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 2023
Previous period:	For the year ended 30 June 2022

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Statutory Results Summary

CHANGES FROM PERIOD ENDED 30 JUNE

				2023		**2022**
		%		**$m**		**$m**
Revenue from ordinary activities	up	22	To	192.1	from	157.2
Net profit attributable to members	down	51	To	2.3	from	4.6
Profit from ordinary activities after tax attributable to members	down	51	To	2.3	From	4.6
Underlying EBITA (Incl. non-controlling interests)	up	12	to	12.8	From	11.5

Underlying EBITA (Earnings Before Interest, Tax and Amortisation) is considered by Management to be a useful indicator of business profitability and excludes one-off corporate costs as well as integration and acquisition expenses. Further commentary on the annual results can be found in the 'Operating and Financial Review' section within the Directors' report of the attached Annual Financial Report.

Dividends

	Amount per security cents	**Franked amount per security Cents**
2023 Interim Dividend	0.0 cents	0.0 cents
2023 Final Dividend	0.0 cents	0.0 cents

Net Tangible Asset per Security

	2023	2022
Net Tangible assets per share	($0.26)	($0.11)

Return to shareholders

Dividends of $697,330 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 Note 33 and 34 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 3 joint venture entities.

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 2023 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.

2023

Apiam Animal Health

Enriching the lives of Animals, People and Communities

ANNUAL REPORT

Apiam animal health


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Vet

Contents

Chairman's Message

Dear Shareholder,

On behalf of the Board of Directors I am pleased to present the Apiam Animal Health Ltd Annual Report for the year ended 30 June 2023 (FY23). In a year marked by both challenges and opportunities, Apiam has continued on its growth journey to build a business with a broader revenue base, enlarged scale and greater financial resilience.

Apiam's accelerated acquisition program embarked on over the past three years has seen the Company significantly increase the revenues and earnings it generates from the dairy & mixed animal veterinary segment. This segment provides a resilient revenue stream and significant opportunities for growth as populations, and animal numbers continue to increase in regional hubs and peri-urban locations. These are the areas Apiam, as a Company, has identified as key market opportunities.

Over the year, we completed a further seven acquisitions in various geographic regions, increasing our exposure to dairy, companion animals and the equine veterinary industry, all segments that remain largely fragmented and with attractive growth profiles.

While Apiam reported solid revenue growth for FY23, our earnings growth did not meet our targets, in part due to the Company impacts from broader economic challenges such as inflation, the wage environment for skilled workers and interest rate rises.

In June 2023, we finalised a restructuring and redundancy program that will have immediate cost benefits in FY24. We expect this program to result in employee expense savings of $2.6 million in the year ahead and improved earnings margins across our business.

Apiam's Management team will also be continuing to work with several clinics to further improve their earnings margins in-line with our Group targets and will be particularly focussed in the areas of optimisation of staff rostering, cost management and adoption of service programs to generate further revenue opportunities.

In the year ahead, we will continue to build a resilient business that captures the growing revenues available in the veterinary industry and that is leveraged to increased animal numbers in strategic regional locations. The acquisition pipeline remains strong, with phasing to reflect optimisation of capital resources and cash flow.

We have identified that there is opportunity to achieve further cost savings and synergies from our network of clinics, and we have embarked on a strategy to improve returns and deliver a more profitable business. We thank shareholders for their patience and support during this process.

As a Board and Management team we are committed to improving Apiam's performance in FY24. Finally, I acknowledge the contribution of our employees over the past 12 months, and their efforts to deliver best-practice and high-quality animal care for our clients and their animals.

Yours sincerely,

Andrew Vizard

Professor Andrew Vizard

Managing Director's Message

Dear Shareholder,

It has been another busy year for Apiam as we have continued on our regional expansion strategy in the 12-months to 30 June 2023 (FY23). Over the past year we have completed the acquisition of seven veterinary businesses and continued to work on the integration of the accelerated number of acquisitions we have completed over the past three years.

Despite the broader macro-economic challengers, our revenues remained solid increasing 22.6% over the year to $192.8 million[1]. This was driven by the resilience of our dairy & mixed animal veterinary segment, which now accounts for 77% of our Group revenues and has been the focus of our acquisition program. This segment delivered 4.9% organic like-for-like revenue in FY23 versus the prior corresponding period (pcp).

While our intensive animal veterinary segments (pigs and beef feedlot) remain integral to Apiam's regional and rural model, they continue to face cyclical industry pressures. Revenues from our beef feedlot segment fell in FY23 due to lower feeder steer inductions in H1, however pleasingly this was partly offset by revenue growth in the pig segment particularly in the second half of FY23 as the impacts of the Japanese Encephalitis outbreak in 2022 abated.

Overall, our earnings performance in FY23 was below what the company is capable of, coming in below the rate of our revenue growth. Underlying EBITA (before one-off expenses)[2] increased 11.6% to $12.8 million, impacted by growth in wage expense. Inflationary pressures, the recruitment of higher skill-set vets in the first half of FY23 and the increased staff associated with business support functions during our accelerated acquisition phase all contributed to this growth. We also restructured several clinics to improve future performance, which resulted in short-term revenue and EBITA impacts which pleasingly started to resolve late in the reporting period. Further steps we are taking to address cost efficiencies with respect to wages are set out in the section below.

Reported net profit after tax (NPAT) fell to $2.3 million in FY23 (FY22: $4.6 million) due to the impact of a one-off non-cash provision ($1.7 million post-tax basis) relating to the write-down of

[1] Excludes one-off revenue adjustment for deferred revenue relating to prior years +$920K and reversal of earn-out no longer payable $(190K)
[2] Underlying EBITA is a non-IFRS measure and is earnings before interest, tax, amortisation and one-off expenses

sanitiser and surface protectant products. Rising interest rates as well as higher borrowings to fund strategic acquisitions has also increased Apiam's finance cost in FY23 to $3.8 million (FY22: $1.6 million).

Cost saving initiatives to improve earnings margins

During the second half of FY23 Apiam Management strongly focused on leveraging synergies from its existing clinics, working to improve efficiencies and ensure appropriate skillsets within each clinic. In a small number of clinics, the restructure required has resulted in short term revenue and EBITA reduction, which is expected to recover in FY24. With an increased focus on leveraging the organic revenue growth to achieve higher earnings, the Company has reduced the rate of its acquisition program.

In June 2023, Apiam completed a cost-saving redundancy & restructuring program to improve workflows and eliminate some redundant roles both within the Company's centralised business support functions, as well as at various clinic locations.

This program is expected to result in a reduction to Apiam's wage expenses of approximately $2.6 million p.a. from July 2023 onwards. Redundancy costs incurred as part of this process were approximately $0.3 million and will be treated as non-recurring costs in Apiam's FY23 accounts.

Apiam's business support network costs have already been scaled back, declining 1.9% in H2 FY23 (vs H1 FY23), particularly as the rate and the scale of the acquisition program slowed in this period and we expect this trend to continue into FY24.

Additional earnings leverage is also expected in the year ahead as Management continue to identify additional areas where greater service program adoption can be executed and clinic-level employment costs can be more efficiently and effectively incurred.

Regional veterinary workforce growth

As with all healthcare providers, workforce retention and quality is at the core of our business performance. Over FY23 we have made great strides in attracting veterinarians to the regions and have led the industry with some innovative employment focussed programs to attract and retain talent.

In FY23 we introduced the "Your Vet Career, Your Way" program, which focusses on employee driven flexibility around career pathways, flexible workplace practices and locations to meet lifestyle preferences. We continued our Vetriage program which has reduced after-hours calls to veterinarians by >70%, with non-critical care being handled by our virtual team of experienced veterinary nurses. We also introduced a student debt (HECS) reduction program which has seen very high interest since its launch in May. Despite the program closing in October 2023, we have already offered several places to high quality applicants.

Overall, we believe our innovative employee-focussed offerings have resulted in Apiam having a much greater share of our veterinarian workforce in full-time employment (66%), versus the industry average of 50%, as reported at the recent Australian Veterinary Association conference.

We believe that this is being achieved as a result of approximately 80% of our veterinarians opting into our flexible workplace programs including compressed 4-day weeks or 9-day fortnights.

Looking ahead in FY24

We remain confident in the resilient nature of our non-discretionary business, supported by the essential nature of the animal healthcare services we provide. The strengths and benefits of our business model, particularly our expansion over the past three years into the resilient dairy & mixed animal segment will places us well to continue to deliver strong revenue outcomes in the year ahead.

From an earnings perspective, we still have much work to do and we are working with clinics on an individual basis to drive revenue growth, better extract cost savings and enhance efficient and effective workflow practices to meet our individual clinic earnings margin targets. This will be the key focus of our strategy in FY24.

We expect our operating earnings margins to improve in FY24 as these measures take effect. Additionally, we will continue to identify acquisition growth opportunities taking into account our free cash flows as well as the synergy realisation potential for the Group.

Apiam has strong fundamentals and I thank you for your continued support as we continue to strive towards delivering our shareholders improved financial results.

Yours sincerely,

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 2023.

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 Richard John Dennis	Non-Executive Director
Dr Jan Tennent	Non-Executive Director
Evonne Maree Collier	Non-Executive Director (appointed 1 October 2022)

The following person resigned as a director during the financial year

Mr Michael van Blommestein	Non-Executive Director (retired 24 November 2022)

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 ASX companies, statutory bodies and research organisations including 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.

He is currently Chair of the Vizard Foundation and Executive Secretary for the Hermon Slade Foundation and the Australia & Pacific Science Foundation.

Interests in Shares and Options

286,109 shares

Dr Christopher Richards

Managing Director

BSc, BVSc, MAICD

Dr Chris Richards is the Managing Director of Apiam Animal Health Limited, as well as the Australian subsidiary entities and joint venture companies, which provide veterinary services to Australian regional and rural communities.

Chris is responsible for the strategic direction of Apiam, which has seen the development, growth, acquisition and integration of production and companion animal veterinary clinics, veterinary wholesale, logistics, laboratory and genetics services businesses since 1998 into the Apiam of today.

Chris is also a Director of registered charity, Fur Life Foundation Ltd, which raises funds to support people in rural, regional, and remote communities.

Interests in Shares and Options

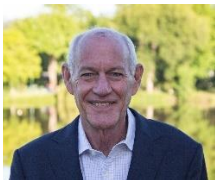
38,651,577 shares

560,164 performance rights

Mr Richard John Dennis

Independent Non-Executive Director

BComm, LLB



Rick held a number of senior roles for over 35 years with Ernst & Young (EY) and was the Managing Partner of EYs Queensland practice on two occasions from 2001-2007 and from 2014-15. Rick also held several executive management roles at EY, including Deputy COO and CFO for the Asia-Pacific practice where he was responsible for overseeing the financial and operational integration of EYs Australian and Asian member firms.

Rick is a member of Australian Super's Queensland Advisory Board, a member of the Advisory Boards of EWM Group and HLB Chessboard, and an external member of the Audit & Risk Committee of Racing Queensland. Rick is non-executive Chair of AF Legal Group Limited, Motorcycle Holdings Limited, Energy Resources of Australia Limited, and a non-executive director of Cettire Limited and Step One Clothing Limited.

Interests in Shares and Options

12,064 shares

Dr Jan Tennent

Independent Non-Executive Director

PhD, BSc (Hons), GCertMgt, GAICD, FTSE FASM,

Jan is a Fellow of the Australian Academy of Technology and Engineering and the Australian Society for Microbiology and, a Principal Fellow at The University of Melbourne.

She is an internationally recognised researcher with specialist knowledge of antimicrobial resistance mechanisms and the discovery and commercialisation of vaccines. Jan has held senior roles at CSIRO, the CRC for Vaccine Technology, CSL, and Pfizer Animal Health (now Zoetis) where she was the Director of Business Development and Global Alliances in the APAC region.

Her most recent executive role was as CEO of Biomedical Research Victoria (2012-2019). Jan is also a non-executive director of Agriculture Victoria Services Pty Ltd, Phytogene Pty Ltd, AusBiotech Limited (to 3 Nov 2022) and eviDent Foundation Limited.

