

Apiam Animal Health Limited

ASX: AHX

APPENDIX 4E

PRELIMINARY FINAL REPORT

COMPANY DETAILS

Name of entity:	Apiam Animal Health Limited
ACN:	604 961 024
Reporting period:	For the year ended 30 June 2017
Previous period:	For the year ended 30 June 2016

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Statutory Results Summary

CHANGES FROM PERIOD ENDED 30 JUNE						
	2017			2016		
	%			\$m		
Revenue from ordinary activities	up	81	to	98.0	from	54.0
Net profit attributable to members \$5,050,000	up	5330	to	5.0	from	0.09
Profit from ordinary activities after tax attributable to members		5330	to	5.0	from	0.09

Revenue for the year increased compared to the previous corresponding period predominantly due to the successful integration of acquired businesses.

Overview of Operating Performance

The period ended 30 June 2017 was marked by a number of foundational and strategic achievements that have positioned the Company well for long-term future growth, including:

- Revenue of \$98.0 million in FY2017, with revenue of \$51.9 million in H2 FY2017 (an increase of 17.1% on H2 FY2016, the prior comparable period)
- Gross margin of 48.2% in FY2017 compared to 46.8% in FY2016, driven by a strong performance from the companion & equine animal segment as well as the realisation of procurement synergies
- Building the platform for future growth now largely complete, delivering on second phase of strategic plan - "gaining efficiencies" - a key focus in FY2018

In FY2017 Apiam focused on executing the first phase of its three-year strategic plan – "building the foundations". This has centred around successfully integrating acquired businesses and building a platform for the Company's future growth with the capacity to deliver revenue synergies, organic growth and additional strategic acquisitions.

As previously advised, additional veterinarians, key account managers and administration support staff required to support Apiam's next stage of growth were mostly hired in the first half of FY2017. Significant work was also undertaken in FY2017 in important foundational areas such as work place policies, culture and branding.

RESULTS FOR ANNOUNCEMENT TO THE MARKET (CONTINUED)

Apiam maintains a positive outlook for FY2018, with revenue performing in line with expectations in the months of July and August to date and strong future business development strategy centred around several key initiatives: rural & regional expansion strategy, opportunistic growth into companion animal segment and supply chain initiatives.

Dividends

	Amount per security cents	Franked amount per security cents
2017 Interim Dividend	0.8 cents	0.8 cents
2017 Final Dividend (declared after balance date but not yet paid)	0.8 cents	0.8 cents
Record date for determining entitlements to the dividend:	21 September 2017	
Date dividend payable:	27 October 2017	

Dividend reinvestment plans

The Company has initiated a Dividend Reinvest Plan (DRP) for the FY17 Final Dividend which provides shareholders with the opportunity to utilise all or part of their dividends to purchase shares in the Company. Shareholders electing to participate must nominate by 28 September 2017.

Shareholders who elect to participate in the DRP for the 2017 final dividend will be issued shares at a DRP issue price which will be the average of the daily market price of Apiam's shares over the period of five trading days between 2 October 2017 and 6 October 2017 ('Pricing Period'). The timetable in respect of the 2017 final dividend and DRP is as follows:

Event / Action	Date*
Record Date	21 September 2017
Election Date: Last date for shareholders to make an election to participate in the DRP	5.00 pm (Melbourne time) on 28 September 2017
Pricing Period Commencement Date	2 October 2017
Last Day of Pricing Period	6 October 2017
Announcement of DRP issue price	9 October 2017
Dividend Payment Date / Issue of DRP shares	27 October 2017

**All dates are subject to change*

Details of the DRP can be downloaded from www.apiam.com.au. In order to participate in the DRP for the 2017 final dividend, shareholders should ensure that their DRP Election Form is received, or an online election is made, by no later than 5.00 pm (Melbourne time) on 28 September 2017. An online election can be made by visiting www.boardroom.com.au.

Net Tangible Asset per Security

	2017	2016
<hr/>		
Total number of shares on issue		
Net Tangible assets per share	-\$0.02	\$0.016

Return to shareholders

Dividends of \$809,423 were paid during the period; no share buy backs were conducted during the year.

Basis of Preparation

This report is based on the consolidated financial statements which have been audited by Grant Thornton Audit Pty Ltd. The audit report is included within the Company's Annual Report which accompanies this Appendix 4E.

Entities over which control has been gained or lost during the period:

Refer to Notes 31 and 32 of the attached Financial Statements for details of entities over which control has been gained. There were no entities over which control was lost.

Associates and Joint Venture Entities

The company has no associate companies and 1 joint venture entity.

Other information required by Listing Rule 4.3A

Other information requiring disclosure to comply with Listing Rule 4.3A is contained in the 30 June 2017 Annual Report (which includes the Directors' Report) which accompanies this Appendix 4E.

Accounting Standards

This Report has been compiled using Australian Accounting Standards and International Financial Reporting Standards.



2017



ANNUAL REPORT

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Chairman's Message



Dear shareholder,

I am pleased to present the second annual report for Apiam Animal Health Limited since its listing on the ASX in December 2015.

The 2017 financial year has been busy and productive for Apiam as we have worked to execute on the first phase of our three-year strategic plan, integrate acquired businesses and deliver growth for our shareholders.

During the year, and in-line with our planned acquisition strategy communicated at the time of our IPO, Apiam announced two strategically significant acquisitions - Quirindi Veterinary Group in September 2016 and AllStock in January 2017. Both businesses have performed extremely well under Apiam's ownership to date and importantly provide a specialty product offering which we can leverage across our customer base.

In May 2017 we provided shareholders full year revenue and earnings guidance for the 2017 financial year, with revenue expected to be in the range of \$96.0-\$98.0 million and underlying EBITDA to be in the range of \$7.2-\$8.5 million. I am pleased to report that our results for the 2017 financial year were within this guidance, with revenue of \$98.0 million and underlying EBITDA of \$8.3 million.

Apiam's revenue performance in 2017 was a reflection of a strong rebound in revenue in the second half of the financial year, particularly following the industry challenges we experienced in the first quarter. In particular, Apiam's pig, companion animal, genetic services and equine businesses made very strong contributions to the Company's revenue over the period, as did the acquisitions.

Importantly, Apiam also delivered gross margin expansion in the 2017 financial year as a result of a strong performance in higher margin services, particularly in the companion animal business. The delivery of procurement synergies also contributed to gross margin expansion, highlighting the impact that synergy benefits from our business integration program can deliver.

An important focus for Apiam this past year has been executing the first phase of the Company's three-year strategic plan, to build the foundations for future business growth. Expanding the business platform, particularly in the areas of IT systems and resources has however driven an increase in the Company's operating cost base. We consider this increased investment supportive of our long term growth strategies, and believe Apiam's infrastructure platform is now at a level required to deliver the next stage of business growth.

Apiam's Board of Directors have declared a final dividend of 0.8 cents per share, fully franked. Total dividends per share in respect of the 2017 financial year are 1.6 cents per share, representing a 42.6% dividend payout ratio based on Apiam's FY2017 operating Net Profit After Tax (excluding non-operating income associated with the reversal of a contingent liability on the balance sheet during the period). A Dividend Reinvestment Plan (DRP) will be implemented to allow shareholders to reinvest their dividends in Apiam's future growth. The DRP will be in operation for the FY2017 final dividend, and shareholders will need to make an election if they wish to participate by 28 September 2017. Further details around the proposed Dividend Reinvestment Plan will be mailed to shareholders separately over the coming week.

As we look to the year ahead, I believe Apiam is well placed to deliver value for our shareholders. We expect the second phase of our strategic plan will deliver further synergies and cost efficiencies. We are confident that the industry outlook for the production and companion animal segments remains strong, as does Apiam's competitive position in the rural and regional veterinary services sector.

Finally, I would like to take this opportunity to thank all of Apiam's employees for their hard work over the past 12 months as well as our shareholders for your continued support.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'A. Vizard', with a stylized flourish at the end.

Professor Andrew Vizard

Managing Director's Message



Dear shareholder,

Apiam has made significant progress over the 2017 financial year in a number of areas. The first phase of our strategic roadmap, to build the foundations of the enlarged Apiam business, is now largely complete. Additionally, our acquisition strategy and business development initiatives were executed successfully over the period and growth in revenues and earnings were achieved, despite challenging industry conditions in the first quarter. I would now like to discuss each of these areas in further detail.

Financial performance

Apiam's revenue for the 12 months to 30 June 2017 (FY2017) was \$98.0 million, with revenue of \$51.9 million achieved in the second half (H2 2017). This reflects H2 2017 revenue growth of 17.1% compared to the prior comparable period (H2 2016) and this half year growth comparison is provided in the absence of a full 12 month result in FY2016 (given Apiam's listing date of 15th December 2015).

Revenue growth excluding acquisitions (Quirindi and AllStock) in H2 2017 increased 1.0% compared to H2 2016 despite the challenging dairy and beef feedlot industry conditions we experienced in the first quarter of the financial year. This was driven by strong growth across Apiam's companion, equine and genetics services businesses. Apiam's pig revenues also grew as a result of new customers and product lines, particularly in Q4 2017. The Company's revenues from the beef feedlot sector were affected by cattle supply issues experienced by smaller feedlot operators in South Eastern Australia. Apiam's larger corporate feedlot business has continued to perform well and in line with our expectations.

Apiam reported gross profit of \$47.3 million for FY2017, representing an expansion in the Company's gross profit margin to 48.2%, driven by a change in business mix as well as the realization of procurement synergies.

Net Profit After Tax for FY2017 was \$5.0 million in FY2017, which included \$1.3 million of non-operating income associated with the reversal of a contingent liability on the balance sheet. This translates to EPS of 5.00 cents per share.

Building the foundations

Apiam, on listing, brought together some of the largest rural veterinary practices from around the country. The first phase of Apiam's three year strategic roadmap was to ensure the necessary focus and investment in "building the foundations" of the enlarged business. I am pleased to report this phase is now nearing completion.

One of the most significant investments has been our Enterprise Resource Planning (ERP) system and Practice Management System, at a total project cost of approximately \$1.4 million. The ERP system, which went live in May 2017, is essential to support Apiam's scale and to deliver operating efficiencies as the business continues to grow. The Practice Management

System will be rolled out during FY2018, following employment trials at several of our veterinary clinics.

Over FY2017 we have also made a significant investment in the resources required to build the foundations in important areas such as work place policies, training, culture and branding. Additional veterinarians, key account managers and administration support were appointed to support the Company's next stage of growth.

The second phase of our strategic roadmap, to "gain efficiencies" will be the focus in FY2018, and I expect synergies and efficiencies to be realized as the final stage of system integration is rolled out over FY2018.

