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 2020
Previous period:	For the year ended 30 June 2019

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Statutory Results Summary

CHANGES FROM PERIOD ENDED 30 JUNE

				2020		2019
		%		$m		$m
Revenue from ordinary activities	up	**6**	to	**118.4**	from	**111.7**
Net profit attributable to members	up	**32**	to	**4.2**	from	**3.2**
Profit from ordinary activities after tax attributable to members	up	**32**	to	**4.2**	From	**3.2**
Underlying EBIT (Incl. non-controlling interests)	Up	**23**	to	**8.4**	From	**6.8**

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

Dividends

	Amount per security cents	**Franked amount per security Cents**
2020 Interim Dividend	0.8 cents	0.8 cents
2020 Final Dividend (declared after balance date but not yet paid)	1.2 cents	1.2 cents
Record date for determining entitlements to the dividend:	18 September 2020	
Date dividend payable:	23 October 2020	

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 28 September 2020.

Shareholders who elect to participate in the DRP for the 2020 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 28 September 2020 and 2 October 2020 ('**Pricing Period**'). The timetable in respect of the 2020 final dividend and DRP is as follows:

Event / Action	**Date***
Record Date	18 September 2020
Election Date: Last date for shareholders to make an election to participate in the DRP	5.00 pm (Melbourne time) on 28 September 2020
Pricing Period Commencement Date	28 September 2020
Last Day of Pricing Period	2 October 2020
Announcement of DRP issue price	5 October 2020
Dividend Payment Date / Issue of DRP shares	23 October 2020

**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 2020 final dividend, shareholders should ensure that their DRP Election Form is received, or an online election is made, by no later than 5.00 pm (Melbourne time) on 28 September 2020. An online election can be made by visiting www.boardroom.com.au.

Net Tangible Asset per Security

	2020	2019
Net Tangible assets per share	-$0.14	-$0.04

Return to shareholders

Dividends of $1,776,972 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 and 32 of the attached Financial Statements for details of entities over which control has been gained. There were no entities over which control was lost.

Associates and Joint Venture Entities

The Company has no associate companies and 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 2020 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.

2020

Apiam Animal Health

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Chairman's Message

Dear shareholder,

The 2020 financial year has been a challenging period for much of Australia, having faced drought, bushfires and more recently the wide-spread impacts of the global COVID-19 pandemic. In the face of these strong headwinds, Apiam's business model and strategy has proven to be resilient and consequently we have reported a strong trading performance for the 12-months to 30 June 2020 (FY20).

Apiam's revenue in FY20 increased 6.0% to $118.4 million (FY19: $111.7 million) underpinned by Apiam's diversified customer segments, broad product and service offering as well as new business initiatives and acquisitions over the period. It was particularly pleasing to see our ProDairy consultancy program, the exclusive distribution agreement with Zoono Animal Health and the launch of the Best Mates companion animal program, all new business initiatives developed and implemented by management during FY20, driving new revenue streams and enhanced earnings opportunities.

Apiam's statutory Net Profit After Tax was $4.2 million in FY20 up 31.8% on FY19, a result that is testament to our long-term strategic plan of targeted acquisitions as well as investment in our business infrastructure and technology to generate cost efficiencies. This year we have seen the benefits of this strategy on many levels including efficiencies at the clinic-level as well as cost savings at the corporate level.

In FY20 we also completed the strategic acquisitions of ACE Laboratory Services, Grampians Animal Health and Devoted Vets in Warragul. Each of these businesses featured a compelling rationale – either the addition of a specialist service offering that was attractive to our customer base, or a new high-growth regional exposure. All the acquisitions made during the past year have performed extremely well and are making a strong financial contribution to our business.

Looking ahead, we expect that COVID-19 will be an on-going challenge for many individuals, communities and companies. I reassure shareholders that Apiam's business model, as a provider of essential animal health services in regional and rural areas, is robust and very well placed, even during these difficult times. For veterinarians, hygiene and safety have always been at the forefront of what we do. Our safety protocols are well established and our teams are experienced in managing risks presented by infectious agents. Importantly, the fundamentals of our business remain unchanged. Our scale and geographically dispersed business model across rural Australia provides Apiam with the capacity to remain resilient in the face of changing conditions.

We enter FY21 with confidence, ready to address the needs of our customers, respond to challenges and pursue growth. We will continue to execute our business strategy and deliver first-class services and quality products to our clients. Our investment in our business infrastructure is expected to further leverage our performance and deliver greater efficiencies.

Apiam has a solid balance sheet supported by stable cash flows. In consideration of this, and in line with our improved earnings performance during FY20, the Board have declared a 1.2 cents per share final dividend. This brings the full year dividend to 2 cents per share an increase from 1.6 cents per share in FY19.

As a Company we feel strongly about working with our regional communities and supporting them through their recovery from the challenges they have faced over the past year. To assist with this Apiam donated $135,000 to our Fur Life Charitable Foundation. This, together with other donations raised by the Foundation has all been donated to Rural Aid who have a specialised counselling program to support rural communities as well as to three regional wildlife organisations working to improve native animal wellbeing in those areas most affected by bushfires.

To close, I especially thank the entire Apiam staff who, without exception, faced these extraordinary times with a degree of professionalism, dedication, flexibility and teamwork that made me, and my fellow Board members, proud to be a part of the Apiam team.

I also thank Apiam's shareholders for their continued support and commitment to our business strategy. I look forward to updating shareholders of our continued progress in the coming year.

Yours sincerely,

Professor Andrew Vizard

Managing Director's Message

Dear Shareholder,

Despite the many challenges faced by regional communities, businesses and the broader economy in the 12-months to 30 June 2020 (FY20), Apiam has delivered a strong period of growth, particularly in the second half of the year. Our business model has proved robust and stable in the face of COVID-19 and our strategy to make acquisitions and grow our portfolio of products and services has provided additional opportunities.

Strengthening financial results

In FY20, Apiam's revenue grew 6.0% to $118.4 million (FY19: $111.7 million) underpinned by Apiam's diversified customer segments.

Apiam's dairy and companion animal segment revenues performed strongly, particularly as underlying industry conditions in many regional dairy areas recovered in the second half due to higher rainfall. The revenues from our beef feedlot segment performed well but came off the back of a record FY19 performance, while revenues from pigs were impacted mainly by the reduction of low margin wholesale sales.

New initiatives introduced at the beginning of FY20 also made a strong contribution to revenue growth including our Best Mates companion animal program, the ProDairy consultancy program and our exclusive agreement to distribute Zoono Group's specialised disinfectant products. These initiatives are described further below.

Our business strategy to execute strategic acquisitions, target higher-value products and services and to roll-out our Practice Management System across FY19 and H1 FY20 to generate efficiencies at the clinic-level, has delivered a strong improvement in gross margins to 54.1% in FY20 (up from 50.3% in FY19).

Operating costs have also continued to be a key management focus and the investment we have made in our company infrastructure is delivering increasing cost efficiencies, in turn increasing our bottom-line. I am pleased to report we have delivered 23.3% growth in our underlying Earnings Before Interest & Tax (before non-recurring costs) and 31.8% growth in statutory Net Profit After Tax.

Expansion of products & services delivering growth

Apiam remains committed to its long-term strategic plan consisting of three core pillars – enhancing operations process & capacity, increasing our animals under management and expanding our product and service range. In FY20, Apiam has significantly progressed its product and service expansion strategy, offering new and specialised services to enhance animal health and wellbeing.

We launched our Best Mates companion animal program in July 2019 and have worked on expanding this across our clinic footprint throughout FY20. This is a whole of life health and wellness program with an annual subscription charge, offering total care for pets. Since launching Best Mates, member growth has been very strong, with members growing from 501 as at the end of FY19 to 3,155 as at the end of FY20. Growth on a quarterly basis was particularly strong in Q3 & Q4, reflective of increased pet ownership during COVID-19 restrictions. Approximately 4.5% of Apiam's active patients were Best Mates members as at the end of FY20, leaving a strong opportunity for continued growth in FY21.

ProDairy is another new initiative we launched in early FY20. This is also an innovative service model offering dairy farmers an end-to-end service that extends across areas such as staff training, direct ordering capability and risk management & planning. A full marketing program to support growth of this program was launched in April 2020 and Apiam has had significant success in Victoria to date, with an estimated 10% of Victoria's dairy cows subscribed to the program. Further growth in other operating regions is expected in the coming year.

In November 2019, Apiam executed an agreement with Zoono Animal Health to distribute the Zoono Group (ASX:ZNO) proprietary sanitiser and protectant technology for use in livestock facilities in Australia, and to US-based swine customers. Since this time, Apiam has experienced strong growth in customer demand particularly following its listing on the Australian Register of Therapeutic Goods as an effective disinfectant for hard surfaces against COVID-19. It has also proved effective against other bacteria and viruses.

Apiam expects to see strong sales momentum continue for Zoono's products within livestock sectors as a growing awareness and requirement for hygiene is expected to be a long-term customer trend.

