

**Future Strategic Planning of the UK oil PLC**

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**Introduction**

The application of financial evaluation offers insight into effective decision making. The processes of decision making require skilled information and the use of information to make the right and appropriate strategic decisions. In this case study of UK Oil Plc., the company needs to consider the right structure and decisions prompting a good financial evaluation of its strategic futures. These futures are shaped with governance and theoretical approaches, such as focusing on the right project, choosing a project within the company’s financial projections, and focusing on investment measures. In the field of oil exploration and mining, the industry is facing different challenges and these challenges include competition from other developed nations, environmental regulations and policing inflation, and shifts in economic conditions, and lack of enough financial resources. The UK Oil Plc. has to choose, which alternatives are feasible and offer long-term benefits to the company from its investment activities. More importantly, the company needs to identify its financial health. The financial health of a company helps to determine if a company has is a good financial health condition with the capability of meeting debt and raising investment capital. To determine if the UK Oil Plc. is financially sound for the ventures, the company needs to focus on evaluating its financials and making the right recommendations. The focus of this report analysis is to offer a financial evaluation with a recommendation on the alternatives, which the company has to consider. With a conclusion on the potential impacts of liquidation of one of its debtors.

**Alternatives**

The alternatives for the UK Oil Plc. are in the form of investment measures. The company needs to consider, which is feasible in terms of development and operating of a new oil platform in the North Sea or the acquisition or a merger of an oil refinery in Ireland.

**The Development & Operation of a New Oil Platform in the North Sea costing approximately £315 million**

**Budget**

Foremost, the company has identified a good budget from considering its future strategy. The company has a budget outline of £350 million. The board of the company is willing to invest at a maximum of £350 million. One of the challenges facing many companies is the inability to meet their investment budgets. The budgets of most companies include giving investment opportunities without considering cash flows and liquidity. The liquidity of a company will determine if the company can meet the current operating functions and at the same time, provide essential resources to run or invest in other franchises. In this case, the budget for the development and operation of a new oil platform is within the company is an investment budget of £350 million. The development of the new oil platform will cost £315 million, which is below the maximum value the company wants to invest.

**Investment objectives**

The UK Oil Plc. is considering the sustainability of the company’s future. The industry of oil, mining, and exploration is growing competitively and new forms of technology are shifting global expansion. As a measure, the company needs to measure and meet future sustainability. The impact of this sustainability is on the impact of future growth and expansion concerning demands in the local and international markets. On the other hand, it is investment portfolio growth. As an oil company, UK Oil Plc. needs to consider its growth in the local and international markets. The growth of the company will attract more investors, provide investment opportunities, and define its future capabilities in terms of growth and development.

**Sources of Capital**

As per the previous financial year, the company’s financial income indicates the company £500 million in profits before tax. The financial position of the company is sound and this encourages the board to consider if the company can invest in the local and international markets. It is not easy since the ownership of the new oil platform will belong to the company. For investment opportunities, the financial position of the company is sound to consider a venture of £315 million. With its financial outlook, the company is offering bonds and ordinary shares. The dividend sharing ratio shows the confidence the company has developed amongst its investors. The higher the period of shares held, the company pays fewer dividends, and the less the period an investor has the shares, the company pays higher dividend rates.

**Resources**

Does the company have enough financial resources or which sources of capital can the company use to raise £315 million? The company cannot use its profits alone to invest in this alternative, instead, it should consider other sources of finance to raise capital for the investment. The company has different sources of capital; rights issues and debt financing. The rights issue will be a good measure since the company can make or generate income based on the rights issue. If the company can offer at £1-£1.5, then the rights issues can be a successful source of raising funds. On the contrary, the rates of the company’s investment bank are not feasible for the company to consider taking a loan or offering bonds.

**Feasibility**

Another important evaluation is to consider the feasibility of this alternative. The ownership of a new platform will consider the different policies and regulations the company has to consider. The financial position of the company is ideal since the company has to consider, which measure is credible in terms of operational costs, income from the project, and the long-term operational costs. The financial position of the company is ideal since as a venture it requires a flow of capital and investment to help in aligning one another’s financial position. As a result, the new venture is credible, but the company has to consider if the long-term measure is profitable and ideal for the company and its investment measures.

**Conclusion**

In conclusion, the UK Oil Plc. needs to consider the right means to project and improve financial awareness. The awareness of these features is essential since it outlines and develops measures to improve and promote financial stability. The stability can be related to the diversity in using and projecting financial growth and development. Sustainability in oil exploration and production will improve financial diversity and this feature will help to improve and promote financial diversity. The case of the company deals with the rising needs and trends by marketing and projecting the needed financial capability. Therefore, the alternative will offer benefits and ownership to the project as it will measure a critical financial need for UK Oil Plc.

