GREGORY ANALYTICS

Financial and business analysis plus business cash flow forecast

Brackwater AV and Quarrow Mounts

What the public record and the companies' own records show, with a business cash flow forecast

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Prepared for Alex Hale by Simon Gregory ACA, Chartered Accountant, Gregory Analytics. November 2026.

ILLUSTRATIVE EXAMPLE. FICTIONAL BUSINESS. Built from accounts filed at Companies House, public registers, published market and price data, and the companies' own records received on 29 October 2026: management accounts, bank statements, ledgers, payroll and tax records. It is not an audit.

Important notice

Please read this before relying on anything in the report.

WHO IT IS FOR

I prepared this report for Alex Hale, as director of Brackwater AV Ltd and Quarrow Mounts Ltd, under my engagement letter of November 2026. It is for use in running the businesses. To the fullest extent the law allows, I accept no duty of care or liability to anyone other than Brackwater AV Ltd and Quarrow Mounts Ltd for this report or anything in it.

SHOWING IT TO A BANK, INVESTOR OR BUYER

- You may give a copy to a lender, investor or buyer once they have signed my standard release letter. In it they agree that the report was not prepared for them, that they will make their own enquiries, and that I owe them no duty of care.
- Where a release letter is not practical, for example a loan application portal, they receive the report on the terms of this notice only.
- Anyone who wants to rely on the report must first agree terms with me in writing, including a limit on my liability.
- No part of the report may be quoted, copied or put in another document without my prior written consent.

WHAT IT IS

- A review of public information and of the companies' own records: accounts filed at Companies House, public registers, published market and price data, and the records listed on page 41, received on 29 October 2026 (marked M).
- An earnings, cash flow and balance sheet quality review: the first checks a buyer's or lender's accountants make, here on the filed accounts and the records provided. It covers the quality of earnings and cash flow, the balance sheet (working capital and net debt), the quality of the accounts, the credit record, borrowing capacity, filings and compliance, and the balances between the companies (Part B, with the due diligence on the records). It covers the financial checks of a limited-scope due diligence on the records provided. It does not cover legal, commercial, tax, IT or operational due diligence, and I have not reviewed the contracts.
- A business cash flow forecast for 2027 to 2029, built from that information and from assumptions I have set, each one stated with its basis (page 55).
- It is not an audit, a review or any other assurance engagement. I have agreed the management accounts to the full accounts and tested them against the bank statements and ledgers at a high level (page 45), but I have not audited or verified them, and the accounts are unaudited.
- It is not a formal valuation, investment advice, or legal or tax advice. The indicative value range (page 80) applies published market multiples to the underlying EBITDA in this report; it is not an opinion of value and is not prepared to valuation standards. Where a point needs legal or tax advice, I say so.

LIMITATIONS

- The companies' full accounts and management accounts, received 29 October 2026, give turnover, profit and dividends for 2021 to 2025, and the analysis uses them for those years [M]. For the years before, the filed balance sheets give the change in net assets only, which is shown as reported. The forecast starts from the actual turnover and profit in the full accounts.
- Some related-party amounts can differ between a year's own filing and the next year's comparative. I have used each year's own filing.
- Market data and prices change. A forecast is an estimate, and actual results will differ, sometimes by a lot. The directors remain responsible for the decisions they take on it.
- The report reflects what I knew on 3 November 2026. I will not update it for later events unless we agree that in writing.

HOW SURE EACH FIGURE IS

Every scorecard test and every assumption carries one of three labels, and the same labels are used throughout the report.

- [P] **Public record**: taken from the filed accounts, public registers, published data or tax rules.
- [E] **My estimate**: calculated or set by me, such as the cost of capital, the rebuilt cash flows, the distress score and most of the forecast assumptions, including turnover.
- [M] **Management**: from the companies' own records or plans. In this report, the due diligence on the records (Part B) and the normalised earnings pages.

INDEPENDENCE

I have no family, financial or business link with either company or their owners.

LIABILITY AND CONFIDENTIALITY

My liability is limited as set out in the engagement letter. The report is confidential to the companies named in it. I will not publish any part of it without your written permission.

COPYRIGHT AND USE

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Simon Gregory ACA, Chartered Accountant, trading as Gregory Analytics. Report dated 3 November 2026.

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How to read this report. Start with the verdict (page 6), the scorecard (page 10) and the recommendations (page 12). Then: Part B, financial and business analysis, with due diligence; Part C, business cash flow forecast, 2027 to 2029; Part D, business plan; Part E, lender-ready review; Part F, sale readiness review. The appendices hold the detailed accounts, the market, cost and IP pages, and the definitions and sources.

Important notice: page 2. Most pages end with their sources. Definitions and the full source list are on page 107.

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PART A

Summary and recommendations

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Summary: the verdict

The verdict. Both companies have built value and neither relies on a bank, but cash keeps leaving the trading business: Brackwater has lent £395k to Quarrow and holds £485k in other debtors the accounts do not explain. A lender will look first at those balances and at Quarrow's thin cash. The group can fund its plans from its own cash in the base case, but not if money keeps leaving at the recent rate, so the one thing to fix is to document and collect the balances between the companies and put a committed facility of about £300k in place.

£807k
Brackwater net assets, Dec 2025 (2017: £431k)

£312k
Quarrow net assets, Dec 2025 (2019: net liabilities £119k)

£290k
Group cash, Dec 2025 (Dec 2024: £539k)

£623k
Other debtors not explained in the accounts (Brackwater £485k, Quarrow £139k)

£530k
Owed to group and related companies, due within a year (Quarrow £395k, Brackwater £135k)

What each part of the report found is on page 7. The 10 findings behind this verdict are on page 8, the top eight risks and actions on page 9, and the scorecard on page 10. How a lender will read the companies, and the funding options, are on pages 74 and 77.

Sources: accounts filed at Companies House, as listed on page 107. Tiles at December 2025. Fictional example data.

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2. The report in one page: what each part found

Each part of the report in a few lines, in the order it appears, with the pages that hold the detail. The verdict is on page 6 and the recommendations on page 12.

1. **The analysis.** Brackwater's returns fall short of its cost of capital, mainly because of money lent to related companies. On the full accounts, Brackwater earned about 14.4% a year on its capital from 2022 to 2025, against a cost of capital of about 14.6%, and about 39.3% on the capital in its own business. The profit has turned into cash. Brackwater's free cash flow was 88% of its profit from 2018 to 2025, both before dividends (page 21). (pages 16 to 28)
2. **The business, its market and risks.** Demand for meeting-room AV is growing slowly, at about 4% a year worldwide, with fuller offices and rooms still without video doing the work. Costs are rising faster than that, and larger rivals are consolidating. Most of the biggest risks are about cash leaving the trading companies and about how much rests on a few customers and on Alex. (pages 29 to 32)
3. **Earnings, cash flow and balance sheet quality.** Brackwater's underlying EBITDA is £76k, a cut of £29k on the reported figure. Quarrow's underlying EBITDA is £64k, a cut of £132k on the reported figure. On the public record, the accounts of both companies score red. (pages 33 to 40)
4. **Due diligence on the records.** Brackwater has two red tests and Quarrow has two red tests. The five years of full accounts confirm the public-record picture and sharpen it: Brackwater paid £234k of dividends in 2021 and £21k in 2022 and none since, the other debtors are mostly unbilled work and retentions, and Quarrow's underlying EBITDA is about a third of its reported figure once development is treated as a cost. (pages 41 to 51)
5. **Business cash flow forecast.** Both companies stay in credit in every month from January 2027 to December 2029 in the base case. The low point for the two together is £368k in January 2027, and cash builds to £690k by December 2029. That depends on no cash going up to the holding company for dividends and no more cash moving into other debtors and related companies. (pages 53 to 64)
6. **Business plan.** Brackwater is a profitable AV integrator with £807k of net assets, and Quarrow a growing maker of AV frames and stands that Brackwater has funded. In three years the plan has both companies funding themselves, with Quarrow's sales up about a fifth and the balances between them documented and falling. (pages 66 to 72)
7. **Lender-ready review.** A lender would see two sound businesses with weak cash conversion: Brackwater as the borrower with assets, Quarrow as the one that needs the facility. A committed overdraft or revolving facility of about £300k, from Brackwater's existing bank, fits the group best. (pages 74 to 78)
8. **Sale readiness review.** An indicative value range, not a formal valuation, for the shares of the two companies together: £345k to £685k. The 12-month plan has the business ready to go to market by December 2027. (pages 80 to 82)

Every figure here is the figure on the page it comes from, with its basis (P, E or M) shown there. Fictional example data.

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3. What the accounts and market data show

I have read every set of accounts these companies have filed at Companies House: 9 years of balance sheets for Brackwater AV Ltd and 7 for Quarrow Mounts Ltd. Every balance sheet adds up. The companies' own full accounts give turnover, profit and dividends for 2021 to 2025 M, and I use them for those years. For the years before, only the change in reserves is filed, and it is shown as reported.

£807k
Brackwater net assets, Dec 2025 (2017: £431k)

£312k
Quarrow net assets, Dec 2025 (2019: net liabilities £119k)

£238k
Brackwater cash, Dec 2025 (Dec 2024: £455k)

£52k
Quarrow cash, Dec 2025 (Dec 2024: £85k)

10 FINDINGS

1. **Both businesses have built value.** Brackwater's net assets grew from £431k in 2017 to £807k. Quarrow went from net liabilities of £119k in 2019 to net assets of £312k, with no new share capital.
2. **Brackwater's year-end cash depends on customer prepayments.** The £588k at December 2020 came with £339k of accruals and deferred income. As that unwound in 2021, cash fell to £128k (page 86).
3. **Brackwater's debtors have changed shape.** Trade debtors fell from £642k in 2018 to £152k, while other debtors rose to £880k, of which £395k is lent to related companies. The accounts do not say what makes up the other £485k.
4. **Brackwater has funded Quarrow since at least 2019.** By December 2025 Quarrow owed £395k to related companies, all due within one year (page 27).
5. **Quarrow's cash is thin.** It had £52k against £617k of short-term creditors at December 2025, and stock rose to £472k. Without the £178k of development spend capitalised in 2025, its reserves would have fallen by £6k.
6. **Brackwater's returns fall short of its cost of capital, mainly because of money lent to related companies.** On the full accounts, Brackwater earned about 14.4% a year on its capital from 2022 to 2025, against a cost of capital of about 14.6%, and about 39.3% on the capital in its own business. Quarrow earned about 33.8% a year from 2021 to 2025, against about 13.9% (pages 19, 20 and 89).
7. **The profit has turned into cash.** Brackwater's free cash flow was 88% of its profit from 2018 to 2025, both before dividends (page 21). On quality of earnings Brackwater scores amber and Quarrow scores red (page 33), and on the quality of the accounts Brackwater red and Quarrow red (page 35).
8. **Quarrow's designs are protected, but the title is untidy.** Pay the overdue GB patent renewal and move the patent into Quarrow's name, with the patent attorney, by 14 December 2026 (page 105).
9. **Two disclosure points need fixing.** Brackwater's related-party note does not name the company that owes the £395k, and the register shows Brackwater Holdings Ltd, not Quarrow, as the holder of the GB patent and the Brackwater trade mark (page 40).
10. **Demand is growing slowly and costs are rising faster.** Searches for Logitech Rally are up 17% in the UK over five years. UK manufacturers' input prices rose 8.3% in the year to September, and container freight from Shanghai to Rotterdam rose 105% on a year (pages 99 to 101).

What the business cash flow forecast shows. In the base case the companies stay in credit in every month from January 2027 to December 2029. The lowest month-end cash for the two together is £368k, in January 2027, and a committed facility of about £300k covers the worst single scenario (page 53). The companies have to be planned together, because cash moves between them. The recommendations are on page 12.

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4. Top eight risks and top eight actions

The eight things most likely to hurt the companies, ranked by what they do to cash in the business cash flow forecast, and the eight actions that do most about them. Each action points to its recommendation, which says why and who does it; the risk register is on page 31.

TOP EIGHT RISKS

1. **Costs rise faster than prices.** In the scenario "Higher costs in the first forecast year: Quarrow materials +15%, Brackwater hardware +10%, pay +5%, prices unchanged", cash at December 2029 falls from £690k to £67k (page 63).
2. **Cash keeps leaving the trading companies.** Other debtors at Brackwater grew about £86k a year over the last four years, and the full accounts show dividends of about £51k a year. Either one carried on would cut cash at December 2029 from £690k to £432k or £537k (page 63).
3. **Customers pay later.** If customers on credit pay a month later, the lowest month-end cash falls from £368k to £172k, in August 2027 (page 63).
4. **Lenders and buyers discount the accounts.** Brackwater and Quarrow score red on quality of earnings or on the quality of the accounts: £485k of other debtors unexplained at Brackwater and £139k of other debtors unexplained at Quarrow (page 33).
5. **Brackwater's sales fall short.** Brackwater can bear a fall in sales of 13% before its cash runs out. In the scenario "Brackwater sales 25% lower for the first six months" its cash falls to £116k by May 2027 (page 63).
6. **Related companies call in their money.** Quarrow owes £395k to related companies, payable on demand. A call of £150k in March 2027 would take its cash to (£116k) by August 2027 (page 63).
7. **Quarrow's sales fall short.** Quarrow can bear a fall in sales of 4% before its cash runs out. In the scenario "Quarrow sales 20% below plan for the first year" its cash falls to (£110k) by August 2029 (page 63).
8. **Quarrow's stock stays high.** If stock is not run down, Quarrow's lowest month-end cash is (£89k), against £36k in the base case (page 63).

TOP EIGHT ACTIONS

1. **Put a committed overdraft or revolving facility of about £300k in place, available to Quarrow or across the group**: recommendation 1 (page 12).
2. **Bill Brackwater's projects at each stage and chase retentions when due: £310k of work done but not billed and £58k of retentions at the year end**: recommendation 3 (page 12).
3. **Put loan agreements or letters of support in place for the balances between the companies, and lend no more between them without a board minute**: recommendation 4 (page 12).
4. **Clear Brackwater's director's loan of £56k and pay the section 455 tax of £19k with the accountant**: recommendation 8 (page 12).
5. **Start monthly management accounts with a cash bridge**: recommendation 14 (page 13). A cash bridge is a short table that starts with the month's profit and shows where it went, line by line: debtors, stock, creditors, customer deposits, tax, equipment and money lent to related companies, ending at the change in the bank balance. It shows every month whether profit is turning into cash. The bookkeeper prepares it with the monthly accounts and Alex reviews it.
6. **Review the business cash flow forecast each month against actual results**: recommendation 13 (page 13).
7. **Make sure the next accounts fix the disclosure gap: Brackwater: the related-party note does not name the company that owes the £395k**: recommendation 5 (page 12).
8. **Review prices in 2027 quotes and contracts**: recommendation 6 (page 12).

> **Most of the risk sits in one place:** money moving between the companies and their owners. Recommendations 3 and 4 deal with it directly, and the facility in recommendation 1 is the cushion while they are done.

Figures are from the forecast scenarios (page 63) E, the records review (page 41) M, and the filed accounts P. Fictional example data.

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5. Scorecard: how the companies look to lenders, investors and owners

On my scorecard Brackwater has 2 green, 4 amber and 5 red lights and Quarrow 2 green, 2 amber and 7 red. Together they say both businesses are sound on paper but hard to read: the red lights are mostly about cash held in other debtors and related-company balances, and a lender will look first at liquidity and at the quality of earnings. Eleven tests that lenders, investors, buyers and credit agencies apply, in five groups. Green is comfortable, amber needs an explanation and red needs action.

Measure	Green / amber / red	Brackwater	Quarrow	Data
	Strength			
Net assets, five-year change, with the business-in-difficulty and working capital trend tests Pages 84 and 85	🟢 growing more than 5% 🟡 within 5% either way, or net current assets falling two years running 🔴 falling more than 5%, negative, or losses above half the share capital	🟢 +11.7%, 2020 to 2025	🟡 From net liabilities of £94k in 2020 to net assets of £312k; net current assets fell two years running, to £92k	P
Debt serviceability: net borrowing ÷ EBITDA, and debt service cover with sales 10% lower Pages 75 and 39	🟢 net borrowing 2.0x EBITDA or less, and cover 1.5x or more 🟡 up to 3.0x, or cover 1.25x to 1.5x 🔴 above 3.0x, EBITDA negative, or cover below 1.25x	🔴 Net cash; cover −3.71x with sales 10% lower; borrowing 17% of net assets	🔴 Net borrowing 7.9x EBITDA; no bank debt to service; borrowing 126% of net assets	E
	Liquidity			
Short-term liquidity: cash and trade debtors ÷ outside creditors due within a year Page 24	🟢 1.0x or more 🟡 0.7x to 1.0x 🔴 below 0.7x	🟡 0.72x (current ratio 2.03x; cash ratio 0.35x)	🔴 0.33x (current ratio 1.15x; cash ratio 0.08x)	P
	Earnings			
Quality of earnings and cash flow: is profit real, recurring and backed by cash? With debtor and creditor days Page 33	🟢 no red test; debtor and creditor days 60 or less 🟡 one red test, two amber, or days above 60 🔴 two or more red tests, of six from the public record, or creditor days above 90	🟡 1 of 6 red. Free cash flow 88% of profit before dividends, 2018 to 2025; £485k of profit held in unexplained other debtors. Debtor days 18, creditor days 52	🔴 4 of 6 red. Free cash flow −29% of profit before dividends, 2020 to 2025; £139k of profit held in unexplained other debtors. Debtor days 4, creditor days 53	E
Return on invested capital less cost of capital, pooled, from the full accounts Pages 19 and 20	🟢 +2 points or more 🟡 −2 to +2 points 🔴 below −2 points	🟡 −0.3 points (own business: +24.7 points)	🟢 +19.9 points	M

The scorecard continues on page 11: conduct and events, owners and buyers, the records, and the cross-check.

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6. Scorecard, continued: conduct, owners and buyers, the records, and the cross-check

Measure	Green / amber / red	Brackwater	Quarrow	Data
Conduct and events				
Court and creditor actions: County Court Judgments, petitions and insolvency notices, payment behaviour Page 40	🟢 no CCJs or insolvency notices; pays on terms 🟡 satisfied CCJs only, one unsatisfied under £1,000, or up to 30 days beyond terms 🔴 an unsatisfied CCJ over £1,000, two in a year, any insolvency notice, or over 30 days beyond terms	🟢 No CCJs or insolvency notices (searched 3 November 2026); payment behaviour not checked	🟡 One County Court Judgment (satisfied): £1,120 in 2024	P
Filing, governance and directors: filing, charges, year-end changes, director history, changes of control Page 40	🟢 no red check and at most one amber 🟡 two or more amber checks 🔴 any red check: accounts overdue or late two years running, three or more lenders' charges in a year, a disqualified director	🟡 Two of six checks amber: filed in the last week before the deadline, repeatedly	🟢 One of five checks amber (one amber is still green): a new invoice finance charge, May 2026	P
Quality of the accounts: complete, explained, consistent and fully disclosed, with the going-concern test Page 35	🟢 all seven tests pass 🟡 lawful but limited; going concern relies on support; two changes of accountant in three years 🔴 large balances unexplained, figures changed between filings, a disclosure missing, or a going-concern material uncertainty	🔴 Test 2 red: £485k of other debtors with no explanation, 32% of total assets	🔴 Test 2 red: £139k of other debtors with no explanation, 15% of total assets	P
Group complexity: how many companies, how they fund and guarantee each other, and what sits outside Page 26	🟢 no red test and at most one amber 🟡 two or more amber tests 🔴 any red test, of eight	🔴 Tests C and G red: balances with related companies, against net assets	🔴 Tests C and G red: balances with related companies, against net assets	P
Owners and buyers				
Transferability: customer concentration and dependence on one person Page 30	🟢 largest customer under 20%, top three under 50%, no single person the business needs 🟡 20% to 30%, 50% to 65%, or one person hard to replace 🔴 over 30%, over 65%, or the owner holds the key customers or is the only signatory	🔴 Largest customer 17%, top three 35%; managing director: wins most new work; holds the relationships with the top three customers; the only bank signatory	🔴 Largest customer 30%, top three 60%; lead design engineer: holds the mount designs and CAD files; the main contact at the factory	M
The company's records				
Review of the records: management accounts, cash, working capital, tax and people Page 41	🟢 no red test and at most two amber 🟡 one red test, or three or more amber 🔴 two or more red tests, of eleven	🔴 2 of 11 red, including: director's loans and section 455 tax	🔴 2 of 11 red, including: free cash: the lowest balance against what the business needs	M
Cross-check not counted: it summarises the lights above				
Distress score (Altman Z'' for non-manufacturers, indicative), with UK sector and event overlays Page 23	🟢 above 2.60 🟡 1.10 to 2.60, or capped: a high-insolvency sector or an adverse event 🔴 below 1.10	🟢 6.28, safe (3.96 without amounts owed by related companies)	🟡 3.52, safe; capped at amber: an adverse court, filing or going-concern event	E
Information only not scored				
Sustainability readiness: carbon footprint and reduction plan	🟢 footprint, intensity figure and reduction plan 🟡 partly in place, and customers are asking 🔴 not scored	⚪ Not assessed: needs a Scope 1 and 2 footprint, an emissions-intensity figure and a reduction plan	⚪ Not assessed: needs a Scope 1 and 2 footprint, an emissions-intensity figure and a reduction plan	M

Data: P public record (filed accounts, registers, the Gazette, published data); E my estimate from public data; M management, from the companies' own records. Returns on invested capital are pooled over 2022 to 2025 for Brackwater and 2021 to 2025 for Quarrow, and cash conversion over all the years rebuilt, before dividends (from the full accounts). The distress score is for December 2025. Three things turn a company's whole scorecard red: an insolvency notice in the last 24 months, a going-concern material uncertainty, or accounts overdue. The records review uses the companies' own records M, received 29 October 2026.

> The thresholds are my rules of thumb for a small private company, set against what UK credit agencies and lenders weigh. A credit agency's score uses its own data, including payment records I cannot see, and may differ.

Sources: accounts filed at Companies House, as listed on page 107; the Registry Trust register of judgments and The Gazette; cost of capital on page 89; Altman Z'' method on page 23; quality tests on pages 33 and 35. Fictional example data.

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7. Recommendations

These come from the analysis in this report. Recommendations 2, 3 and 5 cost little and can be done this month.

	What to do	Why	Effect	Priority	Who	By
1	Put a committed overdraft or revolving facility of about £300k in place, available to Quarrow or across the group. Start with the main bank and compare a challenger bank (page 77)	In the worst single scenario, Quarrow's cash falls to (£263k) in December 2029 (page 63)	Removes the main liquidity risk	High	Alex	January 2027
2	Pay the GB patent renewal (grace period ends 14 December 2026), renew the lapsed UK registered design if still wanted, and assign the GB patent from Brackwater Holdings Ltd to Quarrow (page 105)	The renewal is past due and the patent sits with the holding company, not the company that uses it	Keeps the IP in force and gives lenders and buyers a clean chain of title	High	Alex and the patent attorney	14 December 2026
3	Bill Brackwater's projects at each stage and chase retentions when due: £310k of work done but not billed and £58k of retentions at the year end (page 48)	The filed accounts show them as other debtors with no explanation	Frees cash and makes the accounts easier to read	High	Alex	From next month
4	Put loan agreements or letters of support in place for the balances between the companies, and lend no more between them without a board minute	Quarrow owes £395k on demand. Brackwater is owed £395k	Lender comfort and clearer cash planning	High	Alex and accountant	By 31 December 2026
5	Make sure the next accounts fix the disclosure gap: Brackwater: the related-party note does not name the company that owes the £395k	Lenders and credit agencies read the notes	No surprises for lenders	Medium	Accountant	2026 accounts
6	Review prices in 2027 quotes and contracts (page 100)	UK manufacturers' input prices up 8.3% on a year	Protects margins	Medium	Alex	January 2027
7	Set a stock target and a buying plan for Quarrow	Stock rose £141k in 2025 to £472k	Back to the 2024 level frees £141k of cash	Medium	Quarrow	March 2027
8	Clear Brackwater's director's loan of £56k and pay the section 455 tax of £19k with the accountant (page 50)	The tax fell due on 1 October 2026 and is not in the filed tax creditor	A buyer deducts it from the price; it is refunded once the loan is repaid	High	Alex and accountant	This month
9	Qualify a second source for Quarrow's main products (page 49)	One supplier provides 58% of what it buys	Lowers the risk a buyer or lender prices in	Medium	Alex	June 2027

Recommendations 10 to 17, and what would change these conclusions, are on page 13.

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8. Recommendations, continued

	What to do	Why	Effect	Priority	Who	By
10	Accrue holiday pay at each month end and record the employment status check for each freelancer at Brackwater (page 51)	Costs and tax a buyer's accountants will find	No surprises in due diligence	Medium	Bookkeeper and accountant	Next month end
11	Agree a normal level of working capital from 12 month ends before any sale talks, and keep the year end close to it (page 46)	The price moves pound for pound with the gap at completion	Protects the price	Medium	Alex and accountant	Before any sale talks
12	Decide whether Quarrow should sell direct to end customers or stay with integrators only	The renewal is past due and the patent sits with the holding company, not the company that uses it	Keeps the IP in force and gives lenders and buyers a clean chain of title	Medium	Alex and the patent attorney	14 December 2026
13	Review the business cash flow forecast each month against actual results	Cash moves between the companies within the month	Early warning of a squeeze	High	Alex	From January 2027
14	Improve the quality of the accounts: a monthly close with reconciliations and management accounts with a cash bridge, prepared by the bookkeeper, and a full profit and loss account with the next accounts (page 35)	Brackwater scores red; Quarrow scores red on the quality of the accounts, and profit has not all translated into cash (page 33)	Lenders and investors price what they can check: better terms and quicker decisions	High	Bookkeeper monthly; Alex reviews; accountant for the year end	From January 2027
15	Send one or two senior leaders from each company on Help to Grow: Management, a management course with 90% of the cost paid by the government (page 36)	Covers finance and financial management, strategy and people, with one-to-one mentoring	Stronger management and financial control	Medium	Alex	Next cohort, early 2027
16	Once a year, check each company's file at the four main credit agencies, and meet the bank with the management accounts and the forecast (page 40)	Scores now use bank data as well as the filed accounts; errors and gaps cost credit	Better credit limits and quicker lending decisions	Medium	Alex	Every January
17	Win public-sector work in stages: subcontract to the winners of frameworks whose bids have closed, then bid as the next ones reopen: Search Find a Tender in December 2026, decide on the TePAS 3 bid window in January 2027, then offer subcontract work to the RM6377 Lot 8 winners from March 2027 (page 103)	Brackwater is on none of the public-sector AV frameworks checked. Tenders check the accounts and credit file, so recommendations 1 and 14 come first	Public bodies must pay suppliers within 30 days, and the same terms pass down the supply chain. Steady refresh work, though price often carries much of the score	Medium	Alex	March 2027

Illustrative example 3 November 2026

WHAT WOULD CHANGE THESE CONCLUSIONS

- **A committed facility.** With £300k of headroom in place, the worst single scenario in the forecast stays within the facility (page 63).
- **Quarrow's funding.** A letter of support or a loan agreement with a repayment date beyond 2027 would remove the main short-term risk on its balance sheet.
- **Margins.** If input costs rise faster than prices, cash at December 2029 is £67k against £690k in the base case (page 63).

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9. The next 90 days

A simple plan to work through the recommendations in order, from 3 November 2026 to 2 February 2027.

When	What happens
Weeks 1 and 2 (to 17 November 2026)	Ask the patent attorney to check renewals and title. Start listing the other debtors by counterparty and type.
Weeks 3 to 6 (to 15 December 2026)	Explain the other debtors and collect any customer money in them. Draw up loan agreements or letters of support for the balances between the companies. Approach the main bank and one challenger bank about a committed facility of about £300k. Set 2027 prices.
Weeks 7 to 10 (to 12 January 2027)	Year-end points for 31 December 2026: disclosures, dividend planning and the stock count. Decide whether Quarrow sells direct or through integrators only (recommendation 12).
Weeks 11 to 13 (to 2 February 2027)	Monthly close and management accounts running from January 2027, set against the business cash flow forecast. Facility in place. Quarrow stock target set.

HOW TO TRACK PROGRESS

- **Each month:** management accounts within 15 working days, showing cash for each company and the balances between them, and actual cash against the business cash flow forecast (page 53). Explain any gap of more than 10%.
- **Each quarter:** re-run the scorecard (page 10), the quality of earnings tests (page 33) and the quality of the accounts tests (page 35). The aim is to turn the reds amber within six months and green within a year.
- **Each year:** file the accounts early, with the profit and loss account, and with the guarantees and related-party balances disclosed.

> **The three things that matter most** are to put a committed overdraft or revolving facility of about £300k in place (recommendation 1), bill Brackwater's projects at each stage and chase retentions when due (recommendation 3) and put loan agreements or letters of support in place for the balances between the companies (recommendation 4). Together they would lift the cash, liquidity and quality lights on the scorecard and the lender's view on page 74.

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PART B

Financial and business analysis, with due diligence

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10. Return on invested capital (ROIC): what the business earns on all the money in it

Return on invested capital (ROIC) is profit after tax, before interest, divided by all the money tied up in the business at the start of the year: the owners' equity plus bank and related-company borrowing, less cash. It answers the question lenders, investors and buyers ask first, and it is the fairest test for the owners too, because it does not change with how the business is funded or how profit is taken out. Set against the cost of capital, the return investors could expect elsewhere for the same risk, it shows whether the business adds value.

> **An easy example.** A business has £1m tied up in it: £600k of the owners' money and a £400k loan, with no spare cash. It makes £120k a year after tax, before interest. Its return on invested capital is £120k ÷ £1m = 12%. If investors could expect 15% elsewhere for the same risk, the business needs £150k to match that, so it is £30k short, even though it is profitable. The owners and lenders would therefore do better with that £1m invested elsewhere at the same risk: the business makes a profit but does not add value.

The companies' full accounts give the actual profit for 2021, 2022, 2023, 2024 and 2025 M, so every return here is the actual figure: profit after tax plus interest (less the tax relief on it), divided by the capital tied up at the start of the year. A competitor that files no profit is the only place an estimate is used: its profit is worked back from the corporation tax it owed, and it is marked E.

	2021	2022	2023	2024	2025
Brackwater					
Return on invested capital M	**25.1%**	**17.2%**	**15.8%**	**10.6%**	**14.2%**
Cost of capital E	11.6%	13.3%	14.9%	14.9%	15.4%
Quarrow					
Return on invested capital M	**8.7%**	**41.4%**	**9.4%**	**42.2%**	**53.2%**
Cost of capital E	11.5%	13.2%	14.8%	14.8%	15.3%

Latest year	Return on invested capital	Basis
Brackwater, Dec 2025	14.2%	Actual, from the full accounts M
Quarrow, Dec 2025	53.2%	Actual, from the full accounts M
Peer G, Dec 2025	24.6%	Reported profit
Peer B, Dec 2025	Not meaningful	It holds more cash than its equity and debt

READING IT

- **Brackwater earns less on its capital than the capital costs.** In 2025 it earned 14.2% M, £54k of profit after tax before interest on the £381k tied up, against a cost of capital of 15.4%. It was above its cost of capital in 2021, 2022 and 2023.
- **Quarrow earned 53.2% on its capital in 2025** M, against a cost of capital of 15.3%, on the £325k tied up at the start of the year.
- **Peer G earns more than its cost of capital.** Its reported profit implies 24.6% on capital in 2025, against about 15.4% for Brackwater's risk.

Profit and interest from the companies' full accounts M; capital from the filed balance sheets P; the cost of capital is my estimate E (page 89). Competitors are shown one by one; their figures are from their filed accounts. Fictional example data.

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11. Return on equity: what the owners' own money earns

Return on equity is profit after tax divided by the owners' money in the business, its equity (net assets), at the start of the year. It answers the owner's own question: what is my money in the business earning? It is useful in two ways. It can be set against what the same money could earn elsewhere for the same risk, the cost of equity. And it shows the effect of borrowing: debt raises the return on the owners' money when the business earns more than the interest, and lowers it when it earns less.

> **An easy example.** You put £100k of your own money into a business and it makes £15k a year after tax: a return on equity of 15%. The business then borrows another £100k and earns £10k a year on it, after tax, while the interest costs £6k after tax. Profit rises to £19k on the same £100k of your money, so the return on equity rises to 19%. If the borrowed money had earned only £4k, the return would have fallen to 13%. If the owners could expect 17% elsewhere for the same risk, 15% or 13% falls short, and their money would do better invested elsewhere; 19% beats it.

	2021	2022	2023	2024	2025
Brackwater					
Return on equity M	**8.4%**	**15.3%**	**13.5%**	**8.4%**	**7.1%**
Cost of equity E	12.9%	14.4%	15.8%	15.6%	16.3%
Dividends paid M	£234k	£21k	Nil	Nil	Nil

READING IT

- **Brackwater's owners' money earned 7.1% to 15.3% a year** M, against a cost of equity of 12.9% to 16.3%. It beat that cost in 2022.
- **Dividends.** The full accounts show about £255k dividends paid from 2021 to 2025.
- **The equity is large for the profit it earns.** At the end of 2025 Brackwater's equity was about £807k, and £395k of its capital was lent to related and group companies, which earns it nothing (page 20). Collecting that lending, or paying it out, would raise the return on the owners' money without any change in trading.
- **A competitor for comparison.** Peer G, which publishes its profit, earned 14.7% on its owners' money in 2025 and paid £49k of dividends.
- **Quarrow is left out.** Its equity was small, negative or outweighed by borrowing in most of the years, so the ratio means nothing for it; its return on invested capital is on page 16.

Profit and dividends from the companies' full accounts M; equity from the filed balance sheets P. n/a: opening equity below £5,000. The cost of equity is set on page 89. Fictional example data.

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12. How the return figures fit together

The report uses the same two formulas throughout. Return on equity is profit divided by the owners' money at the start of the year. Return on invested capital is profit divided by all the money tied up at the start of the year: equity plus bank and related-company debt, less cash. The figures differ between pages because the profit, the year and the starting balance differ. The method stays the same. This page puts them side by side.

	Brackwater	Quarrow	All
2025, from the full accounts M			
Profit after tax M	£53k	£173k	£226k
Dividends paid M	Nil	Nil	–
Equity at the start of 2025 P	£754k	£140k	£893k
Return on equity (page 17)	**7.1%**	**123.8%**	**25.3%**
Profit after tax, before interest M	£54k	£173k	£227k
Capital invested at the start of 2025 P	£381k	£325k	£706k
Return on invested capital (pages 16 and 19)	**14.2%**	**53.2%**	**32.2%**
Cash conversion, all years rebuilt			
Free cash flow ÷ profit, both before dividends (dividends from the full accounts where held) E	**88%**	**−29%**	
2026, from the forecast (before any dividends)			
Profit after tax E	£60k	£95k	£155k
Capital invested at the start of 2026	£705k	£656k	£1.36m
Return on invested capital, forecast (page 64)	**8.4%**	**11.2%**	

WHY THEY DO NOT LINE UP

- **Brackwater's capital base jumped** from £381k to £705k over 2025, so the same profit gives a lower return on invested capital in the forecast (8.4% for 2026) than the 2025 actual (14.2%).
- **Quarrow's capital base jumped** from £325k to £656k over 2025, so the same profit gives a lower return on invested capital in the forecast (11.2% for 2026) than the 2025 actual (53.2%).
- **Cash conversion is measured before dividends.** Dividends are a use of cash, not a cost of the business, so the ratio uses the dividends in the full accounts to compare like with like.

The All column adds the companies together. Balances between them are counted in each company, so the combined capital is a gross figure. P public record; E my estimate; M the full accounts of the companies. Fictional example data.

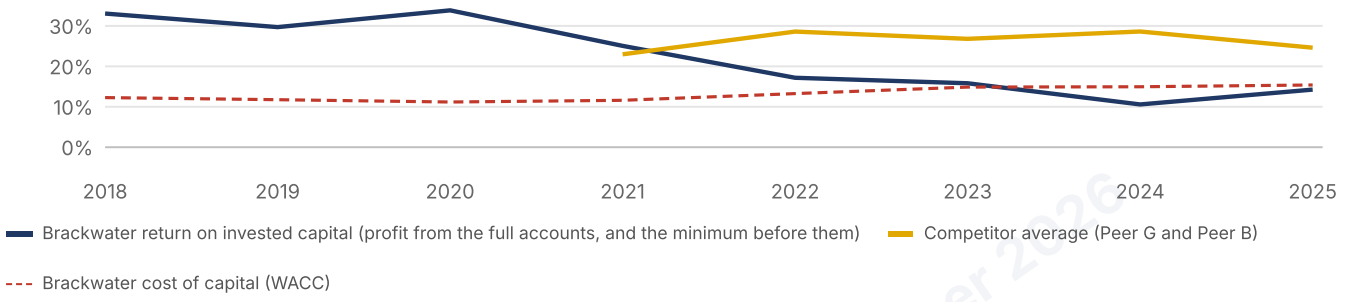
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13. Is Brackwater earning more than its money costs?

