

Rolling Asset Disposal Plans – some things to think about

What is a Rolling Asset Disposal Plan?

It's a formal, written, plan that ensures a business identifies and then disposes of surplus or redundant plant, machinery, and stocks timely and effectively on an ongoing basis.

Why have a Rolling Asset Disposal Plan?

The timely and appropriate retirement of assets that are no longer needed rejuvenates the business and ensures it flourishes in today's fast paced, highly competitive, marketplace.

What phases are there in a Rolling Asset Disposal Plan?

A Rolling Asset Disposal Plan has three entirely distinct phases:

1. The identification of an asset, or collection of assets, as no longer needed for the efficient running of the business;
2. An assessment of the most appropriate route for disposing of the asset(s);
3. The actual sale / disposal of the asset(s).

Phase 1 - Identifying surplus/redundant assets

Surplus/redundant assets are those that are:

1. No longer required or suitable for the delivery of the product/services of the business; or
2. Uneconomic to continue to maintain, operate or hold.

An asset can become surplus or redundant for any number of reasons –

- Technological improvements
- The proposed acquisition of newer machinery
- Reduced space or headcount
- Off-shoring or outsourcing
- Absence of spare parts
- Health & safety concerns
- Changed customer needs or demand
- Changes in the design or delivery of the product or service
- Premises sale/ vacation on end of lease
- Falling or increasing sales prices
- Lack of experienced staff to work them
- Reduced or increased production volumes
- Changes in working practices
- Factory re-organisation / closure
- Loss of a major customer contract
- Bad buying or over stocking / manufacture

Phase 2 - Assessment of the disposal route

Once an asset has been identified as surplus or redundant, how you dispose of the asset will depend on your thoughts as to:

1. Any confidentiality or reputational concerns you may have.
2. Your desire to protect your intellectual property.
3. The Net Disposal Benefit, ie. the net cash you will generate on the disposal, or Net Disposal Cost, how much disposing of the asset will cost you;
4. The non-monetary benefits obtained by disposing of the asset, such as an improvement in staff confidence, morale or working practices;
5. Any adverse impacts the disposal might have on the business;
6. Any complex or practical removal or disposal issues there may be, for example on the fabric of the building or nearby equipment;
7. Staff / resource availability, in terms of their ability to support alternative disposal methods.

We have put confidentiality, reputational concerns and IPR protection top of the list because we often have to find a way to deal with the very real concerns our clients have on these issues – and sometimes these can overshadow the financial considerations.

What do you mean by the Net Disposal Benefit/Cost?

A key consideration in deciding how to dispose of an asset is the comparison of the ‘Net Disposal Benefit/Cost’ of the alternative methods of disposal. ‘Net Disposal Benefit’ is the net proceeds of sale. Net Disposal Cost is the net cost of disposal. This is typically the sale proceeds – whether as scrap or through auction/private treaty - less any costs of sale, removal, transport away and scrapping/disposal in accordance with any regulations that may exist.

In many instances the assessment is a direct comparison of:

<u>Scrapping the machinery</u>	£000s	<u>Selling the machinery into the 2nd hand/new market</u>	£000s
Proceeds from sale (may be nil)		Proceeds of sale – auction/private treaty	
Less costs you incur on:		Less costs you incur on:	
Sale		Sale	
Removal		Removal	
Making good		Making good	
Net disposal benefit / cost	£	Net disposal benefit	£

Of course it isn't always that simple, especially if the assets are large, heavy, fixed or buried, high above ground, purpose built, highly specialised, could be recycled for spare parts or involve civils work or CDM. In many instances however the comparison is simply how much you will raise by bringing in the scrapman with what you will raise by selling the assets privately or in the market. We often find that clients underestimate the value of assets because they see them only as surplus/redundant to themselves, this does not mean they are surplus/redundant to others who may use them, either in



the UK or abroad. There is for example a big market for old plant in Eastern Europe, the East and Africa.

What else should you consider?

The Net Disposal Benefit/Cost is then put into the mix with the costs and benefits of continuing to hold the asset.

These include continuing:

- Supervision
- Finance costs
- Losses incurred on the items produced
- Safeguarding / security
- Insurance
- Maintenance / safety

... and any other cost specific to you and that asset/collection of assets.

The comparison/calculation does not stop there. The next step is to assess the other benefits of the proposed disposal that may not be immediately identifiable.

What are the other key benefits?

There could be many, including ...

