National Veterinary Care Ltd.
ABN 17 166 200 059

Annual Report | 2016

nvc National Veterinary Care

Excellence in Vet Care

Contents

Directors	Susan Forrester Tomas Steenackers Dr Stephen Coles Wesley Coote Alison Sherry
Company secretary	Katherine Baker
Notice of annual general meeting	The Annual General Meeting will be held on Friday 21 October 2016 at 11.00am at: Bellrock Broking Level 20 344 Queen Street Brisbane QLD 4000
Registered office	Unit 1 28 Burnside Road Ormeau QLD 4208 Phone: 1300 NVC VET (1300 682 838)
Share register	Link Market Services Limited Level 15 324 Queen Street Brisbane QLD 4000 Phone: 1300 554 474
Auditor	HLB Mann Judd (SE Qld Partnership) Level 15 Central Plaza Two 66 Eagle Street Brisbane QLD 4000
Solicitors	Ramsden Lawyers Level 3 Oracle East 6 Charles Avenue Broadbeach QLD 4218
Stock exchange listing	National Veterinary Care Ltd shares are listed on the Australian Securities Exchange (ASX code: NVL)
Website	www.nvcltd.com.au
Corporate Governance Statement	The Company's directors and management are committed to conducting the Group's business in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and substantially complies with the ASX Corporate Governance Principles and Recommendations (3rd Edition) ('Recommendations') to the extent appropriate to the size and nature of the Group's operations. The Company has prepared a Corporate Governance Statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations. The Company's Corporate Governance Statement and policies can be found on its website: http://www.nvcltd.com.au/Downloads/10-Corporate-Governance-Statement.pdf

On behalf of the Board of NVL, it is with great pleasure that we present this report for the year ended 30 June 2016.

This has been a transformational year for National Veterinary Care ('NVL'): a period of significant achievement that has set the foundation for the company's ongoing growth and a promising future.

At the reporting date we had been listed for just 10 months. But in that time, thanks to the unflagging efforts and goodwill of our team of professionals across Australia, we have established in quick time a fresh business model that we are confident will drive the next phase of growth of the veterinary industry in Australia and New Zealand.

NVL listed on the Australian Securities Exchange (ASX) on 14 August 2015 and, up to 30 June 2016, has acquired 41 veterinary services businesses, becoming the second largest listed veterinary services company in the country.

In this, our first year of reporting, the company produced a $5.27 million underlying Net Profit After Tax, exceeding the pro forma prospectus forecast of $4.67 million.

Table 1: Statutory & Pro-Forma Underlying Performance

Statutory & Pro-Forma Underlying Performance	$000's	% of turnover
Statutory Revenue	44,265 [1]	
Pro forma Revenue	53,884 [1]	
Statutory EBITDA	4,083 [2]	9.22%
Pro forma EBITDA	10,058 [1,3]	18.66%
Statutory Net Profit After Tax	1,155 [1,2]	2.61%
Pro forma Net Profit After Tax	5,276 [1,4]	9.79%

[1] Assuming all acquisitions occurred on 1 July 2015
[2] Includes one off costs relating to acquisitions, integrations and Initial Public Offering
[3] Before the impact of one off costs relating to acquisitions, integrations and Initial Public Offering
[4] After profit attributable to non-controlling interests

Significant work was undertaken to integrate the initial portfolio of clinics to introduce uniform systems and to establish an NVL culture. It is never easy bringing a range of disparate operating systems together to deliver efficiencies, but thanks to the efforts of the management team and NVL staff a solid platform has been established from which the company can grow.

Operations

The NVL business model features NVL General Practice clinics, NVL Emergency Centres, NVL Cremation Services, the Centre of Excellence Training Academy, and the Management Services & Procurement Group (the Procurement Group was acquired subsequent to June 2016).

NVL settled 34 clinics out of the initial portfolio of 35 clinics as listed in the prospectus. On 18 September 2015 NVL announced the decision not to complete one of the settlements from the initial portfolio, as mutually agreed between NVL and the vendor. This clinic was forecast to contribute annualised revenue and EBIT of $2.15 million and $0.3 million respectively. The total consideration that would have been due on settlement was $1.4 million in cash and $0.3 million in NVL shares.

NVL has subsequently acquired a further 7 businesses which were a strategic and commercial fit with the NVL community.

When a clinic joins the NVL network it retains its local branding and relationship with the surrounding community, which is important for the clinic's ongoing growth. The practice benefits from access to market-leading IT systems to handle administrative tasks such as book-keeping, marketing and HR. The clinic also has access to volume-based group buying discounts, which help improve gross margins, as well as other marketing initiatives.

An example of a key marketing and revenue generating initiative is the Best for Pet wellness program that was introduced in late 2015 and has quickly grown to more than 4,000 members across the NVL network, and continues to show excellent growth. The annual membership program offers significant incentives for pet owners to undertake preventative healthcare for their animals, which in turn increases engagement with their local vet practice and improves patronage levels.

A major highlight for the year was the opening in March 2016 of the NVL Centre of Excellence Training Academy at Ormeau (30 mins from Brisbane and the Gold Coast), which will offer professional training courses to the entire veterinary industry. One of the keys to growing a successful practice is the ongoing professional development of veterinarians and vet nurses. The development of the Centre of Excellence Training Academy means vets can undertake career-long learning to build their skills and offer enhanced services to clients. The courses at the Training Academy are available to any veterinary practice, whether or not they are an NVL clinic, and will eventually become another revenue source for NVL. In the first few months since opening, the centre has hosted more than 15 professional workshops for more than 400 veterinarians and vet nurses.

The Management Services and Procurement Group grew from the successful acquisition of Complete Vet Systems (CVS) in this reporting period and the subsequent acquisition of United Vets Group (UVG) in July 2016. The Management Services and Procurement Group offers three levels of engagement to clinics.

The first level is membership of UVG, a procurement business that has been operating since 2008. UVG offers its now 293 member clinics significant savings and rebates on the purchase of medications and other consumables. Through the acquisition of UVG the NVL network has even broader scale providing superior buying power for existing NVL clinics. All members of the Management Service and Procurement Group receive preferential access to workshops offered through the Centre of Excellence Training Academy.

The second level of engagement includes CVS, which offers specialised whole-of-clinic business consulting services, combining technology, business processes and training to provide benchmarking and practice performance reviews.

The third level of engagement has NVL managing the clinic, through complete system integration and access to all of NVL's market-leading systems.

Growth Strategy

NVL has a three-tiered approach to growth: organic, acquisition, and development of the Management Services and Procurement Group.

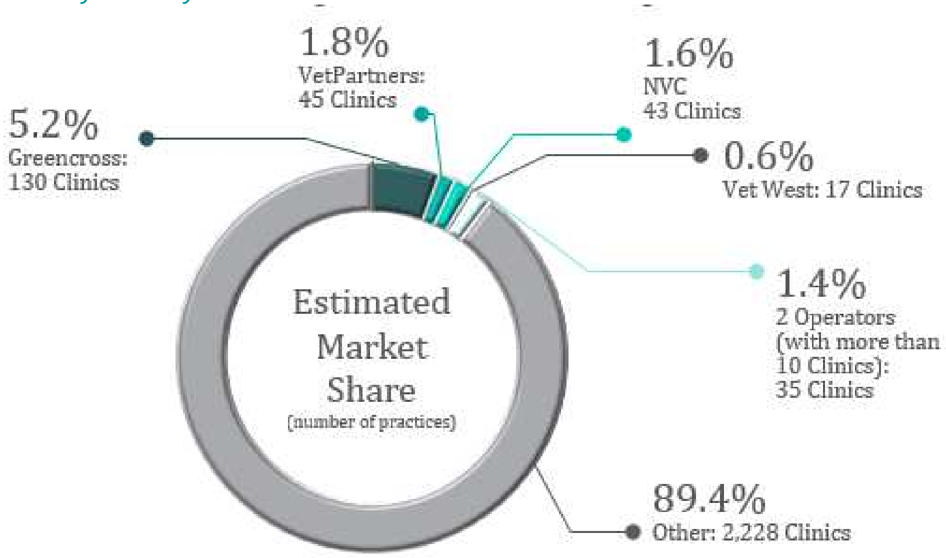
Organic

Organic growth from existing clinics will be driven by benchmarking and rolling-out best practices across the group. The revenue potential from the Best for Pet program is already being realised, with considerable scope for growth as the program is offered through more clinics. Also, more complex and higher-yielding care options will become available through more practices as vets acquire greater skills through the ongoing training programs offered by the Centre of Excellence Training Academy.

Acquisition

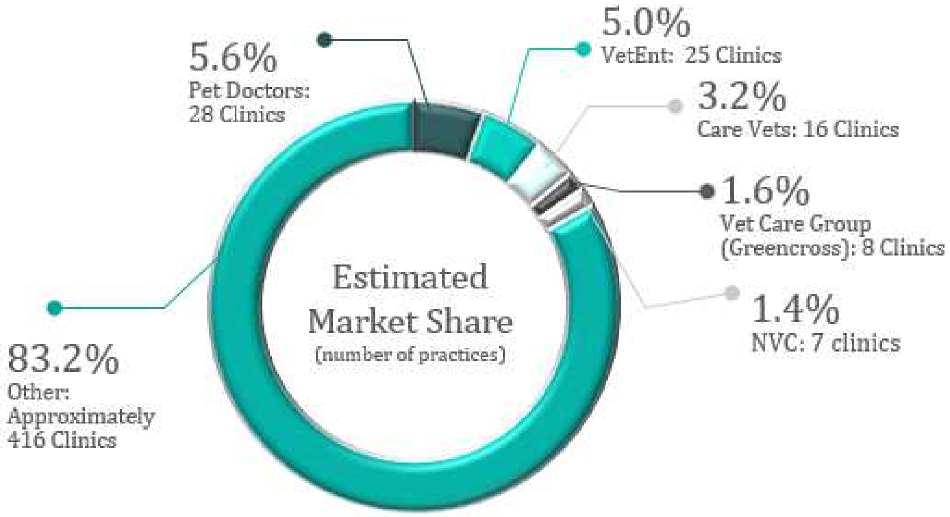
The fragmented nature of the Australian and New Zealand veterinary industry means there is still considerable opportunity for consolidation. NVL will continue to target acquisitions in attractive geographic clusters to build on the existing network of clinics.

Veterinary Industry – Australia



Source: NVL Management Estimates, The Australian Veterinary Association (Australian veterinary workforce survey 2013 – May 2014)

Veterinary Industry – New Zealand



Source: NVL Management Estimates, The Australian Veterinary Association (Australian veterinary workforce survey 2013 – May 2014)

Management Services and Procurement Group
There is also significant scope to grow the Management Services and Procurement Group by leveraging NVL's growing buying power, the offerings from the Centre of Excellence Training Academy, the NVL administrative systems and management support to both Australia and New Zealand's 1,500 smaller independent clinics.

NVL is committed to becoming the leading provider of veterinary services to companion animals in Australia and New Zealand. Through a dedication to professionally developing its staff, to building a community of like-minded clinics and to leading the market in systems and technology, NVL is well positioned to continue its successful entry to the local marketplace.

