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ANNUAL

REPORT

2019





CORPORATE DIRECTORY

DIRECTORS

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

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

COMPANY SECRETARY

Sophie Karzis

REGISTERED OFFICE

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AUDITORS

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Melbourne VIC 3000

BANKERS

National Australian Bank
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SHARE REGISTRY

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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 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 2019
Previous period:	For the year ended 30 June 2018

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Statutory Results Summary

CHANGES FROM PERIOD ENDED 30 JUNE

				2019	2018
		%		\$m	\$m
Revenue from ordinary activities	up	5	to	111.7	from 106.6
Net profit attributable to members	down	3	to	3.2	from 3.3
Profit from ordinary activities after tax attributable to members	down	3	to	3.2	From 3.3
Underlying EBITDA (Incl. non-controlling interests)	Up	2	to	10.0	From 9.8

Underlying EBITDA (Earnings Before Interest Tax Depreciation and Amortisation) is Management's preferred measurement of business profitability and excludes one-off corporate restructuring costs as well as integration, ERP 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
2019 Interim Dividend	0.8 cents	0.8 cents
2019 Final Dividend (declared after balance date but not yet paid)	0.8 cents	0.8 cents
Record date for determining entitlements to the dividend:	20 September 2019	
Date dividend payable:	24 October 2019	

Dividend reinvestment plans

The Company initiated a Dividend Reinvest Plan (**DRP**) on the 25 August 2017 which provides shareholders with the opportunity to utilise all or part of their dividends to purchase shares in the Company. Shareholders electing to participate must nominate by 30 September 2019.

Shareholders who elect to participate in the DRP for the 2019 final dividend will be issued shares at a DRP issue price which will be the average of the daily market price of Apiam's shares over the period of five trading days between 1 October 2019 and 7 October 2019 ('**Pricing Period**'). The timetable in respect of the 2019 final dividend and DRP is as follows:

Event / Action	Date*
Record Date	20 September 2019
Election Date: Last date for shareholders to make an election to participate in the DRP	5.00 pm (Melbourne time) on 30 September 2019
Pricing Period Commencement Date	1 October 2019
Last Day of Pricing Period	7 October 2019
Announcement of DRP issue price	8 October 2019
Dividend Payment Date / Issue of DRP shares	24 October 2019

**All dates are subject to change*

Details of the DRP can be downloaded from www.apiam.com.au. In order to participate in the DRP for the 2019 final dividend, shareholders should ensure that their DRP Election Form is received, or an online election is made, by no later than 5.00 pm (Melbourne time) on 30 September 2019. An online election can be made by visiting www.boardroom.com.au.

Net Tangible Asset per Security

	2019	2018
Net Tangible assets per share	-\$0.04	-\$0.06

Return to shareholders

Dividends of \$1,679,748 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 31 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 2019 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.

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Chairman's Message



Dear Shareholder,

The 2019 financial year has been another significant year for Apiam. It has been a year of progress in the face of varied, and sometimes challenging industry conditions for our rural and regional customers. Despite these challenges, Apiam continued its commitment to its strategic plan and remained focussed on our core business drivers to provide high-value products and services leveraged across a growing animal footprint.

I am pleased to report Apiam delivered 4.8% year on year revenue growth during 2019 – testament to the benefits of Apiam's diversified business model, which features broad geographic and animal species exposure. It is this model's in-built portfolio effect that has provided business resilience in the face of the dry and challenging industry conditions that we experienced, particularly in the second half of the financial year.

The introduction of new and innovative product and service lines during the period also supported Apiam's financial performance, adding complementary revenue streams and improving our gross margins across all animal segments. Some of these initiatives were higher-value service lines targeting our core domestic customers in sectors such as pigs, dairy and companion animals. Others relate to product distribution, genetics and consulting, further diversifying Apiam's business operations. We expect these new complementary business initiatives to continue to make an increasing financial contribution in the 2020 financial year.

Over the year we also continued to invest in growth via new clinic openings and acquisition integration. However, these investments dampened Apiam's short-term earnings performance, and in combination with the challenging industry conditions we faced, resulted in Apiam not delivering the growth in earnings we know the business is capable of. We do however remain committed to our targeted growth strategy and during the year saw excellent revenue and earnings growth from some of our recently acquired businesses such as Quirindi Vet Group (acquired in 2016) and Gympie & District Vet Services (acquired in 2018). Going forward, targeted acquisitions will remain as a fundamental pillar of our growth strategy. In the coming year, a key focus will also be to maximise the cost efficiencies available from our consolidated corporate infrastructure and technology systems, particularly in our dairy and companion animal clinics.

The outlook for Apiam in the year ahead remains strong. Our business model is strategically designed to provide resilient revenues in the face of varying industry conditions, and the business initiatives introduced this financial year, to strategically expand our product and service lines, are also forecast to deliver growth.

The Board have declared a fully-franked final dividend of 0.8 cents per share, supported by the cash flow performance the Company achieved in the 2019 financial year. This brings the full year dividend to 1.6 cents per share. As in previous years, we will offer a Dividend Reinvestment Plan to allow our shareholders the opportunity to reinvest in Apiam's future performance.

On behalf of the Board, I thank Chris Richards, our Managing Director, and our team of employees for their hard-work, dedication and expertise. Finally, to our investors, I thank you for your on-going support.

Yours sincerely,

A handwritten signature in dark ink, appearing to read "Andrew Vizard". The signature is written in a cursive, slightly slanted style.

Professor Andrew Vizard

Managing Director's Message



Dear Shareholder,

This year we have continued to execute on our strategic roadmap, which at its core is designed to grow our revenues whilst leveraging our cost base to deliver returns to our shareholders. Unfortunately, the 2019 financial year (FY2019) has seen challenging environmental and industry conditions that have impacted many operators within the Australian farming and agricultural industries. This has meant despite delivering reported revenue growth, it was not to the level we expected and therefore we have not delivered the earnings and returns that we targeted.

FY2019 financial review

In FY2019, Apiam's revenues grew by 4.8% to \$111.7m delivered in the face of dry and challenging conditions affecting many of our core domestic customers. Despite these conditions it is pleasing to report that Apiam's beef feedlot and companion animal segments reported strong revenue growth, with our beef feedlot segment delivering double digit year-on-year growth. The revenues from our pig and dairy segments were however negatively impacted by external industry conditions, particularly in the second half of the financial year, where the rainfall that did occur was too late to positively impact their performance in the period.

New business initiatives introduced in FY2019 and a business strategy to target higher-value products and services resulted in gross margin expansion in FY2019 and gross profit of \$56.2m (FY2018: \$51.6m). On a gross margin basis this represents an uplift from 48.4% in FY2018 to 50.3% in FY2019. Importantly, gross margin improvement was also delivered across each of Apiam's animal segments.

Operating costs were a key focus of the company in FY2019, and cost efficiencies were delivered in our underlying business over the period. While reported operating costs increased 10.6% in FY2019, this was attributable solely to the impact of acquisitions and the opening of two new clinics (Golden Square and Epsom) under the PETstock Joint Venture. These costs, in combination with lower than expected second half revenues, resulted in a small decline in our EBITDA margins, which fell to 8.9% in FY2019 (FY2018: 9.2%).

Reported Net Profit After Tax in FY2019 was \$3.2m, representing a slight decrease from FY2018 where reported NPAT was \$3.3m. This result was not in-line with our expectations and is a direct result of the challenging industry conditions faced by our customers, particularly in the dairy and pig segments.

Strategic review

Apiam has continued to focus on our core business drivers in FY2019 – to grow animal numbers, expand our product and service range to improve margins, and enhance our operations process and capacity.

Our animal numbers strategy is based on satellite clinic openings, business unit synergies and our targeted acquisition program. In FY2019 we opened two new companion animal clinics with our Joint Venture partner PETstock. Despite having associated opening costs these clinics have performed extremely well, having been strategically selected for their regional locations where companion animals had previously been under-served.

A number of other high-growth and complementary business initiatives have also been introduced in FY2019 across the areas of genetic exports, product development and service expansion. We entered into an agreement with Chinese based partner, Gansu Charming Sheep Breeder Co, to provide consulting advice and genetic exports to establish a sheep genetics centre in China with the goal of establishing breeds suitable for Chinese conditions and markets. Revenues have commenced from this project and will continue to grow over the project term of 3-5 years. Other initiatives over the year have included product development and distribution partnerships, including in the US via a Joint Venture with a leading US-based swine veterinary company.

New programs based on recurring revenue models in dairy (ProDairy) and companion animals (Best Mates) have also been introduced to drive further revenue growth in FY2020.

Investment in operating systems in FY2019 was focused on completing the roll-out of the Practice Management System. This is the final piece of our enlarged corporate infrastructure and will be a key driver of efficiencies over the coming years, particularly in our dairy and companion animal clinics.

Outlook

Apiam has a resilient business model with a diversified animal species and geographic exposure. We believe this business model is fundamental to delivering growth in the face of varying industry conditions.

In FY2020 the outlook for the segments most affected by the dry conditions and industry challenges encountered over FY2019 – pigs and dairy – is improving. Late autumn and early winter rainfall are already having beneficial impacts on operators, and improving industry conditions are expected to improve Apiam's animal numbers.

The new high-growth and complementary initiatives we have introduced are also expected to make an increasing revenue contribution.

Finally, the capital deployed on our integrated corporate infrastructure and systems over the past 3-years has established an efficient platform to support future business growth. Our company's focus is now to deliver material EBITDA and NPAT enhancement moving forward.