Acquisitions with compelling rationale

Apiam executed three acquisitions during FY20. ACE Laboratory Services (ACE) was acquired in October 2019 and was the largest of Apiam's acquisitions in FY20 with initial consideration of $12.4 million. ACE is a highly specialised business with a custom vaccine and diagnostic laboratory service offering. Its main customers are large production animal producers. The acquisition is highly complementary to Apiam's business and we have identified its core markets as attractive and high growth opportunities as farming trends evolve, especially with demand for alternatives to antimicrobials growing rapidly. Since acquisition, ACE has performed strongly and we have identified many new customer opportunities across our client base for its specialised service offering.

Grampians Animal Health and Devoted Vets in Warragul were smaller acquisitions that expanded Apiam's regional footprint into areas identified as strategic. Grampians Animal Health is headquartered in Hamilton, one of Australia's largest and most productive sheep farming regions and consists of a large regional mixed animal veterinary clinic and a production animal consultancy business.

Both the Grampians Animal Health and Devoted Vets acquisitions have both performed in-line with expectations and have delivered immediate growth opportunities as a result of operating within Apiam's corporate network.

Supporting our customers & communities

The extreme weather events of the past 12-months, and the COVID-19 pandemic has meant our regional customers and communities have endured challenging conditions. This year, Apiam has been particularly focussed on how to best support our customers and communities as well as optimising our Fur Life Foundation. This year Apiam's Fur Life Foundation has contributed $150,000 directly back into local communities via sponsorship of regional wildlife charities and Rural Aid who has a specialised counselling program to support rural communities.

During the year we also launched our own in-house Mental Health Strategy initiative as part of our ongoing commitment to the wellbeing of our employees. This strategy was also made available to a number of our regional customers and our Customer Assistance Program has been used to date by clients across the dairy, feedlot and pig industries.

Outlook

While the 2021 financial year brings with it uncertainty associated with COVID-19, Apiam is well positioned to pursue its strategic framework and deliver further growth. We will continue to grow our product and service offering as well as work with our customers and their communities to ensure optimal animal health, wellbeing and safety.

Apiam's diversified business and customer segments ensure business resilience and our ability to continue to leverage our back-end systems and infrastructure is expected to continue our earnings growth trajectory. Our strong balance sheet, manageable debt levels and stable operating cash flows also ensure we are well positioned to navigate the year ahead.

I conclude by thanking our shareholders for your continuing support. I also thank my Board colleagues and dedicated employees for your ongoing commitment and hard work to move our company into its next stage of growth.

Yours Sincerely,

Dr Chris Richards

Managing Director

Directors' Report

The Directors present their report on the consolidated entity consisting of Apiam Animal Health Limited (Apiam) and the entities it controlled at the end of, or during, the year ended 30 June 2020.

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

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 four years, Professor Vizard was a non-executive director of the Ridley Corporation Limited.

Interests in Shares and Options

221,695 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

30,000,000 shares

248,144 performance rights

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. Michael also acts as a consultant to IRP Health, a company focused on alternate solutions to antibiotic usage in production, companion animal and humans.

Interests in Shares and Options

104,737 shares

Mr Richard John Dennis

Independent Non-Executive Director

BComm, LLB, CA, MAICD

Rick held a number of senior roles for over 35 years with Ernst & Young (EY) and was the Managing Partner of EYs Queensland practice on two occasions from 2001-2007 and from 2014-15. Rick also held 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 Open Minds and ASX-listed Motorcycle Holdings Limited.

Interests in Shares and Options

21,647 shares

Professor Jan Tennent

Independent Non-Executive Director

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

Jan is a Fellow of the Australian Academy of Technology and Engineering and the Australian Society for Microbiology, a Principal Fellow at the University of Melbourne and a Collaborative Professor at the University of Osaka (2017-2020). She is an internationally recognised researcher with specialist knowledge of antimicrobial resistance mechanisms and the discovery and commercialisation of vaccines. Jan has held senior roles at CSIRO, CSL, and Pfizer Animal Health where she was the Director of Business Development and Global Alliances in the APAC region. For the past eight years, Jan has been the CEO of Bio 21 Australia / Biomedical Research Victoria. She is also a non-executive director of AusBiotech Limited and the eviDent Foundation Limited, and the founder of ConnectBio consultancy.

Interests in Shares and Options

36,231 shares

Company Secretary

Todd Richards

Todd (BBus, Accounting) is a Certified Practicing Accountant (FCPA) and Company Secretary. His background includes experience in completing IPOs, M&A transactions and capital raising for ASX listed companies. He is Company Secretary for a number of listed and private companies and his corporate secretarial experience in the listed space includes roles in fin-tech, digital media, agri-business, e-commerce and building services.

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	11	11	4	4	3	3
Chris Richards	11	11	N/A	N/A	N/A	N/A
Michael van Blommestein	11	11	N/A	N/A	3	3
Richard Dennis	11	11	4	4	N/A	N/A
Jan Tennent	11	11	4	4	3	3

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

COMMITTEE MEMBERSHIP

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

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

Richard Dennis (Chair)

Andrew Vizard

Jan Tennent

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

Michael van Blommestein (Chair)

Andrew Vizard

Jan Tennent

PRINCIPAL ACTIVITIES

REVIEW OF OPERATIONS

Apiam has produced a solid result for the 12-months to 30 June 2020 (FY20) reporting revenue growth and significant earnings improvement.

Revenue for FY20 increased 6.0% to $118.4 million, up from $111.7 million in FY19 (the prior corresponding period - pcp), despite industry and wider economic COVID-19 challenges across the period. This was underpinned by Apiam's diversified business model, exposure to a wide range of animal segments and the acquisitions made over the period.

In particular, Apiam's dairy and mixed animal segment revenues grew strongly compared to pcp, as greater rainfall significantly improved conditions for customers across the second half of FY20 and the majority of Apiam's companion animal clinics delivered double-digit revenue growth. Beef feedlot revenues maintained a solid performance, albeit off a record performance in FY19. Revenues from the pig segment continued to be affected by industry specific challenges.

Like-for-like revenue, excluding the impact of acquisitions made during the year, fell 5.1% in FY20 reflecting the impact of drought in the first half of FY20 and the reduction in low margin wholesale sales in the pig segment.

As part of Apiam's on-going strategy to diversify the business and address these industry challenges, the Company introduced a number of new business initiatives in FY20. Apiam launched the specialised ProDairy consultancy program and the Best Mates companion animal programs early in the period. In November 2019, Apiam also entered into an exclusive agreement with Zoono Animal Health to distribute the Zoono Group's (ASX: ZNO) proprietary protection disinfectant technology for use in livestock in Australia and to US-based swine customers.

In FY20, Apiam made three strategic business acquisitions – ACE Laboratory Services, Grampians Animal Health and Devoted Vets in Warragul, and these made an important financial contribution to the business over the period. Apiam also continued to generate operating efficiencies in many areas.

Apiam reported gross profit of $64.0 million in FY20, an increase of 13.8% on the pcp and a gross margin of 54.1% (FY19: 50.3%). These strong improvements reflect the benefits at the clinic level of Apiam's investment in the roll-out of its comprehensive Practice Management System to all locations, enabling consistent pricing and management of revenues and costs across clinics.

Underlying EBIT in FY20 (excluding one-off corporate, acquisition and integration expenses) was $8.4 million, compared to $6.8 million in FY19, up 23.3%, a reflection of strict operating cost control and targeted expenditure. Reported NPAT for the year was $4.2 million (FY19: $3.2 million), up 31.8% on pcp.

The following tables are presented to assist in the interpretation of the underlying performance of Apiam during FY20. This information is additional and provided using non-IFRS information and terminology.

Apiam FY20 Financial Result Summary – Underlying

	FY20	FY19	Variance	%
Total Revenue	118.4	111.7	6.7	6.0%
Gross Profit	**64.0**	**56.2**	**7.8**	**13.8%**
Operating expenses	(49.6)	(46.2)	(3.4)	7.3%
Underlying EBITDA [1]	**14.4**	**10.0**	**4.4**	**43.4%**
Amortisation ROU assets [2]	(2.4)	0.0	(2.4)	-
Depreciation & amortisation	(3.6)	(3.2)	(0.4)	11.3%
Underlying EBIT [1]	**8.4**	**6.8**	**1.6**	**23.3%**
Underlying NPAT [1]	**4.9**	**4.0**	**0.9**	**23.0%**
One-off expenses	(1.1)	(1.2)		

Notes:
1. Underlying earnings exclude one-off corporate, acquisition and integration expenses (tax effected where applicable at NPAT level)
2. The current period (FY20) has been impacted by the first time adoption of the new accounting standard *AASB 16 Leases* but the comparative (FY2019) has not been adjusted.

