

CASE STUDY · CASH-FLOW FORECAST

Fenwold Living Ltd

Twelve-month cash-flow forecast and 13-week cash flow for 2027, supporting a request to replace a £25k overdraft with a £175k seasonal revolving credit facility to fund the autumn stock build

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1. Summary and recommendation

Fenwold Living Ltd sells its own-brand homeware (tableware, textiles, lighting and seasonal decorations) online through its Shopify website (55% of sales) and on Amazon (45%), from a leased warehouse unit in Crawley with seven staff. Forecast sales for 2027 are £1,200k, with 46% falling in October to December. Most stock is made in China and India and must be ordered about four months before it is sold: a 30% deposit when the order is placed and the balance when the container ships. So the business pays for its Christmas range between July and October, months before the customer pays for it.

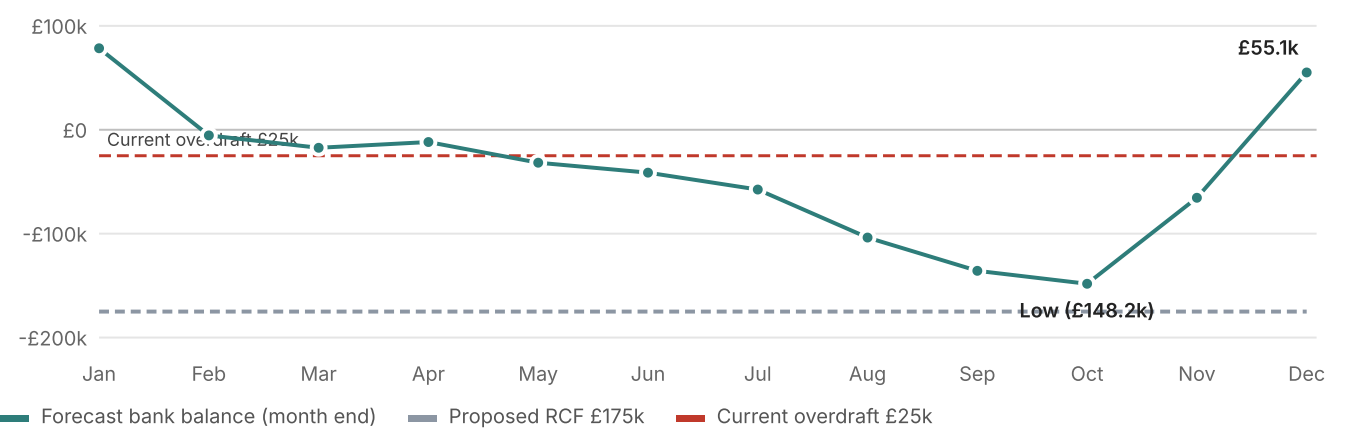
(£148.2k)
Lowest month-end balance
(Oct 2027)

(£167.4k)
Weekly low if one Amazon
settlement is a week late (w/c
11 Oct)

£175k
Facility requested (peak need
plus 15% headroom)

£55.1k
Forecast balance at 31
December 2027

FORECAST BANK BALANCE AGAINST THE CURRENT AND PROPOSED FACILITY



WHAT THE FORECAST SHOWS

- The business is profitable (forecast profit before tax £65k), but the current £25k overdraft is exceeded in 7 of the 12 months. The peak need is (£148.2k) at the end of October, when the last Christmas balances, the freight and duty bill and the £8,393 corporation tax payment all fall due together.
- The need is seasonal and self-liquidating: Black Friday and Christmas takings clear it within eight weeks, and the account is £55.1k in credit at 31 December, before the £85,459 Christmas-quarter VAT payment in February 2028.
- The same pattern repeats every year: the lowest balance is (£145k) in 2028 and (£114k) in 2029 (section 3). That is why a committed revolving facility fits better than an overdraft that is renewed annually and repayable on demand.

