



First Opinion

QMS[®]

HEALTHCARE

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Quick Start

There is never enough time... so there is no time for lengthy introductions. Time is money after all. In short, Q has been produced by QMS to provide you with a useful and authoritative quarterly briefing - a short cut to the best ideas to help you get the most from your Practice. Instead of spending hours trying to glean infor-

mation from hundreds of reports and journals, allow our highly qualified team to scour dozens of sources to disseminate the latest news and trends, case studies and examples of Best Practice. Q is full of short pieces full of practical solutions which will allow you to benefit from, build your knowledge of and

learn from other's experiences, so saving you valuable time. It might help you get to know us better too.

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Quote unquote

It is worth considering the guiding philosophy of the American social philosopher and writer Eric Hoffer *"in a time of drastic change, it is the learners who will inherit the future. The learned usually find themselves equipped to live in a world that no longer exists"*.

Quids in - how much is your Practice worth?

Doctors seeking to establish groups or chambers via partnerships or limited companies, or those looking to secure proper long-term reward after years of hard work need to apply economic benchmarking techniques to value their Practices.

Valuing any unquoted company is extremely difficult at the best of times, but this becomes most apposite if you are considering selling your Practice. Of course, a valuation can never be 100% exact, as a variety of elements need to be factored in. Figures

such as assets, liabilities, historical earnings and cash-flow can be easily calculated, however, more difficult to calculate, are figures such as projected earnings; expertise; quality of management and 'goodwill'. It is also important not to forget to include external factors such as current market conditions and reputation.

To construct the most realistic assessment we draw on three valuation methods to help doctors value their Practices

1. Net Asset Method
Effectively this means

that if all the assets of your Practice shown on the balance sheet were sold, the money realised, less the liabilities, would equate to the Practice's net assets. A premium is usually added to this figure in the form of 'goodwill'. 'Goodwill' is particularly difficult to calculate, but an average year's profit after tax is considered to be a good starting point.

2. Multiple of Earnings
The price/earnings ratio (widely used to value quoted companies) is the ratio of the price of one share, to the earnings (net profit after tax)

attributable to that share. This ratio gives an indication of how much investors are prepared to pay to buy the shares. We do the same for our clients by taking the net profit of your Practice and applying a realistic multiplier to give you the value of the Practice.

3. Discounted Cash-flow

Many Practices have excellent long-term cash generating prospects and therefore using this method can be ideal: it is certainly the most technical form of valuation. Quite simply, dividends from the Practice (assuming that

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you have incorporated) are forecast over a period of 15 years or more, and the valuation is based on the sum of these dividends.

Of course you need to note that these methods of valuation should be used as a guide only and the true value of your Practice is simply what someone is

prepared to pay for it.

In addition, you need to consider ways in which you can raise the profile of your 'brand' as ultimately this raises the marketability of your Practice and this, coupled with an appropriate exit strategy, should now be major considerations for all Doctors in private Practice.

Quitting this mortal coil - Inheritance Tax Planning

Planning to minimise your liability to inheritance tax is a team effort involving you and your professional adviser. To enable you to set long-term objectives, it is necessary to make decisions about your finances and your family.

Suresh Sivagnanam, QMS Chief Executive fields your queries about this sensitive issue:

Q: How does IHT work?

When you die, IHT will be charged on your personal wealth, together with all or a proportion of your lifetime gifts made in the preceding seven years. The full rate of tax is 40%, but this is reduced on a sliding scale for gifts made between three and seven years before your death.

Q: When should I plan for Inheritance Tax (IHT)?

Now! IHT is currently payable where a person's wealth is in excess of £250,000 (2002/03). Therefore, if you own your own house and have some savings, life assurance policies, or business assets, your estate could be liable.

Q: Why now?

Most gifts made during your lifetime will be entirely exempt from IHT if you live for seven years after making the gift.

Q: What do I need to consider?

You must think about the following:

1. The value of your assets now, and how this may change as time goes by
2. Your own financial security
3. Your family's future needs

Q: What about my financial security?

You need to make sure that you and your spouse are properly provided for, particularly in retirement. It would not make sense to give assets to your children only to find that in later life you need to ask for some or all of them back!

Q: And what about my family?

You need to think about what degree of control you would want your children to have over any assets you may transfer to them. You also need to work out how much your spouse would need if you were to die first. This would, of course, have to be reflected in your Will. In addition, you need to find out the intentions of parents or elderly relatives about their own assets.

Q: How does IHT affect my business?

In general, a business you control will attract business property relief of 100%. In other words, your business can be passed on with no IHT being paid. Assets owned by you but used by a Partnership in which you are a Partner, or a Company you control, attract business property relief of 50%.

Q: What can I do to reduce the IHT bill?

1. Transfers of assets between spouses are exempt from IHT, but other lifetime gifts may be more tax-efficient.

2. Lifetime gifts are potentially exempt from IHT, and there is no limit on such transfers, so this is an excellent way of transferring assets that you do not need to keep in your estate. It may be advisable to cover substantial gifts by insurance against death within seven years.
3. Trusts let you transfer assets out of your estate for IHT purposes, but enable Trustees to exercise some degree of control over the capital or income (and you can be a Trustee). There may be an IHT charge, but this would be at 20%, and then only if the transfer is over £250,000 (2002/03).
4. Life assurance policies (unless designed to cover IHT liabilities) should be assigned during your lifetime so that the proceeds do not form part of your estate on death. The most common assignees are spouses, family members, and Trusts.

