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For immediate release

Dental profits reduced or static in 09/10

The net profits of dentists in the financial year 09/10 were either reduced or static compared to the previous year according to the annual statistics released by the National Association of Specialist Dental Accountants (NASDA).

Each year NASDA firm Humphrey and Co produces a report summarising the results of a sample of NASDA's dental clients. This year the report was produced from a sample population of 600 practices and 500 associates and presented to the annual press conference by Ian Simpson of Humphrey and Co.

When the results for 09/10 of all the practices were combined, he said, there was a relatively small increase in fee income – from £379,054 to £390,072. However, increases in materials and staff costs resulted in an overall reduction in net profit, from £141,835 to £139,569 or from 37.4% to 35.8% of overall income.

Associate income was reduced on average by £2,000. However, practices with associates were still generally more profitable. The average net profit for a practice with associates was £148,408 while without associates, it was £118,992.

In the previous financial year 08/09, private practice very definitely suffered from the recession. While in 09/10, the fortunes of private practitioners were not vastly improved, there was an increase in fee income – from £358,717 to £364,924. Due to increased costs across the board, such as laboratory costs, materials and wages, this resulted in a small reduction in net profit, from £130,621 to £126,390, or from 36.4 per cent to 34.6 per cent. The fact that the decrease was not greater could be ascribed to increased use of hygienists from 2.9% to 3.5% and a reduction in bank interest charges which were reduced from 2.1% to 1.4%.

UDA rates continued to be variable with the lowest paid to a practice being £17.26 and the highest £41.63. The statistics show a significant drop of £18,446 in fee income for NHS practices. There are a number of explanations for this, principally the delayed effect of clawback being implemented.

Nick Ledingham, Chairman of NASDA and a partner in Morris and Co, said the statistics are based on averages and are a comprehensive independent benchmarking exercise against which dentists can compare their performance. As they are based on accounts rather than tax returns, and include private practice, he said, they are considerably more detailed than other figures.

Alan Suggett, a member of the NASDA technical committee, presented the latest results from the NASDA quarterly Goodwill survey of valuations and deals. For the most recent quarter, ending in January of this year, Goodwill as a percentage of fee income for sales was 84 per cent and for valuations it stood at 90 per cent.

Alan reported that enthusiasm for NHS practices remained high whilst private practices in some areas are harder to sell.

The Chairman of NASDA Lawyers' Group, Ray Goodman presented a brief report on significant issues affecting dentists buying or selling dental practices. NASDA lawyers are finding, he said, that:

- 1) The dental practice sale market is still buoyant despite many uncertainties
- 2) Lenders/banks are more demanding and are requiring 10-15 year leases on dental practices which are not owned outright and also asking for security on larger loans
- 3) Early signs are that the CQC is going to be pragmatic over practice sales and registration of new owners.

Notes for Editors

- *NASDA exists to promote high standards through the sharing of knowledge and expertise among specialist accountants and lawyers.*
- *The association consists of 40 accountants whose clients represent more than 20 per cent of the dental profession as well as a Lawyers' Group with 13 members.*
- *Every year all NASDA's accountant members firms pool a sample of their clients' accounting statistics which are analysed by NASDA firm Humphrey and Co in a "Benchmarking" survey.*
- *The benchmarking survey is based on key earnings and expenditure statistics of a sample of UK dental practices, the results are split into NHS, private, and mixed practices*
- *All the figures are anonymous and designed to present an authoritative picture of UK dental practice results. Unlike the figures of the Information Centre, they are based on accounts rather than tax returns, so are more detailed.*
- *The benchmarking data enables NASDA members to advise their clients as to*

how they are performing relative to national averages, and to identify potential areas for improvement.

- The Benchmarking statistics released in 2011 will reflect earnings in the fourth year of the new primary care contract.*

- NASDA also prepares a quarterly Goodwill survey which summarises Goodwill sales in a "Deals" survey, and valuations carried out by professional valuers in a "Valuations" survey*

- The Goodwill survey is based on information supplied by NASDA members who gather the data from transactions in which their clients have been involved.*

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