2016

Apiam animal health

ANNUAL REPORT

CORPORATE DIRECTORY

DIRECTORS

Professor Andrew Vizard	Chairman
Dr Christopher Richards	Managing Director
Mr Michael van Blommestein	Non-Executive Director
Mr Richard Dennis	Non-Executive Director
Mr Charles Sitch	Non-Executive Director

COMPANY SECRETARY

Ms Ella McDougall

REGISTERED OFFICE

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East Bendigo VIC 3550
T 03 5445 5999
F 03 5445 5914
E enquiries@apiam.com.au

AUDITORS

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525 Collins Street
Melbourne VIC 3000

BANKERS

National Australian Bank
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Bendigo VIC 3550

SHARE REGISTRY

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Level 12, 225 George Street
Sydney NSW 2000
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525 Collins Street
Melbourne VIC 3000

ASX CODE

AHX

WEBSITE

apiam.com.au

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CHAIRMAN'S LETTER

Dear Shareholder,

It is with pleasure that I present the first Annual Report for Apiam Animal Health Limited (Apiam).

In the short period since listing on the ASX on December 15, 2015, Apiam has set about establishing the solid foundations that will see us grow strongly into the future. We also have a clear plan that will further strengthen the company and deliver value for shareholders in the years to come.

Apiam is a vertically integrated animal health business providing products and veterinary services that support the health and wellbeing of production and companion animals. With veterinary clinics in 26 locations, we are the leading production animal veterinary company in Australia, providing complete animal health solutions for the agricultural sector.

Australia's animal production industries have significant opportunities for growth, driven by a range of factors including:

- underlying growth in domestic consumption of protein;
- the influence of a rising middle class among key regional trading partners;
- changing consumer preferences for safe and socially responsible food production;
- Australia's competitive advantage in food production; and
- the potential positive impact of free trade deals.

As well as our vet services, Apiam has a wholly owned procurement, wholesaling and logistics operation to service our regions, including a fleet of specialised delivery vehicles to support our veterinary practices and clients. We also have a broad product portfolio targeted at production animals, including exclusive distribution of third party products and a growing range of private label products.

From these foundations, our strategy over the next three years will see us expand by focusing on four themes – customer service, high performance team, operational excellence/clinical leadership and innovation. All are elements of our business where we see real opportunities.

Efficiencies across technology systems and processes across the business will also deliver savings for Apiam and services for clients. We will then leverage those efficiencies to improve services and customer relationships and reduce expenses.

Apiam is committed to developing and maintaining a culture that respects, values and actively seeks to deliver on its commitments. In our recent prospectus, we forecasted revenue of $48.6 million and an EBITDA of $1.8 million for the period during which we traded as a company in the 2015/2016 fiscal year. Our actual revenue during this period was $54.1 million, $5.5 million greater than forecast, reflecting our focus on delivering what our customers want. Similarly, our EBITDA of $2.1 million also exceeded the statutory forecast. These are very solid results for the company and testament to the hard work of our employees, led by our management team.

I thank you for your support and look forward to sharing with you our future success.

Yours sincerely,

Professor Andrew Vizard

MANAGING DIRECTOR'S OPERATIONS REVIEW

Dear Shareholder,

The past year has been one dedicated to building the foundations upon which Apiam will develop and grow. It's been a carefully thought out process that is delivering on the expectations set out in the prospectus for our IPO in late 2015.

Like the honey bee (Genus Apis) which is the inspiration for the company's name, our team have been working hard together to build a vertically integrated business that delivers a range of animal health services efficiently and cost effectively.

Our financial results show that we are delivering to plan. Revenue from ordinary activities was $54.1 million, exceeding our prospectus statutory forecast of $48.6 million, and our EBITDA of $2.1 million also exceeded statutory expectations in the prospectus of $1.8 million. While gross margins were slightly down, this was because of growth in wholesale sales and some initial delays in procurement synergies.

Our investment in human resources and information technology to support the integration of the veterinary clinics we acquired as part of the IPO saw operating expenses higher than expected. The acquisitions were settled earlier than expected, which also had an impact on operating costs.

Apiam has brought together some of the largest rural veterinary practices from around the country. This has involved a period of integration which we have committed significant resources to bed down. Through it all, we have maintained our focus and our results show we have delivered on our promises.

Since being formed and listed on the ASX, Apiam has executed on its growth plans. Subsequent to the end of the reporting period we secured the acquisition of Quirindi Veterinary Group, one of Australia's largest rural veterinary groups, which we expect will be earnings accretive for us. We have also established our Veterinary Services Advisory Committees, which bring together our best veterinary minds to create programs that help our customers improve the value and productivity of their production animal operations. Our team has also focused on the integration of our businesses by bringing payroll, financial, workplace health and safety, intranet and human resources systems into alignment.

Apiam's growth plan revolves around our strategic themes of customer focus, high performance team, operational excellence/clinical leadership and innovation. These themes are the pillars that support our mission and vision to provide the best in production and companion animal health care in the regional and rural communities that we service.

Our customer focus will see us meeting their needs by providing evidence-based veterinary, well-being, production and genetics services and products that improve profitability for our clients and establish Apiam as a trusted service provider.

Apiam's focus on developing a high performance team will be welcomed by the industry. Through collaboration, the retention and recruitment of highly skilled people, and further development of our people through training and internships, we will continue to develop the high performance team that will enhance our relationships with customers and improve our value proposition.

Operational excellence and clinical leadership will see the implementation of integrated systems across the business that will optimise processes while our support for innovation will see new services and programs developed to improve efficiencies, turnover and margins as well as research to develop new solutions for future challenges faced by our customers.

We have a clear timeline for delivering on these themes. Year one has seen us commence building the foundation of our company through workplace policies, culture and services. Year two will see us consolidate our capacity for growth and continue building efficiencies across the business by improving processes, customer contact and business balance. Year three will see us leverage on our efficiencies to deliver on what we have created.

I am proud of what we have built so far and am confident we have the plan and the people to continue growing and delivering on our potential.

Yours sincerely,

Dr Christopher Richards

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OPERATIONAL HIGHLIGHTS

Apiam Animal Health has made significant progress in its plans for growth since listing on the Australian Securities Exchange in December 2015. A foundation has been established that Apiam will continue to strengthen to support expansion into the future. Apiam is committed to providing the best health outcomes for production and companion animals, the latest innovations in productivity for their owners, and delivering returns for shareholders. Apiam is Australia's leading provider of health services for production animals in the dairy, pigs and feedlot beef cattle industries, with plans to continue growing its footprint in Australia.

INTEGRATION

Segment	Businesses	Activities and Geographic Locations
Veterinary Consulting	Warrnambool Veterinary; BVS; Dubbo Veterinary Hospital; Quirindi Feedlot Services; Kyabram Veterinary Clinic; Gippsland Veterinary Hospital; Quirindi Veterinary Clinic; Smithton Veterinary Service; Scottsdale Veterinary Services; Border Veterinary Clinic; Southern Riverina Vets	• 13 leading production animals and regional mixed animal practices • 29 clinics strategically located across Victoria, Tasmania, Queensland, Western Australia and New South Wales • Over 110 veterinarians, including many leading specialists in their fields of expertise
Products	Westvet Wholesale; Country Vet Animal Supplies; Tasvet Wholesale; FGL Farm Gate Logistics	• Centralised procurement and wholesaling of animal pharmaceuticals, nutritional supplements and equipment • In-house warehousing and logistics services to deliver products to veterinary clinics and end-point customers • Warehouses in Bendigo, Toowoomba, Welshpool and Smithton • 21 vehicle fleet with an estimated 65% of goods delivered via in-house capabilities
Ancillary and Support	MAB Macquarie Artificial Breeders; Pork Storks Australia; Quirindi Equine Centre	• Genetics sourcing, sales and related services • Services to producers of industry quality assurance programs, including major national supermarket standards as third party (food chain) auditors

Apiam's integration of veterinary practices and the services that support them is well underway. Centralised functions around finance and business support are in progress, as is the implementation of human resource and practice management systems. These are streamlining Apiam's processes and will significantly contribute to efficiencies across the business. Apiam is making significant investments in these areas to accommodate the growth it expects to deliver in the years to come.

KEY ACCOUNT MANAGERS

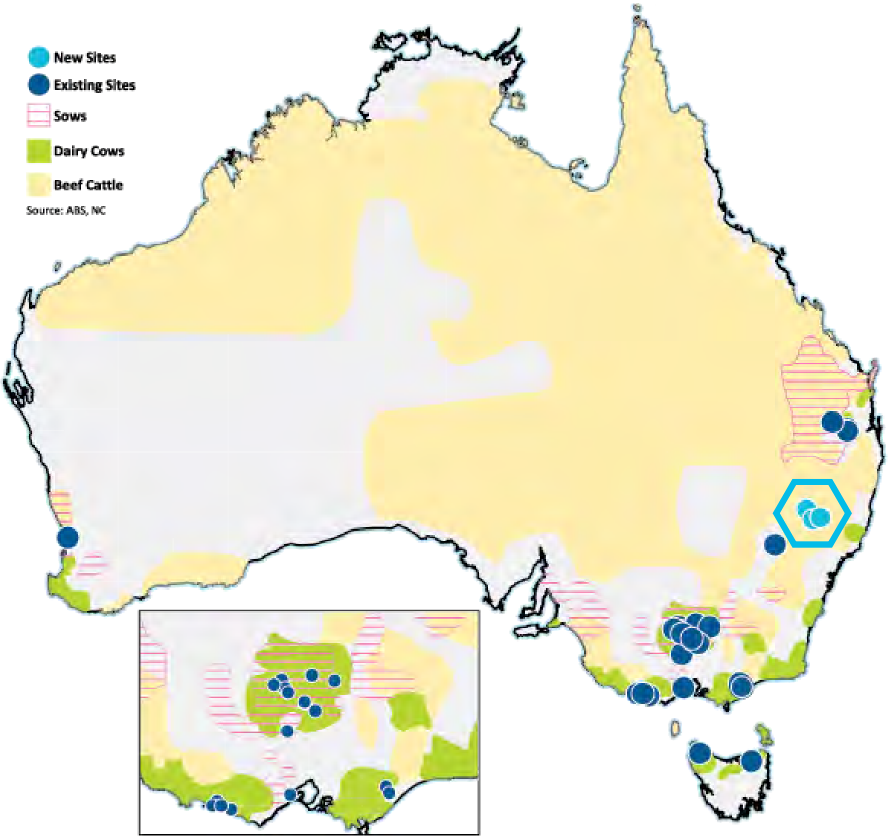
A key part of Apiam's vertically integrated business model is its team of Key Account Managers, which commenced phasing into the company during the initial trading period. These managers are dedicated to working alongside vets to assist in the sales of service based programs and the technology solutions associated with these innovations. They develop one-on-one relationships with clients and advise on the application of solutions recommended by the veterinarian which will improve animal health and/or farm productivity.

The relationships forged between veterinarians, Key Account Managers and their clients will enable Apiam to deliver more services and products to a stable and secure client base.

VETERINARY SERVICES ADVISORY COMMITTEES

As part of its plan to offer value-added services to clients, Apiam has created a number of Veterinary Services Advisory Committees to address the needs of various clients and the species of animal they are raising or have as companions. These committees, currently in place for dairy, feedlot, pigs and poultry, genetics, companion animals and equine, bring together Apiam's leading vets from around the country to develop new ideas and programs that will benefit clients, as well as increasing the level of service provided by all employees. The knowledge and information exchanged in the committees and the programs developed by the committees will assist Apiam to advise farmers on how they can better structure their farms to improve productivity in their animals prevent disease, improve animal health and increase financial returns. New services for companion animals will provide improvements in diagnostics and treatments to ensure that the pets and other animals that Apiam sees as patients receive the highest levels of care available. These committees will drive innovation in the animal health sector that will improve health outcomes for herds, increase productivity gains and enrich the lives of clients and the animals in Apiam's care.

ACQUISITIONS



QUIRINDI VETERINARY GROUP

QUIRINDI VETERINARY CLINIC

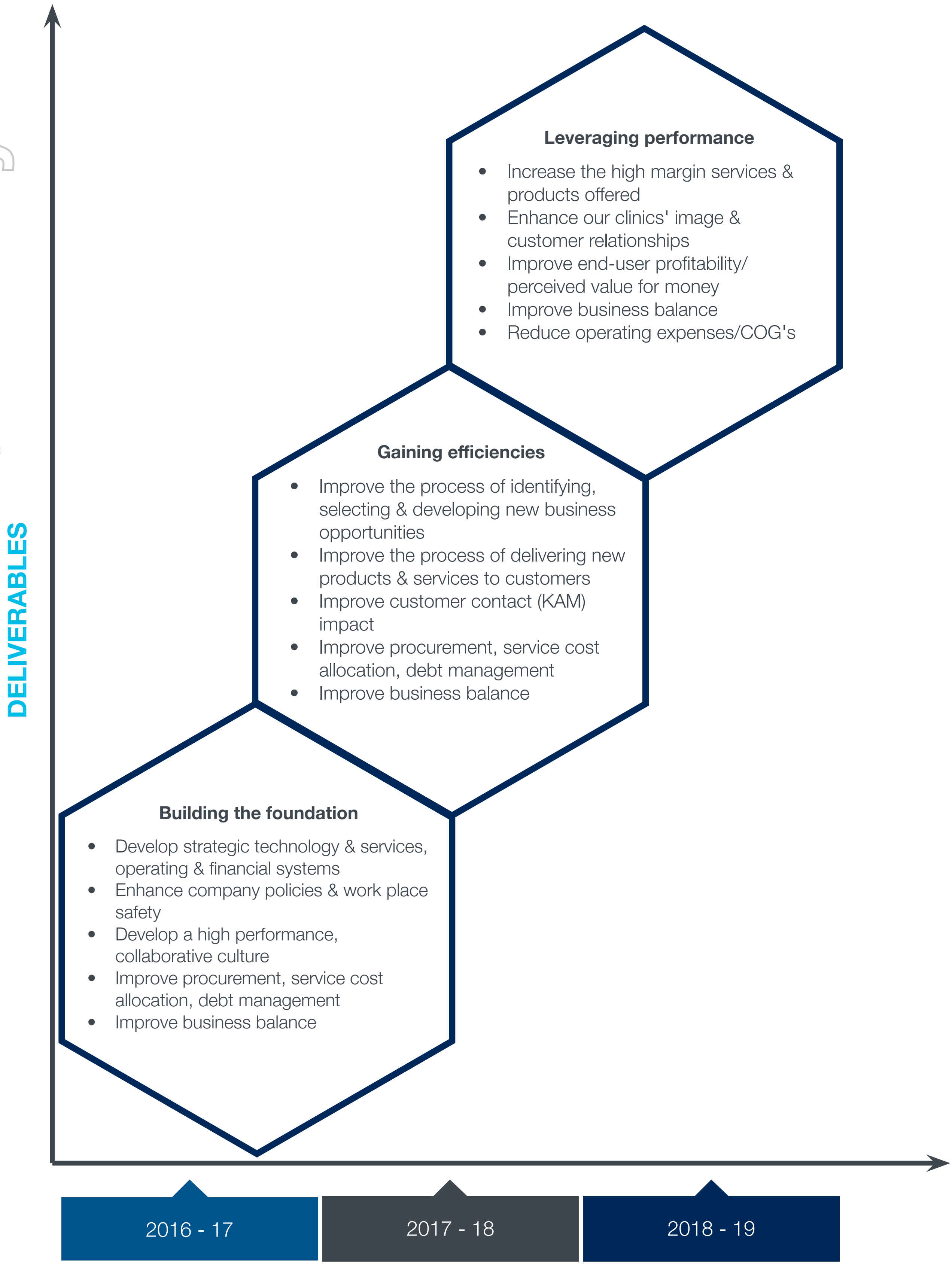
QUIPOLLY EQUINE CENTRE

QUIRINDI FEEDLOT SERVICES

Apiam successfully completed the roll up of 12 veterinary practices around Australia as part of the IPO process. The acquisitions have given Apiam a presence in key animal production areas in Queensland, New South Wales, Victoria, South Australia, Western Australia and Tasmania. Targeted acquisitions of veterinary practices are part of Apiam's strategy for growth.

Since the IPO, Apiam has delivered on its growth strategy with the acquisition of the Quirindi Veterinary Group in New South Wales for $11.57 million. Quirindi provides veterinary services to large beef production systems throughout Australia, equine reproduction services and has a livestock and companion animal veterinary practice at Quirindi. The business is a strong strategic fit for Apiam, with the purchase expected to be earnings accretive. Apiam remains vigilant for further acquisitions that will deliver growth and synergies for the company.

3 YEAR STRATEGY



Apiam has developed a clear three-year plan for growth. The company has created a solid foundation upon which it will continue to grow. Year one is about building the foundation of the business, which is well underway. Year two will see Apiam focus on efficiencies and in year three the company will leverage its performance. The plan revolves around the strategic themes of customer focus, creating a high performance team, clinical leadership and operational excellence, and innovation. These themes are the pillars that support Apiam's mission to provide the best in production and companion animal health care in the regional and rural communities it serves.