We would like to thank the pet owners of Australia, who entrust the care and health of their beloved animals to our professional staff, for their ongoing support and their loyalty. We are indebted to the dedicated people who work in our clinics and every day strive to deliver the best possible service to our clients. Finally, our thanks to our Board of Directors and Company Secretary, for their passion for this new business and significant commitment of their time.

It has been a year of hard work, disciplined commitment to our growth strategy and considerable success. We look forward to even better years ahead.

Susan Forrester
Chair

Tomas Steenackers
Chief Executive Officer

29 August 2016
Brisbane

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of National Veterinary Care Ltd (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2016.

Directors

The following persons were directors of National Veterinary Care Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

Susan Forrester	
Tomas Steenackers	
Dr Stephen Coles	
Wesley Coote	
Alison Sherry	Appointed on 28 August 2015

Principal activities

During the financial year the principal continuing activities consisted of the provision of veterinary services throughout Australia.

Dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2016 $'000	2015 $'000
Dividends paid to non-controlling interests in the underlying entities during the year ended 30 June 2016	248	-

No dividends were declared by the Company for the year ended 30 June 2016 or up to the date of signing.

Dividends totalling $248,000 were paid to non-controlling interests in respect to their interests in their underlying entities during the year ended 30 June 2016. There are further dividends of $135,000 declared and paid subsequent to 30 June 2016 for non-controlling interests.

Review of operations

The profit for the Group after providing for income tax and non-controlling interest amounted to $1,155,000 (30 June 2015: loss of $856,000).

2016 Result highlights

The directors are pleased to report the following results for FY2016 in the first year of trading for the Group.

To assist readers in interpreting the underlying performance of the Group we present a set of underlying accounts as well as statutory accounts in this report which are stated before one-off acquisition, integration and restructuring costs. The underlying accounts are provided on an unaudited basis. A reconciliation between underlying and statutory reported numbers is provided below:

Table 1: Underlying Pro-Forma Performance

	Year to 30 June 2016 [1,2] $'000	Prospectus dated 9 July 2015 $'000	Change $'000	Change %
Revenue from continuing operations	**53,884**	**53,174**	**710**	**1.33%**
Direct expenses of providing services	(13,374)	(13,313)	(61)	0.46%
Gross Margin	40,509	39,861	648	1.63%
Gross Margin (%)	75.18%	74.96%	0.22%	-
Operating expenses	(30,451)	(30,249)	(202)	0.67%
EBITDA [3]	**10,058**	**9,612**	**446**	**4.63%**
EBITDA Margin (%)	**18.67%**	**18.08%**	**0.59%**	
Depreciation	(655)	(576)	(79)	13.71%
Profit before finance costs and income tax expense	**9,403**	**9,036**	**366**	**4.05%**
Net finance expense	(1,000)	(1,273)	273	(21.43%)
Profit before income tax expense	**8,403**	**7,763**	**640**	**8.24%**
Income tax expense	(2,521)	(2,329)	(192)	8.24%
Profit after income tax expense	**5,882**	**5,435**	**447**	**8.22%**
Non-controlling interest	606	767	(161)	(20.96%)
Net profit after income tax expense attributable to the owners of NVL	**5,276**	**4,668**	**608**	**13.02%**
Earnings per share	0.103	0.092	0.011	11.95%

1 After excluding the impact of acquisition, integration and restructuring costs
2 Pro forma basis as if the acquisitions were completed on 1 July 2015 not throughout the financial year
3 Non-IFRS Information: EBITDA - Earnings before interest, tax, depreciation and amortisation

Financial Overview – Underlying Pro-Forma Performance

Revenue
The change in the Group revenue compared with the pro forma prospectus forecast was primarily driven by the acquisitions made throughout the financial year. The Group only settled 34 out of the initial portfolio of 35 clinics as listed in the prospectus. On 18 September 2015 NVL announced the decision not to complete one of the settlements from the initial portfolio, as mutually agreed between NVL and the vendor. This clinic was forecast to contribute annualised revenue of $2.15 million.

Furthermore there has been some disruption in the process of consolidating the initial portfolio of clinics, integrating new software systems and new policies and procedures in the first year of trading.

The Group acquired an additional 7 veterinary services businesses outside the initial portfolio as listed in the prospectus settling between October and June 2016.

During the year NVL launched the Best for Pet wellness program on 1 November 2015. At 30 June 2016 this program had over 4,000 members. This program is a key organic growth initiative.

Gross margin and gross margin %
The Groups gross margin of 75.18% was higher than expected in the prospectus. The margin improved mainly through leveraging buying terms across the Group. The introduction of United Vets Group ("UVG") into the consolidated Group in July 2016 is expected to enhance negotiations with suppliers to further reduce direct and other expenses, from buying and scale benefits.

EBITDA & EBITDA Margin %
The Groups EBITDA of $10.05 million in FY2016 outperformed expectation in the prospectus, as well as EBITDA margins increasing from 18.08% to 18.67%

This increase in EBIDTA margin is largely due to the increased gross margin from leveraging buying terms across the Group.

The current support office structure of the Group has been scaled up to provide a platform for the Group to realise its three-tiered approach to growth during the first 10 months of trading. This scaling up of support office had some impacts on the EBIDTA margins in the reporting period.

Depreciation
Depreciation expense increased by $0.079 million over expectation in the prospectus. This increase is due to the acquisitions not included in the prospectus and also the depreciation attributable to the fitout of the Centre of Excellence Training Academy that was initially forecast to open in FY17.

Cash flow highlights
In FY2016 the pro forma underlying business generated $12.839 million (128% EBITDA conversion) of ungeared pre-tax cash flow.

Total used in investing activities was $52.35 million, invested to acquire the veterinary services businesses.

Based on the NVL cash flow conversion rate, and the Groups current debt facility with the Australian and New Zealand Banking Corporation (ANZ), the Group is positioned to execute its acquisition strategy.

Table 2: Underlying Pro-Forma Cash Flows

FY2016	Statutory Cash Flow $'000	Non-repeating Cash Flows $'000	Underlying Pro-Forma Cash Flow [1,2] $'000
EBITDA[3]	**4,083**	**5,973**	**10,057**
Net cash flow from operating activities	9,568	3,511[4]	13,049[4]
Ungeared, pre-tax operating cash flows	-	-	-
Net interest and finance costs paid	(1,042)	-	(1,042)
Income taxes paid	(243)	(1,526)	1,283
Net cash from operating activities	**10,853**	**5,037**	**12,839**
Conversion	**266%**		**128%**

1 After excluding the impact of acquisition, integration and restructuring costs
2 Pro forma basis as if the acquisitions were completed on 1 July 2015 not throughout the financial year
3 Non-IFRS Information: EBITDA - Earnings before interest, tax, depreciation and amortisation
4 Net cash flows relating to operating activities of $5.97m reduced by $2.46m shown in investing activities for acquisition costs.

Financial Overview – Statutory Performance
In FY2016 the Group underwent a capital raising, subsequent listing on the ASX, settled 34 clinics out of the initial portfolio of 35 clinics as listed in the prospectus, and completed a further 7 acquisitions prior to 30 June 2016. Those significant milestones should be considered when interpreting the statutory figures.

Table 3: Statutory Performance

	Year to 30 June 2016 $'000	Prospectus dated 9 July 2015 $'000	Change $'000	Change %
Revenue from continuing operations	**44,265**	**44,142**	**123**	**0.28%**
Direct expenses of providing services	(10,746)	(11,051)	305	(2.76%)
Gross Margin	33,519	33,091	428	1.29%
Gross Margin (%)	75.72%	74.96%	0.76%	
Acquisition, integration and restructuring expenses	(3,601)	(2,229)	(1,372)	61.53%
Operating expenses	(25,835)	(25,257)	(578)	2.29%
EBITDA	**4,083**	**5,605**	**(1,522)**	**(27.15%)**
EBITDA Margin (%)	**9.23%**	**12.70%**	**(3.49%)**	
Depreciation	(570)	(478)	(92)	19.24%
Profit before finance costs and income tax expense	**3,513**	**5,127**	**(1,614)**	**(31.48%)**
Net finance expense	(833)	(1,173)	340	(29.02%)
Profit before income tax expense	**2,680**	**3,954**	**(1,274)**	**(32.23%)**
Income tax expense	(995)	(1,615)	620	(38.38%)
Profit after income tax expense	**1,685**	**2,338**	**(653)**	**(27.95%)**
Non-controlling interest	**(530)**	**(636)**	**(106)**	**(16.70%)**
Net profit after income tax expense attributable to the owners of NVL	**1,155**	**1,702**	**(547)**	**(32.15%)**
Earnings per share	0.025	0.034	(0.009)	(26.47%)

Financial Statutory Overview

Revenue
On a statutory basis revenue were up by 0.28% or $0.12 million in relation to the prospectus. This change in the Group revenue compared with the statutory prospectus forecast was primarily driven by the acquisitions made throughout the financial year. The initial portfolio of clinics was forecast in the prospectus to be settled on 1 September 2015 however the 34 clinics that were settled from the initial portfolio were settled in a staged approach between 15 August 2015 and 30 September 2015.

There has been some disruption in the process of consolidating the initial portfolio of clinics, integrating new software systems and new policies and procedures in the first year of trading.

The Group acquired an additional 7 veterinary services businesses outside the initial portfolio as listed in the prospectus settling between October and June 2016.

During the year NVL launched the Best for Pet wellness program on 1 November 2015. At 30 June 2016 this program had over 4,000 members. This program is a key organic growth initiative. As this was the first year that the wellness program was implemented there was an adjustment of $0.51 million for revenue received in advance from Best for Pet members for their full year membership that will be attributed to revenue over the period of membership.

Gross margin and gross margin %
The Groups gross margin of 75.72% was higher than expected in the prospectus. The margin improved mainly through leveraging buying terms across the Group. The introduction of United Vets Group (”UVG”) into the consolidated Group in July 2016 is expected to enhance negotiations with suppliers to further reduce direct and other expenses, from buying and scale benefits.

EBITDA & EBITDA margin %
EBITDA was below prospectus by $1.52 million as a result of increased costs of acquisitions of new clinics and additional integration support and restructuring costs. The additional costs spent investing in integration and restructuring in the first year of trading were important to establish a solid platform to allow the group to execute its three-tiered growth strategy; organic growth, acquisition growth and Management Services and Procurement Group.

Depreciation
Depreciation expense increased by $0.09 million over expectation in the prospectus. This increase is due to the acquisitions not included in the prospectus and also the depreciation attributable to the fitout of the Centre of Excellence Training Academy that was initially forecast to open in FY17.

Profit After Tax
Reported net profit after tax attributed to the owners of NVL was below prospectus expectations by $0.55 million as a result of the increased acquisition, integration and restructuring costs.

Acquisition, integration and restructuring expenses
During FY2016 the Group completed one capital raising via an IPO and acquisition of the initial portfolio and an additional 7 veterinary services businesses.

Acquisition and IPO costs comprise advisory and other professional fees plus stamp duty and irrecoverable GST associated with the transactions ($2.462 million). Integration and restructuring costs comprise the costs of combining and harmonising the businesses, including labour integration costs ($0.58 million), recruitment costs for external agencies to accelerate the talent acquisition for the newly established support office ($0.21 million), and provision of an integrations team including IT support and acquisitions team for settlement and roll out of initiatives ($0.34 million).

