



## VETERINARY NEWSLETTER

May 2017

### Vetshare Ltd Results

Vetshare recorded a loss of \$313,499 in the financial year ended 30 June 2016.

It recorded an operating loss of \$59,423 for the half year ended 31 December 2016. Whilst still disappointing, it is an improvement over the loss of \$266,977 in the previous corresponding half year to 31 December 2015. However, both revenue and cost fell substantially compared to that previous corresponding period.

The company chairman advises that there has been "trading cash surplus" of \$17,000 for the third quarter to 31 March 2017. That might mean that the company traded profitably in that period. Alternatively, it could simply mean that there was a differential movement in sales and creditors.

Based on the audited accounts to 31 December 2016 the company had net assets of \$1,159,694 for 499,000 shares issued at \$1, indicating that net assets represent 23.2 cents per share. We understand that this is the share price applied to share transfers at present. Vets wishing to buy or sell shares should contact the company secretary.

To date no dividends have been paid. We note that Vetshare directors have not taken payments in cash and have been paid by modest issues of shares in lieu.

Shareholders remain hopeful that Vetshare will survive and generate growth. It is going to be a challenge. Its The Independent Vets of Australia (IVA) buying group is reported as having 32 member practices. Impact of the group on Vetshare profits is as yet uncertain.

### Love That Pet Group (Administrators Appointed)

• 01 May 2017 • ACN: 602 724 943

### Creditors Meetings

The first meetings of creditors was to be held on 10 May 2017 at 10.00am at PPB Advisory Sydney Office.

### Background info

On 1 May 2017, Andrew Scott and Daniel Walley were appointed joint administrators of seven Australian entities comprising the Love That Pet Group.

Entities under voluntary administration are as follow:

Love That Pet Group Pty Ltd - ACN 602 724 943

Love That Pet Pty Ltd - ACN 144 864 648

Love That Pet Campuses Pty Ltd - ACN 604 418 386  
Love That Pet Campuses (QLD) P/L - ACN 609 223 289  
LTPMBA Pty Ltd - ACN 614 401 311  
Love That Pet North Ryde Pty Ltd - ACN 152 306 413  
Love That Pet Darlinghurst Pty Ltd - ACN 165 729 475

Two of the practices are located in South East Queensland as well as practices in Darlinghurst, North Ryde and Normanhurst, all suburbs of Sydney. Interested vets should contact the administrators.

### Health Fund Cover Falling Short on Extras

According to a report in the Herald Sun an analysis of 10 years of extra's payouts indicates health funds today are paying back a lower proportion of claims made in more than two thirds of categories. The article was promoting One Big Switch, in which the newspapers publisher News Corporation is a shareholder, nevertheless there is truth in what it says.

### Small Health Insurers Pay More; Ombudsman

Quoted in The Age, 31 March 2017, The Private Health Insurance Ombudsman State of the Health Funds Report 2015/16 confirms what's long been suspected – members of not for profit health funds get more bang for their buck. It shows that not for profit health fund members receive an average of 88.9 cents back for every premium dollar paid, compared to 85.7 cents for those in the for profit funds. The amount drops to 84.8 cents for members of Australia's top three for profit funds – Medibank, Bupa & NIB, which together hold two thirds of the market.

Since we know that administrative costs are about 8% across the board the big three for profit funds, which payout on average 84.8 cents, are making about 7.2 cents in the dollar profit after administrative costs.

This doesn't tell the whole story as payouts on extras cover are about 78 cents in the dollar of premium and payout in hospital cover, which is impossible to ration, is much higher. The inevitable conclusion is that it is dumb to maintain extras cover with Bupa, NIB or Medibank Private.

### Veterinary Divorce Property Settlement Valuations

Graham Middleton has been valuing veterinary practices for 28 years, the last 23 years as founding partner of

Synstrat Group. In recent years David Collins, MEng MBA CA MIET GAICD, has also completed many veterinary valuations. We have the data and have frequently been appointed as the jointly appointed valuers for family court purposes. Invariably our valuations are accepted by the parties and their lawyers as the most authoritative available, which facilitates a fast settlement and enables the parties to settle and get on with their lives. Contact Graham Middleton or David Collins on 03 9843 7777.