Acquisition strategy

Growth via acquisitions remains an important part of Apiam's strategy. Our focus is on complimentary businesses that leverage our cost base and infrastructure, provide a new geographic exposure or introduce a new or specialised product offering to our client base.

During FY2017, we acquired two businesses that met with our strategic objectives and that represented financially attractive opportunities for Apiam shareholders.

We acquired Quirindi Veterinary Group (QVG) in September 2016 for \$11.6 million. QVG is NSW based with three business divisions, the largest being provision of veterinary services to commercial beef production systems throughout Australia. The acquisition of QVG has significantly strengthened Apiam's position in the beef feedlot industry and increased our footprint in rural NSW from which to leverage our broader product offering. Since acquisition, QVG has performed strongly and has made an important contribution to our revenue and earnings performance.

Apiam also acquired AllStock (NSW) Pty Ltd for \$1.75 million in January 2017. AllStock provides embryo transfer and artificial insemination services to the sheep and goat industries and also has commercial operations in livestock identification services. This business has performed extremely well under Apiam's ownership.

As we look ahead to 2018, acquisitions remain a fundamental part of the Company's strategy to leverage the enlarged company infrastructure. Management have identified additional complimentary bolt-on acquisitions which may be executed on subject to satisfactory financial return criteria.

Business development initiatives

There have been several business development initiatives that have delivered growth over FY2017 and that remain important priorities as we move into the new financial year.

Firstly, our rural and regional expansion strategy has seen us expand our services into locations where strong market demand exists. In the second half of FY2017, this strategy saw us open up a satellite clinic in Nathalia (Northern Victoria) as well as enter into the South West Equine Veterinary Group Joint Venture. Both these initiatives have been efficient investments, leveraging nearby infrastructure and cost centres. Based on the success of this strategy, we expect to announce a number of new greenfield and satellite clinics in FY2018.

Another successful business development initiative relates to a greater focus on Apiam providing higher level services into the companion and mixed animal veterinary services segment. During FY2017, Apiam has invested in new technologies and specialized veterinary training to capitalize on the opportunities this market segment presents. We expect it to deliver growth in FY2018.

Supply chain also represents an area where Apiam believes future business growth can be captured. A variety of initiatives are currently being explored including further supply chain

integration and an increase in the development of Apiam's private label range, particularly higher margin products.

Outlook

I am excited by the outlook for Apiam in FY2018 and believe we have many commercially attractive opportunities in front of us. Management have identified several business development initiatives to drive additional revenue streams, and our cost base is now at level required to support future business growth without requiring significant additional investment in back end support.

Fundamentally, Australia's regional production and companion animal industries offer strong growth opportunities. Apiam is uniquely positioned to capitalize on this opportunity given its integrated business model, geographic footprint and complete product offering.

I would like to take this opportunity to thank our employees, fellow Board members and shareholders for their support over the past twelve months. I look forward to updating you of our continued progress in the months ahead.

Yours Sincerely,

A handwritten signature in dark ink, appearing to be 'CDR', with a long, sweeping horizontal line extending to the right.

Dr Chris Richards

Managing Director

Directors' Report

The Directors present their report on the consolidated entity consisting of Apiam Animal Health Limited (Apiam) and the entities it controlled at the end of, or during, the year ended 30 June 2017.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows.

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

All of the Directors have been in office for the entire period.

INFORMATION ON DIRECTORS

Professor Andrew Vizard

Independent Non-Executive Chairman
BVSc(Hons), MVPM, FAICD



Professor Vizard 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, he has previously held directorships in 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. In the previous 3 years, Professor Vizard was a non-executive director of the Ridley Corporation Limited.

Interests in Shares and Options

95,294 shares

Dr. Christopher Richards

Managing Director
BSc, BVSc



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.

Interests in Shares and Options

27,339,804 shares

Mr. Michael van Blommestein

Independent Non-Executive Director
GAICD



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.

Interests in Shares and Options

97,240 shares

Mr Richard John Dennis

Independent Non-Executive Director
BComm, LLB, CA, MAICD



Rick has held a number of senior roles over 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, Gold Coast Private Health Network and the following public companies: Omni Market Tide Limited and Motorcycle Holdings Limited.

Interests in Shares and Options

30,000 shares

Mr Charles Sitch

Non-Executive Director

BComm, LLB, MBA, GAICD



Charles is currently a director of ASX listed Spark New Zealand Ltd and a member of their audit risk and finance committee. 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. Charles has previously held listed public company directorships in Pacific Edge Limited (NZX Listed) and Bellamy's Australia Limited (resigned 28 February 2017).

Interests in Shares and Options

150,000 shares

Company Secretary

Ms Ella McDougall

BHSc, BA, BLLP, GIA(Cert)

Ella was General Counsel and Company Secretary of Apiam from incorporation on 25 March 2015 through to 17 February 2017 when she resigned.

Sophie Karzis

B. Juris, LLB

Ms. Karzis was appointed Company Secretary on the 17 February 2017 and is a practicing lawyer with over 15 years' experience as a corporate and commercial lawyer, and company secretary and general counsel for a number of private and public companies. Sophie is the principal of Corporate Counsel, a corporate law practice with a focus on equity capital markets, mergers and acquisitions, corporate governance for ASX-listed entities, as well as the more general aspects of corporate and commercial law. Sophie is the company secretary of a number of ASX-listed and unlisted entities, and is a member of the Law Institute of Victoria as well as the Governance Institute of Australia.

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors and of each Board committee held during the year and the number of meetings attended by each Director or their alternate were as follows:

Directors	Board Meetings		Audit and Risk Management Committee		Remuneration Committee	
	A	B	A	B	A	B
Andrew Vizard	16	16	6	6	5	5
Chris Richards	16	16	-	-	-	-
Michael van Blommestein	16	14	-	-	5	5
Richard Dennis	16	15	6	6	-	-
Charles Sitch	16	14	6	6	5	4

Column A denotes the number of meetings the Director was entitled to attend and column B denotes the number of meetings the Director attended.

COMMITTEE MEMBERSHIP

As at the date of this report, the Company has an Audit & Risk Management Committee and a Remuneration & Nomination Committee of the Board of Directors

Members of the Audit & Risk Management Committee during the period were:

Richard Dennis (Chair)

Andrew Vizard

Charles Sitch

Members of the Remuneration & Nomination Committee during the period were:

Michael van Blommestein (Chair)

Andrew Vizard

Charles Sitch

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.

OPERATING AND FINANCIAL REVIEW

Revenue for the 12 months to 30 June 2017 was \$98.0m, with revenue for the second half (H2 FY2017) of \$51.9m, improving 17.1% on H2 FY2016, the prior comparable period (pcp). In spite of challenging industry conditions in the dairy and feedlot industries, revenue in H2 FY2017 increased 1.0% compared to H2 FY 2016 (excluding the impact of the Quirindi Veterinary Group (QVG) and AllStock acquisitions).

Key drivers of Apiam's revenue results were a strong performance from Apiam's companion animal, genetics services and equine businesses. Apiam's pig revenues also grew as a result of new customers and product lines, particularly in Q4 FY2017. The Company's beef feedlot revenues were affected by cattle supply issues experienced by smaller feedlot customers in South Eastern Australia. Apiam's larger corporate feedlot business has continued to perform in line with company expectations.

Revenue (excluding acquisitions) in H2 FY2017 increased 6.4% against H1 FY 2017, supported by a strong finish to the year across all business units.

Apiam acquired QVG, a leading beef feedlot focused veterinary practice in September 2016 (10-month contribution to FY2017) which has performed in line with expectations. AllStock, was acquired in January 2017 (6-month contribution to FY2017). AllStock have performed strongly since acquisition, delivering both revenue and earnings growth. Additional details are discussed in the Acquisitions section below.

Apiam reported gross profit of \$47.3m for FY17, representing an expansion in the group's gross profit margin from 46.8% in FY2016 to 48.2% in FY2017. This margin uplift was driven by changes in the Company's business mix as well as the realisation of procurement synergies.

Apiam's reported net profit after tax (NPAT) for FY2017 was \$5.0m (which included \$1.3m of non-operating income associated with the reversal of a contingent liability on the balance sheet).

The following tables are presented to assist in the interpretation of the underlying performance of the Company during the FY2017 period. In the absence of a full 12 month FY2016 result, we

have also included a half year analysis over the periods H2 2016 (the first full 6 month trading period since Apiam's listing in December 2015), H1 2017 and H2 2017. This information is additional and provided using non-IFRS information and terminology.

Apiam FY17 Consolidated Financial Results

\$M	FY17A	FY16 ¹	Variance	%
Total Revenue	98.0	54.1	43.9	81.1%
Gross Profit	47.3	25.3	21.9	86.6%
Expenses				
Employment Costs	(27.0)	(14.2)	(12.8)	90.8%
Other expenses	(11.9)	(5.3)	(6.6)	123.4%
Total Operating Expenses	(38.9)	(19.5)	(19.4)	99.7%
Underlying EBITDA²	8.3	5.8	2.5	42.8%
Integration / ERP expenses	(0.7)	(0.5)	(0.3)	
Acquisition/Advisory expenses	(0.2)	(3.3)	3.0	
Reversal of contingent consideration	1.3	0.0	1.3	
EBITDA	8.6	2.1	6.5	
Depreciation & Amortization	(1.4)	(0.6)	(0.8)	
EBIT	7.2	1.5	5.7	
Interest	(0.9)	(0.4)	(0.5)	
Net Profit/(loss) before tax	6.3	1.1	5.2	
Tax	(1.3)	(1.0)	(0.3)	
Net Profit/(loss) after tax	5.0	0.1	5.0	
Gross Margin (%)	48.2%	46.8%		
Underlying EBITDA margin (%)	8.5%	10.8%		

Notes:

- 1 FY16A results reflect a partial year comprising contributions from Chris Richards Group (and 3 clinics in which the group had a majority equity interest) from 1 November 2015 and the contribution from 9 other clinics acquired from 10 December 2015
- 2 Underlying EBITDA excludes one-off integration, ERP & acquisition expenses as well as \$1.3m of income associated with the reversal of Contingent Liability on the balance sheet (contingent acquisition consideration no longer payable)

Apiam FY17 Half Year Analysis

\$M	H2 17A	H1 17A	%	H2 16A	%
Total Revenue	51.9	46.1	12.6%	44.3	17.1%
Gross Profit	24.7	22.6	9.1%	21.1	16.9%
Expenses					
- employment costs	13.8	13.2	4.6%	11.8	17.0%
- general expenses	6.5	5.4	20.9%	4.3	51.9%
Operating expenses	20.3	18.6	9.3%	16.1	26.3%
Underlying EBITDA¹	4.3	4.0	8.4%	5.0	(13.3)%
- Gross margin	47.5%	49.0%		47.7%	
- Underlying EBITDA margin	8.4%	8.7%		11.4%	

Notes:

- 1 Underlying EBITDA excludes one-off integration, ERP & acquisition expenses as well as \$1.3m of income associated with the reversal of Contingent Liability on the balance sheet (contingent acquisition consideration no longer payable)

Strategic plan & business development

In FY2017, Apiam has been focussed on executing the first phase of its three-year strategic plan – “building the foundations”. This has centred around successfully integrating acquired businesses and building a platform that can deliver future growth for shareholders.