Customer focus – Apiam will meet the needs of its customers by providing evidence-based veterinary, well-being, production and genetics services and products that improve profitability for clients and establish Apiam as a trusted service provider.

High performance team – Through the collaboration, retention and recruitment of skilled people and further training and internships, Apiam will create a high performance team that will enhance client relationships and the company's value proposition.

Operational excellence/clinical leadership – New integrated systems across the company will optimise processes and improve delivery of new products and services to clients.

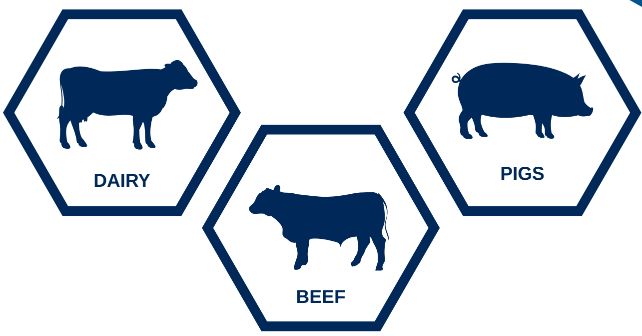
Innovation – Apiam's support for innovation will see new services and programs developed that improve efficiencies, turnover and margins for the company and results for clients and any new business challenges they face.

INDUSTRY OUTLOOK

Australia's production animal sectors have a positive outlook for the years ahead and Apiam is well positioned to leverage emerging trends.

Beef consumption is expected to continue growing, with cattle prices expected to remain strong on the back of significant winter rainfall. While we anticipate fewer cattle numbers through feedlots in FY17, Apiam is building capacity for the expected future growth in the Australian feedlot industry. Pig meat production has grown steadily since 2015, with pork prices at a six year high and grain feed prices at a two year low. The dairy sector has experienced some challenges recently but changes in industry dynamics present long-term opportunities for Apiam.

Apiam is investing further in its companion animal services, both in equipment, standards of care and people. Apiam is expanding its services to the equine industry with increases in demand for dedicated skills in the areas that it services.



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BOARD OF DIRECTORS

BOARD OF DIRECTORS

PROFESSOR ANDREW LANCELOT VIZARD BVSC(HONS), MVPM, FAICD

Independent Chairman
Independent Non-Executive Director
Member of Audit and Risk Management Committee
Member of Remuneration Committee

Appointed 5 November 2015

Andrew is a Principal Fellow at the Faculty of Veterinary and Agricultural Sciences, University of Melbourne and previously Associate Professor of Veterinary Epidemiology and Director of The Mackinnon Project, a recognised leader in sheep and beef veterinary consultancy. An experienced company director, previous board experience includes directorships of Animal Health Australia, the body responsible for coordinating Australia's animal health system, Primesafe, the statutory authority responsible for regulating the production of safe meat in Victoria and the Australian Wool Corporation, the body responsible for managing research and marketing of Australian Wool. For ten years Andrew also managed Roxby Park, his family's 3,300 acre farm.

DR CHRISTOPHER IRWIN RICHARDS BSC, BVSC

Managing Director
Member of Audit and Risk Management Committee

Appointed 25 March 2015

Chris founded Chris Richards & Associates in 1998 as a pig specific veterinary clinic based in Bendigo, servicing clients throughout Australia. Chris has been responsible for the strategic direction of the former Chris Richards Group, which has seen the development, acquisition and integration of other production animal veterinary clinics, veterinary wholesale, logistics and genetic services businesses over the last 18 years resulting in the formation of Apiam. Chris is currently a member of APL's Biosecurity Strategic Review Panel and is a member of the Pork CRC Research and Development Committee.

MR MICHAEL VAN BLOMMESTEIN GAICD

Independent Non-Executive Director
Chair and Member of Remuneration Committee

Appointed 5 November 2015

Michael was a Vice President and Country Manager of Australia and New Zealand for Zoetis and managed the spin-off of Zoetis from Pfizer Australia. An experienced director in the animal health sector, Michael presided over Animal Medicines Australia, the peak industry body for five years and was a member of the board for nearly a decade. Michael played an integral role in leading and overseeing the transition of Animal Health Alliance into Animal Medicines Australia and has also served on the board of Animal Health Association Japan.

MR RICHARD JOHN DENNIS BCOMM, LLB, CA, MAICD

Independent Non-Executive Director
Chair and Member of Audit and Risk Management Committee

Appointed 5 November 2015

Rick had 35 years with Ernst & Young and was the Managing Partner of EY's Queensland practice on two occasions from 2001-2007 and from 2014-2015. Rick also held a number of executive management roles at EY, including the roles of Deputy COO and CFO for the Asia-Pacific practice where he was responsible for overseeing the financial and operational integration of EY's Australian and Asian member firms. Rick is also a member of Australian Super's Queensland Advisory Board and a member of the advisory board to EWM Group. He is also a non-executive director of Springfield Land Corporation Pty Ltd, Vesta Living Communities Ltd and Gold Coast Private Health Network.

MR CHARLES TREVOR SITCH
BCOMM, LLB, MBA, GAICD

Independent Non-Executive Director
Member of Audit and Risk Management Committee
Member of Remuneration Committee

Appointed 5 November 2015

Charles is currently a director of ASX listed Spark New Zealand Ltd and a member of their audit risk and finance committee. He is also a director of Bellamy's Australia Ltd. Previously Charles spent 24 years at McKinsey and Company New York, London and Melbourne. He was a senior director, primarily working with CEOs and Boards on strategy and operations turnarounds before retiring in 2010. In 2002, Charles was awarded the President's Medal for services to the Royal Agricultural Society of Victoria.

MR MATTHEW BRIAN WHITE
DIRECTOR

Appointed 28 August 2015,
Resigned 5 November 2015.
Executive Director
Chief Financial Officer

An experienced finance director with over 15 years of experience in the animal health industry, having held finance roles both in Australia and internationally with MSD, one of the largest pharmaceutical companies in the world including as Finance Director for Australia.

MS ELLA CATHERINE MCDOUGALL
DIRECTOR

Appointed 28 August 2015,
Resigned 5 November 2015.
Executive Director
General Counsel

Ella has a background in corporate and commercial law and has previously held in-house legal roles at Hills Limited and ASC Pty Ltd. Ella joined the Chris Richards Group in 2012 and has an extensive knowledge of the regulatory environment in which veterinarians and pharmaceutical wholesalers operate.

COMPANY SECRETARY

Ms Ella McDougall, BHSc, BA, BLLP, GIA(Cert) is General Counsel and Company Secretary. Ella has been Company Secretary of Apiam since incorporation on 25 March 2015.

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FINANCE REPORT

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DIRECTORS REPORT

The Directors of Apiam Animal Health Limited ('Apiam') present their Report together with the financial statements of the consolidated entity, being Apiam ('the Company') and its controlled entities ('the Group') for the year ended 30 June 2016.

DIRECTOR DETAILS

The following persons were Directors of Apiam during or since the end of the financial year:

PROFESSOR ANDREW LANCELOT VIZARD BVSC(HONS), MVPM, FAICD

Independent Chairman
Independent Non-Executive Director
Member of Audit and Risk Management Committee
Member of Remuneration Committee

Appointed 5 November 2015

Other current listed public company directorships:
Nil

Previous listed public company directorships (last 3 years):
Ridley Corporation Ltd (resigned 31 March 2016)

Interests in shares:
30,000 shares

Interest in options:
None

DR CHRISTOPHER IRWIN RICHARDS BSC, BVSC

Managing Director
Member of Audit and Risk Management Committee

Appointed 25 March 2015

Other current listed public company directorships:
Nil

Previous listed public company directorships (last 3 years):
Nil

Interests in shares:
26,852,304 shares

Interest in options:
None

MR MICHAEL VAN BLOMMESTEIN GAICD

Independent Non-Executive Director
Chair and Member of Remuneration Committee

Appointed 5 November 2015

Other current listed public company directorships:
Nil

Previous listed public company directorships (last 3 years):
Nil

Interests in shares:
100,000

Interest in options:
None

MR RICHARD JOHN DENNIS BCOMM, LLB, CA, MAICD

Independent Non-Executive Director
Chair and Member of Audit and Risk Management Committee

Appointed 5 November 2015

Other current listed public company directorships:
Omni Market Tide Ltd

Previous public company directorships (last 3 years):
Nil

Interests in shares:
50,000 shares

Interest in options:
None

MR CHARLES TREVOR SITCH
BCOMM, LLB, MBA, GAICD

Independent Non-Executive Director
Member of Audit and Risk Management Committee
Member of Remuneration Committee

Appointed 5 November 2015

Other current listed public company directorships:
Bellamy's Australia Limited
Spark New Zealand Limited

Previous listed public company directorships (last 3 years):
Pacific Edge Limited (NZX Listed)
(resigned 30 June 2016)

Interests in shares:
150,000

Interest in options:
None

MR MATTHEW BRIAN WHITE
DIRECTOR

Appointed 28 August 2015,
Resigned 5 November 2015.
Executive Director
Chief Financial Officer

MS ELLA CATHERINE MCDOUGALL
DIRECTOR

Appointed 28 August 2015,
Resigned 5 November 2015.
Executive Director
General Counsel

MS ELLA CATHERINE MCDOUGALL
COMPANY SECRETARY

Appointed 25 March 2015.

PRINCIPAL ACTIVITIES

The Group operates in the segment of provision of veterinary products and services to production and companion animals. Apiam's strategy is to service production animals throughout their life cycle, including the provision of:

- systems to assist in herd health programs;
- production advice;
- consulting services and products to assist in the prevention of animal diseases;
- technologies to manage compliance with legislative requirements on pharmaceutical use;
- advice and services in respect of animal welfare compliance;
- retail animal health product sales;
- on-farm delivery of products via its own logistics capability;
- third party auditing services of industry quality assurance programs;
- technology development for animal health management;
- ancillary services such as sales and/or delivery of genetics and associated products; and
- on-farm and on-line training programs for clients.

There have been no significant changes in the nature of these activities during the year.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

Apiam Business

Apiam Animal Health is positioned in the Australian market as a vertically integrated animal health business providing a range of products and services to production and companion animals. Apiam Animal Health's strategy is to service production animals throughout their life cycle, including the provision of genetics, veterinary services, wholesale and retail of related products, together with technical services related to food-chain security.

The FY16 statutory results include:

- from 1 November 2015, the trading of Chris Richards Group businesses and 3 clinics in which Chris Richards Group had a majority equity interest; and
- from 10 December 2015, the trading of the nine (9) other clinics acquired.

The FY16 prospectus statutory forecast includes:

- from 1 November 2015, the trading of Chris Richards Group businesses and 3 clinics in which Chris Richards Group had a majority equity interest; and
- from 1 January 2016, the trading of the nine (9) other clinics acquired.

Financial Results

Highlights of FY16 Statutory Results

- Revenue of $54.1 million representing growth of 11.4% over reported forecast
- EBITDA of $2.1 million exceeding reported forecast by $0.3 million
- Net Profit before tax (NPBT) of $1.1m exceeded forecast by 94.5%

Apiam recorded revenue of $54.1 million representing solid growth of 11.4% over the FY16 prospectus statutory forecast of $48.6 million. The strong revenue result delivered gross profit of $1.4 million in excess of the prospectus forecast. Wholesale revenue growth and a phasing in of procurement savings have contributed to the lower gross margin. Operating expenses were higher than budgeted as a result of the acquired clinics commencing trading in December 2015 as well as further investment in human resources and information technology personnel to support integration of the acquired clinics.

EBITDA exceeded the prospectus forecast by $0.3 million as a result of strong revenue growth and lower IPO expense than expected.

The Net Profit before tax (NPBT) of $1.1m exceeded forecast by 94.5%. The profit before tax excluding one-off expenses was $4.5m. One-off expenses of $3.4m were budgeted for and related to the initial public offering and the acquisitions.

Income tax in FY16 has been impacted by one off permanent non-deductible expenses relating to stamp duty and employee share based payments related to the IPO.

Since the statutory accounts contain significant one-off expenses and the group only traded for part of the FY16 year, the following table is presented to assist in the interpretation of the underlying performance of the Company during the period. This information is additional and provided using non-IFRS information and terminology.

FY16 Financial Results Summary

$'000	Actual	Prospectus Statutory Forecast	Favourable / (Unfavourable) Variance	%
Revenue	**54,097**	**48,569**	**5,528**	**11.4%**
Gross Profit	**25,330**	**23,948**	**1,382**	**5.8%**
GM	46.8%	49.3%		
Expenses				
Employment costs	14,155	12,967	(1,188)	(9.2%)
General expenses	4,257	4,479	222	5.0%
Utilities	1,410	1,041	(369)	(35.4%)
Operating Expenses	**19,822**	**18,487**	**(1,335)**	**(7.2%)**
EBITDA (before one-off expenses)	**5,508**	**5,461**	**47**	**0.9%**
Integration expenses	451	500	49	9.8%
IPO costs	2,934	3,143	209	6.6%
Total expenses	**23,207**	**22,130**	**(1,077)**	**(4.9%)**
EBITDA	**2,123**	**1,818**	**305**	**16.8%**
Depreciation and amortisation expense	621	735	114	15.5%
EBIT	**1,502**	**1,083**	**419**	**38.7%**
Net interest paid	434	534	100	18.8%
Net Profit Before Tax	**1,068**	**549**	**519**	**94.5%**
Income tax	975	165	(810)	(491.1%)
Net Profit After Tax	**93**	**384**	**(291)**	**(75.7%)**
• Non-controlling interest	43	49	(6)	(11.5%)
• Apiam shareholders	50	335	(285)	(85.0%)

EBITDA: Earnings before interest, tax depreciation and amortisation
EBIT: Earnings before interest and tax

Note the reported prospectus statutory forecast contains the following reclassifications to present it in accordance with Australian Accounting Standards:

1. Customer rebates of $0.95 million reclassified from general expenses to revenue;
2. Freight, pathology and packaging costs of $0.59 million reclassified from cost of goods sold to general expenses; and
3. Other income of $0.58 million reclassified as $0.5 million integration expense and $1.08 million reduction to cost of goods sold (relating to supplier rebates).

Operations

Since being formed and listed on the ASX, Apiam has executed on its plans for growth.

The Company worked towards the acquisition of Quirindi Veterinary Group, one of Australia's largest rural veterinary groups. The acquisition was finalised and announced subsequent to the reporting period and is discussed further below.

Apiam also established its Veterinary Services Advisory Committees, which bring together the Company's best veterinary minds to create programs that help customers improve the value and productivity of their production animal operations.

The Company has also focused on the integration of its businesses by bringing payroll, financial, workplace health and safety, intranet and human resources systems into alignment.

Apiam's operations across the business will continue to be driven by a focus on its four key strategy pillars of customer service delivery, developing a high performance team, operational excellence/clinical leadership and innovation.

The Company has a three-year plan through which it will implement its operational ambitions.

Year one will see Apiam build the foundation of the Company through workplace policies, culture and services. Year two will see consolidation of capacity for growth and continued efficiencies across the business by improving processes, customer contact and business balance. Year three will see the Company leverage those efficiencies to deliver on its performance.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Apiam has successfully completed the roll in of the Chris Richards Group businesses and the acquisition of 12 large rural vet businesses in FY16 as outlined in the prospectus. Integration of the acquired clinics is progressing according to plan and management is focused on implementation of the business strategies outlined in the prospectus.

DIVIDENDS

During or since the end of the financial year, no dividends have been paid or declared.

EVENTS ARISING SINCE THE END OF THE REPORTING PERIOD

On 19 August 2016, the Company signed an agreement to acquire 100% of the shares in Quirindi Veterinary Group (QVG) for $11.57 million. QVG provides veterinary services to large beef production systems throughout Australia through its business unit Quirindi Feedlot Services, provides equine reproduction services at its custom built centre in Quipolly, near Scone in NSW, and runs a livestock and companion animal veterinary practice located in Quirindi.

The acquisition will be funded using Apiam's existing bank facilities. The consideration for the acquisition is a combination of 70% cash and 30% scrip. In line with Apiam's previous acquisitions, the principals of the business will enter into an employment contract with restraint conditions. Shares issued under the agreement will be subject to escrow.

The Group is currently obtaining the information necessary to appropriately consider the identification and fair value of identifiable intangible assets.

There are no other matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either:

- the entity's operations in future financial years
- the results of those operations in future financial years; or
- the entity's state of affairs in future financial years.

LIKELY DEVELOPMENTS, BUSINESS STRATEGIES AND PROSPECTS

Apiam's strategy is to build on the solid foundation it has established as an integrated animal health business servicing the rural production and companion animal sectors, ensuring it can meet the needs of a market which is rapidly growing as a result of the expanding global demand for animal protein.

