National Veterinary Care Ltd
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	National Veterinary Care Ltd
ABN:	17 166 200 059
Reporting period:	For the year ended 30 June 2019
Previous period:	For the year ended 30 June 2018

2. Results for announcement to the market

	2019 $'000	2018 $'000	Growth %
Revenues from ordinary activities	118,439	82,476	43.6%
Profit from ordinary activities after tax attributable to equity owners	8,041	6,237	28.9%
Net profit for the year attributable to equity owners	8,041	6,237	28.9%
Underlying net profit for the year attributable to equity owners	8,891	6,448	37.9%
Underlying EBITDA for the year (including non-controlling interest)	18,023	13,085	37.7%
Underlying EBITDA to Revenue Margin %	15.4%	16.2%	-0.8%

	2019 Cents	2018 Cents	Growth %
Basic earnings per share	12.38	10.63	16.5%
Diluted earnings per share	12.25	10.46	17.1%
Underlying basic earnings per share	13.69	10.99	24.5%

Underlying EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) is management's preferred measure of business profitability, and excludes all acquisition, integration and other one-off costs. Refer pages 8 and 9 of the attached Annual Financial Report for further details on the underlying adjustments.

Further commentary on the annual results can be found in the 'Review of operations' section within the Directors' report of the attached Annual Financial Report.

3. Dividends

	2019 Cents	2018 Cents	Change Cents
Final dividend per share – 100% franked	3.5	3.0	0.5
Total dividends per share for the year – 100% franked	3.5	3.0	0.5

2019 final dividend dates:

Ex dividend date	6 September 2019
Record date	9 September 2019
Payment date	2 October 2019

The Company does not have a Dividend Reinvestment Plan (DRP). Refer attached Annual Financial Report for further dividend disclosures.

4. Net tangible assets

	2019 Cents	2018 Cents
Net tangible assets per ordinary security	(70.85)	(44.80)

Net tangible assets per ordinary security decreased because assets acquired from the purchase of veterinary businesses are predominantly intangible assets, and therefore excluded from the calculation of Net Tangible Assets. The debt used to fund the acquisition does form part of the Net Tangible Asset calculation.

5. Details of associates and joint venture entities

The Group holds associate interests in the Manukau After Hours Veterinary Clinic Ltd (36.4%) and Wellington After Hours Veterinary Clinic Ltd (22.2%).

Refer to the Financial Report for further details.

6. Foreign entities

Foreign entity financial statements used in compiling this report are based on International Financial Reporting Standards.

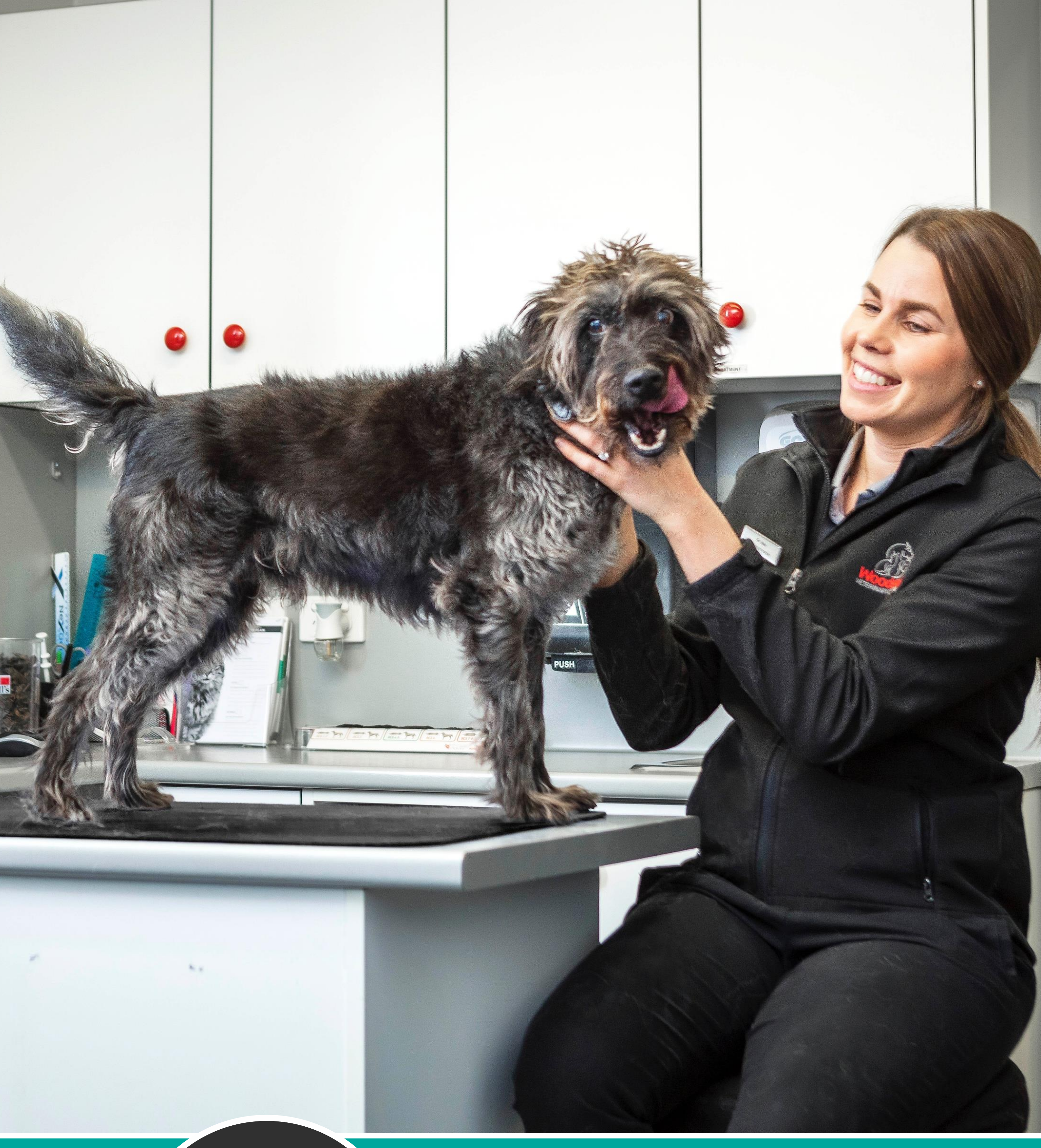
7. Other disclosures

This financial report under ASX Listing Rule 4.3A covers National Veterinary Care and its controlled entities and is based on the information contained within the audited Annual Financial Report. Additional ASX Appendix 4E (Listing Rule 4.3A) disclosures can be found in the attached Annual Financial Report of National Veterinary Care Ltd for the year ended 30 June 2019.

8. Signed

Signed ____________________ Date: 26 August 2019

Tomas Steenackers
Managing Director
Brisbane



National Veterinary Care Ltd
ABN 17 166 200 059

ANNUAL REPORT 2019

National Veterinary Care Ltd

ABN 17 166 200 059

Annual Financial Report - 30 June 2019

Directors	Susan Forrester Tomas Steenackers Kaylene Gaffney
Company secretary	Janita Robba
Registered office	Unit 1 28 Burnside Road Ormeau QLD 4208 Phone: 1300 NVC VET (1300 682 838)
Share register	Link Market Services Limited Level 21 10 Eagle Street Brisbane QLD 4000 Phone: 1300 554 474
Auditor	HLB Mann Judd Level 15 Central Plaza Two 66 Eagle Street Brisbane QLD 4000
Lawyers	Jones Day Level 31 Riverside Centre 123 Eagle Street Brisbane QLD 4000
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 (4th 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/Investors/Corporate-Governance/

On behalf of the Board of National Veterinary Care Ltd (NVL), it is with great pleasure that we present this report for the year ended 30 June 2019.

This has been an exciting year for NVL — a period of significant improvement that generated strong growth through acquisitions and development of the management services. Following the acquisition of Pet Doctors in New Zealand in October 2018, NVL became the largest veterinary aggregator in New Zealand. NVL has continued investing significantly in its people and systems to efficiently integrate, expand and support our veterinary services businesses.

This year, NVL acquired, settled and integrated 32 veterinary services businesses across New Zealand and Australia. Combined, the acquired clinics have historical annualised revenue of A$45 million. This is a tremendous achievement and a testament to the quality of our management team, staff and systems considering NVL has normally acquired on average 10-12 clinics per annum for the last 3 years.

The pet care industry in Australia and New Zealand continues to grow, with pet parents insisting on higher levels of care and services for their animals. We expect this 'humanisation' trend to continue across the industry, with increasing demand for more complex and higher-yielding care options supplied through veterinary clinics. The size of NVL's addressable market within Australia and New Zealand is A$3.4 billion with continued forecast growth.[4]

NVL is positioned as a partner of choice for independent quality practices that wish to work with a leading, innovative and supportive organisation. NVL has attracted quality practices and developed a strong and healthy acquisition pipeline. The practices joining NVL are focused on delivering high standards of care, strong financial performance and exceptional customer service across Australia and New Zealand.

In this fourth year of reporting since listing on the Australian Securities Exchange, the group produced underlying trading revenue of $117.2 million, exceeding the 2018 revenue of $80.5 million by 45.5%. Underlying EBITDA margin remained strong at 15.4%, exceeding the guidance range of 14.5-15.0%. The EBITDA margin of the existing businesses pre Pet Doctors has increased from 16.2% to 17.2% during the year which has resulted from the refinement of our systems across our operations, marketing, finance and HR teams. This was offset by a decline in the 9 months to 30 June 2019 of the Pet Doctors EBITDA margin from 13.0%[5] to 11.1%. We expect to see some positive results and reversal of this decline across the Pet Doctors group in the next 12 months. Underlying Net Profit After Tax has grown from A$6.4 million to A$8.9 million, an increase of 37%.

Table 1: Underlying Performance Highlights

Underlying Performance[1]	2019 $'000	2018 $'000	% Variance	
Revenue	117,191	80,542	45.5%	
EBITDA [2]	18,023	13,085	37.8%	
EBITDA %	15.4%	16.2%	-0.8%	
Net Profit After Tax [3]	8,891	6,448	37.9%	
Net Profit After Tax %	7.6%	8.0%	-0.4%	

1 Underlying performance excludes the impact of acquisition, integration, restructuring, and other one-off costs (refer Table 2 in Director's report).
2 EBITDA - Earnings before interest, tax, depreciation and amortisation. Includes both controlling and non-controlling interest.
3 Attributable to shareholders after deducting non-controlling interests
4 NVL's addressable market includes veterinary services and a component of food sales (Source: IBISWorld Industry Report M6970 Veterinary Services in Australia February 2018)
5 Performance in pre-NVL ownership period for 9 months 1 October 2017 – 30 June 2018 based on historical management accounting information

Significant work was undertaken to review and improve our support office operating systems and capability to integrate future acquired clinics faster and more efficiently. Bringing 32 new clinics together can be challenging, but the efforts of the management team and NVL staff, and the operational structure, have helped integrate the new acquired clinics faster and better. It is critical to ensure the integration process continues to be done efficiently and accurately to keep new staff members engaged and motivated to sustain customer satisfaction and financial performance.

The refinement of our operating systems and support office structure will help NVL become the employer of choice in the veterinary industry, helping recruit and retain staff across the business.

Operations

NVL's business plan was reviewed to ensure the growth strategy was still effective, durable and relevant to the industry. Core to the NVL business model are the NVL General Practice clinics, complemented by NVL Cremation Services, the Veterinary Training Centre and the Management Services and Procurement Group.

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 finance, 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 to increase customer retention.

A key marketing and revenue generating initiative is the Best for Pet wellness program that has grown to more than 25,000 members across the NVL network in 2019, an overall growth of 34% versus last financial year. 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. The program is offered in 80 clinics. Following the integration of Pet Doctors clinics, the Best for Pet Wellness program was launched across all clinics in February 2019. The Pet Doctors clinics signed up 2,378 members or 5% of active members by 30 June 2019 with a target of 8,000 members in the first 12 months of operations.

A major highlight for the year was the development and opening of a third Veterinary Training Centre facility, located in Christchurch, New Zealand. The three facilities are offering professional training courses to the entire veterinary industry. Having a third facility has helped reduce travel costs and time out of clinics for New Zealand based NVL staff and the local veterinary community. One of the keys to growing a successful practice is the ongoing professional development of veterinarians and vet nurses. The development of the Veterinary Training Centre means vets can undertake career-long learning to build their skills and offer enhanced services to clients. The courses at the training centres are available to any veterinary practice, whether or not they are an NVL clinic. In the last 12 months, the three centres have hosted more than 80 professional workshops. Complementing the three training centres are two veterinary nurse education centres in Auckland, which were acquired with the Pet Doctors Group. These accredited education facilities offer veterinary nurse certificate and diploma programs for up to 100 students each year and will provide clinic recruitment opportunities for NVL and other independent clinics.

