GREGORY ANALYTICS

Financial, business and due diligence review

Thornbury Foods

The accounts and the company's own records checked the way a lender or buyer will, with a 36-month business cash flow forecast

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Prepared for Neil Thornbury by Simon Gregory ACA, Chartered Accountant, Gregory Analytics. November 2026.

ILLUSTRATIVE EXAMPLE. FICTIONAL BUSINESS. A limited-scope financial due diligence built from the companies' own records received on 29 October 2026, the accounts filed at Companies House, public registers and published data. It is not an audit and not a formal valuation.

Important notice

Please read this before relying on anything in the report.

WHO IT IS FOR

I prepared this report for Neil Thornbury, as managing director of Thornbury Foods 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 Thornbury Foods 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 44, 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 (Part B, with the due diligence on the records in Part C). 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 59).
- 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 51), 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 55) 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 C) and the normalised earnings pages.

INDEPENDENCE

I have no family, financial or business link with the company or its 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.

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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 9) and the recommendations (page 12). Then: Part B, financial and business analysis, with the lender-ready review; Part C, due diligence on the records; Part D, business cash flow forecast, 2027 to 2029. 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 76.

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PART A

Summary and recommendations

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Summary: the verdict

The verdict. Thornbury is a sound, profitable wholesaler whose records broadly stand up, but its monthly accounts flatter the year end: December 2025 EBITDA was £40k (12%) higher than the full accounts, mostly because stock was not counted. A lender will look first at Customer A, 30% of sales, and at the tight cash in November. The fixes are a monthly stock count and a facility sized to the pre-Christmas low point before the coronavirus loan ends.

£922k
Thornbury net assets, Dec 2025 (2019: £635k)

£194k
Cash, Dec 2025 (Dec 2024: £171k)

£20k
Other debtors not explained in the accounts

–
Owed to group and related companies, due within a year

What each part of the report found is on page 7. The 5 findings behind this verdict are on page 8, the top eight risks and actions on page 11, and the scorecard on page 9. How a lender will read the company, and the funding options, are on pages 37 and 41.

Sources: accounts filed at Companies House, as listed on page 76. 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 business and its market.** Eating out is steady in value but restaurants are under pressure from pay and rents, so demand for a reliable local wholesaler holds up while customer credit risk rises. Over the next three years Thornbury's growth comes mostly from Customer A's new sites, and its risk from customers failing. (pages 16 to 19)
2. **Earnings, cash flow and balance sheet quality.** Thornbury's underlying EBITDA is £242k, a cut of £45k on the reported figure. Only part of the profit has translated into cash. Thornbury's free cash flow was 68% of its profit from 2020 to 2025, both before dividends (page 23). On the public record, Thornbury's accounts score amber: lawful, but they leave a reader with questions. (pages 20 to 28)
3. **Returns on capital.** Thornbury's returns beat its cost of capital. On the full accounts, Thornbury earned about 22.2% a year on its capital from 2021 to 2025, against a cost of capital of about 12.5%, and about 22.2% on the capital in its own business. (pages 32, 33 and 71). (pages 29 to 33)
4. **Risks.** Most of the biggest risks are about Customer A, customers failing, and thin margins. (pages 34 to 36)
5. **Lender-ready review.** A lender would see a sound wholesaler with plenty of capacity to borrow, whose monthly figures need to be tightened before they are relied on. An invoice discounting line of about £300k against the £842k of trade debtors fits Thornbury best, because it grows with sales and covers the November low point. (pages 37 to 42)
6. **Due diligence on the records.** Thornbury has no red tests. The records confirm the profit and the cash, but show the monthly accounts overstate the year end by about 12%, mainly from stock not being counted. (pages 44 to 55)
7. **Business cash flow forecast.** Thornbury stays in credit in every month from January 2027 to December 2029 in the base case. The low point for Thornbury is £125k in January 2027, and cash builds to £391k by December 2029. (pages 57 to 66)

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: 7 years of balance sheets for Thornbury Foods 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.

£922k
Thornbury net assets, Dec 2025 (2019: £635k)

£194k
Thornbury cash, Dec 2025 (Dec 2024: £171k)

5 FINDINGS

1. **Net assets over the years.** Thornbury's net assets grew from £635k in 2019 to £922k.
2. **Thornbury's year-end cash sits beside customer prepayments.** At December 2025 it had £194k of cash and £56k of accruals and deferred income (page 69).
3. **Thornbury's returns beat its cost of capital.** On the full accounts, Thornbury earned about 22.2% a year on its capital from 2021 to 2025, against a cost of capital of about 12.5%, and about 22.2% on the capital in its own business. (pages 32, 33 and 71).
4. **Only part of the profit has translated into cash.** Thornbury's free cash flow was 68% of its profit from 2020 to 2025, both before dividends (page 23). On quality of earnings Thornbury scores amber (page 20), and on the quality of the accounts Thornbury amber (page 26).
5. **No filing points to fix.** The accounts and confirmation statement are up to date and filed about two months before each deadline (page 39).

What the business cash flow forecast shows. In the base case the company stays in credit in every month from January 2027 to December 2029. The lowest month-end cash is £125k, in January 2027, and a committed facility of about £600k covers the worst single scenario (page 57). The recommendations are on page 12.

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4. Scorecard: how the company looks to lenders, investors and owners

On my scorecard Thornbury has 6 green, 3 amber and 2 red lights. Together they say Thornbury is sound and growing, and the red lights are about concentration and one person: Customer A and Neil Thornbury. A lender will look first at the monthly accounts against the full accounts, and at liquidity. 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	Thornbury	Data
Strength			
Net assets, five-year change, with the business-in-difficulty and working capital trend tests Page 68	🟢 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	🟢 +91.4%, 2020 to 2025	P
Debt serviceability: net borrowing ÷ EBITDA, and debt service cover with sales 10% lower Pages 38 and 28	🟢 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 0.43x with sales 10% lower; borrowing 3% of net assets	E
Liquidity			
Short-term liquidity: cash and trade debtors ÷ outside creditors due within a year Page 25	🟢 1.0x or more 🟡 0.7x to 1.0x 🔴 below 0.7x	🟢 1.12x (current ratio 1.71x; cash ratio 0.21x)	P
Earnings			
Quality of earnings and cash flow: is profit real, recurring and backed by cash? With debtor and creditor days Page 20	🟢 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	🟡 0 of 6 red. Free cash flow 68% of profit before dividends, 2020 to 2025; £20k of profit held in unexplained other debtors. Debtor days 51, creditor days 55	E
Return on invested capital less cost of capital, pooled, from the full accounts Pages 32 and 33	🟢 +2 points or more 🟡 −2 to +2 points 🔴 below −2 points	🟢 +9.7 points	M

The scorecard continues on page 10: conduct and events, owners and buyers, the records, and the cross-check.

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

Measure	Green / amber / red	Thornbury	Data
Conduct and events			
Court and creditor actions: County Court Judgments, petitions and insolvency notices, payment behaviour Page 39	🟢 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	P
Filing, governance and directors: filing, charges, year-end changes, director history, changes of control Page 39	🟢 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	🟢 All five checks pass	P
Quality of the accounts: complete, explained, consistent and fully disclosed, with the going-concern test Page 26	🟢 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	🟡 No test red; tests 1 and 7 amber, including: not filed, so turnover and profit are not public	P
Group complexity: how many companies, how they fund and guarantee each other, and what sits outside Page 17	🟢 no red test and at most one amber 🟡 two or more amber tests 🔴 any red test, of eight	🟢 Test E amber	P
Owners and buyers			
Transferability: customer concentration and dependence on one person Page 19	🟢 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 30%, top three 45%; managing director: holds the Customer A relationship and does all the buying	M
The company's records			
Review of the records: management accounts, cash, working capital, tax and people Page 44	🟢 no red test and at most two amber 🟡 one red test, or three or more amber 🔴 two or more red tests, of eleven	🟡 No test red; 8 amber, including: management accounts agree to the full accounts	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 24	🟢 above 2.60 🟡 1.10 to 2.60, or capped: a high-insolvency sector or an adverse event 🔴 below 1.10	🟢 5.47, safe	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	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 2021 to 2025 for Thornbury, 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 76; the Registry Trust register of judgments and The Gazette; cost of capital on page 71; Altman Z'' method on page 24; quality tests on pages 20 and 26. Fictional example data.

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6. Top eight risks and top eight actions

The eight things most likely to hurt the company, 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 34.

TOP EIGHT RISKS

1. **Costs rise faster than prices.** In the scenario "Food costs +8% and pay +6% in the first year, prices unchanged", cash at December 2029 falls from £391k to (£583k) (page 66).
2. **Customers pay later.** If customers on credit pay a month later, the lowest month-end cash falls from £125k to (£490k), in January 2028 (page 66).
3. **Thornbury's sales fall short.** Thornbury can bear a fall in sales of 13% before its cash runs out. In the scenario "Customer A moves to a national wholesaler: sales 30% lower for six months" its cash falls to £42k by December 2027 (page 66).
4. **Too much rests on one customer.** Customer A, a 14-site restaurant group, paid £1.81m in 2025, 30% of sales, up from 27% in 2023 (page 34).
5. **Monthly figures run ahead.** The December 2025 monthly accounts showed EBITDA £40k higher than the full accounts, mostly from the stock count (page 34).
6. **Cash is tight before Christmas.** The bank balance fell to £39k on 27 November 2025, against about £150k the business needs in hand (page 34).
7. **Restaurant customers fail.** Hospitality has the highest insolvency rate of the main UK sectors, and trade debtors are £842k (page 34).
8. **Thin margins.** EBITDA was 4.7% of sales in 2025, so a 1-point fall in the gross margin would take out about £60k of profit (page 34).

TOP EIGHT ACTIONS

1. **Put a committed overdraft or revolving facility of about £600k in place, available to Thornbury**: recommendation 2 (page 12).
2. **Find out what makes up the unexplained other debtors and collect any customer money in them**: recommendation 3 (page 12).
3. **Review the business cash flow forecast each month against actual results**: recommendation 7 (page 13).
4. **Start monthly management accounts with a cash bridge**: recommendation 8 (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 Neil reviews it.
5. **Accrue holiday pay at each month end and record the employment status check for each freelancer at Thornbury**: recommendation 4 (page 12).
6. **Agree a normal level of working capital from 12 month ends before any sale talks, and keep the year end close to it**: recommendation 5 (page 12).
7. **Send one or two senior leaders from Thornbury on Help to Grow: Management, a management course with 90% of the cost paid by the government**: recommendation 9 (page 13).
8. **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**: recommendation 10 (page 13).

Figures are from the forecast scenarios (page 66) E, the records review (page 44) M, and the filed accounts P. Fictional example data.

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7. Recommendations

These come from the analysis in this report. Recommendations 1 and 3 cost little and can be done this month.

	What to do	Why	Effect	Priority	Who	By
1	Count the chilled and frozen stock every month, not just at the year end, and book supplier rebates only when the credit note arrives	The December 2025 monthly accounts overstated EBITDA by £40k (12%), mostly from stock and rebates; a lender will test the monthly figures first	Monthly accounts a lender can rely on, and no surprise at the year end	High	Karen Thornbury and the warehouse manager	January 2027
2	Put a committed overdraft or revolving facility of about £600k in place, available to Thornbury. Start with the main bank and compare a challenger bank (page 41)	In the worst single scenario, Thornbury's cash falls to (£583k) in December 2029 (page 66)	Removes the main liquidity risk	High	Neil	January 2027
3	Find out what makes up the unexplained other debtors and collect any customer money in them	£20k at Thornbury with no explanation in the accounts	Could free cash	High	Neil	2 weeks
4	Accrue holiday pay at each month end and record the employment status check for each freelancer at Thornbury (page 50)	Costs and tax a buyer's accountants will find	No surprises in due diligence	Medium	Bookkeeper and accountant	Next month end
5	Agree a normal level of working capital from 12 month ends before any sale talks, and keep the year end close to it (page 52)	The price moves pound for pound with the gap at completion	Protects the price	Medium	Neil and accountant	Before any sale talks

Recommendations 6 to 10, 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
6	Decide how to replace the coronavirus loan, which ends in 2026: an invoice discounting line or a larger overdraft	The business needs about £150k of cash in hand and fell to £39k in November 2025, before December's receipts	A facility sized to the November low point removes the squeeze in the busiest weeks	Medium	Neil and Karen Thornbury	March 2027
7	Review the business cash flow forecast each month against actual results	Cash moves within the month	Early warning of a squeeze	High	Neil	From January 2027
8	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 26)	Thornbury scores amber on the quality of the accounts, and profit has not all translated into cash (page 20)	Lenders and investors price what they can check: better terms and quicker decisions	High	Bookkeeper monthly; Neil reviews; accountant for the year end	From January 2027
9	Send one or two senior leaders from Thornbury on Help to Grow: Management, a management course with 90% of the cost paid by the government (page 27)	Covers finance and financial management, strategy and people, with one-to-one mentoring	Stronger management and financial control	Medium	Neil	Next cohort, early 2027
10	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 39)	Scores now use bank data as well as the filed accounts; errors and gaps cost credit	Better credit limits and quicker lending decisions	Medium	Neil	Every January

WHAT WOULD CHANGE THESE CONCLUSIONS

- **The unexplained other debtors.** If they are customer money billed through another company, the trading is stronger than it looks. If they are a loan outside the group, the credit risk is higher.
- **A committed facility.** With £600k of headroom in place, the worst single scenario in the forecast stays within the facility (page 66).
- **Margins.** If input costs rise faster than prices, cash at December 2029 is (£583k) against £391k in the base case (page 66).

Illustrative example, 3 November 2026

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)	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. Approach the main bank and one challenger bank about a committed facility of about £600k.
Weeks 7 to 10 (to 12 January 2027)	Year-end points for 31 December 2026: disclosures, dividend planning and the stock count. Decide between invoice discounting and an overdraft to replace the coronavirus loan (recommendation 8).
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.