Apiam expects to continue to invest through acquisition, collaborative partnerships and further recruitment of leading expertise to ensure it has the capability required to prosper in the expanding global animal health industry.

DIRECTORS' MEETINGS

The number of Directors' Meetings (including meetings of Committees of Directors) held during the year, and the number of meetings attended by each Director is as follows:

Directors'	Board		Audit and Risk Committee		Remuneration Committee	
	A	B	A	B	A	B
Andrew Vizard	7	7	3	3	1	1
Chris Richards	9	9	-	-	-	-
Michael van Blommestein	7	6	-	-	1	1
Richard Dennis	7	7	3	3	-	-
Charles Sitch	7	6	3	2	1	-
Ella McDougall	2	2	-	-	-	-
Matthew White	2	2	-	-	-	-

Where:

- column A is the number of meetings the Director was eligible to attend; and
- column B is the number of meetings the Director attended.

UNISSUED SHARES UNDER OPTION

There were no unissued ordinary shares of Apiam under option at the date of this report.

SHARES ISSUED DURING OR SINCE THE END OF THE YEAR AS A RESULT OF EXERCISE OF OPTIONS

During or since the end of the financial year, the Company has not issued any ordinary shares as a result of the exercise of options.

ENVIRONMENTAL LEGISLATION

Apiam operations are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory in Australia.

INDEMNITIES GIVEN TO, AND INSURANCE PREMIUMS PAID FOR, AUDITORS AND OFFICERS

INSURANCE OF OFFICERS

During the year, Apiam paid a premium to insure officers of the Group. The officers of the Group covered by the insurance policy include all Directors. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Group.

Details of the amount of the premium paid in respect of insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer of the Group against a liability incurred as such by an officer.

INDEMNITY OF AUDITORS

The Group has not, during or since the end of the financial year, indemnified or agreed to indemnify its auditors, Grant Thornton Audit Pty Ltd, or any related entity against a liability incurred by the auditor. During the financial year, the Group has not paid a premium in respect of a contract to insure the auditor of the Group or any related entity.

NON-AUDIT SERVICES

During the year, the Company's auditors performed certain other services in addition to their statutory audit duties.

The Board has considered the non-audit services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Audit and Risk Management Committee, is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit and Risk Management Committee to ensure they do not impact upon the impartiality and objectivity of the auditor; and
- the non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditors of the Company and its related practices for audit and non-audit services provided during the year are set out in Note 27 to the financial statements.

A copy of the Auditor's Independence Declaration as required under s307C of the Corporations Act 2001 is included on page 19 of this financial report and forms part of this Directors' Report.

PROCEEDINGS OF BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

ROUNDING OF AMOUNTS

Apiam is a type of Company referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable), or in certain cases, to the nearest dollar under the option permitted in the Instrument.

Signed in accordance with a resolution of the Directors:

Dr Christopher Irwin Richards
Managing Director

Melbourne
25 August 2016

REMUNERATION REPORT (AUDITED)

The Directors of Apiam Animal Health Limited ('the Group') present the Remuneration Report for Non-Executive Directors, Executive Directors and other key management personnel, prepared in accordance with the Corporations Act 2001 and the Corporations Regulations 2001.

The Remuneration Report is set out under the following main headings:

a. Principles used to determine the nature and amount of remuneration;
b. Details of remuneration;
c. Service agreements;
d. Share-based remuneration;
e. Bonuses included in remuneration;
f. Non-executive director remuneration; and
g. Other information.

a. Principles used to determine the nature and amount of remuneration

The principles of the Group's executive strategy and supporting incentive programs and frameworks are:

- to align rewards to business outcomes that deliver value to shareholders;
- to drive a high performance culture by setting challenging objectives and rewarding high performing individuals; and
- to ensure remuneration is competitive in the relevant employment market place to support the attraction, motivation and retention of executive talent.

The Group has structured a remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The Board has established a Remuneration Committee which operates in accordance with its charter as approved by the Board and is responsible for reviewing and recommending compensation arrangements for the Directors and the Executive Team. The Remuneration Committee has met once in the FY16 reporting period.

The Remuneration Committee has approved the engagement of Korn Ferry Hay Group to undertake bench-marking for the executive team. The Remuneration Committee has also approved the engagement of Grant Thornton Australia Limited and HRAscent to formulate an equity management plan for principal and senior vets which is expected to be completed in the financial year ending 30 June 2017.

The remuneration structure that has been adopted by the Group consists of the following components:

- fixed remuneration being annual salary; and
- short term incentives, being bonuses.

However, the Remuneration Committee is considering long term incentives (LTI) to be implemented in the future. The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration on a periodic basis by reference to recent employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive Team.

The payment of bonuses and other incentive payments are reviewed by the Remuneration Committee annually as part of the review of executive remuneration and a recommendation is put to the Board for approval. All bonuses and incentives must be linked to pre-determined performance criteria.

Short Term Incentive (STI)

Apiam performance measures involve the use of annual performance objectives, metrics, performance appraisals and continuing emphasis on living the Company values.

The performance measures are set annually after consultation with the Directors and Executives and are specifically tailored to the areas where each executive has a level of control. The measures target areas the Board believes hold the greatest potential for expansion and profit and cover financial and non-financial measures.

The Key Performance Indicators (KPI's) for the Executive Team are summarised as follows:

Performance area:

- financial – operating profit and earnings per share; and
- non-financial – goals set by each individual business unit based on job descriptions.

The STI Program incorporates cash for the Executive Team and other employees.

The Board may, at its discretion, award bonuses for exceptional performance in relation to each person's pre-agreed KPIs.

Voting and comments made at the Company's last Annual General Meeting

The Company became a listed public company during the financial year ended 30 June 2016 and this is the first remuneration report of Apiam Animal Health Limited and the first to be presented at an Annual General Meeting.

Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Board have regard to the following indices in respect of the current financial year.

Item	2016
EPS (cents)	0.08c
Dividends (cents per share)	-
Net profit before tax ($'000)	$1,068
Share price ($)	$1.49

b. Details of remuneration

Details of the nature and amount of each element of the remuneration of each Key Management Personnel (KMP) of Apiam are shown in the table below:

		Short term employee benefits			Post-employment benefits	Long-term benefits	Share-based payments		
	Year	Salary & fees (v)	Cash bonus	Non-monetary benefits	Superannuation	Long service leave (vi)	Shares (viii)	Total	Performance based percentage of remuneration
Directors		$	$	$	$	$	$	$	%
Andrew Vizard Chairman Independent (ii)	2016	80,000		-	-	-	-	80,000	0%
	2015	-	-	-	-	-	-	-	-
Richard Dennis Independent (ii)	2016	46,667	-	-	-	-	-	46,667	0%
	2015	-	-	-	-	-	-	-	-
Ella McDougall Director (iv)	2016	-	-	-	-	-	-	-	-
	2015	-	-	-	-	-	-	-	-
Chris Richards Managing Director (i)	2016	-	-	-	-	-	-	-	-
	2015	-	-	-	-	-	-	-	-
Charles Sitch Independent (ii)	2016	36,530	-	-	3,470	-	-	40,000	0%
	2015	-	-	-	-	-	-	-	-
Michael van Blommestein Independent (ii)	2016	36,530	-	-	3,470	-	-	40,000	0%
	2015	-	-	-	-	-	-	-	-
Matthew White Director (iv)	2016	-	-	-	-	-	-	-	-
	2015	-	-	-	-	-	-	-	-
Employees									
Chris Richards Managing Director (i)	2016	221,051	-	19,941	10,868	4,241	-	256,101	0%
	2015	-	-	-	-	-	-	-	-
Corne Loots Vet. Services Manager (vii)	2016	139,772	50,000	-	12,848	74	50,000	252,694	20%
	2015	-	-	-	-	-	-	-	-
Julie Tippett Chief Operating Officer (iii)	2016	145,161	-	3,117	13,790	(17,793)	200,000	344,275	0%
	2015	-	-	-	-	-	-	-	-
Matthew White Chief Financial Officer (iv)	2016	136,449	95,000	-	12,929	75	30,000	274,453	35%
	2015	-	-	-	-	-	-	-	-
Ella McDougall General Counsel/Cpy Sec (iv)	2016	101,389	-	-	9,204	1,458	100,000	212,051	0%
	2015	-	-	-	-	-	-	-	-
2016 Total	**2016**	**943,549**	**145,000**	**23,058**	**66,579**	**(11,945)**	**380,000**	**1,546,241**	**9%**
2015 Total	**2015**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

i. Appointed director 25 March 2015 and received no remuneration for acting as a director or employee of the company for the period 25 March 2015 to 31 October 2015. On 1 November 2015 Chris became Managing Director of the company and his remuneration received relates to the period 1 November 2015 to 30 June 2016.
ii. Appointed director 5 November 2015. Remuneration received relates to the period 5 November 2015 to 30 June 2016.
iii. Remuneration received relates to the period 1 November 2015 to 30 June 2016.
iv. Appointed director 28 August 2015, resigned 5 November 2015. No remuneration was received for acting as a director. Remuneration received relates to KMP role for the period 1 November 2015 to 30 June 2016.
v. Salary and fees includes fixed cash and annual leave accruals.
vi. Long term benefits includes long service leave accruals
vii. Cash bonus is a sign on bonus.
viii. As part of the listing on the Australian Securities Exchange, shares were issued to certain eligible employees in Australia for nil consideration as part of their reward for service to the Company.

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed remuneration	At risk – STI
Executive Directors		
Chris Richards	100%	-
Other Key Management Personnel		
Corne Loots	80%	20%
Julie Tippett	100%	-
Matthew White	65%	35%
Ella McDougall	100%	-

c. Service agreements

Remuneration and other terms of employment for the Executive Directors and other key management personnel are formalised in a Service Agreement. The major provisions of the agreements relating to remuneration are set out below:

Name	Base salary*	Term of agreement	Notice period
Chris Richards	$369,380	5 years from listing	Twelve (12 months)
Corne Loots	$212,500	No fixed term	Six (6) months
Julie Tippett	$200,000	No fixed term	Six (6) months
Matthew White	$190,000	No fixed term	Six (6) months
Ella McDougall	$150,000	No fixed term	Four (4) months

* Base salary for Chris Richards is inclusive of superannuation guarantee payments. For all other key management personnel, base salary does not include superannuation guarantee payments.

Bonus provisions

Chris Richards: Nil

Corne Loots: Sign on bonus of $50,000 payable after twelve months service completed on 1 December 2016. Eligible for an annual bonus of up to 20% of base salary from 1 December 2016.

Julie Tippett Eligible for an annual bonus of up to 20% of base salary from 1 July 2016.

Matthew White Eligible for a bonus of up to 50% of base salary for the period ended 30 June 2016. Eligible for an annual bonus of up to 20% of base salary from 1 July 2016.

Ella McDougall Eligible for an annual bonus of up to 20% of base salary from 1 July 2016.

d. Share-based remuneration

As part of the listing on the Australian Securities Exchange, shares were issued to certain eligible employees in Australia for nil consideration as part of listing success milestones and as reward for service to the Company. The $1.00 fair value per share to the Company is included as an expense in the profit and loss statement. The total remuneration in shares for each key management person is included as part of their remuneration in Part b of this Remuneration Report under Share-based payments.

e. Bonuses included in remuneration

Details of the short-term incentive cash bonuses awarded as remuneration to each key management personnel, the percentage of the available bonus that was paid and payable in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. The bonus to Corne Loots is payable upon completion of twelve months service on 1 December 2016.

Executive Directors	Included in remuneration ($)	Percentage vested during the year	Percentage forfeited during the year
Chris Richards	-	-	-
Other			
Corne Loots	$50,000	100%	-
Julie Tippett	-	-	-
Matthew White	$95,000	100%	-
Ella McDougall	-	-	-

f. Non-Executive Director remuneration

Clause 13.1(a) of the Company's Constitution (Constitution) provides the limit for the aggregated remuneration of non-executive directors which is currently set at $750,000. The Directors of the Company are entitled to apportion and distribute this aggregate Non-Executive Directors' remuneration as they determine.

The Non-Executive Directors of the Company received the following fees (which total $300,000):

- Chairman (One): $120,000 per annum;
- Directors (Three): $60,000 per annum, each; and
- Chair of the Audit and Risk Management Committee $10,000 (in addition to the directors fees), such amounts being inclusive of any superannuation payments.

The ASX Listing Rules and Constitution allows the Company to increase the aggregate amount of remuneration payable to Non-Executive Directors of the Company pursuant to Shareholder approval at a general meeting, noting that the Company has not yet held its first annual general meeting.

g. Other information

Options held by key management personnel
There were no options to acquire shares in the Company held during the 2016 reporting period by key management personnel of the Group, including their related parties.

Shares held by key management personnel
The number of ordinary shares held in the Company at 30 June 2016 held by each of the Group's key management personnel, including their related parties, is set out below:

Personnel	Balance at 1/07/2015	Granted as remuneration	Received on exercise	Other changes	Held as at 30/06/2016
Chris Richards	1	-	-	26,852,303	26,852,304
Andrew Vizard	-	-	-	30,000	30,000
Charles Sitch	-	-		150,000	150,000
Richard Dennis	-	-	-	50,000	50,000
Michael van Blommestein	-	-	-	100,000	100,000
Corne Loots	-	50,000	-	36,689	86,689
Julie Tippett	-	200,000	-	-	200,000
Matthew White	-	30,000	-	50,000	80,000
Ella McDougall	-	100,000	-	-	100,000
	1	**380,000**	**-**	**27,268,992**	**27,648,993**

None of the shares included in the table above are held nominally by key management personnel.

Loans to key management personnel

The Group entered into a loan facility agreement with Chris Richards, under which the Group agreed to lend up to $1.5 million. The loan is at an interest rate equal to the Term Debt Facility interest payable by the Group plus 2% per annum. The table below provides aggregate information relating to Group's loans to key management personnel during the year:

	2016 **$**
Balance at the start of the year	133
Loans advanced	1,229
Interest paid and payable for the year	15
Repayments made	(1,377)
Balance at the end of the year	**-**

The number of key management personnel included in the Group aggregate at year end is Nil. The Group does not have an allowance account for receivables relating to outstanding loans and has not recognised any expense for impaired receivables during reporting period.

Other transactions with key management personnel

The Group rents premises at Piper Lane, Bendigo East, Victoria. The premises are owned by an entity associated with Chris Richards. Rent payments made amounted to $160,000 (2015: Nil).

The Group rents premises at Rubicon Street, Smithton, Tasmania. The premises are owned by an entity associated with Chris Richards. Rent payments made amounted to $73,515 (2015: Nil).

The Group leases it artificial insemination facility in Victoria from entities associated with Chris Richards. Lease payments made amounted to $43,147 (2015: Nil).

All related party rentals are based on commercial rates and the terms of the lease are standard commercial terms.

The Group has entered into an intellectual property licence with iVet Pty Ltd, a company controlled by Chris Richards, to use the iVet intellectual property. The Group will pay iVet Pty Ltd a royalty of 10% of net sales revenue received by the Group for the use of the intellectual property licence. The agreement is for an initial term of 10 years. The group has the option to purchase the iVet technology by giving notice to iVet Pty Ltd at any time during the initial 5 years of the term. No payments were made during the financial year (2015: Nil).

The Group obtains air travel services for business purposes from an entity associated with Chris Richards. The fares paid are based on commercial fares. Payments made amounted to $121,257 (2015: Nil).