The “building the foundations” phase is now largely complete. Significantly, Apiam’s Enterprise Resource Planning (ERP) system went live on 1 May 2017 and was delivered on-time and on-budget. This was an essential investment for Apiam enabling the company to have an integrated system to track its sales, financial information, stock and human resources data. Capturing of real-time monitoring and forecasting data will also enable the business to drive more efficient work practices and more effectively and quickly respond to customer trends and opportunities. The roll-out of Apiam’s Practice Management System is one of the last planned foundation investments and will occur across FY2018.

As previously advised, additional veterinarians, key account managers and administration support staff required to support Apiam’s next stage of growth were mostly hired in the first half of FY2017. Significant work has also been undertaken in FY2017 in important foundational areas such as work place policies, culture and branding.

Apiam’s focus in FY2018 is to move to the second phase of its strategic plan – “gaining efficiencies”. Operating efficiencies will commence to be delivered throughout FY2018 and into FY2019, particularly as Apiam’s Practice Management System investment is completed.

Several initiatives to drive additional revenue streams in FY2018 have also been implemented.

Specifically, these business development initiatives are:

- Rural & regional expansion strategy: Strategic expansion of services in locations where strong market demand exists. The opening of our satellite clinic in Nathalia (northern VIC) in April 2017 and our subsequent South West Equine Veterinary Group JV are our first examples of this strategy. These are efficient investments requiring limited capital expenditure and which leverage nearby infrastructure and cost centres. Apiam expects to open a number of new greenfield and satellite clinics in FY2018;
- A growth focus on the underserved rural companion and mixed animal markets to capture revenue in an underserved segment in rural and regional Australia; and
- Supply chain initiatives: Further integration of supply chain as well expansion into development of a private label range and higher margin products.

Acquisitions

Apiam announced two acquisitions during FY2017.

Apiam acquired NSW based Quirindi Veterinary Group (QVG) on 1 September 2016 for consideration of \$11.57m. QVG has three key business divisions – (i) provision of veterinary services to large beef production systems throughout Australia; (ii) provision of equine reproduction services at its custom built centre in Quipolly; and (iii) a livestock and companion veterinary practice in Quirindi. The acquisition of QVG strengthened Apiam's position in the beef feedlot industry and established a presence in rural NSW from which to leverage the Company's product offering. Since acquisition, QVG has performed strongly and is important for Apiam's strategy in the beef feedlot sector going forward.

Apiam also acquired AllStock (NSW) Pty Ltd for \$1.75m on 5 January 2017. AllStock provides embryo transfer and artificial insemination services to the sheep and goat industries. AllStock also has commercial operations in livestock identification systems, to enhance traceability in the event of food safety and disease outbreaks. This acquisition has established Apiam as Australia's leader in large scale sheep and goat herd expansion and genetic upgrade programs. AllStock has performed exceptionally well since acquisition, with revenue uplift occurring in the first six months of Apiam's ownership.

Growth via acquisition remains an important part of Apiam's business strategy. The Company's focus is to make strategic acquisitions to further leverage its cost base and infrastructure and to deliver services and product offering to an enlarged client base.

Expenses

Apiam has brought together some of the largest rural veterinary practices from around the country. In FY2017, Apiam has made a significant investment in "building the foundations" of the enlarged business with the capacity to deliver organic growth, additional strategic acquisitions, synergies and operating efficiencies for shareholders in the coming years.

Investment in key foundational areas in FY2017 were across the following areas:

- \$1.95m in new employees: Veterinarians to drive growth, three additional key account managers as well as strengthening administration support (HR, Finance, IT, Marketing and People & Culture);
- \$1.70m in other operating expenses: Business development strategy, marketing, brand development, people and culture; and
- \$0.80m in IT systems: Implementation of an integrated Enterprise Resource Planning (ERP) system of which \$0.40m was expensed and \$0.40m was capitalised (to be amortised over its useful life, in accordance with accounting standards).

An additional \$1.8m of operating expenses (employment & other) were incurred in FY2017 as a result of the QVG and AllStock acquisitions.

Apiam believes its operating infrastructure is nearing a level required to sustain the expected next stage of the Company's growth and expect to deliver additional cost efficiencies as the final stage of system integration is rolled out over FY2018.

Apiam's Practice Management System (PMS) "VetLink" is being implemented in FY2018 following extensive development work by clinic personnel across several vet clinics over the past year. It is expected that approximately \$0.25m of this investment will be capitalised and amortised over its useful life (in accordance with accounting standards) and that approximately \$0.35m will be expensed.

One-off expenses incurred in FY2017 were \$0.5m related to a number of integration projects and acquisitions.

Balance sheet

As at 30 June 2017, Apiam reported cash on hand of \$1.0m and borrowings of \$25.7m. Borrowings increased from \$16.0m as at 30 June 2016, largely due to the acquisition of QVG during the period. In June 2017, Apiam negotiated new covenants related to its borrowing facility provided by banking partner, NAB. The amended covenants better align Apiam's working capital requirements with its strategic plan, providing greater flexibility where required.

Inventory growth has been in-line with the growth of Apiam's business operations. Inventory levels as at 30 June 2017 were \$11.5m, compared to \$10.2m as at 30 June 2016. Apiam normally experiences a seasonal increase in inventory around December which has decreased, in addition to the company having a focus on inventory controls and management.

The increase in June 30 FY2017 inventories of \$1.3m compared to June 30 FY2016 is due to the centralisation of inventory procurement and the additional inventory required as a result of the QVG acquisition.

Cash flow

Apiam's operating cash flow has improved in the second half of FY2017, particularly due to focussed efforts to reduce inventory. The QVG and AllStock acquisitions have been significant drivers of net investing and net financing cash flows over the period.

\$M	FY2017 A	FY2016 A ¹
Net cash used in operating activities	1.7	(1.2)
Acquisition of subsidiary, net of cash	(8.4)	(24.1)
Purchases of property, plant and equipment	(1.6)	(0.3)
Restructure of group entities, net of cash	0.0	(0.6)
Other	(0.1)	(0.1)
Net cash used in investing activities	(10.0)	(25.1)
Proceeds from issue	0.0	23.0
Net changes in financing	7.2	5.4
Net cash inflow from financing activities	7.2	28.4
Net change in cash and cash equivalents	(1.1)	2.1

Notes:

¹ FY16A results reflect a partial year comprising contributions from Chris Richards Group (and 3 clinics in which the group had a majority equity interest) from 1 November 2015 and the contribution from 9 other clinics acquired from 10 December 2015

² This information is additional and provided using non-IFRS information and terminology.

Capital management

Apiam's Board of Directors have declared a final dividend of 0.8 cents per share, fully franked and payable on 27 October 2017. This represents a total dividend of 1.6 cents per share for FY2017, equivalent to a 42.6% pay-out ratio based on Apiam's FY17 operating NPAT (which excludes \$1.3m of income associated with the reversal of Contingent Liability on the balance sheet).

Apiam will implement a Dividend Reinvestment Plan (DRP), allowing eligible shareholders to reinvest their dividend into Apiam shares, and participate in the Company's future growth. The DRP will be in operation for the FY2017 final dividend. The key terms of the proposed Dividend Reinvestment Plan will be sent to shareholders in the coming week.

Outlook

Apiam is well placed to deliver revenue and earnings growth in FY2018. We expect the second phase of our strategic plan to deliver further synergies and efficiency benefits for our shareholders.

The key underlying industry drivers for the production animal sector are positive for FY2018 and the rural companion animal sector continues to grow, with increased demand for better service offerings.

Apiam's revenues in FY2018 year to date are in line with Company expectations and have not been affected by the industry challenges that were experienced during Q1 FY2017.

DIVIDENDS

The maiden interim dividend of \$809,424 is 0.8 cps and was paid in April 2017. The Apiam Board of Directors have declared the Company's final dividend of 0.8c per share fully franked on the 25 August 2017. The final dividend of \$809,424 will be paid on the 27 October 2017.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors there were no significant changes in the state of affairs of the consolidated entity during the financial period, except as otherwise noted in this Report.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

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

The Company'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, and ensure we can meet the needs of a market which is experiencing strong growth.

The Company expects to continue to invest through acquisition, new greenfield sites, partnerships and further recruitment of leading expertise to ensure we have the capability required to prosper in the expanding global animal health industry.

KEY RISKS AND BUSINESS CHALLENGES

Apiam Animal Health operates in the Production Animal industry and in particular the pig, feedlot cattle and dairy cattle sectors. Any downturn or disruption in these sectors, particularly if it results in substantial reductions in livestock numbers or production volume, will adversely impact the Company.

Any recurring or prolonged disruption to the supply of the key products that Apiam Animal Health sells, particularly vaccines for pigs, may have an adverse effect on the financial performance of the Company.

No single client or buying group is expected to account for more than 10% of Apiam Animal Health's FY16 pro-forma forecast revenue. However, if there is consolidation within Apiam

Animal Health's client base, this may lead to a concentration of the Company's client exposure risk and may adversely affect the margins that the Company is able to generate on the sale of its products and services to these client groups.

Apiam Animal Health's business model depends substantially on its senior management team and key personnel to oversee the day-to-day operations and strategic management of the Company. There is a risk that operating and financial performance of the Company would be adversely affected by the loss of one or more key persons.

ENVIRONMENTAL REGULATION

The Managing Director reports to the Board on any environmental and regulatory issues at each Directors meeting, if required. There are no matters that the Board considers need to be reported in this report.

GREENHOUSE GAS AND ENERGY DATA REPORTING REQUIREMENTS

The Group is not subject to the reporting requirements of either the Energy Efficiency Opportunities Act 2006 or the National Greenhouse and Energy Reporting Act 2007.

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.

DEEDS OF ACCESS, INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

Access

The Company has entered into deeds of access, indemnity and insurance with each Director which contain rights of access to certain books and records of the Company.

Indemnification

Under the constitution of the Company, the Company is required to indemnify all Directors and officers, past and present, against all liabilities allowed under law. Under the deed of access, indemnity and insurance, the Company indemnifies parties against all liabilities to another person that may arise from their position as an officer of the Company or its subsidiaries to the extent permitted by law. The deed stipulates that the Company will meet the full amount of any such liabilities, including reasonable legal costs and expenses.