HOW TO TRACK PROGRESS

- **Each month:** management accounts within 15 working days, showing cash for each company, and actual cash against the business cash flow forecast (page 57). Explain any gap of more than 10%.
- **Each quarter:** re-run the scorecard (page 9), the quality of earnings tests (page 20) and the quality of the accounts tests (page 26). 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 £600k in place (recommendation 2), find out what makes up the unexplained other debtors and collect any customer money in them (recommendation 3) and review the business cash flow forecast each month against actual results (recommendation 7). Together they would lift the cash, liquidity and quality lights on the scorecard and the lender's view on page 37.

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PART B

Financial and business analysis, with the lender-ready review

The business, its market and what I looked at

10. The company and what I looked at 16
11. Complexity: how hard the company is to read 17
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10. The company and what I looked at

Neil and Karen Thornbury are the two directors and own 50% each. The company trades from one rented warehouse in Croydon (fictional).

Company	Number	Role	Owned by	Accounts read
Thornbury Foods Ltd	Fictional	Foodservice wholesale: meat, chilled, dry goods and produce delivered to restaurants, hotels and caterers	Neil and Karen Thornbury (fictional), 50% each	2019 to 2025

THE WIDER GROUP: COMPANIES UNDER COMMON CONTROL

Company	Number	What it does	Owned by	Net assets, Dec 2025
None	–	Thornbury has no holding company, subsidiary or related company	–	–
–	–	–	–	–

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

Guarantees. None: there is only one company. The bank's all-monies debenture from July 2020 secures the coronavirus loan, which ends in 2026.

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. Thornbury shows £25k of bank loans and leases at December 2025.

Filing check. The accounts and confirmation statement are up to date (checked 3 November 2026). SIC 46390, non-specialised wholesale of food, beverages and tobacco, describes the business.

Independence. I have no connection with the company or its owners.

Source: Thornbury Foods Ltd accounts filed at Companies House, read 3 November 2026. Fictional example data.

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11. Complexity: how hard the company is to read

The company scores green on complexity: no red test and one amber (E). 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
Thornbury Foods Ltd	Trading: foodservice wholesale	Neil and Karen Thornbury	31 December	£922k	–

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	1 active company. Each one divides the corporation tax limits
B. Layers of ownership	0 or 1	2	3 or more, or cross-holdings	Owned directly by the directors
C. Balances with related companies, against net assets	under 10%	10% to 25%	over 25%, or owed by a sister with net liabilities	£0k owed to and by group and related companies, 0% of Thornbury'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	No related-company balances
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	The bank holds an all-monies debenture from July 2020, taken with the coronavirus loan, which is repaid in 2026
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	The warehouse in Croydon is rented from an unrelated landlord
G. Trading, rent and charges between related parties	disclosed, under 5% of net assets	5% to 15%	over 15%, not disclosed, or circular	No trading with related parties in the ledgers
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

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.

WHAT WOULD MAKE THE COMPANY EASIER TO READ

- **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.

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.

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12. The market in brief

Eating out is steady in value but restaurants are under pressure from pay and rents, so demand for a reliable local wholesaler holds up while customer credit risk rises. Over the next three years Thornbury's growth comes mostly from Customer A's new sites, and its risk from customers failing.

Area	My reading	What it means for the forecast	Detail
Demand	Eating out is steady in value, with more pressure on mid-market restaurants than on pubs and contract catering	Volume +2% a year; sales follow the seasonal pattern in the ledgers	Pages 47 and 49
Food prices	Food inflation has eased from its 2023 peak but meat and dairy remain volatile	Prices and costs move together; tested with costs 8% higher	Page 49
Customer credit risk	Hospitality has the highest insolvency rate of the main UK sectors	Receipts at 30 days; tested with a customer failing	Pages 28 and 56
Pay	The National Living Wage rises 3.9% to £13.21 in April 2027; drivers and warehouse staff are paid just above it	Pay +4.5% in 2027	Page 49

Sources: GOV.UK, Budget 2026 and National Living Wage rates from April 2027; Insolvency Service, business insolvency demography 2025 (June 2026); Thornbury's management accounts (fictional).

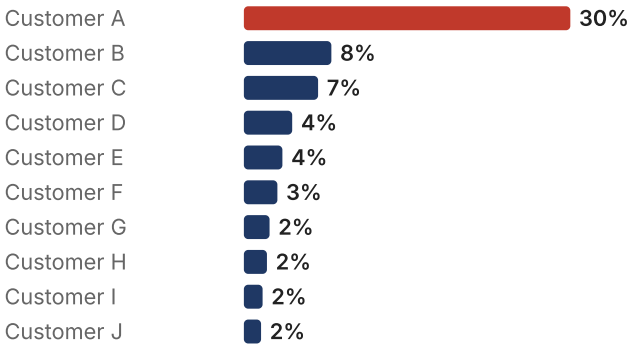
Illustrative example · 3 November 2026

13. 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.

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

Customer	Sales	Share	Cumulative
Customer A (restaurant group, 14 sites)	£1.81m	30.0%	30%
Customer B (hotel group)	£486k	8.0%	38%
Customer C (contract caterer)	£412k	6.8%	45%
Customer D (restaurant group)	£268k	4.4%	49%
Customer E (school catering)	£214k	3.5%	53%
Customer F (pub group)	£186k	3.1%	56%
Customer G (restaurant)	£142k	2.4%	58%
Customer H (café chain)	£128k	2.1%	60%
Customer I (hotel)	£104k	1.7%	62%
Customer J (restaurant)	£96k	1.6%	64%



Measure	Value	My rule of thumb
Largest customer	30.0%	Green below 10%, amber 10% to 25%, red above 25%
Top 5 customers	52.8%	Green below 35%, amber 35% to 60%, red above 60%
Top 10 customers	63.7%	
All other customers	36.3%	

Thornbury's largest customer is 30.0% of sales and the top five 52.8%. Losing Customer A would cut sales by £1.81m and, at a gross margin of 23%, EBITDA by about £415k, which on its own is a 30% fall in sales against the 4% the debt cover test can bear (page 38).

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

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	Thornbury	Holds the Customer A relationship and does all the buying	The warehouse manager knows the suppliers but has not negotiated prices	Bring the warehouse manager into the supplier reviews; introduce a second contact at Customer A
Finance manager (a director)	Thornbury	Runs the month end, payroll, VAT and credit control	The outside accountant could cover the year end only	Write down the month-end steps, including the stock count; train the office assistant on credit control
Transport manager	Thornbury	Holds the operator's licence for the nine vans over 3.5 tonnes	None: the licence needs a qualified transport manager	Put a second person through the transport manager qualification

> **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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14. 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	Thornbury
1. Cash conversion: free cash flow ÷ profit, both before dividends	80% or more / 60% to 80% / below 60%	🟡 68%, 2020 to 2025, adding back the £190k of dividends in the full accounts (55% on retained profit)
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%	🟡 3.1% a year on average, 2021 to 2025 (1.1% in 2025)
3. Profit held in unexplained balances: unexplained other debtors ÷ net assets	Under 10% / 10% to 30% / over 30%	🟢 2%: £20k against net assets of £922k
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 £106k 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	🟢 None
6. Profit from capitalised costs: costs moved to the balance sheet ÷ profit, 2025	Under 10% / 10% to 50% / over 50%	🟢 None of note
Overall, from the public record	**Red if two or more of tests 1 to 6 are red**	🟡 **None red**
7. In the forecast: net cash flow ÷ profit after tax, 2027 to 2029	80% or more / 60% to 80% / below 60%	🔴 50%

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 page 23.

Illustrative example 3 November 2026

WHAT IT SHOWS

- **Only part of the profit has translated into cash.** Over six years Thornbury retained £477k of profit, and its free cash flow after any dividends was £263k. Adding back the £190k of dividends paid in the full accounts, it turned about 68% of its profit into cash. The difference went into working capital and other debtors, £20k of them unexplained. A buyer would treat that money as unproven until it is collected.
- **In the forecast, profit turns into cash** at 50% for Thornbury, because it assumes no more money goes into other debtors and Thornbury runs its stock down (page 66). 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 22).

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15. 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 COMPANY

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 37).

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.

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 (£20k at Thornbury)	Neil
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; Neil reviews
2026 accounts	File the profit and loss account.	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	Neil 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 20 from red towards green in the next two sets of accounts (recommendations 3 and 8, page 12).

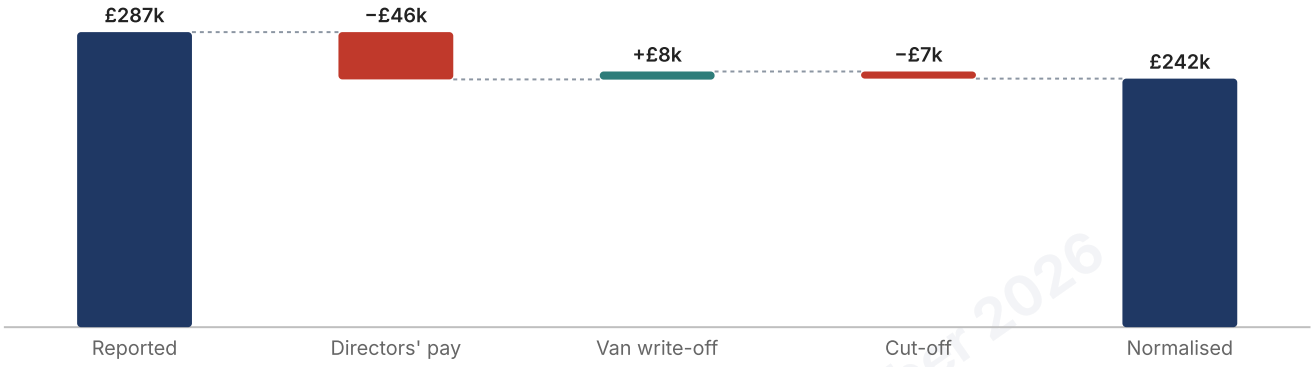
Sources: Axial (2025), Dead Deal Report; BDO (March 2025), Valuation Drivers; ICAEW Corporate Finance Faculty, Best-Practice Guideline 64, completion mechanisms; Sloan, R. (1996), Do stock prices fully reflect information in accruals and cash flows about future earnings?, The Accounting Review; HMRC,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

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16. 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.

THORNBURY: FROM REPORTED TO UNDERLYING EBITDA, 2025



Illustrative example · 3 November 2026

Item	£	Why	Evidence a lender will want	Will a lender accept it?
Reported EBITDA, 2025 (full accounts, after the year-end adjustments)	**£287k**			
The directors' pay set to a market rate for a managing director and a finance manager	−£46k	Neil and Karen take £48,000 between them. Replacing their roles would cost about £94,000 with employer costs.	Payroll summary; dividend vouchers	Likely
Loss on a van written off after an accident, net of insurance	+£8k	A one-off loss in March 2025.	Insurer's settlement letter	Likely
Deliveries invoiced in December 2025, despatched in January 2026	−£7k	Three deliveries invoiced on 31 December that left the warehouse on 2 January; the gross profit belongs to 2026.	Delivery notes; the sales ledger	Likely
Normalised EBITDA, 2025	**£242k**	**84% of reported**		

Thornbury's underlying EBITDA is £242k, a cut of £45k on the reported figure. On sales of £6.04m, the EBITDA margin moves from 4.7% to 4.0%. A cautious lender will accept only the lines marked green, which gives £242k. That is the figure to use for borrowing on page 37 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 76.

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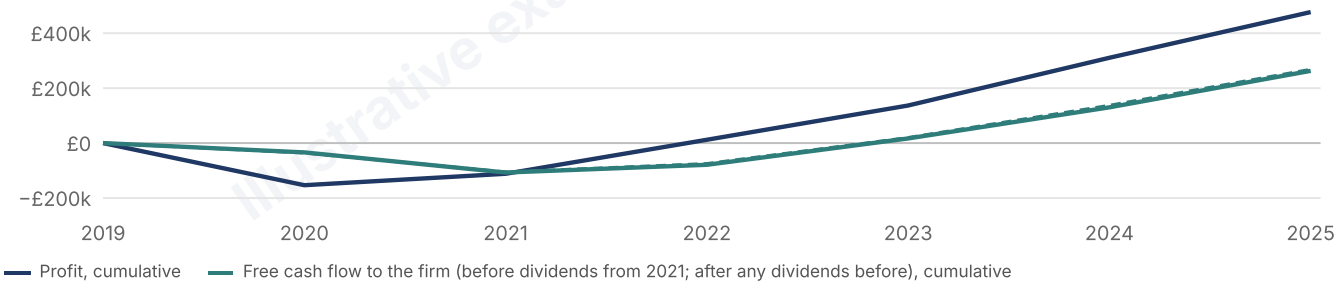
17. Thornbury's cash flow, rebuilt from the balance sheets

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 Thornbury'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	(£153k)	£42k	£124k	£125k	£174k	£166k	£477k
Working capital: cash in (+) or out (–)							
Stock	£56k	(£79k)	(£61k)	(£36k)	(£33k)	(£25k)	(£178k)
Trade debtors	£228k	(£204k)	(£114k)	(£46k)	(£48k)	(£46k)	(£230k)
Other debtors not explained	£2k	(£4k)	(£2k)	£1k	(£4k)	£2k	(£5k)
Prepayments and accrued income	£3k	(£5k)	(£3k)	(£1k)	(£3k)	(£2k)	(£11k)
Trade creditors	(£134k)	£160k	£86k	£23k	£43k	£38k	£216k
Accruals and deferred income	(£7k)	£11k	£4k	£3k	£4k	£3k	£18k
Tax, other creditors and provisions	(£42k)	£44k	£27k	£10k	£18k	£10k	£66k
Fixed assets, net of depreciation	£14k	(£38k)	(£32k)	£17k	(£38k)	(£13k)	(£90k)
Free cash flow to the firm (before dividends from 2021; after any dividends before)	**(£34k)**	**(£73k)**	**£28k**	**£96k**	**£113k**	**£133k**	**£263k**
Dividends, lending and funding							
Dividends paid [M] (from 2021; before, inside retained profit)	–	–	(£30k)	(£60k)	(£40k)	(£60k)	(£190k)
Shares issued less bought back	–	–	–	–	–	–	–
Bank loans and leases	£250k	(£25k)	(£50k)	(£50k)	(£50k)	(£50k)	£25k
Change in cash, rebuilt	**£216k**	**(£98k)**	**(£52k)**	**(£14k)**	**£23k**	**£23k**	**£98k**
Change in cash, balance sheets	£216k	(£98k)	(£52k)	(£14k)	£23k	£23k	£98k
Check: rebuilt less actual	0	0	0	0	0	0	0
Returns on the capital in Thornbury's own business (actual from the full accounts, minimum before them)							
Profit-based return on own-business capital	−28.5%	9.9%	23.2%	19.8%	26.4%	23.1%	13.6%
Cash-based return on own-business capital	−6.3%	−17.5%	5.3%	15.2%	17.2%	18.5%	7.5%

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 and the money lent to related companies, so these returns differ from the return on invested capital on page 32. The profit-based line is the same measure as the own-business line on page 33; the totals can differ because the two pages pool different years.

