
Market Appraisal Report

January 2009



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INSTRUCTIONS

BUSINESS	George Engineering Limited
CLIENT	Mr. George & Mrs. George
PURPOSE OF REPORT	To enable the Client, the Business Owners, to make a decision regarding the future of the Business. The aim of the report is to assist the Client in determining whether to place the Business on the market. All valuations are intrinsically subjective. The only perfect method of business valuation is to sell the business.
BUSINESS OWNERS	Mr. George & Mrs. George
DATE OF BUSINESS INSPECTION	04th December 2008
DATE OF PROPERTY VALUATION	11th December 2008
BENCHMARK CONSULTANT	Michael Power
SIGNED	

EXECUTIVE SUMMARY

Overview of Business

Established:	1945
Business Type:	Engineering
Principle Business Activity	The principle business activity of the Company is the machining and fabrication of subcomponents from all metals. The Company predominantly act as a subcontractor to companies that require parts and spares for a huge range of manufacturing equipment.
Income Split:	70% Fabrication and 30% Machining
Client Profile:	Manufacturing companies in a 25 mile radius
Employees:	Full-time active director plus 17 employees

Property Summary

Location:	On the outskirts of Trafford Park industrial estate
Tenure:	Unencumbered freehold
Size:	Site of 3,000 sq m with 1,500 sq m of buildings 1,750 sq m of floor space
Potential:	Scope to extend the properties, although there is no current planning permission.

Financial Summary

Year End 31 September	FY06 Audited £'000	FY07 Audited £'000	FY08 Management £'000
Revenue	600	700	800
<i>Annual Sales Growth</i>	-	19.2%	3.2%
Cost of Sales	400	480	560
Gross Profit	200	220	240
<i>Gross Margin</i>	33.3%	31.4%	30.0%
Overheads	150	160	180
EBIT	65	75	85
<i>EBIT Margin</i>	10.8%	10.7%	10.6%

FINANCIAL INFORMATION

HISTORIC TRADING

Year End 30 September	FY06 Unaudited £000	FY07 Unaudited £000	FY08 Management £000
Revenue	600	700	800
<i>Annual Sales Growth</i>	-	16.7%	14.3%
Cost of Sales	400	480	560
Gross Profit	200	220	240
<i>Gross Margin</i>	33.3%	31.4%	30.0%
Overheads	(150)	(160)	(170)
Other Operating Income	15	15	15
EBIT	65	75	85
<i>EBIT Margin</i>	10.8%	10.7%	10.6%
Depreciation (Property, Plant & Machinery)	7	7	-
Depreciation (Vehicles)	5	6	-
EBITda	77	88	85

SOURCE: FY06 and FY07 unaudited financial statements; and FY08 management accounts

OPERATING COSTS

Year End	FY07 £000	% OF TURNOVER
Revenue	700,000	
Cost of Sales	480,000	
Gross Profit	220,000	31.4%
Other Income	15,000	
Breakdown of Overheads		
Rates & Water	11,000	1.57%
Insurance	7,000	1.00%
Light & Heat	6,000	0.86%
Repairs to Property	4,000	0.57%
Telephone	2,000	0.29%
Post & Stationery	1,000	0.14%
Advertising	4,000	0.57%
Travelling & Subsistence	2,000	0.29%
Motor Expenses	15,000	2.14%
Repairs & Renewals	1,000	0.14%
Cleaning, First Aid & Safety	2,000	0.29%
Sundry Expenses	1,000	0.14%
Accountancy	1,200	0.17%
Legal Fees	3,000	0.43%
Entertainment	500	0.07%
Subscriptions & Donations	400	0.06%
Staff Training	400	0.06%
DirectorsqSalaries	20,000	2.86%
DirectorsqSocial Security	3,000	0.43%
DirectorsqPension Contributions	20,000	2.86%
Wages	50,000	7.14%
Social Security	5,000	0.71%
Staff Pension	500	0.07%
Total Overheads	160,000	22.9%
Net Profit	75,000	10.7%

There are no hire purchase or leasing arrangements. All equipment and vehicles are owned outright by the Company.

BALANCE SHEET

	30 September 2008 (£000)	Adjustments (£000)	Pro-Forma Balance Sheet (£000)
FIXED ASSETS			
Land & Buildings	150	(150)	
Fixtures & Fittings	1		
Plant & Equipment	25		
Motor Vehicles	15		
	191		41
CURRENT ASSETS			
Stocks	10		
Trade Debtors	195		
Other Debtors	50		
Bank & Cash	130	(130)	
	385		255
CURRENT LIABILITIES			
VAT	25		
PAYE & NI	10		
Trade Creditors	45		
Pension	1	(1)	
	81		80
NET CURRENT ASSETS	304		175
NET ASSETS	495		216

The Pro-Forma Balance Sheet is the adjusted net asset position shown on a cash-free, debt-free basis and excluding land & buildings which has been re-valued.

MARKET APPRAISAL

The Benchmark Valuation has been designed to provide an honest and realistic idea of business value.

The Benchmark Valuation does not purport to be the only method of valuation available, but its aim is to provide a guideline for the owner(s) of a business to plan for development or sale. Ultimately, the only way to ascertain the value of a business is to sell it. Benchmark believes that the following principle is the most appropriate technique for the valuation of George Engineering:

VALUE = Goodwill (*Maintainable Earnings x Benchmark Capitalisation Factor*) + Adjusted Net Assets (*Fixed Assets + Stocks + Debtors – Current Liabilities (excluding surplus cash, pensions and property)*) + Property at Current Value

This report outlines how the goodwill is appraised, through illustrating how the Benchmark Capitalisation Factor is achieved and what the level of maintainable earnings should be set at. It also reveals how the net assets are calculated.

GOODWILL

Goodwill is the value of a business, taking into account a range of indicators. Benchmark has decided upon the 23 most significant indicators that are valuable to a business to evaluate the goodwill.

Benchmark Capitalisation Factor

Profit and sales multiples are probably the most widely used methods for small business valuation. The profit multiple valuation is calculated by multiplying the maintainable earnings by a chosen multiplier. The Benchmark designed multiplier is determined by 23 key valuation indicators which are considered valuable to a business. The importance of each attribute has been evaluated and each of the 23 attributes has been given a potential score of between two and ten based on that feature's potential value to the Company. To calculate the multiplier, each attribute is then marked between 0.1 and the highest potential score for the category; the higher the score, the better the Company ranks for this attribute. The overall value: the Benchmark Capitalisation Factor is multiplied by the figure for maintainable earnings. The multiple will usually lie between 1 and a maximum of 6, which would indicate an annual return on investment of between 16% and 100%.

Below is a table of the Benchmark Key Valuation Indicators (KVI) and the score awarded to each attribute:

KVI NUMBER	KEY VALUATION INDICATOR	SCORE
KVI 1/23	History & Ownership	90.0%
KVI 2/23	Management	32.0%
KVI 3/23	Staff	50.0%
KVI 4/23	Reputation	70.0%
KVI 5/23	Customers	77.5%
KVI 6/23	Contracts	21.1%
KVI 7/23	Competition	48.6%
KVI 8/23	Intellectual Property	38.6%
KVI 9/23	Business Process	60.0%
KVI 10/23	Suppliers	56.7%
KVI 11/23	Location	80.0%
KVI 12/23	Premises	93.3%
KVI 13/23	Well Invested Business	80.0%
KVI 14/23	Capex	90.0%
KVI 15/23	Profitability	25.7%
KVI 16/23	Cash-Flow	66.6%
KVI 17/23	Long-Term Debt	100%
KVI 18/23	Market Outlook	30.0%
KVI 19/23	Risk	83.3%
KVI 20/23	Recent Growth History	26.7%
KVI 21/23	Pipeline	60.0%
KVI 22/23	Potential Growth	21.1%
KVI 23/23	Appetite ¹ & Scarcity ²	52.2%

BENCHMARK CAPITALISATION FACTOR	3.135
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KEY VALUATION INDICATORS

HISTORY & OWNERSHIP

KVI 1/23

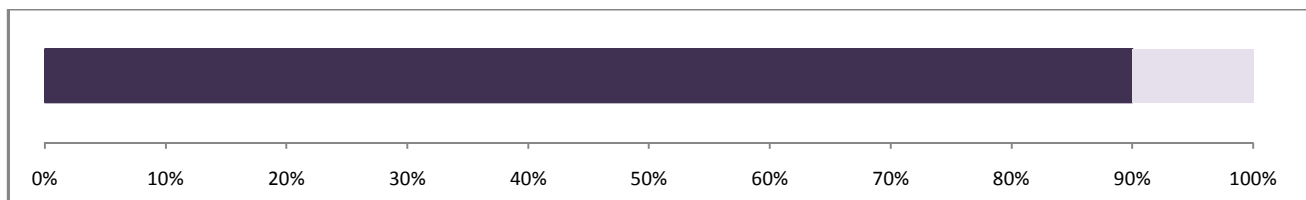
The length of time that a business has been established for and that it has been operating profitably for will confer value to a Company as it suggests the potential ongoing profitability of the business. The business longevity can indicate how secure investment in the business will be.

Furthermore, the length of time that the current owner has been running the Company for provides an indication of stability. The record of successful operation over a prolonged period will contribute towards the goodwill paid for the business.

Established by the George family over 60 years ago, the Company has been passed from father to son, remaining in the family throughout its lifetime. It was established and incorporated as by two brothers; the father and uncle of the current owner. The Company had two principal business activities: engineering and vehicle repair. In 2008, the Company is still going strong, specialising in the manufacture of fabricated and machined items from a range of metals. Key customer relationships developed as early as 1960, with the Company providing engineering services to flour millers in the Greater Manchester area. The Company's long history of trading and longevity of ownership are very attractive features. The owner is considering selling the business in order to retire.

KVI 1/23 SCORE

90.0%



The roles of any owner-manager(s) going forward will have an impact on the value of the business; if key skills are to be removed, the business may not hold the same value. It is therefore paramount to ensure that remaining management and employees are capable of running the business in the absence of any exiting owner(s).