Yours Sincerely,

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

Dr Chris Richards

Managing Director

Directors' Report

The Directors present their report on the consolidated entity consisting of Apiam Animal Health Limited (Apiam) and the entities it controlled at the end of, or during, the year ended 30 June 2019.

DIRECTORS

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

Professor Andrew Vizard	Non-Executive Chairman
Dr Christopher Richards	Managing Director
Mr Michael van Blommestein	Non-Executive Director
Mr Richard John Dennis	Non-Executive Director
Professor Jan Tennent	Non-Executive Director (appointed 1 August 2018)

The following person resigned as a director during the financial year

Mr Charles Sitch	Non-Executive Director (resigned 29 November 2018)
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INFORMATION ON DIRECTORS

Professor Andrew Vizard

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



Professor Vizard is a Principal Fellow at the Faculty of Veterinary and Agricultural Sciences, University of Melbourne and previously Associate Professor of Veterinary Epidemiology and Director of The Mackinnon Project, a recognised leader in sheep and beef veterinary consultancy. An experienced company director, he has previously held directorships in Animal Health Australia, the body responsible for coordinating Australia's animal health system, Primesafe, the statutory authority responsible for regulating the production of safe meat in Victoria and the Australian Wool Corporation. In the previous 4 years, Professor Vizard was a non-executive director of the Ridley Corporation Limited.

Interests in Shares and Options

214,153 shares

Dr Christopher Richards

Managing Director
BSc, BVSc, MAICD



Chris has been Managing Director of Apiam Animal Health since formation. Since establishing a pig veterinary services business in 1998, Chris has been responsible for the strategic direction of the company including the development, acquisition and integration of other veterinary clinics, veterinary wholesale, logistics and genetic services businesses that form the integrated company that Apiam is today. Chris is a Director of Apiam Animal Health and its subsidiary and joint venture companies.

Interests in Shares and Options

28,951,805 shares

Mr Michael van Blommestein

Independent Non-Executive Director
GAICD



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

Interests in Shares and Options

101,174 shares

Mr Richard John Dennis

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



Rick held a number of senior roles 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 a number of 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 Board of EWM Group and HLB Chessboard, and an external member of the Audit & Risk Committee of Racing Queensland. He is also a non-executive director of ASX-listed Motorcycle Holdings Limited.

Interests in Shares and Options

20,912 shares

**Mr Charles Sitch
(resigned 29 November 2018)**

Non-Executive Director
BComm, LLB, MBA, GAICD



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

**Professor Jan Tennent
(appointed 1 August 2018)**

Non-Executive Director
GCertMgt, GAICD, PHD, BSc (Hons)



Jan is an alumnus of Monash and Deakin universities, was appointed in 2017 as a Collaborative Professor at the University of Osaka, is a Principal Fellow at the University of Melbourne and a Fellow of the Australian Society for Microbiology. Jan is an internationally-recognised researcher with specialist knowledge of antibiotic resistance mechanisms and the discovery and commercialisation of vaccines (biologicals) to prevent infectious diseases through stimulation of protective immune responses. She is currently the CEO of Bio21 Australia Limited (t/a Biomedical Research Victoria), a non-executive director of AusBiotech Limited and David J. Curnow Pty Ltd and a member of the Industry Advisory Board of the Medicines Manufacturing Innovation Centre, Monash University. Jan is also the founder and principal of ConnectBio consultancy.

Interests in Shares and Options

154,917 shares

Interests in Shares and Options

35,000 shares

Company Secretary

Sophie Karzis

B. Juris, LLB

Sophie is a practising lawyer with over 20 years' experience as a corporate and commercial lawyer, and Company Secretary and General Counsel for a number of private and public companies. Sophie is the General Manager of Corporate Counsel, a corporate secretarial business with a focus on ASX Listing Rule and Corporations Act compliance. Sophie is the Company Secretary of a number of ASX-listed and unlisted entities and is a member of the Law Institute of Victoria as well as the Governance Institute of Australia.

MEETINGS OF DIRECTORS

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

Directors	Board Meetings		Audit & Risk Management Committee		Remuneration & Nomination Committee	
	A	B	A	B	A	B
Andrew Vizard	10	10	4	4	3	3
Chris Richards	10	10	N/A	N/A	N/A	N/A
Michael van Blommestein	10	10	N/A	N/A	3	3
Richard Dennis	10	10	4	4	N/A	N/A
Charles Sitch*	3	3	1	1	1	1
Jan Tennent**	10	10	3	3	2	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.

*Charles Sitch resigned from the Board on 29 November 2018.

**Jan Tennent was appointed to the Board on 1 August 2018.

COMMITTEE MEMBERSHIP

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

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

Richard Dennis (Chair)

Andrew Vizard

Jan Tennent

Charles Sitch

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

Michael van Blommestein (Chair)

Andrew Vizard

Jan Tennent

Charles Sitch

PRINCIPAL ACTIVITIES

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

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

REVIEW OF OPERATIONS

Apiam reported revenue of \$111.7m in FY2019, an increase of 4.8% on FY2018, the prior comparable period (pcp). This was achieved despite dry and challenging industry conditions which negatively affected some of Apiam's operating segments, particularly pigs and dairy. Revenues in beef feedlot and companion animals performed strongly with the feedlot segment recording double-digit revenue growth in FY2019 compared to pcp.

Revenue growth on a like-for-like basis, excluding the impact of acquisitions, was (1.5)% in FY2019. This reflects the industry factors outlined above which resulted in Apiam's revenues achieved in the second half of FY2019 not being typical of half-on-half revenue phasing as seen in prior financial years.

Despite the challenging revenue environment, Apiam's gross margins improved in FY2019, with gross profit increasing to \$56.2m, an increase of 9.0% on pcp (FY2018 : \$51.6m). This was driven by a targeted change in Apiam's business mix towards higher value transactions as well as new product and service initiatives introduced over the period. Gross margin expansion was recorded across all of Apiam's animal segments.

Underlying EBITDA (excluding one-off costs¹) increased 2.2% on FY2018 and was below Apiam's budget expectations, adversely impacted by lower than expected revenue growth, particularly in the second half of FY2019. Apiam's strict focus on limiting operating cost growth continued during the year, with the increased operating expenses in FY2019 relating to the impact of acquisitions and new clinic costs (Epsom and Golden Square). Operating costs excluding the impact of these growth initiatives declined 0.6% year-on-year reflecting the realisation of cost efficiencies.

Depreciation & amortisation expense in FY2019 was \$3.1m, an increase of 28.5% on the pc (FY2018: \$2.4m). This was a direct result of the significant investment in the fixed asset base that occurred throughout FY2018 as the foundations of the enlarged Company were put in place. This investment has slowed significantly in FY2019 as these projects have been completed, and consequently depreciation and amortisation expense growth has declined in the second half of the financial year. Management expect this trend to continue into FY2020.

Reported Net Profit After Tax (NPAT) in FY2019 was \$3.2m in FY2019 representing a small reduction from \$3.3m NPAT achieved in FY2018. This is a result of the challenging external industry conditions outlined above as well as the increase in reported operating costs associated with acquisitions and new clinic costs.

The following tables are presented to assist in the interpretation of the underlying performance of Apiam during FY2019. This information is additional and provided using non-IFRS information and terminology.

FY2019 Financial Result Summary – Reported

	FY2019	FY2018	Variance	%
Total Revenue	111.7	106.6	5.1	4.8%
Gross Profit	56.2	51.6	4.6	9.0%
Operating expenses	(46.2)	(41.8)	(4.4)	10.6%
Underlying EBITDA ¹	10.0	9.8	0.2	2.2%
One-off expenses	(1.2)	(1.6)	0.5	(28.0)%
EBITDA	8.8	8.2	0.7	8.1%
Depreciation & Amortization	(3.1)	(2.4)	(0.7)	28.5%
EBIT	5.7	5.7	(0.0)	(0.6)%
Interest	(1.1)	(0.9)	(0.2)	24.6%
Tax	(1.4)	(1.5)	0.1	(8.1)%
Other (incl. minorities) ²	0.0	0.0	0.0	-
NPAT attributable to members	3.2	3.3	(0.1)	(3.4)%
Gross Margin (%)	50.3%	48.4%		
Underlying EBITDA margin (%)	8.9%	9.2%		

Notes:

- Underlying EBITDA excludes one-off acquisition, integration, restructuring and other non-recurring expenses
- Includes partner business activities of Sth West Equine JV, Apiam Solutions, PETstock Joint Venture and Portec

Apiam FY2019 Financial Result Summary – Underlying¹

	FY2019	FY2018	Variance	%
Total Revenue	111.7	106.6	5.1	4.8%
Gross Profit	56.2	51.6	4.6	9.0%
Operating expenses	(46.2)	(41.8)	(4.4)	10.6%
Underlying EBITDA	10.0	9.8	0.2	2.2%
Depreciation & amortisation	(3.1)	(2.4)	(0.7)	28.5%
Underlying EBIT	6.8	7.3	(0.5)	(6.6)%
Underlying NPAT	4.0	4.4	(0.4)	(10.2)%

Notes:

- Underlying earnings exclude one-off acquisition, integration, restructuring and other non-recurring expenses totaling \$1.2M in FY19 and \$1.6M in FY18 (tax effected where applicable at NPAT level)

Strategic review

Apiam's strategic focus in FY2019 was to leverage the Company's performance through a focus on three key areas: i) services, product range & margins; ii) increasing animal numbers; and iii) operations, process and capacity.

