



Accountants &  
business advisers

**PKF Ross Melville are pleased to sponsor**

**NEW ZEALAND PHARMACY STUDENTS ASSOCIATION**

**May 2010**

**University of Otago - School of Pharmacy**



# Background:

Russell Toplis, a partner since 1977 of PKF Ross Melville, Chartered Accountants, specialises in Accounting/Business support for retail pharmacists. His clients include independent retailers, branded businesses such as Amcal, Unichem, Life, Care, etc; drug manufacturers, wholesalers, and related service providers.

Russell has facilitated many business workshops to various Pharmacy groups, and has given several papers at pharmacy conferences and special interest groups.

# Key themes are:

- The financial elements of retail pharmacy business
- What do the numbers mean
- Where do taxes impact on a business
- Purchasing a pharmacy



# Six rights of retail:

- the right item
- in the right place
- at the right time
- in the right quantity
- at the right price
- with the right service



# Retail Income Statement:

SALES

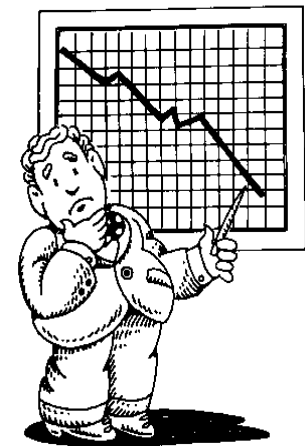
**Less** COST of GOODS SOLD

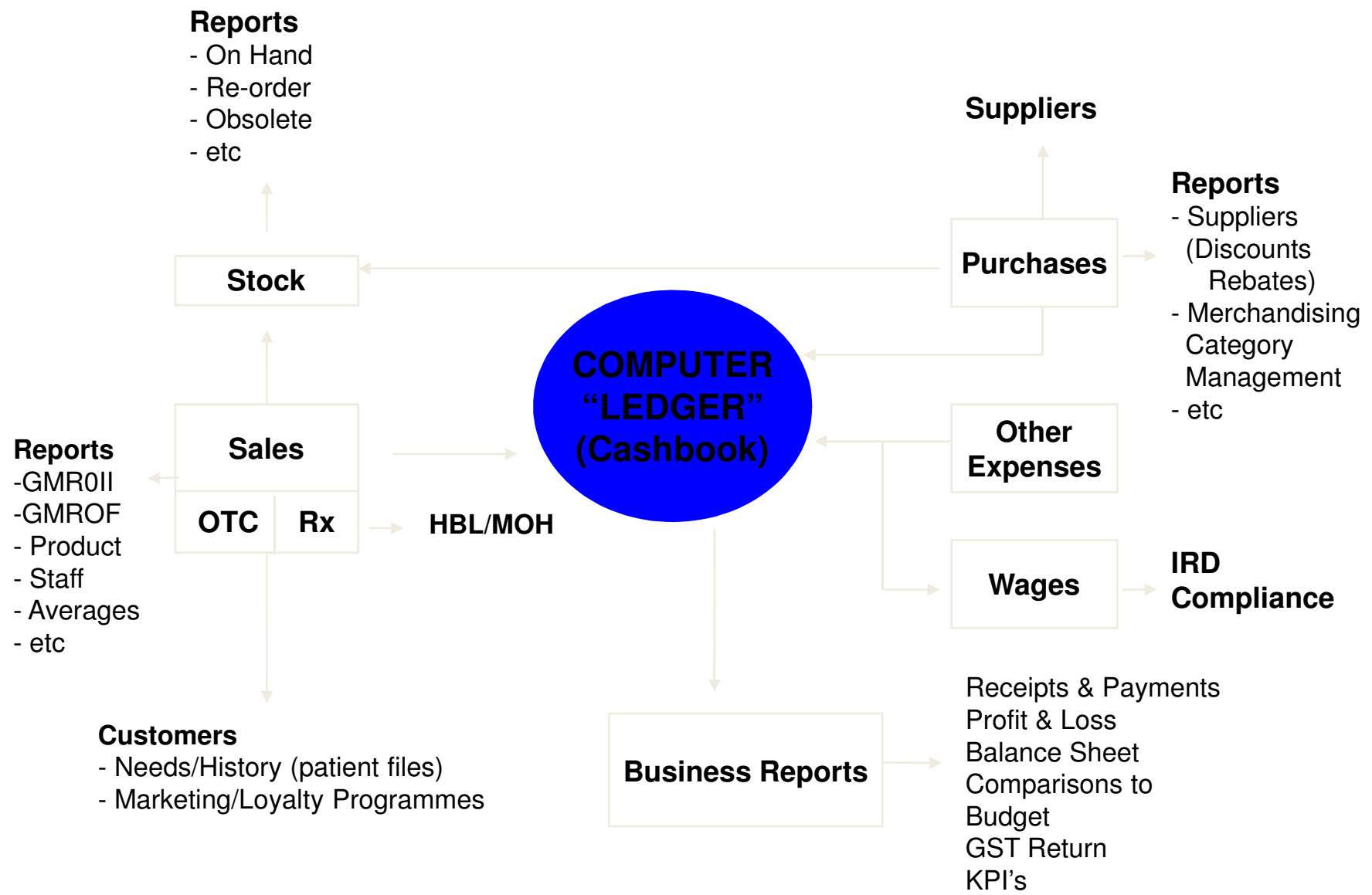
GROSS PROFIT

**Less** EXPENSES

- Variable / Controllable
- Fixed / Non Controllable

NET PROFIT





# The Business Plan

Business Description

Market Analysis

Marketing and Sales Activities

Services Research and Development

Operations

Management and Ownership

Organisation and Personnel

Funds Required and their uses

Financial data

Appendices

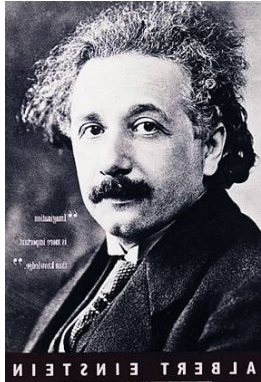
(Key people, references ,contracts, market studies etc)

Administration Considerations



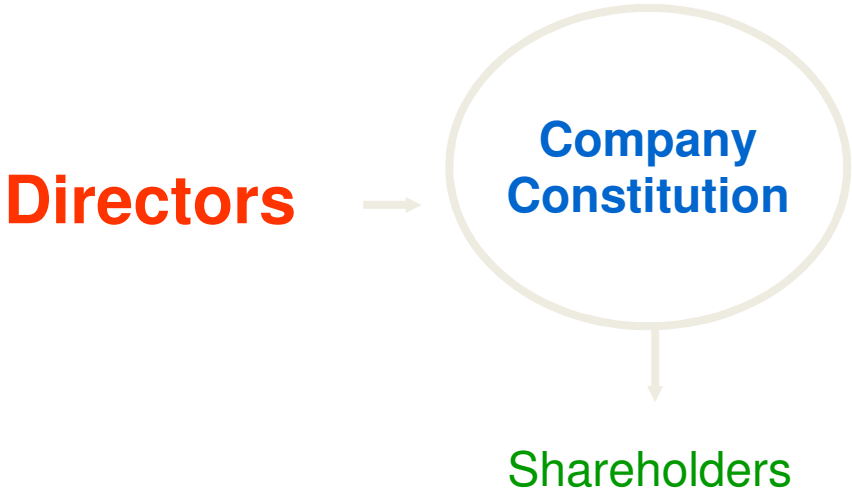
Why – for whom?

# And what makes up my GP?

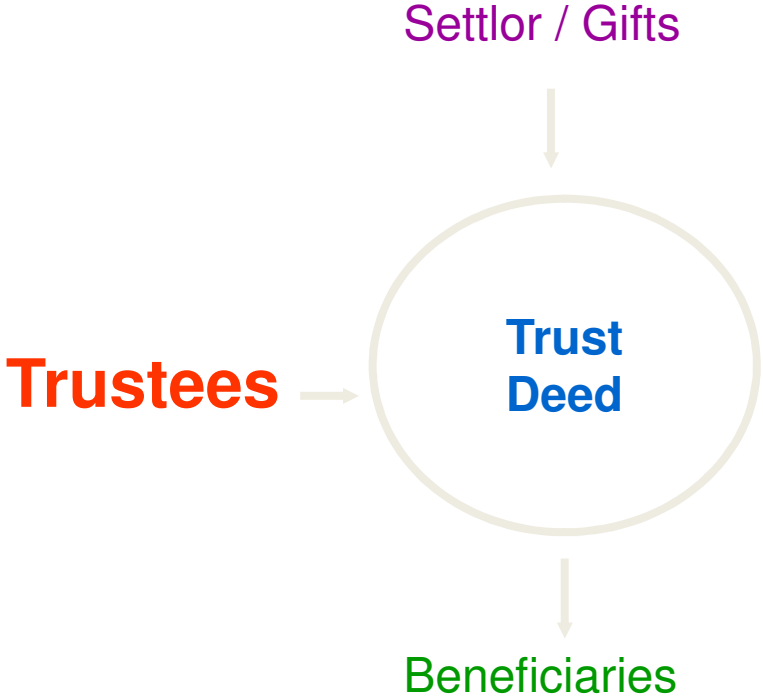


			OTC Sales : Dispensary Sales				
			70: 30	60:40	50:50	40:60	30:70
<b>Expected GP%</b>							
OTC	+67%	40%	34%	32%	30%	28%	26%
Rx	+25%	20%					
OTC	+79%	44%	38.6%	36.8%	35%	33.2%	31.4%
Rx	+35%	26%					