A strong management structure, with depth and diversity, will increase business value as it indicates ability to continue the business success in the presence of a new owner. It is essential to have an appropriate and proven team in place, with knowledge and understanding of the business and its processes, one which is committed to remaining with the business. Sale value can be affected if key managers leave the business.

Another important inclusion is the continued presence of key account holders. For example, if the exiting owner(s) hold the relationships with key customer and supplier relationships, this will be detrimental to business value.

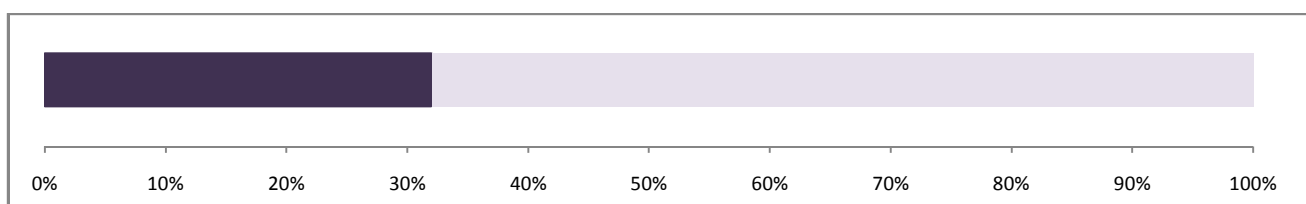
The Company is owned by husband and wife. Mr. George works full time as Managing Director and is responsible for the general management of the Company, while Mrs. George is not active in the daily running of the business. The Managing Director does not believe that he currently employs any staff who would be suitable for an MBO. The Managing Director has indicated that there are two key personnel currently capable of maintaining the business in his absence:

Works Manager - 68 Years

- Employed at the Company for 35 years
- Time-served toolmaker, having worked in the industry since being a teenager
- Responsible for running the shop floor
- Salary of £25,000

Shop-Floor Manager - 63 Years

- Employed by the Company for 12 years
- Time-served sheet-metal worker
- Assisting in the running of the shop floor
- Salary of £22,000

KVI 2/23 SCORE**32.0%**

The desirability of personnel will have a bearing on the value of the Business. It is necessary to consider, if a competitor were to start a business today, what degree of difficulty they would have finding staff with a similar skills base, level of training & qualifications. The length of time taken to reach an equivalent skill level and the level of comparable skills in the general population will have a great deal of impact on the intangible value of the Business employees.

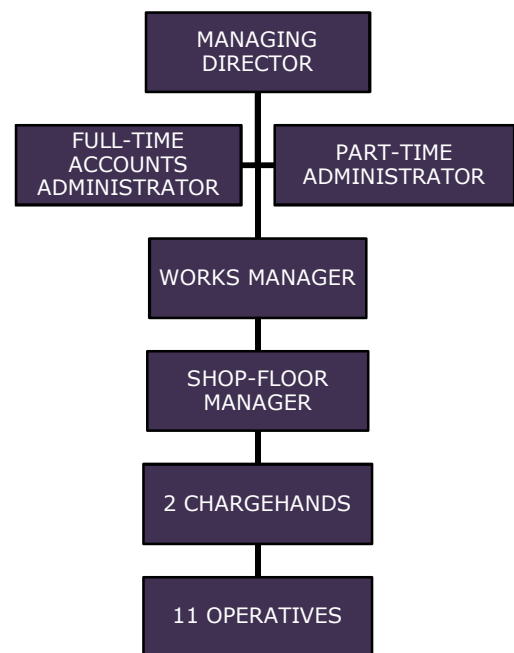
Long-standing employees are often key to the success and continuity of a business, due to their comprehensive understanding of the Business processes. In addition to preserving skills, employee retention adds value to a business through the creation of continuity and stability, and often increased pride in the business.

Presence of employment contracts is important to make sure of the continued service of staff after the sale of the business. An important consideration for a purchaser is whether the contracts of the key personnel prevent them leaving and setting up in competition next door and soliciting significant clients.

CURRENT ORGANISATIONAL STRUCTURE

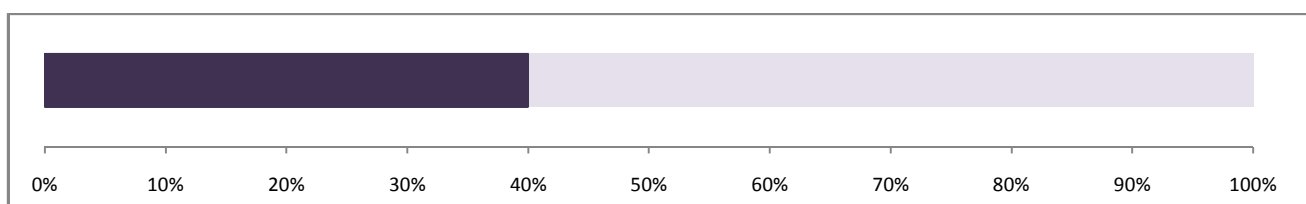
The workforce of 18 includes: the Managing Director, a Works Manager, Shop-Floor Manager, 2 Chargehands and 11 multi-skilled operatives including a specialist turner, a skilled tool maker and a sheet metal fabricator. There are also two office staff: a full time accounts administrator and a part time administrator. The turnover per employee is £44,400.

Operatives vary in age from 22 years to 60 years. While employees have a wealth of skills, the average age is likely to be of some concern to a potential buyer with a number of personnel nearing retirement age.



KVI 3/23 SCORE

50.0%



REPUTATION**KVI 4/23**

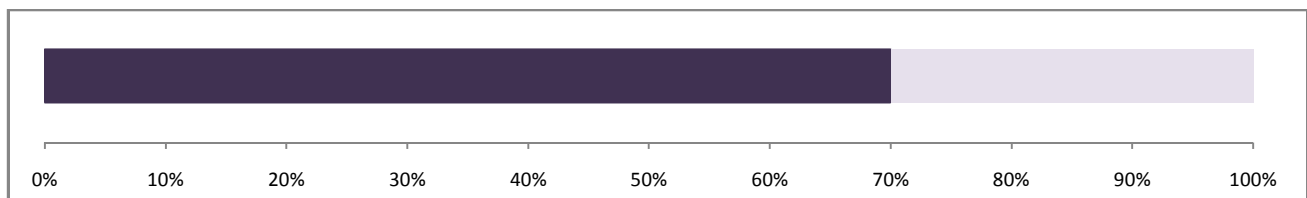
A business that is renowned in the industry for unique or superior products (or services) that can be differentiated from the competition has traits that can be considered value drivers. Intangible assets can be worth a great deal more than the fixed assets of a Company.

Brand value is often a Company's most valuable intangible asset. Brand value is directly related to customer loyalty. Some consumers see a particular brand name as a contract; a brand name may reduce consumers' sense of uncertainty, allowing them to purchase trust, thereby improving their sense of value for money.

The Company's reputation for quality of product and service is borne out in its repeat custom over 30 years. One of the Company's unique selling points is the capability to carry out both fabrication and machining in-house, utilising the huge range of equipment that the Company has acquired over the years. The dual function is particularly appealing for customers undertaking sensitive projects.

Accreditations enhance a Company's reputation for quality. In an open market, a company that has appropriate industry accreditations and quality management accreditations such as ISO9001 and UKAS is likely to be more valuable than a competitor that has not achieved these endorsements.

In 2001, the Company received the ISO 9001:2000 Quality Management System accreditation. This acknowledgement of consistency of quality service raised awareness of the Company and in turn increased the Company's customer base. The Company is also a member of the Manchester Chamber of Commerce.

KVI 4/23 SCORE**70.0%**

There are many attributes of a company's customer base that can have a bearing on business value.

A wide base of active clients spread throughout a diverse range of industries is favourable; this ensures that a business would be safe from any industry specific downturn.

Heavy reliance on a small number of customers for a high percentage of turnover may be detrimental to value. Client concentration is not appealing to a potential purchaser as if a client were to stop purchasing products and services for any reason; this would have a significant bearing on turnover and profits.

Type of customer will also be an important consideration for a purchaser. For B2B services, for example, blue chip firms and government authorities are preferable as they afford greater security of customer payment.

Long-term customers indicate the presence of customer satisfaction and brand loyalty, which can be maintained post handover. A firm with 80% repeat business would be seen as strong, and 90% would win a premium value.

. The Market

The Company has the capability to supply a wide spectrum of end-users throughout the world including the aerospace, automotive, chemicals, construction, food, healthcare, oil and gas, mining, pharmaceutical, power, printing and publishing, and steel industries. This diverse customer base gives the firm its competitive edge.

The current customer base consists of manufacturing-based companies and first tier and second tier suppliers to multinationals. The Company's client list includes household names such as Shell UK, BICC, Schlumberger, Pilkington, Powergen and the MoD. Noticeably, these customers cover a range of market sectors. The Managing Director has, over the years, made a concerted decision to maintain a broad customer base including companies in the food, petrochemical, energy and construction industries. This ensures that the Company is relatively safe from industry specific market fluctuations.

Trading Location

One hundred per cent of the Company's clients are local, with the majority located within a 25 mile radius.

