



Accountants &
business advisers

PKF Ross Melville are pleased to sponsor

**NEW ZEALAND PHARMACY STUDENTS
ASSOCIATION**

May 2011

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
- 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

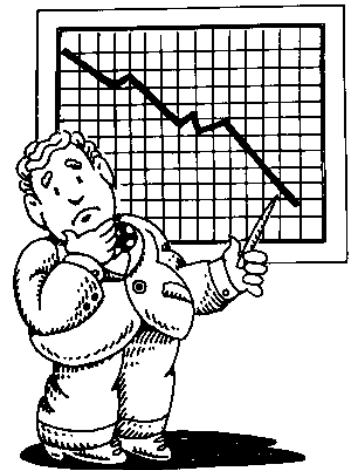
Less COST of GOODS SOLD

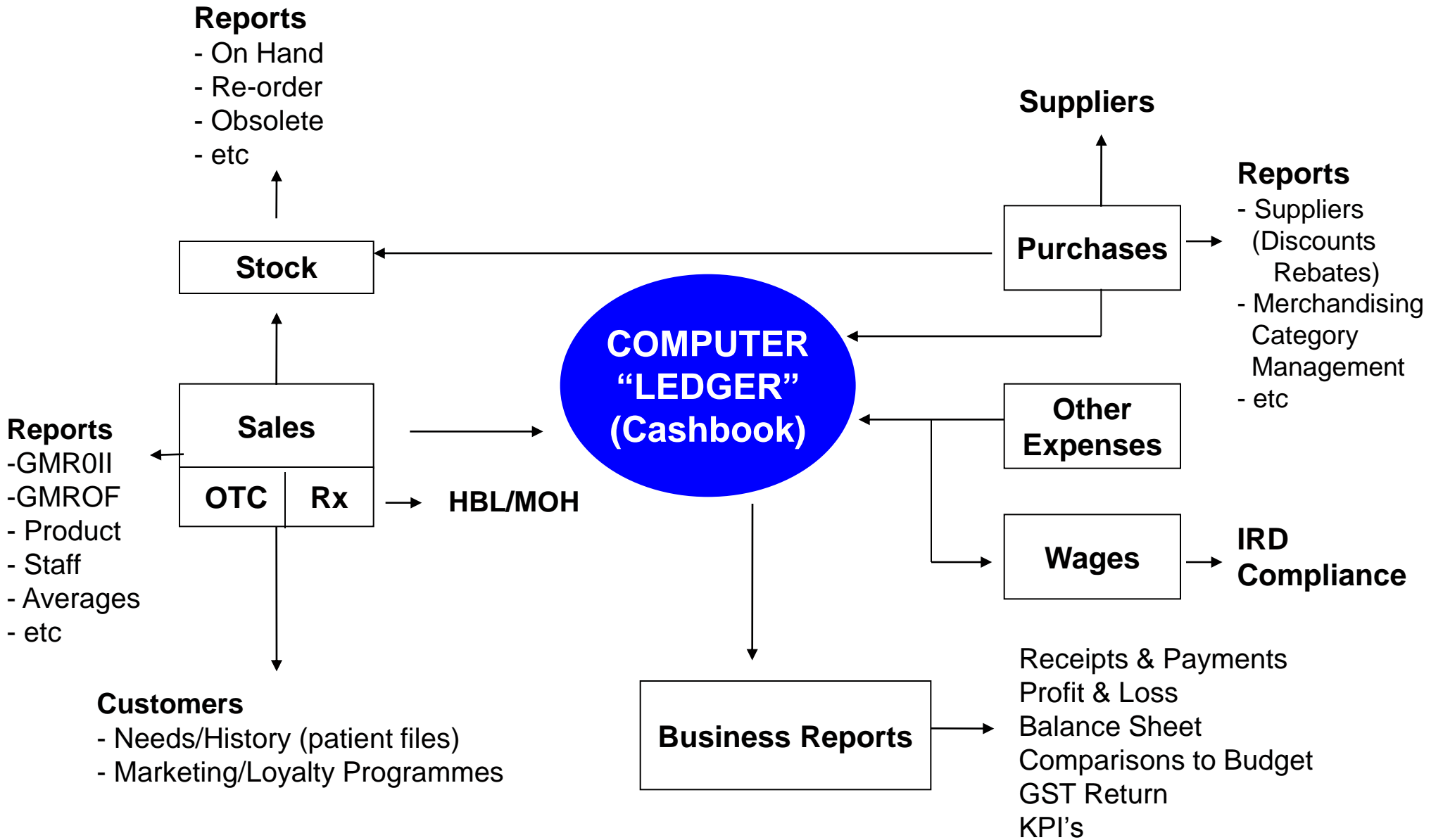
GROSS PROFIT

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

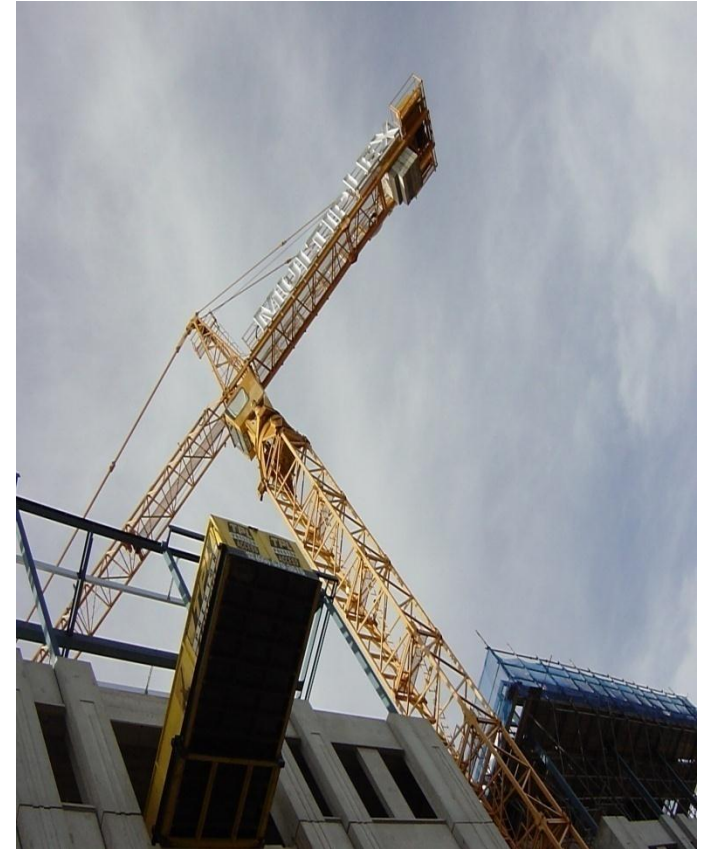
Funds Required and their uses

Financial data

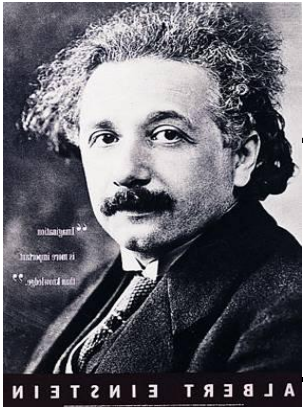
Appendices

