



Apiam Animal Health Limited

ASX: AHX

Appendix 4D and Financial Report for the half-year ended 31 December 2021

COMPANY DETAILS

Name of entity:	Apiam Animal Health Limited
ACN:	604 961 024
Reporting period:	For the half-year ended 31 December 2021
Previous period:	For the half-year ended 31 December 2020

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Statutory Results Summary

CHANGES FROM PERIOD ENDED 31 December						
			2021		2020	
			%	\$m	\$m	
Revenue from ordinary activities	up	22.7	to	75.1	from	61.2
Net profit attributable to members	down	31.5	to	1.8	from	2.6
Profit from ordinary activities after tax attributable to members	down	31.5	to	1.8	from	2.6
Underlying EBITDA (Incl. non-controlling interests)	up	15.1	to	8.7	from	7.5

Underlying EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) is considered by Management to be a useful indicator of business profitability and excludes one-off corporate restructuring costs as well as integration, ERP and acquisition expenses.

Further commentary on the interim results can be found in the 'Operating and Financial Review' section within the Directors' report of the attached Interim Financial Statements.

Dividends

	Amount per security cents	Franked amount per security cents
2021 Final Dividend:	1.2 cents	1.2 cents
2022 Interim Dividend (declared after balance date but not yet paid):	1.2 cents	1.2 cents
Record date for determining entitlements to the dividend:	22 March 2022	
Date dividend payable:	20 April 2022	

Dividend reinvestment plan

The Company initiated a Dividend Reinvestment Plan (DRP) on the 25 August 2017 which provides shareholders with the opportunity to utilise all or part of their dividend to purchase shares in the Company. Shareholders electing to participate in the FY22 interim DRP must nominate to do so by 29 March 2022.

Shareholders who elect to participate in the DRP for the FY22 interim 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 30 March 2022 and 5 April 2022 ('Pricing Period'). The timetable in respect of the 2022 interim dividend and DRP is as follows:

Event / Action	Date*
Record Date	22 March 2022
Election Date: Last date for shareholders to make an election to participate in the DRP	5.00 pm (Melbourne time) on 29 March 2022
Pricing Period Commencement Date	30 March 2022
Last Day of Pricing Period	5 April 2022
Announcement of DRP issue price	6 April 2022
Dividend Payment Date / Issue of DRP shares	20 April 2022

Details of the DRP can be downloaded from www.apiam.com.au. In order to participate in the DRP for the 2022 Interim 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 29 March 2022. An online election can be made by visiting www.boardroomlimited.com.au.

Net Tangible Asset per Security

	2022	2021
Net Tangible assets per share	-\$0.27	-\$0.14

Return to shareholders

Dividends of \$1,615,636 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 reviewed by Grant Thornton Audit Pty Ltd. The review report is included within the Company's Interim Report which accompanies this Appendix 4D.

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

Refer to Note 4 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 a 50% ownership interest in South West Equine. Apiam's share of net profit after tax was \$40,160 for the six-month period.

Dividend Reinvestment Plan

The company announced the establishment of a dividend reinvestment plan on 25 August 2017.

Other information required by Listing Rule 4.3A

Other information requiring disclosure to comply with Listing Rule 4.3A is contained in the 31 December 2021 Interim Report (which includes the Directors' Report) which accompanies this Appendix 4D.

Accounting Standards

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

Directors' Report

The Directors present their report together with the consolidated financial statements of Apiam Animal Health Limited (Apiam) for the half-year ended 31 December 2021.

Director details

The following persons were Directors of Apiam Animal Health Limited during the half-year and up to the date of this report:

- Professor Andrew Vizard
- Dr Christopher Irwin Richards
- Mr Richard John Dennis
- Mr Michael van Blommestein
- Dr Jan Tennent

Principal Activities

Apiam Animal Health Limited and Subsidiaries' ('the Group') principal activities include the provision of veterinary products and services to production and companion animals.

Review of operations

Apiam has recorded strong underlying results for H1 FY22, with an excellent performance in its dairy and mixed animal segment as well as its accelerated acquisition program driving continued momentum over the period.

Revenue in H1 FY22 increased 22.7% to \$75.1 million (H1 FY21: \$61.2 million) driven by 44.9% reported revenue growth in Apiam's dairy & mixed animal clinics (+9.3% vs H1 FY21 on a like-for-like basis). These clinics are now the largest revenue and earnings contributors to the Group, accounting for 70% of Apiam's revenue in H1 FY22, and delivering +36.5% Underlying EBITDA¹ growth versus the prior comparable period (PCP).

Market cycles continued to impact revenue growth in Apiam's beef feedlot and pig segments, with revenue in these segments down 9.6% vs PCP. Early-stage recovery in the national cattle herd is expected to become more pronounced during 2022 according to *Meat & Livestock Australia*, with a forecast increase to the national herd of 1.1M². Apiam continues to invest in product and service development to commercialise offerings that will leverage the Company's performance as these industries rebound.