**The Merger or Acquisition of an Oil Refinery (Euro Refinery) located in Ireland costing approximately £320 million**

The idea of an acquisition or a merger offers an opportunity to conduct a financial evaluation for the company in the deal. According to Kang, Woo, Burton, & Mitchell (2018), in modern acquisition attempts, companies consider the financial evaluation of the deal to determine if the merger and acquisition meet the needed benefits or expectations. The financial value of a deal is an essential approach since it determines the uncertainties and controversy if any in the given deal. It is important to have a good look at the uncertainties and constraints in determining the right financial structure to shape and enhance decision making for a merger. In this case, the ideal position of a merger is dealing with financial development and engagement. Sometimes, it is not easy as it shapes the ideal in promoting financial readiness and meeting the financial value of a merger or deal.

**Uncertainties**

According to Kang, Woo, Burton, & Mitchell (2018), the uncertainties in making or taking a merger are conditions, which influence and affect proper decision making. A key insight in decision making is to offer and uplift the choice and decision of a company. For instance, making the right structure and choice of the merger and partner. There are many uncertainties to consider before deciding to invest in the merger or acquisition of an oil refinery. Focusing on uncertainties will help in narrowing down the decision for the board and choosing the right structure or manner of handling the decision. The different uncertainties in this case include;

**Feasibility of the merger or acquisition**

It is important to consider the benefits and limitations of the merger. As pre-tax profits, the company had 500 million pounds. It is a good indication since the company has a low debt ratio compared to the company’s equity. Due to the diversity needed and the advantages of making the right decisions, it is essential to focus on planning and performance. If the acquisition is ideal, the company will benefit from having a merger with a given company in the Ireland market. What the company needs to consider is the options before or the factors to consider before agreeing to the merger and its acquisition. Therefore, considering this merger, the company is in a healthy financial position for a merger.

**The cost of the merger**

The cost of the merger matters a lot when taking into consideration the financial dealings of a merger or acquisition. It is important when relating to financial awareness to choosing a measure given to improve and relate to the financial processions. For instance, the proposed merger will cost £320 million. The alternative is a good proposal since the company’s board is deliberating on the maximum value of £350 million. To be able to invest in this alternative, the company needs to consider the financial integrity of the deal with the partner (Brealey, Myers, and Allen, 2006). The acquisition of this deal is also another important option and as a result, it needs to establish financial awareness and worth.

**Financial health**

One of the critical factors to consider in a merger is the financial position of the company. As defined by Kang, Woo, Burton, & Mitchell (2018), the potential evaluation of a merger deals with relativity and financial integrity of the deal. In considering the deal, the financial position of the company is valid and reliable. The company can acquire funds through debts but the bank rates are high at a baseline of 6%. If the fixed loans, the rates are at 7.5%. This makes it difficult in attempting to get the needed capital. Without a good source of capital, the company cannot offer or consider investing in this venture.

**Risks**

There are risks in this deal and it is important to take an alternative in the form of financial planning and awareness. For instance, based on Brealey, Myers, S.C., and Allen, 2006, in corporate finance, companies need to determine the risks of any venture. In a merger, the acquisition of the refinery will be based on whether the board evaluates the financial worth of the deal. In this essence, the aim is to identify the nature and means of corporate financial handling and processing. As a result, the risks of the venture if any can be shared as per the % of the ownership of the company.

**Goodwill, Location, and Shareholder Impact**

The value of goodwill is an important concept to consider the alternative to merge or acquire the oil refinery. But based on the choice of the company, the value of a free tax in the next five years and the market exposure is a reason why the company should not acquire by a merge to reduce the overall risks based on the market conditions. For instance, consider the annual costs of the merger, these costs of £5,000,000 per annum are within the company’s financial model.

The location is another important aspect of the acquisition of the oil refinery. The rich countryside of Ireland offers a good spot for oil exploration. The accessibility to a wider European market will help the UK Oil PLC to cover more market grounds in terms of accessing and using its foundations to make competitive marks in the oil industry. The location alone covers an area offering a similar conclusion in terms of alliances and easier access to markets and suppliers.