Membership of the Management Services and Procurement Group continued to grow during the year following a review of the business strategy and improvements to the operating systems. The Group was launched in New Zealand in August 2018 to offer management services and procurement to independent veterinary clinics located across New Zealand. The Management Services and Procurement Group now services 426 independent clinics and is providing additional services including marketing support and HR support to help independent clinics improve their practices.

Growth Strategy

NVL will continue to develop its three-tiered approach to growth: organic, by acquisition and management services. Further investments have been made in the business to continue developing and refining the growth strategy to ensure sustainable growth for staff and shareholders.

Organic

Organic growth from existing clinics will be driven by benchmarking and supporting 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 Veterinary Training Centre.

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 strategic acquisitions in attractive geographic clusters to build on our existing network of clinics.

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 Veterinary Training Centre, and the NVL administrative systems and management support to both Australia and New Zealand's 1,500 smaller independent clinics. In July, NVL announced the acquisition of a smaller buying group which will expand NVL's representation across the veterinary industry, and will enhance NVL's existing offering to member clinics through a broader range of services and different levels of membership.

Outlook for 2020
We continue to believe there are significant organic and acquisition growth opportunities for NVL.

Our growth strategy contains the following key elements:

- Driving organic growth in existing clinics through development of a differentiated offer, focused on the customer experience and providing value for families;
- Continuing to grow our network of clinics through acquisitions of high quality clinics which complement our portfolio;
- Growing the management services and procurement group across Australia and New Zealand; and
- Engaging and developing all of our people through a series of initiatives such as team development, management and leadership training.

With our clear growth strategy supported by a passionate and capable team, we believe we are well placed to deliver sustainable value to our clients and our shareholders in the years ahead.

Passing of Dr Stephen Coles
In February 2019, we learned the sad news that Dr Steve Coles passed away having lost his battle with cancer. We wish to acknowledge Steve's enormous contribution to NVL, guiding it to become the company it is today, as well as our profound personal sense of loss. We extend the condolences of the Board, the CEO, and the entire NVL family to Steve's wife and family. To continue to celebrate the gift it was to have known him, to have learnt from him and to marvel at the positive difference he bought to countless lives, we launched the Dr Stephen Coles NVC Scholarship at our annual conference in 2019. The inaugural recipients will attend the Veterinary Dental Forum in Orlando, Florida later this year.

Finally, our thanks to our Board of Directors and management team for their tireless professional commitment during our fourth year of trading.

Susan Forrester
Chair

Tomas Steenackers
Managing Director/Chief Executive Officer

26 August 2019
Brisbane

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group' or 'NVL') 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 2019.

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
Kaylene Gaffney
Dr Stephen Coles (passed away 8 February 2019)

Principal activities

During the financial year the principal continuing activities consisted of the operation of veterinary services businesses throughout Australia and New Zealand.

Dividends

To owners of the Company:

	Consolidated 2019	Consolidated 2018
Dividends paid during the financial year:		
Final dividend - 100% franked ($'000)	1,770	1,768
Final dividend paid - 100% franked – cents per share	3.0	3.0

The above final dividend was paid on 27 September 2018 (2018: 4 October 2017).

	Consolidated 2019	Consolidated 2018
Dividends declared after balance date in respect of the reporting period:		
Final dividend – 100% franked – amount ($'000)	2,345	1,770
Final dividend – 100% franked – cents per share	3.5	3.0

2019 final dividend dates:	
Ex dividend date	6 September 2019
Record date	9 September 2019
Payment date	2 October 2019

The financial effect of dividends declared after 30 June 2019 but in respect of the 2019 financial year have not been brought to account in the consolidated financial statements for the year ended 30 June 2019 and will be recognised in subsequent financial reports.

To minority equity holders of subsidiary entities:
Dividends declared and paid during the financial year were as follows:

	Consolidated 2019 $'000	Consolidated 2018 $'000
Dividends paid to non-controlling interests in the underlying entities	759	566

Dividends totalling $0.759 million were paid to non-controlling interests in respect to their interests in their underlying entities during the year ended 30 June 2019. There are further dividends of $0.138 million (2018: $0.107 million) declared and paid subsequent to 30 June 2019 for non-controlling interests.

Review of operations

The Group owns and operates a portfolio of 98 veterinary services businesses in Australia and New Zealand, comprising both general practice clinics and business to business operations, the latter servicing both Group owned and independent clinics. The Group's focus is the empowerment of veterinary excellence in the provision of services to companion animals.

The net profit for the Group after income tax and non-controlling interest amounted to $8.041 million (2018: $6.237 million).

Results Highlights

The directors are pleased to report the following results for FY2019:

- Growth in revenue of 43.6% to $118.439 million (2018: $82.476 million)
- Organic revenue growth of 1.58% (2018: 2.54%) [7]
- Underlying EBITDA[1,4] for the Group amounted to $18.023 million (2018: $13.085 million)
- 29.0% increase in net profit after income tax and non-controlling interest to $8.041 million (2018: $6.237 million)
- Settled 32 acquisitions, including the Pet Doctor Group in New Zealand comprising 25 veterinary services businesses.
- 426 independent clinics utilising the Group's Management Services and Procurement Services offering
- Announcement of 3.5 cents per share fully franked final dividend in relation to FY2019.

The following table highlights the key performance measures for the Group. In addition to the statutory results, information about the underlying performance of the Group is presented, which excludes the impact of one-off acquisition, integration, restructuring and other one-off costs. The underlying performance information is provided on an unaudited basis and a reconciliation between the statutory and underlying performance information provided further below.

Table 1: Key Performance Measures

	2019 $'000	2018 $'000
Statutory Performance		
Revenue	118,439	82,476
Gross Margin	90,379	63,615
Gross Margin %	76.3%	77.1%
EBITDA[1,2]	17,195	12,527
EBITDA margin[3]	14.5%	15.2%
Net Profit after Tax[5]	8,041	6,237
Cash Flows from Operating Activities (ungeared, pre-tax)	17,146	12,292
Cash conversion ratio[6]	100%	98%
Basic Earnings per Share (cents)	12.38	10.63
Underlying Performance		
Revenue	117,191	80,542
Gross Margin	89,131	61,681
Gross Margin %	76.0%	76.5%
EBITDA[1,4]	18,023	13,085
EBITDA margin	15.4%	16.2%
Net Profit after Tax[5]	8,891	6,448
Cash Flows from Operating Activities (ungeared, pre-tax)	19,221	14,512
Cash conversion ratio	107%	111%
Basic Earnings per Share (cents)	13.69	10.99

1 EBITDA – Earnings before interest, tax, depreciation and amortisation (Non-IFRS information). Includes non-controlling interest.
2 Includes costs relating to acquisition, integration, restructuring and other one-off costs
3 EBITDA margin – EBITDA as a % of revenue
4 Before the impact of costs relating to acquisition, integration, restructuring and other one-off costs, refer to Table 2.
5 Attributable to shareholders after deducting non-controlling interests
6 Cash conversion ratio = Operating Cash Flows / EBITDA. Statutory conversion ratio impacted by acquisition costs classified as investing activities.
7 Like for like sales growth reflects total portfolio's performance, excluding strategic divestment and clinic renovation periods, held for minimum of 12 months at balance date

Table 2: Reconciliation of Statutory Performance to Underlying Performance

	Operating Cash Flows (ungeared, pre-tax)		EBITDA[1]		NPAT[2]	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Statutory Performance	17,146	12,292	17,195	12,527	8,041	6,237
Adjustments:						
Write-back of contingent consideration	-	-	(1,630)	(1,934)	(1,630)	(1,934)
Acquisition and other transaction costs	1,010	1,168	1,010	1,168	1,010	1,168
Restructuring and integration costs	1,065	457	1,066	457	1,066	457
Loss on disposal of business	-	-	-	272	-	272
Trading loss of disposed business	-	72	-	72	-	72
Other one-off[5]	-	523	382	523	382	523
Notional interest expense	-	-	-	-	617	153
Effective tax rate[4]	-	-	-	-	(595)	(500)
Total adjustments	2,075	2,220	828	558	850	211
Underlying Performance[3]	**19,221**	**14,512**	**18,023**	**13,085**	**8,891**	**6,448**

1 EBITDA - Earnings before interest, tax, depreciation and amortisation (Non-IFRS information). Includes non-controlling interest.
2 NPAT – Net profit after tax attributable to shareholders after allowing for non-controlling interests
3 After excluding the impact of acquisition, integration, restructuring and other one-off costs
4 Effective tax rate used on adjustments (excluding non-deductible stamp duty from acquisitions, capital loss on disposal of business and cost base adjustments related to contingent consideration) is 30%
5 Predominantly relates to the transitional impact upon adoption of new accounting standard AASB 15 Revenue from Contracts with Customers. (FY2018 comparative predominantly relates to the impact of a new remuneration policy first implemented in FY2018 which resulted in a one-off duplication of employee costs arising from transition year accounting)

Financial and Operating Results

Revenue

The increase in revenue was primarily driven by acquisitions and organic growth in the existing portfolio.

During the year, NVL expanded its network by acquiring 32 veterinary service businesses to bring the total portfolio of NVL owned and operated veterinary service businesses to 98 as at 30 June 2019. NVL acquisitions include the New Zealand based Pet Doctors Group comprising 25 veterinary service businesses, a further 6 clinics in Australia and one in New Zealand during the year. The Pet Doctors Group acquisition was transformational for NVL and comprises 23 veterinary clinics and 2 vet nurse training centres service businesses which historically have delivered EBITDA margins of 14% compared to 20% from NVC's existing New Zealand counterparts[7].

Organic growth during the year in the total portfolio of businesses was 1.58% (2018: 2.54%)[6]. Like for like sales organic growth reflects performance for sites held for 12 months or more (excluding strategic divestment and clinic renovation periods). A key driver of organic growth is the Best for Pet wellness program, which at 30 June 2019 had 25,198 members (2018: 18,750). In addition, NVL expanded the training centre offering which now includes 3 locations across Australia and New Zealand, resulting in improved standards of care and increased revenue streams through the upskilling of veterinary professionals.

Other revenue includes $1.630 million (2018: $1.934 million) in write-back of contingent acquisition consideration not payable / refunded where performance conditions have not been met.

6 Like for like sales growth reflects total portfolio's performance, excluding strategic divestment and clinic renovation periods, held for minimum of 12 months at balance date

7 EBITDA margins are operating business unit level only and exclude support office costs.

Gross margin and gross margin %
Group gross margin of 76.3% (2018: 77.1%) is a strong result considering the dilutionary impact of the increase in NVL's presence in the New Zealand region following the Pet Doctors acquisition. On average, the New Zealand practices achieve a lower gross margin percentage than the Australian clinics due to the veterinary product and service mix which results in higher direct costs. The reported gross margin includes the write-back of contingent acquisition consideration not paid due to performance conditions not being met. The underlying gross margin of 76.0% (2018: 76.5%) excludes the impact of these write-backs and thus is Management's preferred measure of trading margin trends.

EBITDA & EBITDA Margin %
Group EBITDA of $17.195 million (2018: $12.527 million) and EBITDA margin of 14.5% (2018: 15.2%) was influenced by several key factors including: the acquisition of 6 general practice veterinary clinics in Australia and 26 in New Zealand including the Pet Doctors Group. The Pet Doctors Group acquisition was transformative for NVL and included 25 veterinary service businesses that historically have delivered EBITDA margins of 14% compared to NVL's existing New Zealand clinics of 20%. Furthermore, the result includes one off revenues of $1.630 million (2018: $1.934 million) associated with the writeback of contingent consideration related to acquisition earnouts.

Excluding acquisition, integration and other one-off style items results in an underlying EBITDA for the year of $18.023 million (2018: $13.085 million) and an underlying EBITDA margin of 15.4% (2018: 16.2%). Lower EBITDA margins arose due to the dilutionary impact of the Pet Doctors Group.

Finance costs
Finance costs of $2.837 million (2018: $1.657 million) increased during the year as a result of acquisition activity which increased bank borrowings and deferred consideration liabilities for vendor earnouts. Deferred consideration liabilities for vendor earnouts are calculated at settlement using present value methodology, resulting in a notional interest expense being recognised over the earnout term. Finance costs includes notional interest of $0.617 million (2018: $0.153 million).

Depreciation
Depreciation costs of $2.232 million (2018: $1.360 million) increased during the year predominantly as a result of the investment in acquired veterinary service businesses in both the current and prior year.

Underlying items
During the year, the Group incurred $0.828 million in net pre-tax underlying expenses (2018: $0.558 million), which include costs related to business acquisitions, business restructuring and integration and other one-off costs (refer Table 2 on previous page for further details). Current period acquisition and integration costs include professional fees and stamp duty, as well as the provision of an integrations team to provide support for business acquisitions and an acquisitions team to provide support for due diligence and settlement. Underlying adjustment items for the year include the retrospective impact of first time adoption of AASB 15 of $0.382 million. Further, underlying adjustment items include other revenue of $1.630 million (2018: $1.934 million) associated with write-back of contingent acquisition consideration not payable / refunded where performance conditions have not been met.