CUMULATIVE SINCE THE END OF 2019



- **Thornbury's profit has not translated into cash.** From 2020 to 2025 it made an estimated £477k of profit, and its own business produced £263k of free cash flow before dividends. The gap of £214k is the extra capital the business absorbed, and it does not depend on dividends. Stock absorbed £178k, other debtors with no explanation in the accounts absorbed £5k and fixed assets took £90k.
- **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, Thornbury's business turned about 56% 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
Thornbury, 6 years from 2020 to 2025	13.6%	7.5%	12.0%

What it means. Not fully: Thornbury turned 68% of its profit into cash before dividends from 2020 to 2025. The rest went into stock and trade debtors as sales grew by half.

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 76. Fictional example data.

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18. Working capital and the distress score

Thornbury ties up £549k, mostly in trade debtors. On the distress score Thornbury is in the safe zone for 2025.

£, 31 December	2021	2022	2023	2024	2025
Thornbury Foods Ltd					
Stock	£342k	£402k	£439k	£471k	£496k
Trade debtors	£588k	£703k	£748k	£796k	£842k
Prepayments and accrued income	£24k	£27k	£28k	£31k	£33k
Trade creditors	(£512k)	(£598k)	(£621k)	(£664k)	(£702k)
Accruals and deferred income	(£42k)	(£46k)	(£49k)	(£53k)	(£56k)
VAT, PAYE and other taxes owed	(£46k)	(£52k)	(£56k)	(£61k)	(£64k)
Net working capital	**£354k**	**£435k**	**£488k**	**£520k**	**£549k**
Memo: other debtors not explained	£16k	£18k	£17k	£21k	£20k

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 28). 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	Thornbury
Debtor days	Trade debtors ÷ turnover × 365	51 days
Stock days	Stock ÷ cost of sales × 365	39 days
Creditor days	Trade creditors ÷ cost of sales × 365	55 days
Cash conversion cycle	**Debtor days + stock days − creditor days**	**35 days**

DISTRESS SCORE: ALTMAN Z'' (INDICATIVE)

Altman Z''	2021	2022	2023	2024	2025
Thornbury Foods Ltd	4.27 safe	4.57 safe	4.78 safe	5.20 safe	5.47 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

Sources: accounts filed at Companies House, as listed on page 76; Altman, Hartzell and Peck (1995); Altman (2000). Fictional example data.

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19. Cash position at 31 December 2025

This is the starting point for the business cash flow forecast (page 57). 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	Thornbury
Cash and near-cash	
Cash at bank	£194,200
Trade debtors	£842,100
Total	**£1,036,300**
Due within one year to outside parties	
Trade creditors	£702,300
Tax, social security and corporation tax	£125,500
Bank loans and leases	£25,000
Accruals, deferred income, other	£74,600
Total	**£927,400**
Cash and near-cash less outside creditors	**£108,900**
Not included above	
Stock	£496,400
Other debtors and prepayments (including related parties)	£52,800
Owed to group and related companies	–

Related-party amounts inside other creditors are taken out of the outside creditors, using the related-party notes. None: Thornbury has no related parties.

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WHAT IT SHOWS

- **Thornbury** covers what it owes outsiders within a year, £927k, with £1.04m of cash and trade debtors. Corporation tax of £61,200 for 2025 was due by 1 October 2026.
- The bank's all-monies debenture from July 2020 secures the coronavirus loan, which is repaid in 2026. No overdraft is drawn at any year end, but the ledgers show the bank balance fell to £39k on 27 November 2025, so a facility matters in the weeks before Christmas.

20. 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, Thornbury's accounts score amber: lawful, but they leave a reader with questions.

Test	Green / amber / red	Thornbury
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
2. Large balances explained	All explained / small items unexplained / large balances unexplained	🟢 £20k of other debtors with no explanation, 1% of total assets
3. Figures consistent between filings	Agree / differences under 5% of the balance / 5% or more and not explained	🟢 Agree
4. Required disclosures present	All present / a minor gap / a material item missing	🟢 All present
5. Balances between the companies agree	Agree, with the other company named / agree, without the other company named / do not agree	🟢 No related company in the report
6. On time	Filed well before the deadline / on time, but in the last days / any filing overdue	🟢 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
Overall	**Red if any of tests 2 to 5 is red, or if two or more of the others are red**	🟡 **Amber**

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 · 3 November 2026

WHAT THE TESTS SHOW

- **Large balances are unexplained.** £20k of Thornbury's other debtors (1% 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 33).
- **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.

21. 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 COMPANY

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 the company, by counterparty and type	Neil
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; Neil 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, Thornbury can 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 9).

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 1, 3 and 8, 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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22. 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 company carries more than its bank debt of £25k suggests.

31 December 2025, £	Thornbury	How a buyer treats it
Debt and debt-like items		
Bank loans, overdrafts and leases	£25,000	Debt
Funding from group and related companies	nil	Debt, unless documented as long-term support
Corporation tax owed	£61,200	Debt-like
Debt and debt-like items	**£86,200**	
Less cash	(£194,200)	Deducted
Net debt and debt-like items	**(£108,000)**	
Items a buyer will ask about		
Deferred tax and provisions	£39,100	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	£56,400	Debt-like to the extent it is customer deposits
Taxes and social security (VAT, PAYE)	£64,300	Working capital if paid on time; debt-like if overdue
Other creditors not explained	£18,200	Debt-like until explained
Owed by related companies	nil	Reduces debt only if repaid in cash before a deal

- **Thornbury's net debt and debt-like items are (£108k), −12% of its net assets.** Its cash is larger than its debt and debt-like items.
- **Some of Thornbury's cash is customers' money.** Customer deposits sit in accruals and deferred income, £56k at 31 December 2025, so its £194k of cash is about £138k 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.

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
Thornbury	£354k	£435k	£488k	£520k	£549k	£469k

- Thornbury's net working capital at 31 December 2025 was £549k, £80k above its five-year average of £469k. 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.

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23. 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
Thornbury					
Return on invested capital [M]	**11.7%**	**24.5%**	**20.8%**	**27.0%**	**23.4%**
Cost of capital [E]	10.0%	11.7%	13.3%	13.4%	13.8%

Latest year	Return on invested capital	Basis
Thornbury, Dec 2025	23.4%	Actual, from the full accounts [M]
Peer G, Dec 2025	13.0%	Reported profit
Peer B, Dec 2025	12.4% [E]	Files no profit: estimated from the corporation tax it owed

READING IT

- **Thornbury earns more on its capital than the capital costs.** In 2025 it earned 23.4% [M], £168k of profit after tax before interest on the £719k tied up, against a cost of capital of 13.8%. It was above its cost of capital in 2021, 2022, 2023, 2024 and 2025.
- **Peer G earns about its cost of capital.** Its reported profit implies 13.0% on capital in 2025, against about 13.8% for Thornbury'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 71). Competitors are shown one by one; their figures are from their filed accounts. Fictional example data.

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24. 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
Thornbury					
Return on equity M	**8.6%**	**23.7%**	**20.2%**	**25.5%**	**20.4%**
Cost of equity E	13.6%	14.8%	14.9%	14.4%	14.4%
Dividends paid M	Nil	£30k	£60k	£40k	£60k

READING IT

- **Thornbury's owners' money earned 8.6% to 25.5% a year** M, against a cost of equity of 13.6% to 14.9%. It beat that cost in 2022, 2023, 2024 and 2025.
- **Dividends.** The full accounts show about £190k dividends paid from 2021 to 2025.
- **A competitor for comparison.** Peer G, which publishes its profit, earned 16.3% on its owners' money in 2025 and paid £45k of dividends.

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 71. Fictional example data.

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25. 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.

	Thornbury
2025, from the full accounts M	
Profit after tax M	£166k
Dividends paid M	£60k
Equity at the start of 2025 P	£815k
Return on equity (page 30)	**20.4%**
Profit after tax, before interest M	£168k
Capital invested at the start of 2025 P	£719k
Return on invested capital (pages 29 and 32)	**23.4%**
Cash conversion, all years rebuilt	
Free cash flow ÷ profit, both before dividends (dividends from the full accounts where held) E	**68%**
2026, from the forecast (before any dividends)	
Profit after tax E	£185k
Capital invested at the start of 2026	£752k
Return on invested capital, forecast (page 65)	**24.7%**

WHY THEY DO NOT LINE UP

- **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.

P public record; E my estimate; M the full accounts of the companies. Fictional example data.

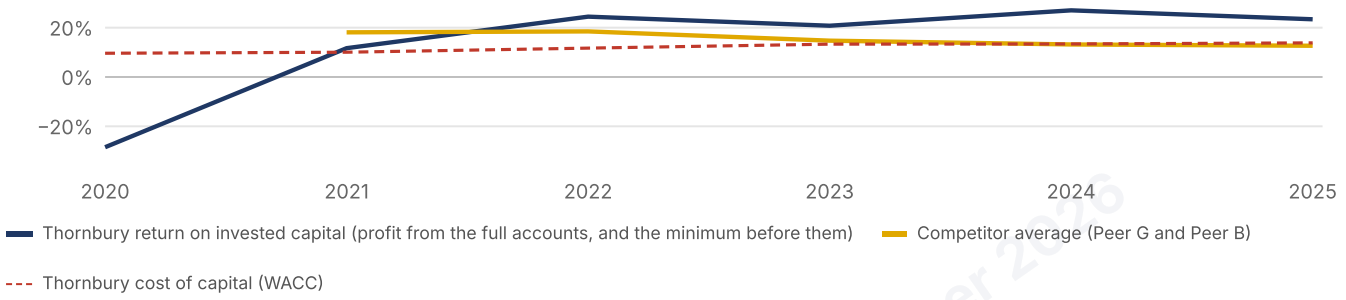
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26. Is Thornbury earning more than its money costs?

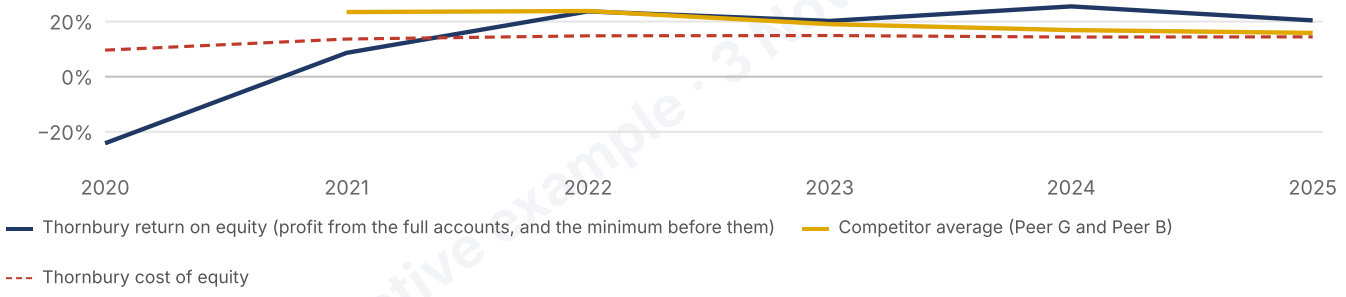
A business adds value when it earns more on the money tied up in it than investors could expect elsewhere for the same risk. I compare return on invested capital with the cost of capital (WACC), the return needed on all the money in the business, and return on equity with the cost of equity, the return 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 29). 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 71).

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.
Thornbury in 2025: about £719k was tied up in it at the start of the year. At a cost of capital of 13.8%, that money needed to earn about £99k. The full accounts show £168k of profit after tax before interest (23.4%) [M], so Thornbury earned about £69k more than its money cost.

RETURN ON INVESTED CAPITAL AGAINST THE COST OF CAPITAL



RETURN ON EQUITY AGAINST THE COST OF EQUITY



Thornbury	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	−24.2%	8.6%	23.7%	20.2%	25.5%	20.4%
Cost of equity	9.6%	13.6%	14.8%	14.9%	14.4%	14.4%
Return on invested capital: actual [M] where the full accounts are held, at least (from retained profit) before	−28.5%	11.7%	24.5%	20.8%	27.0%	23.4%
Cost of capital (WACC)	9.6%	10.0%	11.7%	13.3%	13.4%	13.8%
Peers that file their profit (20, page 73)						
Return on equity on reported profit		12.3% to 18.2%	13.3% to 19.3%	13.8% to 19.5%	14.4% to 17.6%	14.6% to 20.4%
What it would take						
Profit short of the cost of equity	£214k	£24k	–	–	–	–

– 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, Thornbury cleared both hurdles in 2022, 2023, 2024 and 2025, and fell short in the other 2 years.** The best years were 2022 and 2024, when net assets grew by 23.7% and 25.5%.
- **Thornbury and the competitors both clear the hurdle.** On capital, Peer G and Peer B earned 18.1%, 18.5%, 14.7%, 13.2% and 12.7% in 2021, 2022, 2023, 2024 and 2025 on average, against Thornbury's 11.7%, 24.5%, 20.8%, 27.0% and 23.4% and a cost of capital of about 12%.
- **The hurdle has risen.** The cost of capital went from 9.6% in 2020 to 13.8% 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.
- **2020 stands out.** Net assets fell by £153k. Restaurants closed for most of 2020, sales fell by about a third, and the company drew a £250k coronavirus loan to bridge it.