The strategic changes in Apiam's business over the past financial year, and the rapid growth in the dairy & mixed animal segment has resulted in continued gross profit improvement, growing 32.5% to \$46.2 million in H1 FY22. Gross margin in the period was 61.5%, up from 57.0% in the PCP.

Underlying EBITDA grew 15.1% to \$8.7 million (H1 FY21: \$7.5 million), with growth in operating earnings reflecting re-investment in new greenfield sites as well as integration and support of the accelerated acquisition program undertaken over the past six months. In H1 FY22 Apiam completed the acquisition of eight veterinary businesses (comprising eleven veterinary clinics). This follows the acquisition of three Queensland-based veterinary businesses in H2 FY21.

Additionally, there have been strategic recruitment opportunities for highly skilled veterinarians because of industry-wide restructuring, particularly following the COVID-19 pandemic. This has seen Apiam pursue international recruitment opportunities as well as the recruitment of highly skilled vets to support faster future business growth.

¹ Underlying EBITDA is a non-IFRS measure and is earnings before interest, tax, depreciation, amortisation and excludes one-off expenses.
Segment EBITDA is before a corporate cost allocation

² Meat and Livestock Australia, February 2022 (www.mla.com.au)

Reported NPAT of \$1.8 million in H1 FY22 was below NPAT of \$2.6 million in the PCP, due to the impact of a \$1.4 million uplift in one-off expenses incurred in H1 FY22 vs PCP. This was mostly a result of a \$1.4 million stamp duty charge payable on Apiam's Queensland acquisitions during H1 FY22.

The following tables are presented to assist in the interpretation of the underlying performance of Apiam during H1 FY22. This information is additional and presented using non-IFRS information and terminology.

Apiam H1 FY22 Financial Results Summary – Underlying Basis¹

P&L underlying (\$M)	H1 FY22	H1 FY21	Variance	%
Total Revenue	75.1	61.2	13.9	22.7%
Gross Profit	46.2	34.9	11.3	32.5%
Operating expenses	(37.5)	(27.3)	(10.2)	37.4%
Underlying EBITDA¹	8.7	7.5	1.1	15.1%
Underlying NPAT^{1,2}	3.2	2.8	0.4	13.0%
Amortisation customer relationships (Post Tax)	(0.3)	(0.1)	(0.3)	135.9%
One-off expenses (Post tax)	(1.2)	(0.2)	(1.0)	624.1%
Reported NPAT	1.8	2.6	(0.8)	(31.5)%
Gross Margin (%)	61.5%	57.0%		
Underlying EBITDA margin (%)	11.6%	12.3%		
Underlying EBITDA margin (pre greenfield impact)	12.4%	12.4%		

Notes:

1 Underlying earnings excludes one-off acquisition, integration & corporate costs (tax effected where applicable at NPAT level).

H1 FY22 one-off costs includes \$1.4 million stamp duty payable on Queensland acquisitions

2 Before amortisation of customer relationships (tax effected where applicable at NPAT level).

Apiam H1 FY22 Financial Results Summary – Reported Basis

P&L stat	H1 FY22	H1 FY21	Variance	%
Total revenue	75.1	61.2	13.9	22.7%
Gross profit	46.2	34.9	11.3	32.5%
Operating expenses	(37.5)	(27.3)	(10.2)	37.4%
One-off expenses	(1.7)	(0.2)	(1.4)	624.1%
EBITDA	7.0	7.3	(0.3)	(3.9)%
Depreciation ROU assets	(1.6)	(1.2)	(0.3)	27.3%
Depreciation & amortisation	(2.4)	(1.9)	(0.5)	23.7%
EBIT	3.1	4.2	(1.1)	(26.0)%
Interest	(0.7)	(0.5)	(0.2)	28.1%
Tax	(0.7)	(1.1)	0.4	(36.2)%
Other (including minorities)	0.1	0.1	0.0	25.5%
NPAT attributable to members	1.8	2.6	(0.8)	(31.5)%

One-off expenses breakdown

One-off expenses (\$M)	H1 FY22	H1 FY21	Variance	%
Stamp duty QLD acquisitions	(1.4)	-	(1.4)	-
Advisory & acquisition costs	(0.1)	(0.1)	(0.0)	42.0%
Other	(0.1)	(0.1)	0.0	(45.1)%
TOTAL	(1.7)	(0.2)	(1.4)	624.1%

Regional expansion strategy and accelerated acquisition program

Apiam continued to execute its regional expansion strategy in H1 FY22 in order to position itself to capture the rapid growth currently being seen in many regional veterinary markets. The combination of record high net migration from Australia's cities to regions, as well as the continuing increases in pet ownership following the COVID-19 associated lockdowns has driven strong underlying industry growth for veterinary services. Additionally, the current La Niña weather event and post-drought conditions are providing strong support to pasture-based livestock industries such as dairy, sheep, beef and equine.