AUDITOR'S INDEPENDENCE DECLARATION

Grant Thornton

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Auditor's Independence Declaration

To the Directors of Apiam Animal Health Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Apiam Animal Health Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Adam Pitts
Partner - Audit & Assurance

Melbourne, 25 August 2016

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 $'000	2015 $'000
Revenue	**6**	**54,097**	**-**
Expenses			
Changes in inventories		1,703	-
Costs of materials		(30,470)	-
Costs of consumables and services		(472)	-
Employee benefits expense	26	(15,377)	-
Listing & acquisition expenses		(2,026)	-
Property expenses		(1,410)	-
Freight vehicle & transport expenses		(1,456)	-
Depreciation of property, plant and equipment	13	(614)	-
Other operating expenses		(2,466)	(218)
Finance costs	7	(434)	-
Other financial items	7	(7)	-
Profit / (Loss) before income tax		**1,068**	**(218)**
Income tax (expense) / benefit	8	(975)	31
Profit / (Loss) for the year		**93**	**(187)**
Other comprehensive income			
Other comprehensive income for the period, net of tax		**-**	**-**
Total comprehensive income / (loss) for the period		**93**	**(187)**
Profit / (Loss) for the year attributable to:			
• non-controlling interest	23	43	-
• owners of the parent		50	(187)
Total comprehensive income attributable to:			
• non-controlling interest	23	43	-
• owners of the parent		50	(187)

	Notes	2016	2015
Earnings per share	**24**		
Basic earnings per share:		0.08 cents	($187,000)
Diluted earnings per share:		0.08 cents	($187,000)

Note: This statement should be read in conjunction with the notes to the financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Notes	2016 $'000	2015 $'000
Assets			
Current assets			
Cash and cash equivalents	9	2,117	20
Trade and other receivables	10	13,254	15
Inventories	11	10,181	-
Other current assets	12	376	-
Total current assets		**25,928**	**35**
Non-current assets			
Property, plant and equipment	13	4,496	-
Intangible assets	14	44,702	-
Deferred tax assets	15	2,960	31
Total non-current assets		**52,158**	**31**
Total assets		**78,086**	**66**
Liabilities			
Current liabilities			
Trade and other payables	16	9,491	113
Current tax liabilities	17	1,366	-
Borrowings	18	4,148	-
Provisions	19	3,453	-
Other current liabilities	20	1,250	-
Current liabilities		**19,708**	**113**
Non-current liabilities			
Borrowings	18	11,864	-
Provisions	19	243	-
Total non-current liabilities		**12,107**	**-**
Total liabilities		**31,815**	**113**
Net assets/(liabilities)		**46,271**	**(47)**
Equity			
Equity attributable to owners of the parent:			
• share capital	21.1	79,070	-
• convertible notes	21.2	-	140
• corporate re-organisation reserve	22	(26,666)	-
• non-controlling interest acquisition reserve	22	(6,615)	-
• accumulated losses		(137)	(187)
		45,652	(47)
Non-controlling interest	23	619	-
Total equity/(deficiency)		**46,271**	**(47)**

Note: This statement should be read in conjunction with the notes to the financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	Note	Share capital	Convertible notes	Corporate re-organisation reserve	Non-controlling interest acquisition reserve	Retained earnings	Total attributable to owners of parent	Non-controlling interest	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 25 March 2015		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transactions with owners									
Issue of convertible notes		-	140	-	-	-	140	-	140
Total transactions with owners		**-**	**140**	**-**	**-**	**-**	**140**	**-**	**140**
Comprehensive income									
Loss for the period		-	-	-	-	(187)	(187)	-	(187)
Total comprehensive income/(loss)		**-**	**-**	**-**	**-**	**(187)**	**(187)**	**-**	**(187)**
Balance at 30 June 2015		**-**	**140**	**-**	**-**	**(187)**	**(47)**	**-**	**(47)**
Balance at 1 July 2015		-	140	-	-	(187)	(47)	-	(47)
Transactions with owners									
Issue of convertible notes	21	-	145	-	-	-	145	-	145
Conversion of convertible notes	21	285	(285)	-	-	-	-	-	-
Employee share based payments	21,26	1,360	-	-	-	-	1,360	-	1,360
Restructure and transfer of Chris Richards entities into Apiam									
	21,31	30,633	-	(26,666)	-	-	3,967	-	3,967
Issue of shares to vendors of businesses acquired	21,32	25,904	-	-	(6,615)	-	19,289	576	19,865
Issue of new share capital	21	23,000	-	-	-	-	23,000	-	23,000
Transaction costs relating to issue of share capital	21	(3,017)	-	-	-	-	(3,017)	-	(3,017)
Income tax benefit relating to transaction costs	21	905	-	-	-	-	905	-	905
Total transactions with owners		**79,070**	**(140)**	**(26,666)**	**(6,615)**	**-**	**45,649**	**576**	**46,225**
Comprehensive income									
Profit for the year	23	-	-	-	-	50	50	43	93
Total comprehensive income		**-**	**-**	**-**	**-**	**50**	**50**	**43**	**93**
Balance at 30 June 2016		**79,070**	**-**	**(26,666)**	**(6,615)**	**(137)**	**45,652**	**619**	**46,271**

Note: This statement should be read in conjunction with the notes to the financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016	2015
		$'000	$'000
Operating activities			
Receipts from customers		59,010	-
Payments to suppliers and employees		(56,992)	(163)
Interest paid	7	(434)	-
Transaction costs in relation to restructures	31	(640)	-
Transaction costs in relation to acquisitions	32	(934)	-
Income taxes paid		(1,247)	-
Net cash used in operating activities	**25**	**(1,237)**	**(163)**
Investing activities			
Purchases of property, plant and equipment		(295)	-
Purchases of intangible assets		(80)	-
Restructure of group entities, net of cash	31	(615)	-
Acquisition of subsidiaries, net of cash	32	(24,068)	-
Net cash used in investing activities		**(25,058)**	**-**
Financing activities			
Proceeds from borrowings		21,797	-
Repayments of borrowings		(13,281)	-
Borrowing transaction costs		(68)	-
Repayments of lease liabilities		(317)	-
Loans made to director related entity		(1,229)	-
Repayments from director related entity		1,362	43
Proceeds from issue of share capital		23,000	-
Share issue transaction costs		(3,017)	-
Proceeds from issue of convertible notes		145	140
Net cash inflow from financing activities		**28,392**	**183**
Net change in cash and cash equivalents		2,097	20
Cash and cash equivalents, beginning of year		20	-
Cash and cash equivalents, end of year	**9**	**2,117**	**20**

Note: This statement should be read in conjunction with the notes to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

Apiam Animal Health Limited and subsidiaries' ('the Group') principal activities include the provision of veterinary products and services to production and companion animals. Apiam's strategy is to service production animals throughout their life cycle, including the provision of:

- systems to assist in herd health programs;
- production advice;
- consulting services and products to assist in the prevention of animal diseases;
- technologies to manage compliance with legislative requirements on pharmaceutical use;
- advice and services in respect of animal welfare compliance;
- retail animal health product sales;
- on-farm delivery of products via its own logistics capability;
- third party auditing services of industry quality assurance programs;
- technology development for animal health management;
- ancillary services such as sales and/or delivery of genetics and associated products; and
- on-farm and on-line training programs for clients.

There have been no significant changes in the nature of these activities during the year.

2. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Apiam Animal Health Limited is a for-profit entity for the purpose of preparing the financial statements.

Apiam Animal Health Limited is the Group's Ultimate Parent Company. Apiam Animal Health Limited is a Public Company incorporated and domiciled in Australia. The address of its registered office is 61 Bull Street, Bendigo, Victoria 3550. The address of its principal place of business is 27-33 Pipers Lane, East Bendigo, Victoria 3550.

The consolidated financial statements for the year ended 30 June 2016 were approved and authorised for issue by the Board of Directors on 25 August 2016.

Comparative information

The Company was incorporated on 25 March 2015. The comparative information relates to the period 25 March 2015 to 30 June 2015.

3. CHANGES IN ACCOUNTING POLICIES

3.1 NEW AND REVISED STANDARDS THAT ARE EFFECTIVE FOR THESE FINANCIAL STATEMENTS

A number of new and revised standards became effective for the first time to annual periods beginning on or after 1 January 2015. Information on the more significant standard(s) is presented below. The adoption of these new and revised standards has not had a material impact on the Group as they are largely of the nature of clarification of existing requirements.

3.2 ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE AND NOT BEEN ADOPTED EARLY BY THE GROUP

3.2.1 Revised pronouncement: AASB 9 Financial Instruments (December 2014)
Superseded pronouncement - AASB 139 Financial Instruments: Recognition and Measurement, Effective date - 1 January 2018.

Nature of change

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

a. Financial assets that are debt instruments will be classified based on: (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows.

b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

c. Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.

d. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

e. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

* *the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)*
* *the remaining change is presented in profit or loss*

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

Likely impact on initial application

The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

3.2.3 Revised pronouncement: AASB 15 Revenue from Contracts with Customers

Superseded pronouncement - AASB 118 Revenue

Nature of change

- replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations:
- establishes a new revenue recognition model
- changes the basis for deciding whether revenue is to be recognised over time or at a point in time
- provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing)
- expands and improves disclosures about revenue

Likely impact on initial application

The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

3.2.3 Revised pronouncement: AASB 16 Leases

Superseded pronouncement - AASB 117 Leases, Effective date - 1 January 2019

Nature of change

- replaces AASB 117 Leases and some lease-related Interpretations
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases
- provides new guidance on the application of the definition of lease and on sale and lease back accounting
- largely retains the existing lessor accounting requirements in AASB 117
- requires new and different disclosures about leases

Likely impact on initial application

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based upon the entity's preliminary assessment, the likely impact on the first time adoption of the Standard for the year ending 30 June 2020 includes:

- there will be a significant increase in lease assets and financial liabilities recognised on the balance sheet,
- the reported equity will reduce as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities,
- EBIT in the statement of profit or loss and other comprehensive income will be higher as the implicit interest in lease payments for former off balance sheet leases will be presented as part of finance costs rather than being included in operating expenses,
- Operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities. Interest can also be included within financing activities.

4. SUMMARY OF ACCOUNTING POLICIES

4.0 OVERALL CONSIDERATIONS

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

4.1 BASIS OF CONSOLIDATION

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2016. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

4.2 BUSINESS COMBINATION

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of: (a) fair value of consideration transferred, (b) the recognised amount of any non-controlling interest in the acquire, and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in profit or loss immediately.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at acquisition date. The measurement period ends on either the earlier of (i) 12 months from the date of acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Business combinations under common control are accounted for in the accounts prospectively from the date the group obtains the ownership interest.

Assets and liabilities are recognised upon consolidation at their existing carrying amount in the financial statements of the Acquiree. Any difference between the fair value of the consideration paid and the acquisition date fair values at which the assets and liabilities are recorded is recognised directly in the Corporate re-organisation reserve in equity.

4.3 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency
The consolidated financial statements are presented in Australian Dollars ($AUD), which is also the functional currency of the Parent Company.

Foreign currency transactions and balances
Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

4.4 SEGMENT REPORTING

Apiam operates on a consolidated basis being the provision of veterinary services and sale of veterinary products across Australia. There are currently no segments being reported on and the chief operating decision makers review the consolidated results of the business.

4.5 REVENUE

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. Revenue from veterinary services is recognised in accounting period in which the services are provided. Revenue from the sale of goods is recognised when the risk and rewards have transferred to the customer which is generally upon receipt of the goods.

Interest and dividend income
Interest income and expenses are reported on an accrual basis using the effective interest method. Dividends, other than those from investments in associates, are recognised at the time the right to receive payment is established.

4.6 OPERATING EXPENSES

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin. Expenditure for warranties is recognised and charged against the associated provision when the related revenue is recognised.

4.7 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs (see Note 7).

4.8 INTANGIBLE ASSETS

Goodwill
Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. See Note 4.2 for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. Refer to Note 4.11 for a description of impairment testing procedures.

Capitalised development costs
Capitalised development costs are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over its useful life of 10 years from the date of use.

4.9 PROPERTY, PLANT AND EQUIPMENT

Leasehold improvements, plant and equipment and motor vehicles
Leasehold improvements, plant and equipment and motor vehicles are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management. Plant and equipment and motor vehicles also include property held under finance lease (see Note 4.10). Leasehold improvements, plant and equipment and motor vehicles are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses.

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of buildings, IT equipment and other equipment. The following useful lives are applied:

- Leasehold improvements: 10 - 33%
- Plant & equipment: 10 – 33%
- Motor vehicles: 25%

In the case of leasehold property, expected useful lives are determined by reference to comparable owned assets or over the term of the lease, if shorter.

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

4.10 LEASED ASSETS

Finance leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards of ownership of the leased asset. Where the Group is a lessee in this type of arrangement, the related asset is recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance lease liability. Leases of land and buildings are classified separately and are split into a land and a building element, in accordance with the relative fair values of the leasehold interests at the date the asset is recognised initially.

See Note 4.9 for the depreciation methods and useful lives for assets held under finance lease. The corresponding finance lease liability is reduced by lease payments net of finance charges. The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to profit or loss, as finance costs over the period of the lease.

Operating leases

All other leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

4.11 IMPAIRMENT TESTING OF GOODWILL, OTHER INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

4.12 FINANCIAL INSTRUMENTS

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- Loans and receivables
- Financial assets at Fair Value Through Profit or Loss (FVTPL)
- Available-For-Sale (AFS) financial assets

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Financial assets at FVTPL
Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

AFS financial assets
AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

All other AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the AFS reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognised in profit or loss within 'finance income' (see Note 4.5).

Reversals of impairment losses for AFS debt securities are recognised in profit or loss if the reversal can be objectively related to an event occurring after the impairment loss was recognised. For AFS equity investments impairment reversals are not recognised in profit loss and any subsequent increase in fair value is recognised in other comprehensive income.

Classification and subsequent measurement of financial liabilities
The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

4.13 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs are assigned on the basis of weighted average cost. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

4.14 INCOME TAXES

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, the Australian Taxation Office (ATO) and other fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Group's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

4.15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.16 EQUITY, RESERVES AND DIVIDEND PAYMENTS

Share capital
Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits.

Corporate re-organisation reserve
The Corporate re-organisation reserve represents the difference between the fair value of the consideration paid and the fair value of assets and liabilities acquired in a business combination whereby the business acquired was under common control at the date of acquisition.

Non-controlling interest acquisition reserve
The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners.

Non-controlling interest
Represents the portion of the net assets of subsidiary's that are not 100% owned by the Company.

Retained earnings
Retained earnings include all current and prior period retained profits.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

All transactions with owners of the parent are recorded separately within equity.

4.17 EMPLOYEE BENEFITS

Short-term employee benefits

Short-term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. Examples of such benefits include wages and salaries, non-monetary benefits and accumulating sick leave. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The Group's liabilities for annual leave and long service leave are included in other long term benefits as they are not expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. They are measured at the present value of the expected future payments to be made to employees. The expected future payments incorporate anticipated future wage and salary levels, experience of employee departures and periods of service, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the timing of the estimated future cash outflows. Any re-measurements arising from experience adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

The Group presents employee benefit obligations as current liabilities in the statement of financial position if the Group does not have an unconditional right to defer settlement for at least twelve (12) months after the reporting period, irrespective of when the actual settlement is expected to take place.

Post-employment benefit plans

The Group provides post-employment benefits through various defined contribution and defined benefit plans.

4.18 SHARE-BASED EMPLOYEE REMUNERATION

The Group operates equity-settled share-based remuneration plans for its employees. None of the Group's plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

4.19 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligation is not probable. Such situations are disclosed as contingent liabilities, unless the outflow of resources is remote in which case no liability is recognised.

4.20 GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows.

4.21 ROUNDING OF AMOUNTS

The Parent Entity has applied the relief available to it under ASIC Corporations (Rounding in Financial/Directors' Reports) Instruments 2016/191 and accordingly, amounts in the financial statements and directors' report have been rounded off to the nearest $1,000, or in certain cases, the nearest dollar.

4.22 SIGNIFICANT MANAGEMENT JUDGEMENT IN APPLYING ACCOUNTING POLICIES

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgement
The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Recognition of deferred tax assets
The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions (see Note 4.14).

Estimation uncertainty
Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment
In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 4.11).

Useful lives of depreciable assets
Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

Trade receivables
Management estimates the recoverable amount of any outstanding trade receivable balances at reporting date and recognises an allowance for impairment if required.

Inventories
Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

Business combinations
Management uses valuation techniques in determining the fair values of the various elements of a business combination (see Note 4.2). Particularly, the fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability (see Note 20).

5. SEGMENT REPORTING

Apiam operates on a consolidated basis being the provision of veterinary services and sale of veterinary products across Australia. There are currently no segments being reported on and the chief operating decision makers review the consolidated results of the business.

6. REVENUE

	2016 $'000	2015 $'000
Sales revenue		
Sale of goods	41,822	-
Rendering of services	12,275	-
Total revenue	**54,097**	**-**

7. EXPENSES

Profit before income tax includes the following specific expenses:

	2016 $'000	2015 $'000
Depreciation		
Leasehold improvements	6	-
Plant and equipment	321	-
Motor vehicles	287	-
Total depreciation	**614**	**-**
Finance costs		
Interest expenses for borrowings at amortised cost		-
• other borrowings at amortised cost	413	-
Interest expenses for finance lease arrangements	21	-
Total interest expenses for financial liabilities not at FVTPL	**434**	**-**
Other financial items – amortisation of borrowing costs	7	-
Share-based payments expense	**1,360**	**-**
Rental	**876**	**-**

8. INCOME TAX EXPENSE

The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective tax rate of Apiam at 30% (2015: 30%) and the reported tax expense in profit or loss are as follows:

	2016 $'000	2015 $'000
Profit /(loss) before tax	1,068	(218)
Domestic tax rate for Apiam Animal Health Limited - 30%		
Expected tax expense / (benefit)	**320**	**(65)**
Adjustment for non-deductible expenses:		
• Share based payments expense	408	-
• Stamp duty on acquisitions	243	-
• Other non-deductible expenses	4	34
Actual tax expense / (benefit)	**975**	**(31)**
Tax expense/(benefit) comprises:		
• current tax expense/(benefit)	823	(31)
• deferred tax expense/(benefit)	(1,798)	-
Tax expense/(benefit)	**975**	**(31)**

Note 15 provides information on deferred tax assets and liabilities.