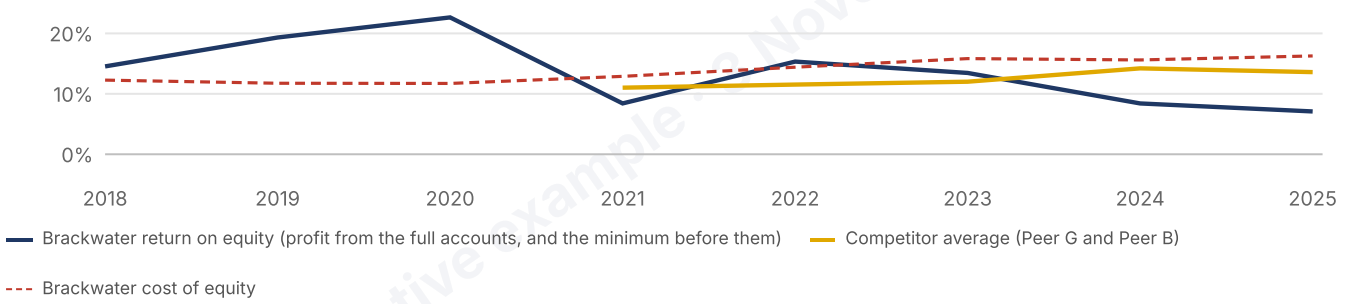
A business adds value when it earns more on the money tied up in it than investors could expect elsewhere for the same risk. I compare return on invested capital with the cost of capital (WACC), the return needed on all the money in the business, and return on equity with the cost of equity, the return a shareholder needs. The returns use the actual profit in the full accounts for 2021, 2022, 2023, 2024 and 2025 [M], and the minimum, from retained profit, for the years before (page 16). The hurdle includes two premiums that are my judgement, not market prices: 4% for being a small private company and 2% for this company's own risks. Without them the hurdles would be about 6 points lower (page 89).

What earning more than the cost of capital means: an example. Say £1m is tied up in a business, and investors could expect 15% a year elsewhere for the same risk. The business needs to make £150k a year, after tax and before interest, just to match that. If it makes £180k it adds £30k of value that year. If it makes £80k it is profitable, but £70k short: the owners would have done better with the money in a similar investment.
Brackwater in 2025: about £381k was tied up in it at the start of the year. At a cost of capital of 15.4%, that money needed to earn about £59k. The full accounts show £54k of profit after tax before interest (14.2%) [M], so Brackwater fell about £4k short.

RETURN ON INVESTED CAPITAL AGAINST THE COST OF CAPITAL



RETURN ON EQUITY AGAINST THE COST OF EQUITY



Brackwater	2018	2019	2020	2021	2022	2023	2024	2025
Actual from the full accounts [M], minimum from retained profit before								
Return on equity: actual [M] where the full accounts are held, at least (from retained profit) before	14.5%	19.3%	22.6%	8.4%	15.3%	13.5%	8.4%	7.1%
Cost of equity	12.3%	11.7%	11.7%	12.9%	14.4%	15.8%	15.6%	16.3%
Return on invested capital: actual [M] where the full accounts are held, at least (from retained profit) before	33.1%	29.7%	33.8%	25.1%	17.2%	15.8%	10.6%	14.2%
Cost of capital (WACC)	12.3%	11.7%	11.2%	11.6%	13.3%	14.9%	14.9%	15.4%
Peers that file their profit (20, page 96)								
Return on equity on reported profit				12.0% to 14.9%	13.3% to 15.5%	14.0% to 15.4%	14.3% to 20.8%	14.7% to 15.4%
What it would take								
Profit short of the cost of equity	–	–	–	£32k	–	£15k	£50k	£69k

– means no dividend was needed: the actual figure (the minimum before the records) already beat the cost of equity. Peers: return on equity on the profit they report, the range across the peers that file it. In the charts the competitor lines come from the competitors' filed accounts, averaged by year end. Peer B files no profit, so its profit is estimated from the corporation tax it owed at each year end [E]. The small-company premium in the hurdle is my judgement, and no market price exists for it, nor for the company-specific premium.

READING IT

- **On the full accounts and, before them, the minimum measure, Brackwater cleared both hurdles in 2018, 2019, 2020 and 2022, and fell short in the other 4 years.** The best years were 2019 and 2020, when net assets grew by 19.3% and 22.6%.
- **Brackwater and the competitors both clear the hurdle.** On capital, Peer G and Peer B earned 23.0%, 28.6%, 26.8%, 28.6% and 24.6% in 2021, 2022, 2023, 2024 and 2025 on average, against Brackwater's 25.1%, 17.2%, 15.8%, 10.6% and 14.2% and a cost of capital of about 14%.
- **The hurdle has risen.** The cost of capital went from 12.3% in 2018 to 15.4% in 2025, mainly because the 10-year gilt yield rose from 0.37% in 2020 to 4.58% in 2025. The same profit now has to clear a higher bar.
- **2021 stands out.** Net assets fell by £173k because Brackwater paid £234k of dividends against £61k of profit after tax [M].

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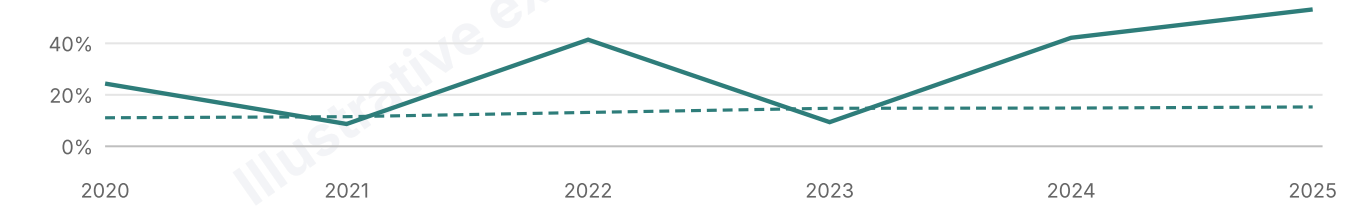
14. Where Brackwater's capital sits, and Quarrow's returns

BRACKWATER: MUCH OF THE CAPITAL IS LENT OUT OR SITS IN OTHER DEBTORS

Brackwater, 31 December	2021	2022	2023	2024	2025
Capital invested: equity plus debt, less cash	£493k	£523k	£557k	£381k	£705k
Less: lent to related and group companies	(£300k)	(£330k)	(£340k)	(£270k)	(£395k)
Capital in Brackwater's own business	**£193k**	**£193k**	**£217k**	**£111k**	**£310k**
Within the business's own capital					
Trade debtors	£362k	£332k	£249k	£192k	£152k
Other debtors not explained in the accounts	£140k	£181k	£263k	£431k	£485k
Trade debtors' share of the two	72%	65%	49%	31%	24%
Returns (actual from the full accounts, minimum before them), on capital at the start of the year					
On all invested capital	25.1%	17.2%	15.8%	10.6%	14.2%
On the capital in Brackwater's own business	n/a	43.7%	42.6%	26.9%	48.3%
Cost of capital (WACC)	11.6%	13.3%	14.9%	14.9%	15.4%

- **The money lent to related companies seems to earn Brackwater nothing.** Leaving out the £270k to £395k lent to related and group companies each year, Brackwater's own business earned about 39.3% a year on its capital from 2022 to 2025, against a cost of capital of about 14.6%. On all its capital, including the lending, it earned about 14.4%. So the lower overall return comes from the funding choice more than from weak trading. Much of the lending has gone to Quarrow, which earns above its cost of capital, so the two companies should be judged together.
- **Trade debtors seem to have moved into other debtors.** Trade debtors plus the unexplained other debtors have stayed between £502k and £636k since 2021, but the trade share fell from 72% to 24%. I have counted the unexplained balance as part of the business's own capital. If it is really a loan, the business needs less capital of its own and its return is higher still.

QUARROW: RETURN ON INVESTED CAPITAL AGAINST ITS HURDLE



Quarrow	2020	2021	2022	2023	2024	2025
Return on invested capital: actual [M] where the full accounts are held, at least (from retained profit) before	24.4%	8.7%	41.4%	9.4%	42.2%	53.2%
Cost of capital (WACC)	11.1%	11.5%	13.2%	14.8%	14.8%	15.3%
Return on equity: actual [M] where the full accounts are held, at least (from retained profit) before	n/a	n/a	n/a	n/a	n/m	123.8%
Cost of equity	n/a	n/a	n/a	n/a	n/m	30.8%
Related-party funding ÷ equity, start of year	n/a	n/a	n/a	n/a	22.7x	1.9x

- **Quarrow earned about 33.8% a year on its capital over 2021 to 2025**, against a cost of capital of about 13.9%. Without the £178k of development spend capitalised in 2025, it would be 19.0%, still above. The returns are lumpy: below the hurdle in 2021 and 2023.
- **Return on equity is not a fair test for Quarrow in most years** (n/a: equity negative or tiny; n/m: not meaningful, equity a small fraction of its funding). In 2025 it earned 123.8% against a cost of equity of 30.8%. The full accounts show – of dividends.

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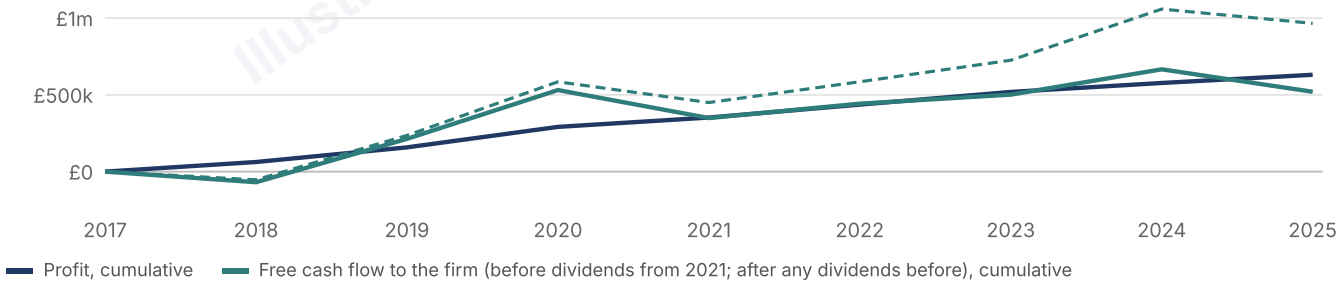
15. Brackwater's cash flow, rebuilt from the balance sheets

Each year's cash flow can be rebuilt from two balance sheets, because every movement in cash is matched by a movement somewhere else. The rebuilt figures agree to the change in bank cash to the pound in every year. Free cash flow to the firm is what Brackwater's own business produced after tax and after investing in stock, debtors and equipment, and before bank loans and money lent to or from related companies. Small-company accounts do not show interest, so it is after any interest paid. Dividends are shown below it.

£	2018	2019	2020	2021	2022	2023	2024	2025	2018 to 2025
Profit after tax: actual [M] from 2021; before 2021, retained profit, after any dividends	£63k	£95k	£133k	£61k	£84k	£82k	£58k	£53k	£631k
Working capital: cash in (+) or out (−)									
Stock	(£6k)	£3k	(£13k)	£5k	(£10k)	£14k	(£5k)	(£15k)	(£28k)
Trade debtors	(£104k)	£134k	£131k	£15k	£31k	£83k	£57k	£40k	£386k
Other debtors not explained	(£15k)	(£7k)	(£31k)	(£47k)	(£42k)	(£82k)	(£168k)	(£53k)	(£446k)
Prepayments and accrued income	£3k	(£8k)	(£4k)	£6k	(£4k)	(£4k)	£6k	(£8k)	(£14k)
Trade creditors	£28k	(£48k)	(£33k)	(£17k)	£31k	(£23k)	£52k	(£23k)	(£33k)
Accruals and deferred income	(£52k)	£121k	£109k	(£146k)	(£21k)	(£31k)	£192k	(£149k)	£21k
Tax, other creditors and provisions	£6k	£15k	£12k	(£24k)	£14k	£4k	£10k	(£7k)	£31k
Fixed assets, net of depreciation	£9k	(£22k)	£14k	(£35k)	£12k	£16k	(£37k)	£15k	(£28k)
Free cash flow to the firm (before dividends from 2021; after any dividends before)	**(£69k)**	**£282k**	**£318k**	**(£182k)**	**£94k**	**£59k**	**£165k**	**(£146k)**	**£520k**
Dividends, lending and funding									
Dividends paid [M] (from 2021; before, inside retained profit)	–	–	–	(£234k)	(£21k)	–	–	–	(£255k)
Shares issued less bought back	–	–	–	–	–	–	–	–	–
Lent to related and group companies	–	(£260k)	(£35k)	(£5k)	(£30k)	(£10k)	£70k	(£125k)	(£395k)
Bank loans and leases	–	–	£50k	(£8k)	(£10k)	(£10k)	(£10k)	(£10k)	£2k
Owed to group and related companies	–	£40k	£20k	(£30k)	£20k	(£5k)	£25k	£65k	£135k
Investments	–	–	–	–	(£10k)	–	–	–	(£10k)
Change in cash, rebuilt	**(£69k)**	**£62k**	**£353k**	**(£460k)**	**£43k**	**£34k**	**£250k**	**(£216k)**	**(£3k)**
Change in cash, balance sheets	(£69k)	£62k	£353k	(£460k)	£43k	£34k	£250k	(£216k)	(£3k)
Check: rebuilt less actual	0	0	0	0	0	0	0	0	0
Returns on the capital in Brackwater's own business (actual from the full accounts, minimum before them)									
Profit-based return on own-business capital	33.1%	29.7%	99.4%	n/a	43.7%	42.6%	26.9%	48.3%	41.9%
Cash-based return on own-business capital	−36.4%	87.9%	236.8%	n/a	48.6%	30.4%	76.0%	−132.2%	51.7%

Opening capital was negative in 2021, because customer prepayments and supplier credit exceeded the business's own assets, so returns for that year are n/a. The total column's returns are pooled over the years with positive opening capital. The check row is the rebuilt change in cash less the actual change: it must be 0 in every year, and the build stops if it is not. Own-business capital leaves out cash and the money lent to related companies, so these returns differ from the return on invested capital on page 19. The profit-based line is the same measure as the own-business line on page 20; the totals can differ because the two pages pool different years.

CUMULATIVE SINCE THE END OF 2017



- **Most of Brackwater's profit has translated into cash.** From 2018 to 2025 it made an estimated £631k of profit, and its own business produced £520k of free cash flow before dividends. The gap of £111k is the extra capital the business absorbed, and it does not depend on dividends. Stock absorbed £28k, other debtors with no explanation in the accounts absorbed £446k, trade creditors fell by £33k and fixed assets took £28k, while trade debtors released £386k.
- **Single years swing with customer deposits.** Accruals and deferred income rose £192k in 2024 and fell £149k in 2025, which is why one year's cash return means little on its own.
- **Two readings of the other debtors.** If the unexplained other debtors are trade balances, the profit sitting in them has not translated into cash, and a lender would ask why. If they are loans, Brackwater's business turned about 153% of its profit into cash, and the money was then lent out.

Method: indirect cash flow from consecutive balance sheets. Free cash flow to the firm = estimated profit − increase in working capital − increase in net fixed assets. The fixed asset line is capital spending less depreciation, so depreciation is added back and capital spending taken off even where the accounts do not show them separately. Amounts lent to related companies and funding from them are shown below free cash flow. Source: filed accounts as listed on page 107. Fictional example data.

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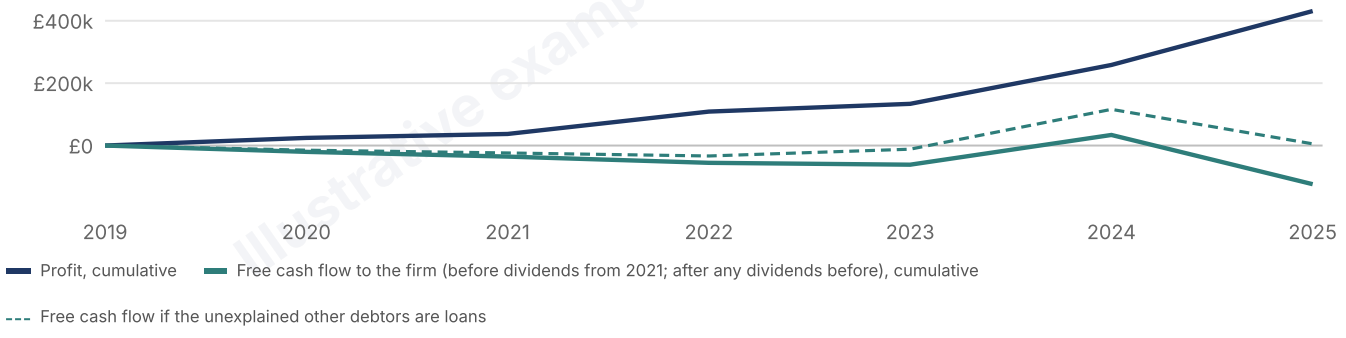
16. Quarrow's cash flow, rebuilt from the balance sheets

Each year's cash flow can be rebuilt from two balance sheets, because every movement in cash is matched by a movement somewhere else. The rebuilt figures agree to the change in bank cash to the pound in every year. Free cash flow to the firm is what Quarrow's own business produced after tax and after investing in stock, debtors and equipment, and before bank loans and money lent to or from related companies. Small-company accounts do not show interest, so it is after any interest paid. Dividends are shown below it.

£	2020	2021	2022	2023	2024	2025	2020 to 2025
Profit after tax: actual [M] from 2021; before 2021, retained profit, after any dividends	£25k	£13k	£72k	£25k	£125k	£173k	£431k
Working capital: cash in (+) or out (–)							
Stock	(£45k)	(£39k)	(£74k)	(£33k)	(£20k)	(£141k)	(£351k)
Trade debtors	(£5k)	(£5k)	(£6k)	£7k	£7k	£8k	£6k
Other debtors not explained	(£5k)	(£6k)	(£10k)	(£28k)	(£32k)	(£47k)	(£129k)
Prepayments and accrued income	(£2k)	(£2k)	(£2k)	(£3k)	(£3k)	(£5k)	(£17k)
Trade creditors	£14k	£16k	£9k	£15k	£17k	£22k	£93k
Accruals and deferred income	£4k	£3k	(£2k)	£5k	£3k	£3k	£17k
Tax, other creditors and provisions	£4k	£1k	£6k	£3k	£5k	£5k	£24k
Fixed assets, net of depreciation	(£9k)	£3k	(£12k)	£2k	(£8k)	(£175k)	(£198k)
Free cash flow to the firm (before dividends from 2021; after any dividends before)	**(£20k)**	**(£15k)**	**(£20k)**	**(£6k)**	**£95k**	**(£158k)**	**(£124k)**
Dividends, lending and funding							
Dividends paid [M] (from 2021; before, inside retained profit)	–	–	–	–	–	–	–
Shares issued less bought back	–	–	–	–	–	–	–
Owed to group and related companies	£35k	£5k	£30k	£10k	(£70k)	£125k	£135k
Change in cash, rebuilt	**£15k**	**(£10k)**	**£10k**	**£4k**	**£25k**	**(£33k)**	**£11k**
Change in cash, balance sheets	£15k	(£10k)	£10k	£4k	£25k	(£33k)	£11k
Check: rebuilt less actual	0	0	0	0	0	0	0
Returns on the capital in Quarrow's own business (actual from the full accounts, minimum before them)							
Profit-based return on own-business capital	24.4%	8.7%	41.4%	9.4%	42.2%	53.2%	33.0%
Cash-based return on own-business capital	−20.1%	−10.4%	−11.5%	−2.3%	32.2%	−48.6%	−9.5%

The total column's returns are pooled over the years with positive opening capital. The check row is the rebuilt change in cash less the actual change: it must be 0 in every year, and the build stops if it is not. Own-business capital leaves out cash, related-company balances and amounts lent. Page 20 shows Quarrow's return on invested capital, so its figures differ.

CUMULATIVE SINCE THE END OF 2019



- **Quarrow's profit has not translated into cash.** From 2020 to 2025 it made an estimated £431k of profit, and its own business produced a net cash outflow of £124k before dividends. The gap of £555k is the extra capital the business absorbed, and it does not depend on dividends. Stock absorbed £351k, other debtors with no explanation in the accounts absorbed £129k and fixed assets and development took £198k, while trade debtors released £6k.
- **Related companies filled the gap** with £135k of net funding over the period (page 27).
- **Two readings of the other debtors.** If the unexplained other debtors are trade balances, the profit sitting in them has not translated into cash, and a lender would ask why. If they are loans, Quarrow's business turned about 1% of its profit into cash, and the money was then lent out.

PROFIT-BASED AGAINST CASH-BASED RETURNS

The two returns use the same capital, so the gap between them is the money reinvested in the business. A business that is growing, or building up stock and debtors, will always show a lower cash return. That is fine when the reinvestment earns more than the cost of capital, and a warning sign when the balances it builds up do not turn back into cash.

Pooled (actual from the full accounts, minimum before them)	Profit-based return	Cash-based return	Cost of capital, average
Brackwater, 7 years from 2018 to 2025	41.9%	51.7%	13.4%
Quarrow, 6 years from 2020 to 2025	33.0%	−9.5%	13.4%

What it means. No. Quarrow's profit-based return looks strong, but its cash-based return is negative, because the profit has gone into stock and capitalised development and has been funded by the £395k from Brackwater.

Method: indirect cash flow from consecutive balance sheets. Free cash flow to the firm = estimated profit − increase in working capital − increase in net fixed assets. The fixed asset line is capital spending less depreciation, so depreciation is added back and capital spending taken off even where the accounts do not show them separately. Amounts lent to related companies and funding from them are shown below free cash flow. Source: filed accounts as listed on page 107. Fictional example data.

Illustrative example · 31 January 2026

17. Working capital and the distress score

Brackwater runs on negative net working capital: supplier credit, accruals, customer deposits and taxes owed exceeded its stock, trade debtors and prepayments by £247k at December 2025. Quarrow ties up £307k, mostly in stock. On the distress score both companies are in the safe zone for 2025, but Quarrow's falls to the grey zone with its capitalised development expensed.

£, 31 December	2021	2022	2023	2024	2025
Brackwater AV Ltd					
Stock	£48k	£58k	£45k	£49k	£64k
Trade debtors	£362k	£332k	£249k	£192k	£152k
Prepayments and accrued income	£25k	£29k	£34k	£27k	£36k
Trade creditors	(£232k)	(£262k)	(£240k)	(£292k)	(£268k)
Accruals and deferred income	(£192k)	(£171k)	(£140k)	(£332k)	(£182k)
VAT, PAYE and other taxes owed	(£39k)	(£42k)	(£46k)	(£48k)	(£47k)
Net working capital	**(£28k)**	**(£57k)**	**(£98k)**	**(£403k)**	**(£247k)**
Memo: other debtors not explained	£140k	£181k	£263k	£431k	£485k
Quarrow Mounts Ltd					
Stock	£205k	£279k	£312k	£332k	£472k
Trade debtors	£39k	£45k	£37k	£30k	£22k
Prepayments and accrued income	£11k	£14k	£16k	£19k	£24k
Trade creditors	(£88k)	(£97k)	(£113k)	(£130k)	(£151k)
Accruals and deferred income	(£22k)	(£20k)	(£25k)	(£28k)	(£31k)
VAT, PAYE and other taxes owed	(£14k)	(£18k)	(£21k)	(£25k)	(£29k)
Net working capital	**£131k**	**£202k**	**£207k**	**£198k**	**£307k**
Memo: other debtors not explained	£21k	£31k	£59k	£91k	£139k

Net working capital = stock + trade debtors + prepayments − trade creditors − accruals and deferred income − VAT, PAYE and other taxes owed. Corporation tax, loans and balances with related companies are left out, because a buyer treats them as debt-like (page 39). Deferred income is money customers have paid before the work is done, also called deferred revenue; in a sale it is the item most argued over, and a buyer is likely to treat customer deposits as debt-like. The other debtors not explained in the accounts are shown for reference and left out of the total.

DEBTOR, STOCK AND CREDITOR DAYS

Measure	How it is worked out	Brackwater	Quarrow
Debtor days	Trade debtors ÷ turnover × 365	18 days	4 days
Stock days	Stock ÷ cost of sales × 365	12 days	166 days
Creditor days	Trade creditors ÷ cost of sales × 365	52 days	53 days
Cash conversion cycle	**Debtor days + stock days − creditor days**	**-21 days**	**117 days**

DISTRESS SCORE: ALTMAN Z'' (INDICATIVE)

Altman Z''	2021	2022	2023	2024	2025
Brackwater AV Ltd	5.71 safe	5.99 safe	6.87 safe	5.43 safe	6.28 safe
Brackwater without amounts owed by related companies	3.31 safe	3.61 safe	4.59 safe	3.96 safe	3.96 safe
Quarrow Mounts Ltd	2.87 safe	4.91 safe	4.44 safe	3.49 safe	3.52 safe

Z'' = 6.56 X1 + 3.26 X2 + 6.72 X3 + 1.05 X4. X1 = (current assets − creditors due within a year) ÷ total assets; X2 = profit and loss reserve ÷ total assets; X3 = retained profit (change in the profit and loss reserve) ÷ total assets, a stand-in for operating profit, so the score is a minimum; X4 = net assets ÷ total liabilities (all creditors and provisions). Zones: above 2.60 safe, 1.10 to 2.60 grey, below 1.10 distress.

> **Indicative.** Altman's Z'' model for non-manufacturers was built on larger companies, and here related-company balances count as ordinary assets and liabilities. It is the Altman version that needs no turnover, so it works on accounts filed without a profit and loss account.

READING IT

- **Without the £395k it is owed by related companies**, Brackwater's 2025 score would be 3.96 (safe). The lowest reading on that basis was 3.31 (safe) in 2021.
- **Quarrow scored in the safe zone in 2021 and 2022, when it had net liabilities.** Long-term funding from related companies counts as long-term money, which lifts X1. This is why the score is indicative.
- **With its £178k of capitalised development expensed**, Quarrow's 2025 score would be 1.56 (grey).

Sources: accounts filed at Companies House, as listed on page 107; Altman, Hartzell and Peck (1995); Altman (2000). Fictional example data.

18. Cash position at 31 December 2025

This is the starting point for the business cash flow forecast (page 53). It separates what each company can turn into cash quickly from what it owes to outsiders, and keeps the intercompany amounts apart.

31 December 2025	Brackwater	Quarrow
Cash and near-cash		
Cash at bank	£238,447	£51,728
Trade debtors	£151,872	£21,943
Total	**£390,319**	**£73,671**
Due within one year to outside parties		
Trade creditors	£268,417	£151,286
Tax, social security and corporation tax	£67,875	£29,417
Bank loans and leases	£1,540	–
Accruals, deferred income, other	£201,463	£41,422
Total	**£539,295**	**£222,125**
Cash and near-cash less outside creditors	**(£148,976)**	**(£148,454)**
Not included above		
Stock	£63,942	£472,482
Other debtors and prepayments (including related parties)	£915,116	£162,986
Owed to group and related companies	£135,000	£395,000

Related-party amounts inside other creditors are taken out of the outside creditors, using the related-party notes. None: every related-party amount here is named in the notes, so no split is assumed.

Illustrative example · 3 November 2026

WHAT IT SHOWS

- **Brackwater** owes outsiders £539k within a year, more than its £390k of cash and trade debtors. It relies on its other debtors and new customer cash to meet those payments. Corporation tax of £20,617 for 2025 was due by 1 October 2026.
- **Quarrow** owes outsiders £222k within a year, more than its £74k of cash and trade debtors. It relies on its stock and the support of related companies to meet those payments.
- Brackwater's bank holds an all-monies debenture from April 2023, which suggests a facility is available, but no overdraft is drawn at any year end. Its limit matters because the forecast's lowest month needs about £300k of committed headroom in the worst single scenario.

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19. The group and what I looked at

Alex Hale and Sam Hale are the directors of both companies and the people with significant control of Brackwater Holdings Ltd, which owns Brackwater. Both companies trade from one site in Reading, owned by Hale Property Ltd (fictional). The companies are separate, but the accounts show money moving between them (page 27).

Company	Number	Role	Owned by	Accounts read
Brackwater AV Ltd	Fictional	AV and IT integrator: design, installation and support	Brackwater Holdings Ltd (fictional)	2017 to 2025
Quarrow Mounts Ltd	Fictional	Designs and makes AV frames, carts and stands	The same two directors (fictional)	2019 to 2025

THE WIDER GROUP: COMPANIES UNDER COMMON CONTROL

Company	Number	What it does	Owned by	Net assets, Dec 2025
Brackwater Holdings Ltd	Fictional	Holding company for Brackwater; Brackwater owes it £120k	Alex and Sam Hale	£410k
Hale Property Ltd	Fictional	Owns the Reading premises and lets them to Brackwater	Alex and Sam Hale	£265k

No dissolved companies under the same control; register read 3 November 2026.

Guarantees. None filed. No company guarantees another's borrowing, and Brackwater's bank holds an all-monies debenture over Brackwater's own assets only. A lender would still ask, because a guarantee missing from the guarantor's accounts counts as a call on its assets.

WHAT I USED, AND WHAT THE PUBLIC RECORD DOES NOT SHOW

Every balance sheet and note in the filed accounts (unaudited small-company accounts under FRS 102 Section 1A), using each year's own filing and the next year's comparative where I did not read that year's own filing. Every balance sheet adds up, and every debtors and creditors note agrees to its balance sheet line. The accounts do not show turnover, profit or dividends, what sits inside other debtors beyond the related-party amounts, or the bank facilities. Brackwater shows £2k of bank loans and leases at December 2025. Quarrow shows no bank borrowing at December 2025.

Filing check. Both companies' accounts and confirmation statements are up to date (checked 3 November 2026). Brackwater's code, 62090 other IT services, describes its work; Quarrow's, 31010 office and shop furniture, is the closest code for AV frames and stands.

Independence. I have no connection with either company or their owners.

Source: Brackwater AV Ltd and Quarrow Mounts Ltd accounts filed at Companies House, read 3 November 2026. Fictional example data.

20. Group complexity: how hard the group is to read

The group scores red on complexity: two red tests (C and G) and four amber (A, E, F and H). Complexity is not weakness in itself: a solvent, documented group can be safer than a company on its own. It matters because a lender or buyer has to read every company to understand one, and because value and risk can move between them.

THE COMPANIES UNDER COMMON CONTROL

Company	Role	Owned by	Year end	Net assets	Balances with the others
Brackwater AV Ltd	Trading: AV and IT integrator	Brackwater Holdings Ltd	31 December	£807k	owed £395k; owes £135k
Quarrow Mounts Ltd	Trading: makes AV mounts and stands	The two directors	31 December	£312k	owes £395k
Brackwater Holdings Ltd	Holding company; lends £120k to Brackwater	The two directors	31 December	£138k	Not in this report
Hale Property Ltd	Owns Brackwater's premises	The two directors	31 March	£412k	Not in this report

EIGHT TESTS

Test	Green	Amber	Red	Finding
A. Active companies under common control	1 or 2	3 or 4	5 or more, or overseas, trust or LLP	4 active companies. Each one divides the corporation tax limits
B. Layers of ownership	0 or 1	2	3 or more, or cross-holdings	One holding company between the trading company and its owners
C. Balances with related companies, against net assets	under 10%	10% to 25%	over 25%, or owed by a sister with net liabilities	£530k owed to and by group and related companies, 66% of Brackwater's net assets
D. Both sides of the balances agree	agree within 5% or £10k	up to 10% apart, or year ends differ	over 10% apart, or one side not shown	Both sides agree to the pound, though one filing does not name the other company
E. Guarantees and security across the group	only its own borrowing	an all-monies debenture in a solvent group	a cross-guarantee for a weaker company	Brackwater's bank holds an all-monies debenture over its assets; no cross-guarantee and no s479A audit guarantee are filed
F. Key assets held outside the trading company	none, or a filed lease	premises in a sister company, rent known	IP, brand or premises held elsewhere, nothing disclosed	Brackwater's premises are owned by Hale Property Ltd, under a lease, at a rent above the market rate
G. Trading, rent and charges between related parties	disclosed, under 5% of net assets	5% to 15%	over 15%, not disclosed, or circular	From the ledgers: Quarrow sold £342k to Brackwater, Brackwater paid £60k of rent to Hale Property Ltd and charged Quarrow £10k for finance and admin in 2025. None of it is in the filed accounts
H. Filing discipline across the group	all on time, same year end	one late in 3 years, or year ends differ	overdue, a Gazette notice or a CCJ	All on time, but Hale Property Ltd has a 31 March year end

Overall: any red test is red; two or more amber tests are amber; otherwise green. A test the accounts do not disclose enough to complete is amber, not green.

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WHAT WOULD MAKE THE GROUP EASIER TO READ

- **Test A.** Check that every company is still needed; merging or closing those that are not means fewer companies share the corporation tax limits.
- **Test C.** Settle the balances between the companies in cash, or document them as long-term loans with repayment dates and interest.
- **Test E.** Ask the bank to limit the debenture to the company's own borrowing when the facility is renewed, and keep a register of guarantees.
- **Test F.** Put a lease or licence in place for every asset the trading company uses but does not own, at a market rent.
- **Test G.** Disclose the trading, rent and charges between the companies in the related-party notes, at market prices with written agreements.

Why lenders and buyers care: associated companies share the corporation tax limits; a cross-guarantee lets a lender recover from any company in the group; a parent's audit-exemption guarantee (s479A) lasts after the subsidiary is sold; and a buyer has to agree which companies, assets and contracts are in the deal. The bands are my professional judgement: no lender, credit agency or professional body publishes one for small groups.

Sources: Companies House officer, PSC and charges registers and the filed accounts [P], and the companies' ledgers for test G [M]; the bands are mine [E]. Altomonte and Rungi (2013); Buchetti and others (SSRN, July 2026); Beaver, Cascino, Correia and McNichols (Review of Accounting Studies, 2023); ICAEW Corporate Finance Faculty, Guidelines 64 and 71; Companies Act 2006, s479A to s479C. Fictional example data.

21. How the companies fund each other

The clearest finding in the public accounts is that Brackwater has been Quarrow's banker. From 2019 to 2025, the amount Brackwater lent to related companies equals what Quarrow owed to related companies, to the pound, in every year. The balance sat after more than one year in both companies until 2023. From 2024 it sits within one year, so it is repayable on demand.

31 December	Brackwater: lent to related companies	Quarrow: owed to related companies	Quarrow: where it sits	Brackwater: owed to its holding company	Agree?
2019	£260k	£260k	after one year	£40k	Yes
2020	£295k	£295k	after one year	£60k	Yes
2021	£300k	£300k	after one year	£30k	Yes
2022	£330k	£330k	after one year	£50k	Yes
2023	£340k	£340k	after one year	£45k	Yes
2024	£270k	£270k	within one year	£70k	Yes
2025	£395k	£395k	within one year	£120k	Yes

WHAT THIS MEANS

- Brackwater's cash has supported Quarrow's growth. That explains why Brackwater's year-end cash has stayed modest while its net assets grew. Quarrow's own business earns more than its cost of capital, so the lending has funded a better return than Brackwater's own capital, but only on paper: Quarrow's cash return is negative and none of the loan has been repaid.
- The two businesses should be forecast together. A cash call in one shows up in the other within the month.
- Brackwater owed its holding company £120k at December 2025. Brackwater Holdings Ltd's reserves fell in 2021, the year Brackwater's tax points to about £234k of dividends, which fits money passing up to the owners through the holding company.

Differences between filings. None found: each year's related-party amounts agree with the next year's comparative.

Source: related-party and creditors notes in each company's filed accounts. Fictional example data.

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22. What a lender or buyer will ask next

A lender or buyer would ask first about the balances between the companies and the other debtors. The documents to answer are mostly missing today.

Topic	What the public record shows	What a lender or buyer will look for	Status
Customer concentration	Brackwater's website names corporate offices, universities and two NHS trusts; Quarrow's case studies name four UK integrators	The top 10 customers' share of sales over three years, and contracts with notice periods. Any customer above a quarter of sales is a concern	Amber
Suppliers and terms	Trade creditors of £268k (Brackwater) and £151k (Quarrow) at December 2025. Quarrow imports most of its steel parts from one maker in China; Brackwater buys hardware through UK distributors	Main suppliers, terms and currency, and any supplier that would be hard to replace	Amber
Key people and succession	Alex and Sam Hale are the directors of both companies; Alex signs every set of accounts	Who runs the business day to day besides the directors, second signatories and a succession plan (page 30)	Amber
Ownership and governance	Brackwater has lent £395k to related companies, and Quarrow owes £395k to them. Alex and Sam Hale control Brackwater Holdings Ltd, which owns Brackwater, and own Quarrow directly. There are no loan agreements for the £395k	Loan agreements, guarantees and board minutes for the balances between the companies	Red
Sale or investment readiness	Filing on time; the GB patent and Brackwater trade mark are held by the holding company; no loan agreements; dividends are not minuted	A clean intercompany position, clear IP title and the dividend history (page 78)	Red
ESG and digital: only items that move cash	UK CBAM from 1 January 2027 may apply to Quarrow's steel and aluminium imports if it passes 50 tonnes a year; WEEE does not apply, as its products have no electrical parts	Import volumes by material, packaging tonnage, and products with electrical parts	Amber

Status: green, ready; amber, needs work before a lender or buyer looks; red, a problem they would price in.

> **Why it matters.** A buyer pays less, and a lender asks for more security, when these points are open. All of them can be closed with documents the companies already have or can draw up with their accountant and solicitor.

Sources: Companies House register (officers, persons with significant control, charges) and accounts filed at Companies House, read 3 November 2026. Fictional example data.