Interests in Shares and Options

72,073 shares

Evonne Maree Collier

Non-Executive Director (appointed 1 October 2022)

BA, MBus, GradCertAppFin, GAICD

Ms Collier has served as a Chair and Non-Executive Director on various boards since 2011 and currently serves as a Non-Executive Director and Chair of the Remuneration and Nominations Committee for 4DMedical Limited as well as a number of private and publicly unlisted companies.

She currently serves as Non-Executive Director of global SaaS analytics company, Sage Automation (Chair of the Digital Products board), digital dental and aesthetic dental clinic aggregator, Curae Health (Chair), global eCommerce business, Australian Fitness Supplies (Chair) and Motorama Group Automotive Holdings (Chair of the Marketing and Digital Committee).

Ms Collier was also previously Non-Executive Director of ASX-listed 1300Smiles Limited and Think Childcare Limited prior to its acquisition in 2021.

Ms Collier holds a Master of Business (Marketing, Strategy and Innovation), Bachelor of Arts, Graduate Certificate of Applied Finance, and is a Graduate Member of the Australian Institute of Company Directors.

Interests in Shares and Options

Nil

Mr Michael van Blommestein

Independent Non-Executive Director (retired 24 Nov 2022)

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.

Michael is an experienced director in the animal health sector. He 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

111,268 shares

Company Secretary

Eryl Baron
Company Secretary
AGIA

Eryl has 20 years' experience working in the corporate sector as a Company Secretary in a number of industries. She is the appointed Company Secretary to a portfolio of ASX-listed companies across a range of industries.

Eryl is an Associate member of the Governance Institute of Australia. She is experienced in company secretarial and governance management of listed and unlisted companies.

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 & Risk Management Committee		Remuneration & Nomination Committee	
	A	**B**	**A**	**B**	**A**	**B**
Andrew Vizard	12	11	4	4	3	2
Chris Richards	12	12	-	-	-	-
Michael van Blommestein	3	2	-	-	1	1
Richard Dennis	12	12	4	4	-	-
Jan Tennent	12	12	4	4	3	3
Evonne Collier	10	8	3	3	3	2

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 <u>Audit & Risk Management Committee</u> during the period were:

Richard Dennis (Chair)

Andrew Vizard

Jan Tennent

Evonne Collier (appointed to the Board on 1 October 2022)

Members of the <u>Remuneration & Nomination Committee</u> during the period were:

Jan Tennent (Chair)

Andrew Vizard

Evonne Collier (appointed to the Board on 1 October 2022)

Michael van Blommestein (Chair) (resigned from the Board on 24 November 2022)

PRINCIPAL ACTIVITIES

The Group operates in the segment of provision of veterinary products and services to production, companion and equine animals. Apiam services 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;
- on-farm and on-line training programs for clients; and
- veterinary services for companion animals

REVIEW OF OPERATIONS

Apiam's revenue for the 12 months to 30 June 2023 (FY23) remained resilient and continued to reflect the non-discretionary nature of the Company's veterinary operations.

Revenue grew 22.6% in FY23 to $192.8 million[3] (FY22: $157.2 million) driven by the Company's dairy & mixed animal segment which accounted for 77% of total revenue. This segment delivered like-for-like (LFL) revenue growth of 4.9% in FY23 vs the prior corresponding period (pcp).

The Company's beef feedlot and pig segment continued to operate in a challenging industry environment, with segment LFL revenue falling (4.1)% in FY23. While revenue generated in the feedlot segment was below the previous year due to lower feeder steer inductions and improved health outcomes, pleasingly the pig segment delivered 5.0% revenue growth in H2 FY23 (vs pcp) off the back of industry expansion and recovery in pig numbers from the Japanese encephalitis impacts of 2022.

Apiam's underlying EBITA (before one-off expenses)[4] grew 11.6% in FY23 with the rate of growth impacted by higher wage costs which increased 8.7% on a LFL basis in the dairy & mixed animal segment. Increased growth in wages over the period occurred due to recruitment of higher skill-set veterinarians in H1 FY23, the broader inflationary environment as well as the

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[3] Excludes one-off revenue adjustment for deferred revenue relating to prior years +$920K and reversal of earn-out no longer payable $(190K)
[4] Underlying EBITA is a non-IFRS measure and is earnings before interest, tax, amortisation and one-off expenses

full year impact of the acquisitions program and the associated business support required, particularly following the accelerated rate of acquisitions over FY21-FY22. Apiam's business support network costs declined 1.9% in H2 FY23 (vs H1 FY23) as the rate and the scale of the acquisition program slowed in this period.

Rising interest rates over the past 12 months, as well as increased borrowings to fund strategic acquisitions, has increased Apiam's finance costs in FY23 to $3.8 million, up from $1.6 million in FY22. This has had a negative impact on the Company's Underlying Net Profit After Tax and Amortisation (NPATA) performance in FY23.

Additionally, Apiam's reported NPAT has been impacted by a one-off provision for inventory, which is reflected as a $1.7 million non-cash expense (post-tax basis). This has reduced reported NPAT to $2.3 million (FY22: $4.6 million).

In June 2023, Apiam completed a cost-saving redundancy & restructuring program to reduce the amount of non-veterinarian staff both within the Company's centralised business support functions, as well as at various clinic locations.

This program is expected to result in a reduction to Apiam's wage expenses of approximately $2.6 million p.a. from July 2023 (FY24) onwards. Redundancy & restructuring costs incurred were $0.3 million and are treated as one-off expenses for the purposes of the tables presented in this Directors Report.

Management continue to work with dairy and mixed animal clinics around optimisation of staff rostering and achievement of greater operating cost efficiencies to further reduce costs and improve their financial contribution to the Group.

The following tables are presented to assist in the interpretation of the underlying performance of Apiam during FY23. This information is additional and presented using non-IFRS information and terminology.

Apiam FY23 Financial Results Summary – Underlying Basis

P&L underlying	FY23	FY22	Variance	%
Total Revenue [1]	192.8	157.2	35.6	22.6%
Cost of goods sold [2]	(67.5)	(59.8)	(7.7)	12.9%
Gross Profit [3]	**125.3**	**97.4**	**27.9**	**28.6%**
Operating expenses	(104.3)	(79.2)	(25.2)	31.8%
Underlying EBITDA [4]	**21.0**	**18.3**	**2.7**	**14.8%**
Underlying EBITA [4]	**12.8**	**11.5**	**1.3**	**11.6%**
Underlying NPATA [4, 5]	**6.4**	**7.1**	**(0.7)**	**(9.6)%**
Amortisation post tax	(1.5)	(1.1)	(0.5)	31.4%
One-off expenses post tax	(0.5)	(1.4)	0.9	(61.6)%
One-off revenue adj post tax	(0.5)			
One-off write-down adj post tax	(1.7)			
NPAT attributable to members	**2.3**	**4.6**	**(2.4)**	**(50.9)%**
Gross Margin (%)	65.0%	62.0%		
Underlying EBITDA margin (%)	10.9%	11.6%		
Underlying EBITA margin (%)	6.7%	7.3%		

Notes
1 Excludes one-off revenue adjustment for deferred revenue relating to prior years +$920K and reversal of earn-out no longer payable $(190K)
2 Excludes inventory write-down expense of $2.4 million relating to sanitiser and surface protectant products.
3 Gross profit is a non-IFRS measure and only considers the cost of inventory associated with product revenue. It does not consider any cost of services associated with service revenue.
4 Underlying earnings are non-IFRS measures and exclude one-off acquisition, integration & restructuring costs (tax effected where applicable at NPAT level)
5 Before amortisation (tax effected)

Apiam FY23 Financial Results Summary – Reported Basis

P&L stat	FY23	FY22	Variance	%
Total revenue	192.1	157.2	34.9	22.2%
Cost of goods sold	(69.9)	(59.8)	(10.1)	16.9%
Gross profit [1]	**122.2**	**97.4**	**24.8**	**25.4%**
Operating expenses	(105.1)	(81.1)	(24.0)	29.5%
EBITDA	**17.1**	**16.3**	**0.8**	**4.9%**
Depreciation ROU assets	(4.1)	(3.3)	(0.8)	24.0%
Depreciation & amortisation	(6.1)	(5.0)	(1.1)	21.3%
EBIT	**6.9**	**7.9**	**(1.1)**	**(13.4)%**
Interest	(3.8)	(1.6)	(2.2)	140.4%
Tax	(1.0)	(1.9)	0.9	(48.5)%
Other (including minorities)	0.2	0.2	(0.0)	(16.8)%
NPAT attributable to members	**2.3**	**4.6**	**(2.4)**	**(50.9)%**

1 Gross profit is a non-IFRS measure and only considers the cost of inventory associated with product revenue. It does not consider any cost of services associated with service revenue.

Acquisitions & cost-saving restructuring program

Apiam continued its acquisition program in FY23 completing the acquisitions listed below during the period:

Business acquired	State	Veterinary speciality	Acquisition date
The Vet Practice	VIC	Mixed animals	1 Jul 2022
Victorian Equine Group	VIC	Equine specialist	1 Jul 2022
Harradine & Associates (2 clinics)	WA	Mixed animals & equine	1 Nov 2022
Hunter Equine	NSW	Equine specialist	8 Dec 2022
Singleton Veterinary Hospital	NSW	Mixed animals	1 Feb 2023
Merimbula, Pambula & Eden Vet Clinics	NSW	Mixed animals	1 Feb 2023
Townsend Veterinary Clinic (Albury)	NSW	Mixed animals	1 April 2023
Boyne Tannum Vet Surgery	QLD	Mixed animals	5 July 2023 (FY24)

In addition, Apiam opened three new greenfield clinics during the financial year, with two of these clinics opened during Q4 FY23 in the regional hubs of Yarrawonga (VIC) and Caboolture (QLD). Both of these clinics have been performing strongly since commencement of trading and have been targeted to meet the needs of a growing pet care market in these regional growth corridors. Apiam introduced a revised greenfields model in FY22, to reduce the cost burden of new greenfields clinics while in scale-up, and this continues to generate strong outcomes.

As previously communicated, Apiam's focus in H2 FY23 was to deliver further integration benefits and growth synergies from its acquisition program in order to maximise free cash flow generation. In-line with this, Apiam has been focusing on improving efficiencies and resourcing appropriate skillsets within each clinic to be able to deliver improved performance. In a small number of clinics the restructure required has resulted in short term revenue reduction, which is expected to recover in FY24. With an increased focus on the existing clinic performance, the Company has reduced the rate of its acquisition program.

A redundancy and restructuring program to reduce non-veterinary positions and achieve greater savings was completed in June 2023. Savings from this program are already being realised and are expected to be approximately $2.6 million in FY24 (annualised basis).

Apiam Management are continuing to work with a number of clinics where further integration benefits can be realised, in order to reduce costs and increase earnings and cash flow generation.

Balance sheet & cash flow

Apiam's balance sheet as at 30 June 2023 remains solid, with key movements over the past 12 months reflecting the impact of the acquisition program. A $2.4 million write-down to inventory was incurred during FY23 and reflects provisioning for the value of sanitiser and surface protectant products.

Net debt as at 30 June 2023 increased to $68.7 million, up from $41.0 million as at 30 June 2022. This increase related to the $32.5 million of cash consideration required for acquisitions over FY23. The Company's operating leverage ratio as at the end of FY23 was 3.0x against a covenant of 3.5x. Apiam has recently extended the current terms of its banking facilities with its long standing financier, National Australia Bank until January 2026.

Apiam's operating cash flow in FY23 increased 15.7% as a result of earnings growth and strong working capital management. Operating cash conversion to underlying EBITDA (pre-AASB 16 adjustments) remained strong at 129.2%, up from 116.8% in FY22.

Financing cash flows during FY23 reflect the draw-down of Apiam's finance facility to fund the Company's acquisition program.

