



BUSINESS VALUATION REPORT



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**PREPARED BY KEITH GREEN
ON
25th March 2024**

This valuation report has been produced by Anderson Moore Business Consultants on behalf of the sole proprietor of [REDACTED].
It is to be read in conjunction with the notes at the back of the report.
Accuracy cannot be guaranteed. Any advice or details given are expressly excluded from any contract.

VALUATION REPORT

BUSINESS: [REDACTED] t/a [REDACTED]

COMPANY REGISTRATION NUMBER: N/A The business is a sole trader.

OWNER: [REDACTED]

ADDRESS OF BUSINESS

[REDACTED]

Website

Date of Report: 25th March 2024

Notes to this Report

This report is in respect of [REDACTED].

For clarity and brevity the business is referred to as [REDACTED], or the business, throughout this report.

The intention is to provide independent and impartial reporting.

The facts and opinions stated in the report are true, to the best of the valuer's knowledge.

The basis of this report is to provide an opinion of the open market value of the business if it were to be sold as a going concern.

This report is based on written information and records supplied by Mr [REDACTED], his accountant and information obtained in the public domain and various business resources.

Other than estimated results to 31st March 2024 no forecasted financial information has been provided. Therefore this valuation assumes sustainable results into the future.

This report is provided to assist Mr [REDACTED] and his advisors only, to determine a business value for the purposes of incorporating as a limited company.

Please see General Notes at the back of this report.

GENERAL

The business was established over 30 years ago.

THE BUSINESS

████████████████████ is an all-trades building, construction and associated services provider. To emphasise the range of services the website gives details of the six main areas of activity with each division identified by separate branding under the main ██████████ banner. For the record these are:

- ██████████ - Professional Construction
- ██████████ - Decorating Services
- ██████████ - Commercial Cleaning Services
- ██████████ - Property Maintenance
- ██████████ - Landscape and Garden Services
- ██████████ - Roofing Services

The business carries accreditation from CHAS and SafeContractor.

Much of the work is project-based, rather than repeat, contractual business. It is reported that a number of local letting agents have recently taken their maintenance works inhouse.

LOCATION / PREMISES / TENURE

The business is run from rented premises originally leased on normal commercial terms, but from January 2024 on a rolling lease, at a rental of £1,516.67 per month (£18,200 per annum exclusive of utilities and business rates). The property provides parking in a large shared yard, plus offices and storage, with an additional smaller store sub-let to a commercial tenant paying £650 + VAT per month. This report assumes full continuity of the rolling lease and tenancy arrangement.

FIXTURES, FITTINGS AND EQUIPMENT

A brief description of fixed assets has been provided, but not a fully detailed inventory. The main company assets are commercial vans and 3 x company cars which have a reported value of £200,000, although they are all held on hire purchase agreements for which a sum of £165,000 is outstanding. There is a rolling programme of van replacement to keep maintenance to a minimum.

Additional assets noted are computer/IT equipment and office equipment at a total estimated value of £8,000.

STAFF

The owner is fully involved in the running of the business, and tends to sign-off on larger contracts. However he has given the two Contract Managers a great deal of autonomy, and is gradually reducing his role in the business.

Excluding the owner there are 13 employed staff working in the business, of which 12 are full-time.

The roles/job descriptions are given as follows:

3x - Admin Support. General office duties, scheduling, client relationships etc.

1x - Finance Manager. Paying suppliers, managing cashflow, informal internal "audit"

2x - Contract Managers. Running jobs. Pricing works. Dealing with clients on site etc.

6x - Operatives. Working on site.

Made up of 1x Joiner, 2x Labourers, 1x Plumber, 1x Builder, 1x Multi-trade operative

1x Part-Time Accountant (3 days per week)

Subcontractors are also used as required, to carry out various works including electrical, plumbing, joinery and most trades.

ACCOUNTS

Accountancy information has been provided for the years-ended 31st March 2020 to 31st March 2023, plus a forecast for 31st March 2024.

Financial Year End	31 st March 2024 (Forecast)	31 st March 2023	31 st March 2022	31 st March 2021	31 st March 2020
Turnover £	1,870,342	2,336,707	1,535,387	572,574	1,067,422
Gross Profit £	████████	████████	████████	████████	████████
Net Profit (Loss) before tax £	████████	████████	████████	████████	████████
Add Back (Depreciation)	████████	████████	████████	████████	████████
Add Back (Interest inc. HP Interest)	████████	████████	████████	████████	████████
Deduct (Covid Support)					
Deduct Interest earned £					
Adjusted Profit £ (before management costs)	████████	████████	████████	████████	████████
Net Asset Value	████████	████████	████████	████████	████████

***EBITDA** = Earnings Before Interest, Tax, Depreciation and Amortisation. A typical formula used in business and company valuations for merger and acquisition negotiations.

COMPARABLES

Where possible, valuations are checked against similar businesses currently being offered for sale. In general there are no asking prices shown so it is difficult to draw any comparisons from the open market.

COMPARABLES – BUSINESS

The above information sourced from advertised business for sale websites on 19th March 2024. It provides very little comparable data in respect of this particular valuation, and noted for interest only.