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27. Where Thornbury's capital sits

THORNBURY: WHERE THE CAPITAL SITS

Thornbury, 31 December	2021	2022	2023	2024	2025
Capital invested: equity plus debt, less cash	£534k	£630k	£658k	£719k	£752k
Less: lent to related and group companies	–	–	–	–	–
Capital in Thornbury's own business	**£534k**	**£630k**	**£658k**	**£719k**	**£752k**
Within the business's own capital					
Trade debtors	£588k	£703k	£748k	£796k	£842k
Other debtors not explained in the accounts	£16k	£18k	£17k	£21k	£20k
Trade debtors' share of the two	97%	97%	98%	97%	98%
Returns (actual from the full accounts, minimum before them), on capital at the start of the year					
On all invested capital	11.7%	24.5%	20.8%	27.0%	23.4%
On the capital in Thornbury's own business	9.9%	23.2%	19.8%	26.4%	23.1%
Cost of capital (WACC)	10.0%	11.7%	13.3%	13.4%	13.8%

- **The money lent to related companies seems to earn Thornbury nothing.** Leaving out the – to – lent to related and group companies each year, Thornbury's own business earned about 22.2% a year on its capital from 2021 to 2025, against a cost of capital of about 12.5%. On all its capital, including the lending, it earned about 22.2%.

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28. Risks

Most of the biggest risks are about Customer A, customers failing, and thin margins. The register below ranks them by what the public record shows. The forecast tests them in numbers (page 66), and the eight that do most harm to cash are on page 11.

Risk	Company	Likelihood	Impact	Early warning	What to do
Food prices rise faster than customers' prices	Thornbury	Medium	Medium	Supplier price lists; margin falling month on month	Price lists reviewed monthly; cost-plus terms for the larger customers
A restaurant customer fails owing money	Thornbury	Medium	Medium	Slower payment; smaller, more frequent orders	Credit limits; weekly aged debtor review; credit insurance for the top ten
Stock goes out of date or is damaged	Thornbury	Medium	Low	Write-offs at the stock count above 0.5% of sales	Monthly stock counts of chilled lines, not just at the year end
Loss of a large customer or partner	Thornbury	High	High	Large contracts up for renewal; orders slowing	Keep any one customer under a quarter of sales; review the top 10 each quarter (page 19)
Too much rests on one person	Thornbury	Medium	High	Neil Thornbury signs every set of accounts, holds Customer A and does all the buying	Second signatory; written processes
The operator's licence for the large vans is lost or suspended	Thornbury	Low	High	Vehicle defects at roadside checks; drivers' hours breaches	A second qualified transport manager; monthly maintenance audits

REVERSE STRESS TEST: WHAT WOULD BREAK THE COMPANY?

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

1. Customer A, 30% of sales, moves to a national wholesaler;
2. a second restaurant customer fails owing a month of sales;
3. and food prices rise 8% while customers' prices are fixed for a quarter.

The forecast puts numbers on it (page 66). With every month's sales lower by the same share, Thornbury would run out of cash after a fall of 12.7%. The worst single scenario takes Thornbury to (£583k), which a committed facility of about £600k would cover.

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

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29. 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

- Thornbury has grown net assets from £635k in 2019 to £922k in 2025, with almost no bank debt (page 68).
- Thornbury's own business earned about 22% a year on its capital from 2021 to 2025 (page 33).
- Customer A has grown with Thornbury for eight years and is adding two sites a year

Weaknesses

- Thornbury's year-end cash depends on customer prepayments (page 69).
- Monthly accounts that run ahead of the full accounts at the year end

Opportunities

- Contract caterers and schools want local suppliers with good delivery records
- Putting Thornbury's lent-out capital to work would lift its return on invested capital (page 33).
- Price reviews in 2027 quotes and contracts.

Threats

- A higher cost of capital: the 10-year gilt yield was 5.24% in September 2026 (page 71).

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

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30. What a lender or buyer will ask next

A lender or buyer would ask first about Customer A and about how reliable the monthly accounts are. Thornbury can answer the first today; the second needs a monthly stock count.

Topic	What the public record shows	What a lender or buyer will look for	Status
Customer concentration	A 14-site restaurant group takes 30% of sales; hotels, caterers and schools most of the rest	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	Red
Suppliers and terms	Trade creditors of £702k (Thornbury) at December 2025. Five main suppliers; the largest, a meat and poultry supplier, is 26% of purchases	Main suppliers, terms and currency, and any supplier that would be hard to replace	Amber
Key people and succession	Neil and Karen Thornbury are the directors and own 50% each; Neil signs the accounts	Who runs the business day to day besides the directors, second signatories and a succession plan (page 19)	Green
Ownership and governance	Two people with significant control. The bank's debenture is on file. No related companies	Loan agreements, guarantees and board minutes for the balances between the companies	Green
Sale or investment readiness	Filed on time; no IP; no related companies; dividends minuted	A clean intercompany position, clear IP title and the dividend history (page 42)	Green
ESG and digital: only items that move cash	Packaging EPR: Thornbury may be a small producer for its own-label packs; WEEE and UK CBAM do not apply	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.

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31. How a lender will read the company: 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 company looks on each, from the public record. It is the page a bank or a commercial finance broker will read first.

A lender would see a sound wholesaler with plenty of capacity to borrow, whose monthly figures need to be tightened before they are relied on. On profit (from the full accounts where held, retained profit before), Thornbury could support about £502k of 5-year borrowing, against £25k owed now.

	Thornbury
Purpose	Replacing the coronavirus loan with a working capital facility for the busiest weeks before Christmas, as Customer A adds sites
Amount	Up to about £502k 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 £306k

C	What a lender looks for	Thornbury
Character	Track record, filing on time, disclosures, related-party transparency	🟢 7 years of accounts; net assets up in 5 of 6 years. All filed and disclosed (page 39). Open: there are no related parties
Capacity	Cash generation and the ability to service debt	🟡 Free cash flow 68% of profit, both before dividends, 2020 to 2025. Its profit (from the full accounts where held, retained profit before) would support about £502k of borrowing (below).
Capital	Net assets, and net assets ÷ total assets	🟢 Net assets £922k, 49% of total assets. Borrowing 3% of net assets.
Collateral	Charges register, fixed assets, debtors, stock, ownership of IP	⚪ Trade debtors £842k, stock £496k and fixed assets £303k. Fictional Bank plc holds an all-monies debenture from July 2020. No guarantees filed. No IP
Conditions	Demand, interest rates, input costs, currency	⚪ Steady demand from restaurants and hotels, Bank Rate at 3.75%, food inflation easing, little currency exposure (page 18)

The Character light follows the filing check on the scorecard (page 9), Capacity the cash conversion before dividends (page 20) and Capital the borrowing light. Grey: my judgement, still to write.

DEBT CAPACITY (INDICATIVE)

£	Thornbury
Profit (from the full accounts where held, retained profit before), average 2022 to 2025	£152k
Debt service it could cover at 1.25x cover	£122k
Borrowing that would support over 5 years at 6.75%	**£502k**
Free cash flow, average 2022 to 2025	£93k
Borrowing that free cash flow would support (nil if negative)	£306k
Existing borrowing (bank, leases, related-company funding)	**£25k**

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

READING IT

- **Thornbury** owes £25k, within the £502k its profit (from the full accounts where held, retained profit before) would support over 5 years. On free cash flow it would support £306k.
- 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 £125k in January 2027, and a committed facility of about £600k covers the worst single scenario (page 66). Debt service cover is tested on page 38.

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 76; 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.

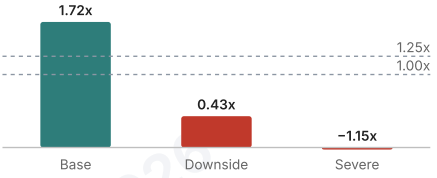
Illustrative example · 3 November 2026

32. 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 (page 22), 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.

THORNBURY

Thornbury, 2025 base	Base	Downside	Severe
Sales	£6.04m	£5.44m	£4.83m
EBITDA (the normalised figure a cautious lender accepts)	£242k	£103k	(£35k)
Tax on operating profit	(£46k)	(£9k)	–
Capital spending	(£60k)	(£60k)	(£60k)
Cash available for debt service	**£135k**	**£34k**	**(£95k)**
Interest and capital repayments (5 years at Bank Rate + 3 points)	(£79k)	(£79k)	(£83k)
Debt service cover	**1.72x**	**0.43x**	**−1.15x**
Headroom over 1.25x cover	£37k	(£65k)	(£199k)
Borrowing this case would support at 1.25x	£447k	£111k	–



With existing bank debt of £25k plus the £300k of new borrowing proposed, cover is 1.72x in the base case and −1.15x in the severe case. Sales could fall 4% before cover drops below 1.25x, and 6% before it drops below 1.00x, the point where repayments would come out of cash reserves.

> **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 1 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 (page 66).

33. Credit and compliance checks

These are the checks a lender or credit agency would run from the public record. Every check is clean. The one to watch is the coronavirus loan ending in 2026, which removes the bank's only lending to the company.

Check	Thornbury	Comment
Accounts	Filed on time in each of the last five years	No action needed
Confirmation statement	Up to date	Keep it up to date; check both directors have verified their identity with Companies House
Disclosure gaps	None found	Feeds the filing light on the scorecard (page 9)
Charges at Companies House	One: an all-monies debenture to Fictional Bank plc, registered 14 July 2020	A new lender needs the bank's agreement or a deed of priority, or the charge satisfied once the loan is repaid
Bank data in credit scores	Fictional Bank plc, from the debenture	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 £225k at 2021, £25k left by 2025. No overdraft at any year end shown	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 found in the notes
Related-party balances	None shown	Lenders treat these as at risk until documented
Loans to a director	None shown	No director's loan
Tax	Corporation tax of £61,200 for 2025, due 1 October 2026	Corporation tax paid on time each year
Going concern	Nothing noted	
Business code (SIC)	46390 Non-specialised wholesale of food, beverages and tobacco: fits	Credit agencies and benchmarks use this code
County court judgments, credit scores	Not checked (paid searches)	Worth running before any lending application

Illustrative example — November 2026

HOW A LENDER WOULD READ IT

Thornbury looks strong on paper: £922k of net assets and almost no bank debt. Nothing in the balance sheet stands out as a weak point. None from the public record; the records show the monthly accounts need tightening

> **Quick wins before any lending application.** Tighten the monthly accounts, agree the replacement facility before the loan ends, then run a credit check before applying

Sources: Companies House register (filing status, charges, persons with significant control), read 31 March 2027; filed accounts as listed on page 76; HM Treasury, Commercial Credit Data Sharing post-implementation review (2024); British Business Bank, Impact Report 2026; Experian, business credit score guidance (2026).

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34. Security: what the company could borrow against

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

December 2025, £	Thornbury	What a lender typically advances
Trade debtors	£842,100	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%	**£715,785**	**Whole-ledger facilities are not usually offered below about £300,000 of turnover**
Stock	£496,400	Part of its resale value, after a valuation; finished goods and standard components count most
Tangible fixed assets	£302,600	Asset finance against named vehicles and equipment
Other debtors and amounts owed by related companies	£19,600	Not usually lent against
Patents, designs and trade marks	None: no patents, designs or trade marks are registered	Only if owned by, assigned or licensed to the borrower

WHAT ALREADY HAS A CLAIM

- **Thornbury has one outstanding charge:** Fictional Bank plc, bank, over all assets, registered 2020. A new lender needs the existing holder's agreement or a deed of priority, so that lender is the natural first call.
- **Guarantees.** The bank holds an all-monies debenture from July 2020, taken with the coronavirus loan, which is repaid in 2026. A lender counts a guarantee as a call on the assets even when it is not in the accounts (page 39).
- **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

- **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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35. Funding options and where to get them

An invoice discounting line of about £300k against the £842k of trade debtors fits Thornbury best, because it grows with sales and covers the November low point. Ask the existing bank first, then compare a specialist through a broker.

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: Thornbury	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, against trade debtors	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	Good fit: £842k of debts across about 120 accounts, though Customer A's 30% will be capped	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: the dry goods importer carries the import; Thornbury buys in sterling	Purchase orders, supplier terms, shipping documents and stock records
Asset finance and hire purchase	Vans, tooling, equipment and demonstration kit	Two vans a year, about £60k, on hire purchase	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	Possible, but invoice discounting fits the need better	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	Not eligible: no exports	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	Nothing to document between companies; have the stock count procedure written down	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 (28 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	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, rather than borrowing that is not needed (recommendations 2 and 10). Help to Grow: Management, a management course rather than funding, is on page 27.

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: London Growth Hub.

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36. 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 41).

	Thornbury
Forecast EBITDA, 2027 E	£299k
Senior bank debt at 2 to 3 times EBITDA, the usual range at this size E	£599k to £898k
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	£25k
That funding as a multiple of 2027 EBITDA E	**0.1x**

Counted as debt, the existing funding uses little of Thornbury's capacity.