- Supporting a culture of continual product/service improvement throughout the business
- Close the chapter on an unfortunate foray into unprofitable work or markets
- Instil greater pride and staff morale in the business
- Send out important messages internally and externally
- Open up new markets
- Tidy the factory so as to attract, or at least not turn off, new or actual customers

Phase 3 – the actual sale / disposal

Once the decision is made to sell or dispose of an asset, it's normal for a business, whatever size it may be, to consider bringing in more resources from outside of the business to help. Very few businesses carry the resources or have the skills to carry out what they will see as a pretty boring, procedural and time-consuming activity far removed from what they set up in business to do – your time, skills and resources are often better focused on the job of continuing or improving the business. Contrary to what many might expect, even the biggest, best resourced, businesses recognise they are not great at everything and as a consequence they have a Rolling Asset Disposal Plan which includes employing the services of a nominated supplier for asset disposal support.

Our support in the process

Overleaf is a pictorial summary of the typical process if we get involved in helping dispose of assets through an auction sale.

What’s great about getting us involved?

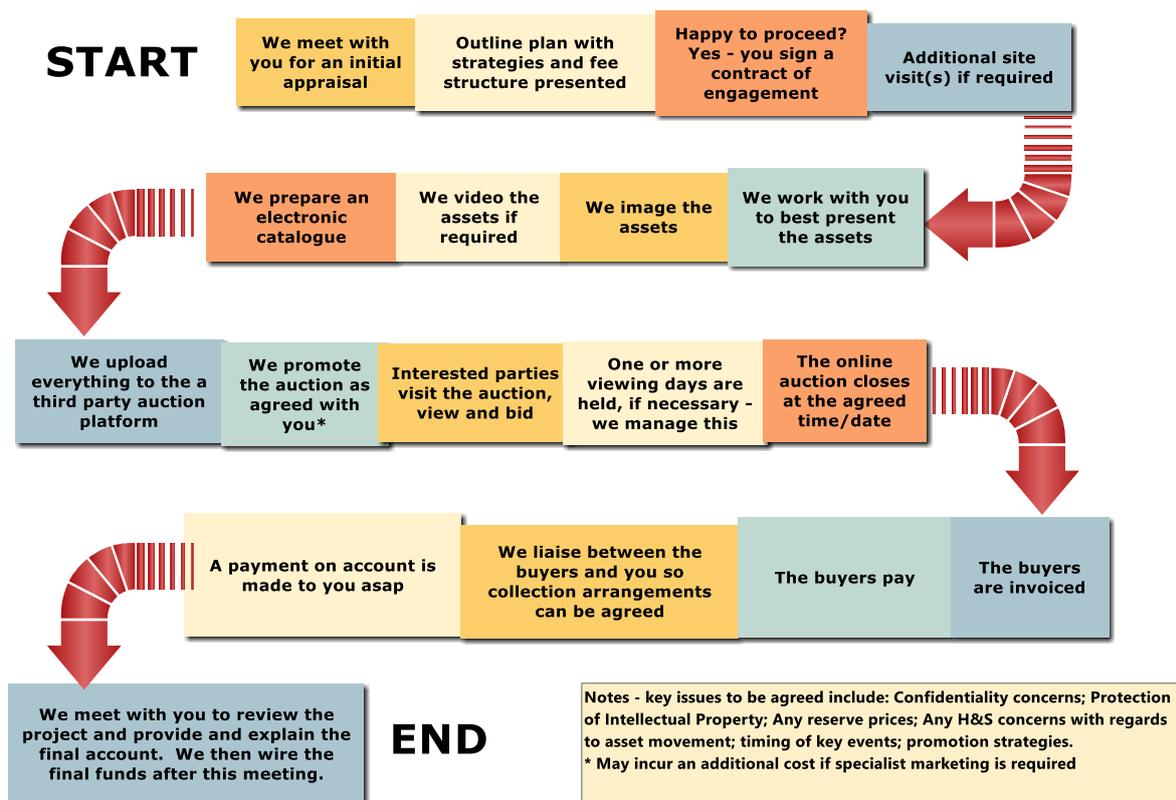
You will never have to pay out any money for our services. This is because we only ever get paid out of the proceeds of any sale we arrange. This means-

- It costs you nothing to explore your disposal options.
- Any sale through us can only be cash positive – that is except in those rare occasions when the nature of the assets necessitate some special marketing.

At the end of this document is a questionnaire which you may find of interest as it sets out some of the things we often see. If you would like to arrange a no obligation discussion with us, please contact either Phillip – phil@assetdisposalservices.co.uk, telephone 07885 436021 - or Paul – paul@assetdisposalservices.co.uk, telephone 07813 102014. **Client confidentiality is very important to us. All information that you may give us is treated in the strictest confidence and will never be copied, shared or disseminated to any other company, person or organisation.**

