

Buying a practice with a little help from Europe...

You won't find a branch of the EIB (European Investment Bank) on your local High Street but they might just help you to purchase a dental practice.

Since 2008 the EIB has granted loans to small and medium sized enterprises (SMEs) through UK commercial banks. The EIB see SMEs as 'critical' to the European economy, so much so that a staggering EUR 10 Billion was made available in 2010.

Amongst the 160,000 SMEs receiving Euro funding since 2008 were a number of dentists, who might otherwise have struggled to arrange finance for their practice purchase. EIB funding comes with very few strings attached and can command a lower interest rate than traditional commercial loans. The cash is available through well known commercial banks with specialist 'healthcare' divisions. However this funding is not a bottomless pit and a call to action is required now to avoid disappointment.

Securing finance for a practice purchase can be problematic and success is largely down to the strength of your individual financial profile as well as that of your target practice. The strength and quality of your application is critical to achieving a competitive interest rate and terms. Commercial banks will expect you to provide a wealth of information to support your application including:

- Detailed personal asset and liability profile
- Several years accounting history
- Comprehensive CV
- Profit and loss projections

And for the for the target practice...

- Accounting history of the outgoing principal
- NHS schedules or capitation scheme schedules
- Lease details where appropriate
- CQC plans

From experience it is important to present the information in a clear and ordered way. Some thought needs to go into the preparation of profit and loss projections. For example if the outgoing principle is paying their spouse £20,000 pa this will need to be stripped out of the projected accounts, as will details such as motor expenses.

Care should be taken to explain why the practice is a suitable purchase. For example if the outgoing principal performs a significantly greater number of UDAs than your own output then you will need to explain how you are going to cover this workload.

Your finance case will be assessed by several Bank underwriters before approval (or rejection). Once outline approval is granted you will have a number of pre-conditions to fulfil such as insurance requirements, property valuations or lease arrangements and

confirmation of the NHS contract transfer. Some of this is best dealt with by a suitably qualified (dental) solicitor who should also ensure that you are protected in respect of staff issues, restrictive covenants and serious clinical liabilities.

With all of the above in mind the purchase process can take several months. Professional guidance has proved invaluable to many associates purchasing a practice. To find out where European funding is available please contact the author.

The author:

Jon Drysdale is a Director of PFM and is a qualified Independent Financial Adviser. PFM offer advice to dentists considering purchasing a practice and run regular BDA CPD approved practice purchase seminars. For further information call Jon on 01904 670820 or visit www.pfmdental.co.uk