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). Thornbury's profit and loss reserve of £921k at 31 December 2025 sets the limit in law; whether its cash would allow it is on page 57.
- **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. 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).
2. Make profit bankable: a monthly cash bridge and a quality of earnings review on your own side (page 21).
3. Keep a small facility, used lightly and cleared each month, and a clean credit file (recommendations 2 and 10).
4. 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 C

Due diligence on the records

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Illustrative example — 3 November 2026

37. What the company's own records show

The company 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. Thornbury has no red tests. The records confirm the profit and the cash, but show the monthly accounts overstate the year end by about 12%, mainly from stock not being counted.

Test	Green / amber / red	Thornbury
1. Management accounts agree to the full accounts Page 45	Green: EBITDA moved under 5% Amber: 5% to 15% Red: over 15%	Amber: EBITDA £326k in the monthly accounts, £287k in the full accounts
2. Cash proof: bank against the ledgers Page 51	Green: within 2% Amber: 2% to 5% Red: over 5%	Amber: Receipts −0.3% and payments 4.8% away from the ledgers
3. Free cash: the lowest balance against what the business needs Page 51	Green: lowest above what it needs Amber: a quarter of it or more Red: below a quarter	Amber: Lowest £39k on 27 November 2025, against about £150k needed
4. Working capital at the year end against its normal level Page 52	Green: near normal Amber: well above, or up to 40% of the swing below Red: further below	Amber: £563k at the year end against a normal £521k
5. Revenue cut-off and work in progress Page 48	Green: under 0.5% of turnover Amber: 0.5% to 2% Red: over 2%	Amber: £31k of sales in the wrong year, 0.5% of turnover
6. Customer and supplier concentration Page 49	Green: largest 20% or less Amber: 20% to 40% Red: over 40%	Amber: Largest customer 30% of sales; largest supplier 26% of purchases
7. Capital spending keeps up with depreciation Page 53	Green: 1.0x or more Amber: 0.8x to 1.0x Red: below 0.8x	Green: 1.45x over 5 years
8. VAT and PAYE paid on time, no arrears Page 53	Green: no arrears Amber: Time to Pay being met Red: arrears, no arrangement	Green: No arrears; returns and payments on time
9. Director's loans and section 455 tax Page 53	Green: none overdrawn Amber: cleared by a dividend Red: section 455 tax due	Green: No director's loan overdrawn
10. Payroll, holiday pay, pensions and contractors Page 50	Green: all in order Amber: a gap	Amber: Holiday pay not accrued
11. Trading since the year end against budget Page 47	Green: 95% of budget or more Amber: 80% to 95% Red: below 80%	Amber: EBITDA £212k to 30 September 2026, 92% of budget

THE THREE NUMBERS A BUYER OR LENDER WILL ADJUST

	Thornbury
Underlying EBITDA, 2025, from the full accounts [E]	£242k
Net debt and debt-like items: debt and usually debt-like, less cash [E]	(£96k)
Items that may be debt-like, on top [E]	£12k
Working capital at the year end, against its normal level [E]	+£42k

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

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.

Illustrative example · 5 November 2026

38. 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.

THORNBURY

	£
EBITDA, December 2025 monthly accounts M	£326,500
Stock count at 31 December below the book stock: out-of-date and damaged goods	(£24,600)
Supplier rebates counted twice in December	(£8,400)
Three deliveries invoiced on 31 December that left the warehouse on 2 January	(£6,900)
EBITDA, 2025 full accounts M	**£286,600**
Depreciation and interest in the monthly accounts	(£50,400)
Depreciation for the full year on two vans bought in 2025	(£1,300)
Profit before tax, full accounts	**£234,900**
Profit after tax agrees to the change in reserves P	Yes, every year

- **Thornbury's monthly accounts overstate EBITDA by £40k** (12%) before the year-end adjustments. The monthly accounts take stock from the book records, not a count, so December profit runs ahead of the full accounts. The £20k of other debtors the filed accounts leave unexplained is £20k of trading balances, not money lent to others.

WHAT SITS INSIDE THE FILED TOTALS

Thornbury, 31 December 2025 M	£	How a buyer treats it
Other debtors, £19,600 filed P		
Volume rebates due from suppliers	£14k	Working capital
Sundry	£6k	Working capital
Accruals and deferred income, £56,400 filed P		
Accruals	£52k	Working capital
Customers' payments in advance	£5k	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 22 now start from the full accounts' EBITDA. Fictional example data.

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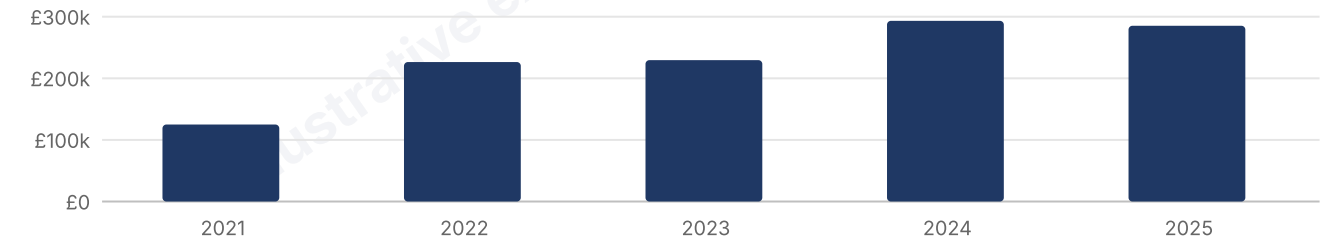
39. Trading over five years, from the full accounts

Turnover has grown every year since 2020 and the gross margin has held at about 23%, so EBITDA has more than doubled since 2021; growth slowed to 3% in 2025.

THORNBURY

£	2021	2022	2023	2024	2025
Turnover [M]	£4.12m	£5.18m	£5.61m	£5.88m	£6.04m
Growth	–	+26%	+8%	+5%	+3%
Gross margin	22.8%	23.1%	22.6%	23.2%	22.9%
Overheads, before depreciation	£814k	£970k	£1.04m	£1.07m	£1.10m
EBITDA	**£125k**	**£226k**	**£230k**	**£293k**	**£285k**
EBITDA margin	3.0%	4.4%	4.1%	5.0%	4.7%
Profit before tax	£77k	£175k	£175k	£238k	£230k
Profit after tax	£42k	£124k	£125k	£174k	£166k
Average employees [P]	23	25	26	27	28
Turnover per employee	£179k	£207k	£216k	£218k	£216k
Underlying EBITDA, 2025 (page 22)					**£242k**

Illustrative example · 3 November 2026



Thornbury EBITDA

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
Thornbury, 2025			
Turnover: my estimate from the public record [E]	£6.04m	£6.04m	+0%
Profit after tax: the minimum, from retained profit [P]	£106k	£166k	−36%

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.

40. 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.

THORNBURY: 9 MONTHS TO 30 SEPTEMBER 2026

£	2025	2026	Budget	On last year	On budget
Turnover	£4.32m	£4.41m	£4.56m	+2%	−3%
Gross profit	£992k	£1.01m	£1.04m	+2%	−3%
Gross margin	23.0%	22.9%	22.8%		
EBITDA	**£204k**	**£212k**	**£231k**	**+4%**	**−8%**
Cash at 30 September 2026		£168k			

Revenue is up 3% on last year; Customer A opened two more sites; the margin held as meat prices eased.

VALUE PAID OUT SINCE 31 DECEMBER 2025

Company	Payment	£	How a buyer treats it
Thornbury	Dividend to the shareholders, 30 June 2026	£40k	Leakage

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. Thornbury: £40k 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.

Illustrative example · 30 September 2026

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

A business that sells goods takes its sales when the goods are delivered. The judgement is whether invoices either side of the year end fall in the right year, and whether any customer money is held in advance. These are the items a buyer's accountants test hardest.

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

Company	Window tested	Invoices tested	In the wrong year	Finding
Thornbury	16 December 2025 to 15 January 2026	£412k	£31k	Three deliveries invoiced on 31 December 2025 that left the warehouse on 2 January 2026

- **Thornbury took £31k of sales into 2025 that belong to 2026**, with about £7k 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 22).

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.

Illustrative example · 3 November 2026

42. 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.

THORNBURY, 2025 M

Customer	Sales	Share
Customer A (restaurant group, 14 sites)	£1.81m	30%
Customer B (hotel group)	£486k	8%
Customer C (contract caterer)	£412k	7%
Customer D (restaurant group)	£268k	4%
Customer E (school catering)	£214k	4%
Customer F (pub group)	£186k	3%
Customer G (restaurant)	£142k	2%
Customer H (café chain)	£128k	2%
Customer I (hotel)	£104k	2%
Customer J (restaurant)	£96k	2%
Largest customer		**30%**
Top 5		**53%**
Top 10		**64%**

Largest customer's share by year: 2023 27%, 2024 29%, 2025 30%.

Supplier	Purchases	Share
Meat and poultry supplier	£1.19m	26%
Dairy and chilled supplier	£842k	18%
Dry goods importer	£718k	15%
Fruit and vegetable grower	£512k	11%
Packaging and disposables	£184k	4%
Largest supplier		**26%**

The dry goods importer gives a 1.5% rebate on spend above £600k, credited each quarter.

- **Thornbury'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.

Illustrative example · 3 November 2026

43. 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.

	Thornbury
Average employees, 2025 P	28
Payroll cost, with employer NI and pension M	£812k
Payroll cost per employee	£29k
Directors, and what they draw as salary	2, £48k in total
Holiday pay earned but not taken	Not accrued, £7k
Pension auto-enrolment	Auto-enrolment in place; contributions paid within 22 days each month
Freelancers and contractors	2, paid £38k; agency drivers through a licensed agency
Key person	The managing director holds the Customer A relationship and does all the buying

HEADCOUNT BY MONTH M



- **Thornbury does not accrue holiday pay.** The £7k earned but not taken at the year end is a cost already incurred, and a buyer may treat it as debt-like.

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 19. Fictional example data.

Illustrative example · 3 November 2026

44. 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, £	Thornbury
Customers	
Sales invoiced, before VAT (sales ledger) M	£6.04m
VAT on those sales	£169k
Owed by customers at the start, less at the end	−£46k
Cash you would expect from customers	**£6.16m**
Received from customers (bank statements) M	£6.15m
Difference	**−£16k (−0.3%)**
Suppliers	
Purchases invoiced, with VAT (purchase ledger) M	£4.79m
Owed to suppliers at the start, less at the end, plus deposits paid	−£36k
Cash you would expect to pay	**£4.75m**
Paid to suppliers (bank statements) M	£4.98m
Difference	**+£230k (4.8%)**
Result	Small gaps

Thornbury: Credit notes for short and damaged deliveries of £11,900 and bad debts of £4,400 explain the gap; supplier rebates taken as credit notes, not cash, explain most of the gap.

THORNBURY: THE BANK IN 2025 M

	£
Bank at 31 December 2024 P	£171k
Received from customers	+£6.15m
Paid to suppliers	−£4.98m
Net pay to staff	−£611k
PAYE and NI paid to HMRC	−£168k
Pension contributions	−£24k
VAT paid to HMRC	−£99k
Corporation tax paid (the 2024 bill)	−£58k
Vans and chillers	−£67k
Coronavirus loan repaid	−£50k
Interest paid	−£2k
Dividends paid	−£60k
Bank at 31 December 2025 P	**£194k**

FREE CASH: WHAT IS REALLY AVAILABLE

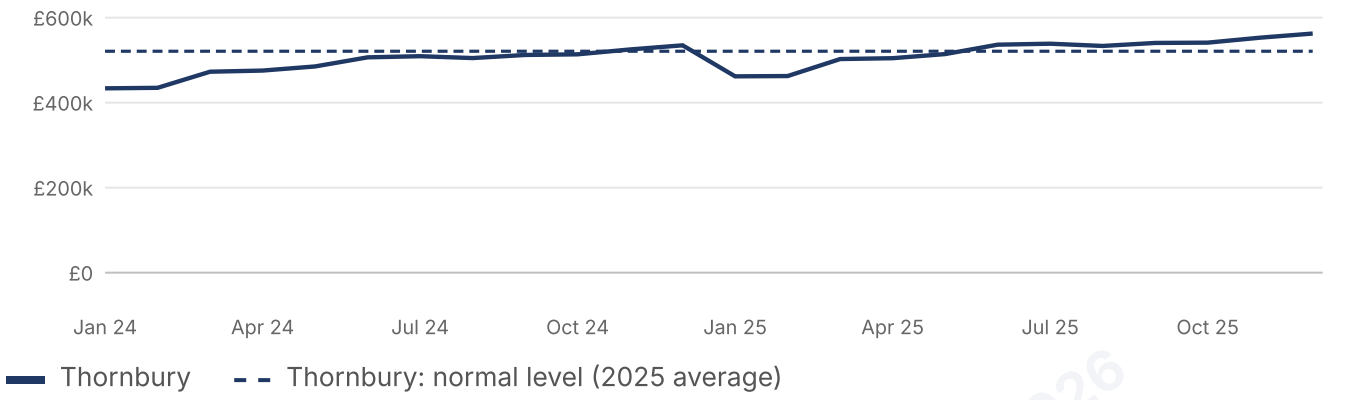
	Thornbury
Cash at the year end P	£194k
Customer deposits and support billed in advance M	−£5k
Cash after them	**£190k**
Lowest balance in the year M	£39k, 27 November 2025
What the business needs to hold E	£150k
Result	Thin at the low point

Bank statements and ledgers M; filed cash P; what each business needs to hold is my estimate E: Thornbury, two weeks of supplier payments plus the monthly payroll. Bands: within 2% green, 2% to 5% amber, over 5% red. Fictional example data.

Illustrative example · 3 November 2026

45. 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.



