

Our Ref: PAQPack4SpecificOpportunity/PAQFiles/current jobs

# Please do NOT return this 2-page letter

Dear Sir or Madam

**RE: YOUR INTEREST IN A SPECIFIC SALE OPPORTUNITY WE ARE BROKING**

Because you wish to receive further details of the practice/fees which we (APMA) are broking, below you will find our Practice Acquisition Questionnaire (Buying Pack), which we should be pleased if you would complete and scan and then email or post back to us. This information will assist the Vendor in deciding whether (s)he wishes to meet you. In the event that this application does not proceed to a satisfactory conclusion, the information will assist us in locating a practice or fees which meet with your requirements, enabling us to keep you informed of anything which we feel may be of interest to you. We also enclose our Letter of Confidentiality which we require all parties to sign prior to the release of further information on the Vendor’s practice / fees. Until you give permission, we will treat all your information in strictest confidence retaining your anonymity.

*We suggest you keep a copy of your completed Buying Pack on file so that it may be updated easily by yourselves should you wish to register for future buying opportunities.*

An overview of the acquisition process is as follows:

When you have completed and returned the below two-page registration questionnaire and Letter of Confidentiality, by e-mail or post, we will then send you the Stats Pack, which includes our Terms of Business and the Vending firm’s Stats Sheet, which will enable you to decide if you wish to proceed. If you do, simply sign the last page of the Stats Sheet, answer the questions given, and then send it back, together with the completed single page Statement of Confirmation of Funds. Your signature will give us permission to forward your profile to the Vendor who will then decide if (s)he wishes to meet you. If (s)he does, we shall arrange a day and a time for you to attend an initial (‘face fitting’) meeting of just 45 minutes. Following that, if you both feel you can do business together, you will be invited back to carry out due diligence, often outside business hours.

We shall usually be available to answer any questions you may have, often up to 8pm, seven days per week. The successful Purchaser and the Vendor are normally provided with APMA’s master Heads of Agreement document, complete with instructions and a 20-30 page draft Sale Agreement template. Following this, at the appropriate time, the Purchaser and Vendor are able to write to selected clients advising them of the changes that have taken place, using APMA’s letter template which is provided as part of our service.

For the past three and a half decades it has been a seller’s market. This means that there are very many more would-be Purchasers than there are opportunities for them to buy. The level of interest in any practice or block of fees being sold on the open market is, in part, dependent on the density of existing practices within the immediate area.

Thus, in a major conurbation we are currently receiving upwards of 30 applications (of which only some 25% are serious buyers) for each possible acquisition. In a less densely populated area, such as Torbay or Scotland, a lower response would be normal. Note: APMA usually helps Purchasers construct their outline offers, running them past the Vendor, and in so doing ensures that there is **no Dutch auction**.

The ‘going rate’ at the moment is 1.0 to 1.2 times the annual recurring fee income, but there is no commercial logic to this standard valuation range. Strangely, accountants seeking to acquire additional fees usually take little account of the benefit to their ‘bottom line’ of a particular opportunity, often gifting the acquisition to their competitor. The fact that, with the right critical mass and their payroll costs under control, the acquisition could lead to the new owner making 50% net profit with a payback period of under three years, cuts little ice. To be the successful Purchaser, APMA’s advice is be prepared to pay what the goodwill is actually worth to you, do not just pay an amount within the arbitrary range (above). In fact, not long ago, one Purchaser authorized us to go to the market offering up to 1.7 times. The response was truly staggering!

Because of this pricing-rut we usually know in advance the price range that will be paid. The main variables are the payment schedule, the proportion to be paid ‘up front’, the location from which the new owner intends servicing the acquired clients, if, and by how much, he intends to vary the amount charged to the clients, and whether the Vendor believes that the would-be Purchaser’s personality and style of operating is likely to retain the loyalty of the clients. With regard to these issues the abundance of choice afforded to the Vendor usually enables him to be highly selective as to which Purchaser to sell to. **Therefore, it makes sense to spend a little time answering all the questions on the questionnaire, and going ‘that extra yard’ with providing further information.**

It is our sincere belief that it is always possible to achieve a situation where both the Vendor and the Purchaser (or the Mergees) are happy with the deal which has been struck; it is simply a question of matching ‘round pegs with round holes’.

If you have any queries, please do not hesitate to contact us. As mentioned earlier, we are usually available by phone until 8pm, which includes most weekends. And don’t forget to research our website at [www.apma.co.uk](http://www.apma.co.uk) which has over 40 years of experience promulgated on it in files which are mostly free to access. We particularly recommend you review our ‘successes’ on the ‘[Current Opportunities](http://www.apma.co.uk/index.php?option=com_content&view=article&id=7&Itemid=9)’ page.

Finally, be aware that you are under no contract with APMA until, at a later date, you sign our Terms of Business.

Yours sincerely

**for APMA**

##### JRK signature0004

**Jeremy Kitchin**

Encs. PAQ Questionnaire

Letter of Confidentiality

Services sheet







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**P R A C T I C E / FEES A C Q U I S I T I O N Q U E S T I O N N A I R E**

APMA’s Reference No: Website (Today’s date)…………………………….