Apiam FY20 Financial Result Summary – Reported

	FY20	FY19	Variance	%
Total revenue	118.4	111.7	6.7	6.0%
Gross profit	64.0	56.2	7.8	13.8%
Operating expenses	(49.6)	(46.2)	(3.4)	7.3%
One-off expenses	(1.1)	(1.2)	0.1	(9.0)%
EBITDA	**13.3**	**8.9**	**4.5**	**50.2%**
Amortisation ROU assets [1]	(2.4)	0.0	(2.4)	-
Depreciation & amortisation	(3.6)	(3.2)	(0.4)	11.3%
EBIT	**7.4**	**5.7**	**1.7**	**29.8%**
Interest	(1.4)	(1.1)	(0.2)	20.1%
Tax	(1.8)	(1.4)	(0.4)	25.0%
Other (including minorities) [2]	(0.1)	0.0	(0.1)	-
NPAT attributable to members	**4.2**	**3.2**	**1.0**	**31.8%**
Gross margin	54.1%	50.3%		
EBIT margin	6.2%	5.1%		

Notes:
1. The current period (FY20) has been impacted by the first time adoption of the new accounting standard *AASB 16 Leases* but the comparative (FY2019) has not been adjusted
2. Includes a range of partner business activities incl. Sth West Equine JV, Apiam Solutions, PETstock Joint Venture, Portec etc

Apiam's financials in FY20 have been affected by the first-time adoption of AASB 16 Leases on 1 July 2019. Prior period comparatives in FY19 have not been adjusted. A summary analysis of Apiam's key profit metrics pre & post AASB 16 Leases adoption in FY20 is set out below.

Apiam FY20 Financial Result Underlying - Pre & Post AASB16

$m [1]	FY2020A	FY2019A *(not AASB 16 adjusted)*	Variance	%
Total revenue	118.4	111.7	6.7	6.0%
Post AASB 16 in FY20				
EBITDA	14.4	10.0	4.4	43.4%
EBIT	8.4	6.8	1.6	23.3%
NPAT	4.9	4.0	0.9	23.0%
Pre AASB 16 in FY20				
EBITDA	11.9	10.0	1.8	18.4%
EBIT	8.3	6.8	1.5	21.7%
NPAT	5.0	4.0	1.1	26.9%

Notes:
1 All figures presented on an underlying basis to exclude one-off corporate, acquisition and integration expenses (tax effected where applicable at the NPAT level)

Acquisitions

As part of Apiam's strategic acquisition program, the Company completed three important acquisitions in FY20 – ACE Laboratory Services (ACE), Grampians Animal Health and Devoted Vets in Warragul.

ACE was acquired in October 2019 and is a market leading, highly specialised autogenous (custom) vaccine and diagnostic laboratory service provider to large production animal producers. The acquisition is highly complementary to Apiam's business. The diagnostic laboratory services are a natural fit with traditional animal veterinary services and offers Apiam an attractive product and service extension that can be leveraged across the Company's large production animal footprint. Additionally, the business' performance and innovative track record is world class. The consideration for ACE was $16 million, of which initial consideration comprised $12.375 million and deferred consideration is payable in 12-months from the date of acquisition subject to performance ($3.625 million).

Apiam also acquired Grampians Animal Health in December 2019. This business comprises a large, regional mixed animal veterinary practice and a production animal consultancy business. Grampians Animal Health is located in the Western District of Victoria which is one of Australia's largest and most productive sheep farming regions. This is another highly complementary acquisition and the business not only enables Apiam to leverage its asset base and infrastructure in this region but offers a range of skills and expertise that enhance Apiam's offering and add to its existing skill base. The acquisition is a fundamental pillar of the Company's regional expansion strategy and will take the South West Victorian operation to seven clinics. The consideration for Grampians Animal Health was $4.65 million, including deferred consideration of $0.3 million.

Devoted Vets is a small regional veterinary clinic acquisition in Warragul, Victoria, operating in an attractive and strategic regional location.

Business development initiatives

During the year, as part of Apiam's on-going strategy to deliver new revenue streams the Company implemented a number of business initiatives designed with attractive margin and growth opportunities.

The Best Mates companion animal program was launched in July 2019 and has been rolled out across the whole clinic footprint in FY20. This is a whole of life health and wellness program for companion animals with a recurring revenue opportunity as it is based on a subscription service model. Since launching Best Mates, member growth has been very strong, with members growing from 501 as at the end of FY19 to 3,155 as at the end of FY20.

ProDairy is also based on a subscription model offering dairy farmers an end-to-end dairy consulting and supply service. This already has strong penetration in the Victorian market with further growth in other operating regions expected,

A further product extension executed during the year was Apiam's exclusive agreement to distribute Zoono Group's proprietary sanitiser and protectant technology for use in livestock facilities in the markets of Australia and to US-based swine customers. Apiam has experienced strong demand for this product, particularly following its listing on the Australian Register of Therapeutic Goods as an effective disinfectant for hard surfaces against COVID-19. It has also proved effective against other bacteria and viruses including influenza.

Balance sheet

Apiam's balance sheet remains solid, with manageable debt levels serviced by stable cash flows. As at 30 June 2020, Apiam's net borrowings increased to $34.5 million up from $24.9 million as at prior financial year end. This movement mostly reflects the $13.4 million cash component of the three acquisitions made during FY20.

Apiam also made a strategic increase in inventory in FY20 as it executed the full market launch of its private label product range and began the exclusive distribution of Zoono products.

Cash flow

Apiam reported operating cashflow in FY20 of $7.5 million, however this excludes $2.3 million of lease payments now classified as financing cash outflow following the first time adoption of AASB16 Leases in FY20.

Apiam's investing and financing cash flows in FY20 reflect the impact of the three acquisitions made in FY20, and the 70% - 80% debt financing utilised.

$M	FY20A	FY19A
Net cash provided by operating activities	**7.5**	**4.9**
Acquisition of subsidiary, net of cash	(13.1)	(0.3)
Purchases of property, plant and equipment	(1.5)	(2.1)
Purchases of Intangible assets	(0.4)	(0.7)
Net cash used in investing activities	**(15.0)**	**(3.1)**
Net changes in financing	12.4	0.2
Dividends paid to shareholders	(1.2)	(1.0)
Repayment of lease liabilities	(3.2)	-
Other	0.1	(0.6)
Net cash inflow from financing activities	**8.1**	**(1.4)**
Net change in cash and cash equivalents	**0.6**	**0.4**

Dividend

Apiam's Board of Directors have declared a fully franked dividend of 1.2 cents per share (cps), supported by the Company's solid balance sheet and growth in earnings over FY20. This brings total dividends paid in respect of FY20 to 2.0 cps, implying a 56% payout ratio of NPAT.

The final dividend will be paid on 23 October 2020 and Apiam's Dividend Reinvestment Plan will be maintained.

Outlook

Apiam is well placed to deliver revenue and earnings growth in FY21, despite the current challenges posed by COVID-19. The product and service offering extension that has been the focus of the Company's FY20 strategy will continue to accelerate new revenue streams, and further operating leverage is expected to enhance earnings margins.

DIVIDENDS

An interim dividend of $927,624.56 is 0.8 cps and was paid in April 2020. The Apiam Board of Directors have declared the Company's final dividend of 1.2c per share fully franked on the 20 August 2020. The final dividend of $1,399,166 will be paid on the 23 October 2020.

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 accounts for more than 10% of Apiam Animal Health's FY20 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)

Jan Tennent

Director (Independent Non-executive)

(II) EXECUTIVES

Matthew White

Chief Financial Officer

Brian Scutt

Chief Operating 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 FY20 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;
- Long term incentives; and
- short term incentives, being bonuses.

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

Item	*2020*	*2019*	*2018*	*2017*	**2016**
EPS (cents)	3.69c	3.01c	3.21c	5.00c	0.08c
Dividends (cents per share)	1.6c	1.6c	1.6c	0.8c	-
Net profit before tax ($'000)	$6,065	$4,569	$4,831	$6,315	$1,068
Share price ($)	$0.46	$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: Salary and fees (i)	Short term employee benefits: Cash bonus	Short term employee benefits: Non-monetary benefits	Post-employment benefits: Superannuation	Long-term benefits: Long service leave (ii)	Share-based Payment: Performance Rights (iii)	Total	Performance based percentage of remuneration
Directors		$	$	$	$	$	$	$	%
Andrew Vizard Chairman Independent	2020	120,000	-	-	-	-	-	120,000	0%
	2019	120,000	-	-	-	-	-	120,000	0%
Richard Dennis Independent	2020	70,000	-	-	-	-	-	70,000	0%
	2019	70,000	-	-	-	-	-	70,000	0%
Chris Richards Managing Director	2020	354,740	-	8,307	21,003	7,888	9,451	401,389	2%
	2019	350,072	-	13,674	20,531	5,208	-	389,485	0%
Michael van Blommestein Independent	2020	54,795	-	-	5,205	-	-	60,000	0%
	2019	54,795	-	-	5,205	-	-	60,000	0%
Charles Sitch Independent	2020	-	-	-	-	-	-	-	0%
	2019	22,416	-	-	2,129	-	-	24,545	0%
Jan Tennent Independent	2020	60,000	-	-	-	-	-	60,000	0%
	2019	55,000	-	-	-	-	-	55,000	0%
Employees									
Matthew White Chief Financial Officer	2020	228,000	-	-	21,003	4,040	2,798	255,841	1%
	2019	225,000	-	-	20,532	1,293	-	246,825	0%
Brian Scutt Chief Operating Officer	2020	61,923	-	-	5,251	1,032	-	68,206	0%
	2019	-	-	-	-	-	-	-	0%
2020 Total	**2020**	**949,458**	**-**	**8,307**	**52,462**	**12,960**	**12,249**	**1,035,436**	**0%**
2019 Total	**2019**	**897,283**	**-**	**13,674**	**48,397**	**6,501**	**-**	**965,855**	**0%**

(i) Salary and fees include salaries and allowances.
(ii) Long term benefits include long service leave entitlement accruals.
(iii) Share based payment performance rights are long term incentive performance plans which will lapse if they are not vested within three years of grant date. The performance rights will vest annually over three years upon the Company achieving a minimum of 12% share price growth per year. The amount recognised for the Managing Director and Chief Financial Officer was $9,451 and $2,798 respectively and is the proportion expensed to that year based on the Monte Carlo valuation model.

