National Veterinary Care Ltd
Appendix 4D
Half-year report

1. Company details

Name of entity:	National Veterinary Care Ltd
ABN:	17 166 200 059
Reporting period:	For the half-year ended 31 December 2015
Previous period:	For the half-year ended 31 December 2014

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	up	-	to	19,048
Loss from ordinary activities after tax attributable to the owners of National Veterinary Care Ltd	down	16.1%	to	(302)
Loss for the half-year attributable to the owners of National Veterinary Care Ltd	down	16.1%	to	(302)

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
The loss for the Group after providing for income tax and non-controlling interest amounted to $302,000 (31 December 2014: $360,000).

An explanation of the above figures is contained in 'Review of operations' included within the Director's report in the attached Interim Financial Report.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(22.02)	(2.74)

4. Control gained over entities

Name of entities (or group of entities)	Refer to note 10 'Business combinations' in the attached Interim Financial Report for details
Date control gained	Refer to note 10 'Business combinations' in the attached Interim Financial Report for details

	$'000
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material)	-
Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) for the whole of the previous period (where material)	-

5. Loss of control over entities

Not applicable.

6. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period.

Previous period
There were no dividends paid, recommended or declared during the previous financial period.

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7. Dividend reinvestment plans

Not applicable.

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8. Details of associates and joint venture entities

Not applicable.

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9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

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10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were reviewed by the auditors but not subject to any modification. The review report is attached as part of the Interim Financial Report.

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11. Attachments

Details of attachments (if any):

The Interim Financial Report of National Veterinary Care Ltd for the half-year ended 31 December 2015 is attached.

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12. Signed

Signed ______________________________ Date: 29 February 2016

Katherine Baker
Company Secretary
Brisbane

National Veterinary Care Ltd

ABN 17 166 200 059

Interim Financial Report - 31 December 2015

Contents

Directors	Susan Forrester Tomas Steenackers Stephen Coles Wesley Coote Alison Sherry
Company secretary	Katherine Baker
Registered office	Unit 1 28 Burnside Road Ormeau QLD 4208 Phone: 1300 NVC VET (1300 682 838)
Principal place of business	Unit 1 28 Burnside Road Ormeau QLD 4208
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	Mills Oakley Lawyers Level 14 145 Ann Street Brisbane QLD 4000 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)

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 half-year ended 31 December 2015.

Directors

The following persons were directors of National Veterinary Care Ltd during the whole of the financial half-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 31 August 2015

Principal activities

The principal activities for the half-year consisted of the provision of veterinary services throughout Australia.

Review of operations

The loss for the Group after providing for income tax and non-controlling interest amounted to $302,000 (31 December 2014: $360,000).

Financial Overview

The statutory results of National Veterinary Care Ltd represent the financial performance from 1 July 2015 to 31 December 2015 and include acquisition expenses of $2.6 million which primarily comprise stamp duty and adviser expenses incurred with the Initial Public Offering ('IPO') and Business Acquisitions. On 13 August 2015, the Company raised $29.9 million and was admitted to the Australian Securities Exchange ('ASX'). Between August and October 2015 the Company completed the acquisition of 35 veterinary clinics.

The statutory financial result highlights are set out in the table below, additionally a summary of the underlying financial results are also included to assist users of this financial report understand the underlying operational performance of the Company.

NVC FINANCIAL SUMMARY FOR THE HALF YEAR ENDED 31 DECEMBER 2015 ($000'S)	31-Dec-15 $ '000's	31-Dec-15 $ '000's
	Statutory	Underlying [1]
Revenue	19,048	19,048
Gross Profit	14,597	14,597
EBITDA [2]	952	3,577
EBIT [3]	743	3,367
Profit before income tax expense	420	3,046
Profit after income tax expense	15	2,124
Non-Controlling Interest	*(317)*	*(317)*
Profit after income tax expense attributable to the owners of National Veterinary Care Ltd	**(302)**	**1,807**

1. To assist users of the financial report interpret the underlying operational performance of the Company we present a financial summary of underlying results as well as statutory accounts. The underlying results summary excludes acquisition costs expensed during the year associated with business acquisitions and integration.

2. Earnings before interest, tax, depreciation and amortisation

3. Earnings before interest and tax

We are pleased to report that the Company is on target to achieve expectations outlined in the prospectus dated 23 July 2015 for the full-year ended 30 June 2016.