Recommendation: replace the £25k overdraft with a £175k revolving credit facility, committed for three years and drawn from June to November, priced at about Bank Rate plus 5.5%. Keep two levers in reserve: ask the two main suppliers to cut deposits from 30% to 20% on the Christmas orders, and move the September dividend to December. Section 7 compares the RCF with specialist stock finance.

2. Basis of preparation and key assumptions

The forecast is prepared on a receipts-and-payments basis, month by month, from the 2026 management accounts, the Shopify and Amazon settlement reports, the 2027 buying plan and open purchase orders. Stock is bought against the buying plan, which is set from the sales forecast four, two and one months ahead, so the Christmas range is committed and paid for during the summer, before anyone knows how Christmas will trade. Figures include VAT where it is paid or collected.

Area	Assumption	Basis
Sales	£1,200k for 2027 (net of VAT and returns), 5% above 2026; 46% in Q4, with November alone 20% of the year because of Black Friday	Directors' forecast and two years of Shopify and Amazon data; ONS: Black Friday lifted unadjusted retail volumes 11.9% in November 2025
Own website (Shopify)	Paid by card through Shopify Payments; payouts within 2–3 working days (97% in the month); card fees 2% of takings	Shopify Payments payout schedule; company's 2026 statements
Amazon	Settled every 14 days with a rolling reserve: 55% received in the month, 45% the next. Amazon deducts its fees before paying: referral, FBA fulfilment, storage and sponsored ads total about 27% of the VAT-inclusive price, plus VAT on the fees	Amazon UK: most referral fees 8–15% (Home Products 8% up to £20 from 5 Jan 2026); FBA storage £0.76 per cu ft a month, £1.37 Oct–Dec
Cost of stock	Landed cost 40% of net sales: 80% paid to the supplier (30% deposit at order, four months before sale; 70% on shipment, two months before), 20% freight, duty and clearance on arrival	Supplier terms; freight forwarder quotes; UK Global Tariff (ceramic tableware from China also carries anti-dumping duty)
Import VAT	Accounted for under postponed VAT accounting: declared and reclaimed on the same VAT return, so no cash is paid at the border	HMRC, Check when you can account for import VAT on your VAT Return
Fulfilment	Website orders picked by the company's own staff and sent by courier: 9% of website sales plus VAT; Amazon orders are fulfilled by FBA	2026 management accounts
Marketing	Google and Meta advertising 8% of website sales (reverse-charge, so no VAT cash); Amazon sponsored ads are inside the Amazon fee line	2026 management accounts
Payroll	Seven staff (two directors), net pay £15.0k a month; two temporary packers in November and December	Payroll records; employer NIC 15% above £5,000 less £10,500 Employment Allowance
VAT returns	Quarterly to March, June, September and December; paid one month and seven days after the quarter end. The Christmas quarter is the largest, paid in February	HMRC
Facility pricing	Bank Rate 3.75% plus 5.5% margin (9.25%) on the drawn balance; arrangement/renewal fee 1.5% of the current limit	Bank of England Bank Rate 3.75% (held 6–3 on 17 Sept 2026); bank-style stock and working-capital loans typically 8–16% a year
Corporation tax	Year to 31 December, paid on 1 October the following year, which lands in the same month as the stock peak	CT rates: 19% to £50k, 25% above £250k, marginal relief between
Dividends and loan	Directors' dividends of £10,000 a quarter; existing term loan £1,600 a month, repaid by December 2028	Directors; loan agreement

Currency. Suppliers invoice in US dollars. The base case assumes the rate in the buying plan is achieved through forward contracts placed when each order is confirmed. Section 6 shows the effect of sterling falling 10% on unhedged orders.