In H1 FY22 Apiam accelerated its strategic acquisition program completing the acquisition of the following eight businesses during the period:

Business acquired	State	Veterinary speciality	Acquisition date
Scenic Rim Veterinary Service (2 clinics)	QLD	Equine & companion animal	30 Jul 2021
Golden Plains Bannockburn	VIC	Companion animal & livestock	1 Aug 2021
Harbour City Surgery	QLD	Companion animal	2 Sep 2021
Smythesdale Animal Hospital	VIC	Companion animal & livestock	1 Oct 2021
Horsham Veterinary Hospital	VIC	Companion animal	1 Dec 2021
Agnes Banks Equine Centre	NSW	Equine	1 Dec 2021
Fraser Coast Veterinary Services	QLD	Companion animal, equine & cattle	1 Dec 2021
North Hill Veterinary Clinic (Armidale)	NSW	Companion animal & livestock	1 Dec 2021

The revenue contribution from these eight acquired businesses was \$7.2 million in H1 FY22 and is expected to grow to \$24.5 million on an annualised pro-forma basis.

Apiam also opened an additional new greenfield clinic in H1 FY22 in the fast-growing area of Highton (Geelong, VIC). This represents the third new greenfield clinic the Company has opened in the past twelve months. These clinics do require investment in their first year of opening, and in H1 FY22 had a net negative EBIT impact of \$0.9 million on Apiam's earnings. COVID-19 lockdowns in regional areas also delayed new greenfield client acquisition with delays to clinic marketing, community activations and opening events. The three new greenfield clinics opened by the Company in the past 12-months are all however expected to breakeven in their second year of operation.

Apiam also continued to leverage the growth of its organic business initiatives in H1 FY22, driving strong performance in its subscription programs – ProDairy and Best Mates.

The Company's Data Pig program is in the early stages of commercialisation and is expected to make a greater financial contribution in H2 FY22. Apiam will also work with its partner, Aurora Pharmaceutical Inc. to launch Xtend 21® Antimicrobial Surface Protectant (formerly Zoono Microbe Shield technology) in the US market in March 2022.

Balance sheet

Apiam's balance sheet as at the end of H1 FY22 remains in a solid position and reflects the accelerated acquisition program undertaken over the period.

Closing net debt at 31 December 2021 was \$61.5 million, up from \$37.2 million at 30 June 2021. This was primarily due to the total cash consideration component for Apiam's acquisitions in H1 FY22 of \$25.0 million. Apiam's operating leverage ratio at the end of H1 FY22 was 2.8x, within the Company's covenant requirement of 3.5x.

Cash flow

Apiam's operating cash flow was \$6.0 million in H1 FY22 (down from \$6.4 million in H1 FY21), due to the Company's investment in inventory to avoid the impacts of COVID-19 related supply side disruptions. Capital expenditure in H1 FY22 remained in-line with H1 FY21. In addition, operating cash conversion to underlying EBITDA (before AASB 16 lease adjustments) was 92%, tracking close to Management's target of 100%.

Investing and financing cash flows in H1 FY22 reflect the impacts of the accelerated acquisition program undertaken during the period.

Statutory cashflows \$m	H1 FY22	H1 FY21
Net cash provided by operating activities	6.0	6.4
Acquisition of subsidiary, net of cash	(25.0)	(3.3)
Purchases of property, plant and equipment	(2.3)	(2.4)
Purchases of Intangible assets	(0.2)	(0.2)
Other	0.0	(2.9)
Net cash used in investing activities	(27.5)	(8.8)
Net changes in financing	25.2	4.6
Dividends paid to shareholders	(1.2)	(0.9)
Repayment of lease liabilities	(1.9)	(1.6)
Proceeds from share issue	0.0	0.0
Other	0.0	0.1
Net cash inflow from financing activities	22.2	2.1
Net change in cash and cash equivalents	0.6	(0.3)

Dividend

Apiam's Board of Directors have declared a fully franked interim dividend of 1.2 cents per share (cps) in-line with H1 FY21 and supported by the Company's solid cash flow position. This implies a 94.9% payout ratio of NPAT and a 51.6% payout ratio of Underlying NPAT³.

The interim dividend will be paid on 20 April 2022 and Apiam's Dividend Reinvestment Plan will be maintained.

Outlook

Apiam's business strategy aims to double its revenue base by FY24, based on ongoing organic business initiatives, new greenfield sites and the Company's planned future acquisition runway.