The Company reported a loss after tax and non-controlling interests of $0.3 million for the period ending 31 December 2015. This result is reflective of the short ownership period of the income generating businesses compared to the initial costs associated with IPO and associated acquisitions.

Sales Revenue
Revenue reported is in line with expectations given the first 4 months included the transition to a standardised Practice Management System which has been implemented in a staged approach across the clinics.

The wellness program was introduced into 7 trial clinics in late October 2015 and has been well received with in excess of 820 members joining the program for the period ended 31 December 2015.

This roll-out was dependent on the implementation of the Practice Management System which was deferred to ensure that the roll-out was successful and clinical teams had ample support through the process. This is now forecast to be completed at the beginning of the fourth quarter. There are three clinics yet to be converted from the portfolio.

Summary statement of cash flows
Prior to listing, the company was funded via $0.8 million of seed capital. The $29.9 million raised in the IPO was used to acquire the 35 veterinary clinics and pay fees associated with the IPO.

Cash and cash equivalents increased from $0.2 million to $5.8 million for the period which is reflective of tight cost control and careful management of working capital. It is anticipated that in the short to medium term this cash surplus will be used to fund future acquisitions.

Debt position
Prior to listing, the company entered into an agreement that provided banking facilities of $30 million for the settlement of the initial portfolio and to fund future acquisition growth. As at 31 December 2015, $18.3 million of these facilities were drawn (including $0.56 million in bank guarantees). The undrawn amount of $11.7 million, combined with operational cash flows provide capacity to fund future acquisition opportunities as well as investing in future internal capabilities.

Financial covenant ratios on the above debt are a Leverage Ratio (Debt:EBITDA) must not be greater than 2.5:1, a Fixed Charge Cover Ratio (EBITDA + rent expense) / (Interest + Rent expense) shall be greater than 1.75:1; and Debt to Equity (Debt / (debt + Book Value of Equity) shall be no greater than 0.5:1. All of these ratios are being met at 31 December 2015.

Dividend policy
Interim and final dividends are not expected to be declared in respect of FY16 as franking credits will not be available and cash will be used to fund expected future acquisitions.

Strategy and future performance
The key growth strategies for NVC are expanding the portfolio of clinics through acquisition and driving organic growth at a clinic level.

NVC will assess future acquisition opportunities against its disciplined acquisition criteria.

Organic revenue growth will be driven through the introduction of key initiatives, including:
- Expansion of the wellness program;
- Ensuring consistent standards of veterinary care;
- Targeted local marketing strategies;
- Professional development and training for employees;
- Providing broader services such as more complex procedures to retain work that otherwise may be referred outside of the NVC group;
- Launch of the Centre of Excellence (training facility) located in Ormeau, Queensland; and
- Management Services and Procurement Group.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the Group during the financial half-year.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order 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 on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Wesley Coote	Tomas Steenackers
Director	Director

29 February 2016
Brisbane

HLB Mann Judd

Accountants | Business and Financial Advisers

NATIONAL VETERINARY CARE LTD
ABN 17 166 200 059

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of National Veterinary Care Ltd for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

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

This declaration is in respect of National Veterinary Care Ltd and the entities it controlled during the period.

C J M King
Partner

Brisbane, Queensland
29 February 2016

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National Veterinary Care Ltd
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2015

	Consolidated	
	31 Dec 2015 $'000	31 Dec 2014 $'000
Revenue	19,048	-
Expenses		
Direct expenses of providing services	(4,451)	-
Employee benefits expense	(8,616)	(41)
Consulting and professional fees	(120)	(287)
Depreciation expense	(210)	-
Advertising expense	(131)	-
Administration expense	(554)	-
Information technology and communications expense	(344)	-
Insurance expense	(150)	-
Occupancy expense	(1,344)	(3)
Travel and accommodation expense	(136)	(29)
Acquisition costs	(2,250)	-
Finance costs	(322)	-
Profit/(loss) before income tax expense	420	(360)
Income tax expense	(405)	-
Profit/(loss) after income tax expense for the half-year	15	(360)
Other comprehensive income for the half-year, net of tax	-	-
Total comprehensive income for the half-year	15	(360)
Profit/(loss) for the half-year is attributable to:		
Non-controlling interest	317	-
Owners of National Veterinary Care Ltd	(302)	(360)
	15	(360)
Total comprehensive income for the half-year is attributable to:		
Non-controlling interest	317	-
Owners of National Veterinary Care Ltd	(302)	(360)
	15	(360)
	Cents	Cents
Basic earnings per share	(0.73)	(3.24)
Diluted earnings per share	(0.73)	(3.24)