3. Monthly cash-flow forecast, January to December 2027

£'000	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2027	2028	2029
Receipts															
Own-site takings (Shopify)	50.0	38.6	46.0	48.8	48.8	45.0	44.9	48.7	57.8	73.4	153.3	136.6	791.8	839.3	886.8
Amazon settlements (net of fees)	46.6	23.5	23.6	26.4	27.0	25.8	24.8	26.0	29.8	36.9	65.8	80.1	436.4	462.3	488.6
Total receipts	96.6	62.0	69.5	75.1	75.9	70.8	69.7	74.7	87.6	110.4	219.1	216.7	1,228.2	1,301.6	1,375.4
Payments															
Stock: supplier deposits (30% at order)	7.1	6.5	6.5	7.1	8.4	10.8	22.7	19.8	7.3	5.9	7.1	7.5	116.8	123.7	129.0
Stock: supplier balances (70% at shipment)	15.7	16.6	16.6	15.2	15.2	16.6	19.7	25.1	52.9	46.1	17.1	13.8	270.5	286.7	301.1
Stock: freight, duty and clearance	4.6	5.6	5.9	5.9	5.4	5.4	5.9	7.0	9.0	18.9	16.5	6.1	96.3	102.1	107.5
Fulfilment and couriers (own site)	4.3	3.4	4.2	4.4	4.4	4.0	4.0	4.4	5.2	6.7	14.0	12.2	71.3	75.6	79.8
Card fees (Shopify Payments)	1.0	0.8	0.9	1.0	1.0	0.9	0.9	1.0	1.2	1.5	3.1	2.7	15.8	16.8	17.7
Online advertising (own site)	3.2	2.6	3.1	3.3	3.3	3.0	3.0	3.3	3.9	4.9	10.4	9.1	52.8	56.0	59.1
Net wages	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	19.2	19.2	188.4	194.1	199.7
PAYE, NIC and pension	5.2	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	5.2	56.8	58.5	60.2
Warehouse rent, rates and utilities	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	64.4	66.3	68.2
Software, insurance and overheads	2.8	2.8	7.6	5.9	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	41.8	43.0	44.3
Dividends	–	–	10.0	–	–	10.0	–	–	10.0	–	–	10.0	40.0	40.0	40.0
Existing term loan	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	19.2	19.2	–
Corporation tax	–	–	–	–	–	–	–	–	–	8.4	–	–	8.4	13.5	17.9
VAT to HMRC	–	81.0	–	–	28.5	–	–	30.5	–	–	33.3	–	173.3	183.7	194.8
Facility interest and fees	0.4	–	–	0.1	0.1	0.2	0.3	0.4	0.8	1.0	1.1	0.5	5.1	4.6	2.8
Total payments	66.1	145.9	81.5	69.6	95.8	80.4	86.0	121.0	119.6	122.9	136.3	96.1	1,221.0	1,283.6	1,322.2
Net cash flow	30.4	(83.9)	(11.9)	5.5	(19.9)	(9.6)	(16.3)	(46.2)	(32.0)	(12.5)	82.8	120.6	7.1	18.0	53.2
Opening balance	48.0	78.4	(5.4)	(17.4)	(11.8)	(31.7)	(41.3)	(57.5)	(103.7)	(135.8)	(148.2)	(65.5)	48.0	55.1	73.1
Closing balance	78.4	(5.4)	(17.4)	(11.8)	(31.7)	(41.3)	(57.5)	(103.7)	(135.8)	(148.2)	(65.5)	55.1	55.1	73.1	126.4
Lowest month-end balance													(148.2)	(145.4)	(114.0)
Headroom / (excess) against £25k overdraft	103.4	19.6	7.6	13.2	(6.7)	(16.3)	(32.5)	(78.7)	(110.8)	(123.2)	(40.5)	80.1			
Headroom against proposed £175k RCF	253.4	169.6	157.6	163.2	143.3	133.7	117.5	71.3	39.2	26.8	109.5	230.1			