During H1 FY22, Apiam has invested in upgrading relevant areas of its business support and infrastructure to support the accelerated pace of the acquisition program and the greater scale of the operations. This investment is now mostly complete and therefore Apiam expects to deliver an uplift in operating earnings in H2 FY22.

The pipeline of future acquisition opportunities remains strong, and given the attractive veterinary industry fundamentals, the Company will continue to assess opportunities based on their strategic and financial merit.

³ Underlying NPAT excludes tax effected impact of one-off acquisition, integration, corporate costs and amortisation of customer relationships.

Auditor's independence declaration

A copy of the Auditor's Independence Declaration as required under s307C of the Corporations Act 2001 is included on page 10 of this financial report and forms part of this Directors' Report.

Rounding of amounts

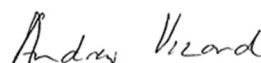
Apiam Animal Health Limited is a type of Company referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable), or in certain cases, to the nearest dollar under the option permitted in the class order.

Signed in accordance with a resolution of the Directors:



Dr Christopher Irwin Richards
Managing Director

Melbourne
25 February 2022




Professor Andrew Vizard
Chairman

Auditor's Independence Declaration

To the Directors of Apiam Animal Health Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Apiam Animal Health Limited for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

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


Grant Thornton Audit Pty Ltd
Chartered Accountants


C S Gangemi
Partner – Audit & Assurance

Melbourne, 25 February 2022

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2021

	Notes	31 December 2021 \$'000	31 December 2020 \$'000
Continuing operations			
Revenue		75,140	61,225
Expenses			
Changes in inventory		3,734	101
Cost of materials		(32,658)	(26,458)
Cost of consumables and services		(463)	(374)
Employee benefit expenses		(29,545)	(20,814)
Acquisition expenses		(1,651)	(24)
Property expenses		(1,112)	(784)
Freight, vehicle and transport expenses		(1,353)	(1,458)
Depreciation and amortisation of non-financial assets	6,7	(3,960)	(3,141)
Depreciation of biological assets		-	(24)
Other operating expenses		(5,060)	(4,096)
Operating profit		3,072	4,153
Share of profit from equity accounted investments		40	56
Finance costs		(700)	(547)
Profit/(loss) before income tax		2,412	3,662
Income tax (expense) /benefit		(722)	(1,132)
Profit/(loss) from continuing operations		1,690	2,530
Profit/(loss) attributable to:			
Owners of Apiam Animal Health Limited		1,750	2,554
Non-controlling interests		(60)	(24)
		1,690	2,530
Total comprehensive income/(loss) attributable to:			
Owners of Apiam Animal Health Limited		1,750	2,554
Non-controlling interests		(60)	(24)
		1,690	2,530
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the company:		Cents	Cents
Basic earnings per share		\$0.01	\$0.02
Diluted earnings per share		\$0.01	\$0.02

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	31 December 2021 \$'000	30 June 2021 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		2,772	2,150
Trade and other receivables		13,504	13,525
Inventories		19,776	16,041
Other current assets		2,319	1,577
Total current assets		38,371	33,293
Non-current assets			
Intangible assets	6	123,612	95,299
Property, plant and equipment	7	31,415	24,979
Investments		220	220
Deferred tax assets		4,130	3,487
Total non-current assets		159,377	123,985
Total assets		197,748	157,278
LIABILITIES			
Current liabilities			
Trade and other payables		12,282	9,748
Lease liabilities		3,554	2,911
Other current liabilities		815	192
Current tax liabilities		1,368	1,494
Borrowings	10	2,927	2,818
Employee benefit obligations		8,805	7,211
Total current liabilities		29,751	24,374
Non-current liabilities			
Borrowings	10	59,575	34,887
Lease liabilities		18,020	14,426
Employee benefit obligations		548	338
Deferred tax liabilities		3,112	2,020
Other liabilities		505	415
Total non-current liabilities		81,760	52,087
Total liabilities		111,511	76,461
Net assets		86,237	80,817
EQUITY			
Share capital	9	106,318	101,010
Corporate re-organisation reserve		(26,692)	(26,692)
Non-controlling interest acquisition reserve		(6,615)	(6,615)
Share based payment reserve		609	595
Foreign currency translation reserve		(56)	(79)
Retained earnings		12,526	11,596
Capital and reserves attributable to the owners of Apiam Animal Health Limited		86,090	79,815
Non-controlling interests		147	1,002
Total equity		86,237	80,817