Client Profile

The Company's top five clients are as follows:

	CLIENT DESCRIPTION	ANNUAL SALES £000	% OF TURNOVER	LENGTH OF RELATIONSHIP
1.	An established world leader specialising in the manufacture & supply of plant and machinery to milling industries	150	18.8%	30 Years
2.	An established tier one supplier to the defence and civil aviation sectors, primarily focusing on the supply of materials handling solutions	120	15.0%	30 Years
3.	An expert in zirconium manufacture, that supplies customers throughout the world operating in over 60 different industries	80	10.0%	30 Years
4.	An international power generation and sustainable energy management company with a turnover of £43 million in 2007.	50	6.3%	30 Years
5.	For over 100 years, this Company has been supplying processes to the worldwide paper industry that had profits over £200 million in 2007.	30	3.8%	30 Years

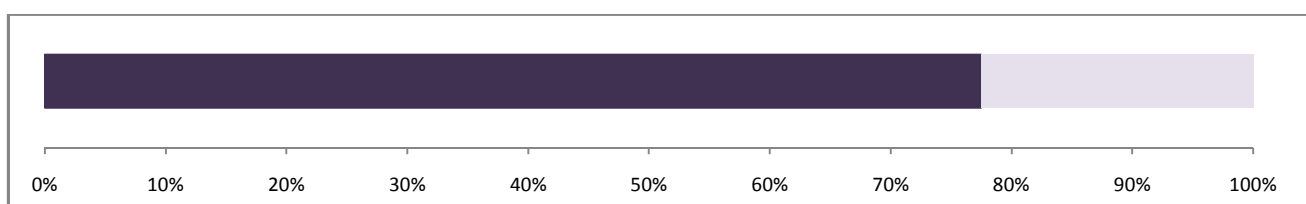
Business Source

The number one source of business is the Company's long standing relationships with local manufacturing companies. Over the 60 years that the Company has been trading, many of the customers have expanded to become national and multinational suppliers of goods and services and therefore have required the solid and continuous service provided by the Company. Approximately 50% of work is repeat; once the Company has designed bespoke tools for their customers parts, it makes sense for the customer to return if they require another batch, rather than having a different company design and build the same tools at further cost.

The Company must tender for approximately 80% of the work that they undertake. Tendering for contracts is currently done by the Managing Director.

KVI 5/23 SCORE

77.5%



CONTRACTS

KVI 6/23

A contractually recurring revenue stream is consistently the number one driver for increasing business value. The number, length and security of contracts are the three most important factors to be aware of.

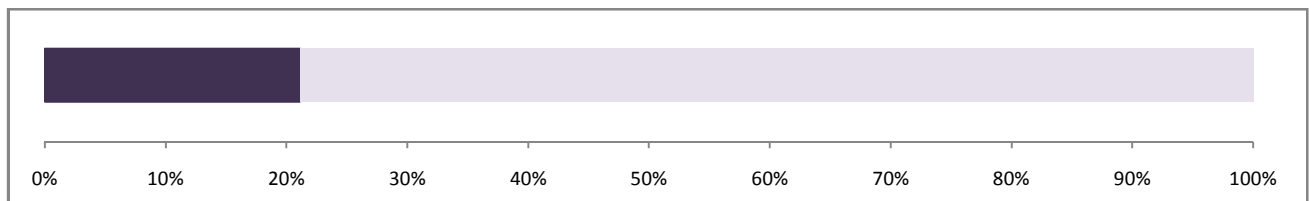
Any factor that reduces risk is rewarded with increased transaction value, and customers who are locked into contracts reduce the risk of not receiving return on investment as they are an assured source of income. Furthermore, the purchaser wants the existing customers to stay put long enough to get comfortable with the ownership. Contracts with plenty of time remaining are therefore security.

From a supplier's point of view the best option is an exclusive appointment, so any sole supplier contracts are the most attractive, followed by preferred supplier contracts and then approved/accredited supplier which offer less future security.

While George Engineering work is predominantly carried out on a job by job basis, the Company has one repeat 6 month contract to manufacture buckets used in chemical production.

KVI 6/23 SCORE

21.1%



A business that has a large market share and is a high profile leader in its sector, the main value driver of the business is its dominant market share.

A paucity of businesses offering a similar type and standard of product or service will noticeably increase Business value; the fewer companies, present in the marketplace, competing for custom, the greater the possibility of securing customers and therefore revenue. Conversely, if there are many companies selling comparable products or services in the same trading area, this will decrease the potential market share available to the Business.

Threat of new entrants to the industry will affect potential value. Numerous barriers to entry to the industry increase the value of the business; these can include the cost of purchasing requisite equipment, time and cost of product development, difficulty of building a workforce; length of time and level of investment to achieve accreditation, and of course the challenge of attracting customers. A company that has created a position that is difficult to replicate is in a favourable position.

Discussion with the Managing Director indicated that the Company's competitors were different for each of their long standing clients. This was primarily dependent on industry and location. The director is confident that he has no competition on jobs for the Company's most important customer.

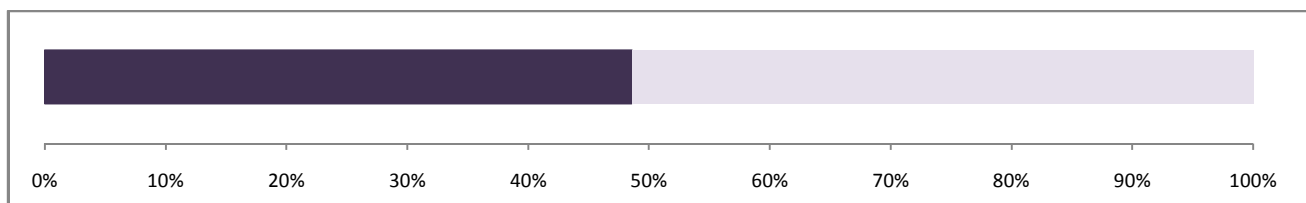
The Company's pricing appears to be competitive and the quality of the work produced ensures that clients remain long-standing.

Switching suppliers is a high cost for customers as their chosen supplier would be required to tool up for the job and would therefore quote higher prices. This is the Company's main advantage over competitors when it comes to winning contracts with long standing customers.

An important and unique selling point to attract new customers is the presence of an in-house machining shop, meaning that parts requiring fabrication and machining can be wholly engineered by one subcontractor.

KVI 7/23 SCORE

48.6%



INTELLECTUAL PROPERTY

KVI 8/23

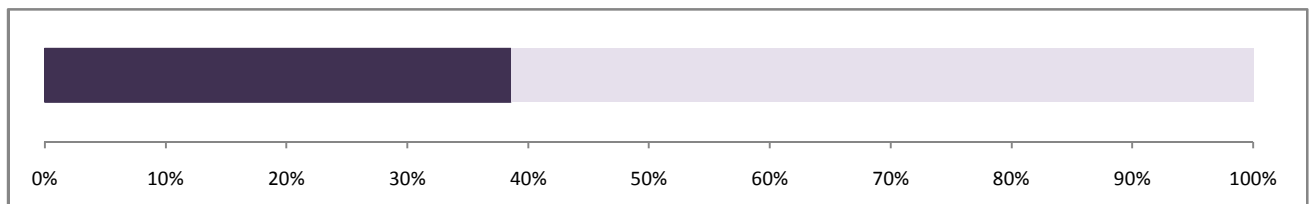
Because proprietary innovations or intellectual property are a unique selling point, they can be positioned as key value drivers for a business. Both legal and non-legal intellectual properties can contribute significantly to a business's bottom line and are therefore inherently among a company's most valuable assets.

Intellectual property covers business or company name registration, copyrights, patents, trademarks and confidentiality agreements and can also include exclusive distribution agreements, designs, tooling, bespoke software, customer lists, industrial processes and business tactics. Technologies and processes do not have to be patented to carry value but privacy and confidentiality must be maintained.

The designs for parts fabricated by the Company are owned by the customer. However, the designs for tooling to manufacture the parts are owned by the Company. There is inherent value in the tools designed and built by the Company, as ownership of tooling generates repeat custom. Customers requiring bulk orders and spares use the Company again and again to ensure price and speed of job.

KVI 8/23 SCORE

38.6%



The current income split between the Company's different products and services is another indication of investment risk. The greater the income mix, the greater the security that a proportion of the products and services will remain profitable.

The income mix of the Company is as follows:

TYPE OF SERVICE	PERCENTAGE OF WORK UNDERTAKEN
Fabrication	70%
Machining	30%

The range of parts that the Company are capable of manufacturing spans from beams and brackets to pallets and tanks. During 2008 the average job cost was approximately £700. Jobs for customers can be bulk orders or one-off pieces, with order values ranging from £15 to £40,000.

Technological capabilities - the usability, performance, functionality, reliability and security of any computing and communications infrastructure are likely to be a relevant consideration for any purchaser in today's market. George Engineering is relatively low-tech in terms of its technological capabilities. It has a network of three computers and utilises Sage for management accounts and invoicing.

Current business source and marketing strategies, dependent on the market sector, may impact upon value. Questions to ask include: Does the Company have an online presence and a comprehensive website? Are the current marketing strategies successful? And are they cost effective? Or will a new owner need to implement a new approach? If a high percentage of turnover must be reinvested in advertising and marketing campaigns this is likely to be a turn-off to potential buyers, as it is preferable to have a strong base of repeat customers and recommendations from reputable sources and satisfied clients.

Review of Current Marketing

Over the previous three financial years, from 2006 to 2008, the Company spent an average of 0.6% of turnover on advertising. Adverts are placed in trade press, in local business listings and on web directories.

The Company has a comprehensive and professional website detailing previous work and outlining the capabilities of the business. The website was designed and is hosted by web solutions provider. The Managing Director has suggested however that the website does not generate a great deal of work and is primarily used by existing customers.

The accuracy of public listings gives an indication of how easily the Company can be contacted by potential customers.