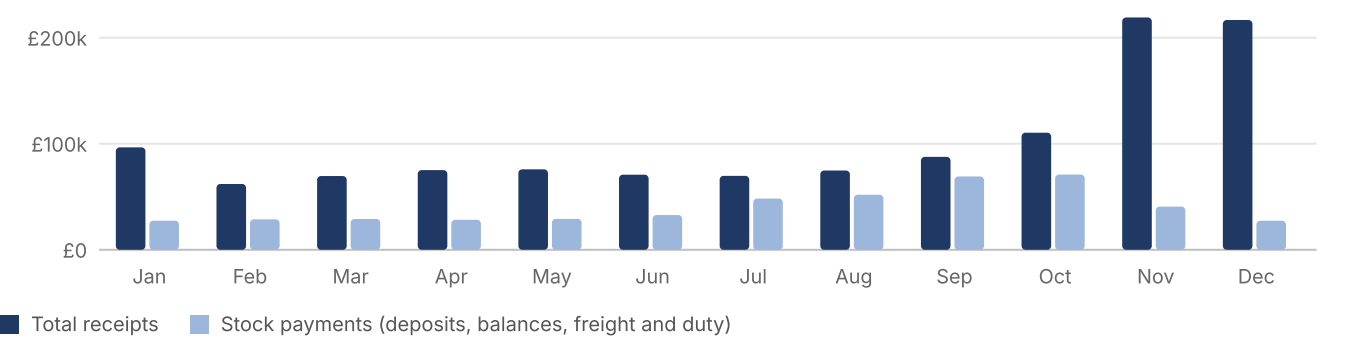
Receipts include VAT. Amazon settlements are shown after Amazon's fees and the VAT on them. Figures in brackets are payments out or negative balances. The February VAT payment is for the Christmas quarter of 2026; May, August and November are the 2027 quarters. Import VAT is accounted for on the VAT return under postponed accounting and has no cash effect. The 2028 and 2029 columns are annual totals on the assumptions in the appendix: sales up 6% a year, pay and overheads up 3% a year, the term loan repaid in December 2028, and corporation tax on 2027 and 2028 profits paid in October 2028 and 2029.

BEYOND 2027

The facility is cleared every December and redrawn every summer. The lowest month-end balance is (£145k) in 2028 and (£114k) in 2029. Growth adds to the stock build each year, but retained profits and the end of the term-loan repayments more than offset it, so the peak need eases in 2029. The facility is a seasonal working-capital line, not long-term borrowing.

4. The stock cycle, channels and the tax calendar

RECEIPTS AGAINST STOCK PAYMENTS, 2027



From June to October stock payments take £273k of the £413k received, about 66%, which leaves too little to cover wages, overheads, VAT and tax, so the balance falls every month. In November and December the position reverses: £436k comes in against £68k of stock payments.

PAYMENTS TO HMRC

Month	PAYE, NIC, pension	VAT	Corporation tax	Total
Jan	£5,154	–	–	£5,154
Feb	£4,650	£81,001	–	£85,651
Mar	£4,650	–	–	£4,650
Apr	£4,650	–	–	£4,650
May	£4,650	£28,486	–	£33,136
Jun	£4,650	–	–	£4,650
Jul	£4,650	–	–	£4,650
Aug	£4,650	£30,541	–	£35,191
Sep	£4,650	–	–	£4,650
Oct	£4,650	–	£8,393	£13,043
Nov	£4,650	£33,314	–	£37,964
Dec	£5,154	–	–	£5,154
Year	£56,808	£173,342	£8,393	£238,543

PAYE and NIC are paid by the 22nd of the following month; VAT one month and seven days after each quarter; corporation tax on 1 October for the previous calendar year.

WEBSITE AGAINST AMAZON

2027, £	Own website	Amazon
Sales including VAT	£792,000	£648,000
Channel costs (incl. VAT)	(£139,920)	(£209,952)
Channel costs as % of VAT-inclusive sales	17.7%	32.4%
Days from sale to cash (average)	1	16

