INDEPENDENT VALUATION OF 4160 LTD

Valuing shares in companies that are not listed is very complex. What anything is worth, is best determined by what someone is prepared to pay. The normal rule of thumb method is based on the dividends paid. Since no income can be paid in Four One Six 0 Ltd, we fall back to looking at asset value, although this has certain drawbacks.

Looking at the latest accounts, the Balance Sheet appears to value the company at £223,328. The accounts appear to be in the micro-entity basis and there are no details of the shares issued. However, it is not a simple matter to determine the individual share value by dividing the number of shares into the Balance Sheet value.

Firstly, the Balance Sheet needs to be re-valued by substituting current day values for the assets. Here, again there are difficulties. The engine itself, must obviously be an extremely attractive loco for a reasonable Heritage railway. However, once again I return to the premise that an asset is only worth what someone is prepared to pay for it. 4160 is currently undergoing a major repair. I do not know how much that restoration is going to cost or in deed if the company had sufficient funds to complete the repair. In full working order, the loco might achieve a good six figure sum. However, a buyer for the engine in its current state, would discount the value of an operational engine by the amount he perceives it would cost to bring the loco back into use. Perhaps, therefore the amount as shown in the accounts maybe realistic.

However, the Balance Sheet may not be a good guide to the overall valuation of the company since the funds held may not be sufficient to complete the repair. This could mean that the shares are next to worthless. If there are sufficient funds to complete the repair then the loco could be valued at the possible worth of an operational engine.

Even if it was possible to evaluate a positive value for the loco and cash, there are still issues in the simple maths of dividing value by the number of shares. In order, for such a calculation to provide a valid valuation, we have to consider the holding of individual shareholders. A shareholder would have to be able to realise the assets of the company in order to achieve the net asset cost. This would mean the shareholder would have to control at least 85% of the issued share capital. The value of shares in any lesser holding must be reduced to allow for the inability of the shareholder in achieving any value out of the company. I am sure that there are no holdings of such a size that can bring about the realisation of assets. Therefore the shares valuation on an asset basis has to be discounted considerably. Maybe the discounted valuation will reduced each share to nominal value or even less.

An easy guide, would be to look at a similar company if it has had any disposals of shares. It maybe slightly ironic to look at the Wadebridge situation to find a comparison. This company changed into a charity and therefore no dividends could be paid. However, the Mid Hants are buying the shares at nominal value. Obviously, Mid Hants is doing this to acquire the loco for its fleet unencumbered by the original company.

In conclusion. There are so many questions arising that there is no real conclusion. So, one can only fall back on the nominal value of the shares (face value).

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