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

	Share capital	Corporate reorganisation 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 2020	91,107	(26,692)	(6,615)	223	(20)	9,410	67,413	1,024	68,437
Issue of new share capital	453	-	-	-	-	-	453	65	518
Issue of shares to vendors of business acquired	2,225	-	-	-	-	-	2,225	-	2,225
Employee share plan	70	-	-	175	-	-	245	-	245
Foreign currency translation adjustment	-	-	-	-	(75)	-	(75)	-	(75)
Dividends paid	-	-	-	-	-	(1,399)	(1,399)	-	(1,399)
Transactions with owners	2,748	-	-	175	(75)	(1,399)	1,449	65	1,514
Profit for the period	-	-	-	-	-	2,559	2,559	(24)	2,535
Total comprehensive income for the period	-	-	-	-	-	2,559	2,559	(24)	2,535
Balance at 31 December 2020	93,855	(26,692)	(6,615)	398	(95)	10,570	71,421	1,065	72,486

	Share capital	Corporate reorganisation reserve	Non-controlling interest acquisition reserve	Share based payment reserve	Foreign Currency Translation Reserve	Retained earnings	Total attributable to owners of parent	Non-controlling interest	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2021	101,010	(26,692)	(6,615)	595	(79)	11,596	79,815	1,002	80,817
Issue of new share capital	457	-	-	-	-	-	457	-	457
Issue of shares to vendors of business acquired	4,459	-	-	-	-	-	4,459	-	4,459
Employee share plan	392	-	-	14	-	-	406	-	406
Foreign currency translation adjustment	-	-	-	-	23	-	24	-	24
Purchase of non-controlling interest	-	-	-	-	-	795	795	(795)	-
Dividends paid	-	-	-	-	-	(1,615)	(1,615)	-	(1,615)
Transactions with owners	5,308	-	-	14	23	(820)	4,525	(795)	3,730
Profit for the period	-	-	-	-	-	1,750	1,750	(60)	1,690
Total comprehensive income for the period	-	-	-	-	-	1,750	1,750	(60)	1,690
Balance at 31 December 2021	106,318	(26,692)	(6,615)	609	(56)	12,526	86,090	147	86,237

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2021

	Notes	31 December 2021 \$'000	31 December 2020 \$'000
Cash flows from operating activities			
Receipts from customers		84,543	66,451
Payments to suppliers and employees		(75,058)	(58,769)
		9,485	7,682
Acquisition costs relating to acquisition of subsidiary		(1,651)	(24)
Interest paid		(700)	(547)
Income taxes paid		(1,166)	(724)
Net cash inflow from operating activities		5,968	6,387
Cash flows from investing activities			
Payment for acquisition of businesses, net of cash acquired	4	(25,033)	(3,318)
Earnout payments for acquisitions		-	(2,900)
Payments for property, plant and equipment		(2,343)	(2,369)
Proceeds from disposals of property, plant & equipment		7	28
Payments for intangible assets		(197)	(228)
Dividends received		40	-
Net cash outflow from investing activities		(27,526)	(8,787)
Cash flows from financing activities			
Proceeds from borrowings		27,543	6,947
Repayment of borrowings		(2,318)	(2,357)
Lease payments		(1,887)	(1,563)
Dividends paid to company shareholders		(1,158)	(946)
Capital contribution of non-controlling interest		-	64
Net cash inflow from financing activities		22,180	2,145
Net (decrease)/increase in cash and cash equivalents		622	(255)
Cash and cash equivalents at the beginning of the half-year		2,150	2,509
Cash and cash equivalents at end of the half year		2,772	2,254

The accompanying notes form part of these financial statements.

Notes to the Condensed Interim Consolidated Financial Statements

1. Nature of operations

Apiam provide veterinary services and products to production and companion animals across three segments as follows:

- Dairy and mixed
- Feedlot
- Pigs

Apiam operates a vertically integrated business with logistics, wholesale procurement arm, laboratory services and manufactures autogenous vaccines and private label products.

Apiam service companion animals and production animals throughout their life cycle through provision of the following:

- systems to provide and monitor herd health, animal welfare and production programs;
- companion animal and equine medicine and surgical services
- pet wellness programs
- technologies to record and analyse production data
- technologies to manage compliance with legislative requirements on pharmaceutical use;
- wholesale, retail and dispensing of animal health products,
- on-farm delivery of products via its own logistics capability;
- facilitation and auditing of industry market assurance programs;
- ancillary services such genetic services, laboratory diagnostics and custom vaccine manufacturing;
- on-farm and on-line training programs for clients.

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

2. General information and basis of preparation

The condensed interim consolidated financial statements ('the interim financial statements') of the Group are for the six (6) months ended 31 December 2021 and are presented in Australian Dollars (\$AUD), which is the functional currency of the Parent Company. These general purpose interim financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the financial statements of Apiam Animal Health Ltd for the period ended 30 June 2021 and the detailed accounting policies at Note 3 below and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 25 February 2022.

3. Significant accounting policies

The Interim Financial Statements have been prepared in accordance with the accounting policies adopted in the Group's most recent annual financial statements for the year ended 30 June 2021.