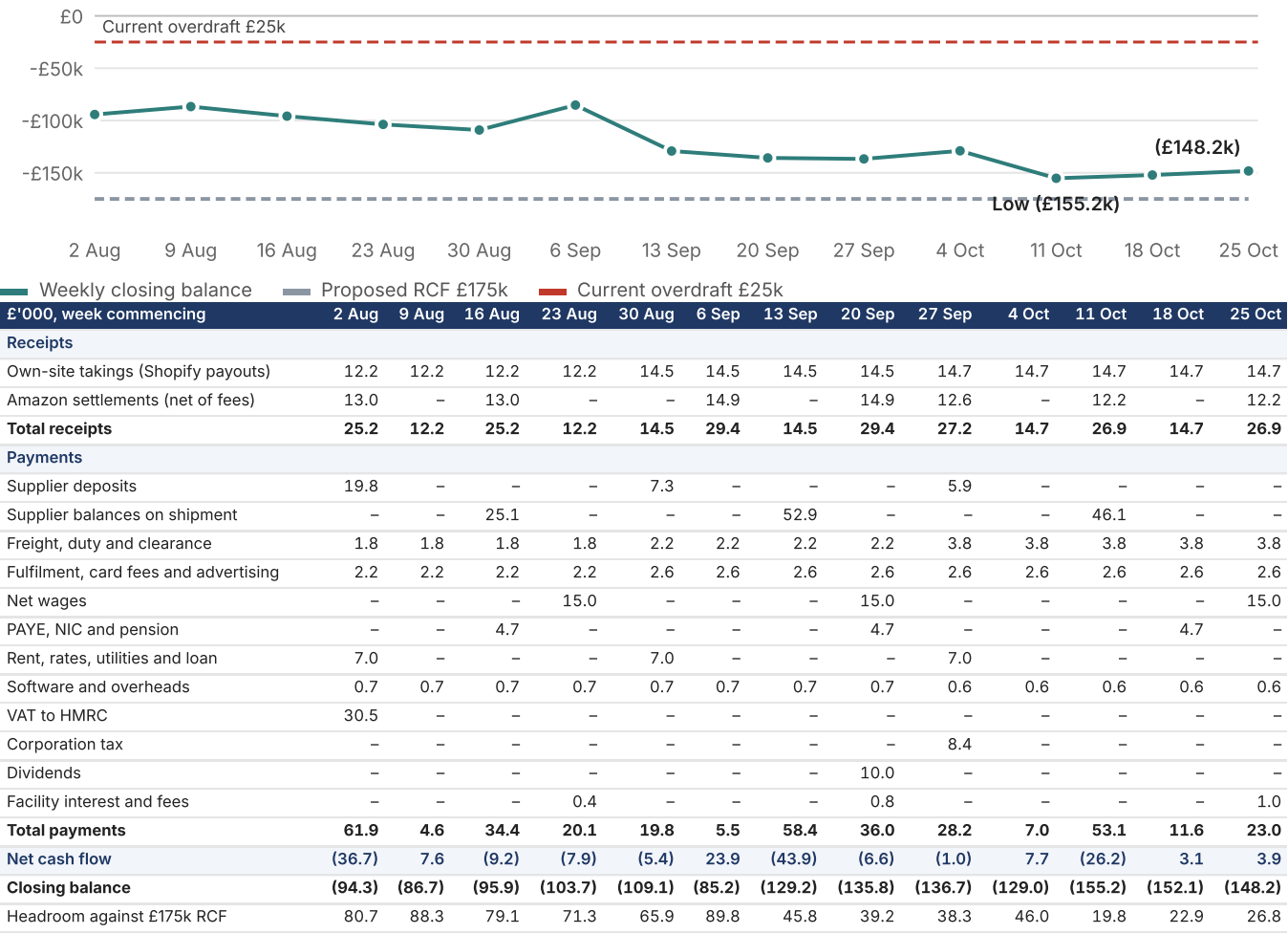
Amazon costs more per sale and pays later, but it brings customers the website cannot reach and FBA removes packing at peak. Both channels are cash-positive within three weeks of the sale, so the funding need comes from the stock cycle, not from customers.

WHY THE PEAK FALLS IN OCTOBER

October is when three things land together: the 70% balances on the containers for December, freight and duty on the November arrivals, and corporation tax for 2026. Moving the corporation tax date is not possible, but the business can change the first two, through supplier terms or by shipping part of the Christmas range earlier in the summer when freight is cheaper.