Apiam's services and product range expansion strategy resulted in a number of new initiatives implemented during FY2019, as well as entry into new international markets. In its core domestic veterinary business Apiam successfully undertook a targeted change in business mix and offering to focus on "higher-value" products and services, which was instrumental in delivering gross margin expansion. Attractive high-growth international expansion was also undertaken during the year with the execution of the Allmate Cooperation Agreement with Gansu Charming Sheep Breeder Co in China. This is an agreement to provide consultancy services to a state-of-the-art sheep genetics centre in China focused on establishing breeds suited to Chinese conditions and markets. Revenues from this project commenced in FY2019, and the project has a term of 3-5 years with significant revenue growth from the Agreement expected over this time.

Other product distribution initiatives were also entered into in FY2019, with Plumblin Life Sciences and the US-based Swine Veterinary Centre, and these are expected to deliver greater returns in FY2020.

To drive growth in animal numbers in FY2019, Apiam focused on a mix of organic and greenfields opportunities. Two new companion animal focussed clinics were opened under the Joint Venture with PETstock and while they have had associated set up costs, their first-year revenue performance has been very strong. A pipeline of acquisition clinics has also been identified and assessed based on the Company's strict acquisition criteria and will continue to form a key pillar of our animal numbers growth strategy in the coming year.

Improving operations, process & capacity has been a key focus for Apiam over the past 3.5-years since IPO. The final component of investment required under this programme was completed in FY2019, being the implementation of the Practice Management System at the individual clinic level. Management expect to see increasing benefits from clinic efficiencies in FY2020.

Balance sheet

Working capital management has remained a key focus and as at the balance date improvements were made across both Inventories and Receivables, compared to the pcp. Accounts payable were adversely impacted due to a change in phasing of procurement versus the prior year.

Apiam's net debt reduced by \$0.9m as at 30 June 2019 compared to the pcp and as at the balance date Apiam's operating leverage ratio was 2.7x, against a covenant requirement of 4.0. Apiam also announced in July 2019 that it has increased its acquisition facility with NAB from

\$25m to \$39m, providing headroom for future acquisitions of \$25.9m. Several other covenants were amended and/or removed to allow additional acquisition financing flexibility.

Cash flow

Apiam's operating cash flow was \$4.9m in FY2019, lower than the FY2018 operating cash flow of \$9.2m. Cash conversion to underlying EBITDA for FY2019 remained solid at 87% but was lower than expected due to a change in phasing of procurement versus the prior year. FY2018 cash conversion to underlying EBITDA (136%) benefited from the one-off impact of new company-wide working capital policies that were implemented in early FY2018.

\$M	FY2019	FY2018
Net cash used in operating activities	4.9	9.2
Acquisition of subsidiary, net of cash	(0.3)	(4.7)
Purchases of property, plant and equipment	(2.4)	(4.5)
Proceeds from disposals of PP&E	0.0	0.0
Purchases of intangible assets	(0.4)	(0.4)
Net cash used in investing activities	(3.1)	(9.5)
Net changes in financing	0.2	2.5
Dividends paid to shareholders	(1.0)	(1.0)
Other	(0.6)	(0.7)
Net cash inflow from financing activities	(1.4)	0.8
Net change in cash and cash equivalents	0.4	0.5

Notes: This information is additional and provided using non-IFRS information and terminology

Dividend

The Apiam Board of Directors have declared a final dividend of 0.8 cents per share, 100% fully franked. This brings total dividends paid in respect of FY2019 to 1.6 cents per share. The final dividend will be paid on 24 October 2019. This represents a 53.6% payout ratio of reported NPAT.

Apiam's Dividend Reinvestment Plan will be maintained in respect of Apiam's final dividend.

Outlook

Apiam remains confident in its outlook and growth opportunities for FY2020 despite the external environmental factors that have had an impact of Apiam's revenue and earnings performance over the past twelve months.

Apiam has a strategic plan in place to continue to deliver growth organically, through product and service expansion, as well as through targeted acquisitions. Apiam also continues to diversify its operations to enhance the revenue resilience of the business.

DIVIDENDS

An interim dividend of \$842,197 is 0.8 cps and was paid in April 2019. The Apiam Board of Directors have declared the Company's final dividend of 0.8c per share fully franked on the 26 August 2019. The final dividend of \$847,182 will be paid on the 24 October 2019.

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

Apart from the final dividend declared, there are no other matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either:

the entity's operations in future financial years

the results of those operations in future financial years; or

the entity's state of affairs in future financial years.

LIKELY DEVELOPMENTS, BUSINESS STRATEGIES AND PROSPECTS

The Company's strategy is to build on the solid foundation it has established as an integrated animal health business servicing the rural production and companion animal sectors, and ensure we can meet the needs of a market which is experiencing strong growth.

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

KEY RISKS AND BUSINESS CHALLENGES

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

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

No single client or buying group is expected to account for more than 10% of Apiam Animal Health's FY20 pro-forma forecast revenue. However, if there is consolidation within Apiam Animal Health's client base, this may lead to a concentration of the Company's client exposure risk and may adversely affect the margins that the Company is able to generate on the sale of its products and services to these client groups.

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

ENVIRONMENTAL REGULATION

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

GREENHOUSE GAS AND ENERGY DATA REPORTING REQUIREMENTS

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

UNISSUED SHARES UNDER OPTION

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

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

During 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

REMUNERATION REPORT (AUDITED)

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

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

Details of Key Management Personnel

(I) DIRECTORS

Andrew Vizard

Chairman (Independent Non-executive)

Chris Richards

Managing Director (Executive)

Michael van Blommestein

Director (Independent Non-executive)

Richard Dennis

Director (Independent Non-executive)

Charles Sitch (resigned 29 November 2018)

Director (Independent Non-executive)

Jan Tennent (appointed 1 August 2018)

(II) EXECUTIVES

Matthew White

Chief Financial 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 market place to support the attraction, motivation and retention of executive talent.

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

The Remuneration Committee operates in accordance with its charter as approved by the Board and is responsible for reviewing and recommending compensation arrangements for the Directors and the Executive Team. The remuneration committee has met 3 times in the FY19 reporting period.

The Committee engaged the services of Korn Ferry Hay Group to undertake bench-marking for the executive team remuneration in FY17. The Committee has also engaged Grant Thornton Australia Limited and HRAscent to formulate an equity management plan for principal and senior vets which was approved in FY17 and implemented in FY18.

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

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

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

<i>Item</i>	<i>2019</i>	<i>2018</i>	<i>2017</i>	2016
EPS (cents)	3.01c	3.21c	5.00c	0.08c
Dividends (cents per share)	1.6c	1.6c	0.8c	-
Net profit before tax (\$'000)	\$4,569	\$4,831	\$6,315	\$1,068
Share price (\$)	\$0.52	\$0.75	\$0.70	\$1.49

b Details of remuneration

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

	Year	Short term employee benefits			Post-employment benefits Superannuation	Long-term benefits Long service leave (ii)	Share-based payments Shares	Total	Performance based percentage of remuneration
		Salary and fees (i)	Cash bonus	Non-monetary benefits					
Directors		\$	\$	\$	\$	\$	\$	\$	%
Andrew Vizard Chairman Independent	2019	120,000	-	-	-	-	-	120,000	0%
	2018	120,000	-	-	-	-	-	120,000	0%
Richard Dennis Independent	2019	70,000	-	-	-	-	-	70,000	0%
	2018	70,000	-	-	-	-	-	70,000	0%
Chris Richards Managing Director	2019	350,072	-	13,674	20,531	5,208	-	389,485	0%
	2018	350,072	-	13,419	27,125	5,854	-	396,470	0%
Charles Sitch Independent	2019	22,416	-	-	2,129	-	-	24,545	0%
	2018	54,795	-	-	5,205	-	-	60,000	0%
Michael van Blommestein Independent	2019	54,795	-	-	5,205	-	-	60,000	0%
	2018	54,795	-	-	5,205	-	-	60,000	0%
Jan Tennent Independent	2019	55,000	-	-	-	-	-	55,000	0%
	2018	-	-	-	-	-	-	-	0%
Employees									
Matthew White Chief Financial Officer	2019	225,000	-	-	20,532	1,293	-	246,825	0%
	2018	223,484	-	-	21,231	923	-	245,638	0%
2019 Total	2019	897,283	-	13,674	48,397	6,501	-	965,855	0%
2018 Total	2018	873,146	-	13,419	58,766	6,777	-	952,108	0%

(i) Salary and fees includes salaries and allowances.

(ii) Long term benefits include long service leave entitlement accruals.

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

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

c Service agreements

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

Name	Base salary	Term of agreement	Notice period
Chris Richards	\$350,072	5 years from listing	Twelve (12) months
Matthew White	\$225,000	No fixed term	Six (6) months

Bonus provisions

Chris Richards:	Nil
Matthew White	Nil

d Bonuses included in remuneration

Details of the short-term incentive cash bonuses awarded as remuneration to each key management personnel, the percentage of the available bonus that was paid and payable in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below.