4. Business combinations

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

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

Veterinary Business	Acquisition Date	No. of Shares issued	Fair value per share
Scenic Rim Veterinary Service (SRVS)	30 July 2021	1,678,495	\$0.935
Golden Plains Animal Hospital (GPAH)	1 August 2021	0	n/a
Harbour City Veterinary Surgery (HCVS)	2 September 2021	883,653	\$0.98
Smythesdale Animal Hospital (SAH)	1 October 2021	0	n/a
Horsham Veterinary Hospital (HVH)	1 December 2021	422,030	\$0.90
Fraser Coast Veterinary Services (FCVS)	1 December 2021	892,193	\$0.90

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

Entity	Acquisition Date	No. of Shares issued	Fair value per share
Agnes Banks Equine Clinic Pty Limited (ABEC)	1 December 2021	764,737	\$0.90
North Hill Veterinary Clinic (NHVC)	1 December 2021	169,942	\$0.90

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.

Each of these business combinations have initially been accounted for on a provisional basis as at 31 December 2021. 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.

	SRVS \$'000	GPAH \$'000	HCVS \$'000	SAH \$'000	HVH \$'000	FCVS \$'000	ABEC \$'000	NHVC \$'000	Total \$'000
Fair value of consideration transferred									
Amounts settled in cash	13,794	1,143	1,799	928	1,421	1,765	3,695	537	25,082
Amount settled by issue of shares at fair value	1,569	-	866	-	380	803	688	153	4,459
Payable to vendors	-	-	-	-	100	100	396	50	646
Total fair value of consideration transferred	15,363	1,143	2,665	928	1,901	2,668	4,779	740	30,187
Recognised amounts of identifiable net assets									
Cash and equivalents	-	-	-	-	-	-	17	32	49
Trade and other receivables	635	4	19	10	33	29	718	-	1,448
Inventories	330	113	51	70	104	173	165	39	1,045
Other assets	7	-	-	-	-	8	16	1	32
Total current assets	972	117	70	80	137	210	916	72	2,574
Trademarks and trade names	226	-	-	-	-	-	-	-	226
Customer relationships	3,015	209	404	220	-	-	-	-	3,848
Property, plant & equipment	1,487	819	141	309	101	1,201	2,160	60	6,278
Deferred tax assets	62	29	62	4	31	41	113	16	358
Total non-current assets	4,790	1,057	607	533	132	1,242	2,273	76	10,710
Trade and other payables	217	43	59	3	2	14	356	111	805
Other current liabilities	11	-	27	-	-	-	-	-	38
Current tax liabilities	-	-	-	-	-	-	49	(4)	45
Employee benefit obligations	174	96	204	13	104	136	359	53	1,139
Lease liabilities	167	70	36	43	50	110	192	75	743
Total current liabilities	569	209	326	59	156	260	956	235	2,770
Lease liabilities	679	654	-	177	51	963	1,203	9	3,736
Employee benefit obligations	32	-	4	-	-	-	40	-	76
Deferred tax liabilities	973	62	121	66	-	-	-	-	1,222
Total non-current liabilities	1,684	716	125	243	51	963	1,243	9	5,034
Identifiable net assets	3,509	249	227	310	62	230	990	(97)	5,480
Goodwill on acquisition	11,854	894	2,438	618	1,839	2,438	3,789	837	24,707
Net cash outflow on acquisition	13,794	1,143	1,799	928	1,421	1,765	3,678	505	25,033

4.1 Consideration transferred

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.

4.2 Identifiable net assets

Assets acquired and liabilities assumed are generally measured at their acquisition date fair values. Business combinations are initially accounted for on a provisional basis. The Group 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 date of acquisition or (ii) when the Group receives all the information possible to determine the fair value.

The fair value of the identifiable assets acquired and liabilities assumed have been determined provisionally at 31 December 2021. The Group is currently obtaining the information necessary to appropriately consider the identification and fair value of identifiable assets and liabilities assumed.

4.3 Goodwill

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated on 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.

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

4.4 Contribution to the Group results

For each acquisition, the period between the beginning of the reporting period and the date of acquisition was not business as usual due to the acquisition, making it impractical to determine revenue and profit or loss generated in the period. The period from acquisition to the end of the reporting period remains impractical to report business as usual for each acquisition due to various integration activities impacting results within the first year of operations and the introduction of ongoing charges for shared services within the Group.