Illustrative example · 3 November 2026

23. The market in brief

Demand for meeting-room AV is growing slowly, at about 4% a year worldwide, with fuller offices and rooms still without video doing the work. Costs are rising faster than that, and larger rivals are consolidating. Over the next three years both companies will have to win share and pass on price rises, not rely on the market.

Area	My reading	What it means for the forecast	Detail
Demand	Modest growth in 2027 and 2028: offices are fuller and most meeting rooms still lack video, but firms are cautious on costs	Brackwater about 5% and Quarrow about 7% a year, price and volume together, busiest January to March	Page 91
Industry	A $332bn global pro AV market growing about 3.9% a year; scale is winning, with integrators consolidating	Fewer, larger integrators: test a lost large customer	Page 92
Competitors	Large integrators (AVI-SPL, Kinly) for Brackwater; furniture and mount makers (Ashton Bentley, Vogel's, B-Tech) for Quarrow	Gross margins of 38% at Brackwater and 46% at Quarrow; win rates not yet tracked	Page 93
Sector and customer credit risk	About 1 in 200 companies fails each year, and about half of firms this size are paid late	Brackwater: 30% deposit, 60% at 30 days, 10% at 60; Quarrow: 85% with the order. Test a large customer paying 30 days late	Page 98
Search trends	Interest in meeting-room systems is rising steadily	Busiest January to March, quietest in August and December	Page 99
Input prices	Metals, magnet material and freight are up most	Quarrow materials +10% and Brackwater hardware +5% in 2027	Pages 100 and 101
Currency	Steady; the dollar matters most for costs and the euro for Quarrow's export sales	$1.33 and €1.19 in the base case; $1.29 and €1.15 in the test	Page 102
Government	National Living Wage up 3.9% from 1 April 2027; UK CBAM from 1 January 2027	Pay at the new National Living Wage from April 2027, business rates at the 2026 multipliers and, if Quarrow is in scope, CBAM from May 2028	Pages 103 and 104

Sources: the detail pages in the last column, each with its own sources.

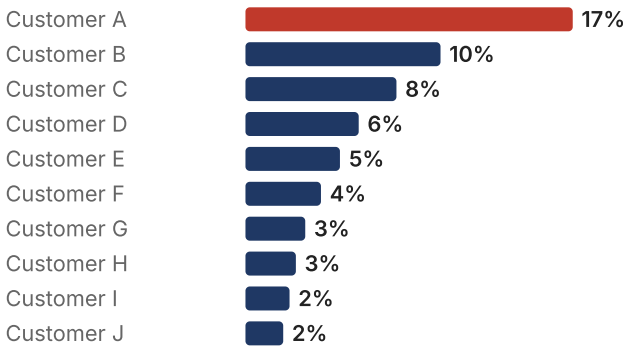
Illustrative example 3 November 2026

24. Customers and key people

Two risks never show in filed accounts: too much of the business resting on a few customers, and too much resting on one or two people. Both are among the first things a lender or buyer checks.

BRACKWATER: HOW MUCH RESTS ON A FEW CUSTOMERS (2025)

Customer	Sales	Share	Cumulative
Customer A (main contractor)	£520k	16.8%	17%
Customer B (university)	£310k	10.0%	27%
Customer C (hotel group)	£240k	7.7%	35%
Customer D (council)	£180k	5.8%	40%
Customer E (office fit-out)	£150k	4.8%	45%
Customer F (school trust)	£120k	3.9%	49%
Customer G (retailer)	£95k	3.1%	52%
Customer H (housing association)	£80k	2.6%	55%
Customer I (church)	£70k	2.3%	57%
Customer J (law firm)	£60k	1.9%	59%



Measure	Value	My rule of thumb
Largest customer	16.8%	Green below 10%, amber 10% to 25%, red above 25%
Top 5 customers	45.2%	Green below 35%, amber 35% to 60%, red above 60%
Top 10 customers	58.9%	
All other customers	41.1%	

Brackwater's largest customer is 16.8% of sales and the top five 45.2%. Losing Customer A would cut sales by £520k and, at a gross margin of 38%, EBITDA by about £198k.

Example figures. In a live report these come from the sales ledger.

QUARROW: CUSTOMERS

Not visible in the filed accounts. Quarrow's case studies name four UK AV integrators as its main buyers, and its products go into corporate, education and NHS meeting rooms (fictional).

KEY PEOPLE: WHO THE BUSINESS CANNOT DO WITHOUT

Small companies often rest on one or two people: the owner who wins the work, the engineer who holds the designs, the one person who signs at the bank. A lender or buyer will ask what happens if that person is away for three months.

Person (role)	Company	What depends on them	Cover today	What to do
Managing director	Brackwater	Wins most new work; holds the relationships with the top three customers; the only bank signatory	No one today. The operations manager could run projects but not win work	Introduce the operations manager to the top five customers; add a second bank signatory; price key-person cover
Lead design engineer	Quarrow	Holds the mount designs and CAD files; the main contact at the factory	A junior engineer knows the main ranges; the files sit on one laptop	Move the design files to a shared system; write down the factory specifications
Finance and office manager	Both	Payroll, VAT returns, intercompany recharges and the month end	The outside bookkeeper could cover the month end within a month	Write down the month-end and VAT steps; give the bookkeeper read access now

Example entries. In a live report these come from the management call.

The usual answers: a second person who knows each key customer, written processes and design files held centrally, a second bank signatory, key-person insurance for the owner, and a plan for who runs the business if the owner cannot. Green: someone could step in now. Amber: cover in part, or within three months. Red: no cover.

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25. Risks

Most of the biggest risks are about cash leaving the trading companies and about how much rests on a few customers and on Alex. The register below ranks them by what the public record shows. The forecast tests them in numbers (page 63), and the eight that do most harm to cash are on page 9.

Risk	Company	Likelihood	Impact	Early warning	What to do
Related-party balances are called in or not repaid	Both	Medium	High	Requests to repay; balances rising	Loan agreements with dates; letters of support
Customer prepayments fall faster than new deposits arrive	Brackwater	Medium	High	Deferred income falling; fewer large projects	Track deposits by project; agree facility headroom
Input costs rise faster than prices	Both	High	Medium	Supplier price notices; margins falling	Price-review clauses; pass rises on in new quotes
Stock ties up cash or goes out of date	Quarrow	Medium	Medium	Stock growing faster than sales	Stock turn target; purchasing plan
Sterling falls against the dollar	Quarrow	Medium	Medium	Sterling below $1.29	Dollar account; forward contracts
Loss of a large customer or partner	Both	Medium	High	Large contracts up for renewal; orders slowing	Keep any one customer under a quarter of sales; review the top 10 each quarter (page 30)
Too much rests on one person	Both	Medium	High	Alex Hale signs every set of accounts for both companies, and the two directors are the only officers	Second signatory; written processes
Quarrow's steel parts come mainly from one maker in China	Quarrow	Medium	High	Longer lead times, a price rise or a quality problem on a delivery	Qualify a second supplier and keep two months of stock of the best sellers

Illustrative example · 3 November 2026

REVERSE STRESS TEST: WHAT WOULD BREAK THE GROUP?

A reverse stress test starts from failure and works back. The question is what would have to happen for the group to run out of cash in 2027. From the balance sheets, the most likely combination is:

1. customer prepayments at Brackwater fall, as they did in 2025, when accruals and deferred income dropped by £149k;
2. at the same time, the £395k Quarrow owes to related companies is called in;
3. and a large project slips by three months, or sales fall by 20%.

The forecast puts numbers on it (page 63). With every month's sales lower by the same share, the companies together would run out of cash after a fall of 9.4%, and on its own Brackwater after 12.6% and Quarrow after 3.8%. The worst single scenario takes Quarrow to (£263k), which a committed facility of about £300k would cover.

> **Likelihood and impact** are my judgement from the public record. Ratings reviewed for Brackwater and Quarrow on 3 November 2026.

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26. Strengths, weaknesses, opportunities and threats

A summary of where the businesses stand, drawn from the pages before. Page numbers show where each point is covered.

Strengths

- Brackwater has grown net assets from £431k in 2017 to £807k in 2025, with almost no bank debt (page 84).
- Brackwater's own business earned about 39% a year on its capital from 2022 to 2025 (page 20).
- Quarrow earned about 34% a year on its capital from 2021 to 2025 (page 20).
- Quarrow's frame and cart designs are registered in the UK, the EU and the US

Weaknesses

- £880k of Brackwater's capital sits in other debtors, much of it lent to related companies or unexplained (page 20).
- Quarrow's cash is thin: £52k against £617k of short-term creditors (page 87).
- Brackwater's year-end cash depends on customer prepayments (page 86).
- The related-party note does not name the company that owes the £395k, and the IP sits partly with the holding company

Opportunities

- Search interest in Logitech Rally is up 17% in the UK over five years (page 99).
- Most meeting rooms still lack video, and more than 2 in 3 firms plan more integrated room systems within 2 years
- Putting Brackwater's lent-out capital to work would lift its return on invested capital (page 20).
- Price reviews in 2027 quotes and contracts (page 101).

Threats

- Input costs: freight from Shanghai to Rotterdam +105% on a year, and UK manufacturers' input prices +8.3% (page 100).
- Pay: the National Living Wage rises 3.9% in April 2027 (page 104).
- A higher cost of capital: the 10-year gilt yield was 5.24% in September 2026 (page 89).
- Related-party balances being called in at the wrong time (page 31).

Opportunities and threats draw on the market, industry and government pages in Appendix 2.

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27. Quality of earnings and cash flow

Quality of earnings asks how much of the profit is real, recurring and turns into cash. It is the first thing a buyer's or investor's accountants test, because a business is priced on its profit: if a buyer pays six times profit, every £1 of profit that is not real or does not repeat takes about £6 off the price. Lenders ask the same question in a different form: can the profit pay the loan?

Test	Green / amber / red	Brackwater	Quarrow
1. Cash conversion: free cash flow ÷ profit, both before dividends	80% or more / 60% to 80% / below 60%	🟢 88%, 2018 to 2025, adding back the £255k of dividends in the full accounts (82% on retained profit)	🔴 −29%, 2020 to 2025. No dividends to add back
2. Accruals ratio: profit not backed by cash (increase in working capital and other debtors ÷ average total assets)	Below 0% / 0% to 10% / above 10%	🟡 4.6% a year on average, 2021 to 2025 (14.0% in 2025)	🔴 12.0% a year on average, 2021 to 2025 (20.3% in 2025)
3. Profit held in unexplained balances: unexplained other debtors ÷ net assets	Under 10% / 10% to 30% / over 30%	🔴 60%: £485k against net assets of £807k	🔴 44%: £139k against net assets of £312k
4. Profit backed by tax: does the tax owed fit the profit?	Fits / differs, with a likely reason / does not fit	🟡 Little or no tax owed on a £53k rise in reserves, likely because earlier losses or reliefs were used	🟡 Little or no tax owed on a £173k rise in reserves, likely because earlier losses or reliefs were used
5. Steady profit: years in which reserves fell or grew by under £10k, 2021 to 2025	None / one / two or more	🟡 2021	🟢 None
6. Profit from capitalised costs: costs moved to the balance sheet ÷ profit, 2025	Under 10% / 10% to 50% / over 50%	🟢 None of note	🔴 103%: £178k of development capitalised against £173k of profit (from the full accounts where held, retained profit before). Charged as a cost, the year would show a loss
Overall, from the public record	**Red if two or more of tests 1 to 6 are red**	🟡 **One red**	🔴 **Four red**
7. In the forecast: net cash flow ÷ profit after tax, 2027 to 2029	80% or more / 60% to 80% / below 60%	🟢 126%	🔴 40%

Illustrative example 3 November 2026

All tests E: my calculations from the filed accounts and, for test 7, the forecast. Cash conversion is free cash flow ÷ profit, both before dividends. Dividends are added back from the full accounts in the years they cover. The accruals ratio follows Sloan (1996), measured on the balance sheet; its colour bands and those for cash conversion are practitioner rules of thumb, not formal standards. Free cash flow is from the cash flows rebuilt on pages 21 and 22.

WHAT IT SHOWS

- **Most of the profit has turned into cash.** Over eight years Brackwater retained £631k of profit, and its free cash flow after any dividends was £520k. Adding back the £255k of dividends paid in the full accounts, it turned about 88% of its profit into cash.
- **Quarrow's 2025 profit depends on an accounting choice.** Capitalising £178k of development is allowed, and common for a product business, but a buyer will look at profit with that cost charged, which would be a loss for 2025.
- **In the forecast, profit turns into cash** at 126% for Brackwater and 40% for Quarrow, because it assumes no more money goes into other debtors and Quarrow runs its stock down (page 63). Doing that is what would move tests 1 and 2 towards green.

A full quality of earnings review would also adjust what the public record does not show: directors' pay against a market salary, one-off costs and income, and owners' costs paid by the business (pages 37 and 38).

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28. Quality of earnings and cash flow: why it matters and how to fix it

Profit that does not turn into cash costs money in four ways.

FOR YOU, RUNNING THE COMPANIES

Tax is paid on profit, not on cash. Profit that sits in other debtors or stock rather than in the bank is still taxed, and dividends, pay rises and investment can only come from cash. Without a monthly cash bridge, the first sign of a squeeze is the bank balance. A cash bridge is a short table in the monthly accounts that starts with profit and ends with the change in the bank balance, showing each step between: debtors, stock, creditors, customer deposits, tax, equipment and money lent to related companies.

FOR LENDERS

A lender is repaid from cash, not profit. It sets the loan size and its covenants from profit after its own adjustments, and checks that cash follows. Profit that stays in debtors and stock gives less room on debt service cover, and a lender will look for security instead (page 74).

FOR INVESTORS AND BUYERS

A business is priced at a multiple of adjusted profit, so every £1 a buyer's accountants take off profit comes off the price several times over. Diligence findings are now a leading reason deals fail: in Axial's 2025 survey of US lower mid-market deals, gaps between reported and checked profit ended about a fifth of failed deals, and other diligence findings a quarter more. Buyers also look through capitalised development to the cash it costs.

FOR CREDIT AGENCIES AND SUPPLIERS

Credit scores rest on the filed accounts. Rising profit with falling cash, and large unexplained debtors, read as risk, which means lower credit limits from suppliers and more questions from customers.

Illustrative example · 3 November 2026

HOW TO FIX IT

When	What	Who
Next 2 weeks	List the other debtors by counterparty and type, and chase any customer money in them (£485k at Brackwater and £139k at Quarrow)	Alex
By 31 December 2026	Agree in writing when the balances with related companies will be repaid, and lend no more between the companies without a board minute and a loan agreement	Alex and accountant
From January 2027	Add a cash bridge to the monthly management accounts: profit, then the change in debtors, stock, creditors and deposits, then cash. Track debtor days, stock days and deposits held	Bookkeeper prepares; Alex reviews
By March 2027	Set Quarrow's stock target and buying plan, so stock falls back towards its normal level (recommendation 7)	Quarrow
2026 accounts	File the profit and loss account. State the policy for capitalising development and show profit both with and without it. Ask your accountant whether research and development relief applies to the development work	Accountant
12 to 24 months before raising money or selling	Commission a quality of earnings review on your own side: directors' pay against a market salary, related-company charges at arm's length, and one-off items, so a buyer's adjustments hold no surprises	Alex and accountant

The quickest wins cost little: explain and collect the other debtors, stop lending between the companies without paperwork, and add a cash bridge to the monthly accounts. Those three would turn tests 1 to 3 on page 33 from red towards green in the next two sets of accounts (recommendations 3, 4 and 14, page 12).

Sources: Axial (2025), Dead Deal Report; BDO (March 2025), Valuation Drivers; ICAEW Corporate Finance Faculty, Best-Practice Guideline 64, completion mechanisms; Sloan, R. (1996), Do stock prices fully reflect information in accruals and cash flows about future earnings?, The Accounting Review; HMRC, Corporate Intangibles Research and Development Manual CIRD81450; GOV.UK, the merged research and development scheme.

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29. Quality of the accounts

Good accounts are complete, explained, consistent from year to year, fully disclosed, on time and independently checked. Lenders, investors, buyers and credit agencies rely on them, and so do you when you set prices, pay dividends or decide what to spend. On the public record, the accounts of both companies score red.

Test	Green / amber / red	Brackwater	Quarrow
1. Profit and loss account	Filed / prepared but not filed, which small companies may do / not prepared	🟡 Not filed, so turnover and profit are not public	🟡 Not filed, so turnover and profit are not public
2. Large balances explained	All explained / small items unexplained / large balances unexplained	🔴 £485k of other debtors with no explanation, 32% of total assets	🔴 £139k of other debtors with no explanation, 15% of total assets
3. Figures consistent between filings	Agree / differences under 5% of the balance / 5% or more and not explained	🟡 2022 amounts lent to related companies shown as £330,000 and £342,500 in two filings, 4% apart	🟢 Agree
4. Required disclosures present	All present / a minor gap / a material item missing	🟡 The related-party note does not name the company that owes the £395k	🟢 All present
5. Balances between the companies agree	Agree, with the other company named / agree, without the other company named / do not agree	🟡 Agree to the pound in every year, 2019 to 2025, but the other company is not named	🟡 Agree to the pound in every year, 2019 to 2025, but the other company is not named
6. On time	Filed well before the deadline / on time, but in the last days / any filing overdue	🟡 On time, but signed in the last week before the deadline in each of the last three years	🟢 Filed about two months before the deadline each year
7. Independently checked	Audit or independent review / audit exempt / no accountant involved, or a qualified opinion	🟡 Audit exempt, as most small companies are. No independent review	🟡 Audit exempt, as most small companies are. No independent review
Overall	**Red if any of tests 2 to 5 is red, or if two or more of the others are red**	🔴 **Red: test 2**	🔴 **Red: test 2**

All seven tests use the public record [P]. The thresholds are my rules of thumb, built from the Companies Act, FRS 102 and what lenders, investors and credit agencies look for.

Illustrative example. November 2026

WHAT THE TESTS SHOW

- **Large balances are unexplained.** £485k of Brackwater's other debtors (32% of its total assets) and £139k of Quarrow's other debtors (15% of its total assets) have no explanation in the accounts. A reader cannot tell whether they are money owed by customers, loans or something else (page 20).
- **Figures change between filings.** Brackwater's amounts lent to related companies for 2022 appear as £330,000 in one filing and £342,500 in the next, £12k apart. The balance sheet totals agree, so it is the notes that differ (page 27).
- **A disclosure is missing or unclear.** Brackwater: the related-party note does not name the company that owes the £395k (page 40).
- **The filings come at the last moment.** Brackwater signs the accounts close to the deadline. Credit agencies read late filing as a risk signal.
- **No profit and loss account is filed.** Small companies may leave it out, but lenders, investors and credit agencies then have no turnover or profit to work from, so they fall back on cautious assumptions.

> **To take up with your accountant.** These findings come from the public record only. There may be good reasons for each of them, but the accounts should explain them.

30. Quality of the accounts: why it matters and how to fix it

Poor accounts are more than a compliance point. They cost money in four ways.

FOR YOU, RUNNING THE COMPANIES

Without monthly figures you cannot see margins by product or customer, how much cash each company needs, or whether a dividend is covered. Directors must keep records that show the financial position at any time with reasonable accuracy (Companies Act 2006, section 386), and failing to do so is an offence (section 387). Dividends can only be paid out of distributable profits, judged from the accounts (sections 830 and 836).

FOR LENDERS

A lender prices what it can check. Unexplained balances, undisclosed guarantees and undocumented loans between companies lead to higher interest margins, more security, personal guarantees, lower limits or a decline. A study of US private companies found that those with audited accounts paid about 0.7 percentage points less interest (Minnis, 2011).

FOR INVESTORS AND BUYERS

Every unexplained balance becomes a due diligence question, and often a cut in price: a lower multiple, money held back in escrow, extra warranties and a slower deal. In Axial's 2025 survey of failed lower mid-market deals, about a quarter fell through on due diligence findings, and about a fifth on gaps between reported and checked earnings.

FOR CREDIT AGENCIES AND SUPPLIERS

Credit scores and trade credit limits are set largely from the filed accounts. No profit and loss account, unexplained balances and late filing tend to mean lower limits and more checks, and suppliers and customers see the same scores.

HOW TO FIX IT

When	What	Who
Next 2 weeks	Explain the other debtors of each company, by counterparty and type	Alex
By 31 December 2026	Loan agreements or letters of support for the balances between the companies, and a register of the guarantees each company has given	Alex, accountant and solicitor
From January 2027	A monthly close on cloud bookkeeping software: bank, debtors, creditors, VAT, payroll and intercompany balances reconciled, and management accounts within 15 working days	Bookkeeper prepares; Alex reviews
2026 accounts	Fix the disclosure gaps and explain or correct any comparatives that changed. Add the disclosures small companies must make from 2026: related parties, guarantees and dividends. File the profit and loss account, which is still optional, and file early	Accountant
12 to 24 months before raising money or selling	An independent review or an audit, so investors and buyers can rely on the figures	Accountant

Help to Grow: Management. A government-backed course for the senior managers of SMEs. It is training, not a grant or a loan. It runs for 12 weeks, about 50 hours, mostly online, with four half-day sessions in person at an accredited business school. It covers strategy, marketing, people, operations and finance, including a module on finance and financial management, with up to 10 hours of one-to-one mentoring. It costs £750 a person, and the government pays the other 90%. A business needs 5 to 249 employees and at least a year of trading; with 10 or more staff, Brackwater and Quarrow can each send two leaders. The official evaluation (Department for Business and Trade, June 2026) found that taking part helped businesses survive and manage their cash flow better (recommendation 15).

The quickest wins cost little: explain the other debtors, document the balances between the companies and the guarantees, and fix the disclosure gaps. Together they answer most of the first questions a lender or investor would ask, and the next accounts can then show the improvement on the public record (recommendations 3, 4 and 14, page 12).

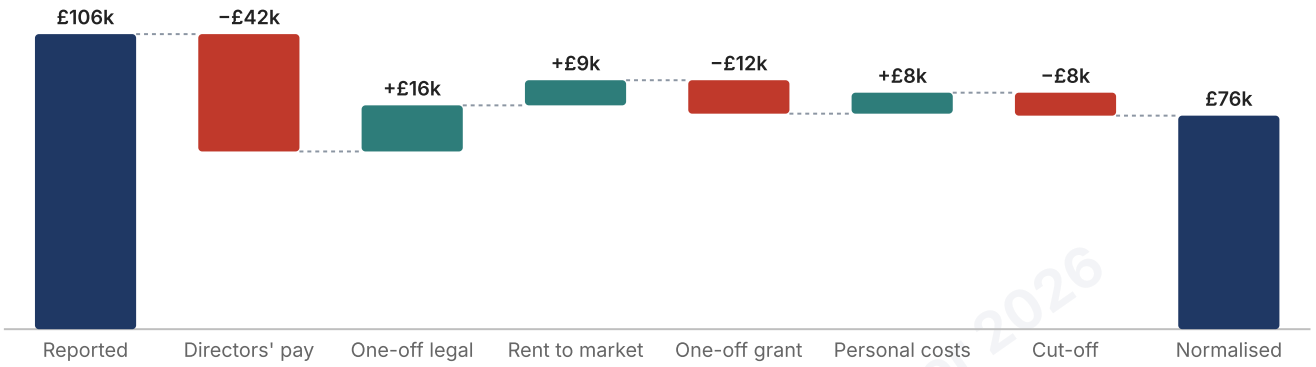
Sources: Companies Act 2006, sections 386 to 388 (accounting records), 830 and 836 (dividends); Small Companies and Groups (Accounts and Directors' Report) Regulations 2008, Schedule 1, paragraph 57 (guarantees and commitments); FRS 102 Section 1A and paragraphs 10.21 to 10.23 (prior period errors), Financial Reporting Council, as amended for periods from 1 January 2026; Minnis, M. (2011), The value of financial statement verification in debt financing: evidence from private U.S. firms, Journal of Accounting Research; Axial (2025), survey of failed lower mid-market deals; Small Business Charter, Help to Grow: Management course FAQs (read 4 November 2026); Department for Business and Trade and Ipsos, Help to Grow: Management evaluation (June 2026).

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31. Normalised earnings: from reported to underlying EBITDA

A lender or a buyer does not take reported EBITDA at face value. They take out what will not happen again and put the owners' pay and the charges between related companies on a market footing. What is left, underlying EBITDA, is what they lend against and what the forecast starts from. Each adjustment needs evidence, and a lender will discount any it cannot check.

BRACKWATER: FROM REPORTED TO UNDERLYING EBITDA, 2025



Item	£	Why	Evidence a lender will want	Will a lender accept it?
Reported EBITDA, 2025 (full accounts, after the year-end adjustments)	**£106k**			
Directors' pay set to a market salary	−£42k	The two directors draw £24,000 between them. A market salary for the role, with employer costs, is about £66,000.	Payroll summary; dividend vouchers	Likely
Legal costs of a contract dispute settled in 2025	+£16k	Settled in March 2025. No similar claim in the last five years.	Solicitor's invoices; the settlement letter	Likely
Rent paid to the directors' property company above the market rate	+£9k	Rent of £60,000 a year against about £51,000 for similar space nearby.	The lease; an agent's rent comparison	Possibly
Grant income that will not recur	−£12k	A local growth grant, paid once in 2025.	The grant offer letter	Likely
Directors' family car costs paid by the business	+£8k	The car is not used for the business.	Invoices; a mileage log	Unlikely
Equipment invoiced in December 2025, delivered in January 2026	−£8k	Two invoices dated 30 and 31 December for equipment delivered on 8 January; the gross profit belongs to 2026.	Delivery notes; the sales ledger	Likely
Normalised EBITDA, 2025	**£76k**	**72% of reported**		

Brackwater's underlying EBITDA is £76k, a cut of £29k on the reported figure. On sales of £3.06m, the EBITDA margin moves from 3.5% to 2.5%. A cautious lender will accept only the lines marked green, which gives £60k. That is the figure to use for borrowing on page 74 and as the starting point for the forecast.

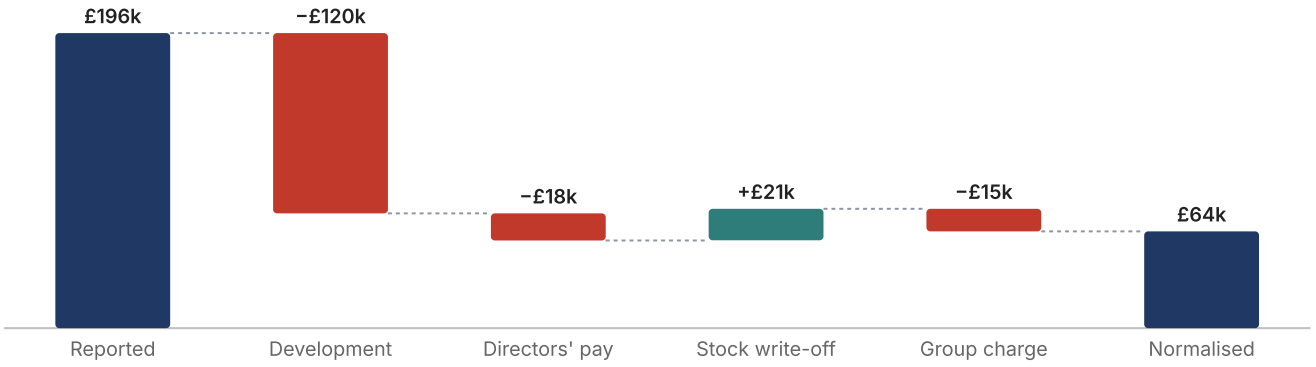
> **Example figures.** In a live report every line comes from the management accounts and the evidence listed, and I take out any adjustment I cannot support.

Method: a quality-of-earnings review in brief, as used in financial due diligence. Adjustments are shown before tax. Green: a lender will usually accept it with the evidence listed. Amber: possibly, with strong evidence. Red: unlikely to be accepted, shown for completeness. Definitions on page 107.

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32. Normalised earnings: Quarrow

QUARROW: FROM REPORTED TO UNDERLYING EBITDA, 2025



Item	£	Why	Evidence a lender will want	Will a lender accept it?
Reported EBITDA, 2025 (full accounts, after the year-end adjustments)	**£196k**			
Development spending capitalised on the balance sheet	−£120k	About £120k of the £178k capitalised in 2025 is spent every year, so a lender treats it as a running cost.	Fixed asset register; the capitalisation policy	Likely
Directors' pay set to a market salary	−£18k	The working director draws below a market salary for the role.	Payroll summary	Likely
Stock written off when a product line was withdrawn	+£21k	One product line withdrawn in 2025. Write-offs in earlier years were under £3,000.	Stock report; the board minute	Possibly
Management charge from the sister company set below cost	−£15k	Brackwater provides finance and admin for a £10,000 fee against a cost of about £25,000.	Intercompany agreement; time records	Likely
Normalised EBITDA, 2025	**£64k**	**33% of reported**		

Quarrow's underlying EBITDA is £64k, a cut of £132k on the reported figure. On sales of £1.94m, the EBITDA margin moves from 10.1% to 3.3%. A cautious lender will accept only the lines marked green, which gives £43k. That is the figure to use for borrowing on page 74 and as the starting point for the forecast.

> **Example figures.** In a live report every line comes from the management accounts and the evidence listed, and I take out any adjustment I cannot support.

Method: a quality-of-earnings review in brief, as used in financial due diligence. Adjustments are shown before tax. Green: a lender will usually accept it with the evidence listed. Amber: possibly, with strong evidence. Red: unlikely to be accepted, shown for completeness. Definitions on page 107.

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33. Net debt, debt-like items and normal working capital

A buyer or lender does not stop at bank debt. It adds anything that will have to be paid out of the business and is not part of normal trading: funding from related companies, tax owed and customer money held in advance. On that wider measure the companies carry more than their bank debt of £2k and – suggests.

31 December 2025, £	Brackwater	Quarrow	How a buyer treats it
Debt and debt-like items			
Bank loans, overdrafts and leases	£1,540	nil	Debt
Funding from group and related companies	£135,000	£395,000	Debt, unless documented as long-term support
Corporation tax owed	£20,617	nil	Debt-like
Debt and debt-like items	**£157,157**	**£395,000**	
Less cash	(£238,447)	(£51,728)	Deducted
Net debt and debt-like items	**(£81,290)**	**£343,272**	
Items a buyer will ask about			
Deferred tax and provisions	£14,205	nil	Deferred tax is usually not adjusted in the price; other provisions, such as dilapidations or warranties, may be debt-like (ICAEW Guideline 64)
Accruals and deferred income	£182,347	£31,208	Debt-like to the extent it is customer deposits
Taxes and social security (VAT, PAYE)	£47,258	£29,417	Working capital if paid on time; debt-like if overdue
Other creditors not explained	£19,116	£10,214	Debt-like until explained
Owed by related companies	£395,000	nil	Reduces debt only if repaid in cash before a deal

- **Brackwater's net debt and debt-like items are (£81k), −10% of its net assets.** Most of it is funding from related companies. Its cash is larger than its debt and debt-like items. The £395k it is owed by related companies counts only if it is repaid in cash.
- **Quarrow's net debt and debt-like items are £343k, 110% of its net assets.** Most of it is funding from related companies.
- **Some of Brackwater's cash is customers' money.** Customer deposits sit in accruals and deferred income, £182k at 31 December 2025, so its £238k of cash is about £56k after them. Deferred income is the item buyers argue about most: a buyer is likely to treat deposits as debt-like, because it still has to do the work they paid for.
- **Some of Quarrow's cash is customers' money.** Customer deposits sit in accruals and deferred income, £31k at 31 December 2025, so its £52k of cash is about £21k after them. Deferred income is the item buyers argue about most: a buyer is likely to treat deposits as debt-like, because it still has to do the work they paid for.
- **Every pound of net debt comes off the price pound for pound**, so documenting the related-company funding as long-term support, or settling it, matters as much for value as for credit (recommendation 4).

Illustrative example · November 2026

NORMAL WORKING CAPITAL

A buyer agrees a normal level of working capital to be left in the business: stock, trade debtors and prepayments, less trade creditors, accruals and deferred income, and VAT and PAYE owed. If the business is handed over with less, the price falls by the shortfall. On year-end figures:

Net working capital, £	2021	2022	2023	2024	2025	Average
Brackwater	(£28k)	(£57k)	(£98k)	(£403k)	(£247k)	(£166k)
Quarrow	£131k	£202k	£207k	£198k	£307k	£209k

- Brackwater's net working capital at 31 December 2025 was minus £247k, £80k below its five-year average of minus £166k. At a normal level set from that average, the difference would come off the price. It is negative because customers pay in advance, and it swings with that deferred income, so the year end it is measured at matters (page 86).
- Quarrow's net working capital at 31 December 2025 was £307k, £98k above its five-year average of £209k. At a normal level set from that average, the difference would add to the price. Most of it is stock, and a buyer pays for stock above the normal level only if it is likely to sell.

Classification follows common UK practice in financial due diligence (ICAEW Corporate Finance Faculty, Best-Practice Guideline 64, completion mechanisms); individual buyers vary. Accruals and deferred income are in net working capital; if a buyer treats the customer deposits in them as debt-like, they come out of working capital and go into net debt, never both. Deferred income is money customers have paid before the work is done, also called deferred revenue. Buyers usually set the normal level from 12 to 24 months of month-end balances; year ends are shown here. P filed accounts; the treatment is my reading E. Fictional example data.

34. Credit and compliance checks

These are the checks a lender or credit agency would run from the public record. Most checks are clean. Three need action: the undisclosed counterparty, the IP title and the director's loan.

Check	Brackwater	Quarrow	Comment
Accounts	Filed on time in each of the last five years	Filed on time in each of the last five years	No action needed
Confirmation statement	Up to date	Up to date	Keep it up to date; check both directors have verified their identity with Companies House
Disclosure gaps	The related-party note does not name the company that owes the £395k	None found	Feeds the filing light on the scorecard (page 10)
Charges at Companies House	One: an all-monies debenture to Fictional Bank plc, registered 12 April 2023	One: invoice finance with Fictional Invoice Finance Ltd, registered 20 May 2026, over its debts	A new lender needs the existing holder's agreement or a deed of priority
Bank data in credit scores	Fictional Bank plc, from the debenture	Not shown; its invoice finance is with Fictional Invoice Finance Ltd	Nine banks share current account and lending data with Experian, Equifax, Creditsafe and Dun & Bradstreet, so a clean current account feeds the scores even with no borrowing; repaying a facility adds a repayment record
Borrowing record	Bank loans and leases of £42k at 2021, £2k left by 2025. No overdraft at any year end shown	No bank borrowing at any year end from 2021 to 2025	Having no debt is normal: about 2.3m of the UK's 5.7m businesses never borrow. It does not lower a score, but gives a lender less to go on
Guarantees given	None filed	None filed	None found in either company's notes
Related-party balances	Has lent £395k to related companies. Owes £135k to group and related companies	Owes £395k to group and related companies	Lenders treat these as at risk until documented
Loans to a director	£56k owed by a director at December 2025	None shown	Brackwater's loan triggers section 455 tax unless it is repaid within nine months of the year end
Tax	Corporation tax of £20,617 for 2025, due 1 October 2026	No corporation tax shown. Losses brought forward shelter its 2025 profit; no deferred tax noted	Quarrow pays corporation tax once its losses are used, as the forecast sets out
Going concern	Nothing noted	Nothing noted	
Business code (SIC)	62090 Other IT services: fits	31010 Office and shop furniture: the closest fit	Credit agencies and benchmarks use this code
County court judgments, credit scores	Not checked (paid searches)	Not checked (paid searches)	Worth running before any lending application

Illustrative example · 3 November 2026

HOW A LENDER WOULD READ IT

Brackwater looks strong on paper: £807k of net assets and almost no bank debt. Its weak point is the £880k of other debtors, much of it lent to related companies or unexplained. The director's loan of £56k, and the IP held by the holding company

Quarrow is thinner: £52k of cash against £617k of short-term creditors, of which £395k is owed to related companies on demand. Its stock of £472k is the main support. A letter of support or loan agreement for the related balance would help most.

> **Quick wins before any lending application.** Name the related party in the next accounts, document the £395k, clear the director's loan, move the IP into the trading companies, then run a credit check on each company

Sources: Companies House register (filing status, charges, persons with significant control), read 31 March 2027; filed accounts as listed on page 107; HM Treasury, Commercial Credit Data Sharing post-implementation review (2024); British Business Bank, Impact Report 2026; Experian, business credit score guidance (2026).

35. What the companies' own records show

The companies provided 11 sets of records on 29 October 2026, covering January 2024 to September 2026. I ran the eleven checks a buyer's or lender's accountants make first. Brackwater has two red tests and Quarrow has two red tests. The five years of full accounts confirm the public-record picture and sharpen it: Brackwater paid £234k of dividends in 2021 and £21k in 2022 and none since, the other debtors are mostly unbilled work and retentions, and Quarrow's underlying EBITDA is about a third of its reported figure once development is treated as a cost.