In order to assist readers of the financial statements the Group has presented an underlying profit and loss statement after removing the impact of acquisition costs, IPO costs, integration, restructuring and other one-off costs from each type.

Table 4: Reconciliation of Statutory Performance to Pro-Forma Underlying Performance

	Revenue $'000	**EBITDA**[3] $'000	NPAT attributable to shareholders $'000
Statutory Performance	44,265	4,083	1,155
Less: Acquisition and IPO related costs	-	2,462	2,462
Redundancy and labour costs including external recruitment	-	794	794
One-off integration costs	-	345	345
Effective tax rate	-	-	(732)
Performance attributable to NVL period before completion [2]	9,619	2,374	1,253
Pro-Forma Underlying Performance [1,2]	**53,884**	**10,058**	**5,276**

1 After excluding the impact of acquisition, integration and restructuring costs
2 Pro forma basis as if the acquisitions were completed on 1 July 2015 not throughout the financial year
3 Non-IFRS Information: EBITDA - Earnings before interest, tax, depreciation and amortisation

Table 5: Statutory Cash Flows

	Year to 30 June 2016 $'000	Prospectus dated 9 July 2015 $'000	Change $'000	Change %
EBITDA	**4,083**	**5,605**	**(1,522)**	**(27.15%)**
Ungeared, pre-tax operating cash flows	**10,853**	**8,641**	**2,212**	**25.60%**
Net finance and finance costs paid	(1,042)	(1,173)	131	(11.14%)
Income taxes paid	(243)	-	(243)	
Net cash from operating activities	**9,568**	**7,468**	**2,100**	**28.12%**
Payment for purchase of business, net of cash acquired	(48,455)	(44,499)	(3,956)	8.89%
Payment for expenses relating to acquisitions	(2,462)	-	(2,462)	
Net payments for property, plant and equipment	(1,436)	(552)	(884)	160.14%
Net cash used in investing activities	**(52,353)**	**(45,051)**	**(7,302)**	**16.21%**
Net proceeds from issue of shares, net of costs	28,702	26,406	2,296	8.64%
Net proceeds from borrowings	18,572	19,636	(1,064)	(5.42%)
Related party loans	(132)	-	(132)	
Dividends paid	(248)	-	(248)	
Net cash used in financing activities	**46,894**	**46,042**	**852**	**1.85%**
Net increase/(decrease) in cash and cash equivalents	**4,109**	**8,459**	**(4,350)**	**(51.42%)**

The net cash flows from operating activities are above prospectus due to the additional clinics and the one-off increase in trade creditors in the first year of trading. As this was the first year that the wellness program was implemented there was also an adjustment of $0.51 million for revenue received in advance from Best for Pet members for their full year membership that will be attributed to revenue over the period of membership.

The increase in the payment for purchases of businesses and payments for intangibles are due to the additional clinics purchased in the period and associated acquisition costs.

The increase in payments for property, plant and equipment include the initial investment into the Centre of Excellence Training Academy located in Brisbane, the initial one-off investment in software for the Group to set up the platform to be used moving forward and the purchase of equipment in clinics to ensure the standards of care are in line with the Group's clinical standards.

The proceeds of borrowings were less than expected in the prospectus due to the timing of settlements and the ability to settle clinics from the initial portfolio with free cash rather than debt.

Capital Management

The Group has drawn down $19.19 million in borrowings including draw down bank guarantees out of the total senior facilities with ANZ of $29.7 million with EBITDA leverage at 2.48x.[1]

The undrawn amount of $10.558 million on the Australian senior debt facilities, combined with future operating cash flows is forecast to provide adequate capacity to fund near term growth opportunities.

[1]. Bank basis for calculations include Debt/EBITDA where debt is calculated as drawn bank loans and drawn bank guarantees and EBITDA is calculated using pro forma 12 month contribution from acquisitions made during the year.

Group Strategy

The Group has a three-tiered growth strategy, each with attractive returns and unrealised strategic benefits as the Group strives to increase its market share.

(i) Organic growth of veterinary services

- Expansion of the wellness program – Best for Pet
- Benchmarking of clinical standards across practices via the practice management system (leading to the identification of training opportunities to optimise product/service offer)
- Better pet care, leading to increased revenue streams through the upskilling of veterinary professionals through the Centre of Excellence Training Academy
- In-house provision of more complex services to reduce external referrals outside of NVL
- Further utilisation of scale benefits through leveraging the groups scale with suppliers through the Management Services and Procurement Group

(ii) Growth by acquisition

Significant opportunity for further industry consolidation in the veterinary services sector due to:
- the fragmented nature of the industry in Australia and New Zealand
- the changing characteristics of the veterinary workforce

(iii) Growth of Management Services and Procurement Group

Significant opportunity to grow the management services and procurement business unit by leveraging:
- NVL Centre of Excellence Training Academy
- NVL systems, policies and procedures
- Providing support to smaller independent clinics (approx. 1,500 clinics in Australia)

Material business risks

The key risks that the Group faces that have the potential to have a material impact on the performance of the Group, and how they are managed are detailed below. The Group is committed to managing the potential risks it faces in a continuous and proactive manner.

Veterinary services expenditure

If general economic conditions deteriorate, client expenditure on their pets may reduce. This may have a material impact on the Groups revenue and profitability.

In addition, a decline in the level of pet ownership in Australia may reduce the addressable market and have an adverse effect on NVL's future financial performance.

NVL intends to mitigate this risk through the three-tiered approach to growth: organic, acquisition, and development of the Management Services and Procurement Group.

Industry competition
The Group operates in a competitive environment. In order to be able to compete effectively, the Group must meet each of these competitive challenges from existing market participants and respond effectively to any changes in the competitive environment. Challenges could arise from a reduction in competitor pricing for services, entry of new clinics and close proximity to the Groups clinics and competition for veterinarians.

NVL intends to mitigate this risk through its's growth strategy. The fragmented nature of the Australian and New Zealand veterinary industry means there is still considerable opportunity for consolidation.

There is also significant scope to grow the Management Services and Procurement Group should there become increased competition in by leveraging NVL's growing buying power, the offerings from the Centre of Excellence, the NVL administrative systems and management support to both Australia and New Zealand's 1,500 smaller independent clinics.

Retention of key management personnel and shortages of skilled personnel
The loss of key management personnel and/or skilled team members in an unplanned or unexpected manner could have a negative impact on the ability of the Group to deliver on its growth plans with subsequent impact on financial results. Market attractive packages including incentive plans are offered to key personnel to encourage retention and attract new talent.

Acquisition Integration Risk
The Group intends to continue to pursue growth by acquisition as part of the business strategy. Central to this aspect of the business model is the acquisition integration risk of financial loss due to the benefits the company planned for, and/or expected from the acquisition will not be delivered post acquisition. The Group has established an integrations team and a detailed checklist, extensive due diligence and the use of vendor deferred payments all to assist the Group to mitigate this risk.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial year other than those addressed in the Director's Report.

Matters subsequent to the end of the financial year

Acquisition of UVG Holdings Pty Ltd and associated entities trading as United Veterinary Group ('UVG')
On 8 July 2016 National Veterinary Care Limited acquired 100% of the shares in UVG Holdings Pty Ltd and associated entities trading as United Veterinary Group ('UVG'), a leading veterinary procurement company. Total consideration for the acquisition was $5,930,000 including $5,043,000 in cash consideration, $593,000 in NVL shares, issued on 8 July 2016, and $297,000 in deferred cash consideration.

Both the NVL shares issued and the deferred cash consideration are subject to claw back provisions. The acquisition builds on the Company's management services revenue and provides exposure to a growth sector within the veterinary procurement industry.

The financial effects of this transaction have not been brought into account at 30 June 2016.

Ponsonby and Herne Bay Veterinary Clinics
On 15 August 2016, NVL acquired Ponsonby Veterinary Clinic and Herne Bay Clinic located within Auckland, New Zealand. The acquisition of these 2 clinics builds on NVL's already existing clinics within Australia and introduces NVL into New Zealand.

Total consideration for the acquisition was NZ$2,300,000 including NZ$1,840,000 in cash consideration and NZ$460,000 in deferred cash consideration. The deferred cash consideration is subject to claw back provisions.

The financial effects of this transaction have not been brought into account at 30 June 2016. The operating results and assets and liabilities of the clinics will not be consolidated until 15th August 2016. At the date this annual report was authorised for issue the fair value of the assets and liabilities acquired as part of the business combination was incomplete. Therefore, the value of goodwill and the fair value of the assets and liabilities acquired has not been disclosed.

No other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

In FY2017, the Group will continue its focus on the three-tiered growth strategies – organic growth of veterinary services, growth by acquisition and growth of the Management Services and Procurement Group. The Group has started the year in line with these expectations and has announced the acquisition of 7 veterinary clinics in New Zealand and 1 veterinary clinic in Australia due to be settled on or before 31 October 2016, subject to final due diligence, board approval and lease assignments. This expansion into New Zealand takes NVL's addressable market, within both Australia and New Zealand from $2.4 billion to over $3 billion. The acquisition pipeline looks healthy for future years beyond FY17 despite increased competition in the market.

Patient fees and revenue growth are expected to accrue from the wellness program and the Centre of Excellence Training Academy is expected to enhance standards of care to drive loyalty amongst the large client base across the network. Improved profitability will be complimented by management drive to realise the benefits from increasing scale, streamlining operations and enhancing the client experience within the clinics. The increase in scale is also complemented with the addition of the United Veterinary Group which will enable NVL to have influence over a larger portion of the veterinary services market and to benefit from the relationships formed through the management services businesses. The Group intends to continue to benefit from our strong operating cash flow conversion, with an expectation that future growth can be funded through debt and free cash.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name:	Susan Forrester
Title:	Independent Non-Executive Director
Qualifications:	BA, LLB (Hons), EMBA, FAICD
Experience and expertise:	Susan was appointed as a Non-Executive Director in October 2015. Susan is an accomplished company director, with significant experience as a non-executive director across a range of listed and unlisted company boards, spanning the legal services, professional services, healthcare and childcare sectors. In particular, she has chaired, or been a member of, various audit, risk management and remuneration committees. In addition to her position of chair for National Veterinary Care, she is a non-executive director for G8 Education Limited (ASX: GEM), Xenith IP Ltd(ASX:XIP) Over the Wire Ltd (ASX: OTW), South Bank Corporation and Uniting Care Qld. She serves on the Audit Committee of Transport and Main Roads Qld. She has previously held directorships for Propell National Valuers Pty Ltd, Shine Corporate Ltd (ASX: SHJ), Children's Health Foundation of Queensland, Trustee Gold Coast Parklands, Ergon Energy Corporation, Brisbane Festival Limited and Queensland Professional Credit Union Limited. In her earlier career, Susan garnered a wide range of executive experience, having held various roles for Allens Linklaters, Queensland Treasury Corporation, Arkhefield Architects and Chandler McLeod
Other current directorships:	Non-executive director for G8 Education Limited (ASX: GEM), Xenith IP Ltd (ASX:XIP), Over the Wire Ltd (ASX: OTW)
Former directorships (last 3 years):	Shine Corporate Ltd (ASX: SHJ
Special responsibilities:	Member of the Remuneration and Nomination Committee, and Audit, Compliance and Risk Management Committee
Interests in shares:	600,000 ordinary shares (held indirectly)
Interests in options:	None