Financial Position
Key financial information in relation to the Group's financial position at year end is shown below:

Table 3: Snapshot of Financial Position

	30 June 2019	30 June 2018
Total assets ($'000)	185,747	124,241
Net assets ($'000)	98,387	72,967
Cash and cash equivalents ($'000)	19,841	11,861
Debt ($'000)	54,821	34,041
Net debt /EBITDA Leverage ratio[1] (times)	1.97	1.82
Debt to capitalisation ratio[2] (%)	27	24
Shares on issue ('000)	67,001	59,051
Dividends paid per security (cents)	3.0	3.0

1 EBITDA leverage ratio, calculated in accordance with the facility documents, equals Net debt/EBITDA including pro forma annualised contribution from acquisitions made during the year.
2 Debt to capitalisation ratio, calculated in accordance with the facility documents, equals (Debt less cash and cash equivalents)/(Debt plus Equity).

Significant balance sheet movements during the year were as follows:

- Total assets increased by $61.506 million during the period with the acquisition of 32 veterinary services businesses and disposal of one online business. The acquisitions were predominantly funded with the proceeds from the share placement completed in September 2018. Note 27 contains further details about the value of the businesses acquired including the recognition of goodwill and other net assets acquired.
- Total liabilities increased by $36.086 million predominantly due to increased borrowings ($20.767 million) and increased contingent consideration liabilities ($7.031 million) in relation to new business acquisitions.
- Issued capital increased by $17.665 million following issue of 8.0 million new shares pursuant to a capital raising completed in September 2018.

Capital Management

Debt & Gearing

The Group's debt facility with Australia and New Zealand Banking Group (ANZ) was renegotiated during the year, resulting in a $24.000 million increase in the facility limit to $88.500 million (2018: $64.500 million), including a core debt facility of $85.000 million and bank guarantee and overdraft facilities totalling $3.500 million. The increased facility will provide a source of funding for future acquisitions and expansion. As the Group continues to grow, business acquisitions will be funded through a mix of free cash, debt and equity in accordance with the Group's capital management policies.

At balance date, $54.991 million had been drawn against the core debt facility (2018: $34.224 million) and $1.514 million had been drawn against the bank guarantee facilities (2018: $1.140 million).

During the year and as at 30 June 2019, the Group was compliant with its banking covenants. The core debt facility expires in June 2021.

Cash flow highlights

During the year, there was a net increase in the Group's cash and cash equivalents of $7.799 million (2018: $1.250 million net decrease) as funds were deployed for growth initiatives including acquisitions. Most of the Group's free cashflow from operations was redeployed to fund business growth in line with the Group's investment strategy.

Key cashflow movements during the year were as follows:

- Cash from operations of $11.332 million (2018: $6.842 million) predominantly impacted by working capital changes during the year including favourable timing of creditor payments falling due past year end and unfavourable working capital position inherited from the Pet Doctor acquisition (but reimbursed via purchase price adjustments and shown as part of investing cash flows).
- The Group's underlying business generated an ungeared pre-tax cash flow of $19.220 million (2018: $14.512 million) which represents a 107% underlying EBITDA conversion rate.
- Cash used in investing activities was $39.416 million (2018: $15.214 million) primarily relating to the acquisition of 32 veterinary services businesses during the year compared with 13 in the previous year.
- Cash from financing activities was $35.883 million (2018: $7.122 million), being the net debt drawn and share capital raised to fund business acquisition, less dividend payments.

Group Strategy

NVL has three core growth platforms: organic, acquisition, and development of the Management Services and Procurement Group. The table below outlines the key growth drivers within these platforms.

Growth Platform	Growth Drivers
Organic Growth	Grow Veterinary Services via: • Expansion of the Wellness Program – Best for Pet • Better standards of care by upskilling of veterinary professionals through the Veterinary Training Centre • Benchmarking of clinical standards across practices to identify training opportunities and optimise product/service offering • In-house provision of more complex services to reduce external referrals outside of NVL
Acquisition Growth	Significant opportunity for further industry consolidation in the veterinary services sector due to: • The fragmented nature of the industry • The changing characteristics of the veterinary workforce
Develop Management Services and Procurement Group	Significant opportunity to grow the management services and procurement business unit by leveraging • NVL's strong buying power and systems • Unique clinical training opportunities through NVL's Veterinary Training Centre • NVL's Systems • Providing support to smaller independent clinics (approx. 2,600 clinics in Australia and New Zealand) • Providing bespoke service offerings and support to corporate groups in the health sector

A key focus for NVL will be fully integrating the Pet Doctors clinics and improving their operating performance from the historical clinic EBITDA margins of 14% toward NVC's existing New Zealand clinics which have historically produced EBITDA margins of 20%.

Material business risks

The key risks that have the potential to materially impact the performance of the Group are detailed below. The Group is committed to managing the potential risks it faces in a continuous and proactive manner. To the highest extent possible, NVL intends to mitigate these risks through the three-tiered approach to growth: organic, acquisition, and development of the Management Services and Procurement Group.

Veterinary services expenditure
Any deterioration in economic conditions, a reduction in pet ownership, or the occurrence of any other event or circumstance with the potential to have a negative impact on the level of veterinary services expenditure in Australia and New Zealand may negatively impact the Group's future financial performance.

Industry competition
Competitive threats such as reduction of competitor pricing for services, entry of new clinics in close proximity to NVL clinics, or increased competition for veterinarians could have a material adverse impact on NVL's operational and financial performance.

Retention of key management personnel and shortages of skilled personnel
The successful execution of NVL's business model depends on a management team with the necessary talent and experience to integrate and manage veterinary clinics. The loss of key management personnel could adversely affect NVL's business, results of operations or financial conditions and performance. In addition, personnel issues may arise at a clinic level including the retention of lead veterinarians or a general shortage of skilled staff. If these issues are not effectively managed, then the business and profitability of these clinics could be adversely affected. NVL offers the market attractive packages including incentive plans to key personnel to encourage retention and attract new talent. Further, NVL's focus on education and training through its Veterinary Training Centre is a key point of differentiation to other industry employers, and is an effective element of the Group's recruitment and retention strategy.

Acquisition and Integration Risk
Acquisitions have been a source of growth for NVL. However, NVL may not be successful in identifying, evaluating and finalising future acquisitions on acceptable terms. There is also a risk that increased competition for acquisitions could increase price expectations, lower returns on capital and affect NVL's ability to make acquisitions. Further, there can be no guarantee that NVL will successfully integrate new businesses that it acquires or that the acquisition will perform as expected. There is a risk that the process of integration may take longer or be more expensive than anticipated and this could have a materially adverse impact on NVL's financial performance and position.
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 Group planned for, and/or expected from the acquisition, will not be delivered post acquisition. The Group has established an integrations team and undertakes extensive due diligence as part of its acquisition process and structures acquisitions with vendor deferred payments all to assist the Group to mitigate this risk.

Significant changes in the state of affairs
There were no other 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
Refer note 35 of the financial report for details of events occurring after the end of the financial year.

No other matter or circumstance has arisen since 30 June 2019 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
The directors and management of the consolidated entity will continue to pursue growth via the three-tiered strategy of organic growth, acquisition growth where investment criteria is met and further development of the Managed Services and Procurement Group.

Environmental regulation
The Group's crematorium business requires an Environmental Protection Act license in relation to incinerator emissions. Other than this, the Group is not subject to any significant environmental regulation under Australian Commonwealth or State law. There were no known breaches of environmental regulation during the period.

Information on directors

Name:	Susan Forrester AM
Title:	Independent Non-Executive Director and Chair
Qualifications:	BA, LLB (Hons), EMBA, FAICD
Experience and expertise:	Susan is a highly respected and accomplished professional company director with a powerful blend of management, board and consulting experience across ASX-listed, public and private companies. She draws on 30 years of expertise spanning the legal and professional services, healthcare, childcare and telecommunications sectors to bring a practical and pragmatic approach to her board contributions. Since leaving her commercial CEO role in 2010, Susan has gained a wealth of experience at the board table in complex corporate transactions, including private and public company mergers and acquisitions, industry aggregations, and overseeing successful capital raisings.
Other current directorships:	Non-executive director for G8 Education Limited (ASX: GEM), Over the Wire Ltd (ASX: OTW) and Viva Leisure Ltd (ASX: VVA)
Former directorships (last 3 years):	Xenith IP Ltd (ASX: XIP)
Special responsibilities:	Member of the Audit and Risk Management Committee
Interests in shares:	750,000 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 is National Veterinary Care's founding Chief Executive Officer and Managing Director. He has many years of executive experience in the veterinary services, pharmaceutical, retail and pathology sectors, including senior management roles with Mayne Pharma, Hospira, Covidien, and Terry White Management.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	1,135,500 ordinary shares, including 250,000 Loan Shares (held directly and indirectly)
Interests in options:	451,657 performance rights

Name:	Kaylene Gaffney
Title:	Independent Non-Executive Director
Qualifications:	B.Bus (Acc), GradDipBus (ProfAcc), MBA (Int), FCA, GAICD
Experience and expertise:	Kaylene has had a career in senior financial roles for over 25 years in the retail, aviation, telecommunications and information technology sectors. She currently holds a senior executive financial role with Super Retail Group Limited. Kaylene has previously served as a non-executive director of ASX listed MSL Solutions Limited, a non-executive director and Chair of the Audit and Risk Committee for Wotif.com and in 2016, she served as Queensland State Chair of Chartered Accountants Australia and New Zealand.
Other current directorships:	None
Former directorships (last 3 years):	Non-executive director for MSL Solutions Limited (ASX: MPW)
Special responsibilities:	Chair of the Audit and Risk Management Committee
Interests in shares:	10,000 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

Janita Robba is Company Secretary and was appointed on 10 February 2017. Janita is a Chartered Accountant with significant executive, finance and governance experience in listed and unlisted companies including Unity Pacific Group and Flight Centre Limited.

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 2019, and the number of meetings attended by each director were:

	Full Board		Audit, Compliance and Risk Management Committee	
	Attended	Held	Attended	Held
Susan Forrester	21	21	2	2
Tomas Steenackers	21	21	-	-
Dr Stephen Coles	12	14	2	2
Kaylene Gaffney	19	19	4	4

Held: represents the number of meetings 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 Group's executive strategic remuneration framework has been designed to meet contemporary ASX listed company executive key management personnel remuneration standards and to ensure the alignment between the Group's performance, the creation of value for shareholders and executive remuneration outcomes. The framework has been refined over the past two years following an external review, and includes fixed annual remuneration and reward components.

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 annual remuneration component of the framework is considered market competitive and complementary to the reward strategy of the Group. The objective of the Group's executive reward component of the framework is to ensure reward for performance is both competitive and appropriate for the results delivered.

The Board has responsibility for determining and reviewing remuneration arrangements for its directors and executives.

The Board ensures that executive rewards satisfy the following key criteria for good reward governance practices:
- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparency.

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 reward 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 Board (or nominated Committee). The Board 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 does not participate in any discussions relating to the determination of their own remuneration. Non-executive directors do not receive share options or other incentives as remuneration.

The maximum aggregate amount which has been approved by the Company's shareholders for payment to the Directors (other than the Managing Director and Executive Directors, if any) is $500,000 per annum. For the current period, the non-executive Director's fees are $123,000 per annum for the Chair and $61,500 per annum for each of the other non-executive Directors inclusive of superannuation (where relevant). Directors may also be reimbursed for travelling and other expenses they incur in connection with the Group's business.

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 remuneration framework has four components:
- base pay and non-monetary benefits;
- short-term performance incentives;
- long-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 Board 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 may include profit contribution, customer satisfaction, leadership contribution and product management. Executive STI payments are assessed and approved by the NVL Board based on the audited financial statements.

The Group offers long-term incentives ('LTI') to executives in the form of share-based payments. The objective of the LTI compensation policy is to align the interests of key management personnel to those of the company and its shareholders. Executive and other senior employees may be eligible to receive share based payments under the terms and conditions contained within the Company's Employee Incentive Plan, which provides for shares to be awarded provided certain conditions are met over a number of years. Further information on LTI arrangements and share based payment compensation under the Plan can be found later in this note and in note 31.

The Board believes 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.

Fees paid to Crichton and Associates during the financial year in relation to the remuneration consulting services amounted to $769.

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:
- Susan Forrester - Independent Non-Executive Chairperson
- Tomas Steenackers - Managing Director and Chief Executive Officer
- Dr Stephen Coles - Independent Non-Executive Director (passed away 8 February 2019)
- Kaylene Gaffney- Independent Non-Executive Director
- Jason Beddow – Chief Financial Officer

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		
						Equity-settled	Equity-settled	
2019	Cash salary and fees $	Cash Bonus $	Termination $	Super-annuation $	Long service leave $	Shares $	Options / Rights** $	Total $
Non-Executive Directors:								
S Forrester	123,000	-	-	-	-	-	-	123,000
Dr S Coles*	37,339	-	-	-	-	-	-	37,339
K Gaffney	61,242	-	-	5,818	-	-	-	67,060
Executive Director:								
T Steenackers	353,111	307,625	-	20,531	-	-	286,429	967,696
Other Key Management Personnel:								
J Beddow	238,497	135,000	-	20,531	-	-	10,993	405,021
	813,189	442,625	-	46,880	-	-	297,422	1,600,116

* Remuneration disclosed is from 1 July 2018 to the date of ceasing to be key management personnel.

