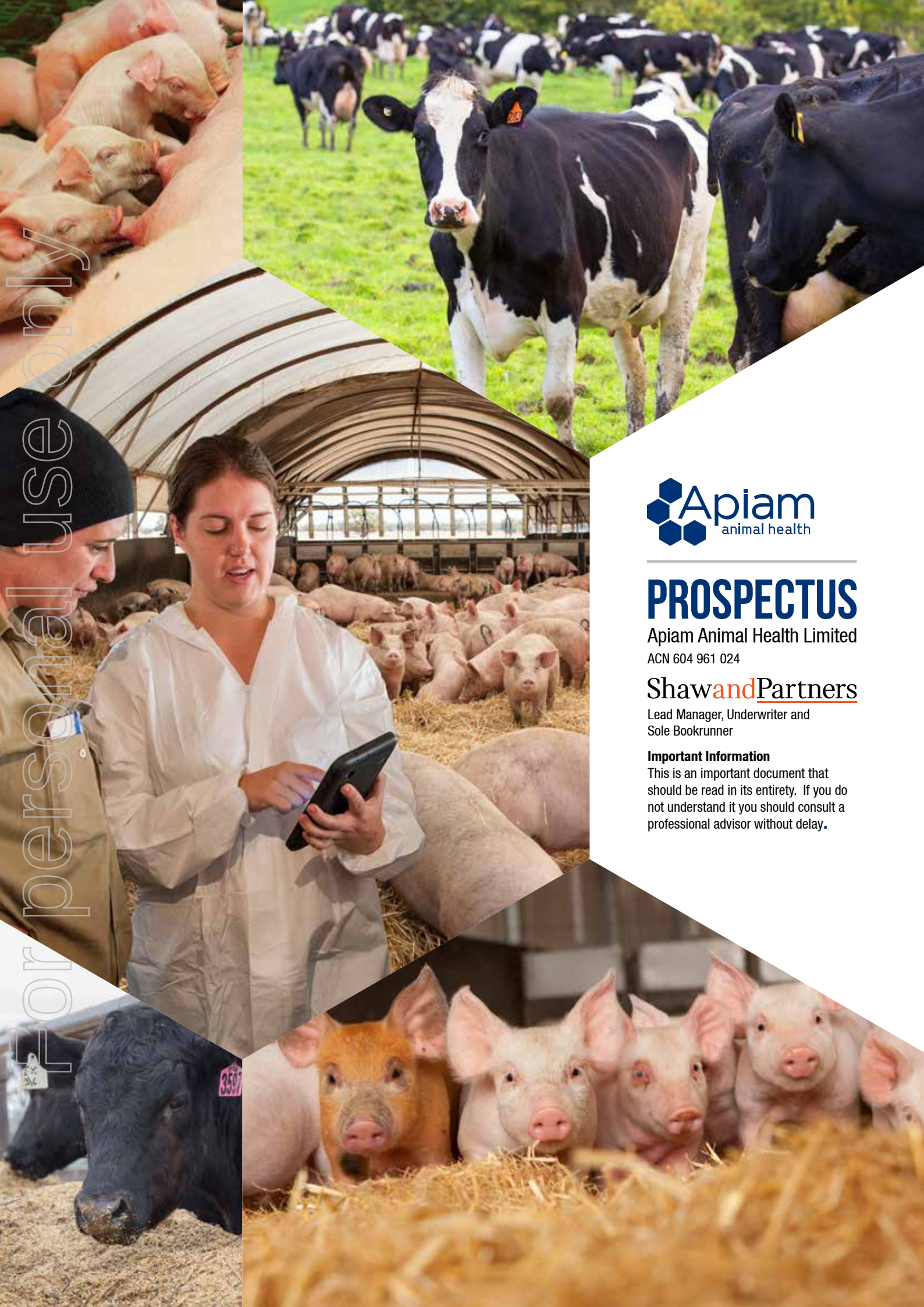




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PROSPECTUS

Apium Animal Health Limited

ACN 604 961 024

Shawand**Partners**

Lead Manager, Underwriter and
Sole Bookrunner

Important Information

This is an important document that should be read in its entirety. If you do not understand it you should consult a professional advisor without delay.

IMPORTANT INFORMATION

Offer

The Offer contained in this Prospectus is an invitation by Apiam Animal Health Limited ACN 604 961 024 (**Apiam Animal Health** or **the Company**) to apply for Shares in the Company.

Lodgement and Listing

This Prospectus is dated 17 November 2015 and was lodged with ASIC on that date. This Prospectus expires 13 months after the date of this Prospectus. No Shares will be issued or transferred on the basis of this Prospectus after the Expiry Date.

The Company will apply to ASX within 7 days of the date of this Prospectus for admission to the Official List and for Official Quotation of the Shares on issue as at the date of this Prospectus and the Shares issued under the Offer.

Neither ASIC nor ASX take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

Not Investment advice

This Prospectus does not provide investment advice. You should seek your own financial advice. The Offer contained in this Prospectus does not take into account individual investment objectives, financial situation and particular needs. It is important that you read this Prospectus carefully and in full before deciding to invest in the Company.

In particular, in considering the prospects of the Company, you should consider the risk factors that could affect the financial performance of the Company in light of your personal circumstances (including financial and taxation issues) and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding to invest.

Applicants should carefully consider the risk factors that affect the Company and the industry in which it operates. Section 5 outlines some significant risk factors that may impact on the prospects of the Company. Further, any number of known and unknown risks, uncertainties and other factors could affect the actual results, performance or achievements of the Company. The Shares offered under this Prospectus carry no guarantee with respect to return on capital investment, payment of dividends or the future value of the Shares.

Disclaimer

Except as required by law, and only to the extent so required, neither the Company nor any other person guarantees the future performance of Apiam Animal Health, or any return on any investment made pursuant to this Prospectus.

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not contained in the Prospectus may not be relied on as having been authorised by the Company or the Directors. Certain risk factors are set out in Section 5. These and other factors could cause actual results to differ materially from those expressed in any forward-looking statement made by, or on behalf of, the Company.

Electronic Prospectus

An electronic version of this Prospectus is available on the Offer website at www.apiam.com.au. The Offer constituted by this Prospectus in electronic form is available only to Australian residents accessing the website and receiving this Prospectus in electronic form within Australia. Persons who access the Prospectus in electronic form should ensure that they download and read the entire Prospectus. Persons having received a copy of this Prospectus in its electronic form may, during the Offer Period, obtain a paper copy of this Prospectus (free of charge within Australia) by contacting Boardroom Pty Limited on 1300 737 760 (from within Australia) or +61 2 9290 9600 (from outside Australia) or it may be downloaded from www.apiam.com.au. Applications for Shares may only be made on the Application Form attached to or accompanying this Prospectus. The Corporations Act prohibits any person from passing on to another person the Application Form unless it is attached to or accompanies a hard copy of the Prospectus or a complete and unaltered electronic copy of this Prospectus.



Exposure period

The Corporations Act prohibits the Company from processing Applications in the 7 day period after the date of lodgement of this Prospectus with ASIC. This Exposure Period may be extended by ASIC by up to a further 7 days. This Prospectus will be circulated during the Exposure Period. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. Applications received during the Exposure Period will not be processed until after the expiry of that period. No preference will be conferred on Applications received during the Exposure Period.

No overseas registration

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia. The distribution of this Prospectus (including in electronic form) outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of the applicable securities laws.

United States

This document may not be released or distributed in the United States. This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this document have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements under the US Securities Act and applicable US state securities laws.

Hong Kong

This document has not been, and will not be, registered as a prospectus under the Companies Ordinance (Cap. 32) of Hong Kong (**Companies Ordinance**), nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (**SFO**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to “professional investors” (as defined in the SFO).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Singapore

This document and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (**SFA**), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an “institutional investor” (as defined in the SFA) or (iii) a “relevant person” (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (**FMC Act**). The Shares under the Retail Offer and Institutional Offer are not being offered to the public within New Zealand. Specific Institutional Investors will be invited to apply for Shares in the Institutional offer.

Shares may not be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency; or
- subscribes, or has subscribed, for securities that have a minimum amount payable of at least NZ\$750,000.

Financial amounts

Money as expressed in this Prospectus is in Australian dollars unless otherwise indicated.

Glossary

Certain terms and abbreviations used in this Prospectus have defined meanings which are explained in the body of this Prospectus or in the Glossary set out in Section 11. Defined terms are generally identifiable by the use of an upper case first letter.

Privacy

By filling out an Application Form to apply for Shares, you are providing personal information to the Company through its service provider, the Share Registry. The Company, and the Share Registry on its behalf, collect, hold and use that personal information in order to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

If you do not provide the information requested in the Application Form, the Company and the Share Registry may not be able to process or accept your Application. Your personal information may also be used from time to time to inform you about other products and services offered by the Company which it considers may be of interest to you.

Your personal information may also be provided to the Company's agents and service providers on the basis that they deal with such information in accordance with the Company's privacy policy and as authorised under the Privacy Act 1988 (Cth). The Company's agents and service providers may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the Shareholder register;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Company's Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares for associated actions.

You may request access to your personal information held by (or on behalf of) Apiam Animal Health. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information. You can request access to your personal information by writing to or telephoning the Share Registry as follows:

Boardroom Pty Limited

Level 12, 225 George Street, Sydney NSW 2000
Telephone: 1300 737 760 (from within Australia)
or +61 2 9290 9600
Facsimile: +61 2 9279 0664

If any of your information is not correct or has changed, please contact the Share Registry or the Company to update your information. In accordance with the requirements of the Corporations Act, information on the Share Register will be accessible to members of the public.



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TABLE OF CONTENTS

Key Offer Information	8
Letter from the Chairman	9
1 Investment Overview	10
2 Company Overview	27
3 Industry Overview	40
4 Financial Information	54
5 Risk Factors	74
6 Directors and other key people, interests and benefits	79
7 Details of the Offer	86
8 Investigating Accountant's Report	95
9 Material Agreements	105
10 Additional information	117
11 Glossary	129

KEY OFFER INFORMATION

Important Dates

Prospectus lodgement date	17 November 2015
Offer Opens	1 December 2015
Offer Closes	8 December 2015
Settlement via Delivery versus Payment	8 December 2015
Anticipated date of allotment	9 December 2015
Anticipated dispatch of Shareholder statements	9 December 2015
Shares expected to begin trading on ASX	17 December 2015

These dates and times are indicative only and may change. Apiam Animal Health, with the consent of the Lead Manager, reserves the right to vary the dates and times of the Offer without prior notice including closing the Offer before the scheduled Closing Date.

Key Offer Statistics

Offer Price per Share	\$1.00
Number of Shares to be issued under this Prospectus	40.0 million
Total number of Shares on issue following the Offer and Completion of the Acquisitions	98.5 million
Amount to be raised under the Offer ¹	\$40.0 million
Implied market capitalisation at the Offer Price ²	\$98.5 million
Implied Enterprise Value ³	\$110.0 million
Enterprise Value/pro forma FY16 EBITDA after non-controlling interests ^{4 5}	9.1x
Enterprise Value/pro forma FY16 EBIT after non-controlling interests ^{4 5}	10.2x
Offer Price/pro forma FY16 forecast NPAT per Share ^{5 6}	13.7x

1. Calculated as the number of Shares issued under the offer multiplied by the Offer Price.

2. Calculated as the total number of Shares on issue on completion of the Offer multiplied by the Offer Price. Shares may not trade at the Offer Price post Listing.

3. Calculated as the market capitalisation of the Company, based on the Offer Price, plus the pro-forma net debt of \$11.5 million. Refer to Section 4 for more information.

4. EBITDA refers to earnings before interest, tax, depreciation and amortisation. EBIT refers to earnings before interest and tax. EBITDA and EBIT after non-controlling interests refers to EBITDA and EBIT of the Company adjusted to remove the proportion of EBITDA and EBIT of a subsidiary where Apiam Animal Health does not own 100% of a particular subsidiary. Refer to Section 4 for more information.

5. The Forecast Financial Information is based on assumptions and accounting policies set out in Section 4 and is subject to the risk factors set out in Section 5. There is no guarantee that forecasts will be achieved and variances may be material.

6. This ratio is commonly referred to as the forward price to earnings ratio, or forward PE ratio. A price to earnings ratio is the share price divided by the annual earnings per share after tax.

What should you do with any enquiries?

If you require assistance to complete the Application Form, require additional copies of this Prospectus, have any questions in relation to the Offer or you are uncertain as to whether obtaining Shares in the Company is a suitable investment for you, you should seek professional advice from your stockbroker, lawyer, accountant or other professional adviser.

LETTER FROM THE CHAIRMAN

17 November 2015

Dear Investor,

On behalf of the Directors of Apiam Animal Health Limited, it is my pleasure to invite you to read this Prospectus and to become a shareholder in the Company.

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

The Company was initially founded by Managing Director Dr Chris Richards in 1998 as a single veterinary practice focused on the pig industry. Since that time, Apiam Animal Health has successfully developed its integrated animal health business model.

An important component of Apiam Animal Health's strategy is to extend its business model across other Production Animals (including beef cattle and dairy cattle amongst others). Following an extensive search program, Apiam Animal Health has identified and entered into Acquisition Agreements with a number of Production and Mixed Animal veterinary businesses. Upon Listing and Completion of the Acquisitions, Apiam Animal Health's offering will incorporate:

- 12 leading rural Production and Mixed Animal veterinary businesses in Australia, with clinics in 25 locations and incorporating over 100 veterinarians;
- wholly owned wholesaling and logistics operations including 4 warehouses and an 18 vehicle fleet to provide procurement and delivery services; and
- a broad product portfolio targeted towards production animal health, including exclusive distribution of a number of third party products and an expanding range of private label products.

The Company estimates that it will provide veterinary services to approximately 35% of the pig industry, 50% of the beef cattle feedlot industry and 25% of the dairy cattle industry in Australia.

The Company is forecast to achieve pro-forma revenue and pro-forma EBITDA after non-controlling interests of \$85.4 million and \$12.1 million in FY16, respectively, with a high pro-forma operating cash-flow conversion (before financing costs and tax) of approximately 97% relative to pro-forma EBITDA. It is the current intention of the Company to commence paying dividends from the first half of FY17, with a target full-year payout ratio of 40% to 60% of its net profits after tax.

New Shareholders receiving Shares under this Prospectus are expected to hold approximately 45% of the Shares on issue, the founder and Managing Director Chris Richards will hold approximately 26% of the Shares on issue, and the vendors of the Acquisitions will hold approximately 29% of the Shares on issue. The Company will seek admission to the Official List of, and quotation of its Shares by, ASX.

This Prospectus contains detailed information about the Offer, the industry in which Apiam Animal Health operates, and its financial and operating performance. As with other businesses, Apiam Animal Health is subject to a range of risks. The risks associated with investing in the Company are detailed in Sections 1.4 and 5. It is important that you read this Prospectus carefully and in its entirety before making your investment decision.

On behalf of my fellow Directors, I look forward to welcoming you as a Shareholder.

Yours sincerely,



Professor Andrew Vizard
Chairman



01

INVESTMENT OVERVIEW



This Section is a summary only and is not intended to provide full information to potential investors. This Prospectus should be read and considered in its entirety.

1.1 INTRODUCTION

Topic	Summary	Further Information
Who is Apiam Animal Health?	Apiam Animal Health is a vertically integrated animal health business providing a range of products and services to Production and Mixed Animals. The Company was initially founded in 1998 as a single veterinary practice focused on the pig industry. Today, Apiam Animal Health provides a diverse range of products and services across the animal health value chain, including: • systems to assist in herd health programs; • production advice; • consulting services and products to assist in the prevention of animal diseases; • technologies to manage compliance with legislative requirements on pharmaceutical use; • advice and services in respect of animal welfare compliance; • retail animal health product sales; • on-farm delivery of products via its own logistics capability; • third party auditing services of industry quality assurance programs; • technology development for animal health management; • ancillary services such as sales and/or delivery of genetics and associated products; and • on-farm and on-line training programs for clients. An important component of Apiam Animal Health's strategy is to extend and diversify its service offering across additional Production Animal sectors, in particular in feedlot cattle and dairy cattle. Following an extensive program to identify appropriate acquisition targets, Apiam Animal Health has entered into Acquisition Agreements to acquire 12 veterinary businesses. Apiam Animal Health estimates that it will, upon Listing and Completion of the Acquisitions, provide veterinary services to approximately 35% of the pig industry, 50% of the beef cattle feedlot industry and 25% of the dairy cattle industry in Australia.	Section 2 (Company Overview)
Why is the Offer being conducted?	The Offer is being conducted to: • provide funding to enable Apiam Animal Health to Complete the Acquisitions; • provide Apiam Animal Health with the benefits of an increased profile that arises from being a listed entity; and • provide Apiam Animal Health with access to the capital markets to enhance its ability to pursue future growth opportunities. The Offer also provides the Seller with the opportunity to realise part of his current investment in Apiam Animal Health, together with the opportunity for employees to invest in Shares.	Section 7 (Details of the Offer)
What are the characteristics of the Acquisitions	The Acquisitions have the following characteristics: • average FY16 forecast revenue per veterinary business of \$4.8 million; • in 5 cases the Acquisitions were effected through an acquisition of the business and assets, and in 7 cases through the acquisition of shares in an existing entity; • weighted average revenue mix across the veterinary businesses of approximately 39% veterinary consulting and ancillary services and 61% product sales; and • incorporate 71 veterinarians, including many who, in the Company's opinion, are leaders in their practice areas.	Section 2.3 (Company Overview) and Section 9.2 (Material Agreements)

Topic	Summary	Further Information
What is Apiam Animal Health paying for the Acquisitions?	The weighted average FY16 EBITDA multiple agreed to be paid for the Acquisitions is 6.0x. The total consideration for the Acquisitions is \$54.6 million (subject to customary adjustments), comprising \$25.6 million in cash and \$29.0 million in Shares. There may be a further amount of consideration payable in the form of cash and shares of up to \$3.5 million based on the achievement of EBITDA targets in the 12 months after Completion.	Section 2.3 (Company Overview) and Section 9.2 (Material Agreements)

1.2 KEY FEATURES OF APIAM ANIMAL HEALTH'S BUSINESS MODEL

Topic	Summary	Further Information
How does Apiam Animal Health generate its income?	Apiam Animal Health generates income by providing a diverse range of products and services to clients across the animal health value chain. The Company primarily receives revenue through: - the provision of veterinarian consulting services; - the sale of both prescription and non-prescription products; and - the provision of ancillary products and services. The key drivers for revenue include: - demand for Production and Mixed Animal pharmaceutical and non-pharmaceutical products; - demand for contracted and non-contracted veterinary services provided to Production and Mixed Animals; - value of pharmaceutical and non-pharmaceutical product sales; - number of Production Animals under veterinary management; - the productivity and fee rates of veterinarians; and - mild seasonal factors across each of the species that may influence demand for consultancy or product sales. The key expenses of FY16 pro forma forecast operating costs (as a percentage of FY16 pro-forma revenue) include: 26% in employee expenses (such as wages and bonuses); and 52% in cost of sales. Key to determining Apiam Animal Health's profitability will be effective management of these key expenses. Further information on how Apiam Animal Health proposes to manage such expenses is set out in Section 2.6.	Section 2 (Company Overview) and Section 4 (Financial Information)

Topic	Summary	Further Information
How will Apiam Animal Health operate as an integrated group?	Upon Listing and Completion of the Acquisitions, integration of the acquired businesses will represent a key strategic priority for the Company. Apiam Animal Health's integration plan incorporates: - the provision of business support services, including financial systems and services, sales and marketing support, human resources, wholesaling, warehousing and logistics support; - training and professional development programs to improve clinical standards and client service; - implementing an incentive scheme to attract and retain key employees; and - rolling-out of structured preventative medicine programs to optimise production of farm animals. Plans for consolidation and centralisation of the Group's supply chain have been established, which the Company expects will improve buying power and margins across the Group in respect of cost of sales and other related aspects. To minimise disruption to operations and ensure retention of their local identities within their respective communities, each clinic will retain its current branding and manage the delivery of clinical services to their clients.	Section 2 (Company Overview)
Who are Apiam Animal Health's clients?	Apiam Animal Health's client base varies across the products and services it provides in respect of Production and Mixed Animals. For Production Animals, upon Listing and Completion of the Acquisitions, Apiam Animal Health's client base will include commercial piggery, beef cattle feedlot, and dairy operators. For Mixed Animals, Apiam Animal Health provides veterinary related products and services to the regional communities in which it operates. Although Apiam Animal Health provides products and services to a number of the largest Production Animal producers in Australia, it has a diverse client base across multiple industry sectors. Following the Completion of the Acquisitions, the Company expects that no individual customer will represent more than 10% of pro-forma FY16 revenue.	Section 2 (Company Overview) and Section 3 (Industry Overview)

Topic	Summary	Further Information
What is Apiam Animal Health's growth strategy post IPO?	The Company intends to adopt a predominantly organic-driven growth strategy, with bolt-on acquisitions undertaken where appropriate to enhance the Company's service offering and market position, expand its geographic reach or extend the specialised coverage of species. The key elements of Apiam Animal Health's growth strategies include: 1. Application of the vertically integrated model The vertically integrated model that has been developed by the Company will be applied to the Acquisitions. This will include the expansion of the Company's existing programs and services and development of new programs and services to assist clients in improving efficiencies and production and meeting their regulatory needs. In the short term, the Company will attain improved margins on the products sold to clients of the Acquisitions through the Company's existing procurement arrangements. An important component of this model is the application of centralised business support functions, in particular with regard to product procurement, where the Company expects to achieve enhanced buying power and margins across the Group. Refer to Section 2.3 (Acquisition Integration) for further discussion. Refer to Section 2.8 (Growth Strategies) for a case study on how the Company has implemented its vertically integrated model in a past acquisition, including resulting revenue growth. 2. Enhanced product sales The Apiam Animal Health business model is predicated upon supporting expanded retail and product sales by providing integrated service programs directed at ensuring optimal efficacy of these products, supported by a network of Business Support Managers. Management estimates that the Acquisitions typically achieve a smaller proportion of the total animal health expenditure of their clients than the Company achieves. Apiam Animal Health expects that by applying its vertically integrated business model to the Acquisitions, it will increase its share of the total animal health expenditure of those clients. 3. Client focus Apiam Animal Health expects that additional organic growth will be achieved through the alignment of its client base with progressive new clients, including those seeking to adopt market leading practices in animal health and welfare. In particular, the Company is actively seeking to align its client base with growing Production Animal segments, including the grass fed and feedlot beef, sheep and dairy sectors. The development of new client relationships will provide the opportunity for incremental revenue from products and services that improve the health, welfare and productivity of farm animals. 4. Growth by acquisition Apiam Animal Health may seek to grow through the acquisition of bolt-on Production Animal and Mixed Animal veterinary clinics or other acquisitions, where there is a strategic and financially compelling rationale, and where the acquired business is suitable for alignment with Apiam Animal Health's vertically integrated business model and objectives.	Section 2 (Company Overview)

1.3 KEY STRENGTHS

Topic	Summary	Further Information
Vertically integrated business model across the animal health value chain	Apiam Animal Health is positioned in the Australian market as a vertically integrated animal health business providing a range of products and services to support the health and welfare of Production and Mixed Animals. Upon Listing and Completion of the Acquisitions, Apiam Animal Health's offering will incorporate: • 12 leading rural Production and Mixed Animal veterinary businesses in Australia, with clinics in 25 locations and incorporating over 100 veterinarians (with many being recognised as industry leaders); • wholly owned veterinary wholesaling and logistics operations including 4 warehouses and an 18 vehicle fleet to provide fulfilment services to support Apiam Animal Health's veterinary practices, other (non-owned) veterinary practices and their clients; and • a broad product portfolio targeted towards Production Animal health, including exclusive distribution of a number of products and brands and an expanding range of private label products. The Company has established relationships with a number of global suppliers of animal health, pharmaceutical, nutritional, and reproductive products, and specialised equipment, including holding the exclusive distribution rights in Australia for a range of products.	Section 2 (Company Overview)
Portfolio of leading veterinary businesses in their respective areas of Production Animal expertise	Upon Listing and Completion of the Acquisitions, Apiam Animal Health estimates that it will have substantial market positions in the provision of animal health products and services to the pig, feedlot cattle and dairy cattle sectors, as well as operating a number of leading regional Mixed Animal clinics in Australia. Refer to Section 2.1 for further detail on Apiam Animal Health's estimated market shares in these sectors. The Company's veterinary services will be delivered by its team of over 100 veterinarians.	Section 2 (Company Overview)
Established, proven core business providing platform for growth	Apiam Animal Health was initially founded by Managing Director Chris Richards in 1998 as a single veterinary practice focused on the pig industry. Since that time, the Company has, via the strategic launch of new service offerings and the selective acquisition and integration of other businesses, successfully developed its integrated animal health business model. For Production Animals, Apiam Animal Health's strategy is to service animals throughout the entire life cycle, including the provision of genetic products and services, veterinary services, ancillary services, pharmaceutical prescription and dispensing, and retail sales of related products. Apiam Animal Health also provides wholesale supply of pharmaceuticals and other products to third party veterinarians. An important element of the Company's integration strategy following Completion of the Acquisitions will be to extend its proven and successful vertically integrated model to the Acquisitions, in particular in the feedlot cattle and dairy cattle sectors.	Section 2 (Company Overview)

Topic	Summary	Further Information
Strong industry fundamentals	The Australian Production Animal industry is supported by a range of strong, long-term domestic and international macro-economic and demographic drivers and trends, including: - underlying growth in domestic consumption of protein; - the influence of the emerging middle class amongst key regional trading partners on the consumption of protein, dairy and other livestock related products; - changing consumer preferences, including an increasing focus (domestic and international) on food safety and socially responsible production practices across the supply chain; - Australia's competitive advantage in food production; and - the potential positive impact associated with recently agreed and future free trade agreements between Australia and key trading partners.	Section 3 (Industry Overview)
Proprietary technology providing strong linkage between clients, veterinarians and procurement operations	Apiam Animal Health utilises a range of information technology (IT) solutions across its operations, including proprietary on-line ordering systems that enable clients to order retail products directly from the veterinary clinics or, in certain circumstances, request fulfilment of veterinarian prescribed products direct from the Company's central procurement operations. The on-line ordering systems, coupled with on-farm delivery, creates, in the Company's opinion, a user-friendly and attractive proposition for Apiam Animal Health clients. These systems also play a critical role in enabling Management to optimise the operation of its vertically integrated model, linking clients with veterinarians and procurement operations in real-time.	Section 2 (Company Overview)
Opportunity for organic and inorganic growth	To capitalise on the underlying dynamics associated with the livestock industry in Australia and its export partners, together with the benefits associated with applying its vertically integrated model, Apiam Animal Health's Management intends to adopt a predominantly organic growth strategy, with potential bolt-on acquisitions undertaken where appropriate to enhance the Company's service offering and market position, expand its geographic reach or extend the specialised coverage of species. Refer Section 2.8 for further detail on Apiam Animal Health's growth strategies.	Section 2 (Company Overview)
Attractive financial profile with high cash conversion	Apiam Animal Health is forecast to achieve pro-forma revenue and pro-forma EBITDA after non-controlling interests of \$85.4 million and \$12.1 million in FY16, respectively. The Company is forecast to have a high pro-forma operating cashflow conversion (before financing costs and tax) of approximately 97% relative to pro-forma EBITDA. It is the current intention of the Company to commence paying dividends from the first half of FY17, with a target full-year payout ratio of 40% to 60% of its net profits after tax.	Section 4 (Financial Information)

Topic	Summary	Further Information
Experienced Board and executive team with proven track record	Apiam Animal Health is led by a highly skilled Board and executive management team, with considerable experience across the animal health and pharmaceutical industries. Management Dr Chris Richards, Managing Director, has over 18 years of veterinary and related industry experience, and founded the Company (including its predecessor companies) in 1998. Matthew White, Chief Financial Officer, an experienced finance director with over 15 years finance experience in the pharmaceutical industry both in Australia and internationally. Dr Corne Loots, Veterinary Services Manager, has extensive experience both in production animals and companion animals in Australia and internationally. Corne has held roles as a technical veterinarian, in sales and marketing management and in strategy for a number of global animal health companies. Nigel Hebart, General Manager – Ruminants, has over 33 years commercial management experience across pharmaceutical and animal health companies. Robert Dawes, Integrated Supply Manager, has over 25 years in animal health and national supply roles. Ella McDougall (General Counsel and Company Secretary) and Julie Tippet (Chief Operating Officer) have a combined tenure with Apiam Animal Health of approximately 14 years and have overseen the completion and integration of a number of acquisitions. Board of Directors The Board is led by Professor Andrew Vizard, Chairman. Andrew is an experienced company director, with current Board positions including Ridley Corporation. Andrew is also a Principal Fellow at the University of Melbourne, and was previously an Associate Professor in Veterinary Epidemiology and director of the Mackinnon Project, a veterinary and production consultancy business servicing the beef and sheep industries. The Board also includes as Non-Executive Directors Charles Sitch (over 23 years past experience with McKinsey & Company and with a variety of current listed company Board roles), Michael van Blommestein (formerly a senior executive in the veterinary pharmaceutical industry in Australia, New Zealand and Asia), and Rick Dennis (over 35 years past experience with EY, including as Managing Partner in Queensland and as CFO for Asia Pacific, and has a variety of current public company Board roles).	Section 6 (Directors and other key people, interests and benefits)

1.4 KEY RISKS

Topic	Summary	Further Information
What are the risks associated with Apiam, its business model, the Shares and the Offer?	Apiam Animal Health's ability to make money and generate income or capital growth for investors, or otherwise meet its objectives, is subject to a number of factors and risks beyond the control of the Company. Noted below are some key risks to Apiam Animal Health. A more fulsome explanation of these risks as well as others is set out in Section 5.	Section 5 (Risk Factors)
Exposure to the Agriculture Sector	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.	Section 5 (Risk Factors)
Completion risk	If any of the Acquisitions do not complete, the composition of the Group will change. It is anticipated that Completion of the Acquisitions will occur between close of the Offer and commencement of trading of Shares on ASX, however there is no guarantee this will occur.	Section 5 (Risk Factors)
Business integration	It is critical that Apiam Animal Health successfully integrates the Acquisitions. There is a risk that fully integrating these businesses may take longer or cost more than anticipated by the Company, which could impact on the profitability of the Company.	Section 5 (Risk Factors)
Reliance on key personnel	Apiam Animal Health's business model depends substantially on its senior management team and key personnel, in particular Chris Richards, its founder and Managing Director, 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.	Section 5 (Risk Factors)
Product availability	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.	Section 5 (Risk Factors)
Due diligence risk	Apiam Animal Health has agreed to acquire other veterinary clinics. Whilst pre-acquisition due diligence has been undertaken, there is a risk that due diligence has not identified issues that would have been material to the decision to acquire the clinics. This is particularly relevant given none of the financial accounts provided by the clinics in the Acquisitions were audited.	Section 5 (Risk Factors)
Client consolidation	No single client or buying group is expected to account for more than 10% of Apiam Animal Health's FY16 pro-forma forecast revenue. However, if there is consolidation within Apiam Animal Health's client base, this may lead to a concentration of the Company's client exposure risk and may adversely affect the margins that the Company is able to generate on the sale of its products and services to these client groups.	Section 5 (Risk Factors)
Professional negligence	Apiam Animal Health's veterinarians owe a duty of care to the Company's clients. If an employee fails to meet this duty of care, Apiam Animal Health may be exposed to a claim for damages for professional negligence. This claim may be material, particularly in relation to the services provided to Production Animals. The Company maintains appropriate professional indemnity insurance, but if this insurance is inadequate or fails to respond to a claim against Apiam Animal Health, the Company may be exposed to material loss.	Section 5 (Risk Factors)

Topic	Summary	Further Information
Forecast Financial Information	The Forecast Financial Information represents the Company's best estimate of anticipated financial results in the forecast period, based upon information available at the date of this Prospectus. Forecasts are by their nature subject to uncertainties outside the Company's control or incapable of being accurately predicted and based upon assumptions that may not be accurate. The actual financial performance of the Company may differ from the Financial Forecast Information and the difference may be material	Section 5 (Risk Factors)

1.5 KEY FINANCIAL METRICS

Topic	Summary	Further Information																																			
What is Apiam Animal Health's pro forma historical and forecast financial performance?	The Financial Information presented below is a summary only and should be read in conjunction with the more detailed discussion of the Pro Forma Historical Financial Information and the Forecast Financial Information in Section 4, including the assumptions, management discussion and analysis and sensitivity analysis, as well as the risk factors set out in Section 5. A reconciliation of the pro forma forecast and statutory forecast income statements is provided in Section 4.7.2. <table><tr><th colspan="5">Summary Financial Information</th></tr><tr><th>Y/E 30 June</th><th colspan="2">Pro-forma historical</th><th colspan="2">Pro-forma forecast</th></tr><tr><th>\$000</th><th>FY13</th><th>FY14</th><th>FY15</th><th>FY16</th></tr><tr><td>Revenue</td><td>69,372</td><td>76,643</td><td>79,459</td><td>85,445</td></tr><tr><td>Gross Profit</td><td>32,978</td><td>36,260</td><td>37,289</td><td>41,117</td></tr><tr><td>EBITDA¹</td><td>8,172</td><td>9,976</td><td>10,535</td><td>12,086</td></tr><tr><td>NPAT¹</td><td></td><td></td><td></td><td>7,176</td></tr></table> Notes: 1. EBITDA and NPAT presented after non-controlling interests	Summary Financial Information					Y/E 30 June	Pro-forma historical		Pro-forma forecast		\$000	FY13	FY14	FY15	FY16	Revenue	69,372	76,643	79,459	85,445	Gross Profit	32,978	36,260	37,289	41,117	EBITDA ¹	8,172	9,976	10,535	12,086	NPAT ¹				7,176	Section 4 (Financial Information)
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NPAT ¹				7,176																																	
Does Apiam Animal Health have any debt facilities?	Apiam Animal Health has been provided with indicative terms from National Australia Bank pursuant to which the bank will, subject to satisfaction of certain conditions, agree to provide the Banking Facilities. The Banking Facilities are subject to a range of terms and conditions that are customary for corporate debt facilities. The Banking Facilities include a total limit of \$35.3 million. On Completion of the Acquisitions, the Company expects the Banking Facilities to be drawn to \$12.7 million. Refer Section 4.9 for further information.	Section 4 (Financial Section)																																			
How does Apiam Animal Health expect to fund its activities?	Apiam Animal Health plans to fund its operations through a combination of: - internally generated cashflow; and - Banking Facilities. The Directors expect that the Company will have adequate working capital to carry out its stated objectives. However, additional funds may be required in the future to fund the Company's longer term objectives, which include the potential future acquisition of businesses to further diversify and complement Apiam Animal Health's business. Future business acquisitions, if any, may require funding by future debt and or equity finance.	Section 2 (Company Overview) and Section 4 (Financial Information)																																			

Topic	Summary	Further Information
What is Apiam Animal Health's dividend policy?	The payment of a dividend by Apiam Animal Health is at the discretion of the Board and will be a function of a number of factors, including the general business environment, the operating results, cash flows and the financial condition of Apiam Animal Health, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by Apiam Animal Health, and any other factors the Board may consider relevant. It is the current intention of the Board to pay dividends in respect of half years ending 31 December and final dividends in respect of full years ending 30 June each year. No interim or final dividend is forecast in respect of FY16. It is the current intention of the Board to target a payout ratio of 40% to 60% of its net profit after tax as dividends. The Directors can provide no guarantee as to the extent of future dividends or the level of franking or imputation of such dividends, as these will depend upon the future profits of Apiam Animal Health, the contribution of profits from outside Australia and the Company's financial and taxation position at that time.	Section 4 (Financial Information)
When will the first dividend be paid?	The Company currently intends to pay a half-year dividend in respect of the first half of FY17. It is expected that any future dividends will be franked to the maximum extent possible.	Section 4 (Financial Information)

1.6 DIRECTORS AND MANAGEMENT

Topic	Summary	Further Information
Who are the Directors of Apiam Animal Health?	The Directors of Apiam Animal Health are: • Professor Andrew Vizard, Chairman • Dr Chris Richards, Managing Director • Rick Dennis • Michael van Blommestein • Charles Sitch	Section 6 (Directors and other key people, interests and benefits)
Who are the key managers of Apiam Animal Health?	The members of the senior management team are: • Dr Chris Richards, Managing Director • Matthew White, Chief Financial Officer • Julie Tippet, Chief Operating Officer • Dr Corne Loots, Veterinary Services Manager • Nigel Hebart, General Manager – Ruminants • Robert Dawes, Integrated Supply Manager • Ella McDougall, General Counsel and Company Secretary	Section 6 (Directors and other key people, interests and benefits)

1.7 SIGNIFICANT INTERESTS OF KEY PEOPLE AND RELATED PARTY TRANSACTIONS

Topic	Summary	Further Information																														
Who are the Current Shareholders?	The Shares of Apiam Animal Health are currently held entirely by Chris Richards, the founder and Managing Director. The Acquisitions are owned by the Vendors, being a range of private individuals and/or companies, who will, upon Listing and Completion of the Offer, become Shareholders in the Company.	Section 6 (Directors and other key people, interests and benefits)																														
Who will be the key Shareholders in Apiam Animal Health upon Listing and Completion of the Acquisitions?	<table><thead><tr><th></th><th>Shares at Prospectus Date</th><th>Pre-IPO %</th><th>Expected Shares issued/ acquired/ (sold)</th><th>Expected Shares post-IPO</th><th>Expected Post-IPO (%)</th></tr></thead><tbody><tr><td>Chris Richards¹</td><td>42,346,883</td><td>100%</td><td>(17,000,000)</td><td>25,346,883</td><td>25.7%</td></tr><tr><td>Vendors¹</td><td>-</td><td>-</td><td>29,078,691</td><td>29,078,691</td><td>29.5%</td></tr><tr><td>New Shareholders</td><td>-</td><td>-</td><td>44,050,000</td><td>44,050,000</td><td>44.8%</td></tr><tr><td>Total</td><td></td><td></td><td>56,128,691</td><td>98,475,574</td><td>100%</td></tr></tbody></table> 1. The total number of Shares to be held by Chris Richards as trustee for the Richards Family Trust and the vendors will be 54,425,574. As a result of adjustments to the purchase price under the Acquisition Agreements, the vendors may receive a lower number of Payment Shares. If this occurs, there will be a commensurate increase in the number of Shares held by Chris Richards.		Shares at Prospectus Date	Pre-IPO %	Expected Shares issued/ acquired/ (sold)	Expected Shares post-IPO	Expected Post-IPO (%)	Chris Richards ¹	42,346,883	100%	(17,000,000)	25,346,883	25.7%	Vendors ¹	-	-	29,078,691	29,078,691	29.5%	New Shareholders	-	-	44,050,000	44,050,000	44.8%	Total			56,128,691	98,475,574	100%	
	Shares at Prospectus Date	Pre-IPO %	Expected Shares issued/ acquired/ (sold)	Expected Shares post-IPO	Expected Post-IPO (%)																											
Chris Richards ¹	42,346,883	100%	(17,000,000)	25,346,883	25.7%																											
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New Shareholders	-	-	44,050,000	44,050,000	44.8%																											
Total			56,128,691	98,475,574	100%																											
What significant benefits and interests are payable to the Directors and other persons connected with the Company?	<table><thead><tr><th>Key People</th><th>Interest or Benefit</th></tr></thead><tbody><tr><td>Chris Richards</td><td>Sale of Apiam Animal Health Shares under the Offer</td></tr><tr><td>Vendors</td><td>Receipt of cash proceeds and Payment Shares</td></tr><tr><td>Advisors and other service providers</td><td>Fees for services</td></tr></tbody></table> Some Vendors will also receive Shares under the Seed Agreements. Directors are also entitled to remuneration and fees on ordinary commercial terms as described in Section 6.4.	Key People	Interest or Benefit	Chris Richards	Sale of Apiam Animal Health Shares under the Offer	Vendors	Receipt of cash proceeds and Payment Shares	Advisors and other service providers	Fees for services	Section 6 (Directors and other key people, interests and benefits) and Section 9 (Material Agreements)																						
Key People	Interest or Benefit																															
Chris Richards	Sale of Apiam Animal Health Shares under the Offer																															
Vendors	Receipt of cash proceeds and Payment Shares																															
Advisors and other service providers	Fees for services																															
Will any Shareholders have a voting power of 20% of more?	Yes. Chris Richards will hold approximately 25.7% of the voting power in Apiam. This may be enough in specific situations to allow Chris Richards to have significant influence on the outcome of shareholder resolutions. However, the Corporations Act and Listing Rules in general will exclude Chris from voting on matters in which he may have a material interest.	Section 6 (Directors and other key people, interests and benefits)																														
Will escrow apply to any Shareholders?	The Shares held by Chris Richards and the Shares issued to the vendors of the Acquisitions will be subject to voluntary escrow restrictions. The escrow period in respect of these Shares is: • 1 year in respect of 100% of these Shares (55.3% of total shares on issue); and • 2 years in respect of 50% of these Shares (27.6% of total shares on issue). Further details are set out in Section 9.6.	Section 9.6 (Escrow Agreements)																														