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 31 December 2015

	Note	Consolidated 31 Dec 2015 $'000	Consolidated 30 Jun 2015 $'000
Assets			
Current assets			
Cash and cash equivalents		5,682	192
Trade and other receivables		1,462	47
Inventories		2,147	-
Other		308	-
Total current assets		9,599	239
Non-current assets			
Other financial assets		-	100
Property, plant and equipment	5	3,682	23
Intangibles	6	58,309	-
Deferred tax		1,115	440
Total non-current assets		63,106	563
Total assets		72,705	802
Liabilities			
Current liabilities			
Trade and other payables		5,623	329
Borrowings		-	700
Income tax		298	-
Employee benefits		1,212	-
Provisions		524	-
Revenue received in advance		98	-
Total current liabilities		7,755	1,029
Non-current liabilities			
Borrowings	7	17,712	-
Employee benefits		124	-
Total non-current liabilities		17,836	-
Total liabilities		25,591	1,029
Net assets/(liabilities)		47,114	(227)
Equity			
Issued capital	8	41,633	814
Accumulated losses		(1,343)	(1,041)
Equity/(deficiency) attributable to the owners of National Veterinary Care Ltd		40,290	(227)
Non-controlling interest		6,824	-
Total equity/(deficiency)		47,114	(227)

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

National Veterinary Care Ltd
Statement of changes in equity
For the half-year ended 31 December 2015

Consolidated	Issued capital $'000	Accumulated losses $'000	Non-controlling interest $'000	Total deficiency $'000
Balance at 1 July 2014	362	(185)	-	177
Loss after income tax expense for the half-year	-	(360)	-	(360)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	(360)	-	(360)
Balance at 31 December 2014	362	(545)	-	(183)

Consolidated	Issued capital $'000	Accumulated losses $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2015	814	(1,041)	-	(227)
Profit/(loss) after income tax expense for the half-year	-	(302)	317	15
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	(302)	317	15
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 8)	40,819	-	-	40,819
Recognition of non-controlling interest	-	-	6,507	6,507
Balance at 31 December 2015	41,633	(1,343)	6,824	47,114

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 half-year ended 31 December 2015

	Note	Consolidated 31 Dec 2015 $'000	Consolidated 31 Dec 2014 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		18,841	6
Payments to suppliers and employees (inclusive of GST)		(13,112)	(345)
Interest and other finance costs paid		(442)	-
Net cash from/(used in) operating activities		5,287	(339)
Cash flows from investing activities			
Payment for purchase of businesses, net of cash acquired	10	(45,272)	-
Payments for property, plant and equipment	5	(817)	-
Net cash used in investing activities		(46,089)	-
Cash flows from financing activities			
Proceeds from issue of shares	8	30,085	296
Share issue transaction costs		(1,383)	-
Proceeds from borrowings		17,712	-
Repayment of related party loans		(122)	-
Net cash from financing activities		46,292	296
Net increase/(decrease) in cash and cash equivalents		5,490	(43)
Cash and cash equivalents at the beginning of the financial half-year		192	72
Cash and cash equivalents at the end of the financial half-year		5,682	29

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 consisting of National Veterinary Care Ltd and the entities it controlled at the end of, or during, the half-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 February 2016.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2015 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Basis of preparation
The interim financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair value of the consideration given in exchange for the assets.

The principal accounting policies adopted are consistent with those of the Company's 30 June 2015 Annual report, except for the policies listed below.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of National Veterinary Care Ltd ('Company' or 'parent entity') as at 31 December 2015 and the results of all subsidiaries for the half-year then ended. National Veterinary Care Ltd and its subsidiaries together are referred to in these financial statements as the 'Group'.

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.

Note 2. Significant accounting policies (continued)

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.

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.

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 have formed an 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.

Note 2. Significant accounting policies (continued)

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.

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.

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.

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.

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.

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.

Note 2. Significant accounting policies (continued)

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.

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.

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.

Rounding of amounts
The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar, unless otherwise noted.

Note 2. Significant accounting policies (continued)

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 31 December 2015. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

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 and other indefinite life intangible assets
The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have 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.