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

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 receive the following fees (which total \$310,000):

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

The ASX Listing Rules and Constitution allows the Company to increase the aggregate amount of remuneration payable to Non-Executive Directors of the Company pursuant to Shareholder approval at a general meeting.

f Other information

Options held by key management personnel

There were no options to acquire shares in the Company held during the 2019 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 2019 held by each of the Group's key management personnel, including their related parties, is set out below:

Personnel	Balance at 1/07/2018	Granted as remuneration	Received on exercise	Other changes	Held as at 30/06/2019
Chris Richards	27,926,077	-	-	1,025,728	28,951,805
Andrew Vizard	107,196	-	-	106,957	214,153
Charles Sitch	152,995	-	-	1,922	154,917
Richard Dennis	20,300	-	-	612	20,912
Michael van Blommestein	98,212	-	-	2,962	101,174
Jan Tennent	-	-	-	35,000	35,000
Matthew White	115,315	-	-	2,461	117,776
	28,420,095	-	-	1,175,642	29,595,737

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

Loans to key management personnel

The Group did not enter into any loans with key management personnel during the 2019 year. The number of key management personnel included in the Group aggregate at year end is Nil. The Group does not have an allowance account for receivables relating to outstanding loans and has not recognised any expense for impaired receivables during reporting period.

Other transactions with key management personnel

The Group rents premises at Piper Lane, Bendigo East, Victoria. The premises are owned by an entity associated with Chris Richards. Rental payments in FY19 amounted to \$333,600 (2018: \$310,800).

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 \$125,232 (2018: \$132,961).

The Group leases an artificial insemination facility in Victoria from entities associated with Chris Richards. Lease payments made amounted to \$105,000 (2018: \$105,000).

The Group leases premises at Midland Highway, Lethbridge, Victoria from entities associated with Chris Richards. Lease payments made amounted to \$16,818 (2018: \$nil)

The Group leases premises at Hoskin Street, Quarry Hill, Victoria from entities associated with Chris Richards. Lease payments made amounted to \$15,002 (2018: \$11,887).

The Group leases premises at Midland Highway, Epsom, Victoria from entities associated with Chris Richards. Lease payments made amounted to \$18,652 (2018: \$12,164).

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

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 27 to the financial statements.

A copy of the Auditor's Independence Declaration as required under s307C of the *Corporations Act 2001* is included on page 28 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
26 August 2019

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 2019, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



Grant Thornton Audit Pty Ltd
Chartered Accountants



A C Pitts
Partner – Audit & Assurance

Melbourne, 26 August 2019

Apiam Animal Health Limited

Financial Statements

For the year ended 30 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$'000	2018 \$'000
Revenue	6	111,720	106,597
Other income		19	21
Expenses			
Changes in inventory		(308)	(208)
Cost of materials		(55,324)	(54,828)
Costs of consumables and services		(970)	(1,012)
Employee benefit expenses	26	(33,085)	(30,121)
Listing and acquisition expenses		(392)	(499)
Property expenses		(3,452)	(2,998)
Freight, vehicle and transport expenses		(1,899)	(1,532)
Depreciation and amortisation expense	13,14	(3,147)	(2,432)
Depreciation of biological assets		(46)	-
Other operating expenses		(7,425)	(7,251)
Share of profit from equity accounted investments		18	23
Finance costs	7	(1,140)	(929)
Profit/(loss) before income tax		4,569	4,831
Income tax (expense)/benefit	8	(1,419)	(1,545)
Profit from continuing operations		3,150	3,286
Profit for the year		3,150	3,286
Profit attributable to:			
Owners of Apium Animal Health Limited		3,165	3,278
Non-controlling interests	23	(15)	8
Total comprehensive income/ (loss) for the period		3,150	3,286

Earnings per share for profit attributable to the ordinary equity holders of the company:

	Note	Cents	Cents
Basic earnings per share	24	3.01	3.21
Diluted earnings per share		3.01	3.21

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019	Note	2019 \$'000	2018 \$'000
Current assets			
Cash and cash equivalents	9	1,873	1,436
Trade and other receivables	10	13,906	14,744
Inventories	11	10,947	11,256
Other current assets	12	1,003	851
Total current assets		27,729	28,287
Non-current assets			
Intangible assets	14	65,225	64,515
Property, plant and equipment	13	8,381	9,418
Biological assets		220	-
Investments		95	75
Deferred tax assets	15	2,796	3,109
Total non-current assets		76,717	77,117
Total assets		104,446	105,404
Current liabilities			
Trade and other payables	16	9,596	12,269
Other current liabilities	20	400	400
Current tax liabilities	17	230	594
Borrowings	18	3,707	3,930
Employee benefit obligations	19	4,852	4,253
Total current liabilities		18,785	21,446
Non-current liabilities			
Borrowings	18	23,035	23,336
Employee benefit obligations	19	273	810
Deferred tax liabilities		784	867
Other liabilities		260	220
Total non-current liabilities		24,352	25,233
Total liabilities		43,137	46,679
Net assets		61,309	58,725
Equity			
Equity attributable to owners of the parent			
- share capital	21	86,432	85,775
- corporate reorganisation reserve	22	(26,692)	(26,692)
- non-controlling interest acquisition reserve	22	(6,615)	(6,615)
- share based payment reserve	22	330	-
- retained earnings/ accumulated losses		7,092	5,607
		60,547	58,075
non-controlling interest	23	762	650
Total equity		61,309	58,725

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

		Share capital	Corporate re-organisation reserve	Non-controlling interest acquisition reserve	Share based payment reserve	Retained earnings	Total attributable to owners of parent	Non-controlling interest	Total equity
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2017		83,066	(26,692)	(6,615)	-	3,956	53,715	642	54,357
Issue of shares to vendors of business acquired		2,041	-	-	-	-	2,041	-	2,041
Issue of new share capital		668	-	-	-	-	668	-	668
Dividends paid		-	-	-	-	(1,627)	(1,627)	-	(1,627)
Transactions with owners		2,709	-	-	-	(1,627)	1,082	-	1,082
Profit / (Loss) for the period		-	-	-	-	3,278	3,278	8	3,286
Total comprehensive income for the period		-	-	-	-	3,278	3,278	8	3,286
Balance at 30 June 2018		85,775	(26,692)	(6,615)	-	5,607	58,075	650	58,725
Issue of new share capital	21	657	-	-	-	-	657	127	784
Employee share plan		-	-	-	330	-	330	-	330
Dividends paid		-	-	-	-	(1,680)	(1,680)	-	(1,680)
Transactions with owners		657	-	-	330	(1,680)	(693)	127	(566)
Profit / (Loss) for the period		-	-	-	-	3,165	3,165	(15)	3,150
Total comprehensive income for the period		-	-	-	-	3,165	3,165	(15)	3,150
Balance at 30 June 2019		86,432	(26,692)	(6,615)	330	7,092	60,547	762	61,309

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Receipts from customers		123,800	117,715
Payments to suppliers and employees		(115,838)	(105,161)
		7,962	12,554
Interest paid		(1,140)	(914)
Transaction costs relating to acquisition of subsidiary		(385)	(499)
Income taxes paid		(1,553)	(1,924)
Net cash (outflow)/inflow from operating activities	25	4,884	9,217
Cash flows from investing activities			
Payments for property, plant and equipment		(1,860)	(4,545)
Payments for biological assets		(266)	-
Purchase of intangible assets		(706)	(354)
Proceeds from disposals of property, plant & equipment		19	21
Acquisition of subsidiaries, net of cash acquired		(254)	(4,659)
Net cash (outflow)/inflow from investing activities		(3,067)	(9,537)
Cash flows from financing activities			
Proceeds from borrowings		15,516	25,796
Repayment of borrowings		(15,301)	(23,346)
Repayment lease liabilities		(699)	(674)
Capital contribution of non-controlling interest		127	-
Dividends paid to company shareholders		(1,023)	(988)
Net cash (outflow)/inflow from financing activities		(1,380)	788
Net (decrease)/increase in cash and cash equivalents		437	468
Cash and cash equivalents at the beginning of the year		1,436	968
Cash and cash equivalents at end of the year	9	1,873	1,436

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

Notes to the Consolidated Financial Statements

1 Nature of operations

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

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

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

2 General information and statement of compliance

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

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

The consolidated financial statements for the year ended 30 June 2019 were approved and authorised for issue by the Board of Directors on 26 August 2019.

3 Changes in accounting policies

3.1 New standards adopted as at 1 July 2018

AASB 15 Revenue from contracts with customers

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and several revenue-related Interpretations. The new Standard has been applied as at 1 July 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings at 1 July 2018 and comparatives are not restated. In accordance with the transition guidance, AASB 15 has only been applied to contracts that are incomplete as at 1 July 2018.

The adoption of AASB 15 did not have a material impact on the transactions and balances recognised in the financial statements.

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement requirements. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

When adopting AASB 9, the Group has applied transitional relief and elected not to restate prior periods. Rather, differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 July 2018.

The adoption of AASB 9 did not have a material impact to the financial instruments held by the Group. The following classification was impacted by the adoption of AASB 9.

Financial Assets	AASB 139 Classification	AASB 9 Classification
Trade and other receivables	Loans and receivables	Amortised cost

Impairment of financial assets:

AASB 9's new impairment model use more forward looking information to recognize expected credit losses - the 'expected credit losses (ECL) model'. The application of the new impairment model depends on whether there has been a significant increase in credit risk.

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.