4.5 Restatement of prior period intangibles provisionally accounted

Apium acquired four veterinary businesses in the financial year ended 30 June 2021. The acquisitions were provisionally accounted for in that period. Subsequent to the acquisition, it was noted that there were customer relationships and trademarks within these businesses and that a portion of goodwill recognised upon acquisition must be reclassified as intangible assets. The customer relationships recognised as intangible assets are amortised over the useful life of the asset. This resulted in a restatement of each of the affected financial statement line items for prior periods as follows:

	30 June 2021		
Statement of financial position (extract)	Previous amount \$'000	Adjustment \$'000	Restated amount \$'000
Trade and other receivables	13,543	(18)	13,525
Goodwill	88,624	(2,086)	86,538
Trademarks and trade names	1,773	304	2,077
Customer relationships	3,995	2,069	6,064
Property, plant and equipment	24,536	443	24,979
Accumulated amortisation of customer relationships	(1,296)	(66)	(1,362)
Deferred tax liabilities	(1,328)	(692)	(2,020)
Total equity	80,863	(46)	80,817

	31 December 2020		
Statement of profit or loss and other comprehensive income (extract)	Previous amount \$'000	Adjustment \$'000	Restated amount \$'000
Depreciation and amortisation of non-financial assets	(3,134)	(7)	(3,141)
Profit before income tax	3,669	(7)	3,662
Income tax expense	(1,134)	2	(1,132)
Total comprehensive income	2,535	(5)	2,530

5. Segment reporting

Identification of reportable operating segments

Management 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) main operating segments are:

- Dairy and mixed;
- Feedlot;
- Pigs;

Each of these operating segments is managed separately as each species group requires specific veterinary expertise and resources, as well as marketing approaches. These operating segments are monitored and strategic decisions are made based on 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, over the counter products and service revenue and that these products and services exhibit similar economic characteristics across each business. 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 summarized as follows:

	Six (6) months to 31 December 2021 \$'000	Six (6) months to 31 December 2020 \$'000
Revenue from external customers	75,139	61,225
Segment operating costs	(69,175)	(56,099)
Segment operating profit	5,964	5,126

The Group's segment operating profit reconciles to the Group's profit after tax as presented in its financial statements as follows:

	Six (6) months to 31 December 2021 \$'000	Six (6) months to 31 December 2020 \$'000
Total reporting segment operating profit	5,964	5,126
Corporate overheads	(1,241)	(949)
Acquisition costs	(1,581)	(24)
Integration costs	(70)	(-)
Finance costs	(700)	(547)
Share of profit from equity accounted investments	40	56
Net profit before tax	2,412	3,662
Income tax	(722)	(1,132)
Net profit after tax	1,690	2,530

6. Intangible assets

The following table shows the movements in intangible assets:

	Goodwill \$'000	Trademarks and trade names \$'000	Customer Relation- ships \$'000	Capitalised develop- ment costs \$'000	Total \$'000
At 30 June 2021					
Cost	86,538	2,077	6,064	2,942	97,621
Accumulated amortisation and impairment	-	-	(1,362)	(960)	(2,322)
Net book value	86,538	2,077	4,702	1,982	95,299
Half-year ended 31 December 2021					
Opening net book value	86,538	2,077	4,702	1,982	95,299
Additions	-	-	-	241	241
Acquisition of subsidiaries (a)	24,707	226	3,848	-	28,781
Amortisation	-	-	(441)	(268)	(709)
Closing net book value	111,245	2,303	8,109	1,955	123,612
At 31 December 2021					
Cost	111,245	2,303	9,912	3,183	126,643
Accumulated amortisation and impairment	-	-	(1,803)	(1,228)	(3,031)
Net book value	111,245	2,303	8,109	1,955	123,612

- (a) The goodwill of the Company increased during the period ending 31 December 2021 due to the acquisitions detailed in Note 4.

7. Property, plant and equipment

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

	Leased Buildings (i)	Leasehold improve- ments	Plant and equipment	Motor vehicles (ii)	Assets under construct- ion	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 30 June 2021						
At cost	20,138	2,498	12,754	6,494	36	41,920
Accumulated depreciation	(4,707)	(542)	(7,281)	(4,411)	-	(16,941)
Net book value	15,431	1,956	5,473	2,083	36	24,979
Half year ended 31 December 2021						
Opening net book value	15,431	1,956	5,473	2,083	36	24,979
Additions	1,217	555	1,166	365	105	3,408
Acquisition of subsidiaries	4,442	35	1,385	416	-	6,278
Depreciation charge	(1,577)	(209)	(1,030)	(434)	-	(3,250)
Closing net book value	19,513	2,337	6,994	2,430	141	31,415
At 31 December 2021						
Cost	25,501	3,088	15,259	7,196	141	51,185
Accumulated depreciation	(5,988)	(751)	(8,265)	(4,766)	-	(19,770)
Net book amount	19,513	2,337	6,994	2,430	141	31,415

i) Right of use Assets

ii) Includes leased and owned motor vehicles

8. Earnings per share

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the Parent Company (Apiam Animal Health Limited) as the numerator, ie no adjustments to profits were necessary during the six (6) months period to 31 December 2021 and 31 December 2020.