Statutory cashflows $m	FY23	FY22
Net cash provided by operating activities	**17.4**	**15.0**
Acquisition of subsidiary, net of cash	(32.5)	(28.2)
Payments for property, plant and equipment	(7.9)	(4.2)
Payments for Intangible assets	(0.3)	(0.1)
Other	0.2	0.0
Net cash used in investing activities	**(40.6)**	**(32.5)**
Net changes in financing	28.9	4.8
Dividends paid to shareholders	(0.7)	(2.4)
Repayment of lease liabilities	(4.8)	(3.5)
Proceeds from share issues	0.0	19.2
Other	0.0	0.0
Net cash inflow from financing activities	**23.5**	**18.1**
Net change in cash and cash equivalents	**0.3**	**0.7**

Outlook & strategy for FY24

Apiam continues to focus on building a resilient business, that is leveraged to growing animal numbers in targeted regional locations.
In FY24, the Company will also be particularly focussed on reducing costs, maximising free cash flows and delivering value to shareholders.

DIVIDENDS

No interim dividend was paid in the 2023 financial year. On 28 August 2023 the Apiam Board of Directors declared that there will be no final dividend.

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

The Group acquired seven veterinary businesses during FY23 and entered into agreements for the acquisition of one further veterinary business post reporting date. Further details of these acquisitions are disclosed in Note 39 of the Financial Statements.

Apart from these events, 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 capacity and capability required to prosper in the expanding global animal health industry.

KEY RISKS AND BUSINESS CHALLENGES

Apiam Animal Health operates, in part, 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, may have an adverse effect on the financial performance of the Company.

No single client or buying group accounts for more than 10% of Apiam Animal Health's FY23 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 Group is not subject to any particular or significant environmental regulation under laws of the Commonwealth or of a State or Territory. 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 the financial year, the Company did not issue 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.

The company has agreed to indemnify its auditors, Grant Thornton Audit Pty Ltd, to the extent permitted by law, against any claim by a third party arising from the Company's breach of its agreement. The indemnity requires the Company to meet the full amount of any such liabilities including a reasonable amount of legal costs.

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.

Remuneration Report (Audited)

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 (resigned 24 November 2022)

Director (Independent Non-executive)

Richard Dennis

Director (Independent Non-executive)

Jan Tennent

Director (Independent Non-executive)

Evonne Collier (appointed 1 October 2022)

Director (Independent Non-executive)

(II) EXECUTIVES

Matthew White

Chief Financial Officer

Brian Scutt

Chief Operating Officer

Renee Waters (New KMP)

Chief People Officer

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

- Principles used to determine the nature and amount of remuneration;
- Details of remuneration;
- Service agreements;
- Share-based remuneration;
- Bonuses included in remuneration;
- Non-executive director remuneration; and
- 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 marketplace 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 and Nomination Committee (the 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 Committee has met three times in the FY23 reporting period.

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

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

The Committee assesses the appropriateness of the nature and amount of remuneration on a periodic basis by reference to recent employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive Team. The company's key financial metrics are as follows:

Item	*FY23*	*FY22*	*FY20*	*FY19*	*FY18*
EPS (cents)	1.30c	3.42c	4.18c	3.63c	3.01c
Dividends paid (cents per share)	0.4c	2.4c	2.4c	1.6c	1.6c
Net profit before tax ($'000)	$3,166	$6,470	$6,971	$5,956	$4,569
Share price ($)	$0.51	$0.69	$0.96	$0.46	$0.52

b Details of remuneration

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

		Short term employee benefits				Post-employment benefits	Long-term benefits	Share-based Payment		
	Year	Salary and fees (i)	Cash Bonus	Accrued annual leave	Non-monetary benefits	Superannuation	(Accrued long service leave)	Performance Rights (ii)	Total	Performance based percentage of remuneration
Directors		$	$	$	$	$	$	$	$	%
Andrew Vizard	2023	140,000	-	-	-	-	-	-	140,000	0%
Chairman Independent	2022	120,000	-	-	-	-	-	-	120,000	0%
Richard Dennis	2023	80,000	-	-	-	-	-	-	80,000	0%
Independent	2022	70,000	-	-	-	-	-	-	70,000	0%
Chris Richards	2023	431,915	-	67,316	15,602	25,292	40,073	15,475	595,673	3%
Managing Director	2022	367,929	63,332	3,757	19,783	23,568	10,469	16,093	504,931	16%
Michael van Blommestein	2023	26,146	-	-	-	2,745	-	-	28,891	0%
Independent	2022	54,545	-	-	-	5,455	-	-	60,000	0%
Jan Tennent	2023	70,000	-	-	-	-	-	-	70,000	0%
Independent	2022	60,000	-	-	-	-	-	-	60,000	0%
Evonne Collier	2023	47,511	-	-	-	4,989	-	-	52,500	0%
Independent	2022	-	-	-	-	-	-	-	-	0%
Employees										
Matthew White	2023	291,649	-	3,514	-	25,292	14,750	12,307	347,512	4%
Chief Financial Officer	2022	276,267	33,250	18,129	-	23,568	13,984	24,769	389,967	15%
Brian Scutt	2023	244,215	-	(10,874)	-	24,927	1,068	9,575	268,911	4%
Chief Operating Officer	2022	237,626	27,849	6,711	-	22,801	661	14,775	310,423	14%
Renee Waters	2023	219,143	-	1,504	-	23,987	3,877	9,926	258,437	4%
Chief People Officer	2022	-	-	-	-	-	-	-	-	0%
2023 Total	**2023**	**1,550,579**	**-**	**61,460**	**15,602**	**107,232**	**59,768**	**47,283**	**1,841,924**	**3%**
2022 Total	**2022**	**1,186,367**	**124,431**	**28,597**	**19,783**	**75,392**	**25,114**	**55,637**	**1,515,321**	**12%**

(i) Salary and fees include salaries and allowances.

(ii) Share based payment performance rights are long term incentive performance plans which will lapse if they are not vested within three years of grant date. For rights issued in FY21 the performance rights will vest annually over three years upon the Company achieving a minimum of 12% share price growth per year and continued employment. For rights issued in FY23 the rights will vest at the end of the three year performance period upon the Company achieving a minimum Total Shareholder Return of 45% and continued employment. The amount recognised for the Managing Director, Chief Financial Officer, Chief Operating Officer and Chief People Officer is the proportion expensed in that year based on the Monte Carlo valuation model.

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

Name	Fixed remuneration	At risk – LTI
Executive Directors		
Chris Richards	97%	3%
Other Key Management Personnel		
Matthew White	96%	4%
Brian Scutt	96%	4%
Renee Waters	96%	4%

c Service agreements

Remuneration and other terms of employment for the Executive Director 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	$435,083	No fixed term	Twelve (12) months
Matthew White	$293,550	No fixed term	Six (6) months
Brian Scutt	$245,867	No fixed term	Three (3) months
Renee Waters	$220,626	No fixed term	Three (3) months

Bonus provisions

Chris Richards:	Nil
Matthew White:	Nil
Brian Scutt:	Nil
Renee Waters:	Nil

d Long Term Incentive Plan

Remuneration of key management personnel includes performance rights which are offered as part of long term incentive plans. The long term incentive plans run for periods of three years. The rights granted in FY20 and FY21 vest in 3 tranches, subject to continued employment and upon meeting the share price growth requirements at each respective vesting date.

The annual share price growth requirement is set out below for each financial year during the performance period.

Share Price Growth	% of Performance Rights that may vest
Less than 12%	Nil – Tranche lapses and Performance Rights cancelled
Above 12% but less than 31%	Between 50% and 100%, as determined on a pro-rata, straight line basis
At or above 31%	100% allocation of Tranche

Share Price Growth shall be measured by comparing the Baseline Share Price against the Closing Share Price in each year of the Performance Period. The baseline share price will be calculated by assessing the volume weighted average price (VWAP) of shares for the 30 calendar days following the lodgement of the annual report in the prior financial year. The closing share price shall be calculated by assessing the VWAP of shares for the 30 calendar days following the lodgement of the annual report for the current financial year of the performance period.

For the rights granted in FY22 and FY23 the performance measures are assessed at the end of the three year period and are based on the Total Shareholder Return (TSR) of the company and subject to continued employment.

The TSR requirement is set out below for the three year performance period.

TSR shall be measured by comparing the Baseline Share Price against the Closing Share Price during the Performance Period. The calculation used will be the Closing Share Price, minus the Baseline Share Price, plus Dividends received, divided by the Baseline Share Price.

The Baseline Share Price was $0.9572 for FY22 and $0.7643 for FY23 (calculated by assessing the volume weighted average price (VWAP) of Apiam shares for the 20 trading days following the lodgement of the annual report for the previous financial year).

The Closing Share Price shall be calculated by assessing the VWAP of Apiam shares for the 20 trading days following the lodgement of the annual report at the end of the relevant Performance Period.

Performance will be assessed as follows:

Absolute TSR	**Percentage of Performance Rights to vest**
Below 45%	Nil
45-95%	Straight line between 50% and 100%
95%	100%

Performance Rights Granted:

The following performance rights are allocated equally over a three-year period. The performance rights for each financial year during the performance period will vest subject to meeting the share price growth rate and the employee remaining in continuous employment through to the annual vesting date of 31 October. Each tranche of performance rights which have not vested will expire if the applicable performance measures are not met during the performance period.

Name	Grant Date	Performance Rights granted	FY2020 Tranche	Fair Value	Fair Value per Right	FY2021 Tranche	Fair Value	Fair Value per Right	FY2022 Tranche	Fair Value	Fair Value per Right	FY2023 Tranche	Fair Value	Fair Value per right	Expiry date to exercise vested shares
Chris Richards	28/11/19	248,144	82,714	$16,411	$0.1984	82,715	$22,338	$0.2701	82,715	$23,873	$0.2886	-	-	-	31 Oct 23
Matthew White	19/03/20	106,326	35,442	$ 4,021	$0.1135	35,442	$ 8,831	$0.2492	35,442	$ 9,099	$0.2567	-	-	-	31 Oct 23
Matthew White	06/04/21	67,303	-	-	-	22,434	$14,700	$0.6553	22,434	$ 8,410	$0.3749	22,435	$ 8,305	$0.3702	31 Oct 24
Brian Scutt	23/10/20	97,510	-	-	-	32,503	$15,193	$0.4674	32,503	$10,359	$0.3187	32,504	$10,612	$0.3265	31 Oct 24

The following performance rights were issued in FY22 and FY23. The performance measures are assessed at the end of the three-year period and are based on the Total Shareholder Return (TSR) of the company and subject to continued employment. The Performance Rights which have not vested will expire if the applicable Performance Measures are not met during the Performance Period.

Name	Grant Date	Performance Rights granted	FY2024 Tranche	Fair Value	Fair Value per Right	FY2025 Tranche	Fair Value	Fair Value per Right	Expiry date to exercise vested shares
Chris Richards	25/11/21	192,821	192,821	$23,106	$0.1198	-	-	-	31 Oct 25
Chris Richards	24/11/22	284,628	-	-	-	284,628	$27,233	$0.0957	31 Oct 26
Matthew White	09/12/21	99,248	99,248	$11,110	$0.1119	-	-	-	31 Oct 25
Matthew White	08/12/22	128,026	-	-	-	128,026	$10,450	$0.0816	31 Oct 26
Brian Scutt	09/12/21	83,126	83,126	$ 9,304	$0.1119	-	-	-	31 Oct 25
Brian Scutt	06/12/22	107,230	-	-	-	107,230	$8,502	$0.0793	31 Oct 26
Renee Waters	06/12/22	96,221	-	-	-	96,221	$7,628	$0.0793	31 Oct 26

The company has chosen share price growth as the performance measure as it believes the fundamental driver for executive remuneration should be long term financial performance that generates value for Apiam shareholders.

e 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 $360,000):

- Chairman (One): $140,000 per annum;
- Directors (Three): $70,000 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.

f Other information

Options held by key management personnel

There were no options to acquire shares in the Company held during the 2023 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 2023 held by each of the Groups key management personnel, including their related parties, is set out below.