9. CASH AND CASH EQUIVALENTS

	2016 $'000	2015 $'000
Cash at bank and in hand	2,117	20
Cash and cash equivalents	**2,117**	**20**

10. TRADE AND OTHER RECEIVABLES

	2016 $'000	2015 $'000
Trade receivables, gross	12,462	-
Less: provision for impairment of receivables	(137)	-
Trade receivables	12,325	-
Other receivables	168	15
Rebates receivable	761	-
	13,254	**15**

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

All of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and an allowance for credit losses of $137,000 (2015: $Nil) has been recorded accordingly within other expenses.

The movement in the allowance for credit losses can be reconciled as follows:

	2016 $'000	2015 $'000
Balance at 1 July	-	-
Amounts written off (uncollectable)	-	-
Impairment loss	137	-
Impairment loss reversed	-	-
Balance 30 June	**137**	**-**

An analysis of unimpaired trade receivables that are past due is given in Note 35.3.

11. INVENTORIES

	2016 $'000	2015 $'000
Stock on hand, at cost	9,828	-
Less provision for obsolescence	(100)	-
Stock in transit, at cost	453	-
	10,181	**-**

12. OTHER CURRENT ASSETS

	2016 $'000	2015 $'000
Prepayments	311	-
Security deposits	65	-
	376	**-**

13. PROPERTY, PLANT AND EQUIPMENT

Details of the Group's property, plant and equipment and their carrying amount are as follows:

	Leasehold improvements $'000	Plant & equipment $'000	Motor vehicles $'000	Total $'000
Gross carrying amount				
Balance 1 July 2015	-	-	-	-
Additions	54	248	150	452
Acquisition through business combination	98	2,651	1,909	4,658
Balance 30 June 2016	152	2,899	2,059	5,110
Depreciation and impairment				
Balance 1 July 2015	-	-	-	-
Depreciation	(6)	(321)	(287)	(614)
Balance 30 June 2016	(6)	(321)	(287)	(614)
Carrying amount 30 June 2016	**146**	**2,578**	**1,772**	**4,496**
Gross carrying amount				
Balance 25 March 2015	-	-	-	-
Additions	-	-	-	-
Balance 30 June 2015	-	-	-	-
Depreciation and impairment				
Balance 25 March 2015	-	-	-	-
Depreciation	-	-	-	-
Balance 30 June 2015	-	-	-	-
Carrying amount 30 June 2015	**-**	**-**	**-**	**-**

Refer to Note 30 for capital commitments relating to vehicle leases.

14. INTANGIBLE ASSETS

	2016 $'000	2015 $'000
Goodwill	44,622	-
Capitalised development costs	80	-
	44,702	**-**

The movements in the net carrying amount of intangible assets are as follows:

	2016 $'000	2015 $'000
Goodwill		
Gross carrying amount		
Balance 1 July	-	-
Acquired through business combination	44,622	-
Balance 30 June	44,622	-
Accumulated impairment		
Balance 1 July	-	-
Impairment loss recognised	-	-
Balance 30 June	-	-
Carrying amount at 30 June	**44,622**	**-**

	2016 $'000	2015 $'000
Capitalised development costs		
Gross carrying amount		
Balance 1 July	-	-
Additions	80	-
Balance 30 June	80	-
Accumulated impairment		
Balance 1 July	-	-
Amortisation expense	-	-
Impairment loss recognised	-	-
Balance 30 June	-	-
Carrying amount at 30 June	**80**	**-**

14.1 IMPAIRMENT TESTING

Apiam will monitor the performance of its business in FY17 at species level but has tested goodwill for impairment in FY16 at the clinic level as this represents the cash generating units as at 30 June 2016.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units that are expected to benefit from the business combination in which the goodwill arose. The units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the nine (9) individual veterinary clinic entities.

The recoverable amounts of the cash-generating units were determined based on value-in-use calculations, covering a detailed five (5) year forecast, followed by an extrapolation of expected cash flows for the units' remaining useful lives using the growth rates determined by management. The present value of the expected cash flows of each segment is determined by applying the following key assumptions:

2016	**2015**	
Annual sales growth %	5.00%	-
Annual operating expenses growth rate %	2.00%	-
Long-term growth rate %	2.50%	-
Post-tax discount rate %	11.88%	-

	2016 **$'000**	**2015** **$'000**
Goodwill allocation at 30 June across nine (9) individual veterinary clinic entities		
	44,622	**-**

The Directors and management have considered and assessed reasonably possible changes for key assumptions and have not identified any instances that could cause the carrying amount for any of the nine (9) individual veterinary clinic entities to exceed its recoverable amount.

14.2 GROWTH RATES

The growth rates reflect the long-term average growth rates for the industry.

14.3 DISCOUNT RATES

The discount rates reflect appropriate adjustments relating to market risk and specific risk factors of each unit.

14.4 CASH FLOW ASSUMPTIONS

Management's key assumptions include stable profit margins, based on past experience in this market. The Group's management believes that this is the best available input for forecasting this mature market. Cash flow projections reflect stable profit margins achieved immediately before the budget period. No expected efficiency improvements have been taken into account and prices and wages reflect publicly available forecasts of inflation for the industry.

Apart from the considerations described in determining the value-in-use of the cash-generating units described above, management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

15. DEFERRED TAX ASSETS AND LIABILITIES

Deferred taxes arising from temporary differences and unused tax losses can be summarised as follows:

Deferred tax liabilities / (assets)	1-Jul-15 $'000	Recognised in business combination $'000	Recognised in profit and loss $'000	30-Jun-16 $'000
Current assets				
Trade and other receivables	-	-	41	41
Inventories	-	-	30	30
Current liabilities				
Provisions	-	1,131	160	1,291
Borrowing costs	-	-	(18)	(18)
Other				
Unused tax losses	31	-	690	721
Equity raising costs	-	-	724	724
Listing and acquisition costs	-	-	171	171
	31	**1,131**	**1,798**	**2,960**

Deferred tax liabilities / (assets)	25-Mar-15 $'000	Recognised in business combination $'000	Recognised in profit and loss $'000	30-Jun-15 $'000
Other				
Unused tax losses	-	-	31	31
	-	-	31	31

All deferred tax assets (including tax losses and other tax credits) have been recognised in the statement of financial position.

16. TRADE AND OTHER PAYABLES

	2016 $'000	2015 $'000
Current:		
Trade payables	6,185	5
Sundry payables and accrued expenses	3,218	65
Other payables	88	43
Total trade and other payables	**9,491**	**113**

All amounts are short-term. The carrying values of trade payables and other payables are considered to be a reasonable approximation of fair value.

17. CURRENT TAX LIABILITIES

	2016 $'000	2015 $'000
Current tax payable	1,366	-

18. BORROWINGS

	2016 $'000	2015 $'000
Current:		
Bank loans (a)	3,919	-
Less capitalised borrowing costs	(13)	-
Lease liability (b)	257	-
Less deferred interest charges	(15)	-
Total current borrowings	**4,148**	**-**
Non-current:		
Bank loans (a)	11,650	-
Less capitalised borrowing costs	(48)	-
Lease liability (b)	271	-
Less deferred interest charges	(9)	-
Total non-current borrowings	**11,864**	**-**

Refer to Note 40 for information on financial instruments.

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	2016 $'000	2015 $'000
Bank loans	15,569	-
Less capitalised borrowing costs	(61)	-
Lease liability	528	-
Less deferred interest charges	(24)	-
	16,012	**-**

Assets pledged as security

(a) Bank loans are secured by first ranking general security agreements in relation to the current and future assets of Apiam and each wholly-owned subsidiary.

(b) The lease liabilities are effectively secured as the rights to the leased assets, recognised in the statements of financial position, revert to the lessor in the event of default.

Financing arrangements

Unrestricted assess was available at the reporting date to the following lines of credit:

	2016 $'000	2015 $'000
Total facilities		-
Bank - term loan facilities	33,000	-
Bank – master asset finance agreement for equipment finance	1,000	-
Bank – overdraft facility	1,000	-
Bank – credit card facility	300	-
	35,300	**-**
Used at reporting date		
Bank - term loan facilities	15,569	-
Bank – master asset finance agreement for equipment finance	146	-
Bank – overdraft facility	-	-
Bank – credit card facility	-	-
	15,715	**-**

	2016 $'000	2015 $'000
Unused at reporting date		
Bank - term loan facilities	17,431	-
Bank – master asset finance agreement for equipment finance	854	-
Bank – overdraft facility	1,000	-
Bank – credit card facility	300	-
	19,585	**-**

Banking covenants

The key financial covenants applicable to bank facilities are:

- Maximum gearing ratio of 35% (ratio of debt to equity):
- Maximum operating leverage ratio of 2.5 times (ratio of gross debt to EBITDA): and
- Minimum interest cover ratio of 5.0 times (ratio of EBIT to gross interest expense).

The Group complied with all bank covenants during the period.

19. PROVISIONS

	2016 $'000	2015 $'000
Current: Employee benefits	3,453	-
Non-current: Employee benefits	243	-

Employee benefits
The provision for employee benefits relates to the group's liability for long service leave and annual leave.

Amounts not expected to be settled within the next 12 months
The current portion of this liability includes all of the accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision of $3,453,000 (2015: $Nil) is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. However, based upon past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next twelve months. The group does not expect $2,071,800 (2015: $Nil) of this liability to be taken or paid within the next 12 months.

20. OTHER CURRENT LIABILITIES

	2016 $'000	2015 $'000
Contingent consideration	1,250	-
Total other current liabilities	1,250	-

This relates to contingent consideration on businesses acquired during the year. Refer to Note 31.3 and 32.4 for further details.

21. EQUITY

21.1 SHARE CAPITAL

The share capital of Apiam consists only of fully paid ordinary shares; the shares do not have a par value. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of Apiam.

	2016 Shares	2015 Shares	2016 $'000	2015 $'000
Shares issued and fully paid:				
• beginning of the year	1	-	-	-
On 25 March 2015				
• initial share issue	-	1	-	-
On 8 December 2015				
• shares issued on restructure of Chris Richards Group of Companies	43,827,303	-	28,939	-
• shares purchased from Chris Richards in accordance with prospectus dated 17 Nov 2015	(17,000,000)	-	(17,000)	-
• shares issued in accordance with prospectus dated 17 Nov 2015	40,000,000	-	40,000	-
• shares issued upon conversion of convertible notes	2,690,000	-	285	-
• employee shares issued (a)	1,360,000	-	1,360	-
• shares issued as consideration for business acquisitions	27,598,270	-	27,598	-
• equity raising costs, net of income tax benefit	-	-	(2,112)	-
Total share capital at 30 June	**98,475,574**	**1**	**79,070**	**-**

(a) Shares were issued during 2016 relating to share-based payments (see Note 26.2 for details on the Group's share-based employee remuneration).

Each share has the same right to receive dividend and the repayment of capital and represents one vote at the shareholders' meeting of Apiam.

21.2 CONVERTIBLE NOTES

The Group entered into convertible note agreements, principally with the vendors of business combinations acquired to raise $285,000 towards the costs of the IPO. These notes converted into 2,690,000 ordinary shares on completion of the IPO.

	2016 No.	2015 No.	2016 $'000	2015 $'000
Convertible notes issued and fully paid:				
• beginning of the year	1,400,000	-	140,000	-
• issue of convertible notes	-	1,400,000	-	140,000
• issue of convertible notes	1,250,000	-	125,000	-
• issue of convertible notes	40,000	-	20,000	-
• conversion to ordinary shares	(2,690,000)	-	(285,000)	-
Total convertible notes at 30 June	**-**	**1,400,000**	**-**	**140,000**

22. RESERVES

Details of reserves are as follows:

	Corporate reorganisation reserve $'000	Non-controlling Interest acquisition reserve $'000	Total $'000
Balance at 25 March 2015	-	-	-
No movements in reserves during the period	-	-	-
Balance at 30 June 2015	-	-	-
Balance at 1 July 2015	-	-	-
Restructure and transfer of Chris Richards entities into the Group			
	(26,666)	-	(26,666)
Premium on issue of shares to non-controlling interests of Chris Richards entities transferred into the Group	-	(6,615)	(6,615)
Balance at 30 June 2016	**(26,666)**	**(6,615)**	**(33,281)**

23. NON-CONTROLLING INTERESTS

	2016 $'000	2015 $'000
Issued capital	576	-
Retained profits	43	-
Total non-controlling interests	**619**	**-**

24. EARNINGS PER SHARE AND DIVIDENDS

24.1 EARNINGS PER SHARE

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the Parent Company as the numerator (i.e. no adjustments to profit were necessary in 2016 or 2015).

The reconciliation of the weighted average number of shares for the purposes of diluted earnings per share to the weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:

	2016	201
Amounts in thousand shares:		
• weighted average number of shares used in basic earnings per share	59,447,120	1
• weighted average number of shares used in diluted earnings per share	59,447,120	1
Shares deemed to be issued for no consideration in respect of share based payments	1,360,000	-

24.2 DIVIDENDS

There were no dividends paid or declared to equity holders during or since the year ended 30 June 2016. There were no dividends paid during the comparative period.

24.3 FRANKING CREDITS

	2016 $'000	2015 $'000
The amount of the franking credits available for subsequent reporting periods are:		
balance at the end of the reporting period	4,304	-
franking credits that will arise from the payment of the amount of provision for income tax	1,366	-
	5,670	**-**

25. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

(a) Reconciliation of cash flows from operating activities	**2016** **$'000**	**2015** **$'000**
Cash flows from operating activities		
Profit / (Loss) for the period	93	(187)
Adjustments for:		
• depreciation expense	614	-
• doubtful debt expense	137	-
• obsolete stock provision	100	-
• amortisation of borrowing expenses	7	-
• share benefits expense	1,360	-
Net changes in working capital:		
• change in inventories	(2,016)	-
• change in trade and other receivables	(1,381)	(15)
• change in other assets	69	-
• change in trade and other payables	586	70
• change in deferred tax	(878)	(31)
• change in provisions	72	-
Net cash used in operating activities	**(1,237)**	**(163)**

(b) Non cash financing transactions

During the financial year, the Group acquired vehicles to the value $157,266 (2015: $Nil) via finance leases. These transactions are not reflected in the Statement of Cash Flows.

26. EMPLOYEE REMUNERATION

26.1 EMPLOYEE BENEFITS EXPENSE

Expenses recognised for employee benefits are analysed below:

Employee benefits – expense	**2016 $'000**	**2015 $'000**
Wages and salaries	12,639	-
Bonuses	330	-
Share-based payments	1,360	-
Superannuation	1,048	-
Employee benefits expense	15,377	-

26.2 SHARE-BASED EMPLOYEE REMUNERATION

As part of Apiam's initial public float 1,360,000 shares were issued to eligible employees in Australia nominated by the Company. These employee shares were issued for nil consideration. The fair value of the shares issued was $1.00. In total, $1,360,000 (2015: $Nil) of employee remuneration expense (all of which related to equity-settled share-based payment transactions) have been included in profit or loss and credited to share capital.

27. AUDITOR REMUNERATION

	2016 $'000	**2015 $'000**
Audit services – Grant Thornton		
Remuneration for audit or review of financial statements	186	7
Other services – Grant Thornton		
• investigating accountant	300	-
• taxation services	18	-
• other	25	1
Total other services remuneration	343	1
Total auditor's remuneration	**529**	**8**

28. RELATED PARTY TRANSACTIONS

The Group's related parties include key management, post-employment benefit plans for the Group's employees and others as described below.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

28.1 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management of the Group are the executive members of Apiam's Board of Directors and members of the Executive Team. Key management personnel remuneration includes the following expenses:

	2016 $'000	2015 $'000
Short-term employee benefits:		
• salaries including bonuses and non-monetary benefits	943	-
• bonuses	145	-
• non-monetary benefits	23	-
Total short-term employee benefits	**1,111**	**-**
Long- term employee benefits:		
• long service leave	(12)	-
Total long-term employee benefits	**(12)**	**-**
Post-employment benefits:		
• superannuation	67	-
Total post-employment benefits	**67**	**-**
Share-based payments	**380**	**-**
Total remuneration	**1,546**	**-**

Loans to key management personnel

The Group entered into a loan facility agreement with Chris Richards, under which the Group agreed to lend up to $1.5million. The loan is at an interest rate equal to the Term Debt Facility interest payable by the Group plus 2% per annum. The table below provides aggregate information relating to Group's loans to key management personnel during the year:

	2016 $
Balance at the start of the year	133
Loans advanced	1,229
Interest paid and payable for the year	15
Repayments made	(1,377)
Balance at the end of the year	-

The number of key management personnel included in the Group aggregate at year end is Nil. The Group does not have an allowance account for receivables relating to outstanding loans and has not recognised any expense for impaired receivables during reporting period.

Other transactions with key management personnel

The Group rents premises at Piper Lane, Bendigo East, Victoria. The premises are owned by an entity associated with Chris Richards. Rent payments made amounted to $160,000 (2015: Nil).