# COMPANIES



# TRUSTS



# Which Business would you prefer to buy?

	A		B		
<b>TURNOVER</b>	1,200,000		2,400,000		
<b>OTC</b>	60%	288,500	40%	384,000	
<b>Rx</b>	40%	115,100	60%	345,600	
<b>GROSS PROFIT</b>	403,000		34%	730,000	30%
<b>Advertising &amp; Promotion</b>	12,000		1.0%	36,000	1.5%
<b>Rent &amp; Opex</b>	35,000		Fixed	120,000	5%
<b>Wages</b>	96,000		8%	240,000	10%
<b>Depreciation</b>	20,000			60,000	
<b>Other</b>	60,000			100,000	
<b>Total Overheads</b>	223,000		556,000		
<b>NET OPERATING PROFIT</b>	180,000		174,000		
<b>Salary to Owner</b>	65,000		75,000		
<b>NET BUSINESS PROFIT Before Tax (EBIT)</b>	115,000		99,000		
<b>Allow for Tax @ 33% (*or is it 30%!)</b>	38,000		33,000		
<b>NET PROFIT AFTER TAX</b>	77,000		66,000		



# Which Business would you prefer to buy?

	A	B
Turnover	1,200,000	2,400,000
Earnings before Interest & Tax (EBIT)	115,000	99,000
Net Profit After Tax	77,000	66,000
<i>Risk Factor (expressed @ number of years (PE) i.e. return on investment</i>	5 20%	4 25%
<i>Capital Investment/Value of Business</i>	385	264
Current Market Trends ( 4 - 5 x EBIT)	518	445



# Where do I find the Money?

On Loan or at risk (capital) ?

Target 60% equity, 40% debt in the medium term

From:

Savings

Family

Friends

Bank Loan

(Medical Assurance Co)

Supplier (eg Propharma)

Finance Company

Hire Purchase

Lease

Passive Investor / Partner



I am interested in buying a pharmacy but it's not for sale. How would I approach an owner about investing in the business?

- Front up and ask
- Table an offer to buy
- Go via a wholesaler (as broker)
- Go via respected intermediary
- Consider a partnership



# How do I gain skills to run the business?

Simply work in it!

Attend a generic business training course.

Chamber of Commerce, NZIM, EMA, ...

Attend Franchisor / Supplier Courses

Retail Skills Workshops

Sales Masters Workshops

OTC Medicines Training Programme

Via a mentor network



# Do I need to take commerce papers to become a good manager/owner of a pharmacy?

Not really

Try “Accounting for non Accountants”

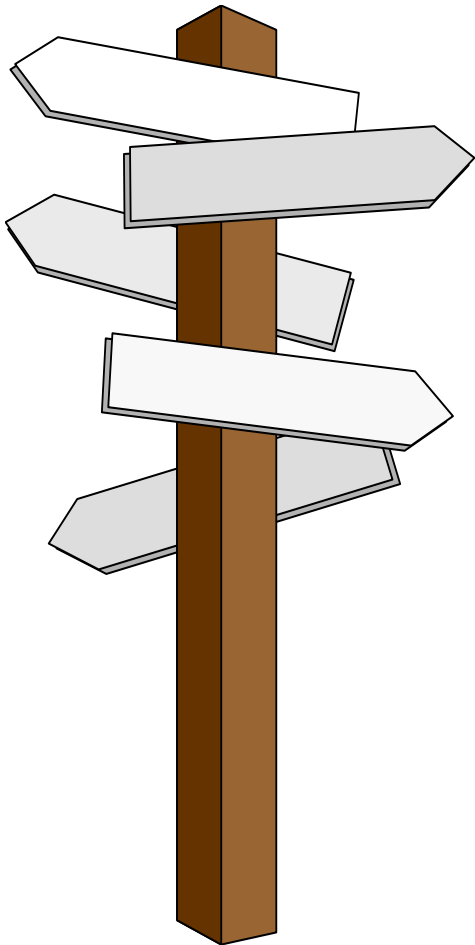
It’s not all debits and credits!

Management reports focus on strategic resource management

too.        *GMROIs, GMROFs, GMROls*

Less is more....Kiss....use your Accountant





# More:

- [www.pkfrossmelville.co.nz](http://www.pkfrossmelville.co.nz)
- and others

**Russell Toplis**

and his team  
specialise in  
**Pharmacies**