

APIAM Animal Health Limited
ACN 604 961 024

Appendix 4D - Half-Year Report

The following information is given to the Australian Securities Exchange (ASX) under ASX listing rule 4.2A.3

1. Reporting period: Half-year ended 31 December 2015

Previous corresponding period: There is no previous corresponding period.
The company was incorporated on 25 March 2015.

2. Results for announcement to the market:

2.1 Revenue from ordinary activities was \$9.821 million

2.2 Loss from ordinary activities after tax attributable to members was \$2.002 million.

2.3 Net loss for the period attributable to members was \$2.002 million.

2.4 No dividends are proposed and no dividends were paid during the period.

2.5 The record date for determining entitlements to the dividends: - Not applicable.

2.6 Brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood: Refer to the Operations and Financial Results section contained within the attached Director's Report.

3. Net tangible assets per security:

Net tangible asset backing per ordinary security (\$0.03)

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

Refer to Notes 5 and 6 of the attached Interim Financial Statements for details of entities over which control has been gained. There were no entities over which control was lost.

5. Dividends:

There were no dividends paid or payable during the period.

6. Dividend Reinvestment Plan:

The company does not have a dividend reinvestment plan.

7. Associates and Joint Venture Entities:

The company has no associate companies or joint venture entities.

8. Audit Review Report:

The audit review report is attached as part of the half-year financial report.



Interim financial statements

Apiam Animal Health Limited
ACN 604 961 024

For the half-year ended 31 December 2015

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Directors' Report

The Directors of Apiam Animal Health Limited ('Apiam Animal Health') present their Report together with the financial statements of the Consolidated Entity, being Apiam Animal Health ('the Company') and its controlled entities ('the Group') for the half-year ended 31 December 2015.

Director details

The following persons were Directors of Apiam Animal Health during or since the end of the financial half-year:

- Professor Andrew Vizard, Chairman (appointed 5 November 2015)
- Dr Christopher Irwin Richards, Managing Director (appointed 25 March 2015)
- Mr Charles Sitch, Non-executive Director (appointed 5 November 2015)
- Mr Richard John Dennis, Non-executive Director (appointed 5 November 2015)
- Mr Michael van Blommestein, Non-executive Director (appointed 5 November 2015)

- Ms Ella Catherine McDougall (appointed 28 August 2015, resigned 5 November 2015)
- Mr Matthew Brian White (appointed 28 August 2015, resigned 5 November 2015)

Review of operations and financial results

Apiam Business

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

Acquisitions

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

Results

The FY16 statutory results include:

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

Revenue for the group for the period 1 November 2015 to 31 December 2015 was \$9.82 million and met company expectations. Gross margin for the period was \$4.22 million or 43.0%. The gross margin is in line with the margin communicated in the prospectus after adjusting for the effect of the Chris Richards Group entities trading for 2 months and the acquisitions only trading for a short period in December 2015.

Directors' Report

Apiam Animal Health recorded a statutory loss before tax of \$2.27 million which included budgeted one-off expenses related to listing, acquisition and employee share based payments of \$2.91 million.

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

	\$'000
Revenue	9,821
Cost of materials	(5,596)
Employee benefits expense	(2,230)
Occupancy expenses	(227)
Other operating expenses	<u>(978)</u>
EBITDA (Earnings before interest, tax, depreciation and amortisation)	<u>790</u>
Depreciation & amortisation	<u>(110)</u>
EBIT (Earnings before interest and tax)	<u>680</u>
Net interest paid	<u>(38)</u>
Adjusted profit before tax	<u>642</u>
<i>Less one off expenses taken to profit or loss</i>	
Employee share based payments expense	(1,360)
Listing & acquisition expense	<u>(1,548)</u>
Statutory loss before tax	<u>(2,266)</u>

The adjusted profit before tax of \$642,000 met the Company's expectations for the short trading period.

Balance Sheet

Apiam Animal Health's balance sheet reflects the completed roll in of Chris Richards Group and acquisition of the clinics and is consistent with the pro-forma balance sheet shown in the prospectus.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under s307C of the *Corporations Act 2001* is included on page 3 of this financial report and forms part of this Directors' Report.

Rounding of amounts

Apiam Animal Health is a type of Company referred to in ASIC Class Order 98/100 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable), or in certain cases, to the nearest dollar under the option permitted in the class order.