Accuracy of Telephone Directory Listings:

Source	Category	Phone Number
BT 118500	Engineering	Correct
118 118	Engineering	Correct

Internet Directory Listings:

Source	Category	Address	Phone Number	Website Link
Applegate	Steel Fabrications	Correct	Correct	No Link
Kelly Search	Aluminium & stainless steel fabricators	Correct	Correct	Link Available
BT Exchange	Steel Fabrications	Correct	Correct	Link available
Yell	Aluminium Fabrications Precision Engineers Steel Fabrications Stainless Steel Metal Workers	Correct	Correct	Link available
Touch Local	Steel Fabrications	Correct	Correct	No Link
Business Magnet	N/A	Correct	Incorrect	No Link

Search Engine Listings

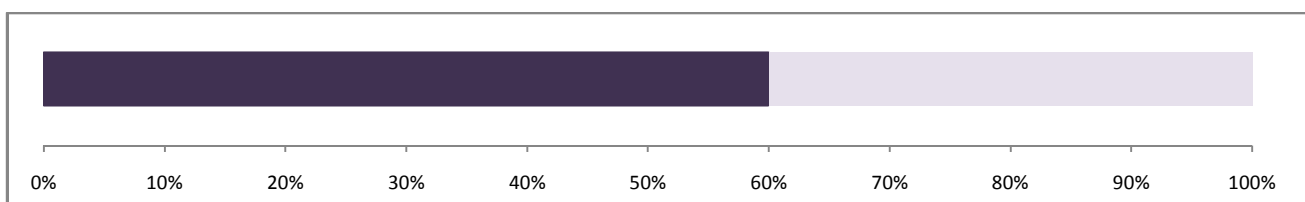
A search using combinations of the following key words ~~steel fabrications~~ fabrication & machining and the location ~~Salford~~ M30 offers the following results:

Search Engine	Search Terms	Location	Result
Google	Steel fabrications	Salford	Not listed in the top 100
Google	Fabrication & Engineering	Salford	Not listed in the top 100
Google	Engineering	Salford	Not listed in the top 100
Google	Steel fabrications	M30	Not listed in the top 100
Google	Fabrication & Engineering	M30	Not listed in the top 100
Google	Engineering	M30	Not listed in the top 100
Yahoo	Steel fabrications	Salford	Not listed in the top 100
Yahoo	Fabrication & Engineering	Salford	Not listed in the top 100
Yahoo	Steel fabrications	M30	Not listed in the top 100
Yahoo	Fabrication & Engineering	M30	Listed 9 th
Yahoo	Engineering	M30	Listed 34 th
Google Maps	Fabrication & Machining	Salford	Listed 3 st
Google Maps	Fabrication & Machining	M30	Not Listed
Google Maps	Fabrication & Engineering	Salford	Not Listed
MSN	Fabrication & Engineering	Salford	Not listed in the top 100
MSN	Fabrication & Machining	Salford	Not listed in the top 100
MSN	Fabrication & Engineering	M30	Not listed in the top 100
MSN	Fabrication & Machining	M30	Not listed in the top 100

While the website has not been effectively optimised, the Company is well marketed in telephone and web directories with accurate information and website linkage. Benchmark notes that optimisation for select phrases or sponsored links could increase the level of work achieved through the website.

KVI 9/23 SCORE

60.0%



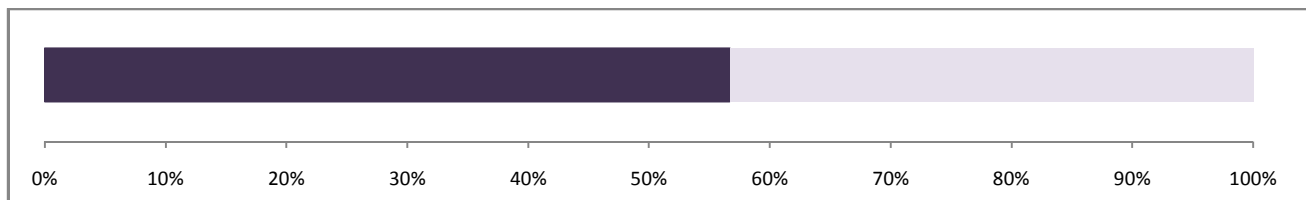
SUPPLIERS**KVI 10/23**

Development of strategic relationships is fundamental to the value of a business. A business that is able to bring a product to the market below the market average as a result of key supplier relationships has a cost advantage value driver. Consistency of supplier relationships affords stability and, in general, keeps the cost of sales low. Another vital matter is the existence of alternative suppliers; a contingency plan will be valuable to ensure that supply chain cannot be interrupted due to unforeseen circumstances. Supplier contracts can afford both positive and negative value dependent on whether an incoming purchaser views the supplier relationship as valuable. Typically, however, contracts with suppliers are preferable.

An increase in the cost of sales or an increase in the cost of raw materials (which may not be able to be passed on to the customer) could feasibly result in a decrease in bottom line profits and as such, would result in a willing buyer paying less for the business.

The Company sources metals from local stockists. The cost of raw materials fluctuates dependent on metal stocks; this price is passed on to the customer and therefore changes do not affect the bottom line profits of the Company.

The Company has no contractual arrangements with suppliers and purchases the materials required for each job based on price. All suppliers from whom the Company purchase metals from have standard credit terms of 30 days.

KVI 10/23 SCORE**56.7%**

Strategic location can confer value to a business. Clearly, a retail business with a prime high street location will be worth more than one which receives no passing trade if that is the main source of custom, but there are further considerations when assessing the value of the location to a business. For example, the local economy and predominant industry of the area can be a relevant factor if the business is B2B and is selling products or services regionally.

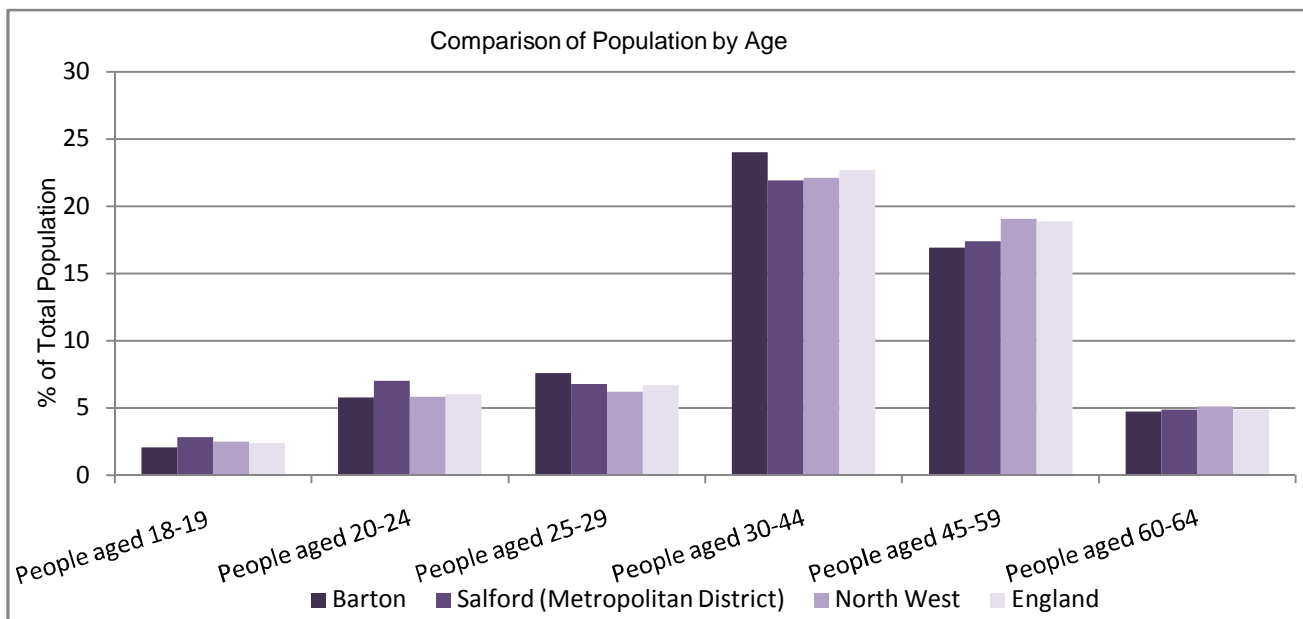
For a business that must undertake distribution, or requires visits to or from customers or suppliers, local transport links are of huge importance. Proximity to local and national motorway networks, train stations and even airports if a Company operates on an international basis can add value to a business.

The local demographic can be important for both purchase of products and services and for workforce employment. The main demographic changes that have impacted on businesses over the past decade include the aging population, declining birth rate and changes in working habits, including a rise in the number of women working. The industry of employment of the local population is an important consideration; how easy it will be to employ the personnel required to expand the business.

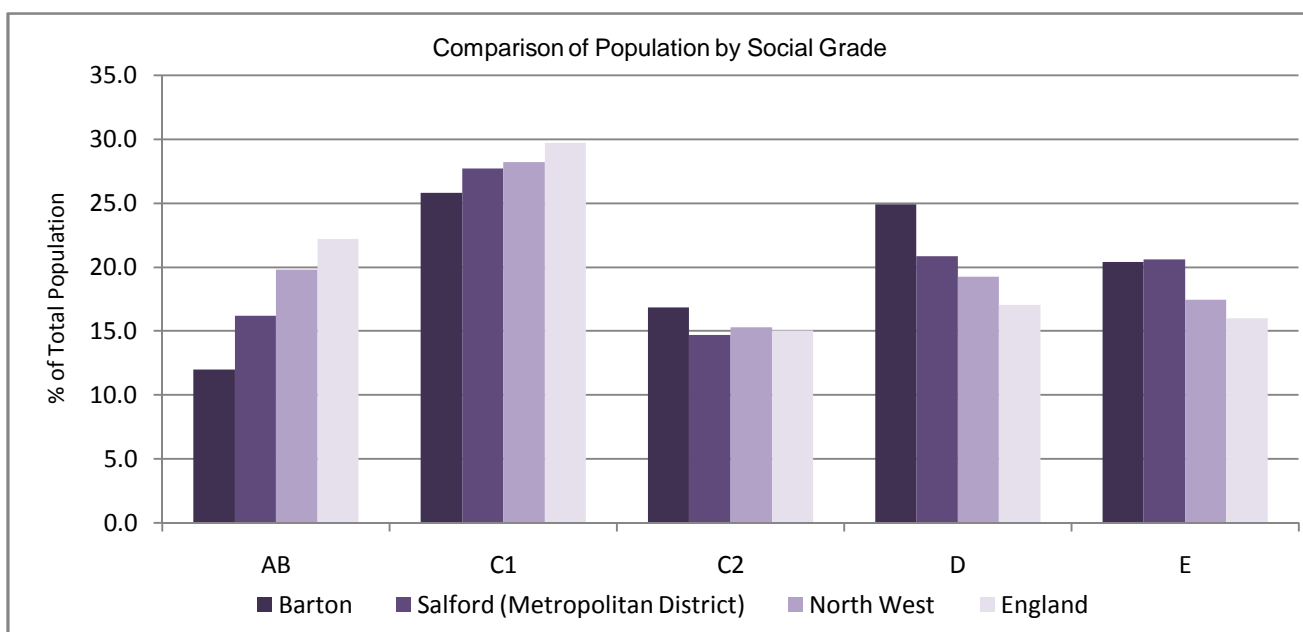
A final consideration is the environment in which the business is located. If a new owner will be required to move within the locale of the business, a pleasant environment may be of significance.

