



# DUE DILIGENCE – 2011 Update

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Pentagon Global Finance. Lombard Business Park. 8 Lombard Road. Wimbledon. London. SW19 3TZ

DUE DILIGENCE | BY PENTAGON GLOBAL FINANCE.

**Due Diligence (formal definition):** “The process of investigation into the details of a potential investment/loan, such as an examination of operations and management and the verification of material facts.”

**Due Diligence (Pentagon Global Finance definition):** “Reporting to lenders/investors that what they have been told is correct and that they have been told everything that matters.”

Often viewed as a distraction to getting a deal done, Due Diligence should be an integral part of a transaction, either

- Confirming that the financial and commercial situation is as understood; or
- Reporting on the actual situation and suggesting ways to renegotiate the deal.

Due Diligence forms a part of many deals, reporting to vendors, MBO/MBI teams, financial institutions, etc.

Our service is tailored to provide:

**A fast response**

We will quote for any Due Diligence work within 48 hours, or 24 hours after being given full information on the assignment.

**Creative and clear reports**

Our reports are written to provide clear and concise opinions on the issues that matter. We realise that we are not paid by the report inch. Your time is valuable, and you should not have to wade through pages of text in order to find out that nothing is wrong with the accounting systems of the business.

**Experienced staff**

Partners or senior managers carry out most of the work. An ‘experienced eye’ can reduce the time spent on site (shortening reporting times) as well as being able to concentrate on material issues.

**Expert tax commentary**

Due to our experience in tax, we have often found ourselves providing detailed tax advice into deal structures, although this hasn’t been our initial role. With one of the best tax teams in the region, we are able to provide comfort on the ever increasing complexities of taxation in all of its forms.

**Valuation/Deal assessment**

We are never afraid to give an opinion on the deal itself and the valuations involved. As one of the most active dealmakers in the region, we can give you a realistic view of the market value of the businesses involved.

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For focused, fast reporting from highly experienced team of Chartered Accountants, we can provide the service you need, at a time to suit you and at a commercial price.



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## The Team

Arthur Ngoka, who created the department in 2011, leads the Corporate Finance team at Pentagon Global Finance. Arthur's extensive Due Diligence experience includes a £2m+ Healthcare business investigation on behalf of a potential acquirer (we advised against the deal and it did not proceed – mainly because the numbers were hiding the fact that the company's contracts with local Authorities and the NHS were expiring within 12 months of the due diligence and would not have been renewed after expiry - proving we do not sit on the fence, we are thorough and produce reliable results!).

He is supported in undertaking Due Diligence work by two other partners, Samuel Madike (based in our London office), Tunde Olagunju (based in our West Africa office) and Susan Fletcher-Smith (also based in London office). All of these partners have undertaken numerous Due Diligence exercises ranging across various industry sectors and sizes of business.

The above partners are supported by our experienced, flexible workforce and other staff based in our offices.

## The Experience

Recent Due Diligence assignments include:

- Sale of a Medium-Sized Retail company, based in SE London – 2011.
- Acquisition of a Major multi-million Media Brand to be launched in Africa - 2011
- Sale of a Games Development Company based in SW London - 2005

## The Costs

Due to the way we undertake our assignments, we believe that our costs are highly competitive. We are happy to quote upfront and agree a cap on our fees (once we have, of course, properly defined our work).

To give an indication of the range of our fees, we find that the majority of our assignments fall into three distinct categories:

### Single Issue focused

£2,000 to £7,500

Often known as a 'quick and dirty', this type of review concentrates on a quick assessment of one major issue, such as the financial projections, or the sales/customers. Response time is vital, often needing to undertake work and report within days rather than weeks.

### Standard Financial Due Diligence

£5,000 to £20,000

A misnomer, as there is no such thing as a truly standard Due Diligence exercise, this type of work centres on common tasks.

It is usually based upon reviewing the historic and current performance of a business and then using this to assess the reality of the projected future performance of the business.

It can include a limited assessment of the market, customers and/or management of the business.

### Full Financial and Commercial Due Diligence

£10,000 to £30,000+

For larger deals, often where equity and/or cashflow financing is used, a full review covering all the elements of the business is required. The amount of work greatly depends upon the size and complexity of the business being reviewed and deal being undertaken. The work would include all of the standard elements but may also include customer referencing, a detailed review of the competence and experience of the management team, a detailed review of markets, etc.

[www.pfinternational.co.uk/dealmakers](http://www.pfinternational.co.uk/dealmakers)

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