Insurance

Under the constitution of the Company, the Company may arrange and maintain directors' and officers' insurance for its Directors to the extent permitted by law and under the deed of access, indemnity and insurance, the Company must maintain insurance cover for each Director for the duration of the access period.

Rounding of amounts

Apiam Animal Health is a type of Company referred to in ASIC Class Order 98/100 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 class order.

Remuneration Report

REMUNERATION REPORT (AUDITED)

This remuneration report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing, and controlling major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent.

For the purposes of this report, the term “executive” encompasses the senior executives and general managers of the Group.

Details of Key Management Personnel

(I) DIRECTORS

Andrew Vizard

Chairman (Independent Non-executive)

Chris Richards

Managing Director (Executive)

Michael van Blommestein

Director (Independent Non-executive)

Richard Dennis

Director (Independent Non-executive)

Charles Sitch

Director (Independent Non-executive)

(II) EXECUTIVES

Corne Loots

General Manager Veterinary Services

Matthew White

Chief Financial Officer

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 Remuneration Committee 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 has met 5 times in the FY17 reporting period.

The Committee has approved the engagement of Korn Ferry Hay Group to undertake benchmarking for the executive team. The 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 was approved in FY17 and will be implemented in FY18.

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.

<i>Item</i>	<i>2017</i>	<i>2016</i>
EPS (cents)	5.00c	0.08c
Dividends (cents per share)	0.8c	-
Net profit before tax (\$'000)	\$6,315	\$1,068
Share price (\$)	\$0.70	\$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:

	Year	Short term employee benefits Salary and fees (v)	Cash bonus	Non-monetary benefits	Post-employment benefits Superannuation	Long-term benefits Long service leave (vi)	Share-based payments Shares (viii)	Total	Performance based percentage of remuneration
		\$	\$	\$	\$	\$	\$	\$	%
Directors									
Andrew Vizard	2017	120,000	-	-	-	-	-	120,000	0%
Chairman Independent (ii)	2016	80,000	-	-	-	-	-	80,000	0%
Richard Dennis	2017	70,000	-	-	-	-	-	70,000	0%
Independent (ii)	2016	46,667	-	-	-	-	-	46,667	0%
Ella McDougall	2017	-	-	-	-	-	-	-	0%
Director (iv)	2016	-	-	-	-	-	-	-	0%
Chris Richards	2017	350,072	-	12,027	19,791	6,718	-	388,608	0%
Managing Director (i)	2016	221,051	-	19,941	10,868	4,241	-	256,101	0%
Charles Sitch	2017	54,795	-	-	5,205	-	-	60,000	0%
Independent (ii)	2016	36,530	-	-	3,470	-	-	40,000	0%
Michael van Blommestein	2017	54,795	-	-	5,205	-	-	60,000	0%
Independent (ii)	2016	36,530	-	-	3,470	-	-	40,000	0%
Matthew White	2017	-	-	-	-	-	-	-	0%
Director (iv)	2016	-	-	-	-	-	-	-	0%
Employees									
Corne Loots	2017	212,519	-	-	23,961	285	-	236,765	0%
General Manager Vet, Services (vii)	2016	139,772	50,000	-	12,848	74	50,000	252,694	20%
Matthew White	2017	190,000	-	-	27,075	274	-	217,349	0%
Chief Financial Officer (iv)	2016	136,449	95,000	-	12,929	75	30,000	274,453	35%
Julie Tippet (ix)	2017	-	-	-	-	-	-	-	0%
Chief Operating Officer (iii)	2016	145,161	-	3,117	13,790	(17,793)	200,000	344,275	0%
Ella McDougall (ix)	2017	-	-	-	-	-	-	-	0%
General Counsel/Cpy Sec (iv)	2016	101,389	-	-	9,204	1,458	100,000	212,051	0%
2017 Total	2017	1,052,181	-	12,027	81,237	7,277	-	1,152,722	0%
2016 Total	2016	943,549	145,000	23,058	66,579	(11,945)	380,000	1,546,241	9%

- (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 for FY16 relates to the period 1 November 2015 to 30 June 2016.
- (ii) Appointed director 5 November 2015. Remuneration received for FY16 relates to the period 5 November 2015 to 30 June 2016.
- (iii) Remuneration received for FY16 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 and KMP role from 1 July 2016 to 17 Feb 2017. Resigned on 17 February 2017.
- (v) Salary and fees includes fixed cash and annual leave accruals.
- (vi) Long term benefits include 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.
- (ix) Julie Tippet not considered a KMP in 2017

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

Name	Fixed remuneration	At risk – STI
<i>Executive Directors</i>		
Chris Richards	100%	-
<i>Other Key Management Personnel</i>		
Corne Loots	83%	17%
Matthew White	83%	17%

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	\$388,608	5 years from listing	Twelve (12) months
Corne Loots	\$212,519	No fixed term	Six (6) months
Matthew White	\$190,000	No fixed term	Six (6) 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:	Eligible for an annual bonus of up to 20% of base salary from 1 December 2016. Sign on bonus of \$50,000 payable after twelve months service completed on 1 December 2016.
Matthew White	Eligible for an annual bonus of up to 20% of base salary from 1 July 2016. Eligible for a bonus of up to 50% of base salary for the period ended 30 June 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 sign on bonus to Corne Loots was paid upon completion of twelve months service on 1 December 2016 and the listing bonus to Matt White was paid in August 2016.

	Included in remuneration (\$)	Percentage vested during the year	Percentage forfeited during the year
<i>Executive Directors</i>			
Chris Richards	-	-	100%
<i>Other Key Management Personnel</i>			
Corne Loots	-	-	100%
Matthew White	-	-	100%

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.

g Other information

Options held by key management personnel

There were no options to acquire shares in the Company held during the 2017 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 2017 held by each of the Group's key management personnel, including their related parties, is set out below:

Personnel	Balance at 1/07/2016	Granted as remuneration	Received on exercise	Other changes	Held as at 30/06/2017
Chris Richards	26,852,304	-	-	487,500	27,339,804
Andrew Vizard	30,000	-	-	65,294	95,294
Charles Sitch	150,000	-	-	-	150,000
Richard Dennis	50,000	-	-	(20,000)	30,000
Michael van Blommestein	100,000	-	-	(2,760)	97,240
Corne Loots	86,689	-	-	-	86,689
Matthew White	80,000	-	-	31,218	111,218
	27,648,993	-	-	361,252	28,010,245

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

Loans to key management personnel

The Group did not enter into any loans with key management personnel during the 2017 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 \$242,400 (2016: \$160,000).

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 \$124,116 (2016: \$73,515).

The Group leases its artificial insemination facility in Victoria from entities associated with Chris Richards. Lease payments made amounted to \$69,939 (2016: \$43,147).

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 (2016: 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 \$64,179 (2016: \$121,257).

End of audited Remuneration Report.

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 29 of this financial report and forms part of this Directors' Report.

Proceedings on 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:

A handwritten signature in black ink, appearing to be 'CIR', with a long horizontal stroke extending to the right.

Dr Christopher Irwin Richards
Managing Director

Melbourne
25 August 2017

Apiam Animal Health Limited Financial Statements

For the year ended 30 June 2017

The Rialto, Level 30
525 Collins St
Melbourne Victoria 3000

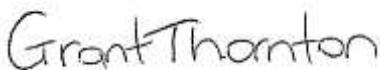
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AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF APIAM ANIMAL HEALTH LIMITED

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 2017, 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 AUDIT PTY LTD
Chartered Accountants



A C Pitts
Partner - Audit & Assurance

Melbourne, 25 August 2017

Grant Thornton Audit Pty Ltd ACN 130 913 594
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Liability limited by a scheme approved under Professional Standards Legislation.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$'000	2016 \$'000
Revenue	6	97,991	54,097
Other income		1,250	-
Expenses			
Changes in inventory		1,282	1,703
Cost of materials		(52,007)	(30,470)
Costs of consumables and services		(1,095)	(472)
Employee benefit expenses	26	(27,105)	(15,377)
Listing and acquisition expenses		(739)	(2,026)
Property expenses		(2,623)	(1,410)
Freight, vehicle and transport expenses		(1,292)	(1,456)
Depreciation of property, plant and equipment	13	(1,395)	(614)
Other operating expenses		(7,034)	(2,466)
Other finance costs	7	(14)	(7)
Finance costs	7	(904)	(434)
Profit/(loss) before income tax		6,315	1,068
Income tax (expense)/benefit	8	(1,265)	(975)
Profit from continuing operations		5,050	93
Profit for the year		5,050	93
Profit attributable to:			
Owners of Apiam Animal Health Limited		5,027	50
Non-controlling interests	23	23	43
Total comprehensive income/ (loss) for the period		5,050	93
Profit attributable to:			
Owners of Apiam Animal Health Limited		5,027	50
Non-controlling interests	23	23	43
		5,050	93
Earnings per share for profit attributable to the ordinary equity holders of the company:	Note	Cents	Cents
Basic earnings per share	24	5.00	0.08
Diluted earnings per share		5.00	0.08

The above statement of profit or loss should be read in conjunction with the accompanying notes

STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

Current assets

	Note	2017 \$'000	2016 \$'000
Cash and cash equivalents	9	968	2,117
Trade and other receivables	10	14,075	13,254
Inventories	11	11,477	10,181
Other current assets	12	746	376
Total current assets		27,266	25,928

Non-current assets

Intangible assets	14	57,249	44,702
Property, plant and equipment	13	6,400	4,496
Investments		50	-
Deferred tax assets	15	3,438	2,960
Total non-current assets		67,137	52,158

Total assets

94,403	78,086
---------------	---------------

Current liabilities

Trade and other payables	16	9,015	9,491
Other current liabilities	20	-	1,250
Current tax liabilities	17	776	1,366
Borrowings	18	4,102	4,148
Employee benefit obligations	19	3,748	3,453
Total current liabilities		17,641	19,708

Non-current liabilities

Borrowings	18	21,608	11,864
Employee benefit obligations	19	672	243
Total non-current liabilities		22,280	12,107

Total liabilities

39,921	31,815
---------------	---------------

Net assets

54,482	46,271
---------------	---------------

Equity

Equity attributable to owners of the parent			
- share capital - equity raising costs	21.1	83,066	79,070
- corporate reorganisation reserve	22	(26,692)	(26,666)
- non-controlling interest acquisition reserve	22	(6,615)	(6,615)
- retained earnings/ accumulated losses		4,081	(137)
		53,840	45,652
non-controlling interest	23	642	619
Total equity		54,482	46,271