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

Administration Considerations



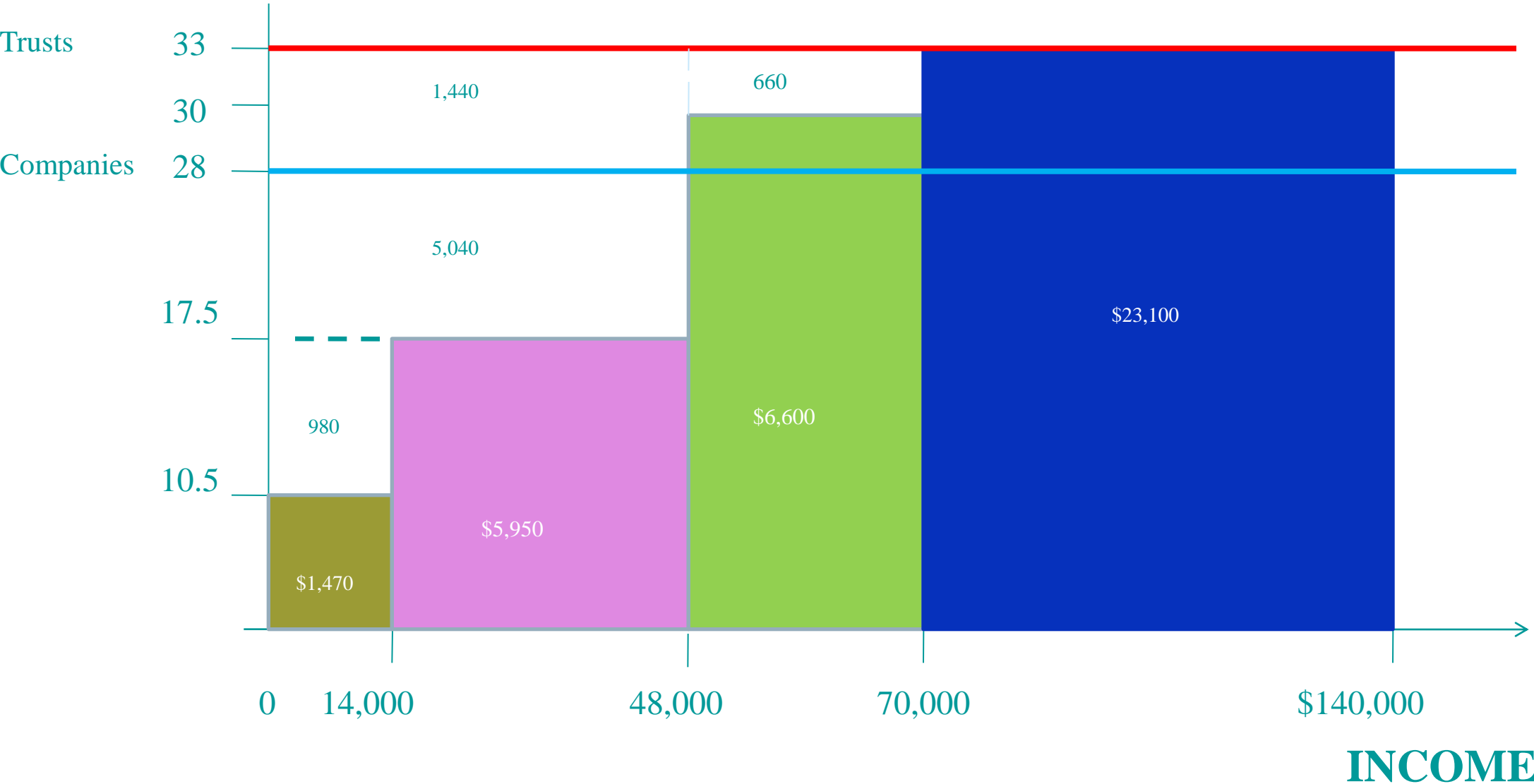
And what makes up my GP?



			OTC Sales : Dispensary Sales				
			70: 30	60:40	50:50	40:60	30:70
Expected GP%							
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%					