Signed in accordance with a resolution of the Directors:



Dr Chris Richards
Managing Director

Dated the 26th day of February 2016

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Auditor's Independence Declaration To The Directors of Apiam Animal Health Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Apiam Animal Health Limited for the half-year ended 31 December 2015, 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 review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



Adam Pitts
Partner - Audit & Assurance

Melbourne, 26 February 2016

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2015

	Notes	31 December 2015 \$'000
Revenue		9,821
Changes in inventories		1,927
Cost of materials		(7,523)
Employee benefits expense		(2,230)
Listing & acquisition expenses		(1,548)
Employee share based payments expense		(1,360)
Occupancy expenses		(227)
Depreciation & amortisation of non-financial assets		(110)
Other operating expenses		(978)
		(2,228)
Finance costs		(52)
Finance income		14
Loss before tax		(2,266)
Tax benefit		272
Loss for the period		(1,994)
Other comprehensive income:		
Other comprehensive income for the period, net of tax		-
Total comprehensive loss for the period		(1,994)

Loss for the period attributable to:		
• non-controlling interest profit		8
• owners of the parent		(2,002)
		(1,994)
Total comprehensive loss for the period attributable to:		
• non-controlling interest profit		8
• owners of the parent		(2,002)
		(1,994)

	Notes	31 December 2015
Earnings per share	10	
Basic earnings (loss) per share		(\$0.10)
Diluted earnings (loss) per share		(\$0.10)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	31 December 2015 \$'000	30 June 2015 \$'000
Assets			
Current			
Cash and cash equivalents		6,628	20
Trade and other receivables		10,891	15
Amount receivable from director related entity	13	782	-
Inventories		10,425	-
Current tax assets		353	-
Other current assets		848	-
Current assets		29,927	35
Non-current			
Intangible assets	8	47,339	-
Property, plant and equipment	9	4,514	-
Deferred tax assets		2,377	31
Non-current assets		54,230	31
Total assets		84,157	66
Liabilities			
Current			
Trade and other payables		13,384	113
Amounts payable to vendors for business acquisitions		5,417	-
Contingent consideration for business acquisitions		3,500	-
Current tax liabilities		213	-
Borrowings		3,111	-
Provisions		3,037	-
Current liabilities		28,662	113
Non-current			
Borrowings		10,639	-
Provisions		180	-
Deferred tax liabilities		52	-
Non-current liabilities		10,871	-
Total liabilities		39,533	113
Net assets		44,624	(47)
Equity			
Equity attributable to owners of the parent:			
• share capital	11	79,185	-
• convertible notes		-	140
• corporate re-organisation reserve		(26,333)	-
• non-controlling interest acquisition reserve		(6,629)	-
• retained earnings		(2,189)	(187)
		44,034	-
Non-controlling interest		590	-
Total equity		44,624	(47)

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2015

	Share capital \$'000	Convertible notes \$'000	Corporate re-organisation reserve \$'000	Non-controlling interest acquisition reserve \$'000	Retained earnings \$'000	Total attributable to owners of parent \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 July 2015	-	140	-	-	(187)	(47)	-	(47)
Issue of convertible notes	-	145	-	-	-	145	-	145
Conversion of convertible notes	285	(285)	-	-	-	-	-	-
Employee share-based payments	1,360	-	-	-	-	1,360	-	1,360
Restructure and transfer of Chris Richards entities into Apiam	30,633	-	(26,333)	-	-	4,300	-	4,300
Issue of shares to vendors of business acquired	25,904	-	-	(6,629)	-	19,275	582	19,857
Issue of new share capital	23,000	-	-	-	-	23,000	-	23,000
Transaction costs relating to issue of share capital	(2,851)	-	-	-	-	(2,851)	-	(2,851)
Income tax benefit relating to transaction costs	854	-	-	-	-	854	-	854
Transactions with owners	79,185	(140)	(26,333)	(6,629)	-	46,083	582	46,665
Profit / (Loss) for the period	-	-	-	-	(2,002)	(2,002)	8	(1,994)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	(2,002)	(2,002)	8	(1,994)
Balance at 31 December 2015	79,185	-	(26,333)	(6,629)	(2,189)	44,034	590	44,624