Test	Green / amber / red	Brackwater	Quarrow
1. Management accounts agree to the full accounts Page 42	🟢 EBITDA moved under 5% 🟡 5% to 15% 🔴 over 15%	🟡 EBITDA £116k in the monthly accounts, £106k in the full accounts	🟡 EBITDA £184k in the monthly accounts, £196k in the full accounts
2. Cash proof: bank against the ledgers Page 45	🟢 within 2% 🟡 2% to 5% 🔴 over 5%	🟢 Receipts −0.4% and payments −0.8% away from the ledgers	🟡 Receipts −1.1% and payments 4.1% away from the ledgers
3. Free cash: the lowest balance against what the business needs Page 45	🟢 lowest above what it needs 🟡 a quarter of it or more 🔴 below a quarter	🟡 Lowest £41k on 24 November 2025, against about £75k needed	🔴 Lowest £10k on 28 October 2025, against about £60k needed
4. Working capital at the year end against its normal level Page 46	🟢 near normal 🟡 well above, or up to 40% of the swing below 🔴 further below	🟢 £122k at the year end against a normal £93k	🟡 £451k at the year end against a normal £379k
5. Revenue cut-off and work in progress Page 48	🟢 under 0.5% of turnover 🟡 0.5% to 2% 🔴 over 2%	🟡 £22k of sales in the wrong year, 0.7% of turnover	🟢 No invoices in the wrong year
6. Customer and supplier concentration Page 49	🟢 largest 20% or less 🟡 20% to 40% 🔴 over 40%	🟡 Largest customer 17% of sales; largest supplier 36% of purchases	🔴 Largest customer 30% of sales; largest supplier 58% of purchases
7. Capital spending keeps up with depreciation Page 50	🟢 1.0x or more 🟡 0.8x to 1.0x 🔴 below 0.8x	🟢 1.19x over 5 years	🟢 1.16x over 5 years
8. VAT and PAYE paid on time, no arrears Page 50	🟢 no arrears 🟡 Time to Pay being met 🔴 arrears, no arrangement	🟢 No arrears; returns and payments on time	🟡 £18k of arrears under Time to Pay, paid on time
9. Director's loans and section 455 tax Page 50	🟢 none overdrawn 🟡 cleared by a dividend 🔴 section 455 tax due	🔴 £96k overdrawn; section 455 tax of £19k due	🟢 No director's loan overdrawn
10. Payroll, holiday pay, pensions and contractors Page 51	🟢 all in order 🟡 a gap	🟡 Holiday pay not accrued; no status checks on contractors	🟢 In order
11. Trading since the year end against budget Page 44	🟢 95% of budget or more 🟡 80% to 95% 🔴 below 80%	🔴 EBITDA £71k to 30 September 2026, 79% of budget	🟡 EBITDA £151k to 30 September 2026, 94% of budget

THE THREE NUMBERS A BUYER OR LENDER WILL ADJUST

	Brackwater	Quarrow
Underlying EBITDA, 2025, from the full accounts [E]	£76k	£64k
Net debt and debt-like items: debt and usually debt-like, less cash [E]	(£44k)	£362k
Items that may be debt-like, on top [E]	£128k	£10k
Working capital at the year end, against its normal level [E]	+£29k	+£72k

Records received [M]: Monthly management accounts, January 2024 to September 2026; Full accounts with the profit and loss account, 2021 to 2025; Bank statements for every account, 2025; Aged debtor and creditor reports at each month end, 2025; Sales and purchase ledger totals by customer and supplier, 2025; Project list with costs and billing at 31 December 2025 (Brackwater); Payroll summaries, 2025 and 2026 to date; VAT returns and the HMRC online account statements, 2025; Fixed asset register, 2021 to 2025; Loan, lease and Time to Pay agreements; Board minutes, 2025 and 2026.

Bands are practitioner rules of thumb, not standards. The checks follow ICAEW Corporate Finance Faculty Best-Practice Guidelines 64 (completion mechanisms) and 71 (financial due diligence): a limited scope, testing the records at a high level, not an audit. Fictional example data.

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36. Management accounts against the full accounts

A buyer's accountants start by agreeing the monthly accounts to the full accounts, because the monthly figures are what they will test and the forecast is built on. The full accounts carry the year-end adjustments the monthly accounts leave out.

BRACKWATER

	£
EBITDA, December 2025 monthly accounts M	£116,000
Subcontractor costs for December, accrued at the year end	(£6,300)
Work not yet billed valued at cost, not at selling price	(£3,385)
Bad debt provision for one disputed invoice	(£700)
EBITDA, 2025 full accounts M	**£105,615**
Depreciation and interest in the monthly accounts	(£31,100)
Depreciation for the full year on equipment bought in 2025	(£1,600)
Profit before tax, full accounts	**£72,915**
Profit after tax agrees to the change in reserves P	Yes, every year

QUARROW

	£
EBITDA, December 2025 monthly accounts M	£184,000
Development costs capitalised at the year end (engineers' time)	+£31,000
Provision against slow-moving stock	(£14,700)
Holiday pay accrued at the year end	(£3,900)
EBITDA, 2025 full accounts M	**£196,400**
Depreciation and interest in the monthly accounts	(£18,000)
Depreciation on tooling, charged for the full year	(£5,571)
Profit before tax, full accounts	**£172,829**
Profit after tax agrees to the change in reserves P	Yes, every year

- **Brackwater's monthly accounts overstate EBITDA by £10k** (9%) before the year-end adjustments. The monthly accounts carry no accruals and value work not yet billed at selling price, so profit runs ahead of the full accounts through the year. The £485k of other debtors the filed accounts leave unexplained is £388k of trading balances and a £96k director's loan, rather than money lent outside the group.
- **Quarrow's monthly accounts understate EBITDA by £12k** (7%) before the year-end adjustments. Development time is charged as a cost each month and capitalised only at the year end. The £139k of other debtors the filed accounts leave unexplained is £139k of trading balances, rather than money lent outside the group.

WHAT SITS INSIDE THE FILED TOTALS

Brackwater, 31 December 2025 M	£	How a buyer treats it
Other debtors, £879,513 filed P		
Amounts owed by Quarrow Mounts Ltd	£395k	Settle or document: not working capital
Work done on projects, not yet billed	£310k	Working capital, once a buyer is sure it will be billed
Retentions held by main contractors	£58k	Working capital; check when each is due
Director's loan account, overdrawn	£96k	Debt-like until repaid (page 50)
Rent deposit and sundry	£20k	Working capital
Accruals and deferred income, £182,347 filed P		
Accruals	£64k	Working capital
Support contracts billed a year in advance	£52k	May be debt-like: work still to do
Project deposits received before the work	£66k	May be debt-like: customer money held
Quarrow, 31 December 2025 M	**£**	**How a buyer treats it**
Other debtors, £138,615 filed P		
VAT repayment due from HMRC	£41k	Working capital
Deposits paid to the contract factory	£84k	Working capital: stock paid for, not yet received
Sundry	£13k	Working capital
Accruals and deferred income, £31,208 filed P		
Accruals	£21k	Working capital
Distributors' payments in advance	£10k	May be debt-like: customer money held

Monthly and full accounts, ledgers and the fixed asset register M; filed accounts P. The normalised earnings pages 37 and 38 now start from the full accounts' EBITDA. Fictional example data.

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37. Trading over five years, from the full accounts

Both companies have grown every year, Quarrow faster, but Brackwater's margins are slipping: its turnover rose from £2.38m in 2021 to £3.06m in 2025 while its gross margin fell from 41.2% to 38.0% and EBITDA from a peak of £137k in 2023 to £106k, as overheads grew faster than sales. Quarrow's turnover nearly doubled, from £0.98m to £1.94m, and EBITDA rose to £196k, but £178k of 2025 development was capitalised, so its underlying EBITDA is £64k.

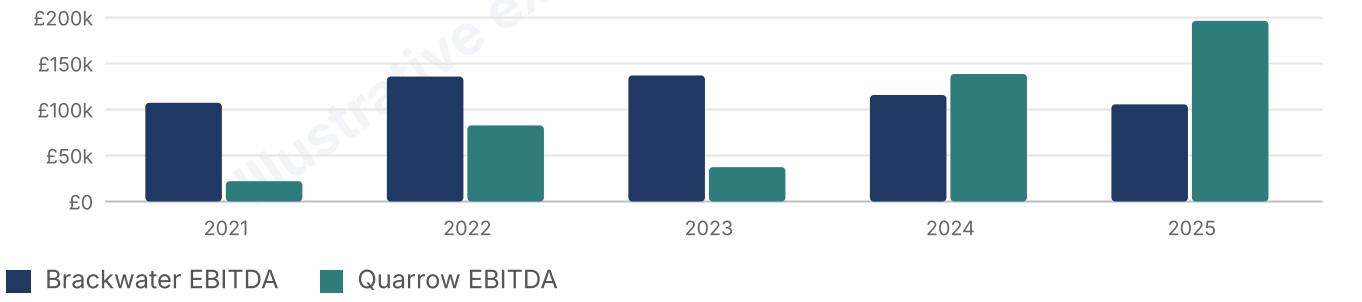
BRACKWATER

£	2021	2022	2023	2024	2025
Turnover [M]	£2.38m	£2.55m	£2.72m	£2.95m	£3.06m
Growth	–	+7%	+7%	+8%	+4%
Gross margin	41.2%	40.1%	39.5%	38.9%	38.0%
Overheads, before depreciation	£873k	£887k	£937k	£1.03m	£1.06m
EBITDA	**£107k**	**£136k**	**£137k**	**£116k**	**£106k**
EBITDA margin	4.5%	5.3%	5.0%	3.9%	3.5%
Profit before tax	£78k	£105k	£106k	£85k	£73k
Profit after tax	£61k	£84k	£82k	£58k	£53k
Average employees [P]	13	13	14	15	15
Turnover per employee	£183k	£196k	£194k	£197k	£204k
Underlying EBITDA, 2025 (page 37)					**£76k**

QUARROW

£	2021	2022	2023	2024	2025
Turnover [M]	£980k	£1.18m	£1.42m	£1.66m	£1.94m
Growth	–	+20%	+20%	+17%	+17%
Gross margin	43.0%	44.0%	45.0%	46.0%	46.5%
Overheads, before depreciation	£399k	£436k	£602k	£625k	£706k
EBITDA	**£22k**	**£83k**	**£37k**	**£139k**	**£196k**
EBITDA margin	2.3%	7.0%	2.6%	8.4%	10.1%
Profit before tax	£13k	£72k	£25k	£125k	£173k
Profit after tax	£13k	£72k	£25k	£125k	£173k
Average employees [P]	8	10	11	13	14
Turnover per employee	£122k	£118k	£129k	£128k	£139k
Underlying EBITDA, 2025 (page 38)					**£64k**

Illustrative example – September 2026



HOW CLOSE THE PUBLIC-RECORD ESTIMATES CAME

The earlier pages measure profit from the filed balance sheets. With the full accounts in hand, the estimates can be checked.

	Estimate	Full accounts	Difference
Brackwater, 2025			
Turnover: my estimate from the public record [E]	£3.10m	£3.06m	+1%
Profit after tax: the minimum, from retained profit [P]	£53k	£53k	+0%
Quarrow, 2025			
Turnover: my estimate from the public record [E]	£1.90m	£1.94m	−2%
Profit after tax: the minimum, from retained profit [P]	£173k	£173k	+0%

Full accounts with the profit and loss account [M]; filed balance sheets and staff numbers [P]. Taxable profit is close to profit before tax but not the same: depreciation is not allowed for tax, and capital allowances, reliefs and losses brought forward change it. Fictional example data.

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38. Since the year end: trading update and leakage

The filed accounts are ten months old. A buyer or lender asks how trading has gone since, and what has left the business.

BRACKWATER: 9 MONTHS TO 30 SEPTEMBER 2026

£	2025	2026	Budget	On last year	On budget
Turnover	£2.28m	£2.41m	£2.48m	+6%	−3%
Gross profit	£876k	£894k	£930k	+2%	−4%
Gross margin	38.4%	37.1%	37.5%		
EBITDA	**£84k**	**£71k**	**£90k**	**−15%**	**−21%**
Cash at 30 September 2026		£186k			

Revenue is up 6% on last year but 3% behind budget; the gross margin is down 1.3 points, because hardware prices rose before quotes were updated.

QUARROW: 9 MONTHS TO 30 SEPTEMBER 2026

£	2025	2026	Budget	On last year	On budget
Turnover	£1.39m	£1.52m	£1.56m	+9%	−3%
Gross profit	£642k	£686k	£718k	+7%	−4%
Gross margin	46.2%	45.1%	46.0%		
EBITDA	**£129k**	**£151k**	**£160k**	**+17%**	**−6%**
Cash at 30 September 2026		£38k			

Revenue is up 9% on last year, with the German distributor ordering more; stock has risen again, to £498k.

VALUE PAID OUT SINCE 31 DECEMBER 2025

Company	Payment	£	How a buyer treats it
Brackwater	Dividend to the shareholders, 14 August 2026, used to clear part of the director's loan	£40k	Leakage
Brackwater	Further drawings on the director's loan account, January to September 2026	£12k	Leakage
Brackwater	Rent to the directors' property company above the market rate (nine months)	£7k	Leakage unless agreed as permitted
Brackwater	Lent to Quarrow Mounts Ltd, January to September 2026	£60k	Within the group: settle or document before a sale
Quarrow	Borrowed from Brackwater AV Ltd, January to September 2026	£60k	Within the group: settle or document before a sale

In a locked-box sale the price is fixed on the last balance sheet, and anything paid out to the sellers after it, called leakage, is repaid to the buyer pound for pound unless it was agreed as permitted. Brackwater: £59k of leakage. Payments within the group do not leak value from a group sale, but a buyer of one company will want them settled.

Management accounts and budget to 30 September 2026, bank statements and board minutes [M]. Locked box and leakage: ICAEW Corporate Finance Faculty, Best-Practice Guideline 64. Fictional example data.

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39. Cash proof: does the bank agree with the ledgers?

Profit is only as good as the cash behind it. This test takes the sales and purchases in the ledgers, allows for VAT and for what customers and suppliers owed at each end of the year, and compares the result with what actually went through the bank.

2025, £	Brackwater	Quarrow
Customers		
Sales invoiced, before VAT (sales ledger) M	£2.88m	£1.94m
VAT on those sales	£575k	£214k
Owed by customers at the start, less at the end	+£44k	+£8k
Cash you would expect from customers	**£3.49m**	**£2.16m**
Received from customers (bank statements) M	£3.48m	£2.14m
Difference	**−£14k (−0.4%)**	**−£23k (−1.1%)**
Suppliers		
Purchases invoiced, with VAT (purchase ledger) M	£2.69m	£1.59m
Owed to suppliers at the start, less at the end, plus deposits paid	+£31k	+£8k
Cash you would expect to pay	**£2.72m**	**£1.60m**
Paid to suppliers (bank statements) M	£2.70m	£1.66m
Difference	**−£22k (−0.8%)**	**+£65k (4.1%)**
Result	Agrees	Small gaps

Brackwater: Bad debts written off of £4,200 and credit notes of £9,800 explain most of the gap; higher prepayments to suppliers explain part of the gap. Quarrow: Card and bank charges on overseas receipts of about £6,000; the rest is two German distributors paying short for damaged stock; freight and duty paid direct to the forwarder, not through the purchase ledger.

BRACKWATER: THE BANK IN 2025 M

	£
Bank at 31 December 2024 P	£455k
Received from customers	+£3.48m
Local growth grant	+£12k
Paid to suppliers	−£2.70m
Net pay to staff	−£453k
PAYE and NI paid to HMRC	−£167k
Pension contributions	−£20k
VAT paid to HMRC	−£137k
Corporation tax paid (the 2024 bill)	−£23k
Rent to the directors' property company	−£60k
Lent to Quarrow Mounts Ltd	−£125k
Drawn by a director (loan account)	−£14k
Bank loan repaid	−£8k
Interest paid	−£1k
Bank at 31 December 2025 P	**£238k**

QUARROW: THE BANK IN 2025 M

	£
Bank at 31 December 2024 P	£85k
Received from customers	+£2.14m
VAT repayments from HMRC	+£43k
Paid to suppliers and the factory, with import VAT	−£1.66m
Net pay to staff	−£439k
PAYE and NI paid to HMRC	−£147k
Pension contributions	−£15k
Borrowed from Brackwater AV Ltd	+£125k
Prototypes and tooling (capitalised development)	−£58k
Equipment	−£20k
Bank at 31 December 2025 P	**£52k**

FREE CASH: WHAT IS REALLY AVAILABLE

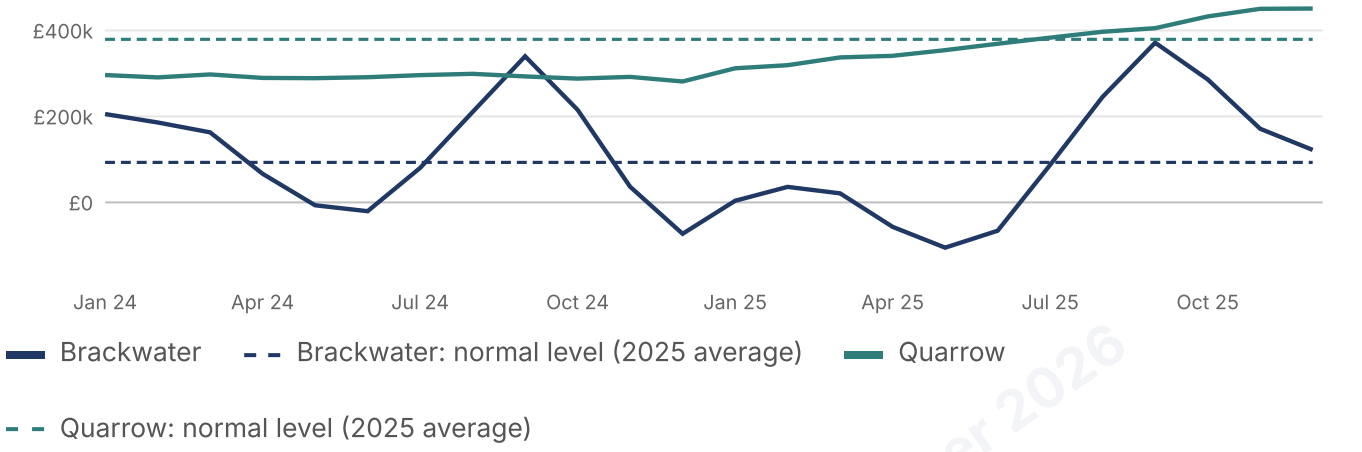
	Brackwater	Quarrow
Cash at the year end P	£238k	£52k
Customer deposits and support billed in advance M	−£118k	−£10k
Cash after them	**£120k**	**£42k**
Lowest balance in the year M	£41k, 24 November 2025	£10k, 28 October 2025
What the business needs to hold E	£75k	£60k
Result	Thin at the low point	Too thin at the low point

Bank statements and ledgers M; filed cash P; what each business needs to hold is my estimate E: Brackwater, one month's pay and PAYE plus a month's share of the VAT quarter; Quarrow, one month's pay and PAYE plus a factory deposit. Bands: within 2% green, 2% to 5% amber, over 5% red. Fictional example data.

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40. Working capital through the year: the normal level

Before a sale, buyer and seller agree the working capital to be left in the business, set from 12 to 24 month ends, not the year end alone. If the business is handed over with less, the price falls by the shortfall; with more, it rises.



	Brackwater	Quarrow
Average of the 12 month ends, 2025: the normal level	£93k	£379k
Average of all 24 month ends	£105k	£336k
Highest month end	£372k, September 2025	£451k, December 2025
Lowest month end	minus £105k, May 2025	£312k, January 2025
Year end, 31 December 2025, on the records	**£122k**	**£451k**
Year end less the normal level	**+£29k**	**+£72k**
Year end on the filed accounts (page 39) P	minus £247k	£307k
Customer days, with work not yet billed and retentions: year end and the year's average	62 and 73	4 and 6

- **Brackwater**: working capital swings by £477k through the year, between May 2025 and September 2025. At the year end it was £29k above the normal level, so a sale at the year end would add about that much to the price.
- **Quarrow**: working capital swings by £139k through the year, between January 2025 and December 2025. At the year end it was £72k above the normal level, so a sale at the year end would add about that much to the price. It has risen through the year, mostly in stock, so a buyer is likely to argue for a normal level nearer the recent months.
- The records give a different year-end figure from the filed accounts for Brackwater and Quarrow, because work not yet billed, retentions and deposits paid sit in other debtors in the filed accounts, and any tax arrears come out as debt-like.

Working capital here is stock, trade debtors, work not yet billed, retentions, prepayments and deposits paid, less trade creditors, accruals, deferred income and VAT and PAYE, from the monthly balance sheets M; the December figures include the year-end adjustments. Tax arrears are taken out as debt-like. The normal level is my calculation E; buyers vary in how they set it (ICAEW Best-Practice Guideline 64). Fictional example data.

Illustrative example · 3 November 2026

41. Net debt and debt-like items, from the records

UK sales are priced cash-free and debt-free: the buyer agrees a price for the business, then deducts debt and debt-like items and adds cash. Every pound here comes off the price for the shares. The records show items the filed accounts cannot.

31 December 2025, £	Brackwater	Quarrow
Debt		
Bank loans, overdrafts, leases and hire purchase	£2k	–
Funding from group and related companies	£135k	£395k
Usually debt-like		
Corporation tax owed	£21k	–
Section 455 tax on the director's loan not repaid within nine months	£19k	–
Year-end bonus for 2025 paid in March 2026	£18k	–
VAT and PAYE arrears (Time to Pay)	–	£18k
May be debt-like		
Customer deposits and support billed in advance (deferred income)	£118k	£10k
Holiday pay earned but not taken	£10k	–
Dilapidations on the leased premises (no provision)	Not quantified	–
Debt and usually debt-like items	**£194k**	**£413k**
Less cash P	−£238k	−£52k
Net debt and debt-like items	**(£44k)**	**£362k**
With every item that may be debt-like	**£84k**	**£372k**
Count only if collected in cash before a deal		
Owed by related companies	£395k	–
Director's loan account, overdrawn	£96k	–

- **Brackwater**: net cash of £44k on the records, against net cash of £81k from the filed accounts alone (page 39). A buyer who treats every item that may be debt-like as debt would deduct £84k.
- **Quarrow**: £362k of net debt and debt-like items on the records, against £343k of net debt and debt-like items from the filed accounts alone (page 39). A buyer who treats every item that may be debt-like as debt would deduct £372k.
- Deferred tax is usually not adjusted in the price, and is left out (ICAEW Guideline 64). Customer deposits are counted once: if a buyer treats them as debt-like, they come out of working capital (page 46).

The three groups follow ICAEW Corporate Finance Faculty Best-Practice Guideline 64: widely accepted debt; usually debt-like; may be debt-like. Amounts from the records M and the filed accounts P; the grouping is my reading E. Buyers vary. Fictional example data.

Illustrative example · 3 November 2025

42. Revenue cut-off, work in progress and deferred income

Project businesses take profit as the work is done, not when it is billed. That is right, but it rests on judgement: how complete each project is, and whether invoices fall in the right year. These are the items a buyer's accountants test hardest in an AV or IT project business.

BRACKWATER: PROJECTS IN PROGRESS AT 31 DECEMBER 2025 M

Project	Contract	Complete	Earned	Billed	Not yet billed	Billed in advance
University lecture theatres	£640k	70%	£448k	£320k	£128k	–
Hotel group conference suites	£380k	55%	£209k	£150k	£59k	–
Council chamber	£210k	90%	£189k	£140k	£49k	–
Office fit-out for a main contractor	£295k	40%	£118k	£70k	£48k	–
Law firm meeting rooms	£120k	75%	£90k	£64k	£26k	–
School trust classrooms	£180k	15%	£27k	£60k	–	£33k
Retailer's head office	£95k	0%	–	£33k	–	£33k
Total	**£1.92m**		**£1.08m**	**£837k**	**£310k**	**£66k**

Complete is measured by the share of forecast cost incurred. The totals agree to the work not yet billed in other debtors and to the project deposits in deferred income on page 42. Support contracts billed a year in advance: £52k at the year end.

CUT-OFF: INVOICES EITHER SIDE OF THE YEAR END M

Company	Window tested	Invoices tested	In the wrong year	Finding
Brackwater	16 December 2025 to 15 January 2026	£184k	£22k	Two invoices dated 30 and 31 December 2025 for equipment delivered on 8 January 2026
Quarrow	16 December 2025 to 15 January 2026	£96k	–	Every despatch in the window was invoiced in the month it left the warehouse

- **Brackwater took £22k of sales into 2025 that belong to 2026**, with about £8k of gross profit. It is small against turnover, but a buyer will take it out of EBITDA, and I have added it to the normalised earnings (page 37).
- **Brackwater had £310k of work done but not billed at the year end**, 10% of turnover. It is real trading, but it is profit taken before the customer has agreed to pay, so a buyer will test it against later invoices and billing at each project stage would turn it into cash sooner.

Project list, sales ledger and delivery notes M; the tests are mine E. Bands: sales in the wrong year under 0.5% of turnover green, 0.5% to 2% amber, over 2% red. Fictional example data.

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43. Customers and suppliers

Buyers pay less for a business that depends on one customer or one supplier. Practitioners treat more than 20% from one customer as a flag and more than 40% as a serious risk.

BRACKWATER, 2025 M

Customer	Sales	Share
Customer A (main contractor)	£520k	17%
Customer B (university)	£310k	10%
Customer C (hotel group)	£240k	8%
Customer D (council)	£180k	6%
Customer E (office fit-out)	£150k	5%
Customer F (school trust)	£120k	4%
Customer G (retailer)	£95k	3%
Customer H (housing association)	£80k	3%
Customer I (church)	£70k	2%
Customer J (law firm)	£60k	2%
Largest customer		**17%**
Top 5		**46%**
Top 10		**60%**

Largest customer's share by year: 2023 24%, 2024 19%, 2025 17%.

Supplier	Purchases	Share
Distributor A (video and audio)	£812k	36%
Distributor B (displays)	£431k	19%
Quarrow Mounts Ltd (sister company)	£342k	15%
Cable and containment supplier	£118k	5%
Freelance installers (4)	£148k	7%
Largest supplier		**36%**

Distributor A gives a 2% year-end rebate on spend above £750k, credited in February.

QUARROW, 2025 M

Customer	Sales	Share
Customer A (UK AV distributor)	£589k	30%
Brackwater AV Ltd (sister company)	£342k	18%
Customer C (German distributor)	£228k	12%
Customer D (Dutch distributor)	£152k	8%
Customer E (UK online retailer)	£95k	5%
Customer F	£61k	3%
Customer G	£48k	2%
Customer H	£41k	2%
Customer I	£33k	2%
Customer J	£27k	1%
Largest customer		**30%**
Top 5		**72%**
Top 10		**83%**

Largest customer's share by year: 2023 36%, 2024 33%, 2025 30%.

Supplier	Purchases	Share
Contract factory (Poland)	£684k	58%
Steel tube supplier	£158k	13%
Freight forwarder	£96k	8%
Powder coater	£61k	5%
Packaging	£38k	3%
Largest supplier		**58%**

One factory makes every product line; tooling is owned by Quarrow but sits at the factory.

- **18% of Quarrow's sales go to a related company.** A buyer of one company alone will ask whether those sales continue, and on what terms, after the sale.
- **Quarrow buys 58% of what it buys from one supplier.** A second source for the main lines would lower the risk a buyer prices in.
- **Quarrow's largest customer takes 30% of its sales.** Contracts with notice periods and change-of-control terms reduce the discount a buyer applies.

Sales and purchase ledgers M. Customers are shown without names in this report. Bands: up to 20% green, 20% to 40% amber, over 40% red; practitioner rules of thumb, not standards. Fictional example data.

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44. Tax, director's loans and capital spending

VAT AND PAYE

VAT and PAYE paid on time are working capital. Arrears that build up are debt-like (ICAEW Guideline 64), and a lender will ask about any Time to Pay arrangement.

	Brackwater	Quarrow
VAT, PAYE and NI owed at the year end [P]	£47k	£29k
A normal level: one VAT quarter and one month's PAYE [E]	£48k	£11k
Arrears [M]	–	£18k
Time to Pay	None	£18k agreed March 2026 over 12 months. All six payments to September 2026 made on time
Result	No arrears	Arrears under Time to Pay, being paid

Brackwater: VAT returns and payments on time in all eight quarters; PAYE paid by the 22nd each month. Quarrow: Pays import VAT at the border and reclaims it, so it is usually owed a VAT repayment.

Brackwater: director's loan. A director owed the company £96k at 31 December 2025 [M]. £40k was cleared by a dividend of £40,000 voted on 14 August 2026, and £12k more was drawn after the year end. Section 455 tax of 33.75% is due on the £56k not repaid within nine months: £19k, payable on 1 October 2026 and refunded once the loan is repaid. The filed corporation tax creditor does not include it. A buyer treats the tax as debt-like and the dividend as leakage (page 44).

CAPITAL SPENDING AGAINST DEPRECIATION

If a business spends less on equipment than it depreciates, year after year, its assets run down and a buyer may treat the shortfall as debt-like. Practitioners flag a ratio below 0.8x over several years.

£	2021	2022	2023	2024	2025	Total
Brackwater						
Capital spending [M]	£64k	£19k	£15k	£68k	£16k	£182k
Depreciation [M]	£29k	£30k	£31k	£30k	£32k	£152k
Spending ÷ depreciation	**2.19x**	**0.62x**	**0.49x**	**2.24x**	**0.52x**	**1.19x**
Quarrow						
Capital spending [M]	£6k	£23k	£10k	£22k	£20k	£82k
Depreciation [M]	£10k	£11k	£12k	£14k	£24k	£71k
Spending ÷ depreciation	**0.64x**	**2.13x**	**0.81x**	**1.55x**	**0.86x**	**1.16x**

Quarrow: Development of £178k was capitalised in 2025 and is not yet amortised. VAT returns, HMRC online account statements, payroll records and the fixed asset register [M]; filed accounts [P]; the normal level is my estimate [E]. Section 455: Corporation Tax Act 2010. Fictional example data.

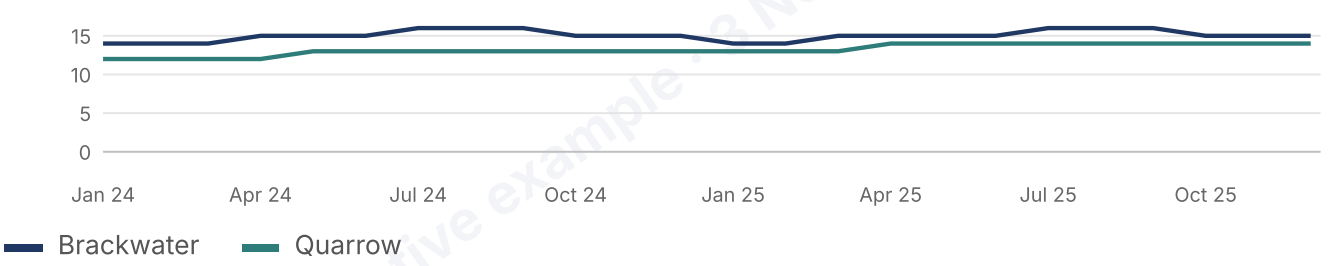
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45. Payroll and people

Staff are most of the cost and most of the value in a business of this size. A buyer checks that payroll is complete and that nothing owed to staff or HMRC is missing from the accounts.

	Brackwater	Quarrow
Average employees, 2025 P	15	14
Payroll cost, with employer NI and pension M	£640k	£618k
Payroll cost per employee	£43k	£44k
Directors, and what they draw as salary	2, £24k in total	1, £30k in total
Holiday pay earned but not taken	Not accrued, £10k	Accrued, £4k
Pension auto-enrolment	Auto-enrolment in place; contributions paid within 22 days each month	Auto-enrolment in place; two months paid late in 2025, now up to date
Freelancers and contractors	4, paid £148k; no status determinations on file	1, paid £24k; status determination on file
Key person	The managing director holds the top three customer relationships and is the only bank signatory	The lead design engineer holds the designs and is the main contact at the factory

HEADCOUNT BY MONTH M



Illustrative example 13 November 2026

- **Brackwater does not accrue holiday pay.** The £10k earned but not taken at the year end is a cost already incurred, and a buyer may treat it as debt-like.
- **Brackwater paid 4 freelancers £148k** with no record of how their employment status was checked. If HMRC treated them as employees, it could owe PAYE and employer NI of 15%, up to about £22k a year in NI alone. A buyer will ask for the status checks.
- **£120k of Quarrow's payroll was capitalised as development** rather than charged as a cost, so the payroll cost in the profit and loss account is lower than what it pays its staff.

Payroll summaries, pension records and contractor invoices M; staff numbers from the filed accounts P. Employer NI at 15% from 6 April 2025. Key people and cover are on page 30. Fictional example data.

PART C

Business cash flow forecast, 2027 to 2029

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46. Business cash flow forecast, 2027 to 2029: the answer

Both companies stay in credit in every month from January 2027 to December 2029 in the base case. The low point for the two together is £368k in January 2027, and cash builds to £690k by December 2029. That depends on no cash going up to the holding company for dividends and no more cash moving into other debtors and related companies. Quarrow is the weaker: it has the thinner cash cushion for its size.

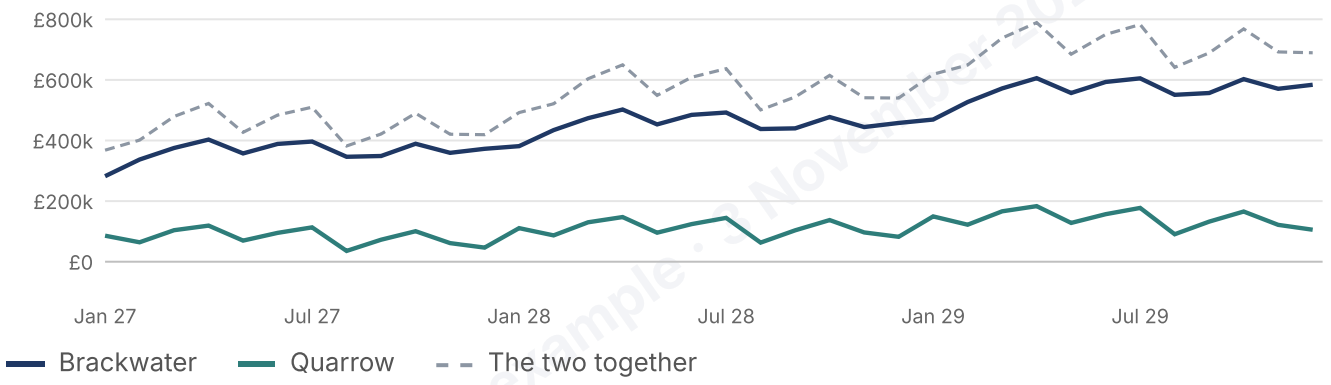
£368k
Lowest cash for the two together, Jan 2027

£36k
Quarrow's lowest cash, Aug 2027

9.4%
Fall in sales the two together could bear from January 2027 before cash runs out

£300k
Committed facility that covers Quarrow's worst single scenario

CASH AT EACH MONTH END, JANUARY 2027 TO DECEMBER 2029



Illustrative example · 3 November 2026

WHAT THE FORECAST SHOWS

- **The trading businesses make cash.** Estimated sales in 2027 are £3.44m for Brackwater and £2.27m for Quarrow, with profit before tax of £100k and £58k. After tax and capital spending, Brackwater adds about £104k a year to its cash and Quarrow adds about £26k a year to its cash.
- **Past cash went into other debtors.** Over the last four years Brackwater's unexplained other debtors grew by about £86k a year. If that carries on, Brackwater's cash at December 2029 is £326k instead of £584k (page 63).
- **Dividends go out through the holding company.** The full accounts show Brackwater paid out about £51k a year on average [M]. If it keeps doing so, its cash at December 2029 is £431k instead of £584k.
- **Quarrow needs a facility behind it.** Its lowest month-end cash, £36k in August 2027, is about 1 week of its payments. The scenarios "Quarrow sales 20% below plan for the first year" and "Quarrow stock stays at about 165 days" would take it overdrawn. A committed facility of about £300k covers its worst single case (recommendation 1, page 12).
- **Tax is a growing outflow.** Corporation tax paid rises from £22k in 2027 to £24k in 2029 (page 62).

The starting turnover and profit are from the companies' full accounts [M]; growth, margins and costs from here are my estimates [E] (pages 54 and 55). The model is integrated: profit, balance sheet and cash are linked, and the balance sheet balances in all 48 months of every scenario. Fictional example data.

47. How the forecast is built

The forecast is a monthly model of each company's profit and loss, balance sheet and cash for January 2026 to December 2029. The first 12 months are the bridge: they start from the balance sheets filed for 31 December 2025 and run on the same rules as the later years, so the opening position at 31 December 2026 is consistent with every month that follows. The pages show January 2027 to December 2029.

WHERE TURNOVER COMES FROM

The forecast starts from each company's turnover and profit before tax in its 2025 full accounts [M]: £3.06m of turnover and £73k before tax at Brackwater and £1.94m of turnover and £173k before tax at Quarrow.

- **Staff.** 15 at Brackwater and 14 at Quarrow average employees [P], paid about the UK full-time median [E], set the payroll.

Gross margins, overheads and payroll are then set so that each company earns its 2025 profit on that turnover. That gives overheads of £633k a year for Brackwater (about £42k per employee) and £324k a year for Quarrow (about £23k per employee).

WHAT THE MODEL CHECKS

Every month balances. Assets less liabilities equal the opening net assets plus profit after tax less dividends, in all 48 months for every company and every scenario (largest difference under £0.01). Cash is built from receipts and payments, not from profit, so the two cannot drift apart.