The Group rents premises at Rubicon Street, Smithton, Tasmania. The premises are owned by an entity associated with Chris Richards. Rent payments made amounted to $73,515 (2015: Nil).

The Group leases it artificial insemination facility in Victoria from entities associated with Chris Richards. Lease payments made amounted to $43,147 (2015: Nil).

All related party rentals are based on commercial rates and the terms of the lease are standard commercial terms.

The Group has entered into an intellectual property licence with iVet Pty Ltd, a company controlled by Chris Richards, to use the iVet intellectual property. The Group will pay iVet Pty Ltd a royalty of 10% of net sales revenue received by the Group for the use of the intellectual property licence. The agreement is for an initial term of 10 years. The group has the option to purchase the iVet technology by giving notice to iVet Pty Ltd at any time during the initial 5 years of the term. No payments were made during the financial year (2015: Nil).

The Group obtains business air travel services from an entity associated with Chris Richards. The fares paid are based on commercial fares. Payments made amounted to $121,257 (2015: Nil).

29. CONTINGENT LIABILITIES

In the Directors' view, there are no contingent assets or liabilities that will have a material effect on the Group.

30. CAPITAL COMMITMENTS

	201 $'000	201 $'000
Property, plant and equipment	218	-
	218	**-**

Capital commitments relate to vehicle leases where finance facilities have been committed but the assets not yet received.

31. BUSINESS RESTRUCTURE

On 1 November 2015 and 9 December 2015, as part of the Group's reorganisation and restructure of entities under common control, ownership of the following companies was transferred to Apiam Animal Health Limited in exchange for cash and shares:

	% gained		% gained
• Chris Richards & Associates Pty Ltd	100	• Country Vet Wholesaling Pty ltd	100
• Farm Gate Logistics (Qld) Pty Ltd	100	• Apiam Management Pty Ltd	100
• Southern Cross Feedlot Services Pty Ltd	100	• Westvet Wholesale Pty Ltd	100
• Portec Veterinary Services Pty ltd	49	• Pork Storks Australia Pty Ltd	100

Details of the business restructure are as follows:	**$'000**
Fair value of consideration transferred	**34,386**
Settled as follows:	
Amount settled in cash	2,915
Amount settled by issue of shares at fair value	30,633
Amount owing at balance date	88
Contingent consideration subject to performance criteria	750
Recognised amounts of identifiable net assets	
Property, plant and equipment	1,916
Deferred tax assets	451
Total non-current assets	**2,367**
Inventories	5,381
Trade and other receivables	11,417
Cash and cash equivalents	2,299
Other current assets	323
Total current assets	**19,420**
Borrowings	(563)
Provisions	(61)
Total non-current liabilities	**(624)**
Borrowings	(5,944)
Provisions	(1,082)
Current tax liabilities	(378)
Trade and other payables	(12,078)
Total current liabilities	**(19,482)**
Identifiable net assets	**1,681**
Reserves arising upon reconstruction	**32,705**
Represented by:	
Corporate re-organisation reserve	26,666
Non-controlling interest acquisition reserve	6,615
Non-controlling interest	(576)
Consideration transferred settled in cash	(2,914)
Cash and cash equivalents acquired	2,299
Net cash outflow on acquisition	**615**
Acquisition costs charged to expenses	(640)
Net cash inflow relating to the acquisition	**(25)**

31.1 CONSIDERATION TRANSFERRED

Acquisition-related costs amounting to $640,000 are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss and other comprehensive income, as part of listing and acquisition costs expenses.

31.2 IDENTIFIABLE NET ASSETS

The fair values of the identifiable intangible assets have been determined provisionally at 30 June 2016. The Group is currently obtaining the information necessary to appropriately consider the identification and fair value of identifiable intangible assets.

31.3 CONTINGENT CONSIDERATION SUBJECT TO PERFORMANCE CRITERIA

The contingent consideration amounting to $750,000 (Note 20) relating to the acquisition of a subsidiary has been recorded at fair value. The consideration is contingent on achieving certain pre-determined earnings which is expected to be met and paid in December 2016.

32. BUSINESS COMBINATION

On 9 December 2015, the Group acquired 100% of the issued share capital and voting rights of the following companies:

- McAuliffe Moore & Perry Pty Ltd (Kyabram Clinic)
- Warrnambool Veterinary Clinic Pty Ltd
- Scottsdale Veterinary Services Pty Ltd
- Smithton Veterinary Service Pty Ltd

In addition, on 9 December 2015, the following businesses were acquired:

- Dubbo Veterinary Clinic
- Bell Veterinary Clinic
- Gippsland Veterinary Clinic
- Southern Riverina Clinic
- Border Veterinary Clinic

The following detailed table highlights the fair value of the identifiable assets acquired and liabilities assumed as at the date of acquisition for each of the business combinations undertaken in the period.

Details of the business combination are as follows:

	Practice 1 $'000	Practice 2 $'000	Practice 3 $'000	Practice 4 $'000	Others $'000	Total $'000
Fair value of consideration transferred						
Amounts settled in cash	3,752	3,494	2,151	4,977	9,694	24,068
Amount settled by issue of shares at fair value	3,775	3,963	7,757	3,834	6,574	25,903
Contingent consideration		-	-	-	500	500
Total fair value of consideration transferred	**7,527**	**7,457**	**9,908**	**8,811**	**16,768**	**50,471**
Recognised amounts of identifiable net assets						
Property plant and equipment	376	620	494	392	860	2,742
Deferred tax assets	77	122	90	15	391	695
Total non-current assets	**453**	**742**	**584**	**407**	**1,251**	**3,437**
Cash and equivalents	2	-	-	-	-	2
Inventories	354	463	385	348	1,334	2,884
Trade and other receivables	347	907	554	560	2,973	5,341
Other current assets	-	43	-	-	76	123
Total current assets	**703**	**1,413**	**939**	**908**	**4,383**	**8,347**
Borrowings	-	-	-	-	101	101
Provisions	26	31	26	-	36	119
Total non-current liabilities	**26**	**31**	**26**	**-**	**137**	**220**
Provisions	236	487	275	49	1,315	2,362
Borrowings	132	-	-	-	976	1,108
Current tax liabilities	84	-	-	-	99	183
Trade and other payables	84	285	59	-	1,633	2,061
Total current liabilities	**536**	**772**	**334**	**49**	**4,023**	**5,714**
Identifiable net assets	**594**	**1,352**	**1,163**	**1,266**	**1,474**	**5,849**
Goodwill on acquisition	**6,933**	**6,105**	**8,745**	**7,545**	**15,294**	**44,622**
Net cash outflow on acquisition	**3,752**	**3,494**	**2,151**	**4,977**	**9,694**	**24,068**

32.1 CONSIDERATION TRANSFERRED

Acquisition-related costs amounting to $934,000 are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss and other comprehensive income, as part of listing and acquisition costs expenses.

32.2 IDENTIFIABLE NET ASSETS

The fair values of the identifiable intangible assets have been determined provisionally at 30 June 2016. The Group is currently obtaining the information necessary to appropriately consider the identification and fair value of identifiable intangible assets.

32.3 GOODWILL

The goodwill that arose on the combination can be attributed to the value of the businesses to the Group in addition to the net tangible assets acquired, synergies expected to be derived from the combination and the value of each of the veterinary businesses which cannot be recognised as an intangible asset. The goodwill that arose from this business combination is not expected to be deductible for tax purposes.

32.4 CONTINGENT CONSIDERATION SUBJECT TO PERFORMANCE CRITERIA

The contingent consideration amounting to $500,000 (Note 20) relating to the acquisition of a subsidiary has been recorded at fair value. The consideration is contingent on achieving certain pre-determined earnings which is expected to be met and paid in December 2016.

33. INTERESTS IN SUBSIDIARIES

33.1 COMPOSITION OF THE GROUP

Set out below details of the subsidiaries held directly by the Group:

	Country of incorporation and principal place of business		Group proportion of ownership interests	
Name of the Subsidiary		**Principal activity**	**30-Jun-16**	**30-Jun-15**
Chris Richards & Associates Pty Ltd	Australia	Veterinary services	100%	-%
Country Vet Wholesaling Pty Ltd	Australia	Wholesale supply	100%	-%
Farm Gate Logistics (Qld) Pty Ltd	Australia	Transport	100%	-%
Apiam Management Pty Ltd	Australia	Payroll	100%	-%
Southern Cross Feedlot Services Pty Ltd	Australia	Veterinary services	100%	-%
Westvet Wholesale Pty Ltd	Australia	Wholesale supply	100%	-%
Portec Veterinary Services Pty Ltd	Australia	Veterinary services	49%	-%
Pork Storks Australia Pty Ltd	Australia	Genetics	100%	-%
McAuliffe Moore & Perry Pty Ltd	Australia	Veterinary services	100%	-%
Warrnambool Veterinary Clinic Pty Ltd	Australia	Veterinary services	100%	-%
Scottsdale Veterinary Services Pty Ltd	Australia	Veterinary services	100%	-%
Smithton Veterinary Service Pty Ltd	Australia	Veterinary services	100%	-%
AAH - Dubbo Vet Hospital Pty Ltd	Australia	Veterinary services	100%	-%
AAH - Bell Vet Services Pty Ltd	Australia	Veterinary services	100%	-%
CVH Gippsland Pty Ltd	Australia	Veterinary services	100%	-%
CVH Southern Riverina Pty Ltd	Australia	Veterinary services	100%	-%
CVH Border Pty Ltd	Australia	Veterinary services	100%	-%
CVH iVet Pty Ltd	Australia	Dormant	100%	-%
Tasvet Wholesale Pty Ltd	Australia	Dormant	100%	-%

Significant judgements and assumptions

The Group holds 49% of the ordinary shares and voting rights in Portec Veterinary Services Pty Ltd ('Portec').

One (1) other investor holds 51% in order to ensure compliance with statutory laws applicable in Western Australia where Portec Veterinary Services Pty Ltd (Portec) conducts its operations. Management has assessed its involvement in Portec in accordance with AASB 10's revised control definition and guidance. It has concluded that it has outright control. In making its judgement, management considered the Group's voting rights, the relative size and dispersion of the voting rights held by the other shareholder and the extent of recent participation by those shareholder in general meetings. Recent experience demonstrates that the other shareholder participates such that they do not prevent the Group from having the practical ability to direct the relevant activities of Portec unilaterally.

33.2 LOSING CONTROL OVER A SUBSIDIARY DURING THE REPORTING PERIOD

There was no loss of control over a subsidiary during the reporting period.

33.3 INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

The Group has no interests in unconsolidated structured entities.

34. LEASES

34.1 FINANCE LEASES AS LESSEE

The Group's main motor vehicles and certain items of plant and equipment are held under finance lease arrangements. As of 30 June 2016, the net carrying amount of the motor vehicles held under finance lease arrangements (included as part of motor vehicles) is $564,585 (2015: $Nil); and the net carrying amount of the plant and equipment held under finance lease arrangements (included as part of plant and equipment) is $73,076 (2015: $Nil) (see Note 13).

The Group's finance lease liabilities, which are secured by the related assets held under finance leases, are classified as follows:

	2016 $'000	2015 $'000
Current:		
• finance lease liabilities	242	-
Non-current:		
• finance lease liabilities	262	-

Future minimum finance lease payments at the end of each reporting period under review were as follows:

	Minimum lease payments due			
	Within 1 year $'000	1-5 years $'000	After 5 years $'000	Total $'000
30-Jun-16				
Lease payments	257	271	-	528
Finance charges	(15)	(9)	-	(24)
Net present values	**242**	**262**	**-**	**504**
30-Jun-15				
Lease payments	-	-	-	-
Finance charges	-	-	-	-
Net present values	**-**	**-**	**-**	**-**

34.2 OPERATING LEASES AS LESSEE

The Group leases an office and veterinary premises at various locations under operating leases. The future minimum lease payments are as follows:

	Minimum lease payments due			
	Within 1 year $'000	1-5 years $'000	After 5 years $'000	Total $'000
30 June 2016	1,438	4,409	2,062	7,909
30 June 2015	-	-	-	-

Lease expense during the period amounted to $875,752 (2015: $Nil) representing the minimum lease payments.

35. FINANCIAL INSTRUMENT RISK

35.1 RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarised in Note 40.1. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated at its headquarters, in close cooperation with the Board of Directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

35.2 MARKET RISK ANALYSIS

The Group is exposed to market risk through its use of financial instruments and specifically to interest rate risk, which result from both its operating and investing activities.

Interest rate sensitivity

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing. At 30 June 2016, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1% (2015: +/- 1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Profit for the year		Equity	
	$'000 +1%	$'000 -1%	$'000 +1%	$'000 -1%
30 June 2016	80	(80)	80	(80)
30 June 2015	-	-	-	-

35.3 CREDIT RISK ANALYSIS

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example by trade receivables. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	2016 $'000	2015 $'000
Classes of financial assets		
Carrying amounts:		
• cash and cash equivalents	2,117	20
• trade and other receivables	13,254	15
	15,371	**35**

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The Group's management considers that all of the above financial assets that are not impaired or past due for each of the 30 June reporting dates under review are of good credit quality.

At 30 June, the Group has certain trade receivables that have not been settled by the contractual due date but are not considered to be impaired. The amounts at 30 June analysed by the length of time past due, are:

	2016 $'000	2015 $'000
Past due under 30 days	1,594	15
Past due 30 days to under 60 days	633	-
Past due 60 days and over	831	-
Total	**3,058**	**15**

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates management consider the credit quality of trade receivables that are not past due or impaired to be good.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

35.4 LIQUIDITY RISK ANALYSIS

Liquidity risk is the risk that the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient over the lookout period.

The Group's objective is to maintain cash and marketable securities to meet its liquidity requirements for 30-day periods at a minimum. This objective was met for the reporting periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Group's existing cash resources and trade receivables significantly exceed the current cash outflow requirements. Cash flows from trade and other receivables are all contractually due within one (1) month.

As at 30 June 2016, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current		Non-current	
	Within 6 months $'000	6 - 12 months $'000	1 - 5 years $'000	5+ years $'000
30 June 2016				
Other bank borrowings	3,919	-	11,650	-
Finance lease obligations	121	121	262	-
Trade and other payables	9,491	-	-	-
Total	**13,531**	**121**	**11,912**	**-**

This compares to the maturity of the Group's non-derivative financial liabilities in the previous reporting periods as follows:

	Current		Non-current	
	Within 6 months $'000	6 - 12 months $'000	1 - 5 years $'000	5+ years $'000
30 June 2015				
Trade and other payables	113	-	-	-
Total	**113**	**-**	**-**	**-**

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date.

36. FAIR VALUE MEASUREMENT

36.1 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three (3) levels of a fair value hierarchy. The three (3) levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 30 June 2016 and 30 June 2015:

30 June 2016	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial liabilities				
Contingent consideration	-	-	1,250	1,250
Total liabilities	**-**	**-**	**1,250**	**1,250**
Net fair value	**-**	**-**	**1,250**	**1,250**

30 June 2015	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial liabilities				
Total liabilities	**-**	**-**	**-**	**-**
Net fair value	**-**	**-**	**-**	**-**

Measurement of fair value of financial instruments

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. The finance team reports directly to the Chief Financial Officer (CFO) and to the Audit Committee. Valuation processes and fair value changes are discussed among the Audit Committee and the valuation team at least every year, in line with the Group's reporting dates.

The valuation techniques used for instruments categorised in Level 3 are described below:

Contingent consideration (Level 3)

The fair value of contingent consideration related to the acquisition of business combinations (see Note 31.3 and 32.4) is considered to be face value as the payments become due within the next six (6) months.

The following table provides information about the sensitivity of the fair value measurement to changes in the most significant inputs:

Significant unobservable input	Estimate of the input	Sensitivity of the fair value measurement to input
Probability of meeting target	100%	-

Level 3 Fair value measurements

The reconciliation of the carrying amounts of financial instruments classified within Level 3 is as follows:

	Contingent consideration	
	2016 $'000	2015 $'000
Balance at 1 July 2015	-	-
Payable business combination	1,250	-
Balance at 30 June 2016	**1,250**	**-**

37. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern, and
- to provide an adequate return to shareholders;

by pricing products and services commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of the statement of financial position. The Group's goal in capital management is to maintain a maximum gearing ratio of 35% (ratio of debt to equity). This is in line with the Group's covenants resulting from the banking facilities it has taken out from in December 2015.

Management assesses the Group's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the Group's various classes of debt. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The amounts managed as capital by the Group for the reporting periods under review are summarised as follows:

	2016 $'000	2015 $'000
Total equity	46,271	(47)
Cash and cash equivalents	2,117	20
Capital	**48,388**	**(27)**
Total equity	46,271	(47)
Borrowings	16,012	-
Overall financing	**62,283**	**(47)**
Capital-to-overall financing ratio	**0.78**	**-**

The Group has honoured its covenant obligations, including maintaining capital ratios, since the banking loans were taken out in December 2015.