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2015

	Notes	31 December 2015 \$'000
Operating activities		
Receipts from customers		12,253
Payments to suppliers and employees		(9,338)
Interest received		14
Interest paid		(52)
Transaction costs in relation to restructure of group entities	5	(403)
Transaction costs in relation to acquisition of subsidiaries	6	(629)
Income tax paid		(692)
Net cash from operating activities		1,153
Investing activities		
Purchase of property, plant and equipment		(41)
Restructure of group entities, net of cash	5	471
Acquisition of subsidiaries, net of cash	6	(20,822)
Net cash used in investing activities		(20,392)
Financing activities		
Proceeds from borrowings		10,232
Repayments of borrowings		(3,773)
Repayments of lease liabilities		(257)
Proceeds from issue of share capital		23,000
Share issue transaction costs		(2,851)
Loans made to director related entity		(816)
Repayments from director related entity		167
Proceeds from issue of convertible notes		145
Net cash from financing activities		25,847
Net change in cash and cash equivalents		6,608
Cash and cash equivalents, beginning of period		20
Cash and cash equivalents, end of period		6,628

The accompanying notes form part of these financial statements.

Notes to the Condensed Interim Consolidated Financial Statements

1 Nature of operations

Apiam Animal Health Limited and Subsidiaries' ('the Group') principal activities include the provision of a range of services to production and mixed animals.

The Group provides a diverse range of products and services across the animal health value chain, including:

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

2 General information and basis of preparation

The condensed interim consolidated financial statements ('the interim financial statements') of the Group are for the six (6) months ended 31 December 2015 and are presented in Australian Dollars (\$AUD), which is the functional currency of the Parent Company. These general purpose interim financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the financial statements of Apiam Animal Health Ltd for the period ended 30 June 2015 and the detailed accounting policies at note 3 below and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

The Company was incorporated on 25 March 2015 and therefore no comparative information is provided in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 26 February 2016.

3 Significant accounting policies

The significant accounting policies that have been adopted in the preparation of the financial statements are summarised below. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

Basis for Consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 31 December 2015. 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 period 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.

Revenue

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

Income Tax

Income tax on the profit or loss for the half-year comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the half-year, using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous periods. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent

that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Business Combinations

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 acquisition date fair values at which the assets and liabilities are recorded is recognised directly in the Corporate re-organisation reserve in equity.

Cash and Cash Equivalents

Cash and short-term deposits are carried at face value of the amounts deposited. Cash equivalents are short-term, highly liquid investments, that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Trade and Other Receivables

Trade and other receivables are recognised and carried at the nominal amount due less any allowance for impairment. An allowance for impairment is recognised when collection of the full amount is no longer probable. Bad debts are written off as incurred. The nominal amount due approximates fair value given the short term maturity of receivables

Inventories

Stock on hand is 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 the estimated costs necessary to make the sale.

Property, plant and Equipment

Property, plant and equipment is carried on the balance sheet at cost less, where applicable, depreciation. Depreciation is provided on a straight-line basis on all property, plant & equipment (excluding land). Major depreciation rates are:

- Plant & equipment 10-33%
- Furniture & fittings 10-33%
- Motor vehicles 25%

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the share of the net identifiable assets of the acquired business or subsidiary at the date of acquisition. Goodwill is included in intangible assets. Goodwill is not amortised, instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Borrowings

All borrowings are initially measured at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Interest is recognised as an expense using the effective interest method.

Employee Benefits

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based employee remuneration

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. All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to share capital.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date.

Trade and Other Payables

Liabilities for trade and other payables are carried at nominal amount which, given their short term to maturity, approximates the fair value of the consideration to be paid for goods and services received, whether or not billed to the Group.

Leases

Leases of property, plant and equipment, where Apiam Animal Health has substantially all risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges, to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charge to the profit or loss over the lease period, to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the estimated useful life of the asset. Where there is no reasonable certainty that the lessee will obtain ownership, the asset is depreciated over the shorter of the lease term and the asset's useful life.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance date. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

A cash generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the profit or loss, unless the asset has previously been revalued, in which case the impairment loss is recognised

as a reversal to the extent of that previous revaluation with any excess recognised through the profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Equity

Issued capital

Contributed equity is recognised at the fair value of consideration received by Apiam Animal Health. Any transaction costs arising on the issue of Shares are recognised directly in equity as a reduction of the share proceeds received.