The premises lie within the Salford West Strategic Regeneration Framework and Action Plan. The framework will drive investment across the area for the next 20 years, influencing public and private sector investment, attracting new investment to the area. The Northwest Regional Development Agency designated Barton Strategic Site offers an opportunity for 2,100 direct jobs and many more indirect jobs. The site, which has yet to be developed, has been earmarked as having potential for a water, road and rail freight interchange. The Company premises currently benefit from extremely good transport links: motorway junctions include M60 . 1 mile, M602 . 2 miles, M62 . 2 miles, M61 . 5 miles, M56 . 9 miles, M6 . 11 miles.

The graphs overleaf show a comparison between the populations of Barton, the ward in which the premises lie, which has a population of 10,434, Salford, the metropolitan borough of which Barton is part , which has a population of 219,200 and the whole of the United Kingdom. In line with the national industry average, approximately 14.4% of people in the City of Salford are employed in manufacturing.



Source: Census 2001, Office for National Statistics



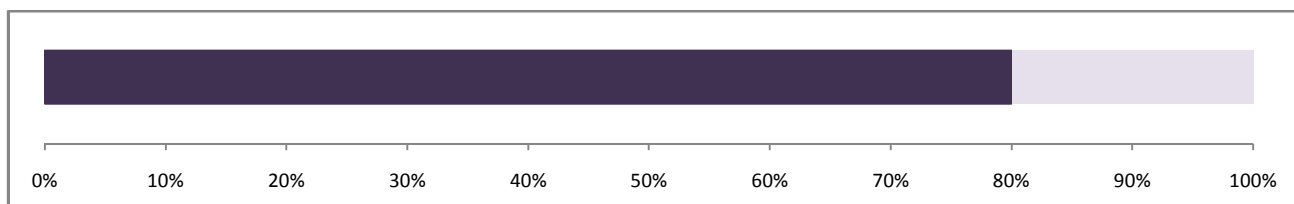
AB: Higher and intermediate managerial / administrative / professional, C1: Supervisory, clerical, junior managerial / administrative / professional, C2: Skilled manual workers, D: Semi-skilled and unskilled manual workers, E: On state benefit, unemployed, lowest grade workers

Source: Census 2001, Office for National Statistics

Census output is Crown copyright and reproduced with the permission of the controller of HMSO.

KVI 11/23 SCORE

80.0%



If a Company has an unencumbered freehold among its fixed assets, there is greater potential to raise finance and secure a loan against the business. Ability to raise finance is beneficial to a Company, as funds can be used for expansion and in turn to increase turnover and profits. It can either be sold with the business or retained by the seller and leased in whole or part to the purchaser, thereby increasing flexibility.

Any planning permission or scope to expand the premises will increase the potential income generated by the Company and will therefore increase the worth of the premises to the business. Negative outcomes of any environmental surveys will decrease the value of the property to the business.

If the business occupies a leasehold property, it will ideally have a reasonable amount of time left on the lease (preferably more than seven years). A buyer or funder will often want to make sure that the business will be in a stable location for some time.



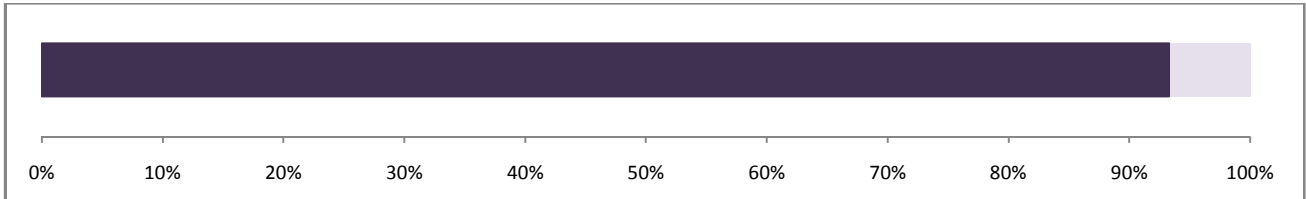
Figure 2: An aerial view of the premises; delineation as indicated by the owner

The Company owns the freehold for the premises, which have been valued at £320,000 (see appendix 1). There is no remaining mortgage. Additional business income is secured through rental to three tenants.

The site is 3,000 sq m with 1,500 sq m of buildings and 1,750 sq m of floor space, including workshops, offices and a mezzanine floor. The site has room to build adjacent premises, however, there is no current planning permission.

KVI 12/23 SCORE

93.3%



WELL INVESTED BUSINESS

KVI 13/23

If a business is well invested, there may be scope to increase the turnover and profits with no further investment. Historical capital expenditure could indicate that future investment will not be required by a new owner to increase profits. However, on the flip side, it could signify the ongoing necessity to invest in the business.

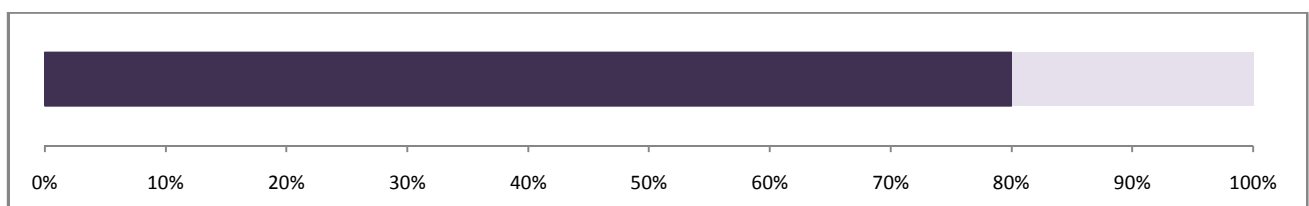
Regular investment into equipment including plant & machinery, technology, fixtures & fittings throughout the Company’s last management indicates robust management. A strong asset base also increases potential to raise finance against the business.

To carry out each job to the expected high standard, there is the need for the necessary equipment suitably well maintained. Throughout the Company’s history, investment in machinery has been a key part of the Company’s success. The considerable plant list can be seen below; all items are under £10k in current value and there are no outstanding repayment costs. Each piece of equipment receives an internal service every three months. Vehicles are serviced externally every quarter.

PLANT REGISTER			
Pearson Guillotine	Russell Saw	Medium Hand Rollers	Jig Borer
Small Power Roller	Rushworth Guillotine	Portable Horizontal Band Saw	Vertical Bandsaw
Big Radial Drill	Edwards Folder	Flypress (Left)	Universal Miller
Pin Drill	Spot Welder	Flypress (Right)	Surface 6 Minder Drill
Large Rollers	Box & Pan Folder	Marga Folder	Radial Drill
Press Brake	Kingsland	Pullmax	Shaper
Small Radical	Pin Drill	Pollard Drill	Bridgeport CNC
Pull Down Saw	Small Hand Rollers	Startrite Drill	Stick Welder
Binns & Berry Lathe	Stick Welder	ESAB MIG	Overhead Crane
Colchester Lathe	Oxford Welder	Linde MIG Welder	Paintshop Overhead Crane
ESAB Welder	West MIG	Compressor Brake Press	Milling Machine
Stick Welder	Big 6 Minder Drill	Diesel Compressor - Big	300 MIG Welder
BOC MIG	ESAB Welder	Diesel Compressor . Small	400 MIG Welder
Transmig 505	Transmig 400	Fork Lift Truck	500 Welder
Fork Lift Truck	DSG Lathe	Hardinge Lathe	Migatronic Notcher
Pull Down Saw	Guifil Press	New Rollers	Sverdi mill
Kemppi TIG	Escort Van	Transit Connect	Transit Pick-Up
Toyota Rav-4			

KVI 13/23 SCORE

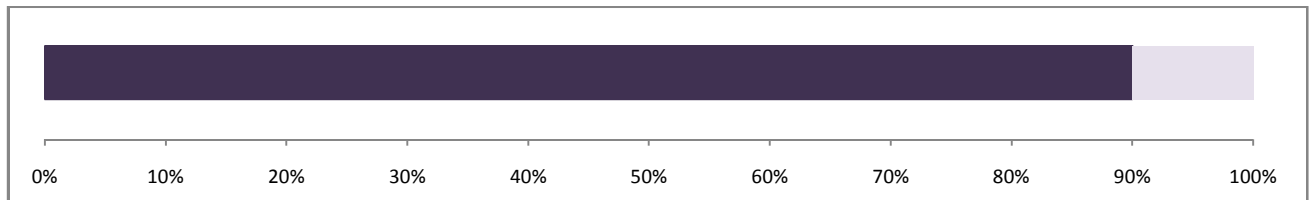
80.0%



CAPEX**KVI 14/23**

This score indicates the ability of the Company to meet growth with its current equipment. Forecast capital expenditure will be detrimental to business value, as an incoming owner must invest money over and above the business purchase. If further investment is necessary to continue to trade at the current level, this will devalue the business. And furthermore, if heavy investment is required to create any significant growth, it may deter possible acquirers.

The current Managing Director has indicated that there is no capital expenditure forecast and that work levels could be increased without the requirement for further plant and machinery.

