BUSINESS IN DECLINE? – SIGNS TO PROMPT EARLY ACTION

There are multiple warning signs before a business becomes insolvent, however, these signs can be easily overlooked. Especially by directors and owners who have a very 'hands-on' approach when running their business.

That being said, often insolvency can be avoided through early intervention. You are probably wondering 'what are the early warning signs my business could be facing insolvency and what can I do to turn the business around?'

Signs of problems ahead can often be subtle however it is key to recognise the early warning signs and take early action in order to secure the future viability and ultimately success of your business. Lack of cash is an obvious starting point and unfortunately we too often see business owners throw good money after bad without making the fundamental changes the business needs to return to profit

WE SET OUT BELOW SOME OF THE MORE SUBTLE SIGNS TO WATCH FOR:

ANECDOTAL WARNING SIGNS

- Lack of focus on value producing activity/ investments - knowing when to cut back and exit loss making activities
- Sectoral concerns - could be legislative, increased competition, technological, product advancements etc
- Late financial information - signs of other distractions, poor systems and controls
- Lack of management's focus - Distracted by day to day fire fighting
- Is there a business plan or projections – lack of will lead to lack of focus and difficulty in assessing performance without a benchmark
- Management avoiding phone calls – engagement with advisors is key, that's why you pay them
- MI not addressing key business issues – unable to

make key operational decisions

- On stop with suppliers, CCJ's and Petitions – Signals serious credit issue and if not addressed can worsen quickly and put the Directors at risk of failing their fiduciary duties

FINANCIAL WARNING SIGNS

- Growing cash requirements – indicated by a growing purchase ledger, HMRC arrears etc
- Declining sales and orders – can the business cut overheads and maintain margins?
- Gross margins eroding – may be caused by increased competition or falling demand. Can general overheads be covered?
- Working capital cycle slowing - debtor, stock and creditor days increasing
- PAYE/VAT arrears – Early engagement and transparency with HMRC is key
- Negative variances against budget - Can it be corrected or is budget unrealistic and needs revisiting?
- Discrepancies between management and audited accounts – Management Information is key and inconsistencies can signal reliability and system issues

MOORE RESTRUCTURING & INSOLVENCY

We help and advise business owners with financial problems every day, so we understand how stressful it can be when your business experiences difficulty.

The group work closely with Lenders, Investors, Agents and Lawyers to restructure and refinance struggling organisations, across numerous industry sectors on projects that are both UK-based and international. Our first priority is to focus on recovery and value retention. Many businesses can avoid administration or liquidation by seeking professional advice as early as possible.

If your business is experiencing difficulty, please do not hesitate to contact our restructuring and insolvency team today.

For more information please contact:

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