Corporate re-organisation reserve

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

Non-controlling interest acquisition reserve

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

Non-controlling interest

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

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Apiam Animal Health Ltd, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the financial period.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

4 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 and estimates

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

Impairment

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

Trade receivables

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

Inventories

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

Business combinations

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

5 Business restructure

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

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

Details of the business restructure are as follows:

	\$'000
Fair value of consideration transferred	34,424
Settled as follows:	
Amount settled in cash	1,828
Amount settled by issue of shares at fair value	30,633
Amount owing at balance date	1,213
Contingent consideration subject to performance criteria	750
Recognised amounts of identifiable net assets	
Property, plant and equipment	1,960
Deferred tax assets	360
Total non-current assets	2,320
Inventories	5,614
Trade and other receivables	11,505
Cash and cash equivalents	2,299
Other current assets	374
Total current assets	19,792
Borrowings	(563)
Provisions	(61)
Deferred tax liabilities	(52)
Total non-current liabilities	(676)
Borrowings	(5,944)
Provisions	(1,082)
Current tax liabilities	(368)
Trade and other payables	(11,998)
Total current liabilities	(19,392)
Identifiable net assets	2,044
Reserves arising upon reconstruction	32,380
Represented by:	
Corporate re-organisation reserve	26,333
Non-controlling interest acquisition reserve	6,629
Non-controlling interest	(582)
Consideration transferred settled in cash	(1,828)
Cash and cash equivalents acquired	2,299
Net cash inflow on acquisition	471
Acquisition costs charged to expenses	(403)
Net cash inflow relating to the acquisition	68

5.1 Consideration transferred

Acquisition-related costs amounting to \$403,135 are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss and other comprehensive income, as part of listing and acquisition costs expenses.

5.2 Identifiable net assets

The fair values of the identifiable intangible assets have been determined provisionally at 31 December 2015, because the acquisition was completed late in the period. The Group is currently obtaining the information necessary to appropriately consider the identification and fair value of identifiable intangible assets.

5.3 Contingent consideration subject to performance criteria

In the event that certain pre-determined earnings are achieved by one of the subsidiaries over a 12 month period from acquisition date, additional consideration of up to \$750,000 may be payable in cash in December 2016.

6 Business combination

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

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

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

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

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

Details of the business combination are as follows:

	Practice 1 \$'000	Practice 2 \$'000	Practice 3 \$'000	Practice 4 \$'000	Others \$'000	Total \$'000
Fair value of consideration transferred						
Amounts settled in cash	2,591	2,844	2,830	4,456	8,101	20,822
Amount settled by issue of shares at fair value	3,775	3,963	7,758	3,834	6,574	25,904
Amount payable at balance date	1,163	650	275	520	1,596	4,204
Contingent consideration subject to performance criteria	-	-	-	2,250	500	2,750
	7,529	7,457	10,863	11,060	16,771	53,680
Recognised amounts of identifiable net assets						
Property plant and equipment	376	612	365	410	859	2,622
Deferred tax assets	77	181	123	41	437	859
Total non-current assets	453	793	488	451	1,296	3,481
Inventories	354	463	385	348	1,334	2,884
Trade and other receivables	347	907	576	560	3,077	5,467
Other current assets	-	43	-	-	76	119
Total current assets	701	1,413	961	908	4,487	8,470
Borrowings	-	-	-	-	101	101
Provisions	26	31	26	-	36	119
Total non-current liabilities	26	31	26	-	137	220
Provisions	230	375	182	49	1,219	2,055
Borrowings	-	-	-	-	939	939
Current tax liabilities	84	-	-	-	99	183
Trade and other payables	84	285	81	-	1,763	2,213
Total current liabilities	398	660	263	49	4,020	5,390
Identifiable net assets	730	1,515	1,160	1,310	1,626	6,341
Goodwill on acquisition	6,799	5,942	9,703	9,750	15,145	47,339
Net cash outflow on acquisition	2,591	2,844	2,830	4,456	8,101	20,822

6.1 Consideration transferred

Acquisition-related costs amounting to \$628,640 are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss and other comprehensive income, as part of listing and acquisition costs expenses.

6.2 Identifiable net assets

The fair values of the identifiable intangible assets have been determined provisionally at 31 December 2015, because the acquisition was completed late in the period. The Group is currently obtaining the information necessary to appropriately consider the identification and fair value of identifiable intangible assets.

6.3 Intangibles

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

6.4 Contingent consideration subject to performance criteria

In the event that certain pre-determined earnings are achieved by a number of acquired subsidiaries over a 12 month period from acquisition date, additional consideration of up to \$2,750,000 may be payable in cash in December 2016.