Topic	Summary	Further Information
Are there any related party transactions?	The Company leases its head office from an entity associated with Chris Richards. The rental is based on a market appraisal and the terms of the lease are standard commercial terms. The Company leases its artificial insemination facility from an entity associated with Chris Richards. The rental is based on commercial rates and the terms of the lease are standard commercial terms. Apiam Animal Health and iVet (an entity owned and controlled by Chris Richards), have entered into a 10 year exclusive licence agreement for Apiam Animal Health to use the iVet technology, commercialise and develop it with an option to buy the technology any time within the first 5 years. The Company considers that the terms and conditions of this agreement are reasonable and commercial if the parties were dealing at arm's length and not related. The Company has entered into a loan facility agreement with Chris Richards, under which the Company has agreed to lend to Chris Richards up to \$1.5 million, to be repaid from the proceeds of sale of the Sale Shares.	Section 6 (Directors and other key people, interests and benefits) and Section 9 (Material Agreements)

1.8 USE OF FUNDS

Topic	Summary	Further Information	
How will Apiam use the funds raised from the issue of the New Shares?	The funds raised from the Offer will be applied as follows:	Section 4 (Financial Information)	
	Source and application		\$'000
	Cash proceeds received from sale of Sale Shares		17,000
	Cash proceeds received from issue of New Shares		23,000
	Draw-down on Banking Facilities		12,700
	Total sources		52,700
	Application of funds		
	Cash consideration paid to Complete the Acquisitions		25,587
	Sell down		17,000
	Retirement of existing banking facilities		4,568
	Acquisition costs		1,783
	Offer costs		2,304
	Working capital		1,458
	Total uses		52,700

1.9 OVERVIEW OF THE OFFER

Topic	Summary	Further Information																				
Who is the issuer of this Prospectus?	Apiam Animal Health Limited is the issuer of this Prospectus.	Section 2 (Company Overview) and Section 7 (Details of the Offer)																				
What is the Offer?	The Offer is an initial public offer of 40 million Shares in Apiam Animal Health Limited at \$1.00 per Share to raise a total of \$40 million, involving the Sale of the Sale Shares and the Issue of the New Shares.	Section 7 (Details of the Offer)																				
What are the key Offer statistics?	<table><tr><td>Total number of Shares to be issued under the Offer</td><td>40.0 million</td></tr><tr><td>Number of Payment Shares to be issued to Vendors¹</td><td>29.0 million</td></tr><tr><td>Number of Shares to be held by Chris Richards upon Listing¹</td><td>25.3 million</td></tr><tr><td>Number of Shares to be issued under Employee Award Offer and to Noteholders under Seed Agreements</td><td>4.0 million</td></tr><tr><td>Total number of Shares on issue upon Listing and Completion of the Acquisitions</td><td>98.5 million</td></tr><tr><td>Offer Price</td><td>\$1.00 per Share</td></tr><tr><td>Gross Proceeds of the Offer</td><td>\$40.0 million</td></tr><tr><td>Gross Proceeds of the Offer payable to the Seller</td><td>\$17.0 million</td></tr><tr><td>Market Capitalisation at the Offer Price²</td><td>\$98.5 million</td></tr><tr><td>Enterprise Value at the Offer Price³</td><td>\$110.0 million</td></tr></table>	Total number of Shares to be issued under the Offer	40.0 million	Number of Payment Shares to be issued to Vendors ¹	29.0 million	Number of Shares to be held by Chris Richards upon Listing ¹	25.3 million	Number of Shares to be issued under Employee Award Offer and to Noteholders under Seed Agreements	4.0 million	Total number of Shares on issue upon Listing and Completion of the Acquisitions	98.5 million	Offer Price	\$1.00 per Share	Gross Proceeds of the Offer	\$40.0 million	Gross Proceeds of the Offer payable to the Seller	\$17.0 million	Market Capitalisation at the Offer Price ²	\$98.5 million	Enterprise Value at the Offer Price ³	\$110.0 million	Section 7 (Details of the Offer) and Key Offer Statistics
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Enterprise Value at the Offer Price ³	\$110.0 million																					
1. Subject to adjustment in accordance with the Acquisition Agreements. These Shares will be subject to voluntary escrow arrangements, as described further in Section 9.6. 2. Calculated as the total number of Shares on issue upon Listing and Completion of the Acquisitions multiplied by the Offer Price. 3. Enterprise Value is calculated as the Company's indicative market capitalisation, based on the Offer Price, plus pro forma net debt upon Listing and Completion of the Acquisitions.																						

Topic	Summary	Further Information
What are the key investment metrics	Enterprise Value/pro forma FY16 EBITDA after non-controlling interests ^{1 2}	9.1x
	Enterprise Value/pro forma FY16 EBIT after non-controlling interests ^{1 2}	10.2x
	Offer Price/pro forma FY16 forecast NPAT per Share ^{2 3}	13.7x
1. EBITDA refers to earnings before interest, tax, depreciation and amortisation. EBIT refers to earnings before interest and tax. EBITDA and EBIT after non-controlling interests refers to EBITDA and EBIT of the Company adjusted to remove the proportion of EBITDA and EBIT of a subsidiary where Apiam Animal Health does not own 100% of a particular subsidiary. Refer to Section 4 for more information. 2. The Forecast Financial Information is based on assumptions and accounting policies set out in Section 4 and is subject to the risk factors set out in Section 5. There is no guarantee that forecasts will be achieved and variances may be material. Pro Forma Financial Information has been presented for the reasons set out in Section 4. 3. This ratio is commonly referred to as the forward price to earnings ratio, or forward PE ratio. A price to earnings ratio is the share price divided by the annual earnings per share after tax.		
What type of Shares are being offered and what are the rights attaching to the Shares?	All Shares offered under this Prospectus are or will be fully paid ordinary shares in the Company, ranking equally with each other and all currently issued Shares, with the same rights and liabilities (refer to Section 9.1 for a summary of the rights and liabilities attaching to Shares).	Section 9 (Material Agreements)
How is the Offer structured?	The structure of the Offer comprises: - The Retail Offer, consisting of: - the Broker Firm Offer; - the Employee Award Offer; - the General Priority Offer; and - The Institutional Offer. No general public offer will be made under the Offer. In addition to the Offer, the Company will issue on completion of the Offer: 1.4 million Shares under the Employee Award Offer, open to Eligible Employees in Australia nominated by the Company and issued at the Company's discretion for nil consideration; and 2.7 million Shares to Noteholders pursuant to the terms of the Seed Agreements.	Section 2 (Company Overview) and Section 7 (Details of the Offer)
How to apply for Shares	The application process for Shares depends upon whether you intend to apply under the Retail Offer or the Institutional Offer. Details of the separate application processes can be found in: - Section 7.10 for the Retail Offer; and - Section 7.12 for the Institutional Offer.	Section 2 (Company Overview) and Section 7 (Details of the Offer)

Topic	Summary	Further Information
Can the Offer be withdrawn?	The Company may withdraw the Offer at any time before the issue of Shares to Successful Applicants. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest). The Company and the Lead Manager reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications either generally or in particular cases, reject any Application, or allocate to an Applicant fewer Shares than applied for.	Section 7 (Details of the Offer)
Is the Offer underwritten?	The Offer is fully underwritten by Shaw and Partners Limited. Details of the Underwriting Agreement, including the circumstances in which the Underwriter may terminate its obligations, are set out in Section 9.4.	Section 7 (Details of the Offer)
What is the minimum and maximum Application size?	The minimum acceptable investment is for 2,000 shares at \$1.00 per Share. There is no maximum number or value of shares that may be applied for under the offer.	Section 7 (Details of the Offer)
What is the allocation policy?	The allocation of Shares between the Retail Offer and the Institutional Offer will be determined by the Lead Manager in consultation with the Company. For Broker Firm Offer participants, the Lead Manager will decide as to how they allocate Shares among their retail clients. The allocation of Shares under the Employee Award Offer and the General Priority Offer will be determined by the Company. The Lead Manager, in consultation with the Company, has absolute discretion regarding the allocation of Shares to Applicants under the Offer and may reject an Application, or allocate fewer Shares than the amount applied for, in their absolute discretion. The Company will also issue 2.7 million Shares to Noteholders on completion of the Offer under the terms of the Seed Agreements.	Section 7 (Details of the Offer)
Will the Shares be quoted?	An application will be made to ASX for the Company to be admitted to ASX, and for official quotation of the Shares (which is expected to be under the code AHX). If permission is not granted for official quotation of the Shares on ASX within three months of the date of this Prospectus, all Application Monies received will be refunded without interest as soon as practicable in accordance with requirements of the Corporations Act.	Section 7 (Details of the Offer)
When are the Shares expected to commence trading?	It is expected that trading of the Shares on the ASX will commence on 17 December 2015. It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk. The Company, the Share Registry and the Lead Manager disclaim all liability, whether in negligence or otherwise, if you sell Shares before receiving your holding statement, even if you confirmed your firm allocation through a Broker or otherwise.	Section 7 (Details of the Offer)

Topic	Summary	Further Information
Are there any escrow arrangements?	Escrow arrangements are described in Section 9.6.	Section 9.6 (Material Agreements)
Are there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on acquisitions of Shares under the offer.	Section 7 (Details of the Offer)
Are there tax implications?	The taxation consequences of an investment in the Company will depend upon the investor's particular circumstances. Investors should make their own enquiries about the taxation consequences of an investment in the Company.	Section 7 (Details of the Offer)
What should you do with any enquiries?	If you require assistance or have any questions in relation to the Offer, or you are uncertain as to whether obtaining Shares in Apiam is a suitable investment for you, you should seek professional advice from your stockbroker, lawyer, accountant or other professional adviser.	Section 7 (Details of the Offer)

02

COMPANY OVERVIEW

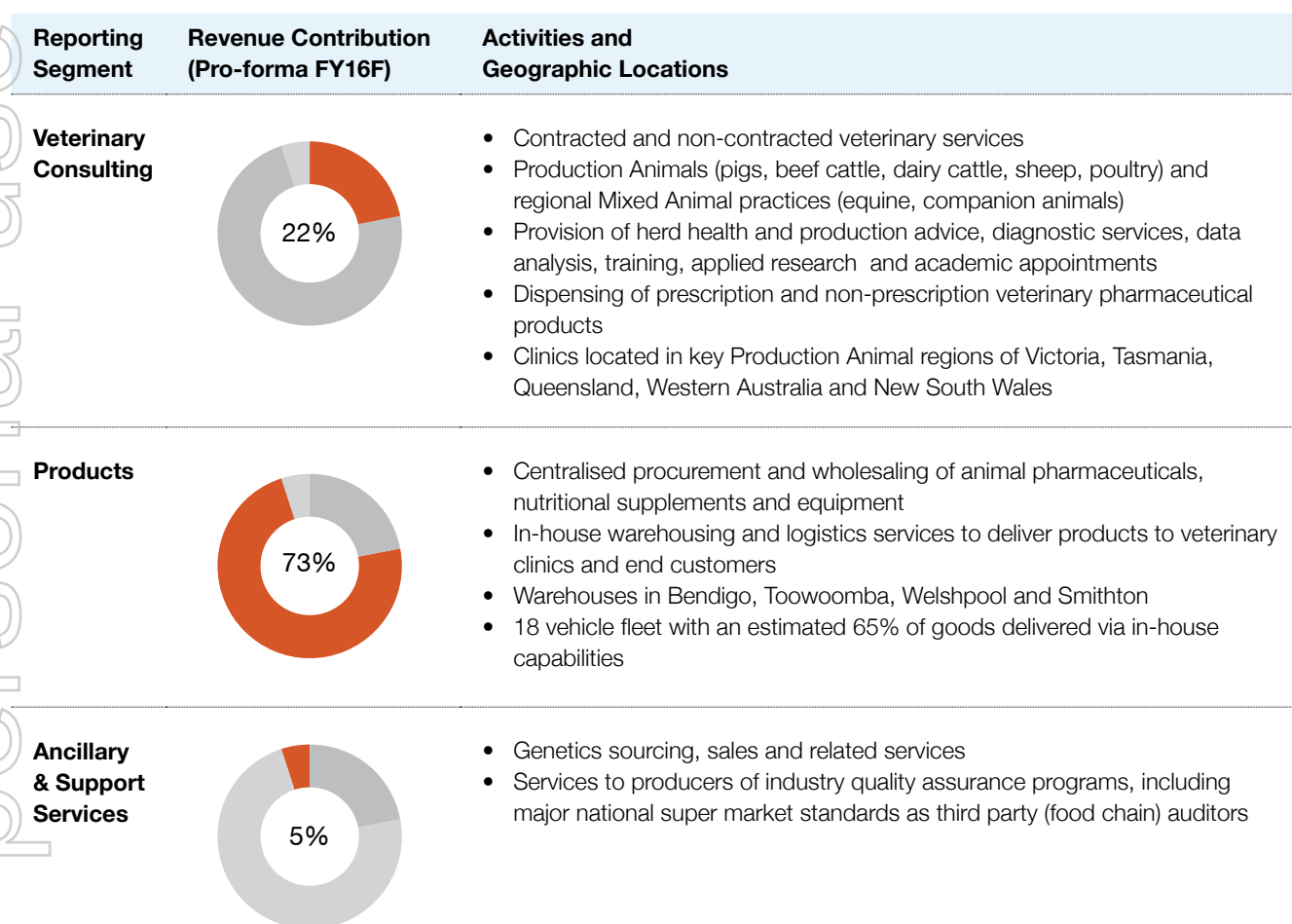
2.1 INTRODUCTION AND OVERVIEW

Apiam Animal Health is a vertically integrated animal health business providing a range of products and services to support the health and wellbeing of production animal and companion and other animal species (referred to as Production Animals and Mixed Animals, respectively). Upon Listing and Completion of the Acquisitions, Apiam Animal Health's offering will incorporate:

- 12 leading rural Production Animal and Mixed Animal veterinary businesses in Australia, with clinics in 25 locations and incorporating over 100 veterinarians;
- wholly owned wholesaling and logistics operations including 4 warehouses and an 18 vehicle fleet to provide fulfilment services to support Apiam Animal Health's veterinary practices and their clients, and supply products to other veterinary practices; and
- a broad product portfolio targeted towards Production Animal health, including exclusive distribution of a number of third party products, and an expanding range of private label products.

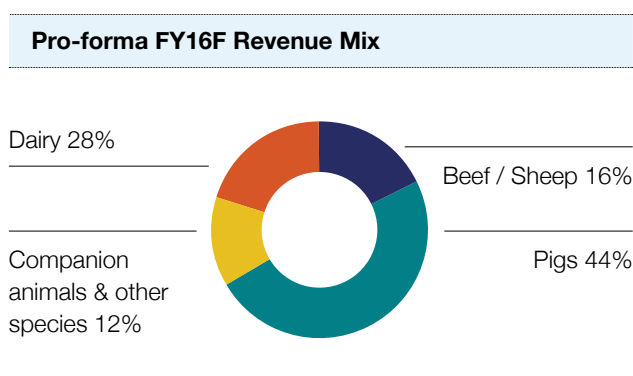
Upon Listing and Completion of the Acquisitions, Apiam Animal Health estimates it will have substantial market positions in the provision of products and services to the pig, feedlot cattle and dairy cattle sectors, as well as operating a number of leading regional Mixed Animal clinics. The Company will also have significant expertise in the area of animal genetics.

Figure 1: Overview of Apiam Animal Health by Segment



Key Statistics	Pro-forma FY16F
Revenue	\$85.4m
EBITDA*	\$12.1m
EBITDA* margin	14.3%
Veterinary Clinics	25
Veterinarians	102
Total Employees	326

*shown after non-controlling interests



The Company, which was initially founded as a single veterinary practice focused on the pig industry, developed its integrated animal health business model with a view to capturing veterinary supply chain margin, to provide greater control over product sourcing and quality, to capitalise on supplier trading terms, and (over time) to create opportunities to lead the industry through technological and product development.

Today, Apiam Animal Health provides a diverse range of products and services across the animal health value chain, including:

- Systems to assist in herd health programs;
- Production advice;
- Consulting services and products to assist in the prevention of animal diseases;
- Technologies to manage compliance with legislative requirements on pharmaceutical use;
- Advice and services in respect of animal welfare compliance;
- Retail animal health product sales;
- On-farm delivery of products via its own logistics company;
- Third party auditing services of industry quality assurance programs;
- Technology development for animal health management;
- Ancillary services such as sales and/or delivery of genetics and associated products; and
- On-farm and on-line training programs for clients.

The Company has established relationships with a number of global suppliers of animal health pharmaceuticals, nutritional and reproductive products, and specialised equipment, including holding the exclusive distribution rights in Australia for a range of products.

From its initial background of specialising in the pig industry, Apiam Animal Health's veterinary capabilities will, upon Listing and Completion of the Acquisitions, incorporate a range of Production Animal areas of expertise together with high quality Mixed Animal capabilities, serviced across its portfolio of veterinary businesses, as illustrated in Figure 2.

Figure 2: Pro-forma Portfolio of Veterinary Clinics and Specie Capabilities

 Services Offered

	Production Animals				Mixed Animals		
	 Pig	 Beef	 Dairy	 Poultry	 Sheep	 Companion	 Equine
Existing businesses							
Chris Richards & Associates							
Portec Veterinary Services							
Southern Cross Feedlot Services							
Scottsdale Veterinary Services							
Smithton Veterinary Service							
Acquired businesses							
Bell Veterinary Services							
Border Veterinary Clinic							
Southern Riverina Vets							
Warrnambool Veterinary Clinic							
Kyabram Veterinary Clinic							
Gippsland Veterinary Hospital							
Dubbo Veterinary Hospital							

Apiam Animal Health estimates that it will, upon Listing and Completion of the Acquisitions, provide veterinary products and services to approximately 35% of the pig sector, 50% of feedlot cattle sector and 25% of the dairy cattle sector in Australia. The Company's veterinary services will be delivered by a team of over 100 veterinarians.

In addition to the procurement and veterinary services offered by the Company, Apiam Animal Health will on Completion of the Acquisitions have an exclusive licence to proprietary technology, including a herd health management software program (Dairy Data) and real-time animal health monitoring software (iVet). These software programs assist both veterinarians and clients in tracking animal health and welfare measures, while also monitoring reporting requirements for food-animal regulatory and welfare purposes.

For Production Animals, Apiam Animal Health's strategy is to service animals throughout the entire life cycle, including the supply or delivery of genetics, veterinary services, pharmaceutical prescription and dispensing, and retail sales of related products. Currently, Apiam Animal Health derives revenue by providing these services to its established operations in the pig and feedlot cattle sectors. An important element of the Company's integration strategy will be to extend its vertically integrated model to the Acquisitions, in particular in the dairy cattle sector. Further discussion on the Company's integration plans, operational drivers, and growth strategies is provided in Sections 2.3, 2.6 and 2.8, respectively.

2.2 HISTORY OF APIAM ANIMAL HEALTH

Apiam Animal Health was established in Bendigo in 1998 (where its Head Office remains today), with the commencement of its initial veterinary practice focused on servicing the pig industry. Since that time, the Company, which previously traded under a number of entities collectively known as the Chris Richards Group, has strategically launched a range of service offerings and selectively acquired businesses to become the vertically integrated animal health business it is today.

Figure 3: Company History



2.3 THE ACQUISITIONS

An important component of Apiam Animal Health's strategy is to extend and diversify its service offering across existing and new Production Animal sectors.

The Company has undertaken an extensive program to identify appropriate acquisition targets. In undertaking this assessment, Management sought to identify rural veterinary clinics that, in the Company's opinion, met a number of important criteria, which include:

- leading Production and Mixed Animal veterinary clinics, with particular skills in servicing the beef cattle and/or dairy cattle sectors;
- operated by veterinarians who are well regarded and, in the opinion of Apiam Animal Health, are experts in their field;
- well established, with a successful operating and financial track record;
- are amongst the clinics of choice for new veterinary graduates seeking a career in Production Animals; and
- are clinics that would gain significant benefits from integrating into the Apiam Animal Health business model.

As a result of this program, Apiam Animal Health has entered into Acquisition Agreements to acquire 12 veterinary businesses comprising the Acquisitions (including 5 businesses which are currently partly owned by the Company). The Acquisitions have the following characteristics:

- average FY16 forecast revenue per veterinary business of \$4.8 million;
- in 5 cases the Acquisitions were effected through an acquisition of the business and assets, and in 7 cases through the acquisitions of shares in an existing entity;
- weighted average revenue mix across the veterinary businesses of approximately 39% veterinary consulting and ancillary services and 61% product sales (predominantly prescription); and
- incorporate 71 veterinarians, including many who, in the Company's opinion, are leaders in their practice areas.

Since being initially approached by Apiam Animal Health as part of its acquisition program, a number of the veterinary businesses being acquired have entered into arms-length commercial arrangements with the Company for the provision of veterinary products.

Management considers the integration risk associated with the Acquisitions to be reduced given the existing commercial arrangements that are in place and the alignment of the Acquisitions to the Apiam Animal Health business model and culture.

The weighted average FY16 EBITDA multiple agreed to be paid for the Acquisitions is 6.0x.

The total consideration for the Acquisitions is \$54.6 million, comprising \$25.6 million in cash and \$29.0 million in Shares. There may be a further amount of consideration payable in the form of cash and shares of up to \$3.5 million based on achievement of EBITDA targets in the 12 months after Completion.

Apiam Animal Health will Complete the Acquisitions using a combination of funds raised under the Offer, drawing down on its Banking Facilities and the issue of Shares as consideration.

A summary of the Acquisition Agreements is set out in Section 9.2.

Acquisition Integration

A key focus for the Board and Management of Apiam Animal Health is to integrate the Acquisitions in accordance with its integration plan. The Company has a history of successful acquisition and integration, and believes it can achieve the integration of the Acquisitions with minimum disruption to day to day operations.

The Company has established a Business Advisory Group that includes principals of the clinics being acquired. The Business Advisory Group has agreed business practices that Apiam Animal Health will undertake both prior to and after Listing and Completion of the Acquisitions to ensure minimal disruption and optimal benefit to the clinics.

An immediate priority will be the integration of Apiam Animal Health's financial systems (including finance, payroll and human resources) and associated policies and procedures. These financial systems will facilitate reporting and monitoring of veterinary business performance, enabling Management to respond quickly to issues arising at any particular clinic.

Apiam Animal Health will utilise its established capabilities to provide business support services (such as procurement, sales and marketing support, human resources, information technology and finance), wholesaling, warehousing and logistics support to the Acquisitions. Plans for supplier consolidation and centralisation have been established as part of the integration plan. The Company expects this will improve buying power and margins in respect of cost of sales (including pharmaceuticals, biologicals and other products), capital equipment, and maintenance functions.

Apiam Animal Health sees the relationship between its veterinarians and their clients as its most important asset. Accordingly, each clinic will retain its own established brand to preserve its local identity within its client base and community.

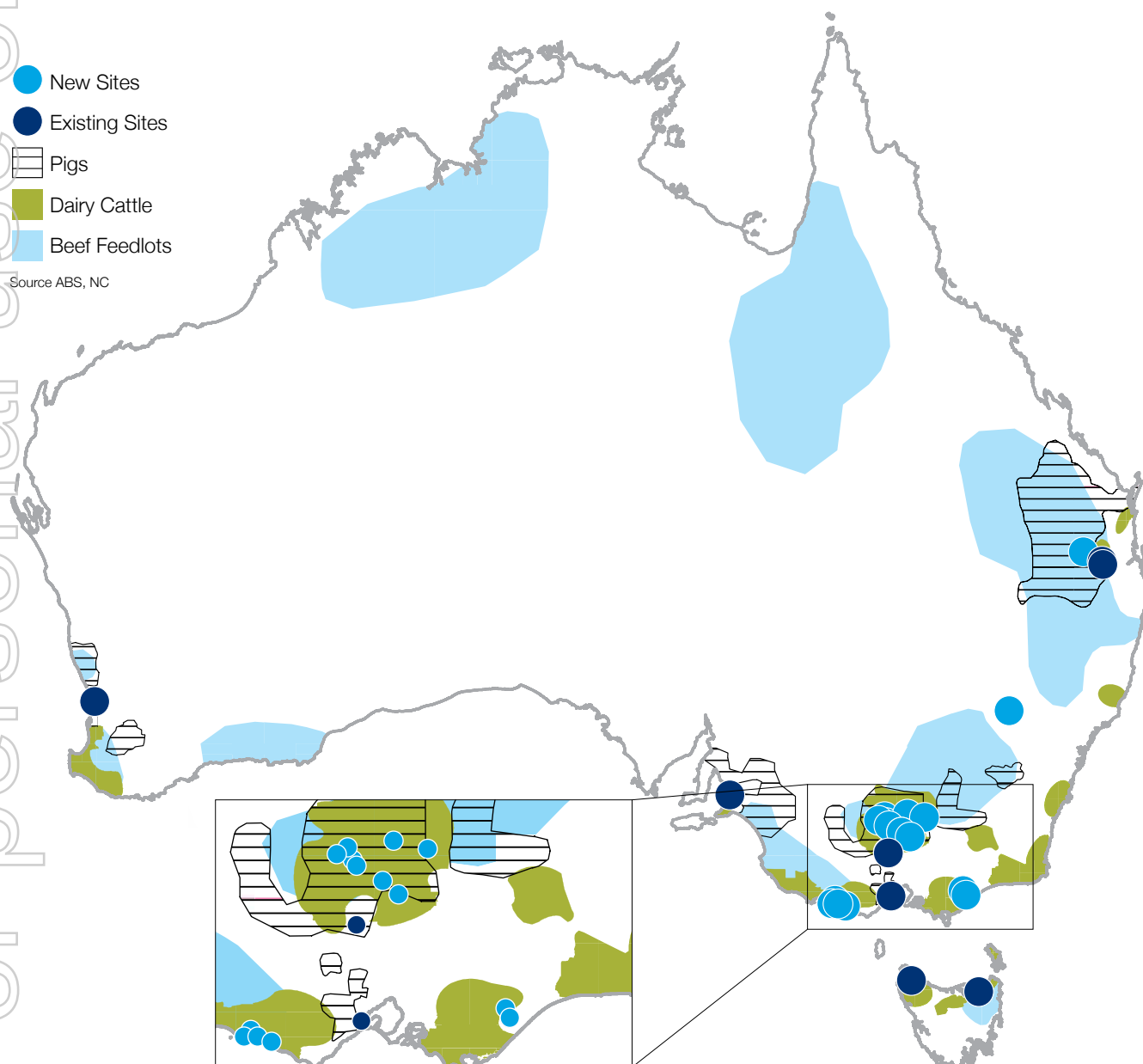
2.4 GEOGRAPHIC FOOTPRINT

Upon Listing and Completion of the Acquisitions, Apiam Animal Health will service:

- the pig sector with clinics in Bendigo, Toowoomba and Perth;
- the feedlot cattle sector with clinics located in the major feedlot areas of Queensland, Victoria and southern New South Wales; and
- the dairy cattle sector with clinics located in the four main dairy regions of Victoria (Western District, Gippsland, Goulburn Valley and Murray regions), Tasmania (North West and North East regions), southern New South Wales and Queensland (South Burnett).

A number of the Acquisitions also service other Production Animals such as sheep, and include an offering in companion animals and equine services to meet the growth of these markets in regional Australia.

Figure 4: Location of Clinics, Related Company Facilities and concentration of key Production Animal Sectors



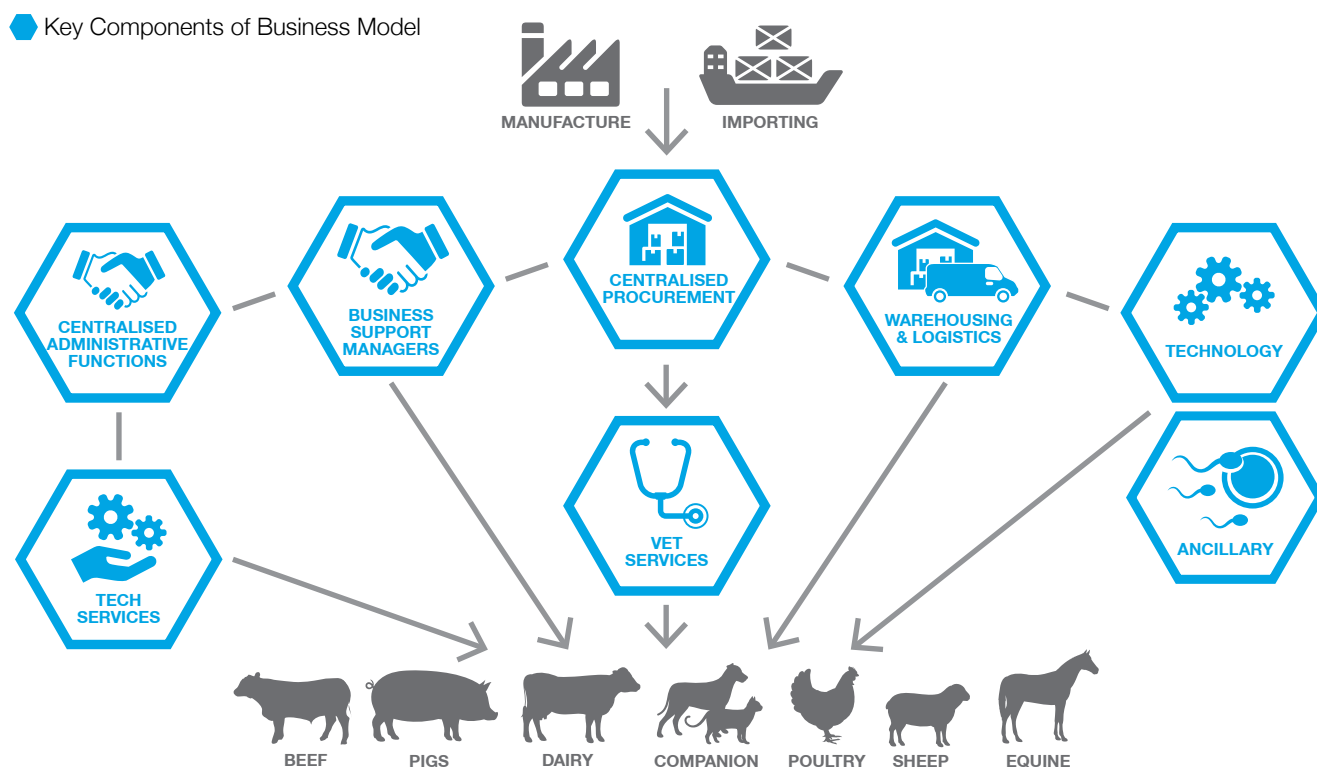
2.5 THE APIAM ANIMAL HEALTH BUSINESS MODEL

Apiam Animal Health has developed a Production Animal health and wellbeing business model that provides services and products which are designed to enable its clients' farms to enhance efficiencies at all levels of production, from animal health services, to animal genetics, and nutrition for effective conversion of feed to milk or protein.

The provision of these services is supported by wholesaling and product sales via both veterinarian and Business Support Manager channels, logistics to deliver products directly to farm and technical and ancillary services, such as industry audit programs and information technology for herd management and market assurance requirements, in particular Dairy Data (on Completion of the Acquisitions) and iVet.

Figure 5: Apiam Animal Health's Business Model

The key components of Apiam Animal Health's business model are discussed below in more detail.



Centralised Procurement

Apiam Animal Health has established strong relationships with many of the global suppliers of animal pharmaceuticals and animal health products and has a number of product development partnerships in place. Today, the Company estimates that it is the largest procurer of Production Animal products sold through veterinary wholesalers to the Production Animal industry in Australia.

The Company holds the exclusive distribution rights in Australia for the import and/or distribution of a range of products, which are sold via both owned veterinary businesses and third party clinics. In addition, the product range offered by Apiam Animal Health includes certain private label products which the Company has developed and which are contract manufactured by third party providers. At present, sales of these products remain a small percentage of the Company's total revenue. However, in the future, Apiam Animal Health intends to expand its range of private label products with a view to increasing the sales of these product lines as a percentage of total Group revenue.

Core to Apiam Animal Health's strategy of centralised procurement is the ability to achieve economies of scale, including enhanced purchasing terms relative to smaller distributors and individual clinics. With an expanded clinic base following Completion of the Acquisitions, the Company expects to achieve additional opportunities for the supply of veterinary products to clients, together with further economies of scale through associated increases in purchasing volumes.

Warehousing and Logistics

Apiam Animal Health has in-house warehousing across 4 strategically located warehouses, with stock managed by a proprietary software program that integrates with client ordering. Warehouses are located in Bendigo, Toowoomba, Welshpool and Smithton, and include both dry storage and chilled, secure storage of temperature sensitive and controlled pharmaceutical products.

The Company operates a fleet of 18 vehicles which provides deliveries of up to an estimated 65% of the Company's product sales direct to clients' farms up to 3 days per week and within an 800km radius from its various warehouse locations.

Given the sensitivity of certain biological and pharmaceutical products to changes in temperature, the Company's logistics operations incorporate location, workflow and temperature real-time monitoring and reporting, with satellite tracking of deliveries.

Veterinary Services

Apiam Animal Health provides a range of contracted and non-contracted veterinary services to Production Animals and Mixed Animals.

Contracted services provided by the Company include such offerings as preventative health programs and ongoing monitoring for Production Animal clients. These services typically incorporate 12 month contracts, with fees based on an agreed schedule of services and site visits. These arrangements are generally rolled over on an annual basis, and in some instances clients have been serviced by a Group Company for over 10 years.

Non-contracted services include traditional veterinary consulting services across Apiam Animal Health's Production Animal and Mixed Animal practices.

Technical Services

In addition to traditional contracted and non-contracted veterinary services, Apiam Animal Health offers a range of technical services to its clients focused on ensuring compliance with certain regulatory requirements governing market accreditation and food-chain safety. These services include audits of farms to confirm the absence of specific pathogens, compliance with industry best practice and quality assurance programs.

The Company also provides third party audit services as required by a leading national super market chain in respect of its standards required for procurement of animals.

Business Support Managers

Apiam Animal Health utilises a team of Business Support Managers to work alongside veterinarians in the provision of non-prescription animal pharmaceutical and related products to clients.

The Business Support Managers are responsible for new wholesale or retail client engagement and sales, and servicing existing clients.

This model allows the Company's veterinarians to focus on the provision of veterinary services, while also identifying potential new client or sales opportunities which are then managed by the Business Support Managers.

Technology

Apiam Animal Health utilises a range of information technology (IT) solutions across its operations, including proprietary on-line ordering systems that allow clients to order directly from the veterinary clinics or, in certain circumstances, direct from the Company's central procurement operations.

Clients are restricted to ordering the pharmaceutical products prescribed and authorised by their veterinarian but can also order all retail products through the same portal.

In the Company's opinion, the on-line ordering systems, coupled with on-farm delivery, creates a user-friendly and attractive proposition for Apiam Animal Health clients. These systems also play a critical role in enabling management to optimise the operation of its vertically integrated model, linking clients with veterinarians and procurement operations in real time.

The Company also has an exclusive licence to use, and is active in the development of an online management application to assist clients in managing the health, welfare and food-safety compliance in Production Animals. The Company is in discussions with a number of United States based piggeries to undertake beta testing of iVet commencing late 2015. Further description of this arrangement is provided in Section 9.3.

Apiam Animal Health's IT systems, strategy and planning are managed centrally, with the assistance of outsourced IT service providers, as required.

The Company intends to continue to invest further in IT to enhance client relationship management functionality and to further automate recurring administrative processes.

Ongoing Training and Professional Development Programs

Apiam Animal Health invests in professional development and training for all its employees to ensure that it remains a leader in its areas of expertise across all the veterinary disciplines that provide services.

This is delivered through a graduate program and professional development courses, attending peer conferences around the world and in-house training from those veterinarians within Apiam Animal Health that have expertise in their fields.

Centralised Administrative Functions

To allow professional staff to focus primarily on delivering services to their clients, centralised administrative support, including marketing support, human resources, information technology and finance is provided to the clinics via Apiam Animal Health's Business Support Network.

The Apiam Animal Health Business Support Network provides management and support services to the existing veterinary and related service operations.

2.6 KEY OPERATIONAL DRIVERS

A number of factors are relevant to Apiam Animal Health's financial and operational performance. The key operational drivers are noted below.

Revenue

Apiam Animal Health generates income by providing a diverse range of products and services to clients across the animal health value chain. The Company primarily receives revenue through:

- the provision of veterinarian consulting services;
- the sale of both prescription and non-prescription products; and
- the provision of ancillary products and services.

The key drivers for revenue are described in section 4.12.

The key sources of revenue for Apiam Animal Health are discussed in further detail below.

Product Sales

Animal pharmaceutical, biological and related nutritional products are sold via Apiam Animal Health's veterinary businesses and, in certain circumstances, direct from the Company's central procurement operations (in the case of prescription pharmaceuticals, these products are only available for purchase from the veterinarian who provided the prescription).