Personnel	Balance at 1/07/2022	Granted as remuneration	Received on exercise	Other changes	Held as at 30/06/2023
Chris Richards	38,850,000	-	-	(198,423)	38,651,577
Andrew Vizard	284,591	-	-	1,518	286,109
Richard Dennis	12,000	-	-	64	12,064
Michael van Blommestein	111,268	-	-	-	111,268
Jan Tennent	71,691	-	-	382	72,073
Evonne Collier	-	-		-	-
Matthew White	145,421	-	-	596	146,017
Brian Scutt	1,503,593	-	-	264,560	1,768,153
Renee Waters	-	-	43,882	-	43,882
Total	40,978,564	-	43,882	68,697	41,091,143

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

Performance rights held by key management personnel:

The number of performance rights held at 30 June 2023 by each of the Group's key management personnel, including their related parties, is set out below.

Personnel	Balance at 1/07/2022	Granted as remuneration	Vested & Exercised	Forfeited/ lapsed during year	Held as at 30/06/2023	Vested & not exercised	Vested in FY23
Chris Richards	358,251	284,628	-	(82,715)	560,164	82,715	-
Matthew White	237,435	128,026	-	(57,876)	307,585	57,876	-
Brian Scutt	148,133	107,230	-	(32,503)	222,860	-	-
Renee Waters	182,613	96,221	(43,882)	(43,883)	191,069	-	-
Total	926,432	616,105	(43,882)	(216,977)	1,281,678	140,591	-

Loans to key management personnel

The Group did not enter into any loans with key management personnel during the 2023 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 a head office and warehouse facility at Piper Lane, Bendigo East, Victoria. The premises are owned by an entity associated with Chris Richards. Rental payments in FY23 amounted to $378,303 (2022: $360,193).

The Group rents a veterinary clinic and warehouse facility at Rubicon Street, Smithton, Tasmania. The premises are owned by an entity associated with Chris Richards. Rent payments made amounted to $135,941 (2022: $133,752).

The Group leases an artificial insemination facility in Victoria from entities associated with Chris Richards. Lease payments made amounted to $119,186 (2022: $113,481).

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.

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 30 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 32 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:

Dr Christopher Irwin Richards
Managing Director

Melbourne
28 August 2023

Grant Thornton Audit Pty Ltd
Level 22 Tower 5
Collins Square
727 Collins Street
Melbourne VIC 3008
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Melbourne VIC 3001

T +61 3 8320 2222

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 2023, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

A C Pitts
Partner – Audit & Assurance

Melbourne, 28 August 2023

Apiam Animal Health Limited
Financial Statements

For the year ended 30 June 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 $'000	2022 $'000
Revenue	7	191,757	157,057
Other income		318	167
Expenses			
Changes in inventory		(2,309)	1,740
Cost of materials		(67,568)	(62,501)
Employee benefit expenses	29	(82,844)	(61,960)
Depreciation and amortisation expense	8	(10,227)	(8,359)
Other operating expenses		(22,240)	(18,195)
Share of profit from equity accounted investments		53	91
Finance costs	8	(3,774)	(1,570)
Profit/(loss) before income tax		**3,166**	**6,470**
Income tax (expense)/benefit	9	(995)	(1,931)
Profit from continuing operations		**2,171**	**4,539**
Profit for the year		**2,171**	**4,539**
Profit attributable to:			
Owners of Apiam Animal Health Limited		2,277	4,639
Non-controlling interests	26	(106)	(100)
Total comprehensive income/ (loss) for the period		**2,171**	**4,539**
Earnings per share for profit attributable to the ordinary equity holders of the company:	**Note**	**Cents**	**Cents**
Basic earnings per share	27	1.30	3.42
Diluted earnings per share	27	1.28	3.36

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Note	2023 $'000	2022 $'000
Current assets			
Cash and cash equivalents	10	3,172	2,845
Trade and other receivables	11	13,958	13,623
Inventories	12	15,472	17,781
Other current assets	13	2,130	1,628
Total current assets		**34,732**	**35,877**
Non-current assets			
Intangible assets	15	163,614	126,932
Property, plant and equipment	14	43,812	31,640
Investments		274	271
Deferred tax assets	18	3,605	4,458
Total non-current assets		**211,305**	**163,301**
Total assets		**246,037**	**199,178**
Current liabilities			
Trade and other payables	19	12,435	10,968
Lease liabilities	16	4,984	3,558
Other current liabilities	23	1,346	498
Current tax liabilities	20	889	1,859
Borrowings	21	2,934	2,914
Employee benefit obligations	22	10,677	8,991
Total current liabilities		**33,265**	**28,788**
Non-current liabilities			
Borrowings	21	66,066	39,165
Lease liabilities	16	24,043	17,753
Employee benefit obligations	22	543	657
Deferred tax liabilities	18	3,718	3,626
Other liabilities		505	505
Total non-current liabilities		**94,875**	**61,706**
Total liabilities		**128,140**	**90,494**
Net assets		**117,897**	**108,684**
Equity			
Equity attributable to owners of the parent			
Share capital	24	134,840	127,249
Corporate re-organisation reserve	25	(26,692)	(26,692)
Non-controlling interest acquisition reserve	25	(6,615)	(6,615)
Share based payment reserve	25	993	871
Foreign currency translation reserve	25	6	(19)
Retained earnings		15,336	13,756
		117,868	**108,550**
Non-controlling interest	26	28	134
Total equity		**117,896**	**108,684**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2023

	Note	Share capital	Corporate re-organisation reserve	Non-controlling interest acquisition reserve	Share based payment reserve	Foreign Currency Translation Reserve	Retained earnings	Total attributable to owners of parent	Non-controlling interest	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2021		101,010	(26,692)	(6,615)	595	(79)	11,596	79,815	1,002	80,817
Issue of new share capital	24	919	-	-	-	-	-	919	27	946
Share placement	24	20,247	-	-	-	-	-	20,247	-	20,247
Transaction costs on issue of new share capital, net of tax	24	(748)	-	-	-	-	-	(748)	-	(748)
Issue of shares to vendors of business acquired	24	5,333	-	-	-	-	-	5,333	-	5,333
Employee share plan, transfer on exercise of rights	24	488	-	-	(488)	-	-	-	-	-
Employee share plan, share based payments	24	-	-	-	764	-	-	764	-	764
Foreign currency translation adjustment		-	-	-	-	60	-	60	-	60
Purchase of non-controlling interest		-	-	-	-	-	795	795	(795)	-
Dividends paid		-	-	-	-	-	(3,274)	(3,274)	-	(3,274)
Transactions with owners		**26,239**	**-**	**-**	**276**	**60**	**(2,479)**	**24,096**	**(768)**	**23,328**
Profit / (Loss) for the period		-	-	-	-	-	4,639	4,639	(100)	4,539
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**-**	**4,639**	**4,639**	**(100)**	**4,539**
Balance at 30 June 2022		**127,249**	**(26,692)**	**(6,615)**	**871**	**(19)**	**13,756**	**108,550**	**134**	**108,684**
Issue of new share capital	24	42	-	-	-	-	-	42	-	42
Share placement	24	-	-	-	-	-	-	-	-	-
Transaction costs on issue of new share capital, net of tax	24	-	-	-	-	-	-	-	-	-
Issue of shares to vendors of business acquired	24	7,119	-	-	-	-	-	7,119	-	7,119
Employee share plan, transfer on exercise of rights	24	430	-	-	(430)	-	-	-	-	-
Employee share plan, share based payments	24	-	-	-	552	-	-	552	-	552
Foreign currency translation adjustment		-	-	-	-	25	-	25	-	25
Purchase of non-controlling interest		-	-	-	-	-	-	-	-	-
Dividends paid		-	-	-	-	-	(697)	(697)	-	(697)
Transactions with owners		**7,591**	**-**	**-**	**122**	**25**	**(697)**	**7,041**	-	**7,041**
Profit / (Loss) for the period		-	-	-	-	-	2,277	2,277	(106)	2,171
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**-**	**2,277**	**2,277**	**(106)**	**2,171**
Balance at 30 June 2023		**134,840**	**(26,692)**	**(6,615)**	**993**	**6**	**15,336**	**117,868**	**28**	**117,896**

The above statement should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2023

	Note	2023 $'000	2022 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		214,619	174,352
Payments to suppliers and employees (inclusive of GST)		(189,993)	(153,820)
		24,626	**20,532**
Interest paid		(3,774)	(1,570)
Transaction costs paid relating to acquisition of subsidiary		(416)	(1,802)
Income taxes paid		(3,031)	(2,122)
Net cash (outflow)/inflow from operating activities	28	**17,405**	**15,038**
Cash flows from investing activities			
Payments for property, plant and equipment		(7,855)	(4,322)
Payments for intangible assets	15	(350)	(542)
Proceeds from disposals of property, plant & equipment		128	167
Proceeds from disposals of intangible assets		-	422
Dividends received		50	40
Acquisition of subsidiaries, net of cash acquired	33	(32,543)	(28,248)
Net cash (outflow)/inflow from investing activities		**(40,570)**	**(32,483)**
Cash flows from financing activities			
Proceeds from borrowings		39,049	31,497
Repayment of borrowings		(10,111)	(26,696)
Lease payments		(4,773)	(3,511)
Proceeds from issue of share capital		-	20,247
Capital contribution of non-controlling interest		-	28
Transaction costs paid on issue of share capital		-	(1,069)
Dividends paid to company shareholders		(673)	(2,356)
Net cash (outflow)/inflow from financing activities		**23,492**	**18,140**
Net (decrease)/increase in cash and cash equivalents		**327**	**695**
Cash and cash equivalents at the beginning of the year		2,845	2,150
Cash and cash equivalents at end of the year	10	**3,172**	**2,845**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

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 animals, companion animals and equine. The Group is vertically integrated with strategic sourcing of products, custom manufacture of vaccines, in-house laboratory services and on farm delivery with its own logistics service.

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

2 General information and statement of compliance

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

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

The consolidated financial statements for the year ended 30 June 2023 were approved and authorised for issue by the Board of Directors on 28 August 2023.

3 Changes in accounting policies

3.1 New Accounting Standards and Interpretations adopted during the year

The amended accounting standards and interpretations issued by the Australian Accounting Standards Board during the year that were mandatory were adopted. None of these amendments or interpretations materially affected any of the amounts recognised or disclosures in the current or prior year.

3.2 Accounting Standards issued but not yet effective and not been adopted early by the Group

At the date of authorisation of these financial statements, several new, but not effective Standards and amendments to existing Standards, and Interpretations have been published by the AASB. None of these Standards or amendments to existing Standards have been adopted early by the Group.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement.

4 Restatement of prior period intangibles provisionally accounted

Apiam has restated the financial statements of three of the veterinary businesses it acquired in the financial year ended 30 June 2022. The acquisitions were provisionally accounted for in that period. Subsequent to the acquisition, it was noted that there were customer relationships and trademarks within these businesses and that a portion of goodwill recognised upon acquisition must be reclassified as intangible assets. The customer relationships recognised as intangible assets are amortised over the useful life of the asset. This resulted in a restatement of each of the affected financial statement line items for prior periods as follows:

			30 June 2022
Statement of financial position (extract)	**Previous amount $'000**	**Adjustment $'000**	**Restated amount $'000**
Goodwill	113,580	(286)	113,294
Trademarks and trade names	2,491	63	2,554
Customer relationships	9,243	323	9,566
Deferred tax assets	4,426	32	4,458
Other current liabilities	(500)	2	(498)
Employee benefit obligations (current)	(8,972)	(19)	(8,991)
Employee benefit obligations (non-current)	(657)	1	(657)
Deferred tax liabilities	(3,510)	(116)	(3,626)

5 Summary of accounting policies

5.1 Overall considerations

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

5.2 Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2023. 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.

5.3 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 acquiree, 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.

5.4 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.

5.5 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 segments are aggregated for reporting purposes on the basis that each 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.

5.6 Revenue

Revenue arises mainly from the sale of veterinary products and services.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

When the Group enters into transactions involving its products and services, the total transaction price for a contract is allocated amongst the various performance obligations. Revenue is recognised either at a point in time or over time, when the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Sale of veterinary products and services

Revenue from the sale of veterinary products is recognised when the Group transfers control of the goods to the customer and/or as contractual performance obligations are satisfied. Revenue from the sale of veterinary services is recognised as the services are provided.