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 2017

		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
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2015		-	140	-	-	(187)	(47)	-	(47)
Issue of convertible notes	21	-	145	-	-	-	145	-	145
Conversion of convertible notes	21	285	(285)	-	-	-	-	-	-
Employee share-based payments	21	1,360	-	-	-	-	1,360	-	1,360
Restructure and transfer of Chris Richards entities into Apiam	21	30,633	-	(26,666)	-	-	3,967	-	3,967
Issue of shares to vendors of business acquired	21/31	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
Transactions with owners		79,070	(140)	(26,666)	(6,615)	-	45,649	576	46,225
Profit / (Loss) for the period	23					50	50	43	93
Other comprehensive income							-		-
Total comprehensive income for the period		-	-	-	-	50	50	43	93
Balance at 30 June 2016		79,070	-	(26,666)	(6,615)	(137)	45,652	619	46,271
Restructure and transfer of Chris Richards entities into Apiam	22	-	-	(26)	-	-	(26)	-	(26)
Issue of shares to vendors of business acquired	21	3,996	-	-	-	-	3,996	-	3,996
Dividends paid		-	-	-	-	(809)	(809)	-	(809)
Transactions with owners		3,996	-	(26)	-	(809)	3,161	-	3,161
Profit / (Loss) for the period		-	-	-	-	5,027	5,027	23	5,050
Other comprehensive income		-	-	-	-	-	-	-	-
Total comprehensive income for the period		-	-	-	-	5,027	5,027	23	5,050
Balance at 30 June 2017		83,066	-	(26,692)	(6,615)	4,081	53,840	642	54,482

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 2017

	Note	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Receipts from customers		106,969	59,010
Payments to suppliers and employees		(102,290)	(56,992)
		4,679	2,018
Interest paid		(918)	(434)
Transaction costs relating to restructure of group entities		-	(640)
Transaction costs relating to acquisition of subsidiary	32	(236)	(934)
Income taxes paid		(1,855)	(1,247)
Net cash (outflow)/inflow from operating activities		1,670	(1,237)
Cash flows from investing activities			
Payments for property, plant and equipment		(1,563)	(295)
Purchase of intangible assets		-	(80)
Restructure of group entities, net of cash		-	(615)
Payment for Acquisition of subsidiary, net of cash acquired	32	(8,379)	(24,068)
Payment for acquisition of associate		(50)	-
Net cash (outflow)/inflow from investing activities		(9,992)	(25,058)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		-	23,000
Proceeds from issues of convertible notes		-	145
Proceeds from borrowings		22,921	21,797
Loans made to director related entity		-	(1,229)
Share issue transaction costs		-	(3,017)
Repayment of borrowings		(14,535)	(13,281)
Borrowing transaction costs		-	(68)
Repayment lease liabilities		(404)	(317)
Repayment from director related entity		-	1,362
Dividends paid to company shareholders		(809)	-
Net cash (outflow)/inflow from financing activities		7,173	28,392
Net (decrease)/increase in cash and cash equivalents		(1,149)	2,097
Cash and cash equivalents at the beginning of the year		2,117	20
Cash and cash equivalents at end of the year	9	968	2,117

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 Ltd 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 and principal place of business is 27-33 Pipers Lane, East Bendigo, Victoria 3550.

The consolidated financial statements for the year ended 30 June 2017 were approved and authorised for issue by the Board of Directors on 25 August 2017.

Comparative information

The Company was incorporated on 25 March 2015. The comparative information relates to the period 1 July 2015 to 30 June 2016.

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 2017. 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 9. 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 2017. 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 book value / carrying amount 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 identifies its operating segments based on the species to which the Group provide veterinary services and supply animal health products. The Group's three (3) operating segments are:

- Dairy and Mixed;
- Feedlots;
- Pigs;

The operating segments are aggregated for reporting purposes on the basis that each business segment has sales consisting predominantly of S4 products, over the counter products and service revenue and that these products and services exhibit similar economic characteristics across each 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 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 or 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. 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

Identification of reportable operating segments

In the previous reporting period, Apiam monitored its business on a consolidated basis and no separate segments were reported on as the Group was in the process of developing its financial reporting systems.

Management now identifies its operating segments based on the species to which the Group provide veterinary services and supply animal health products. The Group's three (3) operating segments are:

- Dairy and Mixed;
- Feedlots;
- Pigs;

Each of these operating segments is managed separately as each species group requires specific veterinary expertise resources and marketing approach. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

The operating segments are aggregated for reporting purposes on the basis that each business segment has sales consisting predominantly of S4 products (prescription based pharmaceuticals), over the counter products and veterinary service revenue and that these products and services exhibit similar economic characteristics across each segment. Corporate overheads that cannot be allocated to a specific segment are disclosed separately.

The revenues and profit generated by the Group's operating segments are summarised as follows:

	2017
Segment information	\$'000
Revenue from external customers	97,991
Segment operating costs	90,587
Segment adjusted operating profit before tax	7,404
 Total reporting segment operating profit	 7,404
Other income	1,250
Corporate overheads	(712)
Acquisition costs	(236)
Integration costs	(503)
Finance costs	(888)
Net profit before tax	6,315
Income tax	(1,265)
Net profit after tax	5,050

6 Revenue

	2017 \$'000	2016 \$'000
Sales revenue		
Sale of goods	63,960	41,822
Rendering of services	34,031	12,275
Total revenue	97,991	54,097

7 Expenses

Profit before income tax includes the following specific expenses:

	2017 \$'000	2016 \$'000
<i>Depreciation</i>		
Leasehold improvements	15	6
Plant and equipment	833	321
Motor vehicles	547	287
Total depreciation	1,395	614
<i>Finance costs</i>		
Interest expenses for borrowings at amortised cost:		
Other borrowings at amortised cost	820	413
Interest expenses for finance lease arrangements	84	21
	904	434
Other financial items – amortisation of borrowing costs	14	7
	918	441
Share-based payments expense	-	1,360
Rental expense relating to operating leases	1,616	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% (2016: 30%) and the reported tax expense in profit or loss are as follows:

	2017 \$'000	2016 \$'000
Profit from continuing operations before income tax expense	6,315	1,068
Tax at the Australian tax rate of 30% (2016 - 30%)	1,895	320
Adjustments for non-deductible expenses:		
Reversal of contingent consideration	(375)	-
Share based payment	-	408
Stamp duty on acquisitions	-	243
Sundry items	8	4
	(367)	655
Income tax expense	1,527	975
Adjustment for current tax in prior periods	(262)	
Total current tax expense	1,265	975
Tax expense comprises		
Current tax expense/(benefit)	1,743	823
Deferred tax expense/(benefit)	(478)	(1,798)
Tax expense/(benefit)	1,265	975

Note 15 provides information on deferred tax assets and liabilities.

9 Cash and cash equivalents

	2017 \$'000	2016 \$'000
Cash at bank and in hand	968	2,117
Cash and cash equivalents	968	2,117

10 Trade and other receivables

	2017 \$'000	2016 \$'000
Trade receivables, gross	13,276	12,462
Less: provision for impairment of receivables	(460)	(137)
Other receivables	95	168
Rebates receivable	1,164	761
	14,075	13,254

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 \$323 (2016: \$137) has been recorded accordingly within other expenses.

	2017 \$'000	2016 \$'000
Balance at 1 July	137	
Impairment loss	323	137
Balance 30 June	460	137

11 Inventories

	2017 \$'000	2016 \$'000
Stock on hand, at cost	11,874	9,828
Less provision for obsolescence	(397)	(100)
Stock in transit, at cost	-	453
	11,477	10,181

12 Other current assets

	2017 \$'000	2016 \$'000
Prepayments	686	311
Security deposits	60	65
	746	376

13 Property, plant and equipment

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

Non-current	Leasehold improvements	Plant & equipment	Motor vehicles	Assets under construction	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2016					
Additions	54	248	150	-	452
Acquired through business combinations	98	2,651	1,909	-	4,658
Depreciation charge	(6)	(321)	(287)	-	(614)
Closing net book value	146	2,578	1,772	-	4,496
At 30 June 2016					
Cost or fair value	152	2,899	2,059	-	5,110
Accumulated depreciation	(6)	(321)	(287)	-	(614)
Net book amount	146	2,578	1,772	-	4,496
Year ended 30 June 2017					
Opening net book value	146	2,578	1,772	-	4,496
Acquired through business combinations	-	201	227	-	428
Additions	4	1,414	1,122	331	2,871
Depreciation charge for year	(15)	(833)	(547)	-	(1,395)
Closing net book value	135	3,360	2,574	331	6,400
At 30 June 2017					
Cost or fair value	156	4,920	3,508	331	8,915
Accumulated depreciation	(21)	(1,560)	(934)	-	(2,515)
Net book amount	135	3,360	2,574	331	6,400

Leased assets

Furniture, fittings and equipment includes the following amounts where the group is a lessee under a finance lease

	2017	2016
	\$'000	\$'000
Leased equipment		
Cost	1,941	904
accumulated depreciation	(226)	(10)
Net book amount	1,715	894

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

14 Intangible assets

	Goodwill	Capitalized development costs	Total
	\$'000	\$'000	\$'000
At 30 June 2016			
Cost	44,622	80	44,702
Accumulated amortization and impairment	-	-	-
Carrying amount at 30 June 2016	44,622	80	44,702
At 1 July 2016			
Opening net book value	44,622	80	44,702
Acquisition of subsidiary	12,547	-	12,547
Closing net book value	57,169	80	57,249
At 30 June 2017			
Cost	57,169	80	57,249
Accumulated amortization and impairment	-	-	-
Carrying amount at 30 June 2017	57,169	80	57,249

14.1 Impairment testing

Goodwill is allocated to cash generating units (CGU) 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, which is also the segment level.

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 CGU is determined by applying the following key assumptions:

	2017	2016
Annual sales growth %	5.00%	5.00%
Annual operating expenses growth rate %	2.00%	2.00%
Long-term growth rate %	2.50%	2.50%
Post-tax discount rate %	11.91%	11.88%
	2017	2016
	\$'000	\$'000
Goodwill allocation at 30 June across twelve (12) individual veterinary clinic entities	57,169	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 segments 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 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. 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.

Goodwill is managed at the CGU level which is also reflective of the level of operating segment being Pig, Feedlot, Dairy and mixed. The Group did not have separate CGUs at 30 June 2016.

A CGU summary of the goodwill allocation is presented below.

	Feedlot	Dairy and mixed	Pig (a)	Total
	\$'000	\$'000	\$'000	\$'000
Balance 1 July	40,339	4,283	-	44,622
Acquisitions	10,807	1,740	-	12,547
30 June 2017	51,146	6,023	-	57,169

(a) Pig CGU does not have any goodwill subscribed to it as on acquisition of the businesses associated with this CGU the difference between the fair value and consideration paid and fair value of assets and liabilities were booked to the Corporate Reorganisation Reserve as the businesses were under common control.