5. Thirteen-week cash flow, August to October 2027

The weekly view covers the three months when the facility is most heavily used. It shows the timing inside each month: supplier deposits, rent, the loan and VAT go out in the first week, container balances in the middle of the month, wages in the last week, while Amazon pays every second week and website takings arrive daily. The weekly figures reconcile to the monthly forecast, and the opening balance is the forecast overdrawn balance of £58k at 31 July.



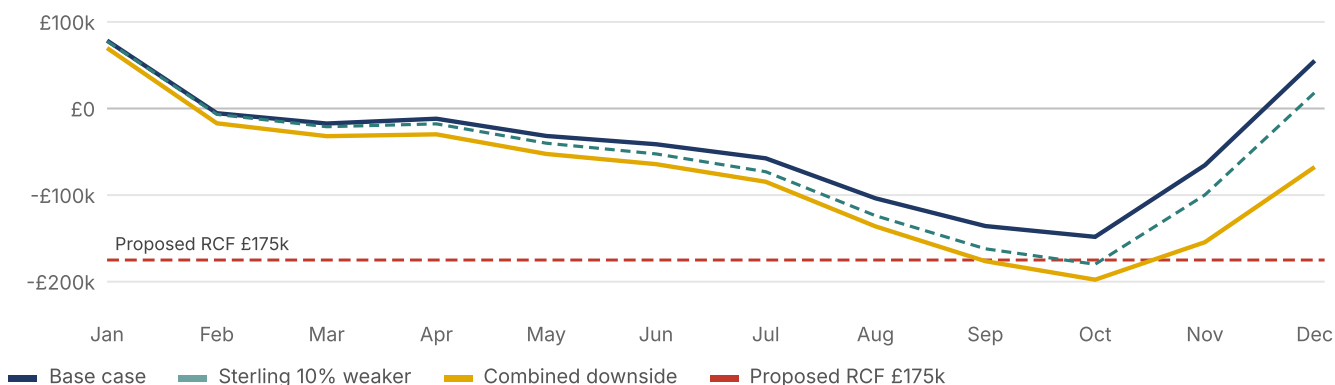
What the weekly view adds: the lowest weekly balance is (£155.2k) in the week commencing 11 Oct, below the month-end low of (£148.2k), because the £46k of container balances is paid in the middle of the month, before October's takings have built up. If the Amazon settlement of about £12k due in the week commencing 11 Oct arrived a week late, the balance would touch (£167.4k). The requested £175k facility covers that with £7.6k of headroom.

6. Scenarios and sensitivity

Each scenario changes one assumption from the base case with everything else held constant, from January 2027. The combined downside applies the three risks the directors consider most likely together.

Scenario	Peak need	Month	Months over £175k	Balance 31 Dec	Interest and fees
Base case	(£148.2k)	Oct	0	£55.1k	£5,141
Christmas sales 15% below plan (Nov–Dec)	(£148.2k)	Oct	0	£0.4k	£5,339
Sterling 10% weaker against the dollar	(£179.9k)	Oct	1	£18.4k	£6,362
Container freight and duty up 25%	(£167.2k)	Oct	0	£30.2k	£5,954
Amazon holds settlements longer (account review)	(£166.1k)	Oct	0	£18.5k	£6,271
Bank Rate 4.0% (next MPC decision 5 Nov 2026)	(£148.3k)	Oct	0	£55.0k	£5,273
Combined downside (sterling, Amazon delay, Christmas –15%)	(£197.7k)	Oct	2	(£67.6k)	£7,659

