crunch takes a bite

Both the availability and terms on which banks will lend have worsened in the past six months. This runs counter to the government’s injunction to the banks to support business customers in return for the massive sums of money pumped into the banking system. Access to acquisition finance is still a major issue - 39% of respondents said availability had deteriorated in the previous six months.

Keeping businesses ticking over also became more costly with 44% reporting tighter terms for working capital facilities in the preceding six months. This was the experience of nearly two-thirds of manufacturers, as the chart shows.

Debt: terms for working capital



While only 10% of all respondents had problems servicing debt, that is a sizeable increase on the 2% who did so last time. Almost a quarter of manufacturers surveyed this time had difficulty.

Among those looking for alternative sources of finance in the next half year, 30% will seek private equity funding - against just 20% in the last six months. Only 2% will consider an AIM quote.

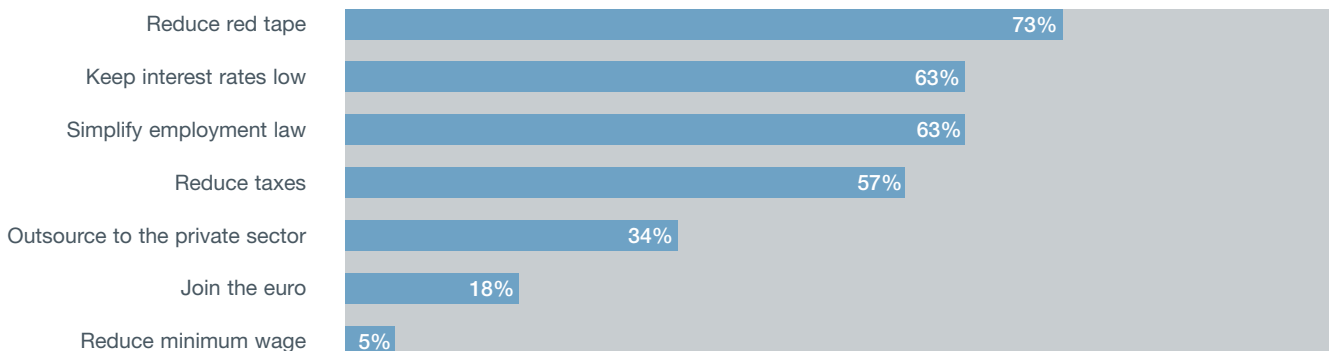
“Virtually all the companies surveyed in the north, traditionally a Labour stronghold, think the Tories will be more supportive of entrepreneurial businesses”

Entrepreneurs feeling “blue”

Some 78% of companies believe a Tory government would offer more support to entrepreneurial businesses.

Low interest rates and simplified employment law (both 63%), along with reduced red tape (73%), are the priorities set by respondents for the next government. Our poll showed that employment law issues are the biggest concern for manufacturers (86%). Of all the sectors, travel and leisure firms (30%) were keenest on the UK joining the euro.

Post-election “wish list”

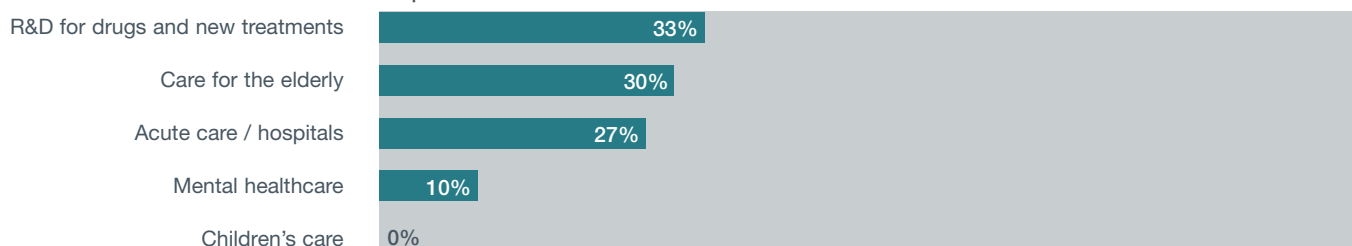


“Outsourcing opportunities underscore the resilience of the healthcare sector, demonstrated by the strong financial performance last year and confidence about prospects”

Healthcare benefits

One-third of healthcare respondents forecast that budgetary pressures will mean cuts in spending on research and development of drugs and new treatments; 30% foresee reduced expenditure on care for the elderly, but none expect cutbacks in children’s care. Nearly three-quarters of healthcare companies predict that demand for more efficiency and lower costs will lead the government to outsource more services to the private sector.

Expected healthcare cuts



The Bowmark Entrepreneurs' Index

The Bowmark Entrepreneurs' Index tracks: how positive directors are about prospects for their companies, their sectors and entrepreneurial businesses generally; their companies' financial performance; the types of development activity they have undertaken in the past 12 months and intend to take in the year ahead; and their attitudes towards the challenges and opportunities faced by entrepreneurial businesses in the UK in the current economic climate.

The survey for the Index comprised online interviews in October and November 2009 with chief executives or managing directors of 132 companies throughout the UK. These companies had up to 500 staff with annual revenues of between £10 million and £100 million. Small and medium-sized companies, with up to 250 employees, comprise the majority of the 4.5 million+ businesses in the UK and account for nearly 60% of UK private sector employment and over 50% of revenue.

Bowmark Capital is a leading private equity firm specialising in smaller UK companies. Founded in 1997, Bowmark manages and advises funds totalling approximately £700 million on behalf of a blue chip investor base including public pension funds, insurance companies and banks from the UK, US and Continental Europe.

The Bowmark team has extensive experience of investing in growth companies, and has supported over 50 different businesses across a range of industries including business services, leisure, healthcare, media and IT services.