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. Non-current assets - property, plant and equipment

	Consolidated 31 Dec 2015 $'000	Consolidated 30 Jun 2015 $'000
General plant and equipment - at cost	410	2
Less: Accumulated depreciation	(17)	-
	393	2
Fit out and fixtures - at cost	507	-
Less: Accumulated depreciation	(12)	-
	495	-
Motor vehicles - at cost	144	-
Less: Accumulated depreciation	(12)	-
	132	-
Computer equipment - at cost	420	21
Less: Accumulated depreciation	(29)	-
	391	21
Medical equipment - at cost	2,411	-
Less: Accumulated depreciation	(140)	-
	2,271	-
	3,682	23

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial half-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 2015	2	-	-	21	-	23
Additions	79	334	-	369	34	816
Additions through business combinations (note 10)	329	173	144	30	2,377	3,053
Depreciation expense	(17)	(12)	(12)	(29)	(140)	(210)
Balance at 31 December 2015	393	495	132	391	2,271	3,682

Note 6. Non-current assets - intangibles

	Consolidated 31 Dec 2015 $'000	Consolidated 30 Jun 2015 $'000
Goodwill - at cost	58,309	-

Note 6. Non-current assets - intangibles (continued)

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

Consolidated	Goodwill $'000	Total $'000
Balance at 1 July 2015	-	-
Additions through business combinations (note 10)	58,309	58,309
Balance at 31 December 2015	58,309	58,309

Note 7. Non-current liabilities - borrowings

	Consolidated 31 Dec 2015 $'000	Consolidated 30 Jun 2015 $'000
Bank loans	17,712	-

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

	Consolidated 31 Dec 2015 $'000	Consolidated 30 Jun 2015 $'000
Bank loans	17,712	-

Assets pledged as security
The bank loans with Australia and New Zealand Banking Group ('ANZ') are secured by first mortgages over the Group's assets.

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

	Consolidated 31 Dec 2015 $'000	Consolidated 30 Jun 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	17,712	-
Bank guarantees	561	-
	18,273	-
Unused at the reporting date		
Bank overdraft	750	-
Bank loans	9,288	-
Bank guarantees	1,439	-
	11,477	-

The bank loans maturity is 3 year revolving working capital facility with repayment in full at the end of the facility term.

Note 8. Equity - issued capital

	Consolidated			
	31 Dec 2015 Shares	30 Jun 2015 Shares	31 Dec 2015 $'000	30 Jun 2015 $'000
Ordinary shares - fully paid	50,840,322	8,286,001	41,633	814

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2015	8,286,001		814
Issue of shares on acquisition of businesses	5 August 2015	8,099,169	$1.00	8,099
Issue of shares on acquisition of business	5 August 2015	375,000	$0.80	300
Issue of shares on acquisition of business	6 August 2015	218,499	$1.00	218
Issue of shares on acquisition of business	7 August 2015	79,712	$1.00	80
Issue of shares on acquisition of businesses	10 August 2015	706,138	$1.00	706
Issue of shares on acquisition of businesses	11 August 2015	319,282	$1.00	319
Issue of shares on acquisition of business	13 August 2015	700,890	$1.00	701
Issue of shares on acquisition of business	14 August 2015	383,662	$1.00	384
Issue of shares on Initial Public Offer	14 August 2015	29,985,173	$1.00	29,985
Issue of shares on exercise of convertible note	14 August 2015	1,400,000	$0.50	700
Issue of shares on acquisition of business	17 August 2015	281,796	$1.00	282
Issue of shares on acquisition of business	4 September 2015	5,000	$1.00	5
Less: share issue transaction costs				(1,383)
Tax recognised in equity				423
Balance	31 December 2015	50,840,322		41,633

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.

Note 9. Fair value measurement

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 10. Business combinations

30 veterinary clinics
Between 5 August 2015 and 8 October 2015 National Veterinary Care Ltd acquired 100% of the business assets of 30 veterinary clinics for the total consideration transferred of $48,159,078. The acquired business contributed revenues of $15,209,000 and profit before tax of $3,260,000 to the Group for the period from date of acquisition to 31 December 2015. If the acquisition occurred on 1 July 2015, the full half-year contributions would have been revenues of $19,771,000 and profit before tax of $4,230,000.

Brunswick Operations Pty Ltd
On 5 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 $934,000 and profit before tax of $240,000 to the Group for the period from date of acquisition to 31 December 2015. If the acquisition occurred on 1 July 2015, the full half-year contributions would have been revenues of $1,159,000 and profit before tax of $297,000.