** Remuneration relates to share based payment amounts issued under the Company's Employee Incentive Plan.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		
						Equity-settled	Equity-settled	
2018	Cash salary and fees $	Cash Bonus $	Termination $	Super-annuation $	Long service leave $	Shares $	Options / Rights** $	Total $
Non-Executive Directors:								
S Forrester	120,000	-	-	-	-	-	-	120,000
Dr S Coles	60,000	-	-	-	-	-	-	60,000
K Gaffney	54,794	-	-	5,206	-	-	-	60,000
Executive Director:								
T Steenackers	329,491	237,094	-	22,625	-	-	205,674	794,884
Other Key Management Personnel:								
J Beddow*	193,185	-	-	18,353	-	-	-	211,538
	757,470	237,094	-	46,184	-	-	205,674	1,246,422

* Remuneration disclosed is from 1 July 2017 or date of appointment as a key management personnel, to 30 June 2018.

** Remuneration relates to share based payment amounts issued under the Company's Employee Incentive Plan.

Relationship between Remuneration and Performance	2019 $	2018 $	2017 $	2016 $
Revenue from continuing operations	118,439,000	82,476,000	66,841,000	44,265,000
Profit attributable to equity owners	8,041,000	6,237,000	4,395,000	1,155,000
Underlying profit attributable to equity owners	8,891,000	6,448,000	5,912,000	3,867,000
Dividends paid or provided for	1,770,000	1,768,000	-	-
Share price at financial year end ($)	2.18	2.65	2.36	1.30
KMP remuneration	1,600,116	1,246,422	977,219	952,882
Total KMP remuneration as percentage of underlying profit for the year	18.0%	19.3%	16.5%	24.6%

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

Name	Fixed remuneration 2019	Fixed remuneration 2018	At risk - STI 2019	At risk - STI 2018	At risk – LTI 2019	At risk – LTI 2018
Non-Executive Directors:						
S Forrester	100%	100%	-	-	-	-
Dr S Coles	100%	100%	-	-	-	-
K Gaffney	100%	100%	-	-	-	-
Executive Directors:						
T Steenackers	39%	44%	32%	30%	29%	26%
Other Key Management Personnel:						
J Beddow	64%	100%	33%	-	3%	-

Service agreements

Key contractual arrangements for KMP Executives:

Name:	Tomas Steenackers
Contract Duration:	No fixed term
Details:	Termination notice period for Company - 6 months Termination notice period for employee - 6 months Annual Base Salary - $339,296 Superannuation – $20,531 Annual Car Allowance - $15,000

Name:	Jason Beddow
Contract Duration:	No fixed term
Details:	Termination notice period for Company – 3 months Termination notice period for employee - 3 months Annual Base Salary - $240,000 Superannuation – $20,531

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

Share-based compensation

Employee Incentive Plan
The Company's current Employee Incentive Plan allows for the award of long term incentives to employees in the form of performance rights.

During the period, performance rights were granted under the Employee Incentive Plan to the Chief Executive Officer and other key executives.

A summary of the key terms and conditions of the performance rights issued under the plan are:

- Performance rights are granted at no cost to an employee;
- The exercise price for a performance right is $nil;
- The performance rights will vest subject to satisfying a service condition until the vesting date and a performance condition including hurdles relating to earnings per share cumulative annual growth rates. Vesting periods are determined by the Board and are generally 3 years in duration;
- Each vested performance right entitles the holder to acquire one share in the Company;
- Any performance rights which fail to meet the required vesting conditions before the vesting date shall immediately lapse;
- Performance rights do not carry any dividend or voting rights. Shares issued pursuant to the vesting of performance rights will rank equally with ordinary issued shares of the Company;
- The Board has discretion in relation to number of performance rights available to be exercised by an employee on termination of employment prior to the vesting date, depending on the circumstances of termination.

Issue of Performance Rights
The following performance rights were issued to key management personnel as part of compensation during the year ended 30 June 2019.

Name	Grant Date	No. of Rights	Vesting Date	Exercise Price	Expiry Date
T Steenackers	30 November 2018	115,011	31 October 2021	$0.00	30 November 2021
T Steenackers	22 March 2019	84,764	31 March 2020	$0.00	30 April 2020
J Beddow	30 November 2018	49,107	31 October 2021	$0.00	30 November 2021
J Beddow	22 March 2019	29,459	31 March 2020	$0.00	30 April 2020

Details of performance rights held by key management personnel during the period and at balance date are as follows:

Name	Opening Balance	Issued	Cancelled	Closing Balance
T Steenackers	251,882	199,775	-	451,657
J Beddow	-	78,566	-	78,566

Under AASB 2 Share Based Payment, the performance rights are accounted for as options, which gives rise to a share-based payment expense. The fair value of the performance rights will be determined at the grant date of the relevant performance rights and the value expensed over the relevant service periods after taking account of any market and non-market vesting conditions. The performance rights are valued using a Black-Scholes options pricing model. The Group has recognised an after tax, non-cash share-based payment of $0.319 million during the financial year (2018: $0.070 million) with a corresponding credit to Shareholders' Equity in the form of a Performance Rights Reserve.

Employee Incentive (Loan Shares) Plan
The Company's previous plan, the Employee Incentive (Loan Shares) Plan was approved by shareholders in July 2015. Full details of the Plan can be found on the Company's website under the ASX Announcement of 13 August 2015. The Loan Shares Plan was replaced by the current Employee Incentive Plan during the year ended 30 June 2018.

Issue of Loan Shares
No further grants will be awarded under the Loan Share Plan and no grants were awarded under it during the period. The only grant of Loan Shares was made to the Chief Executive Officer during the year ended 30 June 2016.

Details of Loan Shareholdings held by key management personnel during the period and at balance date are as follows:

Name	Opening Balance	Issued	Cancelled	Closing Balance
T Steenackers	250,000	-	-	250,000

During the year the loans shares fully vested however trading restrictions remain whilst ever the loan amount is outstanding. The expiry date for exercising rights and repayment of the loan for the loan shares is 13 August 2020.

Under the applicable Accounting Standards, the Loan Shares and related limited recourse loan are accounted for as options, which gives rise to a share based payment expense. The treatment of the Loan Shares under the applicable Accounting Standards as options requires that the value of the loans and issue price of the shares are not recorded as Loans Receivables or Share Capital of the Group until repayment or part repayment of the loans occurs. The Loan Shares are entitled to dividends. Any dividends paid in respect of the Loan shares may be applied to reduce the loans and increase Share Capital in accordance with both the Plan rules and applicable Accounting Standards. The Group has recognised an after tax, non-cash share-based payment of $0.01 million during the financial year (2018: $0.137 million) with a corresponding credit to Shareholders' Equity in the form of a Share Option Reserve.

There were no other ordinary shares issued to directors and other key management personnel as part of compensation during the year ending 30 June 2019.

Options
Other than described above, there were no other options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2019.

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 2019.

Performance rights
Details of performance rights over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2019 are outlined above.

Additional information

The earnings of the Group for the three years to 30 June 2019 are summarised below:

	2019 $'000	2018 $'000	2017 $'000
Sales revenue	118,439	82,476	66,841
EBITDA[1]	17,195	12,527	10,088
EBIT[2]	14,963	11,167	9,142
Profit after income tax attributable to National Veterinary Care Ltd	8,041	6,237	4,395

1 EBITDA – Earnings before interest, tax, depreciation and amortisation (Non-IFRS information). Includes non-controlling interest.
2 EBIT – Earnings before interest and tax (Non-IFRS information). Includes non-controlling interest.

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

	2019	2018	2017
Share price at financial year end ($)	2.18	2.65	2.36
Basic earnings per share (cents per share)	12.38	10.63	8.46
Diluted earnings per share (cents per share)	12.25	10.46	8.41

Additional disclosures relating to key management personnel

Shareholdings
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	Additions	Disposals	Received / Forfeited as part of Remuneration **	Other*	Balance at the end of the year
Ordinary shares						
Susan Forrester	704,468	45,532	-	-	-	750,000
Tomas Steenackers	1,030,000	105,500	-	-	-	1,135,500
Dr Stephen Coles	865,848	-	-	-	(865,848)	-
Kaylene Gaffney	10,000	-	-	-	-	10,000
Jason Beddow	50,500	20,000	-	-	-	70,500
	2,660,816	171,032	-	-	(865,848)	1,966,000

* passed away during the period, hence closing balances shown are nil.
** shares received as part of remuneration refers to shares issued under the Company's Employee Incentive Plan.

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
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.

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 2019 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 2019 and up to the date of this report.

Indemnity and insurance of officers
The Group has indemnified the directors and executives of the Group 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 Group paid a premium in respect of a contract to insure the directors and executives of the Group 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 Group has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Group or any related entity against a liability incurred by the auditor.

During the financial year, the Group has not paid a premium in respect of a contract to insure the auditor of the Group 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 Group, or to intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group 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

There are no officers of the Group who are former partners of HLB Mann Judd.

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 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

Susan Forrester	Tomas Steenackers
Director	Director

26 August 2019
Brisbane

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of National Veterinary Care Ltd for the year ended 30 June 2019, 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 Ltd and the entities it controlled during the period.

A B Narayanan
Partner

Brisbane, Queensland
26 August 2019

hlb.com.au

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National Veterinary Care Ltd
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Note	Consolidated 2019 $'000	2018 $'000 Restated*
Revenue	5	118,439	82,476
Expenses			
Direct expenses of providing services		(28,060)	(18,861)
Employee benefits expense		(52,679)	(36,538)
Consulting and professional fees		(632)	(517)
Depreciation expense		(2,232)	(1,360)
Advertising expense		(1,187)	(656)
Administration expense		(4,344)	(3,079)
Information technology and communications expense		(2,110)	(1,385)
Insurance expense		(487)	(294)
Occupancy expense		(8,728)	(5,794)
Travel and accommodation expense		(688)	(721)
Share based payment	18	(319)	(207)
Acquisition costs		(1,010)	(1,168)
Restructuring and integrations		(1,066)	(457)
Loss on disposal of business	27	-	(272)
Finance costs	6	(2,837)	(1,657)
Share of profit from equity accounted investments	10	66	-
Profit before income tax expense		12,126	9,510
Income tax expense	7	(3,365)	(2,629)
Profit after income tax expense for the year		8,761	6,881
Profit for the year is attributable to:			
Non-controlling interest		720	644
Owners of National Veterinary Care Ltd		8,041	6,237
		8,761	6,881
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	18	1,204	(294)
Other comprehensive income for the year, net of tax		1,204	(294)
Total comprehensive income for the year		9,965	6,587
Total comprehensive income for the year is attributable to:			
Non-controlling interest		720	644
Owners of National Veterinary Care Ltd		9,245	5,943
		9,965	6,587
		Cents	Cents
Basic earnings per share	30	12.38	10.63
Diluted earnings per share	30	12.25	10.46

**Refer note 33 for details of restatement.*

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 2019

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000 Restated*
Assets			
Current assets			
Cash and cash equivalents	29	19,841	11,861
Trade and other receivables	8	3,363	3,020
Inventories		4,222	2,677
Other	9	568	152
Total current assets		27,994	17,710
Non-current assets			
Other financial assets		94	14
Investments in associates	10	319	-
Property, plant and equipment	11	9,596	5,752
Intangibles	12	145,859	99,296
Deferred tax	7	1,885	1,469
Total non-current assets		157,753	106,531
Total assets		185,747	124,241
Liabilities			
Current liabilities			
Trade and other payables	13	14,930	8,799
Income tax	7	471	827
Employee benefits	14	3,117	2,306
Other	15	6,854	2,436
Revenue received in advance		2,496	902
Total current liabilities		27,868	15,270
Non-current liabilities			
Borrowings	16	54,821	34,041
Employee benefits	14	324	283
Other	15	4,347	1,680
Total non-current liabilities		59,492	36,004
Total liabilities		87,360	51,274
Net assets		98,387	72,967
Equity			
Issued capital	17	76,026	58,361
Retained profits		14,827	8,556
Reserves	18	1,476	(47)
Equity attributable to the owners of National Veterinary Care Ltd		92,329	66,870
Non-controlling interest		6,058	6,097
Total equity		98,387	72,967

**Refer note 33 for details of restatement*

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

National Veterinary Care Ltd
Statement of changes in equity
As at 30 June 2019

Consolidated	Issued capital $'000	Retained profits $'000	Reserves $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2017	58,048	4,490	40	6,394	68,972
Profit after income tax expense for the year	-	6,237	-	644	6,881
Other comprehensive income for the year, net of tax (note 18)	-	-	(294)	-	(294)
Total comprehensive income for the year	-	6,237	(294)	644	6,587
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 17)	313	-	-	-	313
Equity settled share based payments (note 18)	-	-	207	-	207
Acquisition of non-controlling interest without change in control	-	(98)	-	(375)	(473)
Dividends paid (note 19)	-	(1,768)	-	(566)	(2,334)
Balance at 30 June 2018	58,361	8,861	(47)	6,097	73,272