KVI 14/23 SCORE**90.0%**

PROFITABILITY

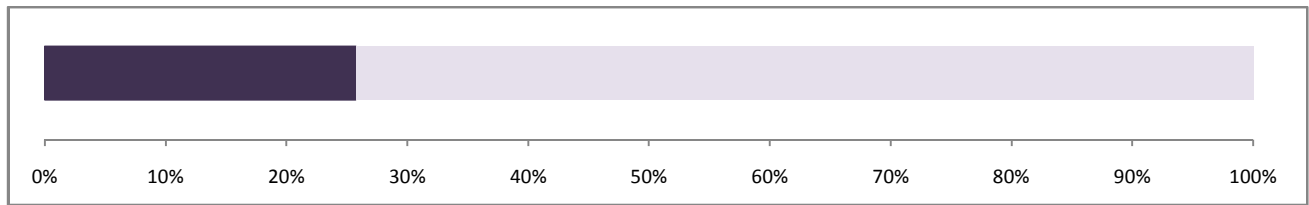
KVI 15/23

While such factors as the prestige of a business, the ownership of a trade or brand name, and the record of successful operation over a prolonged period and a particular locality are supportive, they must be able to be quantified in the form of profits to substantiate marketable goodwill. The ability of the Company to generate cash is the main indicator that a potential purchaser will look at when looking for a business to buy. Realistically, the value of private companies will get larger as profits increase and infrastructure increases.

The gross profit margin for the business is approximately 30% and has been slightly shrinking over the last few years, although the turnover has been on the up. The cost of sales is high due to materials cost, but the cost of administration for this business is relatively low, conferring an EBIT margin of 10%. The Managing Director believes the profits to be maintainable under a new owner and that there is nothing to prevent this level of earnings.

KVI 15/23 SCORE

25.7%



CASH FLOW

KVI 16/23

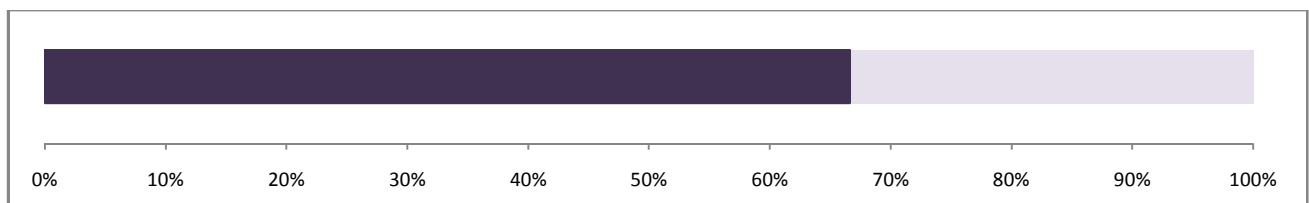
Cash flow is the lifeblood of small businesses. An incoming shareholder requires assurance that a business will have enough cash to meet its obligations. Shortage of cash can result in the loss of valuable trade discounts, supplier relationship breakdowns, inability to deliver orders or even insolvency. A bad credit history may prevent business growth, so stable and predictable, positive operating cash flow is preferable.

On purchase, positive working capital is required to ensure that a firm is able to continue its operations and that it has sufficient funds to satisfy both maturing short-term debt and upcoming operational expenses.

The managing director has indicated to us that debtors are safe and pay regularly, ensuring that creditors can be paid on time. Cash flow is believed to be both positive and stable.

KVI 16/23SCORE

66.6%



LONG-TERM DEBT

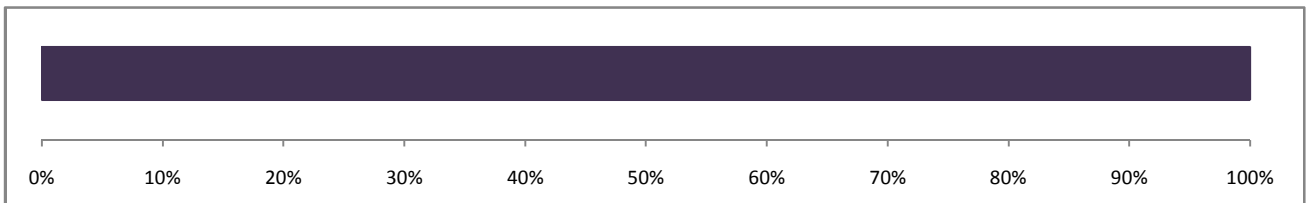
KVI 17/23

The debt levels within the Business will affect its overall value. Not only will the long-term debt in the business have to be subtracted from the amount that the seller will receive from a buyer, but debt can be indicative of company management and it will affect the level of finance that can be raised against business value.

The Company is debt free and the property is unencumbered; this is likely to be an attractive feature to any potential purchaser.

KVI 17/23 SCORE

100%

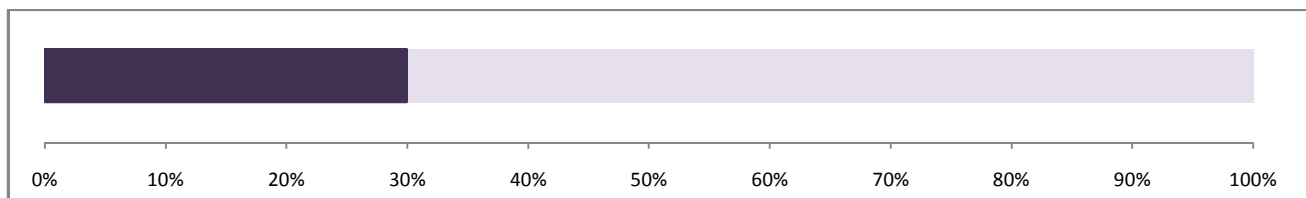


Macro-factors such as the state of the economy and the conditions in the market sector at the point of sale are especially relevant.

According to the UKTI, engineering makes a major contribution to the UK economy and represents one of the chief trading sectors. Manufacturing accounts for 15% of total UK GDP and the sector employs 3.5 million people, which is around 15% of the UK workforce.

A well perceived growth sector will increase the appetite to purchase businesses in the industry. Perception of a specific sector usually reflects demographic, environmental, social, competitive & economic trends. This tends to be determined by the size of the market, the lifecycle of the product/service, and the expected level of expansion within the sector. A growing market attracts new entrants, broadening the pool of potential buyers. In a stagnant market, buyers are likely to be limited to competing trade buyers and the current management team.

Acquisitions can often be attractive as an alternative to organic growth. In fact, in some highly competitive sectors internal investment rarely pays off and therefore acquisitions are often the most successful method of increasing market share while maintaining margins.

KVI 18/23 SCORE**30.0%**

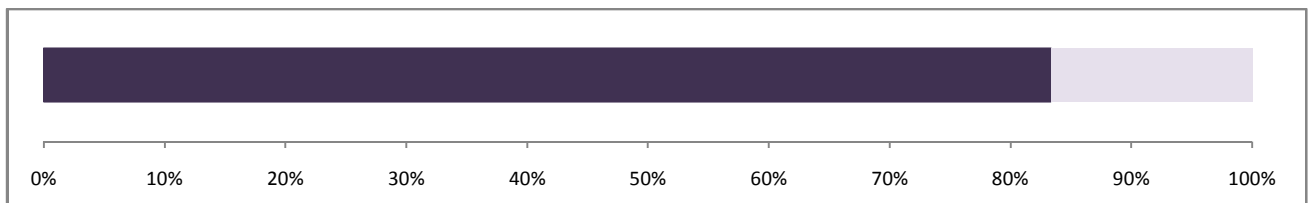
Risk indicates any threats to the future earnings of the Company and therefore the danger of an acquirer not recovering their investment.

Risk factors can include the business' financial condition, management's ability to sustain operations and profitability, market and industry trends and outlook, competitive forces, the economic environment, legal and regulatory issues and contingent liabilities.

While general economic downturn is likely to have a negative impact on many engineering companies, the Company is, following astute planning by the Managing Director, in a relatively secure position. Firstly, the Company is debt free and the property is unencumbered. And, secondly, the customer base is spread throughout a breadth of industry sectors including food production, defence, energy and petrochemicals.

KVI 19/23 SCORE

83.3%



RECENT GROWTH HISTORY

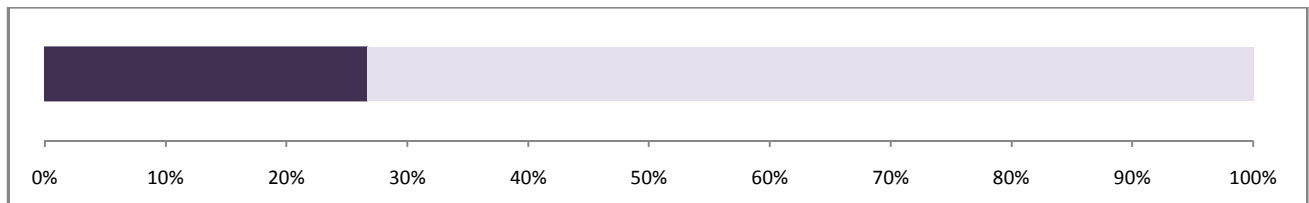
KVI 20/23

Consistent and reliable growth in profits is the main driver of equity value and has a major influence on the multiplier applied. Growing profits over recent years will bestow a higher score for this key indicator than static profits, and shrinking profits will deter potential purchasers and therefore decrease the potential value that can be obtained for the business. Growing profits indicate the potential for an increased rate of return on investment.

Sales growth, as can be seen from the historic trading figures, has been increasing at a steady rate over the last three years. This, however, is primarily accounted for by an increase in the cost of sales, hence the profit margin has remained fairly steady. Profits are growing, and have increased by an average of 14% a year over the last two years.

KVI 20/23 SCORE

26.7%



PIPELINE

KVI 21/23

Forward visibility on sales is a significant value driver for a business. Premium value would be placed on a firm that has 75% of its pipeline booked for business over the next 3 months and 50% booked over the next 6 months. If a company does not have a forward order book, a discount would be applied to potential value.

