

Latest case study Manufacturer of electrical components

Sector Manfacturing

Location West Midlands £50KFinance provided£300KShareholders' Funds

Type of loan

Asset Finance Loan used to purchase Plant and Machinery

£40K

Personal Guarantee Amount 80% Insurer Contribution; max claim £40,000

Overview to Business

The business is a longstanding electrical components manufacturer and was acquired by the current Directors 20 years ago.

Final Settlements:

The business was a specialist manufacturer of power components to the Rail, Industrial, Aviation and Offshore industries and expanded via organic and acquisitive growth.

Reason for Business Failure:

As a result of the political uncertainties that ensued following the Brexit vote, orders in the industry dropped. Also, one of the large contracts the business had was in respect of HS2 and delays with this project lead to increasing financial pressures for the business during 2019.

The business was, as a result, restructured and became more highly geared as new funding lines were introduced to provide additional working capital to the business to support its short term liquidity position.

At the beginning of 2020, the Brexit situation became clearer and HS2 was reinstated which provided greater confidence in the market. As a result, the business received new enquiries from new and existing customers. Unfortunately, these enquiries did not manifest into orders in time and the impact of COVID-19 placed further significant pressures on the viability of the business particularly with its gearing position.

Final settlement agreed at **£29,000**



Support provided by Purbeck Insurance:

The business was declared insolvent in Q2 2020 and entered a Creditors Voluntary Liquidation.

Conclusions:

The political uncertainty had a critical impact on the business which slowly eroded its financial viability over 18 months.

Whilst this position became clearer in the months leading to the failure of the business, the disruption caused by COVID-19 meant that the business unable to generate the cash flows required to meets its existing creditor and funding obligations. -> Introduced the client to a Panel Member firm for early intervention and to limit escalation of costs.

-> Personal Guarantee negotiator instructed to help reduce outstanding obligations under the Personal Guarantee.

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