38. PARENT ENTITY INFORMATION

Information relating to Apiam Animal Health Limited ('the Parent Entity'):

	2016 $'000	2015 $'000
Statement of financial position		
Current assets	786	35
Total assets	94,116	66
Current liabilities	7,375	113
Total liabilities	18,951	113
Net assets	75,165	(47)
Issued capital	79,070	140
Retained earnings / (Accumulated losses)	(3,905)	(187)
Total equity	75,165	(47)
Statement of profit or loss and other comprehensive income		
Profit for the year	(3,718)	(187)
Other comprehensive income	-	-
Total comprehensive income	**(3,718)**	**(187)**

The Parent Entity has capital commitments of $218,000 to purchase motor vehicles (2015: $Nil). Refer Note 30 for further details of the commitment.

The Parent Entity has entered into a deed of cross guarantee. Refer Note 41 for details.

The Parent Entity had no contingent liabilities at 30 June 2016 (2015: $Nil).

39. POST-REPORTING DATE EVENTS

On 19 August 2016, the Company signed an agreement to acquire 100% of the shares in Quirindi Veterinary Group of companies, comprising Quirindi Veterinary Clinic Pty Ltd, Quirindi Feedlot Services Pty Ltd and Quirindi Equine Centre Pty Ltd (QVG) for $11.57 million. QVG provides veterinary services to large beef production systems throughout Australia through its business unit Quirindi Feedlot Services, provides equine reproduction services at its custom built centre in Quipolly, near Scone in NSW, and runs a livestock and companion animal veterinary practice located in Quirindi.

The acquisition will be funded using Apiam's existing bank facilities. The consideration for the acquisition is a combination of 70% cash and 30% scrip. In line with Apiam's previous acquisitions, the principals of the business will enter into an employment contract with restraint conditions. Shares issued under the agreement will be subject to escrow.

The Group is currently obtaining the information necessary to appropriately consider the identification and fair value of identifiable intangible assets.

There are no other matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either:

- the entity's operations in future financial years
- the results of those operations in future financial years; or
- the entity's state of affairs in future financial years

40. FINANCIAL ASSETS AND LIABILITIES

40.1 CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

Note 4.12 provides a description of each category of financial assets and financial liabilities and the related accounting policies.

A description of the Group's financial instrument risks, including risk management objectives and policies is given in Note 35.

The methods used to measure financial assets and liabilities reported at fair value are described in Note 36.1.

The carrying amounts of financial assets and financial liabilities in each category are as follows:

30 June 2016	Notes	Financial assets at amortised cost $'000	Total $'000
Financial assets			
Cash and cash equivalents	9	2,117	2,117
Trade and other receivables *	10	13,254	13,254
		15,371	**15,371**

30 June 2016	Notes	Other liabilities $'000 (Carried at amortised cost)	Total $'000
Financial liabilities			
Non-current borrowings	18	11,864	11,864
Current borrowings	18	4,148	4,148
Trade and other payables	16	9,491	9,491
Current tax liabilities	17	1,366	1,366
Contingent consideration	20	1,250	1,250
		28,119	**28,119**

30 June 2015	Notes	Financial assets at amortised cost $'000	Total $'000
Financial assets			
Cash and cash equivalents	9	20	20
Trade and other receivables *	10	15	15
		35	**35**

* These amounts only represent trade receivables that are financial assets. See Note 10.

30 June 2015	Notes	Other liabilities $'000 (Carried at amortised cost)	Total $'000
Financial liabilities			
Trade and other payables	16	113	113
		113	113

40.2 BORROWINGS

Borrowings include the following financial liabilities:

Financial liabilities	Current		Non-current	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Carrying amount at amortised cost:				
• other bank borrowings (Note 18)	3,906	-	11,602	-
• finance lease liabilities (Note 34)	242	-	262	-
	4,148	**-**	**11,864**	**-**

All borrowings are denominated in $AUD.

Borrowings at amortised cost

Other bank borrowings are secured by first ranking general security agreements in relation to the current and future assets of Apiam Animal Health Limited and each wholly owned subsidiary. Current interest rates are variable and average 5.4% (2015: Nil%). The carrying amount of the other bank borrowings is considered to be a reasonable approximation of the fair value.

40.3 OTHER FINANCIAL INSTRUMENTS

The carrying amount of the following financial assets and liabilities is considered a reasonable approximation of fair value:

- trade and other receivables
- cash and cash equivalents; and
- trade and other payables

41. DEED OF CROSS GUARANTEE

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

Chris Richards & Associates Pty Ltd
Country Vet Wholesaling Pty Ltd
Farm Gate Logistics (Qld) Pty Ltd
Apiam Management Pty Ltd
Southern Cross Feedlot Services Pty Ltd
Westvet Wholesale Pty Ltd
Pork Storks Australia Pty Ltd
McAuliffe Moore & Perry Pty Ltd
Warrnambool Veterinary Clinic Pty Ltd
Scottsdale Veterinary Services Pty Ltd
Smithton Veterinary Service Pty Ltd
AAH - Dubbo Vet Hospital Pty Ltd
AAH - Bell Vet Services Pty Ltd
CVH Gippsland Pty Ltd
CVH Southern Riverina Pty Ltd
CVH Border Pty Ltd
Tasvet Wholesale Pty Ltd

By entering into the deed, the wholly-owned entities have been relieved of the requirement to prepare financial statements and a directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

Set out below is a consolidated statement of profit or loss and other comprehensive income of the parties to the Deed.

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2016

	2016 $'000	2015 $'000
Revenue	**51,724**	**-**
Expenses		
Changes in inventories	1,725	-
Costs of materials	(28,713)	-
Costs of consumables and services	(456)	-
Employee benefits expense	(15,110)	-
Listing and acquisition expense	(2,026)	-
Property expenses	(1,410)	-
Freight vehicle and transport expenses	(1,407)	-
Depreciation of property, plant and equipment	(593)	-
Other expenses	(2,345)	(218)
Finance costs	(434)	-
Other financial items	(7)	-
Profit / (Loss) before income tax	**948**	**(218)**
Income tax expense	968	31
Profit / (Loss) for the year	**(20)**	**(187)**
Other comprehensive income		
Other comprehensive income for the period, net of tax	**-**	**-**
Total comprehensive income / (loss) for the period	**(20)**	**(187)**

Set out below is a consolidated statement of financial position of the parties to the Deed.

Statement of Financial Position as at 30 June 2016

	2016 $'000	2015 $'000
Assets		
Current assets		
Cash and cash equivalents	2,009	20
Trade and other receivables	12,770	15
Inventories	10,167	-
Other current assets	371	-
Total current assets	**25,317**	**35**
Non-current assets		
Property, plant and equipment	4,479	-
Financial assets	799	-
Intangible assets	44,702	-
Deferred tax assets	2,967	31
Total non-current assets	**52,947**	**31**
Total assets	**78,264**	**66**
Liabilities		
Current liabilities		
Trade and other payables	9,410	113
Borrowings	4,147	-
Current tax liabilities	1,357	-
Provisions	3,453	-
Other current liabilities	1,250	-
Current liabilities	**19,617**	**113**
Non-current liabilities		
Borrowings	11,864	-
Provisions	266	-
Deferred tax liabilities	-	-
Total non-current liabilities	**12,130**	**-**
Total liabilities	**31,747**	**113**
Net assets/(liabilities)	**46,517**	**(47)**
Equity		
Equity attributable to owners of the parent:		
• share capital	79,070	-
• convertible notes	-	140
• corporate re-organisation reserve	(25,642)	-
• non-controlling interest acquisition reserve	(6,615)	-
• retained earnings/(accumulated losses)	(296)	(187)
Total equity/(deficiency)	**46,517**	**(47)**

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Apiam Animal Health Limited:
    a. The consolidated financial statements and notes of Apiam Animal Health Limited are in accordance with the Corporations Act 2001, including
        i. Giving a true and fair view of its financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and
        ii. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
    b. There are reasonable grounds to believe that Apiam Animal Health Limited will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director and Chief Financial Officer for the financial year ended 30 June 2016.
3. Note 2 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Dr Christopher Irwin Richards
Managing Director

Melbourne
25 August 2016

INDEPENDENT AUDITORS' REPORT

Grant Thornton

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Independent Auditor's Report

To the Members of Apiam Animal Health Limited

Report on the financial report

We have audited the accompanying financial report of Apiam Animal Health Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' declaration of the consolidated entity comprising the Company and the entities it controlled at year end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

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In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

a the financial report of Apiam Animal Health Limited is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in pages 11 to 16 of the Directors' report for the year ended 30 June 2016. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Apiam Animal Health Limited for the year ended 30 June 2016, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Adam Pitts
Partner - Audit & Assurance

Melbourne, 25 August 2016

04

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, Apiam Animal Health Limited and its controlled entities ('Apiam' or the Group') have considered the third edition of the ASX Corporate Governance Principles and Recommendations which was released by the ASX Corporate Governance Council on 27 March 2014 and became effective for financial years beginning on or after 1 July 2014. The Company has followed all recommendations where they are deemed to be an appropriate benchmark for the Company's corporate governance practices. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for adoption of its own practice, in compliance with the "if not, why not" regime.

This Corporate Governance Statement explains the Apiam's conformance with the 'Corporate Governance Principles and Recommendations' issued by the Australian Securities Exchange (ASX).

PRINCIPLE 1 - LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

RECOMMENDATION 1.1:

A listed entity should disclose:

- ***the respective roles and responsibilities of its board and management; and***
- ***those matters expressly reserved to the board and those delegated to management.***

The Board acts on behalf of shareholders and is accountable to shareholders for the overall direction, management and corporate governance of the Company. The Apiam Board Charter formally defines the role and responsibilities of the Board.

The Board is responsible for:

- providing leadership and setting the strategic direction of the Company;
- reviewing on an ongoing basis how the Company's strategic environment is changing, what key risks and opportunities are appearing, how they are being managed and what, if any, modifications in strategic direction should be adopted;
- Approval of the strategic plan and budget annually;
- Monitoring and assessing management's performance against approved strategies and budgets;
- Appointment and removal of the Managing Director and determination of the Managing's terms and conditions including remuneration subject to shareholder approval if required by the Corporations Act or the ASX Listing Rules;
- Setting the criteria and evaluating each year the performance of the Managing Director;
- Approval, on the recommendation of the Managing Director, of the appointment and remuneration of the direct reports to the Managing Director;
- appointing and when necessary removing the:
- the chairperson of the Board (Chair);
- the company secretary (Company Secretary);
- approving and monitoring the acquisition, establishment, disposal or cessation of any significant business or significant changes to organisational structures;
- approving and monitoring progress of major capital expenditure;
- determining the Company's dividend policy (if any) and overseeing the financing of dividend payments (if any);
- monitoring the integrity of the Company's accounting and corporate reporting systems, including the external audit;
- monitoring the Company's process for making timely and balanced disclosure of all material information concerning the Company that a reasonable person would expect to have a material effect on the price or value of its securities;
- ensuring that the Company has in place an appropriate risk management framework;
- setting the risk appetite within which the Board expects Management to operate;
- approving the Company's remuneration framework;
- monitoring the effectiveness of the Company's governance practises;

- monitoring and managing the performance of Senior Executives;
- ensuring that appropriate resources are available to Senior Executives;
- approving and managing succession plans for Senior Executives and other key management positions that may be identified from time to time;
- reviewing and monitoring any related party transactions; and
- monitoring the Company's operations in relation to, and in compliance with, relevant regulatory and legal requirements.

Role and responsibility of senior management

- Apiam has a Managing Director (MD). Responsibility for day to day management and administration of the Company is delegated by the Board to the MD and the Company's other Senior Executives.
- The MD manages the Company in accordance with the strategy, plans and policies approved by the Board.
- The responsibilities of the MD include:
  i. developing and recommending to the Board strategies, business plans and annual budgets for the Company;
  ii. implementing the strategies, business plans and budgets adopted by the Board;
  iii. providing effective leadership, direction and supervision of the Senior Executive team to achieve the strategies, business plans and budgets adopted by the Board;
  iv. managing resources within budgets approved by the Board;
  v. ensuring compliance with applicable laws and regulations; and
  vi. ensuring the Board is given sufficient information to enable it to perform its functions, set strategies and monitor performance.
- The Board has in place procedures to assess the performance of the MD and Senior Executives.

RECOMMENDATION 1.2:

A listed entity should:

- ***undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and***
- ***provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.***

The Board Charter requires the Directors to undertake appropriate checks before appointing a person or putting forward a person for nomination as a director.

RECOMMENDATION 1.3:

A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

Each Director and senior executive is appointed under a written agreement setting out the terms of their appointment.

RECOMMENDATION 1.4:

The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

The role of the Company Secretary includes:

i. advising the Board and its committees (as established from time to time) on governance matters;
ii. monitoring that Board and committee policy and procedures are followed;
iii. coordinating the timely completion and despatch of board and committee papers;
iv. ensuring that the business at Board and committee meetings is accurately captured in the minutes; and
v. helping to organise and facilitate the induction and professional development of directors.

Each director should be able to communicate directly with the Company Secretary and vice versa.

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

RECOMMENDATION 1.5:

A listed entity should:

- ***have a diversity policy which includes requirements for the board or a relevant committee of the board to set measureable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;***
- ***disclose that policy or a summary of it; and***
- ***disclose as at the end of each reporting period the measureable objectives for achieving gender diversity set by the board in accordance with the entity's diversity policy and its progress towards achieving the respective proportions of men and women on the board, in senior executive positions and across the whole organisation.***

Apiam's Diversity Policy supports the company's commitment to ensuring an inclusive workplace that encourages and embraces diversity. Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The Company is an equal opportunity employer and respects and welcomes people from all backgrounds.

The Company's diversity and inclusion principles are to ensure:

- all employees are treated fairly and with respect;
- the ability to contribute and access career development opportunities is based solely on merit;
- individual differences are embraced in the workplace;
- the workplace is free from discriminatory behaviours and practices;
- equitable frameworks and policies, practices and processes limit the potential for biases;
- there is awareness of the different needs and circumstances of employees; and
- there is provision for flexible work arrangements.

The Company and its Board recognise that gender diversity:

- broadens the pool of high-quality directors and employees;
- is likely to support employee retention;
- is likely to encourage greater innovation by drawing on different perspectives;
- is a socially and economically responsible governance practice; and
- will improve the Company's corporate reputation.

As at 30 June 2016 women employees represented approximately 63% of the total workforce of 327. There are currently 4 women filling 50% of the 8 senior executive positions.

RECOMMENDATION 1.6:

A listed entity should:

- ***have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and***
- ***disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.***

At the end of each annual reporting period, the Board will:

- conduct a self-evaluation of its performance against this Charter;
- review this Charter and recommend any changes or improvements if necessary; and
- disclose in the Company's annual report:
  a. the details and results of any performance evaluations that were undertaken by the Board during the period, including:
     - any insights gained from those evaluations; and
     - any resulting governance changes that will be implemented;
  b. the length of service of each director;
  c. the names of the directors considered by the Board to be independent directors; and
  d. if a director has an interest, position, association or relationship of a type which might be perceived as impacting upon their independence, but the Board is of the opinion that it does not compromise the independence of the director:
     - the nature of the interest position association or relationship in question; and
     - an explanation of why the Board is of that opinion.

RECOMMENDATION 1.7:

A listed entity should:

- ***have and disclose a process for periodically evaluating the performance of its senior executives; and***
- ***disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.***

Refer to the Remuneration Report in the Report of the Directors.

An evaluation of the performance of senior executives was undertaken during the year in accordance with the process determined by the Board.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

RECOMMENDATION 2.1:

The board of a listed entity should:

- ***have a nomination committee.***
- ***If it does not have a nomination committee, disclose this fact, and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.***

Apiam does not have a separate nomination committee. The board considers that the nomination function is effectively managed by all directors.

In relation to its nomination function, the Board Charter specifically requires the board to:

- assess the competencies required to discharge competently the Board's duties having regard to the Company's performance, financial position and strategic direction;
- develop and disclose to shareholders a Board skills matrix setting out the mix of competencies, experience and diversity that the Board currently has or is looking to achieve in its membership;
- establish a process for identifying suitable candidates for appointment to the Board, including the MD, having regard to the competencies required and the competencies already represented on the Board;
- undertake appropriate checks before a candidate is appointed or put forward to shareholders for election as a director;
- ensure that all information necessary to make an informed decision is provided to shareholders in relation to a proposed candidate for election as a director;
- develop and implement an induction program for all new directors and committee members which contains all such information and advice that may be considered necessary or desirable, including information regarding:
  - i. the Company's operations and the industry sectors in which it operates;
  - ii. the Company's financial, strategic, operational and risk management position;
  - iii. governance matters, policies and procedures; and
  - iv. the director or committee member's rights, duties and responsibilities;
- ensure that the Company provides each director and senior executive with a written agreement setting out the terms of his or her employment;
- regularly assess the independence of directors and report its findings to the Board;
- review the time commitments required from non-executive directors and whether the existing non-executive directors are meeting that requirement;
- plan for Board succession generally; and
- implement plans regarding the succession of the MD, executive directors and other senior management of the Company, including in regard to maintaining the required mix of competencies, experience and diversity.