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.

5.7 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

5.8 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 8.

5.9 Intangible assets

Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. See Note 5.3 for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. Refer to Note 5.12 for a description of impairment testing procedures.

Customer Relationships

Customer Relationships represents the future economic benefits arising from existing customers within a business combination that have been individually identified and separately recognised. Customer relationships are amortised over the anticipated life of the relationship and have been determined to range between five and ten years.

Trademarks & Trade Names

Trademarks & Trade Names represents the future economic benefits arising from within a business combination that have been identified and separately recognised. Trademarks & Trade Names are carried at cost less accumulated impairment losses. The useful life is reviewed at each reporting date and each has been determined to have an indefinite useful life.

Capitalised development costs

Capitalised development costs represent costs that are directly attributable to the development of the Group's IT infrastructure and intellectual property. Capitalised development costs are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over its expected useful life of between two and five years.

5.10 Property, plant and equipment

Leasehold improvements, plant and equipment, motor vehicles and assets under construction

Leasehold improvements, plant and equipment, motor vehicles and assets under construction 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 5.11). 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: 20 - 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.

Assets under construction commence depreciation once the asset is put into service.

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.

5.11 Leased assets

For any new contracts entered into, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been recognised as current and non-current.

5.12 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 (CGUs). As a result, some assets are tested individually for impairment and some are tested at the CGU level. Goodwill is allocated to those CGUs or a group of CGUs 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.

CGUs or a Group of CGUs to which goodwill or indefinite life intangible assets has been allocated are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired. All other assets 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 assets, CGUs or a group of CGUs 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 CGU or group of CGUs 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 CGU or group of CGUs and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

Impairment losses for CGUs or group of CGUs reduce first the carrying amount of any goodwill allocated to that CGU or group of CGUs. Any remaining impairment loss is charged pro rata to the other assets in the CGU or group of CGUs. 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 CGUs or group of CGUs recoverable amount exceeds its carrying amount.

5.13 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. 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 initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable). Financial assets other than those designated and effective as hedging instruments are classified into the following categories:

- amortised cost
- fair value through profit and loss (FVTPL)
- fair value through other comprehensive income (FVOCI)

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset

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.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

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.

Impairment of financial assets

AASB 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. In applying this forward-looking approach, a distinction is made between:

• financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and

• financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due. Refer to Note 35.3 for a detailed analysis of how the impairment requirements of AASB 9 are applied.

Classification and measurement of financial liabilities

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

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

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.

5.14 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.

5.15 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.

The Group is not tax consolidated.

5.16 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.

5.17 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 Group.

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.

Share based payments reserve

Recognises share-based payments accrued in employee incentive share plan.

Foreign currency translation reserve

Exchange differences relating to the translation of the Group's controlled entities from their functional currencies into Australian dollars are brought to account directly to the foreign currency translation reserve.

5.18 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 plans.

5.19 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). The share-based payment expense is recorded proportionately over the vesting period.

5.20 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.

5.21 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.

5.22 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.

5.23 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.

Identification of CGUs and allocation of goodwill to CGUs or Groups of CGUs

CGUs are identified by determining the smallest identifiable group of assets that generate largely independent cash inflows from other assets or groups of assets. Identifying those largely independent cash inflows requires significant judgement in assessing the Group's sources of revenue and how assets are utilised in generating those revenues. Goodwill is required to be allocated to the CGUs or groups of CGUs that are expected to benefit from the synergies of the combination. Significant judgement is required to assess which CGUs or groups of CGUs benefit from the synergies and thus determine how the goodwill is allocated.

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

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 5.12).

Useful lives of property, plant and equipment and definite life intangible assets

Management reviews its estimate of the useful lives of property, plant and equipment and definite life intangible assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates may relate to technical obsolescence or some other event.

Customer relationships

Management estimates core customer revenue, customer attrition rates and revenue growth rates when valuing customer relationship intangible assets.

Identification of the core customer share of revenue requires management to estimate the percentage of recurring revenue that can be attributed to the customer relationship as opposed to other factors such as convenience of the location of the clinic. Estimation uncertainty exists in regard to the core revenue resulting from the calculated percentage of recurring customers.

Management estimates the attrition rate for customers through assessment of the historical attrition rates of the acquired customers. The estimates of attrition rates are uncertain to the extent that they may not reflect the historical attrition rates.

Management estimates the forecast revenue growth rate for acquired businesses by assessing historical performance of the acquired business and there is uncertainty that the future growth rates of the customer base do not reflect the estimate.

Business combinations

Management uses valuation techniques in determining the fair values of the various elements of a business combination (see Note 5.3). Particularly, the fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability.

Leases – determination of the appropriate discount rate to measure lease liabilities

The Group enters into leases with third-party landlords and as a consequence the rate implicit in the relevant lease is not readily determinable. Therefore, the Group uses its incremental borrowing rate as the discount rate for determining its lease liabilities at the lease commencement date. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over similar terms which requires estimations when no observable rates are available.

Leases - Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

6 Segment reporting

Identification of reportable operating segments

Management identifies 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 segments are aggregated for reporting purposes on the basis that each 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:

	2023 $'000	2022 $'000
Segment information		
Revenue from external customers	191,757	157,057
Segment operating costs	(182,493)	(145,527)
Segment adjusted operating profit before tax	**9,264**	**11,530**
Total reporting segment operating profit	9,264	11,530
Other income	318	167
Corporate overheads	(1,964)	(1,807)
Acquisition and integration costs	(416)	(1,802)
Restructure costs	(315)	(139)
Finance costs	(3,774)	(1,570)
Share of profit from equity accounted investments	53	91
Net profit before tax	**3,166**	**6,470**
Income tax	(995)	(1,931)
Net profit after tax	**2,171**	**4,539**

7 Revenue

	2023 $'000	2022 $'000
Sales revenue		
Goods transferred at a point in time	98,815	90,411
Services transferred over time	92,942	66,646
Total revenue	**191,757**	**157,057**

8 Expenses

Profit before income tax includes the following specific expenses:

	2023	2022
	$'000	**$'000**
Depreciation		
Leased buildings[(i)]	4,129	3,323
Leasehold improvements	606	446
Plant and equipment	2,366	2,133
Motor vehicles	1,074	882
Amortisation of intangibles	2,052	1,575
Total depreciation and amortisation	**10,227**	**8,359**

Right of use assets
(i)

Finance costs		
Interest expense on borrowings	3,180	1,168
Interest expense on lease liabilities	594	402
	3,774	**1,570**
Share-based payments expense	568	765
Rental expense	613	130

9 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 the Group at 30% (2022: 30%) and the reported tax expense in profit or loss are as follows:

	2023	2022
	$'000	**$'000**
Profit from continuing operations before income tax expense	3,166	6,470
Tax at the Australian tax rate of 30% (2022 - 30%)	950	1,941
Adjustments for non-deductible expenses:		
Sundry items	9	(7)
Income tax expense	**959**	**1,934**
Income tax expense	959	1,934
Adjustment for current tax in prior periods	36	(3)
Total current tax expense	**995**	**1,931**
Tax expense comprises		
Current tax expense/(benefit)	1,620	2,717
Deferred tax expense/(benefit)	(625)	(786)
Tax expense/(benefit)	**995**	**1,931**

Note 18 provides information on deferred tax assets and liabilities.

10 Cash and cash equivalents

	2023	2022
	$'000	$'000
Cash at bank and in hand	3,172	2,845
Cash and cash equivalents	**3,172**	**2,845**

11 Trade and other receivables

	2023	2022
	$'000	$'000
Trade receivables, gross	13,352	12,951
Less: allowance for expected credit losses	(642)	(503)
Other receivables	65	58
Rebates receivable	1,183	1,117
	13,958	**13,623**

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value. An allowance for expected credit losses has been recognised using a provision matrix based on historical credit loss rates. Refer to Note 35.3 Credit risk analysis.

	2023	2022
	$'000	$'000
Balance at 1 July	503	327
Acquired through business combinations	113	169
Impairment loss	26	7
Balance 30 June	**642**	**503**

12 Inventories

	2023	2022
	$'000	$'000
Stock on hand, at cost	17,921	17,691
Less provision for obsolescence	(2,607)	(142)
Stock in transit, at cost	158	232
	15,472	**17,781**

13 Other current assets

	2023	2022
	$'000	$'000
Prepayments	1,700	1,313
Security deposits	430	315
	2,130	**1,628**

14 Property, plant and equipment

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

	Leased Buildings (i)	Leasehold improve-ments	Plant and equipment	Motor vehicles (ii)	Assets under construction	Total
	$'000	$'000	$'000	$'000	$'000	$'000
At 30 June 2022						
At cost	26,773	3,527	16,665	7,510	279	54,754
Accumulated depreciation	(7,645)	(988)	(9,340)	(5,141)	-	(23,114)
Net book value	**19,128**	**2,539**	**7,325**	**2,369**	**279**	**31,640**
Year ended 30 June 2023						
Opening net book value	19,128	2,539	7,325	2,369	279	31,640
Additions	5,245	2,643	3,352	2,123	(195)	13,168
Additions through business combinations	5,159	557	847	616	-	7,179
Depreciation charge	(4,129)	(606)	(2,366)	(1,074)	-	(8,175)
Closing net book value	**25,403**	**5,133**	**9,158**	**4,034**	**84**	**43,812**
At 30 June 2023						
Cost	36,110	6,635	19,957	10,044	84	72,830
Accumulated depreciation	(10,707)	(1,502)	(10,799)	(6,010)	-	(29,018)
Net book amount	**25,403**	**5,133**	**9,158**	**4,034**	**84**	**43,812**

i) Right of use Assets
ii) Includes leased and owned motor vehicles

15 Intangible assets

	Goodwill (i) $'000	Customer Relation-ships (i) $'000	Trademarks & Trade Names (i) $'000	Capitalised develop-ment costs $'000	Total $'000
At 30 June 2022					
Cost	113,294	11,919	2,555	2,993	130,761
Accumulated amortization and impairment	-	(2,353)	-	(1,476)	(3,829)
Carrying amount at 30 June 2022	**113,294**	**9,566**	**2,555**	**1,517**	**126,932**
At July 1 2022					
Opening net book value	113,294	9,566	2,555	1,517	126,932
Additions	-	-	-	350	350
Additions through business combinations	32,017	5,739	628	-	38,384
Amortisation	-	(1,642)	-	(410)	(2,052)
Closing net book value	**145,311**	**13,663**	**3,183**	**1,457**	**163,614**
At 30 June 2023					
Cost	145,311	17,658	3,183	3,313	169,465
Accumulated amortization and impairment	-	(3,995)	-	(1,856)	(5,851)
Net book value	**145,311**	**13,663**	**3,183**	**1,457**	**163,614**

i) Opening balances have changed due to a restatement of a prior period. Refer to Note 4.

15.1 Impairment testing

Goodwill is allocated to the CGU or group of CGUs that are expected to benefit from the synergies of the business combination. Each CGU or group of CGUs to which goodwill is allocated represents the lowest level within the entity at which goodwill is monitored for internal management purposes and does not exceed an operating segment before aggregation, being the Dairy and mixed, Feedlot and Pigs segments.

The recoverable amounts of the CGUs and groups of CGUs were determined based on value-in-use calculations, covering a detailed one year forecast with annual growth rates applied over a five year term, followed by an extrapolation of expected cash flows for the units' remaining useful lives using the terminal growth rates determined by management. The present value of the expected cash flows of each CGU or group of CGUs is determined by applying the following key assumptions:

	2023	2022
Annual sales growth Pig CGU %	3.00%	3.00%
Annual Sales growth Feedlot CGU %	0.00% to 5.00%	5.00% to 7.50%
Annual Sales growth Dairy & mixed CGUs %	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 %	10.79%	10.00%

	2023 $'000	2022 $'000
Goodwill allocation across CGUs or groups of CGUs	145,311	113,294

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 CGUs to exceed its recoverable amount.

