

JRx proficiencies



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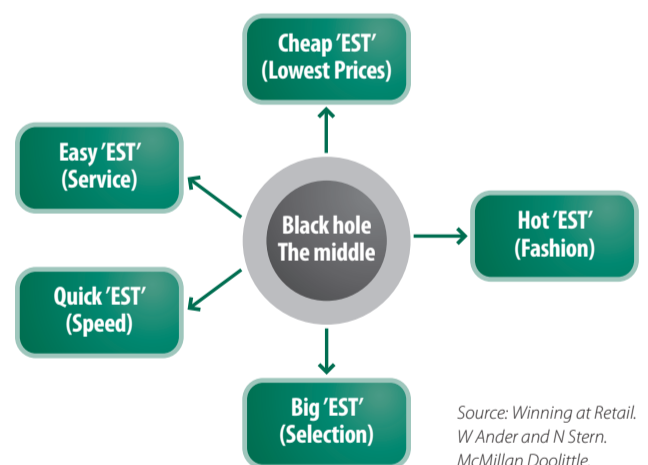
A Word from the Editor

Mark Nicholson

Managing Partner, JR Pharmacy

This time of year is action packed for the Pharmacy Industry with APP, The ACP & PSA conferences, Easter the recreational Chemists Golf Carnival coupled with our own recent 'Winning at Pharmacy Retail' seminar.

Winning retailer positioning



For a brief practical application to Australian Pharmacy of Will and Neil's theory be sure to read Bruce's upcoming April AJP article.

Also discussed at the seminar was Feelgood Guide's new health solutions system called "Dispensary Loop". The system has our support because it encourages all dispensary staff (particularly pharmacists) to adopt a patient focussed approach by providing prompts and links to connect the Dispensary and front shop in an efficient, targeted, low cost manner. The key focus is providing improved customer relevant health outcomes.

Visit <http://www.feelgoodguide.biz/public/DispensaryLoop> to find out more. We also note that the solution is available in isolation to the remainder of Feelgood Guide's offer so can be incorporated into any Pharmacy.

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Winning At Retail Seminar

The 'Winning at Retail' Seminar was held in Sydney during February and had as its main drawcard Mr Will Ander from McMillan Doolittle in Chicago. McMillan Doolittle is a world famous retail consulting firm which has, for many years, studied, reviewed and produced books and articles on what works and what doesn't work in retail. Will drew heavily from the book "Winning at Retail" (which details their "EST" theory – see diagram) which he co-authored with Neil Stern. Will accompanied his presentation with many visual examples of world's best retail practice. To view a highlights package of the day please visit <http://www.jr.com.au/publications.php>

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ACP Conference

The recent ACP Conference in the Yarra Valley featured insights into retail best practice in Australian Pharmacy. Attendees were fortunate to gain valuable insight from passionate Pharmacists as they discussed their Pharmacies and key areas of interest. The presenters included David Wools-Cobb (Wound Management), David Dixon (Quit Smoking) and Greg Mapp & Paul Hession (Natural Health Remedies). Well done to John Chapman and the organising committee on a terrific program.

2009 Budget

Meanwhile, the May 2009 Federal budget is looming and being the first recessionary times budget for many years there will no doubt be a few surprises. With all Government Departments on advice to reduce costs / increase revenue (or let Treasury do it for you!), Health Minister Roxon's contribution is eagerly awaited.

Interest Rates

The RBA's efforts to stimulate the economy has seen the cash rate reduce by 4% from 7.25% to 3.25% in the space of 5 months.

Throughout this process differences have arisen between banks with respect to pharmacy lending policies. As such it is prudent to review your debt structure to ensure lending rates remain competitive and the business has sufficient funding capacity for future requirements.

Future Planning

Given the changes to bank lending policies/rates, the opportunity to utilise the Government's investment allowance incentive and the general retail downturn, we urge all Pharmacy owners to plan for appropriate future proofing investment in their businesses. If you have extended wholesale trading terms this may be the time to refinance into structured debt and safeguard against potential future changes

Cashflow Planning

The period between April and July often produces the greatest drain on cashflow due to final tax payments and ensuing Quarterly PAYG adjustments. For most of our clients, this is also the time when we review February results whilst also preparing budgets and cashflow forecasts. Please let your JR accountant/partner know if your bookkeeper has not already received our checklist.