Product sales are driven by professional advice provided by the veterinarians (particularly for prescription and specialty products) and sales support provided by the Business Support Managers.

Product sales are estimated to be 73% of pro-forma forecast revenue for FY16.

Veterinary Consulting Fees

Fees are paid by client in exchange for the provision of contract and non-contract veterinary services. Fees are influenced by the type of service or procedure performed and, in the case of contract services, the duration of the arrangements in place.

Fees for non-contracted veterinary services are paid immediately following completion of the appointment or on account, where authorised. Fees for contracted veterinary services are paid monthly in advance or on account, where authorised.

Veterinary consulting services are estimated to be 22% of pro-forma revenue for FY16.

Ancillary Products and Services

Fees for Ancillary and Services relate to the provision of genetics consulting services (and related livestock semen), and services such as hoof trimming and disbudding. It also includes services provided to clients in relation to industry quality assurance programs.

Ancillary products and services are estimated to be 5% of pro-forma revenue for FY16.

Expenses

Cost of Sales

Cost of sales reflects the cost of sales in direct provision of veterinary services including vaccines, pharmaceuticals, husbandry products and nutritional products, but excluding employee costs.

The majority of Apiam Animal Health's products are procured from the major global pharmaceutical suppliers.

Apiam also holds the exclusive distribution rights in Australia for the import and/or distribution of a range of products and produces a range of private label products which are contract manufactured by third party providers.

Cost of sales is expected to represent approximately 51.9% of revenue in the Forecast Financial Information.

Employee expenses

Apiam Animal Health's major operating expense is employee costs, which include salaries, wages and other employee related costs of staff employed by Apiam Animal Health in the Company's veterinary clinics, business support services and wholesale business.

The Company's employment relationship with its staff is governed by relevant awards and individual employment agreements.

Apiam Animal Health anticipates employee expenses will be 26.4% of revenue in the Forecast Financial Information.

Building and occupancy

Building and occupancy expenses reflect rent for clinics, support office, warehouses and genetics services and other expenses associated with building occupancy.

The majority of leases are on 5 year terms (with options for Apiam Animal Health to extend) and feature a mix of annual CPI-driven and fixed price increases. Some leases may be subject to market rental review on exercise of the option.

Apiam Animal Health anticipates building and occupancy expenses will be 2.2% of revenue in the Forecast Financial Information.

Further detail on other relevant costs is provided in section 4.12.

2.7 PEOPLE AND ORGANISATIONAL STRUCTURE

Upon Listing and Completion of the Acquisitions, Apiam Animal Health will employ 326 staff across its operations and head office, as illustrated below.

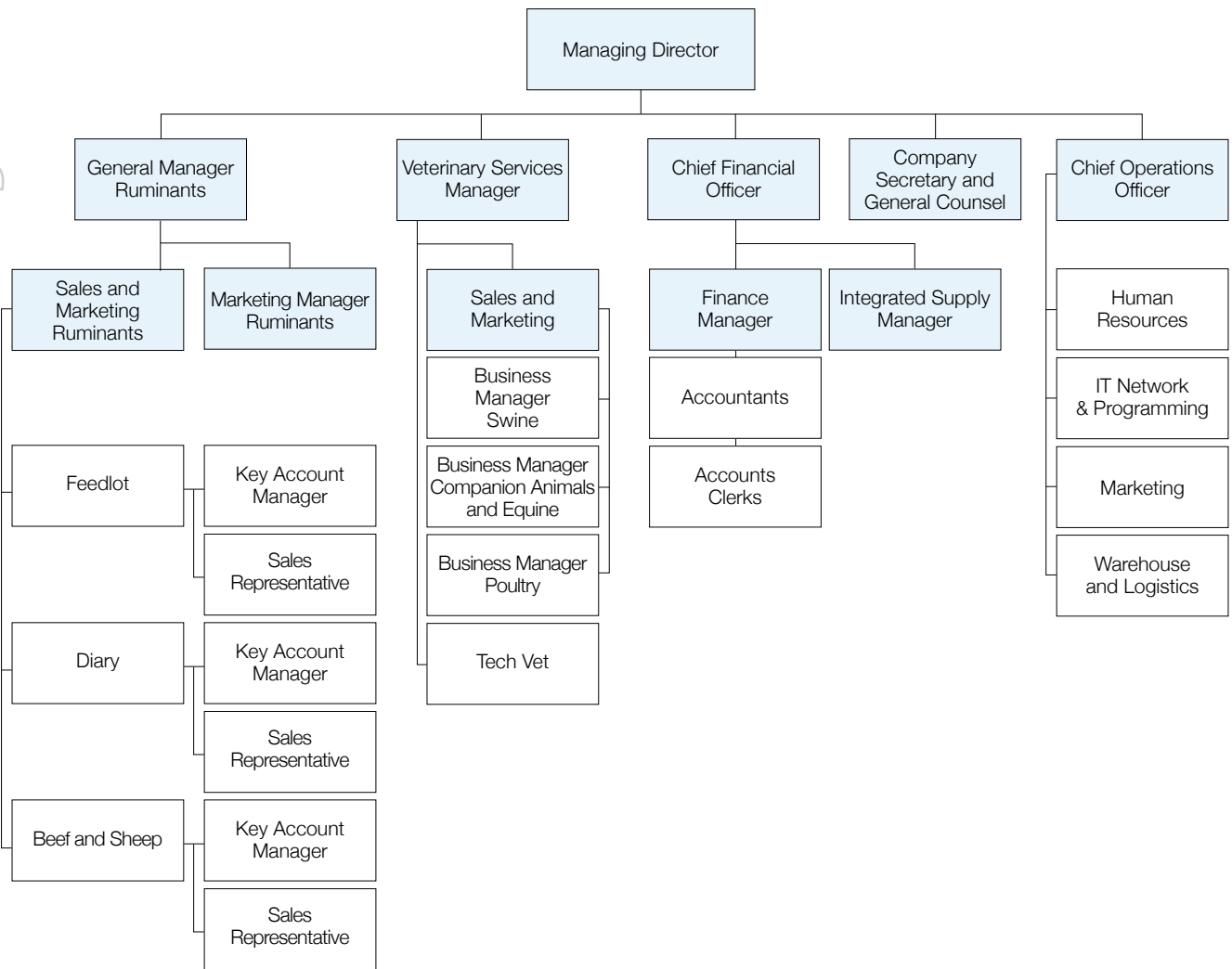
Figure 6: Overview of Apiam Animal Health's People

Employee category	Total staff ¹	FTE basis
Senior Management (MD, GC, CFO, COO, GM, VSM)	6	6
Business Support Service Finance, Human Resource, IT, Legal, Marketing	15	15
Warehouse & Logistics Warehouse Support Staff & Drivers	28	19
Veterinarians Registered Veterinarians	102	75
Other Clinics Support Staff Vet Nurses, Hoof Trimmers, Boar Stud	109	60
Office Administration Customer Service, Other Office Staff	66	46
Total	326	221

1. Total Staff includes all employment types - Full Time, Part Time & Casual

The organisational structure of Apiam Animal Health is depicted in the diagram below.

Figure 7: Overview of Apiam Animal Health's Management Structure



2.8 GROWTH STRATEGIES

To capitalise on the underlying dynamics associated with the livestock industry in Australia and its export partners, together with the benefits associated with applying its vertically integrated model, Management intends to adopt a predominantly organic-driven growth strategy, with bolt-on acquisitions undertaken where appropriate to enhance the Company's service offering and market position, expand its geographic reach or extend the specialised coverage of species. The Company may consider other acquisitions if suitable opportunities arise in the future.

Organic Growth

Organic revenue growth will be driven through the introduction of key strategies and the application of the vertically integrated model across the broader group of veterinary businesses.

1. Application of the vertically integrated model

The vertically integrated model that has been developed by the Company over time will be applied to the Acquisitions. This will include the expansion of the Company's existing programs and development of new programs to assist clients in improving efficiencies and production and meeting their regulatory needs. In the short term, the Company will attain improved margins on the products sold to clients of the Acquisitions through the Company's existing procurement arrangements.

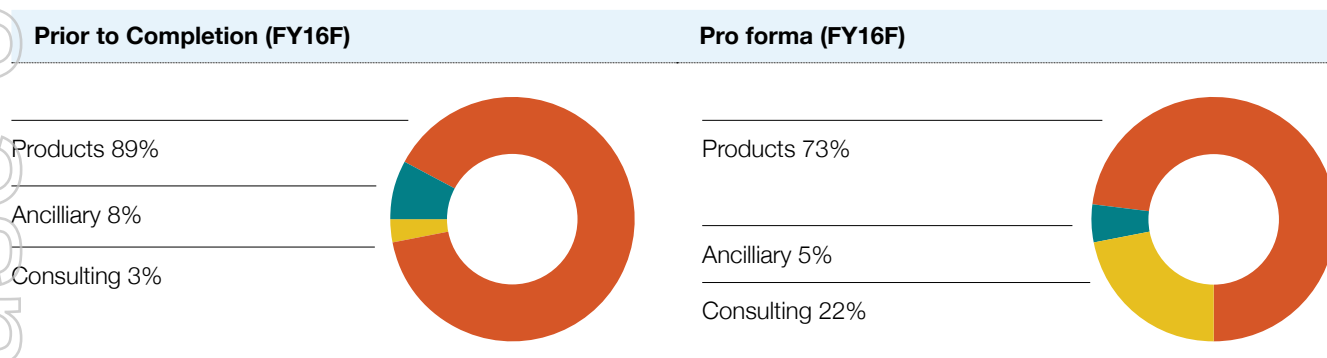
An important component of this model is the application of centralised business support functions, in particular with regard to product procurement, where the Company expects to achieve enhanced buying power and margins across the Group. Refer Section 2.3 (Acquisition Integration) for further discussion.

2. Enhanced product sales

In the Company's experience, veterinary businesses have traditionally focussed on professional services and responsible prescription and dispensing of pharmaceuticals, with limited revenue generated from non-prescription product sales. The Apiam Animal Health business model is predicated upon supporting expanded product sales by providing integrated service programs directed at ensuring optimal efficacy of these products. In addition, the model is supported commercially by employing Business Support Managers who build relationships with clients in conjunction with the veterinarians, and provide retail product advice to the clients, undertake pricing and sales negotiations and manage procurement services for the clients.

The current revenue mix of the Company and anticipated revenue mix of the Company on Completion of the Acquisitions is depicted in Figure 8. Management estimates that the Acquisitions typically achieve a smaller proportion of the total animal health expenditure of their clients than the Company achieves. The Company expects that by applying its vertically integrated business model to the Acquisitions, it will increase its share of the total animal health expenditure of those clients.

Figure 8: Apiam Animal Health Revenue Contribution



3. Client focus

Apiam Animal Health expects that additional organic growth will be achieved through the alignment of its client base with progressive new clients, including those seeking to adopt market leading practices in animal health and welfare. In particular, the Company is actively seeking to align its client base with growing Production Animal sectors, including the grass fed and feedlot beef, sheep and dairy farming sectors. The development of new client relationships will provide the opportunity for incremental revenue from products and services that improve the health, welfare and productivity of farm animals.

Acquisition Growth

Apiam Animal Health may seek to grow through the acquisition of bolt-on Production Animal and Mixed Animal veterinary clinics or other acquisitions, where a compelling financial and strategic rationale exists. The Management team will retain strict pricing discipline and acquisition criteria when reviewing any target. Any targets that may be reviewed would need to exhibit the following characteristics:

- value accretive for the Company;
- have leading expertise in the veterinary field;
- enable Apiam Animal Health to grow its services and products at a more rapid rate and for a cost less than that achieved through organic growth;
- improve market penetration;
- geographically positioned to increase market share or develop new markets; and
- provide Apiam Animal Health an opportunity to commercialise its technologies at a rate greater than organically.

CASE STUDY:

APPLICATION OF APIAM ANIMAL HEALTH'S VERTICALLY INTEGRATED MODEL IN THE BEEF CATTLE FEEDLOT INDUSTRY.*

The acquisition and development of Southern Cross Feedlot Services.

Background

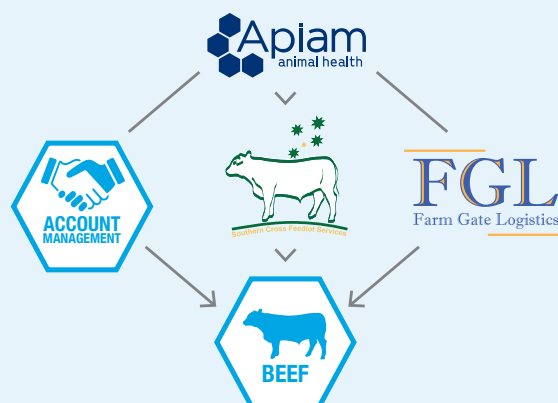
Key characteristics of Southern Cross Feedlot Services:

- Established by Apiam Animal Health in July 2011 following acquisition of beef feedlot client base.
- Initially employed 1 veterinarian.
- At time of acquisition:
 - Revenue primarily comprised of veterinary consulting services, with limited sales of related retail products to clients.
 - No retail sales to non-Southern Cross Feedlot Services clients.

Application of the Apiam Animal Health vertically integrated model

Following the acquisition, Apiam Animal Health:

- Put in place a Business Support Manager to work alongside the Southern Cross Feedlot Services veterinarian, focussed on development of existing and new client relationships.
- Integrated existing Apiam Animal Health systems and processes to support dispensing of prescription products (where supplied by the prescribing Southern Cross Feedlot Services veterinarian) and non-prescription products direct from the Company.
- Supported Southern Cross Feedlot Services with the expansion of its veterinarian base.



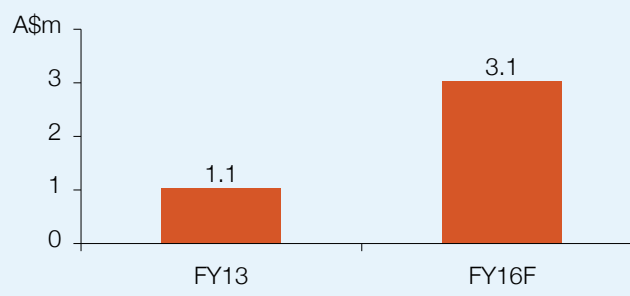
Growth in clients serviced by Southern Cross Feedlot Services

- Growth in veterinarian services client base (contracted clients) from 10 clients at the time of acquisition to 21 clients as at 30 June 2015.
- Expansion of feedlot client base purchasing retail products from nil clients at the time of acquisition to 55 clients as at 30 June 2015.

Growth in revenues generated by Southern Cross Feedlot Services

Following the acquisition and implementation of the vertically integrated model, Southern Cross Feedlots is expected to generate revenue growth of c.43% over the period from FY13 to FY16.

Southern Cross Feedlot Services Revenue



Note: the above is a case study only, to illustrate what occurred to Southern Cross Feedlot Services after it was acquired by the Company and the Company's vertically integrated business model was applied to its business. There is no guarantee similar outcomes will be experienced with the Acquisitions.integrated business model was applied to its business. There is no guarantee similar outcomes will be experienced with the Acquisitions.



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03

INDUSTRY OVERVIEW

3.1 INTRODUCTION

Apium Animal Health is a leading vertically integrated animal health and veterinary services business operating across Australia. The products and services provided by Apium Animal Health focus on Production Animals and Mixed Animals.

This Section 3 provides an overview of the Australian farm and veterinary services sectors, with a focus on Apium Animal Health's main areas of operation, and discusses key industry dynamics and trends.

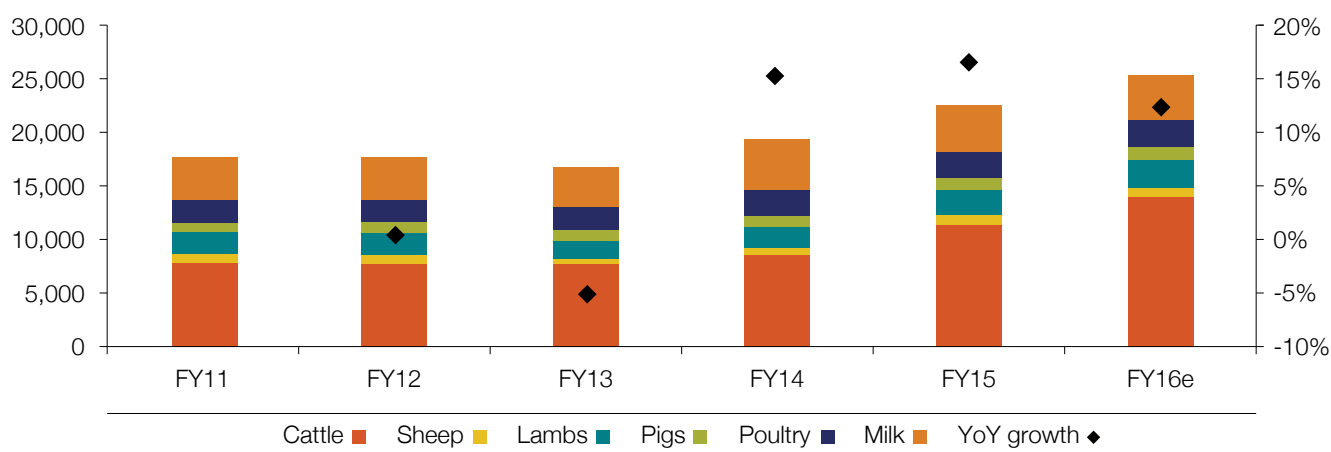
3.2 INDUSTRY OVERVIEW

The Australian farming industry contributed \$52.8 billion to the Australian economy and employed 276,000 people in FY2015. The Australian Government Department of Agriculture and Water Resources ("ABARES") expects the gross value of the farming industry to grow to \$57.1 billion in FY2016.¹

Within the farming industry, livestock and milk production accounted for a combined \$22.5 billion in FY2015, with cattle being the highest contributor adding \$11.4 billion in gross value.²

Figure 9: Gross Farm-gate Value of Livestock Production (\$millions) and Year on Year Growth³

\$million (LHS), Year-On-Year Growth (RHS)



The farm-gate value of the Australian livestock production industry is estimated to be \$25.3 billion in FY2016, growing approximately 12% year-on-year from FY2015 levels. This increase is slower than the equivalent year-on-year increase of 15% experienced in FY2015, as supportive farm-gate beef cattle, lamb, sheep and wool prices are expected to be offset by weaker live cattle exports.⁴

As a net exporter of agricultural products, including livestock and livestock products, the Australian farming industry is influenced by a range of global factors, including trade volumes and protein consumption trends. By way of example, Management estimates that 60% of the Australian production of beef cattle is exported either as live cattle, or as processed beef products.⁵

The value of livestock and livestock products exports in FY2016 is forecast to decrease slightly to \$15.0 billion, following a rise of 23.7% in FY2015.⁶ This primarily reflects the tightening supply of beef cattle as herd sizes decline due to drought conditions in Northern Australia and weaker dairy prices due to increased global supply.

1. ABARES Ag Commodities vol. 5 no. 3. September Quarter 2015*(This \$15.6 billion is referable to total meat and live animals and total dairy products).

2. ABARES Ag Commodities vol. 5 no. 3. September Quarter 2015.

3. ABARES Ag Commodities vol. 5 no. 3. September Quarter 2015.

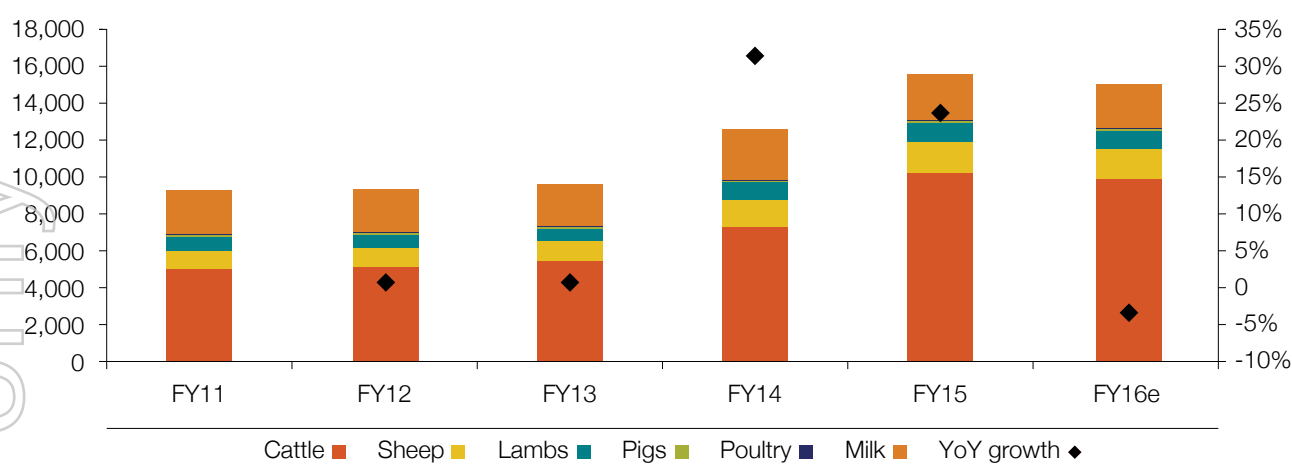
4. Department of Agriculture and Water Resources, Media Release, Australia's farm production forecast to hit \$57.1 billion dated 15 September 2015.

5. Pricewaterhouse Coopers, Agribusiness Publications, The Australian Beef Industry.

6. ABARES Ag Commodities vol. 5 no. 3. September Quarter 2015.

Figure 10: Value of Agricultural Exports (\$millions) and Year on Year Growth⁷

\$million (LHS), Year-On-Year Growth (RHS)



Australia is free of most of the serious diseases that affect animals in other parts of the world, and this provides very significant advantages to Australian livestock producers in a competitive international environment. The presence of these diseases has major effects including:

- a reduction in efficiency of production through, for example, death of stock, reduced reproductive rates and reduced growth and milk production; and
- the creation of a barrier to trade, reducing the size of the market that can be accessed by producers and the price received for product by producers.

The high standard of Australia's animal health has underpinned the development of its overseas and domestic markets and has gained Australia a reputation as a provider of clean, healthy and disease-free animals and animal products. The Australian livestock industries, together with the Australian government continuously invest to improve that status and to meet the requirements of our increasingly sophisticated international trading partners.

Further description of the key factors influencing livestock production and export values is provided in Section 3.9.3.

3.3 AUSTRALIAN PORK SECTOR OVERVIEW

The Australian pork sector employs over 20,000 people domestically and had a gross farm-gate production value of approximately \$1.2 billion in FY15. There are estimated to be over 1,800 farmers located across Australia who in FY15 produced approximately 4.9 million pigs for slaughter.^{8,9}

The majority of the Australian pig population is farmed within large commercial operations, accounting for approximately 74.0% of total production. The farms are located in New South Wales (22% of locations), Queensland (23% of locations) and Victoria (21% of locations)¹⁰

Figure 11: Piggeries by Size (2014)¹¹

Farm Size (# Sows)	Classification	Producers	Total Sows
< 8	Pig keeper	980	2,384
8 - 50	Small producer	453	9,339
51 - 150	Small commercial	154	15,431
151 - 500	Medium commercial	129	38,378
501 + (single site)	Single site large commercial	37	39,149
< 1000 (multi site)	Multi site commercial	63	30,723
1000 + (multi site)	Multi site large commercial	52	125,730
Total Producers		1,868	261,134

7. ABARES Ag Commodities vol. 5 no. 3. September Quarter 2015.

8. Australian Pork Limited, Reducing the regulation of stock and food and pet food regulation impact statement by Dr Joseph Morrall.

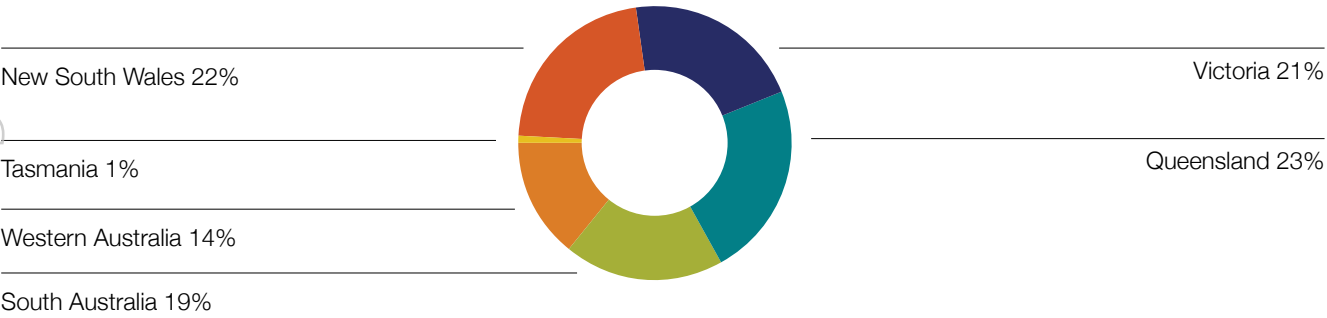
9. ABARES Ag Commodities vol. 5 no. 3. September Quarter 2015.

10. Australian Pork Limited, Australian Pig Annual 2011-2012.

11. Australian Pork Limited, Strategic Plan 2015-2020.

Apium Animal Health primarily services commercial piggery operators. Given the large scale nature of Apium Animal Health's target market and the breadth of the Company's operations, Apium Animal Health estimates that it provides veterinary services to approximately 35% of the Australian pig farming sector (based on total sows).

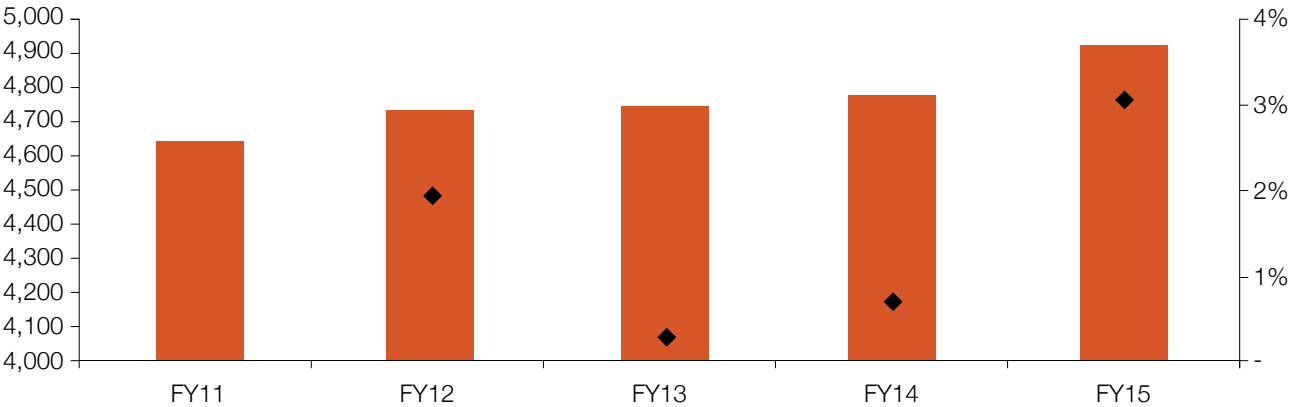
Figure 12: Pig Farm Locations FY2012¹²



The total number of pigs produced per annum has grown from 4.6 million in FY11 to 4.9 million in FY15.

Figure 13: Total Slaughtered Pigs ('000) and Year-on-Year Growth (%)¹³

\$million (LHS), Year-On-Year Growth (RHS)



In Australia, pork is consumed by approximately 80.0% of Australian households, with 50.0% of these households consuming pork every 2 weeks. The total domestic consumption of pork (both fresh and processed) in FY15 was estimated to be 24.2 kg per annum, with this figure expected to grow to 24.6 kg per annum by 2020.¹⁴

According to Australian Pork Limited, Australia is a relatively higher cost of production location for pork, due to factors such as higher per unit labour costs, poorer access to commodities required for feed (for example, Australia does not grow corn and soybeans on a scale comparative to other nations, such as the United States, due to climatic conditions) and lower economies of scale. Accordingly, only a small proportion of pork production is exported, with the majority being consumed domestically.

12. Australian Pork Limited, Australian Pig Annual 2011-2012.

13. Australian Bureau of Statistics, Release 7218.0.55.001, Livestock and Meat, Australia August 2015.

14. Australian Pork Limited, Strategic Plan 2015-2020.

Figure 14: Export volumes (tonnes shipped '000)¹⁵



In FY15, exports of pork products experienced a significant increase in annual volumes. Apiam Animal Health considers this increase to be a factor of weaker exchange rates, coupled with the increasing awareness in export markets of Australian pork products being high quality and predominantly 'sow stall-free', heightening the attractiveness of Australian pork products to consumers focussed on animal welfare and sustainability.

3.4 AUSTRALIAN BEEF SECTOR OVERVIEW

The Australian beef sector employs approximately 200,000 people and had a gross livestock farm-gate production value of \$11.4 billion in FY15.^{16, 17} There are estimated to be over 75,000 properties involved in the farming of cattle across Australia, which collectively hold a herd size of approximately 28.5 million. According to the Meat & Livestock Association, 956,927 cattle were held in feedlots in June 2015, with 57.8% being in large-scale feedlots with capacities in excess of 10,000.¹⁸

The majority of beef cattle production is attributable to Queensland (approximately 48% of national production in FY14), New South Wales (22%) and Victoria (19%) with large commercial operations (with over 10,000 head), accounting for approximately 58% of total production.¹⁹

Figure 15: Feedlot size (head) by Feedlot Capacity and Numbers on Feed²⁰

Feedlot size (head)	Feedlot Capacity		Numbers on Feed	
	Jun-14	Jun-15	Jun-14	Jun-15
< 500	35,114	34,313	14,409	18,623
500 - 1,000	89,351	110,566	48,132	46,933
1,000 - 10,000	394,566	416,295	296,685	338,563
>10,000	557,224	610,252	486,565	552,808
Total Producers	1,076,255	1,171,426	845,791	956,927

15. Department of Agriculture and Water Resources, D.A.F.F Statistics – Total Meat Exports by State of Production, FY 11-15.

16. Meat & Livestock Australia, Fast facts 2014, Australia's beef industry.

17. ABARES Ag Commodities vol. 5 no. 3, September Quarter 2015.

18. Meat & Livestock Australia, Australian Cattle Industry Projections 2015-20.

19. Meat & Livestock Australia, Fast facts 2014, Australia's beef industry.

20. Meat & Livestock Australia, Revised Q3 Update Australian Cattle Industry Projections 2015.

Figure 16: Total Slaughtered Cows and Heifers ('000) and Year-on-Year Growth (%)²¹

\$million (LHS), Year-On-Year Growth (RHS)

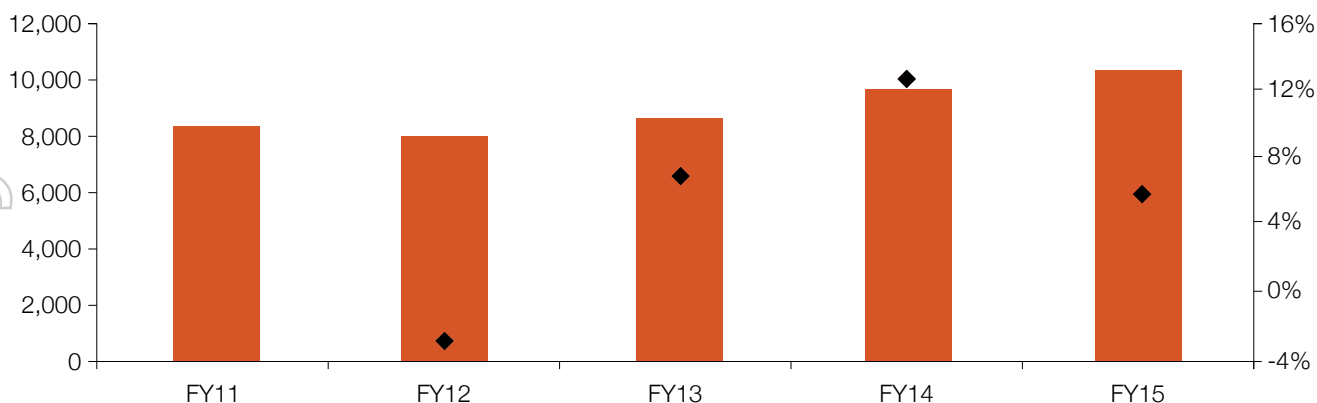
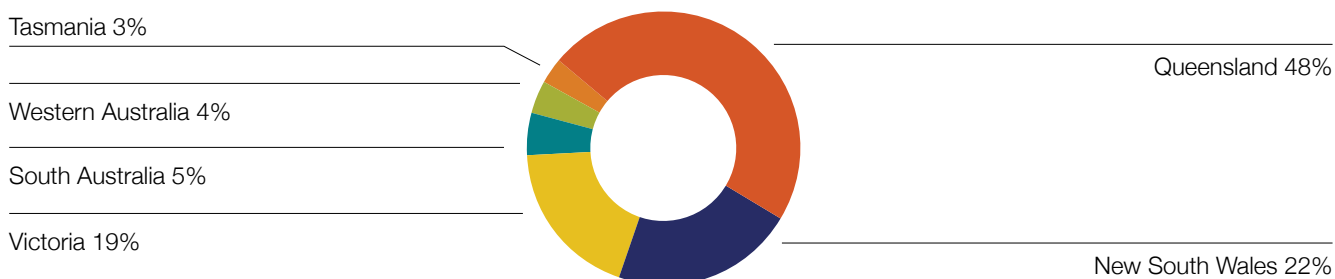


Figure 17: Beef Production by State²²



Apiam Animal Health currently focusses on the provision of products and services to small to medium feedlots (up to 10,000 head) in South Eastern Australia. On completion of the Acquisitions, Apiam Animal Health will also supply veterinary services to medium to large-scale feedlots, typically with a herd size of 10,000 head and above, predominantly in New South Wales and Queensland. Following completion of the Acquisitions, Apiam Animal Health estimates that it will provide veterinary services to approximately 50% of the feedlot industry (based on feedlot capacity).

The total domestic consumption per capita of beef in FY15 was estimated to be 25.6 kg per annum²³, representing a decrease from 30.9 kg per annum in FY14, which the Company considers to be reflective of supply and increases in retail beef prices in this period. Despite this decrease, beef remains the second most consumed fresh meat in Australia after chicken.²⁴

The beef industry in Australia is competitive on a global basis. Beef and veal exports for the first half of CY15 grew year-on-year by 11.0% to 646,685 tonnes, due primarily to strong demand from the US, Japan and Korea. With the depreciating AUD, high quality herd health and production standards, export volumes are expected to continue to grow.²⁵

21. Australian Bureau of Statistics, Release 7218.0.55.001, Livestock Slaughtered and Meat Produced, August 2015.

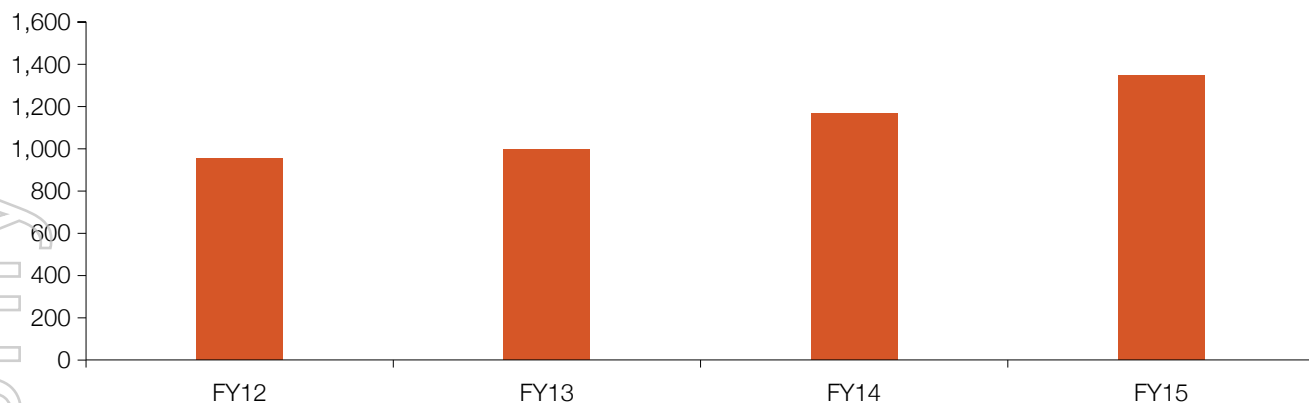
22. Meat & Livestock Australia, Fast facts 2014, Australia's beef industry.

23. Meat & Livestock Australia, Revised Q3 Update Australian Cattle Industry Projections 2015.

24. Meat & Livestock Australia, Fast facts 2014, Australia's beef industry.

25. Meat & Livestock Australia, Revised Q3 Update Australian Cattle Industry Projections 2015.

Figure 18: Export volumes (tonnes shipped '000)²⁶

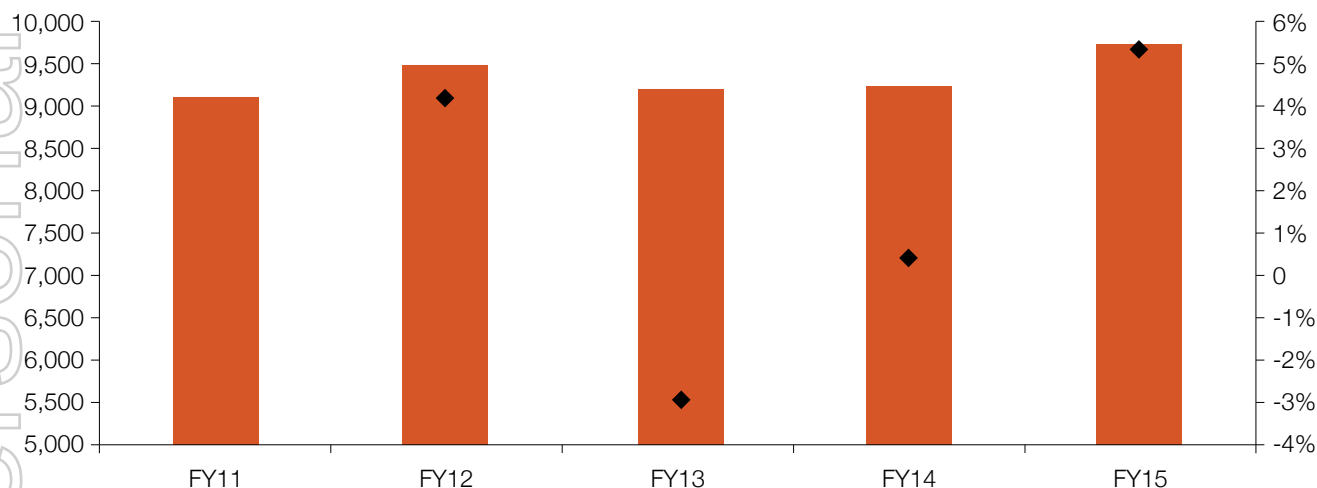


3.5 AUSTRALIAN DAIRY SECTOR OVERVIEW

The Australian dairy sector employs approximately 43,000 people, had a gross milk farm-gate production value of \$4.3 billion and contributed approximately \$13.0 billion towards Australian GDP including value added products in FY15.²⁷ There are estimated to be over 6,300 properties with dairy cattle across Australia which collectively hold a herd size of approximately 1.7 million.²⁸

Figure 19: Milk Production (million litres) and Year-On-Year Growth (%)²⁹

\$million (LHS), Year-On-Year Growth (RHS)



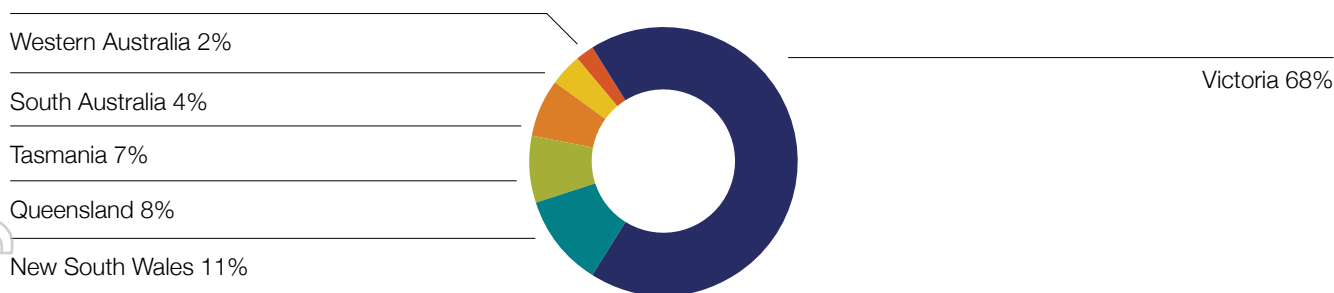
26. Department of Agriculture and Water Resources, D.A.F.F Statistics – Total Meat Exports by State of Production, FY 11-15.

