GUIDE

How to
VALUE YOUR BUSINESS

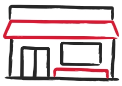
Accurately valuing your business is crucial...

...for various reasons, from selling your business, to securing proper insurance coverage. This guide helps UK companies understand business valuation basics and provides practical steps for achieving an accurate valuation, empowering insurance brokers and business owners to make informed decisions.

Why value your business?

Insurance - Ensuring you have adequate coverage for your business assets, income, and liabilities.

Financial Planning - Making informed decisions about investments, loans, and retirement.



Selling or Merging - Determining a fair asking price or negotiation point.

Taxation - Calculating capital gains tax accurately in case of a sale.

Key valuation methods

Asset-Based Valuation:

- Calculates the net value of your tangible assets (property, equipment, inventory) after deducting liabilities.
- Best suited for businesses with significant physical assets.

Earnings-Based Valuation:

- Focuses on your business's profitability by analysing past earnings and future potential.
- Suitable for established businesses with consistent income streams.

Market Based Valuation:

- Compares your business to similar companies that have been recently sold or valued.
- Helpful when there's a robust market for similar businesses.

Specific considerations for UK businesses

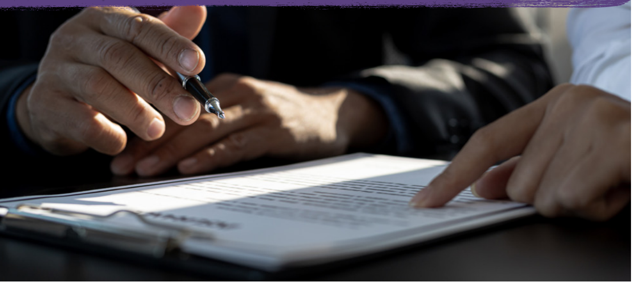
- **Goodwill:** This intangible asset represents your businesses reputation, customer base, and brand value. It can be a significant factor in valuation.
- **Tax Implications:** Consider potential tax liabilities that could arise from selling your business.
- **Industry Standards:** Research industry-specific valuation multiples and benchmarks.

Over **40%** of UK

COMMERCIAL PROPERTIES

are underinsured

Insurance Times



Valuing business items

Original cost - this is the purchase price of the item bought for the business.

Depreciation - The decrease in value due to age, wear and tear, or obsolescence.

Replacement cost - The current cost of replacing the item with a new one.

Market value - The price you could likely sell the item for in its current condition.

Professional Guidance

It's highly recommended that you seek professional advice from a qualified accountant or business valuer. They can help you choose the most appropriate valuation methods and ensure accuracy

Remember...

Business valuation is not an exact science. It involves both objective data and subjective judgements. The most important thing is to use a method that is appropriate for your business and to get professional advice if needed.

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