	Thornbury
Average of the 12 month ends, 2025: the normal level	£521k
Average of all 24 month ends	£507k
Highest month end	£563k, December 2025
Lowest month end	£462k, January 2025
Year end, 31 December 2025, on the records	**£563k**
Year end less the normal level	**+£42k**
Year end on the filed accounts (page 28) P	£549k
Customer days, with work not yet billed and retentions: year end and the year's average	51 and 47

- **Thornbury**: working capital swings by £101k through the year, between January 2025 and December 2025. At the year end it was £42k 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 Thornbury, 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

46. 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.

	Thornbury
VAT, PAYE and NI owed at the year end P	£64k
A normal level: one VAT quarter and one month's PAYE E	£21k
Arrears M	–
Time to Pay	None
Result	No arrears

Thornbury: Most food is zero-rated; VAT returns and payments on time in all eight quarters; PAYE paid by the 22nd.

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
Thornbury						
Capital spending M	£76k	£75k	£29k	£87k	£67k	£334k
Depreciation M	£38k	£43k	£46k	£50k	£53k	£230k
Spending ÷ depreciation	**1.99x**	**1.76x**	**0.64x**	**1.76x**	**1.25x**	**1.45x**

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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47. 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, £	Thornbury
Debt	
Bank loans, overdrafts, leases and hire purchase	£25k
Funding from group and related companies	–
Usually debt-like	
Corporation tax owed	£61k
Year-end bonus for 2025 paid in February 2026	£12k
May be debt-like	
Customer deposits and support billed in advance (deferred income)	£5k
Holiday pay earned but not taken	£7k
Debt and usually debt-like items	**£98k**
Less cash P	−£194k
Net debt and debt-like items	**(£96k)**
With every item that may be debt-like	**(£84k)**
Count only if collected in cash before a deal	
Owed by related companies	–
Director's loan account, overdrawn	–

- **Thornbury**: net cash of £96k on the records, against net cash of £108k from the filed accounts alone (page 28). A buyer who treats every item that may be debt-like as debt would deduct (£84k).
- 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 52).

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 · 31 November 2026

48. 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.

	Thornbury
Underlying EBITDA, 2025 (normalised earnings) M	£242k
Market multiple for deals of this size P	3.7x
Less for the findings below E	−0.55x at the low end
Enterprise value	**£766k to £899k**
Less net debt and debt-like items M	+£96k
Working capital at the year end against normal M	+£42k
Less items that may be debt-like (low end only) M	−£12k
Value of the shares: indicative range	**£892k to £1.04m**
Net assets, for comparison P	£922k

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	Thornbury
Depends on one person (page 19)	Managing director
One large customer (page 49)	Largest 30%
One main supplier (page 49)	Largest 26%
Earnings falling (page 46)	EBITDA £125k, £226k, £230k, £293k, £285k
Tax to sort out (page 53)	None due
Accounts a buyer cannot rely on (page 26)	Quality of the accounts amber
Profit not turning into cash (page 20)	Cash conversion 68%
Related-party arrangements (page 17)	None red

- Every £10k added to underlying EBITDA adds about £37k 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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PART D

Business cash flow forecast, 2027 to 2029

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

Thornbury stays in credit in every month from January 2027 to December 2029 in the base case. The low point for Thornbury is £125k in January 2027, and cash builds to £391k by December 2029.

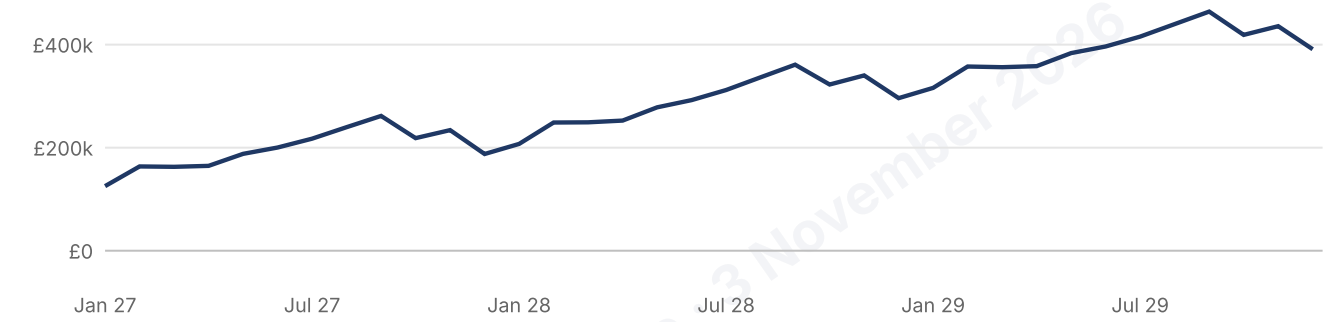
£125k
Lowest cash, Jan 2027

£125k
Thornbury's lowest cash, Jan 2027

12.7%
Fall in sales Thornbury could bear from January 2027 before cash runs out

£600k
Committed facility that covers Thornbury'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 business makes cash.** Estimated sales in 2027 are £6.67m for Thornbury, with profit before tax of £239k. After tax and capital spending, Thornbury adds about £95k a year to its cash.
- **Thornbury needs a facility behind it.** Its lowest month-end cash, £125k in January 2027, is about 1 week of its payments. The scenarios “Customers pay 30 days later” and “Food costs +8% and pay +6% in the first year, prices unchanged” would take it overdrawn. A committed facility of about £600k covers its worst single case (recommendation 2, page 12).
- **Tax is a growing outflow.** Corporation tax paid rises from £62k in 2027 to £66k in 2029 (page 64).

The starting turnover and profit are from the companies' full accounts [M]; growth, margins and costs from here are my estimates [E] (pages 58 and 59). 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.

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50. 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]: £6.04m of turnover and £230k before tax at Thornbury.

- **Staff.** 28 at Thornbury 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 £185k a year for Thornbury (about £7k 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 the 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 (£20k at Thornbury) and the balances with related companies stay at their December 2025 level. Nothing more is lent, and nothing is repaid, except in the scenarios.
- Prepayments stay at their last level, and so do accruals for a company that does not take deposits.
- None: Thornbury has no holding company or related companies.

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 66).

FIVE YEARS FROM THE FULL ACCOUNTS [M]

Year	Thornbury turnover	Thornbury profit before tax
2021	£4.12m	£77k
2022	£5.18m	£175k
2023	£5.61m	£175k
2024	£5.88m	£238k
2025	£6.04m	£230k

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

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51. Main assumptions

Assumption	Thornbury
Opening position	
Balance sheet at 31 December 2025	Filed accounts P
Sales	
Turnover, 2025	£6.04m M
Mix	Food and drink delivered to restaurants, hotels and caterers 100% E
Volume growth, 2026 / 2027 / 2028 / 2029	2% / 2% / 2% / 2% E
Price rises, same years	3% / 3% / 2% / 2% E
Monthly pattern	December is the busiest month for restaurants, January and February the quietest, from the monthly sales M
Costs	
Bought-in cost as a share of sales, 2025 prices	Food and drink delivered to restaurants, hotels and caterers 77% E
Bought-in cost rises, 2026 / 2027 / 2028 / 2029	3% / 3% / 2.5% / 2.5% E
Gross margin after bought-in costs, 2027 (result)	22.9% E
Staff (average)	28 in 2025 P; 28, 29, 29, 30 in 2026 / 2027 / 2028 / 2029 M
Average pay, 2025, and pay rises each April	£29,000; 4.5% / 4% / 3.5% / 3% P
Employer costs	National Insurance 15% above £5,000; pension 3% of qualifying earnings; the £10,500 Employment Allowance P
Overheads, 2025 (balancing figure), then rising	£185k; 3.5% / 3% / 3% / 3% E
Capital spending each year	£60k M
Cash timing	
Customer receipts	Food and drink delivered to restaurants, hotels and caterers: 30 days for most accounts; some small restaurants at 7 days E
Supplier payments	45 days M
Stock	About 39 days of cost of sales, as in the filed accounts P
VAT	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
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 1 associated companies E
Bank	Loans of £25k repaid over 12 months P. Bank Rate 3.75% P; overdraft margin of 3 points if overdrawn E
Dividends and related companies	The usual dividend M; 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 in my working papers. How the estimates are set is on page 58, and the reason for each on page 60. Lists run 2026 / 2027 / 2028 / 2029; 2026 is the bridge year.

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52. Why each estimate: Thornbury

The reason for each estimate on page 59, 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	£6.04m M	Trade creditors of £702k at December 2025 P are about 53 days of purchases at this level. Turnover in the full accounts for 2025, from the companies' records.
Mix	Food and drink delivered to restaurants, hotels and caterers 100% E	One stream: the whole business is wholesale delivery.
Volume growth	2% / 2% / 2% / 2% E	Customer A plans two more sites a year M; the rest of the market is flat in volume.
Price rises	3% / 3% / 2% / 2% E	Food prices passed through at cost plus margin.
Costs		
Bought-in cost as a share of sales	Food and drink delivered to restaurants, hotels and caterers 77% E	The 2025 gross margin of 22.9% in the full accounts; about 14% of sales are standard-rated (drinks, cleaning products, disposables).
Bought-in cost rises	3% / 3% / 2.5% / 2.5% E	Suppliers' prices rise in line with food inflation.
Staff	28, 29, 29, 30 M	Thornbury has had 23 to 28 staff since 2021 P. One more driver as Customer A adds sites.
Pay	£29,000 in 2025; rises of 4.5% / 4% / 3.5% / 3% each April P	Average pay in the 2025 payroll. The National Living Wage rises 3.9% to £13.21 in April 2027 and private-sector regular pay is rising 3.0% a year P. Rises ease to 3% as inflation falls.
Overheads	£185k in 2025; then 3.5% / 3% / 3% / 3% E	The 2025 level is what fits the 2025 profit (page 58). 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	£60k a year M	About the 20% a year depreciation on £303k of fixed assets P, which have stayed between £198k and £303k since 2019 P. Two vans replaced each year.
Cash timing		
Customer receipts	30 days for most accounts; some small restaurants at 7 days E	Trade debtors were £842k at December 2025, about 42 days of sales with VAT P. Debtor days of about 51 at December 2025, from the sales ledger.
Supplier payments	45 days M	Trade creditors are about 53 days of purchases with VAT P. Most suppliers on 30 to 60 days.
Stock	39, 39, 39, 39 days of bought-in cost P	Stock of £496k at December 2025 P is about 39 days of bought-in cost at the estimated turnover, against £262k to £496k since 2019 P. It is a target: the scenario on page 66 keeps it high. About 39 days of cost of sales, as in the filed accounts.
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 M	The 2025 full accounts show £60k dividends M. The scenarios test money continuing to leave (page 66).
Corporation tax	Losses brought forward: nil E	No tax losses: Thornbury has paid corporation tax every year since 2021

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

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53. Thornbury: profit, cash and balance sheet

PROFIT AND LOSS

Year to 31 December	2026 (bridge)	2027	2028	2029
Sales	£6.35m	£6.67m	£6.97m	£7.29m
Bought-in costs	(£4.89m)	(£5.14m)	(£5.37m)	(£5.62m)
Gross profit	**£1.45m**	**£1.53m**	**£1.60m**	**£1.67m**
Staff costs	(£954k)	(£1.03m)	(£1.07m)	(£1.14m)
Overheads	(£191k)	(£197k)	(£203k)	(£209k)
EBITDA	**£308k**	**£299k**	**£324k**	**£318k**
Depreciation and amortisation	(£61k)	(£60k)	(£60k)	(£60k)
Interest	(£1k)	–	–	–
Profit before tax	**£247k**	**£239k**	**£264k**	**£257k**
Corporation tax	(£62k)	(£60k)	(£66k)	(£64k)
Profit after tax	**£185k**	**£179k**	**£198k**	**£193k**

BALANCE SHEET

At 31 December	2026 (bridge)	2027	2028	2029
Fixed assets and development	£302k	£302k	£301k	£301k
Stock	£523k	£549k	£574k	£600k
Trade debtors	£776k	£816k	£853k	£892k
Other debtors and prepayments	£53k	£53k	£53k	£53k
Cash	£107k	£188k	£296k	£391k
Trade creditors	(£518k)	(£544k)	(£568k)	(£594k)
VAT, PAYE and corporation tax owed	(£83k)	(£84k)	(£92k)	(£92k)
Related companies, loans, deferred income and other creditors	(£114k)	(£114k)	(£114k)	(£114k)
Net assets	**£1.05m**	**£1.17m**	**£1.30m**	**£1.44m**

CASH FLOW

Year to 31 December	2026 (bridge)	2027	2028	2029
EBITDA	£308k	£299k	£324k	£318k
Working capital and VAT timing	(£188k)	(£37k)	(£36k)	(£37k)
Corporation tax paid	(£61k)	(£62k)	(£60k)	(£66k)
Capital spending and development	(£60k)	(£60k)	(£60k)	(£60k)
Loans, interest, related companies and dividends	(£86k)	(£60k)	(£60k)	(£60k)
Net cash flow	**(£87k)**	**£80k**	**£108k**	**£95k**
Cash at the start of the year	£194k	£107k	£188k	£296k
Cash at the year end	**£107k**	**£188k**	**£296k**	**£391k**
Lowest month-end cash in the year	£94k	£125k	£207k	£316k

WHAT IT SHOWS

- **Margins hold, for one reason.** EBITDA goes from £299k in 2027 to £318k in 2029, 4.5% to 4.4% of sales. Staff costs go from 15.5% to 15.7% of sales, because staff rise from 29 to 30 while sales grow about 4.6% a year (page 60).
- **Stock is the lever.** Stock takes about £53k by December 2027.
- **Tax.** Thornbury pays £62k of corporation tax in 2027, on its 2026 profit.