27. Dairy Australia, Farm Facts, Dairy at a glance.

28. Dairy Australia, Farm Facts, Cows and farms.

29. Dairy Australia, Production and sales, Latest production and sale statistics; Dairy Australia, Farm Facts, Production summary.

Figure 20: Dairy Farm Locations³⁰

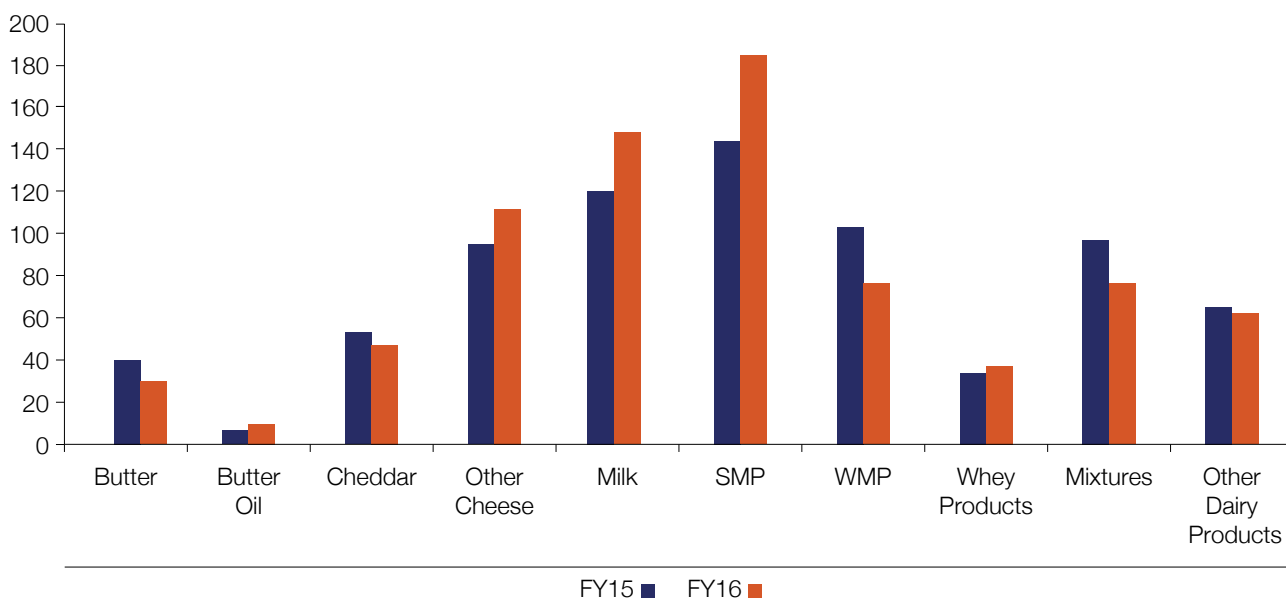


Following completion of the Acquisitions, Apiam Animal Health expects to provide veterinary services to approximately 25% of the dairy sector (by numbers of dairy cattle).

The domestic consumption of dairy products is high relative to many developed countries. In FY14 it is estimated that per capita consumption of milk was 105.7 litres per annum, while cheese, butter and yoghurt consumption was, 13.4 kg, 3.90 kg and 7.4 kg per annum respectively.³¹

Australia is the fourth largest exporter of dairy products in the world, with exports representing \$2.9 billion in FY15, compared to \$3.2 billion in FY14. Dairy Australia notes that during FY15 international dairy markets slowed due to abundant supply and moderate growth in demand, which placed downward pressure on prices. However, since August 2015, Global Dairy Trade has reported a 62.8% increase in the Global Dairy Trade Index.³²

Figure 21: Export Volumes (tonnes)³³



Australia is also a large exporter of live dairy cattle with 91,161 dairy cattle with a value of \$216 million being exported in 2014, with China accounting for 93% of exports. According to LiveCorp data this represented growth of 21.8% in terms of head of cattle and 25.7% in dollar terms compared to 2013.³⁴

30. Dairy Australia, Farm Facts, Cows and farms.

31. Dairy Australia, Production and sales, Consumption summary.

32. Global Dairy Trade price index, Whole Milk Powder; Global Dairy Trade price index, Product results; Dairy Australia, YTD Export Summary Report June 2015.

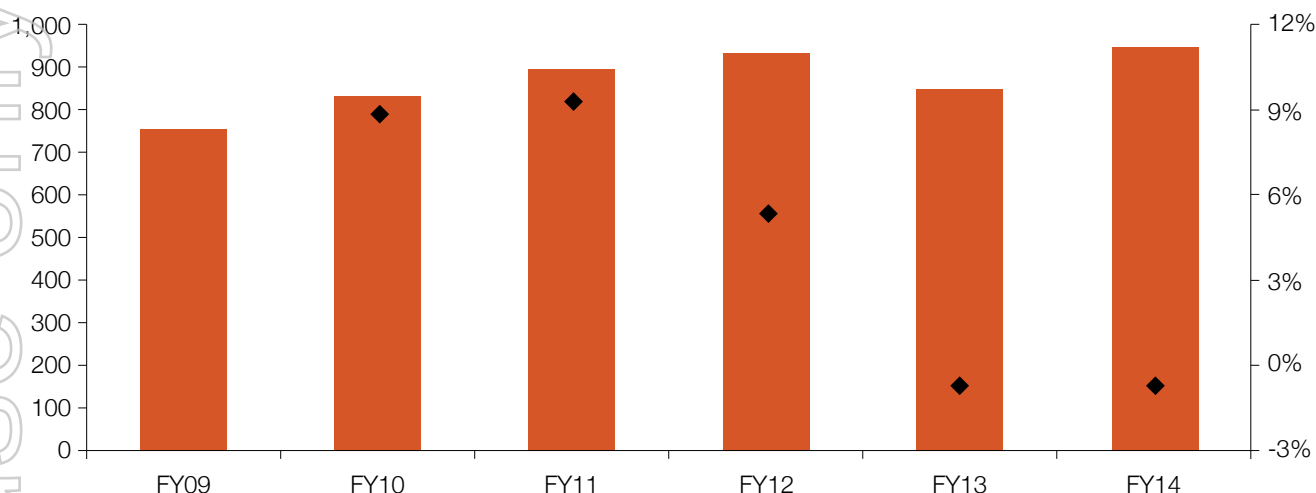
33. Dairy Australia, YTD Export Summary Report June 2015.

34. LiveCorp, Industry Statistics, Dairy Cattle Statistics.

3.6 VETERINARY HEALTH PRODUCTS

The Australian Veterinary Services and Veterinary Pharmaceuticals sectors have been leveraged to the growth in both companion animals and Production Animals. Veterinary pharmaceutical sales have grown from \$754 million in FY09 to \$934 million in FY14, implying a CAGR of 4.4%.^{35, 36}

Figure 22: Veterinary Pharmaceutical Wholesale Sales
\$million (LHS) YOY Growth (RHS)



Management estimates that the total sales for veterinary pharmaceutical products are split approximately 53% for Production Animals and approximately 47% for companion animals in FY14.

In Management's view, pharmaceutical sales for Production Animals tend to be impacted by factors such as improving efficiencies through new technologies such as vaccines, seasonal conditions (e.g. higher demand for nutritional products during drought conditions and pharmaceuticals during severe temperature fluctuations or extreme temperatures) and herd size, whereas pharmaceutical sales for companion animals tend to be impacted by factors such as the level of pet ownership, and the 'humanisation' trend in pet ownership (including a greater desire to maximise the life of pets).

3.7 SUPPLY OF VETERINARIANS

The number of veterinary graduates has increased over the last twenty years, driven by increasing enrolments at established veterinary schools, as well as the introduction of new veterinary school programs. The number of veterinary graduates in Australia increased from an average of 229 per year between 1995 and 1999, to 463 between 2008 and 2011.³⁷ It is forecast that 2015 veterinary school graduate numbers will be between 500 and 550 providing a robust supply of new veterinarians to the industry.³⁸

Apiam Animal Health clinics all have ongoing relationships with a number of the universities that involves veterinary students undertaking training within the veterinary clinics as part of their undergraduate studies. In addition, 3 of the Apiam Animal Health clinics have dairy residency programs with the University of Melbourne that involves a dedicated veterinarian within the clinic being supported by the university to assist in training students and undertaking post-graduate research and development activities.

35. Australia Pesticides and Veterinary Medicines Authority Gazette No. 5, 10 March 2015: 36 – 37.

36. Australia Pesticides and Veterinary Medicines Authority Gazette No. 5, 16 March 2010: 16 – 19.

37. The Australian Veterinary Association (Australian veterinary workforce survey 2013 – May 2014).

38. The Australian Veterinary Association (Australian veterinary workforce survey 2013 – May 2014).

3.8 COMPETITIVE LANDSCAPE

Given Apiam Animal Health's structure as a vertically integrated provider of veterinary products and services, the Company competes with a range of other organisations at various components in its business model.

Production animals

In terms of the wholesaling and distribution of veterinary products for animals, Management considers Apiam Animal Health to be one of the largest Australian veterinary wholesalers of Production Animal products (based on procurement of products). For its over-the-counter product offering, Apiam Animal Health considers that its current competitors comprise a range of privately owned and publically held organisations, including Rural Co Holdings, Landmark, Murray Goulburn and Elders.

In relation to the provision of veterinary services for Production Animals, the industry in Australia is highly fragmented. Apiam Animal Health considers that many of its competitors in the areas of pigs, beef cattle, dairy cattle and other production animals are privately held organisations. In Apiam Animal Health's opinion there are no other similarly diversified or integrated operators to Apiam Animal Health in the Australian market.

Companion and other animals

Apiam Animal Health estimates that the Australian veterinary services industry for mixed animal and companion animal clinics is comprised of approximately 2,500 veterinary clinics. The location of veterinary clinics is influenced by the distribution of the population, with major cities accounting for a high proportion of clinics.

Despite the emergence of corporate entities entering the ownership of companion animal veterinary clinics, ownership remains highly fragmented with the vast majority of clinics owned by one or a small number of veterinarians. Of the corporate entities, the largest participant in the Australian veterinary services market is Greencross Limited (GXL), which owns approximately 130 veterinary clinics and National Veterinary Care Limited (NVL), which owns approximately 35 veterinary clinics. After GXL and NVL there are a number of corporate entities which own multiple clinics, typically within a particular city or state.

3.9 COMPANION ANIMAL INDUSTRY DYNAMICS AND TRENDS

In Apiam Animal Health's opinion, key trends in the companion animal industry include:

3.9.1 Steady levels of companion animal ownership

Australia has one of the highest levels of companion animal ownership globally, with 63% of households owning pets. The overall population of companion animal ownership is expected to remain stable, with forecasts ranging from slight decline to slight growth in companion animal numbers.³⁹

3.9.2 Changing attitudes towards companion animals

Companion animals are increasingly being regarded as members of the family. As a result of the trend towards the 'humanisation' of companion animals, together with increased awareness about animal health issues and the desire to maximise the longevity of companion animals, drives increased demand for veterinary products and services.

3.10 LIVESTOCK INDUSTRY DYNAMICS AND TRENDS

In Apiam Animal Health's experience, the Australian livestock production industry is influenced by a range of domestic and international constantly evolving dynamics. Factors which may influence the size of the industry in the future include:

- Underlying growth in domestic consumption of protein (see Section 3.10);
- The influence of the emerging middle class amongst key regional trading partners on the consumption of protein, dairy and other livestock related products (see Section 3.10);
- Changing consumer preferences, including an increasing focus (domestic and international) on food safety and quality across the supply chain (see Section 3.10);
- Terms of trade and related economic factors associated with key trading partners (see Section 3.10);
- Australia's competitive advantage in food production (see Section 3.9.9); and
- The potential positive impact associated with recently agreed and future free trade agreements between Australia and key trading partners (see Section 3.9.9).

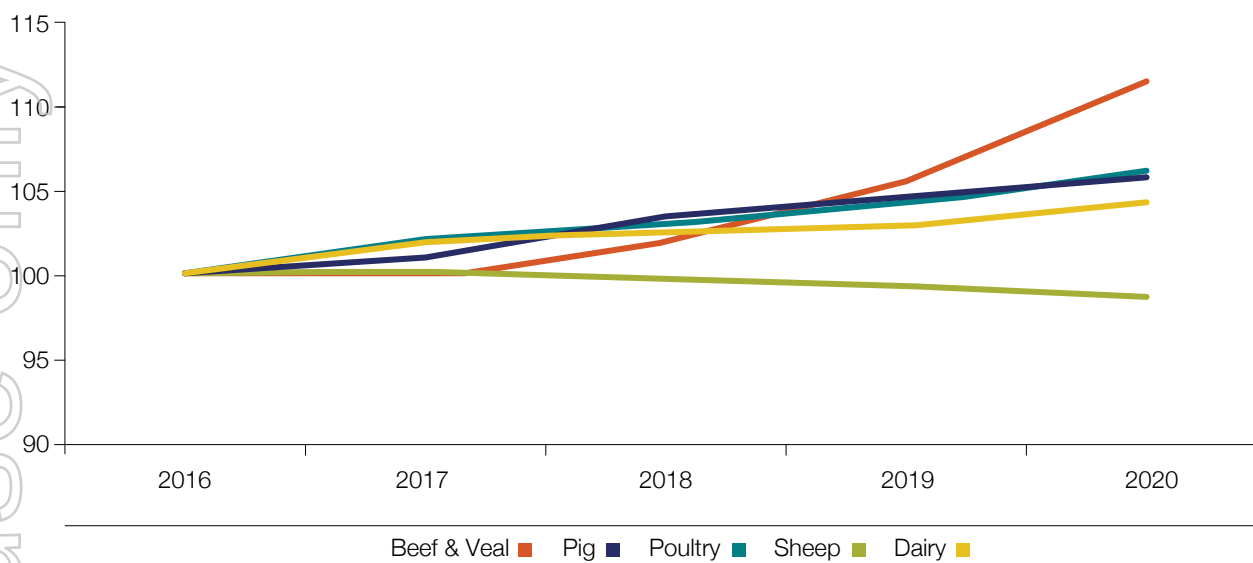
Furthermore, Apiam Animal Health expects that there will be continued consolidation of Production Animal operators and product suppliers, which will present opportunities in the future.

39. Animal Health Alliance (Pet Ownership in Australia 2013).

3.10.1 Underlying growth in domestic consumption of protein

Domestically, over the next five years consumption of beef, pig meat, poultry and dairy products are all expected to grow, with only consumption of lamb expected to decline. Beef consumption is expected to experience the strongest growth due to changing consumer preferences, following a period of weaker consumption.⁴⁰

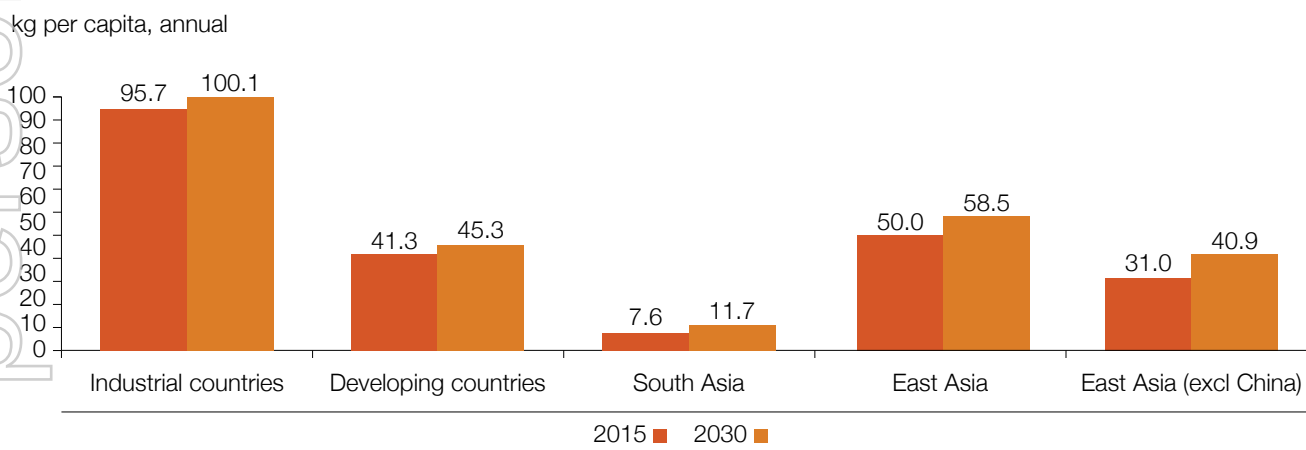
Figure 23: Australian consumption trends for protein (index rebased to 100)⁴¹



3.10.2 Emerging middle class and influence on protein consumption trends

The OECD estimates that the size of the middle class globally will increase to 3.2 billion by 2020 from 1.8 billion in 2010. This growth in middle class is expected to underpin changing consumption patterns towards higher quality food products, including increased consumption of protein. As illustrated in Figure 24, the annual consumption of protein related products in developing countries, including key regional trading partners, is significantly below that of industrialised countries, including Australia.⁴²

Figure 24: Consumption of Protein – Industrialised and Selected Developing Regions⁴³



In addition to growth in the consumption of protein, the World Resources Institute expects the global population to grow to 9.6 billion by 2050 compared to 7 billion in 2007. Much of the growth in population is expected to come from developing areas such as Sub-Saharan Africa and Asia.

40. OECD-FAO Agricultural Outlook 2015-2024, by country.

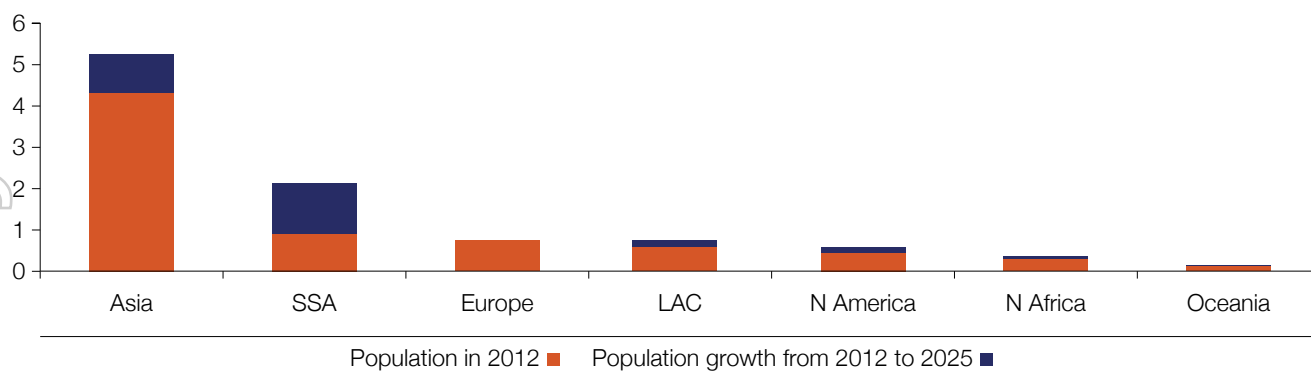
41. OECD Development Working Paper No 285 The emerging Middle Class in developing countries 2010 pp. 6- 27.

42. FAO, World Agriculture: Towards 2015/2030. An FAO perspective...".

43. OECD-FAO Agricultural Outlook 2015-2024, by country.

Figure 25: Expected population growth⁴⁴

population in billions



Note "SSA" = Sub-Saharan Africa. "LAC" = Latin America and Caribbean. "N America" = North America. "N Africa" = Rest of Africa. Source UNDESA (2013). Total population by major area, region, and country. Medium fertility scenario.

3.10.3 Changing consumer preferences

As a result of changing global trends and events, end customers are becoming more sophisticated and discerning in relation to food purchases, with key consumer themes including:

- A focus on health, wellbeing and premium products;
- Increasing consciousness of food safety and product origin; and
- Longer term food security concerns.

As a result of a number of well publicised food safety events, consumers both globally and domestically have become more focussed on food safety and product origins. In order to address consumer concerns in relation food safety and product origins, major retailers and food service operators have enhanced programs in relation to ingredient providence, integrity and transparency as well as increasing their focus on local sourcing.

The global availability of arable land and water together with environmental degradation and increasing urban populations are constraining the ability of food production to keep up with increasing demand, creating concerns regarding long term food security. Feed and related nutritional inputs are generally the single largest input cost in the production of livestock, being estimated to account for up to 70% of the cost of production.⁴⁵ In order to address longer term food security concerns, industry participants are increasing their focus on efficiency of production, driven by improving farming practices, animal health and nutrition.

Apium Animal Health currently undertakes Quality Assurance assessments of piggeries under the Australian Pork Industry Quality Assurance Program (**APIQ**). These assessments are undertaken by Apium Animal Health's pig veterinarians, who as accredited APIQ auditors, where required by a piggery, also audit the quality assurance standards required by a major supermarket retailer in Australia.

3.10.4 Terms of trade and related economic factors associated with key trading partners

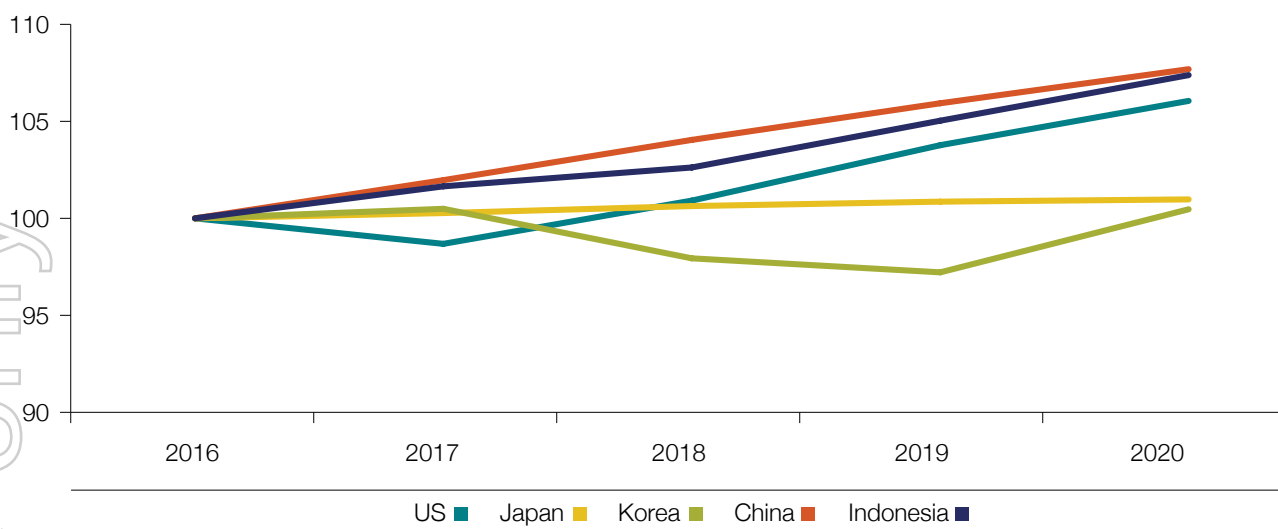
The largest export markets for Australian beef in 2015 were the United States (37% of exports), Japan (22% of exports), Korea (12% of exports) and China (9% of exports), with Indonesia representing a growing market. Over the next 5 years current demand levels are expected to persist, however, export volumes will be constrained due to limited beef cattle supply. The OECD estimates that beef consumption in the US, Indonesia and China will grow by 6%, 7% and 8% respectively over this period, whilst consumption in Japan and Korea will increase marginally.⁴⁶

44. World Resources Institute, Report 2013-14: Interim findings; Creating a sustainable food future.

45. Choices Magazine, Feed Grains and Livestock: Impacts on Meat Supplies and Prices; Food and Agricultural Organization of the United Nations, Poultry feed availability and nutrition in developing countries.

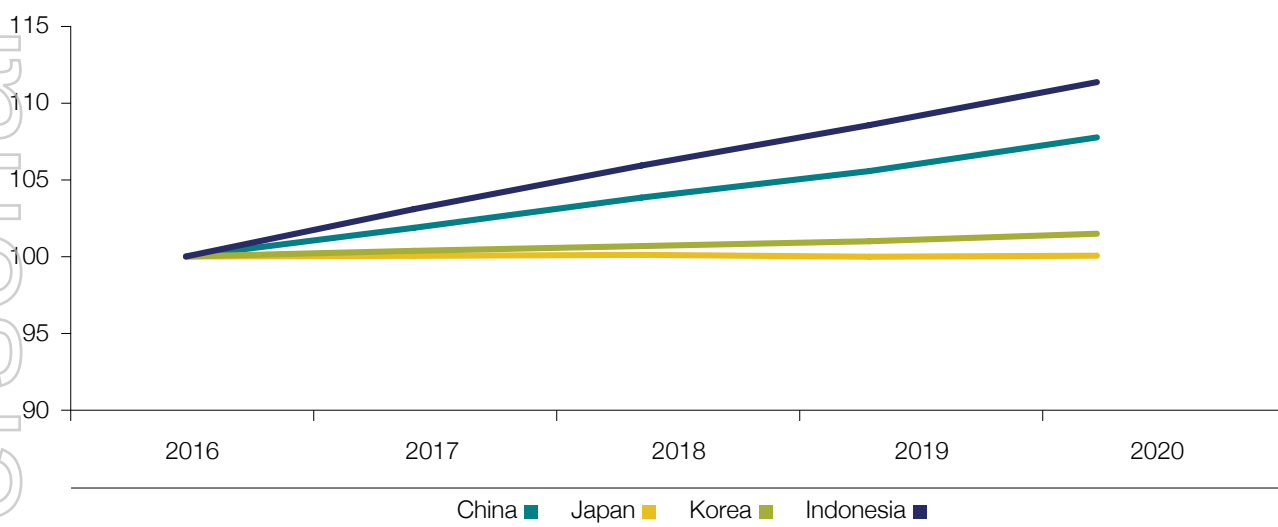
46. AgCommodities vol. 5 no. 3. September Quarter 2015.

Figure 26: Beef consumption trends for key export destinations (index rebased to 100)⁴⁷



The largest export markets for Australian dairy products in 2015 were Japan (20% of exports), China (11% of exports), Indonesia (9% of exports) and Korea (4% of exports). Over the next 5 years consumptions levels in all key markets is expected to grow. Most notably, consumption in China and Indonesia is estimated to grow by 8% and 11% respectively in this period. As such, the market dynamics for the Australian dairy industry are favourable.⁴⁸

Figure 27: Dairy consumption trends for key export destinations (index rebased to 100)⁴⁹



3.10.5 Australia's competitive advantage in food production

According to the World Bank, Australia has one of the highest proportions of arable land relative to its population on a global basis. Management believe that the amount of arable land in Australia, together with its proximity to the growing Asian markets provides a competitive long-term advantage for Australia in the production of food and in particular animal protein.

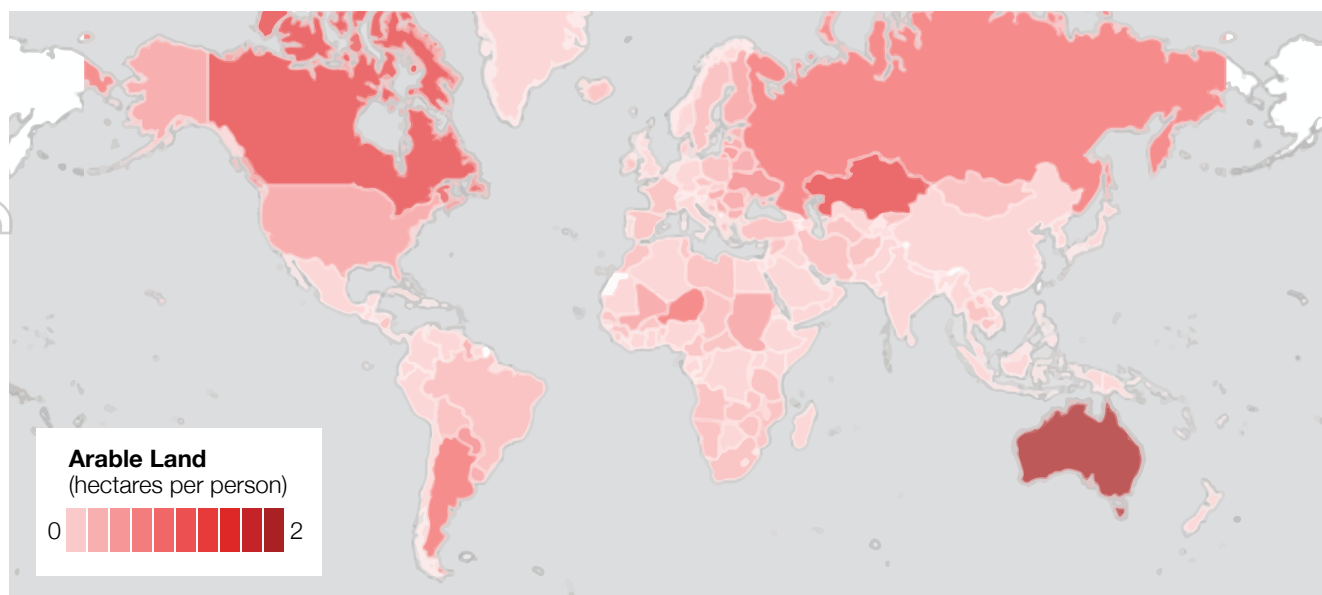
47. OECD-FAO Agricultural Outlook 2015-2024, by country.

48. ABARES AgCommodities vol. 5 no. 3. September Quarter 2015.

49. OECD-FAO Agricultural Outlook 2015-2024.

Figure 28: Arable Land⁵⁰

Arable Land - Hectares per person



3.10.6 The potential positive impact associated with recently announced trade agreements between Australia and key trading partners

The Australian Government has recently announced trade agreements with key trading partners that are expected to have a positive impact on a number of key agricultural and other industries.

China Free Trade Agreement

On 17 June 2015 the Australian Government signed a Free Trade Agreement with China. Once ratified, it is expected to set a foundation for the next phase of the trading relationship between the two countries.

Within the livestock industry, key elements of the China Free Trade Agreement include:

- tariffs of up to 20 per cent on pork eliminated within 4 years.
- elimination of tariffs on beef imports (currently ranging from 12-25 per cent) within 9 years;
- elimination of the 12 per cent tariff on beef offal within 4-7 years;
- elimination of the 15 per cent tariff on infant formula within 4 years;
- elimination of the 10 - 19 per cent tariff on ice cream, lactose, casein and milk albumins within 4 years;
- elimination of the 15 per cent tariff on liquid milk within 9 years;
- elimination of the 10 to 15 per cent tariff on cheese, butter and yogurt within 9 years; and
- elimination of the 10 per cent tariff on milk powders within 11 years.

These changes to tariffs are expected to be significant developments for Australian producers given that China is a substantial trade partner. For example, China is the second largest market for exported Australian dairy products and over 50% of beef imported into China is sourced from Australia.⁵¹

Trans Pacific Partnership Agreement

On 6 October 2015, the 12 nation members of the Trans Pacific Partnership (TPP) (originally founded in 2006) agreed the key elements of the trade and investment accord, which covers 40% of the global economy. The agreement is expected to open up markets for Australian farmers, service providers and manufacturers.

Elements of the agreement include:

- the elimination of 98 per cent of all tariffs for the export of beef, dairy, wine, sugar, rice, horticulture, manufactured goods, resources and energy;
- the elimination of tariffs for chilled and frozen beef into Canada and Mexico within 10 and 11 years respectively; and
- the removal of a US beef "safeguard" built into the 2004 US-Australia free trade agreement.

With one third of Australia's goods and services being exported to TPP countries, the accord is anticipated to provide support to a range of sectors in the Australian economy.⁵²

50. The World Bank, Arable land (hectares per person).

51. Australian Government, Department of Foreign Affairs and Trade, Fact Sheet: Agriculture and Processed Food.

52. Australian Government, Department of Foreign Affairs and Trade, Trans-Pacific Partnership Agreement, Outcomes at a glance; Australian Government, Department of Foreign Affairs and Trade, Trans-Pacific Partnership Agreement, Outcomes: Goods market access.

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04

**FINANCIAL
INFORMATION**



4.1 INTRODUCTION

Apiam Animal Health was incorporated on 25 March 2015 and has a 30 June financial year end.

This section of the Prospectus provides pro-forma historical, pro-forma forecast and statutory forecast Financial Information of Apiam Animal Health that the Directors consider relevant for potential investors. The Financial Information should be read in conjunction with the summary of significant accounting policies in Section 10 and other information contained in the Prospectus.

The pro-forma historical financial information comprises:

- the pro-forma historical aggregated income statement for the years ended 30 June 2013 (FY13), 30 June 2014 (FY14) and 30 June 2015 (FY15); and
- the pro-forma balance sheet at 30 June 2015,

(collectively the Historical Financial Information).

The forecast financial information comprises:

- the pro-forma forecast aggregated income statement for the year ending 30 June 2016 (FY16);
- the statutory forecast aggregated income statement for FY16;
- the pro-forma forecast aggregated cash flow statement for FY16; and
- the statutory forecast aggregated cash flow statement for FY16,

(collectively the Forecast Financial Information or the Directors' Forecasts).

Together, the Historical Financial Information and the Forecast Financial Information are the Financial Information.

The pro-forma historical income statements and pro-forma forecast income statement comprise the CRG Entities and the Acquisitions as if those businesses were owned and operated by Apiam Animal Health from 1 July 2012. The Acquisitions are expected to Complete following completion of the Offer. Prior to Completion, the Acquisitions were separate privately owned businesses and accordingly the Historical Financial Information relating to FY13, FY14 and FY15 is a compilation of underlying financial statements.

The Financial Information reflects the costs of being a listed company (including annual listing fees, audit and Board costs), but does not include all expected benefits associated with operating as an aggregated group.

The information in this Section should be read in conjunction with the Independent Accountant's Report (IAR) in Section 8 and the risk factors in Section 5.

All amounts disclosed in this Section are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest \$1,000 in the tables and to the nearest \$100,000 in the accompanying text. Any discrepancies between totals and sums and components in tables, figures and diagrams contained in this Prospectus are due to rounding.

4.2 BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL INFORMATION

The Directors of Apiam Animal Health are responsible for the preparation of the Financial Information.

The Financial Information that is presented and explained in this Section has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards.

The Financial Information is presented in an abbreviated form and does not comply with all the presentation and disclosure requirements of Australian Accounting Standards applicable to annual reports prepared in accordance with the Corporations Act.

The Financial Information has been reviewed and reported on by Grant Thornton as set out in the Investigating Accountant's Reports (refer to Section 8).

4.3 PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been derived from the management accounts of the CRG Entities and the Acquisitions. With the exception of Country Vet Wholesaling Pty Ltd (in respect of FY14 and FY15) and Apiam Animal Health Ltd (in respect of FY15), which have audited accounts, the Historical Financial Information is based on an aggregate of unaudited accounts. The Historical Financial Information has been presented to an EBITDA line only as prior to Completion of the Offer and the Acquisitions, the CRG Entities and the Acquisitions operated as standalone entities with varying capital and corporate structures. EBITDA portrays the operational results of these before the effects of capital structure and any restructure related to the Offer and Completion of the Acquisitions.

The Historical Financial information for FY13, FY14 and FY15 has been presented following the below normalizations adjustments:

- removal of any transactions which are not related to the business or entities that will form part of the Apiam Animal Health Group;
- removal of inter-company revenue and expenses between the CRG Entities and the Acquisitions;
- inclusion of agreed market based remuneration to be paid to the previous owners of the Acquisitions (or their associates) as employees of Apiam Animal Health;
- inclusion of payroll tax costs as if consolidated from 1 July 2012 onwards;
- removal of any historical one-off or abnormal revenues or expenses;
- inclusion of costs associated with rental of operating premises on a commercial basis; and
- inclusion of costs of being a listed company (including annual listing fees, audit and Board costs).

4.4 PREPARATION OF FORECAST FINANCIAL INFORMATION

The Forecast Financial Information is based on the Directors' assessment of present economic and operating conditions and on a number of best estimate assumptions regarding future events and actions which, at the date of the Prospectus, the Directors expect to take place. The Directors' best estimate assumptions are set out in Section 4.13, with a sensitivity analysis set out in Section 4.14 and risk factors which may impact the achievement of the Directors' Forecasts set out in Section 5. The Directors believe they have prepared the Forecast Financial Information with due care and attention and consider all best estimate assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus.

The Forecast Financial Information and the best estimate assumptions on which it is based are by their very nature subject to significant uncertainties, contingencies and unexpected events and to a number of businesses, economic and competitive risks, many of which are outside the control of the Company and its Directors (see risk factors in Section 5). Accordingly, neither the Company nor its Directors can give any assurance that the forecast performance outlined in the Forecast Financial Information or any prospective statement contained in this Prospectus will be achieved.

Events and circumstances may not, and often do not, occur as anticipated and, therefore, the actual financial results are likely to vary from the Forecast Financial Information and any variation may be material. Accordingly, the Directors cannot and do not guarantee the achievement of the Forecast Financial Information.