Name:	Tomas Steenackers
Title:	Managing Director and Chief Executive Officer
Qualifications:	B.Bus, MBA
Experience and expertise:	Tomas has a breadth of experience in pharmaceutical, retail and pathology sectors, having worked for international and multinational organisations over the past fifteen years. This included senior management roles with Mayne Pharma, Hospira, Covidien and Terry White Management. Tomas was previously the General Manager of Specialty, Emergency and Pathology at Greencross Ltd, responsible for managing all business-to-business units. His key responsibilities included: logistics, production, operations, strategic planning, change management, distribution, customer service, mergers and acquisitions.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	1,000,000 ordinary shares
Interests in options:	None

Name:	Dr Stephen Coles
Title:	Independent Non-Executive Director
Qualifications:	BVSc, MACVSc, DipAVDC
Experience and expertise:	With almost 40 years' experience in the veterinary sector, Stephen is highly respected in the industry as a General Practitioner and Specialist. He is a Senior Fellow of the University of Melbourne and a Scientific Associate of the Zoological Board of Victoria. He is a Life Member of the Australian Veterinary Dental Society and a Member of the Regional Recovery Group Southern Brown Bandicoots Western Biosphere Reserve. His past roles include co-founder and director of Animal Hospitals of Australia, director at Melbourne Veterinary Specialist Centre and Preceptor University of Alabama.
Other current directorships:	None
Former directorships (last 3 years):	Executive Director and Operations and Acquisitions Manager Specialty and Emergency at Greencross Ltd (ASX: GXL)
Special responsibilities:	Member of the Clinical Governance Committee, Audit, Compliance and Risk Management Committee and Remuneration and Nomination Committee
Interests in shares:	795,808 ordinary shares (held indirectly)
Interests in options:	None

Name:	Wesley Coote
Title:	Independent Non-Executive Director
Qualifications:	B.Com, CA, ACIS
Experience and expertise:	Wesley is the Chief Financial Officer ('CFO') of an unlisted company consolidating the allied health sector. He is the former CFO and Company Secretary of Greencross Ltd. Wesley played an integral role in growing the company from a market capitalisation of circa $30 million to over $750 million. Prior to this, Wesley worked as a chartered accountant, providing business advice in the health sector, property sector and financial services industry.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair of Audit, Compliance and Risk Management Committee, member of Remuneration and Nomination Committee
Interests in shares:	700,000 ordinary shares (100,000 held indirectly)
Interests in options:	None

Name:	Alison Sherry
Title:	Independent Non-Executive Director (appointed on 28 August 2015)
Qualifications:	BHSc, MBA, FAHRI, MAICD
Experience and expertise:	Alison's well respected skills in the field of organisational consulting and human resource management, acquired over a period of 25 years, has enabled her to competently perform principal roles in strategic overview activities and business reviews with private partnership and publicly listed companies (ASX & FTSE) as well as in the public sector. Alison holds an MBA from the University of Queensland, is a Fellow of the Australian Human Resources Institute (FAHRI) and a Member of the Australian Institute of Company Directors. Alison is currently an Executive team member at Ranbury where she is the General Manager of People Operations.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Remuneration and Nomination Committee, Member of the Audit, Compliance and Risk Management Committee
Interests in shares:	50,000 ordinary shares
Interests in options:	None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Katherine Baker (BBus CA) is Chief Financial Officer and Company Secretary. Katherine is an experienced Chartered Accountant and has provided tax advice and business solutions to SMEs. Prior to joining the Company, Katherine acted as the Financial Controller of Greencross Ltd for five years. During her time at the company, Katherine was responsible for all facets of financial strategy, planning, management and accounting. Katherine played an integral role in growing the company and setting up the financial infrastructure to support the growth from 50 business units to 117 veterinary business units. She holds a Bachelor of Commerce from Queensland University of Technology and is a member of the Institute of Chartered Accountants.

Meetings of directors

The number of meetings of the Company's Board of directors ('the Board') and of each Board committee held during the year ended 30 June 2016, and the number of meetings attended by each director were:

	Full Board		Audit, Compliance and Risk Management Committee	
	Attended	Held	Attended	Held
Susan Forrester	11	11	2	4
Tomas Steenackers	11	11	4	4
Dr Stephen Coles	11	11	4	4
Wesley Coote	11	11	4	4
Alison Sherry	9	11	3	4

	Remuneration and Nomination Committee		Clinical Governance Committee	
	Attended	Held	Attended	Held
Susan Forrester	3	3	-	-
Tomas Steenackers	3	3	-	-
Dr Stephen Coles	1	3	3	3
Wesley Coote	2	3	-	-
Alison Sherry	3	3	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Remuneration and Nomination Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Remuneration and Nomination Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The reward framework is designed to align executive incentives to shareholders' interests. The Board has considered that it should seek to enhance shareholders' interests by:
- having economic profit as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the incentive framework should seek to enhance executives' interests by:
- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors' remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Remuneration and Nomination Committee. The Remuneration and Nomination Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairperson's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairperson is not present at any discussions relating to the determination of their own remuneration. Non-executive directors do not receive share options or other incentives as remuneration.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. Shareholders' approval of a maximum annual aggregate remuneration will be sought at the next Annual General meeting.

Executive remuneration
The Group aims to incentivise executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and incentive framework has four components:
- base pay and non-monetary benefits;
- short-term performance incentives;
- share-based payments; and
- other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Remuneration and Nomination Committee based on individual and business unit performance, the overall performance of the Group and comparable market remuneration.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management.

The long-term incentives ('LTI') include long service leave and share-based payments. Shares are awarded to executives over a period of five years based on long-term incentive measures. These include increase in shareholders' value relative to the entire market and the increase compared to the Group's direct competitors. The Remuneration and Nomination Committee reviewed the long-term equity-linked performance incentives specifically for executives during the year ended 30 June 2016.

The Remuneration and Nomination Committee is of the opinion that the continued improved results can be attributed in part to the adoption of performance based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

Use of remuneration consultants
During the financial year ended 30 June 2016, the Group did not engage remuneration consultants to review its existing remuneration policies and provide recommendations on how to improve both the STI and LTI programs.

Voting and comments made at the Company's 2015 Annual General Meeting ('AGM')
The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration
Details of the remuneration of key management personnel of the Group are set out in the following tables.

The key management personnel of the Group consisted of the following directors of National Veterinary Care Ltd:
- Susan Forrester - Independent Non-Executive Chairperson
- Tomas Steenackers - Managing Director and Chief Executive Officer
- Dr Stephen Coles - Independent Non-Executive Director
- Wesley Coote - Independent Non-Executive Director
- Alison Sherry - Independent Non-Executive Director (appointed on 28 August 2015)

And the following persons:
- Katherine Baker - Chief Financial Officer and Company Secretary
- Robert Skoda - Operations Manager (resigned on 1 May 2016)
- Darryl Cox - Operations Manager (resigned on 19 February 2016)

2016	Short-term benefits: Cash salary and fees $	Short-term benefits: Cash bonus $	Short-term benefits: Termination $	Post-employment benefits: Super-annuation $	Long-term benefits: Long service leave $	Share-based payments: Equity-settled Shares $	Share-based payments: Equity-settled Options / Rights $	Total $
Non-Executive Directors:								
S Forrester	80,000	-	-	-	-	-	-	80,000
Dr S Coles	40,000	-	-	-	-	-	-	40,000
W Coote	45,000	-	-	-	-	-	-	45,000
A Sherry*	34,000	-	-	3,000	-	-	-	37,000
Executive Directors:								
T Steenackers	225,001	45,000	-	25,650	5,772	-	-	301,423
Other Key Management Personnel:								
K Baker	154,999	10,000	-	14,579	4,147	-	-	183,725
R Skoda	120,774	10,000	3,224	11,638	-	-	-	145,636
D Cox	103,695	-	6,552	9,851	-	-	-	120,098
	803,469	65,000	9,776	64,718	9,919	-	-	952,882

* Remuneration disclosed is from 28 August 2015, date of appointment as a key management personnel, to 30 June 2016

Relationship between Remuneration and Performance	2016
Profit attributable to owners of the Company	$1,155,000
Underlying profit attributable to owners of the Company	$5,276,000
Dividends paid or provided for	-
Underlying revenue from continuing operations	$53,884,000
KMP remuneration	$952,882
Total KMP remuneration as percentage of underlying profit for the year	18%

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		
						Equity-settled	Equity-settled	
2015	Cash salary and fees $	Cash bonus $	Termination $	Super-annuation $	Long service leave $	Shares $	Options / Rights $	Total $
Non-Executive Directors:								
S Forrester*	38,667	-	-	-	-	-	-	38,667
Dr S Coles*	16,667	-	-	-	-	-	-	16,667
W Coote*	16,667	-	-	-	-	70,000	-	86,667
Executive Directors:								
T Steenackers*	124,038	-	-	11,784	-	85,000	-	220,822
G Gaudet**	131,119	-	-	-	-	120,681	-	251,800
Other Key Management Personnel:								
K Baker*	72,500	-	-	6,888	-	-	-	79,388
R Skoda*	60,000	-	-	5,700	-	-	-	65,700
	459,658	-	-	24,372	-	275,681	-	759,711

* Remuneration disclosed is from date of appointment as a member of the key management personnel to 30 June 2015
** Remuneration disclosed is from 1 July 2014 to date of resignation as a member of the key management personnel

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2016	2015	2016	2015	2016	2015
Non-Executive Directors:						
S Forrester	100%	100%	-	-	-	-
Dr S Coles	100%	100%	-	-	-	-
W Coote	100%	19%	-	81%	-	-
A Sherry	100%	-	-	-	-	-
Executive Directors:						
T Steenackers	85%	62%	15%	38%	-	-
G Gaudet	-	48%	-	52%	-	-
Other Key Management Personnel:						
K Baker	95%	100%	5%	-	-	-
R Skoda	93%	100%	7%	-	-	-
D Cox	100%	-	-	-	-	-

Service agreements
Key Contractual Provisions for 2016 KMP Executives:

Name:	Tomas Steenackers
Contract Duration:	Fixed term
Details:	Termination notice period for Company - 6 months Termination notice period for employee - 6 months Base Salary - $220,000

Name:	Katherine Baker
Contract Duration:	Fixed term
Details:	Termination notice period for Company - 6 months Termination notice period for employee - 6 months Base Salary - $160,000

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares
There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2016.

Options
There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2016.

There were no options over ordinary shares granted to or vested in directors and other key management personnel as part of compensation during the year ended 30 June 2016.

Performance rights
The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Share price hurdle for vesting	Fair value per right at grant date
23 July 2015	23 July 2020	23 July 2020	$0.000	$0.570

Performance rights granted carry dividend and voting rights.

