

Our Ref: Selling Pack/APMA/

Dear Sir or Madam

Ref: **THE SALE / MERGER OF YOUR PRACTICE**

If you wish to sell your practice or a block of fees you will need to register with A.P.M.A. using the accompanying Practice Sale Questionnaire (P.S.Q.), which we should be pleased if you would complete and return to us scanned and by email or by post, together with the accompanying Letter of Confidentiality. If your management information systems are not designed to produce all the required information, the questionnaire may present you with a few problems with its completion; if so, you may estimate the figures where appropriate and write ‘Est.’ against them. This data is normally required at the outset so that we may make recommendations to you at our meeting and, at a later date, to potential purchasers so they can see what they may be buying.

We are pleased to be able to confirm that after almost 50 years in this specialised field, we have only failed to sell five practices, two of those over 30 years ago. Although it is a seller’s market, there are many things that a first time seller can get wrong so you will feel comfortable in the knowledge that, in advising on this sale, a complex process is in very experienced and safe hands.

**The information which follows is general selling advice, not regarding a specific opportunity:**

There follow some caveats together with an overview of our normal approach to selling a practice, using our full marketing, selection and short-listing formula. If your circumstances make it desirable, however, **a number of the steps can be truncated and a few can be bi-passed**, but this can impact on the numbers and quality of our short list. Our selling mechanism has been evolved over many years – and it works!

The selling process is vital. If your short list doesn’t have strength in depth, you may move forward with a selected buyer only to find you have no immediate replacement if (s)he drops out. Also if you sell to the wrong buyer, you may get the highest sale price but suffer extensive 'claw back' claims at the end of the first year. What if the purchaser cannot make subsequent payments or dies while you are still an unsecured creditor? Our unrivalled experience has answers for these and many other pitfalls but, as a first-time seller, do you know what dangers to look for? We are very experienced Brokers so you may rest assured that we will be forthright with our opinions and will not shirk from our duty of advising you on the suitability of each purchaser. Similarly, if given access to their projections, we would express our concern to them and yourselves if a buyer appeared to be over extending themselves.

Having received your completed questionnaire, we will arrange a time for us to visit you/meet you online to discuss in detail the mechanics of how we would proceed with the sale of your practice. This meeting is likely to last up to three hours or more but is the only time we shall need to meet. We can respond promptly if you would like to ‘get things moving quickly’.

Next, following a thorough discussion with you, a marketing strategy will be prepared along the lines agreed at our meeting, with a view to identifying those firms to be targeted with a personal letter, with the postal campaign being supported by our in-house digital marketing campaign. We will handle all the response to the marketing and will require those interested in purchasing your fees to complete a paperwork screening process, which includes providing us with their firm’s profile, signing a Letter of

Confidentiality and, using our standard form, confirming that they have the necessary funds available.

While this is taking place, you will be asked to prepare a Client Schedule, a document in which your clients will be analysed under headings that we will provide; this will form an appendix to the Sale Agreement when the time comes. We will then produce a short list of all those firms that have completed our "assault course" (usually just 25% of the initial respondents remain in the process and have confirmed their commitment by this stage). We will present their names and profiles to you for your consideration (our short list) - but your identity will still be unknown to them at this point.

You will normally be asked to choose between five and eight firms from our short list and we will then arrange non-technical "face fitting" meetings for you to meet them one after the other, of about 45 minutes in duration, usually on the same day at a venue of your choice. Following these meetings it is suggested that you identify a final short list of (ideally) three firms. Second meetings for your chosen three will then be arranged by us for them to carry out due diligence in your offices, often outside business hours. Following due diligence each firm will be asked to discuss their outline offer with us which we shall convey to you. As a result of these second meetings you will be in a position to decide who you wish to sell your practice to. We will offer you general advice in terms of drawing up the Heads of Agreement and will advise on the commercial clauses that should be included in the contract, a template of which we will provide or which you may choose to have drawn up by your solicitor. We will ‘hand hold’ throughout the process and we are normally available up to 9pm. Finally, as part of the after-sales service, we will normally be available to offer expert determination on the first anniversary of the sale, if required.