The Forecast Financial Information is presented on both a statutory and pro-forma basis. The pro-forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information as if those businesses were owned and operated by Apiam Animal Health from 1 July 2015, and after making adjustments in relation to certain non-recurring items. The statutory forecast for the year ending 30 June 2016 represents the financial performance of Apiam Animal Health assuming the Interposition of the CRG Entities from 1 November 2015 and Completion of the Acquisitions occurring on 1 January 2016.

4.5 EXPLANATION OF CERTAIN NON-IFRS FINANCIAL MEASURES

In order to assist readers of Apiam Animal Health's financial statements better understand the Financial Information, Apiam Animal Health uses certain non-IFRS financial measures. These non-IFRS financial measures are not recognised by the Australian Accounting Standards and, as such, they do not have standard definitions. Their calculation may vary to similarly titled measures presented by other companies.

The principal non-IFRS financial measures referred to in this Prospectus are EBITDA and EBITDA after non-controlling interests, being:

- gross profit is revenue less cost of sales;
- EBITDA is earnings before all interest, tax, depreciation and amortisation expenses;
- EBITDA after non-controlling interests deducts the proportionate share of EBITDA of subsidiary companies where Apiam Animal Health does not own 100% of a subsidiary;
- EBIT is earnings before all interest and tax; and
- EBIT after non-controlling interests deducts the proportionate share of EBIT of subsidiary companies where Apiam Animal Health does not own 100% of a subsidiary

4.6 ACQUISITIONS INCLUDED IN THE FINANCIAL INFORMATION

Set out below is the consideration paid for the Acquisitions.

Consideration ^{1, 2, 3}	Cash \$'000	Shares ⁴ \$000	Total \$'000
Consideration on Completion	25,587	29,079	54,665

Notes

1. There may be a further amount of consideration payable in the form of cash and shares of up to \$3.5 million, based on achievement of certain EBITDA targets in the 12 months following Completion of the Acquisitions. The potential consideration payable of \$3.5 million has been recorded against deferred consideration liability and goodwill in the balance sheet.
2. The above consideration represents total consideration agreed to acquire the Acquisitions pursuant to the terms of the Acquisition Agreements, subject to any adjustments for movements in working capital that may arise against target working capital requirement and deductions for employee liabilities and any debt that may be assumed by Apiam Animal Health.
3. The impact of the cash component of the acquisition consideration shown on the balance sheet is \$0.9M less as it includes an adjustment for working capital, employee liabilities and debt based on vendor financial information as at 30 June 2015. Similarly, after adjusting for working capital, employee liabilities and debt the impact on the share component of the acquisition consideration is \$1.2M less.
4. 100% of these Shares are to be issued to vendors at Completion and held in voluntary escrow as follows: 100% for 12 months, 50% for 24 months; and 10% for 36 months.

Determination of Consideration

The consideration for each of the Acquisitions was determined as a result of negotiations with the Vendors of the Acquisitions and on the basis of an EBITDA multiple for each business having regard to factors such as:

- the size and scale of the business;
- the growth prospects of the business; and
- industry standards and market practice.

The forecast EBITDA for each business used in the Forecast Financial Information and the resulting implied FY16 multiple paid for each business has been reviewed by the Investigating Accountant.

For further information on the consideration agreed to be paid for the Acquisitions, refer to Section 2.3.

4.7 PRO-FORMA HISTORICAL AND FORECAST AGGREGATED INCOME STATEMENTS AND STATUTORY FORECAST INCOME STATEMENT

Set out below in Table 1 is a summary of Apiam Animal Health's pro-forma historical information for FY13, FY14 and FY15, the pro-forma forecast aggregated income statement for FY16, and the statutory forecast aggregated income statement for FY16.

The pro-forma historical information is an aggregation of the CRG Entities and the Acquisitions that will comprise Apiam Animal Health, including the pro-forma adjustments outlined in Section 4.3. With the exception of Country Vet Wholesaling Pty Ltd (in respect of FY14 and FY15) and Apiam Animal Health Ltd (in respect of FY15), which have audited accounts, the Historical Financial Information is based on an aggregate of unaudited accounts.

The statutory forecast for the year ending 30 June 2016 represents the financial performance of Apiam Animal Health assuming the Interposition of the CRG Entities from 1 November 2015 and Completion of the Acquisitions occurring on 1 January 2016.

Refer to Section 10 for a summary of significant accounting policies adopted in the preparation of the financial information.

Refer to Section 4.13 for a summary of the key assumptions underlying the Director's Forecasts.

Table 1: Summary of pro-forma historical and forecast aggregated income statements and statutory forecast income statement

		Pro-forma historical			Pro-forma forecast	Statutory forecast ¹
Y/E 30 June	Note	FY13 \$'000	FY14 \$'000	FY15 \$'000	FY16 \$'000	FY16 \$'000
Revenue from continuing operations	2	69,372	76,643	79,459	85,445	49,514
Cost of sales		(36,394)	(40,383)	(42,170)	(44,328)	(26,289)
Gross profit		32,978	36,260	37,289	41,117	23,225
Other income	3	1,728	1,767	1,942	1,814	580
Employee expenses	4	(18,886)	(20,085)	(20,404)	(22,532)	(12,967)
Building and occupancy expenses	5	(1,610)	(1,841)	(1,887)	(1,874)	(1,041)
Other expenses	6	(5,979)	(6,116)	(6,228)	(6,298)	(4,836)
Acquisition expenses	7	-	-	-	-	(3,143)
EBITDA		8,231	9,986	10,711	12,227	1,818
Depreciation	8				(1,301)	(735)
EBIT					10,926	1,083
Net finance expense	9				(534)	(534)
Profit/(Loss) before tax					10,392	549
Income tax	10				(3,118)	(165)
Profit/(loss) after tax					7,275	385
Attributable to non-controlling interests	11				(98)	(49)
Profit/(loss) attributable to Apiam Animal Health					7,176	335

Notes:

1. The pro-forma forecast income statement is reconciled to the statutory forecast income statement in Section 4.7.2.
2. Refer to Section 4.12 for a description of Apiam Animal Health revenue.
3. Other income is comprised of various sundry income items such as cost recovery of pathology services, marketing co-operative and miscellaneous sundry income.
4. Salary and wages includes superannuation, workcover, payroll tax and fringe benefits tax.
5. Building and occupancy costs consists of rent, rates and repairs and maintenance.
6. Other expenses includes motor vehicles, consulting fees, travel, audit, public company and insurance costs.
7. Advisor costs for the IPO (tax, legal, corporate advisory) \$1.0 million. Stamp duty related to the purchase of the Acquisitions \$0.8 million. Employee share incentive and milestone allocations \$1.4 million. Capital raising costs consisting of broking and underwriting fee, independent accountant, roadshow and listing fees \$2.3 million have been deducted from issued capital in accordance with Accounting Standards.
8. Depreciation relates to fixed assets recorded in the balance sheet of Apiam Animal Health and controlled entities.
9. Net finance expenses represent the line fee and interest charged on the Finance Facilities (including interest charged on the term loan, overdraft and bank guarantees used for rental bonds), offset by interest earned on cash in bank.
10. Income tax expenses reflects a 30% company tax rate for the forecast period.
11. Non-controlling interests reflects the after tax earnings attributable to a vendor that retained an interest in one of the Acquisitions. Refer Table 2 for further information.

Set out below in Table 2 is a reconciliation of Apiam Animal Health's aggregated EBITDA to the EBITDA after deducting non-controlling interests (ie a 49% interest in Portec).

Table 2: Reconciliation of aggregated EBITDA to EBITDA attributable to Apiam Animal Health

Y/E 30 June	Note	Pro-forma Historical		Pro-forma Forecast	
		FY13 \$'000	FY14 \$'000	FY15 \$'000	FY16 \$'000
EBITDA		8,231	9,986	10,711	12,227
EBITDA attributable to non-controlling interests	1	(59)	(9)	(176)	(140)
EBITDA attributable to Apiam Animal Health		8,172	9,976	10,535	12,086

4.7.1 PRO-FORMA HISTORICAL AND FORECAST SELECTED FINANCIAL METRICS FOR FY13 TO FY16

Set out below in Table 3 is a summary of Apiam Animal Health's key historical and forecast operating and financial metrics relating to the pro-forma Historical and Forecast Financial Information.

Investors should be aware that certain financial data included in the below table is "non-IFRS financial information". Refer to Section 4.5 for further information.

Table 3: Pro-forma historical and forecast selected financial metrics for FY13 to FY16

Y/E 30 June	Note	Pro-forma Historical		Pro-forma Forecast	
		FY13	FY14	FY15	FY16
Revenue growth		n/a	10.5%	3.7%	7.5%
Gross margin	1	47.5%	47.3%	46.9%	48.1%
Employee expenses as a % of revenue		27.2%	26.2%	25.7%	26.4%
EBITDA growth	2	n/a	21.3%	7.3%	14.1%
EBITDA margin	2	11.9%	13.0%	13.5%	14.3%

Notes:

1. Calculation of gross margin excludes other income.
2. Based on aggregated EBITDA before adjusting for EBITDA attributable to non-controlling interests.

Refer to Section 4.12 for management discussion and analysis on the Historical Financial Information and 4.13 for the Forecast Financial Information.

4.7.2 RECONCILIATION OF STATUTORY AND PRO-FORMA FORECAST INCOME STATEMENTS

In presenting the pro-forma Forecast Financial Information included in the Prospectus, certain pro-forma adjustments have been made to reflect the full year impact of additional revenues and operating costs that will be in place following Listing and Completion of the Acquisitions. Set out below in Table 4 is a reconciliation between the statutory forecast aggregated NPAT to pro-forma forecast EBITDA:

Table 4: Reconciliation of statutory and pro-forma forecast income statements

Reconciliation of Statutory Forecast to Pro-forma EBITDA		
	Note	\$'000
Statutory Profit/(Loss) after tax		385
Add back		
Income tax expense	1	165
Net finance expense	2	533
Depreciation		735
Acquisition and Offer expenses	3	3,143
Integration and other one-off expenses	4	973
Cost of sales	5	336
Pro-forma EBITDA attributed to period before Completion	6	5,956
Pro-forma EBITDA		12,227

Notes:

1. Income tax expenses reflect a 30% company tax rate for the forecast period.
2. Net finance expenses represent the line fee and interest charged on the Finance Facilities (including interest charged on the term loan, overdraft and bank guarantees used for rental bonds, offset by interest earned on cash in bank).
3. Advisor costs for the IPO (tax, legal, corporate advisory) \$1.0 million. Stamp duty related to the purchase of the Acquisitions \$0.8 million. Employee share incentive and milestone allocations \$1.4 million.
4. Integration expense of \$1.0 million refers to non-recurring costs associated with the integration of IT, Finance, HR and Operations systems following Completion of the Acquisitions. Other one-off expenses includes employee bonuses and insurance related to the Offer.
5. \$0.3 million of the expected annual cost of sales reduction has been removed from quarter 3, 2016 due to the expected lead time to consolidate Apiam's procurement systems.
6. The Statutory Forecast Income Statement assumes the Interposition of the CRG Entities as at 1 November 2015 and Completion of the Acquisitions on 1 January 2016. This adjustment reflects the pro-forma EBITDA that the Company expects would have been generated had the Acquisitions been part of the Group for the full year ended 30 June 2016. The forecast financial information also assumes 2% higher dairy and Mixed animal practice revenue in the first half of FY16 due to seasonal phasing.

4.8 PRO-FORMA HISTORICAL AGGREGATED BALANCE SHEET

The unaudited actual and pro-forma balance sheet is presented as at 30 June 2015 in Table 5 below and with the exception of Country Vet Wholesaling Pty Ltd and Apiam Animal Health Ltd which are required to have audited accounts, it is based on an aggregation of unaudited accounts. The unaudited pro-forma balance sheet is based on the unaudited actual balance sheet as at 30 June 2015 adjusted for certain pro-forma adjustments to reflect the impact of the Acquisitions, change in capital structure that will take place as part of the Offer and certain other transactions as set out below, as if it was in place as at 30 June 2015.

Table 5: Pro-forma historical aggregated balance sheet

Pro-forma balance sheet \$'000	Note	30 June 2015 actual	Pre-Listing	Impact of the Offer	Impact of the Acquisitions	30 June 2015 pro-forma
CURRENT ASSETS						
Cash	1	20	(275)	26,844	(24,677)	1,913
Trade and other receivables		-	5,242		4,518	9,760
Inventory		-	7,333		2,756	10,089
Other current assets		15	(304)	200	19	(69)
TOTAL CURRENT ASSETS		35	11,996	27,044	(17,383)	21,693
NON CURRENT ASSETS						
Property, plant & equipment		-	1,900	-	3,356	5,257
Goodwill & intangibles	2	-	247	-	46,050	46,296
Investments		-	2,067	-	(2,067)	-
Deferred tax asset	3	31	340	923	773	2,066
TOTAL NON-CURRENT ASSETS		31	4,553	923	48,112	53,619
TOTAL ASSETS		66	16,549	27,967	30,729	75,312
CURRENT LIABILITIES						
Trade & other payables		113	5,437	-	3,383	8,933
Finance liabilities	4	-	-	600	-	600
Provision for employee entitlement		-	1,080	-	2,371	3,452
Provision for tax		-	201	-	278	479
TOTAL CURRENT LIABILITIES		113	6,718	600	6,032	13,463
NON CURRENT LIABILITIES						
Financial liabilities	5	-	4,653	7,387	783	12,823
Deferred consideration		-	-	-	3,500	3,500
Other non-current liabilities		-	52	-	-	52
Provision for employee entitlement		-	52	-	187	239
TOTAL NON CURRENT LIABILITIES		-	4,757	7,387	4,470	16,614
TOTAL LIABILITIES		113	11,475	7,987	10,503	30,077
NET ASSETS		(47)	5,074	19,981	20,226	45,235
EQUITY						
Retained profits		(187)	-	(2,911)	-	(3,098)
Minority interest acquisition reserve	6	-	-	-	(2,355)	(2,355)
Corporate re-organisation reserve	7	-	(29,939)	-	-	(29,939)
Non-controlling interest	8	-	6,075	-	(5,244)	831
Issued capital	9	140	28,938	22,892	27,826	79,796
TOTAL EQUITY		(47)	5,074	19,981	20,226	45,235

Notes:

- \$0.3 million negative balance is brought on from CRG entities in the prelisting transaction. Cash increases by \$26.8 million as a result of the cash proceeds from the offer (\$23.0 million) and proceeds of the debt drawdown (\$12.7 million) and is offset by retiring of existing debt (\$4.6 million) and the combined cost of the offer and debt raise (\$4.3 million). Cash is then reduced by \$24.7 million as a result of applying it to the cash component in accordance with the Acquisition Agreements. The cash to acquire the Acquisitions is \$0.9 million less than the Consideration as it has been adjusted in accordance with the Acquisition Agreements for working capital and employee liabilities based on the vendor financial information as at 30 June 2015.
- Goodwill of \$46.3 million reflects the low level of fixed assets associated with the Acquisitions, together with the value inherent in intangible aspects typical in well established and highly respected businesses with a long trading history.
- Pre-listing deferred tax asset balances of \$0.3 million relates to employee leave entitlement provisions. Deferred tax assets of \$0.9 million arising from the Offer relates to the capital raising under this Prospectus and advisor costs that are not immediately deductible. Deferred tax asset arising from the Acquisitions of \$0.8 million relates to the assumption by Apiam Animal Health of employee leave entitlement provisions.
- Current financial liabilities relate to the current portion of the debt drawn of \$0.6 million (Total facility is \$12.7 million) at the completion of the Offer.
- Pre-listing financial liabilities of \$4.7 million relate to bank finance and equipment leases of the CRG Entities. The \$7.4 million financial liabilities arising from the Offer represent the non-current drawn debt of \$12.1 million less \$0.2 million fees and \$4.6 million repayment of existing debt and loans related to the CRG Entities. \$0.8 million arising from the acquisition relates to equipment finance and debt assumed as part of the acquisitions.
- The minority interest reserve has been created as a result of the acquisition of the minority interest of 3 entities in which Apiam Animal Health held a controlling interest. It is determined with reference to the difference between the consideration for these entities and the non controlling interest previously booked on the balance sheet for these entities.
- Capital reorganisation reserve arises as a result of the restructure of the CRG Entities. It is determined with reference to the difference between net tangible assets and the directors' valuation carried out for these entities.
- Apiam Animal Health owns 49% only of one veterinary clinic, given regulatory restrictions in Western Australia, where the clinic is located. It is consolidated for the purposes of Group reporting, with the non-owned component treated as a minority interest.
- The offer reflects the net of \$23 million from share proceeds (\$40 million total share capital raising consisting of \$23.0 million New Shares and \$17.0 million Sale Shares), \$0.1 million seed capital, \$1.4 million share capital for employee award offer and (\$1.6) million of capital raising costs (\$2.3 million capital raising costs less tax effect). The acquisition reflects \$27.8 million shares (\$29.0 million less estimated adjustments for working capital, debt and employee entitlements) to be issued to the Vendors in accordance with the terms of the Acquisitions Agreements. The listing consists of \$28.9 million share capital booked as a result of the interposition of Chris Richard Group entities.

4.9 INDEBTEDNESS

4.9.1 Indebtedness

Apiam Animal Health has been provided with an approved credit terms sheet from National Australia Bank Limited pursuant to which National Australia Bank Limited will, subject to satisfaction of certain conditions provide the Finance Facilities.

The conditions precedent include confirmation that Apiam Animal Health raises a minimum of \$23.0 million under the Offer.

Set out below in Table 6 is a summary of the pro-forma indebtedness of Apiam Animal Health as at 30 June 2015, following completion of the offer.

Table 6: Pro-forma indebtedness as at 30 June 2015

Facility	Notes	Finance commitment	Pro-forma drawdown 30 June 2015
Corporate Term Debt Facility	1	\$12.7 million	\$12.7 million
Multi Option Facility (Working capital)		\$10.3 million	Nil
Corporate Acquisition Facility	2	\$10.0 million	Nil
Business Overdraft Facility		\$1.0 million	Nil
Master Finance Agreement (Equipment finance)		\$1.0 million	Nil
Corporate Card facility		\$0.3 million	Nil
Total new Finance Facilities		\$35.3 million	\$12.7 million
Asset finance obligations	3		\$0.7 million
Cash and cash equivalents			(\$1.9) million
Total net indebtedness			\$11.5 million

Note

- Corporate Term Debt facility will be used to complete the Acquisitions and repay existing debt.
- Corporate Acquisition facility will be available for future acquisitions subject to conditions including:
 - the target acquisition being in line with the accepted strategy; and
 - consent provided by National Australia Bank Limited for any material acquisition greater than \$2.0 million which will include a review of earnings accretion, impact on finance position, gearing, leverage and cash flow from operations.
- Existing asset finance obligations within CRG Entities and the Acquisitions.

4.9.2 Security

The Company shall supply security in support of the Banking Facilities, including:

- 1st ranking General Security Agreement over the Company and its wholly owned subsidiaries;
- Cross guarantee and indemnity of \$34.3 million in favour of the lender supported by 1st ranking General Security Agreements over each of the Guarantors; and
- Other securities required to be taken by the lender.

4.9.3 Financial Covenants

The Finance Facilities will be subject to the below financial covenants, measured half yearly at 31 December and 30 June (on a trailing 12 months basis):

- maximum Gearing Ratio of 35%. Gearing Ratio is the ratio of net debt divided by net debt plus total equity;
- maximum Operating Leverage Ratio of 2.5 times. Operating Leverage Ratio is the ratio of gross debt drawn to EBITDA; and
- minimum Interest Cover Ratio of 5.0 times. Interest Cover Ratio is the ratio of EBIT to gross interest expense.

4.10 LIQUID AND CAPITAL RESERVES

Following completion of the Offer, Apiam Animal Health's principal sources of funds will be cash flow from operations and borrowings under its Banking Facilities described in Section 4.9. Management expects that its operating cash flows, together with borrowings under its New Banking Facilities, will position Apiam Animal Health to grow its business in accordance with the Forecast Financial Information.

4.11 STATUTORY FORECAST AGGREGATED CASH FLOW STATEMENT

Set out below in Table 7 is a summary of the unaudited Director's statutory forecast cash flow statement for the year 1 July 2015 to 30 June 2016. This table sets out summary financial information only and does not comply with all the disclosures required by Australian Accounting Standards applicable to annual reports prepared in accordance with the Corporations Act.

Table 7: Summary statutory forecast aggregated cash flow statement

Statutory Cash Flow Statement		Statutory Forecast
Y/E 30 June	Note	FY16 \$'000
Cash Flows from operating activities		
Receipts from clients		43,912
Payments to suppliers and employees		(44,808)
Financing Costs		(533)
Income taxes paid		(479)
Net cash flows from operating activities		(1,908)
Cash Flows from investing activities		
Payments for purchases of businesses	1	(24,676)
Receipts from cash received on acquisition		(420)
Payments for property, plant and equipment	2	(898)
Net cash flows from investing activities		(25,994)
Cash Flows from financing activities		
Proceeds from issue of Shares	3	23,000
Borrowings	4	8,395
Share issue, acquisition and IPO related costs	5	(3,942)
Payments of Dividends		-
Net cash flows from financing activities		27,453
Net cash Flows		(449)

Notes:

1. Payments for acquisitions represents the cash amount to be paid of \$24.7 million for the purchase of the Acquisitions inclusive of estimated debt, working capital and employee liability changes.
2. Payments for property, plant and equipment represents Management's assumed level of capital expenditure required to maintain the asset base of the business over the statutory forecast period.
3. Proceeds from the issue of Shares under this Offer before expenses. This excludes \$29.0 million of shares issued to vendors as part of their acquisition Consideration as they are a non-cash item.
4. Net proceeds from borrowings represents the amount \$12.7 million debt drawn from the Finance Facilities to Complete the Acquisitions which is offset by the establishment fees for the Finance Facilities of \$0.2 million, assumed working capital draw down of \$2.6 million, debt repayment of \$2.0 million and retirement of borrowings of \$4.8 million assumed on Completion of the Acquisitions.
5. Share issue, acquisition and IPO related costs represents share issue costs of \$2.3 million, payments associated with Completion of the Acquisitions, including stamp duty of \$0.8 million, advisor fees of \$1.0 million, less the seed capital raised of \$0.1 million.
6. The Statutory Forecast Cash Flow statement was based on the completion of the CRG Entities as at 1 November 2015 and the Acquisitions on 1 January 2016.

Set out below in Table 8 is a reconciliation between the statutory forecast cash flow to the pro-forma FY16 cash flow from operations. In presenting the pro-forma FY16 cash flow, certain pro-forma adjustments have been made to reflect the full year impact of additional revenues and operating costs that will be in place following Listing and Completion of the Acquisitions, and adding back items associated with the Offer and capital structure:

Table 8: Pro-forma adjustments to FY16 cash flow

Reconciliation of Statutory to Pro-forma FY16 Cash Flow		
	Note	\$'000
Statutory cashflow		(1,907)
Increase in trading period	1	7,265
+/- working capital movement	2	5,246
+/- change in provisions		238
Difference between pro-forma and statutory tax		(2,198)
Pro-forma cash flow from operations		8,644

Notes:

1. Cashflow from trading period prior to the Interposition of the CRG Entities and Completion of the Acquisitions.
2. Increase in working capital as a result of variance between working capital assumptions and working capital assumed on Completion of the Acquisitions as at 30 June 2015 (noting that in 5 cases acquisitions were completed through the acquisition of the business and assets without assuming working capital balances).

Table 9: Summary pro-forma FY16 cash flow

Pro-forma FY16 cash flow from operating activities		
	Note	\$'000
Receipts from customers	1	86,258
Payments to suppliers and employees	2	(74,404)
Financing costs	3	(533)
Income taxes paid	4	(2,677)
Pro-forma cash flow from operating activities		8,644

Notes:

1. Receipts from customers including revenue and other income reflect an increase in working capital of \$1.0 million as a result of sales growth.
2. Payments to suppliers and employees reflects an increase in working capital of \$0.6 million as a result of a net increase to working capital for inventory and accounts payable.
3. Financing costs relate predominately to the interest payments on term debt of \$12.7 million and working capital facility which is forecast to have \$2.6 million drawn down in 2016.
4. Income tax paid is equal to 30% tax on pro-forma net profit before tax of \$10.4 million (being pro-forma tax expense of \$3.1 million), less the decrease in deferred tax assets related to the Offer and movement in the provision for tax.

4.12 MANAGEMENT DISCUSSION AND ANALYSIS OF THE HISTORICAL FINANCIAL INFORMATION

General factors affecting the operating results of Apiam Animal Health.

Below is a discussion of the main factors which affected Apiam Animal Health's operations and relative financial performance in FY2013, FY2014 and FY2015 and which Apiam Animal Health expects may continue to affect it in the future.

The discussion of these general factors is intended to provide a brief summary only and does not detail all factors that affected Apiam Animal Health's historical operating and financial performance, or everything that may affect Apiam Animal Health's operating and financial performance in the future. The information in this Section should also be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

Revenue from continuing operations

An overview of the different revenue streams generated by Apiam Animal Health and the key drivers of each revenue stream is set out below.

Apiam Animal Health primarily generates revenue through:

- **the provision of veterinarian consulting services.** Apiam Animal Health provides contracted and non-contracted veterinary services to its clients. Contracted services typically incorporate 12 month contracts, with fees based on an agreed schedule of services and site visits, and are invoiced on a monthly basis. Non-contracted services involve the provision of traditional (event driven) veterinary services;
- **the sale of both prescription and non-prescription products.** The sale of prescription (S4 regulated) products can only be undertaken by the prescribing veterinarian; and
- **the provision of ancillary products and services.** This includes genetics and the provision of Quality Assurance services.

The primary drivers of Group revenue are:

- demand for Production and Mixed Animal pharmaceutical and non-pharmaceutical products;
- demand for contracted and non-contracted veterinary services provided to Production and Mixed Animals;
- value of pharmaceutical and non-pharmaceutical product sales;
- number of Production Animals under veterinary management;
- the productivity and fee rates of veterinarians; and
- mild seasonal influences across each of the species that may generate increase demand for consultancy or product sales throughout the year.

Cost of Sales

Cost of sales reflects the cost of goods sold in either wholesale operations or through the direct provision of veterinary services including vaccines, pharmaceuticals, husbandry products and nutritional products, but excluding employee costs. Cost of sales also includes freight costs for third party logistic companies to distribute product sold from the warehouses in Bendigo and Toowoomba, while internal transport and logistics related costs such as salaries and wages and motor vehicle costs are recorded in Salaries and Wages and other operating expenses respectively.

The majority of Apiam Animal Health's products are procured from the major global pharmaceutical suppliers.

In Apiam Animal Health's experience, short term fluctuations in international exchange rates do not impact the price of goods purchased from these suppliers. Additionally, for certain clients, the Company supplies its products on a cost-plus basis.

Building and Occupancy Expenses

Building and occupancy expenses reflect rent for clinics, support office, warehouses and genetic services and other expenses associated with building occupancy.

The majority of leases are on 5 year terms (with options for Apiam Animal Health to extend) and feature a mix of annual CPI-driven and fixed price increases. Some leases may be subject to market rental review on exercise of the option.

Employee Expenses

Employee expenses reflects remuneration and on-costs for all employees.

Apiam Animal Health's major operating expense is employee costs, which include salaries, wages and other employee related costs of staff employed by Apiam Animal Health in the Company's veterinary clinics, business support services and wholesale business.

Apiam Animal Health's employment relationship with its staff is governed by relevant awards and individual employment agreements.

Other Expenses

Other expenses include motor vehicles, pathology charges, consulting fees, travel, audit, public company and insurance costs.

Non-controlling interests

Non-controlling interests reflects the earnings attributable to one clinic where there remains a non-controlling interest on Completion of the Acquisitions.

Depreciation

Depreciation is calculated on fixed assets such as the fit-out of veterinary clinics, warehouses, offices, plant equipment used in clinics and warehouses and vehicles.

4.12.1 PRO-FORMA HISTORICAL FINANCIAL INFORMATION: FY14 COMPARED TO FY13

Tables 10 and 11 set out the pro-forma historical Financial Information and selected operating and financial metrics, respectively, for FY13 and FY14.

Table 10: Summary of pro-forma historical Financial Information: FY14 compared to FY13

	Pro-forma historical		
Y/E 30 June (\$000)	FY13	FY14	Change (%)
Revenue from Continuing Operations	69,372	76,643	10.5
Cost of sales	(36,394)	(40,383)	11.0
Gross Profit	32,978	36,260	10.0
Other income	1,728	1,767	2.2
Employee Expenses	(18,886)	(20,085)	6.3
Building and occupancy expenses	(1,610)	(1,841)	14.3
Other expenses	(5,978)	(6,116)	2.3
EBITDA	8,231	9,986	21.3

Table 11: Summary of pro-forma historical selected operating and financial metrics: FY14 compared to FY13

	Pro-forma historical	
Y/E 30 June	FY13	FY14
Revenue growth	n/a	10.5%
Gross margin	47.5%	47.3%
Employee expenses as a % of revenue	27.2%	26.2%
EBITDA growth	n/a	21.3%
EBITDA margin	11.9%	13.0%

Revenue:

Revenue increased by \$7.3 million or 10.5% from \$69.3 million in FY13 to \$76.6 million in FY14. Key drivers of this increase were:

- an increase in consultancy revenue of \$1.0 million to \$16.9 million in FY14, representing an increase of 6.2%. This reflected growth across dairy and Mixed Animal practices and practices focussed on beef feedlots, reflecting the addition of new clients and, in the case of feedlot clients, the higher utilisation of feedlot capacity, as discussed below.
- an increase in product sales revenue of \$6.2 million to \$55.6 million in FY14, representing growth of 12.5%. This reflected:
 - new feedlot clients and higher utilisation of feedlot capacity by existing clients. This resulted in an increase of \$1.5 million in revenue and year on year growth of 29%;
 - growth in product sales for pigs of \$3.3 million due to new customers and further uptake of existing products by customer base; and
 - growth of \$1.3 million in products sales for dairy cattle and Mixed Animal practices;
- Ancillary revenue remained flat in 2014.

Cost of sales and gross profit

Gross profit increased by \$3.3 million or 10.0% from \$33.0 million to \$36.3 million in FY14. The gross profit margin has contracted by 0.2% from 47.5% to 47.3% in FY14. The decrease in gross profit margin was predominately driven by a change in revenue mix as a result of product sales growing faster than consultancy.

Operating expenses

Total operating expenses increased by \$1.5 million or 6.2% from \$24.8 million in FY13 to \$26.3 million in FY14. The main contributors to this increase were:

- an increase in occupancy expenses of \$0.2 million to \$1.8 million as a result of the establishment of a new warehouse and office in Bendigo;
- an increase in employee expenses of \$1.2 million to \$20.1 million as a result of:
 - establishment of Farm Gate Delivery service;
 - additional vets to service the growth in dairy and mixed practice consultancy;
 - additional vets to support new clients in the pig industry; and
 - increase in business support staff in Bendigo as a result of gearing up for growth with the expanded warehouse and office site in Bendigo.

EBITDA and EBITDA margin

EBITDA increased by \$1.8 million or 21.3% from \$8.2 million to \$10.0 million in FY14. The lower level of expense increase relative to revenue growth resulted in EBITDA margin expanding by 1.1% from 11.9% in FY13 to 13.0% in FY14.

4.12.2 PRO-FORMA HISTORICAL RESULTS: FY15 COMPARED TO FY14

Tables 12 and 13 set out the pro-forma historical Financial Information and selected operating and financial metrics, respectively, for FY14 and FY15.

Table 12: Summary of pro-forma historical Financial Information: FY15 compared to FY14

	Pro-forma historical		
Y/E 30 June (\$000)	FY14	FY15	Change (%)
Revenue from Continuing Operations	76,643	79,459	3.7
Cost of sales	(40,383)	(42,170)	4.4
Gross Profit	36,260	37,289	2.8
Other income	1,767	1,942	9.9
Employee Expenses	(20,085)	(20,404)	1.6
Building and occupancy expenses	(1,841)	(1,887)	2.5
Other expenses	(6,116)	(6,228)	1.8
EBITDA	9,986	10,711	7.3

Table 13: Summary of pro-forma historical selected operating and financial metrics: FY15 compared to FY14

	Pro-forma historical	
Y/E 30 June	FY14	FY15
Revenue growth	10.5%	3.7%
Gross margin	47.3%	46.9%
Employee expenses as a % of revenue	26.2%	25.7%
EBITDA growth	21.3%	7.3%
EBITDA margin	13.0%	13.5%

Revenue

Revenue increased by \$2.8 million or 3.7% from \$76.6 million in FY14 to \$79.4 million in FY15.

Key drivers of this increase were:

- an increase in consultancy revenue of \$0.9 million to \$17.8 million in FY15, representing an increase of 5.1%. This reflected 5.6% growth in revenue from the dairy and Mixed Animal clinics in line with industry growth;
- an increase in product sales revenue of \$1.8 million to \$57.4 million in FY15, representing growth of 3.3%. This reflected:
 - growth in feedlot clinics resulting from the addition of new clients during the period and higher utilisation of feedlot capacity by existing clients. This has resulted in an increase of \$3.3 million in revenue and year-on-year growth of 47.5%;
 - growth in product sales for dairy and mixed practices of \$0.9 million due to industry growth in the northern dairy regions in Tasmania and key product growth in the south west Victorian dairy region; and
 - temporary reduction in pig numbers within the existing client base due to industry transition from gestation stalls to group sow housing.
- an increase in ancillary revenue of \$0.1 million to \$4.2 million in FY15, representing an increase of 3% over the period. This reflected growth predominately in genetics services as a result of an increase in reproductive services for sheep.

Cost of sales and gross profit

Gross profit increased by \$1.0 million or 2.8% from \$36.3 million in FY14 to \$37.3 million in FY15. Gross profit margin contracted by 0.8% from 47.3% to 46.9% in FY15. The decrease in gross profit margin was predominately driven by a change in revenue mix as a result of product sales growing faster than consultancy.

Operating expenses

Operating expenses increased by \$0.3 million or 1.2% to \$26.6 million in FY15. The main contributors to this increase were:

- an increase in employee expenses of \$0.3 million to \$20.4 million following the addition of new veterinarians to service pig and dairy and Mixed Animal clinics, and the employment of a key account manager to service clients operating in the beef feedlot business.

EBITDA and EBITDA margin

EBITDA increased by \$0.7 million or 7.3% from \$10.0 million to \$10.7 million in FY15. The lower level of expense increase relative to revenue growth resulted in EBITDA margin expanding by 0.5% from 13.0% in FY14 to 13.5% in FY15.

4.13 DIRECTOR'S BEST ESTIMATE ASSUMPTIONS UNDERLYING THE FORECAST FINANCIAL INFORMATION

The Directors believe that they have prepared the Forecast Financial Information with due care and attention and consider all best estimate assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus.

The Forecast Financial Information has been prepared on the basis of a number of best estimate assumptions as set out below and certain pro-forma normalisation adjustments as discussed in Section 4.3. Such assumptions are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Apiam Animal Health and the Directors. This information is intended to assist potential investors to assess the reasonableness and likelihood of the Forecast Financial Information being achieved and is not intended to be a representation that the assumptions or forecast performance will occur. Potential investors should be aware that the timing of actual events and the magnitude of their impact may differ to that assumed in preparing the Forecast Financial Information, and that this may have a materially positive or negative impact on Apiam Animal Health's future financial performance. Therefore, the Forecast Financial Information should not be taken as a representation or warranty with respect to its accuracy or the accuracy of the best estimate assumptions or that Apiam Animal Health will achieve, or is likely to achieve, any particular results.

Potential investors are advised to review the best estimate assumptions set out below in conjunction with the description of the basis of preparation of the Forecast Financial Information in Section 4.2, the sensitivity analysis set out in Section 4.14, the pro-forma balance sheet of the Company as at 30 June 2015 set out in 4.8, the risk factors set out in Section 5 and the Independent Accountant's Report set out in Section 8.

4.13.1 GENERAL ASSUMPTIONS

In preparing the Forecast Financial Information, the following general best estimate assumptions have been adopted in respect of the forecast periods:

- the Acquisitions will be successfully integrated in line with the Company's integration plan;
- there are no material changes in the existing business, economic and competitive environment in which Apiam Animal Health operates, or in the strategy of major competitors;
- there will be no acquisitions (other than the Acquisitions) or disposals of practices during the forecast period;
- there will be no significant changes in the accounting policies prescribed by the Australian Accounting Standards and other mandatory professional reporting requirements which may have a material effect on the Forecast Financial Information;
- there will be no material changes to the current taxation legislation or other legislation in the jurisdictions in which Apiam Animal Health operates;
- there will be no changes in the current regulatory environment that will have a material impact on the financial results of Apiam Animal Health;
- there will be no significant asset acquisitions or sales other than those set out in this Section of the Prospectus;
- there will be no further issue of Shares during the forecast period other than those anticipated in this Prospectus;
- there will be no material impact from the loss of key personnel; and
- there will be no material costs or potentially adverse impacts as a result of litigation, dispute or consumer action to which Apiam Animal Health is or may be a party, including in relation to tax or other compliance matters.

4.13.2 ACQUISITION AND INITIAL PUBLIC OFFER ASSUMPTIONS

In preparing the Forecast Financial Information, the following assumptions have been made in relation to the Acquisitions:

- the signed contractual arrangements to Complete the Acquisitions are successfully completed with all conditions met and assets transferred;
- the CRG Entities and the Acquisitions will be successfully completed and integrated following completion of the Offer.
- no other significant asset acquisitions or sales other than those set out in this Section of the Prospectus;
- Apiam Animal Health will borrow \$12.7 million to partially fund the Acquisitions; and
- the capital raising pursuant to this Prospectus is fully subscribed and the proceeds received in accordance with the offer timetable.

4.13.3 MATERIAL ASSUMPTIONS AFFECTING THE FORECAST FINANCIAL INFORMATION

The Forecast Financial Information is based on various best estimate assumptions, including those set out below. In preparing the Forecast Financial Information, Apiam Animal Health has undertaken an analysis of historical performance and applied assumptions, where appropriate, across the business. The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 4.14, the risk factors set out in Section 5 and the Investigating Accountant's Report set out in Section 8 and the other information in this Prospectus.

Revenue

The Forecast Financial Information is based on the following key revenue assumptions:

- revenue is forecast on a clinic by clinic basis using vendor historical financial information and the regional knowledge and experience of the clinic managers;
- consultancy revenue has been determined after consideration of historical consultancy revenue growth trends of the clinics, the current industry outlook, growth in animal numbers, seasonal influence and expected growth from new clients. Consultancy revenue has been determined on a per-veterinarian basis across each clinic, and is assumed to increase between 0% and 17% (average 4.9%), depending on specific clinic by clinic considerations;
- product sales revenue has been determined after consideration of historical product sales revenue growth trends of the clinics, the current industry outlook, growth in animal numbers, expected share of clients' animal health expenditure, seasonal influence and expected growth from new clients and new products. Prescription products are linked to the provision of consultancy services, while non-prescription products are influenced by broader drivers;
- that the number of dairy cattle, feedlot cattle and pigs will continue to grow at current growth rates; and
- seasonal dry spring conditions in northern Victoria will have some moderating impact on the level of growth in clinics in those areas.