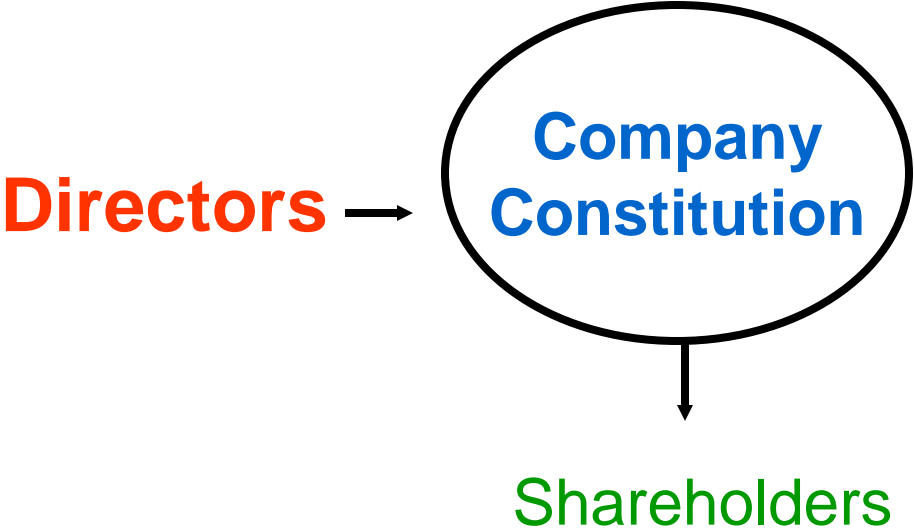
TAX RATES from 1 October 2010

Income	\$70,000	\$140,000
Total Tax	\$14,020	\$37,120
Average Rate	20.03%	26.5%

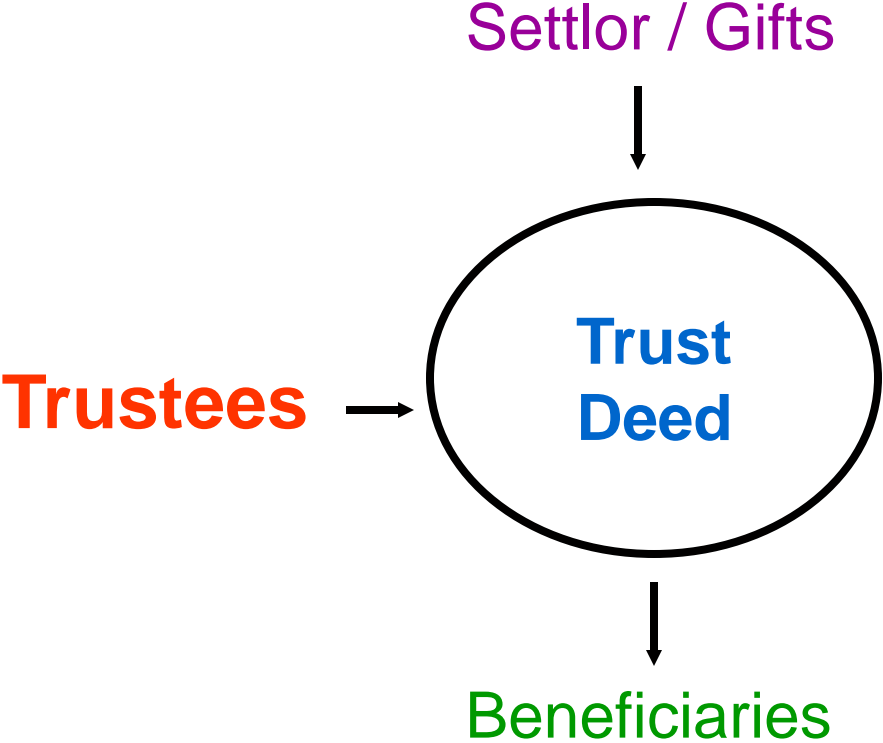


Ask Mum or Dad for \$8,120

COMPANIES



TRUSTS



Which Business would you prefer to buy?

	A		B		
TURNOVER	1,200,000		2,400,000		
OTC	60%	288,500	40%	384,000	
Rx	40%	115,100	60%	345,600	
GROSS PROFIT	403,000		34%	730,000	30%
Advertising & Promotion	12,000		1.0%	36,000	1.5%
Rent & Opex	35,000		Fixed	120,000	5%
Wages	96,000		8%	240,000	10%
Depreciation	20,000		60,000		
Other	60,000		100,000		
Total Overheads	223,000		556,000		
NET OPERATING PROFIT	180,000		174,000		
Salary to Owner	65,000		75,000		
NET BUSINESS PROFIT Before Tax (EBIT)	115,000		99,000		
Allow for Tax @ 28%	32,000		28,000		
NET PROFIT AFTER TAX	83,000		71,000		



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%
Capital Investment/Value of Business	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)

