

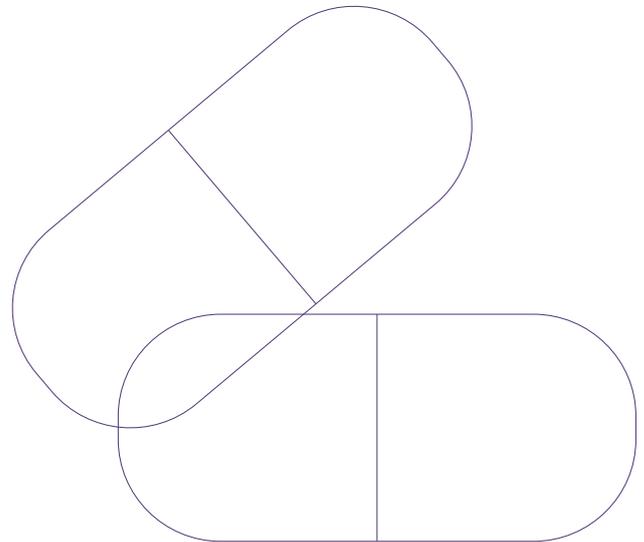
What to look out for when buying a retail pharmacy

As retail pharmacies operate under many strict rules and regulations, it's important to work with lawyers who have specialist knowledge of how the industry works and if you are considering purchasing a retail pharmacy it's equally essential that you have an understanding of what to look out for right from the outset, as legal regulations will have a major impact on your day-to-day operations and the long-term profitability of the business.

Enquiries and investigations should be conducted just as thoroughly as when investigating any target company, including reviewing the pharmacy's cash accounts and accounts receivable, its employee information, inventories, stock, any dispensing issues and all tangible and intangible assets.

In addition, the below points should be taken into consideration, as they are specific to retail pharmacies.

- Any equipment should be carefully checked, along with maintenance or repairs records, disclosure of any loans taken against the equipment, and any insurance policies. For specialist or costly equipment, an appraiser should always be engaged to determine the exact value of the equipment.
- With respect to any leased equipment, lease agreements should be reviewed to see whether there is a change of ownership clause, as well as any possible purchase options.
- In addition to reviewing the property's tenancy or ownership documents, as well as its insurance policies,



you must also verify that the property has already received planning consent to be used as a pharmacy. In the event that this was not done, you will have to apply to the local authority as well as the Primary Care Trust to change the authorised use of the property. Considering the substantial costs this may incur, and the risk of denial, the sale agreement should be conditional upon this approval.

While retail pharmacies purchase drugs from wholesalers and pharmaceutical companies, compounding pharmacies manufacture their own bespoke medications, known as compound drugs, by prescription only. Be sure to verify whether the pharmacy you are interested in acquiring is a retail or compounding pharmacy, as the latter may bring a host of additional considerations with respect to regulations, rules of operation, and liabilities.

As pharmacies hold a great deal of stock, this must be considered when negotiating the sale agreement. Since stock valuation is typically done following completion or immediately before completion of the acquisition, it is recommended that a warranty in respect of the pharmacy's stock be included in the agreement, in the event that the stock value is lower than expected. It is also important to agree a stock valuation methodology at the outset of the transaction, to avoid being forced to buy stock that is slow-moving, obsolete or nearing expiry.

The handling of pharmaceutical waste, including the disposal of unused stock, requires full compliance

with environmental and waste law, as well as the health and safety regulations, since the pharmacy has a statutory duty of care which also applies to everyone in the waste management chain. The pharmacy manager must register the premises as a hazardous waste producer, ensure that all employees are properly trained in waste management, and verify that the waste contractor complies with the law in force.

In addition, there are specific procedures for classifying and disposing of the different types of waste a pharmacy may produce, from offensive waste to chemicals, sharps, and different kinds of containers.

Before finalising the sale agreement, you must therefore ensure that the pharmacy is fully compliant with waste management procedures, and that everything is in place for you to continue operations in accordance with the regulations.

As you can see, purchasing a retail pharmacy is a detailed and intricate process that requires skilful negotiations and thorough due diligence.

For more information, or for expert advice on business or personal legal issues, call us on 020 3475 6751 or via email at info@carterbond.co.uk

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“This is a firm that walks with you and holds your hand all through the process. Get an answer to any queries at anytime!”

Anthony Fatusin, Antonees Limited Pharmacy

HIGHLIGHTS

Over the last few years, we have assisted over **800** pharmacy owners to either buy or sell a pharmacy business