The only ‘up front’ cost is for the necessary marketing and this is £1.05 per firm contacted – probably in the order of 500 - 1,200 firms. This includes updating our database, addressing the letters individually, and handling ALL telephone and written response, and including any visits which may be necessary. We receive calls up until 9pm and over weekends. You and the purchaser only pay our fees when the sale exchanges or completes; in other words, apart from A.P.M.A.’s protection by a 'withdrawal/frustration clause' being included in our Letter of Engagement together with the above-mentioned marketing costs, we act on a contingency basis i.e. **NO SUCCESS, NO FEE**. However, to work on a success-related basis, we are not prepared to get into an embarrassing first-past-the-post race and thus require an exclusivity with you, normally for a fixed period.

It is a seller’s market and we receive an excellent response for each block of fees or practice that we market, even though the current economic climate is likely to reduce the numbers of would-be buyers and therefore, depending on your own practice profile, we may find the choice to be more limited than in previous years.

We have spent the past almost 50 years specialising in Accountancy Practice Broking and our success rate for selling is over 99% and so the probability of success is very high indeed.

It is our sincere belief that it is always possible to achieve a situation where both the vendor and the purchaser (or mergees) are happy with the deal; it is a question of matching 'round pegs with round holes'.

We look forward to receiving the two completed documents, or please ‘phone between 9.00am & 9.00pm.

Yours faithfully

Encs:

PSQ Questionnaire

Letter of Confidentiality

Services document

##### cid:89BBF6A0-9FA2-4C0F-918C-3C201EA2E2CD

**Lucinda Kitchin**

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

Ref: PSQ pack1/APMA/ Date sent to APMA: ……………

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**PERSONAL INFORMATION**

**CONTACT NAME & POSITION**........…………..…………………………………………………………………………………………..

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

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

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

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

**Private e-mail**…………………………………………………… **PREFERRED METHOD OF CONTACT** ………………………

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

**2. GENERAL INFORMATION**

**A. Practice Profile:**

1. Sole Practitioner\* Partnership\* Limited Company\* LLP\*
2. No. of Partners\* / Directors\* ………… (equity) ……………. (salaried) ………………… (their ages)
3. Chartered\* Certified\* Q.B.E.\* Audit Reg’d\* Other\* (describe) ……………………………….
4. General, Tax Specialist, Insolvency, etc (type)……………………………………………………………………….
5. Client specialism, i.e. Farmers, Dentists (type) ……………………………….Value: £....………………………

**\*delete or circle**

1. Estimated Annual Recurring Fee Income (the fees a purchaser could expect to bill in 1st full year from *recurring work* (only), after acquiring your goodwill see vii. (below):

|  |
| --- |
| £ (excl. VAT) |

1. Fee income in addition to B. (above) you billed for non-recurring work i.e. Financial Services,

Special Investigations, Business Plans etc:

|  |
| --- |
| £ (excl. VAT) |

1. How long has your firm been established? …………………………………………………………………………………
2. How long have you worked in this firm? …………………………………………………………………………………
3. What software do you use? ……………………………………………………………………………………………………….

Reason for sale:

|  |
| --- |
|  |

1. **CLIENTS**
2. Please give split of clients if info. is readily available - if these are grouped together, please so indicate:

|  |  |
| --- | --- |
| **RANGE** | **No. of Clients** |
| Below £250 |  |
| £251-£500 |  |
| £501-£1,000 |  |
| £1,001-£5,000 |  |
| £5,001-£10,000 |  |
| Over £10,000 |  |
| **TOTAL** |  |

|  |  |
| --- | --- |
| **TYPE** | **NUMBER** |
| Sole Traders |  |
| Partnerships |  |
| Limited Cos |  |
| Tax only |  |
| Others |  |
| **TOTAL** |  |

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B. Analysis of geographical location of clients, i.e. where situated:

|  |
| --- |
|  |

C. From which towns/areas could fees be serviced:

|  |
| --- |
|  |

**4. FINANCIAL ANALYSIS**

A. Please list below the gross fees for the last 3 years, net disposable profit (**before tax**) & gross payroll

cost:

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR ENDED** | **TURNOVER / £** | **NET DISP.**  **PROFIT\*\*/£** | **GROSS PAYROLL COST / £\*\*\*** |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
| Projected |  |  |  |

\* Profit **AFTER** rent, rates etc? **YES/NO\***; **AFTER** finance costs? **YES/NO\*** **\* delete**

\*\*\*The gross payroll cost should include all NI, all bonuses & staff pensions

B. Are the fees charged:

|  |  |  |  |
| --- | --- | --- | --- |
| Monthly? | Quarterly? | Annually? | Are any on DD/standing order? |

C. What is the level of work in progress carried by the practice?

|  |
| --- |
| £ |

1. What is the average level of debtors outstanding and what age are those debts?

|  |  |
| --- | --- |
| **Level** | **Age** |
| £ | Days |

**5. STAFF**

1. Current salary and charge out rates for staff:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **GRADE** | **NO.** | **RATE/HR** | **SALARY** | **YEARS EMPLOYED** |
| Principal / Partners / Directors |  | £ | N/A | N/A |
|  |  | £ | £ |  |
|  |  | £ | £ |  |
|  |  | £ | £ |  |
|  |  | £ | £ |  |
|  |  | £ | £ |  |
|  |  | £ | £ |  |
|  |  | £ | £ |  |
|  |  | £ | £ |  |
|  |  | £ | £ |  |

|  |  |
| --- | --- |
| **TOTAL SALARIES** | **£** |

1. Gross payroll cost (inc. employer’s contributions) for key staff? £…………………………………….

C. Is it a condition that the staff be retained by the new owner? **YES\*/ NO\*/ PREFERABLY\*** (\*delete)

(Details:) **……………………………………………………………………………………………………………**

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**6. PREMISES**

A. If freehold, what is the estimated value? £………………………….

B Are fixtures and fittings to be sold; if so what is the valuation? £………………………….

C What are the current yearly costs for the following?

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **RENT** | **RATES** | **HEAT** | **LIGHT** | **INSURANCE** | **PI** | **OTHER EXPENSES** |
|  |  |  |  |  |  |  |

D If the property is rented:

|  |  |  |  |
| --- | --- | --- | --- |
| **What type of lease**  **Is there?** | **How long is the**  **present lease?** | **When is the next**  **rent review?** | **What accommodation does the**  **property have?** |
|  |  |  |  |

E What car-parking facilities are there? .............................………………………………………………

F If it is absolutely vital that the purchaser should service your clients from your existing offices,

please state why: ………………………………………………………………………………………………………………………..

………...…………………………………………………………………..……………………………………………………………………..

……………………………………………..……………………………………………………………………………………………………..

**7. SELLER'S/ MERGING FIRM’S REQUIREMENTS**

1. Do you want a capital sum for your goodwill? ………………………………………….…………
2. Are you prepared to accept an earn-out as payment for your goodwill?……………………………………
3. Other requirements: ………………………………………………………………………………………………………………….

………………………………………………………………………………………………………………………………………………………….

**8. CONSULTANCY FEES** – **ALL INTRODUCTIONS ARE SUBJECT TO ANY SEPARATE AGREEMENT WE**

**MAY ENTER INTO.**

*As an introducing broker, A.P.M.A. will assist you as the Vendor (or Mergee) as it assists the Purchasing 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***

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

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

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

Confirm by what method would you like to be contacted?………………………………………………….……

**PLEASE COMPLETE AND RETURN TO**: [lucinda@apma.co.uk](mailto:lucinda@apma.co.uk)

**Or:** Accountancy Practice M&A, 15 Private Street, NEWARK, Notts, NG24 1PL. (Tel: 01623 883300)

**Jeremy Kitchin Practice M&A Limited**

**Main Street**

**Farnsfield**

**NEAR NEWARK**

**Notts. NG22 8EA**

**Name of Buyer/ Seller**

**Address**

Dear Sirs

**Confidentiality Agreement**

In connection with discussions between us concerning your potential interest in the sale/purchase of [fees/practices (“the Business”). We will be providing to each other confidential information and material, and this letter sets out the terms upon which we will both maintain the confidentiality of any such information and/or material. In this letter, “Receiving Party” means the party receiving or who has received Confidential Material (as defined below) and the “Disclosing Party” means the party disclosing or who has disclosed Confidential Material.