The number of performance rights over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2016 are set out below:

Name	Number of rights granted during the year 2016	Number of rights granted during the year 2015	Number of rights vested during the year 2016	Number of rights vested during the year 2015
K Baker	225,000	-	-	-

Values of performance rights over ordinary shares granted, vested and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2016 are set out below:

Name	Value of rights granted during the year $	Value of rights vested during the year $	Value of rights lapsed during the year $	Remuneration consisting of rights for the year %
K Baker	225,000	-	-	-

Details of performance rights over ordinary shares granted, vested and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2016 are set out below:

Name	Grant date	Vesting date	Number of rights granted	Value of rights granted $	Value of rights vested $	Number of rights lapsed	Value of rights lapsed $
K Baker	23 July 2015	23 July 2020	225,000	129,129	-	-	-

Additional information

The earnings of the Group for the three years to 30 June 2016 are summarised below:

	2016 $'000	2015 $'000	2014 $'000
Sales revenue	44,138	-	-
EBITDA	4,083	(1,217)	(264)
EBIT	3,513	(1,217)	(264)
Profit/(loss) after income tax attributable to National Veterinary Care Ltd	1,155	(856)	(185)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2016	2015	2014
Share price at financial year end ($)	1.30	-	-
Basic earnings per share (cents per share)	2.51	(8.14)	(5.59)
Diluted earnings per share (cents per share)	2.50	(8.14)	(5.59)

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Susan Forrester	-	-	600,000	-	600,000
Tomas Steenackers	1,000,000	-	-	-	1,000,000
Dr Stephen Coles	250,000	-	545,848	-	795,848
Wesley Coote	700,000	-	-	-	700,000
Alison Sherry	-	-	50,000	-	50,000
Katherine Baker	25,000	-	-	-	25,000
Robert Skoda	25,000	-	-	-	25,000
	2,000,000	-	1,195,848	-	3,195,848

This concludes the remuneration report, which has been audited.

Shares under option

There were no unissued ordinary shares of National Veterinary Care Ltd under option outstanding at the date of this report.

Shares under performance rights

Unissued ordinary shares of National Veterinary Care Ltd under performance rights at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under rights
23 July 2015	23 July 2020	$1.00	225,000

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of options

There were no ordinary shares of National Veterinary Care Ltd issued on the exercise of options during the year ended 30 June 2016 and up to the date of this report.

Shares issued on the exercise of performance rights

There were no ordinary shares of National Veterinary Care Ltd issued on the exercise of performance rights during the year ended 30 June 2016 and up to the date of this report.

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

There were no non-audit services provided during the financial year by the auditor.

Officers of the Company who are former partners of HLB Mann Judd (SE Qld Partnership)

There are no officers of the Company who are former partners of HLB Mann Judd (SE Qld Partnership).

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with the Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor

HLB Mann Judd (SE Qld Partnership) continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Wesley Coote	Tomas Steenackers
Director	Director

29 August 2016
Brisbane

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of National Veterinary Care Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

This declaration is in relation to the National Veterinary Care Limited and the entities it controlled during the period.

C J M King
Partner

Brisbane, Queensland
29 August 2016

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National Veterinary Care Ltd
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2016

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Revenue	5	44,265	11
Expenses			
Direct expenses of providing services		(10,746)	-
Employee benefits expense		(19,561)	(579)
Consulting and professional fees		(164)	(376)
Depreciation expense	6	(570)	-
Advertising expense		(360)	(16)
Administration expense		(1,240)	(4)
Information technology and communications expense		(720)	(33)
Insurance expense		(312)	(18)
Occupancy expense		(3,246)	(17)
Travel and accommodation expense		(232)	(72)
Acquisition costs		(2,462)	(113)
Restructuring and integrations		(1,139)	-
Finance costs	6	(833)	-
Profit/(loss) before income tax (expense)/benefit		2,680	(1,217)
Income tax (expense)/benefit	7	(995)	361
Profit/(loss) after income tax (expense)/benefit for the year		1,685	(856)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		1,685	(856)
Profit/(loss) for the year is attributable to:			
Non-controlling interest		530	-
Owners of National Veterinary Care Ltd	24	1,155	(856)
		1,685	(856)
Total comprehensive income for the year is attributable to:			
Non-controlling interest		530	-
Owners of National Veterinary Care Ltd		1,155	(856)
		1,685	(856)
		Cents	**Cents**
Basic earnings per share	36	2.51	(8.14)
Diluted earnings per share	36	2.50	(8.14)

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

National Veterinary Care Ltd
Statement of financial position
As at 30 June 2016

	Note	Consolidated 2016 $'000	2015 $'000
Assets			
Current assets			
Cash and cash equivalents	8	4,301	192
Trade and other receivables	9	2,116	47
Inventories	10	2,156	-
Other	11	165	-
Total current assets		8,738	239
Non-current assets			
Other financial assets	12	-	100
Property, plant and equipment	13	4,057	23
Intangibles	14	62,088	-
Deferred tax	15	1,276	440
Total non-current assets		67,421	563
Total assets		76,159	802
Liabilities			
Current liabilities			
Trade and other payables	16	4,874	329
Borrowings	17	-	700
Income tax	18	762	-
Employee benefits	19	1,624	-
Revenue received in advance		511	-
Total current liabilities		7,771	1,029
Non-current liabilities			
Borrowings	20	18,572	-
Employee benefits	21	145	-
Other	22	910	-
Total non-current liabilities		19,627	-
Total liabilities		27,398	1,029
Net assets/(liabilities)		48,761	(227)
Equity			
Issued capital	23	41,858	814
Retained profits/(accumulated losses)	24	114	(1,041)
Equity/(deficiency) attributable to the owners of National Veterinary Care Ltd		41,972	(227)
Non-controlling interest		6,789	-
Total equity/(deficiency)		48,761	(227)

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

Consolidated	Issued capital $'000	Accumulated losses $'000	Non-controlling interest $'000	Total deficiency in equity $'000
Balance at 1 July 2014	363	(185)	-	178
Loss after income tax benefit for the year	-	(856)	-	(856)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	(856)	-	(856)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 23)	451	-	-	451
Balance at 30 June 2015	814	(1,041)	-	(227)

Consolidated	Issued capital $'000	Retained profits/ (accumulated losses) $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2015	814	(1,041)	-	(227)
Profit after income tax expense for the year	-	1,155	530	1,685
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	1,155	530	1,685
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 23)	41,044	-	-	41,044
Recognition of non-controlling interest	-	-	6,507	6,507
Dividends paid (note 25)	-	-	(248)	(248)
Balance at 30 June 2016	41,858	114	6,789	48,761

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

National Veterinary Care Ltd
Statement of cash flows
For the year ended 30 June 2016

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		48,668	-
Payments to suppliers and employees (inclusive of GST)		(37,815)	(919)
		10,853	(919)
Interest received		51	-
Other revenue		-	11
Interest and other finance costs paid		(1,093)	-
Income taxes paid		(243)	-
Net cash from/(used in) operating activities	35	9,568	(908)
Cash flows from investing activities			
Payment for purchase of businesses, net of cash acquired	33	(48,455)	-
Payment for expenses relating to acquisitions		(2,462)	-
Payments for investments	12	-	(100)
Payments for property, plant and equipment	13	(1,436)	(23)
Net cash used in investing activities		(52,353)	(123)
Cash flows from financing activities			
Proceeds from issue of shares	23	30,085	451
Share issue transaction costs	23	(1,383)	-
Proceeds from borrowings	20	18,572	-
Proceeds from issue of convertible notes	17	-	700
Related party loans		(132)	-
Dividends paid	25	(248)	-
Net cash from financing activities		46,894	1,151
Net increase in cash and cash equivalents		4,109	120
Cash and cash equivalents at the beginning of the financial year		192	72
Cash and cash equivalents at the end of the financial year	8	4,301	192

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

Note 1. General information

The financial statements cover National Veterinary Care Ltd as a Group (referred hereafter as the 'Group') consisting of National Veterinary Care Ltd (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is National Veterinary Care Ltd's functional and presentation currency.

National Veterinary Care Ltd is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Unit 1
28 Burnside Road
Ormeau QLD 4208

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 29 August 2016. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 32.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of National Veterinary Care Ltd as at 30 June 2016 and the results of all subsidiaries for the year then ended.

Note 2. Significant accounting policies (continued)

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition
Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods
Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risk and rewards of ownership of the goods.

Rendering of services
Revenue from the provision of services is recognised by reference to when the services have been provided.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Note 2. Significant accounting policies (continued)

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

National Veterinary Care Ltd (the 'head entity') and its wholly-owned Australian subsidiaries account for income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 2. Significant accounting policies (continued)

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Inventories
Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets
The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Note 2. Significant accounting policies (continued)

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives. The depreciation rates are as follows:

General plant and equipment	7 to 20%
Fit out and fixtures	10%
Motor vehicles	20%
Computer equipment	33%
Medical equipment	14%

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Impairment of non-financial assets
Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Note 2. Significant accounting policies (continued)

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders' equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries and other employee benefits expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
Employee benefits not expected to be settled within 12 months of the reporting date 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 corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

Note 2. Significant accounting policies (continued)

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using the Monte-Carlo option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying the Monte-Carlo option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

Note 2. Significant accounting policies (continued)

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends
Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

Business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

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

Note 2. Significant accounting policies (continued)

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

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts
The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with the Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2016. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Group will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be assessed by the Group.

Note 2. Significant accounting policies (continued)

AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be assessed by the Group.

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Group will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the Group.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Goodwill
The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Income tax
The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred consideration
The deferred consideration liability is the difference between the total purchase consideration, usually on an acquisition of a business combination, and the amounts paid or settled up to the reporting date, discounted to net present value. The Group applies provisional accounting for any business combination. Any reassessment of the liability during the earlier of the finalisation of the provisional accounting or 12 months from acquisition-date is adjusted for retrospectively as part of the provisional accounting rules in accordance with AASB 3 'Business Combinations'. Thereafter, at each reporting date, the deferred consideration liability is reassessed against revised estimates and any increase or decrease in the net present value of the liability will result in a corresponding gain or loss to profit or loss. The increase in the liability resulting from the passage of time is recognised as a finance cost.

Business combinations
As discussed in note 2, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 4. Operating segments

Identification of reportable operating segments
The Group operates in one segment, being the operation of veterinary practices across Australia. This is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

As a result, the operating segment information is as disclosed in the statements and notes to the financial statements throughout the report.