15.2 Growth rates

The annual sales growth rate as per the table in 15.1, annual operating expense growth rate of 2% and the long-term growth rate of 2.50% reflect the average growth rates for the industry.

15.3 Discount rates

The post-tax discount rate of 10.79% reflects appropriate adjustments relating to market risk and other risk factors. The discount rate is applied to each CGU or Group of CGU's because they share common risks.

15.4 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 CGUs and groups of CGUs described above, management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

The following is a summary of the CGUs or Groups of CGUs to which goodwill is allocated.

	Feedlot	Dairy and mixed	Pig	Total
	$'000	**$'000**	**$'000**	**$'000**
Balance 1 July 2022	13,330	91,287	8,677	113,294
Acquisitions	-	32,017	-	32,017
30 June 2023	**13,330**	**123,304**	**8,677**	**145,311**

16 Leasing

Lease liabilities are presented in the statement of financial position as follows:

	2023	2022
	$'000	**$'000**
Lease liabilities (current)	4,984	3,558
Lease liabilities (non-current)	24,043	17,753
	29,027	**21,311**

The Group has leases for its warehouses, clinics, offices, motor vehicles and equipment. With the exception of short-term leases and leases of low-value assets, each lease is reflected in the balance sheet as a right-of-use asset and a lease liability.

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 30 June 2023 were as follows:

Minimum lease payments due	Within one year $'000	One to two years $'000	Two to three years $'000	Three to four years $'000	Four to five years $'000	After five years $'000	Total $'000
30 June 2023							
Lease payments	5,684	5,585	5,052	4,938	3,405	6,817	31,481
Finance charges	(700)	(565)	(430)	(303)	(185)	(271)	(2,454)
Net present values	**4,984**	**5,020**	**4,622**	**4,635**	**3,220**	**6,546**	**29,027**

Lease payments not recognised as a liability

The group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	2023	2022
	$'000	**$'000**
Short term leases	525	64
Leases of low value assets	88	65
	613	**129**

17 Commitments

	2023	2022
	$'000	**$'000**
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	1,198	-

18 Deferred tax assets and liabilities

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

	2023 $'000	2022 $'000
The balance of deferred tax assets and liabilities comprises temporary differences attributable to:		
Current assets		
Trade and other receivables	198	161
Inventory	994	237
Non-current assets		
Property, plant & equipment	(3,977)	(2,216)
Intangible assets	(5,047)	(3,626)
Current liabilities		
Trade and other payables	24	-
Provisions	3,421	2,999
Other		
Unused tax losses	3,411	2,393
Listing and acquisition costs	635	572
Equity raising costs	228	312
	(113)	**832**
Deferred tax assets	3,605	4,458
Deferred tax liabilities	(3,718)	(3,626)

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

	Tax losses $'000	Provis-ions $'000	Trade receiv-ables $'000	Listing & acquis-ition costs $'000	Equity raising costs $'000	Invento ry $'000	Trade and other payables $'000	Property, plant & equipment $'000	Intangible assets $'000	Total $'000
At 1 July 2021	1,440	2,267	110	111	72	109	-	(622)	(2,020)	1,467
(Charged)/credited: to P&L	953	732	51	461	240	128	-	(1,594)	(1,606)	(635)
at 30 June 2022	**2,393**	**2,999**	**161**	**572**	**312**	**237**	**-**	**(2,216)**	**(3,626)**	**832**
(Charged)/credited: to P&L	1,018	422	37	63	(84)	757	24	(1,761)	(1,421)	(945)
At 30 June 2023	**3,411**	**3,421**	**198**	**635**	**228**	**994**	**24**	**(3,977)**	**(5,047)**	**(113)**

19 Trade and other payables

	2023	2022
	$'000	$'000
Trade payables	6,317	5,737
Sundry payables and accrued expenses	6,118	5,231
	12,435	**10,968**

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

20 Current tax liabilities

	2023	2022
	$'000	$'000
Current tax payable	**889**	**1,859**

21 Borrowings

	2023	2022
	$'000	$'000
Current:		
Bank loans (a)	2,956	2,932
less capitalized costs	(22)	(18)
Total current borrowings	**2,934**	**2,914**
Non-current		
bank loans (a)	66,066	39,165
Total non-current borrowings	**66,066**	**39,165**

Refer to Note 36 for information on financial instruments.

Secured liabilities and assets pledged as security
The total secured liabilities (current and non-current) are as follows:

	2023	2022
	$'000	$'000
Bank loans	69,022	42,097
Less capitalised borrowing costs	(22)	(18)
	69,000	**42,079**

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.

Banking covenants

The financial covenants that must be complied with applicable to bank facilities are:

- Maximum gearing ratio, defined as the ratio of Net Debt divided by Net Debt plus Equity, is to be no greater than 45% as of the 30th June each financial year, with
  - Net Debt meaning the amount owing (excluding AASB16 leases) less cash and cash equivalent: and
  - Equity meaning total assets minus total liabilities.
- Maximum operating leverage ratio, defined as the ratio of Net Debt divided by EBITDA, is to be no greater than 3.5x as of the 30th June each financial year, with
  - EBITDA meaning earnings before interest, tax, depreciation and amortisation, excluding any one-off acquisition and integration/system expenses

The Group complied with all bank covenants during the period.

Financing arrangements

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

	2023 $'000	2022 $'000
Total facilities		
Bank - term loan facilities	100,000	83,700
Bank - master asset finance agreement for equipment finance	4,500	4,500
Bank - overdraft facility	500	1,000
Bank - credit card facility	500	300
	105,500	**89,500**
Used at reporting date		
Bank - term loan facilities	69,022	42,097
Bank - master asset finance agreement for equipment finance	2,875	1,803
	71,897	**43,900**
Unused at reporting date		
Bank - term loan facilities	30,978	41,603
Bank - master asset finance agreement for equipment finance	1,625	2,697
Bank - overdraft facility	500	1,000
Bank - credit card facility	500	300
	33,603	**45,600**

22 Employee benefit obligations

	2023 $'000	2022 $'000
Leave obligations current	10,677	8,991
Leave obligations non-current	543	657
	11,220	**9,648**

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 $10,677 (2022: $8,972) 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.

23 Other current liabilities

	2023 $'000	2022 $'000
Contingent consideration for acquisitions	-	190
Net payable to vendors on acquisition	-	142
Contract liability	1,219	19
Make good provision	127	147
	1,346	**498**

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24 Equity

24.1 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.

	2023 Shares	2022 Shares	2023 $'000	2022 $'000
Shares issued and fully paid				
· beginning of the period	166,388,823	129,896,893	127,249	101,010
· shares issued as consideration for business acquisitions	11,021,249	5,976,370	7,119	5,333
· shares issued on achievement of earnout for prior year acquisition	-	-	-	-
· issued under dividend reinvestment plan	33,475	1,021,307	25	919
· share placement	-	28,924,553	-	20,247
· transaction costs on issue of new share capital	-	-	-	(748)
· employee shares issued	516,076	569,700	447	488
Shares issued and fully paid	**177,959,623**	**166,388,823**	**134,840**	**127,249**
Total shares authorised at the end of the period	**177,959,623**	**166,388,823**	**134,840**	**127,249**

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

25 Reserves

Details of reserves are as follows:

	Corporate reorganisation reserve	Non-controlling interest acquisition reserve	Share based payment reserve	Foreign Currency Translation reserve	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 July 2021	(26,692)	(6,615)	595	(79)	(32,791)
Employee share plan incentive	-	-	276	-	276
Foreign currency translation	-	-	-	60	60
Balance at 30 June 2022	**(26,692)**	**(6,615)**	**871**	**(19)**	**(32,455)**
Employee share plan incentive	-	-	122	-	122
Foreign currency translation	-	-	-	25	25
Balance at 30 June 2023	**(26,692)**	**(6,615)**	**993**	**6**	**(32,308)**

26 Non-controlling interests

	2023	2022
	$'000	**$'000**
Issued capital	140	141
Current year earnings	(106)	(100)
Retained profits carried forward	(6)	93
Total non-controlling interests	**28**	**134**

27 Earnings per share and dividends

27.1 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.

	2023	2022
	$'000	$'000
Profit attributable to Owners of Apiam Animal Health Limited	2,277	4,639
	2,277	**4,639**

The weighted average number of shares for the purposes of calculating basic and diluted earnings per share are as follows:

	2023	2022
	Number	Number
weighted average number of shares used in basic earnings per share	175,031,496	135,811,154
weighted average number of performance rights	2,730,416	2,330,783
weighted average number of shares used in diluted earnings per share	**177,761,912**	**138,141,937**
Basic earnings per share (cents)	1.30	3.42
Diluted earnings per share (cents)	1.28	3.36

27.2 Dividends

During the year, the following dividends were declared and paid.

	2023	2022
	$'000	$'000
fully franked final dividend (1.2 cents a share)	-	1,616
fully franked interim dividend (1.2 cents a share)	-	1,658
fully franked final dividend (0.4 cents a share)	697	-
	697	**3,274**

27.3 Franking credits

	2023 $'000	2022 $'000
The amount of the franking credits available for subsequent:		
Balance at the end of the reporting period	12,528	11,179
Franking debits that will arise from the payment of dividends recognised as a liability at the end of the reporting period	(305)	(856)
franking credits that will arise from the payment of the amount of provision for income tax	889	1,859
	13,112	**12,182**

28 Reconciliation of cash flows from operating activities

(a) Reconciliation of cash flows from operating activities	2023	2022
Cash flows from operating activities	**$'000**	**$'000**
Profit for the period	2,171	4,539
Adjustments for:		
· depreciation and amortisation expense	10,227	8,359
· doubtful debt expense	233	97
· obsolete stock provision	2,464	100
· amortisation of borrowing costs	6	22
· profit on sale of fixed assets	(318)	(167)
· share benefits expense	570	764
· share of profit in equity accounted investments	(53)	(91)
·		
Net changes in working capital:		
· decrease/(increase) in trade and other receivables	2,028	1,347
· decrease/(increase) in inventories	1,166	(668)
· decrease/(increase) in other assets	(387)	(16)
· decrease/(increase) in deferred tax asset	853	(171)
· increase/(decrease) in trade and other payables	(246)	295
· increase/(decrease) in income tax payable	(1,411)	273
· increase/(decrease) in deferred tax liability	(1,478)	(293)
· increase/(decrease) in employee benefit obligations	522	562
· increase/(decrease) in other liabilities	-	89
· increase/(decrease) in other current liabilities	1,033	(64)
· increase/(decrease) in foreign currency translation reserve	25	61
Net cash received in operating activities	**17,405**	**15,038**

29 Employee remuneration

29.1 Employee benefits expense

Expenses recognised for employee benefits are analysed below:

Employee benefits – expense	2023	2022
	$'000	**$'000**
Wages and salaries expense	75,567	56,325
Bonus expense	159	196
Share-based payment expense	568	765
Superannuation expense	6,550	4,674
Employee benefits expense	**82,844**	**61,960**

29.2 Share-based employee remuneration

As at 30 June 2023, the Group maintained two share-based payment schemes for employee remuneration, the Future Leaders Long Term Incentive Plan and the Senior Executive Long Term Incentive Plan. Performance rights under these Plans will vest if certain conditions are met. Participants have to achieve performance targets and have to be employed until the end of the agreed vesting period. Upon vesting, each participant will be issued with ordinary shares as defined in the Incentive Plan. The fair value of rights offered for the Future Leaders Long Term Incentive Plan is based on the share price at grant date. The fair value of rights offered for the Senior Executive Long Term Incentive Plan is determined using the Monte Carlo valuation model that takes into account factors specific to the performance conditions, such as the grant date, share price at grant date, vesting period, risk free rate, volatility and dividend yield. The performance rights will be issued at nil exercise price upon vesting.