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1. **PERSONAL INFORMATION**

**CONTACT NAME** ...........................…………..…………………………………………………………………….

**POSITION**...................……....….…………………………………………………………………………………….

**PRACTICE NAME**.........................................................…………………………………………………………..

**ADDRESS**.....................................................................…………………………………………………………..

.........................................................................…………………………………POST CODE...........................

TEL. NO. …………………………….. MOBILE………………………………..

E-mail……………………………… ………………………PREFERRED METHOD OF CONTACT…………….

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**2. DETAILS OF YOUR OFFICE / FIRM / COMPANY**

**A. Type of Practice:**

1. Sole Practitioner\* Partnership\* Limited Company\* LLP\* Registered Auditor? **YES/NO\***
2. Chartered\* Certified\* Unqualified\* Other\* (describe)………………………………………………….
3. General, Tax Specialist, Insolvency, etc (type)……………………………………………………………
4. Client specialism, i.e. Farmers, Dentists (type) ………………………………….Value: £....…………..
5. Are you running your own practice? **YES/NO\*** Or employed in practice by someone else? **YES/NO\***

**\*delete or circle**

1. Your estimated annual turnover £………..

C. Partner/director charge out rate? £.………………….per hr. Est. Gross Payroll Cost? £......…………

D. How many: Partners/directors inc. yourself? ........…… Partners/directors ages? ……………….

Other fee earners?........……………..… Admin staff?.............…………………….

Offices have you?...........………………. Office(s) location (i)………………………

Clients have you?...……………….....… (ii)..………………………………………..

Accounts software type?...............…….

1. How long has your firm been established for?....…………(years)
2. How long have you worked for this firm? …...…………(years)
3. Do you currently hold a practising certificate? …...…………………………………………………………
4. Any other relevant info: ………………………………………………………………………………………..

**3. DETAILS OF YOUR REQUIREMENTS** A. What type of firm are you looking for? ……………………………………………………………………………

B. Do you wish to purchase or merge, or will you consider either? ........………………………….……………..

(i) Do you insist on integrating the acquired fees into your existing offices? **YES/NO\***

(ii) Or will you consider running the acquisition as a branch office? **YES/NO\***

C. What is the maximum size acquisition do you wish to make? ....................................................................

(Note: suggested funds required for: **fees of** **<£150k = 50% + 33%** (working capital) **up front with balance on 1st anniversary; fees of <£250k = 33% + 33%** (working capital) **up front, plus 33% on 1st & 2nd anniversaries.**)

D. Geographical location you desire: i.e. commuting time/distance/location…………………………. …

E. Will you wish to keep on existing Staff/Principal/Partners/Directors? ...........…………………………..

F. Are you prepared to pay a capital sum for goodwill? ………………………………**YES/NO\***

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G. Will you be borrowing to fund the acquisition? **………** Or do you already have funds in place?  **……….**

H. Please briefly state any other parameters: ...…………………………………………………………………..

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**4. APMA’S MARKET RESEARCH INFORMATION** (only if you do not mind)

A. Where did you hear about Accountancy Practice M & A?

**Previous contact with Jeremy Kitchin\*; advertisement\* unsolicited letter\*; recommendation\*; at a lecture\*; website\*; other\*; don't know\* \*d*elete as necessary***

B. Have you ever before, either directly or indirectly, been involved in acquiring, selling or merging an

accountancy practice.. **YES/ NO\*** Was it via an **Agent/ Broker/ Privately\***

How would you rate its success? **v.successful/ acceptable/ unsuccessful\*** **\*d*elete as necessary***

How long have you been looking for fees for?…………………………………..(time).

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**5. CONSULTANCY FEES** – **FOR INTRODUCTIONS ARE SUBJECT TO ANY SEPARATE AGREEMENT WE**

**MAY ENTER INTO.**

*As an introducing broker, APMA will assist you as the Purchaser (or Mergee) as it assists the Selling Principal (or Mergee) and it charges both parties an equal fee which is based on the sum of the anticipated fees sold, bought or merged with. Full details will be conveyed to you on request or sent to you on receipt of this completed questionnaire.*

***This is a NO SUCCESS - NO FEE service***

**NOTE:**

* ***It is sometimes possible to borrow unsecured funds***
* ***You can often get a pay back within 3 years***
* ***If you have fees of c £200k per partner/director/principal, and keep your payroll cost below 33%, you can make 50% net profit on turnover.***
* ***As you are responding to a specific practice / fees, please insert our reference no: AP…………***

**DON’T FORGET**: please remember to fill in our AP reference (immediately above) and we will send details.

**----------------------------------------------------------------------------------------------------------------------------------** **In case there is no successful outcome -** please indicate below if you might wish to take an ‘Active’ or ‘Passive’ role as described in the accompanying letter:

\***ACTIVE** (call re undertaking a marketing exercise**) \*PASSIVE** (please keep on file) **\*Delete as necessary**

**SIGNIFY BELOW THAT YOU ARE AWARE THAT IF YOU ACQUIRE A PRACTICE / BLOCK OF FEES FOLLOWING AN INTRODUCTION BY APMA YOU WILL BE CHARGED A FEE.**

**BUT, NO CONTRACT EXISTS BETWEEN YOU AND APMA UNTIL YOU SIGN OUR TERMS WHICH WILL BE SENT TO YOU UPON RECEIPT OF THIS COMPLETED QUESTIONNAIRE.**

Signed:..................…………………....Title:...........………………………….......Date:...........…………………

Name in Blocks..………...............…………..........Name of Firm.…………………….………………….....…..