RECOMMENDATION 2.2:

A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

The Apiam Board is well balanced, comprising directors who are proficient in all of Apiam's activities with an appropriate range of skills, experience and expertise to complement the business, who have a proper understanding of and are competent to deal with current and emerging issues relevant to the veterinary and animal health industry and who can effectively review and challenge the performance of management and exercise independent judgement.

Refer to the Report of the Directors for details of directors' skills, experience and expertise.

RECOMMENDATION 2.3 & 2.4:

A listed entity should disclose:

- ***the names of the directors considered by the board to be independent directors and their length of service;***
- ***a majority of the board of a listed entity should be independent directors.***

Apiam presently has four non-executive directors, all of whom are considered by the Board to be independent, and one executive director.

Non-Executive Directors
Professor Andrew Vizard (Chairman) – Independent
Mr Richard Dennis – Independent
Mr Charles Sitch – Independent
Mr Michael van Blommestein – Independent

Executive Directors

Dr Christopher Richards (Managing Director) – Not independent

Refer to the Report of Directors for information in relation to Director's length of service.

Directors are expected to comply with their legal, statutory and equitable duties when discharging their responsibilities as directors. Broadly, these are duties to:

- Act in good faith and in the best interests of Apiam as a whole;
- Act with care and diligence;
- Act for proper purposes;
- Avoid a conflict of interest or duty; and

- Refrain from making improper use of information gained through the position of director and taking improper advantage of the position of director.

Directors may access information and seek independent advice that they consider necessary to fulfil their responsibilities and to exercise independent judgement in decision making.

In respect of conflicts:

- Directors are required to act in a manner which is consistent with the best interests of the Company as a whole, free of any actual or possible conflicts of interest.
- Directors must:
  i. disclose to the Board any actual or potential conflict of interest or duty, or matter that might reasonably be thought to exist as soon as the situation arises;
  ii. take all necessary and reasonable action to resolve or avoid any actual or potential conflict of interest or duty; and
  iii. comply with all applicable law and the Constitution in relation to disclosing material personal interests and restrictions on voting.
- If a conflict exists, it is expected that any director to whom the conflict relates will leave the room when the Board is discussing any matter to which the conflict relates.
- Directors are expected to inform the Chair of any proposed appointment to the board or executive of another company as soon as practicable.
- No director will participate in the determination of their own remuneration.
- No director will participate in the review of their own performance.
- No director will be present for discussions at a Board meeting on, or vote on a matter , his or her election, re-election, or removal.

RECOMMENDATION 2.5:

The chair of the board should be an independent director and the roles of chairperson and chief executive officer should not be exercised by the same individual.

Apiam's Chairman, Professor Andrew Vizard, is considered by the board to be an independent director.

The roles of chairperson and managing director are exercised by Professor Andrew Vizard and Dr Christopher Richards respectively.

RECOMMENDATION 2.6:

The company should have a program for inducting new directors and provide professional development opportunities for directors.

New Board members are offered induction programs to allow them to fully and actively participate in decision making at the earliest opportunity. The induction programs are designed to ensure that any new director has a comprehensive knowledge of Apiam, the industry and the market in which it operates.

Directors and key executives are encouraged to continually update and enhance their skills and knowledge. Directors and key executives are encouraged to become members of relevant industry groups and professional organisations and to update and enhance their skills and knowledge through appropriate education and training courses.

PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

RECOMMENDATION 3.1:

A listed entity should:

- ***have a code of conduct for its directors, senior executives and employees; and***
- ***disclose that code or a summary of it.***

Apiam recognises the need for directors and employees to observe the highest standards of behaviour and business ethics when engaging in corporate activity. Apiam intends to maintain a reputation for integrity. The Board has adopted a Code of Conduct which sets out the principles and standards with which all officers and employees are expected to comply in the performance of their respective functions in respect of responsibilities to shareholders, customers, clients, consumers and the community.

The Code also sets guidelines in respect of employment practices, fair trading and dealing as well as conflicts of interest. A key element of that Code is the requirement that officers and employees act in accordance with the law and with the highest standards of propriety. The Code and its implementation are reviewed each year. The Apiam Code of Conduct is displayed on the company's website.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

RECOMMENDATION 4.1:

The board of a listed entity should:

i. have an audit committee which:

- ***has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and***
- ***is chaired by an independent director who is not the chair of the board***

ii. and disclose:

- ***the charter of the committee;***
- ***the relevant qualifications and experience of the members of the committee; and***
- ***the number of times the committee met throughout the period and the individual attendances of the members at those meetings.***

At the date of this report the members of the Apiam Audit and Risk Management Committee are Messrs. Richard Dennis (Chairman), Andrew Vizard, and Charles Sitch. All members are independent non-executive directors. Details of attendances by directors are to be found in the Report of the Directors.

The members of the Committee are well qualified to perform their duties as set out in the Charter with strong financial, legal and industry expertise. The external auditor met with the Audit and Risk Management Committee three times during the year without management being present.

The charter of the Apiam Audit and Risk Management Committee clearly sets out the Committee's role and responsibilities, composition, structure and membership requirements. The Audit and Risk Management Committee has the right to access management and seek independent professional advice in accordance with the Board Charter.

The primary function of the Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to:
a. the adequacy and integrity of financial reporting;
b. the application of appropriate accounting policies;
c. legal and regulatory compliance;
d. internal control and risk management systems; and
e. monitoring the effectiveness of audit functions.

RECOMMENDATION 4.2:

The board should, before it approves the entity's financial statements for a financial period, receive from the chief executive officer and the chief financial officer a declaration that, in their opinion, the financial records of the entity for a financial year have been properly maintained in accordance with the Corporations Act and that the financial statements and notes for the financial year comply with the accounting standards and give a true and fair view of the financial position and performance of the entity. The declaration must be given before the directors approve the financial statements for the financial year.

In accordance with the section 295 of the Corporations Act, the Managing Director and Chief Financial Officer of Apiam are required to declare in writing to the Board under section 295A(2) of the Act that in their opinion:

- Apiam's financial records have been properly maintained in accordance with section 286 of the Act; and
- consolidated financial statements and associated notes required by the relevant accounting standards present a true and fair view of the Company's financial condition and operational results and comply with relevant accounting standards.

The declaration is also underpinned by representations from executive management and relevant accounting officers. The declaration by the Managing Director and Chief Financial Officer also confirms the existence of a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that Apiam's risk management and internal compliance and control system is operating efficiently and effectively in all material respects in relation to financial reporting risks.

RECOMMENDATION 4.3:

Ensure the external auditor attends the Annual General Meeting and is available to answer questions from security holders.

The external auditor attends the Annual General Meeting and is available to answer questions from security holders.

PRINCIPLE 5 – PROVIDE TIMELY AND BALANCED DISCLOSURE OF ALL MATERIAL MATTERS CONCERNING THE COMPANY

RECOMMENDATION 5.1:

A listed entity should:

- ***have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and***
- ***disclose that policy or a summary of it.***

Apiam has adopted a Continuous Disclosure Policy. A copy of the Policy is available on the Company's website.

The Board bears the primary responsibility for ensuring the Company's compliance with its disclosure obligations and is therefore responsible for overseeing and implementing this Policy. The ultimate decision on whether material information needs to be disclosed to the ASX or otherwise rests with the Board.

The Company Secretary is responsible for day-to-day compliance with the Company's continuous disclosure obligations, including:

i. communicating with ASX in relation to Listing Rule matters including lodging disclosures with ASX;
ii. overseeing and coordinating disclosure of information to ASX, analysts, brokers, shareholders, the media and the public;
iii. making recommendations to the Board as to whether disclosure is required;
iv. coordination, preparing and approving all media releases by the Company (not including paid advertising); and
v. ensuring all announcements and investor presentations are made publically available on the Company's website.

Unless otherwise advised, the nominated Company spokespersons are:

i. the Managing Director;
ii. the Company Secretary; and
iii. the Chairperson.

The spokespersons are entitled to clarify information publicly released through ASX, but they should not add or reveal material price sensitive matters. The Managing Director should be kept advised of all discussions with the media and consulted in relation to any significant briefings or disclosures.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

RECOMMENDATION 6.1:

A listed entity should provide information about itself and its governance to investors via its website.

The Apiam website provides to shareholders and other stakeholders the facility to read and download annual reports, ASX announcements and corporate governance policies and procedures.

RECOMMENDATION 6.2:

A listed entity should design and implement, an investor relations program to facilitate effective two-way communication with investors.

The Company respects the rights of shareholders and seeks to facilitate the effective exercise of those rights. The Company does this by communicating effectively with shareholders, giving shareholders ready access to balanced and understandable information about the Company and corporate records and making it easy for shareholders to participate in general meetings.

RECOMMENDATION 6.3:

A listed entity should disclose the policies and procedures it has in place to facilitate and encourage participation at meetings of shareholders.

Notices of meeting are drafted in plain English to be easy and clear to understand. They are honest, accurate and not misleading. Meetings are held during normal business hours and at a place convenient for the greatest possible number of shareholders to attend.

RECOMMENDATION 6.4:

A listed entity should give shareholders the option to receive communications from, and send communications to, the entity and its security registry electronically.

The Company publishes all ASX announcements on the Apiam website, and also sends information to shareholders by mail or e-mail (where nominated). The Apiam website contains important information on the Company which is of use to shareholders in obtaining a greater understanding of the Company.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

RECOMMENDATION 7.1:

The board of a listed entity should:

- ***have a committee to oversee risk, which has at least three members and is chaired by an independent director; and disclose***
- ***the charter of the committee, the members of the committee and as at the end of the period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings.***

The Board is responsible for reviewing and ratifying systems of risk management and internal compliance and control. The Board has delegated to the Audit and Risk Management Committee the responsibility for establishment of policies on risk oversight and management. Specifically, the Audit and Risk Management Committee has responsibility to:

- to ensure that the Company has implemented a sound risk management framework and appropriate internal control systems;
- to review at least annually the effectiveness of the Company's risk management and internal control systems and make relevant recommendations to the Board;
- to monitor compliance with regulatory requirements under the ASX Listing Rules, the Corporations Act 2001 (Cth) and any other relevant guidelines;
- to monitor the Company's exposure to economic, environmental and social sustainability risks, and make recommendations to the Board as to how those risks should be managed;
- to make recommendations to the Board in relation to the Company's insurance program, having regard to the Company's business and the insurable risks associated with it; and
- any other responsibilities as determined by the Committee or the Board from time to time.

Further information is provided at Recommendation 4.1.

RECOMMENDATION 7.2:

The board or a committee of the board should:

- ***review the entity's risk management framework at least annually to satisfy itself that continues to be sound; and***
- ***disclose, in relation to each reporting period, whether such a review has taken place.***

Management has established and implemented the risk management system for assessing, monitoring and managing material business risks, including sustainability risk.

Management reports to the Audit and Risk Management Committee outlining the material business risks to the Company and reports on the status of the risks and effectiveness of controls through integrated risk management programs aimed at ensuring risks are identified, assessed and properly managed. Each business operational unit is responsible and accountable for implementing and managing the standards required by the program.

During the period, the Audit & Risk Management Committee commenced a review of the adequacy of the risk management framework and is to be completed in the following period.

RECOMMENDATION 7.3:

Disclose if the Company has an internal audit function, how it is structured and what role it performs:

The Audit & Risk Management Committee recognises the benefit of an internal audit function to assist in identifying risks and monitor the effectiveness of internal controls. It intends to consider the engagement of external providers to assist in developing an internal audit program based on risks identified from the risk management system and to conduct internal audit activities in conjunction with company personnel.

RECOMMENDATION 7.4:

Disclose whether the Company has material exposure to economic, environmental and social sustainability risks and, if it does, how it intends to manage those risks.

The Company does not believe its business operations have a material exposure to social sustainability risks. The Company believes its diversified product range and operations do not result in a material economic risk to the Company.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

RECOMMENDATION 8.1:

The board should establish a remuneration committee which:

- ***consists of a majority of independent directors;***
- ***is chaired by an independent chair; and***
- ***has at least three members.***

The Apiam Remuneration consists of a majority of independent directors, is chaired by an independent chairperson and has at least three members.

At the date of this report the members of the Apiam Remuneration Committee are Messrs. Michael van Blommestein (Chairman), Andrew Vizard and Charles Sitch

Refer to the Report of the Directors for the number of meetings held during the period and member attendances.

The purpose of the Committee is to assist the Board by reviewing and making recommendations to the Board in relation to:

a. the Company's remuneration policy, including as it applies to Directors and the process by which any pool of Directors' fees approved by shareholders is allocated to Directors;

b. remuneration packages of senior executives, non-executive Directors and executive Directors, equity-based incentive plans and other employee benefit programs;

c. the Company's superannuation arrangements;

d. the process for the evaluation of the performance of the Board, its Board Committees and individual Directors;

e. the review of the performance of senior executives and members of the Board, which should take place at least annually; and

f. those aspects of the Company's remuneration policies and packages, including equity-based incentives, which should be subject to shareholder approval.

RECOMMENDATION 8.2:

Disclose the policies regarding the remuneration of Directors and senior executives. Clearly distinguish the structure of non-executive directors' remuneration from that of senior executives.

Non-executive directors receive a fixed fee, no termination benefits, and no incentives. Fees paid to non-executive directors are benchmarked against similar sized companies operating in similar industries. Non-executive directors are not entitled to participate in any executive option or executive share scheme.

The aggregate amount of directors' fees payable to non-executive directors must not exceed the maximum amount permitted under the Apiam Constitution of $750,000.

Executive directors have access to salary, termination benefits, superannuation benefits and a vehicle allowance. Executive directors have no access to short term and long term incentives. The letters of appointment for directors clearly set out all relevant entitlements as applicable to executive and non-executive directors. The level of remuneration paid to executive directors, non-executive directors and key management personnel is set out in the Remuneration Report.

RECOMMENDATION 8.3:

Disclose any policy regarding the ability of executives participating in equity-based remuneration to limit the economic risk of participating in the scheme.

Refer to the Remuneration Report in the Report of the Directors in relation to equity based remuneration.

ASX SHAREHOLDER INFORMATION

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. The information is effective as at 16 August 2016.

SUBSTANTIAL SHAREHOLDERS

The number of substantial shareholders and their associates are set out below:

Shareholder	Number	Percentage
Mr Christopher Irwin Richards <Richards Family A/C>	26,852,304	27.27
HSBC Custody Nominees (Australia) Limited	6,674,728	6.78
National Nominees Limited	6,070,576	6.16

VOTING RIGHTS

Ordinary Shares: On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

DISTRIBUTION OF EQUITY SECURITY HOLDERS

Holding	No. of holders
1 - 1,000	94
1,001 - 5,000	237
5,001 - 10,000	224
10,001 - 100,000	280
100,000 and over	30
	865

HOLDERS OF LESS THAN A MARKETABLE PARCEL OF ORDINARY SHARES

There were no holders of less than a marketable parcel of ordinary shares.

TWENTY (20) LARGEST SHAREHOLDERS

Shareholder	Ordinary shares Number of shares held	Percentage (%) of issued shares
Mr Christopher Irwin Richards <Richards Family A/C>	26,852,304	27.27
HSBC Custody Nominees (Australia) Limited	6,674,728	6.78
National Nominees Limited	6,070,576	6.16
J P Morgan Nominees Limited	4,829,313	4.90
Cobash Pty Ltd <J&S Wright Family A/C>	3,834,158	3.89
National Nominees Ltd <DB A/C>	2,849,211	2.89
BNP Paribas Noms Pty Ltd <DRP>	2,668,332	2.71
UBS Nominees Pty Ltd	2,098,275	2.13
Ms KJ Malin	1,724,700	1.75
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	1,710,055	1.74
Jupiter Forge Pty Limited	1,419,505	1.44
Four Post Investments Pty Ltd	1,386,700	1.41
Mr RC Carmody & Mrs MM Carmody	1,333,650	1.35
Mr NL Leighton	1,244,131	1.26
Sonjaswright Pty Limited	1,200,000	1.22
Mr Craig James Dwyer <Dwyer Family A/C>	1,104,321	1.12
Mr KF Sullivan & Mrs JM Sullivan	1,010,000	1.03
Tocamac Pty Ltd <Peterson Family A/C>	986,700	1.00
Cindy Jane Pty Ltd <Cindy Jane Family A/C>	933,753	0.95
RBC Investor Services Australia Nominees Pty Limited	923,887	0.94
	70,854,299	**71.95**

UNISSUED EQUITY SECURITIES

There are no unissued equity securities.

SECURITIES EXCHANGE

The Company is listed on the Australian Securities Exchange.

Apiam
animal health