Note 5. Revenue

	Consolidated	
	2016 $'000	2015 $'000
Sales revenue		
Sale of goods and rendering of services	44,138	-
Other revenue		
Interest	51	-
Other revenue	76	11
	127	11
Revenue	44,265	11

Note 6. Expenses

	Consolidated 2016 $'000	Consolidated 2015 $'000
Profit/(loss) before income tax includes the following specific expenses:		
Depreciation		
General plant and equipment	9	-
Fit out and fixtures	48	-
Motor vehicles	27	-
Computer equipment	113	-
Medical equipment	373	-
Total depreciation	570	-
Finance costs		
Interest and finance charges paid/payable	833	-
Rental expense relating to operating leases		
Minimum lease payments	2,391	17
Superannuation expense		
Defined contribution superannuation expense	1,499	28

Note 7. Income tax expense/(benefit)

	Consolidated 2016 $'000	Consolidated 2015 $'000
Income tax expense/(benefit)		
Current tax	1,026	-
Deferred tax - origination and reversal of temporary differences	(31)	(361)
Aggregate income tax expense/(benefit)	995	(361)
Deferred tax included in income tax expense/(benefit) comprises:		
Increase in deferred tax assets (note 15)	(31)	(361)
Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate		
Profit/(loss) before income tax (expense)/benefit	2,680	(1,217)
Tax at the statutory tax rate of 30%	804	(365)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Acquisition costs	191	4
Income tax expense/(benefit)	995	(361)

	Consolidated 2016 $'000	Consolidated 2015 $'000
Amounts credited directly to equity		
Deferred tax assets (note 15)	(339)	-

Note 8. Current assets - cash and cash equivalents

	Consolidated 2016 $'000	Consolidated 2015 $'000
Cash at bank	4,301	192

Note 9. Current assets - trade and other receivables

	Consolidated 2016 $'000	Consolidated 2015 $'000
Trade receivables	1,955	4
Less: Provision for impairment of receivables	(20)	-
	1,935	4
Loan to related parties	181	21
Goods and services tax receivable	-	22
	2,116	47

Impairment of receivables
The Group has recognised a loss of $20,000 (2015: $nil) in profit or loss in respect of impairment of receivables for the year ended 30 June 2016.

The ageing of the impaired receivables provided for above are as follows:

	Consolidated 2016 $'000	Consolidated 2015 $'000
0 to 3 months overdue	16	-
3 to 6 months overdue	4	-
	20	-

Movements in the provision for impairment of receivables are as follows:

	Consolidated 2016 $'000	Consolidated 2015 $'000
Additional provisions recognised	20	-

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to $950,000 as at 30 June 2016 ($nil as at 30 June 2015).

The Group did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

Note 9. Current assets - trade and other receivables (continued)

The ageing of the past due but not impaired receivables are as follows:

	Consolidated	
	2016	2015
	$'000	$'000
0 to 3 months overdue	950	-

Note 10. Current assets - inventories

	Consolidated	
	2016	2015
	$'000	$'000
Stock on hand - at cost	2,156	-

Note 11. Current assets - other

	Consolidated	
	2016	2015
	$'000	$'000
Prepayments	55	-
Security deposits	81	-
Other deposits	20	-
Other current assets	9	-
	165	-

Note 12. Non-current assets - other financial assets

	Consolidated	
	2016	2015
	$'000	$'000
Shares in Albion Vet Surgery Pty Ltd - at cost	-	100

Note 13. Non-current assets - property, plant and equipment

	Consolidated 2016 $'000	2015 $'000
General plant and equipment - at cost	85	2
Less: Accumulated depreciation	(9)	-
	76	2
Fit out and fixtures - at cost	778	-
Less: Accumulated depreciation	(48)	-
	730	-
Motor vehicles - at cost	153	-
Less: Accumulated depreciation	(27)	-
	126	-
Computer equipment - at cost	574	21
Less: Accumulated depreciation	(113)	-
	461	21
Medical equipment - at cost	3,037	-
Less: Accumulated depreciation	(373)	-
	2,664	-
	4,057	23

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	General plant and equipment $'000	Fit out and fixtures $'000	Motor vehicles $'000	Computer equipment $'000	Medical equipment $'000	Total $'000
Balance at 1 July 2014	-	-	-	-	-	-
Additions	2	-	-	21	-	23
Balance at 30 June 2015	2	-	-	21	-	23
Additions	51	602	9	549	225	1,436
Additions through business combinations (note 33)	32	176	144	4	2,812	3,168
Depreciation expense	(9)	(48)	(27)	(113)	(373)	(570)
Balance at 30 June 2016	76	730	126	461	2,664	4,057

Note 14. Non-current assets - intangibles

	Consolidated 2016 $'000	2015 $'000
Goodwill - at cost	62,088	-

Note 14. Non-current assets - intangibles (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Goodwill $'000	Total $'000
Balance at 1 July 2014	-	-
Balance at 30 June 2015	-	-
Additions through business combinations (note 33)	62,088	62,088
Balance at 30 June 2016	62,088	62,088

Impairment testing
NVL has tested goodwill for impairment, in accordance with the accounting policy stated in Note 2. The recoverable amount has been determined based on value-in-use calculation using cash flow projections based on management approved financial budgets and cover a five-year period. NVL is identified as one CGU for impairment testing.

The key assumptions used for value in use calculations at 30 June 2016 are:
- Period of Cash Flows: 5 years
- Average Revenue Growth Rate: 3%
- After tax Discount rate applied to cash flow projection 10.22% based on comparable listed companies
- Five year budgeted cash flows are based on management's forecasts of expected percentage increases in revenue (average 3.39%) and expenses including direct expenses and salaries and wages (average 2.41%) in line with growth rates with industry reports and taking into account the relevant veterinary services businesses in the Group.

These assumptions have been used for the analysis of the CGU. Management determined a budgeted EBITDA on past performance and expectations for the future. The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used reflect specific risks for the Company.

A reasonable possible change in the assumptions would have no significant impact on the impairment of these assets. As a result of the value in use calculation, it was determined no impairment was identified.

Note 15. Non-current assets - deferred tax

	Consolidated	
	2016	2015
	$'000	$'000
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Employee benefits	400	-
Initial Public Offering costs	7	-
Other	530	440
	937	440
Amounts recognised in equity:		
Transaction costs on share issue	339	-
Deferred tax asset	1,276	440
Movements:		
Opening balance	440	79
Credited to profit or loss (note 7)	31	361
Credited to equity (note 7)	339	-
Additions through business combinations (note 33)	466	-
Closing balance	1,276	440

Note 16. Current liabilities - trade and other payables

	Consolidated	
	2016	2015
	$'000	$'000
Trade payables	2,329	210
Goods and services tax payable	496	-
Other payables and accruals	2,049	119
	4,874	329

Refer to note 26 for further information on financial instruments.

Note 17. Current liabilities - borrowings

	Consolidated	
	2016	2015
	$'000	$'000
Convertible notes payable	-	700

Refer to note 20 for further information on assets pledged as security and financing arrangements.

Refer to note 26 for further information on financial instruments.

Note 18. Current liabilities - income tax

	Consolidated	
	2016	2015
	$'000	$'000
Provision for income tax	762	-

Note 19. Current liabilities - employee benefits

	Consolidated	
	2016	2015
	$'000	$'000
Annual leave	1,075	-
Long service leave	450	-
Other	99	-
	1,624	-

Note 20. Non-current liabilities - borrowings

	Consolidated	
	2016	2015
	$'000	$'000
Bank loans	18,572	-

Refer to note 26 for further information on financial instruments.

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

	Consolidated	
	2016	2015
	$'000	$'000
Bank loans	18,572	-

Assets pledged as security
Borrowings are secured by a fixed and floating charge over the assets of the Group.

The bank loans with Australia and New Zealand Banking Group ('ANZ') are secured by first mortgages over the Group's assets. The term loan facility is proposed on a rolling three-year tenor, with repayment in full at the end of the facility term in August 2018.

There have been no events of default, including covenant breaches, on the financing arrangements during the financial year.

Note 20. Non-current liabilities - borrowings (continued)

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

	Consolidated 2016 $'000	Consolidated 2015 $'000
Total facilities		
Bank overdraft	750	-
Bank loans	27,000	-
Bank guarantees	2,000	-
	29,750	-
Used at the reporting date		
Bank overdraft	-	-
Bank loans	18,572	-
Bank guarantees	620	-
	19,192	-
Unused at the reporting date		
Bank overdraft	750	-
Bank loans	8,428	-
Bank guarantees	1,380	-
	10,558	-

Note 21. Non-current liabilities - employee benefits

	Consolidated 2016 $'000	Consolidated 2015 $'000
Long service leave	145	-

Note 22. Non-current liabilities - other

	Consolidated 2016 $'000	Consolidated 2015 $'000
Deferred consideration	822	-
Lease liability – straight lining	88	-
	910	-

Note 23. Equity - issued capital

	Consolidated 2016 Shares	2015 Shares	2016 $'000	2015 $'000
Ordinary shares - fully paid	51,183,602	8,286,001	41,858	814

Note 23. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2014	7,249,621		363
Issue of shares	3 September 2014	5,922,380	$0.050	296
Issue of shares	28 January 2015	2,000,000	$0.040	85
Issue of shares	16 February 2015	1,400,000	$0.050	70
Share conversion 2:1	20 February 2015	(8,286,000)	$0.000	-
Balance	30 June 2015	8,286,001		814
Issue of shares on acquisition of businesses	5 August 2015	8,099,169	$1.000	8,099
Issue of shares on acquisition of business	5 August 2015	375,000	$0.800	300
Issue of shares on acquisition of business	6 August 2015	218,499	$1.000	218
Issue of shares on acquisition of business	7 August 2015	79,712	$1.000	80
Issue of shares on acquisition of businesses	10 August 2015	706,138	$1.000	706
Issue of shares on acquisition of businesses	11 August 2015	319,282	$1.000	319
Issue of shares on acquisition of business	13 August 2015	700,890	$1.000	701
Issue of shares on acquisition of business	14 August 2015	383,662	$1.210	464
Issue of shares on Initial Public Offer	14 August 2015	29,985,173	$1.000	29,985
Issue of shares on exercise of convertible note	14 August 2015	1,400,000	$0.500	700
Issue of shares on acquisition of business	17 August 2015	281,796	$1.240	349
Issue of shares on acquisition of business	4 September 2015	5,000	$1.340	7
Issue of shares on Employee Incentive Plan	3 February 2016	225,000	$1.000	-
Issue of shares on acquisition of business	27 April 2016	118,280	$1.350	160
Less: share issue transaction costs				(1,383)
Tax recognised in equity				339
Balance	30 June 2016	51,183,602		41,858

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back
There is no current on-market share buy-back.

Capital risk management
The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment.

The Group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

Note 24. Equity - retained profits/(accumulated losses)

	Consolidated 2016 $'000	Consolidated 2015 $'000
Accumulated losses at the beginning of the financial year	(1,041)	(185)
Profit/(loss) after income tax (expense)/benefit for the year	1,155	(856)
Retained profits/(accumulated losses) at the end of the financial year	114	(1,041)

Note 25. Equity - dividends

Dividends paid during the financial year were as follows:

	Consolidated 2016 $'000	Consolidated 2015 $'000
Dividends paid to non-controlling interests in the underlying entities during the year ended 30 June 2016	248	-

No dividends were declared by the Company for the year ended 30 June 2016 or up to the date of signing.

Dividends totalling $248,000 were paid to non-controlling interests in respect to their interests in their underlying entities during the year ended 30 June 2016. There are further dividends of $135,000 declared and paid subsequent to 30 June 2016 for non-controlling interests.

Note 26. Financial instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and manages financial risks. Finance reports to the Board on a monthly basis.

The Group holds the following financial instruments**:**

	Financial assets at amortised cost $'000	Total $'000
2016		
Financial Assets		
Cash and cash equivalents	4,301	4,301
Trade and other receivables	2,116	2,116
	6,417	6,417
2015		
Financial Assets		
Cash and cash equivalents	192	192
Trade and other receivables	47	47
	239	239

Note 26. Financial instruments (continued)

	Financial liabilities at amortised cost $'000	Total $'000
2016		
Financial Liabilities		
Trade and other payables	4,874	4,874
Borrowings	18,572	18,572
	23,446	23,446
2015		
Financial Liabilities		
Trade and other payables	329	329
Borrowings	700	700
	1,029	1,029

Market risk

Foreign currency risk
The Group is not exposed to any significant foreign currency risk at 30 June 2016.