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

Name	Fixed remuneration	At risk – STI
Executive Directors		
Chris Richards	100%	-
Other Key Management Personnel		
Matthew White	100%	-
Brian Scutt	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	$354,740	5 years from listing	Twelve (12) months
Matthew White	$228,000	No fixed term	Six (6) months
Brian Scutt	$230,000	No fixed term	Three (3) months

Bonus provisions

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

d Bonuses included in remuneration

There were no short-term incentive cash bonuses awarded or made available as remuneration to each key management personnel during the financial year.

e Long Term Incentive Plan

Remuneration of key management personnel includes performance rights which are offered as part of a long term incentive plan. The performance period for the plan runs for a three year period from 1 July 2019 to 30 June 2022. The performance measures are assessed annually and are based on the share price growth of the company and subject to continued employment.

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

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

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

The performance rights are allocated equally over a three-year period. The performance rights for each financial year during the performance period will vest subject to meeting the share price growth rate and remaining in continuous employment through to the annual vesting date of 31 October.

Tranche A – one third of the rights in the FY2020 year
Tranche B – one third of the rights in the FY2021 year
Tranche C – one third of the rights in the FY2022 year

Details of the number of performance rights granted are as follows:

Name	Performance Rights granted	Grant Date	Tranche A – FY2020	Tranche B – FY2021	Tranche C – FY2022
Chris Richards	248,144	28/11/19	82,714	82,715	82,715
Matthew White	106,326	19/3/20	35,442	35,442	35,442
Brian Scutt	-	-	-	-	-

Each tranche of performance rights which have not vested will expire if the applicable performance measures are not met during the performance period.

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

f Non-Executive Director remuneration

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

The Non-Executive Directors of the Company 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.

g Other information

Options held by key management personnel

There were no options to acquire shares in the Company held during the 2020 reporting period of 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 2020 held by each of the Groups key management personnel, including their related parties, is set out below.

Personnel	Balance at 1/07/2019	Granted as remuneration	Received on exercise	Other changes	Held as at 30/06/2020
Chris Richards	28,951,805	-	-	1,048,195	30,000,000
Andrew Vizard	214,153	-	-	7,542	221,695
Richard Dennis	20,912	-	-	735	21,647
Michael van Blommestein	101,174	-	-	3,563	104,737
Jan Tennent	35,000	-	-	1,231	36,231
Matthew White	117,776	-	-	2,959	120,735
Brian Scutt	-	-	-	-	-
Total	29,440,820	-	-	1,064,225	30,505,045

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

Performance rights held by key management personnel:

The number of performance rights held at 30 June 2020 by each of the Group's key management personnel, including their related parties, is set out below.

Personnel	Balance at 1/07/2019	Granted as remuneration	Vested/ exercised	Forfeited/ lapsed during year	Held as at 30/06/2020
Chris Richards	-	248,144	-	-	248,144
Matthew White	-	106,326	-	-	106,326
Brian Scutt	-	-	-	-	-
Total	-	354,470	-	-	354,470

Loans to key management personnel

The Group did not enter into any loans with key management personnel during the 2020 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 FY20 amounted to $333,600 (2019: $333,600).

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 (2019: $125,232).

The Group leases an artificial insemination facility in Victoria from entities associated with Chris Richards. Lease payments made amounted to $105,000 (2019: $105,000).

The Group leases premises at Midland Highway, Lethbridge, Victoria from entities associated with Chris Richards. Lease payments made amounted to $2,018 (2019: $16,818).

The Group leases premises at Hoskin Street, Quarry Hill, Victoria from entities associated with Chris Richards. Lease payments made amounted to $- (2019: $15,002).

The Group leases premises at Midland Highway, Epsom, Victoria from entities associated with Chris Richards. Lease payments made amounted to $7,753 (2019: $18,652).

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 28 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
24 August 2020

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Auditor’s Independence Declaration

To the Directors of Apiam Animal Health Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Apiam Animal Health Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

C S Gangemi
Partner – Audit & Assurance

Melbourne, 24 August 2020

Apiam Animal Health Limited Financial Statements

For the year ended 30 June 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 June 2020

	Note	2020 $'000	2019 $'000
Revenue	6	118,335	111,720
Other income		82	19
Expenses			
Changes in inventory		6,718	(308)
Cost of materials		(61,130)	(55,324)
Costs of consumables and services		(927)	(970)
Employee benefit expenses	27	(37,681)	(33,085)
Acquisition expenses		(460)	(392)
Property expenses		(1,496)	(3,452)
Freight, vehicle and transport expenses		(2,120)	(1,899)
Depreciation and amortisation expense	13,14	(5,853)	(3,147)
Depreciation of biological assets		(98)	(46)
Other operating expenses		(7,982)	(7,425)
Share of profit from equity accounted investments		45	18
Interest on lease liabilities	7	(388)	-
Finance costs	7	(980)	(1,140)
Profit/(loss) before income tax		**6,065**	**4,569**
Income tax (expense)/benefit	8	(1,774)	(1,419)
Profit from continuing operations		**4,291**	**3,150**
Profit for the year		**4,291**	**3,150**
Profit attributable to:			
Owners of Apiam Animal Health Limited		4,171	3,165
Non-controlling interests	24	120	(15)
Total comprehensive income/ (loss) for the period		**4,291**	**3,150**
Earnings per share for profit attributable to the ordinary equity holders of the company:	**Note**	**Cents**	**Cents**
Basic earnings per share	25	3.69	3.01
Diluted earnings per share	25	3.65	3.00

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 2020

	Note	2020 $'000	2019 $'000
Current assets			
Cash and cash equivalents	9	2,509	1,873
Trade and other receivables	10	11,868	13,399
Tax receivable		225	507
Inventories	11	17,666	10,947
Other current assets	12	1,096	1,003
Total current assets		**33,364**	**27,729**
Non-current assets			
Intangible assets	14	84,276	65,225
Property, plant and equipment	13	19,805	8,381
Biological assets		123	220
Investments		140	95
Deferred tax assets	16	3,319	2,796
Total non-current assets		**107,663**	**76,717**
Total assets		**141,027**	**104,446**
Current liabilities			
Trade and other payables	17	8,795	9,596
Lease liabilities	15	2,683	-
Other current liabilities	21	4,153	400
Current tax liabilities	18	1,300	230
Borrowings	19	3,400	3,707
Employee benefit obligations	20	5,865	4,852
Total current liabilities		**26,196**	**18,785**
Non-current liabilities			
Borrowings	19	33,565	23,035
Lease liabilities	15	11,453	-
Employee benefit obligations	20	280	273
Deferred tax liabilities	16	720	784
Other liabilities		300	260
Total non-current liabilities		**46,318**	**24,352**
Total liabilities		**72,514**	**43,137**
Net assets		**68,513**	**61,309**
Equity			
Equity attributable to owners of the parent			
Share capital	22	91,107	86,432
Corporate re-organisation reserve	23	(26,692)	(26,692)
Non-controlling interest acquisition reserve	23	(6,615)	(6,615)
Share based payment reserve	23	223	330
Foreign currency translation reserve	23	(20)	-
Retained earnings		9,486	7,092
		67,489	60,547
Non-controlling interest	24	1,024	762
Total equity		**68,513**	**61,309**

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

	Note	Share capital	Corporate re-organisation reserve	Non-controlling interest acquisition reserve	Share based payment reserve	Foreign Currency Translation Reserve	Retained earnings	Total attributable to owners of parent	Non-controlling interest	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2018		85,775	(26,692)	(6,615)	-	-	5,607	58,075	650	58,725
Issue of shares to vendors of business acquired		-	-	-	-	-	-	-	-	-
Issue of new share capital		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**
Issue of new share capital	22	770	-	-	-	-	-	770	142	912
Issue of shares to vendors of business acquired	22	3,905	-	-	-	-	-	3,905	-	3,905
Employee share plan		-	-	-	(107)	-	-	(107)	-	(107)
Foreign currency translation adjustment		-	-	-	-	(20)		(20)	-	(20)
Dividends paid		-	-	-	-	-	(1,777)	(1,777)	-	(1,777)
Transactions with owners		**4,675**	**-**	**-**	**(107)**	**(20)**	**(1,777)**	**2,771**	**142**	**2,913**
Profit / (Loss) for the period		-	-	-	-	-	4,171	4,171	120	4,291
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**-**	**4,171**	**4,171**	**120**	**4,291**
Balance at 30 June 2020		**91,107**	**(26,692)**	**(6,615)**	**223**	**(20)**	**9,486**	**67,489**	**1,024**	**68,513**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from customers		133,977	123,800
Payments to suppliers and employees		(123,721)	(115,838)
		10,256	**7,962**
Interest paid		(1,347)	(1,140)
Transaction costs relating to acquisition of subsidiary		(460)	(385)
Income taxes paid		(942)	(1,553)
Net cash (outflow)/inflow from operating activities	26	**7,507**	**4,884**
Cash flows from investing activities			
Payments for property, plant and equipment		(1,646)	(1,860)
Payments for biological assets		-	(266)
Purchase of intangible assets		(340)	(706)
Proceeds from disposals of property, plant & equipment		82	19
Acquisition of subsidiaries, net of cash acquired	31	(13,097)	(254)
Net cash (outflow)/inflow from investing activities		**(15,001)**	**(3,067)**
Cash flows from financing activities			
Proceeds from borrowings		22,583	15,516
Repayment of borrowings		(10,171)	(15,301)
Lease payments		(3,242)	(699)
Capital contribution of non-controlling interest		142	127
Dividends paid to company shareholders		(1,182)	(1,023)
Net cash (outflow)/inflow from financing activities		**8,130**	**(1,380)**
Net (decrease)/increase in cash and cash equivalents		**636**	**437**
Cash and cash equivalents at the beginning of the year		1,873	1,436
Cash and cash equivalents at end of the year	9	**2,509**	**1,873**

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

Notes to the Consolidated Financial Statements

1 Nature of operations

Apiam Animal Health Limited and subsidiaries' ('the Group') principal activities include the provision of veterinary products and services to production 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 Limited is a for-profit entity for the purpose of preparing the financial statements.