WHAT IS HELD CONSTANT

- Other debtors (£880k at Brackwater and £139k at Quarrow) and the balances with related companies stay at their December 2025 level. Nothing more is lent, and nothing is repaid, except in the scenarios.
- No dividends are paid in the base case. The scenario on page 63 tests Brackwater paying £51k a year, the average it paid in its full accounts. Each £100k a year paid out lowers cash at December 2029 by about £300k.
- Prepayments stay at their last level, and so do accruals for a company that does not take deposits.
- Brackwater Holdings Ltd (£24k of cash at December 2025) and Hale Property Ltd (£11k) are not modelled; neither trades with customers (fictional).

WHY THE 2025 TURNOVER MATTERS LESS THAN IT LOOKS

If turnover is 20% higher or lower than estimated, at the same 2025 profit, the overheads move with it and the cash flow changes little. What moves cash is the change in sales, margins, payment terms and stock from here, which the scenarios test (page 63).

FIVE YEARS FROM THE FULL ACCOUNTS [M]

Year	Brackwater turnover	Brackwater profit before tax	Quarrow turnover	Quarrow profit before tax
2021	£2.38m	£78k	£980k	£13k
2022	£2.55m	£105k	£1.18m	£72k
2023	£2.72m	£106k	£1.42m	£25k
2024	£2.95m	£85k	£1.66m	£125k
2025	£3.06m	£73k	£1.94m	£173k

Turnover and profit before tax from the companies' full accounts [M]. Fictional example data.

Illustrative example · 30 April 2026

48. Main assumptions

Assumption	Brackwater	Quarrow
Opening position		
Balance sheet at 31 December 2025	Filed accounts P	Filed accounts P
Sales		
Turnover, 2025	£3.06m M	£1.94m M
Mix	Projects: design, supply and installation 75%, Support and managed services 25% E	UK customers 70%, Export customers 30% E
Volume growth, 2026 / 2027 / 2028 / 2029	1% / 2% / 2% / 2% E	4% / 3% / 3% / 2% E
Price rises, same years	5% / 4% / 3% / 3% E	4% / 5% / 3% / 3% E
Monthly pattern	Highest January to March, lowest in August and December, following search interest (page 99) E	The same
Costs		
Bought-in cost as a share of sales, 2025 prices	Projects 68%, Support and managed services 20% E	UK customers 55%, Export customers 55% E
Bought-in cost rises, 2026 / 2027 / 2028 / 2029	7% / 5% / 2.5% / 2.5% E	6% / 7% / 3% / 3% E
Gross margin after bought-in costs, 2027 (result)	42.4% E	42.9% E
Staff (average)	15 in 2025 P; 15, 15, 16, 16 in 2026 / 2027 / 2028 / 2029 E	14 in 2025 P; 14, 15, 15, 15 in 2026 / 2027 / 2028 / 2029 E
Average pay, 2025, and pay rises each April	£36,000; 3.5% / 4% / 3.5% / 3% E	£34,000; 3.5% / 4% / 3.5% / 3% E
Employer costs	National Insurance 15% above £5,000; pension 3% of qualifying earnings; the £10,500 Employment Allowance P	National Insurance 15% above £5,000; pension 3% of qualifying earnings; no Employment Allowance P
Overheads, 2025 (balancing figure), then rising	£633k; 3.5% / 3% / 3% / 3% E	£324k; 3.5% / 3% / 3% / 3% E
Capital spending each year	£30k E	£10k E; plus £120k of development capitalised each year E
Cash timing		
Customer receipts	Projects: design, supply and installation: 30% deposit a month before the work, 60% at 30 days, 10% at 60 days; Support and managed services: Monthly in advance E	UK customers: 85% paid with the order, the rest at 30 days; Export customers: the same; exports zero rated E
Supplier payments	60 days E	30 days E; imports under postponed VAT accounting P
Stock	Held at the December 2025 level of £64k P	Run down from about 165 days to 130 by the end of the first forecast year, then 120 E
VAT	20%, paid by the 7th of the second month after each quarter P	20%, paid by the 7th of the second month after each quarter P; exports zero rated
PAYE, NIC and pension	Paid by the 22nd of the month after the payroll P	Paid by the 22nd of the month after the payroll P
Corporation tax	19% to 25% with marginal relief, paid 9 months and 1 day after the year end P; the £50k and £250k limits shared by 3 associated companies E	19% to 25% with marginal relief, paid 9 months and 1 day after the year end P; the £50k and £250k limits shared by 3 associated companies E
Bank	Loans of £2k repaid over 12 months P. Bank Rate 3.75% P; overdraft margin of 3 points if overdrawn E	No bank borrowing P. Bank Rate 3.75% P; overdraft margin of 3 points if overdrawn E
Dividends and related companies	None in the base case; a scenario adds the average dividends paid in the full accounts E; other debtors and related-company balances held at December 2025 E	None E; other debtors and related-company balances held at December 2025 E

Basis of each assumption: P public record: filed accounts, registers, published data and tax rules. E my estimate. M management: the company's own records or plans.

Sources: GOV.UK rates and thresholds for 2026/27 (income tax, National Insurance, Employment Allowance, auto-enrolment pension, VAT, corporation tax), held for later years; Bank Rate from the Bank of England; cost rises from page 101. How the estimates are set is on page 54, and the reason for each on pages 56 and 57. Lists run 2026 / 2027 / 2028 / 2029; 2026 is the bridge year.

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49. Why each estimate: Brackwater

The reason for each estimate on page 55, and the evidence behind it. Facts from the public record carry P; the figure itself is my estimate E.

Estimate	Figure	Why
Sales		
Turnover, 2025	£3.06m M	Trade creditors of £268k at December 2025 P are about 48 days of purchases at this level. Turnover in the full accounts for 2025, from the companies' records.
Mix	Projects 75%, Support and managed services 25% E	Customer deposits drive the balance sheet: accruals and deferred income went from £140k in 2023 to £332k in 2024 and £182k in 2025 P, which large project deposits explain. Support and managed services are my estimate of the rest, in line with integrators moving towards recurring contracts (page 92).
Volume growth	1% / 2% / 2% / 2% E	Search interest in meeting-room video systems is up over five years (page 99) P, but integrators are consolidating and customers are wary of costs (page 29). So I use about half the market's growth, and less for 2026.
Price rises	5% / 4% / 3% / 3% E	AV makers raised list prices by 5% to 15% in 2026, mainly because memory chips cost more (page 100) P. Brackwater quotes each project at current prices, so new work passes the rise on. Hardware is about half of its sales, so a 7% hardware rise needs about 3.5% on prices, and pay up 3.5% about 1% more: hence 5% in 2026. From 2028, 3% keeps prices in line with pay and overheads as inflation falls back.
Costs		
Bought-in cost as a share of sales	Projects 68%, Support and managed services 20% E	A reseller margin of about a third on equipment and installation bought in. A different split moves the gross margin but hardly moves profit or cash, because overheads are set to fit the last year's profit (page 54).
Bought-in cost rises	7% / 5% / 2.5% / 2.5% E	2026 carries the makers' list price rises (page 100) P. 2027 is the base case on page 101. From 2028 I assume the chip shortage has passed and hardware prices rise with general inflation.
Staff	15, 15, 16, 16 E	Brackwater has had 13 to 15 staff since 2021 P. One more person from 2028 as volume grows; the same team has handled the work since 2021.
Pay	£36,000 in 2025; rises of 3.5% / 4% / 3.5% / 3% each April E	About the UK full-time median P. The National Living Wage rises 3.9% to £13.21 in April 2027 and private-sector regular pay is rising 3.0% a year (page 100) P. Rises ease to 3% as inflation falls.
Overheads	£633k in 2025; then 3.5% / 3% / 3% / 3% E	The 2025 level is what fits the 2025 profit (page 54). 3.5% is about the current rate of inflation P; then 3% a year, because rent, insurance and software are mostly fixed for a year or more at a time.
Capital spending	£30k a year E	About the 25% a year depreciation on £116k of fixed assets P, which have stayed between £80k and £132k since 2017 P. Vans, tools and IT replaced as they wear out.
Cash timing		
Customer receipts	Projects: 30% deposit a month before the work, 60% at 30 days, 10% at 60 days; Support and managed services: Monthly in advance E	Trade debtors were £152k at December 2025, about 15 days of sales with VAT P . Large firms take 32 days on average to pay and pay 15% of invoices late (Department for Business and Trade, 2025) P, hence 10% at 60 days.
Supplier payments	60 days E	Trade creditors are about 48 days of purchases with VAT P. The usual terms from AV distributors. The year-end balance is lower because December is a quiet month for purchases.
Stock	Held at £64k P	Stock has been between £36k and £64k since 2017 P. Brackwater buys hardware for each project, so stock stays low.
Overdraft rate	3 points above Bank Rate E	A typical rate for an SME overdraft. The base case does not use one.
Dividends and related companies	None in the base case; balances held E	The 2025 full accounts show no dividends M. The scenarios test money continuing to leave (page 63).
Corporation tax	Losses brought forward: nil E	Brackwater has paid corporation tax every year since 2017, so it has no losses to bring forward.

Sources: the filed accounts P and the market and cost pages shown, each with its own sources. Fictional example data.

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50. Why each estimate: Quarrow

The reason for each estimate on page 55, and the evidence behind it. Facts from the public record carry P; the figure itself is my estimate E.

Estimate	Figure	Why
Sales		
Turnover, 2025	£1.94m M	Trade creditors of £151k at December 2025 P are about 52 days of purchases at this level. Turnover in the full accounts for 2025, from the companies' records.
Mix	UK customers 70%, Export customers 30% E	My estimate. It matters for VAT, because exports are zero rated, and for the currency test (page 102).
Volume growth	4% / 3% / 3% / 2% E	Demand for meeting-room hardware is holding up (page 91), but established mount makers compete on price and partners sell their own simple mounts (page 93). So growth eases to 2% by 2029.
Price rises	4% / 5% / 3% / 3% E	Quarrow passes on most of its cost rises, not all. In 2026 it sells stock bought before the rises, so it needs less. In 2027 costs rise 7% but prices only 5%, because rivals sell similar frames and stands (page 93). From 2028, prices and costs both rise 3%.
Costs		
Bought-in cost as a share of sales	UK customers 55%, Export customers 55% E	Components, contract manufacture and freight. As for Brackwater, overheads are set to fit the last year's profit, so the split moves the margin but not profit or cash.
Bought-in cost rises	6% / 7% / 3% / 3% E	Metals are up about 10% and freight from Asia sharply in a year (page 100) P. 2026 is lower because the stock was bought before most of the rises; 2027 is the highest because restocking is at the new prices and the UK carbon border charge on imported steel and aluminium starts on 1 January 2027 (page 104) P. From 2028 I assume metal and freight prices stop rising.
Staff	14, 15, 15, 15 E	Quarrow has had 8 to 14 staff since 2021 P. One more person in 2027 keeps sales per person close to today.
Pay	£34,000 in 2025; rises of 3.5% / 4% / 3.5% / 3% each April E	Set below Brackwater's because Quarrow employs no installation engineers, whose pay is higher. The National Living Wage rises 3.9% to £13.21 in April 2027 and private-sector regular pay is rising 3.0% a year (page 100) P. Rises ease to 3% as inflation falls.
Overheads	£324k in 2025; then 3.5% / 3% / 3% / 3% E	The 2025 level is what fits the 2025 profit (page 54). The same evidence as Brackwater's.
Capital spending	£10k a year E	About the 25% a year depreciation on £42k of fixed assets P, which have stayed between £22k and £45k since 2019 P. Tooling and IT; most production is bought in.
Capitalised development	£120k a year E	2025 was the first year development was capitalised, at £178k P. About two-thirds of the 2025 level, as ongoing product work after a launch year. It moves profit, not cash, because the staff are paid either way.
Cash timing		
Customer receipts	UK customers: 85% paid with the order, the rest at 30 days; Export customers: the same; exports zero rated E	Trade debtors were £22k at December 2025, about 3 days of sales with VAT P. Customers pay quickly, so 85% with the order is consistent with the filed trade debtors.
Supplier payments	30 days E	Trade creditors are about 52 days of purchases with VAT P. The forecast pays faster than the filed balance suggests, which is the cautious choice for cash.
Stock	150, 130, 120, 120 days of bought-in cost E	Stock of £472k at December 2025 P is about 162 days of bought-in cost at the estimated turnover, against £121k to £472k since 2019 P. It is a target: the scenario on page 63 keeps it high. Run down from about 165 days to 130 by the end of the first forecast year, then 120.
Overdraft rate	3 points above Bank Rate E	A typical rate for an SME overdraft. The base case does not use one.
Dividends and related companies	None in the base case; balances held E	The 2025 full accounts show no dividends M. The scenarios test money continuing to leave (page 63).
Corporation tax	Losses brought forward: nil E	No tax was owed at December 2025; I assume any earlier losses are used up, which is the cautious choice for cash.

Sources: the filed accounts P and the market and cost pages shown, each with its own sources. Fictional example data.

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51. Brackwater: profit, cash and balance sheet

PROFIT AND LOSS

Year to 31 December	2026 (bridge)	2027	2028	2029
Sales	£3.25m	£3.44m	£3.62m	£3.80m
Bought-in costs	(£1.85m)	(£1.98m)	(£2.07m)	(£2.17m)
Gross profit	**£1.39m**	**£1.46m**	**£1.54m**	**£1.63m**
Staff costs	(£629k)	(£655k)	(£725k)	(£749k)
Overheads	(£655k)	(£675k)	(£695k)	(£716k)
EBITDA	**£108k**	**£129k**	**£122k**	**£167k**
Depreciation and amortisation	(£29k)	(£29k)	(£29k)	(£30k)
Interest	–	–	–	–
Profit before tax	**£79k**	**£100k**	**£93k**	**£137k**
Corporation tax	(£20k)	(£25k)	(£23k)	(£34k)
Profit after tax	**£60k**	**£75k**	**£70k**	**£103k**

BALANCE SHEET

At 31 December	2026 (bridge)	2027	2028	2029
Fixed assets and development	£127k	£128k	£128k	£129k
Stock	£64k	£64k	£64k	£64k
Trade debtors	£161k	£171k	£180k	£189k
Other debtors and prepayments	£915k	£915k	£915k	£915k
Cash	£271k	£373k	£458k	£584k
Trade creditors	(£337k)	(£361k)	(£377k)	(£395k)
VAT, PAYE and corporation tax owed	(£83k)	(£91k)	(£95k)	(£111k)
Related companies, loans, deferred income and other creditors	(£252k)	(£256k)	(£261k)	(£261k)
Net assets	**£867k**	**£942k**	**£1.01m**	**£1.11m**

CASH FLOW

Year to 31 December	2026 (bridge)	2027	2028	2029
EBITDA	£108k	£129k	£122k	£167k
Working capital and VAT timing	(£24k)	£22k	£18k	£13k
Corporation tax paid	(£21k)	(£20k)	(£25k)	(£23k)
Capital spending and development	(£30k)	(£30k)	(£30k)	(£30k)
Loans, interest, related companies and dividends	(£2k)	–	–	–
Net cash flow	**£33k**	**£102k**	**£85k**	**£126k**
Cash at the start of the year	£238k	£271k	£373k	£458k
Cash at the year end	**£271k**	**£373k**	**£458k**	**£584k**
Lowest month-end cash in the year	£253k	£282k	£381k	£469k

WHAT IT SHOWS

- **Margins improve, for three reasons.** EBITDA goes from £129k in 2027 to £167k in 2029, 3.8% to 4.4% of sales. Staff costs go from 19.0% to 19.7% of sales, because staff rise from 15 to 16 while sales grow about 5.1% a year; the gross margin goes from 42.4% to 42.9%, because by 2029 prices rise 3.0% a year against bought-in costs of 2.5%; overheads go from 19.6% to 18.9% of sales, rising 3.0% a year while sales rise about 5.1% (page 56).
- **Deposits carry the cash.** Deposits taken a month ahead mean Brackwater holds customers' money before it pays for hardware: about £88k of its cash at December 2027 is deposits for the next month's work. A month with few new orders hits cash quickly.
- **Tax.** Brackwater pays £20k of corporation tax in 2027, on its 2026 profit.
- **Cash builds to £584k** by December 2029, because nothing is assumed to go to related companies or shareholders. Every £100k paid out or lent comes straight off this line.

All figures are my estimates from the forecast model [E]; 2026 is the bridge from the filed balance sheet at 31 December 2025 [P]. Brackets are costs, outflows and liabilities. EBITDA is profit before interest, tax, depreciation and amortisation. Fictional example data.

Illustrative example · 31 December 2029

52. Quarrow: profit, cash and balance sheet

PROFIT AND LOSS

Year to 31 December	2026 (bridge)	2027	2028	2029
Sales	£2.10m	£2.27m	£2.41m	£2.53m
Bought-in costs	(£1.18m)	(£1.30m)	(£1.38m)	(£1.44m)
Gross profit	**£922k**	**£973k**	**£1.03m**	**£1.08m**
Staff costs	(£443k)	(£507k)	(£531k)	(£551k)
Overheads	(£335k)	(£345k)	(£355k)	(£366k)
EBITDA	**£144k**	**£121k**	**£146k**	**£167k**
Depreciation and amortisation	(£46k)	(£63k)	(£76k)	(£87k)
Interest	–	–	–	–
Profit before tax	**£98k**	**£58k**	**£70k**	**£80k**
Corporation tax	(£3k)	–	(£1k)	(£9k)
Profit after tax	**£95k**	**£58k**	**£69k**	**£71k**

BALANCE SHEET

At 31 December	2026 (bridge)	2027	2028	2029
Fixed assets and development	£304k	£371k	£425k	£468k
Stock	£483k	£462k	£452k	£475k
Trade debtors	£24k	£26k	£27k	£29k
Other debtors and prepayments	£163k	£163k	£163k	£163k
Cash	£26k	£47k	£82k	£106k
Trade creditors	(£79k)	(£85k)	(£91k)	(£98k)
VAT, PAYE and corporation tax owed	(£77k)	(£82k)	(£89k)	(£100k)
Related companies, loans, deferred income and other creditors	(£436k)	(£436k)	(£436k)	(£436k)
Net assets	**£408k**	**£465k**	**£534k**	**£605k**

CASH FLOW

Year to 31 December	2026 (bridge)	2027	2028	2029
EBITDA	£144k	£121k	£146k	£167k
Working capital and VAT timing	(£39k)	£32k	£19k	(£12k)
Corporation tax paid	–	(£3k)	–	(£1k)
Capital spending and development	(£130k)	(£130k)	(£130k)	(£130k)
Loans, interest, related companies and dividends	–	–	–	–
Net cash flow	**(£26k)**	**£20k**	**£36k**	**£23k**
Cash at the start of the year	£52k	£26k	£47k	£82k
Cash at the year end	**£26k**	**£47k**	**£82k**	**£106k**
Lowest month-end cash in the year	£17k	£36k	£63k	£91k

WHAT IT SHOWS

- **Margins improve, for two reasons.** EBITDA goes from £121k in 2027 to £167k in 2029, 5.3% to 6.6% of sales. Staff costs go from 22.4% to 21.8% of sales, because the same 15 people handle more work while sales grow about 5.6% a year; overheads go from 15.2% to 14.5% of sales, rising 3.0% a year while sales rise about 5.6% (page 57).
- **Less development is capitalised.** £178k was capitalised in 2025, against £120k a year in the forecast, so more of the development cost falls on profit.
- **Stock is the lever.** Running stock down releases about £11k by December 2027. If stock stays high, Quarrow's lowest cash falls to (£89k) (page 63).
- **Tax.** Quarrow pays £3k of corporation tax in 2027, on its 2026 profit.
- **Cash builds to £106k** by December 2029, because nothing is assumed to go to related companies or shareholders. Every £100k paid out or lent comes straight off this line.

All figures are my estimates from the forecast model [E]; 2026 is the bridge from the filed balance sheet at 31 December 2025 [P]. Brackets are costs, outflows and liabilities. EBITDA is profit before interest, tax, depreciation and amortisation. Fictional example data.

Illustrative example · 31 December 2026

53. Monthly cash, 2027, and quarter ends to 2029

Receipts are cash from customers including VAT. Payments are everything else: suppliers, staff and their tax, overheads, VAT, corporation tax and capital spending. For the quarter ends, receipts and payments are the totals for the three months.

Month	Brackwater receipts	Brackwater payments	Brackwater cash	Quarrow receipts	Quarrow payments	Quarrow cash	All, cash
Jan 2027	£320k	(£309k)	£282k	£222k	(£162k)	£86k	£368k
Feb 2027	£368k	(£313k)	£337k	£236k	(£258k)	£64k	£401k
Mar 2027	£372k	(£334k)	£375k	£241k	(£201k)	£104k	£479k
Apr 2027	£367k	(£339k)	£403k	£219k	(£204k)	£119k	£522k
May 2027	£351k	(£396k)	£357k	£219k	(£269k)	£70k	£427k
Jun 2027	£348k	(£316k)	£389k	£220k	(£194k)	£95k	£484k
Jul 2027	£332k	(£324k)	£397k	£213k	(£194k)	£113k	£510k
Aug 2027	£326k	(£376k)	£346k	£182k	(£260k)	£36k	£382k
Sep 2027	£319k	(£316k)	£349k	£210k	(£173k)	£73k	£421k
Oct 2027	£345k	(£304k)	£389k	£223k	(£195k)	£101k	£490k
Nov 2027	£337k	(£367k)	£359k	£221k	(£260k)	£61k	£421k
Dec 2027	£342k	(£328k)	£373k	£180k	(£194k)	£47k	£419k
Quarter ends							
Mar 2028	£1.12m	(£1.01m)	£474k	£742k	(£659k)	£130k	£604k
Jun 2028	£1.12m	(£1.11m)	£485k	£699k	(£705k)	£124k	£609k
Sep 2028	£1.03m	(£1.07m)	£440k	£641k	(£662k)	£104k	£544k
Dec 2028	£1.07m	(£1.06m)	£458k	£661k	(£682k)	£82k	£540k
Mar 2029	£1.17m	(£1.06m)	£572k	£780k	(£696k)	£166k	£738k
Jun 2029	£1.18m	(£1.15m)	£593k	£734k	(£744k)	£157k	£750k
Sep 2029	£1.08m	(£1.12m)	£557k	£674k	(£698k)	£132k	£689k
Dec 2029	£1.12m	(£1.10m)	£584k	£694k	(£721k)	£106k	£690k

Illustrative example · November 2026

WHERE THE MONEY GOES IN 2027

Payments in 2027	Brackwater	Quarrow
Suppliers	£2.36m	£1.27m
Staff, with PAYE, NIC and pension	£654k	£625k
Overheads, with VAT	£756k	£386k
VAT and corporation tax	£222k	£272k
Capital spending, with VAT	£36k	£12k

From the forecast model E. The lowest month for the two together is January 2027, at £368k.

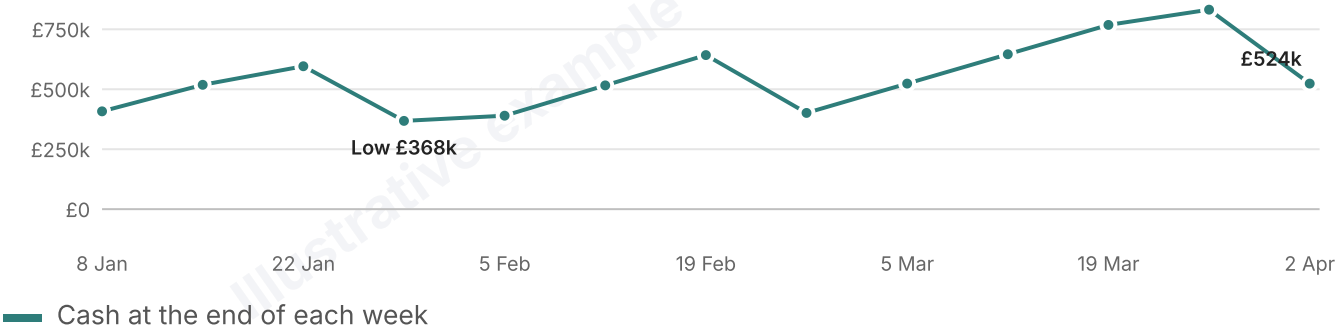
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54. The first 13 weeks: January 2027 to April 2027

The companies together, by week ending Friday. Customer receipts and overheads are spread across working days; staff pay and supplier runs fall on the last working day of the month, PAYE on the 22nd and VAT on the 7th. The weeks reconcile to the monthly model at 31 March 2027.

Week ending	Receipts	Staff pay	PAYE, NIC, pension	Suppliers	VAT	Overheads and other	Net flow	Cash
8 Jan	£135k	–	–	–	–	(£25k)	£111k	£408k
15 Jan	£135k	–	–	–	–	(£25k)	£111k	£519k
22 Jan	£135k	–	(£33k)	–	–	(£25k)	£77k	£596k
29 Jan	£135k	(£70k)	–	(£268k)	–	(£25k)	(£228k)	£368k
5 Feb	£151k	–	–	–	(£105k)	(£25k)	£22k	£390k
12 Feb	£151k	–	–	–	–	(£25k)	£126k	£516k
19 Feb	£151k	–	–	–	–	(£25k)	£126k	£642k
26 Feb	£151k	(£70k)	(£34k)	(£263k)	–	(£25k)	(£241k)	£401k
5 Mar	£146k	–	–	–	–	(£24k)	£122k	£524k
12 Mar	£146k	–	–	–	–	(£24k)	£122k	£646k
19 Mar	£146k	–	–	–	–	(£24k)	£122k	£768k
26 Mar	£117k	–	(£34k)	–	–	(£19k)	£64k	£832k
2 Apr	£112k	(£70k)	–	(£331k)	–	(£18k)	(£308k)	£524k

CASH AT EACH WEEK END



Illustrative example · 3 November 2026

WHAT IT SHOWS

- **The month end is the pinch.** Pay and the main supplier runs land in the same week, so cash dips at the end of each month and recovers as receipts come in. The lowest week is the one ending 29 January, at £368k.
- **VAT falls on 5 February.** Each payment covers the quarter that ended two months before.
- **Bank holidays:** New Year's Day, 1 January, Good Friday, 26 March and Easter Monday, 29 March. They take working days out of those weeks, so receipts are a little lower.

From the forecast model, split into days E. Bank holidays in England and Wales P.

55. Tax: VAT, PAYE and corporation tax

CORPORATION TAX

Year to 31 December	2026 (bridge)	2027	2028	2029
Brackwater				
Profit before tax	£79k	£100k	£93k	£137k
Add back depreciation and amortisation	£29k	£29k	£29k	£30k
Less capital allowances and development costs	(£30k)	(£30k)	(£30k)	(£30k)
Taxable profit	£78k	£99k	£92k	£137k
Corporation tax, paid 9 months and 1 day after the year end	**£20k**	**£25k**	**£23k**	**£34k**
Quarrow				
Profit before tax	£98k	£58k	£70k	£80k
Add back depreciation and amortisation	£46k	£63k	£76k	£87k
Less capital allowances and development costs	(£130k)	(£130k)	(£130k)	(£130k)
Less losses brought forward	–	–	(£9k)	–
Taxable profit	£14k	(£9k)	£7k	£37k
Corporation tax, paid 9 months and 1 day after the year end	**£3k**	**–**	**£1k**	**£9k**

Capital spending gets the 100% annual investment allowance, and capitalised development is deducted as it is spent. The 3 associated companies share the £50k and £250k limits, so they become £17k and £83k. Research and development relief would lower the tax on development work and is not included.

VAT PAYMENTS IN 2027

Due	Brackwater	Quarrow
7 Feb 2027	£45k	£59k
7 May 2027	£58k	£77k
7 Aug 2027	£52k	£70k
7 Nov 2027	£46k	£63k

Quarters ending in December, March, June and September. Quarrow imports under postponed VAT accounting, so the import VAT is declared and reclaimed on the same return.

PAYE, NATIONAL INSURANCE AND PENSION

About £18k a month for Brackwater and £17k a month for Quarrow in 2027, paid by the 22nd of the following month.

TAX CALENDAR, 2027

- **7th of February, May, August and November:** VAT.
- **22nd of every month:** PAYE, NIC and pension for the month before.
- **1 October:** corporation tax for 2026, £20k for Brackwater and £3k for Quarrow.
- **30 September:** accounts for 2026 due at Companies House. Small companies must include more disclosures from 2026 (page 36).

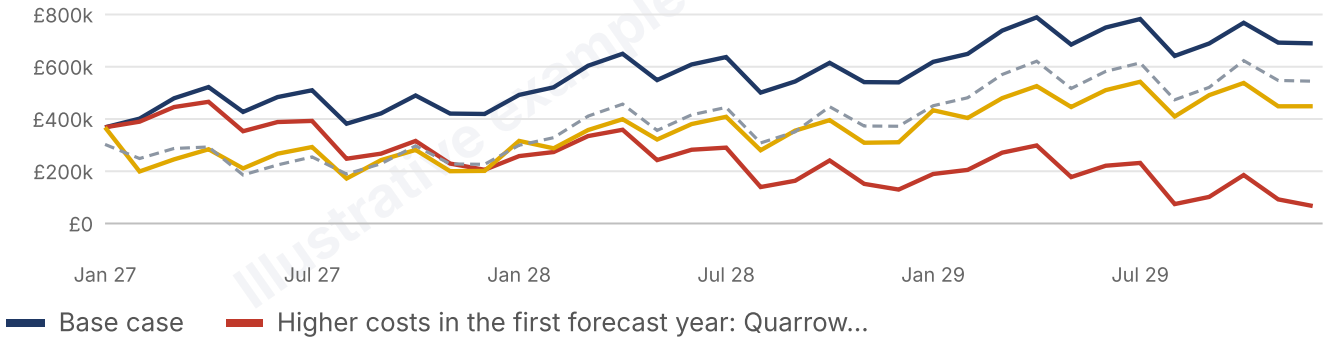
Rates from GOV.UK rates and thresholds for 2026/27 (income tax, National Insurance, Employment Allowance, auto-enrolment pension, VAT, corporation tax), held for later years P. Amounts from the forecast model E.

Illustrative example · 30 November 2026

56. What could go differently: scenarios and the reverse stress test

Scenario, each on its own	Brackwater lowest	Month	Quarrow lowest	Month	Both, lowest	Both, Dec 2029
Base case	£282k	Jan 2027	£36k	Aug 2027	£368k	£690k
Customers on credit pay 30 days later	£168k	Aug 2027	£4k	Aug 2027	£172k	£449k
Brackwater sales 25% lower for the first six months	£116k	May 2027	£36k	Aug 2027	£186k	£545k
Quarrow sales 20% below plan for the first year	£282k	Jan 2027	(£110k)	Aug 2029	£281k	£488k
Quarrow stock stays at about 165 days	£282k	Jan 2027	(£89k)	Aug 2028	£305k	£507k
Higher costs in the first forecast year: Quarrow materials +15%, Brackwater hardware +10%, pay +5%, prices unchanged	£274k	Sep 2028	(£263k)	Dec 2029	£67k	£67k
Sterling 3% weaker: Quarrow's bought-in costs 3% higher	£282k	Jan 2027	(£30k)	Aug 2029	£350k	£556k
Brackwater asks Quarrow to repay £150k in the third month	£282k	Jan 2027	(£116k)	Aug 2027	£368k	£683k
Brackwater keeps moving cash into other debtors, £86k a year as in the last four years	£275k	Jan 2027	£36k	Aug 2027	£325k	£432k
Brackwater pays £51k a year up to its holding company for dividends, the average paid in its full accounts since 2021	£282k	Jan 2027	£36k	Aug 2027	£368k	£537k

CASH FOR THE TWO TOGETHER



Illustrative example · 3 November 2026

- **Quarrow is where the risk sits.** It goes overdrawn in five of the scenarios. The worst is "Higher costs in the first forecast year: Quarrow materials +15%, Brackwater hardware +10%, pay +5%, prices unchanged", at (£263k) in December 2029. Brackwater stays in credit in all of them.
- **Reverse stress test.** Sales would have to fall 9.4% from January 2027, and stay down, before the two together run out of cash. On its own, Brackwater can bear a fall of 12.6% and Quarrow can bear a fall of 3.8%. This assumes no cost cuts, so it is the cushion before action, not the end point.
- **The facility.** A committed facility of £300k, available to Quarrow or across the group, covers the worst single case with room to act. Keeping surplus cash in the group, rather than in other debtors, does the same job.

Each scenario changes one thing from January 2027 and leaves the rest of the base case alone [E]. The reverse stress test lowers every month's sales by the same share until the lowest month-end cash reaches nil.

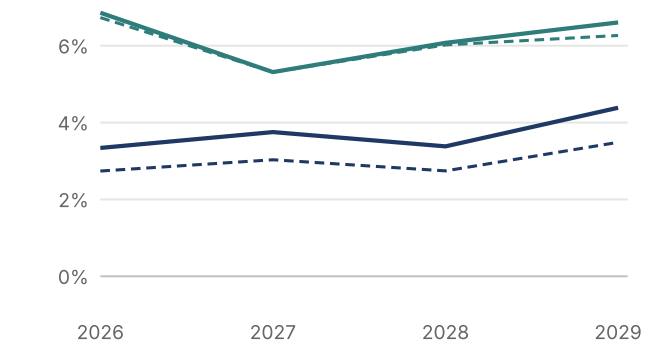
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57. Returns in the forecast

Year to 31 December	2026 (bridge)	2027	2028	2029
Brackwater				
Gross margin	42.9%	42.4%	42.7%	42.9%
EBITDA margin	3.3%	3.8%	3.4%	4.4%
Free cash flow margin (EBITDA less tax)	2.7%	3.0%	2.7%	3.5%
NOPAT	£59k	£75k	£70k	£103k
Capital invested at the start of the year	£705k	£731k	£704k	£689k
Return on invested capital (ROIC)	**8.4%**	**10.2%**	**9.9%**	**14.9%**
Cost of capital, 2025 (page 89)	15.4%	15.4%	15.4%	15.4%
Quarrow				
Gross margin	43.9%	42.9%	42.9%	42.9%
EBITDA margin	6.9%	5.3%	6.1%	6.6%
Free cash flow margin (EBITDA less tax)	6.7%	5.3%	6.0%	6.3%
NOPAT	£73k	£43k	£52k	£60k
Capital invested at the start of the year	£656k	£776k	£814k	£847k
Return on invested capital (ROIC)	**11.2%**	**5.6%**	**6.4%**	**7.1%**
Cost of capital, 2025 (page 89)	15.3%	15.3%	15.3%	15.3%

Free cash flow margin is EBITDA less the tax charge. NOPAT is operating profit after tax at 25%. Return on invested capital is NOPAT divided by capital invested at the start of the year, measured as equity plus bank and related-company debt, less cash, the same definition as on page 19 E.

MARGINS



- **Returns stay below the cost of capital.** Brackwater's return on invested capital of 10.2% in 2027 and Quarrow's return on invested capital of 5.6% in 2027 compare with a cost of capital of about 15%, or 9% without the two premiums (page 89). The money tied up in other debtors and related-company balances counts as capital but earns little, and that holds the returns down.
- **Cash building up flatters the measure.** As cash builds, capital invested falls, which lifts the return. The better test is what the cash is used for: paying down related-company balances, investing, or dividends.

Illustrative example · 3 November 2026

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PART D

Business plan

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64. Risks and milestones 72

Illustrative example · 3 November 2026

58. Business plan: the summary

Purpose. To support an application for a committed facility, and to set out the plan to 2029 for the board and any future buyer. M

> **The plan in brief.** Brackwater is a profitable AV integrator with £807k of net assets, and Quarrow a growing maker of AV frames and stands that Brackwater has funded. In three years the plan has both companies funding themselves, with Quarrow's sales up about a fifth and the balances between them documented and falling. The one thing that gets them there is turning the cash held in other debtors and stock back into cash.

£3.80m	£167k	£2.53m	£167k	£360k
Brackwater sales, 2029 E	Brackwater EBITDA, 2029 E	Quarrow sales, 2029 E	Quarrow EBITDA, 2029 E	Funding sought M

THE COMPANIES

- **Brackwater AV Ltd**: AV and IT integrator: design, installation and support.
- **Quarrow Mounts Ltd**: Designs and makes AV frames, carts and stands.

MILESTONES

- **March 2027**: Facility in place.
- **June 2027**: A second factory qualified for the main stand range.
- **December 2027**: Support contracts at 28% of Brackwater's sales.
- **December 2028**: Quarrow stock at 150 days of cost.

This plan draws on the analysis (page 16) and the business cash flow forecast (page 53), and does not repeat them. Every figure from the owners' plans carries M; the forecast figures are my estimates E.

Sources: the owners' plans M; the business cash flow forecast E; the filed accounts P. Fictional example data.

illustrative example . 31 October 2026

59. The business, its customers and its market

Brackwater designs, installs and supports meeting-room and classroom AV for offices, universities and the NHS, mostly as projects with support contracts after. Quarrow designs and makes frames, carts and stands for video bars and displays, and sells them through AV integrators in the UK and, for about 30% of sales, abroad.