Consolidated	Issued capital $'000	Retained profits $'000	Reserves $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2018	58,361	8,861	(47)	6,097	73,272
Prior period adjustment (refer note 33)	-	(305)	-	-	(305)
Restated equity at the beginning of the period	58,361	8,556	(47)	6,097	72,967
Profit after income tax expense for the year	-	8,041	-	720	8,761
Other comprehensive income for the year, net of tax (note 18)	-	-	1,204	-	1,204
Total comprehensive income for the year	-	8,041	1,204	720	9,965
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 17)	17,665	-	-	-	17,665
Equity settled share based payments (note 18)	-	-	319	-	319
Dividends paid (note 19)	-	(1,770)	-	(759)	(2,529)
Balance at 30 June 2019	76,026	14,827	1,476	6,058	98,387

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

National Veterinary Care Ltd
Statement of cash flows
For the year ended 30 June 2019

	Note	Consolidated 2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		129,042	90,722
Payments to suppliers and employees (inclusive of GST)*		(111,896)	(78,430)
		17,146	12,292
Interest received		126	75
Interest and other finance costs paid		(2,302)	(1,620)
Income taxes paid		(3,638)	(3,905)
Net cash from operating activities	29	11,332	6,842
Cash flows from investing activities			
Payment for purchase of businesses, net of cash acquired	27	(36,151)	(15,645)
Payments of contingent business purchase consideration		(1,768)	(1,409)
Payment for purchase of non-controlling interests		-	(473)
Payments for property, plant and equipment	11	(2,156)	(1,767)
Proceeds on sale of property, plant and equipment		-	111
Proceeds on refund of contingent business purchase consideration		-	1,604
Proceeds on sale of business		659	2,365
Net cash used in investing activities		(39,416)	(15,214)
Cash flows from financing activities			
Proceeds from issue of shares	17	18,000	-
Share issue transaction costs	17	(478)	(7)
Proceeds from borrowings	16	21,474	13,441
Repayment of borrowings	16	(707)	(4,000)
Loans to non-controlling interests		123	22
Dividends paid to non-controlling interests	19	(759)	(566)
Dividends paid to shareholders of NVL	19	(1,770)	(1,768)
Net cash from financing activities		35,883	7,122
Net increase / (decrease) in cash and cash equivalents		7,799	(1,250)
Cash and cash equivalents at the beginning of the financial year		11,861	13,105
Exchange differences on cash and cash equivalents		181	6
Cash and cash equivalents at the end of the financial year		19,841	11,861

**Includes acquisition, restructuring, integrations and other one-off costs.*

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 Limited'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 26 August 2019. 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.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 9 *Financial Instruments* and related amending standards.
- AASB 15 *Revenue from Contracts with Customers* and related amending standards.

Application of AASB 9
In the current year, the Group has applied AASB 9 Financial Instruments (as amended) and the related consequential amendments to other Accounting Standards that are effective for an annual period that begins on or after 1 January 2018.

AASB 9 replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139.

AASB 9 contains three principal classification categories for financial assets: Amortised Cost, Fair Value Through Other Comprehensive Income (FVOCI), and Fair Value Through Profit and Loss (FVTPL). The standard eliminates the existing AASB 139 categories of held to maturity, loans and receivables and available for sale.

From 1 July 2018, the classification and measurement of the Group’s financial assets are as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold financial assets to collect contractual cash flows that meet the Solely Payments of Principal and Interest (SPPI) criterion. This category includes the Group’s Cash and cash equivalents and Trade & other receivables.

Note 2. Significant accounting policies (continued)

The assessment of the Group's business model was made as of the date of initial application, 1 July 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The new classification requirements of the standard did not have a material impact on the Group's existing financial assets, being cash and cash equivalents and trade and other receivables.

At initial recognition, the Group measures a financial asset at its fair value. Measurement of cash and cash equivalents, trade and other receivables and deposits on acquisition remains at amortised cost consistent with the comparative period.

AASB 9 requires financial liabilities to be measured on the same basis as AASB 139, with the only change being gains or losses on financial liabilities designated at inception to be measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.

The accounting for the Group's financial liabilities remains largely the same as it was under AASB 139. All loans and borrowings are initially recognised at fair value, being the amount received less attributable transaction costs. After initial recognition, interest bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of profit or loss over the period of the borrowings on an effective interest basis.

The Group recognises gains or losses on financial liabilities, designated at inception to be measured at fair value, in profit or loss. The Group has had no material change in the credit risk of these financial liabilities during the period.
Trade and other payables are recognised for amounts to be paid for goods or services received. Trade payables are settled on terms aligned with the normal commercial terms.

AASB 9 replaces the 'incurred loss' model in AASB 139 with a forward-looking 'expected credit loss' (ECL) model and requires the Group to record an allowance for ECLs for all debt financial assets not held at FVTPL including contract assets recognised in accordance with AASB 15.

To assess for any expected credit losses under AASB 9, there is consideration around the probability of default upon initial recognition of the asset. For trade and other receivables and deposits on acquisition, the Group has applied the standard's simplified approach whereby the loss allowance is measured at an amount equal to lifetime expected credit losses. The Group assesses expected credit losses in a way that reflects:
- An unbiased amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

The Group applied the ECL model from 1 July 2018. Due to the short-term nature of Trade and Other receivables, and the credit profile of NVL's customers, there was no material change to the total amount of provisioning.

Application of AASB 15
AASB 15 introduces a five-step process for revenue recognition and provides a single standard for revenue recognition. The core principle of AASB 15 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.

AASB 15 also requires enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multi-element arrangements.

The Group recognises revenue when a performance obligation is satisfied (i.e. when 'control' of the goods or services underlying the performance obligation is transferred to the customer).

The Group has applied the modified retrospective transition method to adopting AASB 15 to the financial reporting period ended 30 June 2019. The first-time impact of the adoption of AASB 15 is recognised in the period ending 30 June 2019, with the key driver of impact being the change in the timing of revenue recognition of the Group's Best for Pet wellness program under AASB 15.

Note 2. Significant accounting policies (continued)

The impacts of the changes in accounting policies is presented below:

	30 June 2019 Under previous accounting policy $'000	AASB 15 adjustment $'000	30 June 2019 per AASB 15 $'000
Revenue	118,821	(382)	118,439
Total Comprehensive Income for the year	10,347	(382)	9,965
Total Assets	185,747	-	185,747
Total Liabilities	86,978	382	87,360
Equity	98,769	382	98,387

The application of AASB 15 has had no impact on the consolidated cash flows of the Group.

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').

Except for cash flow information, the financial statements have been prepared on an accrual basis and are based on 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.

Where necessary, comparative information has been reclassed to achieve consistency in disclosure with current financial year amounts and other disclosures.

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 26.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of National Veterinary Care Ltd as at 30 June 2019 and the results of all subsidiaries for the year then ended.

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.

Note 2. Significant accounting policies (continued)

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.

Revenue from Contracts with Customers

The Group is in the business of providing veterinary and veterinary related services. The Group recognises revenue when a performance obligation is satisfied (i.e. when 'control' of the goods or services underlying the performance obligation is transferred to the customer).

The Group recognises revenue from the following business activities:

Sale of goods
Revenue from sale of goods is recognised when the Group has transferred control of the goods to the customer.

Rendering of services
Revenue from the provision of services is recognised when the service is provided, and the performance obligation is met.

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 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. 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.

Note 2. Significant accounting policies (continued)

National Veterinary Care Ltd (the 'head entity') and its wholly-owned Australian subsidiaries account for income tax of the 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.

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. All cash and cash equivalents are unrestricted and remain available for general use, except as outlined in note 29.

Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the Group’s entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity’s functional currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

Group companies

The financial results and position of foreign operations, whose functional currency is different from the Group’s presentation currency, are translated as follows:

– assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
– income and expenses are translated at average exchange rates for the period; and
– retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

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Note 2. Significant accounting policies (continued)

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
Inventory is comprised of finished goods and consumables. Finished goods predominantly consists of retail products held for sale and ethical drugs held for use in generating revenue from veterinary services. Consumables predominantly comprise of single use medical items held for use in generating revenue from veterinary services.

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 allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.
The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.
Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

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. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial assets at fair value through profit or loss
Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Impairment of financial assets
The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

Note 2. Significant accounting policies (continued)

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.

Leases
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.

Intangibles
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.

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 30-60 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.

Finance costs
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 wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Note 2. Significant accounting policies (continued)

Other long-term employee benefits
Employee benefits not expected to be settled wholly 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 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.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value of the Employee Incentive Plan is independently determined using the Monte-Carlo (Loan Shares) and the Black-Scholes (Performance Rights) option pricing models 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.

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.

Revenue in advance
Customer payments and receivables that are received / invoiced in advance of performance of services are recognised as a liability until services are performed, which is generally expected to be within 12 months of reporting date. Advance payments or invoicing of services to customers typically relates to loyalty program subscriptions and training services.

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.

Note 2. Significant accounting policies (continued)

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.

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.

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.

Note 2. Significant accounting policies (continued)

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.

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.

Note 2. Significant accounting policies (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted

AASB 16 Leases
This standard is applicable to annual reporting periods on or after 1 January 2019. AASB 16 will supersede the current lease guidance under AASB 117 *Leases* and requires lessees to recognise most leases on balance sheet as lease liabilities with corresponding right-of-use (ROU) assets. AASB 16 applies to the Group for the period commencing 1 July 2019.

As a result of the adoption of AASB 16, the nature of expenses relating to leases will change. Operating lease expenses are currently recognised on a straight line basis, however under AASB 16 NVL will recognise depreciation expense for the ROU assets and interest expense for the lease liabilities. Furthermore, 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. The classification of cash flows will be affected as operating lease payments under AASB 117 are presented in operating cash flows; whereas under the AASB 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cashflows respectively.

NVL plans to adopt AASB 16 using the modified retrospective approach and will elect to retrospectively measure the ROU assets using the transitional discount rate. In addition, NVL plans to elect the following transition practical expedients:
- To retain the classification of existing contracts as leases instead of re-assessing whether contracts are or contain a lease at the date of initial application;
- To exclude lessee arrangements with a short remaining term from date of initial application or leases assessed as low value;
- Discounts rates applied to a portfolio of leases with similar characteristics;
- Use of hindsight with regards to determination of the lease term.

NVL has completed the preliminary assessment of the impact of adopting AASB 16.
The impact on the consolidated statement of financial position as at 1 July 2019 of the adoption of AASB 16 is expected to be as follows:
- an increase in Right of Use (ROU) assets of $53.929 - $59.605 million;
- an increase in new lease liabilities of $53.293 - $58.903 million; and
- an increase in the make good provision liability of $0.634 - $0.703 million

The impact on the consolidated statement of financial profit or loss and other comprehensive income as at 30 June 2020 of the adoption of AASB 16 is expected to be as follows:
- a decrease in operating lease rental expense of $5.878 - $6.470 million;
- an increase in depreciation expense of $5.297 - $5.855 million; and
- an increase in interest expense of between $2.845 - $3.144 million

There will be a nil net effect to the consolidated statement of cash flows as a result of adopting AASB 16, as operating lease payments will continue to be paid as previously, however as noted above the cash outflow will be reclassified from operating to financing activities.

The estimated financial impacts above could be different to actuals due to changes in the lease portfolio, incremental borrowing rate used and foreign currency fluctuations.

As at 30 June 2019, the Group has non-cancellable operating lease commitments of $18.810 million (refer note 24).

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.

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.

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 and geographical location, being the operation of veterinary service businesses across Australia and New Zealand. 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.

	Australia $’000	New Zealand $’000	Total $’000
Revenue	81,117	37,322	118,439
Non-Current Assets	111,519	46,234	157,753

Note 5. Revenue

	Consolidated 2019 $'000	Consolidated 2018 $'000
Revenue from contracts with customers		
Sale of goods and rendering of services	116,421	80,274
Other revenue		
Interest	126	75
Dividends received	-	25
Gain on foreign exchange	-	1
Contingent consideration not payable / refunded where performance condition not met[1]	1,630	1,934
Other revenue	262	167
	2,018	2,202
Revenue	118,439	82,476

1. Refer note 27 for further details on contingent consideration.

During the year, NVL recognised $109.2 million (2018: $76.0 million) of products and services transferred to customers at a point in time. The remaining $7.2 million (2018: $4.3 million) of revenue recognised for products and services was transferred over time.