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

The consolidated financial statements for the year ended 30 June 2020 were approved and authorised for issue by the Board of Directors on 24 August 2020.

3 Changes in accounting policies

3.1 New standards adopted as at 1 July 2019

AASB 16 Leases

AASB 16 'Leases' replaces AASB 117 'Leases' and several lease related interpretations. The new Standard has been applied using the modified retrospective approach. Prior periods have not been restated and there have been no adjustments to opening retained earnings on transition to AASB 16.

The adoption of this new Standard has resulted in the Group recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of the initial application. The lease liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate appropriate to the underlying term and security of each lease as of 1 July 2019. The right of use assets for property lease is measured on a retrospective basis as if the new rules had always been applied and other right of use assets were measured at the amount equal to the lease liability. The adoption of the standard resulted in reduced operating expenses and increased depreciation and interest expense.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from AASB 117 and interpretation 4 and has not applied AASB 16 to arrangements that were previously not identified as leases under AASB 117 and interpretation 4.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of AASB 16.

On transition to AASB 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under AASB 16 was 2.965%.

The Group has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

The following is a reconciliation of total operating lease commitments at 30 June 2019 to the lease liabilities recognised at 1 July 2019:

Total operating lease commitments disclosed at 30 June 2019	10,119
CPI increases not recognised under AASB16	(492)
Operating lease liabilities before discounting	9,627
Discounted using incremental borrowing rate	(553)
Reasonably certain extension options	4,655
Finance lease obligations	1,685
Total lease liabilities recognised under AASB 16 at 1 July 2019	15,414

The adoption of AASB 16 has resulted in the following impacts to the financial statements for the year ending 30 June 2020:

Income Statement:	
• A decrease in rental expense	2,040
• An increase in depreciation expense	2,419
Statement of financial position	
• An increase in property, plant & equipment	12,770
• An increase in current liabilities	2,187
• An increase in non-current liabilities	10,650
Statement of cash flows	
• An increase in net cash flows from operating activities	2,012
• A decrease in net cash flows from financing activities	2,012

Interpretation 23 Uncertainty over Income Tax Treatments

Interpretation 23 requires that assessment of whether the effect of uncertainty over income tax treatment should be included in the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The interpretation outlines the requirements to determine whether an entity considers uncertain tax treatments separately, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax basis, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances.

The Group has adopted Interpretation 23 from 1 July 2019, based on an assessment of whether it is “probable” that a taxation authority will accept an uncertain tax treatment. This assessment takes into account that for certain jurisdictions in which the company operates, a local tax authority may seek to open a company’s books as far back as inception of the company. Where it is probable, the company has determined tax balances consistently with the tax treatment used or planned to be used in its income tax filings. Where the Group has determined that it is not probable that the taxation authority will accept an uncertain tax treatment, the most likely amount or expected value has been used in determining taxable balances (depending on which method is expected to better predict the resolution of the uncertainty). There has been no material impact from the adoption of interpretation 23 in this reporting period.

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

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

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

4 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 2020. 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

As described in Note 3, the Group has applied AASB 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under AASB 117 and Interpretation 4.

Accounting policy applicable from 1 July 2019

For any new contracts entered into on or after 1 July 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

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

Measurement and recognition of leases as a lessee

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

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

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

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

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

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

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

Accounting policy applicable before 1 July 2019

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

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged to the statement of profit & loss and other comprehensive income 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 AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable). Financial assets other than those designated and effective as hedging instruments are classified into the following categories:

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

The classification is determined by both:

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

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

Subsequent measurement of financial assets

Financial assets at amortised cost

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

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

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under AASB 139.

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

AASB 9’s impairment requirements use more forward-looking information to recognise expected credit losses – the ‘expected credit loss (ECL) model’. This replaced AASB 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 AASB 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 AASB 9 are applied.

Classification and measurement of financial liabilities

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

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

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

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

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 Group.

Retained earnings

Retained earnings include all current and prior period retained profits. Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date. All transactions with owners of the parent are recorded separately within equity.

Share based payments reserve

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

Foreign currency translation reserve

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

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 makes determination with regard to the allocation of groups of cash generating units for the purpose of impairment testing. 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:

	2020	2019
Segment information	**$'000**	**$'000**
Revenue from external customers	118,335	111,720
Segment operating costs	(108,676)	(104,138)
Segment adjusted operating profit before tax	**9,659**	**7,582**
Total reporting segment operating profit	9,659	7,582
Other income	82	19
Corporate overheads	(1,640)	(1,388)
Acquisition and integration costs	(460)	(392)
Restructure costs	(253)	(130)
Finance costs	(1,368)	(1,140)
Share of profit from equity accounted investments	45	18
Net profit before tax	**6,065**	**4,569**
Income tax	(1,774)	(1,419)
Net profit after tax	**4,291**	**3,150**

6 Revenue

	2020 $'000	2019 $'000
Sales revenue		
Goods transferred at a point in time	87,930	76,768
Services transferred over time	30,405	34,952
Total revenue	**118,335**	**111,720**

7 Expenses

Profit before income tax includes the following specific expenses:

	2020	2019
	$'000	$'000
Depreciation		
Leased buildings	2,419	-
Leasehold improvements	128	101
Plant and equipment	1,860	1,686
Motor vehicles	935	992
Biological assets	98	46
Amortisation of intangibles	511	368
Total depreciation and amortisation	**5,951**	**3,193**
Finance costs		
Interest expense on borrowings	980	1,140
Interest expense on lease liabilities	388	-
	1,368	**1,140**
Share-based payments expense	(29)	302
Rental expense	153	2,193

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 the Group at 30% (2019: 30%) and the reported tax expense in profit or loss are as follows:

	2020	2019
	$'000	$'000
Profit from continuing operations before income tax expense	6,065	4,569
Tax at the Australian tax rate of 30% (2019 - 30%)	1,820	1,371
Adjustments for non-deductible expenses:		
Sundry items	(13)	(1)
	1,807	**1,370**
Income tax expense	**1,807**	**1,370**
Adjustment for current tax in prior periods	(33)	49
Total current tax expense	**1,774**	**1,419**
Tax expense comprises		
Current tax expense/(benefit)	2,362	1,106
Deferred tax expense/(benefit)	(588)	313
Tax expense/(benefit)	**1,774**	**1,419**

Note 16 provides information on deferred tax assets and liabilities.

9 Cash and cash equivalents

	2020	2019
	$'000	$'000
Cash at bank and in hand	2,509	1,873
Cash and cash equivalents	**2,509**	**1,873**

10 Trade and other receivables

	2020	2019
	$'000	$'000
Trade receivables, gross	12,145	12,637
Less: allowance for expected credit losses	(334)	(367)
Other receivables	26	184
Rebates receivable	31	945
	11,868	**13,399**

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value. An allowance for expected credit losses has been recognised using a provision matrix based on historical credit loss rates. Refer to Note 33.3 Credit risk analysis.