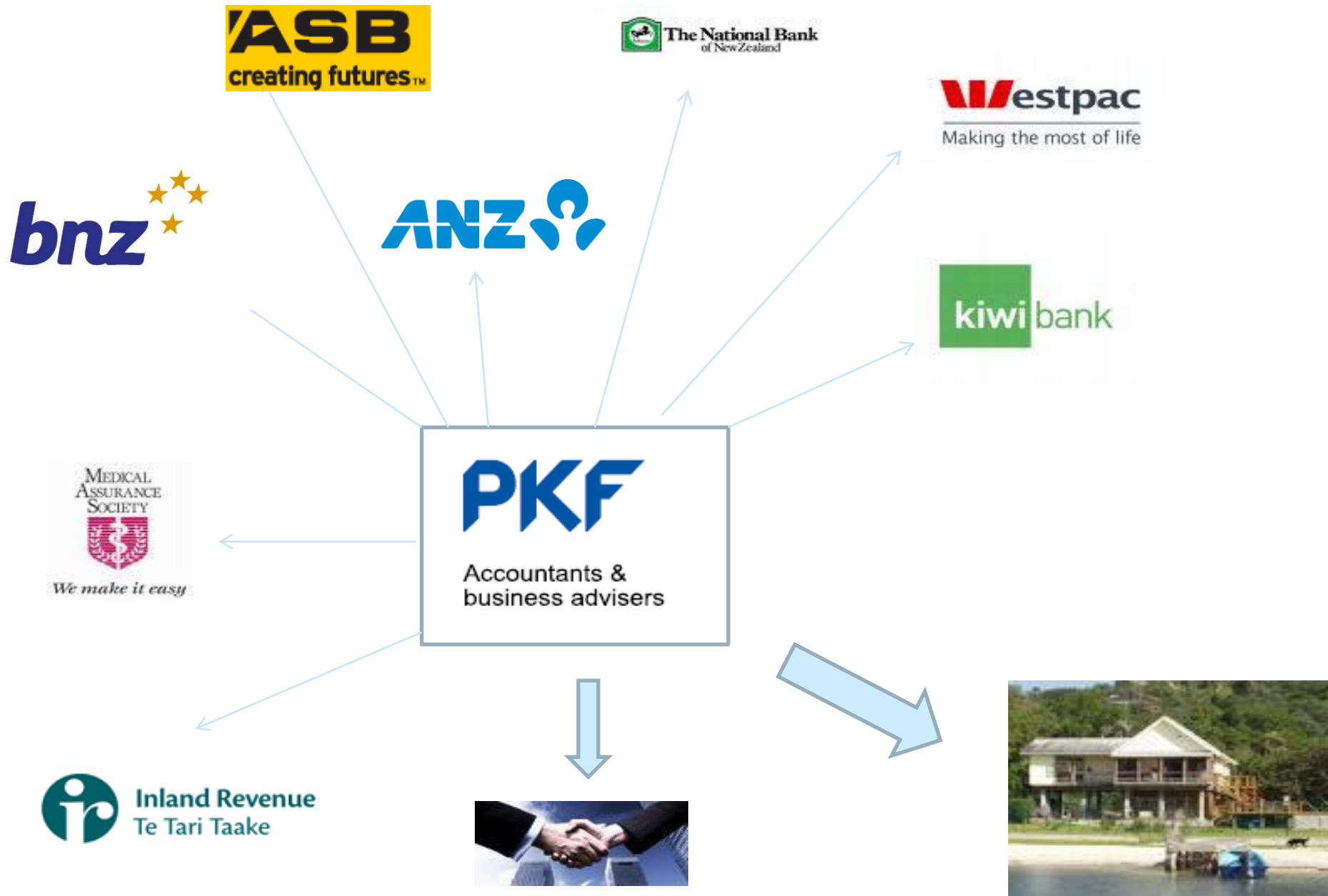
Finance Company

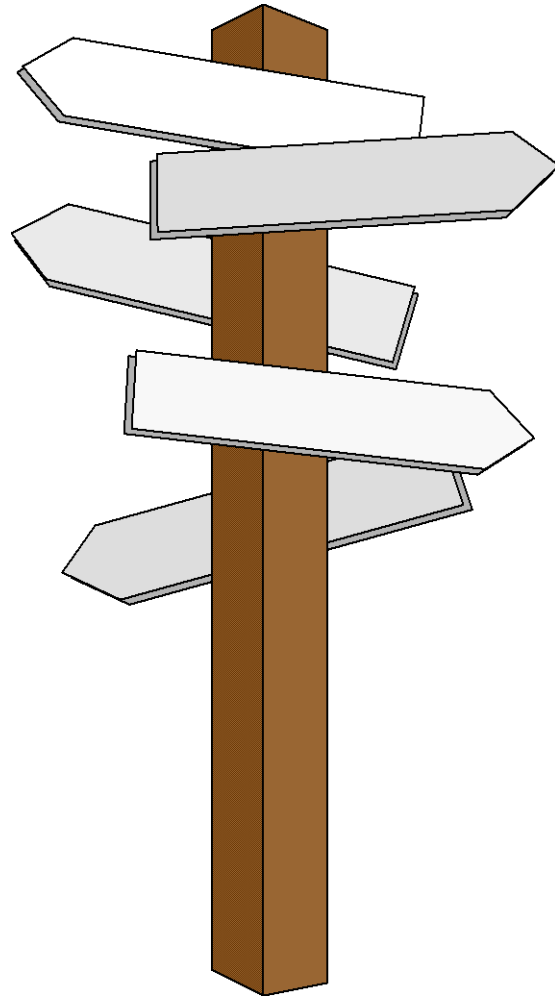
Hire Purchase

Lease

Passive Investor / Partner







More:

- www.pkfrossmelville.co.nz
- and others

Russell Toplis

and his team
specialise in
Pharmacies