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 · 30 November 2026

54. 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	Thornbury receipts	Thornbury payments	Thornbury cash
Jan 2027	£643k	(£625k)	£125k
Feb 2027	£521k	(£483k)	£164k
Mar 2027	£499k	(£499k)	£163k
Apr 2027	£538k	(£536k)	£165k
May 2027	£552k	(£528k)	£188k
Jun 2027	£575k	(£563k)	£200k
Jul 2027	£585k	(£568k)	£217k
Aug 2027	£600k	(£578k)	£240k
Sep 2027	£595k	(£573k)	£262k
Oct 2027	£565k	(£608k)	£219k
Nov 2027	£563k	(£547k)	£234k
Dec 2027	£578k	(£624k)	£188k
Quarter ends			
Mar 2028	£1.74m	(£1.68m)	£249k
Jun 2028	£1.74m	(£1.70m)	£292k
Sep 2028	£1.86m	(£1.79m)	£361k
Dec 2028	£1.78m	(£1.85m)	£296k
Mar 2029	£1.82m	(£1.76m)	£356k
Jun 2029	£1.82m	(£1.78m)	£396k
Sep 2029	£1.95m	(£1.88m)	£464k
Dec 2029	£1.86m	(£1.94m)	£391k

WHERE THE MONEY GOES IN 2027

Payments in 2027	Thornbury
Suppliers	£5.31m
Staff, with PAYE, NIC and pension	£1.03m
Overheads, with VAT	£221k
VAT and corporation tax	£47k
Capital spending, with VAT	£72k

From the forecast model E. The lowest month is January 2027, at £125k.

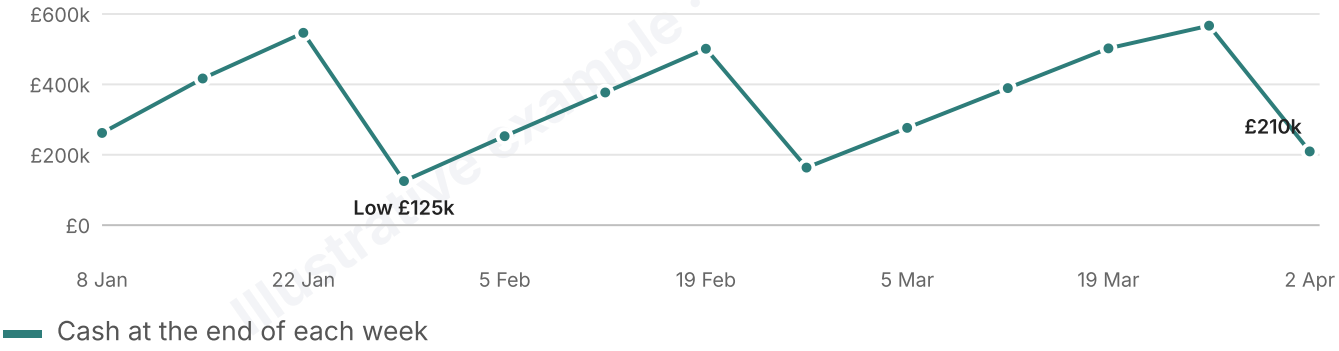
Illustrative example · 3 November 2026

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

Thornbury, 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	£161k	–	–	–	–	(£6k)	£155k	£262k
15 Jan	£161k	–	–	–	–	(£6k)	£155k	£417k
22 Jan	£161k	–	(£25k)	–	–	(£6k)	£130k	£547k
29 Jan	£161k	(£58k)	–	(£518k)	–	(£6k)	(£421k)	£125k
5 Feb	£130k	–	–	–	£3k	(£6k)	£127k	£253k
12 Feb	£130k	–	–	–	–	(£6k)	£124k	£377k
19 Feb	£130k	–	–	–	–	(£6k)	£124k	£501k
26 Feb	£130k	(£58k)	(£26k)	(£378k)	–	(£6k)	(£338k)	£164k
5 Mar	£119k	–	–	–	–	(£6k)	£113k	£276k
12 Mar	£119k	–	–	–	–	(£6k)	£113k	£389k
19 Mar	£119k	–	–	–	–	(£6k)	£113k	£502k
26 Mar	£95k	–	(£26k)	–	–	(£5k)	£65k	£567k
2 Apr	£96k	(£58k)	–	(£391k)	–	(£5k)	(£357k)	£210k

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 £125k.
- **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.

56. Tax: VAT, PAYE and corporation tax

CORPORATION TAX

Year to 31 December	2026 (bridge)	2027	2028	2029
Thornbury				
Profit before tax	£247k	£239k	£264k	£257k
Add back depreciation and amortisation	£61k	£60k	£60k	£60k
Less capital allowances and development costs	(£60k)	(£60k)	(£60k)	(£60k)
Taxable profit	£247k	£239k	£264k	£258k
Corporation tax, paid 9 months and 1 day after the year end	**£62k**	**£60k**	**£66k**	**£64k**

Capital spending gets the 100% annual investment allowance, and capitalised development is deducted as it is spent. The 1 associated companies share the £50k and £250k limits, so they become £50k and £250k. Research and development relief would lower the tax on development work and is not included.

VAT PAYMENTS IN 2027

Due	Thornbury
7 Feb 2027	(£3k)
7 May 2027	(£4k)
7 Aug 2027	(£4k)
7 Nov 2027	(£3k)

Quarters ending in December, March, June and September.

PAYE, NATIONAL INSURANCE AND PENSION

About £26k a month for Thornbury 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, £62k for Thornbury.
- **30 September:** accounts for 2026 due at Companies House. Small companies must include more disclosures from 2026 (page 27).

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].

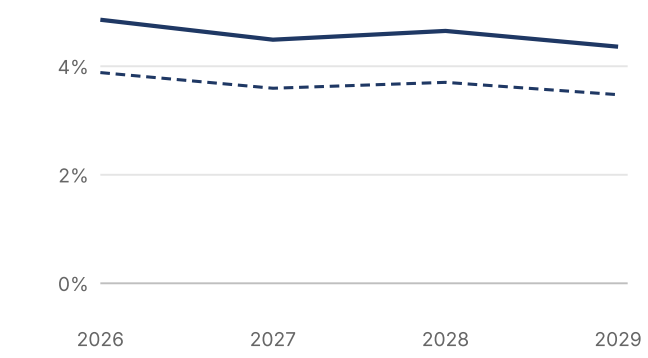
Illustrative example · 30 November 2026

57. Returns in the forecast

Year to 31 December	2026 (bridge)	2027	2028	2029
Thornbury				
Gross margin	22.9%	22.9%	22.9%	22.9%
EBITDA margin	4.9%	4.5%	4.7%	4.4%
Free cash flow margin (EBITDA less tax)	3.9%	3.6%	3.7%	3.5%
NOPAT	£186k	£179k	£198k	£193k
Capital invested at the start of the year	£752k	£939k	£978k	£1.01m
Return on invested capital (ROIC)	**24.7%**	**19.1%**	**20.2%**	**19.2%**
Cost of capital, 2025 (page 71)	13.8%	13.8%	13.8%	13.8%

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 32 E.

MARGINS



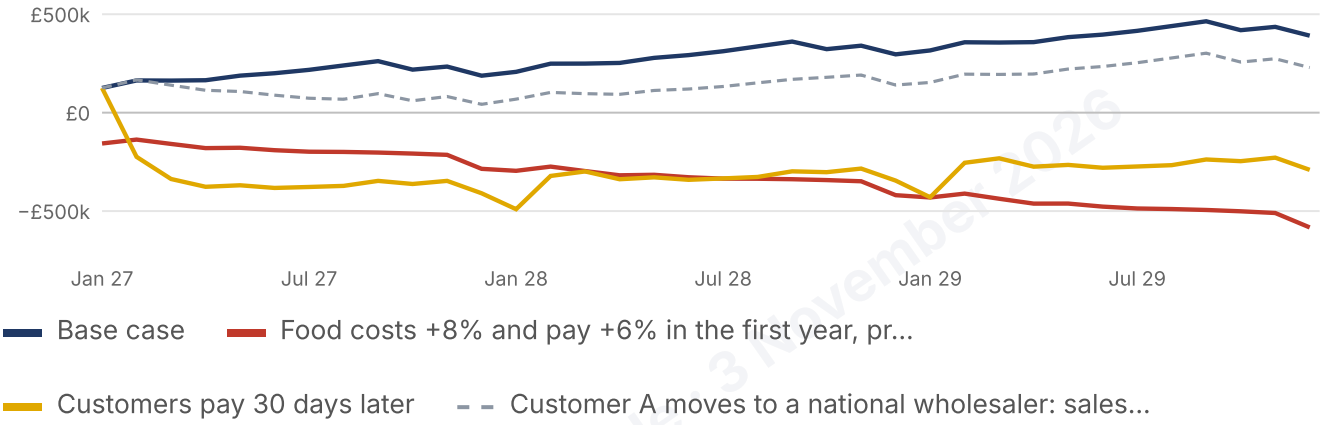
- **Returns beat the cost of capital.** Thornbury's return on invested capital of 19.1% in 2027 compares with a cost of capital of about 14%, or 8% without the two premiums (page 71).
- **Cash building up flatters the measure.** As cash builds, capital invested falls, which lifts the return. The better test is what the cash is used for: paying down related-company balances, investing, or dividends.

Illustrative example · 3 Nov 2026

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

Scenario, each on its own	Thornbury lowest	Month	Cash, Dec 2029
Base case	£125k	Jan 2027	£391k
Customers pay 30 days later	(£490k)	Jan 2028	(£291k)
Customer A moves to a national wholesaler: sales 30% lower for six months	£42k	Dec 2027	£229k
Food costs +8% and pay +6% in the first year, prices unchanged	(£583k)	Dec 2029	(£583k)

CASH FOR THORNBURY



Illustrative example 3 November 2026

- **Thornbury is where the risk sits.** It goes overdrawn in two of the scenarios. The worst is "Food costs +8% and pay +6% in the first year, prices unchanged", at (£583k) in December 2029.
- **Reverse stress test.** Sales would have to fall 12.7% from January 2027, and stay down, before Thornbury run out of cash. This assumes no cost cuts, so it is the cushion before action, not the end point.
- **The facility.** A committed facility of £600k, available to Thornbury, covers the worst single case with room to act.

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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APPENDIX 1

Accounts in detail

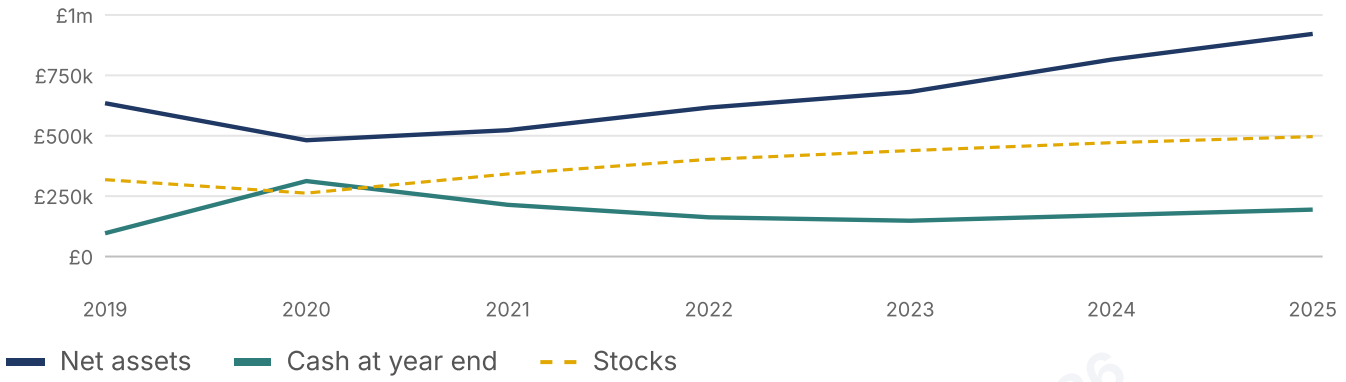
59. Thornbury: 7 years of balance sheets 68
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61. Profit retained, year by year 70
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59. Thornbury: 7 years of balance sheets

Net assets have grown in 5 of the 6 years since 2019, from £635k to £922k. Bank debt is £25k at December 2025. Cash at the year end ranges from £96k in 2019 to £312k in 2020. Staff numbers went from 24 to 28.



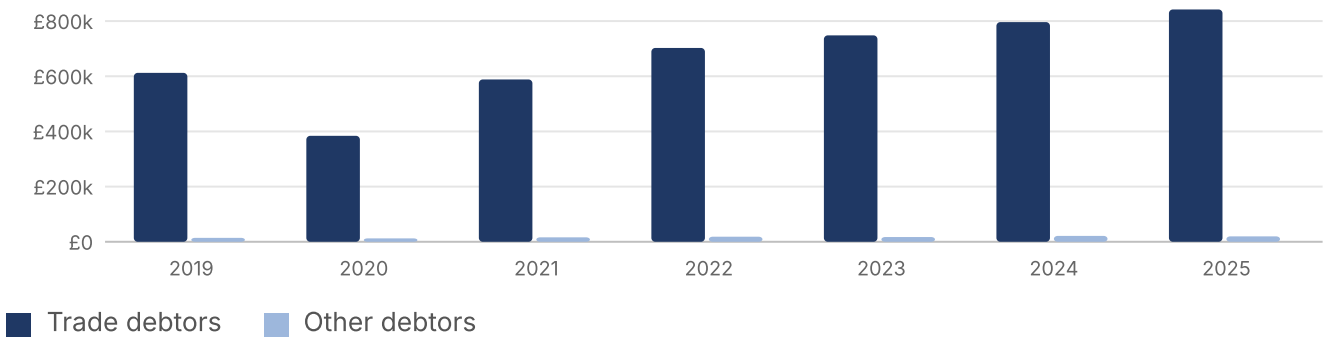
£, 31 December	2019	2020	2021	2022	2023	2024	2025
Tangible fixed assets	£212k	£198k	£236k	£268k	£252k	£289k	£303k
Stocks	£318k	£262k	£342k	£402k	£439k	£471k	£496k
Trade debtors	£612k	£384k	£588k	£703k	£748k	£796k	£842k
Other debtors (all)	£14k	£12k	£16k	£18k	£17k	£21k	£20k
Prepayments, accrued income, tax	£22k	£19k	£24k	£27k	£28k	£31k	£33k
Cash	£96k	£312k	£214k	£162k	£148k	£171k	£194k
Current assets	**£1.06m**	**£991k**	**£1.18m**	**£1.31m**	**£1.38m**	**£1.49m**	**£1.59m**
Trade creditors	£486k	£352k	£512k	£598k	£621k	£664k	£702k
Accruals and deferred income	£38k	£31k	£42k	£46k	£49k	£53k	£56k
Bank loans and leases	–	£25k	£50k	£50k	£50k	£50k	£25k
Tax and social security	£80k	£42k	£76k	£98k	£109k	£120k	£126k
Other creditors	£12k	£9k	£14k	£13k	£15k	£16k	£18k
Creditors within one year	**£617k**	**£460k**	**£694k**	**£806k**	**£844k**	**£903k**	**£927k**
Net current assets	£446k	£530k	£490k	£507k	£536k	£588k	£658k
Creditors after one year	–	£225k	£175k	£125k	£75k	£25k	–
Provisions	£24k	£22k	£28k	£33k	£31k	£37k	£39k
Net assets	**£635k**	**£481k**	**£523k**	**£617k**	**£682k**	**£815k**	**£922k**
Current ratio	1.72x	2.15x	1.71x	1.63x	1.64x	1.65x	1.71x
Quick ratio (excluding stock)	1.21x	1.58x	1.21x	1.13x	1.12x	1.13x	1.17x
Average employees	24	21	23	25	26	27	28

Source: Thornbury Foods 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.