Company	How concentrated the customers are	Who they are and why they buy
Brackwater	17% from the largest customer; 46% from the top five	Corporate offices, universities and NHS trusts that want rooms that work first time, with support after
Quarrow	30% from the largest customer; 72% from the top five	UK AV integrators who want kits that fit the main video bars and install in hours, not days

THE MARKET

- A $332bn global pro AV market growing about 3.9% a year to 2030, with conferencing and collaboration its largest part (page 91).
- Fuller offices with remote attendees, most meeting rooms still without video, and certified video bars becoming standard (page 29).
- Brackwater competes with much larger integrators such as AVI-SPL and Kinly on service and response; Quarrow with Ashton Bentley, Vogel's and B-Tech on fit and speed of install (page 93).

WHY THE GROUP WILL WIN

Repeat customers (Brackwater's top five have stayed the same for three years), kits designed for the certified bars on Microsoft's list, and installation in under an hour

Customer figures from the sales ledger [M]; market research on the pages given. Fictional example data.

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60. Strategy and how it will be delivered

Stay in UK meeting rooms and classrooms. Brackwater grows support contracts alongside projects; Quarrow widens its range for the leading video bars and adds two more integrators. The group stops lending between the companies without a board minute and stops taking fixed-price projects longer than three months.

OBJECTIVES M

Objective	Measured by	By	Who
Grow Brackwater's support and managed services to 30% of its sales	Share of sales	December 2028	Managing director
Win two subcontracts under education and local government frameworks	Contracts signed	December 2027	Managing director
Sell Quarrow's mobile stand range in Germany through its existing distributor	German sales	June 2028	Quarrow director
Bring Quarrow's stock down to 150 days of cost	Stock days	December 2028	Quarrow director

WHAT DRIVES THE NUMBERS IN THE FORECAST

Growth each year	2027	2028	2029
Brackwater: more work (volume) E	2%	2%	2%
Brackwater: prices E	4%	3%	3%
Quarrow: more work (volume) E	3%	3%	2%
Quarrow: prices E	5%	3%	3%

The reasons for each assumption, and the evidence behind them, are on the "why each estimate" pages (page 56). They do not change them: the base case already assumes this growth, and the scenarios test it.

Objectives from the owners M; growth assumptions from the business cash flow forecast E. Fictional example data.

Illustrative example · 3 November 2026

61. People and operations

STAFF P E

Average employees	2025	2027	2028	2029
Brackwater	15	15	16	16
Quarrow	14	15	15	15

KEY PEOPLE AND COVER M

Role	Company	Cover today	What the plan does about it
Managing director	Brackwater	🔴 No one today. The operations manager could run projects but not win work	Introduce the operations manager to the top five customers; add a second bank signatory; price key-person cover
Lead design engineer	Quarrow	🟡 A junior engineer knows the main ranges; the files sit on one laptop	Move the design files to a shared system; write down the factory specifications
Finance and office manager	Both	🟡 The outside bookkeeper could cover the month end within a month	Write down the month-end and VAT steps; give the bookkeeper read access now

HOW THE WORK GETS DONE

Both companies work from one site in Reading. Brackwater uses freelance installers for peaks; Quarrow buys steel parts from China and aluminium in the UK. Both use cloud bookkeeping software. The plan depends on one change: a monthly close with management accounts for each company from January 2027.

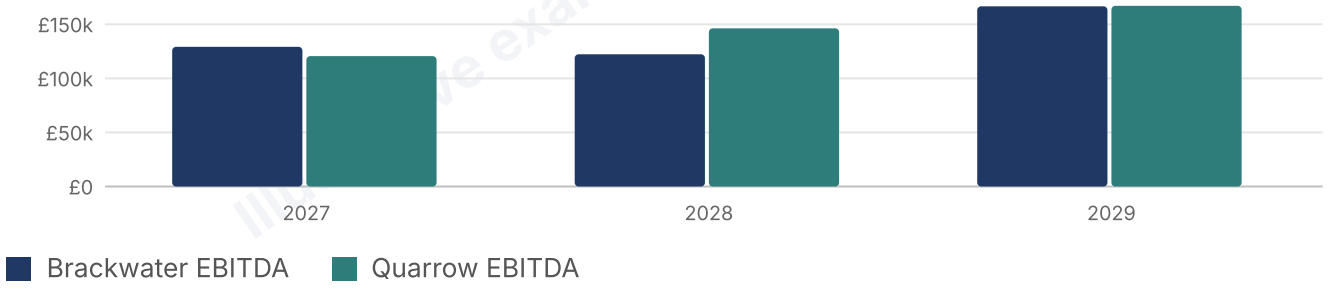
Staff numbers from the filed accounts P and the forecast E; key people from the owners M. Fictional example data.

Illustrative example 3 November 2026

62. The financial plan

The plan's numbers are the base case of the business cash flow forecast (page 53), which links the profit and loss, balance sheet and cash month by month. Both companies stay in credit in every month of the base case, and cash rises over the three years, but only if prices keep pace with costs and the other debtors stop growing.

£	2027	2028	2029
Brackwater AV Ltd			
Sales	£3.44m	£3.62m	£3.80m
Gross margin	42.4%	42.7%	42.9%
EBITDA	**£129k**	**£122k**	**£167k**
EBITDA margin	3.8%	3.4%	4.4%
Profit before tax	£100k	£93k	£137k
Cash at the year end	£373k	£458k	£584k
Quarrow Mounts Ltd			
Sales	£2.27m	£2.41m	£2.53m
Gross margin	42.9%	42.9%	42.9%
EBITDA	**£121k**	**£146k**	**£167k**
EBITDA margin	5.3%	6.1%	6.6%
Profit before tax	£58k	£70k	£80k
Cash at the year end	£47k	£82k	£106k



From the business cash flow forecast, base case (E). The scenarios and the reverse stress test are on page 63. Fictional example data.

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63. Funding: what is needed and what it is for

Without new borrowing, the forecast's lowest month-end cash for the companies together is £368k in January 2027. In the worst single scenario a facility of about £300k keeps the business within its limits (page 63).

What	Amount	What it is for	Where from
Committed overdraft or revolving facility	£300k	Working capital through the summer project peak	The main bank; compare a challenger bank
Asset finance for two installation vans	£60k	Replace hired vans	Asset finance
Total sought	**£360k**		

HOW IT WILL BE REPAID

No new borrowing is needed in the base case. A committed facility of about £300k would be repaid from trading cash within each year, secured by the existing debenture over Brackwater. How a lender will read the companies, and how much they could borrow, is in the lender-ready review (page 74); the funding options and where to get them (page 77).

Funding sought from the owners [M]; the facility and cash figures from the forecast [E]. Fictional example data.

Illustrative example · 3 November 2026

64. Risks and milestones

THE MAIN RISKS AND WHAT THE PLAN DOES ABOUT THEM

Risk	What the plan does about it
Costs rise faster than prices	Put a committed overdraft or revolving facility of about £300k in place, available to Quarrow or across the group (recommendation 1)
Cash keeps leaving the trading companies	Bill Brackwater's projects at each stage and chase retentions when due: £310k of work done but not billed and £58k of retentions at the year end (recommendation 3)
Customers pay later	Put loan agreements or letters of support in place for the balances between the companies, and lend no more between them without a board minute (recommendation 4)
Lenders and buyers discount the accounts	Clear Brackwater's director's loan of £56k and pay the section 455 tax of £19k with the accountant (recommendation 8)
Brackwater's sales fall short	Start monthly management accounts with a cash bridge (recommendation 14)

All eight risks, ranked by what they do to cash, are on page 9; the risk register is on page 31.

MILESTONES M

When	Milestone	How it is measured
March 2027	Facility in place	Signed facility letter
June 2027	A second factory qualified for the main stand range	First order delivered
December 2027	Support contracts at 28% of Brackwater's sales	Management accounts
December 2028	Quarrow stock at 150 days of cost	Management accounts

Risks from the forecast scenarios and the analysis E; milestones from the owners M. Fictional example data.

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PART E

Lender-ready review

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65. How a lender will read the companies: CAMPARI and the five Cs

A credit analyst's paper opens with three questions: what the money is for, how much, and how it will be repaid. They come from CAMPARI, the checklist banks teach: character, ability, margin, purpose, amount, repayment and insurance, meaning security. The analyst then judges the borrower on the five Cs: character, capacity, capital, collateral and conditions. This is how the companies look on each, from the public record. It is the page a bank or a commercial finance broker will read first.

A lender would see two sound businesses with weak cash conversion: Brackwater as the borrower with assets, Quarrow as the one that needs the facility. On profit (from the full accounts where held, retained profit before), Brackwater could support about £232k of 5-year borrowing and Quarrow about £178k, against £137k and £395k owed now.

	Brackwater	Quarrow
Purpose	Working capital headroom across the group, as a committed facility	Stock and supplier payments as sales grow
Amount	Up to about £232k over five years on its profit (from the full accounts where held, retained profit before) (below)	Up to about £178k over five years on its profit (from the full accounts where held, retained profit before) (below)
Repayment	From trading cash: free cash flow would support about £141k	From trading cash. Free cash flow has been negative, so a lender will look to the stock and the fixed assets as the fallback

C	What a lender looks for	Brackwater	Quarrow
Character	Track record, filing on time, disclosures, related-party transparency	9 years of accounts; net assets up in 7 of 8 years. Filed; 1 disclosure gap (page 40). Named in part: the note gives the £395k but not the company that owes it	7 years of accounts; net assets up in 6 of 6 years. All filed and disclosed (page 40). Open: the note names Brackwater as the lender
Capacity	Cash generation and the ability to service debt	Free cash flow 88% of profit, both before dividends, 2018 to 2025. Its profit (from the full accounts where held, retained profit before) would support about £232k of borrowing (below).	Free cash flow (£124k) against £431k of profit, both before dividends, 2020 to 2025. Its profit (from the full accounts where held, retained profit before) would support about £178k of borrowing (below).
Capital	Net assets, and net assets ÷ total assets	Net assets £807k, 54% of total assets. Borrowing 17% of net assets.	Net assets £312k, 34% of total assets. Borrowing 126% of net assets.
Collateral	Charges register, fixed assets, debtors, stock, ownership of IP	Trade debtors £152k, fixed assets £126k and stock £64k. Fictional Bank plc holds an all-monies debenture from 2023. No guarantees filed. The Brackwater trade mark is held by the holding company (page 105)	Stock £472k, development costs £178k, fixed assets £42k and trade debtors £22k. Fictional Invoice Finance Ltd holds a charge over its debts from 2026. No guarantees filed. Its designs are in its own name; the GB patent sits with the holding company (page 105)
Conditions	Demand, interest rates, input costs, currency	Steady demand, Bank Rate at 3.75%, hardware prices up 5% to 15% in 2026; little currency exposure (page 29)	Growing demand, metal and freight costs up sharply, exposed to the dollar through suppliers (page 29)

The Character light follows the filing check on the scorecard (page 10), Capacity the cash conversion before dividends (page 33) and Capital the borrowing light. Grey: my judgement, still to write.

DEBT CAPACITY (INDICATIVE)

£	Brackwater	Quarrow
Profit (from the full accounts where held, retained profit before), average 2022 to 2025	£70k	£99k
Less capitalised development, average	–	(£45k)
Debt service it could cover at 1.25x cover	£56k	£43k
Borrowing that would support over 5 years at 6.75%	**£232k**	**£178k**
Free cash flow, average 2022 to 2025	£43k	(£22k)
Borrowing that free cash flow would support (nil if negative)	£141k	–
Existing borrowing (bank, leases, related-company funding)	**£137k**	**£395k**

Debt service = average profit (from the full accounts where held, retained profit before), less capitalised development, ÷ 1.25. Borrowing supported = debt service × (1 − (1 + r)$^{-5}$) ÷ r, with r = 6.75%: Bank Rate of 3.75% plus 3 points. Capitalised development is the increase in intangible assets.

READING IT

- **Brackwater** owes £137k, within the £232k its profit (from the full accounts where held, retained profit before) would support over 5 years. On free cash flow it would support £141k.
- **Quarrow** owes £395k, 2.2 times the £178k its profit (from the full accounts where held, retained profit before) would support over 5 years. That figure leaves out the £178k of development it capitalised. Its free cash flow over the same years would support nothing, because it was negative.
- These figures are indicative. A lender will test the management accounts, its own cover ratio and the security on offer.

What the forecast adds. The business cash flow forecast tests the same thing month by month: in the base case the lowest month-end cash is £368k in January 2027, and a committed facility of about £300k covers the worst single scenario (page 63). Debt service cover is tested on page 75.

What lenders test once a loan is in place. Debt service cover of at least 1.25 times, interest cover of 2 to 3 times and net debt of no more than 3 to 4 times EBITDA are the usual UK conventions, tested each quarter or each month. They are market practice, not rules, and each lender sets its own.

Sources: accounts filed at Companies House, as listed on page 107; Bank of England, Bank Rate history (bankofengland.co.uk/boeapps/database/Bank-Rate.asp), read 3 November 2026. The lights and the debt capacity are my indicative calculations. Fictional example data.

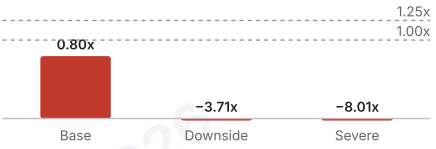
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66. If trading turns down: debt service cover and headroom

A lender asks one question first: if trading turns down, can the business still pay its loans? The test takes the normalised EBITDA a cautious lender accepts (pages 37 and 38), takes off tax and the spending needed to keep the equipment going, and divides what is left by the yearly interest and capital repayments. Lenders usually look for at least 1.25 times.

BRACKWATER

Brackwater, 2025 base	Base	Downside	Severe
Sales	£3.06m	£2.75m	£2.45m
EBITDA (the normalised figure a cautious lender accepts)	£60k	(£56k)	(£173k)
Tax on operating profit	(£5k)	–	–
Capital spending (estimated as depreciation)	(£35k)	(£35k)	(£35k)
Cash available for debt service	**£20k**	**(£91k)**	**(£208k)**
Interest and capital repayments (5 years at Bank Rate + 3 points)	(£25k)	(£25k)	(£26k)
Debt service cover	**0.80x**	**−3.71x**	**−8.01x**
Headroom over 1.25x cover	(£11k)	(£122k)	(£240k)
Borrowing this case would support at 1.25x	£65k	–	–



With existing bank debt of £2k plus the £100k of new borrowing proposed, cover is 0.80x in the base case and −8.01x in the severe case. Cover is already below 1.25x in the base case.

QUARROW

Quarrow, 2025 base	Base	Downside	Severe
Sales	£1.94m	£1.75m	£1.55m
EBITDA (the normalised figure a cautious lender accepts)	£43k	(£46k)	(£135k)
Tax on operating profit	(£4k)	–	–
Capital spending	(£30k)	(£30k)	(£30k)
Cash available for debt service	**£9k**	**(£76k)**	**(£165k)**
Interest and capital repayments (5 years at Bank Rate + 3 points)	–	–	–
Debt service cover	**n/a**	**n/a**	**n/a**
Headroom over 1.25x cover	£9k	(£76k)	(£165k)
Borrowing this case would support at 1.25x	£30k	–	–

No bank debt. Even in the severe case the cash available would support borrowing of about – at 1.25x cover.

Quarrow has no bank debt to service, so cover does not apply. Cash available for debt service is £9k in the base case.

Example figures. In a live report the base comes from the normalised management accounts and the debt service from the facility letters.

Method: debt service cover = (EBITDA − tax on operating profit − capital spending) ÷ (interest + capital repaid). Lost sales take EBITDA down at the gross margin, because most overheads do not fall with sales. Tax uses the 19% to 25% rates with marginal relief, with the limits shared between 3 associated companies. Existing bank debt is assumed to be repaid over 5 years at Bank Rate of 3.75% plus 3 points; the facility letters replace this. Green: 1.25x or more. Amber: 1.00x to 1.25x. Red: below 1.00x. The business cash flow forecast repeats the test month by month against the facility limit.

Illustrative example · 5 November 2026

67. Security: what the companies could borrow against

When cash flow is weak, lenders look to assets. This page sets out what each company could offer as security on its December 2025 balance sheet, and what already has a claim on it.

December 2025, £	Brackwater	Quarrow	What a lender typically advances
Trade debtors	£151,872	£21,943	70% to 90% through invoice finance, often 85%, after leaving out debts over 90 days and capping any one customer at about 25% to 30%
Indicative invoice finance at 85%	**£129,091**	**£18,652**	**Whole-ledger facilities are not usually offered below about £300,000 of turnover**
Stock	£63,942	£472,482	Part of its resale value, after a valuation; finished goods and standard components count most
Tangible fixed assets	£116,385	£41,983	Asset finance against named vehicles and equipment
Other debtors and amounts owed by related companies	£879,513	£138,615	Not usually lent against
Patents, designs and trade marks	Brackwater Holdings Ltd holds its trade mark; no patents	Its own designs; the GB patent is held by Brackwater Holdings Ltd	Only if owned by, assigned or licensed to the borrower (page 105)

WHAT ALREADY HAS A CLAIM

- **Brackwater has one outstanding charge:** Fictional Bank plc, bank, over all assets, registered 2023. A new lender needs the existing holder's agreement or a deed of priority, so that lender is the natural first call.
- **Quarrow has one outstanding charge:** Fictional Invoice Finance Ltd, invoice finance, registered 2026. A new lender needs the existing holder's agreement or a deed of priority, so that lender is the natural first call.
- **Guarantees.** Brackwater's bank holds an all-monies debenture over its assets; no cross-guarantee and no s479A audit guarantee are filed. A lender counts a guarantee as a call on the assets even when it is not in the accounts (page 40).
- **Personal guarantees** from the directors are common for owner-managed companies. Under the Growth Guarantee Scheme a main home cannot be taken as security, and the borrower stays 100% liable.

WHAT IT MEANS

- **Brackwater has more in other debtors and related-company balances than in trade debtors and stock** (£880k), and lenders do not lend against those balances.
- **Quarrow's £472k of stock is the group's largest asset free of any charge.** Stock or trade finance against supplier orders fits it better than invoice finance (page 77).
- **The Growth Guarantee Scheme.** The lender gets a 70% government-backed guarantee and the borrower stays 100% liable; up to £2m per business group; term loans and asset finance from 3 months to 6 years (up to 10 years announced on 12 July 2026, lenders still implementing); overdrafts, invoice finance and asset-based lending from 3 months to 3 years; group turnover up to £45m; a main home cannot be taken as security; personal guarantees are at the lender's discretion (British Business Bank, Growth Guarantee Scheme page, read 3 November 2026).

> Documenting and collecting the other debtors and the related-company balances would do more for borrowing than any new facility, because it turns assets lenders ignore into cash or security they accept.

Balances from the filed accounts [P]; charges from the Companies House charges register, read 3 November 2026. Advance rates are market practice and vary by lender [E]: Spark Finance, UK invoice finance rate index (2026); iwoca, accounts receivable financing (2026), citing the British Business Bank on minimum turnover. Fictional example data.

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68. Funding options and where to get them

A committed overdraft or revolving facility of about £300k, from Brackwater's existing bank, fits the group best. Quarrow's growth would be better served by stock or trade finance than by more lending from Brackwater. Start with the main bank in December 2026.

Challenger and specialist banks provided 60% of gross SME bank lending in 2025, up from 39% in 2012, and 68% of all SME lending came from challenger, specialist or non-bank lenders (British Business Bank, Small Business Finance Markets 2025/26, March 2026). So it pays to compare more than the main bank, and a commercial finance broker can help.

Option	What it suits	Fit: Brackwater	Fit: Quarrow	What the lender will want
Overdraft or revolving credit facility (main bank)	Short swings in cash, such as the gap between paying suppliers and customer deposits arriving	About £300k, available across the group under the existing debenture	Covered by the group facility, or about £100k on its own	Management accounts, a business cash flow forecast, a debenture and often a personal guarantee
Invoice finance (factoring or invoice discounting)	A business that invoices other businesses on credit terms	Possible: £152k of trade debtors from corporate and public-sector customers	Already in place; only £22k of trade debtors	Aged debtors, the customer list and terms, and credit control; it lends against approved invoices
Stock and trade finance (imports and stock)	Paying overseas suppliers before the goods are sold	Little: hardware is bought from UK distributors	Good fit: steel parts paid for before shipping from China	Purchase orders, supplier terms, shipping documents and stock records
Asset finance and hire purchase	Vans, tooling, equipment and demonstration kit	Two vans due for replacement in 2027	Tooling for new frames, about £30k in 2027	Quotes for the assets and the accounts; the asset is the security
Term loan under the Growth Guarantee Scheme (GGS)	A defined investment or longer-term working capital, through an accredited lender	Only if a larger project or an acquisition needs it	Possible for stock growth, secured on stock	Accounts, a business cash flow forecast and a plan for the money
UK Export Finance General Export Facility (exporters)	Exporters that need a larger working capital, trade loan or bonding facility	Under 5% of turnover: not eligible	About 30% of turnover exported: eligible if it needs a larger facility	Export turnover for the last 3 years, contracts and a working capital forecast, through a participating bank
Related-company funding, documented (loan agreements or letters of support)	Funding that already moves between the companies	A loan agreement with Quarrow for the £395k, with repayment dates	The same loan agreement, or a letter of support from Brackwater	Signed loan agreements with repayment dates, or a letter of support, and board minutes
Management training and support: Help to Grow: Management (a course, not funding), Growth Hubs, British Business Bank Finance Hub	Management skills, and finding the right lender or scheme	Help to Grow: Management fits (15 staff)	Help to Grow: Management fits (14 staff)	Help to Grow: Management needs 5 to 249 employees and at least a year of trading
Outside equity (only where growth needs it)	Growth the business cannot fund from its cash or from borrowing	Not needed	Not needed	A business plan and forecast, clean IP title and intercompany records, and a share of the business

THE SCHEMES IN BRIEF

Growth Guarantee Scheme (GGS). The lender gets a 70% government-backed guarantee and the borrower stays 100% liable; up to £2m per business group; term loans and asset finance from 3 months to 6 years (up to 10 years announced on 12 July 2026, lenders still implementing); overdrafts, invoice finance and asset-based lending from 3 months to 3 years; group turnover up to £45m; a main home cannot be taken as security; personal guarantees are at the lender's discretion (British Business Bank, Growth Guarantee Scheme page, read 3 November 2026). More than 70 accredited lenders; £3.64bn across 21,194 facilities by 31 March 2026 (British Business Bank GGS data, May 2026).

UK Export Finance General Export Facility. UKEF guarantees up to 80% of a working capital, trade loan or bonding facility through a participating bank; facilities up to £25m; terms up to 5 years; the business needs at least 20% of turnover from exports in one of the last 3 years, or at least 5% in each of the last 3 (UK Export Finance, General Export Facility page, updated 2 October 2026). A joint UKEF and British Business Bank scheme for smaller exporters is due in spring 2027 (British Business Bank, 12 July 2026).

Help to Grow: Management. A 12-week management course for the senior managers of SMEs with 5 to 249 employees and at least a year of trading. It is training, not a grant or a loan: £750 a person, with the other 90% paid by the government (Small Business Charter, Help to Grow: Management course FAQs, read 4 November 2026).

Does having some bank debt help? With lenders, a little, and mostly through the relationship rather than the credit score. Credit scores are built to predict failure, so they reward filing early, full accounts and a clean bank account more than borrowing. A lender that already knows a business asks for less security and decides faster, and a facility already in place is there when a shock hits: Bank of England research finds that the longer a lending relationship, the less weight the lender puts on collateral. With investors and buyers, no: a sale is priced cash-free and debt-free, so every pound of debt comes off the price, and unused borrowing capacity is worth more to a buyer than a loan. The practical answer is a small committed facility, used lightly and cleared each month, a yearly meeting with the bank to share the management accounts and the forecast, and documented related-company balances, rather than borrowing that is not needed (recommendations 1, 4 and 16). Help to Grow: Management, a management course rather than funding, is on page 36.

Sources: British Business Bank, Small Business Finance Markets 2025/26, March 2026; British Business Bank, Growth Guarantee Scheme page, read 3 November 2026; British Business Bank GGS data, May 2026; UK Export Finance, General Export Facility page, updated 2 October 2026; British Business Bank, 12 July 2026; Small Business Charter, Help to Grow: Management course FAQs, read 4 November 2026; Bank of England staff working paper on relationship lending and collateral. Growth Hubs: Thames Valley Berkshire Growth Hub.

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69. Debt, dividends and a future sale

It is often said that buyers like a business with some debt, because they can borrow more against it and pay themselves a dividend straight away. The evidence points the other way on both counts. What buyers and lenders value is borrowing capacity: profit that is proven and turns into cash. Existing borrowings use that capacity up.

WHAT LENDERS LEND ON

Lenders size borrowing on EBITDA and cash flow, tested through quality of earnings work. The credit score is a gate, not the basis. In the UK at this size, senior bank debt is usually about 2 to 3 times EBITDA. Private credit funds go to 3 to 4.5 times, but mostly need £0.5m to £1m of EBITDA, so for SMEs of this size the route is a high-street or challenger bank, with the Growth Guarantee Scheme behind it if needed (page 77).

	Brackwater	Quarrow
Forecast EBITDA, 2027 E	£129k	£121k
Senior bank debt at 2 to 3 times EBITDA, the usual range at this size E	£258k to £388k	£241k to £362k
Bank and related-company funding at 31 December 2025, which a lender counts as debt unless the related part is documented as long-term P	£137k	£395k
That funding as a multiple of 2027 EBITDA E	**1.1x**	**3.3x**

Counted as debt, the existing funding uses part of Brackwater's capacity and all of Quarrow's capacity. Documenting the related-company part as long-term, or settling it, is what frees capacity (recommendation 4).

WHAT A BUYER DOES WITH DEBT

- **Existing debt comes off the price.** UK deals are priced cash-free and debt-free, and the target's loans are repaid at completion, because standard facility agreements require it on a change of control.
- **The buyer brings its own debt**, sized on the business's adjusted EBITDA. Low debt means more of the price goes to the seller.
- **Dividends funded by new debt come later, and go to the buyer.** In private equity they typically follow two to four years of growth and debt repayment: the median gap after a buyout is now more than four years (PitchBook LCD), and US research finds only about 3% of buyouts are followed by one at all.

BORROWING TO PAY YOURSELF BEFORE A SALE

- **It does not raise the price.** The loan is deducted in the completion accounts, or counts as leakage under a locked box unless agreed in advance.
- **It usually costs more tax.** A dividend is taxed as income, at up to 39.35% in 2026/27, where sale proceeds are a capital gain, at 18% on the first £1m with Business Asset Disposal Relief and 24% above P. Worth confirming with your tax adviser.
- **It must be lawful.** Dividends can only come from distributable profits in the last accounts (Companies Act 2006, sections 830 and 836), and directors must be satisfied the company stays solvent afterwards (BTI v Sequana, 2022). Brackwater's profit and loss reserve of £807k at 31 December 2025 sets the limit in law; whether its cash would allow it is on page 53.
- **It can make sense** when a sale is three or more years away and the owners want cash now, or to buy out a shareholder.

WHAT TO DO BEFORE RAISING MONEY OR SELLING

1. Document, settle or capitalise the related-company balances 12 to 24 months ahead (recommendation 4).
2. Take tax advice before moving value between the owners' companies: the transactions in securities rules can tax capital proceeds as income, and HMRC offers advance clearance (Income Tax Act 2007, sections 684 and 701).
3. Make profit bankable: a monthly cash bridge and a quality of earnings review on your own side (page 34).
4. Keep a small facility, used lightly and cleared each month, and a clean credit file (recommendations 1 and 16).
5. Ask a challenger bank for indicative terms at 2 to 3 times EBITDA, as a benchmark of what a buyer could borrow.

Sources: Palmstone Capital, UK MBO finance guide (2025 to 2026); PGIM (June 2025); PitchBook LCD, European buyout debt multiples and dividend recapitalisation data (2024 to 2026); Bhardwaj, Gupta and Howell (2025), Dividend recapitalizations in private equity, NBER Working Paper 33435; ThinCats and Allica Bank lending criteria; Association of Corporate Treasurers, borrower's guide to the LMA facilities agreement; Companies Act 2006, sections 830, 836 and 847; BTI 2014 LLC v Sequana SA [2022] UKSC 25; HMRC Company Taxation Manual CTM36810; Income Tax Act 2007, sections 684 and 701; 2026/27 tax rates from GOV.UK.

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PART F

Sale readiness review

70. An indicative value range 80
71. Getting ready to sell: a 12-month plan 81
72. Data room checklist: what a buyer's advisers will ask for 82

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70. An indicative value range

Indicative, not a formal valuation. This range applies published market multiples to the underlying EBITDA in this report, then deducts net debt and debt-like items. It is not an opinion of value, it is not prepared to valuation standards, and it is not investment advice. What a buyer pays depends on the buyer, the terms and the negotiation.

	Brackwater	Quarrow	Together
Underlying EBITDA, 2025 (normalised earnings) M	£76k	£64k	£141k
Market multiple for deals of this size P	3.6x (smallest size in the data)	3.6x (smallest size in the data)	
Less for the findings below E	−1.55x at the low end	−1.30x at the low end	
Enterprise value	**£157k to £275k**	**£148k to £232k**	**£305k to £507k**
Less net debt and debt-like items M	+£44k	−£362k	+£78k
Working capital at the year end against normal M	+£29k	+£72k	+£101k
Less items that may be debt-like (low end only) M	−£128k	−£10k	−£138k
Value of the shares: indicative range	**£102k to £348k**	**Nil**	**£345k to £685k**
Net assets, for comparison P	£807k	£312k	£1.12m

FINDINGS THAT LOWER WHAT BUYERS PAY

Buyers pay lower multiples for small size; owner dependence; customer concentration; non-recurring revenue; poor information; weak cash conversion; related-party arrangements; unresolved tax or legal issues. Each finding marked red takes 0.25x off the low end of the range, after 0.3x for the spread between the last two market readings.

Finding	Brackwater	Quarrow
Depends on one person (page 30)	Managing director	No single person flagged red
One large customer (page 49)	Largest 17%	Largest 30%
One main supplier (page 49)	Largest 36%	Largest 58%
Earnings falling (page 43)	EBITDA £107k, £136k, £137k, £116k, £106k	EBITDA £22k, £83k, £37k, £139k, £196k
Tax to sort out (page 50)	Section 455 tax or arrears due	None due
Accounts a buyer cannot rely on (page 35)	Quality of the accounts red	Quality of the accounts red
Profit not turning into cash (page 33)	Cash conversion 88%	Cash conversion −29%
Related-party arrangements (page 26)	Group complexity test C or G red	Group complexity test C or G red

- **Brackwater's range is below its net assets of £807k.** Buyers pay for earnings; they pay for assets only where the assets can be turned into cash. Collecting what related companies and directors owe would bring the two closer.
- **Quarrow on its own: nil.** Its net debt and debt-like items are larger than the value of its earnings, mostly the funding from related companies.
- **Sold together**, the £395k one company owes the other cancels out, so the range for both is wider than the two added up.
- Every £10k added to underlying EBITDA adds about £36k at the top of the range; every £10k of debt-like items paid off adds £10k.

Multiples: Dealsuite UK & Ireland M&A Monitor, August 2026 (deals in the first half of 2026); the curve by size via a secondary source P: an average of 5.4x, rising with size from 3.6x at £200k of EBITDA to 8.2x at £10m; Dealsuite, February 2026 (second half of 2025): 3.3x and 8.4x at the same sizes. Below the smallest size in the data, multiples are usually lower still. In 2025, 27% of European deals used an earn-out, the highest since the study began (CMS European M&A Study 2026); in over half of earn-out deals the deferred part was 10% to 20% of the price (Dealsuite Deal Terms Report, November 2025). The range and the deductions are my estimate E. Fictional example data.

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71. Getting ready to sell: a 12-month plan

A buyer pays for profit it can check, cash it can see and a business that runs without its owners. This plan works through what the review found, in the order a buyer will look at it, so that the business is ready to go to market by December 2027.

When	What to do	What it fixes	Who
Months 1 to 3 (to 2 February 2027)	Fix the filing and disclosure gaps (recommendation 5)	Credit file and notes (page 40)	Accountant
	Repay Brackwater's director's loan or clear it by a dividend, and pay the section 455 tax	Tax a buyer will deduct (page 50)	Alex and accountant
	Put loan agreements in place for the balances between the companies, or settle them (recommendation 4)	Group complexity tests C and D (page 26)	Alex and solicitor
	Start monthly management accounts with a cash bridge, prepared by the bookkeeper (recommendation 14)	Quality of the accounts (page 35)	Bookkeeper; owner reviews
	Accrue holiday pay, and record the employment status check for every freelancer	Payroll items a buyer will find (page 51)	Accountant
Months 4 to 6 (to 4 May 2027)	Agree the normal level of working capital from 12 month ends, and keep the year end close to it	The working capital adjustment to the price (page 46)	Alex and accountant
	Qualify a second source for Quarrow's main product lines	Supplier dependence (page 49)	Alex
	Hand the managing director's customer relationships and bank signing to a second person	Dependence on one person (page 30)	Alex
	Review the main customer and supplier contracts for notice periods and change-of-control terms	Concentration and contract risk (page 49)	Solicitor
	Bring stock to its target (recommendation 7)	Cash tied up in stock (page 86)	Alex
Months 7 to 9 (to 3 August 2027)	File the next accounts early, with the full profit and loss account	Quality of the accounts (page 35)	Accountant
	Simplify the group: check that every company is still needed; settle or document the balances; limit the debenture to each company's own borrowing	Group complexity (page 26)	Alex and accountant
	Build the data room from the checklist (page 82)	A buyer's first requests (page 82)	Alex, with the accountant
	Choose a corporate finance adviser or business broker, and a solicitor who acts on company sales	Getting to market	Alex
Months 10 to 12 (to 3 November 2027)	Refresh this review on the latest records: trading update, working capital and net debt	What a buyer sees on day one (page 41)	Gregory Analytics
	Go to market, aiming for December 2027		Alex and adviser

WHERE THE COMPANIES START

- **Brackwater**: on the scorecard, 5 red and 4 amber, and 2 red in the records review (pages 10, 41). The plan aims to turn the reds amber by month 6 and green by month 12.
- **Quarrow**: on the scorecard, 7 red and 2 amber, and 2 red in the records review (pages 10, 41). The plan aims to turn the reds amber by month 6 and green by month 12.

> **What a buyer checks first:** underlying EBITDA (page 37), whether profit turns into cash (page 33), net debt and debt-like items (page 47), the normal level of working capital (page 46), customers and key people (page 49) and how the group fits together (page 26).

The steps come from the findings on the pages given E. Fixing them before a sale, not during the buyer's due diligence, is what protects the price: problems found by a buyer's accountants are usually priced in, or pushed into earn-outs and deferred payments. Fictional example data.

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72. Data room checklist: what a buyer's advisers will ask for

Once a buyer is interested, its accountants and solicitors send a long list of requests. Having the answers ready shortens the deal and keeps the price from slipping. 17 of the 30 items are ready or in this report; 2 are missing.

Document	Status
Company and group	
Statutory registers, articles and any shareholders' agreement	To prepare
Group chart: every company under common control, with owners and year ends	In this report (page 26)
Board minutes for the last three years	Partly ready
Loan agreements for the balances between the companies	Missing
Guarantees, debentures and other security, with the charges register	Partly ready
Financial	
Full accounts with the profit and loss account, three years	Ready
Monthly management accounts, 24 months, agreed to the full accounts	In this report (page 42)
Normalised EBITDA bridge, with the evidence for each adjustment	In this report (page 37)
Working capital at each month end, and the normal level	In this report (page 46)
Net debt and debt-like items	In this report (page 47)
Business cash flow forecast	In this report (page 53)
Aged debtors and creditors at the last three month ends	Ready
Bank statements, facility letters and leases	Ready
Tax	
Corporation tax returns and computations, three years	To prepare
VAT returns and the HMRC online account statements	Ready
Any Time to Pay arrangement and HMRC letters	Ready
Director's loan accounts and the section 455 position	In this report (page 50)

Document	Status
Customers and suppliers	
Sales by customer for three years	In this report (page 49)
Customer and supplier contracts, with notice and change-of-control terms	To prepare
Projects in progress, with costs, billing and margins	In this report (page 48)
People	
Staff list with roles, pay, start dates and notice periods	Partly ready
Employment contracts and the staff handbook	To prepare
Pension auto-enrolment records	Ready
Freelancer agreements and employment status checks	Missing
Property, assets and IP	
Leases and licences for the premises, with rent reviews	To prepare
Fixed asset register	Ready
Patents, designs and trade marks, and who owns them	In this report (page 105)
Other	
Insurance policies and claims history	To prepare
IT systems, data protection and cyber security	To prepare
Disputes, claims and complaints	To prepare

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> Keep the data room in one shared folder with a numbered index, add documents as they are ready, and give the buyer's advisers read-only access only after a confidentiality agreement is signed.

The list follows the requests a buyer's financial, legal and tax advisers usually make on a small company sale; the statuses are from the records reviewed and the pages given [E]. Fictional example data.