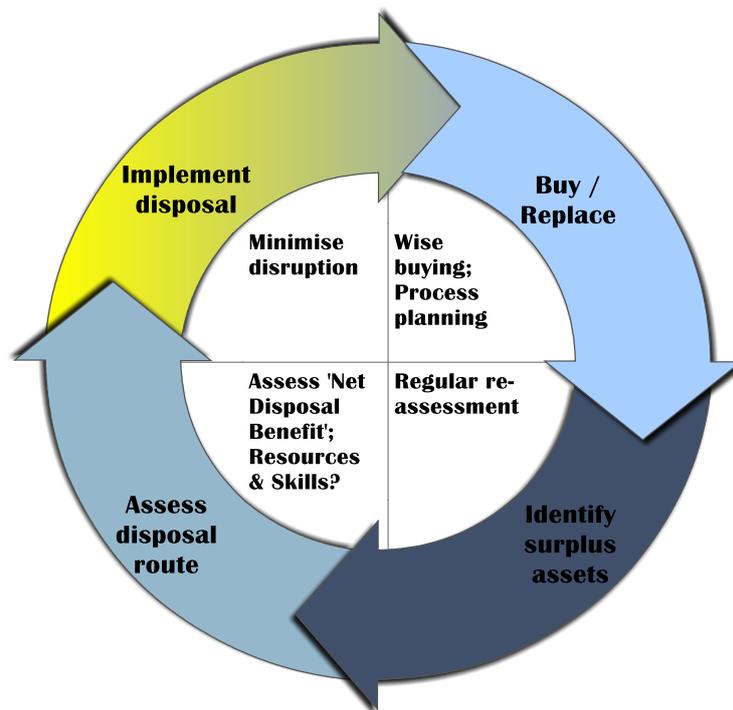
What is the typical process if we get involved?

If we get involved the typical process is...



Asset Disposal Questionnaire

Asset Disposal Cycle



Phil phil@assetdisposalservices.co.uk, telephone 07885 436021- or
Paul – paul@assetdisposalservices.co.uk, telephone 07813 102014.

A Questionnaire for You...

- | | | |
|----|---|---|
| 1 | (a) Do you have a formal, written, Rolling Asset Disposal Plan?
If yes... | <i>Yes/No</i> |
| | (b) Do all departments follow it? | <i>Yes/No/Don't know</i> |
| | (c) Do you regularly assess what's surplus or redundant? | <i>Yes/No</i> |
| | (d) Has there been a major change recently in the business, or is there going to be, such that you probably ought to re-appraise your Rolling asset Disposal Plan?
If no... | <i>Yes/No/Don't know</i> |
| | (e) Should you have one? | <i>Yes/No/Don't know</i> |
| | (f) Do you know if you have any surplus/redundant assets? | <i>Yes/No/Don't know</i> |
| | (g) Can you remember the last time you looked at your Fixed Asset Register? | <i>Yes/No</i> |
| | (h) Do you know the optimum time you should be disposing of each of your assets on a cost / benefit basis? | <i>Yes/No/ I think so</i> |
| 2 | Right now, are all the assets you hold relevant to the service/product you provide? | <i>Yes/No/ Don't know</i> |
| 3 | Are you holding on to any assets that have gone beyond their useful economic life? | <i>Yes/No/Don't know</i> |
| 4 | Are you a holding on to any plant or machinery that you don't use or stocks that are slow moving for no other reason than you can? | <i>Yes/No/Don't know</i> |
| 5 | Are you holding on to assets longer than you really ought to because you don't have the time, resources or skills to dispose of them? | <i>Yes/No/Don't know</i> |
| 6 | Be honest, could your factory do with a 'spring clean'? | <i>Yes/No</i> |
| 7 | Would disposing of that old 'stuff' sitting in the corner of the factory -
(a) Save you some money in one way or another?
(b) Help you improve your factory's production processes?
(c) Enable you to bring in more up to date, more efficient, plant?
(d) Free up space that you can use in better ways, sell, rent out or hand back to the landlord?
(e) Send out a powerful message about your intentions for the business? |
<i>Yes/No</i>
<i>Yes/No</i>
<i>Yes/No</i>
<i>Yes/No</i>
<i>Yes/No</i> |
| 8 | If you have surplus or redundant assets, do you know -
(a) When and how you should dispose of those assets in order to...
Minimise any adverse / maximise any positive impact on the ongoing business?
Maximise the cash generated?
(b) If you might need help from outside of your organisation? |
<i>Yes/No/ Don't know</i>
<i>Yes/No/Don't know</i>
<i>Yes/No</i> |
| 9 | Be honest, if your biggest customer, civic dignitary or most successful competitor were to visit your premises today, would you be happy with the impression they'd get of your business? | <i>Yes/No</i> |
| 10 | Does this statement ring true with you? I know what my surplus assets are worth to me – and that's very little - but I have no idea what they're worth to anybody else. | <i>Yes/No</i> |
| 11 | Do your asset disposal procedures comply with your company's stated environmental policy? | <i>Yes/No/ Don't know</i> |

To arrange a meeting to explore how we might be able to help you, either call or email Phillip - phil@assetdisposalservices.co.uk, telephone 07885 436021 - or Paul – paul@assetdisposalservices.co.uk, telephone 07813 102014.