In consideration of our disclosing Confidential Material to each other, we agree the following terms:

1. We will be furnishing each other with information relating to the Business, including in particular, but without limitation, financial information and intelligence pertaining to trade secrets, operations, processes, intentions, products, know-how, designs, market opportunities, operation and strategic planning and suppliers. All such information is referred to in this letter as “Confidential Material”.

2. The fact that the Confidential Material has been delivered to either of us and that we are involved in discussions in any way is confidential.

3. Confidential Material may be transmitted in writing, orally, graphically, electronically or by any other means.

4. We will use the Confidential Material solely for the purpose of our exploratory discussions relating to the Business and any proposals resulting from such discussions and for no other purpose.

5. Both parties will keep all Confidential Material strictly secret and confidential and will not disclose it to anyone save to the potential [Buyer/Seller], our own employees and/or professional advisers to the extent necessary to progress our discussions and/or developing proposals.

6. We will both ensure that:

6.1. we take all reasonable measures to protect the security and confidentiality of the Confidential Material.

6.2. the potential [Buyer/Seller] agrees to abide by the terms of this Confidential Agreement and to keep all Confidential Material strictly confidential.

6.3. all of the Receiving Party’s employees and/or professional advisers who have access to the Confidential Material are aware of its confidential nature and the terms of this letter.

6.4. none of the Confidential Material is left where it may be viewed by anyone not employed by ourselves or by anyone that does not owe us a duty of confidentiality; and

6.5. no Confidential Material is reproduced without the Disclosing Party’s prior written consent.

7. The obligations set out in this letter shall remain in force for as long as the Confidential Material is confidential.

8. Confidential Material shall not include:

8.1. information which is in the public domain.

8.2. information which after its disclosure comes into the public domain other than by reason of any breach of the terms of this letter;

8.3. information which the Receiving Party is able to show was at the date of this letter already in its possession.

8.4. information which the Receiving Party received from any third party on a non-confidential basis provided that such party is not known by the Receiving Party to be bound by any confidentiality agreement with the Disclosing Party in respect of such information; and

8.5. all information which the Receiving Party can demonstrate was generated independently without reference to any information made available pursuant to this Agreement.

9. The Receiving Party may disclose Confidential Material if required to do so to the minimum required by the English Courts, by government agency, or by London Stock Exchange Plc. However, the Receiving Party will, where possible, notify the Disclosing Party before doing so, and will assist the Disclosing Party (at the Disclosing Party’s costs) in any action it may take in opposing the disclosure of any Confidential Material.

10. As soon as the Disclosing Party requests, the Receiving Party will either:

10.1. destroy; or

10.2. return to the Disclosing Party the Confidential Material which is in tangible form, including any copies which the Receiving Party has made together with any abstracts, summaries or references thereto in any documents created by or for the Disclosing Party.

11. The parties agree that all Confidential Material shall remain the property of the Disclosing Party, and that the Disclosing Party may use such Confidential Material for any purpose without obligation to the Receiving Party. Nothing contained herein shall be construed as granting or implying any transfer of rights to the Receiving Party in the Confidential Material, or any patents or other intellectual property protecting or relating to the Confidential Material.

12. If the Receiving party fails to maintain the confidentiality of the Confidential Material, the Receiving Party will indemnify the Disclosing Party for any loss the Disclosing Party suffers as a result.

13. In the alternative to your signature confirming your agreement to the terms of this Confidentiality Agreement you may confirm your acceptance of its terms in writing by email.

Yours faithfully,



……………………………………………

**Lucinda Kitchin**

**Director**

Buyers/Seller’s Signature

…………………………………..

Name

Date:

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 & giving exit route advice for almost 50 years**

**SUMMARY OF A.P.M.A.’S SERVICES TO A VENDOR OR MERGEE**

**No Success, No Fee!**

* A free and comprehensive consultancy visit, usually for between three and four 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 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?***