APPENDIX 1

Accounts in detail

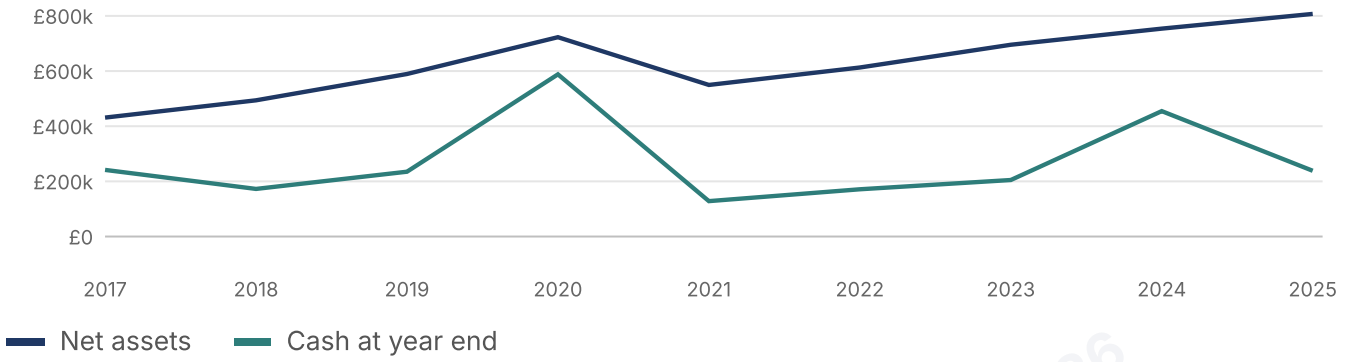
73. Brackwater: 9 years of balance sheets 84
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73. Brackwater: 9 years of balance sheets

Net assets have grown in 7 of the 8 years since 2017, from £431k to £807k. Bank debt is £2k at December 2025. Cash at the year end ranges from £128k in 2021 to £588k in 2020. Staff numbers went from 10 to 15.



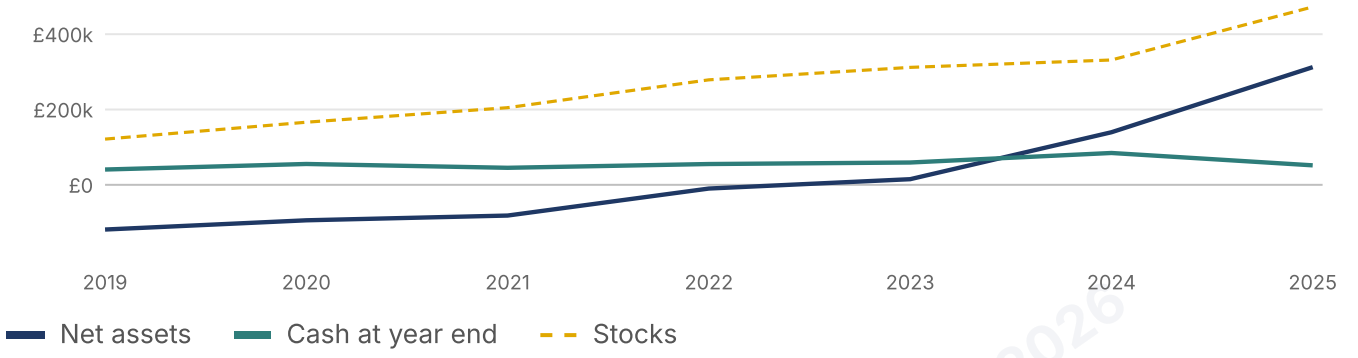
£, 31 December	2017	2018	2019	2020	2021	2022	2023	2024	2025
Tangible fixed assets	£88k	£80k	£101k	£87k	£122k	£110k	£94k	£132k	£116k
Investments	–	–	–	–	–	£10k	£10k	£10k	£10k
Stocks	£36k	£42k	£39k	£52k	£48k	£58k	£45k	£49k	£64k
Trade debtors	£538k	£642k	£508k	£378k	£362k	£332k	£249k	£192k	£152k
Other debtors (all)	£39k	£54k	£321k	£388k	£440k	£511k	£603k	£701k	£880k
Prepayments, accrued income, tax	£21k	£19k	£27k	£31k	£25k	£29k	£34k	£27k	£36k
Cash	£242k	£173k	£235k	£588k	£128k	£171k	£205k	£455k	£238k
Current assets	**£876k**	**£929k**	**£1.13m**	**£1.44m**	**£1.00m**	**£1.10m**	**£1.14m**	**£1.42m**	**£1.37m**
Trade creditors	£301k	£330k	£282k	£249k	£232k	£262k	£240k	£292k	£268k
Accruals and deferred income	£161k	£109k	£230k	£339k	£192k	£171k	£140k	£332k	£182k
Owed to group companies	–	–	£40k	£60k	£30k	£50k	£45k	£70k	£120k
Bank loans and leases	–	–	–	£10k	£10k	£10k	£10k	£10k	£2k
Tax and social security	£50k	£55k	£67k	£77k	£53k	£62k	£70k	£71k	£68k
Other creditors	£11k	£13k	£14k	£17k	£14k	£18k	£16k	£21k	£34k
Creditors within one year	**£524k**	**£506k**	**£632k**	**£751k**	**£531k**	**£574k**	**£521k**	**£796k**	**£674k**
Net current assets	£352k	£423k	£498k	£686k	£472k	£528k	£615k	£629k	£695k
Creditors after one year	–	–	–	£40k	£32k	£22k	£12k	£2k	–
Provisions	£9k	£9k	£10k	£10k	£12k	£13k	£12k	£15k	£14k
Net assets	**£431k**	**£494k**	**£589k**	**£723k**	**£550k**	**£613k**	**£695k**	**£754k**	**£807k**
Current ratio	1.67x	1.83x	1.79x	1.91x	1.89x	1.92x	2.18x	1.79x	2.03x
Average employees	10	11	12	12	13	13	14	15	15

Source: Brackwater AV Ltd accounts filed at Companies House, 2018 to 2025. 2017 from the 2018 filing's comparative. Other debtors include amounts due after more than one year. Employee numbers include directors. Fictional example data.

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74. Quarrow: 7 years of balance sheets

Quarrow has moved from net liabilities of £119k in 2019 to net assets of £312k. Share capital is £1,000, so the improvement has come from retained profit. It has no bank debt at December 2025. Cash at the year end ranges from £41k in 2019 to £85k in 2024. Staff numbers went from 6 to 14.



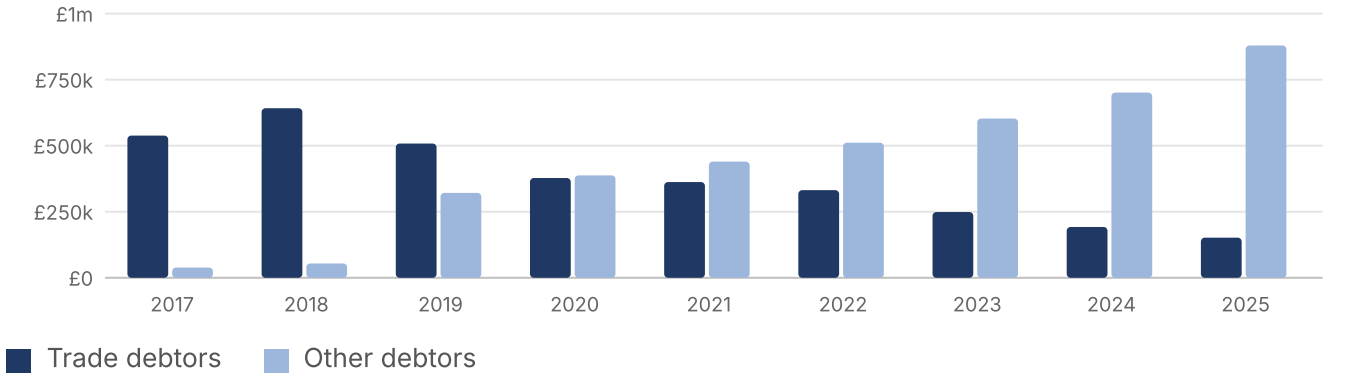
£, 31 December	2019	2020	2021	2022	2023	2024	2025
Intangible assets	–	–	–	–	–	–	£178k
Tangible fixed assets	£22k	£31k	£27k	£40k	£38k	£45k	£42k
Stocks	£121k	£166k	£205k	£279k	£312k	£332k	£472k
Trade debtors	£28k	£33k	£39k	£45k	£37k	£30k	£22k
Other debtors (all)	£9k	£15k	£21k	£31k	£59k	£91k	£139k
Prepayments, accrued income, tax	£7k	£9k	£11k	£14k	£16k	£19k	£24k
Cash	£41k	£55k	£45k	£55k	£59k	£85k	£52k
Current assets	**£207k**	**£279k**	**£321k**	**£423k**	**£484k**	**£556k**	**£709k**
Trade creditors	£58k	£72k	£88k	£97k	£113k	£130k	£151k
Accruals and deferred income	£14k	£18k	£22k	£20k	£25k	£28k	£31k
Tax and social security	£9k	£12k	£14k	£18k	£21k	£25k	£29k
Other creditors	£6k	£7k	£6k	£8k	£8k	£279k	£405k
Creditors within one year	**£88k**	**£109k**	**£130k**	**£143k**	**£166k**	**£462k**	**£617k**
Net current assets	£119k	£170k	£191k	£280k	£317k	£94k	£92k
Creditors after one year	£260k	£295k	£300k	£330k	£340k	–	–
Net assets	**(£119k)**	**(£94k)**	**(£82k)**	**(£10k)**	**£15k**	**£140k**	**£312k**
Current ratio	2.36x	2.56x	2.47x	2.96x	2.91x	1.20x	1.15x
Quick ratio (excluding stock)	0.97x	1.03x	0.89x	1.01x	1.03x	0.49x	0.38x
Average employees	6	7	8	10	11	13	14

Source: Quarrow Mounts Ltd accounts filed at Companies House, 2020 to 2025. 2019 from the 2020 filing's comparative. Other debtors include amounts due after more than one year. Employee numbers include directors. Fictional example data.

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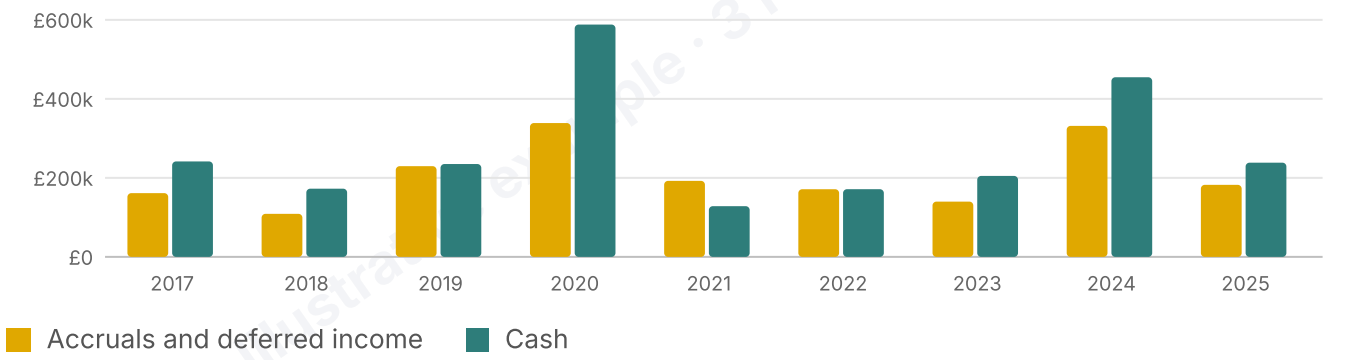
75. Brackwater: debtors, deferred income and cash

TRADE DEBTORS HAVE SHRUNK WHILE OTHER DEBTORS HAVE GROWN



In 2018 trade debtors were £642k and other debtors £54k. By 2025 trade debtors were £152k and other debtors £880k. The 2025 figures include £395k lent to related companies. That leaves about £485k unexplained. It could be amounts billed through another group company, invoice finance, accrued income on projects, or a loan. Each would mean something different for cash.

YEAR-END CASH RISES AND FALLS WITH CUSTOMER PREPAYMENTS



Accruals and deferred income were £339k at December 2020, 45% of short-term creditors, and £192k a year later. Cash moved the same way, from £588k to £128k. My reading is that customers paid in advance for work delivered in 2021. The forecast treats deposits as customers' money until the work is done (page 58).

> **Liquidity on paper is strong.** Current assets cover short-term creditors 2.03x at December 2025. The quality of that cover depends on how quickly the £880k of other debtors can be turned into cash.

Correlation of year-end cash with accruals and deferred income, 2017 to 2025: 0.88. Source: filed accounts. Fictional example data.

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76. Quarrow: stock, development spend and funding

STOCK IS THE BIGGEST ASSET

Stock rose from £332k to £472k in 2025, 67% of current assets. Quarrow built stock ahead of a new range launched in early 2026 and as supplier lead times from China lengthened. Stock is where Quarrow's cash is tied up, so the forecast sets a stock target (page 59).

DEVELOPMENT SPEND CAPITALISED FOR THE FIRST TIME

In 2025 Quarrow capitalised £178k of development costs as an intangible asset. Reserves rose by £173k in the year. Had the spending been expensed, they would have fallen by about £6k, before any tax effect. Capitalising is allowed under FRS 102 if the conditions are met. A lender will look through it, and so will I when judging underlying profit.

WHO QUARROW OWES

31 December 2025	£
Due to related companies (in other creditors)	£395,000
Other creditors, rest	£10,214
Trade creditors	£151,286
Tax and social security	£29,417
Accruals and deferred income	£31,208
Creditors within one year	**£617,125**

Leaving out the related-party amounts, Quarrow's short-term creditors are about £222k. Against that it has £52k of cash and £22k of trade debtors, so it relies on selling its stock and on the group not calling in the £395k. Trade debtors of £22k look low for a business with 14 staff. About 85% of Quarrow's customers pay with the order, so trade debtors stay low. Its invoice finance facility from May 2026 covers the rest.

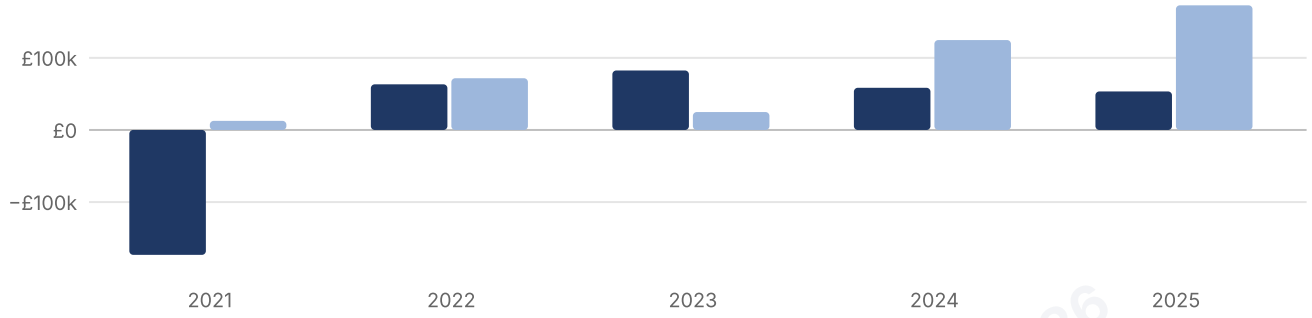
> **Key point for the forecast.** Quarrow owed related companies £395k at December 2025, all due within one year. A year earlier it owed £270k. If the balance is not going to be repaid in 2027, it would help to document that, for example with a letter of support or a loan agreement. A lender reading Quarrow's balance sheet will ask.

Source: Quarrow Mounts Ltd accounts filed at Companies House; related-party amounts from the related-party note. Fictional example data.

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77. Profit retained, year by year

Without a profit and loss account, the change in each company's profit and loss reserve is the best public measure of performance. It equals profit after tax less dividends. Share capital has not changed in any year, so the measure is clean. It understates profit in any year a dividend was paid.



£	2021	2022	2023	2024	2025	5 years
Brackwater	(£173k)	£63k	£82k	£58k	£53k	£84k
Quarrow	£13k	£72k	£25k	£125k	£173k	£407k
Total	**(£161k)**	**£135k**	**£107k**	**£183k**	**£226k**	**£491k**

READING IT

- Brackwater's reserves rose in 7 of the 8 years from 2018. The fall was £173k in 2021. It is most likely dividends up to the holding company, or losses. The 2021 fall followed one of its best years, 2020 (up £133k).
- Quarrow retained £407k over 5 years, but £178k of its 2025 figure is capitalised development spend.
- Over 5 years the companies retained about £491k between them, after any dividends paid.

> These are the changes in reserves as filed. For the years the full accounts cover, profit and dividends are on page 17.

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78. What the money costs: how I set the hurdle

The hurdle is the return an investor would need to put money into a business like this. I build it from published market data, plus two assumptions of my own: a premium for being a small private company, and a premium for this company's own risks, such as reliance on its owners and on related-company funding.

Inputs and results	2018	2019	2020	2021	2022	2023	2024	2025
10-year gilt yield (year average) P	1.46%	0.94%	0.37%	0.79%	2.45%	4.06%	4.14%	4.58%
UK equity risk premium P	5.01%	5.01%	5.01%	5.01%	5.01%	5.01%	5.01%	5.01%
Asset beta: Brackwater (computer services) P	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96
Asset beta: Quarrow (electronics) P			0.94	0.94	0.94	0.94	0.94	0.94
Small-company premium E	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Company-specific premium E	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Cost of capital (WACC): Brackwater	**12.3%**	**11.7%**	**11.2%**	**11.6%**	**13.3%**	**14.9%**	**14.9%**	**15.4%**
Cost of capital (WACC): Quarrow			**11.1%**	**11.5%**	**13.2%**	**14.8%**	**14.8%**	**15.3%**
Bank Rate (year average) P	0.60%	0.75%	0.23%	0.11%	1.47%	4.68%	5.11%	4.25%
Cost of debt: Bank Rate plus 3 points E	3.60%	3.75%	3.23%	3.11%	4.47%	7.68%	8.11%	7.25%
Brackwater debt ÷ equity, start of year P	0.00x	0.00x	0.07x	0.15x	0.13x	0.13x	0.10x	0.11x
Cost of equity: Brackwater	**12.3%**	**11.7%**	**11.7%**	**12.9%**	**14.4%**	**15.8%**	**15.6%**	**16.3%**

Basis of each assumption: P public record: filed accounts, registers, published data and tax rules. E my estimate. M management: the company's own records or plans, none used here.

METHOD

1. **Cost of capital (WACC)** = 10-year gilt yield + asset beta × UK equity risk premium + small-company premium + company-specific premium. The asset beta measures how much a sector's shares move with the market, with the effect of borrowing taken out.
2. **Cost of equity** = WACC + (WACC − cost of debt) × debt ÷ equity, at book values at the start of the year. Debt includes amounts owed to group and related companies. The cost of debt, Bank Rate plus 3 points, is my assumption for a small company's borrowing cost.
3. **No tax saving on interest.** Related-party balances often carry no interest and small companies may have tax losses, so I leave out the tax saving that debt normally brings. With full tax relief on every balance, the WACC would be at most 0.2 of a point lower for Brackwater and 1.9 points lower for Quarrow. No year's result would change.
4. **The two premiums matter most.** Practitioners use about 3% to 5% for size and 2% to 5% for company-specific risk; I use 4% and 2%, which puts Brackwater's 2025 hurdle at about 15%. Without them, both hurdles fall by at least 6 points, and these results would change: Brackwater 2021, Brackwater 2023, Brackwater 2024, Brackwater 2025, Quarrow 2021 and Quarrow 2023. I use the equity risk premium of 5.01% for every year.
5. **For decisions now**, I would use a cost of capital of about 15.6% for Brackwater. The gilt yield has averaged 4.81% so far in 2026 (5.24% in September), and Bank Rate has been 3.75% since 18 December 2025.

What these figures are. A hurdle for judging performance. They are not a valuation. Other reasonable inputs would move it by a point or two either way. The returns matter more: because they leave out dividends, the true returns can only be higher.

Sources: OECD long-term interest rates, UK 10-year government bond yield (FRED series IRLTLT01GBM156N), monthly, annual averages computed; read 3 November 2026; Bank of England, Bank Rate history (bankofengland.co.uk/boeapps/database/Bank-Rate.asp), read 3 November 2026; Damodaran, Country default spreads and risk premiums, updated 5 January 2026; Damodaran, Betas by sector (US), data as of January 2026; unlevered beta corrected for cash; size and company-specific premium ranges from Mercer Capital and Valutico. Company figures from the accounts listed on page 107.

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APPENDIX 2

Market, costs and IP in detail

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79. What drives demand

My reading is that demand for meeting-room AV will grow modestly in 2027 and 2028. Offices are the busiest since the pandemic, London lettings are strong and most meeting rooms still lack video, but the Windows 10 boost has passed and firms are wary of costs. The table's last 2 columns are my reading.

Driver	Latest figure and date	Direction	What it means for Brackwater and Quarrow
Office occupancy and hybrid working	Occupancy 44.1% in the week to 30 January 2026, the highest Remit has recorded; hybrid workers 26% to 28% (Jan to Jun 2025)	Up; hybrid flat	Both: fuller offices with remote attendees need video rooms
Office take-up	Central London vacancy 7.3%, below its long-term average (Q3 2026); 4.44m sq ft under offer, the most since 2007 (Q2 2026)	Up; South East steady	Brackwater: more fit-outs with AV in 2027
Fit-out and refurbishment	53% of the 2026 office pipeline in 9 big UK cities is refurbishment, up from 33% in 2024	Up	Both: retrofits suit Quarrow's frames and Brackwater's refresh work
Business investment	Up 1.8% on the quarter in Q2 2026, with ICT equipment strong	Up; firms cautious	Both: budgets recovering, costs still a worry
Rooms still without video	28% of meeting rooms have video and 6.25% are native Teams or Zoom rooms (2024 data)	Up	Both: converting the rest is the main growth path
Buyer plans and partner sales	More than 2 in 3 firms worldwide plan more integrated meeting-room systems within 2 years (July 2026); Logitech video collaboration sales up 12% on a year, July to September 2026	Up	Quarrow: a direct read-across from the bars its kits fit

Remit Consulting, ONS, Knight Frank, Avison Young, IDC, Futuresource and Logitech, as listed below

RISKS TO DEMAND

- **Costs.** falling demand and energy prices are firms' top worries (BICS, Scotland, September 2026)
- **Supply.** Logitech expects a supplier's factory closure to cut its October to December 2026 sales by about $70m to $80m
- **Public budgets.** NHS capital grows about 0.8% a year from 2025/26, mostly on buildings (TechMarketView, July 2026)
- **Attendance.** Office attendance has levelled off at just over 3 days a week (Remit, June 2026)

What it means for the business cash flow forecast

- **Seasonality.** The forecast follows the seasonal pattern in search interest (page 99), set out on page 55.
- **Pipeline.** a Central London fit-out carries about £5 to £20 of AV per sq ft (Knight Frank, Spring 2026), a check on Brackwater's project values
- **Watch.** London space under offer, office occupancy, ONS business investment and Logitech's video sales

Sources, in order of use: Remit Consulting (March and June 2026); ONS via Personnel Today (June 2025); Knight Frank (Spring, Q2 and Q3 2026); Avison Young (February 2026); ONS via Trading Economics (September 2026); Scottish Government BICS (October 2026); IDC (January 2026); Futuresource (July 2026); Logitech (October 2026); TechMarketView (July 2026)

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80. Industry background: market size, structure and trends

My reading is that this is a large, slow-growing market in which scale is winning. Meeting-room technology is its largest part and grows faster than the whole: Logitech's video collaboration sales rose 12% to $188.4m in July to September 2026. UK channel sales are growing, Germany's are weak, and integrators are consolidating around managed services.

$332bn
Global pro AV revenue, 2025 (2024: $321bn)

3.9% a year
Forecast growth to $402bn in 2030, cut from 5.3%

$72.5bn
Corporate buyers, 2025: about 22% (my calculation)

$46bn
Conferencing and collaboration, the largest area (2022, latest free figure)

Corporate buyers are slowing, while government, military and energy speed up (AVIXA IOTA 2025, August 2025). AVIXA's next outlook gives first findings at ISE on 2 to 5 February 2027

STRUCTURE AND DISTRIBUTION

My reading is that Midwich, the listed AV distributor, is the best public guide to UK channel demand, because it sells the hardware integrators like Brackwater fit

Midwich Group plc	Group revenue	UK and Ireland	Rest of Europe
Year to Dec 2025 (17 Mar 2026)	£1,270.8m, −1.5%	£508.3m, +6.7%	£517.5m, −5.3%
Half year to Jun 2026 (21 Jul and 22 Sep 2026)	£640.3m, +3.2%	Over +10%	About −5%

CONSOLIDATION

Deals are framed around scale and managed services: Yorktel agreeing to buy Kinly (August 2025), 26North buying control of AVI-SPL (June 2025), Econocom's four AV purchases (2025), Trison buying Pioneer Group (December 2025) and AVEX buying Yielder (May 2026). Failures run alongside: Project Audio Visual's business was sold out of administration in July 2026. Midwich values its own bolt-on purchases at 5 to 6 times EBIT

TRENDS THAT MATTER

Trend	What the evidence shows (date)	Matters for (my reading)
Video bars	Certified bars from Neat, Logitech, DTEN, Yealink, Poly and Cisco lead Microsoft's Teams Rooms on Android list (27 July 2026)	Quarrow
Managed services	Kinly and IUF framed their deals around managed services (2025 to 2026)	Brackwater
Memory chips	DRAM contract prices rose 93% to 98% on the quarter in Q1 2026 (TrendForce, 1 June 2026)	Both
Sustainability	Central government contracts over £5m a year need a Carbon Reduction Plan (PPN 006, from 24 February 2025)	Brackwater

What it means for Brackwater and Quarrow. My reading is that market growth of about 4% a year will not carry either business. Brackwater has to win share and add support contracts, and its quotes should allow for price changes. Quarrow's kits suit the certified bars that lead Microsoft's list, but fewer, larger integrators mean more dependence on each customer.

Sources: AVIXA IOTA 2025 via audioXpress (29 August 2025) and ISE (30 September 2026); Midwich (17 March, 21 July and 22 September 2026); invidis, ChannelWeb and AV Network (June 2025 to July 2026); Microsoft Learn (27 July 2026); TrendForce (1 June 2026); PPN 006 (updated 10 July 2025)

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81. Competitors

My reading is that the rivals are larger and consolidating: Brackwater competes with integrators 4 to 26 times its size, several of them losing money or barely profitable, and Quarrow with furniture and mount makers, some with their own factories. Brackwater's closest peers on filed accounts are covered separately (page 96).

Who	What they make or do	Size (date)	Why it matters (my reading)
Rivals to Quarrow			
Ashton Bentley (Dartford, UK); owned by Kramer since June 2024	Meeting-room systems built into AV tables, and display mounts certified for Cisco's room bars	£3.1m of sales, 14 staff (first period, to May 2025)	Closest in size, with Kramer's sales channel behind it
Salamander Designs (Connecticut, US)	AV furniture, display stands and conferencing carts, made in its own factory	43 full-time staff (2021)	Closest match to Quarrow's kits, mainly in the US
Vogel's (Netherlands)	Video conferencing stands, trolleys, furniture and camera mounts	Almost 170 staff (May 2023)	Sold widely in Europe; Quarrow's main rival in export sales
B-Tech AV Mounts (London)	Video conferencing mounts, free-standing stands, trolleys and video bar mounts	Sold in 100+ countries; 10 locations	The UK rival integrators already know
Rivals to Brackwater			
AVI-SPL (US); AVI-SPL Ltd in the UK	Says it is the world's largest AV integrator; 26North agreed to buy control (June 2025)	UK company £37.9m of sales and 252 staff (2025)	Growing (UK sales up 13%) and earns 6.6% before tax
Kinly (Netherlands); Kinly UK Ltd	Merged with Yorktel (November 2025); 11 countries	UK company £79.9m of sales and 469 staff (2025)	Profit fell to 0.3% of sales: may cut prices or drop smaller jobs
Pure Audio Visual Ltd (Preston, UK); owned by Ricoh since June 2022	AV and IT communications integrator	£20.9m of sales, 109 staff (2025, filed accounts)	Sales fell 20% and it lost £1.45m before tax in 2025: a rival under pressure
Snelling Business Systems Ltd (UK)	Integrated AV systems and communications technology	£12.3m of sales, 46 staff (year to April 2026, filed accounts)	30.5% gross margin but 1.5% before tax: scale does not guarantee profit

NEW MARKETS

Neither company plans to enter a new market in the forecast. Quarrow's export sales, about 30% of turnover, go through integrators in Europe, where Vogel's and Holzmedia are established and German demand was soft in 2025 and the first half of 2026 (Midwich, 17 March and 21 July 2026).

What it means

- **Why customers would switch.** Customers unsettled by the mergers, faster response than the large integrators, and kits that arrive ready to fit.
- **How each defends its position.** Brackwater through support contracts and repeat customers; Quarrow through designs registered in its own name and fit with the leading video bars.

Sources: Ashton Bentley website and UC Today (11 June 2024); Ashton Bentley Trading Ltd, AVI-SPL Ltd, Kinly UK Ltd, Pure Audio Visual Ltd and Snelling Business Systems Ltd accounts, Companies House (filed June to September 2026); Salamander Designs and Hartford Business Journal (2021); Vogel's (28 May 2023); B-Tech website (read 3 November 2026); invidis, ChannelWeb, Business Wire and AV Network (June 2025 to July 2026)

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82. Brackwater's competitors by segment and geography

My reading is that in every segment Brackwater meets the same handful of global integrators, Kinly, AVI-SPL, FORTÉ, Ricoh (Pure AV), Diversified and EOS IT Solutions, with Electrosonic in control rooms and UK firms of its own size in public-sector work. The named rivals and their accounts are on page 93.

BY SEGMENT

Segment	Main competitors	Why they compete (my reading)	Direct?
Corporate meeting rooms and room standards	Kinly, AVI-SPL, FORTÉ, Ricoh (Pure AV), Diversified, EOS IT Solutions	Same offer to the same buyers: room standards, multi-site rollouts and lifecycle support. FORTÉ's Velocity pre-engineered rooms compete with standard room designs	Direct
Managed services and support	Kinly, AVI-SPL, FORTÉ, Ricoh, EOS, Electrosonic	Services were 38% of AV channel revenue in 2025, ahead of hardware at 36% (AVIXA via UC Today, 25 February 2026); every large rival leads with them	Direct
Operations centres and control rooms	Electrosonic, Kinly; console makers Thinking Space, Winsted, Sustema	Won on display processing, KVM and console skills; console makers are usually partners	Partly
Public sector and education	ClearVC (with VideoCentric), Internet Videocommunications, Electrosonic, Econocom (Smartcomm)	Size-matched UK firms on public frameworks	If it bids

BY GEOGRAPHY

Where	Who it meets	Note (my reading)
London and the South East	Kinly UK, AVI-SPL, Diversified (Egham), Pure AV, Electrosonic (Dartford), FORTÉ (London, 2026), EOS, ClearVC, Econocom	The most crowded market
Scotland	Electrosonic, ClearVC (Edinburgh), local firms	Electrosonic has the clearest local resources
Europe	Kinly (Netherlands), FORTÉ Germany (ex-GMS), AVI-SPL, Econocom	FORTÉ is buying integrators across Europe
US	AVI-SPL, Diversified, FORTÉ, Kinly, EOS	A UK firm works here through local subcontractors

THE BIGGEST COMPETITORS, RANKED

#	Competitor	Why it ranks here
1	Kinly (with Yorktel)	Same rollout and managed-service offer
2	AVI-SPL	SCN Top 50 number 1 (December 2025)
3	FORTÉ	SCN number 3; buying into Europe
4	Ricoh (Pure AV)	SCN number 4
5	Diversified	SCN number 2
6	EOS IT Solutions	Global deployment for multinationals

OTHER RIVALS' UK ACCOUNTS

UK company	Year to	Sales	Profit before tax	Staff	Net assets
EOS IT Management Solutions (UK) Ltd, group (NI616126)	Jun 2025	£126.8m	£12.9m (10.2%)	357	£24.1m
Electrosonic Ltd (00794221)	Dec 2025	£12.8m (2024: £18.1m)	Loss £0.75m	Not read	Net liabilities £0.75m
Internet Videocommunications Ltd (01878610)	Dec 2025	Not filed	Not filed	28	£4.48m

What it means. My reading is that Brackwater should position against the consolidators: as Kinly, FORTÉ and Ricoh absorb mid-size integrators, customers lose owner-led account management, which Brackwater still offers. Electrosonic's UK sales fell 29% in 2025, which opens control-room work.

Sources: SCN Top 50 Systems Integrators 2025 (1 December 2025; self-reported); invidis (September 2025, 4 March 2026); FORTÉ (15 June 2026); UC Today (25 February 2026); accounts filed at Companies House as shown, read 5 November 2026
Fictional example data.

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83. Quarrow's competitors by product line and geography

My reading is that Quarrow's market is becoming one for certified room kits rather than furniture, and that Ashton Bentley, backed by Kramer, is the competitor to watch. The named rivals and their accounts are on page 93.

BY PRODUCT LINE

Product line	Main competitors	Why they compete (my reading)	Direct?
All-in-one VC frames, media walls and room kits	Ashton Bentley (Kramer), Salamander (US), Holzmedia, infoWERK and Fröscher (Germany), Chief and Middle Atlantic (Legrand AV), Peerless-AV	Ashton Bentley has Cisco-certified mounts, Teams Rooms Express Install approval and a mobile cart, and FORTÉ chose it as the mounting standard for its Velocity rooms (June 2026)	Direct
AV furniture and VC tables	Salamander, Ashton Bentley, Holzmedia; Walter Knoll, Vitra, Bene	They win the whole-room specification	Indirect
Mounts, stands and carts	Heckler, Chief, Peerless-AV, Vogel's, B-Tech, Unicol, Kindermann, Hagor; Neat and Logitech's own stands	Video-bar makers' own stands set the price ceiling for simple rooms	Direct

BY GEOGRAPHY

Where	Who it meets	Note (my reading)
UK	Ashton Bentley (Dartford), Peerless-AV, B-Tech, Unicol, Chief, Vogel's	Ashton Bentley sells the same building blocks to integrators
US	Salamander, Heckler, Legrand AV, Peerless-AV, Ashton Bentley via Kramer	The FORTÉ and Ashton Bentley tie-up is the biggest threat
Germany and DACH	Holzmedia, infoWERK, Fröscher, Vogel's, Kindermann, Hagor	Sold through integrators and resellers; German products sell as furniture-grade

THE BIGGEST COMPETITORS, RANKED

#	Competitor	Why it ranks here
1	Ashton Bentley (Kramer)	Same products and customers
2	Salamander Designs	All-in-one AV cabinets, US
3	Heckler	Carts and stands for video bars, US
4	Legrand AV (Chief, Middle Atlantic)	Breadth and distribution
5	Holzmedia	Incumbent in Germany

What it means. My reading is that Quarrow should secure standard-room agreements with integrators not tied to Kramer, match Ashton Bentley's Cisco and Teams Rooms certifications, and enter Germany through resellers, leading with lead time and pre-configured frames.

Sources: Kramer (11 June 2024; ISE 2026; June 2026); Salamander, Heckler, Neat and Logitech websites; professional-system.de and conference-tv (Holzmedia), read 5 November 2026 Fictional example data.

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84. Brackwater against similar companies

I ran the same balance-sheet measures across 12 fictional peers. Values are winsorised at the 1st and 99th percentiles before the median is taken. A median needs at least 10 peers and quartiles at least 30.

Company	What it does	Year end	Staff	Net assets	Return on equity	Cash return on invested capital	Status
Peer A *	AV integrator	31 Mar	18	£581k	6.1%	47.7%	Included
Peer B	AV integrator	31 Dec	25	£1.32m	9.5%	40.3%	Included
Peer C	AV integrator	30 Jun	7	£151k	6.3%	1.4%	Included
Peer D *	AV integrator and IT support	31 Dec	9	£337k	11.7%	59.7%	Included
Peer E	AV integrator	31 Mar	31	£2.20m	4.4%	52.9%	Included
Peer F	AV hardware maker	30 Sep	14	£453k	16.5%	5.0%	Included
Peer G *	AV hardware maker	31 Dec	22	£874k	8.6%	12.8%	Included
Peer H	AV integrator	31 Jul	16	£619k	−5.5%	6.6%	Included
Peer I	AV hardware maker	31 Mar	11	£310k	12.8%	16.1%	Included
Peer J *	AV integrator	31 Dec	12	£248k	9.4%	−8.7%	Included
Peer K	AV integrator	31 Dec	20	£512k	24.8%	54.8%	Share capital changed
Peer L	AV integrator	31 Aug	6	£22k	n/a	n/a	Negative opening equity
Median (n = 10)	**Included peers, winsorised**				**9.0%**	**14.5%**	
Quartiles					n/a		Fewer than 30 peers
For comparison							
Brackwater AV Ltd	AV and IT integrator	31 Dec	15	£807k	7.1%	−132.2%	Profit from the full accounts, and the minimum before them
Quarrow Mounts Ltd	Designs and makes AV frames, carts and stands	31 Dec	14	£312k	123.8%	−48.6%	Profit from the full accounts, and the minimum before them

Latest year for each peer. Returns on the change in equity; cash return on invested capital = free cash flow ÷ opening own-business capital. * files a profit.