Note 6. Expenses

	Consolidated 2019 $'000	Consolidated 2018 $'000
Profit/(loss) before income tax includes the following specific expenses:		
Finance Costs		
Interest on borrowings	2,159	1,459
Interest expense on contingent consideration	617	153
Other	61	45
	2,837	1,657
Rental expense relating to operating leases		
Minimum lease payments	6,482	4,339
Superannuation expense		
Defined contribution superannuation expense	3,094	2,426

Note 7. Income tax expense

	Consolidated 2019 $'000	Consolidated 2018 $'000
Income tax recognised in profit or loss		
Income tax expense		
Current tax expense	3,276	2,447
Deferred tax – origination and reversal of temporary differences	89	182
Total income tax expense	3,365	2,629
Reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	12,126	9,510
Tax expense at the statutory tax rate of 30%	3,638	2,853
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Net non-deductible / (non-assessable) items	(402)	(298)
Under / (over) provision recognised in prior year	58	1
Effect of different tax rates for subsidiaries operating in other jurisdictions	(22)	(9)
Prior period tax losses and temporary differences for which no deferred tax was recognised	80	-
Current year tax losses and temporary differences for which no deferred tax asset was recognised	13	82
Total income tax expense	3,365	2,629

	Consolidated 2019 $'000	Consolidated 2018 $'000
Income tax recognised directly in equity		
Current tax		
Share issue costs – current year	(143)	-
Deferred tax		
Share issue expenses deductible over 5 years	-	-
Total income tax expense / (benefit) recognised directly in equity	(143)	-
Current tax liabilities		
Income tax payable	471	827
Deferred tax balances		
Deferred tax assets	1,885	1,469
Deferred tax		
Translation of foreign operations	-	-
Total income tax recognised directly in other comprehensive income	-	-

Note 7. Income tax expense (continued)

2019	Opening balance $'000	Recognised in profit or loss $'000	Recognised directly in equity $'000	Acquisitions / Disposals $'000	Closing balance $'000
Deferred tax assets in relation to:					
Employee benefits	736	(103)	-	325	958
Share issue costs	260	(143)	143	-	260
Other	473	157	-	37	667
	1,469	(89)	143	362	1,885

2018	Opening balance $'000	Recognised in profit or loss $'000	Recognised directly in equity $'000	Acquisitions / Disposals $'000	Closing balance $'000
Deferred tax assets in relation to:					
Employee benefits	595	64	-	77	736
Share issue costs	374	(114)	-	-	260
Other	610	(137)	-	-	473
	1,579	(187)	-	77	1,469

	Consolidated 2019 $'000	Consolidated 2018 $'000
Net recognised deferred tax assets		
Net deferred tax assets	2,075	1,649
Deferred tax assets not recognised	(190)	(180)
Net recognised deferred tax assets	1,885	1,469

Unrecognised deferred tax assets

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to the following:

	Consolidated 2019 $'000	Consolidated 2018 $'000
Tax losses – capital in nature (no expiry)	190	180
	190	180

Note 8. Current assets – trade and other receivables

	Consolidated 2019 $'000	Consolidated 2018 $'000
Trade receivables	2,403	1,454
Less: Provision for impairment of receivables	(323)	(119)
	2,080	1,335
Accrued income and other receivables	1,283	1,562
Loan to related parties	-	123
	3,363	3,020

Impairment of receivables
The Group has recognised a loss of $0.204 million (2018: $0.073 million) in profit or loss in respect of impairment of receivables for the year ended 30 June 2019.

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

	Consolidated 2019 $'000	Consolidated 2018 $'000
0 to 3 months overdue	-	-
3 to 6 months overdue	323	119
	323	119

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to $0.477 million as at 30 June 2019 ($0.928 million as at 30 June 2018).

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

Note 9. Current assets – other

	Consolidated 2019 $'000	Consolidated 2018 $'000
Prepayments	508	127
Security deposits	60	25
	568	152

Note 10. Non-current assets – Investments in associates

Investments in Associates
The Group holds associate interests in the Manukau After Hours Veterinary Clinic Ltd (36.4%) and Wellington After Hours Veterinary Clinic Ltd (22.2%). Neither associate is individually material to the Group. Summarised aggregate financial information of the Group's share in these associates is as follows

	Consolidated 2019 $'000	Consolidated 2018 $'000
Profit from continuing operations	66	-
Other comprehensive income	-	-
Total comprehensive income	66	-
Aggregate carrying value of the group's investment in associates	319	-

Note 11. Non-current assets – property, plant and equipment

	Consolidated 2019 $'000	Consolidated 2018 $'000
General plant and equipment – at cost	844	226
Less: Accumulated depreciation	(384)	(81)
	460	145
Fit out and fixtures – at cost	4,350	1,628
Less: Accumulated depreciation	(1,142)	(344)
	3,208	1,284
Motor vehicles – at cost	501	266
Less: Accumulated depreciation	(256)	(101)
	245	165
Computer equipment – at cost	3,244	1,646
Less: Accumulated depreciation	(1,983)	(840)
	1,261	806
Medical equipment – at cost	7,960	5,204
Less: Accumulated depreciation	(3,538)	(1,852)
	4,422	3,352
	9,596	5,752

Note 11. Non-current assets – property, plant and equipment (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	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 2017	113	882	123	813	3,199	5,130
Additions	63	545	99	477	583	1,767
Additions through business combinations (note 27)	3	-	-	-	544	547
Disposals	(2)	(10)	(14)	(20)	(270)	(316)
Depreciation expense	(32)	(132)	(43)	(462)	(691)	(1,360)
Net exchange differences	-	(1)	-	(2)	(13)	(16)
Balance at 30 June 2018	145	1,284	165	806	3,352	5,752
Balance at 1 July 2018	145	1,284	165	806	3,352	5,752
Additions	121	710	54	786	485	2,156
Additions through business combinations (note 27)	306	1,542	111	368	1,595	3,922
Disposals	-	(12)	-	(21)	(4)	(37)
Depreciation expense	(112)	(316)	(85)	(678)	(1,041)	(2,232)
Net exchange differences	-	-	-	-	35	35
Balance at 30 June 2019	460	3,208	245	1,261	4,422	9,596

Note 12. Non-current assets – intangibles

	Consolidated 2019 $'000	Consolidated 2018 $'000
Goodwill – at cost	145,859	99,296

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

Consolidated	Other $'000	Goodwill $'000	Total $'000
Balance at 1 July 2018	-	99,296	99,296
Additions through business combinations (note 27)	599	46,113	46,712
Disposed	(599)	-	(599)
Net exchange differences		450	450
Balance at 30 June 2019	-	145,859	145,859

The other intangibles relate to Post for Your Pets Online business which was acquired as part of the Pet Dr acquisition in October 2018 and subsequently disposed in November 2018.

Note 12. Non-current assets – intangibles (continued)

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 a value-in-use calculation using a discounted cash flow model. Cash flow projections used in the model are based on management approved financial budgets and cover a five-year period. Cash flows beyond the 5 year period to the end of the assets useful life are estimated by extrapolating the management projections using a steady growth rate based on long term industry expectations. NVL is identified as one cash generating unit (CGU) for impairment testing.

The key assumptions used for value in use calculations at 30 June 2019 are:

- Period of cash flows covered by management projections: 5 years
- Average revenue growth rate for 5 year management projections: 2% (2018: 2%)
- Terminal growth rate beyond management projections: 2% (2018 : 2%)
- A pre-tax discount rate applied to cash flow projection of 9.28% (2018: 9.28%) based on the Group's specific weighted average cost of capital.

As a result of the value in use calculation, it was determined no impairment was identified.

Management has considered the reasonably possible changes in expected earnings projections, terminal growth rate and discount rate applied to the CGU to which goodwill relates, each of which has been subject to sensitivity testing. A reasonably possible adverse change in these key assumptions on which one recoverable amount is based would not cause the carrying amount of the CGU to exceed its recoverable amount.

Note 13. Current liabilities – trade and other payables

	Consolidated	
	2019 $'000	2018 $'000
Trade payables	8,132	4,825
Goods and services tax payable	778	415
Other payables and accruals	6,020	3,559
	14,930	8,799

Note 14. Employee benefits

	Consolidated	
	2019	2018
Current	$'000	$'000
Annual leave	2,625	1,805
Long service leave	351	374
Other	141	127
	3,117	2,306
Non-Current		
Long service leave	324	283
	324	283

Note 15. Liabilities – other

	Consolidated	
	2019	2018
Current	$'000	$'000
Contingent consideration	6,854	2,436
Non-Current		
Contingent consideration	4,111	1,498
Lease liability – straight lining	236	182
	4,347	1,680

Contingent consideration
As part of the business acquisition agreement with previous owners, a portion of the cash consideration was determined to be contingent, based on the EBIT performance of the acquired business over a future period, typically 24 months. Fair value of the contingent consideration is determined using the discounted cash flow method for amounts payable over 12 months, as such the carrying value is approximate / close to fair value. During the year adjustments to the contingent consideration liability recognised in the statement of profit and loss were for writeback of contingent consideration of $1.630 million (2018: $0.330 million, with the balance of the total $1.934 million writeback to other revenue in 2018 relating to claw back of cash held in trust / issued capital). Refer note 5 and note 27 for further details on clawback of acquisition earnout payments.

Note 16. Non-current liabilities – borrowings

	Consolidated	
	2019	2018
	$'000	$'000
Bank loans – secured	54,991	34,224
Borrowing costs	(170)	(183)
	54,821	34,041

In June 2019, the Group renegotiated its debt facility with Australia and New Zealand Banking Group ('ANZ') resulting in a $24.000 million increase in the facility limit. At 30 June 2019, the Group's total debt facilities were $88.500 million (2018: $64.500 million), including a term debt facility of $85.000 million, an overdraft of $1.000 million and a bank guarantee facility of $2.500 million. The term debt facilities expire in June 2021.

Note 16. Non-current liabilities – borrowings (continued)

At balance date, $54.991 million had been drawn against the core debt facility (June 2018: $34.224 million) and $1.514 million had been drawn against the bank guarantee facilities (June 2018: $1.140 million).

The amount of this facility used in the year relates to:

a) Business acquisitions ($20.767 million, being $21.474 million drawn less $0.707 million repaid); and
b) Bank guarantees provided to landlords ($0.374 million).

The facility contains the following financial covenants:

- Leverage ratio (Net Debt: EBITDA[1])
- Fixed Charge Cover Ratio (EBITDA + rent expense) / (interest + rent expense); and
- Debt to Capitalisation Ratio (Net Debt / Debt + book value of equity).

1. EBITDA for leverage ratio, equals EBITDA[2] adjusted for pro-forma EBITDA of businesses acquired during the period. When calculating each financial covenant in respect of the Group, the value of assets and EBITDA relating to non-controlling interests are excluded.
2. EBITDA – Earnings before interest, tax, depreciation and amortisation (Non-IFRS information). Includes non-controlling interest.

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

Assets pledged as security
The facility is secured by a fixed and floating charge over all assets of the consolidated Group.

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

	Consolidated	
	2019 $'000	2018 $'000
Total facilities		
Bank overdraft	1,000	1,000
Bank loans	85,000	61,000
Bank guarantees	2,500	2,500
	88,500	64,500
Used at the reporting date		
Bank overdraft	-	-
Bank loans	54,991	34,224
Bank guarantees	1,514	1,140
	56,505	35,364
Unused at the reporting date		
Bank overdraft	1,000	1,000
Bank loans	30,009	26,776
Bank guarantees	986	1,360
	31,995	29,136

Note 17. Equity – issued capital

	Consolidated			
	2019 Shares	2018 Shares	2019 $'000	2018 $'000
Ordinary shares – fully paid	67,001,366	59,051,366	76,026	58,361

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2018	59,051,366		58,361
Issue of shares on placement	30 September 2018	8,000,000	$2.25	18,000
Cancellation of shares per Employee Loan Plan	22 August 2018	(50,000)		-
Less: Share issue transaction costs		-		(478)
Tax recognised in equity – current year		-		143
Balance	30 June 2019	67,001,366		76,026

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.

Employee Loan Plan
Details of shares issued under the Employee Loan Plan are provided in Note 31.

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. Total capital is regarded as total equity, as recognised in the statement of financial position, plus debt, being total borrowings. The Group is subject to certain financing arrangement 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.

The Group monitors capital using a debt to capitalisation ratio, calculated in accordance with its banking covenants as Debt / (Debt plus Equity). At balance date the debt to capitalisation ratio was 27% (2018: 24%), the target ratio is below 50%.

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.

Refer note 27 for details of contingent obligations to issue ordinary shares in the future to vendors of acquired clinics.

Note 18. Equity – Reserves

	Consolidated 2019 $'000	Consolidated 2018 $'000
Share options and performance rights reserve		
Opening balance	332	125
Share based payments expense	319	207
Closing balance	651	332
Foreign currency translation reserve		
Opening balance	(379)	(85)
Foreign exchange gain / (loss) on translation of foreign currency operation	1,204	(294)
Closing balance	825	(379)
Closing balance – Total Reserves	1,476	(47)

The share options and performance rights reserve are used to recognise the value of equity settled share based payments provided to employees, including key management personnel. Refer note 31 for further information on share based payments.

The foreign currency reserve is used to recognise foreign exchange gains or losses on translation of the Group's New Zealand operations.

Note 19. Equity – dividends

During the year, the company declared and paid a dividend of 3.0 cents per share, fully franked (2018: 3.0 cents) in respect of the 2018 financial year with a record date of 5 September 2018 and a payment date of 27 September 2018. The total dividend paid was $1.770 million (2018: $1.768 million).