Price risk
The Group is not exposed to any significant price risk.

Interest rate risk
The Group's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk.

As at the reporting date, the Group had the following variable rate borrowings outstanding:

	2016		2015	
Consolidated	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Bank loans	3.39%	18,572	-	-
Net exposure to cash flow interest rate risk		18,572		-

An analysis by remaining contractual maturities is shown in 'liquidity and interest rate risk management' below.

For the Group, the bank loans outstanding, totalling $18,572,000 (2015: $nil), are principal and interest payment loans. Monthly cash outlays of approximately $90,000 per month are required to service the interest payments. The percentage change is based on the expected volatility of interest rates using market data and analysts' forecasts. In addition, minimum principal repayments of $nil are due during the year ending 30 June 2017. An official increase/decrease in interest rates would have an adverse/favourable effect on profit before tax as follows:

	Basis points increase			Basis points decrease		
Consolidated - 2016	Basis points change	Effect on profit before tax $'000	Effect on equity $'000	Basis points change	Effect on profit before tax $'000	Effect on equity $'000
Bank loans	100	185	185	100	(185)	(185)

Note 26. Financial instruments (continued)

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral. Further details regarding credit risk exposures are included in note 9.

Liquidity risk
Liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements
Unused borrowing facilities at the reporting date:

	Consolidated	
	2016 $'000	**2015 $'000**
Bank overdraft	750	-
Bank loans	8,428	-
Bank guarantees	1,380	-
	10,558	-

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time and have an average maturity of 3 years (2015: nil years).

Remaining contractual maturities
The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2016	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	2,329	-	-	-	2,329
Other payables	-	2,049	-	-	-	2,049
Deferred consideration	-	482	340	-	-	822
Interest-bearing - variable						
Bank loans	3.39%	-	18,731	-	-	18,731
Total non-derivatives		4,860	19,071	-	-	23,931

Note 26. Financial instruments (continued)

Consolidated - 2015	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	210	-	-	-	210
Other payables	-	119	-	-	-	119
Convertible notes payable	-	700	-	-	-	700
Total non-derivatives		1,029	-	-	-	1,029

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Note 27. Fair value measurement

Fair value hierarchy
The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 2016	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Deferred consideration	-	-	822	822
Total liabilities	-	-	822	822

Consolidated - 2015	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Ordinary shares	100	-	-	100
Total assets	100	-	-	100

There were no transfers between levels during the financial year.

The recorded values of the financial assets and liabilities represents their fair values.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Note 27. Fair value measurement (continued)

Level 1 assets and liabilities
Movements in level 1 assets and liabilities during the current and previous financial year are set out below:

Consolidated	Ordinary shares $'000	Total $'000
Balance at 1 July 2014	-	-
Additions	100	100
Balance at 30 June 2015	100	100
Acquired as a subsidiary	(100)	(100)
Balance at 30 June 2016	-	-

Valuation techniques for fair value measurements categorised within level 2 and level 3
The fair value of the Deferred consideration has been estimated at the present value of the deferred amount payable under the Business Acquisition Contracts.

Level 3 assets and liabilities
Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

Consolidated	Deferred consideration $'000	Total $'000
Balance at 1 July 2014	-	-
Balance at 30 June 2015	-	-
Additions	822	822
Balance at 30 June 2016	822	822

Note 28. Key management personnel disclosures

Compensation
The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated 2016 $	Consolidated 2015 $
Short-term employee benefits	868,469	459,658
Post-employment benefits	64,718	24,372
Long-term benefits	9,919	-
Termination benefits	9,776	-
Share-based payments	-	275,681
	952,882	759,711

Note 29. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by HLB Mann Judd (SE Qld Partnership), the auditor of the Company:

	Consolidated 2016 $	Consolidated 2015 $
Audit services - HLB Mann Judd (SE Qld Partnership)		
Audit or review of the financial statements	79,978	9,000

Note 30. Commitments

	Consolidated 2016 $'000	Consolidated 2015 $'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	2,722	-
One to five years	5,502	-
More than five years	486	-
	8,710	-

Operating lease commitments includes contracted amounts for various retail outlets, warehouses, offices and plant and equipment under non-cancellable operating leases expiring within 2 to 15 years with, in some cases, options to extend. On renewal, the terms of the leases are renegotiated.

Note 31. Related party transactions

Subsidiaries
Interests in subsidiaries are set out in note 34.

Key management personnel
Disclosures relating to key management personnel are set out in note 28 and the remuneration report included in the directors' report.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated 2016 $	Consolidated 2015 $
Payment for goods and services:		
Payment for HR advisory services from the wife of Tomas Steenackers	40,295	-

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Note 31. Related party transactions (continued)

Loans to/from related parties
The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	
	2016 $	2015 $
Current receivables:		
Loans - non-controlling interests	181,430	-
Loan - Albion Vet Surgery	-	20,566

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 32. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2016 $'000	2015 $'000
Profit/(loss) after income tax	84	(856)
Total comprehensive income	84	(856)

Statement of financial position

	Parent	
	2016 $'000	2015 $'000
Total current assets	65,301	239
Total assets	65,639	802
Total current liabilities	24,738	1,029
Total liabilities	24,738	1,029
Equity		
Issued capital	41,858	814
Accumulated losses	(957)	(1,041)
Total equity/(deficiency)	40,901	(227)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2016 and 30 June 2015.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2016 and 30 June 2015.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2016 and 30 June 2015.

Note 32. Parent entity information (continued)

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 33. Business combinations

35 veterinary clinics
Between 5 August 2015 and 30 June 2016, National Veterinary Care Ltd acquired 100% of the business assets of 36 veterinary service businesses for the total consideration transferred of $51,984,000. The acquired business contributed revenues of $34,978,000 and profit before tax of $7,197,000 to the Group for the period from date of acquisition to 30 June 2016. If the acquisition occurred on 1 July 2015, the full year contributions would have been revenues of $43,338,000 and profit before tax of $9,152,000. The values identified in relation to the acquisition acquisitions are provisional as at 30 June 2016.

Brunswick Operations Pty Ltd
On 6 August 2015, National Veterinary Care Ltd acquired 74% of the ordinary shares in Brunswick Operations Pty Ltd for the total consideration transferred of $2,342,000. The acquired business contributed revenue of $2,147,000 and profit before tax of $548,000 to the Group for the period from date of acquisition to 30 June 2016. If the acquisition occurred on 1 July 2015, the full year contributions would have been revenues of $2,381,000 and profit before tax of $608,000. The values identified in relation to the acquisition are provisional as at 30 June 2016.

KEST Pty Ltd
On 6 August 2015, National Veterinary Care Ltd acquired 55% of the ordinary shares in KEST Pty Ltd for the total consideration transferred of $3,523,000. The acquired business contributed revenue of $4,637,000 and profit before tax of $1,164,000 to the Group for the period from date of acquisition to 30 June 2016. If the acquisition occurred on 1 July 2015, the full year contributions would have been revenues of $5,143,000 and profit before tax of $1,291,000. The values identified in relation to the acquisition are provisional as at 30 June 2016.

Fitzroy Operations Pty Ltd
On 14 September 2015, National Veterinary Care Ltd acquired 51% of the ordinary shares in Fitzroy Operations Pty Ltd for the total consideration transferred of $2,831,000. The acquired business contributed revenue of $2,824,000 and profit before tax of $478,000 to the Group for the period from date of acquisition to 30 June 2016. If the acquisition occurred on 1 July 2015, the full year contributions would have been revenues of $2,861,000 and profit before tax of $640,000. The values identified in relation to the acquisition are provisional as at 30 June 2016.

Details of the acquisitions are as follows:

	35 veterinary clinics Fair value $'000	Brunswick Operations Pty Ltd Fair value $'000	KEST Pty Ltd Fair value $'000	Fitzroy Operations Pty Ltd Fair value $'000	Total Fair value $'000
Trade receivables	445	-	-	-	445
Inventories	2,094	80	110	96	2,380
Other current assets	154	10	31	13	208
Plant and equipment	2,748	124	117	179	3,168
Deferred tax asset	377	32	33	24	466
Employee benefits	(1,268)	(108)	(110)	(81)	(1,567)
Net assets acquired	4,550	138	181	231	5,100
Goodwill	47,434	3,027	6,189	5,438	62,088
Acquisition-date fair value of the total consideration transferred	51,984	3,165	6,370	5,669	67,188

Note 33. Business combinations (continued)

	35 veterinary clinics Fair value $'000	Brunswick Operations Pty Ltd Fair value $'000	KEST Pty Ltd Fair value $'000	Fitzroy Operations Pty Ltd Fair value $'000	Total Fair value $'000
Representing:					
Cash paid or payable to vendor	40,378	1,730	3,523	2,824	48,455
National Veterinary Care Ltd shares issued to vendor	10,784	612	-	7	11,403
Contingent consideration *	822	-	-	-	822
Non-controlling interest	-	823	2,847	2,838	6,508
	51,984	3,165	6,370	5,669	67,188
Cash used to acquire business, net of cash acquired:					
Acquisition-date fair value of the total consideration transferred	51,984	3,165	6,370	5,669	67,188
Less: contingent consideration *	(822)	-	-	-	(822)
Less: shares issued by Company as part of consideration	(10,784)	(612)	-	(7)	(11,403)
Less: non-controlling interest	-	(823)	(2,847)	(2,838)	(6,508)
Net cash used	40,378	1,730	3,523	2,824	48,455

* Where the Company has contingent consideration in the table above, the Company has a contractual liability to pay the former vendor of the clinic a deferred cash payment in the event that the clinic exceeds their contractual claw back in accordance with their Business Sale Agreement.