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

3.2.1 Revised pronouncement : AASB 16 Leases

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

Nature of change

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

Likely impact on initial application

Based on the entity's assessment, it is expected that the first-time adoption of AASB 16 for the year ending 30 June 2020 will have a material impact on the transactions and balances recognised in the financial statements, in particular:

- lease assets and financial liabilities will increase by \$9,080,729 based on the facts at the date of the assessment.
- there will be a reduction in the reported equity as the carrying amount of the lease assets will reduce more quickly than the carrying amount of lease liabilities.
- EBIT in the statement of profit and loss and other comprehensive income will be higher as the implicit interest in lease payments for former off balance sheet leases will be presented as part of finance costs rather than being included in operating expenses.
- operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities. Interest can also be included within financing activities.

4 Summary of accounting policies

4.0 Overall considerations

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

4.1 Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2019. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

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

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

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

4.2 Business combination

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

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

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of: (a) fair value of consideration transferred, (b) the recognised amount of any non-controlling interest in the 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.

4.3 Foreign currency translation

Functional and presentation currency

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

Foreign currency transactions and balances

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

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

4.4 Segment reporting

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

- Dairy and Mixed;
- Feedlots;
- Pigs;

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

4.5 Revenue

Revenue 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.

4.6 Operating expenses

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

4.7 Borrowing costs

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

4.8 Intangible assets

Goodwill

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

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.

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.

4.9 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 4.10). Leasehold improvements, plant and equipment and motor vehicles are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses.

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

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

4.10 Leased assets

Finance leases

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

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

Operating leases

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

4.11 Impairment testing of goodwill, other intangible assets and property, plant and equipment

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

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

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

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

4.12 Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. 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 IFRS 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 as well as listed bonds that were previously classified as held-to-maturity under IAS39.

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.

Financial assets at fair value through other comprehensive income (FVOCI)

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell and
- 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.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaced IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead 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 33.3 for a detailed analysis of how the impairment requirements of IFRS 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.

4.13 Inventories

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

4.14 Income taxes

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

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

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

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

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

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

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

4.15 Cash and cash equivalents

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

4.16 Equity, reserves and dividend payments

Share capital

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

Corporate re-organisation reserve

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

Non-controlling interest acquisition reserve

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

Non-controlling interest

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

Retained earnings

Retained earnings include all current and prior period retained profits.

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

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

4.17 Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

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

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

Post-employment benefit plans

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

4.18 Share-based employee remuneration

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

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

4.19 Provisions, contingent liabilities and contingent assets

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

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

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

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

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

4.20 Goods and Services Tax (GST)

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

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

4.21 Rounding of amounts

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

4.22 Significant management judgement in applying accounting policies

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

Significant management judgement

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

Recognition of deferred tax assets

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

Estimation uncertainty

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

Impairment

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

Useful lives of depreciable assets

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

Trade receivables

Management estimates the recoverable amount of any outstanding trade receivable balances at reporting date and recognises an allowance for expected credit losses based on past due amounts and prior trading history.

Inventories

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

Customer relationships

Management reviews its estimate of the carrying value of customer relationships at reporting date and recognises an allowance for impairment if required.

Business combinations

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

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

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

	2019	2018
	\$'000	\$'000
Segment information		
Revenue from external customers	111,720	106,597
Segment operating costs	(104,138)	(98,486)
Segment adjusted operating profit before tax	7,582	8,111
Total reporting segment operating profit	7,582	8,111
Other income	19	21
Corporate overheads	(1,388)	(1,304)
Acquisition and integration costs	(392)	(499)
Restructure costs	(130)	(607)
Finance costs	(1,140)	(914)
Share of profit from equity accounted investments	18	23
Net profit before tax	4,569	4,831
Income tax	(1,419)	(1,545)
Net profit after tax	3,150	3,286

6 Revenue

	2019	2018
	\$'000	\$'000
Sales revenue		
Goods transferred at a point in time	76,768	70,558
Services transferred over time	34,952	36,039
Total revenue	111,720	106,597

7 Expenses

Profit before income tax includes the following specific expenses:

	2019 \$'000	2018 \$'000
<i>Depreciation</i>		
Leasehold improvements	101	47
Plant and equipment	1,686	1,249
Motor vehicles	992	921
Biological assets	46	-
Assets under construction	118	-
Amortisation of intangibles	250	215
Total depreciation	3,193	2,432
<i>Finance costs</i>		
Interest expenses for borrowings at amortised cost:		
Other borrowings at amortised cost	1,060	847
Interest expenses for finance lease arrangements	66	67
	1,126	914
Other financial items – amortisation of borrowing costs	14	15
	1,140	929
Share-based payments expense	302	40
Rental expense relating to operating leases	2,193	1,842

8 Income tax expense

The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective tax rate of Apium at 30% (2018: 30%) and the reported tax expense in profit or loss are as follows:

	2019 \$'000	2018 \$'000
Profit from continuing operations before income tax expense	4,569	4,831
Tax at the Australian tax rate of 30% (2018 - 30%)	1,371	1,449
Adjustments for non-deductible expenses:		
Sundry items	(1)	12
	1,370	1,461
Income tax expense	1,370	1,461
Adjustment for current tax in prior periods	49	84
Total current tax expense	1,419	1,545
Tax expense comprises		
Current tax expense/(benefit)	1,106	1,216
Deferred tax expense/(benefit)	313	329
Tax expense/(benefit)	1,419	1,545

Note 15 provides information on deferred tax assets and liabilities.

9 Cash and cash equivalents

	2019	2018
	\$'000	\$'000
Cash at bank and in hand	1,873	1,436
Cash and cash equivalents	1,873	1,436

10 Trade and other receivables

	2019	2018
	\$'000	\$'000
Trade receivables, gross	12,637	13,137
Less: allowance for expected credit losses	(367)	(400)
Other receivables	184	47
Tax receivable	507	523
Rebates receivable	945	1,437
	13,906	14,744

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

All of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and an allowance for credit losses of (\$33) (2018: (\$60)) has been recorded accordingly within other expenses.

	2019	2018
	\$'000	\$'000
Balance at 1 July	400	460
Impairment loss	(33)	(60)
Balance 30 June	367	400

11 Inventories

	2019	2018
	\$'000	\$'000
Stock on hand, at cost	11,352	11,586
Less provision for obsolescence	(417)	(655)
Stock in transit, at cost	12	325
	10,947	11,256

12 Other current assets

	2019	2018
	\$'000	\$'000
Prepayments	947	784
Security deposits	56	67
	1,003	851

13 Property, plant and equipment

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

	Leasehold improvements	Plant & equipment	Motor vehicles	Assets under construction	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2018					
Opening net book value	135	3,360	2,574	331	6,400
Acquired through business combinations	-	688	16	-	704
Additions	342	2,867	1,062	260	4,531
Depreciation charge for year	(47)	(1,182)	(921)	(67)	(2,217)
Closing net book value	430	5,733	2,731	524	9,418
At 30 June 2018					
Cost or fair value	498	8,475	4,586	591	14,150
Accumulated depreciation	(68)	(2,742)	(1,855)	(67)	(4,732)
Net book amount	430	5,733	2,731	524	9,418
Year ended 30 June 2019					
Opening net book value	430	5,733	2,731	524	9,418
Additions	74	826	405	555	1,860
Depreciation charge for year	(101)	(1,686)	(992)	(118)	(2,897)
Closing net book value	403	4,873	2,144	961	8,381
At 30 June 2019					
Cost or fair value	572	9,301	4,991	1,146	16,010
Accumulated depreciation	(169)	(4,428)	(2,847)	(185)	(7,629)
Net book amount	403	4,873	2,144	961	8,381

Leased assets

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

	2019 \$'000	2018 \$'000
Leased equipment		
Cost	2,542	2,606
accumulated depreciation	(995)	(722)
Net book amount	1,547	1,884

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

14 Intangible assets

	Goodwill \$'000	Customer Relation- ships \$'000	Capitalised develop- ment costs \$'000	Total \$'000
At 30 June 2018				
Cost	61,252	3,223	434	64,909
Accumulated amortization and impairment	-	(394)	-	(394)
Carrying amount at 30 June 2018	61,252	2,829	434	64,515
At July 1 2018				
Opening net book value	61,252	2,829	434	64,515
Additions	254	-	706	960
Amortisation	-	(215)	(35)	(250)
Closing net book value	61,506	2,614	1,105	65,225
At 30 June 2019				
Cost	61,506	3,223	1,140	65,869
Accumulated amortization and impairment	-	(609)	(35)	(644)
Net book value	61,506	2,614	1,105	65,225

14.1 Impairment testing

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

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

	2019	2018
Annual sales growth %	5.00%	5.00%
Annual operating expenses growth rate %	2.00%	2.00%
Long-term growth rate %	2.50%	2.50%
Post-tax discount rate %	9.33%	10.60%
	2019	2018
	\$'000	\$'000
Goodwill allocation at 30 June across sixteen (16) individual veterinary clinic entities	61,506	61,252

The Directors and management have considered and assessed reasonably possible changes for key assumptions and have not identified any instances that could cause the carrying amount for any of the segments to exceed its recoverable amount.

14.2 Growth rates

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

14.3 Discount rates

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

14.4 Cash flow assumptions

Management's key assumptions include stable profit margins, based on experience in this market. The Group's management believes that this is the best available input for forecasting this mature market. Cash flow projections reflect stable profit margins achieved immediately before the budget period. Efficiency improvements have been taken into account and prices and wages reflect publicly available forecasts of inflation for the industry.

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

Goodwill is managed at the CGU level which is also reflective of the level of operating segment being Pig, Feedlot, Dairy and mixed.

A CGU summary of the goodwill allocation is presented below.