The number of performance rights held by employees of the Group at 30 June 2023 is set out below:

Type	Balance at 1/07/2022	Granted	Vested and Exercised	Forfeited	Held as at 30/06/2023
Performance rights	2,529,301	1,163,563	(391,376)	(322,063)	2,979,425

30 Auditor remuneration

	2023 $	2022 $
Audit services – Grant Thornton Audit Pty Ltd		
Remuneration for audit or review of financial statements	352,839	235,394
Other services – Grant Thornton		
• taxation services	2,120	13,400
• due diligence services	122,669	118,900
Total other services remuneration	**124,789**	**132,300**
Total auditor's remuneration	**477,628**	**367,694**

31 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.

31.1 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:

	2023 $	2022 $
Short-term employee benefits:		
salaries including bonuses and non-monetary benefits	1,550,579	1,310,798
accrued annual leave entitlements	61,460	28,597
non-monetary benefits	15,602	19,783
Total short-term employee benefits	**1,627,641**	**1,359,178**
Long- term employee benefits:		
Accrued long service leave entitlements	59,768	25,114
Share based payments expense	47,283	55,637
Total long-term employee benefits	**107,051**	**80,751**
Post-employment benefits:		
superannuation	107,232	75,392
Total post-employment benefits	**107,232**	**75,392**
Total remuneration	**1,841,924**	**1,515,321**

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. Rental payments made amounted to $378,303 (2022: $360,193).

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 $135,941 (2022: $133,752).

The Group leases an artificial insemination facility in Victoria from entities associated with Chris Richards. Lease payments made amounted to $119,186 (2022: $113,481).

32 Contingent liabilities

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

33 Business combination

The Group applies the acquisition method in accounting for business combinations.

During the reporting period the Group acquired 100% of the business assets of the veterinary clinics listed below. The number of fully paid shares issued and fair value per share is included.

Veterinary Business	Acquisition Date	No. of Shares issued	Fair value per share
Victorian Equine Group (VEG)	1 July 2022	3,827,019	$0.65
Victorian Equine Group (VEG)	1 July 2022	215,952	$0.73
Harradine & Associates (HAV)	1 November 2022	683,851	$0.72
Merimbula, Pambula & Eden Vet Clinics (MPEVC)	1 February 2023	1,079,461	$0.62
Townsend Veterinary Clinic (TVC)	1 April 2023	n/a	n/a

During the reporting period the Group acquired 100% of the issued share capital and voting rights of the entities listed below. The number of fully paid shares issued and fair value per share is included.

Entity	Acquisition Date	No. of Shares issued	Fair value per share
The Vet Practice (TVP)	1 July 2022	1,697,573	$0.65
Hunter Equine Centre (HEC)	8 December 2022	623,501	$0.665
Singleton Veterinary Hospital (SIVH)	1 February 2023	2,893,892	$0.62

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 acquisition of these veterinary businesses expands Apiam's presence in equine, dairy and mixed clinics in regional Victoria, New South Wales and Western Australia.

	VEG	TVP	HAVB	HEC	SIVH	MPEVC	TVCA	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Fair value of consideration transferred								
Amounts settled in cash	7,287	7,006	2,184	6,304	5,739	2,899	1,350	32,769
Amount settled by issue of shares at fair value	2,645	1,103	492	415	1,794	669	-	7,118
Payable to vendors	-	-	-	-	-	-	-	-
Total fair value of consideration transferred	**9,932**	**8,109**	**2,676**	**6,719**	**7,533**	**3,568**	**1,350**	**39,887**
Recognised amounts of identifiable net assets								
Cash and equivalents	-	112	-	89	25	-	-	226
Trade and other receivables	314	35	308	1,719	189	22	1	2,588
Inventories	245	180	169	165	175	301	86	1,321
Other assets	-	26	-	36	52	1	-	115
Total current assets	**559**	**353**	**477**	**2,009**	**441**	**324**	**87**	**4,250**
Trademarks and trade names	237	-	27	180	184	-	-	628
Customer relationships	1,029	906	247	1,378	1,531	525	123	5,739
Property, plant & equipment	1,597	1,367	953	1,937	708	186	430	7,178
Deferred tax assets	-	-	-	-	-	-	-	-
Total non-current assets	**2,863**	**2,273**	**1,227**	**3,495**	**2,423**	**711**	**553**	**13,545**
Trade and other payables	110	400	-	900	296	1	-	1,707
Other current liabilities	-	-	-	-	-	-	-	-
Current tax liabilities	-	200	-	178	63	-	-	441
Employee benefit obligations	86	311	67	132	189	168	41	994
Lease liabilities	127	116	142	131	92	62	203	873
Total current liabilities	**323**	**1,027**	**209**	**1,341**	**640**	**231**	**244**	**4,015**
Lease liabilities	1,244	619	589	1,369	399	64	-	4,284
Employee benefit obligations	6	23	9	-	8	10	-	56
Deferred tax liabilities	352	171	54	414	453	102	24	1,570
Total non-current liabilities	**1,602**	**813**	**652**	**1,783**	**860**	**176**	**24**	**5,910**
Identifiable net assets	**1,497**	**786**	**843**	**2,380**	**1,364**	**628**	**372**	**7,870**
Goodwill on acquisition	**8,435**	**7,323**	**1,833**	**4,339**	**6,169**	**2,940**	**978**	**32,017**
Net cash outflow on acquisition	**7,287**	**6,894**	**2,184**	**6,215**	**5,714**	**2,899**	**1,350**	**32,543**

33.1 Consideration transferred

Acquisition related costs amounting to $416,412 are not included as part of the consideration transferred and have been recognised as an expense in the consolidated statement of profit of loss, as acquisition expenses. Acquisition related costs were made up of state government transfer duties, due diligence audit fees, legal, accounting and other miscellaneous expenses.

33.2 Identifiable net assets

The accounting for all business combinations has been finalised as at 30 June 2023.

The fair value of the trade and other receivables acquired as part of the business combinations amounted to $2,588,000 with a gross contractual amount of $2,701,000. As at the acquisition date, the Group's best estimate of the contractual cash flows not expected to be collected amounted to $113,000.

There were no contingent liabilities assumed from the acquisitions and no separate transactions.

33.3 Goodwill

The goodwill that arose on the combinations can be attributed to the synergies expected to be derived from the combination including implementation of the Groups programs, software systems, support networks, supply and employment contracts. Goodwill has been provisionally allocated to CGUs at 30 June 2023 and is attributable to the Dairy & mixed segment. The goodwill that arose from this business combination is not expected to be deductible for tax purposes.

34 Interests in subsidiaries

34.1 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 2023	2022
Chris Richards & Associates Pty Ltd	Australia	Veterinary services	**100%**	100%
Country Vet Wholesaling Pty Ltd	Australia	Wholesale supply	**100%**	100%
Apiam Logistics Services 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	**100%**	100%
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 Clinics NSW & QLD 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%
AAH Veterinary Services Pty Ltd	Australia	Veterinary services	**100%**	100%
CVH iVet Pty Ltd (deregistered 30/10/2022)	Australia	Dormant	**100%**	100%
Tasvet Wholesale Pty Ltd	Australia	Dormant	**100%**	100%
Quirindi Feedlot Services Pty Ltd	Australia	Veterinary services	**100%**	100%
Quirindi Veterinary Clinic Pty Ltd	Australia	Veterinary services	**100%**	100%
Quipolly Equine Centre Pty Ltd	Australia	Veterinary services	**100%**	100%
AAH Veterinary Clinics Pty Ltd	Australia	Veterinary Services	**80%**	80%
Gympie & District Veterinary Services Pty Ltd	Australia	Veterinary Services	**100%**	100%
Apiam Solutions LLC	USA	Distribution	**51%**	51%
Fur Life Foundation Ltd	Australia	Charity	**100%**	100%

South Yarra Pharma Pty Ltd	Australia	Veterinary Services	**100%**	100%
Animal Consulting Enterprises Pty Ltd	Australia	Manufacturing	**100%**	100%
The Trustee for Grampians Animal Health Unit Trust	Australia	Veterinary Services	**100%**	100%
CrosVet Pty Ltd	Australia	Veterinary Services	**100%**	100%
Agnes Banks Equine Clinic Pty Limited	Australia	Veterinary Services	**100%**	100%
North Hill Veterinary Clinic Pty Ltd	Australia	Veterinary Services	**100%**	100%
The Vet Practice Pty Ltd	Australia	Veterinary Services	**100%**	0%
Hunter Equine Centre Pty Ltd	Australia	Veterinary Services	**100%**	0%
Singleton Veterinary Hospital Pty Limited	Australia	Veterinary Services	**100%**	0%

34.2 Losing control over a subsidiary during the reporting period

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

34.3 Interests in unconsolidated structured entities

The Group has no interests in unconsolidated structured entities.

35 Financial instrument risk

35.1 Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. 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 2023, 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% (2022: +/- 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-23	**555**	**(555)**	**555**	**(555)**
30-Jun-22	399	(399)	399	(399)

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 credit risk from financial assets including cash and cash equivalents held at banks, trade and other 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:

	2023 $'000	2022 $'000
Classes of financial assets:		
Cash and cash equivalents	3,172	2,845
Trade and other receivables	13,958	13,623
	17,130	**16,468**

The credit risk is managed on a group basis based on the Group's credit risk management policies and procedures.

The credit risk in respect of cash balances held with banks and deposits with banks are managed via only banking with major reputable financial institutions.

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.

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.

Trade receivables are written off (ie. derecognised) when there is no reasonable expectation of recovery.

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 made an allowance for expected credit losses (see Note 11) based on past due amounts and prior trading history. The amounts at 30 June analysed by the length of time past due, are:

	2023 $'000	2022 $'000
Past due under 30 days	1,889	2,035
Past due 30 days to under 60 days	584	646
Past due 60 days and over	1,437	1,070
Total	**3,910**	**3,751**

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 2023, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Within 6 months $'000	6 - 12 months $'000	1 - 4 years $'000
30 June 2023			
Bank borrowings	2,934	-	66,066
Trade and other payables	12,435	-	-
Total	**15,369**	**-**	**66,066**

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

	Within 6 months $'000	6 - 12 months $'000	1 - 4 years $'000
30 June 2022			
Bank borrowings	2,914	-	39,165
Trade and other payables	10,968	-	-
Total	**13,882**	**-**	**39,165**

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 2023 and 30 June 2022:

30 June 2023	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Contingent consideration	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**
Net fair value	**-**	**-**	**-**	**-**

30 June 2022	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Contingent consideration	-	-	190	190
Total liabilities	**-**	**-**	**190**	**190**
Net fair value	**-**	**-**	**190**	**190**

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 and Risk Management 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 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	95%	-

Level 3 Fair value measurements

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

	Contingent consideration	
	2023 $'000	**2022 $'000**
Balance at 1 July	190	-
Contingent consideration for acquisitions / (released to profit and loss)	(190)	190
Balance at 30 June	**-**	**190**

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 gearing ratio below 45% (ratio of net debt to net debt and equity). This is in line with the Group’s covenants resulting from the banking facilities it has taken out from 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:

	2023 $'000	2022 $'000
Total equity	117,896	108,684
Cash and cash equivalents	3,172	2,845
Capital	**121,068**	**111,529**
Total equity	117,896	108,684
Borrowings	69,000	42,079
Overall financing	**186,896**	**150,763**
Capital-to-overall financing ratio	**65%**	**74%**

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'):

	2023 $'000	2022 $'000
Statement of financial position		
Current assets	2,628	2,287
Total assets	199,167	153,941
Current liabilities	6,977	5,097
Total liabilities	75,251	45,257
Net assets	119,567	108,684
Issued capital	134,519	126,928
Share based payment reserve	993	871
Retained earnings / (Accumulated losses)	(17,616)	(19,115)
Total equity	117,896	108,684
Statement of profit or loss and other comprehensive income		
Profit for the year	2,682	4,348
Other comprehensive income	53	91
Total comprehensive income	2,735	4,439

The Parent Entity has entered into a deed of cross guarantee. Refer Note 40 for details.

The Parent Entity had no contingent liabilities at 30 June 2023 (2022: $nil).