7 Segment reporting

Identification of reportable operating segments

A number of veterinary practices and wholesale business entities have recently been acquired during the period. Due to these recent acquisitions, management is yet to determine the information to be reported to the Chief Operating Decision Maker.

The consolidated entity operates in one geographical region being Australia.

8 Intangible assets

The following table shows the movements in intangible assets:

	Six (6) months to 31 December 2015 \$'000	Year to 30 June 2015 \$'000
Gross carrying amount		
Balance, beginning of period	-	-
Acquired through business combination	47,339	-
Balance, end of the period	47,339	-
Accumulated impairment		
Balance, beginning of the period	-	-
Balance, end of the period	-	-
Carrying amount at the end of the period	47,339	-

9 Property, plant and equipment

The following tables show the movements in property, plant and equipment:

	Leasehold improvements \$'000	Plant & equipment \$'000	Motor vehicles \$'000	Total \$'000
Gross carrying amount				
Balance at 1 July 2015	-	-	-	-
Additions	-	41	-	41
Acquisitions through business restructure	44	960	956	1,960
Acquisition through business combination	35	2,079	509	2,623
Balance at 31 December 2015	79	3,080	1,465	4,624
Depreciation and impairment				
Balance at 1 July 2015	-	-	-	-
Depreciation	1	69	40	110
Balance at 31 December 2015	1	69	40	110
Carrying amount at 31 December 2015	78	3,011	1,425	4,514

10 Earnings per share

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the Parent Company (Apiam Animal Health Ltd) as the numerator, ie no adjustments to profits were necessary during the six (6) months period to 31 December 2015.

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

	Six (6) months to 31 December 2015 \$'000s
Weighted average number of shares used in basic earnings per share	20,631,936
Weighted average number of shares used in diluted earnings per share	20,631,936
Shares deemed to be issued for no consideration in respect of share-based payments	1,360,000

11 Share capital

Each share has the same right to receive dividends and the repayment of capital and represents one vote at the shareholders' meeting of Apiam Animal Health Ltd. Shares issued and authorised are summarised as follows:

	Six (6) months to 31 December 2015 No.	Six (6) months to 31 December 2015 \$'000
Shares issued and fully paid		
• beginning of the period	1	-
On 8 December 2015;		
• shares issued on restructure of Chris Richards Group of Companies	45,521,766	30,633
• shares purchased from Chris Richards	(17,000,000)	(17,000)
• shares issued in accordance with prospectus dated 17 Nov 2015	40,000,000	40,000
• shares issued upon conversion of convertible notes	2,690,000	285
• employee shares issued	1,360,000	1,360
• shares issued as consideration for business acquisitions	25,903,807	25,904
• equity raising costs net of income tax benefit	-	(1,997)
Shares issued and fully paid	98,475,574	79,185
Total shares authorised at the end of the period	98,475,574	79,185

12 Dividends

There were no dividends paid or declared to equity holders during the six months ended 31 December 2015.

13 Contingent assets and liabilities

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

14 Events after the reporting date

Subsequent to the end of the reporting period, the Group received payment of the outstanding director related receivables of \$781,825. No other events have arisen since 31 December 2015 which materially affect the financial statements as presented or require disclosure in these financial statements.

15 Company details

The registered office of the business of the Company is:

61 Bull Street
Bendigo VIC 3350

The principal place of business of the Company is:

27-33 Pipers Lane
East Bendigo VIC 3550

Directors' Declaration

- 1 In the opinion of the Directors of Apiam Animal Health Limited:
 - a the consolidated financial statements and notes set out on pages 4 to 20 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 31 December 2015 and of its performance for the half-year ended on that date; and
 - ii complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
 - b there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



Dr Chris Richards
Managing Director

Dated the 26th day of February 2016

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Independent Auditor's Review Report To the Members of Apiam Animal Health Limited

We have reviewed the accompanying half-year financial report of Apiam Animal Health Limited (“Company”), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies, other explanatory information and the Directors’ declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors’ responsibility for the half-year financial report

The Directors of Apiam Animal Health Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the Directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Apiam Animal Health Limited consolidated entity’s financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Apiam Animal Health Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

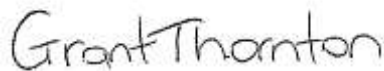
Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Apiam Animal Health Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



Adam Pitts
Partner - Audit & Assurance

Melbourne, 26 February 2016