MONTH-END BALANCE: BASE CASE, WEAKER STERLING AND COMBINED DOWNSIDE



READING THE SCENARIOS

- **Currency is the biggest single risk to the peak.** A 10% fall in sterling on unhedged orders adds £31.7k to the peak need and cuts the gross margin by about 3.2% of sales. This is why the buying plan books forward contracts when each order is confirmed.
- **A weak Christmas does not change the October peak,** because the stock is already paid for, but it leaves £55k less cash at the year end and unsold stock to clear in the January sale.
- **An Amazon account review** that holds back settlements adds £17.8k to the peak. Keeping the account healthy (on-time dispatch, low defect rate) is a cash-flow control as well as a sales one.
- **Freight matters less than currency, and interest rates hardly at all:** freight and duty up 25% adds £18.9k, and a quarter-point rise in Bank Rate costs about £131 a year.
- **Combined downside:** the peak need is (£197.7k), which the proposed £175k facility does not cover on its own: it falls £23k short. Options C and D in section 7 release about £28k, which closes that gap without further borrowing.

7. Funding options and returns

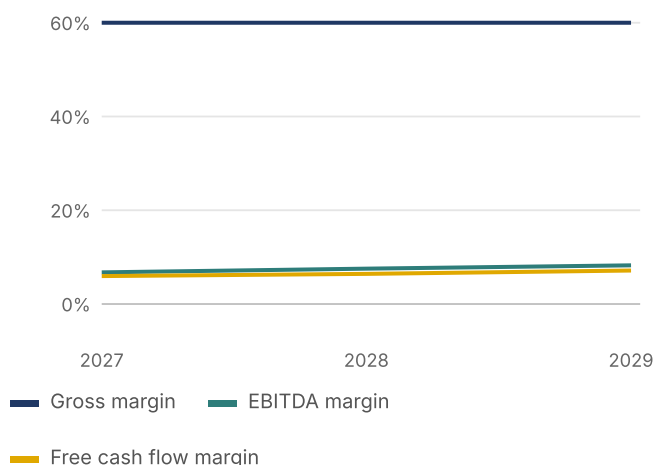
The need peaks in October, reverses by December and recurs each year. That is the profile of a seasonal working-capital line. The options below are costed on the same forecast.

Option	Extra cash at the October peak	Annual cost (approx.)	For	Against
A. Revolving credit facility £175k, 3-year committed	£150k	£7,766	Committed, so not repayable on demand; interest only on what is drawn; matches the yearly cycle	Arrangement fee; covenants (typically interest cover and a clean-down period); directors' guarantee likely
B. Specialist stock finance	£84k	£5,046	Lends 50–80% against stock in the warehouse; grows with the buying plan	1–3% a month; audit fees and a charge over the goods; slow-moving and seasonal lines get lower advances
C. Supplier deposits cut from 30% to 20% on Christmas orders	£18k	Possibly 1–2% on price	No borrowing; suppliers value a reliable buyer	Needs negotiation; may need a letter of credit for new suppliers
D. Move the September dividend to December	£10k	–	No cost	Directors' personal cash flow
E. Revenue-based finance (Amazon or Shopify capital)	Varies	Fixed fee typically 6–15% of the advance	Fast; repaid from a share of sales	Expensive; takes cash at the Christmas peak when it is most needed

Recommended package: option A (a £175k RCF) as the core facility, with C and D held in reserve. Stock finance (B) is the fallback if the bank wants security over the stock rather than a debenture. Option E is not recommended. Forecast 2027 EBITDA of £81k covers facility and loan interest about 12 times.

PROFIT, FREE CASH FLOW AND RETURN ON CAPITAL

£	2027	2028	2029
Sales	£1,200k	£1,272k	£1,344k
Gross profit (after landed cost of stock)	£720k	£763k	£806k
Gross margin	60%	60%	60%
EBITDA	£81k	£96k	£111k
EBITDA margin	6.7%	7.5%	8.2%
Profit before tax	£65k	£82k	£99k
Corporation tax charge	(£13k)	(£18k)	(£22k)
Free cash flow	£71k	£82k	£96k
Free cash flow margin	6.0%	6.4%	7.1%
Capital invested at 1 January: shareholders' funds	£150k	£162k	£185k
plus term loan and facility drawn	£38k	£19k	£0k
less cash at bank	(£48k)	(£55k)	(£73k)
Total capital invested (equity plus debt less cash)	£140k	£126k	£112k
NOPAT (profit before interest, less tax)	£59k	£69k	£79k
Return on invested capital (NOPAT ÷ capital)	42%	55%	71%