	2020	2019
	$'000	$'000
Balance at 1 July	367	400
Impairment loss	(33)	(33)
Balance 30 June	**334**	**367**

11 Inventories

	2020	2019
	$'000	$'000
Stock on hand, at cost	17,560	11,352
Less provision for obsolescence	(87)	(417)
Stock in transit, at cost	193	12
	17,666	**10,947**

12 Other current assets

	2020	2019
	$'000	$'000
Prepayments	1,029	947
Security deposits	67	56
	1,096	**1,003**

13 Property, plant and equipment

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

	Leased Buildings (i)	Leasehold improve-ments	Plant and equipment	Motor vehicles (ii)	Assets under construction	Total
	$'000	$'000	$'000	$'000	$'000	$'000
At 30 June 2019						
At cost	-	572	9,301	4,991	1,146	16,010
Accumulated depreciation	-	(169)	(4,428)	(2,847)	(185)	(7,629)
Net book value	-	**403**	**4,873**	**2,144**	**961**	**8,381**
Year ended 30 June 2020						
Opening net book value	-	403	4,873	2,144	961	8,381
Adjustment on transition to AASB16	13,729	-	-	-	-	13,729
Additions	-	150	1,034	493	-	1,677
Additions through business combinations	-	139	702	30	-	871
Leased buildings from business combinations	1,414	-	-	-	-	1,414
Transfer to capitalised development costs	-	-	-	-	(925)	(925)
Depreciation charge	(2,373)	(128)	(1,880)	(961)	-	(5,342)
Closing net book value	**12,770**	**564**	**4,729**	**1,706**	**36**	**19,805**
At 30 June 2020						
Cost	15,143	860	11,037	5,380	36	32,456
Accumulated depreciation	(2,373)	(296)	(6,308)	(3,674)	-	(12,651)
Net book amount	**12,770**	**564**	**4,729**	**1,706**	**36**	**19,805**

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

14 Intangible assets

	Goodwill $'000	Customer Relation-ships $'000	Capitalised develop-ment costs $'000	Total $'000
At 30 June 2019				
Cost	61,506	3,223	1,140	65,869
Accumulated amortization and impairment	-	(609)	(35)	(644)
Carrying amount at 30 June 2019	**61,506**	**2,614**	**1,105**	**65,225**
At July 1 2019				
Opening net book value	61,506	2,614	1,105	65,225
Additions	-	-	340	340
Acquisition of subsidiary	18,244	-	53	18,297
Transfer from assets under construction	-	-	925	925
Amortisation	-	(215)	(296)	(511)
Closing net book value	**79,750**	**2,399**	**2,127**	**84,276**
At 30 June 2020				
Cost	79,750	3,223	2,675	85,648
Accumulated amortization and impairment	-	(824)	(548)	(1,372)
Net book value	**79,750**	**2,399**	**2,127**	**84,276**

14.1 Impairment testing

Goodwill is allocated to groups of 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. Goodwill impairment testing has been completed for each CGU Group. Refer to 14.4 for the goodwill allocated to each CGU Group.

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

	2020	2019
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%	9.33%

	2020 $'000	2019 $'000
Goodwill allocation across groups of CGUs	79,750	61,506

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 annual sales growth rate of 5%, annual operating expense growth rate of 2% and the long-term growth rate of 2.50% reflect the average growth rates for the industry.

14.3 Discount rates

The post-tax discount rate of 9.33% reflect appropriate adjustments relating to market risk and other risk factors. The discount rate is applied to the three groups of CGU's because the CGU groups share common risks.

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 groups of 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 groups of cash generating unit's level which is also reflective of the level of operating segment being Pig, Feedlot, Dairy and mixed.

The following is a summary of the groups of cash generating unit's to which goodwill is allocated.

	Feedlot	**Dairy and mixed**	**Pig (a)**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Balance 1 July 2019	12,788	48,718	-	61,506
Acquisitions	620	7,694	9,930	18,244
30 June 2020	13,408	56,412	9,930	79,750

15 Leasing

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

	30 June 2020 $'000	30 June 2019 $'000
Lease liabilities (current)	2,683	-
Lease liabilities (non-current)	11,453	-
	14,136	**-**

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

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 30 June 2020 were as follows:

Minimum lease payments due	Within one year $'000	One to two years $'000	Two to three years $'000	Three to four years $'000	Four to five years $'000	After five years $'000	Total $'000
30 June 2020							
Lease payments	3,050	2,603	2,410	2,313	1,919	3,192	15,487
Finance charges	(367)	(310)	(243)	(177)	(117)	(137)	(1,351)
Net present values	**2,683**	**2,293**	**2,167**	**2,136**	**1,802**	**3,055**	**14,136**

Lease payments not recognised as a liability

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

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

	30 June 2020 $'000
Short term leases	51
Leases of low value assets	102
	153

16 Deferred tax assets and liabilities

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

	2020 $'000	2019 $'000
The balance of deferred tax assets comprises temporary differences attributable to:		
Current assets		
Trade and other receivables	164	141
Inventories	237	125
Current liabilities		
Provisions	1,896	1,561
Borrowing costs	-	(5)
Other		
Unused tax losses	1,022	747
Equity raising costs	-	181
Listing and acquisition costs	-	46
	3,319	**2,796**

The balance of deferred tax liabilities comprises temporary differences attributable to:

	2020 $'000	2019 $'000
Intangible assets		
Customer relationships	720	784
	720	**784**

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 2018	751	1,520	(9)	198	91	362	196	3,109
(Charged)/credited:								
to P&L	(4)	41	4	(57)	(45)	(181)	(71)	(313)
at 30 June 2019	**747**	**1,561**	**(5)**	**141**	**46**	**181**	**125**	**2,796**
(Charged)/credited:								
to P&L acquisition of a subsidiary	275	335	5	23	(46)	(181)	112	523
At 30 June 2020	**1,022**	**1,896**	**-**	**164**	**-**	**-**	**237**	**3,319**

All deferred tax liabilities have been recognised in the statement of financial position.

	Customer relationships $'000	Total $'000
At 1 July 2018	867	867
(Charged)/credited to P&L	(63)	(63)
at 30 June 2019	**784**	**784**
(Charged)/credited to P&L	(64)	(64)
At 30 June 2020	**720**	**720**

17 Trade and other payables

	2020	2019
	$'000	$'000
Trade payables	5,583	7,482
Sundry payables and accrued expenses	3,212	2,114
	8,795	9,596

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

18 Current tax liabilities

	2020	2019
	$'000	$'000
Current tax payable	1,300	230

19 Borrowings

	2020	2019
	$'000	$'000
Current:		
Bank loans (a)	3,419	2,983
less capitalized costs	(19)	(20)
lease liability (b)	-	793
less deferred interest charges	-	(49)
Total current borrowings	**3,400**	**3,707**
Non-current		
bank loans (a)	33,589	22,123
less capitalized costs	(24)	(29)
lease liability (b)		986
less deferred interest charges		(45)
Total non-current borrowings	**33,565**	**23,035**

Refer to Note 34 for information on financial instruments.

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

	2020	2019
	$'000	$'000
Bank loans	37,008	25,106
Less capitalised borrowing costs	(43)	(49)
Lease liability	-	1,779
Less deferred interest charges	-	(94)
	36,965	**26,742**

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 of a ratio of 45% (ratio of net debt to net debt & equity): and
- Maximum operating leverage ratio of a ratio of 4.0 times (ratio of net debt to EBITDA):

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:

	2020 $'000	2019 $'000
Total facilities		
Bank - term loan facilities	59,700	59,700
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	**64,500**
Used at reporting date		
Bank - term loan facilities	36,965	25,057
Bank - master asset finance agreement for equipment finance	1,299	1,684
	38,264	**26,741**
Unused at reporting date		
Bank - term loan facilities	22,735	34,643
Bank - master asset finance agreement for equipment finance	2,201	1,816
Bank - overdraft facility	1,000	1,000
Bank - credit card facility	300	300
	26,236	**37,759**

20 Employee benefit obligations

	2020 $'000	2019 $'000
Leave obligations current	5,865	4,852
Leave obligations non-current	280	273
	6,145	**5,125**

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 $5,865 (2019: $4,852) 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.

21 Other current liabilities

	2020 $'000	2019 $'000
Contingent consideration for acquisitions	3,925	400
Contract revenue	54	-
Make good provision	174	-
	4,153	400

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22 Equity

22.1 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.

	2020 Shares	2019 Shares	2020 $'000	2019 $'000
Shares issued and fully paid				
· beginning of the period	105,897,728	104,693,843	86,432	85,775
· shares issued as consideration for business acquisitions	8,768,510	-	3,785	-
· shares issued on achievement of earnout for prior year acquisition	251,994	-	120	-
· issued under dividend reinvestment plan	1,298,025	1,203,885	595	657
· employee shares issued	380,878	-	175	-
Shares issued and fully paid	**116,597,135**	**105,897,728**	**91,107**	**86,432**
Total shares authorised at the end of the period	**116,597,135**	**105,897,728**	**91,107**	**86,432**

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

23 Reserves

Details of reserves are as follows:

	Corporate reorganisation reserve	Non-controlling interest acquisition reserve	Share based payment reserve	Foreign Currency Translation reserve	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2018	(26,692)	(6,615)	-	-	(33,307)
Employee share plan incentive	-	-	330	-	330
Balance at 1 July 2019	**(26,692)**	**(6,615)**	**330**	**-**	**(32,977)**
Employee share plan incentive	-	-	(107)	-	(107)
Foreign currency translation	-	-	-	(20)	(20)
Balance at 30 June 2020	**(26,692)**	**(6,615)**	**223**	**(20)**	**(33,104)**

24 Non-controlling interests

	2020	2019
	$'000	$'000
Issued capital	845	703
Current year earnings	120	(15)
Retained profits carried forward	59	74
Total non-controlling interests	**1,024**	**762**

25 Earnings per share and dividends

25.1 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 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:

	2020	**2019**
	Number	Number
weighted average number of shares used in basic earnings per share	112,902,256	105,204,602
weighted average number of performance rights	1,447,744	410,444
weighted average number of shares used in diluted earnings per share	114,350,000	105,615,046

25.2 Dividends

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

	2020	**2019**
	$'000	**$'000**
fully franked final dividend (0.8 cents a share)	849	838
fully franked interim dividend (0.8 cents a share)	928	842
	1,777	**1,680**