### Review of Other Valuation Reports

It is sometimes the case that another jointly appointed valuer has made significant mistakes in arriving at a price. This has impeded settlement. Synstrat has been asked to review these reports and achieve balance outcomes which enhance settlement. The fact is that many of the people valuing veterinary practices lack the appropriate data.

### Hits Against Residential Rental Housing Investment

The debate about negative gearing obscures several hits against rental housing;

- The 50% restriction on foreign investors buying high rise apartments off the plan, which was rescinded by Labour, has been restored.
- Extra taxes/charges are levied on foreign buyers.
- There is a restriction on plant and equipment deductions made more onerous – essentially this limits retrospective valuation of the plant and equipment component of a property by a quantity surveyor therefore reducing the deductibility.
- Travel to inspect property no longer tax deductible.
- Interest rates are now increasing steadily a few basis points at a time, partially due to the rising cost of overseas sourced wholesale money and partly due to a deliberate attempt by the regulatory authorities, The Reserve Bank of Australia and The Australian Prudential Regulation Authority, to take the heat out of the housing market in Sydney and Melbourne.
- There will be a charge on foreign owners of underutilised residential property.
- We also note that recent data indicates that average wages are not keeping pace with inflation. This is a comparatively rare event.

As a result of all of the above changes we expect that housing prices will ease in Sydney and Melbourne over the next 18 months.

### The Banks Budget Levy

All Australians in the workforce have superannuation and virtually all superannuation funds own bank shares.

Most Australians have loans from the big banks.

The bank's levy will be met by a combination of lower dividends to shareholders and higher interests to borrowers. In other words, the bank levy is really an additional tax on virtually everybody.

### Veterinary Call Out Rosters

The things which differentiate country veterinary practice saleability and value includes profitability but value is

also significantly impacted by the number of veterinarians on the after hour's roster and their distance from a capital city.

Where there are two or more practices in a country town it is usually the case that one is predominantly a small animal practice. Once that practices percentage of fees applicable to small animals gets to around 90% the practice discontinues large animal services and becomes a small animal only practice.

### Synstrat Publications

For those vets up to the challenge of sustaining a veterinary career, Synstrat's two publications, **50 Rules for Financial Success as a Veterinary Surgeon** and **Buying and Selling Veterinary Practices** are available free of charge. Email your postal address to [vet@synstrat.com.au](mailto:vet@synstrat.com.au) and additionally, if you wish to receive our Vet Newsletter via email, please indicate.

### Financial Planning and Life Insurance for Vets

Synstrat is experienced at providing financial plans for vets. These take into account veterinary practice profitability and benchmarks, as well as ownership of premises and other family assets and other financial issues. Telephone Graham Middleton, Cameron Darnley or Roger Armitage, each of whom are experienced financial planners, on 03 9843 7777. Cameron can also assist with life insurance. Synstrat Management Pty Ltd holds its own financial services licence. It is not obliged to recommend the products of a particular bank or insurance company.

### Veterinary Partnership Agreements

All veterinarian practices are to some degree different. If starting out to formulate a partnership agreement a lawyer may not be the place to start because lawyers are prone to pick up a partnership agreement between say, two plumbers, cross out plumber and write in veterinarian. That agreement may not be relevant. You need an agreement which meets the long term needs of veterinary partners and this needs to be individually talked through. Contact Synstrat on 03 9843 7777.

**Visit [www.synstrat.com.au](http://www.synstrat.com.au) for more information on these and many other topics.**

**THE SYNSTRAT GROUP ARE AUSTRALIA'S MOST EXPERIENCED VETERINARY PRACTICE BUSINESS ADVISERS, ACCOUNTANTS, PRACTICE VALUERS AND LICENCED FINANCIAL ADVISERS**

**For further information on these subjects, please call:**

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