39 Post-reporting date events

On 1 July 2023 the Group acquired the business assets of Boyne Tannum Vet Surgery, a provider of veterinary services in the Gladstone region of Queensland. The consideration consisted of an initial cash payment of $2,432,315. The prima facie value of net assets acquired is $140,641 and the prima facie goodwill is $2,492,133. The prima facie balance sheet is not yet fair valued and is subject to change. The goodwill that arose on the combination can be attributed to the synergies expected to be derived from the combination including implementation of the Groups programs, software systems, support networks, supply and employment contracts. Separately identifiable intangible assets (customer relationships) are expected and have not yet been fair valued.

The acquisition of this veterinary business expands Apiam's presence in regional Queensland. At this time the acquisition have not been finalised and the goodwill cannot be quantified.

40 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
Apiam Logistics Services 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 Clinics NSW & QLD 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 Legislative Instrument 2016/785 issued by the Australian Securities and Investments Commission. No entities were added or removed during the financial year.

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 2023

	2023 $'000	2022 $'000
Continuing operations		
Revenue	132,220	112,416
Other income	322	139
Expenses		
Changes in inventory	(2,549)	1,594
Cost of materials	(43,602)	(42,635)
Employee benefit expenses	(59,945)	(48,018)
Depreciation of property, plant and equipment	(7,038)	(6,256)
Other operating expenses	(12,836)	(11,898)
Finance costs	(3,519)	(1,476)
Share of profit from equity accounted investments	53	91
Profit/(loss) before income tax	**3,106**	**3,957**
Income tax (expense)/benefit	(1,030)	(1,180)
Profit from continuing operations	**2,076**	**2,777**
Profit for the year	**2,076**	**2,777**

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

Statement of Financial Position as at 30 June 2023	**2023 $'000**	**2022 $'000**
Assets		
Current assets		
Cash and cash equivalents	2,716	2,328
Trade and other receivables	13,571	11,351
Inventories	10,866	13,415
Other current assets	1,820	1,629
Total current assets	**28,973**	**28,723**
Non-current assets		
Intangible assets	161,716	123,731
Property, plant and equipment	28,786	24,674
Investments	270	268
Deferred tax assets	2,355	3,261
Total non-current assets	**193,127**	**151,934**
Total assets	**222,100**	**180,657**
Current liabilities		
Trade and other payables	10,597	9,262
Amounts payable to vendors for business acquisitions	1,321	485
Current tax liabilities	862	1,675
Borrowings	2,934	2,914
Lease liabilities	3,870	3,530
Provisions	7,750	6,800
Total current liabilities	**27,334**	**24,666**
Non-current liabilities		
Borrowings	66,066	39,165
Lease liabilities	17,219	14,041
Provisions	388	390
Deferred tax liabilities	1,661	1,832
Total non-current liabilities	**85,334**	**55,428**
Total liabilities	**112,668**	**80,094**
Net assets	**109,432**	**100,563**
Equity		
Equity attributable to owners of the parent		
- share capital	133,174	125,584
- corporate reorganization reserve	993	(26,692)
- share based payment reserve	(26,692)	871
- non-controlling interest acquisition reserve	(6,587)	(6,481)
- retained earnings	8,544	7,281
Total Equity	**109,432**	**100,563**

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 2023 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.

c There are reasonable grounds to believe that the members of the extended closed group identified in Note 40 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 40.

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 2023.

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
28 August 2023

Grant Thornton

Grant Thornton Audit Pty Ltd
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Collins Square
727 Collins Street
Melbourne VIC 3008
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Melbourne VIC 3001

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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 2023, 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 2023 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 auditor 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 (including Independence Standards)* (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.

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
Intangible assets – Note 15	
At 30 June 2023 the carrying value of goodwill, customer relationships and trademarks is \$145.3M, \$13.7M and \$3.2M respectively, and is allocated to two separate cash generating units ("CGU") and one group of cash-generating units ("CGU group"). In accordance with AASB 136 *Impairment of Assets*, the Group is required to assess at the end of each reporting period whether there are any indicators of impairment. Goodwill must be tested for impairment annually, irrespective of any indication of impairment. This is a key audit matter due to the high level of management judgment and estimation required to determine the recoverable value of the CGU's and CGU group.	Our procedures included, amongst others: • Reviewing management's determination of the CGU's and CGU group; • Reviewing management's allocation of goodwill resulting from acquisitions amongst the CGU's/CGU group; • Reviewing managements impairment models for compliance with AASB 136; • Verifying the mathematical accuracy of the underlying value in use calculations and evaluating the methodology used for appropriateness; • Evaluating cash flow projections by assessing actual results compared to historical forecasts; • Reviewing key judgements and assumptions and performing sensitivity analysis on the inputs in the value in use model; • Utilising an auditor's expert to assess the reasonableness of key inputs and assumptions used in the model; and • Evaluating the disclosures in the financial statements for appropriateness and consistency with accounting standards.
Business Combination – Note 33	
During the year ended 30 June 2023, the Group acquired 100% of the business assets of four veterinary clinics. In addition, the Group acquired 100% of the issued share capital of three companies. Acquisitions are required to be recognised under AASB 3 Business Combinations. Separately identifiable intangible assets are to be separated from the value of goodwill and recognised as an identifiable intangible asset. This area is a key audit matter due to the high level of management judgement and estimation required to determine the fair value of net assets acquired and the fair value of identifiable intangible assets.	Our procedures included, amongst others: • Assessing whether transactions have been appropriately accounted for under AASB 3; • Reviewing management's calculation for the acquisition, including tracing inputs to supporting documentation and assessing whether any goodwill arising as a result of the acquisition has been appropriately recognised within the financial statements; • Considering if separately identifiable intangible assets exist, such as customer relationships, which are to be separated from goodwill and recognised; • Obtaining and reviewing the identification and valuation of intangible assets completed by management's expert; • Assessing the work performed by managements expert including evaluating competence, capabilities, and objectivity of the expert; • Reviewing material balances from the completion accounts for each acquisition, including selecting samples and tracing to source documentation to verify the fair value of balances on the acquisition date; and

- Evaluating the disclosures in the financial statements for appropriateness and consistency with accounting standards.

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 2023, 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 Group 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's ability 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_2020.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 pages 21 to 29 of the Directors’ report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Apiam Animal Health Limited, for the year ended 30 June 2023 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Group 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, 28 August 2023

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 24 July 2023 (**Reporting Date**).

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 (Fourth 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, the Corporate Governance Statement will be available for review on Apiam's website (http://www.apiam.com.au/corporate-governance/) 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 (http://www.apiam.com.au/corporate-governance/).

Substantial holders

As at the Reporting Date, 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	38,850,000	22.27%
PETSTOCK INVESTMENTS PTY LTD	Ordinary Shares	21,240,500	12.3%
REGAL FUNDS MANAGEMENT PTY LIMITED AND ITS ASSOCIATES	Ordinary Shares	17,844,177	9.9%

Number of holders

As at the Reporting Date, the number of holders in each class of equity securities:

Class of Equity Securities	Number of holders
Fully paid ordinary shares quoted on ASX	168,974,266
Fully paid ordinary shares restricted until 31 July 2023 and quoted on ASX	839,247
Fully paid ordinary shares restricted until 4 September 2023 and quoted on ASX	441,825
Fully paid ordinary shares restricted until 1 November 2023 and quoted on ASX	341,927
Fully paid ordinary shares restricted until 4 December 2023 and quoted on ASX	1,124,449
Fully paid ordinary shares restricted until 11 December 2023 and quoted on ASX	311,751
Fully paid ordinary shares restricted until 1 February 2024 and quoted on ASX	1,986,677
Fully paid ordinary shares restricted until 1 June 2024 and quoted on ASX	582,660
Fully paid ordinary shares restricted until 1 July 2024 and quoted on ASX	2,762,294
Fully paid ordinary shares restricted until 1 November 2024 and quoted on ASX	341,924
Fully paid ordinary shares restricted until 9 December 2024 and quoted on ASX	311,750
Fully paid ordinary shares restricted until 3 February 2025 and quoted on ASX	1,986,676
Total restricted ordinary shares	11,031,180
Total Ordinary Shares on issue	180,005,446
Performance Rights	2,693,991

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 Reporting Date, there were 1,830 holders of a total of 180,005,446 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 Reporting Date is as follows:

Distribution of ordinary shareholders

Holdings Ranges	Holders	Total Units	%
1 – 1,000	343	208,222	0.12
1,001 – 5,000	562	1,388,001	0.77
5,001 – 10,000	271	2,067,138	1.15
10,001 – 100,000	515	15,570,594	8.65
100,001 – 999,999,999	139	160,771,491	89.31
Totals	**1,830**	**180,005,446**	**100.00**

Distribution of performance rights holders

Holdings Ranges	Holders	Total Units	%
1 – 1,000	0	0	0.00
1,001 – 5,000	0	0	0.00
5,001 – 10,000	1	7,686	0.29
10,001 – 100,000	15	781,681	29.02
100,001 – 999,999,999	9	1,904,624	70.70
Totals	**25**	**2,693,991**	**100.00**

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 Reporting Date ($0.525) is as follows:

Total Shares	UMP Shares	UMP Holders	% of issued shares held by UMP holders
180,005,446	128,433	263	7.1%

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 Reporting Date	%
CJOEA FAMILY COMPANY PTY LTD <RICHARDS FAMILY A/C>	35,758,709	19.87%
PETSTOCK INVESTMENTS PTY LTD	21,240,500	11.80%
CITICORP NOMINEES PTY LIMITED	12,817,128	7.12%
UBS NOMINEES PTY LTD	7,122,807	3.96%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,654,958	3.14%
NATIONAL NOMINEES LIMITED	3,079,729	1.71%
SCOLEXIA COMMODITY PTY LTD	2,755,777	1.53%
CERTANE CT PTY LTD <APIAM ANIMAL EST UNALLO AC>	2,018,793	1.12%
COBASH PTY LIMITED <J & S WRIGHT FAMILY A/C>	1,872,006	1.04%
MR ROGER CHARLES CARMODY & MRS MARIS MOORE CARMODY <SANDRIDGE S/F A/C>	1,742,791	0.97%
MR BRIAN SCUTT	1,728,879	0.96%
JINLAND PTY LTD <JINLAND FAMILY A/C>	1,708,211	0.95%
BUTTONWOOD NOMINEES PTY LTD	1,640,817	0.91%
OREM HOLDINGS PTY LTD	1,620,724	0.90%
WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	1,575,944	0.88%
HAMILTON ANIMAL HEALTH PTY LTD	1,564,270	0.87%
FERGUS MACBETH HAY	1,446,946	0.80%
MATTHEW GEORGE MULLEN	1,446,946	0.80%
FOUR POST INVESTMENTS PTY LTD <JOHNSTONE INVESTMENT A/C>	1,386,700	0.77%
BNP PARIBAS NOMS PTY LTD <DRP>	1,386,561	0.77%
Total Securities of Top 20 Holdings	109,569,196	60.87%
Total of Securities	**180,005,446**	**100.00%**

Company Secretary

The Company's secretary is Eryl Baron.

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 8, 210 George Street
Sydney New South Wales 2000
Telephone: (02) 9290 9600

Stock Exchange Listing

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

Escrow

11,031,180 Ordinary Shares ae subject to Voluntary Escrow. The number of securities and end dates of escrow period are shown above.

Unquoted equity securities

The number of each class of unquoted equity securities on issue, and the number of their holders, are as follows:

Class of restricted securities	Number of unquoted Equity Securities	Number of holders
Performance Rights	2,693,991	25

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	Chairman
Dr Christopher Richards	Managing Director
Mr Richard Dennis	Non-Executive Director
Dr Jan Tennent	Non-Executive Director
Evonne Collier	Non-Executive Director

COMPANY SECRETARY

Eryl Baron

REGISTERED OFFICE

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AUDITORS

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Melbourne VIC 3008

BANKERS

National Australia Bank
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SHARE REGISTRY

Boardroom Pty Ltd
Level 8, 210 George Street
Sydney NSW 2000
T (02) 9290 9600

STOCK EXCHANGE LISTING

Australian Securities Exchange
Level 4, North Tower, Rialto
525 Collins Street
Melbourne VIC 3000

ASX CODE

AHX

WEBSITE

apiam.com.au


Apiam
animal health