Due to the timing of the Completion of the Acquisitions part-way through FY16, certain adjustments have not been reflected in the Forecast Financial Information which the Directors consider may otherwise improve the operating results of the Group, including:

- no assumed increase in revenue within the Acquisitions resulting from an expansion in the range of retail products available for sale to existing or new clients;
- no assumed new product sales to veterinary clinics outside of the Group; and
- no forecast increase in sale price related to product sales revenue. Historically, Apiam Animal Health has passed on price rises from suppliers as they occur.

Expense Assumptions

The Forecast Financial Information assumes:

- employee expenses comprise the remuneration at both the Clinics and support office levels, including all on costs;
- employee numbers at Clinics are based upon employee rosters provided in the Vendor Financial Information;
- business support office employee numbers are based upon existing employee numbers and Management's experience in relation to the expected number of staff required to effectively operate Apiam Animal Health following the Listing. Annualised impact of incremental costs that Apiam Animal Health expects to incur as a listed public company is reflected in employee expenses and administration and other expenses;
- occupancy expense reflects rent for clinics, support office, warehouses and genetic services and other expenses associated with building occupancy. The majority of leases are on 5 year terms (with a further option for Apiam Animal Health to extend the lease term) and feature a mix of annual CPI-driven or fixed percentage rent increases. Some leases may be subject to market rental review on exercise of the option;
- cost of sales represent non-employee and non-occupancy expenses connected with the provision of goods and services. These include the costs of pharmaceuticals, merchandise and other products. Costs of sales have been assumed based on Vendor Financial Information;
- procurement savings are only included in cost of sales to the extent that the unit price paid by CRG Entities is cheaper than that of the Acquisitions;
- inventory procurement benefits as a result of increased purchasing volumes through economies of scale have not been factored into cost of sales;
- other expenses comprise all other indirect costs of running the clinics and the support office. The assumptions in relation to other expenses is based on a bottom up analysis, utilising Management's experience combined with historical expenditure in the Vendor Financial Information as a benchmark. The other expenses include local marketing, information technology costs, professional development costs, telephone and internet costs, insurance, motor vehicle costs and travel costs;
- potential savings from consolidated procurement have not been factored in to other expenses;
- amortisation of intangibles and depreciation of property, plant and equipment is forecast based on the existing useful life profile, with any new capital expenditure during the forecast period depreciated/amortised over the useful life in accordance with Apiam Animal Health's accounting policies;
- finance costs are forecast based on the terms applicable to the debt financing facilities and forecast utilisation of these facilities; and
- the forecast income tax expense is based on the corporate tax rate of 30% in Australia.

4.13.4 MANAGEMENT DISCUSSION AND ANALYSIS OF THE FORECAST FINANCIAL INFORMATION

Table 14: Summary of pro-forma Historical and Forecast Results: FY16 compared to FY15

	Pro-Forma Historical	Pro-Forma Forecast	
Y/E 30 June (\$000)	FY15	FY16	Change (%)
Revenue from Continuing Operations	79,459	85,445	7.5
Cost of sales	(42,170)	(44,328)	5.1
Gross Profit	37,289	41,117	10.3
Other income	1,942	1,814	(6.6)
Employee Expenses	(20,404)	(22,532)	10.4
Building and occupancy expenses	(1,887)	(1,874)	(0.7)
Other expenses	(6,228)	(6,298)	1.1
EBITDA	10,711	12,227	14.2

Table 15: Summary of pro-forma historical selected operating and financial metrics: FY16 compared to FY15

	Pro-Forma Historical	Pro-Forma Forecast
Y/E 30 June	FY15	FY16
Revenue growth	3.7%	7.5%
Gross margin	46.9%	48.1%
Employee expenses as a % of revenue	25.7%	26.4%
EBITDA growth	7.3%	14.2%
EBITDA margin	13.5%	14.3%

Revenue

Revenue is forecast to increase by \$6.0 million or 7.5% from \$79.5 million in FY15 to \$85.4 million in FY16. Key drivers of this increase are:

- an increase in consultancy revenue of \$1.1 million to \$18.9 million in FY16, representing an increase of 6.0%. This reflects anticipated growth from factors such as:
 - an increase in demand for services from dairy clients in the Tasmanian region where weather conditions are expected to generate additional work for services such as hoof trimming;
 - an increase in demand for services within the feedlot cattle sector arising from a combination of the addition of new clients acquired in FY16 before the date of this Prospectus and like-for-like growth in existing clients in line with industry trends; and
 - like-for-like growth in existing clients operating in the pig sector in line with industry trends;
- an increase in product sales of \$4.5 million to \$61.9 million in FY16, representing an increase of 7.9%. Growth in product sales is expected to be driven by:
 - 21.6% growth in product sales in the beef feedlot sector as a result of the addition of new clients acquired in FY16 before the date of this Prospectus, and an expansion of capacity within existing clients' feedlots (leading to an increase in herd size under management);
 - 6.6% growth in product sales in the dairy beef sector which is expected to be achieved through underlying industry growth and new clients; and
 - 4.1% growth in product sales in the pig sector, which is assumed to be driven by new clients and the availability of new products; and
- an increase in ancillary sales of \$0.4 million to \$4.6 million in FY16, representing an increase of 9.4%.

Gross profit

Gross profit is expected to increase by \$3.8 million or 10.3% from \$37.3 million to \$41.1 million in FY16. Gross profit margin is expected to increase by 0.25% from 46.9% to 48.1% in FY16. This increase in gross margin is driven by cost of goods savings from applying unit costs for products procured by the CRG Entities to the Acquisitions.

Operating costs

Total operating expenses are forecast to increase by \$2.3 million or 8.7% from \$26.6 million in FY15 to \$28.9 million in FY16.

The main contributor to the increase in operating costs relates to employment expenses, which have increased by \$2.1 million or 10% from \$20.4 million in FY15 to \$22.5 million in FY16. This increase reflects:

- the addition of 3 new Business Support Managers to work alongside veterinarians within the Acquisitions to develop existing and new client relationships. While these costs have been included, no new customers or new revenue has been included in the forecast financial information; and
- the addition of 3 executive managers in Finance, Procurement and Veterinary Services.

Building and occupancy expenses are expected to decrease by \$0.1 million in FY16 as a result of cancelling the lease on one of our Company's remote offices.

EBITDA and EBITDA margin

EBITDA is forecast to increase by \$1.5 million or 14.1% from \$10.7 million to \$12.2 million in FY16. The lower level of expense increase relative to revenue growth is expected to result in EBITDA margin expanding by 0.8% from 13.5% to 14.3% in FY16 as a result of the factors described above.

4.14 SENSITIVITY ANALYSIS

The Directors' Forecasts are considered to be sensitive to movements in a number of key assumptions.

Set out below is a summary of the key sensitivities of the Pro-forma Forecast Income Statement to changes in a number of key assumptions. The changes in the key assumptions set out in the sensitivity analysis are intended to provide a guide only and are not intended to be indicative of the complete range of variations that may be experienced.

Care should be taken in interpreting this information. This analysis treats each movement in an assumption in isolation from possible movements in other assumptions, whereas in many cases any movement would be interdependent. Furthermore, Management would respond to any material adverse change in conditions by taking appropriate action to minimise, to the extent possible, any adverse effect on profits but this has been excluded from the sensitivity analysis below.

Table 16: Sensitivity analysis for FY16 pro-forma NPAT

Sensitivity Table	Impact on Pro-forma Forecast NPAT for FY16 \$'000s ¹
Revenue	
+/- 5% change in Revenue	1,433
Expenses	
+/- 5% change in employee expenses	789
+/- 5% change in purchases	1,551
+/- 5% change in other operating costs	220
+/- 5% change in finance costs	19

Notes

¹ The numbers above are on a post tax basis assuming a company tax rate of 30% and have not been adjusted for non-controlling interests

4.15 DIVIDEND POLICY

The payment of a dividend by Apiam Animal Health is at the discretion of the Board and will be a function of a number of factors, including the general business environment, the operating results, cash flows and the financial condition of Apiam Animal Health, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by Apiam Animal Health, and any other factors the Board may consider relevant.

It is the current intention of the Board to pay dividends in respect of half years ending 31 December and final dividends in respect of full years ending 30 June each year. No interim or final dividend is forecast in respect of FY16.

It is the current intention of the Board to target a payout ratio of 40% to 60% of its net profit after tax as dividends. The Directors can provide no guarantee as to the extent of future dividends or the level of franking or imputation of such dividends, as these will depend upon the future profits of Apiam Animal Health, the contribution of profits from outside Australia and the Company's financial and taxation position at that time.



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05

RISK FACTORS

5.1 INTRODUCTION

An investment in Apiam Animal Health involves various risks. Apiam Animal Health's business activities are subject to risk factors both specific to its business activities and of a general nature. While some of these risks can be mitigated by the use of appropriate safeguards and systems, many are outside the control of the Company and cannot be mitigated.

Before deciding whether to invest in Shares, you should carefully consider the risk factors described below, together with all other information contained in this Prospectus.

The risks noted in this Prospectus are not exhaustive. Other risk factors may apply which may materially impact the financial performance of Apiam Animal Health and the value of the Shares offered under this Prospectus.

You should carefully consider the risks and uncertainties set out below and the information contained elsewhere in this Prospectus before you decide whether to apply for Shares. You should also seek your own professional advice in relation to the risks associated with an investment in Apiam Animal Health and make your own assessment as to whether to invest in the Company.

5.2 SPECIFIC RISKS

Agriculture sector

Apiam Animal Health operates in the intensive production animal industry and in particular the pig, beef cattle feedlot and dairy cattle industries. Any downturn or disruption in these industries, particularly if it results in substantial reductions in livestock numbers or production volume, will adversely impact the Company. A number of factors may cause such disruption or downturn, including insufficient availability of water allocations, climatic conditions, disease and changes in consumer preferences. While the demand for Apiam Animal Health's veterinary services can increase as a result of disease outbreak or other adverse shock to the production animal industry, material reductions of production animal numbers or volume of pig, beef or dairy production for any reason is likely to have a material adverse effect on the Company's performance. However, the diversity of species, commodities and geographies to which the Company is exposed will mitigate against risks in one species or geographic area.

Completion risk

If any of the Acquisitions do not complete, the composition of the Group will change. It is anticipated that Completion of the Acquisitions will occur between close of the Offer and commencement of trading of Shares on ASX, however there is no guarantee this will occur. If any of the Acquisitions do not complete for any reason, this is likely to have a material adverse impact on the Company. Any delay in the Completion of the Acquisitions will impact on the financial performance in FY16.

Business integration

Apiam Animal Health comprises businesses that have operated under the common control of Chris Richards, and a number of businesses to be acquired that have operated independently.

The Company has developed an integration plan and has been implementing components of that plan leading into the IPO, but there is the risk that fully integrating these businesses may take longer or cost more than anticipated by the Company, which could impact on the profitability of the Company. In particular, the veterinary businesses to be acquired operate on a number of different accounting and information technology systems which need to be integrated to deliver essential management information. Delays or failures in the integration of these systems may adversely impact the Company.

Reliance on key personnel

Apiam Animal Health's business model depends substantially on its senior management team and key personnel, in particular Chris Richards, its founder and Managing Director, to oversee the day-to-day operations and strategic management of the Company. There is a risk that operating and financial performance would be adversely affected by the loss of one or more of these key persons. The Company has added key management personnel leading into the IPO and the Board will be developing succession plans to mitigate against risks relating to reliance on key personnel.

The financial performance of each of the Acquisitions will be heavily reliant on the performance of the senior veterinary practitioners of those businesses. In each of the acquisitions Apiam Animal Health has retained the services of the former owners to act as managers and senior veterinary practitioners for the relevant veterinary businesses. If some or all of these individuals cease working for the Company or fail to perform at the expected level this may negatively impact the performance of the Company.

Product availability

Apiam Animal Health's business depends on the continual and uninterrupted supply of the products that it sells. Any recurring or prolonged disruption to the supply of the key products that Apiam Animal Health sells, particularly vaccines for pigs, which account for a material part of the Company's revenues, may have a material adverse effect on the financial performance of the Company.

Supplier relationships

The Company's product sales revenues are predominantly derived from sales of products purchased from third party manufacturers that are subject to regular price negotiations. While most of the products Apiam Animal Health sells can be obtained from multiple sources, if the Company is unable to maintain its relationship with suppliers, or is unable to maintain similar pricing arrangements, the financial performance of the Company may be adversely affected.

Competition

The actions of existing competitors, or the entry of new competitors to the market, particularly by way of adopting an integrated business model similar to Apiam Animal Health's, could result in decreased profitability and loss of market share.

While the Company is not aware of any businesses similar to that of Apiam Animal Health, or large scale competitors in the provision of veterinary services to the Production Animal industries serviced by the Company, the Company does face significant competition in the companion animal market and from well-established competitors for the supply of non-pharmaceutical products to Apiam Animal Health's clients. The sale of non-pharmaceutical products represents a material contribution to the revenue and earnings of the Company, and any loss of market share to competitors or erosion of margin as a result of the activities of competitors, could have a material adverse effect on the Company's performance.

Inability to attract and retain suitably qualified staff

The specialised nature of Apiam Animal Health's business means that the ability to develop the Company's business will depend in part upon its ability to attract and retain not only suitable management but also appropriately qualified and experienced Production Animal veterinary practitioners willing to work and live in rural and regional locations. These factors may make it more challenging for the Company to attract and retain such personnel in the future, which may adversely impact upon the Company's employment costs or revenue.

Client consolidation

No single client or buying group is expected to account for more than 10% of Apiam Animal Health's FY16 pro-forma forecast revenue. However, if there is consolidation within Apiam Animal Health's client base, this may lead to a concentration of the Company's client exposure risk and may adversely affect the margins that the Company is able to generate on the sale of its products and services to these client groups.

Professional negligence

Apiam Animal Health's veterinarians owe a duty of care to the Company's clients. If an employee fails to meet this duty of care, Apiam Animal Health may be exposed to a claim for damages for professional negligence. This claim may be material, particularly in relation to the services provided to Production Animals. The Company maintains appropriate professional indemnity insurance, but if this insurance is inadequate or fails to respond to a claim against Apiam Animal Health, the Company may be exposed to material loss.

Due diligence risk

Apiam Animal Health has agreed to acquire each of the Acquisitions. The Company has conducted pre-acquisition due diligence on each of the businesses to be acquired, however there is a risk that due diligence has not identified issues that would have been material the decision to acquire the clinics.

Further, there is a specific risk that information provided by the owners of these businesses on historical financial performance may not be reliable and that this could affect Apiam Animal Health's view on forecast financial performance. This is particularly relevant given none of the financial accounts provided by the Acquisitions were audited.

In a number of cases Apiam Animal Health is acquiring the corporate entity through which the Acquisition is operated. Also, Apiam Animal Health has acquired the CRG Entities through the Interposition. In each of these cases, Apiam Animal Health inherits any liabilities within those corporate entities. Apiam Animal Health has obtained customary warranties and indemnities from the owners of those entities in respect of any pre-existing liabilities that were not disclosed to the Company, but there remains a risk that the Company may be exposed to liabilities of which it is not aware and for which it may be unable to successfully recover from the previous owners of the relevant corporate entities.

Forecast financial information

The Forecast Financial Information represents the Company's best estimate of anticipated financial results in the forecast period, based upon information available at the date of this Prospectus. Forecasts are by their nature subject to uncertainties outside the Company's control or incapable of being accurately predicted and based upon assumptions that may not be accurate. The actual financial performance of the Company may differ from the Financial Forecast Information and the difference may be material.

Banking Facilities risk

The Banking Facilities outlined in this Prospectus are reflected in credit approved term sheets and have not been fully documented and agreed between the Company and the Bank. If the Company and the Bank fail to agree on the final form of the documentation for the Banking Facilities, or the final terms of those Banking Facilities are less favourably than the credit approved term sheets, there could be a material adverse impact on the Company. Any delay in finalising the final documentation of the Banking Facilities or delay in drawdown on the Banking Facilities may delay Completion of the Acquisitions and may adversely impact the Company.

Impairment

The Company will be required to consider whether there is an indicator of impairment in respect of the Company's assets at each reporting date. This will be particularly relevant to the goodwill on the Company's balance sheet resulting from the Acquisitions. If there is an indicator of impairment, the Directors must consider whether the Company is required to incur an impairment charge in respect of those assets. If this occurs, the impairment will adversely affect the reported financial performance of the Company.

IT systems

The Company's sales are managed through a proprietary information technology platform. If there is any disruption to this platform, the Company's ability to receive and fulfil sales orders will be adversely affected, and this may have an adverse effect on the financial performance of the Company.

5.3 GENERAL INVESTMENT RISKS

Price of Shares

There are significant risks associated with any stock market investment. In the case of the Shares, these include:

- the Shares may trade on the stock market at, above or below the Offer Price;
- as the Shares have not previously been listed, they have no trading history and there is therefore no indication of the prices at which they may trade, or of the liquidity of the market for Shares; and
- the market price of the Shares may be affected by factors unrelated to the operating performance of Apiam Animal Health, such as those listed under the heading "Macro-economic" below, investor sentiment, Australian and international stock market conditions, and the performance of other businesses and assets. The stock prices for many listed entities have in recent times been subject to wide fluctuations, which in many cases may be a reflection of a diverse range of influences not specific to that listed entity.

Large Escrowed Shareholdings and trading liquidity in Shares

Following completion of the Offer, Escrowed Shareholders (which includes Chris Richards' shareholding) will own approximately 55.3% of the Company. The Escrowed Shareholders have entered into, or will enter into prior to admission to the Official List, escrow arrangements that provide for the Escrowed Securities to be subject to escrow restrictions as follows: 100% of the Escrowed Securities for 1 year; and 50% of the Escrowed Securities for 2 years. This escrow and the individual high level of ownership by the Managing Director of approximately 25.7% of the Company may affect the liquidity of Shares post Listing.

Once the Shares are quoted on the ASX, there can be no guarantee that an active trading market for the Shares will develop or that the price of the Shares will increase. There may be relatively few potential buyers or sellers of the Shares on the ASX at any time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less than the price that Shareholders paid.

Macro-economic risks

Changes in the general economic outlook both in Australia and globally may impact the future performance of Apiam Animal Health Shares and the price or value of the Shares. Such changes may include:

- interest rates;
- contractions in the Australian economy or increases in the rate of inflation resulting from domestic or international conditions (including movements in domestic interest rates and reduced economy activity);
- increases in expenses (including the cost of goods and services used by the Company);
- increase in unemployment rates;
- fluctuations in equity markets in Australia and internationally;
- changes in investor sentiment toward particular market sectors; and
- terrorism or other hostilities.

Such factors are beyond the control of the Company. Neither the Company or the Directors warrant the future performance of the Company or any return on an investment in Apiam Animal Health.

No guarantee

Neither the Company, nor any other person gives a guarantee as to the payment of dividend from the Shares or the performance of Apiam Animal Health or the price at which the Shares may trade, nor do they guarantee the repayment of capital by the Company.

Accounting standards

Australian accounting standards are set by the Australian Accounting Standards Board (AASB) and are outside the Directors' and the Company's control. Changes to accounting standards issued by the AASB could adversely impact the financial performance and position reported in Apiam Animal Health's financial statements.

Taxation

Changes to the rate of taxes imposed on Apiam Animal Health or to the tax laws generally may have an adverse effect on the profitability of the Company. In addition, an interpretation of Australian taxation laws by the Australian Taxation Office that differs to the Company's interpretation may lead to an increase in the Company's taxation liabilities.



06

**DIRECTORS,
KEY PEOPLE,
INTERESTS &
BENEFITS**

6.1 BOARD OF DIRECTORS

Professor Andrew Vizard, 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, at that University.

Professor Vizard is an experienced company director and is currently a non-executive Director of Ridley Corporation, a trustee of the Australian Wool Education Trust, Chair of the Hermon Slade Research Committee and Chair of The Vizard Foundation.

His previous board experience includes directorships of 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, the body responsible for managing research and marketing of Australian wool. For ten years Professor Vizard also managed Roxby Park, his family's 3300 acre farm situated near Geelong.



Dr Chris Richards, Managing Director

BSc, BVSc

Dr Chris Richards is the current Managing Director of Apiam Animal Health Ltd, as well as the subsidiary entities that were previously known as the Chris Richards Group of Companies. Chris founded Chris Richards & Associates in 1998 as a pig specific veterinary clinic based in Bendigo, Victoria, servicing clients throughout Australia. Chris has been responsible for the strategic direction of the Group, which has seen the development, acquisition and/or integration of other production animal veterinary clinics, veterinary wholesale, logistics and genetics services businesses over the last 18 years. Chris is currently an Australian Pork Limited Delegate, is a member of APL's Biosecurity Strategic Review Panel and is a member of the Pork CRC Research and Development Committee.



Charles Sitch, Non-executive Director

BComm, LLB, MBA, GAICD

Charles is currently a director of ASX listed Spark New Zealand Limited (a major telecommunications company in New Zealand) and NZX listed Pacific Edge Limited. Charles is also a member of Spark's Audit, Risk and Finance Committee and is Chairman of Pacific Edge's Audit Committee. Previously, Charles spent 24 years at McKinsey and Company, New York, London and Melbourne. He was a senior director, primarily working with CEOs and Boards on strategy and operations turnarounds, before retiring in 2010.

Charles is a member of the board of Trinity College at Melbourne University, Chairman of the Robin Boyd Foundation and a committee member of the Melbourne Cricket Club. In 2002, Charles was awarded the President's Medal for services to the Royal Agricultural Society of Victoria.





Richard John Dennis, Non-executive Director

BComm, LLB, CA, MAICD

Rick had 35 years with Ernst & Young and was the Managing Partner of EY's Queensland practice on two occasions from 2001-2007 and from 2014-2015. Rick also held a number of executive management roles at EY, including the roles of Deputy COO and CFO for the Asia-Pacific practice where he was responsible for overseeing the financial and operational integration of EY's Australian and Asian member firms.

Rick is currently a non-executive director of Gold Coast Primary Health Network and Vesta Community Living Ltd; a member of Australian Super's Queensland Advisory Board and a member of the advisory board to EWM Group.



Michael van Blommestein, 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.

Michael is an experienced director in the animal health sector. He presided over Animal Medicines Australia, the peak industry body for five years and was a member of the board for nearly a decade. Michael played an integral role in leading and overseeing the transition of Animal Health Alliance into Animal Medicines Australia and has also served on the board of the Animal Health Association Japan. Michael is a current non-executive director of the Sheep Cooperative Research Centre (Sheep CRC Limited).

Michael holds a First Class Diploma in Agricultural Science from Gwebi Agricultural College (Rhodesia), a Certificate in Marketing from the University of Technology Sydney and has completed a Strategic Management Residential Program at Harvard University.

6.2 MANAGEMENT



Dr Chris Richards, Managing Director

BSc BVSc

Chris' profile is set out in Section 6.1 above.



Matthew White, Chief Financial Officer

BAcc, CPA

Matthew has worked in the animal health industry for 15 years, having held finance roles both in Australia and internationally with MSD, one of the largest pharmaceutical companies in the world, including as Finance Director for Australia. Matthew was involved in the acquisition of Intervet by Schering-Plough and then the acquisition of Schering-Plough by MSD, so has experience in large scale integrations in the animal health industry.

Matthew is a certified practising accountant.



Julie Tippett, Chief Operating Officer

BComm

Julie has a background in insolvency and corporate accounting. Julie joined the Chris Richards Group in 2004 as the financial controller and has assisted with the development of all Chris Richards Group corporate and business operations. Julie has extensive experience in integration, having managed the integration of all companies that have been brought into the Group over the last 11 years.



Ella McDougall, General Counsel and Company Secretary

BHSc, BA, BLLP, GIA(Cert)

Ella has a background in corporate and commercial law and has previously held in-house legal roles at Hills Limited and ASC Pty Ltd. Ella joined the Chris Richards Group in 2012 and has an extensive knowledge of the regulatory environment in which veterinarians and pharmaceutical wholesalers operate.

Ella is a Certificated Member of the Governance Institute of Australia.



Nigel Hebart, General Manager – Ruminants

Nigel was previously the Business Unit Director – Livestock at Zoetis. Nigel has 33 years experience in sales management and an extensive knowledge of the animal health industry, particularly in dairy, having also held the role of Business Unit Director – Intensive Ruminants at Zoetis.



Dr Corne Loots, Veterinary Services Manager

BVSc, MVSc, MBA

Dr Corne Loots, Veterinary Services Manager, has extensive experience both in production animals and companion animals in Australia and internationally. Corne has held roles as a technical veterinarian, in sales and marketing management and in strategy for a number of global animal health companies.

6.3 CORPORATE GOVERNANCE

The primary responsibility of the Board is to represent and advance Shareholders' interests and to protect the interests of all stakeholders. To fulfil this role the Board is responsible for the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

To the extent they are applicable, the Company has adopted the third edition of the Corporate Governance Principles and Recommendations (**Recommendations**) as published by the ASX Corporate Governance Council. As the Company's activities develop in size, nature and scope, the size of the Board and the corporate governance policies and structures will be given further consideration. In view of the size of the Company and the nature of its activities, the Board considers that the current board and committee structure is a cost effective and practical method of directing and managing the Company. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

Copies of the Company's corporate governance policies are available on the Company's website at www.apiam.com.au.

Further details of the Company's corporate governance practices are set out in Section 10.3.

6.4 REMUNERATION OF DIRECTORS

The Constitution provides that the remuneration of Directors (excluding salaries to executive Directors) will not be more than the aggregate fixed sum determined by a general meeting or, until so determined, as resolved by Directors. The aggregate remuneration for non-executive Directors (excluding salaries to executive Directors) has been set by Directors at an amount to not exceed \$750,000. The Chairman will receive \$120,000 per annum and non-executive directors will receive \$60,000 per annum. In addition to directors' fees, the chair of the Audit and Risk Management Committee will be entitled to a fee of \$10,000 per annum.

The remuneration of executive Directors will be determined from time to time by the Board having regard to the nature and extent of their responsibilities. On admission to the official list of the ASX, Chris Richards as Managing Director, will be paid \$369,380 gross per annum (including statutory superannuation).

See Section 9.7 (Material Agreements) for further information on the terms and conditions of employment for Chris.

6.5 SHAREHOLDINGS OF DIRECTORS

The Directors are not required to hold any securities in Apiam Animal Health under the Constitution.

At the date of this Prospectus, the relevant interests of each of the Directors in the securities of the Company are as follows:

Relevant Director	No. Shares held directly	No. Shares held indirectly
Chris Richards	42,346,883*	Nil
Andrew Vizard	Nil	Nil
Charles Sitch	Nil	Nil
Richard John Dennis	Nil	Nil
Michael van Blommestein	Nil	Nil
Total	42,346,883	Nil

*17 million Shares to be sold under the Sale Offer.

The Directors intend to subscribe for Shares as part of the Offer as follows:

- Andrew Vizard intends to subscribe for 30,000 Shares;
- Charles Sitch intends to subscribe for 150,000 Shares;
- Richard Dennis intends to subscribe for 50,000 Shares; and
- Michael van Blommestein intends to subscribe for 100,000 Shares.

6.6 INTERESTS OF DIRECTORS

Except as set out above or elsewhere in this Prospectus, no Director or proposed Director holds at the date of this Prospectus, or held at any time during the last two years before the date of lodgement of this Prospectus with ASIC, any interest in:

- a. the formation or promotion of the Company;
- b. any property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Company or the Offer; or
- c. the Offer,

and no amounts of any kind (whether in cash, Shares or otherwise) have been paid or agreed to be paid by any person and no benefits have been given or agreed to be given by any person:

- d. to a Director or proposed Director to induce him or her to become, or to qualify as, a Director; or
- e. for services provided by a Director or proposed Director in connection with the formation or promotion of the Company or the Offer.

6.7 DIRECTOR RELATED PARTY TRANSACTIONS

The Company currently has the following director related party transactions:

6.7.1 Lease at 27 – 33 Piper Lane, Bendigo East

The Company has entered into a lease for the premises at 27-33 Piper Lane, Bendigo East, Victoria, with the Seller as lessor. To ensure that the terms of the lease are at arms' length, the Company obtained an independent market rental valuation report. The rent paid under this lease will be adjusted in line with the valuation report commencing from the date on which the Shares are admitted to the Official List. The terms of the lease are on standard market terms.

6.7.2 Lease of artificial insemination facility

The Company leases its artificial insemination facility in Victoria from an entity associated with Chris Richards. The rental is based on commercial rates and the terms of the lease are standard commercial terms.

6.7.3 iVet intellectual property licence

The Company has entered into an intellectual property licence with iVet Pty Ltd as detailed in Section 9.3. iVet Pty Ltd is an entity controlled by Chris Richards. The Company considers that the licence agreement is on arms' length terms.

6.7.4 Loan facility to Dr Chris Richards

The Company has entered into a loan facility agreement with Chris Richards granting a loan facility of \$1,500,000. The loan is at an interest rate equal to the National Australia Bank Corporate Term Debt Facility interest rate payable by the Company (as detailed in Section 9.5), plus 2% per annum. The loan is to be repaid from the proceeds of sale of the Sale Shares.



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07

**DETAILS OF
THE OFFER**

This Prospectus relates to an initial public offering of 40 million Shares, comprising the issue of 23 million New Shares by the Company and the sale of 17 million Sale Shares by the Seller. The Offer is expected to raise approximately \$40 million, comprising \$23 million from the issue of New Shares and \$17 million from the sale of Sale Shares. The Shares offered under this Prospectus will represent approximately 40.6% of the Shares on issue on Completion of the Offer.

Successful Applicants under the Offer with the exception of the Employee Award Offer, will pay the Offer Price, being \$1.00 per Share. Shares issued under the Employee Award Offer will be for nil monetary consideration.

In addition, Apiam will issue:

- a. Payment Shares to the sellers of the Acquisitions;
- b. 1.4 million Shares under the Employee Award Offer; and
- c. 2.7 million Shares to Noteholders pursuant to the terms of the Seed Agreements.

The total number of Shares on issue at Completion of the Offer is expected to be approximately 98.5 million and all Shares will rank equally with each other.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

7.1 STRUCTURE OF THE OFFER

The structure of the Offer comprises:

- a. The Retail Offer, consisting of:
 - The Broker Firm Offer, consisting of an invitation by the Lead Manager and Underwriter to the Offer to investors who have a registered address in Australia to acquire shares under this Prospectus;
 - The Employee Award Offer, which is open to Eligible Employees in Australia nominated by the Company;
 - The General Priority Offer, which is open to eligible investors nominated by Apiam; and
- b. The Institutional Offer, which consists of an offer to Institutional Investors in Australia

In addition, the Company will issue 2.7 million Shares to Noteholders pursuant to the terms of the Seed Agreements.

Details of each component of the Retail Offer are described in Sections 7.10. Details of the Institutional Offer are described in Section 7.12.

No general public offer will be made under the Offer. The allocation of Shares between the Broker Firm Offer, General Priority Offer and the Institutional Offer will be determined by agreement between the Lead Manager, the Company and the Seller, having regard to the allocation policy outlined in Sections 7.14.

The Offer has been fully underwritten by the Lead Manager. A summary of the Underwriting Agreement, including the events which would entitle the Lead Manager to terminate the Underwriting Agreement, is set out in Section 9.4.

7.2 THE ISSUE OF THE PAYMENT SHARES

This Prospectus incorporates an offer of Shares by the Company to the Vendors of the Acquisitions.

Under the terms of Acquisition Agreements referred to in Section 9 of this Prospectus, the Vendors will receive a combination of cash and Shares in the Company in consideration for the sale of their business. The amount the Company is paying for the Acquisitions is \$54.6 million comprising a total of \$25.6 million paid as cash to the Vendors and \$29.0 million worth of Shares (subject to adjustment in accordance with the terms of the Acquisition Agreements). The deemed issue price of these Shares is \$1.00 per Share, however this issue will not raise any money for the Company.

7.3 PURPOSE OF THE OFFER AND USE OF PROCEEDS

The purpose of the Offer is:

- to provide liquidity for the Seller and an opportunity for others to invest in Shares;
- to enable Apiam Animal Health to complete the Acquisitions;
- to provide Apiam Animal Health with the benefits of an increased profile that arises from being a listed entity; and
- to provide Apiam Animal Health with access to the capital markets to enhance its ability to pursue growth opportunities.

The proceeds of the Offer will be applied to:

- payment to the sellers of the Acquired Businesses;
- payment to the Seller;
- increase in the Company's cash and cash equivalents (working capital); and
- payment of the costs associated with the Offer and the Acquisitions.

7.4 SOURCES AND USES OF FUNDS

Sources		Use of Funds	
Cash proceeds received from sale of Sale Shares	17,000	Cash consideration paid to Complete the Acquisitions	25,587
Cash proceeds received from issue of New Shares	23,000	Sell-down	17,000
Draw-down on Banking Facilities	12,700	Acquisition costs	1,783
		Retirement of existing banking facilities	4,568
		Offer costs	2,304
		Working capital	1,458
Total sources	52,700	Total uses	52,700

7.5 PRO FORMA CONSOLIDATED HISTORICAL STATEMENT OF FINANCIAL POSITION

Apiam Animal Health's pro forma consolidated historical statement of financial position following Completion of the Offer, including details of the pro forma adjustments, is set out in Section 4.

7.6 CAPITALISATION AND INDEBTEDNESS

Apiam Animal Health's capitalisation and indebtedness as at 30 June 2015, before and following Completion of the Offer, are set out in Section 4.

7.7 SHAREHOLDING STRUCTURE

The details of the ownership of Shares, immediately prior to the Offer and on Completion of the Offer, are set out below.

	Shares at Prospectus Date	Pre-IPO %	Expected Shares issued/ acquired/ (sold)	Expected Shares post-IPO	Expected Post-IPO (%)
Chris Richards ¹	42,346,883	100%	(17,000,000)	25,346,883	25.7%
Vendors ¹	-	-	29,078,691	29,078,691	29.5%
New Shareholders	-	-	44,050,000	44,050,000	44.8%
Total			56,128,691	98,475,574	100%

¹ The total number of Shares to be held by Chris Richards as trustee for the Richards Family Trust and the vendors will be 54,425,574. As a result of adjustments to the purchase price under the Acquisition Agreements, the vendors may receive a lower number of Payment Shares. If this occurs, there will be a commensurate increase in the number of Shares held by Chris Richards.

7.8 POTENTIAL EFFECT OF THE FUNDRAISING ON THE FUTURE OF APIAM

The Directors believe that on Completion of the Offer, Apiam will have sufficient funds available from the cash proceeds of the Offer and the Company's operations, to fulfil the purposes of the Offer and meet Apiam's stated business objectives.

7.9 TERMS AND CONDITIONS OF THE OFFER

The key terms and conditions of the Offer are summarised in the table below:

Topic	Summary
What is the type of security being offered?	Shares, being fully paid ordinary shares in Apiam Animal Health.
What are the rights and liabilities attached to the Shares?	A description of the Shares, including the rights and liabilities attaching to them, is set out at Section 9.1.
What is the Offer Period?	Applications pursuant to the Offer open at 9.00am on 1 December 2015 and close at 5.00pm on 8 December 2015.
What are the cash proceeds to be raised?	\$40 million will be raised if the Offer proceeds (comprising \$23 million from the issue of New Shares by Apiam Animal Health for Apiam Animal Health's benefit and \$17 million for the sale of Sale Shares by the Seller.
Can the Offer be withdrawn?	The Company may withdraw the Offer at any time before the issue of Shares to Applicants. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest). The Company and the Lead Manager reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications either generally or in particular cases, reject any Application, or allocate to an Applicant fewer Shares than applied for.
Is the Offer underwritten?	The Offer is fully underwritten by Shaw and Partners Limited. Details of the Underwriting Agreement, including the circumstances in which the Underwriter may terminate its obligations, are set out in Section 9.
What is the minimum and maximum Application size?	The minimum Application must be for 2,000 shares at \$1.00 per Share. There is no maximum number or value of shares that may be applied for under the offer.
What is the allocation policy?	The allocation of Shares between the Retail Offer and the Institutional Offer will be determined by the Lead Manager in consultation with the Seller and the Company. For Broker Firm Offer participants, the Broker will decide as to how they allocate Shares among their retail clients. The allocation of Shares under the Employee Award Offer and the General Priority Offer will be determined by the Company. The Lead Manager, in consultation with the Company, have absolute discretion regarding the allocation of Shares to Applicants under the Offer and may reject an Application, or allocate fewer Shares than the amount applied for, in their absolute discretion. The Company will also issue 2.7 million Shares to Noteholders on completion of the Offer under the terms of the Seed Agreements.

The key terms and conditions of the Offer are summarised in the table below:

Topic	Summary
Will the Shares be quoted?	An application will be made to ASX for the Company to be admitted to ASX, and for official quotation of the Shares (which is expected to be under the code AHX). If permission is not granted for official quotation of the Shares on ASX within three months of the date of this Prospectus, all Application Monies received will be refunded without interest as soon as practicable in accordance with requirements of the Corporations Act.
When are the Shares expected to commence trading?	It is expected that trading of the Shares on the ASX will commence on 17 December 2015. It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk. The Company, the Seller, the Share Registry and the Lead Manager disclaim all liability, whether in negligence or otherwise, if you sell Shares before receiving your holding statement, even if you confirmed your firm allocation through a Broker or otherwise.
Are there any escrow arrangements?	Escrow arrangements are described in Section 9.6.
Are there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on acquisitions of Shares under the offer.
Are there tax implications?	The taxation consequences of an investment in the Company will depend upon the investor's particular circumstances. Investors should make their own enquiries about the taxation consequences of an investment in the Company.
What should you do with any enquiries?	If you require assistance or have any questions in relation to the Offer, or you are uncertain as to whether obtaining Shares in Apiam is a suitable investment for you, you should seek professional advice from your stockbroker, lawyer, accountant or other professional adviser.

7.10 RETAIL OFFER

7.10.1 Broker Firm Offer

Who May Apply

The Broker Firm Offer is open to persons who have received an invitation from the Lead Manager or their Broker to apply for Shares and who have a registered address in Australia. Investors who are offered a firm allocation of Shares by the Lead Manager or their Broker will be treated as an Applicant under the Broker Firm Offer in respect of that allocation.

Applicants under the Broker Firm Offer should contact the Lead Manager or their Broker to request a copy of the Prospectus and an Application Form.

How to Apply

If you have received an allocation of Shares from your Broker and wish to apply for those Shares under the Broker Firm Offer, you should contact your Broker for information about how to submit your Broker Firm Offer Application Form and for payment instructions. Applicants under the Broker Firm Offer must not send their Application Forms or payment to the Share Registry.