LOCATION	PRICE ⁽¹⁾ £'000	TURNOVER £'000	NET PROFIT ⁽²⁾ £'000 (where provided)	NOTES
East Sussex	535	1,038	140	
Lancs.	800	1,068	100	
West Sussex	1,100	1,654	290	
Suffolk	350	1,244	-	
London	570	1,558	-	
Herts	700	2,320	-	
Kent	495	1,116	-	
Dorset	200	1,055	-	
Somerset	600	2,200	-	
Oxon	1,500	6,000	-	
Beds.	400	2,240		
Lincs.	1,100	2,352	381	
Kent	600	1,405	153	
Surrey	180	400	-	

(1) These are asking prices, and may or may not be realised in the event of a sale. They may also include balance sheet values or other adjustments not immediately apparent from basic figures provided.

(2) These profit figures are taken from the advertisements.

VALUATION DISCUSSION & OPINION

Typically, one would value a business based on profitability over a 3-year period or more.

Noting that the year to 31/3/21 was likely badly affected by the Covid pandemic, I will use the 3 full years to 31/3/2024 observing that the financial year to 31/3/2024 is a forecast provided by the accountant.

Averaging the Adjusted Profit, per the chart on the Accounts page, over the 3 years gives a figure of £177,340.

From the average Adjusted Profit above one would normally deduct a replacement for the current operational owner/manager to calculate a sustainable profit figure. Using the www.reed.co.uk Average Salary Checker gives a figure of £61,500 for a Construction Manager in Glasgow, and adding in typical employment costs (checked on www.stafftax.co.uk) gives a total cost of employment of £70,052 to deduct a replacement salary from the above average profit.

So, we arrive at an adjusted pre-tax profit or EBITDA⁽³⁾ of £107,288.

It is noted that the Balance Sheet has improved over the period from 31st March 2023 to 29th Feb 2024. Whilst this improvement seems modest, there is a substantial fixed asset write-down of £107,954 which somewhat hides the reduction in indebtedness of £226,564. Nonetheless there is still substantial debt in excess of £500,000. Additionally there may be a number of vehicles coming to the end of their service life and due for replacement.

- (3) **EBITDA** = Earnings Before Interest, Tax, Depreciation and Amortisation. A typical formula used in business and company valuations for merger and acquisition negotiations.

VALUATION

The fluctuating profitability of the business, and the overall debt, draws me to a quite modest valuation.

Using the adjusted EBITDA figure of £107,954 I would consider a profit-multiple of up to 4.0. However I am concerned that this is overgenerous and would therefore temper this down to perhaps 3.0. Applying this multiple gives a valuation of £323,862. With the balance sheet at around -£130,000 I still feel this to be generous, so will apply a further adjustment, bringing this down to £250,000.

CONCLUSION

My opinion of market value for the business is in the sum of £250,000. For further context please read the General Notes at the foot of this report.

Valuer Signature



Date: 25th March 2024

GENERAL NOTES

It must be noted that this report has been produced based partly on information provided by the owner(s) of the business, some or all of which may be unaudited and unverified.

Business valuations are not an exact science and generally matters of opinion rather than fact. The valuation figures provided may or may not be achievable in an open market sale. The business trading name and/or websites, brand names, trademarks etc. should always form part of the sale assets and are assumed to be included within the valuation given, unless otherwise noted.

It is also anticipated that to achieve the maximum price a business is, and has been, run in full compliance with all legal and industry or professional requirements; and that it will fully stand up to scrutiny by a buyer under legal and financial due diligence.

Open Market Value is defined as the price at which the business or assets would change hands between a willing buyer and a willing seller, who both have knowledge of all the appropriate facts and are deemed to be acting rationally at arm's length.

If listed for sale on the open market I would often suggest an Asking Price a little higher than the figure shown in this Valuation Report in order to allow for any ongoing variations in trading and profitability and also to provide some negotiating headroom.

The final sum achieved in an open market sale will be reduced by any fees and costs incurred which may include (not exhaustive) legal fees, selling agent commissions, taxation, due diligence and accounting fees, marketing costs, staff redundancies.

Valuations will vary depending (amongst other things) on the type of trade, expandability, location, profile of the business, the customer/client base and market and economic conditions.

For a small company, a valuation of 100% of the share capital may not translate pro-rata for a smaller share, because of the limited rights for a minority shareholder. In other words, a 20% share may not equate to 20% of the total value. <https://www.shareholderrights.co.uk/rights-shareholder/complete-list-shareholder-rights>

Generally, shop/warehouse/office fittings and leasehold premises have nil realisable value, although some leasehold premises may have some value because of e.g. location, suitability-for-trade, favourable lease terms etc.

Any equipment, property or machinery valuations are beyond the scope of this report and any references to value are taken from the balance sheet or are an opinion provided by the client only. This report assumes that all vehicles, machinery and equipment is well-maintained and in full working order and compliant with all operational and health and safety requirements.

Unless otherwise noted, property rents are assumed to be in line with the market, fair and reasonable. All premises and buildings are assumed to be fully compliant with legal requirements such as asbestos, disability access, health and safety, electrical and gas installations, chemical/oil waste etc.

This report is not a recommendation to take any particular course of action as other factors may affect the decision. These could include the vendors or buyers tax position, the general tax or financial environment, pending tax legislation, redundancy liabilities, prior claim or charge on the business or assets, local issues (e.g. area redevelopment), market or trading conditions etc. This report may only be a partial factor in making any decisions in respect of the subject business.

The recipients of this report are advised that they may need to seek other relevant expert opinion including, but not limited to, advice from accountants, tax experts, legal advisers, HMRC, HR Consultants, financial consultants and banks. Consideration of all the facts should be applied in order to determine any decisions made.

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