Subsequent to balance date but as at the date of signing of this report, the company has declared a dividend of 3.5 cents per share, fully franked (2018: 3.0 cents) in respect of the 2019 financial year with record date of 6 September 2019 and payment date of 2 October 2019.

Dividends totalling $0.759 million (2018: $0.566 million) were paid to non-controlling interests in respect to their interests in their underlying entities during the year ended 30 June 2019. There are further dividends of $0.138 million (2018: $0.107 million) declared and paid subsequent to 30 June 2019 for non-controlling interests.

Franking Credits

	Consolidated 2019 $'000	Consolidated 2018 $'000
The amount of the franking credits available for subsequent reporting periods are:		
Balance at the end of reporting period	4,715	2,361
Franking credits that will arise from the payment of the amount of provision for income tax	202	354
	4,917	2,715

Note 19. Equity – dividends (continued)

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 20. 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 executives ('the Executive') 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. The Executive identifies, evaluates and manages financial risks. The Executive reports to the Board on a monthly basis.

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

	2019 $'000	2018 $'000
Financial Assets		
At Amortised Cost		
Cash and cash equivalents	19,841	11,861
Trade and other receivables	3,363	3,020
Total Financial Assets	23,204	14,881

	2019 $'000	2018 $'000
Financial Liabilities		
At Amortised Cost		
Trade and other payables	14,930	8,799
Borrowings	54,991	34,224
Total Financial Liabilities	69,921	43,023
At fair value through profit or loss		
Contingent consideration	10,965	3,934
Total Financial Liabilities	10.965	3,934

Market risk

Foreign currency risk
The Group is exposed to foreign currency risk predominantly through its New Zealand operations.
Further, The Group's borrowings include facilities denominated in New Zealand Dollar (NZD), which as at balance date had been drawn to NZD $12,305,000. Lastly, the contingent consideration component of New Zealand business combinations is also denominated in NZD, which at balance date had a carrying value of NZD $5,421,000.

Note 20. Financial instruments (continued)

A sensitivity analysis of +/-4.0% (2018: +/- 3.8%) change in the $AUD/NZD exchange rate would have an (adverse)/ favourable effect on profit before tax as follows:

	AUD Strengthen against NZD		AUD weakened against NZD	
	Effect on profit before tax $'000	Effect on equity $'000	Effect on profit before tax $'000	Effect on equity $'000
30 June 2019	1,613	1,613	(1,613)	(1,613)
30 June 2018	98	98	(98)	(98)

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

	2019		2018	
Consolidated	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Bank loans	3.70%	54,991	4.38%	34,224
Net exposure to cash flow interest rate risk		54,991		34,224

An analysis by remaining contractual maturities is shown below.

For the Group, the bank loans outstanding, totalling $54,991,000 (2018: $34,224,000), are principal and interest payment loans. Monthly cash outlays of approximately $170,000 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 2020.

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		
	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
30 June 2019	100	(550)	(550)	100	550	550
30 June 2018	100	(342)	(342)	100	342	342

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 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 8.

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.

Note 20. Financial instruments (continued)

Financing arrangements
Details of borrowing facilities at the reporting date:

	Drawn		Undrawn		Total	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Bank overdraft	-	-	1,000	1,000	1,000	1,000
Bank loans	54,991	34,224	30,009	26,776	85,000	61,000
Bank guarantees	1,514	1,140	986	1,360	2,500	2,500
	56,505	35,364	31,995	29,136	88,500	64,500

The bank overdraft and loan facilities may be drawn at any time and are subject to satisfactory compliance with agreements.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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 – 2019	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 and other payables	-	14,930	-	-	-	14,930
Contingent consideration	-	6,854	4,111	-	-	10,965
Interest-bearing – variable						
Bank loans	3.70%	-	59,130	-	-	59,130
Total non-derivatives		21,784	63,241	-	-	85,025

Consolidated – 2018	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 and other payables	-	8,799	-	-	-	8,799
Contingent consideration	-	2,436	1,498	-	-	3,934
Interest-bearing – variable						
Bank loans	4.38%	-	-	38,713	-	38,713
Total non-derivatives		11,235	1,498	38,713	-	51,446

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

Note 21. 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 – 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Contingent consideration	-	-	10,965	10,965
Total liabilities	-	-	10,965	10,965

Consolidated – 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Contingent consideration	-	-	3,934	3,934
Total liabilities	-	-	3,934	3,934

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.

Level 1 assets and liabilities
Total level 1 assets and liabilities during the current and previous financial year were nil.

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

Note 21. Fair value measurement (continued)

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

	Consolidated	
	2019 $'000	2018 $'000
Opening balance – 1 July	3,934	2,848
Fair value adjustment through profit or loss	(1,630)	(330)
Payment / vesting of consideration	(1,768)	(5,778)
Contingent consideration for new acquisitions	9,427	2,739
Contingent consideration acquired as part of Business Combination	360	-
Notional interest unwind	617	153
Movements in foreign currency exchange	25	(67)
Closing balance – 30 June	10,965	3,934

Note 22. 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	
	2019 $'000	2018 $'000
Short-term employee benefits	1,256	994
Post-employment benefits	47	46
Long-term benefits	-	-
Termination benefits	-	-
Share-based payments	297	206
	1,600	1,246

Note 23. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by HLB Mann Judd, the auditor of the Group:

	Consolidated	
	2019	2018
Audit services – HLB Mann Judd		
Audit or review of the financial statements	85,000	75,000

Note 24. Commitments

	Consolidated	
	2019 $'000	2018 $'000
Lease commitments – operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	5,888	3,984
One to five years	12,744	8,575
More than five years	178	206
	18,810	12,765

Operating lease commitments includes contracted amounts for veterinary clinic premises, offices and plant and equipment under non-cancellable operating leases expiring within 1 to 5 years with, in some cases, options to extend. On renewal, the terms of the leases are renegotiated.

Note 25. Related party transactions

Subsidiaries
Interests in subsidiaries are set out in note 28.

Key management personnel
Disclosures relating to key management personnel are set out in note 22 and the remuneration report included in the directors' report.

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.

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

	Consolidated	
	2019 $'000	2018 $'000
Current receivables:		
Loans – non-controlling interests	-	123

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

Note 26. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent 2019 $'000	Parent 2018 $'000
Loss after income tax	(1,266)	(951)
Total comprehensive loss for the year net of tax	(1,266)	(951)

Statement of financial position

	Parent 2019 $'000	Parent 2018 $'000
Total current assets	155	21
Total non-current assets	124,889	116,447
Total assets	125,044	116,468
Total non-current liabilities	54,809	58,726
Total liabilities	54,809	58,726
Net Assets	70,235	57,742
Equity		
Issued capital	76,026	58,361
Accumulated losses	(6,442)	(951)
Reserves	651	332
Total equity	70,235	57,742

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 2019 (30 June 2018: Nil).

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2019 (30 June 2018: Nil).

Capital commitments – Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2019 (30 June 2018: Nil).

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 do not impact the recorded cost of the investment,

Note 27. Business Combinations

Acquisitions

SNS Investments Limited
On 1 October 2018, NVL acquired 100% of the ordinary shares in SNS Investments Limited (Pet Doctors Group), comprising 25 veterinary service businesses in New Zealand. Total consideration for the acquisition was $25.977 million including $21.957 million in cash consideration and $4.020 million in deferred cash. The acquired businesses contributed revenues of $21.877 million and profit before tax of $1.922 million to the Group for the period from dates of acquisition to 30 June 2019. Had the acquisitions occurred on 1 July 2018, the full year contributions would have been revenues of $28.751 million and profit before tax of $2.473 million.

Veterinary clinic – South Melbourne
During the year, NVL acquired 100% of the business assets of a large veterinary clinic located in South Melbourne. Total consideration for this acquisition was $7.308 million including $4.193 million in cash consideration at settlement and an estimated $3.115 million in contingent consideration. The contingent consideration comprises $3.115 million in cash (discounted value) payable in annual instalments over a 4 year period based on EBIT performance during the earnout period. The acquired businesses contributed revenues of $2.922 million and profit before tax of $1.396 million to the Group for the period from dates of acquisition to 30 June 2019. Had the acquisitions occurred on 1 July 2018, the full year contributions would have been revenues of $3.397 million and profit before tax of $1.623 million.

Veterinary clinics
During the year, NVL acquired 100% of the business assets of 6 veterinary clinics which individually are not material to the Group. Total consideration for the 6 clinics was $12.825 million including $10.533 million in cash consideration and $2.292 million in contingent consideration. The contingent consideration comprises $2.292 million in cash (discounted value), payable in future periods from 12 - 24 months subject to satisfactorily meeting earnout conditions based on EBIT. The acquired businesses contributed revenues of $5.307 million and profit before tax of $1.063 million to the Group for the period from dates of acquisition to 30 June 2019. Had the acquisitions occurred on 1 July 2018, the full year contributions would have been revenues of $10.535 million and profit before tax of $2.065 million.

Details of the acquisitions are as follows:

	Veterinary Clinic – Sth Melbourne Fair value $'000	Veterinary Clinics Fair value $'000	SNS Investments Limited Fair Value $'000	Total Fair value $'000
Cash	-	-	532	532
Trade receivables	-	11	384	395
Inventories	42	383	1,491	1,916
Other current assets	-	2	-	2
Plant and equipment	34	512	3,376	3,922
Intangibles	-	-	599	599
Investments	-	-	271	271
Deferred tax asset	17	66	279	362
Other current liabilities	-	-	(6,343)	(6,343)
Employee benefits	(58	(221)	(864)	(1,143)
Other non-current liabilities	-	-	(516)	(516)
Net assets acquired	35	753	(791)	(3)
Goodwill	7,273	12,072	26,768	46,113
Acquisition-date fair value of the total consideration transferred	7,308	12,825	25,977	46,110

Note 27. Business Combinations (continued)

	Veterinary Clinic – Sth Melbourne Fair value $'000	Veterinary Clinics Fair value $'000	SNS Investments Limited Fair value $'000	Total Fair value $'000
Representing:				
Cash paid or payable to vendor	4,193	10,533	21,957	36,683
Contingent consideration [1]	3,115	2,292	4,020	9,427
	7,308	12,825	25,977	46,110
Cash used to acquire business, net of cash acquired:				
Acquisition-date fair value of the total consideration transferred	7,308	12,825	25,977	46,110
Less: cash acquired	-	-	(532)	(532)
Less: contingent consideration [1]	(3,115)	(2,292)	(4,020)	(9,427)
Net cash used	4,193	10,533	21,425	36,151

1 Where the Group has contingent consideration in the table above, the Group has a contractual liability to pay the former vendor of the businesses acquired contingent consideration in the event that the business meets its contractual performance hurdles in accordance with their Sale Agreement.

Contingent consideration
Details of movements in contingent consideration during the year:

	Equity – Issued Capital ** $'000	Contingent consideration liability *** $'000	Total $'000
Opening balance – 1 July 2018	601	3,934	4,535
Writeback to P&L* - at fair value	-	(1,630)	(1,630)
Payment / vesting of consideration	(601)	(1,768)	(2,369)
Contingent consideration for new acquisitions	-	9,427	9,427
Contingent consideration acquired as part of business combination	-	360	360
Notional interest unwind	-	617	617
Movements in foreign currency exchange	-	25	25
Closing balance – 30 June 2019	-	10,965	10,965

*The fair value of the contingent consideration is written back to profit and loss statement as other revenue in circumstances where the associated performance conditions are not met (refer note 5).
**The issued capital amounts represent the original issue price at date of acquisition, except for fair value adjustments on writeback to profit and loss.
***The contingent consideration liability includes amounts relating to possible future obligations to be settled in cash or by the issue of a variable number of NVL shares (classified as a financial liability under AASB 132 Financial Instrument Presentation).

Note 27. Business Combinations (continued)

Disposal of business
During the period NVL disposed of one online retail business (2018: two emergency clinics), disposal details are set out below.

On 1 October 2018, NVL acquired Post For Your Pets Limited as a subsidiary of SNS Investments Limited. At this time, Post For Your Pets Limited owned and operates the Pet Post Online business. On 30 November 2018, NVL disposed of the Pet Post Online business and associated assets.