On the following pages Norman Thurecht provides further information on the Investment Allowance while Ian Wessling provides a useful summary of record keeping requirements (including till tapes) and Teresa Hooper provides a summary of what's going on in Pharmacy IT.

As always please call us should you want to discuss any of the newsletter's commentary. Alternatively please catch up with us at APP on stand 34.

Mark Nicholson



In the News In the News In the News In

Thinking of Investing?

One of the most significant outcomes for business in the recent round of hand outs from the Rudd Government is the temporary "investment allowance" incentive on capital investments.

In summary:

Pharmacies will be able to claim a bonus deduction of 30 per cent for eligible assets costing \$1,000 or more (if turnover is less than \$2 million) or more than \$10,000 (if turnover is more than \$2 million) that:

- Are bought or start to hold under a contract entered into between 13 December 2008 and the end of June 2009, or start to construct between these times; and
- Have installed ready for use by the end of June 2010.

If you miss this timing, you will be able to claim a bonus deduction of 10 per cent for eligible assets within the respective thresholds that are:

- Are bought or hold under a contract entered into between 1 July 2009 and the end of December 2009, or start to construct between these times; and
- Are installed ready for use by the end of December 2010.

Eligible assets

The bonus applies to new tangible assets used in carrying on a business for which a depreciation deduction is normally available. This includes but is not limited to fit-outs, computer equipment (but not software) and motor vehicles used predominantly for business purposes.

Worked example:

A pharmacy (with 2009 turnover estimated to be \$3.8 million) entered into a binding contract for a robotic dispensing machine and new dispensary layout on 20 April 2009 at an all inclusive cost of \$250,000. The machine is installed and the fit-out is built and completed ready for use on 20 June 2009 and has an effective life of 7 years.

The pharmacy is entitled to claim the 30 per cent deduction because:

- *The machine and the fit-out are depreciating assets for which the business would be entitled to claim a depreciation deduction;*
- *The assets exceed the expenditure threshold of \$10,000;*
- *The pharmacy started to hold the assets between 13 December 2008 and the end of June 2009; and*

The assets were installed ready for use before the end of June 2010.

The bonus deduction will be 30 per cent of the asset's cost (\$250,000) – that is, \$75,000.

When lodging the 2008-09 income tax return the pharmacy will be able to claim this deduction in addition to the usual depreciation deduction in respect of the assets.

If the pharmacy had delayed this investment until after 30 June 2009 – for example, until 1 September 2009 – and had it installed ready for use before the end of December 2010, the 10 per cent rate would apply. It would be able to claim a deduction of \$25,000.

Weight Loss Programs

After significant press in recent months surrounding the legitimacy of some weight loss programs several programs have introduced innovative ways to assist customers lose weight utilising the expertise of the pharmacy staff.

From April 1, Australian Unity will be offering a new benefit to members of a program (UltraLite being one) who maintain their weight loss.

In summary:

1. Members receive up to \$100 benefit on joining an approved weight loss program (payable on membership fee only, does not include food or products). Members need to provide their program receipt and a completed claim form to Australian Unity to claim their benefit.

Retail – On The Go!

As the old saying goes “Time is Money” – the new innovation from Microsoft called “Tagging” puts a whole new spin on things.

The mention of the word “tagging” and we think of the much maligned low level of graffiti found on public property that is generally less intelligible than a child’s scribble. Microsoft is on the verge of releasing a new application called **Tagging** which is set to revolutionise the way we use our mobile phone cameras.

Microsoft Tagging takes bar coding to the next level of information retrieval with the possibilities are endless.

The concept is that much like a bar code, a tag can be created on an offline form of media. (See right) This media could be anything from a business card, store front signage billboard advertising, promotional items or even a pharmaceutical product.

By example, a consumer product with a camera phone could take a photo of a pharmacy’s store front and via an internet connection go to that pharmacy’s online business and order there products on-line.

Another possibility is that in the future that patients’ scripts could have a tag and the hard copy of the script could be tagged and subsequently ordered online.

Tags can also be used on individual products so that a customer takes a photo image of a product bar code and is then subsequently provided with nutritional or medical information regarding that product. In addition consumers are provided all stores in the immediate vicinity that carry the product with the product prices to compare.

Microsoft tagging is currently available for free as a Beta version by opening your internet browser and downloading the application from the following page <http://gettag.mobi>. This application can be used on iPhones, Blackberry, Symbian.