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

	Six (6) months to 31 December 2021	Six (6) months to 31 December 2020
Weighted average number of shares used in basic earnings per share	132,571,600	117,601,423
Weighted average number of shares used in diluted earnings per share	134,713,445	119,058,585

9. Share capital

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

	Six (6) months to 31 December 2021 No.	Year ended 30 June 2021 No.	Six (6) months to 31 December 2021 \$'000	Year ended 30 June 2021 \$'000
Shares issued and fully paid				
• beginning of the period	129,896,893	116,597,135	101,010	91,107
• shares issued as consideration for business acquisitions	4,811,050	3,383,552	4,459	2,535
• shares issued on achievement of earnout for prior year acquisition	-	1,249,470	-	815
• issued under dividend reinvestment plan	466,785	1,295,340	457	906
• share placement	-	7,500,000	-	6,000
• transaction costs on issue of new share	-	-	-	(300)
• employee shares issued	458,201	179,933	391	102
• shares held in employee share trust ^(a)	-	(308,537)	-	(155)
Shares issues and fully paid	135,632,929	129,896,893	106,318	101,010
Total shares authorised at the end of the period	135,632,929	129,896,893	106,318	101,010

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

a) Shares that were previously reported as held in the employee share trust were eliminated on consolidation in the FY21 reporting period.

10. Borrowings

As at 31 December 2021, the contractual maturities of the Group's non-derivative financial liabilities were:

	31 December 2021	30 June 2021
Current	\$'000	\$'000
Bank loans	2,956	2,838
less capitalised costs	(29)	(20)
Total current borrowings	2,927	2,818
Non-current		
Bank loans	59,575	34,887
less capitalised costs	-	-
Total non-current borrowings	59,575	34,887

Loan covenants

The key financial covenants applicable to bank facilities are:

- Maximum gearing ratio of 45% measured on a daily basis for the financial years ending 30 June 2021 and 30 June 2022 (ratio of net debt excluding overdraft facility, documentary letter of credit facility and AASB16 lease liabilities divided by net debt excluding overdraft facility, documentary letter of credit facility and AASB16 lease liabilities plus equity);
- Maximum operating leverage ratio of 3.0 times (ratio of net debt excluding overdraft facility, documentary letter of credit facility and AASB16 lease liabilities divided by EBITDA. EBITDA includes any acquisitions annualized EBITDA for the financial year in which it is purchased and excludes one off acquisition and integration/system expense costs. Maximum ratio includes a step up to 3.5 times for any twelve month period following total acquisitions exceeding \$10 million; and
- The Group complied with all bank covenants during the period.

10. Borrowings (continued)

Financing arrangements

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

Total facilities	31 December 2021	30 June 2021
	\$'000	\$'000
Bank - term loan facilities	83,700	63,700
Bank - master asset finance agreement for equipment finance	4,500	3,500
Bank - overdraft facility	1,000	1,000
Bank - credit card facility	300	300
	89,500	68,500
Used at reporting date		
Bank - term loan facilities	62,531	37,725
Bank - master asset finance agreement for equipment finance	1,773	1,631
	64,304	39,356
Unused at reporting date		
Bank - term loan facilities	21,169	25,975
Bank - master asset finance agreement for equipment finance	2,727	1,869
Bank - overdraft facility	1,000	1,000
Bank - credit card facility	300	300
	25,196	29,144

11. Contingent assets and liabilities

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

12. Dividends

Dividends of \$1,615,636 were declared to equity holders during the six months ended 31 December 2021. Of this amount \$1,158,382 was paid in cash while \$457,254 was issued in shares under Apiam's dividend reinvestment plan.

13. Events after the reporting date

The Apiam Board of Directors declared an interim dividend on the 25 February 2022. The interim dividend of \$1,659,399 is 1.2 cps, fully franked and will be paid on 20 April 2022.

There are no matters or circumstances that have arisen since the end of the period that have significantly affected or may significantly affect either:

- The entities operations in future financial years;
- The results of those operations in future financial years;
- The entities state of affairs in future financial years.

14. Company details

The registered office of the business of the Company is:
27-33 Piper Lane
East Bendigo, VIC, 3350

The principal place of business of the Company is:
27-33 Piper Lane
East Bendigo VIC 3550

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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 31 December 2021 and of its performance for the half-year ended on that date; and
 - ii complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
 - b there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



Dr Christopher Irwin Richards
Managing Director

Melbourne
25 February 2022

Independent Auditor's Review Report

To the Members of Apiam Animal Health Limited

Report on the review of the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Apiam Animal Health Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, and 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 half year ended on that date, a description of accounting policies, other selected explanatory notes, and the Directors' declaration.

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

- (a) giving a true and fair view of Apiam Animal Health Limited's financial position as at 31 December 2021 and of its performance for the half year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



C S Gangemi
Partner – Audit & Assurance

Melbourne, 25 February 2022