	Feedlot	Dairy and mixed	Pig (a)	Total
	\$'000	\$'000	\$'000	\$'000
Balance 1 July 2018	12,788	48,464	-	61,252
Payment to vendors	-	254	-	254
30 June 2019	12,788	48,718	-	61,506

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

15 Deferred tax assets and liabilities

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

	2019 \$'000	2018 \$'000
The balance comprises temporary differences attributable to:		
Current assets		
Trade and other receivables	141	198
Inventories	125	196
Current liabilities		
Provisions	1,561	1,520
Borrowing costs	(5)	(9)
Other		
Unused tax losses	747	751
Equity raising costs	181	362
Listing and acquisition costs	46	91
	2,796	3,109

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

	Tax losses \$'000	Provisions \$'000	Borrowing costs \$'000	Trade receivables \$'000	Listing & acquisition costs \$'000	Equity raising costs \$'000	Inventory \$'000	Total \$'000
At 1 July 2017	1,031	1,389	(14)	233	137	543	119	3,438
(Charged)/credited: to P&L	(280)	68	5	(35)	(46)	(181)	77	(392)
Recognized in business combination	-	63	-		-	-	-	63
at 30 June 2018	751	1,520	(9)	198	91	362	196	3,109
(Charged)/credited: to P&L	(4)	41	4	(57)	(45)	(181)	(71)	(313)
acquisition of a subsidiary								
At 30 June 2019	747	1,561	(5)	141	46	181	125	2,796

16 Trade and other payables

	2019 \$'000	2018 \$'000
Trade payables	7,482	9,249
Sundry payables and accrued expenses	2,114	2,566
Other payables	-	454
	9,596	12,269

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

17 Current tax liabilities

	2019 \$'000	2018 \$'000
Current tax payable	230	594

18 Borrowings

	2019 \$'000	2018 \$'000
<i>Current:</i>		
Bank loans (a)	2,983	3,198
less capitalized costs	(20)	(20)
lease liability (b)	793	815
less deferred interest charges	(49)	(63)
Total current borrowings	3,707	3,930
<i>Non-current</i>		
bank loans (a)	22,123	22,260
less capitalized costs	(29)	(43)
lease liability (b)	986	1,171
less deferred interest charges	(45)	(52)
Total non-current borrowings	23,035	23,336

Refer to Note 38 for information on financial instruments.

Secured liabilities and assets pledged as security

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

	2019 \$'000	2018 \$'000
Bank loans	25,106	25,458
Less capitalised borrowing costs	(49)	(63)
Lease liability	1,779	1,986
Less deferred interest charges	(94)	(115)
	26,742	27,266

Assets pledged as security

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

(b) The lease liabilities are effectively secured over the assets to which the lease relates.

Banking covenants

The key financial covenants applicable to bank facilities are:

- Maximum gearing ratio changed from a ratio of 35% to 45% (ratio of gross debt to gross debt & equity):
- Maximum operating leverage ratio changed from 3.5 times to 4.0 times (ratio of gross debt to EBITDA): and
- Minimum interest cover removed and no longer applicable from a prior ratio of 5.0 times (ratio of EBIT to gross interest expense).

The Group complied with all bank covenants during the period.

Financing arrangements

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

	2019 \$'000	2018 \$'000
Total facilities		
Bank - term loan facilities	59,700	45,700
Bank - master asset finance agreement for equipment finance	3,500	3,500
Bank - overdraft facility	1,000	1,000
Bank - credit card facility	300	300
	64,500	50,500
Used at reporting date		
Bank - term loan facilities	25,057	25,396
Bank - master asset finance agreement for equipment finance	1,684	1,870
Bank - overdraft facility	-	-
Bank - credit card facility	-	-
	26,741	27,266
Unused at reporting date		
Bank - term loan facilities	34,643	20,304
Bank - master asset finance agreement for equipment finance	1,816	1,630
Bank - overdraft facility	1,000	1,000
Bank - credit card facility	300	300
	37,759	23,234

19 Employee benefit obligations

	2019 \$'000	2018 \$'000
Leave obligations current	4,852	4,253
Leave obligations non-current	273	810
	5,125	5,063

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 \$4,852 (2018: \$4,253) is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. However, based upon experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next twelve months. The group does not expect \$2,356 (2018: \$2,502) of this liability to be taken or paid within the next 12 months.

20 Other current liabilities

	2019 \$'000	2018 \$'000
Opening Balance	400	-
Contingent consideration for acquisition	-	400
	400	400

This relates to contingent consideration on businesses acquired during the prior year.

21 Equity

21.1 Share capital

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

	2019 Shares	2018 Shares	2019 \$'000	2018 \$'000
Shares issued and fully paid				
· beginning of the period	104,693,843	101,177,947	85,775	83,066
· shares issued as consideration for business acquisitions	-	2,683,462	-	2,041
· issued under dividend reinvestment plan	1,203,885	792,434	657	638
· employee shares issued		40,000	-	30
Shares issued and fully paid	105,897,728	104,693,843	86,432	85,775
Total shares authorised at the end of the period	105,897,728	104,693,843	86,432	85,775

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

22 Reserves

Details of reserves are as follows:

	Corporate reorganisation reserve	Non- controlling Interest acquisition reserve	Share based Payment reserve	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2017	(26,692)	(6,615)	-	(33,307)
Balance at 1 July 2018	(26,692)	(6,615)	-	(33,307)
Employee share plan incentive	-	-	330	330
Balance at 30 June 2019	(26,692)	(6,615)	330	(32,977)

23 Non-controlling interests

	2019 \$'000	2018 \$'000
Issued capital	703	576
Current year earnings	(15)	8
Retained profits carried forward	74	66
Total non-controlling interests	762	650

24 Earnings per share and dividends

24.1 Earnings per share

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the Parent Company as the numerator.

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

	2019	2018
	Number	Number
• weighted average number of shares used in basic earnings per share	105,204,602	102,122,567
• weighted average number of shares used in diluted earnings per share	105,204,602	102,122,567

24.2 Dividends

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

	2019	2018
	\$'000	\$'000
fully franked final dividend (0.8 cents a share)	838	809
fully franked interim dividend (0.8 cents a share)	842	818
	1,680	1,627

In addition and since the end of the financial year, Directors have declared a fully franked final dividend of 0.8c per ordinary share to be paid on 24 October 2019 (2018: 0.8c)

24.3 Franking credits

	2019	2018
	\$'000	\$'000
The amount of the franking credits available for subsequent:		
Balance at the end of the reporting period	7,950	7,069
Franking debits that will arise from the payment of dividends recognised as a liability at the end of the reporting period	(363)	(359)
franking credits that will arise from the payment of the amount of provision for income tax	230	594
	7,817	7,304

25 Reconciliation of cash flows from operating activities

(a) Reconciliation of cash flows from operating activities	2019	2018
Cash flows from operating activities	\$'000	\$'000
Profit / (Loss) for the period	3,150	3,286
Adjustments for:		
· depreciation and amortisation expense	3,193	2,432
· doubtful debt expense	102	3
· obsolete stock provision	(238)	258
· amortisation of borrowing expenses	16	15
· share benefits expense	330	70
· profit on sale of fixed assets	(19)	(21)
· share of profit in equity accounted investments	(18)	(23)
· gains on derecognition of contingent consideration payable		-
Net changes in working capital:		
· decrease/(increase) in trade and other receivables	726	(108)
· decrease/(increase) in inventories	546	302
· decrease/(increase) in other assets	(158)	(101)
· decrease/(increase) in deferred tax asset	313	392
· increase/(decrease) in trade and other payables	(2,674)	2,777
· increase/(decrease) in income tax payable	(364)	(202)
· increase/(decrease) in deferred tax liability	(83)	(46)
· increase/(decrease) in provisions	62	183
Net cash received in operating activities	4,884	9,217

(b) Non cash financing transactions

During the financial year, the Group acquired vehicles to the value \$nil (2018: \$998) via finance leases. These transactions are not reflected in the Statement of Cash Flows.

26 Employee remuneration

26.1 Employee benefits expense

Expenses recognised for employee benefits are analysed below:

Employee benefits – expense	2019	2018
	\$'000	\$'000
Wages and salaries expense	30,288	27,907
Bonus expense/(reversal)	42	(85)
Share-based payment expense	302	40
Superannuation expense	2,453	2,259
Employee benefits expense	33,085	30,121

26.2 Share-based employee remuneration

In 2019, nil (2018 - 40,000) shares at a fair value of \$nil cents (2018 - \$0.75 cents) per share were issued to the Trustee of the Company's Employee Share Trust, in anticipation of future allocations of Shares to participants under the Company's Equity Incentive Plan.

27 Auditor remuneration

	2019	2018
	\$	\$
<i>Audit services – Grant Thornton Audit Pty Ltd</i>		
Remuneration for audit or review of financial statements	177,934	193,289
<i>Other services – Grant Thornton</i>		
• taxation services	29,160	38,755
• other	61,715	64,575
Total other services remuneration	90,875	103,330
Total auditor's remuneration	268,809	296,619

28 Related party transactions

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

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

28.1 Transactions with key management personnel

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

	2019	2018
	\$	\$
Short-term employee benefits:		
salaries including bonuses and non-monetary benefits	897,283	873,146
non-monetary benefits	13,674	13,419
Total short-term employee benefits	910,957	886,565
Long-term employee benefits:		
long service leave	6,501	6,777
Total long-term employee benefits	6,501	6,777
Post-employment benefits:		
superannuation	48,397	58,766
Total post-employment benefits	48,397	58,766
Total remuneration	965,855	952,108

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 \$333,600 (2018: \$310,800).