KEST Pty Ltd
On 5 August 2015 National Veterinary Care Ltd acquired 55% of the ordinary shares in KEST Pty Ltd for the total consideration transferred of $3,522,673. The acquired business contributed revenue of $2,064,000 and profit before tax of $600,000 to the Group for the period from date of acquisition to 31 December 2015. If the acquisition occurred on 1 July 2015, the full half-year contributions would have been revenues of $2,563,000 and profit before tax of $746,000.

Fitzroy Operations Pty Ltd
On 4 September 2015 National Veterinary Care Ltd acquired 51% of the ordinary shares in Fitzroy Operations Pty Ltd for the total consideration transferred of $2,825,008. The acquired business contributed revenue of $911,000 and profit before tax of $253,000 to the Group for the period from date of acquisition to 31 December 2015. If the acquisition occurred on 1 July 2015, the full half-year contributions would have been revenues of $1,533,000 and profit before tax of $426,000.

Details of the acquisitions are as follows:

	30 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	1,913	80	110	96	2,199
Other current assets	136	10	31	13	190
Plant and equipment	2,633	124	117	179	3,053
Deferred tax asset	299	28	12	21	360
Employee benefits	(997)	(93)	(40)	(70)	(1,200)
Net assets acquired	4,429	149	230	239	5,047
Goodwill	43,730	3,015	6,140	5,424	58,309
Acquisition-date fair value of the total consideration transferred	48,159	3,164	6,370	5,663	63,356
Representing:					
Cash paid or payable to vendor	37,200	1,729	3,523	2,820	45,272
National Veterinary Care Ltd shares issued to vendor	10,476	612	-	5	11,093
Contingent consideration	483	-	-	-	483
Non-controlling interest	-	823	2,847	2,838	6,508
	48,159	3,164	6,370	5,663	63,356

The values identified in relation to the acquisitions are provisional as at 31 December 2015.

Note 11. 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	Principal activities	Ownership interest 31 Dec 2015 %	Ownership interest 30 Jun 2015 %	Ownership interest 31 Dec 2015 %	Ownership interest 30 Jun 2015 %
NVC Operations Pty Ltd	Australia	Operation of 25 veterinary clinics	100.00%	-	-	-
NVC NSW Operations Pty Ltd	Australia	Operation of 4 NSW veterinary clinics	100.00%	-	-	-
Brunswick Central Ops Pty Ltd	Australia	Operation of the Brunswick veterinary clinic	74.00%	-	26.00%	-
Fitzroy Operations Pty Ltd	Australia	Operation of the Fitzroy veterinary clinic	51.00%	-	49.00%	-
KEST Pty Ltd	Australia	Operation of 3 QLD veterinary clinics	55.00%	-	45.00%	-
Albion Vet Surgery Pty Ltd	Australia	Operation of the Albion veterinary clinic	100.00%	-	-	-

Note 12. Events after the reporting period

On 3 February 2016, the Company issued 475,000 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.

The participants under the Plan are as follows:

Employee	Position	Entitlement
Tomas Steenackers *	Managing Director and Chief Executive Officer	250,000
Katherine Baker	Chief Financial Officer	225,000

* Shares to be issued to Tomas Steenackers are subject to Shareholder Approval at a General Meeting of Shareholders and are not included in the Appendix 3B lodged to the ASX on 3 February 2016.

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. This issue (including the shares to be issued to Tomas Steenackers upon Shareholder approval) will bring the total number of shares on issue under the Plan to 1.44%.

Note 12. Events after the reporting period (continued)

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.

No other matter or circumstance has arisen since 31 December 2015 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.

National Veterinary Care Ltd
Directors' declaration
31 December 2015

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the financial half-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.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Wesley Coote
Director

Tomas Steenackers
Director

29 February 2016
Brisbane

HLB Mann Judd

Accountants | Business and Financial Advisers

Independent auditor's review report to the members of National Veterinary Care Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of National Veterinary Care Ltd ("the company") which comprises the consolidated statement of financial position as at 31 December 2015, 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 half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of National Veterinary Care Ltd is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the company for the half-year ended 31 December 2015 published in the concise financial report and included on the company's website. The company's directors are responsible for the integrity of the company's website. We have not been engaged to report on the integrity of this website. The review report refers only to the half-year financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the half-year financial report. If users of the half-year financial report are concerned with the inherent risks arising from publication on a website they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information contained in this website version of the half-year financial report.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

C J M King
Partner

Brisbane, Queensland

29 February 2016

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