For further information go to www.microsoft.com/tag/

Teresa Hooper



In the News In the

2. \$100 benefit when members reach their goal weight.
3. \$150 benefit if members maintain their goal weight (within 5kgs) for at least 12 months.

Australian Unity will require a certificate to state that the member “has remained within 5kgs of their goal weight for at least 12 months” from the pharmacy providing the service for the customer.

In other news, the Tony Ferguson weight loss recently introduced their “lose weight with a mate” initiative. In addition, they have commenced workplace weight loss which allows pharmacy staff to counsel employees of other businesses in the local area. The initiative gives the employee support (both morale and financial) from the employer.

On-line Retailing

It is becoming increasingly difficult to operate a successful business without having some presence on the internet. This could take the form of information only or information and product.

Research has shown that price is not the main driver for people shopping on-line. According to Robert Kinkade, partner at 6ONE5 Retail Consulting Group, customers shop on line because:



- 83% want to save time;
- 70% want to avoid crowds;
- 62% sought different products on-line.

Interestingly, the first two reasons relate solely to convenience. In other words, no longer will customers put up with long queues and waiting times because the internet gives them the ability to shop at home with choice.

In addition to the myriad of Online Pharmacy websites two interesting sites to visit include: www.wholefoodsmarket.com

The Whole Foods website provides a myriad of interactive information and learning while providing the consumer the ability to buy the products that are used in the recipes. www.pharmasave.com

A Canadian pharmacy chain, the site offers information on products and conditions. There is no product sale available on the site. www.vitaminme.com.au

An Australian company that has five outlets in Melbourne as well as this on-line presence. The on-line health offer is dominated by price but the site also has information regarding supplements and diet by solution.

Both of these sites, while in different markets, highlight the availability of product and information on-line. Further, the arrangement of product by solution gives the customer easy access to information.

Of further interest is the American www.mevitamins.com which provides a simple, easy to follow category range (easier than many pharmacies) and a minimal number of products in each of those categories.

Are you shopping your competitors and developing your Multi-channel capacity?

Norman Thurecht

Record Keeping for Tax Purposes

Is the office space at the pharmacy overflowing with till printouts, invoices and POS Reports? Is it starting to spread to your garage and home office? Before you throw it out or start renting short term storage to hold it you need to consider what you are required to hold for tax purposes.

5 is the Magic Number

The basic rule is that records must be kept for 5 years from the date they were prepared or 5 years after the completion of the transaction to which they relate – whichever is later (Income Tax Assessment Act 1936).

In relation to capital assets, including investment properties, shares or businesses, this means that all documents relating to those assets must be kept until 5 years after the sale of the asset.

For all records relating to income and deductions, records must be kept until 5 years after preparation of the relevant tax return. For example, the records used to prepare your 2008 income tax return should be kept until 30 June 2014 (assuming it is lodged by 30 June 2009). In turn, this would mean you should still be holding the records used to prepare your tax returns as far back as the 2003 tax return.

Point of Sale Records

The tax act requires tax payers to retain records that “record and explain all transactions engaged in ...”. Obviously this would be unreasonable for businesses that have a high volume of low value sales transactions. For this reason, the tax office have stated (TR 96/7) that it is sufficient to keep “Z-totals” reports from POS Systems in place of daily till rolls for the required 5 year period. However, daily till rolls should be kept for 1 month after reconciliation to allow the tax office to confirm the accuracy of “Z-total” reports should this be required.

For example, as at 1 July 2008 you should have monthly “Z-total” reports dating back to 1 July 2002 and daily till rolls for the period 1 June 2008 to 30 June 2008 (assuming you reconcile your sales to cash banked immediately following the end of the month).

Electronic vs Paper

Electronic records are permitted, however they are subject to the same requirements as paper records. This means they must be in a form that is readily accessible and understandable.

Where you change software or systems during the 5 year retention period, you must ensure the old records (if not kept in paper form) remain accessible and accurate. Care must be taken if data is being transferred to new systems to ensure accuracy is maintained. It is also a good idea to keep a chronological record of all data transfers and software changes.

Scanned documents are acceptable provided they are not altered or manipulated once stored, are kept for the required 5 year period and are capable of being retrieved and read by the ATO at all times (TR 2005/9).

Ian Wessling



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