15 Deferred tax assets and liabilities

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

	2017 \$'000	2016 \$'000
The balance comprises temporary differences attributable to:		
Current assets		
Trade and other receivables	233	41
Inventories	119	30
Current liabilities		
Provisions	1,389	1,291
Borrowing costs	(14)	(18)
Other		
Unused tax losses	1,031	721
Equity raising costs	543	724
Listing and acquisition costs	137	171
	3,438	2,960

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

	Tax losses \$'000	Provisions \$'000	Borrowing costs \$'000	Trade receivables \$'000	Listing & acquisition costs \$'000	Equity raising costs \$'000	Inventory \$'000	Total \$'000
At 1 July 2015	31	-	-	-	-	-	-	31
(Charged)/credited:								
• to P&L	690	160	(18)	41	171	724	30	1,798
• Recognized in business combination	-	1,131	-	-	-	-	-	1,131
at 30 June 2016	721	1,291	(18)	41	171	724	30	2,960
(Charged)/credited:								
• to P&L	310	8	4	169	(34)	(181)	89	366
• acquisition of a subsidiary	-	90	-	23	-	-	-	113
At 30 June 2017	1,031	1,389	(14)	233	137	543	119	3,438

16 Trade and other payables

	2017	2016
	\$'000	\$'000
Trade payables	5,674	6,185
Sundry payables and accrued expenses	2,870	3,218
Other payables	471	88
	9,015	9,491

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
Current tax payable	1,366

18 Borrowings

	2017	2016
	\$'000	\$'000
<i>Current:</i>		
Bank loans (a)	3,630	3,919
less capitalized costs	(14)	(13)
lease liability (b)	523	257
less deferred interest charges	(37)	(15)
Total current borrowings	4,102	4,148
<i>Non-current</i>		
bank loans (a)	20,700	11,650
less capitalised costs	(34)	(48)
lease liability (b)	994	271
less deferred interest charges	(52)	(9)
Total non-current borrowings	21,608	11,864

Refer to Note 40 for information on financial instruments.

Secured liabilities and assets pledged as security

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

	2017	2016
	\$'000	\$'000
Bank loans	24,330	15,569
Less capitalised borrowing costs	(48)	(61)
Lease liability	1,517	528
Less deferred interest charges	(89)	(24)
	25,710	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 over the assets to which the lease relates.

Banking covenants

The key financial covenants applicable to bank facilities are:

- Maximum gearing ratio remained unchanged with a ratio of 35% (ratio of debt to equity):
- Maximum operating leverage ratio changed from of 2.5 times to 3.5 times (ratio of gross debt to EBITDA): and
- Minimum interest cover remained unchanged with a ratio of 5.0 times (ratio of EBIT to gross interest expense).

The Group complied with all bank covenants during the period.

Financing arrangements

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

	2017 \$'000	2016 \$'000
Total facilities		
Bank - term loan facilities	30,700	33,000
Bank - master asset finance agreement for equipment finance	2,000	1,000
Bank - overdraft facility	1,000	1,000
Bank - credit card facility	300	300
	34,000	35,300
Used at reporting date		
Bank - term loan facilities	24,282	15,569
Bank - master asset finance agreement for equipment finance	1,428	146
Bank - overdraft facility		
Bank - credit card facility		
	25,710	15,715
Unused at reporting date		
Bank - term loan facilities	6,355	17,431
Bank - master asset finance agreement for equipment finance	572	854
Bank - overdraft facility	1,000	1,000
Bank - credit card facility	300	300
	8,227	19,585

19 Employee benefit obligations

	2017 \$'000	2016 \$'000
Leave obligations current	3,748	3,453
Leave obligations non-current	672	243
	4,420	3,696

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 \$3,748 (2016: \$3,453) is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. However, based upon 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 \$3,620 (2016: \$2,072) of this liability to be taken or paid within the next 12 months.

20 Other current liabilities

	2017 \$'000	2016 \$'000
Opening Balance	1,250	-
Reversal of contingent consideration	(1,250)	1,250
	-	1,250

This relates to contingent consideration on businesses acquired during the year. Refer to Note 32.1 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.

	2017 Shares	2016 Shares	2017 \$'000	2016 \$'000
Shares issued and fully paid				
· beginning of the period	98,475,574	1	79,070	-
• shares issued on restructure of Chris Richards Group of Companies	-	43,827,303	-	28,939
• shares purchased from Chris Richards	-	(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	-	1,360,000	-	1,360
• shares issued as consideration for business acquisitions	2,702,373	27,598,270	3,996	27,598
• equity raising costs net of income tax benefit	-	-	-	(2,112)
Shares issued and fully paid	101,177,947	98,475,574	83,066	79,070
Total shares authorised at the end of the period	101,177,947	98,475,574	83,066	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

In the previous period, 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.

	2017 No.	2016 No.	2017 \$'000	2016 \$'000
Convertible notes issued and fully paid:				
· beginning of the year	-	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	-	-	-	-

22 Reserves

Details of reserves are as follows:

	Corporate reorganisation reserve	Non- controlling Interest acquisition reserve	Total
	\$'000	\$'000	\$'000
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 1 July 2016	(26,666)	(6,615)	(33,281)
Restructure and transfer of Chris Richards entities into the Group	(26)	-	(26)
Premium on issue of shares to non-controlling interests of Chris Richards entities transferred into the Group	-	-	-
Balance at 30 June 2017	(26,692)	(6,615)	(33,307)

23 Non-controlling interests

	2017 \$'000	2016 \$'000
Issued capital	576	576
Current year earnings	23	43
Retained profits carried forward	43	-
Total non-controlling interests	642	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 2017 or 2016).

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:

	2017 Number	2016 Number
• weighted average number of shares used in basic earnings per share	100,589,539	59,447,120
• weighted average number of shares used in diluted earnings per share	100,589,539	59,447,120
Shares deemed to be issued for no consideration in respect of share based payments	-	1,360,000

24.2 Dividends

During the year, maiden interim dividends were declared of 0.8c per ordinary share, and paid in April 2017.

24.3 Franking credits

	2017 \$'000	2016 \$'000
The amount of the franking credits available for subsequent:		
Balance at the end of the reporting period	6046	4,304
franking debits that will arise from the payment of dividends recognised as a liability at the end of the reporting period	(347)	
franking credits that will arise from the payment of the amount of provision for income tax	451	1,366
	6,150	5,670

25 Reconciliation of cash flows from operating activities

(a) Reconciliation of cash flows from operating activities	2017 \$'000	2016 \$'000
Cash flows from operating activities		
Profit / (Loss) for the period	5,050	93
Adjustments for:		
· depreciation expense	1,395	614
· doubtful debt expense	61	137
· obsolete stock provision	296	100
· amortisation of borrowing expenses	14	7
· gains on derecognition of contingent consideration payable	(1,250)	-
· share benefits expense	-	1,360
Net changes in working capital:		
· (increase) change in trade and other receivables	(168)	(1,381)
· (increase) change in inventories	(1,442)	(2,016)
· Decrease/(increase) change in other assets	(53)	69
· Decrease/(Increase) change in deferred tax asset	(365)	(878)
· change in trade and other payables	(1,230)	586
· change in income tax payable	(1,062)	-
· change in provisions	424	72
Net cash used in operating activities	1,670	(1,237)

(b) Non cash financing transactions

During the financial year, the Group acquired vehicles to the value \$1,309 (2016: \$157 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	2017 \$'000	2016 \$'000
Wages and salaries	24,680	12,639
Bonuses	396	330
Share-based payments	-	1,360
Superannuation	1,999	1,048
Employee benefits expense	27,075	15,377

26.2 Share-based employee remuneration

In 2017 no shares were issued to any employees as part of their remuneration. In FY2016, 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 2017 nil (2016: \$1,360) 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. In 2017, \$30 shares were accrued and to be issued.

27 Auditor remuneration

	2017 \$'000	2016 \$'000
<i>Audit services – Grant Thornton</i>		
Remuneration for audit or review of financial statements	196,838	186,125
<i>Other services – Grant Thornton</i>		
• investigating accountant	-	300,000
• taxation services	78,656	18,255
• other	86,521	25,010
Total other services remuneration	165,177	343,265
Total auditor's remuneration	362,015	529,390

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:

	2017 \$'000	2016 \$'000
Short-term employee benefits:		
• salaries including bonuses and non-monetary benefits	1,156,737	943,549
• bonuses	-	145,000
• non-monetary benefits	12,027	23,058
Total short-term employee benefits	1,168,764	1,111,607
Long-term employee benefits:		
• long service leave	7,307	(11,945)
Total long-term employee benefits	7,307	(11,945)
Post-employment benefits:		
• superannuation	90,469	66,579
Total post-employment benefits	90,469	66,579
Share-based payments	-	380,000
Total remuneration	1,266,410	1,546,241

Loans to key management personnel

In the comparative period, 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:

	2017 \$'000	2016 \$'000
Balance at the start of the year	-	133,000
Loans advanced	-	1,229,000
Interest paid and payable for the year	-	15,000
Repayments made	-	(1,377,000)
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 \$242 (2016: \$160).

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 \$124 (2016: \$73).

The Group leases its artificial insemination facility in Victoria from entities associated with Chris Richards. Lease payments made amounted to \$70 (2016: \$43).

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 (2016: 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 \$64 (2016: \$121).

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

	2017	2016
	\$'000	\$'000
Property, plant and equipment	115	218
	115	218

The group has entered into the purchase of new vehicles after the reporting date, which haven't been delivered yet.

31 Business restructure

The business did not carry out any restructure in the year ended 30 June 2017.

In the prior year as part of listing between 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 Ltd in exchange for cash and shares:

	% 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 were finalised in the year ended 30 June 2017.

31.3 Contingent consideration subject to performance criteria

The contingent consideration amounting to \$1,250,000 (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 was not met and the reversal was taken up as Other income.

32 Business combination

On 5 September 2016, the Group acquired 100% of the issued share capital and voting rights of the following companies:

- Quirindi Feedlot Services Pty Ltd,
- Quirindi Veterinary Clinic Pty Ltd and
- Quipolly Equine Centre Pty Ltd

In addition, on 6 January 2017, the business assets were acquired from:

AllStock (NSW) Pty Ltd

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. The acquisitions will enable to Group to continue to enhance the services provided to clients by acquiring proprietary technology to improve clinic efficiencies, data analysis systems for feedlot cattle and specialised assets for reproduction services. The fair value of the 2,263,299 fully paid shares issued as part of the consideration paid was based on the 15 day volume weighted average price prior to the announcement which equated to \$1.5335 per shares were issued for the purchase of the Quirindi Group of companies. The fair value of 439,074 shares issued at \$1.1957 which was based on the 20 day volume weighted average share price were issued in relation to the acquisition of the AllStock assets.