Note 34. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries with non-controlling interests in accordance with the accounting policy described in note 2:

		Parent		Non-controlling interest	
Name	**Principal place of business / Country of incorporation**	**Ownership interest 2016 %**	**Ownership interest 2015 %**	**Ownership interest 2016 %**	**Ownership interest 2015 %**
NVC Operations Pty Ltd	Australia	100.00%	100.00%	-	-
NVC Operations NSW Pty Ltd	Australia	100.00%	100.00%	-	-
Brunswick Central Ops Pty Ltd	Australia	74.00%	-	26.00%	-
Fitzroy Operations Pty Ltd	Australia	51.00%	-	49.00%	-
KEST Pty Ltd	Australia	55.00%	-	45.00%	-
Albion Vet Surgery Pty Ltd	Australia	100.00%	-	-	-

Note 34. Interests in subsidiaries (continued)

Summarised financial information
Summarised financial information of subsidiaries with non-controlling interests that are material to the Group are set out below:

	Brunswick Central Ops Pty Ltd		Fitzroy Operations Pty Ltd		KEST Pty Ltd	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Summarised statement of financial position						
Current assets	4,107	-	4,924	-	6,131	-
Non-current assets	3,181	-	5,792	-	6,386	-
Total assets	7,288	-	10,716	-	12,517	-
Current liabilities	3,828	-	4,659	-	5,697	-
Non-current liabilities	4	-	10	-	10	-
Total liabilities	3,832	-	4,669	-	5,707	-
Net assets	3,456	-	6,047	-	6,810	-
Summarised statement of profit or loss and other comprehensive income						
Revenue	2,147	-	2,332	-	4,641	-
Expenses	(1,730)	-	(1,966)	-	(3,597)	-
Profit before income tax expense	417	-	366	-	1,044	-
Income tax expense	(125)	-	(110)	-	(314)	-
Profit after income tax expense	292	-	256	-	730	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	292	-	256	-	730	-
Other financial information						
Profit attributable to non-controlling interests	76	-	125	-	329	-
Dividends paid to non-controlling interests	-	-	-	-	248	-
Accumulated non-controlling interests at the end of reporting period	76	-	125	-	81	-

Note 35. Reconciliation of profit/(loss) after income tax to net cash from/(used in) operating activities

	Consolidated 2016 $'000	Consolidated 2015 $'000
Profit/(loss) after income tax (expense)/benefit for the year	1,685	(856)
Adjustments for:		
Depreciation and amortisation	570	-
Non-operating acquisition costs on acquisition	2,462	
Change in operating assets and liabilities:		
Increase in trade and other receivables	(1,495)	(20)
Decrease in inventories	224	-
Increase in deferred tax assets	(31)	(361)
Increase in prepayments	(55)	-
Decrease in other operating assets	98	-
Increase in trade and other payables	4,547	238
Increase in provision for income tax	762	-
Increase in employee benefits	202	-
Increase in other provisions	910	-
Increase/(decrease) in other operating liabilities	(311)	91
Net cash from/(used in) operating activities	9,568	(908)

Note 36. Earnings per share

	Consolidated 2016 $'000	Consolidated 2015 $'000
Profit/(loss) after income tax	1,685	(856)
Non-controlling interest	(530)	-
Profit/(loss) after income tax attributable to the owners of National Veterinary Care Ltd	1,155	(856)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	45,969,843	10,521,319
Adjustments for calculation of diluted earnings per share:		
Employee Incentive (Share Loan) Plan	225,000	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	46,194,843	10,521,319

	Cents	Cents
Basic earnings per share	2.51	(8.14)
Diluted earnings per share	2.50	(8.14)

Note 37. Share-based payments

On 23 July 2015, the Company agreed to issue 225,000 ordinary shares to key management personnel under the NVL Employee Incentive (Share Loan) Plan ('Plan').

The Company has established this Plan to encourage key employees to share in the ownership of the Company in order to promote its long-term success. The Plan was approved by Shareholders at a General Meeting of Shareholders held on 23 July 2015.

Note 37. Share-based payments (continued)

The participants under the Plan are as follows:

Employee	Position	Entitlement
Katherine Baker	Chief Financial Officer	225,000

Under the Plan rules, the Company may issue shares to a maximum of 5% of the shares on issue at the time of the offer. The issue will bring the total number of shares on issue under the Plan to 0.46%.

Performance hurdles under the Plan are based on Total Shareholder Return ('TSR') across a three year period from listing date. The Company's TSR is ranked against a benchmark group of 100 ASX-listed companies ('Benchmark Group') and shares vest according to the following schedule:

Percentile ranking of the Company's TSR relative to the Benchmark Group	Percentage of Loan Shares Vested
0 to 49th	0%
50th	50%
51st to 74th	Between 50% and 99% determined proportionately on a straight line basis, dependent on the Company's ranking within the Benchmark Group
75th and above	100%

Full details of the Plan rules can be found on the Company's website.

Valuation of the Performance Rights
The value of Performance rights below comprises both the share and accompanying loan.

	5 Years
Indicative value of performance rights	0.5739

Time to Exercise	Vesting date and Participant	Total number of shares No	Indicative value of options $
5 years	Katherine Baker	225,000	129,129

The Plan is an equity plan where shares are acquired up front through the provision of a limited recourse loan from the Company, provided for the sole purpose of acquiring shares in the Company. It operates much like a traditional option plan, as the outstanding loan balance is effectively the 'exercise' price that must be paid before any value can be realised.

The following is a summary of the key terms and conditions of the Plan:

- The loan is repayable on exercise date (5 years from approval) or earlier if approval permits.
- As the performance rights are exercisable after three years of listing up to maturity, rights holders may exercise early for reasons not limited to:
  - When an employee leaves their job in circumstances where they have to exercise vested options that are in the money immediately or forfeit their rights as an option holder;
  - When an employee is not permitted to sell their rights. If an employee holds many rights and cannot sell these rights, the only way for them to realise a benefit is to exercise before maturity
  - When an employee does not want to be exposed to a share price drop.
- No interest is payable on the loan.
- At time of exercise, the loan will be repaid and the holder of the share can continue to hold the share without any further ownership restrictions (or the share will be sold and the net proceeds reimbursed to the holder of the share). This is analogous to paying an exercise price to own the underlying share.
- At time of exercise, if the value of the share is less than the loan amount, the holder of the share will essentially forfeit their right to the share and have no further amounts to pay.

Note 37. Share-based payments (continued)

Valuation inputs
The valuation methodology is a function of the relationship between a number of valuations, including the share price, the strike price, the time of vesting and the volatility of the share price. The application of the methodology therefore requires a number of inputs, some of which must be assumed. The key inputs used in the valuation methodology are summarised below:

- Share price: $1.21 Open price of NVL shares on the ASX on the 14 August 2015.
- Issue date: 14 August 2015;
- Time to expiry: Management have considered the expected exercise date of 5 years;
- Strike price: $5.00;
- Risk free rate of government bonds with the same maturity as the Shares: 2% based on the rate of return of a 5 year treasury bond as at 14 August 2015; and
- Volatility of share price: 50% as outlined in the Relative TSR Percentile Ranking.

Note 38. Events after the reporting period

Acquisition of UVG Holdings Pty Ltd and associated entities trading as United Veterinary Group ('UVG')
On 8 July 2016 National Veterinary Care Limited acquired 100% of the shares in UVG Holdings Pty Ltd and associated entities trading as United Veterinary Group ('UVG'), a leading veterinary procurement company. Total consideration for the acquisition was $5,930,000 including $5,043,000 in cash consideration, $593,000 in NVL shares, issued on 8 July 2016, and $297,000 in deferred cash consideration.

Both the NVL shares issued and the deferred cash consideration are subject to claw back provisions. The acquisition builds on the Company's management services revenue and provides exposure to a growth sector within the veterinary procurement industry.

Details of the acquisition are as follows:

	Fair value $'000
Goodwill	5,930
Acquisition-date fair value of the total consideration transferred	5,930
Representing:	
Cash paid or payable to vendor	5,050
National Veterinary Care Ltd shares issued to vendor	590
Contingent consideration	290
	5,930

The financial effects of this transaction have not been brought into account at 30 June 2016.

Ponsonby and Herne Bay Veterinary Clinics
On 15 August 2016, NVL acquired Ponsonby Veterinary Clinic and Herne Bay Clinic located within Auckland, New Zealand. The acquisition of these 2 clinics builds on NVL's already existing clinics within Australia and introduces NVL into New Zealand.

Total consideration for the acquisition was NZ$2,300,000 including NZ$1,840,000 in cash consideration and NZ$460,000 in deferred cash consideration. The deferred cash consideration is subject to claw back provisions.

The financial effects of this transaction have not been brought into account at 30 June 2016. The operating results and assets and liabilities of the clinics will not be consolidated until 15th August 2016. At the date this annual report was authorised for issue the fair value of the assets and liabilities acquired as part of the business combination was incomplete. Therefore, the value of goodwill and the fair value of the assets and liabilities acquired has not been disclosed.

No other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Wesley Coote
Director

Tomas Steenackers
Director

29 August 2016
Brisbane

HLB Mann Judd

Accountants | Business and Financial Advisers

Independent Auditor's Report to the members of National Veterinary Care Limited

Report on the Financial Report

We have audited the accompanying financial report of National Veterinary Care Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

In Note 2, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's and its controlled entities' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

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HLB Mann Judd

Accountants | Business and Financial Advisers

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion:

(a) the financial report of National Veterinary Care Limited is in accordance with the *Corporations Act 2001*, including:

 (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and its performance for the year ended on that date; and

 (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of National Veterinary Care Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

C J M King
Partner

Brisbane, Queensland

29 August 2016

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The shareholder information set out below was applicable as at 23 August 2016.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	100
1,001 to 5,000	336
5,001 to 10,000	220
10,001 to 100,000	306
100,001 and over	31
	993
Holding less than a marketable parcel	15

Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest security holders of quoted tradeable equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
JP MORGAN NOMINEES AUSTRALIA LIMITED	7,039,222	20.75
NATIONAL NOMINEES LIMITED	3,738,226	11.02
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,260,890	6.67
BNP PARIBAS NOMS PTY LTD (DRP)	1,052,376	3.10
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED (PISELECT)	810,000	2.39
AUST EXECUTOR TRUSTEES LTD (HENROTH PTY LIMITED)	738,602	2.18
CITICORP NOMINEES PTY LIMITED (COLONIAL FIRST STATE INV A/C)	555,014	1.64
IP EVOLUTION PTY LTD (IP EVOLUTION A/C)	500,000	1.47
TB & BB INVESTMENTS PTY LTD (BURGESS SUPERFUND A/C)	450,995	1.33
R & M THOMASSON PTY LTD (BURGESS SUPERFUND A/C)	425,000	1.25
NETWEALTH INVESTMENTS LIMITED (WRAP SERVICES A/C)	390,374	1.15
ANDREW TERRY CAREW	370,000	1.09
NAVIGATOR AUSTRALIA LTD (MLC INVESTMENT SETT A/C)	354,814	1.05
LATMAN PTY LTD (SUPERANNUATION FUND A/C)	330,000	0.97
IAMATANA PTY LTD	300,000	0.88
GINGA PTY LTD (THOMAS G KLINGER FAMILY A/C)	272,077	0.80
J FINUCAN PTY LTD (JT & J FINUCAN SUPER A/C)	250,000	0.74
IGNITION CAPITAL PTY LTD (THE IGNITION A/C)	240,000	0.71
MR IVAN TANNER + MRS FELICITY TANNER (THE SUPERANNUATION S/F A/C)	230,000	0.68
NETWEALTH INVESTMENTS LIMITED (SUPER SERVICES A/C)	211,236	0.62
	20,518,826	60.49

Unquoted equity securities
There are no unquoted equity securities.

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares Number held	% of total shares issued
JP MORGAN NOMINEES AUSTRALIA	6,759,624	19.93
NATIONAL NOMINEES LIMITED	3,838,226	11.32

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

Securities subject to voluntary escrow

Class	Expiry date	Number of shares
Ordinary shares	10 August 2016 (ASX imposed); then 10 August 2017 (voluntary)	8,317,668
Ordinary shares	18 August 2016 (ASX imposed); then 18 August 2017 (voluntary)	2,471,480
Ordinary shares	4 September 2016 (ASX imposed); then 4 September 2017 (voluntary)	5,000
Ordinary shares	8 July 2018 (voluntary)	453,914
		11,248,062