Predicted new custom from current negotiations and the launch of new products or services should affect the turnover and profit forecasts and thus affect the amount a purchaser is willing to pay based on the possibility of an increasing return on investment. Unique products and services that have not yet been launched onto the market could feasibly augment return on investment. Products that are early in the Product Life Cycle (product development, introduction, growth, maturity and decline) confer greater value than ones that are nearing the end of the Product Life Cycle, as they offer greater opportunity for future earnings.

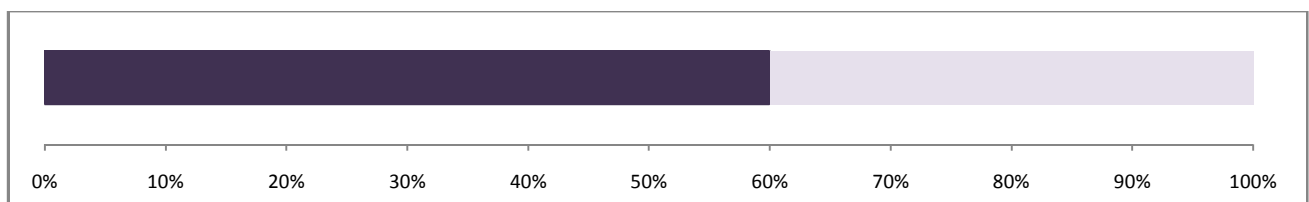
THE FUTURE	FY09 Forecast
Revenue	800
<i>Annual Sales Growth</i>	<i>0.0%</i>
Cost of Sales	560
Gross Profit	240
<i>Gross Margin</i>	<i>30.0%</i>
Overheads	180
EBIT	60
<i>EBIT Margin</i>	<i>7.5%</i>

Basis for Projections

The Managing Director has forecast the turnover for the financial year ending in 2009 to be similar to that in 2008. This is primarily based on the stability of long standing customers. In particular one customer is known to have a secure 6 month contract with the MoD; the Company is providing military armament pallets for this contract.

KVI 21/23 SCORE

60.0%



POTENTIAL GROWTH

KVI 22/23

A highly expandable business will generate higher profit multiples, increase the potential return on investment and therefore increase the potential value paid by a purchaser. The score generated for potential for growth should be supported by forecasts and a justifiable business plan which outlines the basis for predicted growth.

Earnings forecasts depend on the industry and the economic outlook for the business' products, current and future competition, projected changes in demand and the business' capacity to grow in light of its past financial and operational performance.

Operational methods to increase turnover could include an increase in trading hours, shift work, geographical expansion, marketing campaigns, increased workforce, and planned investment in equipment.

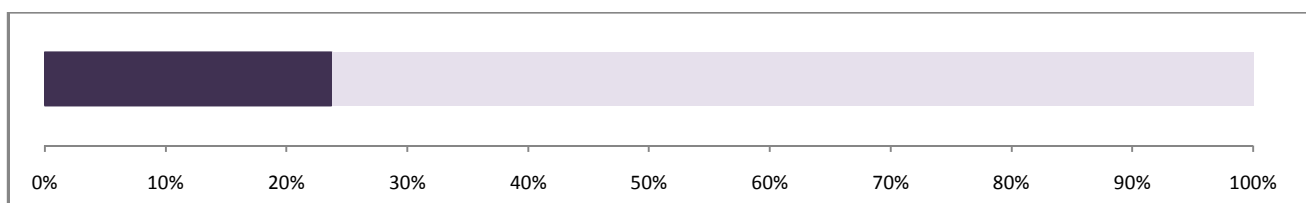
Industry, government and European legislations could have major bearings on the future trade of a Company. Changes in legislation might have either a positive or negative effect on profits, which would affect the value placed on a business.

The Managing Director has indicated that potential methods to increase turnover include:

- developing the property
- the operation of a two shift pattern
- the employment of a business development manager to expand the customer base
- undertaking emergency tooling work

KVI 22/23 SCORE

21.1%



Supply and demand is undoubtedly one of the most important factors in business valuation. If there is appetite to buy businesses in the sector, the value of the business will be inflated. However, if the number of businesses on the market outweighs the demand to purchase businesses in the sector, this will have a negative effect on the value of the business.

Any upturn in mergers and acquisitions activity will increase the potential value of the business; however a decrease will have the opposite effect. In recent months, supply of businesses for sale has decreased since many small business owners are focused on their day-to-day business rather than selling. Furthermore, the supply of good business listings have decreased because many companies are not performing well enough that they would be able to get a price that the owner(s) would be interested in.

There is often an upward pressure on demand during economic downturn because out-of-work employees look at becoming business owners and entrepreneurs, either through choice or necessity. However, on the flip side, current credit restrictions may limit the available pool of potential buyers.

1. Snapshot Appetite Report

An analysis of ~~B~~usinesses Wanted~~q~~is required to gauge the overall appetite to acquire businesses in the sector. A good indication can be gained from an assessment of the number of individuals actively seeking to buy engineering businesses. Desktop research using publications, web portals and our network of contacts produced the following results:

DATE	ACQUISITIONS SOUGHT
December 2008	13 similar engineering businesses sought

(Date of search 17.12.2008)

An extract of current ~~B~~usiness Wanted~~q~~Listings:

Acquisition Sought	Manufacturing Business
Description	Manufacturing - Successful engineering business in Lancashire is looking for to complement its existing products through acquisition or merger. Sectors other than engineering are also being considered
Location	North West

Acquisition Sought	Mechanical engineering business
Description	Machine Shop, Manufacturing, Other Technical Services - we are interested to buy running mech engineering unit of 5000 sq feet to 10000 sq feet.
Location	United Kingdom

Acquisition Sought	Manufacturing / Engineering Company
Description	Fabrication, Manufacturing, Mechanical Services - Business wanted prefer 1.0m-6.0m turnover, Ideally retirement sale and profitable, but will consider all situations. Any area
Location	United Kingdom

Acquisition Sought	Engineering
Description	Established company with regular customers. Any financial position considered. Preferably turnover £1m+
Location	United Kingdom

Acquisition Sought	Manufacturing
Description	Any retirement sale. Any turnover
Location	United Kingdom

Acquisition Sought	Engineering
Description	We are looking for any engineering company that may be loss-making or looking to retire
Location	United Kingdom

Acquisition Sought	Precision Engineers
Description	Precision machine shop subcontract facility. Non automotive customer base. Prefer Midlands but not essential. Private buyer.
Location	United Kingdom

Acquisition Sought	Engineering
Description	We are looking to find and negotiate the acquisition of an engineering business for our client. This could be in precision engineering, specialist engineering, fabrication etc. Turnover of up to £6m
Location	United Kingdom

2. Scarcity Value Report

When placing a value on a business, it is necessary to examine how many other companies in the sector are for sale in the region; and therefore how much competition there is for a vendor to find a buyer. To analyse this, the most appropriate method is to assess how many businesses for sale are currently being advertised. The major web portals and business for sale publications give a good indication of how many businesses are currently on the market:

DATE	NUMBER OF BUSINESSES LISTED FOR SALE
December 2008	42 engineering businesses in the North West that are currently on the market

(Date of Search: 10.12.2008)

An extract of current businesses on the market:

Business Offered	Niche Cutting Tool Manufacturer
Description	Operates in markets with little competition from within the UK. Worldwide sales supported agents. Key customer relationships have been established for over fifteen years. Operates with little owner involvement and the general manager has 25 years service. Skilled and stable workforce. Premises of 20,000 sq. ft. leased under an annual agreement. Transparent order book with annual schedules for circa 50% of turnover. Solid plant and machinery base that requires minimal short and medium-term investment. Disposal due to non-core operations. Vendors have reasonable price expectations.
Turnover	£1.2m
Location	Yorkshire

Business Offered	Precision Engineering
Description	An opportunity to acquire an established UK company that specialises in precision engineering. The company provides engineering subcontracting services to a wide variety of industries and has ISO 9002 accreditation. Offers are invited ideally for 50 per cent of the issued share capital of the company but consideration will be given to offers for 100 per cent.
Turnover	£750k
Location	United Kingdom

Business Offered	Precision Machining
Description	Well-established. Bespoke product design and engineering/machining. Plc and blue-chip client base in various sectors. Ability to work with most materials. Senior management team in place. Excellent reputation for quality and service.
Turnover	£3m
Location	North West

Business Offered	Specialist Sub Contract Machining
Description	Medium to heavy sub contract machining services to the power generation, aerospace and automotive sectors. EBITDA £650k. No debt. Strong senior and second tier management team.
Turnover	£2.2m
Location	North West

Business Offered	General Engineering
Description	Well established general engineering company providing quality general engineering, machining and welding services to multinational and private companies. The business has a strong reputation for quality of service with its diverse customer base. There are excellent and immediate opportunities to develop sales in a number of areas. EBIT of £400k.
Turnover	£975k+
Location	Yorkshire and the Humber

Business Offered	Precision Engineering
Description	Based in the North of England in close proximity to major clients and road links. Established 30+ years. Genuine retirement sale. Offers a design, manufacturing and installation service in all steels, ferrous and non-ferrous metals. Extensive experience within the food, soft drink, brewing and textile industries. Well-established blue-chip client base and excellent industry reputation. Retainable strong management team and highly skilled workforce. Adj. operating profit of £375k for financial YE 2007. Significant opportunity to exploit and develop the business further.
Turnover	£1.6m
Location	North

Business Offered	Precision Engineering
Description	Based in the North of England in close proximity to major clients and road links. Established 30+ years. Genuine retirement sale. Offers a design, manufacturing and installation service in all steels, ferrous and non-ferrous metals. Extensive experience within the food, soft drink, brewing and textile industries. Well-established blue-chip client base and excellent industry reputation. Retainable strong management team and highly skilled workforce. Adj. operating profit of £375k for financial YE 2007. Significant opportunity to exploit and develop the business further.
Turnover	£1.6m
Location	North

