



Investing in a Pharmacy

A Product & Service Outlet

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Introduction

- Pharmacy, a respectable business
- Why do you need investment?
- How to be attractive to available finance options
- Sources of finance
- Enterprise investment schemes
- Tax planning & tips

Pharmacy a Respectable Business

- Stable business with good profit margins
- Public dealings
- Transferable business with capital gain
- Independence ←————→ Working for yourself
- Technical knowledge, skill & training

Why Do You Need Investment

- Acquisition
- Refurbishment
- Marketing
- Improve stock
- Improve working capital

How To Be Attractive to Available Finance Options

- Profit & loss ↔ G.P. Margin
- Balance sheet (The asset base)
- Business plan (The use of money)

Profit & Loss G.P. Margin



	Current Year	% of Sales	Last Year	% of Sales
Sales				
Prescription - Sales	800,000.00	80.00	600,000.00	75.00
OTC - Sales	200,000.00	20.00	200,000.00	25.00
Total Sales	1,000,000.00	100.00	800,000.00	100.00
Less				
Cost of Sales	700,000.00	70.00	600,000.00	75.00
Gross Profit	300,000.00	30.00	200,000.00	25.00



How To Be Attractive to Available Finance Options

- Profit & loss ↔ G.P. Margin
- Balance sheet (The asset base)
- Business plan (The use of money)

Balance Sheet (The Asset Base)

Balance Sheet
31 March 2009

	Notes	€ 31.3.09	€	€ 31.3.08	€
FIXED ASSETS					
Intangible assets	5		400,000		300,000
Tangible assets	6		150,000		200,000
			450,000		500,000
CURRENT ASSETS					
Stocks	7	100,000		150,000	
Debtors	8	400,000		350,000	
Cash at bank and in hand		150,000		100,000	
		650,000		500,000	
CREDITORS					
Amounts falling due within one year	9	400,000		300,000	
			250,000		230,000
NET CURRENT ASSETS			250,000		230,000
TOTAL ASSETS LESS CURRENT LIABILITIES			700,000		550,000
CREDITORS					
Amounts falling due after more than one year	10		400,000		300,000
			300,000		250,000
NET ASSETS			300,000		250,000
CAPITAL AND RESERVES					
Called up share capital	11		100		100
Profit and loss account	12		299,900		249,900
SHAREHOLDERS' FUNDS			299,900		249,900



How To Be Attractive to Available Finance Options

- Profit & loss ↔ G.P. Margin
- Balance sheet (The asset base)
- Business plan (The use of money)

Business Plan

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The Purpose of a Business Plan

- Business description & summary
- People
- Location/Market
 - Customers
 - Competition
- Marketing Plan (how will you be different from competition)
 - Start up phase
 - Growth plan
 - Niche products
 - Service with a difference



Business Plan

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- Operations
 - Premises
 - Stock & equipment
 - Regulations
- Financials
 - Set up costs
 - Profit margin
 - Break even analysis
 - Personal survival budget
 - Source of funding
- Sales forecasts
- Cash flow forecasts



Simple way to calculate breakeven point

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Description	Monthly Cost (£)	Annual Cost (£)
Rent	x,xxx	x,xxx
Rates	x,xxx	x,xxx
Light & Heat	x,xxx	x,xxx
Telephone/Fax/Internet	x,xxx	x,xxx
Insurance	x,xxx	x,xxx
Salaries	x,xxx	x,xxx
Other	x,xxx	x,xxx
	xx,xxx	£90,000



Simple way to calculate breakeven point

$$\frac{\text{Sales} - \text{Cost of sales}}{\text{Sales}} = \frac{300,000 - 210,000}{300,000} = \frac{90,000}{300,000} = 30\%$$

- To service costs of £90,000
- Business has to turnover £300,000
- You can establish your monthly and annual turnover



Sources of Finance

- Personal savings
- Wholesaler's guarantees
- Equity Release
- Enterprise financial guarantee scheme (E.F.G.)
- Enterprise initiative scheme (E.I.S.)

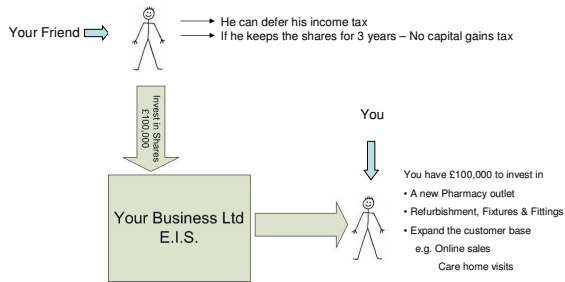
Enterprise Investment Scheme

- Helps certain types of trading companies raise capital
- Income tax and CGT reliefs for investors



Enterprise Investment Scheme

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Income Tax Relief

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- Income tax relief at 20% on investment up to £500k per annum
- Relief withdrawn if shares sold within 3 years



Capital Gains Tax Exemption

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- Gains on disposal exempt unless income tax relief withdrawn
- Loss on disposal is allowed but restricted by income tax relief given
- Capital loss arising can be set against income



Capital Gains Tax Deferral

- Gains on disposal of any assets can be deferred against subscriptions for shares in EIS company
- Not necessary for income tax relief to apply
- Gain becomes chargeable in year EIS shares are disposed of
- No upper limit on the amount of deferral relief available



Qualifying Companies

- Must be unquoted when the shares are issued
- All the shares comprised in the issue must be issued to raise money for a qualifying business activity
- 80% of money raised must be used within 12 months of the date of issue of the shares
- Must have fewer than 50 full time employees
- Capital raised in any 12 month period limited to £2 million



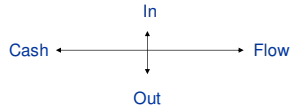
How to qualify for Income Tax Relief

- Investor must not be 'connected' during 2 years before the share issue and 3 years after that date
- Connected, when you control directly or indirectly more than 30% of the ordinary shares
- Connected if you have been an employee or paid director (exception if become a paid director after being issued with the shares)



Profit & Cash Management

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IN flow ← Sales
OUT flow ← Expenses/Taxes/VAT



Red Light System

- Costs
- Stocks
- Bank overdraft



Tips

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- Understand accounts
- Understand gross profit margin
- Understand your cost base (fixed vs variable costs)
- Understand your balance sheet
- Potential finance options
- Reduce your income tax and business taxes



WARNING

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Contains tax planning scenarios, graphic tax avoidance and references to reducing tax.

Unsuitable for viewing by H M Revenue and Customs

“No man in this country is under the smallest obligation, moral or other, so to arrange his legal relations to his business or to his property so as to enable the Inland Revenue to put the largest possible shovel into his stores”.

Lord Clyde in Ayrshire Pullman Motor Services – v- CIR

“The Inland Revenue is not slow – and quite rightly – to take every advantage which is open to it under the taxing statutes for the purpose of depleting the taxpayer’s pocket. And the taxpayer is, in like manner, entitled to be astute to prevent, so far as he honestly can, the depletion of his means by the Revenue.”

Lord Clyde in Ayrshire Pullman Motor Services –v- Ritchie –v- CIR

Disclaimer

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Good Luck

Please come and visit us at stand D41

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