By what method would you like to be contacted?………………………………………………………………..

**PLEASE COMPLETE AND RETURN TO**:

Accountancy Practice M&A

15 Private Street

NEWARK, Notts

NG24 1PL

Tel: 01623 883300; e-mail : [lucinda@APMA.co.uk](mailto:lucinda@APMA.co.uk)

prop - Jeremy Kitchin Practice M & A Ltd

**STRICTLY CONFIDENTIAL**

CONFLTR1.APMA

**Accountancy Practice M & A**

**Main Street**

**Farnsfield**

# NEWARK NG22 8EA

Dear Sirs,

**PRACTICES FOR SALE, PURCHASE OR MERGER BEING BROKERED BY**

**JEREMY KITCHIN – PRACTICE M&A LTD (APMA)**

I have asked you on behalf of my firm/company to disclose to me details of any practices or fees which you feel may meet my requirements from time to time, as outlined by us in your completed registration questionnaire, that you are/will be authorised to do, subject to me signing a confidentiality letter. In consideration of the disclosure, we undertake to you that:

1. The information already disclosed (if any) and to be disclosed later, will be treated by us as being confidential and will not be disclosed to any person, other than such directors, partners or specific employees who need to be aware of it for the purpose of evaluating the business, without written consent and:

2 any information provided in documentary form will be held to your order and will be returned or destroyed if / when requested.

3 We will not ourselves, nor will we put any other person in a position to be able to make use of the information other than by arrangement with your or your principals.

4 We will not make contact with any third parties concerning this specific project without first binding them to this confidentiality letter, nor will we disclose this matter to anyone who is not party to the statement of confidentiality expressed in this letter, even though such parties may be known to us.

The above restrictions do not apply to any part of the information which (a) can be demonstrated by us to be already known to us prior to disclosure, or, (b) comes into the public domain otherwise than by way of disclosure to us, or (c) is obtained by us from a third party who is legitimately in possession of it and who is not under any obligation with regard to it.

Signed………………………………….. Date……………………………………..

Position in firm/company…………………….

Name of firm/company………………………..

Contact address………………………….e-mail address……………………………

If you prefer, you may photostat the above document onto your letterhead, otherwise just sign, date and print your firm's full name underneath your signature.



**We have been providing M & A Services, to accountancy practices, together with valuing goodwill and giving exit route advice, for over 40 years**

**SUMMARY OF APMA’S SERVICES TO A VENDOR OR MERGEE**

**No Success, No Fee**

* A free and comprehensive consultancy visit, usually for between two and three hours.
* Analysis of your position in the market place and valuation of your practice/goodwill.
* Production of a divestment & information package together with a marketing plan, unless not applicable.
* All marketing undertaken at cost price with confidential handling of all response, retaining your anonymity until such time as you agree to meet the shortlist of purchasers/mergees.
* Interrogation of our substantial Accountancy Practice database in the search for a suitable solution.
* Advice on the production of your client schedule under 12 key headings.
* Removal of 'window shoppers' and 'men of straw'.
* Checking that purchasers are 'in funds', signposting sources of finance, if relevant, and confirming they meet the vendor's requirements.
* Presentation of the profiles of the initial shortlist of ready, willing and able purchasers/mergees.
* Organisation of preliminary meetings; providing vendors with an agenda sheet, and an interview pack with suggested questions to be asked, followed by us debriefing all participants.
* Final short listing of up to three purchasers/mergees, in conjunction with the sponsor, and arranging for due diligence by them, usually outside business hours, on the vendor's premises.
* Assisting the finalists in the construction of their outline offers/proposals and helping the sponsor with the selection of the successful purchaser/mergee, followed by rejection of the unsuccessful short listed participants.
* Advising on due diligence and warranties re compliance with the Money Laundering Regulations 2007.
* Advising both parties on the construction of Heads of Agreement, together with the provision of a comprehensive list of relevant commercial clauses.
* Advising on steps necessary to minimise the risk of a claim against the vendor for the loss of fees. (In the past five years, to our knowledge, only once has a purchaser lost as much as 5% of the fees bought.)
* Advising on TUPE - Transfer of Undertakings (Protection of Employment) Regulations.
* Free consultancy advice throughout the whole assignment.

**Absolute confidentiality is assured to all parties so that neither their staff, nor their clients, need know of their plans until they decide to tell them.**

***This could be the biggest financial deal you will ever undertake, so why take a risk?***