There is another important impact on the move on the shareholders of the UK Oil PLC. To invest, the financial health or position of Euro Refinery Plc. is good and this can help the investors to focus on international investments. For instance, if it is a merger, 1 to 1 per share is ideal since it helps the investors have a good logical choice on what they consider a valid impact on the progress of the company’s investment. With the value of goodwill being tax-free for the five years in the country of Euro Refinery Plc., it shows a good opportunity to invest and allow for existence and diversity in international management.

**Conclusion**

In conclusion, I recommend the use of more financial depth and the partner’s financial capability in determining the feasibility of the venture. The acquisition can be influenced if the company offers a lot in terms of resource usage and meeting the expectations of the board. The acquisition or merger is within the company’s budget plans. The investment plans of the company through acquisition will help the company to develop a probable value through financial accountability. The nature and needs of implementing and increasing financial usage will help improve and motivate its growth. Therefore, the company needs to merge with the Euro Refinery and not acquire the company. Merging will allow the company to have a strong foothold in the company’s industry in Ireland. The Euro Refinery Plc. offers more opportunities when merging and not fully acquiring the company due to its higher debt ratio.

**The potential Liquidation of Mersey Airways**

Considering the potential liquidation, it is important for the company as a major creditor for Mersey Airlines to have a well-informed decision affecting the restructuring of its financial structure or a possible liquidation. There are pros and cons to each approach. The essence of these approaches is to determine the right scheme and the appropriate pros based on the company’s decision. For instance, should the company allow or vote for the Airline Company to be liquidated and lose 2000 potential jobs and a client or agree to sign on the restructuring of its financial structure?

**Pros and Cons of Corporate Financial Restructuring**

There are different benefits, which the company should consider in this liquidation attempt or financial restructuring. For instance, one of the constraints is to consider the value of ensuring the company will support its 2000 employees. As an airline, the company will have a client since it has a debt of $5,000,000. As per the agreement of the airline and the UK Oil Plc, the debt should be paid or is due in the next 6 months. This agreement is a challenge to corporate restructuring. The creditor of the company will lose $3,000,000 in exchange for the $5,000,000 at 1.5% in preferred shares. There is a condition, which needs to be identified to make the move ideal and reasonable. The move is based on strategic performance and analysis from financial awareness and arrangement. It is critical since it outlines what is needed and the nature to implement this plan is by gaining or agreeing to all investors to forego all pending dividends and inject more capital to save the company. Restructuring can help the company to have a valid future to help it regenerate more financial income. For instance, to write off 3,000,000 of the airline debt will cost £1 and 5% of the preference shares.

**Pros and Cons of Liquidation**

If the creditor will not sign on the financial restructuring since the majority of the company’s investors will write it off as bad-debt, the alternative will ensure an effective solution by liquidating the company. I think the company has a better handle on its returns and liabilities by accepting the liquidation and selling of the company’s assets to realize and meet the bad debts. For instance, the non-current assets of the company will realize £100,000,000. To sell the company’s non-current assets is easy since it will help the creditors get their capital and invested resources. Secondly, the cost of liquidating the company’s assets is relatively cheaper in that it will cost £500,000. Therefore, it is important to notice the current assets of Mersey Airways. The airways will help to address and ponder on the diversity needed following the integration of its stocks and bad-debts of £10,000,000. To ensure corporate restructuring is effective, investors need to invest an additional £30,000,000 to help the company have a good structure for its continuing operations in the airways. Through this analysis, the projections indicate the UK Oil PLC will have different benefits either by supporting one alternative over the other. The main consideration is for the company to have an opportunity to recover its £5,000,000.

**Recommendation**

In recommendation, it is important to consider the potential impact of restructuring. The restructuring will help the company to improve and increase financial development. The diversity of the company by making the correct decisions lies within its objectives in risk handling and tolerance. If the company has a higher risk tolerance, then the uncertainty of deciding corporate restructuring will help the company to have 5% of preference shares. In the restructuring, the company has £12,500,000 as retained profits. These profits can be used by the company to help in making the right decision to pay back its debts. Therefore, the restructuring of the financial structure of the company has many cons but it will ensure the company will support its 2000 employees. On the other hand, liquidation will help the company by focusing on selling non-current assets. The non-current assets of the company will help in raising £100,000,000. The capital is enough to pay its debt, but this means the company has to file for bankruptcy and this will affect its business position and investors. As a result, it is important for the company to reflect on the decision of supporting liquidation and if the risk tolerance of the company, it can write-off £3,000,000 of its debt owned by Mersey Airways. As a result, the company should consider its validity and measure its perspective in terms of financial benefits from liquidation or restructuring.

**References**

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