In addition and since the end of the financial year, Directors have declared a fully franked final dividend of 1.2c per ordinary share to be paid on 23 October 2020 (2019: 0.8c)

25.3 Franking credits

	2020	**2019**
The amount of the franking credits available for subsequent:	**$'000**	**$'000**
Balance at the end of the reporting period	9,601	7,950
Franking debits that will arise from the payment of dividends recognised as a liability at the end of the reporting period	(400)	(363)
franking credits that will arise from the payment of the amount of provision for income tax	1,301	230
	10,502	**7,817**

26 Reconciliation of cash flows from operating activities

(a) Reconciliation of cash flows from operating activities	2020	2019
Cash flows from operating activities	**$'000**	**$'000**
Profit / (Loss) for the period	4,291	3,150
Adjustments for:		
· depreciation and amortisation expense	5,972	3,193
· doubtful debt expense	62	102
· obsolete stock provision	(330)	(238)
· amortisation of borrowing expenses	21	16
· share benefits expense	68	330
· profit on sale of fixed assets	(82)	(19)
· share of profit in equity accounted investments	(45)	(18)
· gains on derecognition of contingent consideration payable		
Net changes in working capital:		
· decrease/(increase) in trade and other receivables	3,400	726
· decrease/(increase) in inventories	(5,257)	546
· decrease/(increase) in other assets	(93)	(158)
· decrease/(increase) in deferred tax asset	(301)	313
· increase/(decrease) in trade and other payables	(1,936)	(2,674)
· increase/(decrease) in income tax payable	1,209	(364)
· increase/(decrease) in deferred tax liability	(64)	(83)
· increase/(decrease) in provisions	593	62
Net cash received in operating activities	**7,507**	**4,884**

27 Employee remuneration

27.1 Employee benefits expense

Expenses recognised for employee benefits are analysed below:

Employee benefits – expense	2020	2019
	$'000	**$'000**
Wages and salaries expense	34,847	30,288
Bonus expense/(reversal)	116	42
Share-based payment expense [(a)]	(29)	302
Superannuation expense	2,747	2,453
Employee benefits expense	**37,681**	**33,085**

a) The share based payment expense of $(29) reflects the reversal of an over accrued expense in the prior year.

27.2 Share-based employee remuneration

As at 30 June 2020, the Group maintained a share-based incentive payment plan for employee remuneration. Performance rights under this scheme will vest if certain conditions are met. Participants have to achieve performance targets and have to be employed until the end of the agreed vesting period. Upon vesting, each participant will be issued with ordinary shares as defined in the incentive plan.

The number of performance rights held by employees of the Group at 30 June 2020 is set out below:

Type	Balance at 1/07/2019	Granted	Vested	Forfeited	Held as at 30/06/2020
Performance rights	2,396,863	818,896	(330,878)	(1,529,777)	1,355,104

28 Auditor remuneration

	2020	2019
	$	$
Audit services – Grant Thornton Audit Pty Ltd		
Remuneration for audit or review of financial statements	206,905	177,934
Other services – Grant Thornton		
• taxation services	4,730	29,160
• due diligence services	108,500	61,715
Total other services remuneration	**113,230**	**90,875**
Total auditor's remuneration	**320,135**	**268,809**

29 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.

The Group provided short term finance to its joint venture entity, South West Equine. The amount owing is $79,285 (2019: $nil) during the year.

29.1 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:

	2020	2019
	$	$
Short-term employee benefits:		
salaries including bonuses and non-monetary benefits	949,458	897,283
non-monetary benefits	8,307	13,674
Total short-term employee benefits	**957,765**	**910,957**
Long- term employee benefits:		
long service leave	12,960	6,501
LTI performance rights	12,249	-
Total long-term employee benefits	**25,209**	**6,501**
Post-employment benefits:		
superannuation	52,462	48,397
Total post-employment benefits	**52,462**	**48,397**
Total remuneration	**1,035,436**	**965,855**

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 (2019: $333,600).

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 (2019: $125,232).

The Group leases an artificial insemination facility in Victoria from entities associated with Chris Richards. Lease payments made amounted to $105,000 (2019: $105,000).

The Group leases premises at Midland Highway, Lethbridge, Victoria from entities associated with Chris Richards. Lease payments made amounted to $2,018 (2019: $16,818)

The Group leases premises at Hoskin Street, Quarry Hill, Victoria from entities associated with Chris Richards. Lease payments made amounted to $- (2019: $15,002).

The Group leases premises at Midland Highway, Epsom, Victoria from entities associated with Chris Richards. Lease payments made amounted to $7,753 (2019: $18,652).

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

30 Contingent liabilities

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

31 Business combination

On 1 October 2019 the Group acquired 100% of the issued share capital and voting rights of Animal Consulting Enterprises Pty Ltd (ACE).

On 1 November 2019, the Group acquired the business assets of Devoted Vets (DVW).

On 1 December 2019, the Group acquired 100% of the issued share capital and voting rights of Grampians Animal Health (GAH).

The following detailed table highlights the fair value of the identifiable assets acquired and liabilities assumed as at the date of acquisition for each of the business combinations undertaken in the period. ACE Laboratory Services is an autogenous (custom) vaccine and diagnostics laboratory service provider to large production animal producers. The acquisitions of GAH and DVW expand Apiam's presence in the Western District and Gippsland regions of Victoria. On the acquisition of ACE, 5,788,120 fully paid shares were issued at a fair value of $0.4276 per share. On the acquisition of GAH, 2,980,390 shares were issued at a fair value of $0.4394 per share.

Each of these business combinations have initially been accounted for on a provisional basis as at 30 June 2020. The measurement period for provisional accounting ends on either the earlier of 12 months from the date of acquisition or when the acquirer receives all the information possible to determine the fair value.

	ACE $'000	DVW $'000	GAH $'000	Total $'000
Fair value of consideration transferred				
Amounts settled in cash	9,657	566	3,117	13,340
Amount settled by issue of shares at fair value	2,475	-	1,310	3,785
Contingent consideration	3,625	-	300	3,925
Total fair value of consideration transferred	**15,757**	**566**	**4,727**	**21,050**
Recognised amounts of identifiable net assets				
Property plant and equipment	459	65	347	871
Deferred tax assets	140	24	65	229
Intangible assets	3	-	50	53
Total non-current assets	**602**	**89**	**462**	**1,153**
Cash and equivalents	113	-	130	243
Inventories	890	102	138	1,130
Trade and other receivables	1,342	98	456	1,896
Total current assets	**2,345**	**200**	**724**	**3,269**
Provisions	-	-	24	24
Total non-current liabilities	**-**	**-**	**24**	**24**
Provisions	357	61	159	577
Current tax liabilities	162	-	-	162
Trade and other payables	496	53	304	853
Total current liabilities	**1,015**	**114**	**463**	**1,592**
Identifiable net assets	**1,932**	**175**	**699**	**2,806**
Goodwill on acquisition	**13,825**	**391**	**4,028**	**18,244**
Net cash outflow on acquisition	**9,544**	**566**	**2,987**	**13,097**

32 Interests in subsidiaries

32.1 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 2020	2019
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%**	51%
Fur Life Foundation Ltd	Australia	Charity	**100%**	0%
South Yarra Pharma Pty Ltd	Australia	Veterinary Services	**100%**	0%
Animal Consulting Enterprises Pty Ltd	Australia	Manufacturing	**100%**	0%
The Trustee for Grampians Animal Health Unit Trust	Australia	Veterinary Services	**100%**	0%

Significant judgements and assumptions

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

One (1) other investor holds 51% in order to ensure compliance with statutory laws applicable in Western Australia where Portec Veterinary Services Pty Ltd (Portec) conducts its operations. Management has assessed its involvement in Portec in accordance with AASB 10’s 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.

32.2 Losing control over a subsidiary during the reporting period

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

32.3 Interests in unconsolidated structured entities

The Group has no interests in unconsolidated structured entities.

