

Financial Strength

The company balance sheet shows Net Assets of round £400k in the year end balance sheet and also in the year to date but this must be caveated inasmuch as;

- ↳ Within the Fixed Assets around £60k relates to short leasehold property – presumably capitalised improvements.
- ↳ £239k represents the value of product designs; of significantly less value in a gone concern scenario.
- ↳ There are “investments” of £151k but we do not know what these relate to, and it may be these are not fully marketable.

On the positive side the Balance Sheet is supported by £185k of Directors Loans.

Liquidity

The company has, and has had for some time, a substantial current deficit. This has worsened in the last 18 months as money has been invested in fixed assets and investments.

A Source and Application of Funds statement shows the balance sheet movements over an 18 month period; a period where there has been little in the way of retentions, a deterioration in liquidity and an increase in borrowings. Before any increase in borrowing is allowed the Directors need to explain this.

The company are struggling for liquidity and need cash for stock if they are to increase their turnover – so long as the market supports growth, and this is a mature market where an established product brand should not be prone to erratic fluctuation. However, had there not been so much investment in illiquid assets they would be managing without any increase.