We are living in an age of IHT planning opportunity. What you do is your decision, but the sooner you enlist the help of professional advisers the better. Remember, successful IHT planning has to be a team effort.

Queue up - you've read the synopsis, now find out more

In March QMS is hosting a seminar to provide practical advice about "Quitting - how to establish the best exit route".

Suresh Sivagnanam will present an engaging and user-friendly guide to valuing your Practice and honing your inheritance tax plans. Joining us for the evening will be several QMS clients who have undergone this process and will offer first hand advice and anecdotes.

Join us for a buffet supper and a passport to the future. To book your free place please use the contact details in the HQ section. We will send you a ticket confirming your place and the venue for the seminar.

In the next issue of Q, Suresh Sivagnanam will be fielding questions about Credit Control. If you would like an answer to your query or if there is a subject you would like us to cover in Q please email us at Q@qmsh.co.uk.

Q&A - A 60 second interview with Suresh Sivagnanam, CEO of QMS Healthcare (set your timers and read on....)

How old are you? 33
What is QMS Healthcare? It is the leading provider of outsourced accounting and administration services to the UK private healthcare market.

What is your role at QMS? I am its Founder and Chief Executive.

What is your background? I began my career in the NHS at the Royal London NHS Trust, followed by the Barnet Community Healthcare NHS Trust, during which time I qualified as a Certified Accountant. In 1995 I became the Financial Controller of the Lister Hospital and two years later fulfilled

the FC role at Holly House Hospital.

When did you start QMS? Five years ago, in 1998 and it was incorporated in 2000.



Suresh Sivagnanam
Founder and Chief Executive,
QMS Healthcare

How large is QMS? We have a team of 16, half of whom are specialists in their fields and have dedicated areas of responsibility.

Quite an event - QMS' annual Diwali dinner dance is a glittering celebration

Candles flickered on every table to welcome guests to our 2nd annual Diwali Dinner Dance at The Wembley Hilton Plaza Hotel on Friday 14 November. The event was held to celebrate the Diwali festival of light which heralds the Hindu New Year. The festivities were enjoyed by over 120 consultants, GPs and business partners, from all over London, who had such a good time that the event spilled over into the early hours of Saturday.

The assembled guests were entertained by classical Indian dancing, Dhol and Tabla players (Indian drums) and Hindi singers, whilst Asma, the wife of Sam Meer, QMS' Credit Control Manager who is an acclaimed henna artist, decorated the hands of nearly every guest with

their own individual design.

Guests feasted on a sumptuous menu of traditional North Indian dishes and the meal concluded by indulging in celebratory Mithai which are traditional Indian sweets.

The glittering party was also attended by a number of major pharmaceutical companies including Pfizer, Schering-Plough, GSK, Bristol Myers and Yamananchi whose support ensured that guests were treated to such a lavish evening.



A Safe Pair of Hands

Why did you start QMS?

Whilst working in both the NHS and private healthcare sectors, I gained an invaluable insight into the need to provide medical professionals with a facility to outsource their accounting and administrative services, to enable them to concentrate their efforts in their areas of strength.

What services does QMS provide? Initially we started by providing Practitioners with a range

of traditional accountancy services including; accounts, tax planning and credit control. We now also advise Practices about continuity of service and help them identify future risk strategies.

As we have developed we have augmented our services with other provisions, which help Practitioners add value to their Practice including;

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document archiving, legal, administrative, medical secretarial, IT and marketing support. These services are designed to support and enhance the Practices' in-house capabilities. QMS' ultimate aim is to help Practices reduce costs, to use their time more profitably and to allow Medical Practitioners to become more

patient-centric.

What about the future?

Our ultimate coup was the joint development of Medical Chambers UK Limited. This model has been so successful that we are now replicating it throughout the UK, in conjunction with both private and public sector organisations.

Stop your watch!

Quest - put us to the test

One of our most successful (and popular) services is credit control. We would like to challenge you to put us to the test.

The first ten Practices to contact us will qualify to have their oldest (over six months) and hardest debt chased free of charge, to see how successful we are

in recovering the outstanding amount. You've got nothing to lose and stand to gain a great deal.

Simply photocopy and post or scan and email your most stubborn invoice with any background information you want to add (our contact details are in the HQ section below) and let us do the rest.

Quick Reference Guide

Here's a list of 10 things to look for when choosing good advisers

1. Pick on someone your own size. Large firms are not necessarily geared up to small business and will charge fancy prices.
2. Pick a company which specialises in your area of expertise. There are additional benefits to be gained from shared knowledge and networking opportunities.
3. Ask for recommendations from business and professional contacts, professional associations and other trusted advisers.
4. Ask for business references and follow them up.
5. Find out if they have experience which reflects your needs.
6. Ask yourself if they empathise with your business.
7. Be clear about what you want and provide a brief or a list of objectives when you first contact the adviser.
8. Be open and honest, an adviser can't give you the best advice unless they have the whole picture.
9. Get written commitments on who will handle your account.
10. Invest in the relationship – the more you communicate, the more you will get back.

HQ

...So that was a whistle stop tour. If you would like more detailed information about QMS Healthcare and how we may be able to help you, you can contact us in a number of ways:



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Adding Value to Your Practice