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 \$125,232 (2018: \$132,961).

The Group leases an artificial insemination facility in Victoria from entities associated with Chris Richards. Lease payments made amounted to \$105,000 (2018: \$105,000).

The Group leases premises at Midland Highway, Lethbridge, Victoria from entities associated with Chris Richards. Lease payments made amounted to \$16,818 (2018: \$nil)

The Group leases premises at Hoskin Street, Quarry Hill, Victoria from entities associated with Chris Richards. Lease payments made amounted to \$15,002 (2018: \$11,887).

The Group leases premises at Midland Highway, Epsom, Victoria from entities associated with Chris Richards. Lease payments made amounted to \$18,652 (2018: \$12,164).

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

The group took up an option during FY2018 to purchase the iVet technology from iVet Pty Ltd, a company controlled by Chris Richards. The Group had previously entered into an intellectual property licence with iVet Pty Ltd to use the iVet intellectual property. The Group were to pay iVet Pty Ltd a royalty of 10% of net sales revenue received by the Group for the use of the intellectual property licence. The agreement was for an initial term of 10 years. Payment by the group to take up the option to purchase iVet Pty Ltd in FY2019 was the sum of \$nil (2018: \$93,157).

29 Contingent liabilities

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

30 Capital commitments

	2019 \$'000	2018 \$'000
Property, plant and equipment	-	39
	-	39

31 Interests in subsidiaries

31.1 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	
			2019	2018
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	49%	49%
Pork Storks Australia Pty Ltd	Australia	Genetics	100%	100%
McAuliffe Moore & Perry Pty Ltd	Australia	Veterinary services	100%	100%
Warrnambool Veterinary Clinic Pty Ltd	Australia	Veterinary services	100%	100%
Scottsdale Veterinary Services Pty Ltd	Australia	Veterinary services	100%	100%
Smithton Veterinary Service Pty Ltd	Australia	Veterinary services	100%	100%
AAH - Dubbo Vet Hospital Pty Ltd	Australia	Veterinary services	100%	100%
AAH - Bell Vet Services Pty Ltd	Australia	Veterinary services	100%	100%
CVH Gippsland Pty Ltd	Australia	Veterinary services	100%	100%
CVH Southern Riverina Pty Ltd	Australia	Veterinary services	100%	100%
AAH Veterinary Services Pty Ltd	Australia	Veterinary services	100%	100%
CVH iVet Pty Ltd	Australia	Dormant	100%	100%
Tasvet Wholesale Pty Ltd	Australia	Dormant	100%	100%
Quirindi Feedlot Services Pty Ltd	Australia	Veterinary services	100%	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%	0%

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

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

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

The Group has no interests in unconsolidated structured entities.

32.1 Finance leases as lessee

The Group's main motor vehicles and certain items of plant and equipment are held under finance lease arrangements. As of 30 June 2019, the net carrying amount of the motor vehicles held under finance lease arrangements (included as part of motor vehicles) is \$1,502,269 (2018: \$1,883,974); and the net carrying amount of the plant and equipment held under finance lease arrangements (included as part of plant and equipment) is \$44,925 (2018: \$25,560) (see Note 13).

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

	2019	2018
	\$'000	\$'000
Current:		
finance lease liabilities	744	752
Non-current:		
finance lease liabilities	941	1,119

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

	Minimum lease payments due			
	Within 1 year \$'000	1-5 years \$'000	After 5 years \$'000	Total \$'000
30 June 2019				
Lease payments	793	986	-	1,779
Finance charges	(49)	(45)	-	(94)
Net present values	744	941	-	1,685
30 June 2018				
Lease payments	815	1,171	-	1,986
Finance charges	(63)	(52)	-	(115)
Net present values	752	1,119	-	1,871

32.2 Operating leases as lessee

Non-cancellable operating leases

	2019	2018
	\$'000	\$'000
Within one year	2,281	2,255
later than one year but less than five years	5,202	5,582
later than five years	2,636	3,385
	10,119	11,222

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

33 Financial instrument risk

33.1 Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarised in Note 38.1. The main types of risks are market risk, credit risk and liquidity risk.

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

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

33.2 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 2019, 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% (2018: +/- 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-19	270	(270)	270	(270)
30-Jun-18	290	(290)	290	(290)

33.3 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:

	2019 \$'000	2018 \$'000
Classes of financial assets		
Carrying amounts:		
Cash and cash equivalents	1,873	1,436
trade and other receivables	13,906	14,744
	15,779	16,180

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 10) based on past due amounts and prior trading history. The amounts at 30 June analysed by the length of time past due, are:

	2019 \$'000	2018 \$'000
Past due under 30 days	2,279	2,440
Past due 30 days to under 60 days	594	530
Past due 60 days and over	1,470	1,476
Total	4,343	4,446

33.4 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 2019, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current		
	Within 6 months \$'000	6 - 12 months \$'000	1 - 4 years \$'000
30 June 2019			
Bank borrowings	3,003	-	23,672
Finance lease obligations	409	335	941
Trade and other payables	9,596	-	-
Total	13,008	335	24,613

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

	Current		
	Within 6 months \$'000	6 - 12 months \$'000	1 - 4 years \$'000
30 June 2018			
Bank borrowings	3,188	-	24,995
Finance lease obligations	342	473	1,171
Trade and other payables	12,269	-	-
Total	15,799	473	26,166

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

34 Fair value measurement

34.1 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 2019 and 30 June 2018:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
30 June 2019				
Financial liabilities				
Contingent consideration	-	-	400	400
Total liabilities	-	-	400	400
Net fair value	-	-	400	400
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
30 June 2018				
Financial liabilities				
Contingent consideration	-	-	400	400
Total liabilities	-	-	400	400
Net fair value	-	-	400	400

Measurement of fair value of financial instruments

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

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

Contingent consideration (Level 3)

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

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

Significant unobservable input Estimate of the input Sensitivity of the fair value measurement to input

Probability of meeting target 100% -

Level 3 Fair value measurements

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

Contingent consideration

	2019 \$'000	2018 \$'000
Balance at 1 July 2018	400	-
Payable business combination	-	400
Balance at 30 June 2019	400	400

35 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 debt to 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:

	2019 \$'000	2018 \$'000
Total equity	61,309	58,725
Cash and cash equivalents	1,873	1,436
Capital	63,182	60,161
Total equity	61,309	58,725
Borrowings	26,742	27,266
Overall financing	88,051	85,991
Capital-to-overall financing ratio	72%	70%

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

36 Parent entity information

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

	2019 \$'000	2018 \$'000
Statement of financial position		
Current assets	1,363	1,044
Total assets	112,886	112,079
Current liabilities	5,517	5,222
Total liabilities	27,553	28,576
Net assets	85,333	83,503
Issued capital	86,488	85,775
Retained earnings / (Accumulated losses)	(1,155)	(2,272)
Total equity	85,333	83,503
Statement of profit or loss and other comprehensive income		
Profit for the year	2,597	1,540
Other comprehensive income	18	23
Total comprehensive income	2,615	1,563

The Parent Entity has capital commitments of \$nil to purchase motor vehicles (2018: \$38,589). Refer Note 30 for further details of the commitment.

The Parent Entity has entered into a deed of cross guarantee. Refer Note 39 for details.

The Parent Entity had no contingent liabilities at 30 June 2019 (2018: \$nil).

37 Post-reporting date events

The Apiam Board of Directors have declared the Company's final dividend of 0.8c per share fully franked on the 26 August 2019. The final dividend of \$847,182 will be paid on the 24 October 2019.

38 Financial assets and liabilities

38.1 Categories of financial assets and liabilities

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

A description of the Group's financial instrument risks, including risk management objectives and policies is given in Note 33.

The methods used to measure financial assets and liabilities reported at fair value are described in Note 34.1.

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

30-Jun-19	notes	Financial assets at amortised cost \$'000	Total \$'000
Financial assets			
cash and cash equivalents	9	1,873	1,873
Trade and other receivables	10	13,906	13,906
		15,779	15,779

		Other liabilities at amortised cost	
Financial liabilities			
Non-current borrowings	18	23,035	23,035
Current borrowings	18	3,707	3,707
Trade and other payables	16	9,596	9,596
Other current liabilities	20	400	400
Other liabilities		260	260
Current tax liabilities	17	230	230
		37,228	37,228

30-Jun-18	Note	Financial assets at amortised cost \$'000	Total \$'000
Financial assets			
cash and cash equivalents	9	1,436	1,436
Trade and other receivables	10	14,744	14,744
		16,180	16,180

		Other liabilities at amortised cost	
Financial liabilities			
Non-current borrowings	18	23,336	23,336
Current borrowings	18	3,930	3,930
Trade and other payables	16	12,269	12,269
Other current liabilities	20	400	400
Other liabilities		220	220
Current tax liabilities	17	594	594
		40,749	40,749

38.2 Borrowings

Borrowings include the following financial liabilities:

Financial liabilities	Current		Non-current	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<i>Carrying amount at amortised cost:</i>				
• bank borrowings (Note 18)	2,963	3,178	22,094	22,217
• finance lease liabilities (Note 32)	744	752	941	1,119
	3,707	3,930	23,035	23,336

All borrowings are denominated in \$AUD.