Free cash flow is cash from trading after tax, before dividends, loan repayments and facility costs; it includes the build-up of stock as the business grows. Capital invested is measured from the financing side: shareholders' funds plus the term loan and any facility drawn, less cash, at 1 January. Because the business is cash-rich at each year end, capital invested is low and ROIC is high. On the average capital used through the year, including the autumn peak, returns are lower but still well above the cost of the facility.

Appendix: costs, pricing and sources

OPERATING COSTS

Cost	2027 basis	Monthly (£)	Notes
Warehouse unit, Crawley (6,000 sq ft)	Lease to 2030	3,400 + VAT	Business rates £780; utilities £420 + VAT
Staff	Seven, including two directors	19,650	Net pay, PAYE/NIC and pension; two temporary packers Nov–Dec at £4,200 a month
Software and apps	Shopify plan, apps, accounting, inventory system	1,150 + VAT	Amazon Professional seller plan £25 + VAT included
Accountancy, insurance, sundry		1,200 + VAT	Year-end accounts £2,600 in April; insurance £4,800 in March
Term loan	Existing loan to Dec 2028	1,600	Interest about £1,800 in 2027

PRICING OF THE FACILITY

The RCF is modelled at Bank Rate plus 5.5%, charged monthly on the drawn balance, with a 1.5% fee. Published planning ranges for bank-style stock and working-capital loans are about 8–16% a year, and specialist inventory lenders charge 1–3% a month. A margin of 5.5% is realistic for a profitable company with three years of filed accounts and clean Amazon and Shopify settlement histories; a weaker credit would sit nearer the top of the range or be offered stock finance instead.

2028 AND 2029

The annual columns assume sales growth of 6% a year with the same seasonal pattern and channel mix, pay and overheads rising 3% a year, the same buying terms and dividend policy, the term loan repaid by December 2028, and corporation tax at the 2026/27 rates.

HOW THIS FORECAST WAS PREPARED

Gregory Analytics builds each forecast from the client's own management accounts, bank statements, Shopify and Amazon settlement reports and purchase orders, so every line can be traced and updated. The pack for the bank includes the monthly forecast, the 13-week cash flow, the buying plan, an integrated profit and loss and balance sheet, and the scenarios above. A real forecast is agreed with the directors line by line before it goes to the bank.

Sources. Bank of England, Monetary Policy Summary, 17 September 2026: Bank Rate maintained at 3.75% (vote 6–3, three members preferring 4.00%); next decision 5 November 2026. · ONS, Retail sales, Great Britain: November 2025: online share of sales 28.6%; unadjusted volumes up 11.9% in November ("a fairly typical Black Friday effect"). · Amazon, Selling on Amazon UK – pricing (sell.amazon.co.uk/pricing, October 2026): Professional plan £25 a month; most referral fees 8–15%; Home Products 8% up to £20 from 5 January 2026; FBA storage £0.76 per cu ft a month (Jan–Sep) and £1.37 (Oct–Dec); FBA parcel fees cut by an average of £0.26 from 15 December 2025. · HMRC, Check when you can account for import VAT on your VAT Return (gov.uk, postponed VAT accounting). · HM Government, Trade Remedies: anti-dumping duty on ceramic tableware and kitchenware from China (gov.uk notices; UK Integrated Online Tariff update, 25 November 2025). · Funding Agent, Stock finance interest rates (14 August 2026): bank-style stock loans about 8–16% a year, specialist inventory lines 1–3% a month, advances 50–80% of eligible stock. · HMRC, Rates and thresholds for employers 2026 to 2027; corporation tax rates and marginal relief.

Fenwold Living Ltd is a fictional company. All trading figures are invented for illustration; the fees, rates, rules and statistics quoted are real and dated.