33 Financial instrument risk

33.1 Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

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

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

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 2020, 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% (2019: +/- 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-20	**319**	**(319)**	**319**	**(319)**
30-Jun-19	**270**	**(270)**	**270**	**(270)**

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:

	2020 $'000	2019 $'000
Classes of financial assets:		
Cash and cash equivalents	2,509	1,873
trade and other receivables	12,093	13,906
	14,602	**15,779**

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:

	2020 $'000	2019 $'000
Past due under 30 days	1,332	2,279
Past due 30 days to under 60 days	1,007	594
Past due 60 days and over	1,550	1,470
Total	**3,889**	**4,343**

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 2020, 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 2020			
Bank borrowings	3,400	-	33,565
Trade and other payables	8,795	-	-
Total	**12,195**	**-**	**33,565**

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 2019			
Bank borrowings	3,003	-	23,672
Finance lease liabilities	409	335	941
Trade and other payables	9,596	-	-
Total	**13,008**	**335**	**24,613**

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 2020 and 30 June 2019:

	Level 1	Level 2	Level 3	Total
30 June 2020	**$'000**	**$'000**	**$'000**	**$'000**
Financial liabilities				
Contingent consideration	-	-	**3,925**	**3,925**
Total liabilities	**-**	**-**	**3,925**	**3,925**
Net fair value	**-**	**-**	**3,925**	**3,925**

	Level 1	Level 2	Level 3	Total
30 June 2019	**$'000**	**$'000**	**$'000**	**$'000**
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	
	2020 $'000	**2019 $'000**
Balance at 1 July 2019	400	400
Contingent consideration for acquisitions	3,525	-
Balance at 30 June 2020	**3,925**	**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:

	2020 $'000	**2019 $'000**
Total equity	68,513	61,309
Cash and cash equivalents	2,509	1,873
Capital	**71,022**	**63,182**
Total equity	68,513	61,309
Borrowings	36,965	26,742
Overall financing	**105,478**	**88,051**
Capital-to-overall financing ratio	**67%**	**72%**

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'):

	2020 $'000	2019 $'000
Statement of financial position		
Current assets	1,486	1,363
Total assets	133,311	112,886
Current liabilities	8,367	5,517
Total liabilities	42,652	27,553
Net assets	90,659	85,333
Issued capital	91,107	86,488
Retained earnings / (Accumulated losses)	(448)	(1,155)
Total equity	90,659	85,333
Statement of profit or loss and other comprehensive income		
Profit for the year	2,723	2,597
Other comprehensive income	45	18
Total comprehensive income	2,768	2,615

The Parent Entity has entered into a deed of cross guarantee. Refer Note 38 for details.

The Parent Entity had no contingent liabilities at 30 June 2020 (2019: $nil).

37 Post-reporting date events

The Apiam Board of Directors have declared the Company's final dividend of 1.2c per share fully franked on the 20 August 2020. The final dividend of $1,399,166 will be paid on the 23 October 2020.

38 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 2020

	2020	2019
	$'000	$'000
Continuing operations		
Revenue	84,589	91,416
Other income	82	9
Expenses		
Changes in inventory	3,089	(536)
Cost of materials	(39,297)	(42,536)
Costs of consumables and services	(824)	(912)
Employee benefit expenses	(28,973)	(27,920)
Listing and acquisition expenses	(460)	(392)
Property expenses	(1,178)	(3,003)
Freight, vehicle and transport expenses	(1,805)	(1,754)
Depreciation of property, plant and equipment	(4,690)	(2,551)
Other operating expenses	(6,754)	(6,540)
Finance costs	(1,275)	(1,138)
Other financial items	(19)	(15)
Share of profit from equity accounted investments	45	18
Profit/(loss) before income tax	**2,530**	**4,146**
Income tax (expense)/benefit	(760)	(1,326)
Profit from continuing operations	**1,770**	**2,820**
Profit for the year	**1,770**	**2,820**

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

Statement of Financial Position	**2020**	**2019**
As at 30 June 2020	**$'000**	**$'000**
Assets		
Current assets		
Cash and cash equivalents	1,420	1,389
Trade and other receivables	7,407	11,836
Inventories	13,572	10,483
Other current assets	1,178	960
Total current assets	**23,577**	**24,668**
Non-current assets		
Intangible assets	81,613	62,912
Property, plant and equipment	15,181	7,094
Biological assets	123	220
Investments	136	91
Deferred tax assets	2,528	2,344
Total non-current assets	**99,581**	**72,661**
Total assets	**123,158**	**97,329**
Current liabilities		
Trade and other payables	7,169	8,893
Amounts payable to vendors for business acquisitions	3,925	400
Current tax liabilities	536	105
Borrowings	3,798	3,707
Provisions	4,689	4,298
Total current liabilities	**20,117**	**17,403**
Non-current liabilities		
Borrowings	44,539	23,035
Provisions	135	222
Deferred tax liabilities	-	-
Total non-current liabilities	**44,674**	**23,257**
Total liabilities	**64,791**	**40,660**
Net assets	**58,367**	**56,669**
Equity		
Equity attributable to owners of the parent		
- share capital	89,852	85,630
- corporate reorganization reserve	(26,692)	(26,692)
- non-controlling interest acquisition reserve	(5,594)	(5,856)
- retained earnings	801	3,587
Total Equity	**58,367**	**56,669**

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 2020 and of its performance for the financial year ended on that date; and

ii Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

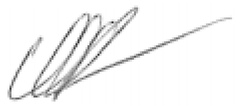
b There are reasonable grounds to believe that Apiam Animal Health Limited will be able to pay its debts as and when they become due and payable.

c There are reasonable grounds to believe that the members of the extended closed group identified in Note 38 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 38.

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 2020.

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
24 August 2020

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Independent Auditor's Report

To the Members of Apiam Animal Health Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Apiam Animal Health Limited (the Company), and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

a giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Intangible Assets – Note 14	

At 30 June 2020 the carrying value of goodwill and customer relationships is $79.8M and $2.4M respectively, and is allocated to three separate group 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 management's 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 annual report for the year ended 30 June 2020, 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.

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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: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor’s report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 20 to 26 of the Directors’ report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Apiam Animal Health Limited, for the year ended 30 June 2020 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

Grant Thornton Audit Pty Ltd
Chartered Accountants

CGangemi

C S Gangemi
Partner – Audit & Assurance

Melbourne, 24 August 2020

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 7 August 2020 (**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, 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	30,000,000	25.730%
Regal Funds Management Pty Limited	Ordinary Shares	14,599,379	12.52%

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	1,197
Fully paid ordinary shares restricted until 1 October 2020 and quoted on ASX	4

Fully paid ordinary shares restricted until 2 December 2020 and quoted on ASX	2
Fully paid ordinary shares restricted until 1 October 2021 and quoted on ASX	4
Fully paid ordinary shares restricted until 2 December 2021 and quoted on ASX	2
Performance Rights	46

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 1,203 holders of a total of 116,597,135 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	145	74,084	0.06
1,001 – 5,000	335	921,521	0.79
5,001 – 10,000	219	1,762,053	1.51
10,001 – 100,000	393	12,890,724	11.06
100,001 – 999,999,999	111	100,948,753	86.58
Totals	**1,203**	**116,597,135**	**100**

Distribution of performance rights holders

Holdings Ranges	Holders	Total Units	%
1 – 1,000	0	0	0.00
1,001 – 5,000	4	16,234	1.190
5,001 – 10,000	17	123,369	9.010
10,001 – 100,000	23	875,415	63.920
100,001 – 999,999,999	2	354,470	25.880
Totals	**46**	**1,369,488**	**100**

Less than marketable parcels of ordinary shares (UMP Shares)

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

Total Shares	UMP Shares	UMP Holders	% of issued shares held by UMP holders
116,597,135	75,094	146	0.0644

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>	29,208,707	25.051
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	6,695,065	5.742
UBS NOMINEES PTY LTD	3,480,702	2.985
CITICORP NOMINEES PTY LIMITED	3,189,002	2.735
BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	2,969,671	2.547
CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	2,788,791	2.392
SCOLEXIA COMMODITY PTY	2,315,248	1.986
GFS SECURITIES <GLENFARE SUPER FUND A/C>	2,061,544	1.768

CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	2,029,429	1.741
COBASH PTY LIMITED <J & S WRIGHT FAMILY A/C>	1,872,006	1.606
MR ANDREW CARRINGTON WHALE <WHALE FAMILY A/C>	1,490,195	1.278
HAMILTON ANIMAL HEALTH PTY LTD	1,490,195	1.278
MRS KATE JUDITH MALIN <HOWISON FAMILY A/C>	1,389,161	1.191
FOUR POST INVESTMENTS PTY LTD <JOHNSTONE INVESTMENT A/C>	1,386,700	1.189
MR NEIL LEIGHTON & MRS HELEN LEIGHTON <LEIGHTON SUPER FUND A/C>	1,279,131	1.097
MR ROGER CHARLES CARMODY & MRS MARIS MOORE CARMODY <R&M CARMODY A/C>	1,258,650	1.079
SONJASWRIGHT PTY LIMITED	1,211,846	1.039
AILEEN MARY VANDERFEEN	1,157,624	0.993
LINCOLN O'MEARA	1,157,624	0.993
RACHEL LOUISE O'MEARA	1,157,624	0.993
Total number of shares of Top 20 Holders	**69,588,915**	**59.683%**
Total Remaining Holders Balance	**47,008,220**	**40.317%**

Company Secretary

The Company's secretary is Mr Todd Richards.

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: (02) 9290 9600

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	2,894,060	1 October 2020
Ordinary shares	Voluntary escrow	1,490,196	2 December 2020
Ordinary shares	Voluntary escrow	2,894,060	1 October 2021
Ordinary shares	Voluntary escrow	1,490,194	2 December 2021

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	1,369,488	46

Other Information

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

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

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

CORPORATE DIRECTORY

DIRECTORS

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

COMPANY SECRETARY

Todd Richards

REGISTERED OFFICE

27-33 Piper Lane
East Bendigo VIC 3550
T 03 5445 5999
F 03 5445 5914
E investorrelations@apiam.com.au

AUDITORS

Grant Thornton Australia
Collins Square, Tower 5
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Melbourne VIC 3008

BANKERS

National Australia Bank
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Melbourne VIC 3000

SHARE REGISTRY

Boardroom Registry Pty Ltd
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Sydney NSW 2000
T 1300 737 760
F 02 9279 0664
E enquiries@boardroomlimited.com.au

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