

- 5.3** Conday and Co. Ltd has been in operation for three years and produces antique reproduction furniture for the export market. The most recent set of financial statements for the business is set out as follows:

Balance sheet as at 30 November

	£000
Non-current assets	
<i>Property, plant and equipment (cost less depreciation)</i>	
Land and buildings	228
Plant and machinery	<u>762</u>
	<u>990</u>
Current assets	
Inventories	600
Trade receivables	<u>820</u>
	<u>1,420</u>
Total assets	<u>2,410</u>
Equity	
Ordinary shares of £1 each	700
Retained earnings	<u>365</u>
	<u>1,065</u>
Non-current liabilities	
Borrowings – 9% loan notes (Note 1)	<u>200</u>
Current liabilities	
Trade payables	665
Taxation	48
Short-term borrowings (all bank overdraft)	<u>432</u>
	<u>1,145</u>
Total equity and liabilities	<u>2,410</u>

Income statement for the year ended 30 November

	£000
Revenue	2,600
Cost of sales	<u>(1,620)</u>
Gross profit	980
Selling and distribution expenses (Note 2)	<u>(408)</u>
Administration expenses	<u>(194)</u>
Operating profit	378
Finance expenses	<u>(58)</u>
Profit before taxation	320
Taxation	<u>(95)</u>
Profit for the year	<u>225</u>

Notes:

- 1 The loan notes are secured on the freehold land and buildings.
- 2 Selling and distribution expenses include £170,000 in respect of bad debts.
- 3 A dividend of £160,000 was paid on the ordinary shares during the year.
- 4 The directors have invited an investor to take up a new issue of ordinary shares in the business at £6.40 each making a total investment of £200,000. The directors wish to use the funds to finance a programme of further expansion.