Applicants under the Broker Firm Offer should contact their Broker to request a Prospectus and Application Form, or download a copy at www.apiam.com.au. Your Broker will act as your agent and it is your Broker's responsibility to ensure that your Application Form and Application Monies are received before 5:00pm (Sydney time) on the relevant closing date or any earlier closing date as determined by your Broker.

If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Broker Firm Offer Application Form with the Broker from whom you received your firm allocation of Shares. Broker Firm Offer Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Application Form.

By making an Application, you declare that you were given access to the Prospectus, together with an Application Form, which may be downloaded in its entirety from www.apiam.com.au. The Corporations Act prohibits any person from passing an Application Form to another person unless it is included in, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

The Company, the Seller, the Share Registry, and the Lead Manager take no responsibility for any acts or omissions by your Broker in connection with your Application.

The Broker Firm Offer opens at 9:00am (Sydney time) on 1 December 2015 and is expected to close at 5:00pm (Sydney time) on 8 December 2015. The Lead Manager, the Company and the Seller, may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer or any part of it may be closed at any earlier time and date, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Contact your Broker for instructions.

How to Pay

Applicants under the Broker Firm Offer must pay their Application Monies to their Broker in accordance with instructions provided by that Broker.

Allocation Policy under the Broker Firm Offer.

The allocation of firm stock to Brokers will be determined by the Lead Manager, in consultation with the Company and the Seller. Shares that have been allocated to Brokers for allocation to their Australian resident clients will be issued or transferred to the Applicants who have received a valid allocation of Shares from those Brokers. It will be a matter for each Broker to determine how it allocates firm Shares among its eligible retail clients, and it (and not the Company, the Seller or the Lead Manager) will be responsible for ensuring that eligible retail clients who have received a firm allocation from it receive the relevant Shares.

7.10.2 General Priority Offer

Who May Apply

The General Priority Offer is open to investors nominated by the Company who have a registered address in Australia. If you are a General Priority Offer Applicant, you should have received a personalised invitation to apply for Shares in the General Priority Offer from Apiam.

How to Apply

The General Priority Offer opens at 9.00am (Sydney time) on 1 December 2015 and is expected to close at 5.00pm (Sydney time) on 8 December 2015.

Applications under the General Priority Offer must be for a minimum of 2,000 Shares for a total of \$2,000 and thereafter in multiples of 1,000 Shares (\$1,000).

General Priority Offer Applicants must apply for Shares online in accordance with the instructions on their personalized invitation by completing the online Application Form and paying their Application Monies via BPAY® (no physical Application Form is required when paying by BPAY®). Instructions will be available on the online Application Form to assist with its completion. It is the responsibility of the Applicant to ensure payments are received by the Registry by no later than the Closing Date, being 5.00pm (Sydney time) on 8 December 2015. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making your payment. If the amount of your BPAY® payment for Application Monies (or the amount for which those BPAY® payments clear in time for allocation) is insufficient to pay for the amount you have applied for in your Application Form, you may be taken to have applied for such lower amount as your cleared Application Monies will pay for (and to have specified that amount in your Application Form) or your Application may be rejected.

BPAY® Payments and Other

When completing the BPAY® Payment, General Priority Offer Applicants must use the specific biller code and unique Customer Reference Number (CRN) generated by the online application.

General Priority Offer Applicants who have completed the online application but do not make a BPAY® payment will render the online application incomplete and will therefore not be accepted into the General Priority Offer.

7.11 ACCEPTANCES OF APPLICATIONS UNDER THE RETAIL OFFER

An Application in the Retail Offer is an offer by you to the Company and the Seller to apply for Shares in the dollar amount specified in the Application Form on the terms and conditions set out in this Prospectus (including any supplementary or replacement document) and the Application Form. To the extent permitted by law, an Application by an Applicant may not be varied and is irrevocable.

An Application may be accepted in respect of the full amount, or any amount lower than that specified in the Application Form, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract on allocation of Shares to Successful Applicants conditional on Settlement and the quotation of Shares on ASX.

The Company, the Seller and the Lead Manager reserve the right to reject any Application which is not correctly completed or which is submitted by a person whom they believe is ineligible to participate in the Retail Offer, or to waive or correct any errors made by the Applicant in completing their Application.

7.12 INSTITUTIONAL OFFER

Invitations to Bid

The Company invited certain eligible Institutional Investors to apply for Shares in the Institutional Offer. The Institutional Offer will comprise an invitation to Institutional Investors in Australia to apply for Shares under this Prospectus. The Lead Manager separately advised institutional Investors of the application procedure for the Institutional Offer.

7.13 FOREIGN SELLING RESTRICTIONS

No action has been taken to register or qualify the Shares or the Offer in any jurisdiction outside Australia, or otherwise to permit a public offering of the Shares outside Australia.

The Prospectus does not constitute an offer or invitation in any jurisdiction where, or to any person to whom, such an offer or invitation would be unlawful. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Each Applicant warrants and represents that:

- a. the Applicant is an Australian citizen or resident in Australia, is located in Australia at the time of the application and is not acting for the account or benefit of any person in the United States or any other foreign person; and
- b. the Applicant will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia or to a United States person, except in transactions exempt from registration under the US Securities Act 1933 as amended, and in compliance with all applicable laws in the jurisdiction in which the Shares are offered and sold.

7.14 ALLOCATION OF SHARES

Allocation policy under the Broker Firm Offer

Shares that have been allocated to Brokers for allocation to their Australian resident retail clients will be issued to the Applicants nominated by those Brokers. It will be a matter for each Broker as to how they allocate firm Shares among their retail clients, and they (and not the Company, the Seller and the Lead Manager) will be responsible for ensuring that retail clients who have received a firm allocation from them receive the relevant Shares.

Allocation policy under the General Priority Offer

Allocations under the General Priority Offer will be at the absolute discretion of the Company.

Allocation policy under the Institutional Offer

The allocation of Shares among Applicants in the Institutional Offer will be determined by the Lead Manager in consultation with the Seller and the Company. The Lead Manager, the Seller and the Company have absolute discretion regarding the basis of allocation of Shares among Institutional Investors.

7.15 TIMETABLE

All dates and times are subject to change and are indicative only. All times are AEDT. Apiam Animal Health with the consent of the Lead Manager, reserves the right to vary these dates and times without prior notice, including the right to close the Offer early, to withdraw the Offer, or to accept late Applications.

7.16 ASX LISTING

An application will be made to ASX for the Company to be admitted to ASX, and for official quotation of the Share within seven days of the Prospectus Date. The Company's ASX Code is expected to be AHX.

Acceptance of the application by ASX is not a representation by ASX about the merits of the Company or the Shares. Official quotation of Shares, if granted, will commence as soon as practicable after the issue of initial shareholding statements to successful Applicants.

It is expected that trading of the Shares on ASX will commence on or about 17 December 2015.

If permission is not granted for official quotation of the Shares on ASX within three months of the date of this Prospectus, all Application Monies received will be refunded without interest as soon as practicable in accordance with requirements of the Corporations Act.

7.17 CHESS

The Company will apply for the Shares to participate in CHESS. Applicants who are issued Shares under this Offer will receive shareholding statements, which will set out the number of Shares issued to each successful Applicant.

The shareholding statement will also provide details of the Shareholder's HIN (in the case of a holding on the CHESS sub-register) or SRN (in the case of a holding on the issuer sponsored sub-register).

Shareholders will need to quote their HIN or SRN, as applicable, in all dealings with a stockbroker or the Share Registry.

Further statements will be provided to Shareholders which summarise changes in their shareholding during a particular month.

Additional statements may be requested at any time, although the Company reserves the right to charge a fee.

7.18 APPLICATION FORMS

Under no circumstances can an Application Form for Shares under this Prospectus be circulated to investors unless it is included in or accompanies this document.

Once an application has been lodged, that application will be deemed to have been made for the number of Shares applied for as specified in the Application Form.

7.19 VALIDITY OF APPLICATION FORMS

By completing and lodging an Application Form received with this Prospectus, the Applicant represents and warrants that the Applicant has personally received a complete and unaltered copy of this Prospectus prior to completing the Application Form.

The Company will not accept a completed Application Form if it has reason to believe the Applicant has not received a complete copy of the Prospectus or it has reason to believe that the Application Form has been altered or tampered with in any way.

An Application Form is an irrevocable acceptance of the Offer.

7.20 SHARE REGISTRY

Apiam Animal Health's Share Registry is to be maintained by Boardroom Pty Limited.

08

**INDEPENDENT
ACCOUNTANT'S
REPORT**



Grant Thornton

An instinct for growth™

Board of Directors
Apiam Animal Health Limited
27 – 33 Piper Lane
East Bendigo
VIC 3550

17 November 2015

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W www.grantthornton.com.au

Dear Directors,

INDEPENDENT LIMITED ASSURANCE REPORT ON THE PRO FORMA HISTORICAL AND FORECAST FINANCIAL INFORMATION AND FINANCIAL SERVICES GUIDE

Introduction

This report has been prepared at the request of the directors (the “Directors”) of Apiam Animal Health Limited and its wholly owned subsidiaries (“Apiam” or the “Group”) for inclusion in the prospectus (the “Prospectus”) to be issued by Apiam in respect of the initial public offering of fully paid ordinary shares in Apiam (the “Offer”) and listing of Apiam on the Australia Securities Exchange.

Grant Thornton Corporate Finance Pty Ltd (“Grant Thornton Corporate Finance”) holds Australian Financial Services Licence (AFS Licence Number 247140). This report is both an Independent Limited Assurance Report, the scope of which is set out below, and a Financial Services Guide, as attached at **Appendix A**.

Expressions defined in the Prospectus have the same meaning in this report, unless otherwise specified.

Scope

You have requested Grant Thornton Corporate Finance to review the following financial information of the Group included in the Prospectus.

Pro Forma Historical Financial Information

Apiam was incorporated on 25 March 2015 and will acquire the company’s and/ or business and assets described in Section 1 of the Prospectus prior to completion of the Offer which forms the basis of the pro forma historical financial information.

Grant Thornton Corporate Finance Pty Ltd ABN 59 003 265 987 ACN 003 265 987
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

Holder of Australian Financial Services Licence No. 247140

‘Grant Thornton’ refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another’s acts or omissions. In the Australian context only, the use of the term ‘Grant Thornton’ may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

The pro forma historical financial information, as set out in the Prospectus therefore comprises the following:

- The pro forma unaudited historical aggregated statement of comprehensive income for FY2013, FY2014 and FY2015;
- The pro forma unaudited historical aggregated statement of financial position as at 30 June 2015 which assumes the pro forma adjustments to illustrate the effects of events and transactions related to the Offer on the Company as described in Section 1 and 4 of the Prospectus.

(Hereafter the “Pro Forma Historical Financial Information”)

The Pro Forma Historical Financial Information has been extracted from the unaudited financial statements or audited financial statements of the entities forming the Acquisitions. The Pro Forma Historical Financial Information has been adjusted for non-recurring items and other adjustments to reflect Apiam’s operations following completion of the Acquisitions and the Offer as set out in Section 4

The Pro forma Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001 (Cth).

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in Section 4 of the Prospectus, as if those events or transactions had occurred as at the date of the Historical Financial Information. Due to its nature, the Pro forma Historical Financial Information does not represent the Group’s actual or prospective financial position, financial performance, or cash flows.

Forecast Financial Information

The pro forma and statutory forecast financial information, as set out in the Prospectus comprises:

- The pro forma and statutory forecast aggregated statement of comprehensive income for FY2016;
- The statutory forecast aggregated statement of cash flows for FY2016; and
- The pro forma operating cashflow for FY2016.

(Hereafter the “Forecast Financial Information”)

The Directors' best estimate assumptions underlying the Statutory Forecast Financial Information are described in Section 4 of the Prospectus.

The stated basis of preparation used in the preparation of the Statutory Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards and the Group's adopted accounting policies (included in Section 10.4 of the Prospectus);

The Statutory Forecast Financial Information has been derived from the pro forma Forecast Financial Information, after adjusting for the effects of the pro forma transactions and/or adjustments described in Section 4 of the Prospectus (the Pro forma Adjustments). The stated basis of preparation used in the preparation of the Pro forma Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards applied to the Statutory Forecast Financial Information and the events or transactions to which the Pro forma Adjustments relate, as if those events or transactions had occurred as at that date of the forecast. Due to its nature the Pro forma Forecast Financial Information does not represent the Group's actual prospective financial performance and cash flows for FY2016.

The Forecast Financial Information has been prepared by management and adopted by the Directors in order to provide prospective investors with a guide to the potential financial performance of the Group for FY2016. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variation may be material.

The Directors' best estimate assumptions on which the Forecast Financial Information is based relate to future events and/or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Group. Evidence may be available to support the assumptions on which the Forecast Financial Information is based, however such evidence is generally future orientated and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the Directors' best estimate assumptions. We do not express any opinion on the achievability of the results. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties relating to an investment in the Company, which are detailed in the Prospectus, and the inherent uncertainty relating to the prospective financial information. Accordingly prospective investors should have regard to the investment risks and sensitivities set out in Section 5 of the Prospectus. The sensitivity analysis set out in Section 4 of the Prospectus demonstrates the impacts on the Forecast Financial Information of changes in key assumptions. The

Forecast Financial Information is therefore only indicative of the financial performance which may be achievable. We express no opinion as to whether the Forecast Financial Information will be achieved.

We have assumed, and relied on representations from certain members of management of Apiam, that all material information concerning the prospects and proposed operations of the Group has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Directors' Responsibility

The Directors are responsible for:

- the preparation and presentation of the Pro Forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the Historical Financial Information and included in the Pro forma Historical Financial Information;
- the preparation of the Forecast Financial Information, including the best estimate assumptions underlying the Forecast Financial Information and the selection and determination of the pro forma adjustments made to the Statutory Forecast Financial Information and included in the Pro forma Forecast Financial Information; and
- the information contained within the Prospectus.

This responsibility includes for the operation of such internal controls as the Directors determine are necessary to enable the preparation of the Historical Financial Information and the Forecast Financial Information that are free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Pro forma Historical Financial Information, the Statutory Forecast Financial Information and the Pro forma Forecast Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with Australian Standard on Assurance Engagement (ASAE) 3450: *"Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information"*.

A review 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 reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly we will not express an audit opinion.

We have performed the following procedures as we, in our professional judgement, considered reasonable in the circumstances:

Pro Forma Historical Financial Information

- A consistency check of the application of the stated basis of preparation, to the Pro Forma Historical Financial Information;
- A review of work papers, accounting records and other documents;
- Enquiry of directors, management personnel and advisors;
- Consideration of the pro forma adjustments, in particular normalisation adjustments described in Section 4 of the Prospectus; and
- The performance of analytical procedures applied to the Pro Forma Historical Financial Information.

Forecast Financial Information

- Enquiries, including discussions with management and Directors of the factors considered in determining the assumptions;
- Analytical and other review procedures we considered necessary including examination, on a test basis, of evidence supporting the assumptions, amounts and other disclosures in the Forecast Financial Information;
- Review of the accounting policies adopted and used in the preparation of the Forecast Financial Information; and
- Consideration of the pro forma adjustments applied in preparing the Forecast Financial Information.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

Conclusions

Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro forma Historical Financial Information is not presented fairly in all material respects, on the basis of the pro forma adjustments described in Sections 1 and 4 of the Prospectus and in accordance with the recognition and measurement requirements (but not all of the presentation and disclosure requirements) of applicable Australian Accounting Standards and other mandatory professional reporting requirements in Australia and the accounting policies adopted by Apiam as disclosed in Section 10.4 of the Prospectus as if the pro forma transactions set out in Section 7 of the Prospectus had occurred at 30 June 2015.

Statutory Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- i. the Directors' best estimate assumptions used in the preparation of the Statutory Forecast Financial Information do not provide reasonable grounds for the Statutory Forecast Financial Information;
- ii. in all material respects, the Statutory Forecast Financial Information:
 - a. is not prepared on the basis of the Directors' best estimate assumptions as described in Section 4 of the Prospectus; and
 - b. is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the accounting policies adopted and used by the Group as disclosed in Section 10.4 of the Prospectus; and
- iii. the Statutory Forecast Financial Information itself is unreasonable.

Pro forma Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- i. the Directors' best estimate assumptions used in the preparation of the Pro forma Forecast Financial Information do not provide reasonable grounds for the Pro forma Forecast Financial Information; and
- ii. in all material respects, the Pro forma Forecast Financial Information:
 - a. is not prepared on the basis of the Directors' best estimate assumptions as described in Section 4 of the Prospectus;
 - b. is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the accounting policies adopted and used by Apiam as disclosed in Section 10.4 of the Prospectus, applied to the Statutory Forecast Financial Information and the Pro forma Adjustments as if those adjustments had occurred as at the date of the forecasts; and
- iii. the Pro forma Forecast Financial Information itself is unreasonable.

Restriction on Use

Without modifying our conclusions, we draw attention to Section 4 of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Financial Information may not be suitable for use for another purpose.

Consent

Grant Thornton Corporate Finance has consented to the inclusion of this Independent Limited Assurance Report in the Prospectus in the form and context in which it is included.

Liability

The liability of Grant Thornton Corporate Finance is limited to the inclusion of this report in the Prospectus. Grant Thornton Corporate Finance makes no representation regarding, and has no liability, for any other statements or other material in, or omissions from the Prospectus.

Disclosure of Interest

Grant Thornton Corporate Finance does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. Grant Thornton Corporate Finance will receive a professional fee for the preparation of this Independent Limited Assurance Report.

Yours faithfully

GRANT THORNTON CORPORATE FINANCE PTY LTD



Harley Mitchell
Partner



Adam Pitts
Partner – Audit & Assurance

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Grant Thornton
An instinct for growth™

Appendix A (Financial Services Guide)

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E info.qld@au.gt.com
W www.grantthornton.com.au

This Financial Services Guide is dated 17 November 2015.

About us

Grant Thornton Corporate Finance Pty Ltd (ABN 59 003 265 987, Australian Financial Services Licence no 247140) ("Grant Thornton Corporate Finance") has been engaged by Apiam Animal Health Limited ("the Company") to provide a report in the form of Independent Limited Assurance Report for inclusion in the Prospectus dated 17 November 2015 ("the Prospectus") relating to the offer of shares in the Company ("the Issue"). You have not engaged us directly but have been provided with a copy of the report as a retail client because of your connection to the matters set out in the report.

This Financial Services Guide

This Financial Services Guide ("FSG") is designed to assist retail clients in their use of any general financial product advice contained in the report. This FSG contains information about Grant Thornton Corporate Finance generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the report, and how complaints against us will be dealt with.

Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities and superannuation products and to deal in a financial product by applying for, acquiring, varying or disposing of a financial product on behalf of another person in respect of securities and superannuation products.

General financial product advice

The report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs. You should consider your own objectives, financial situation and needs when assessing the suitability of the report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Grant Thornton Corporate Finance Pty Ltd ABN 59 003 265 987 ACN 003 265 987
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

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Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

Fees, commissions and other benefits we may receive

Grant Thornton Corporate Finance charges fees to produce reports, including this report. These fees are negotiated and agreed with the entity who engages Grant Thornton Corporate Finance to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this report our fees are charged on a fixed basis. Partners, Directors or employees of Grant Thornton Corporate Finance, Grant Thornton Australia Ltd, or other associated entities, may receive dividends, salary or wages from Grant Thornton Australia Ltd. The fees charged for the preparation of this report agreed by the Company amount to \$300,000

Associations with issuers of financial products

Grant Thornton Corporate Finance and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, Grant Thornton Australia Ltd may be the auditor of, or provide financial services to the issuer of a financial product and Grant Thornton Corporate Finance may provide financial services to the issuer of a financial product in the ordinary course of its business. Grant Thornton Audit Pty Ltd has been appointed as the Company's auditor.

Complaints

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Ombudsman Service (membership no. 11800). All complaints must be in writing and addressed to the National Head of Corporate Finance at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service who can be contacted at:

PO Box 579 – Collins Street West
Melbourne, VIC 8007
Telephone: 1800 335 405

Grant Thornton Corporate Finance is only responsible for this report and FSG. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

Contact Details

Grant Thornton Corporate Finance can be contacted by sending a letter to the following address:

Corporate Finance
Grant Thornton Corporate Finance Pty Ltd
Level 19, 145 Ann Street
Brisbane, QLD, 4000

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09

MATERIAL AGREEMENTS

9.1 CONSTITUTION

The Constitution of Apiam is a contract between the Company and each member, the Company and each Director and Company Secretary, and between a member and each other member pursuant to section 140 of the Corporations Act. Investors who take Shares under the Offer will become bound by the Constitution of the Company and must agree to observe and perform the provisions thereunder and any regulations or by-laws which may be made.

The rights attaching to ownership of the Shares arise from a combination of the Constitution, the Listing Rules, the Corporations Act and general law.

A brief summary of certain provisions of the Constitution and the significant rights attaching to Shares is set out below. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that Apiam is admitted to the official list of ASX. The Constitution may be inspected during normal business hours at the registered address of Apiam Animal Health.

Shares

Subject to the Corporations Act, ASX Listing Rules, ASX Settlement Operating Rules and any rights and restrictions attached to a class of shares, the Company may issue Shares or any other securities with preferred, deferred or other special rights, obligations or restrictions, whether in regard to dividends, voting, return of capital, payment of calls, rights of conversion or otherwise, as and when the Board may determine and on any other terms as the Board considers appropriate.

Alteration of rights

The rights and restrictions attaching to any class of shares (unless provided by the terms of issue of the shares of that class), can only be varied with the consent in writing of members with at least three-quarters of the votes in that class, or with the sanction of a special resolution passed at a separate meeting of the holders of shares of that class.

Calls

The Board may from time to time call upon relevant members for unpaid monies on their shares, although this will not be relevant to the fully paid Shares being issued under this Prospectus. If such a call is made, such members are liable to pay the amount of each call in the manner and at the time and place specified by the Board.

Forfeiture and lien

The Company is empowered to forfeit shares in relation to any part of allotment monies, calls, instalments, interest and expenses which remains unpaid following any notice sent to a member. Such forfeiture must occur in accordance with the Constitution, the Corporations Act and the Listing Rules. The Company has a first and paramount lien or charge for unpaid calls, instalments and related interest and any amount it is legally required to pay in relation to a member's shares.

Share transfers

Shares may be transferred in any manner required or permitted by the Listing Rules or the ASX Settlement Operating Rules and by any instrument in writing in any usual or common form or in any other form that the Board approves. Except in the case of a proper SCH transfer, the Board may refuse to register a transfer of securities:

- if the registration of the transfer would result in a contravention of or failure to observe the provisions of any applicable law or the Listing Rules;
- on which the Company has a lien; or
- in circumstances where the Listing Rules permit the Company to do so.

No share certificates

Subject to the requirements of the Listing Rules and the Corporations Act, the Company need not issue Share certificates.

Meetings

Each Shareholder and Director of the Company is entitled to receive notice of and attend any general meeting of Apiam. Two Shareholders holding not less than 5% of the votes that may be cast at the meeting must be present to constitute a quorum for a general meeting and no business may be transacted at any meeting unless the quorum required is present at the start of the business. The Company is obliged to convene and hold an annual general meeting in accordance with the Corporations Act.

Voting rights

Subject to restrictions on voting from time to time affecting any class of shares in the Company and any restrictions imposed by the Corporations Act, each Share in the Company carries the right to cast one vote on a show of hands and on a poll, one vote for each fully paid Share held. A member is not entitled to any vote at a general meeting in relation to shares in the Company with respect to which all calls and other sums presently payable by the member have not been paid. Voting may be in person or by proxy, attorney or representative.

Dividends

The Board may resolve to pay any dividend it thinks appropriate and fix the time for payment.

Subject to the terms of issue of shares, the Company may pay a dividend on one class of shares to the exclusion of another class. Each fully paid share of a class on which the Board resolves to participate in a dividend do so in equal proportions, and a partly paid share will be entitled to a fraction of the dividend equal to the proportion which the amount paid on the share bear to the total amount payable (whether or not called) on the share.

Winding-up

If the Company is wound up, the liquidator may divide among all or any of the members as the liquidator thinks fit in specie or in kind any part of the assets of the Company, and may vest any part of the assets of the Company in trustees on any trusts for the benefit of all or any of the contributories as the liquidator thinks fit.

9.2 ACQUISITION AGREEMENTS AND INTERPOSITION

Apium Animal Health is a recently incorporated company that has been interposed between Chris Richards and his veterinary business interests (referred to in this Prospectus as the CRG Entities) via a share exchange agreement.

On successful completion of the IPO and Listing, Apium Animal Health will also acquire all of the shares and or material assets in a number of other veterinary clinics (referred to in this prospectus as the Acquisitions) to diversify and expand the veterinary business interests of the group.

The acquisition of the CRG Entities and the Acquisitions were recorded under the Share Exchange Agreement and the Acquisition Agreements respectively. Subject to the business, the structure of each individual business being acquired, the Acquisition was structured as a business sale or share sale.

The table below summarises each business that comprise the Acquisitions, the structure of the acquisition, and the type of Acquisition Agreement entered.

The Acquisitions

Form of acquisition	Document used	Business	Clinics / Sites
Business sale	Business Sale Agreement	Southern Riverina Vets	• Echuca Veterinary Clinic • Moama Veterinary Clinic • Deniliquin Veterinary Clinic • Finley Veterinary Clinic • Riverina Genetics
		Border Vet	• Border Vet Barham • Border Vet Cohuna • Border Vet Leitchville • Border Vet Kerang
		Gippsland	• Maffra Veterinary Clinic • Sale Veterinary Clinic • Gippsland Equine Hospital
		Dubbo	• Dubbo Veterinary Hospital • Macquarie Artificial Breeders
		Bell Vet	• Bell Veterinary Services

Form of acquisition	Document used	Business	Clinics / Sites
Share sale	Share Sale Agreement	Smithton	- Smithton Veterinary Service - Tasvet Wholesale
		Kyabram	Kyabram Veterinary Clinic
		Warrnambool	Warrnambool Veterinary Clinic
		Scottsdale	Scottsdale Veterinary Services
		WestVet Wholesale*	WestVet Wholesale
		Pork Storks*	Pork Storks Australia
		Southern Cross Feedlots**	Southern Cross Feedlot Services

* Acquisition of a 49% interest. The Company currently holds a 51% interest. ** Acquisition of a 50% interest. The Company currently holds a 50% interest.

Table 9.3:

The terms and conditions of the Business Sale Agreement or Share Sale Agreement (regardless of whether the Acquisition was structured as a business sale or share sale) have been individually negotiated between Apiam Animal Health and the respective sellers. Each of the Acquisition Agreements contains terms and conditions that are customary for transactions of this nature and they are substantially similar in their terms. A brief summary of the key terms and condition is set out in the table below:

Key term or condition	Explanation									
What is being acquired	All of the business assets of the Acquisitions or all of the shares in the Acquisitions not already owned by Apiam Animal Health (which were acquired under the Interposition as part of the CRG Entities), depending on the structure of the transaction.									
Consideration paid	The consideration payable in respect of each of the Acquisitions comprises a mix of cash and shares. The total amount payable in respect of the Acquisitions is: <table><tr><th>Total purchase price</th><th>Cash payment</th><th>Share payment</th></tr><tr><td>\$54.6 million</td><td>\$25.6 million</td><td>\$29.0 million</td></tr><tr><td></td><td>46.9%</td><td>53.1%</td></tr></table> These amounts are subject to customary adjustments on completion of the Acquisitions for working capital variations against minimum requirements, employee liabilities and any debt assumed by the buyer. Subject to achievement of agreed EBITDA performance targets in the 12 month period following completion, Apiam Animal Health may pay up to an additional \$3.5 million. The Company will pay up to \$1.95 million of this in cash and up to \$1.55 million of this in Shares based upon the volume weighted average Share price for the 20 trading days before issue.	Total purchase price	Cash payment	Share payment	\$54.6 million	\$25.6 million	\$29.0 million		46.9%	53.1%
Total purchase price	Cash payment	Share payment								
\$54.6 million	\$25.6 million	\$29.0 million								
	46.9%	53.1%								
Conditions Precedent	The Acquisitions are subject to a number of conditions precedent, including satisfactory completion of due diligence and the completion of the IPO.									
Employment agreements	As part of the Acquisition Agreements, the individual practitioners operating the Acquisitions will enter into employment agreements with the Group.									
Net Working Capital	Each of the Acquisitions is required to have a minimum amount of net working capital in the business at completion as agreed (Target NWC) . If the actual net working capital at completion (Actual NWC) is less than the Target NWC, the purchase price for that business is reduced by that difference. If the Actual NWC exceeds the Target NWC, the purchase price is increased by that difference.									
Adjustments	The purchase price is adjusted for any accrued employee entitlements assumed by the buyer and by any debt assumed by the buyer.									

Key term or condition	Explanation
Warranties and indemnities	Each of the sellers of the Acquisitions have given the buyer warranties and indemnities of a type customary for a transaction of this type, including as to ownership of the assets being acquired, nature and accuracy of the accounts of business, tax, legal compliance and accuracy of information given to the Company.
Restraints	The Acquisition Agreements contain restraint clauses that are usual in an agreement of this nature, restraining the sellers from undertaking any activity that may compete with the Acquisitions Business in any capacity for period of up to 2 years, and within agreed distances from the relevant Acquisition.

The CRG Entities – the Interposition

Apium Animal Health has been interposed between the Seller and the Seller's interest in each of the CRG Entities (**Interposition**). To record the Interposition, the Seller and Apium entered into the Share Exchange Agreement. The Interposition occurred on 5 November 2015.

The Interposition was effected by a share swap, by which the shareholdings held by the Seller in each CRG Entity were swapped for shares in Apium Animal Health, so that in accordance with the scrip for scrip rollover provisions of the Tax Act, Apium Animal Health acquired all of the shares held by the Seller in each CRG Entity and the Seller acquired shares in the Company (**Share Exchange**).

The terms and conditions of the Share Exchange Agreement were customary for transactions of this nature and generally reflective of those agreed under the Business Sale Agreements and Share Sale Agreements. The Seller has given Apium Animal Health warranties and indemnities of a type customary for a transaction of this type, including as to ownership of the shares being acquired, nature and accuracy of accounts of the CRG Entities, disclosure of all liabilities, payment of tax and tax compliance, legal compliance and accuracy of information given to Apium Animal Health.

9.3 IVET LICENCE AGREEMENT

CVH iVet Pty Ltd (CVH iVet), a wholly owned subsidiary of the Company, has entered into a licence agreement with iVet Pty Ltd ACN 163 986 203 (**iVet**) (a company controlled by Chris Richards), under the terms of which iVet grants to CVH iVet an exclusive, worldwide licence to use the iVet intellectual property on the following terms:

9.3.1 Condition Precedent:

The licence agreement is conditional upon the Company listing on the ASX by no later than 31 December 2015.

9.3.2 Fee:

CVH iVet will pay a royalty of 10% of net sales revenue received by CVH iVet to iVet for the use of the intellectual property licence.

9.3.3 Term:

The agreement will be for an initial term of 10 years.

9.3.4 Option:

CVH iVet has the option to purchase the iVet intellectual property by giving notice to iVet at any time during the initial 5 years of the term. The amount to be paid for the licence will either be mutually agreed or if not, the market value as determined by a third party valuer, having regard to the capital expenditure incurred in the development of the software.

9.3.5 iVet Indemnities:

the licence contains standard indemnities from iVet to CVH iVet for claims in relation to the breach of third party intellectual property rights in relation to the iVet intellectual property.

9.3.1 CVH iVet indemnities:

CVH iVet indemnifies iVet against any losses arising as a result of the use of the iVet intellectual property by CVH iVet.

9.3.2 Termination:

The agreement can be terminated immediately by iVet if CVH iVet breaches a term or condition of the agreement and fails to remedy the breach or various insolvency related events occur in relation to CVH iVet.

9.4 UNDERWRITING AGREEMENT

The Company has entered into an underwriting agreement with the Underwriter and the Seller (**Underwriting Agreement**) under the terms of which the Company and the Seller have appointed the Underwriter on an exclusive basis to manage and underwrite the whole of the Offer. The Underwriter may at any time appoint sub-underwriters to sub-underwrite any or all of the unwritten securities at the Underwriter's own cost. The Underwriter may also appoint a co-lead manager to co-manage the Offer.

The Underwriter does not currently hold Shares in the Company.

Set out below is a summary of the material terms of the Underwriting Agreement:

- a. the Company and Seller have agreed to pay the Underwriter a selling fee of 3.5% per cent of the Offer proceeds and a management fee equal to 1% of the Offer proceeds (exclusive of GST);
- b. the Company and Seller have agreed to indemnify the Underwriter and its related body corporate, officers, employees, agents and advisers (Indemnified Parties) against all losses or claims arising out of (amongst other things):
 - i. the Offer, this Prospectus and associated documents;
 - ii. a breach of the Underwriting Agreement by the Company or the Seller, respectively; and
 - iii. any liability under the Corporations Act,

except to the extent that the loss or claim results from the fraud, wilful misconduct or gross negligence of the Indemnified Party. The indemnity does not extend to any costs relating to sub-underwriting or co-lead management, or to any obligation for the Underwriting to underwrite the Offer;

- c. completion of the Underwriting Agreement is conditional upon (amongst other things):
 - i. the proper implementation of the due diligence program and delivery of an executed due diligence report to the satisfaction of the Underwriter;
 - ii. the execution of all agreements for the Escrowed Securities;
 - iii. lodgement of this Prospectus with ASIC; and
 - iv. lodgement of the ASX listing application within 7 days of the date of this Prospectus.
- d. the Underwriter may terminate its obligations to underwrite the Offer upon the happening of a number of circumstances, including:
 - i. **(market fall)** one or more of the S&P/ASX Small Ordinaries Index, the S&P/ASX300 Index, the S&P/ASX200 Index or the All Ordinaries Index of ASX closes at a level that is 10% or more below the level of that index at market close on the Business Day before the date of the Underwriting Agreement; or
 - ii. **(Prospectus)** the Company does not lodge this Prospectus on the agreed date; or
 - iii. **(ASX approval, listing and quotation):**
 - A. the Company does not apply to ASX for quotation of the New Shares and the admission of the Company to the Official List by no later than seven days after the date of this Prospectus; or
 - B. 3 months or such other period agreed to by the Underwriter elapses after the date of this Prospectus without ASX granting quotation of the New Shares or the admission of the Company to the Official List; or
 - C. ASX makes any official statement to any person or indicates to the Company, Seller or the Underwriter that:
 1. quotation of the New Shares will not be granted; or
 2. the Company will not be admitted to the Official List; or
 - D. approval is refused or unconditional approval is not granted (unless the conditions are customary listing conditions which would not, in the reasonable opinion of the Underwriter, have a material adverse effect on the success of the Offer) to the quotation of all of the New Shares on ASX or the admission of the Company to the Official List, on or before the allotment date, or if granted, the approval is subsequently withdrawn, qualified or withheld; or
 - iv. **(ASIC action)** ASIC:
 - A. applies for an order under Part 9.5 of the Corporations Act in relation to the Offer or this Prospectus; or
 - B. makes an order under sections 739(1), (3) or (4) of the Corporations Act in relation to this Prospectus; or
 - C. holds, or gives notice of intention to hold, a hearing or investigation in relation to the Offer or this Prospectus under the Corporations Act or the Australian Securities and Investments Commission Act 2001 (Cth); or
 - D. either:
 1. prosecutes or gives notice of an intention to prosecute; or
 2. commences proceedings against, or gives notice of an intention to commence proceedings against,

the Company, the Seller or any of their respective officers, employees or agents in relation to the Offer or this Prospectus; or

- v. **(withdrawal of Prospectus)** the Company or Seller withdraws this Prospectus or the Offer or any invitations to apply for the New Shares at any time prior to all the New Shares having been allotted; or
- vi. **(misleading statement or omission)** there is an omission from, or a statement which is, or has misleading or deceptive in this Prospectus and such omission or statement is or is likely to be materially adverse from the point of view of an investor; or
- vii. notices) any person (provided that if that person is the Underwriter, the Underwriter must act in good faith) gives a notice under section 733(3) of the Corporations Act or withdraws a consent previously given under section 720 of the Corporations Act, in relation to this Prospectus; or
- viii. **(lodgement of supplementary Prospectus)** a supplementary or replacement Prospectus is lodged under the Corporations Act without the prior written approval of the Underwriter (such approval not to be unreasonably withheld or delayed); or
- ix. **(future matters)** any statement, forecast, projection or estimate in this Prospectus which relates to a future matter is or becomes incapable of being met or, in the reasonable opinion of the Underwriter, unlikely to be met in the projected timeframe; or
- x. **(authorisations)** any authorisation which is material to anything referred to in this Prospectus is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter; or
- xi. **(change in board or senior management)** other than as contemplated in this Prospectus, a change of the directors or senior management of the Company occurs without the consent of the Underwriter; or
- xii. **(disruption in financial markets)** any of the following occurs:
- A. a general moratorium on commercial banking activities in Australia, the United States of America or the United Kingdom is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries; or
 - B. trading in all securities quoted or listed on ASX, the London Stock Exchange, NASDAQ and/or the New York Stock Exchange is suspended or limited in a material respect for at least 1 day; or
 - C. any adverse change or disruption to the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America, Singapore or Hong Kong or the international financial markets or any change in national or international political, financial or economic conditions,

in any case the effect of which is such as to make it, in the reasonable judgment of the Underwriter materially more difficult to promote the Offer or to enforce contracts to issue and allot the New Shares; or

- xiii. **(material adverse change)** any material adverse change of an amount which is at least equal to 5% of the Company's net assets occurs in the assets, liabilities, financial position of the Group (taken as a whole); or
- xiv. **(prosecution)** any of the following occur:
- A. a director or executive of the Company is charged with an indictable offence; or
 - B. an application is made by any person to any government agency, in relation to this Prospectus or the Offer or any government agency commences, or gives notice of an intention to hold, any investigation, proceedings or hearing in relation to the Offer or this Prospectus or prosecutes or commences proceedings against or gives notice of an intention to prosecute or commence proceedings against the Company or Seller; or
 - C. any government agency commences any public action against the Company or Seller or any of their directors in their capacity as a director of that company, or announces that it intends to take such action; or
 - D. any director of the Company is disqualified from managing a corporation under Part 2D.6 of the Corporations Act; or
 - E. any director of the Company commits an act of fraud in connection with any aspect of the Offer or the Company; or
- xv. **(insolvency)** an insolvency event occurs in respect of the Company or Seller before the allotment date; or
- xvi. **(prescribed occurrence)** an event set out in section 652C of the Corporations Act occurs, excluding any event relating to the Offer; or
- xvii. **(judgment)** a judgment in an amount exceeding \$550,000 (inclusive of costs) is obtained against the Company or a Related Body Corporate of the Company and is not set aside or satisfied within 21 days; or
- xviii. **(representations and warranties)** a representation or warranty contained in the Underwriting Agreement on the part of the Company or Seller is not true or correct in any material respect; or
- xix. **(default)** a default by the Company or Seller in the performance of any of their respective obligations under the Underwriting Agreement occurs; or
- xx. **(certificate)** a certificate that is required to be given by the Underwriting Agreement is not given within the specified time or a statement in that certificate is not true or has a material omission; or
- xxi. **(illegality)** there is an event or occurrence, including any statute, order, rule, regulation, directive or request (including one compliance with which is in accordance with the general practice of persons to whom the directive or request is addressed) of any governmental agency which makes it illegal for the Underwriter to satisfy an obligation under the Underwriting Agreement, or to market, promote or settle the Offer; or

- xxii. **(repayment of Application Money)** any circumstance arises after lodgement of this Prospectus that results in the Company or Seller either repaying Application Money (other than to Applicants whose applications were not accepted in whole or in part) or offering Applicants an opportunity to withdraw their Applications and be repaid their Application Money; or
- xxiii. **(Acquisition Agreements)** any Acquisition Agreement not completing in accordance with its terms.
- e. the Underwriter may also terminate its obligations to underwrite the Offer upon any of the following events where, in the opinion of the Underwriter, the event has, or is likely to have, a material adverse effect on the marketing or success of the Offer or renders it impractical to effect acceptances under the Offer, or leads or is likely to lead to a material liability for the Underwriter under the Corporations Act or any other applicable law:
- i. **(information supplied)** any information supplied in its final form (including any information supplied prior to the date of the Underwriting Agreement) by or on behalf of the Company (or related body corporate) or Seller to the Underwriter in respect of the Offer, the Company or Seller is, becomes or is found to be, inaccurate, incomplete, false or misleading or deceptive, or likely to mislead or deceive, including by omission; or
 - ii. **(new circumstance)** a new circumstance has arisen since the date of lodgement of this Prospectus with ASIC which would have been required under the Corporations Act to have been included in this Prospectus if it had arisen before the lodgement date and such new circumstance is or is likely to be materially adverse from the point of view of an investor; or
 - iii. **(adverse change)** there is an adverse change including any adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects or forecasts from those respectively disclosed in this Prospectus;
 - iv. **(hostilities)** hostilities not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States of America, the United Kingdom, any member state of the European Union, Japan, Indonesia, North Korea, South Korea, Singapore or the People's Republic of China; or
 - v. **(change of law)** there is introduced or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State of Australia a new law, or the Reserve Bank of Australia, or any Commonwealth or State authority, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Underwriting Agreement), any of which does or is likely to prohibit or regulate the Offer, capital issues or stock markets; or
 - vi. **(variation)** the Company or Seller varies the terms of the Offer without the consent of the Underwriter; or
 - vii. **(Timetable)** any event specified in the timetable in the Underwriting Agreement is delayed other than in accordance with the Underwriting Agreement; or
 - viii. **(Contracts)** any Acquisition Agreement or other material contract is, without the prior written consent of the Underwriter:
 - A. breached by the Company or any of its related bodies corporate;
 - B. terminated (whether by breach or otherwise);
 - C. altered or amended in any way; or
 - D. found to be void or voidable;
 - f. the Company and Seller provide various representations and warranties to the Underwriter, including in respect of:
 - i. their legal capacity and power to enter into and comply with the Underwriting Agreement;
 - ii. the compliance of the Offer and the Prospectus with all relevant laws and regulatory requirements;
 - iii. the use of funds raised under the Offer;
 - iv. ongoing due diligence as part of the due diligence program; and
 - v. no claims or litigation in relation to the Company that may be material to the Offer.