CALIBRATION: THE PROXY AGAINST REPORTED PROFIT

Peer that files a profit	Year	Proxy return on equity	On reported profit	Gap, points	Change in equity plus dividends	Reported profit after tax
Peer A	2021	4.9%	12.0%	7.1	£50,369	£50,369
Peer A	2022	5.5%	13.3%	7.9	£58,493	£58,493
Peer A	2023	5.7%	14.0%	8.3	£64,992	£64,992
Peer A	2024	12.0%	20.8%	8.8	£102,010	£102,010
Peer A	2025	6.1%	14.8%	8.8	£81,240	£81,240
Peer D	2021	11.4%	14.9%	3.5	£28,756	£28,756
Peer D	2022	11.8%	15.5%	3.7	£33,394	£33,394
Peer D	2023	11.8%	15.4%	3.7	£37,104	£37,104
Peer D	2024	12.1%	15.8%	3.7	£42,375	£42,375
Peer D	2025	11.7%	15.4%	3.6	£46,380	£46,380
Peer G	2021	7.4%	12.7%	5.3	£73,414	£73,414
Peer G	2022	8.0%	13.7%	5.7	£85,255	£85,255
Peer G	2023	8.3%	14.1%	5.8	£94,728	£94,728
Peer G	2024	10.6%	16.7%	6.1	£121,340	£121,340
Peer G	2025	8.6%	14.7%	6.1	£118,410	£118,410
Peer J	2021	8.1%	12.7%	4.6	£20,627	£20,627
Peer J	2022	8.7%	13.7%	4.9	£23,954	£23,954
Peer J	2023	8.9%	14.0%	5.0	£26,616	£26,616
Peer J	2024	9.1%	14.3%	5.2	£29,645	£29,645
Peer J	2025	9.4%	14.7%	5.3	£33,270	£33,270

WHAT THE COMPARISON SHOWS

- **Brackwater sits below the peer median.** Its return on equity (estimated profit) was 7.1% in 2025, against a median of 9.0% for the 10 peers I could use. Its cash return on invested capital was −132.2% against 14.5%.
- **The proxy understates profit by 3.5 to 8.8 points** for the 20 peers that file a profit (marked *), because of the dividends they paid. The spread of 5.3 points is small enough to keep the return rows. Change in equity plus dividends gives their reported profit to the pound.
- **2 peers are left out** of the medians: Peer K (share capital changed) and Peer L (negative opening equity).
- Twelve fictional peers built for this template: UK AV integrators and AV hardware makers filing small or medium accounts, 10 to 49 staff, with SIC codes 62090, 43210, 46520 and 31010. Peer G is the closest match to Brackwater, because it is an integrator of similar size that files its profit.

> A peer set is a yardstick, not a benchmark. Few small companies file turnover, so margins cannot be compared from the filed accounts.

Peers: fictional examples built for this template. Full peer results: out/peer_summary.json.

Illustrative example. 3 November 2026

85. Against competitors: balance sheet and per employee

Most competitors file abridged or micro-entity accounts with no turnover or profit, and the government paused the plan to make small companies file a profit and loss account from April 2028. So the comparison uses what every filing shows: the balance sheet and the average number of employees. Position counts from the better end where there is one.

Measure	Peer median (n = 12)	Peer range	Brackwater	Position	Quarrow	Position	Better if
Current ratio	2.28x	0.93x to 3.97x	2.03x	9th of 13	1.15x	12th of 13	Higher
Cash ÷ creditors due within a year	0.85x	0.04x to 3.00x	0.35x	12th of 13	0.08x	12th of 13	Higher
Trade debtors ÷ total assets	36%	19% to 61%	10%	13th highest of 13	2%	13th highest of 13	Depends on the business
Stock ÷ total assets	5%	2% to 21%	4%	8th highest of 13	51%	1st highest of 13	Depends on the business
Accruals and deferred income ÷ total liabilities	19%	16% to 23%	26%	1st highest of 13	5%	13th highest of 13	Depends on the business
Net working capital per employee	£4k	– to £17k	(£16k)	13th highest of 13	£22k	1st highest of 13	Depends on the business
Net assets per employee	£32k	£4k to £71k	£54k	2nd of 13	£22k	10th of 13	Higher
Cash per employee	£18k	£1k to £67k	£16k	8th of 13	£4k	12th of 13	Higher
Profit retained per employee	£3k	(£2k) to £7k	£4k	5th of 13	£12k	1st of 13	Higher
Corporation tax owed per employee	£1k	£1k to £2k	£1k	3rd of 13	–	13th of 13	Higher
Borrowing ÷ net assets	5%	3% to 49%	17%	12th of 13	126%	13th of 13	Lower

Illustrative example – 3 November 2026

WHAT IT SHOWS

- **Brackwater**: in the top quarter for net assets per employee and corporation tax owed per employee; in the bottom quarter for cash ÷ creditors due within a year, borrowing ÷ net assets and growth in employees.
- **Quarrow**: in the top quarter for profit retained per employee and growth in employees; in the bottom quarter for current ratio, cash ÷ creditors due within a year, net assets per employee, cash per employee, corporation tax owed per employee and borrowing ÷ net assets.
- Balance-sheet ratios rank companies well on liquidity and capital strength, but only weakly on profitability: profit retained and tax owed per employee depend on dividend policy, losses brought forward and reliefs as much as on profit.
- Peer G is the closest match. It holds less in other debtors and more in trade debtors, so a lender can lend against more of its balance sheet than Brackwater's.

> No margins are estimated from these figures. Where margins are needed, they come from companies that publish them, such as listed distributors, and the difference in size is stated.

Peers: 12 fictional companies (8 AV integrators, 3 AV hardware makers and 1 AV integrator and IT support), latest filed year for each P; ratios are my calculations E. A median needs at least 10 peers. Year ends differ by up to nine months. The plan for a profit and loss account was paused on 23 October 2026 (written statement HLWS419). Fictional example data.

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86. Sector statistics

The official statistics give a steady backdrop. Insolvencies are edging down, to about 1 in 200 companies a year. The main risk is late payment, which hits about half of firms this size.

Both companies are SMEs with 10 to 49 staff. Brackwater's code fits its work; Quarrow's furniture code is the closest available for AV frames and stands

SIC code and its sector	VAT or PAYE businesses, UK	Insolvencies, England and Wales, last 12 months	Days large firms take to pay	Invoices they pay late (by number)
62090 Other IT services (Brackwater), Information and communication	191,000	Below 1,827	29	15%
31010 Office and shop furniture (Quarrow), Manufacturing	128,000	1,827	45	21%
43210 Electrical installation, Construction	393,000	3,873	33	14%
All sectors	**2,786,985**	**About 22,800**	**32**	**15%**

Trend	Earlier	Latest
Company insolvencies, England and Wales	25,164 (2023)	23,938 (2025)
Rate per 10,000 companies	52.8 (2025)	49.9 (2026)
Large firms' average days to pay	35 (2018)	32 (2025)

Business demography	Births	Deaths	High-growth
All UK	11.1%	9.8%	n/a
Information and communication	10.7%	9.8%	9.2%

Late payment affects 49.6% of firms with 10 to 49 staff, against 28% of all firms (London Economics for DBT, July 2025)

What it means

- **Credit risk on customers.** Building and fit-out contractors, which have the most failures: credit-check them before quoting and take deposits on hardware
- **Payment terms in the business cash flow forecast.** The forecast tests customers paying 30 days late (page 63).
- **Which code fits.** 62090 for Brackwater; 31010 for Quarrow

Sources: ONS, UK business: activity, size and location 2026 (24 September 2026) and Business demography 2024 (20 November 2025); DBT, Business population estimates 2025 (2 October 2025) and large businesses' payment performance 2025 (14 July 2026); Insolvency Service (20 January and 20 October 2026); London Economics for DBT (July 2025)

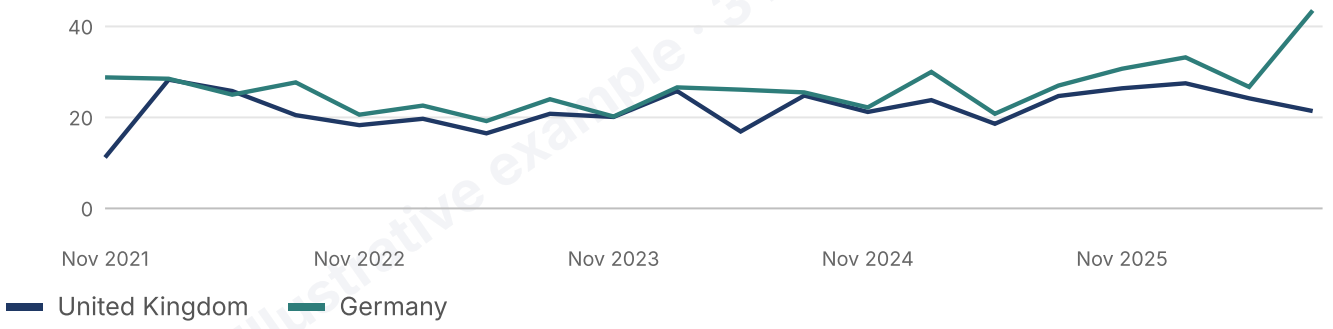
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87. Market and search trends

Google Trends shows how search interest in a term changes over time. It is an index from 0 to 100, where 100 is the busiest week for that term in that country over the period. It shows direction and timing; it does not count searches. I used five years of weekly data and compared medians, so single spikes do not drive the result.

Search term	Median index, first and last year	Five years	Last 12 months against previous 12	Peak / low month
United Kingdom				
Logitech Rally (meeting-room video system)	50.5 to 59	+17%	+8%	Feb / Dec
video conferencing (noisy, see note)	7 to 11	+57%	+83%	Mar / Aug
meeting room (mostly room hire)	37 to 70.5	+91%	+52%	Feb / Dec
Germany				
Logitech Rally	26.5 to 32	+21%	+10%	Jan / Dec
Konferenzraum (conference room)	47 to 61	+30%	−9%	Feb / Dec
Videokonferenz (video conference)	34.5 to 23	−33%	−4%	Jan / Aug
Company names				
Brackwater AV and Quarrow Mounts (fictional names)	Too few searches to register			Every week

LOGITECH RALLY SEARCHES, UK AND GERMANY ON ONE SCALE (QUARTERLY AVERAGES)



Illustrative example · 3 November 2026

READING IT

- **Steady growth in interest in meeting-room systems, in line with Logitech's +12% video collaboration sales (July to September 2026).** Searches for Logitech Rally are up 17% in the UK and up 21% in Germany over five years. The generic terms rose faster but are noisy: video conferencing searches are mostly software and apps, and meeting room mostly room hire, so they say more about office use than about AV buying.
- **Germany looks more interested than the UK.** Over the last 12 months, the shared-scale term took about 35% more of all searches in Germany. Neither company plans to sell there in the forecast; Quarrow's German sales go through integrators.
- **Seasonality.** In the UK, interest peaks in February and March and is lowest in August and December. If enquiries follow the same pattern, the forecast should expect quieter months then.
- **Brand search.** Neither name gets enough searches to register, so customers find them through integrators, distributors and referrals, not search.

Source: Google Trends, web search, weekly data 31 Oct 2021 to 25 Oct 2026, read 3 November 2026. Year blocks of 52 weeks; medians used. Notes: video conferencing: Spike 1 to 22 Feb 2026 (peak 100 on 15 Feb) and 13 Sep 2026, cause unknown; related searches mostly software and apps; meeting room: Related searches dominated by meeting room hire, booking and rental.

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88. Input prices: what has changed

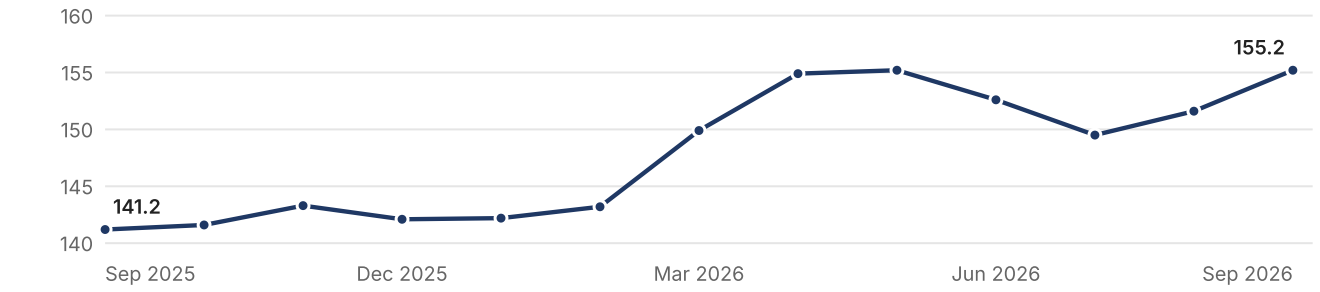
Input costs rose for UK manufacturers in the year to September 2026: 8.3% for materials and fuels, and 9.9% for imported materials and fuels. The biggest rise was in crude petroleum and natural gas, metal ores (+51.0%). Sterling moved +0.3% against other currencies over the year, so the rise comes from the goods themselves. For Quarrow, steel and aluminium parts, fixings, packaging and freight from China matter most; for Brackwater, AV hardware bought through UK distributors, diesel for its vans and pay (fictional).

Input	Mainly affects	Latest	Change
Materials and components			
Aluminium (LME cash price, $ per tonne)	Quarrow	$3,048 (26 Oct 2026)	+6% on a year
UK hot-rolled steel (£ per tonne)	Quarrow	£705 (18 Jun 2026)	+£180 since January
Metals bought by UK manufacturers	Quarrow	ONS index	+9.6% on a year (Sep)
Rare-earth magnet material (NdPr oxide, $ per kg)	Quarrow	about $120 (mid-2026)	about +62% since Dec 2025
Chemicals bought by UK manufacturers	Quarrow	ONS index	+6.4% on a year (Sep)
Memory chips (TV-grade DRAM contract price)	Both	TrendForce	More than 4 times in a year
AV hardware list prices (Crestron, from 29 May 2026)	Brackwater	Manufacturer list	+5% to +15%
Freight, fuel and energy			
Container freight, Shanghai to Rotterdam ($ per 40ft)	Quarrow	$3,686 (29 Oct 2026)	+105% on a year
Crude oil bought by UK manufacturers	Both	ONS index	+51.0% on a year (Sep)
Diesel (UK pump price, pence per litre)	Brackwater	191.3p (mid-Sep 2026)	+35.1% on a year
Transport and storage services	Both	ONS index	+10.7% on a year (Q3)
Electricity, non-domestic (pence per kWh)	Both	24.5p (Q2 2026)	+2.0% on a year
People and currency			
Average regular pay, private sector	Both	ONS	+3.0% on a year (Jun to Aug)
National Living Wage	Both	£12.71, then £13.21 from Apr 2027	+3.9%
Sterling	Both	about $1.34 and €1.20 (end Oct)	+0.3% on a year (effective rate)

Sources: ONS, Producer price inflation, UK: September 2026, released 21 October 2026 (next 18 November 2026); ONS, Average weekly earnings in Great Britain, released 20 October 2026 (June to August 2026); DESNZ, Quarterly Energy Prices September 2026, published 29 September 2026; AL Circle LME reports, 27 October 2026 and 28 October 2025; S&P Global, 25 June 2026; S&P Global, NdPr oxide market report, October 2026; Drewry World Container Index, 29 October 2026 and 30 October 2025; TrendForce, 29 January 2026; Commercial Integrator, 7 May 2026; GOV.UK / Low Pay Commission, October 2026; Bank of England spot rates, 30 October 2026.

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89. Input prices: what they mean



Imported materials and fuels bought by UK manufacturers (index, 2015 = 100)

Source: ONS, Producer price inflation, September 2026, Table 4 (series GD74).

QUARROW

Metals bought by UK manufacturers cost 9.6% more than a year ago. Aluminium is up 6%, magnet material up 62% and freight from Shanghai up 105%. Its £472k of stock at December 2025 was bought before most of these rises. That protects margins for a while, but restocking will cost more cash. Two policy changes will keep metal costs up: UK steel import quotas from 1 July 2026 (51% less tariff-free steel, with a 50% duty above quota) and the UK carbon border adjustment mechanism on imported aluminium, cement, fertilisers, hydrogen, iron and steel from 1 January 2027. It buys aluminium extrusions from a UK supplier in pounds, and steel parts and fixings from China, priced in dollars (fictional).

BRACKWATER

AV makers raised list prices in 2026, mainly because memory chips cost more. New quotes can pass this on. Fixed-price projects quoted before the rises carry the cost unless the contracts allow price changes. Diesel is up 35% on a year, private-sector pay is rising 3.0% a year, and the National Living Wage rises 3.9% next April. About a third of its projects are fixed-price, quoted up to six months ahead (fictional).

COST OUTLOOK FOR 2027

Cost line	Base case	Higher costs	Lower costs
Quarrow materials and components, 2027 E	+10%	+15%	0%
Hardware bought by Brackwater E	+5%	+15%	0%
Container freight E	Latest rates	+25%	A year earlier's rates
Diesel E	191p a litre	210p a litre	142p a litre
Pay, from April 2027 E	+4%	+5%	+3%
Energy E	+2%	+10%	0%
Sterling E	$1.34, €1.20	$1.30, €1.16	$1.38, €1.24

Basis of each assumption: P public record: filed accounts, registers, published data and tax rules. E my estimate. M management: the company's own records or plans, none used here.

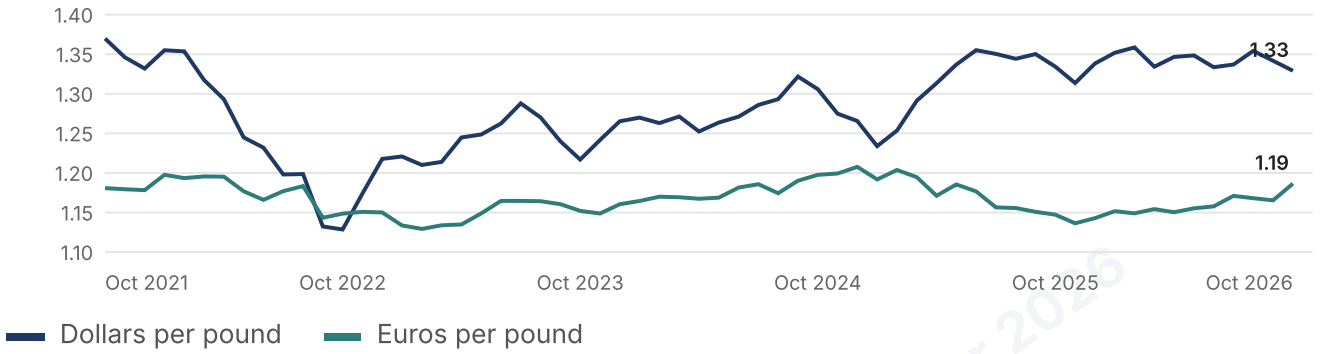
My estimates, from the sources on page 100. Base cases follow the latest published change; the tests add or take away a margin. What matters most is how much of each rise can be passed on to customers, and how quickly; the higher-costs scenario in the forecast tests it (page 63).

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90. Currency: sterling against the dollar and euro

In Oct 2026 sterling averaged $1.33 and €1.19, inside its five-year ranges of $1.13 to $1.37 and €1.13 to €1.21. Against a basket of currencies it moved +0.3% in the year to September. The dollar matters most, because Quarrow's steel parts and freight are priced in dollars; the euro matters for its export sales.

MONTHLY AVERAGES, OCT 2021 TO OCT 2026



Monthly average	Oct 2021	Five-year low	Five-year high	Oct 2025	Oct 2026	One year	Five years
Dollars per pound	$1.370	$1.129 (Oct 2022)	$1.370 (Oct 2021)	$1.334	$1.329	−0.4%	−3.0%
Euros per pound	€1.181	€1.129 (Feb 2023)	€1.208 (Dec 2024)	€1.147	€1.187	+3.4%	+0.5%

Bank of England spot rates on 30 October 2026: $1.3397 and €1.2001.

WHAT A MOVE WOULD DO

- **Dollar costs.** If sterling fell 10% against the dollar, every £100k of dollar purchases would cost about £111k. Dollar sales would be worth about 11% more in pounds at the same time, so selling in dollars gives some natural cover. How much depends on how much each company buys and sells in each currency.
- **Brackwater.** Through suppliers: AV hardware is priced in dollars by the makers and invoiced in pounds by UK distributors, who pass on moves within a quarter or two.
- **New markets.** Neither company plans to trade in a new country in the forecast. Quarrow's export sales, about 30% of turnover, are invoiced in euros and pounds, so a stronger pound would cut what they are worth.

> **What it means for the business cash flow forecast.** The base case holds sterling at $1.33 and €1.19, with a test at $1.29 and €1.15 (page 63). Paying dollar suppliers from a dollar account funded by dollar sales, or fixing known payments with forward contracts, would reduce the risk. Both are worth discussing with your bank.

Sources: ECB euro reference rates, monthly averages; GBP/EUR = 1/(GBP per EUR), GBP/USD = (USD per EUR)/(GBP per EUR); read 3 November 2026; Bank of England spot rates. ONS sterling effective exchange rate index (BK67), September 2026.

Illustrative example · 3 November 2026

91. Government: public-sector demand and frameworks

Brackwater is on none of the public-sector AV frameworks I checked on 3 November 2026, so any public work it wins comes through subcontracts or quotes below tender thresholds. Framework values are ceilings and say nothing about actual spend.

Framework	Buyer	Status and dates	Brackwater on it?
Central government			
RM6377 Lot 8: Audio Visual Services	Government Commercial Agency (GCA)	Bids closed 2 October 2026; award March or April 2027	No
RM6116 Lot 4b: audio and video conferencing	GCA	To 17 July 2027	No
RM6098 TePAS 2, Lot 2 hardware; then RM6398 TePAS 3	GCA	Ends 9 October 2027; TePAS 3 notice expected January 2027, award August 2027	No
Education, councils and NHS			
AVI2007 AV supply, installation and maintenance	NEUPC, SUPC, LUPC, HEPCW	To 30 September 2028; 17 suppliers; £450m ceiling	No
Y24003 Audio-Visual Solutions	Kent County Council; schools and councils	To 31 July 2028; 20 suppliers; up to £200m	No
SBS10245 AV Solutions 2, Lot 2: conferencing rooms	NHS SBS	To 16 November 2027; 20 suppliers	No
205_26 Lot 2: AV and presentation equipment	ESPO	To 31 March 2030	No

TENDER FLOW AND SME TARGETS

On 3 November 2026 Find a Tender listed 74 "audio visual" opportunities, from a Middlesbrough Council AV system (£179,086) to a Science Museum Group AV partner contract (£8.28m). On 24 March 2026 the government set departments a target of over £7.4bn a year of direct spend with SMEs by 2028

What it means for Brackwater. My reading is that each framework will be re-tendered before it ends, so Brackwater should (recommendation 17):

1. November 2026: check Contracts Finder for past AV awards in Berkshire and London. Bids for RM6377 closed on 2 October 2026
2. January 2027: decide whether to bid for TePAS 3, the next central bid window for AV hardware
3. March to April 2027: when RM6377 Lot 8 is awarded, offer the winners subcontract installation work
4. 2027: prepare a bid pack (accounts, case studies, references) for the NHS SBS10245 replacement; the current one ends on 16 November 2027
5. 2028: bid for the Kent Y24003 and AVI2007 replacements; they end on 31 July and 30 September 2028

Sources: Find a Tender searches and listings (3 November 2026); GCA agreement pages (3 November 2026); NHS SBS and DfE Get Help Buying for Schools (3 November 2026); GOV.UK, SME spending targets (24 March 2026)

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92. Government: policy changes and support

Pay and metal are where policy hits cash: the National Living Wage rises 3.9% to £13.21 on 1 April 2027, and Quarrow may owe UK CBAM on steel and aluminium imports from 1 January 2027. The Budget of 28 October 2026 raised no headline NI or VAT rates.

Change	From	Affects	Effect on cash
Pay and employment			
National Living Wage £13.21, up 3.9%	1 Apr 2027	Both	Higher pay for the lowest paid
Employer NI: 15% above £5,000, Employment Allowance £10,500	In force	Both	Brackwater claims it; Quarrow cannot, as only one company in the group can (worth checking with your accountant)
Statutory sick pay from day one	6 April 2026	Both	More sick pay
Products and trade			
UK steel import duty: 50% above quota, tariff-free quota cut 51%	1 July 2026	Quarrow	Dearer metal (my reading)
UK CBAM on imports of aluminium, cement, fertilisers, hydrogen, iron and steel	1 January 2027	Quarrow	From 50 tonnes a year; first payment by 31 May 2028
EU CBAM extended to downstream goods, including base metal mountings (proposed)	1 January 2028	Quarrow's exports to the EU	Emissions data for each product; EU importers of 50 tonnes or less a year exempt
Payments, premises and tax			
Commercial Payments Bill: 60-day cap on payment terms	Not before mid-2027 (my reading)	Both	Faster payment by large customers
Business rates: 43.2p below £51,000 rateable value, 48.0p to £499,999	1 April 2026	Both	Check each bill
Companies House identity checks; software-only accounts	18 November 2025; April 2028	Both	No confirmation statement until all directors verify

SUPPORT WORTH CHECKING

- **R&D relief:** my reading is that Quarrow's £178k of 2025 development costs may qualify; worth checking with your accountant
- **Capital allowances:** the £1m Annual Investment Allowance and full expensing for tooling, demo kit and vans (checked 29 October 2026)
- **Export and lending support:** UKEF guarantees up to 80% (1 October 2026), relevant to Quarrow's exports; the Growth Guarantee Scheme up to £2m per business group (29 June 2026)

> **What it means for the business cash flow forecast.** Dated cash lines: payroll at the new National Living Wage from April 2027, employer NI at current rates, and business rates at the 2026 multipliers and, if Quarrow is in scope, UK CBAM by 31 May 2028.

Sources: GOV.UK / Low Pay Commission, October 2026; S&P Global, 25 June 2026; GOV.UK, Rates for the carbon border adjustment mechanism (CBAM), first published 16 October 2026; GOV.UK and HMRC, including Budget 2026 (28 October 2026); UK Parliament (10 June 2026); European Parliament Research Service, CBAM downstream extension (July 2026); UKEF (1 October 2026); British Business Bank (29 June 2026)

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93. Patents, designs and trade marks

Quarrow's frames and carts are protected by registered designs in its own name, but its one patent and Brackwater's trade mark sit with the holding company, and three renewals need checking (all entries fictional).

Type	Count	Holder shown	Expiry or renewal	Status
Design patents (US)	2	Quarrow Mounts Ltd	2031 and 2033	In force
Utility patents (US)	0	None	n/a	n/a
GB and EP patents	1 GB	Brackwater Holdings Ltd	Renewal due 14 June 2026	Fee not shown as paid; grace period to 14 December 2026
EU and UK registered designs	6	Quarrow Mounts Ltd	2027 to 2030	5 in force; 1 expired March 2026
Quarrow trade marks	2	Quarrow Mounts Ltd	2029 and 2031	Registered
Brackwater trade marks	1	Brackwater Holdings Ltd	2028	Registered

ITEMS THAT NEED ACTION

1. GB 2601234 (fictional), display frame for video bars: the renewal fee for year 6 was due on 14 June 2026; the last fee shown as paid was in June 2025
2. UK registered design 6123456 (fictional), mobile cart: expired on 2 March 2026 with no renewal recorded
3. EU design 001234567-0002 (fictional): renewal due 9 January 2027, not yet shown as paid

All 3 are worth checking with your patent attorney now.

4. The GB patent was filed in Sam Hale's own name in 2020 and assigned to Brackwater Holdings Ltd, not to Quarrow, which makes and sells the product
5. Brackwater's trade mark is held by Brackwater Holdings Ltd, while the website and invoices use Brackwater AV Ltd
6. UK mark QUARROW FLEX (fictional), cancelled on 4 August 2024 for non-renewal

NEW MARKETS

No new market is planned. A search of TMview for QUARROW in class 20 found no conflicting mark in Germany or the Netherlands, where Quarrow already sells (fictional search)

What it means.

- **The IP is a real asset.** Quarrow owns its designs. The patent and the Brackwater mark sit with the holding company, with no licence on file letting the trading companies use them.
- **Lenders and buyers will want a clean chain of title.** The GB patent and the Brackwater trade mark are the gaps; both can be assigned or licensed to the trading companies.
- In the export markets, Quarrow's EU designs and EU trade mark already cover the products it sells.

Not checked: None

Sources: Google Patents, UKIPO, EUIPO eSearch plus, TMview, DesignView (not an official register), WIPO Global Brand and Design Databases and USPTO TSDR, all accessed 3 November 2026.

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APPENDIX 3

Definitions and sources

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94. Definitions and sources

DEFINITIONS

Net assets: total assets less total liabilities. **Current ratio**: current assets divided by creditors due within one year. **Quick ratio**: the same, leaving out stock. **Profit retained**: the change in the profit and loss reserve, which is profit after tax less dividends. **Minimum, from retained profit**: a return measured from the change in net assets, which leaves out any dividends, so the true return is at least this. **Return on equity (change in equity)**: the change in net assets in the year divided by net assets at the start of the year. **Cash bridge**: a short monthly table that starts with profit and ends with the change in the bank balance, showing each step between: debtors, stock, creditors, customer deposits, tax, equipment and money lent to or from related companies. **Estimated profit after tax**: the change in equity plus dividends paid, less new shares issued, plus shares bought back. **Return on invested capital (ROIC)**: the profit measure divided by capital invested at the start of the year, measured as equity plus debt (including loans from group and related companies) less cash. **Capital in the company's own business**: capital invested less amounts lent to related and group companies. **Return on own-business capital**: the same profit measure divided by this capital, so it shows how the trading business does before any lending. **Free cash flow to the firm**: the profit measure, less the increase in working capital and in net fixed assets (capital spending less depreciation), before bank loans and money lent to or from related companies. Small-company accounts do not show interest, so it is after any interest paid. On the minimum basis, from retained profit, it is also after any dividends, because they sit inside the change in net assets. **Cash return on invested capital**: free cash flow divided by the capital in the company's own business at the start of the year. **Cost of equity**: the return a shareholder needs for the risk of owning the business. **Cost of capital (WACC)**: the return needed on all the money in the business, from shareholders and lenders together. **Asset beta**: how much a sector's shares move with the stock market, with the effect of borrowing taken out. **Equity risk premium**: the extra return investors expect from shares over government bonds. **Small-company premium**: an extra return for the higher risk of a small private company. **Company-specific premium**: an extra return for risks particular to one company, such as reliance on its owners or on related-company funding. **Winsorised**: extreme values pulled in to the 1st and 99th percentiles before a median is taken. **Google Trends index**: search interest relative to the busiest week for that term in that country over the period (100). It does not count searches.

Scorecard thresholds: my rules of thumb for a small private company, set against what UK credit agencies and lenders weigh, giving the green, amber and red band for each measure (page 10); grey means the data to score it is not yet in hand. **Scorecard overrides**: an insolvency notice in the last 24 months, a going-concern material uncertainty or accounts overdue turn a company's whole scorecard red. **Net borrowing ÷ EBITDA**: bank debt, leases and related-company funding less cash, divided by the underlying EBITDA a cautious lender accepts. **Debt service cover**: cash available after tax and capital spending, divided by the loan repayments and interest due in the year. **County Court Judgment (CCJ)**: a court order to pay a debt, kept on the Registry Trust register for six years unless paid within a month. **Business-in-difficulty test**: for a limited company, accumulated losses above half the share capital; it can block government-backed lending such as the Growth Guarantee Scheme. **Transferability**: whether the business would keep its customers and keep running without one person: the largest customer's share of sales, the top three's share, and dependence on the owner or another key person. **P, E and M**: the basis of each figure or assumption: P public record, E my estimate, M management (the company's own records or plans). **Quality of earnings**: how much of the profit is real, recurring and turns into cash; six tests from the public record and one from the forecast (page 33). **Accruals ratio**: the increase in working capital and other debtors divided by average total assets, a balance-sheet measure of profit not backed by cash (Sloan, 1996). **Quality of the accounts**: seven tests from the public record: profit and loss account, balances explained, figures consistent between filings, required disclosures, balances between the companies, timeliness and independent check (page 35). **Net debt and debt-like items**: bank debt, related-company funding, tax owed and similar claims, less cash; what a buyer deducts from the price (page 39). **Normal working capital**: the level of working capital a buyer expects to be left in the business. **Deferred income**: money received from customers before the work is done or the goods delivered, also called deferred revenue; a buyer is likely to treat customer deposits as debt-like. **Reverse stress test**: the fall in sales, held from the forecast start, that would take cash to nil. **Borrowing**: bank loans and overdrafts, leases and hire purchase, and funding from group and related companies. **Outside creditors**: creditors due within a year, less amounts owed to group and related companies. **Cash conversion**: free cash flow divided by profit, both before dividends; the dividends paid in the full accounts are added back to both. **Altman Z'' score**: 6.56 × (current assets − creditors due within a year) ÷ total assets + 3.26 × profit and loss reserve ÷ total assets + 6.72 × retained profit ÷ total assets + 1.05 × net assets ÷ total liabilities; above 2.60 safe, 1.10 to 2.60 grey, below 1.10 distress. Altman's model for non-manufacturers, indicative here because it was built on larger companies. **Five Cs of credit**: character, capacity, capital, collateral and conditions, the headings a lender uses to judge a borrower. **Debt capacity (indicative)**: the borrowing that the average retained profit, less capitalised development, would support over 5 years at 1.25x debt service cover and the cost of debt r: (retained profit ÷ 1.25) × (1 − (1 + r)$^{-5}$) ÷ r. **Net working capital**: stock, trade debtors and prepayments, less trade creditors, accruals and deferred income, and VAT and PAYE owed. **Debtor, stock and creditor days**: trade debtors ÷ turnover × 365; stock ÷ cost of sales × 365; trade creditors ÷ cost of sales × 365. **Cash conversion cycle**: debtor days plus stock days less creditor days, the time cash is tied up in trading. **Group complexity**: eight tests from the public record on how many companies sit under common control, the layers of ownership, the balances, guarantees, assets and trading between them, and filing discipline; any red test is red (page 26). **Position among peers**: where a company ranks in the peer set on a balance-sheet or per-employee ratio, counted from the better end where there is one (page 97). **Records review**: eleven checks on the companies' own records, the first a buyer's or lender's accountants make (page 41). **Full accounts**: the accounts with the profit and loss account, before they are abridged for filing. **Cash proof**: the cash expected from the sales and purchase ledgers, allowing for VAT and for what was owed at each end of the year, against the bank statements. **Normal level of working capital**: the average of the last 12 month ends; the price is adjusted for the gap at completion. **Debt-like items**: claims a buyer deducts from the price like debt, in ICAEW Guideline 64's three groups: debt, usually debt-like and may be debt-like. **Locked box and leakage**: a price fixed on the last balance sheet, with anything paid to the sellers after it repaid pound for pound. **Revenue cut-off**: whether sales are recorded in the year the work was done or the goods delivered. **Section 455 tax**: 33.75% tax on a loan to a director-shareholder not repaid within nine months of the year end, refunded when it is repaid. **Time to Pay**: an agreement with HMRC to pay tax arrears in instalments. **Indicative value range**: published multiples of EBITDA for small-company deals, applied to underlying EBITDA, less net debt and debt-like items, plus or minus working capital against normal; not a formal valuation. **Enterprise value**: the value of the business before its debt and cash. **Data room**: the folder of documents a buyer's advisers review, opened after a confidentiality agreement.

SOURCES

Company accounts filed at Companies House: Brackwater AV Ltd (Fictional), years to 31 December 2018 to 2025; Quarrow Mounts Ltd (Fictional), years to 31 December 2020 to 2025. Fictional example data: the companies and their figures are invented. Register checks read 3 November 2026.

Peers: fictional examples built for this template.

Cost of capital: OECD long-term interest rates, UK 10-year government bond yield (FRED series IRLTLT01GBM156N), monthly, annual averages computed; read 3 November 2026; Bank of England, Bank Rate history (bankofengland.co.uk/boeapps/database/Bank-Rate.asp), read 3 November 2026; Damodaran, Country default spreads and risk premiums, updated 5 January 2026; Damodaran, Betas by sector (US), data as of January 2026; unlevered beta corrected for cash.

Credit and funding: British Business Bank, Small Business Finance Markets 2025/26, March 2026; Growth Guarantee Scheme (GGS): British Business Bank, Growth Guarantee Scheme page, read 3 November 2026 and British Business Bank GGS data, May 2026; UK Export Finance General Export Facility: UK Export Finance, General Export Facility page, updated 2 October 2026 and British Business Bank, 12 July 2026; Help to Grow: Management: Small Business Charter, Help to Grow: Management course FAQs, read 4 November 2026; Altman, Hartzell and Peck (1995) and Altman (2000), the Z'' model for non-manufacturers; HM Treasury, Commercial Credit Data Sharing review (2024); Department for Business and Trade and Ipsos, Help to Grow: Management evaluation (June 2026).

Quality of earnings and sale: Sloan (1996), The Accounting Review; Minnis (2011), Journal of Accounting Research; Axial (2025), Dead Deal Report; BDO (2025), Valuation Drivers; ICAEW Corporate Finance Faculty, Best-Practice Guideline 64; PitchBook LCD; Bhardwaj, Gupta and Howell (2025), NBER Working Paper 33435; Companies Act 2006, sections 386 to 388, 830 and 836; GOV.UK corporation tax rates and marginal relief.

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Checks: every balance sheet balances and every note agrees to its balance sheet line; every rebuilt cash flow agrees to the change in cash to the pound.