Illustrative example 3 November 2026

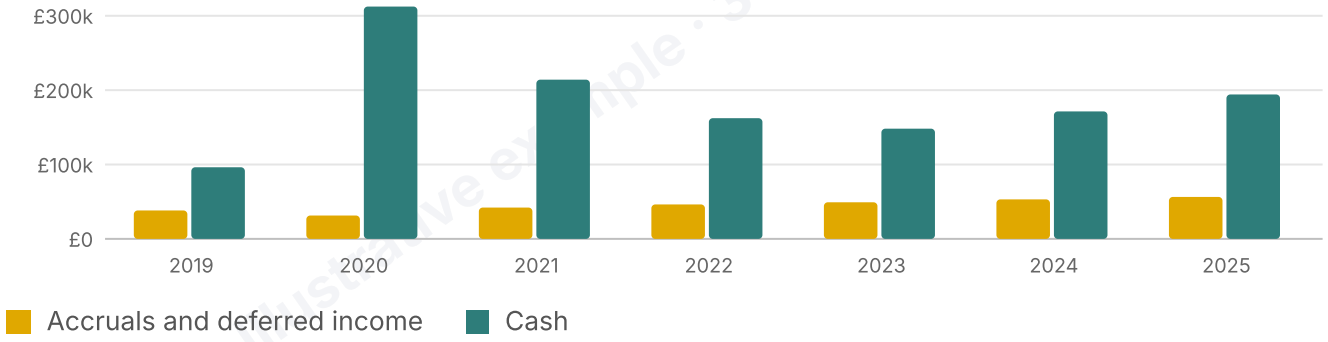
60. Thornbury: debtors, deferred income and cash

TRADE DEBTORS AND OTHER DEBTORS



In 2025 trade debtors were £842k and other debtors £20k. By 2025 trade debtors were £842k and other debtors £20k. The 2025 figures include – lent to related companies. That leaves about £20k 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.

CUSTOMER PREPAYMENTS AND YEAR-END CASH



Accruals and deferred income were £56k at December 2025, 6% of short-term creditors. Customers rarely pay in advance: £5k at December 2025, from a few new restaurants on pro-forma terms. Customer money does not fund the business. The forecast treats deposits as customers' money until the work is done (page 61).

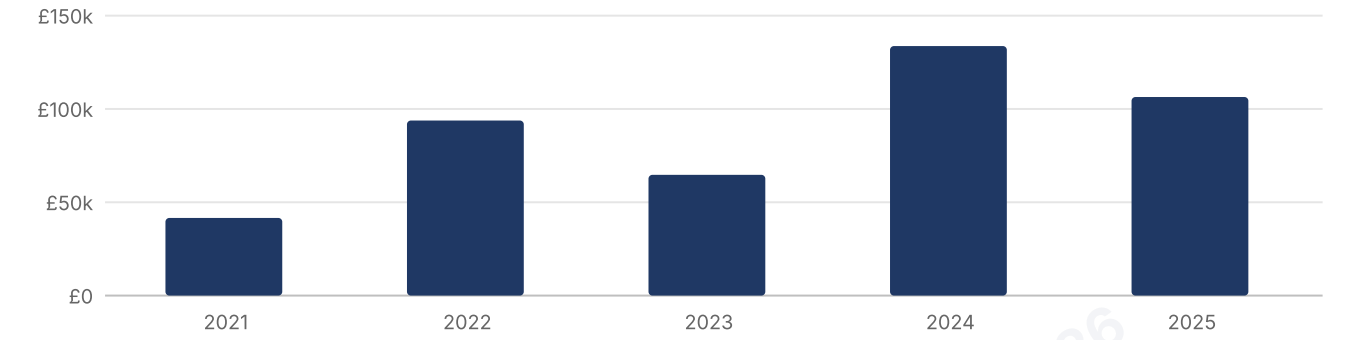
> **Liquidity on paper is strong.** Current assets cover short-term creditors 1.71x at December 2025. The quality of that cover depends on how quickly the £20k of other debtors can be turned into cash.

Correlation of year-end cash with accruals and deferred income, 2019 to 2025: -0.40. Source: filed accounts. Fictional example data.

Illustrative example · 3 November 2026

61. 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
Thornbury	£42k	£94k	£65k	£134k	£106k	£440k
Total	**£42k**	**£94k**	**£65k**	**£134k**	**£106k**	**£440k**

READING IT

- Thornbury's reserves rose in 5 of the 6 years from 2020. The fall was £153k in 2020. It is most likely dividends up to the holding company, or losses.
- Over 5 years the companies retained about £440k 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 30.

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62. 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	2020	2021	2022	2023	2024	2025
10-year gilt yield (year average) P	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%
Asset beta: Thornbury (food wholesale) P	0.65	0.65	0.65	0.65	0.65	0.65
Small-company premium E	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%
Cost of capital (WACC): Thornbury	**9.6%**	**10.0%**	**11.7%**	**13.3%**	**13.4%**	**13.8%**
Bank Rate (year average) P	0.23%	0.11%	1.47%	4.68%	5.11%	4.25%
Cost of debt: Bank Rate plus 3 points E	3.23%	3.11%	4.47%	7.68%	8.11%	7.25%
Thornbury debt ÷ equity, start of year P	0.00x	0.52x	0.43x	0.28x	0.18x	0.09x
Cost of equity: Thornbury	**9.6%**	**13.6%**	**14.8%**	**14.9%**	**14.4%**	**14.4%**

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.

Illustrative example · November 2026

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 0.4 of a point lower for Thornbury. 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 Thornbury's 2025 hurdle at about 14%. Without them, both hurdles fall by at least 6 points, and these results would change: Thornbury 2021. 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 14.1% for Thornbury. 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 76.

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APPENDIX 2

Similar companies

63. Thornbury against similar companies 73
64. Against competitors: balance sheet and per employee 74

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63. Thornbury 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 *	Foodservice wholesale	31 Mar	34	£831k	8.1%	−1.8%	Included
Peer B	Foodservice wholesale	31 Dec	52	£1.50m	5.9%	1.0%	Included
Peer C	Fruit and vegetable wholesale	30 Jun	18	£281k	5.7%	2.1%	Included
Peer D *	Foodservice wholesale	31 Dec	22	£451k	9.3%	−1.8%	Included
Peer E	Foodservice wholesale	31 Mar	66	£2.10m	4.3%	3.4%	Included
Peer F	Meat wholesale	30 Sep	30	£641k	7.2%	2.0%	Included
Peer G *	Foodservice wholesale	31 Dec	29	£700k	9.2%	0.7%	Included
Peer H	Foodservice wholesale	31 Jul	25	£396k	−5.3%	−2.6%	Included
Peer I	Dairy and chilled wholesale	31 Mar	16	£249k	7.5%	−0.2%	Included
Peer J *	Foodservice wholesale	31 Dec	13	£169k	10.6%	3.3%	Included
Peer K	Foodservice wholesale	31 Dec	38	£931k	7.2%	−0.4%	Included
Peer L	Foodservice wholesale	31 Aug	11	£4k	n/a	−12.0%	Negative opening equity
Median (n = 11)	**Included peers, winsorised**				**7.2%**	**0.7%**	
Quartiles					n/a		Fewer than 30 peers
For comparison							
Thornbury Foods Ltd	Foodservice wholesale	31 Dec	28	£922k	20.4%	18.5%	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	6.8%	12.3%	5.5	£69,688	£69,688
Peer A	2022	7.4%	13.3%	5.9	£80,928	£80,928
Peer A	2023	7.7%	13.8%	6.1	£89,920	£89,920
Peer A	2024	9.4%	15.8%	6.4	£111,100	£111,100
Peer A	2025	8.1%	14.6%	6.5	£112,400	£112,400
Peer D	2021	7.8%	14.0%	6.1	£42,284	£42,284
Peer D	2022	8.4%	15.1%	6.6	£49,104	£49,104
Peer D	2023	8.6%	15.4%	6.8	£54,560	£54,560
Peer D	2024	7.4%	14.4%	7.0	£55,400	£55,400
Peer D	2025	9.3%	16.5%	7.3	£68,200	£68,200
Peer G	2021	8.0%	14.0%	6.0	£64,666	£64,666
Peer G	2022	8.6%	15.1%	6.5	£75,096	£75,096
Peer G	2023	8.8%	15.4%	6.7	£83,440	£83,440
Peer G	2024	9.0%	15.9%	6.9	£93,300	£93,300
Peer G	2025	9.2%	16.3%	7.0	£104,300	£104,300
Peer J	2021	9.4%	18.2%	8.7	£19,344	£19,344
Peer J	2022	10.0%	19.3%	9.3	£22,464	£22,464
Peer J	2023	10.1%	19.5%	9.4	£24,960	£24,960
Peer J	2024	8.1%	17.6%	9.6	£24,900	£24,900
Peer J	2025	10.6%	20.4%	9.8	£31,200	£31,200

WHAT THE COMPARISON SHOWS

- **Thornbury sits above the peer median.** Its return on equity (estimated profit) was 20.4% in 2025, against a median of 7.2% for the 11 peers I could use. Its cash return on invested capital was 18.5% against 0.7%.
- **The proxy understates profit by 5.5 to 9.8 points** for the 20 peers that file a profit (marked *), because of the dividends they paid. The spread of 4.4 points is small enough to keep the return rows. Change in equity plus dividends gives their reported profit to the pound.
- **1 peer is left out** of the medians: Peer L (negative opening equity).
- Twelve fictional peers built for this sample: UK foodservice and food wholesalers filing small or medium accounts, 11 to 66 staff, with SIC codes 46390, 46320 and 46310. Peer G is the closest match to Thornbury, because it delivers to restaurants in London and is a similar size.

> 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

64. 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	Thornbury	Position	Better if
Current ratio	1.28x	0.91x to 1.67x	1.71x	1st of 13	Higher
Cash ÷ creditors due within a year	0.00x	0.00x to 0.11x	0.21x	1st of 13	Higher
Trade debtors ÷ total assets	38%	35% to 41%	45%	1st highest of 13	Depends on the business
Stock ÷ total assets	22%	20% to 24%	26%	1st highest of 13	Depends on the business
Accruals and deferred income ÷ total liabilities	4%	3% to 5%	6%	1st highest of 13	Depends on the business
Net working capital per employee	£26k	£20k to £34k	£20k	13th highest of 13	Depends on the business
Net assets per employee	£21k	– to £32k	£33k	1st of 13	Higher
Cash per employee	–	– to £4k	£7k	1st of 13	Higher
Profit retained per employee	£1k	(£1k) to £2k	£4k	1st of 13	Higher
Corporation tax owed per employee	£1k	£1k to £2k	£2k	1st of 13	Higher
Borrowing ÷ net assets	30%	22% to 1815%	3%	1st of 13	Lower

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WHAT IT SHOWS

- **Thornbury**: in the top quarter for current ratio, cash ÷ creditors due within a year, net assets per employee, cash per employee, profit retained per employee, corporation tax owed per employee, borrowing ÷ net assets and growth in employees.
- 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 a little less stock for its size, which a lender would see as a tighter operation.

> 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 (9 Foodservice wholesales, 1 Fruit and vegetable wholesale, 1 Meat wholesale and 1 Dairy and chilled wholesale), 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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APPENDIX 3

Definitions and sources

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65. 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 9); 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 20). **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 26). **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 28). **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) × $(1 - (1 + r)^{-5}) \div r$. **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 17). **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 74). **Records review**: eleven checks on the companies' own records, the first a buyer's or lender's accountants make (page 44). **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.

SOURCES

Company accounts filed at Companies House: Thornbury Foods 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.

Market and prices: 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; Drewry World Container Index, 29 October 2026 and 30 October 2025; GOV.UK / Low Pay Commission, October 2026; GOV.UK, Rates for the carbon border adjustment mechanism (CBAM), first published 16 October 2026; ECB euro reference rates, monthly averages; GBP/EUR = 1/(GBP per EUR), GBP/USD = (USD per EUR)/(GBP per EUR); read 3 November 2026. GOV.UK, Budget 2026 and National Living Wage rates from April 2027; Insolvency Service, business insolvency demography 2025 (June 2026); Damodaran, betas by sector (January 2026). The customers, suppliers and peers are fictional.

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.

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