	Quirindi	AllStock	Total
	\$'000	\$'000	\$'000
Fair value of consideration transferred			
Amounts settled in cash	7,154	1,225	8,379
Amount settled by issue of shares at fair value	3,471	525	3,996
Total fair value of consideration transferred	10,625	1,750	12,375
Recognised amounts of identifiable net assets			
Property plant and equipment	339	100	439
Deferred tax assets	98	15	113
Total non-current assets	437	115	552
Inventories	72	77	149
Trade and other receivables	542	172	714
Other current assets	315	20	335
Total current assets	929	269	1,198
Borrowings			
Provisions	142	31	173
Total non-current liabilities	142	31	173
Provisions	107	19	126
Borrowings	393	-	393
Current tax liabilities	473	-	473
Trade and other payables	735	22	757
Total current liabilities	1,708	41	1,749
Identifiable net assets	(484)	312	(172)
Goodwill on acquisition	11,109	1,438	12,547
Net cash outflow on acquisition	7,154	1,225	8,379

32.1 Consideration transferred

Acquisition-related costs amounting to \$236,000 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 2017. 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.

33 Interests in subsidiaries

33.1 Composition of the Group

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

Name of the Subsidiary	Country of incorporation and principal place of business	Principal activity	Group proportion of ownership interests	
			2017	2016
Chris Richards & Associates Pty Ltd	Australia	Veterinary services	100%	100%
Country Vet Wholesaling Pty Ltd	Australia	Wholesale supply	100%	100%
Farm Gate Logistics (Qld) Pty Ltd	Australia	Transport	100%	100%
Apiam Management Pty Ltd	Australia	Payroll	100%	100%
Southern Cross Feedlot Services Pty Ltd	Australia	Veterinary services	100%	100%
Westvet Wholesale Pty Ltd	Australia	Wholesale supply	100%	100%
Portec Veterinary Services Pty Ltd	Australia	Veterinary services	49%	49%
Pork Storks Australia Pty Ltd	Australia	Genetics	100%	100%
McAuliffe Moore & Perry Pty Ltd	Australia	Veterinary services	100%	100%
Warrnambool Veterinary Clinic Pty Ltd	Australia	Veterinary services	100%	100%
Scottsdale Veterinary Services Pty Ltd	Australia	Veterinary services	100%	100%
Smithton Veterinary Service Pty Ltd	Australia	Veterinary services	100%	100%
AAH - Dubbo Vet Hospital Pty Ltd	Australia	Veterinary services	100%	100%
AAH - Bell Vet Services Pty Ltd	Australia	Veterinary services	100%	100%
CVH Gippsland Pty Ltd	Australia	Veterinary services	100%	100%
CVH Southern Riverina Pty Ltd	Australia	Veterinary services	100%	100%
CVH Border Pty Ltd	Australia	Veterinary services	100%	100%
CVH iVet Pty Ltd	Australia	Dormant	100%	100%
Tasvet Wholesale Pty Ltd	Australia	Dormant	100%	100%
Quirindi Feedlot Services Pty Ltd	Australia	Veterinary services	100%	0%
Quirindi Veterinary Clinic Pty Ltd	Australia	Veterinary services	100%	0%
Quipolly Equine Centre Pty Ltd	Australia	Veterinary services	100%	0%

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 participation by the shareholder in general meetings. 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 2017, the net carrying amount of the motor vehicles held under finance lease arrangements (included as part of motor vehicles) is \$1,715 (2016:\$564); and the net carrying amount of the plant and equipment held under finance lease arrangements (included as part of plant and equipment) is \$64 (2016: \$73) (see Note 13).

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

	2017 \$'000	2016 \$'000
Current:		
• finance lease liabilities	486	242
Non-current:		
• finance lease liabilities	942	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 June 2017				
Lease payments	523	994	-	1,517
Finance charges	(37)	(52)	-	(89)
Net present values	486	942	-	1,428
30 June 2016				
Lease payments	257	271	-	528
Finance charges	(15)	(9)	-	(24)
Net present values	242	262	-	504

34.2 Operating leases as lessee

Non-cancellable operating leases

	2017 \$'000	2016 \$'000
Within one year	1,633	1,438
later than one year but less than five years	4,476	4,409
later than five years	2,170	2,062
	8,279	7,909

The group leases various offices, warehouses and retail stores under non-cancellable operating leases expiring within one to ten years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. The group also has a 5 year agreement for the provision of the IT ERP system for the financials as previously communicated.

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 2017, 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% (2016: +/- 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-Jun-17	242	(242)	242	(242)
30-Jun-16	80	(80)	80	(80)

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:

	2017 \$'000	2016 \$'000
Classes of financial assets		
Carrying amounts:		
Cash and cash equivalents	968	2,117
trade and other receivables	14,075	13,254
	15,043	15,371

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:

	2017 \$'000	2016 \$'000
Past due under 30 days	1,893	1,594
Past due 30 days to under 60 days	489	633
Past due 60 days and over	1,680	831
Total	4,062	3,058

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 2017, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current		
	Within 6 months \$'000	6 - 12 months \$'000	1 - 4 years \$'000
30 June 2017			
Other bank borrowings	3,616	-	20,666
Finance lease obligations	248	238	942
Trade and other payables	9,015	-	-
Total	12,879	238	21,608

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

	Current		
	Within 6 months \$'000	6 - 12 months \$'000	1 - 4 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

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 2017 and 30 June 2016:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
30 June 2017				
Financial liabilities	-	-	-	-
Contingent consideration	-	-	-	-
Total liabilities	-	-	-	-
Net fair value	-	-	-	-

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

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) 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	
	2017 \$'000	2016 \$'000
Balance at 1 July 2016	1,250	-
Reversal of contingent consideration	(1,250)	-
Payable business combination	-	1,250
Balance at 30 June 2017	-	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:

	2017 \$'000	2016 \$'000
Total equity	54,482	46,271
Cash and cash equivalents	968	2,117
Capital	55,450	48,388
Total equity	54,482	46,271
Borrowings	25,710	16,012
Overall financing	80,192	62,283
Capital-to-overall financing ratio	69%	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'):

	2017 \$'000	2016 \$'000
Statement of financial position		
Current assets	1,113	786
Total assets	106,758	94,116
Current liabilities	4,103	7,375
Total liabilities	26,711	18,951
Net assets	80,047	75,165
Issued capital		
Retained earnings / (Accumulated losses)	83,065	79,070
Total equity	(3,018)	(3,905)
Statement of profit or loss and other comprehensive income	80,048	75,165
Profit for the year	1,018	(3,718)
Other comprehensive income		
Total comprehensive income	1,018	(3,718)

The Parent Entity has capital commitments of \$115 to purchase motor vehicles (2016: \$218). 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 2017 (2016: \$Nil).

39 Post-reporting date events

The Apiam Board of Directors have declared the Company's final dividend of 0.8c per share fully franked on the 25 August 2017. The final dividend of \$809,424 will be paid on the 27 October 2017.

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-Jun-17	notes	Financial assets at amortised cost \$'000	Total \$'000
Financial assets			
cash and cash equivalents	9	968	968
Trade and other receivables	10	14,075	14,075
		15,043	15,043

		Other liabilities at amortised cost cost	
Financial liabilities			
Non-current borrowings	18	21,608	21,608
Current borrowings	18	4,102	4,102
Trade and other payables	16	9,015	9,015
Current tax liabilities	17	776	776
		35,501	35,501

30-Jun-16	Note	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

		Other liabilities at amortised cost cost	
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

40.2 Borrowings

Borrowings include the following financial liabilities:

Financial liabilities	2017 \$'000	Current 2016 \$'000	2017 \$'000	Non-current 2016 \$'000
<i>Carrying amount at amortised cost:</i>				
• other bank borrowings (Note 18)	3,616	3,906	20,666	11,602
• finance lease liabilities (Note 34)	486	242	942	262
	4,102	4,148	21,608	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 3.6% (2016 5.4%). 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 2017

	2017	2016
	\$'000	\$'000
Continuing operations		
Revenue	85,128	51,724
Other income	1,232	-
Expenses		
Changes in inventory	1,282	1,725
Cost of materials	(42,732)	(28,713)
Costs of consumables and services	(502)	(456)
Employee benefit expenses	(25,802)	(15,110)
Listing and acquisition expenses	(739)	(2,026)
Property expenses	(2,434)	(1,410)
Freight, vehicle and transport expenses	(1,662)	(1,407)
Depreciation of property, plant and equipment	(1,417)	(593)
Other operating expenses	(6,033)	(2,345)
Finance costs	(895)	(434)
Other financial items	(14)	(7)
Profit/(loss) before income tax	5,412	948
Income tax (expense)/benefit	(972)	(968)
Profit from continuing operations	4,440	(20)
(Loss)/profit from discontinued operation	-	-
Profit for the year	4,440	(20)

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

Statement of Financial Position	2017	2016
As at 30 June 2017	\$'000	\$'000
Assets		
Current assets		
Cash and cash equivalents	835	2,009
Trade and other receivables	14,128	12,770
Inventories	11,356	10,167
Other current assets	737	371
Total current assets	<u>27,056</u>	<u>25,317</u>
Non-current assets		
Intangible assets	46,958	45,501
Property, plant and equipment	6,000	4,479
Investments	11,620	-
Deferred tax assets	3,339	2,967
Total non-current assets	<u>67,917</u>	<u>52,947</u>
Total assets	<u>94,973</u>	<u>78,264</u>
Current liabilities		
Trade and other payables	9,255	9,410
Amounts payable to vendors for business acquisitions	-	1,250
Current tax liabilities	725	1,357
Borrowings	4,203	4,147
Provisions	3,500	3,453
Total current liabilities	<u>17,683</u>	<u>19,617</u>
Non-current liabilities		
Borrowings	21,608	11,864
Provisions	631	266
Total non-current liabilities	<u>22,239</u>	<u>12,130</u>
Total liabilities	<u>39,922</u>	<u>31,747</u>
Net assets	<u>55,051</u>	<u>46,517</u>
Equity		
Equity attributable to owners of the parent		
- share capital	83,004	79,070
- corporate reorganization reserve	(25,642)	(25,642)
- non-controlling interest acquisition reserve	(6,615)	(6,615)
- retained earnings	4,304	(296)
	<u>55,051</u>	<u>46,517</u>

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 2017 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 2017.
- 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 2017

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF APIAM ANIMAL HEALTH LIMITED

Report on the audit of the financial report

Opinion

We have audited the financial report of Apiam Animal Health Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, 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, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- a Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- b Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Goodwill Note 14 At 30 June 2017 the carrying value of Goodwill was \$57m relating to three separate cash-generating units ("CGUs"). In accordance with AASB 136 <i>Impairment of Assets</i> , the Group is required to assess at least annually if the carrying value of each CGU is in excess of the recoverable value. This area is a key audit matter due to the high level of management judgement and estimation required to determine the recoverable value of the CGUs.	Our procedures included, amongst others: <ul style="list-style-type: none"> • Reviewing the impairment model for compliance with AASB 136; • Assessing management's determination of the Group's CGUs based on the nature of the business and the economic environment in which the units operate; • Analysing the internal reporting of the Group to assess how earnings streams are monitored and reported by management; • Evaluating management's future cash flow forecasts to obtain an understanding of the process by which they were developed; • Assessing management's expertise in preparing the impairment model; • Testing the underlying calculations for mathematical accuracy and agreeing them to the latest Board approved budgets; • Assessing management's key assumptions for reasonableness by comparing long term growth rates to historical results and economic and industry forecasts; • Agreeing discount rates to the cost of capital for the Group; • Utilising an auditors expert to assess the reasonableness of key assumptions used in the model; • Performing sensitivity analysis on significant assumptions, including the discount rate and terminal growth assumptions; and • Reviewing the appropriateness of the related disclosures within the financial statements.

Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors' 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* and for 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.

In preparing the financial report, the Directors are responsible for assessing the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Apiam Animal Health Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



A C Pitts
Partner - Audit & Assurance

Melbourne, 25 August 2017

ASX Additional Information

Additional Securities Exchange Information

In accordance with ASX Listing Rule 4.10, the Company provides the following information to shareholders not elsewhere disclosed in this Annual Report. The information provided is current as at 11 August 2017.

Corporate Governance Statement

The Company's Directors and management are committed to conducting the Group's business in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and substantially complies with the ASX Corporate Governance Principles and Recommendations (Third Edition) (**Recommendations**) to the extent appropriate to the size and nature of the Group's operations.

The Company has prepared a statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations (**Corporate Governance Statement**).

In accordance with ASX Listing Rules 4.10.3 and 4.7.4, the Corporate Governance Statement will be available for review on Apiam's website (www.apiam.com.au), and will be lodged together with an Appendix 4G with ASX at the same time that this Annual Report is lodged with ASX.

The Appendix 4G will particularise each Recommendation that needs to be reported against by Apiam, and will provide shareholders with information as to where relevant governance disclosures can be found.

The Company's corporate governance policies and charters are all available on Apiam's website (www.apiam.com.au).

Substantial holders

As at the 11 August 2017, the names of the substantial holders of the Company and the number of equity securities in which those substantial holders and their associates have a relevant interest, as disclosed in substantial holding notices given to the Company, are as follows:

Holder of Equity Securities	Class of Equity Securities	Number of Equity Securities held	% of total issued securities
CJOEA Family Company Pty Ltd <Richards Family A/C>	Ordinary Shares	27,339,804	27.02

Regal Funds Management Pty Limited	Ordinary Shares	8,931,118	5.11
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Number of holders

As at the 11 August 2017, the number of holders in each class of equity securities:

Class of Equity Securities	Number of shares
Fully paid ordinary shares	71,310,708
Fully paid ordinary shares restricted until 1 September 2017 and quoted on ASX	1,131,652
Fully paid ordinary shares restricted until 8 December 2017 and quoted on ASX	27,164,866
Fully paid ordinary shares restricted until 5 January 2018 and quoted on ASX	219,537
Fully paid ordinary shares restricted until 1 September 2018 and quoted on ASX	1,131,647
Fully paid ordinary shares restricted until 5 January 2019 and quoted on ASX	219,537
TOTAL ORDINARY SHARES ON ISSUE	101,177,947

Voting rights of equity securities

The only class of equity securities on issue in the Company which carries voting rights is ordinary shares.

As at the 11 August 2017, there were 1,138 holders of a total of 71,310,708 ordinary shares of the Company.

At a general meeting of The Company, every holder of ordinary shares present in person or by proxy, attorney or representative has one vote on a show of hands and on a poll, one vote for each ordinary share held. On a poll, every member (or his or her proxy, attorney or representative) is entitled to vote for each fully paid share held and in respect of each partly paid share, is entitled to a fraction of a vote equivalent to the proportion which the amount paid up (not credited) on that partly paid share bears to the total amounts paid and payable (excluding amounts credited) on that share. Amounts paid in advance of a call are ignored when calculating the proportion.

Distribution of holders of equity securities

The distribution of holders of equity securities on issue in the Company as at the 11 August 2017 is as follows:

Distribution of ordinary shareholders

Holdings Ranges	Holders	Total Units	%
1 – 1,000	132	78,978	0.111
1,001 – 5,000	299	916,639	1.285
5,001 – 10,000	266	2,260,761	3.170
10,001 – 100,000	360	11,128,155	15.605
100,001 – 999,999,999	81	56,926,175	79.828
Totals	1,138	71,310,708	100

Distribution of ordinary shares escrowed until 1 September 2017

Holdings Ranges	Holders	Total Units	%
1 – 1,000	-	-	-
1,001 – 5,000	3	9,783	0.864
5,001 – 10,000	1	9,782	0.864
10,001 – 100,000	2	29,345	2.593
100,001 – 999,999,999	2	1,082,742	95.678
Totals	8	1,131,652	100

Distribution of ordinary shares escrowed until 8 December 2017

Holdings Ranges	Holders	Total Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	2	136,425	0.502
100,001 – 999,999,999	38	27,028,441	99.498
Totals	40	27,164,866	100

Distribution of ordinary shares escrowed until 5 January 2018

Holdings Ranges	Holders	Total Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	1	87,815	40
100,001 – 999,999,999	1	131,722	60
Totals	2	219,537	100

Distribution of ordinary shares escrowed until 1 September 2018

Holdings Ranges	Holders	Total Units	%
1 – 1,000	-	-	-
1,001 – 5,000	3	9,780	0.864
5,001 – 10,000	1	9,781	0.864
10,001 – 100,000	2	29,345	2.593
100,001 – 999,999,999	2	1,082,741	95.678
Totals	8	1,131,647	100

Distribution of ordinary shares escrowed until 5 January 2019

Holdings Ranges	Holders	Total Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	1	87,815	40
100,001 – 999,999,999	1	131,722	60
Totals	2	219,537	100

Less than marketable parcels of ordinary shares (UMP Shares)

The number of holders of less than a marketable parcel of ordinary shares based on the closing market price at the 11 August 2017 is as follows:

Total Shares	UMP Shares	UMP Holders	% of issued shares held by UMP holders
71,310,708	21,593	70	0.03028

Twenty largest shareholders

The Company only has one class of quoted securities, being ordinary shares. The names of the 20 largest holders of ordinary shares, and the number of ordinary shares and percentage of capital held by each holder is as follows:

Holder Name	Balance as at 11 August 2017	%
CJOEA Family Company Pty Ltd <Richards Family A/C>	26,852,304	26.540%
Merrill Lynch (Australia) Nominees Pty Limited	6,760,560	6.682%
J P Morgan Nominees Australia Limited	4,976,617	4.919%
National Nominees Limited	3,834,158	3.790%
BNP Paribas Noms Pty Ltd <Drp>	3,791,703	3.748%
UBS Nominees Pty Ltd	2,547,150	2.517%
Cobash Pty Limited <J & S Wright Family A/C>	2,152,297	2.127%
HSBC Custody Nominees (Australia) Limited	1,821,868	1.801%
Mrs Kate Judith Malin <Howison Family A/C>	1,624,700	1.606%
Yarrabrook Pty Ltd <GSS Unit Ebf No 2 A/C>	1,386,700	1.371%
BT Portfolio Services Limited <Leighton Super Fund A/C>	1,333,650	1.318%
Four Post Investments Pty Ltd <Johnstone Investment A/C>	1,200,000	1.186%
Mr Roger Charles Carmody & Mrs Maris Moore Carmody <R & M Carmody A/C>	1,104,321	1.091%
Sonjaswright Pty Limited	1,099,044	1.086%
Mr Craig James Dwyer <Dwyer Family A/C>	1,066,439	1.054%
Kim Nairn	1,010,000	0.998%
Mr Kevin Francis Sullivan & Mrs Jane Maree Sullivan <Bvs Superannuation Fund A/C>	986,700	0.975%
Tocamac Pty Ltd <Petersen Family A/C>	933,753	0.923%
Cindy Jane Pty Ltd <Cindy Jane Family A/C>	872,568	0.862%
Mr Coleen Stewart <K & C Stewart Family A/C>	845,000	0.835%
Total number of shares of Top 20 Holders	66,199,532	65.429
Total Remaining Holders Balance	34,978,415	34.571

Company Secretary

The Company's secretary is Ms Sophie Karzis.

Registered Office

The address and telephone number of the Company's registered office is:

27- 33 Piper Lane
East Bendigo VIC 3550

Telephone: +61 (0)3 5445 5999

Share Registry

The address and telephone number of the Company's share registry, Boardroom Pty Limited, are:

Street Address:

Boardroom Pty Limited
Level 12, 225 George Street
Sydney New South Wales 2000

Telephone: 1300 737 760

Stock Exchange Listing

The Company's ordinary shares are quoted on the Australian Securities Exchange (ASX issuer code: AHX).

Escrow

Class of restricted securities	Type of restriction	Number of securities	End date of escrow period
Ordinary shares	Voluntary escrow	1,131,652	1 September 2017
Ordinary shares	Voluntary escrow	27,164,866	8 December 2017
Ordinary shares	Voluntary escrow	219,537	5 January 2018
Ordinary shares	Voluntary escrow	1,131,647	1 September 2018
Ordinary shares	Voluntary escrow	219,537	5 January 2019

Unquoted equity securities

The Company has no unquoted equity securities on issue.

Other Information

The Company is not currently conducting an on-market buy-back.

There are no issues of securities approved for the purposes of item 7 of section 611 of the Corporations Act which have not yet been completed.

No securities were purchased on-market during the reporting period under or for the purposes of an employee incentive scheme or to satisfy the entitlements of the holders of options or other rights to acquire securities granted under an employee incentive scheme.



CORPORATE DIRECTORY

DIRECTORS

Professor Andrew Vizard
Dr Christopher Richards
Mr Michael van Blommestein
Mr Richard Dennis
Mr Charles Sitch

Chairman
Managing Director
Non-Executive Director
Non-Executive Director
Non-Executive Director

COMPANY SECRETARY

Sophie Karzis

REGISTERED OFFICE

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ASX CODE

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