Business Offered	General Engineering
Description	This engineering business was established by its owners in 1984 and has grown consistently year on year ever since. It has a broad range of services it can offer to its customer base. Specialists in CNC Machining, Capacity CF-17D, Wire Eroding, Spark Eroding, Design of Jig and Fixtures, Toolroom Milling, Turning and Grinding, and Mould Manufacturing. Leasehold premises.
Turnover	£600,000
Location	North West

Business Offered	Heavy steel and metal fabrication and engineering
Description	Established 25 years ago, it has been in the hands of the current vendors, who have owned the business since 1994. For sale due to other business commitments. Our client specialises in heavy steel and metal fabrication and engineering. Clients include major steel and coal plants throughout the country. A high percentage of work is repeat. The business is well equipped and has a range of machinery including: 2 x bandsaws, a radial arm drill, a pillar drill, a 10qx ½+rolls, a 10qx ½+ guillotine, a geka metalworker 80 tonnes, a geka metal worker 50 tonnes, a sheet metal folder, a mig welding sets, a plasma cutter, a compressor, 2 x fly press. Most equipment is leased. The business is has 12 full time craftsmen and 1 office manager, 1 workshop manager and the managing director.
Turnover	£1,000,000
Location	Sheffield

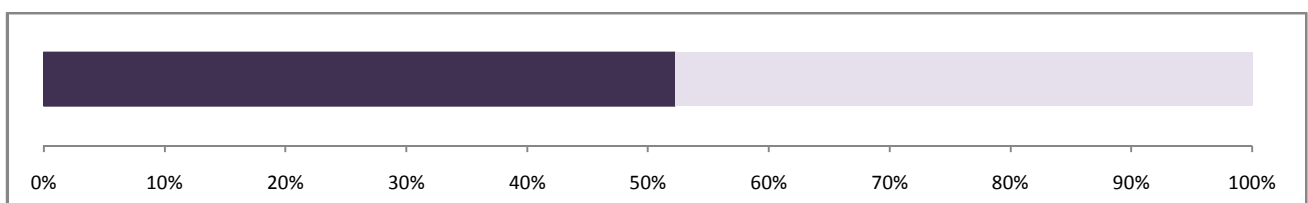
Business Offered	Precision Engineering
Description	The business was established in 1981 and is placed on the market due to the owner's wish to retire. However, our client's son, who plays an integral part in the day-to-day running of the business, would be prepared to continue his employment. Turnover derived from the design, advice, machining and production of precision engineering components. This is very much a turnkey operation that is to be sold fully equipped and ready to return a profit for a new owner. Freehold available separately.
Turnover	£369,200
Location	Sheffield

Business Offered	Precision Engineering
Description	First established 1967, the business has steadily invested and extended its capabilities in response to its clients' specific requirements and growing demand. It provides sheet metal fabrication to the highest possible quality. The business's extensive client base covers a wide range of industries, including communication, medical, climate control, security, electro-mechanical assembly, lighting, office furniture, industrial and food and hygiene sectors. Quality standards within this premier company comply fully with all of the British and European standards and directives. All work force professionals are fully trained and compliant with health and safety requirements both in-house on installation. Key Opportunities: Strong demand for services and capacity to double turnover, Opportunity to introduce a marketing and advertising strategy to increase turnover, opportunities to widen the sales area. The freehold of the property is available for negotiation with an asking price of 400k. Leasehold available.
Turnover	£1,000,000
Location	Sheffield

Synergistic companies, including those operating in precision engineering looking to expand their service offering, are potential buyers. However a relative surfeit of fabrication & welding companies on the market indicates that the price paid would not be over the odds.

KVI 23/23 SCORE

52.2%



MAINTAINABLE EARNINGS

To calculate the Earnings Multiple Valuation, a decision must be made on what constitutes maintainable earnings. Benchmark considers that maintainable earnings consist of annual profit plus any items that can be considered exceptional or that are specific to the current management style. Exceptional items are listed below.

Exceptional Items	FY2008 £	FY2007 £	FY2006 £
Addbacks			
DirectorsqSalary	20,000	20,000	20,000
DirectorsqPensions	20,000	20,000	20,000
Repairs to Property	5,000	4,000	15,000
Motor Expenses	12,000	15,000	17,000
Deductions			
Managing Director Costs	40,000	40,000	40,000
Total	17,000	19,000	32,000

The directors have not predicted rapid growth in coming years, so it is reasonable to use an average of the last three years adjusted profits to adopt a figure for maintainable earnings.

If realistic projections could be made for one to five years hence, it would be acceptable to value the business based on these figures using discounted cash flow methodology, however as the Company does not have any long term contracts or projects and the directors do not make annual projections, this is not considered to be appropriate.

	FY2008 £	FY2007 £	FY2006 £
Reported EBIT	85,000	75,000	65,000
Adjusted EBIT	102,000	94,000	97,000

Maintainable Earnings = Average adjusted EBIT over the last three years = £97,600

Goodwill

Using the Benchmark capitalisation factor of 3.135:

Goodwill valuation = Maintainable Earnings x Benchmark capitalisation factor = £305,976

ASSETS TO BE INCLUDED ADDITIONAL TO GOODWILL

Tangible assets required for the generation of profits should be accounted for in the goodwill figure derived from the multiple of maintainable earnings. The assets are inherently only worth the profits that can be generated from them. However, market value of the assets may be more than the figure generated for goodwill; therefore it is often necessary to make adjustments.

The test of whether or not the value of an asset should be included in the multiple-derived price is based upon whether or not it is needed to generate the projected earnings. For example, property can reasonably be stated as surplus to requirements and could be additional to the multiple derived business value. It is therefore necessary to analyse the appropriate assets that should be included in the value of the business.

Furthermore, cash assets over and above the requisite working capital are generally removed by the owner prior to any sale taking place.

Net - Adjusted Assets

This is calculated by subtracting the value of the current liabilities from the value of the tangible assets. Tangible assets, such as property, plant and machinery need to be adjusted to their current market value. The property is worth significantly more than its balance sheet value and has therefore been added at market value. Benchmark believes that the business and property will be sold as two separate entities. Benchmark believes that the property will be removed from the Company & purchased by the current owner and that the surplus cash will be removed as dividends.

Net Adjusted Assets (excluding surplus cash, pensions and property) = £216,000

In our opinion, the value of the balance sheet will be quickly recovered by a prospective buyer, as the majority of the value lies in money owed by trade debtors. There is minimal debt in the business, which is likely to be a particularly attractive feature for any potential purchaser. Plant and machinery are included in the balance sheet at a nominal value.

The value of the goodwill includes the reputation of the business, a 60 year history, a long-standing customer base, the broad income mix, the Company employees and the tooling used for repeat orders.

MARKET APPRAISAL SUMMARY

Benchmark Valuation	
Goodwill	£252,784
Net Adjusted Assets - as of 30 September 2008 (excluding surplus cash, pensions, and property)	£216,000
Property (revalued)	£320,000
Suggested Sale Price	
(On a cash-free, debt-free basis with enough working capital left in the business)	
£790,000	

Based on the suggested sale price, the value of the business to the owner will be the value of the goodwill, net adjusted assets, property and the surplus cash currently in the balance sheet.

Value of Business to Owner	
Surplus cash to be removed	£130,000
Net Adjusted Assets	£216,000
Goodwill	£252,784
Property	£320,000
Total Value of Business to Owner	
£920,000	

Benchmark believes that there are four potential outcomes for this business:

1. A straight forward acquisition of the business by an investor to develop the business and to carry on trading under its current name in its existing premises. This would not include the incorporation of a separate business entity. This type of acquisition could include either purchase or rental of the property.
2. Acquisition by an existing engineering business (either growing or looking to relocate) which would move into the Company premises and incorporate the Company into its current business operations. It is feasible that this company will already have a fledgling customer base and will benefit from the plant and machinery, the size of the shop floor, the location, the additional and stable customer base and the reputation & history of the Company.

There would be potential to further increase production through increasing workforce, working longer hours, and expansion of the property; therefore the amalgamation of two entities which would service two existing customer bases using the current plant and machinery is a strong development possibility. This type of acquisition could include either the purchase or rental of the property.

3. Acquisition of the Company by an existing engineering business in order to relocate the current operations. The Company will be incorporated into an existing business at another site and the sale of the property will take place separately. The purchaser will take on the Company brand and reputation, the customer base, the tooling, the staff if required and some of the plant and machinery. The purchaser will incur no property rental or purchase costs and will benefit through the removal of overheads, the gaining of customers and tooling. The value of the acquisition will be in the goodwill and the balance sheet.

It is often the case that a competitor may be prepared to pay a premium to gain the contracts or customers of the Company to add to their existing operation. In the event of acquisition by a trade purchaser, the new operation may be able to benefit from economies of scale, through a reduction in cost of overheads and through possible synergies. They might also be willing to pay the top price based on preventing the sale of the business to another competitor.

4. The final potential outcome is the winding up of the business by the current owners; this would give the Company's liquidation value. The value of the assets at liquidation is sometimes less than market value and sometimes even less than book value. Liabilities are deducted from the liquidation value of the assets to determine the liquidation value of the small business. After speaking with the current owners, we understand that the debtors are safe.

Liquidation Value to Owner	
Cash in Balance Sheet	£130,000
Net Current Assets	£175,000
Fixed Assets	£30,000
Property	£320,000
Liquidation Value to Owner	
	£655,000

POSSIBLE NEXT STEPS

Service	Please Tick Box
Deal Structure Planning	<input type="checkbox"/>
Exit Planning	<input type="checkbox"/>
Grooming Service	<input type="checkbox"/>
MBO Feasibility	<input type="checkbox"/>
Business Finder Service	<input type="checkbox"/>
Property Valuation	<input type="checkbox"/>
Sales Pack / Information Memorandum	<input type="checkbox"/>

Feedback

Please feel free to email any questions or comments to enquiries@benchmarkllp.co.uk