Borrowings at amortised cost

Other bank borrowings are secured by first ranking general security agreements in relation to the current and future assets of Apiam Animal Health Limited and each wholly owned subsidiary. Current interest rates are variable and average 3.1% (2018 3.7%). The carrying amount of the other bank borrowings is considered to be a reasonable approximation of the fair value.

38.3 Other financial instruments

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

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

39 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 - Dubbo Vet Hospital Pty Ltd
AAH - Bell Vet Services Pty Ltd
CVH Gippsland Pty Ltd
CVH Southern Riverina Pty Ltd
CVH Border Pty Ltd
Tasvet Wholesale Pty Ltd

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

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

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2019

	2019	2018
	\$'000	\$'000
Continuing operations		
Revenue	91,416	91,916
Other income	9	-
Expenses		
Changes in inventory	(536)	(208)
Cost of materials	(42,536)	(44,775)
Costs of consumables and services	(912)	(711)
Employee benefit expenses	(27,920)	(28,009)
Listing and acquisition expenses	(392)	(181)
Property expenses	(3,003)	(2,848)
Freight, vehicle and transport expenses	(1,754)	(1,592)
Depreciation of property, plant and equipment	(2,551)	(1,985)
Other operating expenses	(6,540)	(6,552)
Finance costs	(1,138)	(929)
Other financial items	(15)	(15)
Share of profit from equity accounted investments	18	23
Profit/(loss) before income tax	4,146	4,134
Income tax (expense)/benefit	(1,326)	(1,356)
Profit from continuing operations	2,820	2,778
Profit for the year	2,820	2,778

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

Statement of Financial Position	2019	2018
As at 30 June 2019	\$'000	\$'000
Assets		
Current assets		
Cash and cash equivalents	1,389	677
Trade and other receivables	11,836	16,566
Inventories	10,483	11,020
Other current assets	960	763
Total current assets	24,668	29,026
Non-current assets		
Intangible assets	62,912	61,987
Property, plant and equipment	7,094	7,943
Biological assets	220	-
Investments	91	73
Deferred tax assets	2,344	3,008
Total non-current assets	72,661	73,011
Total assets	97,329	102,037
Current liabilities		
Trade and other payables	8,893	14,605
Amounts payable to vendors for business acquisitions	400	454
Current tax liabilities	105	471
Borrowings	3,707	3,859
Provisions	4,298	3,785
Total current liabilities	17,403	23,174
Non-current liabilities		
Borrowings	23,035	23,337
Provisions	222	756
Deferred tax liabilities	-	18
Total non-current liabilities	23,257	24,111
Total liabilities	40,660	47,285
Net assets	56,669	54,752
Equity		
Equity attributable to owners of the parent		
- share capital	85,630	84,912
- corporate reorganization reserve	(26,692)	(26,692)
- non-controlling interest acquisition reserve	(5,856)	(5,968)
- retained earnings	3,587	2,500
	56,669	54,752

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 2019 and of its performance for the financial year ended on that date; and
 - ii Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
 - b There are reasonable grounds to believe that Apiam Animal Health Limited will be able to pay its debts as and when they become due and payable.
- 2 The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Managing Director and Chief Financial Officer for the financial year ended 30 June 2019.
- 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
26 August 2019

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 2019 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 Company is in accordance with the *Corporations Act 2001*, including:

- a Giving a true and fair view of the Company's financial position as at 30 June 2019 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 Company 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* (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 for 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 14

At 30 June 2019 the carrying value of goodwill and customer relationships is \$61.5M and \$2.6M respectively, and is allocated to two separate cash-generating units ("CGU's").

In accordance with AASB 136 *Impairment of Assets*, the Group is required to assess if there are any indicators of impairment and in respect to goodwill, assess if the carrying value of each CGU is in excess of the recoverable value.

This area is a key audit matter due to the high level of management judgement and estimation required to determine the recoverable value of the CGU's.

Our procedures included, amongst others:

- Assessing managements determination of the Group CGU's based on the nature of the business and the economic environment in which the units operate;
- Reviewing the impairment model for compliance with AASB 136 *Impairment of Assets*;
- Assessing whether management has the requisite expertise to prepare the impairment model;
- Assessing the reasonableness and appropriateness of inputs and assumptions to the model by;
 - Evaluating managements future cash flow forecasts and obtain an understanding of the process by which they were developed;
 - Assessing managements key assumptions for reasonableness by comparing long term growth rates to historical results and economic and industry forecasts;
 - Considering the reasonableness of the revenue and cost forecasts against current year actuals;
 - Obtaining from management available evidence to support key assumptions;
 - Performing a sensitivity analysis on the key assumptions; and
 - Utilising an auditor's expert to assess the reasonableness of the certain key inputs and assumptions used in the model;
- Testing the underlying calculations for mathematical accuracy of the model;
- Assessing customer relationships for indicators of impairment; 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 financial report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors' for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group'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/ar2.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 25 of the Directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Apiam Animal Health Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Grant Thornton Audit Pty Ltd
Chartered Accountants



A C Pitts
Partner – Audit & Assurance

Melbourne, 26 August 2019

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 5 August 2019 (**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 (Third Edition) (**Recommendations**) to the extent appropriate to the size and nature of the Group's operations.

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

In accordance with ASX Listing Rules 4.10.3 and 4.7.4, the Corporate Governance Statement will be available for review on Apiam's website (<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
Christopher Richards	Ordinary Shares	28,951,805	27.34%
Regal Funds Management Pty Limited	Ordinary Shares	15,115,726	14.27%

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	1,174
Fully paid ordinary shares restricted until 1 November 2019 and quoted on ASX	4
Fully paid ordinary shares restricted until 19 March 2020 and quoted on ASX	1
Fully paid ordinary shares restricted until 8 June 2020 and quoted on ASX	3
Performance Rights vested on 3 April 2018 (vested not yet exercised)	1
Performance Rights vesting on 31 October 2019	43
Performance Rights vesting on 31 October 2020	43

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 1,176 holders of a total of 105,897,728 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	140	74,662	0.071
1,001 – 5,000	334	944,831	0.892
5,001 – 10,000	218	1,799,202	1.699
10,001 – 100,000	373	11,393,686	10.759
100,001 – 999,999,999	110	91,685,347	86.579
Totals	1,175	105,897,728	100

Distribution of Performance Rights shareholders

Holdings Ranges	Holders of Performance Rights Vested on 3 April 2018 (Vested not yet exercised)	Holders of Performance Rights Vesting on 31 October 2019	Holders of Performance Rights Vesting on 31 October 2020
1 – 1,000	0	0	0
1,001 – 5,000	0	0	0
5,001 – 10,000	0	0	0
10,001 – 100,000	1	43	43
100,001 – 999,999,999	0	0	0
Totals	1	43	43

Distribution of holders of escrowed shares

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 is as follows:

Total Shares	UMP Shares	UMP Holders	% of issued shares held by UMP holders
104,555,999	91,684	156	0.08769

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>	28,215,006	26.644%
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	8,111,094	7.659%
UBS NOMINEES PTY LTD	4,339,702	4.098%
COBASH PTY LIMITED <J & S WRIGHT FAMILY A/C>	3,872,006	3.656%
BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	3,413,964	3.224%
CITICORP NOMINEES PTY LIMITED	2,364,618	2.233%

CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	1,591,587	1.503%
CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	1,461,443	1.380%
MRS KATE JUDITH MALIN <HOWISON FAMILY A/C>	1,389,161	1.312%
FOUR POST INVESTMENTS PTY LTD <JOHNSTONE INVESTMENT A/C>	1,386,700	1.309%
MR NEIL LEIGHTON & MRS HELEN LEIGHTON <LEIGHTON SUPER FUND A/C>	1,354,131	1.279%
MR ROGER CHARLES CARMODY & MRS MARIS MOORE CARMODY <R & M CARMODY A/C>	1,258,650	1.189%
SONJASWRIGHT PTY LIMITED	1,211,846	1.144%
DAVID FRITH PTY LTD <FRITH FAMILY A/C>	1,137,866	1.074%
TONY BATTERHAM PTY LTD <BFT FAMILY NO 2 A/C>	1,066,439	1.007%
MR KEVIN FRANCIS SULLIVAN & MRS JANE MAREE SULLIVAN <BVS SUPERANNUATION FUND A/C>	1,010,000	0.954%
CINDY JANE PTY LTD <CINDY JANE FAMILY A/C>	976,341	0.922%
DR MARTIN HUGH FOREMAN & MRS SUSAN MARY JOHNSTON <FOJO SUPER FUND A/C>	915,216	0.864%
K F J SULLIVAN PTY LTD	884,900	0.836%
MRS COLEEN STEWART <K & C STEWART FAMILY A/C>	872,568	0.824%
Total number of shares of Top 20 Holders	66,833,238	63.10
Total Remaining Holders Balance	39,064,490	36.90

Company Secretary

The Company's secretary is Ms Sophie Karzis.

Registered Office

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

27- 33 Piper Lane
East Bendigo VIC 3550

Telephone: +61 (0)3 5445 5999

Share Registry

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

Street Address:

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

Telephone: 1300 737 760

Stock Exchange Listing

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

Escrow

Class of restricted securities	Type of restriction	Number of securities	End date of escrow period
Ordinary shares	Voluntary escrow	292,005	1 November 2019
Ordinary shares	Voluntary escrow	129,102	19 March 2020
Ordinary shares	Voluntary escrow	920,622	8 June 2020

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	2,333,033	43

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.



