



# Due diligence

Becki Barnett reviews what it means for the buyer.

**D**ue diligence can be just as daunting for the purchaser as for the vendor, not least because they have to work closely with the solicitors to ensure that the acquisition is legal, and that they are purchasing a solid practice with no pitfalls that could see them out of pocket. It is not uncommon for a first time buyer to have never looked at a set of accounts before, which can make analysing a business and overcoming lack of knowledge very stressful. Consequently, it is crucial that a buyer

is both 100 per cent certain about the practice and confident that they can manage it successfully.

It is also important to note that if the due diligence isn't satisfied on both sides the banks will withdraw funding and the sale will collapse after much expense has been made with deposits, solicitors, accountants, independent financial advisers and so on.

So what is due diligence? Essentially, it is the intermediate process in which the buyer decides if they want to progress with the sale and move towards completion or withdraw from the purchase. It also forms part of the disclosure process at exchange of contracts. It is important to note that in the event the seller isn't forthcoming with the appropriate information, it would be wise for the buyer to consider their options – after all, if a business has nothing to hide, there is no need to withhold relevant information.

Because the vendor does not have to volunteer information that is not

specifically asked of them, however, one should be aware that it is down to the purchaser to be thorough during enquiries. The right solicitor, accountant or broker can help with this. That being said, it is unlawful to conceal or lie during due diligence, which means a buyer is well within their rights to file for a breach of warranty claim and/or a claim of misrepresentation from the vendor if such a situation comes to light later on down the line.

## Areas of enquiry

To help identify the areas of enquiry and the types of documents that must be provided by the seller, it is always advisable to utilise the services of a solicitor; preferably one with dental specific experience as they can spot any discrepancies within the contract. When it comes to NHS contracts, they tend to have direct contacts within NHS England, which means major issues can be dealt with very quickly. ➔



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☛ Their role is to send out a questionnaire to the seller's solicitors during the initial stages and request written replies along with evidence and supporting documentation. After that, it is their job to ensure that all information is inspected thoroughly for any flaws or lack of detail. If they are dissatisfied, one can rest assured that they will address these issues and take the appropriate steps to gain the necessary data.

Although it is up to the solicitors to ensure that all enquiries have been fully answered, and it is their duty to report back to the buyer with any concerns, it can be prudent to take an active role during the process – not only for peace of mind, but to gain a clearer picture of the practice.

So, what are the areas of enquiry? As the banks want to know how the practice is going to be run and what risks are omitted if the vendor leaves, exit programmes are an important aspect of the finance application. During the agreement, it is therefore important to clarify with the seller what their plans are after the sale. Are they staying on

in the practice part time? Are they retiring? Assessing the practice's NHS contract and ensuring UDA targets and goodwill are intact is crucial too – if a buyer is taking over an NHS or mixed practice and intends to take ownership of the contract. For private practices it is particularly pertinent as the risk is greater, which can sometimes mean a bigger deposit/security is required.

Paperwork on equipment should also be requested, including an inventory of what will and won't be included and what will need replacing. Thereafter, questions on the practice should be asked, including whether the practice is compliant with statutory requirements such as CQC registration and health and safety legislation. If there are any issues or doubt surrounding the information that is provided, they must be remedied immediately.

It would also be wise to request staff records. Not only can this help ensure that the practice team is protected during the changeover, but it can also highlight any areas of concern such as active disciplinary cases.

Other areas to look into include goodwill, complaints and on going legal proceedings – if any – and documentation on the property. Establishing whether the practice is viable as a business is important too, as is ensuring that the figures and projections can be justified against annual reports. For that reason, it is always advisable for a buyer to use a qualified dental accountant.

### Solicitors' advice

Due to the amount of paperwork and evidence that is required to complete due diligence and the general complexity of the process, it is important that the advice of the solicitor is followed to the letter. Indeed, although workload and stress levels can be lower for buyers during this time than the vendor, it is still crucial to keep an eye on the proverbial ball. Employing a finance specialist can help with this, particularly if they can put you in contact with reputable legal and accounting representatives. Due diligence is not to be underestimated, so if you are looking to buy, make sure you start your action plan now.

## 20th anniversary golf day

International dental charity Dentaïd recently held a successful golf day to celebrate its 20<sup>th</sup> anniversary year. The event, which was held at Dudsbury Golf Club and Spa Hotel near Bournemouth, attracted teams from across the dental industry. Dentaïd's corporate supporters joined teams from dental practices and the charity's trustees on the award winning championship golf course.

The winning team was The Grumpy Old Men from Henry Schein, The Qualident Clubbers came second with The Hackers in third place. Mike Todd, from Qualident, won the Nearest the Pin competition.

Helped by a generously supported raffle, the golf day raised £3,030 which will help to fund Dentaïd's projects around the world. The golf day also gave supporters an opportunity to see Dentaïd's mobile dental unit which will be used to provide outreach dental care for homeless and other vulnerable people in the UK.

"Our annual golf day is always a great occasion but this year was extra special as we are celebrating 20 years of improving dental care around the world," said Kerry Crook, UK and European projects officer for Dentaïd. "It was wonderful to welcome so many teams and the players really enjoyed the hospitality and golf course. We had so much to tell people about after our successful Real Junk

Tooth Project in Dewsbury, our first volunteering trips to the refugee camps in Greece and the purchase of our mobile dental unit. I'd like to thank everyone who took part for making it such a wonderful day."



The Grumpy Old Men following their victory.