9.5 FINANCE ARRANGEMENTS

Apiam Animal Health has obtained a credit approved term sheet dated 3 November 2015 from National Australia Bank (**NAB**) for finance of up to A\$35,300,000.

The Banking Facilities comprise the following:

Facility	Credit approval amount	Purpose	Pro forma drawdown
Corporate Term Debt Facility	A\$12,700,000	To assist restructure of the Company's balance sheet as part of the IPO.	\$12,700,000
Multi Option Facility (Domestic Trade Finance Facility and or Documentary Letter of Credit Facility)	A\$10,300,000	To assist with working capital requirements including stock purchases.	-
Corporate Acquisition Facility	A\$10,000,000	To assist with future acquisitions, if any, of veterinary services or related businesses.	-
Overdraft Facility	A\$1,000,000	To fund working capital.	-
Master Asset Finance Agreement for Equipment Finance Funding	A\$1,000,000	To assist with the purpose of vehicles and plant and equipment.	-
NAB Corporate Card Facility	A\$300,000	As required for operation of the business.	-

Conditions Precedent

The availability of the Banking Facilities is subject to the following conditions precedent:

- execution of NAB's facility agreements including its standard general conditions and otherwise in form and substance satisfactory to NAB;
- acceptance by the bank of the Investigating Accountant's verification of the financial model;
- completion of the capital raising of New Shares of \$23,000,000 under the Offer; and
- other conditions customary in bank facility agreements.

Additional conditions precedent apply in respect of the Multi Option Facility and Corporate Acquisition Facility.

Availability period

The Corporate Term Debt Facility, Multi Option Facility, Corporate Acquisition Facility and Overdraft Facility will be available from the date all relevant conditions precedent have been satisfied or waived subject to the satisfaction of NAB.

Fees and charges

Apiam Animal Health is required to pay:

- establishment fee of A\$68,000; and
- a facility fee of:
 - 0.25% per annum payable quarterly in advance on the Corporate Term Debt Facility;
 - 0.25% per annum payable quarterly in advance on the Multi Option Facility; and
 - 0.25% per annum payable quarterly in advance on the Corporate Acquisition Facility.

Interest on loans

Interest is payable on the last day of each interest period, subject to the maturity date of any facility or any other period agreed between Apiam Animal Health and NAB.

Interest payable on the Corporate Term Debt Facility, Multi Option Facility and Corporate Acquisition Facility is the aggregate of the base rate and the applicable margin. The base rate is the average bid rate displayed at or about 10:30am Melbourne time on the first day of that period on the Reuters screen BBSY page for AUD advances for a term equivalent to the period.

Facility	Interest payable
Corporate Term Debt Facility	The interest payable is the aggregate of the base rate and the margin. The margin is 1.30% for 1 year, 1.50% for 3 years and 1.75% for 5 years (as elected by the Company).
Multi Option Facility (Domestic Trade Finance Facility and or Documentary Letter of Credit Facility)	The interest payable is the aggregate of the base rate and the margin. The margin is 1.30% per annum.
Corporate Acquisition Facility	The interest payable is the aggregate of the base rate and the margin. The margin is 1.05% for 1 year and 1.25% for 3 years (as elected by the Company).
Overdraft Facility	Indicative rate of 7.47%.
Master Asset Finance Agreement for Equipment Finance Funding	Variable.

Repayment

Facility	Repayment terms
Corporate Term Debt Facility	Repayable up to 5 years from the date on which the facility first became available (subject to annual review).
Multi Option Facility (Domestic Trade Finance Facility and or Documentary Letter of Credit Facility)	Repayable 1 year from the date that all conditions precedent to the facility have been satisfied and the facility becomes available for drawing.
Corporate Acquisition Facility	Repayable up to 3 years from the date that all conditions precedent to the facility have been satisfied and the facility becomes available for drawing (subject to annual review).
Overdraft Facility	Repayable 1 year from the date that all conditions precedent to the facility have been satisfied and the facility becomes available for drawing.
Master Asset Finance Agreement for Equipment Finance Funding	Individual facilities drawn down are available on quoted terms for each drawing up to periods of 60 months (subject to annual review).

Covenants

The key financial covenants applicable to the Banking Facilities are:

- maximum gearing ratio of 35% (ratio of debt to debt and equity);
- maximum operating leverage ratio of 2.5 times (ratio of gross debt to EBITDA); and
- minimum interest cover ratio of 5.0 times (ratio of EBIT to gross interest expense).

Representations and warranties

Apiam Animal Health and its subsidiaries will make representations customary for facilities of this nature. The obligations of Apiam Animal Health and its subsidiaries in relation to each drawing / roll over will be subject to those representations remaining true and accurate as at the date of each utilisation request and the first day of each interest period.

Review Event

The Banking Facilities are subject to review events customary for facilities of this nature in relation to Apiam Animal Health and its subsidiaries including (without limitation) change of control.

NAB may include other review events that it deems appropriate.

Events of default

The agreement under which the Banking Facilities will be made available will contain events of default customary for facilities of this nature.

Security

The Banking Facilities will be secured by first ranking general security agreements in relation to the current and future assets of Apiam Animal Health and each wholly owned subsidiary, rights of entry in relation to freehold properties owned or leased by the guarantors and any other securities required to be taken by NAB.

9.6 ESCROW AGREEMENTS

The Company has entered into, or will enter into prior to admission to the Official List, voluntary escrow arrangements with the Escrowed Shareholders. The escrow agreements restrict the ability of the Escrowed Shareholders to dispose of, create any security interest in or transfer effective ownership or control of, the restricted Shares. Consequently, these Shares will not be able to be transferred, encumbered or otherwise dealt with for the relevant escrow period as detailed below.

Shareholder	Escrowed Securities	Percentage escrowed	Escrow period	Percentage total Shares
Seller (Chris Richards as trustee for the Richards Family Trust)*	25,346,883	100%	12 months (year 1)	25.7%
	12,673,442	50%	12 months (year 2)	12.9%
Vendors of Acquisitions*	29,078,691	100%	12 months (year 1)	29.5%
	14,539,345	50%	12 months (year 2)	14.8%
Total	54,425,574	100%	12 months (year 1)	55.2%
	27,212,787	50%	12 months (year 2)	27.7%

* The total number of Shares to be held by Chris Richards as trustee for the Richards Family Trust and the vendors will be 54,425,574. As a result of adjustments to the purchase price under the Acquisition Agreements, the vendors may receive a lower number of Payment Shares. If this occurs, there will be a commensurate increase in the number of Shares held by Chris Richards. The escrowed securities will therefore be adjusted accordingly.

The escrow agreements give the Company a relevant interest in the Shares the subject of the escrow agreements. Chapter 6 of the Corporations Act prohibits a person acquiring a relevant interest in voting shares in a listed company, if as a result of the acquisition of that relevant interest, that person's voting power and the voting power of the person's associates, will exceed 20%. Given the number of Escrowed Securities, the Company has applied to ASIC for relief from the application of Chapter 6 of the Corporations Act to permit the Company to enter into the escrow agreements. The escrow agreements described above can only be entered if ASIC grants the Company the relief requested.

9.7 EXECUTIVE EMPLOYMENT CONTRACTS

Agreement with Chris Richards (Managing Director)

The Company has entered into an executive services agreement with Christopher Richards as Managing Director, to commence on completion of the ASX Initial Public Offering, on the following terms:

- Remuneration:** Chris Richards will receive an annual salary of \$369,380 which is inclusive of superannuation.
- Term:** The agreement is for an initial term of 5 years.
- Termination by Chris Richards:** Christopher Richards may terminate the agreement upon giving the Company 12 months' written notice.
- Termination by the Company:**
 - The Company may terminate the agreement by giving Chris Richards 12 months' notice in writing or immediate notice and paying him an amount equal to 12 months' remuneration.
 - The Company terminate the agreement, at any time without compensation if Chris Richards in circumstances including serious misconduct, disobeying a material directive or policy of the Company and wilfully, continually and significantly failing or neglecting to perform his duties in a satisfactory manner.
- Restraints:** Chris Richards will be restrained from engaging in any activity that competes with the business of Apiam Animal Health for a period of up to 2 years.

Executive Officer Agreements

Each of the other members of the executive management team has entered into an employment agreement with the Company on terms which are typical for agreements of this nature.

9.8 SEED AGREEMENTS

The Company has entered into convertible note agreements, principally with the sellers of the Acquisitions to raise \$285,000 towards the funding of the costs of the IPO. These convertible notes will convert into 2.7 million Shares on completion of the IPO. Section 4 sets out details of the financial treatment of the convertible notes.

9.9 LOAN FACILITY TO DR CHRIS RICHARDS

The Company has entered into a loan facility agreement with Chris Richards granting a loan facility of \$1,500,000. The loan is at an interest rate equal to the National Australia Bank Corporate Term Debt Facility interest rate payable by the Company (as detailed in Section 9.5), plus 2% per annum. The loan and accrued interest is payable from the proceeds of sale of the Sale Shares.

9.10 DEEDS OF ACCESS, INDEMNITY AND INSURANCE

The Company has entered into a deed of indemnity and access with each Director under which the Company agrees to:

- a. indemnify the Directors against certain liabilities incurred while acting as a Director;
- b. insure the Directors against certain risks to which the Directors are exposed as a Director;
and
- c. grant to the Directors a right of access to certain records of the Company,

for a period of up to 7 years after the Director ceases to be a director of the Company. These deeds of access, indemnity and insurance are in a usual form for documents of this nature.

10

**ADDITIONAL
INFORMATION**

10.1 CORPORATE HISTORY

Apiam was incorporated in Queensland under the Corporations Act as a public company limited by shares on 25 March 2015.

10.2 COMPANY TAX STATUS

Apiam will be taxed in Australia as a public company.

10.3 CORPORATE GOVERNANCE

Detailed below are the corporate governance practices that the Board has considered as appropriate for the Company. These practices have been adopted having regard to the Recommendations, the size and nature of the Company and its business. Any departure from the Recommendations have been disclosed on an “if not, why not” basis.

Board Charter

The purpose of the Board Charter is to:

- a. promote high standards of corporate governance;
- b. clarify the role and responsibilities of the board; and
- c. enable the Board to provide effective guidance and management of the Company.

In particular, the Board Charter governs the Board's composition and general responsibilities, nomination and remuneration responsibilities, the role of the Chair, the respective roles and responsibilities of the Board and senior executives, the matters which are expressly reserved to the board and those that are delegated to senior management, Board meetings and delegation to Board committees.

Under the Board Charter, the Board is exclusively responsible for:

- a. providing leadership and setting the strategic direction of the Company;
- b. approval of the strategic plan and budget annually;
- c. appointment and removal of key executives, including the Chair and the Company Secretary;
- d. monitoring and assessing the management's performance against approved strategies and budgets;
- e. appointment and removal of the Managing Director and determination of the Managing Director's terms and conditions including remuneration subject to shareholder approval if required by the Corporations Act or the ASX Listing Rules;
- f. setting the criteria and evaluating each year the performance of the Managing Director;
- g. approval, on the recommendation of the Managing Director, of the appointment and remuneration of the direct reports to the Managing Director;
- h. approving and monitoring the progress of major capital expenditure;
- i. approving and monitoring the acquisition, establishment, disposal or cessation of any significant business or significant changes to organisational structures;
- j. determining the Company's dividend policy (if any) and overseeing the financing of dividend payments (if any);
- k. monitoring the integrity of the Company's accounting and corporate reporting systems, including the external audit;
- l. monitoring the Company's process for making timely and balanced disclosure of all material information concerning the Company that a reasonable person would expect to have a material effect on the price or value of its securities;
- m. ensuring that the Company has in place an appropriate risk management framework;
- n. setting the risk appetite within which the Board expects management to operate;
- o. approving the Company's remuneration framework; and
- p. monitoring the effectiveness of the Company's governance practices;
- q. monitoring and managing the performance of the Board (including individual members), senior executives and its committees;
- r. ensuring that appropriate resources are available to senior executives;
- s. approving and managing succession plans for senior executives and other key management positions that may be identified from time to time;

- t. reviewing and monitoring any related party transactions; and
- u. monitoring the Company's operations in relation to, and in compliance with, relevant regulatory and legal requirements.

The Board may delegate these responsibilities to committees as it sees fit, although the Board will retain ultimate accountability for discharging its duties.

Responsibility for day to day management and administration of the Company is delegated by the Board to the Managing Director and other senior executives. The Board has also delegated various corporate governance matters to the Company Secretary, who will be directly accountable to the Board through the Chair.

Board appointment and composition

Upon appointment, each director and senior executive will be provided with a written agreement and an induction program. Directors are entitled to request and receive all documents and information and any independent professional advice required to discharge its role.

While the Board will be appointed subject to approval by Shareholders, in putting forward nominations the Board will, among other things:

- a. assess the competencies and skills required by the Board to discharge its duties including having regard to the Board Skills Matrix;
- b. undertake appropriate checks and provide all material information to Shareholders in its possession.

The Board is to comprise a majority of independent non-executive directors.

The Board will determine on appointment and as necessary if a director is independent and free from extraneous influences that could materially interfere with judgement. To reach a conclusion about each director's status, the Board will consider the particular circumstances, attributes, interest and relationships of each director and will have regard to the criteria contained in the Recommendations as being relevant indicators of independence (or lack of it).

The Board has not appointed a nomination committee, accordingly it will remain the responsibility of the Board to monitor and make recommendations regarding:

- a. induction and development programs for the Board and senior executives;
- b. succession planning for the Board and senior executives; and
- c. assessing the performance of the Board and setting guidelines for assessments.

As at the date of this Prospectus, the Company's independent non-executive directors are Andrew Vizard, Rick Dennis, Mike van Blommestein and Charles Sitch.

Pursuant to the Company's constitution, Directors are not required to hold Shares.

Remuneration arrangements

The Board has adopted a remuneration policy to ensure that a fair and responsible process exists for setting remuneration of directors and senior executives, as well as to ensure compliance with all relevant legal and regulatory provisions.

The Board has delegated responsibility to the Remuneration Committee, which will be responsible for assisting the Board to meet its obligations under the remuneration policy and to determine the appropriate remuneration for directors and senior management by having set meetings to regularly review the Company's remuneration arrangements and policy. The Committee will comprise only of independent non-executive Directors with at least 3 members.

In general, remuneration for executive directors and senior executives are determined by the Board and may include fixed and variable pay performance elements with both a short and long term focus, such as:

- a. annual base salary, which reflects the individual's ability, performance, experience and the labour market conditions relative to the size and nature of the Company's business;
- b. performance based remuneration, including rewards, bonuses, special payments and other measures to reward outstanding contribution to the Company;
- c. equity based remuneration, including share participation via employee share schemes to align the employee with the Company's medium and short term objectives; and
- d. other benefits, such as holidays, sickness benefits, superannuation and long service benefits;
- e. termination payments in accordance with the person's contract and any legal obligations.

Non-executive directors will be remunerated subject to the aggregate cap set out in the Company's constitution and as approved by Shareholders from time to time.

Audit and Risk Management Committee

It is an important priority for the Board to identify and manage the Company's risks. To assist with these obligations, the Board has adopted an Audit and Risk Management Committee for the purposes of evaluating and managing the risks that the Company faces in protecting and creating Shareholder value. The committee will comprise only of independent Directors with at least 3 members.

The committee will assist the Board in relation to:

- a. the adequacy and integrity of financial reporting;
- b. the application of appropriate accounting policies;
- c. legal and regulatory compliance;
- d. internal control and risk management systems; and
- e. monitoring the effectiveness of audit functions.

In particular, the committee's responsibilities include:

- a. to proactively oversee the Company's financial reporting and disclosure processes and make recommendations to the Board in relation to the outputs of those processes;
- b. to assess the appropriateness of accounting policies and principles adopted by management in relation to financial reporting and make relevant recommendations to the Board;
- c. to review the Company's financial reports and make recommendations to the Board as to whether they present a true and fair view of the Company's financial position and performance;
- d. to assist the Managing Director and Chief Financial Officer in their duty under section 295A of the Corporations Act 2001 (Cth) to provide declarations about the Company's financial reports;
- e. to make recommendations to the Board regarding the appointment or removal of an external auditor, as well as in relation to the auditor's independence and performance;
- f. to make recommendations to the Board as to the scope and adequacy of the external audit;
- g. to review information received from the external auditor and bring to the Board's attention any relevant matters that may affect the quality of the Company's financial reports;
- h. to maintain a free and open communication forum between the committee, external auditors and management; and
- i. any other responsibilities as determined by the committee or the Board from time to time.

Diversity policy

The Board has adopted a diversity policy to ensure that the Company encourages a culture that recognises and values diversity. The Company is an equal opportunity employer and respects and welcomes people from all backgrounds.

Diversity includes, but is not limited to, diversity in respect of gender, age, ethnicity, disability, marital or family status, religious or cultural background, sexual orientation and gender identity.

The Company's diversity and inclusion principles are to ensure:

- a. all employees are treated fairly and with respect;
- b. the ability to contribute and access career development opportunities is based solely on merit;
- c. individual differences are embraced in the workplace;
- d. the workplace is free from discriminatory behaviours and practices;
- e. equitable frameworks and policies, practices and processes limit the potential for biases;
- f. there is awareness of the different needs and circumstances of employees; and
- g. there is provision for flexible work arrangements.

The Company is committed to gender diversity across all levels of the Company and the Board is responsible for setting measurable objectives. The Board will report on the respective proportion of men and women on the Board, in senior executive positions and across the whole organisation.

The Board will report annually on the Company's progress in meeting the above objectives and will make recommendations as to their effectiveness.

Securities trading policy

The Board has adopted a securities trading policy, under which an Directors, employees (and their associates) as well as contractors, consultants and advisors (**Restricted Persons**) are restricted in dealing with the Company's securities. The policy aims to:

- a. inform all relevant persons of insider trading and tipping of non-public, price-sensitive information;
- b. establish guidelines in relation to dealings in the Shares; and
- c. protect the Company and its reputation in the marketplace.

Restricted Persons may only trade in the Company's securities during periods which are not closed trading periods. There are closed trading periods between the end of a reporting period until one day after the Company reports in respect of that period. There is also a closed trading period from the date on which the Shares commence trading on the ASX until one day after the release of the financial report for FY16.

Restricted Persons must not, under any circumstances, deal in the Company's securities or procure another person to do so, if they are in possession of inside information regarding the Company.

Dividend Policy

Refer to Section 4 for details of the Company's dividend policy.

Shareholder communication policy

The Company is committed to regularly communicating with its Shareholders. It is also important for the Company to ensure that it complies with the law and ASX Listing Rules relating to continuous disclosure. The purpose of the policy is to set out the processes by which the Company will ensure that Shareholders are provided with appropriate information and facilities to allow them to exercise their rights effectively.

The policy includes:

- a. the manner in which the Company will communicate with Shareholders before and during its annual general meeting notices, including the distribution of its notice of meeting;
- b. that the annual report will provide Shareholders with a good understanding of the Company's activities, performance and position for the previous financial year and be made available electronically on its website, although Shareholders may also elect for a printed copy;
- c. the Company's obligations regarding continuous disclosure; and
- d. release of investor and analyst briefings where the Board deems appropriate.

The Company will make available all information electronically on its website wherever possible. This includes information on the Directors and senior executives, the Company's corporate governance documents and policies, annual reports, ASX announcements and notices of meeting.

Shareholders are able to access information relating to their shareholding via the Company's Share Registry, Boardroom Pty Limited.

10.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been adopted in the preparation of the financial information are summarised below. The selection of accounting policies required judgement and the application of policies required estimated and assumptions to be applied. Actual results may differ to those derived from the applicable of accounting policies where actual outcomes vary to assumptions and estimates made.

10.4.1 Basis for Consolidation

The financial information includes the financial performance, assets and liabilities of all subsidiaries of Apiam Animal Health. Subsidiaries are all those entities over which Apiam Animal Health has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether Apiam Animal Health controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to Apiam Animal Health (although for purposes of the pro-forma financial information the results and balance sheet have been shown assuming different dates of acquisition) – refer to the relevant description of the basis of preparation of the pro-forma financial information throughout this Section). The acquisition method of accounting is used to account for the acquisition of subsidiaries by Apiam Animal Health (refer to 10.4.4 below). The balances and effects of transactions between entities included in the financial information are eliminated.

10.4.2 Revenue

The financial information includes the financial performance, assets and liabilities of all subsidiaries of Apiam Animal Health. Subsidiaries are all those entities over which Apiam Animal Health has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether Apiam Animal Health controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to Apiam Animal Health (although for purposes of the pro-forma financial information the results and balance sheet have been shown assuming different dates of acquisition) – refer to the relevant description of the basis of preparation of the pro-forma financial information throughout this Section). The acquisition method of accounting is used to account for the acquisition of subsidiaries by Apiam Animal Health (refer to 4.17.4 below). The balances and effects of transactions between entities included in the financial information are eliminated.

10.4.3 Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

10.4.4 Business Combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired unless it is a combination involving entities or businesses under common control. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash Consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate. Subsequent to initial

recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are recognised as expenses as profit or loss when incurred.

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 carrying amount in the Pro Forma financial statements of the ultimate parent entity, Apiam Animal Health Limited. Any difference between the fair value of the consideration paid and the amounts at which the assets and liabilities are recorded is recognised directly in the Capital Re-Organisation Reserve in equity.

10.4.5 Cash and Cash Equivalents

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

10.4.6 Trade and Other Receivables

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

10.4.7 Property, plant and Equipment

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

Major depreciation rates are:

Plant & equipment	16.5%
Furniture & fittings	16.5%
Motor vehicles	12.5%

10.4.8 Goodwill

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

10.4.9 Borrowings

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

10.4.10 Employee Benefits

Wages and salaries and annual leave

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

Long service leave

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

10.4.11 Provisions

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

10.4.12 Trade and Other Payables

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

10.4.13 Leases

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

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

10.4.14 Goods and Services Tax

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

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

10.4.15 Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable asset group that generates cashflows that are largely independent from other assets and groups. Impairment losses are recognised in the income statement, unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement.

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

10.4.16 Equity

Issued Capital

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

Corporate Re-organisation Reserve

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

Minority Interest acquisition reserve

Represents the difference between the fair value of the consideration paid and the amounts at which the assets and liabilities were acquired in a business combination whereby the Group already controlled the entity acquired.

Non Controlling interest

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

10.5 LITIGATION AND CLAIMS

The Directors are not aware of any litigation of a material nature instituted, pending or threatened involving a Group Company as at the date of this Prospectus.

10.6 TAXATION IMPLICATIONS

The acquisition and disposal of Shares in the Company will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

10.7 COSTS OF THE OFFER

The costs of the Offer are expected to be approximately \$4.1 million. These costs will be borne by Apiam from the proceeds of the Offer and include ASX and ASIC fees, legal fees, accounting fees, share registry fees, stamp duties, corporate advisory fees, printing costs, fees payable to the Underwriter and Lead Manager and other miscellaneous expenses.

10.8 INTERESTS OF NAMED PERSONS

Other than as set out below or elsewhere in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus has, or has had within the two years before the lodgement of this Prospectus with ASIC:

- a. no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus has, or during the two years before the lodgement of this Prospectus with ASIC, any interest in:
 - i. the formation or promotion of the Company;
 - ii. any property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Company or the Offer; or
 - iii. the Offer; and
- b. no amount has been paid or agreed to be paid and no benefits has been given or agreed to be given to any of those persons for services rendered by them in connection with the formation or promotion of the Company or the Offer.

Grant Thornton (Sydney) has acted as the Independent Accountant and has prepared the Independent Accountant's Report which is included in Section 8 of this Prospectus. The Company estimates that it will pay Grant Thornton (Sydney) a total of \$300,000 (exclusive of GST) for these services.

Shaw and Partners Limited has acted as the Lead Manager and Underwriter and Sole Bookrunner to the Offer. Shaw and Partners Limited will be paid a management fee and a selling fee as set out in section 9.4 of this Prospectus.

GRT Lawyers Pty Ltd has acted as the Company's legal advisers in respect of the Listing. GRT Lawyers Pty Ltd has invoiced approximately \$550,000 (exclusive of GST) to date for these services and will charge its standard hourly rates for all services provided subsequent to the date of this Prospectus.

HLB Chessboard Pty Ltd has acted as the Company's corporate adviser in respect of the Listing. The Company estimates that it will pay HLB Chessboard Pty Ltd a total of \$330,000 (exclusive of GST) for these services.

10.8 CONSENTS TO BE NAMED AND DISCLAIMERS OF RESPONSIBILITY

Each of the parties listed in this Section 10.8 (each a Consenting Party), to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Each of the parties listed below have given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to the inclusion of the statements in this Prospectus that are specified below in the form and context in which the statements appear:

- Shaw and Partners has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as Lead Manager, Underwriter and Sole Bookrunner in the form and context in which it is named;
- Grant Thornton (Sydney) has given and not withdrawn its consent to the inclusion in this Prospectus of its Independent Accountants' Report in the form and context in which it is included;
- Grant Thornton (Melbourne) has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as auditor and integration adviser to Apiam in the form and context in which it is named; and
- GRT Lawyers Pty Ltd has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as Australian legal adviser to Apiam in relation to the Offer in the form and context in which it is named;
- HLB Chessboard has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as corporate adviser to Apiam in relation to the Offer in the form and context in which it is named;
- Boardroom Pty Ltd has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as the Share Registry in the form and context in which it is named. Boardroom Pty Ltd has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registry to Apiam.

10.9 CONTINUOUS DISCLOSURE OBLIGATIONS

Following admission to the official list of the ASX, the Company will be a "disclosing entity" (as defined in s. 111AC of the Corporations Act) and, as such, will be subject to regular reporting and disclosure obligations. Specifically, like all listed entities, the Company will be required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price of the value of the Company's securities.

Price sensitive information will be publicly released through ASX before it is disclosed to Shareholders and other market participants. Distribution of other information to Shareholders and market participants will be managed through disclosure to the ASX. In addition, the Company will post this information on its website after the ASX confirms an announcement has been made, with the aim of making the information readily accessible to the widest audience.

10.10 PHOTOGRAPHS AND DIAGRAMS

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by Apiam unless otherwise stated. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise indicated all data contained in charts, graphs and tables is based on information available at the date of this Prospectus.

10.11 INTERNATIONAL OFFER RESTRICTIONS

This document does not constitute an offer of Shares of the Company in any jurisdiction in which it would be unlawful. Shares may not be offered or sold in any country outside Australia except to the extent permitted below.

United States

This document may not be released or distributed in the United States. This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this document have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements under the US Securities Act and applicable US state securities laws.

Hong Kong

This document has not been, and will not be, registered as a prospectus under the Companies Ordinance (Cap. 32) of Hong Kong (**Companies Ordinance**), nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (**SFO**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to “professional investors” (as defined in the SFO).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Singapore

This document and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (**SFA**), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an “institutional investor” (as defined in the SFA) or (iii) a “relevant person” (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (FMC Act). The Shares under the Retail Offer and Institutional Offer are not being offered to the public within New Zealand. Specific Institutional Investors will be invited to apply for Shares in the Institutional offer.

Shares may not be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency; or
- subscribes, or has subscribed, for securities that have a minimum amount payable of at least NZ\$750,000.

10.12 FORWARD-LOOKING STATEMENTS

This Prospectus may contain forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', 'intends', or other similar words that involve risks and uncertainties.

Such statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and Management.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or other factors affect the information contained in this Prospectus, except where required by law.

Any forward-looking statements are subject to various risk factors that could cause actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 5 of this Prospectus.

10.13 NO OVERSEAS REGISTRATION

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia. The distribution of this Prospectus (including in electronic form) outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of the applicable securities laws. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. In particular, the Shares have not been, and will not be, registered under the US Securities Act 1933 (**US Securities Act**), and may not be offered or sold in the United States.

10.14 FURTHER INFORMATION OR ASSISTANCE

If you require assistance to complete the Application Form, require additional copies of this Prospectus, have any questions in relation to the Offer or you are uncertain as to whether obtaining Shares in Apiam is a suitable investment for you, you should seek professional advice from your stockbroker, lawyer, accountant or other professional adviser.

10.15 GOVERNING LAW

This Prospectus and the contracts that arise from the acceptance of the Applications are governed by the laws applicable in Queensland and each Applicant submits to the exclusive jurisdiction of the courts of Queensland.

10.16 DIRECTORS' RESPONSIBILITY AND CONSENTS

Each of the Directors has consented to the lodgement of this Prospectus in accordance with section 720 of the Corporations Act and has not withdrawn that consent.

Dated: 17 November 2015.



Andrew Vizard
Chairman
Apiam Animal Health Limited



11

GLOSSARY

In this Prospectus the following expressions have the meanings set out below:

Key term or condition	Explanation
\$	Australian dollars.
AASB	Australian Accounting Standards Board.
ABN	Australian Business Number.
Acquisitions	the portfolio of businesses which Apiam Animal Health has agreed to acquire (including the businesses in which Apiam Animal Health currently hold an equity interest), the details of which are summarised in Sections 2.3 (Company Overview) and 9.2 (Material Agreements).
Acquisition Agreements	the Business Sale Agreements and Share Sale Agreements entered between Apiam Animal Health and the sellers of the businesses and entities comprising the Acquisitions.
AEDT	Australian Eastern Daylight Saving Time.
Applicant	a person who submits an Application Form.
Application	an application for Shares by submitting an Application Form.
Application Form	an application form for Shares attached to or accompanying this Prospectus.
Application Monies	the Offer Price multiplied by the number of Shares applied for.
ASIC	Australian Securities & Investments Commission.
ASX	ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the case requires).
ASX Listing Rules	the official rules of the ASX.
ASX Settlement Operating Rules	the operating rules of ASX Settlement Pty Ltd ACN 008 504 532.
Banking Facilities	the banking facilities described in Section 9.5.
Board	the board of Directors of Apiam Animal Health.
Broker	any ASX participating organisation selected by the Lead Manager and Apiam Animal Health to act as Broker to the Offer.
Broker Firm Offer	Offer of Shares under this Prospectus to Australian resident retail clients of Brokers who have received a firm allocation from their Brokers.
CGT	capital gains tax.
CHESS	Clearing House Electronics Sub-register System.
Closing Date	means the date by which valid Applications must be received by the Share Registry being 5:00pm AEST 8 December 2015 or such other date and time determined by the Board.
Company, Apiam or Apiam Animal Health	Apiam Animal Health Limited ACN 604 961 024.
Completion of the Acquisitions	completion of the sale and purchase of the Acquisitions under the Acquisition Agreements.
Constitution	the constitution of Apiam Animal Health.
Corporations Act	the Corporations Act 2001 (Cth).

Key term or condition	Explanation
CRG Entities	a 100% interest in Chris Richards & Associates Pty Ltd ACN 097 133 009, Country Vet Wholesaling Pty Ltd ACN 098 037 784, Farm Gate Logistics (QLD) Pty Ltd ACN 124 253 578 and CRG Management Pty Ltd ACN 167 451 407; a 50% interest in Southern Cross Feedlot Services Pty Ltd ACN 140 451 407 a 51% interest in Westvet Wholesale Pty Ltd 150 801 997 and Pork Storks Australia Pty Ltd ACN 099 386 455; a 49% interest in Portec Veterinary Services Pty Ltd ACN 150 804 470; and a 1/3rd interest in Scottsdale Veterinary Services Pty Ltd ACN 141 033 007 and Smithton Veterinary Services Pty Ltd ACN 093 454 856.
Director	a director of Apiam Animal Health.
EBIT	earnings before interest and tax.
EBITDA	earnings before interest, tax, depreciation and amortisation.
Enterprise Value	the sum of the market capitalisation of Apiam Animal Health at the Offer Price and pro forma net debt less pro forma cash and cash equivalents.
Escrowed Securities	Shares held by the Seller and the Shares issued to the sellers of the Acquisitions to be escrowed on the terms set out in Section 9.6.
Escrowed Shareholders	the sellers of the Acquisitions and the Seller.
Exposure Period	the seven day period commencing after lodgement of the Prospectus with ASIC during which no applications may be accepted by the Company.
Group	Apiam Animal Health and its subsidiaries.
Group Company	a company within the Group.
GST	Goods and Services Tax.
IPO	initial public offer.
Independent Accountant	Grant Thornton (Sydney).
Independent Accountant's Report	the report prepared by the Independent Accountant in Section 8.
Institutional Investor	an investor to whom offers or invitations in respect of securities may be made without the need for a disclosure document, including in Australia, persons to whom offers or invitations may be made without the need for a lodged prospectus under section 708(8) of section 708(1) of the Corporations Act, provided that such a person is not located in the United States and is not a US Person or acting for the account or benefit of a US person.
Institutional Offer	the invitation to Institutional Investors under this Prospectus to acquire Shares, as described in Section 7.12 (Details of the Offer).
Interposition	has the meaning given in Section 9.2 (Material Agreements).
iVet	iVet Pty Ltd ACN 163 986 203.
Lead Manager	Shaw and Partners Limited ABN 24 003 221 583.
Listing	the admission of Apiam Animal Health to the official list of the ASX and the official quotation of its Shares.
Listing Rules	the listing rules of the ASX.
Management	the management team of Apiam Animal Health.
New Shares	23,000,000 new Shares to be issued by the Company at \$1.00 per Share, as part of the Offer.
NPAT	net profit after tax.

Key term or condition	Explanation
NPBT	net profit before tax.
Offer	the offer of Shares under this Prospectus, including the sale of the Sale Shares and offer for subscription of New Shares.
Offer Period	the period commencing on the Opening Date and ending on the Closing Date.
Offer Price	\$1.00 per Share.
Official List	the official list of the ASX.
Official Quotation	the quotation of Shares on ASX.
Opening Date	the date the Offer opens being 1 December 2015 or such other date determined by the Board.
Options	an option to acquire a Share.
Payment Share	new Shares to be issued as part of the agreed consideration under the Acquisition Agreements.
Prospectus	this document (including the electronic form of the prospectus) and any supplementary or replacement prospectus in relation to this document.
Recommendations	ASX Corporate Governance Principles and Recommendations.
Seed Agreement	the convertible note agreements entered by Apiam Animal Health, described at Section 9.8 (Material Agreements).
Sale	the offer by the Seller to sell 17 million Shares at a sale offer price of \$1.00 per Share.
Sale Shares	Shares being sold under the Sale.
Seller	Christopher Richards as trustee for the Richards Family Trust.
Share(s)	fully paid ordinary share(s) in the Company.
Share Exchange Agreement	has the meaning given in Section 9.2 (Material Agreements).
Shareholder	a holder of a Share in the Company.
Share Registry	Boardroom Pty Limited.
TFN	Tax File Number.
Underwriter	Shaw and Partners Limited ABN 24 003 221 583.
Vendors	each of the owners of the businesses that comprise the Acquisitions.

CORPORATE DIRECTORY

COMPANY REGISTERED OFFICE

Apiam Animal Health Limited

61 Bull Street
Bendigo VIC 3550
Phone: +61 3 5445 5999
Facsimile: +61 3 5445 5914

LEGAL ADVISER

GRT Lawyers

Level 2, 400 Queen Street
Brisbane, QLD, 4000
Phone: +61 7 3309 7000
Facsimile: +61 7 3309 7099

LEAD MANAGER

Shaw and Partners Limited

Level 15, 60 Castlereagh Street
Sydney NSW 2000
Phone: +61 2 9238 1238
Facsimile: +61 2 9232 1296

CORPORATE ADVISORS

HLB Chessboard

Level 15, Central Plaza Two
66 Eagle St
Brisbane QLD 4000
Phone: +61 7 3001 8800
Facsimile: +61 7 3221 0812

INDEPENDENT ACCOUNTANTS

Grant Thornton (Sydney)

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