	2019 $'000	2018 $'000
Cash consideration received	659	2,365
Carrying value of net assets disposed:		
Goodwill	-	2,336
Accounts receivable	-	18
Inventory	60	110
Plant & equipment	-	221
Other Intangibles	599	-
Employee leave entitlements	-	(69)
Deferred tax asset	-	21
Gain on sale	-	272

Note 28. 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 2019 %	Ownership interest 2018 %	Ownership interest 2019 %	Ownership interest 2018 %
NVC Operations Pty Ltd	Australia	100%	100%	-	-
NVC Operations NSW Pty Ltd	Australia	100%	100%	-	-
Brunswick Central Operations Pty Ltd	Australia	100%	100%	-	-
Fitzroy Operations Pty Ltd	Australia	51%	51%	49%	49%
KEST Pty Ltd	Australia	55%	55%	45%	45%
Albion Vet Surgery Pty Ltd	Australia	100%	100%	-	-
UVG Holdings Pty Ltd	Australia	100%	100%	-	-
UVG (Aust) Pty Ltd	Australia	100%	100%	-	-
UVG (IP) Pty Ltd	Australia	100%	100%	-	-
UVG (USA) Pty Ltd	Australia	100%	100%	-	-
Townsville Operations Pty Ltd	Australia	60%	0%	40%	-
NVC Operations NZ Pty Ltd	New Zealand	100%	100%	-	-
Lower Hutt Veterinary Services Ltd	New Zealand	100%	99%	-	1%
SNS Investments Limited	New Zealand	100%	0%	-	-
Pet Doctors NZ Limited	New Zealand	100%	0%	-	-
Post For Your Pets Limited	New Zealand	100%	0%	-	-
Vet Nurse Plus Limited	New Zealand	100%	0%	-	-
Veterinary Owned Distribution Limited	New Zealand	100%	0%	-	-
United Vets Group NZ Pty Ltd	New Zealand	100%	0%	-	-

Note 28. 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 Operations Pty Ltd		Fitzroy Operations Pty Ltd		KEST Pty Ltd	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Summarised statement of financial position						
Current assets	-	-	377	6,600	759	7,786
Non-current assets	-	-	12,363	5,708	14,412	6,616
Total assets	-	-	12,740	12,308	15,171	14,402
Current liabilities	-	-	476	5,996	782	7,709
Non-current liabilities	-	-	6,254	-	7,640	18
Total liabilities	-	-	6,730	5,996	8,422	7,727
Net assets	-	-	6,010	6,312	6,749	6,675
Summarised statement of profit or loss and other comprehensive income						
Revenue	-	-	2,553	2,808	6,027	5,504
Expenses	-	-	(2,023)	(4,322)	(4,371)	(4,152)
Profit before income tax expense	-	-	530	635	1,656	1,352
Income tax expense	-	-	(151)	(190)	(468)	(406)
Profit after income tax expense	-	-	379	445	1,188	946
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	379	445	1,188	946
Other financial information						
Accumulated non-controlling interests - Opening	-	430	3,093	3,030	3,004	2,934
Profit attributable to non-controlling interests	-	-	185	218	535	426
Dividends paid to non-controlling interests	-	(55)	(303)	(155)	(456)	(356)
Acquisition of non-controlling interest	-	(375)	-	-	-	-
Accumulated non-controlling interests - Closing	-	-	2,975	3,093	3,083	3,004

Townsville Operations Pty Ltd had not commenced trading as at 30 June 2019.

Note 29. Reconciliation of profit after income tax to net cash from/(used in) operating activities

	Consolidated 2019 $'000	Consolidated 2018 $'000
Profit after income tax expense for the year	8,761	6,881
Adjustments for:		
Depreciation and amortisation	2,232	1,360
Share based payment expense	319	207
Proceeds on clawback of contingent consideration (classified as investing cash flows)	-	(1,604)
Non-operating loss on disposal of business (classified as investing cash flows)	-	272
Change in operating assets and liabilities*:		
Decrease / (Increase) in trade and other receivables	(71)	13
Decrease / (Increase) in inventories	312	90
Decrease / (Increase) in prepayments and other assets	(396)	(180)
Decrease / (Increase) in deferred tax assets	59	(185)
Increase in trade and other payables	687	1,016
Increase in provision for income tax	(332)	(1,091)
Increase in employee benefits	(290)	(41)
Increase in other provisions	(934)	(219)
Increase / (decrease) in revenue in advance & other operating liabilities	985	323
Net cash from operating activities	11,332	6,842

*Excluding those assets and liabilities acquired as part of business combinations

Total cash at bank and on hand of A$19.841 million comprises the following: amounts denominated in AUD A$13.362 million (2018: $7.145 million) and amounts denominated in NZD A$6.479 million (2018: A$4.716 million). Amounts held by minority interest entities of $1.011 million (2018: $0.864 million) are restricted for use by those entities and not available for general group operating cash management.

Note 30. Earnings per share

	Consolidated 2019 $'000	Consolidated 2018 $'000
Profit after income tax	8,761	6,881
Non-controlling interest	(720)	(644)
Profit after income tax attributable to the owners of National Veterinary Care Ltd	8,041	6,237

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	64,938,860	58,692,013
Adjustments for calculation of diluted earnings per share:		
Contingent Consideration for Business Acquisitions	128,877	419,399
Employee Incentive (Performance rights) Plan	598,857	271,096
Employee Incentive (Loan) Plan	-	250,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	65,666,594	59,632,508

	Cents	Cents
Basic earnings per share	12.38	10.63
Diluted earnings per share	12.25	10.46

Note 31. Share-based payments

During the period the directors of the Company approved a new Employee Incentive Plan which replaced the existing Employee Incentive (Loans Shares) Plan. No grants were awarded under the Employee Incentive (Loans Shares) Plan during the period.

Employee Incentive Plan (Performance Rights)
The Company's Employee Incentive Plan allows for the award of long term incentives to employees in the form of performance rights.

During the period, performance rights were granted under the Employee Incentive Plan to the Chief Executive Officer and other key executives.

A summary of the key terms and conditions of the performance rights issued under the plan are:
- Performance rights are granted at no cost to an employee;
- The exercise price for a performance right is $nil;
- The performance rights will vest subject to satisfying a service condition until the vesting date and a performance condition including hurdles relating to earnings per share cumulative annual growth rates. Vesting periods are determined by the Board and are generally 3 years in duration;
- Each vested performance right entitles the holder to acquire one share in the Company;
- Any performance rights which fail to meet the required vesting conditions before the vesting date shall immediately lapse;
- Performance rights do not carry any dividend or voting rights. Shares issued pursuant to the vesting of performance rights will rank equally with ordinary issued shares of the Company;
- The Board has discretion in relation to number of performance rights available to be exercised by an employee on termination of employment prior to the vesting date, depending on the circumstances of termination.

Under AASB 2 Share Based Payment, the performance rights are accounted for as options, which gives rise to a share-based payment expense. The fair value of the performance rights will be determined at the grant date of the relevant performance rights and the value expensed over the relevant service periods after taking account of any market and non-market vesting conditions. The performance rights are valued using a Black-Scholes options pricing model. The Group has recognised an after tax, non-cash share-based payment of $0.307 million during the financial year (2018: $0.070 million) with a corresponding credit to Shareholders' Equity in the form of a Performance Rights Reserve.

Movements in the performance rights during the period were:

	Opening Balance	Issued	Cancelled/Forfeited	Closing Balance
Performance Rights Plan	271,096	327,761	-	598,857

The key valuation assumptions for the grant of options (performance rights) under the plan during the period are as follows:

Grant Date	22-Mar-19	30-Nov-18	18-Sep-17	30-Oct-17
Vesting period ends	30-Apr-20	31-Oct-21	31-Oct-19	31-Oct-20
Share price at grant date	$1.82	$2.04	$2.75	$2.65
Volatility	32.23%	32.33%	37.50%	37.00%
Dividend yield	1.26%	1.26%	1.13%	1.11%
Risk free investment rate	1.42%	1.99%	2.14%	2.00%
Fair value at grant date	$1.796	$1.967	$2.684	$2.562
Exercise price at grant date	$0.00	$0.00	$0.00	$0.00
Exercisable from	31-Mar-20	31-Oct-21	31-Oct-19	31-Oct-20
Exercisable to	30-Apr-20	30-Nov-21	30-Nov-19	30-Nov-20
Weighted average remaining contractual life	1.0 years	3.0 years	1.4 years	2.4 years

Note 31. Share-based payments (continued)

Employee Incentive (Loan Shares) Plan
The Company's Employee Incentive (Loan Shares) Plan, which was approved by shareholders in July 2015, has now been replaced. No further grants will be awarded under it, and no grants were awarded under it during the period.

- Financial assistance is provided to participants by way of a limited recourse interest free loan to acquire the shares;
- The Company retains security over the Loan Shares whilst ever there is an amount outstanding under the loan;
- Loans shares that have not vested and /or are subject to loan repayment will be restricted from trading;
- The loan shares will vest subject to meeting certain conditions including Total Shareholder Return performance hurdles relative to the company's listed peers (benchmark group). Vesting periods are determined by the Board and are generally 3 years in duration.

Under AASB 2 Share Based Payment, the Loan Shares and related limited recourse loan are accounted for as options, which gives rise to a share based payment expense. The treatment of the Loan Shares under the applicable Accounting Standards as options requires that the value of the loans and issue price of the shares are not recorded as Loans Receivables or Share Capital of the Group until repayment or part repayment of the loans occurs. The Group has recognised an after tax, non-cash share-based payment of $0.01 million during the financial year (2018: $0.137 million) with a corresponding credit to Shareholders' Equity in the form of a Share Option Reserve.

Movements in the Loans Shares and during the period were:

	Opening Balance	Issued	Cancelled/Forfeited	Closing Balance
Loan Share Plan	250,000	-	-	250,000

During the year the loans shares fully vested however trading restrictions remain whilst ever the loan amount is outstanding. The expiry date for exercising rights and repayment of the loan for the loan shares is 13 August 2020.

The loan shares are valued using a Monte Carlo options pricing model. The TSR performance hurdle, being a market based condition, has been incorporated in to the measurement by means of actuarial modelling.

Note 32. Contingent Assets and Liabilities

Contingent liabilities
Cross guarantees of the Group's banking and financing facilities total $88.500 million (June 2018: $64.500 million) of which $56.505 million (June 2018: $35.364 million) was drawn at balance date. Included in the drawn amount above, the Group has bank guarantees outstanding of $1.514 million (June 2018: $1.140 million) at balance date.

Note 33. Correction of prior period error

Managed services member rebate distributions
NVL's Managed Services business provides procurement services to members whereby NVL negotiates supplier deals using the collective purchasing power of both NVL and members to generate benefits for members including supplier rebates. Historically, supplier rebates collected for members have been recorded as revenue with the corresponding distribution to members recorded as an expense, that is recognised on a gross basis. Following a review of the principal / agent relationship between NVL and the members is concluded that the rebates should be recorded on a net basis with the distribution to members offset against the revenue for rebates collected. The net impact on profit is neutral as illustrated below.

Valuation of inventory
In FY2019, NVL undertook a detailed review of its inventory valuation methodology. The outcome of the review resulted in the identification of an error in relation to the valuation of inventory which dated back to the 30 June 2016 financial year. The nature of the error was such that wholesale discounts were not correctly applied to the inventory cost price resulting in an overstatement of the reported inventory balance.

The above errors have been corrected by restating each of the affected financial statement line items for the prior periods presented in this financial report as follows:

	30 June 2018 as reported	Increase / (Decrease)	30 June 2018 (Restated)
	$'000	$'000	$'000
Statement of profit or loss and other comprehensive income (extract)			
Revenue	84,221	(1,745)	82,476
Direct expenses of providing services	20,606	(1,745)	18,861
Profit before income tax expense	9,510	-	9,510
Balance sheet (extract)			
Inventory	2,982	(305)	2,677
Net Assets	2,982	(305)	2,677
Retained Earnings	8,861	(305)	8,556
Total Equity	8,861	(305)	8,556
	Cents	Cents	Cents
Basic earnings per share	10.63	-	10.63
Diluted earnings per share	10.46	-	10.46

Note 34. Deeds of Cross Guarantee

The following entities are party to a Deed of Cross Guarantee, whereby the subsidiary companies are relieved from the requirements to prepare a Financial Report and Directors' Report under ASIC Corporations (Wholly owned Companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission: National Veterinary Care Ltd, NVC Operations Pty Ltd, NVC Operations NSW Pty Ltd, UVG Holdings Pty Ltd, and UVG (Aust) Pty Ltd.

The consolidated income statement and consolidated statement of financial position of the entities which are parties to the deed of cross guarantee are:

Summary of consolidated statement of profit or loss and other comprehensive income

	2019 $'000
Revenue	71,852
Expenses	(64,544)
Profit before income tax expense	7,308
Income tax expense	(2,273)
Profit after income tax expense	5,035
Other comprehensive income	-
Total comprehensive income	5,035

Summary of consolidated statement of financial position and movement in retained
in consolidated retained earnings

	2019 $'000
Current assets	16,003
Non-current assets	105,821
Total assets	121,824
Current liabilities	13,474
Non-current liabilities	20,511
Total liabilities	33,985
Net assets	87,839
Issued capital	76,026
Reserves	651
Retained earnings at beginning of financial year	6,127
Profit for the year	5,035
Total Equity	87,839

Note 35. Events after the reporting period

Subsequent to 30 June 2019 and to the date of signing of this report, the following events have occurred:

Acquisition of Veterinary Clinic
The Group has settled the acquisition of one veterinary clinic in July 2019. Total consideration paid or payable of $1.0 million, comprising $0.4 million in cash consideration at settlement and an estimated $0.6 million in deferred cash consideration relating to earnout provisions payable over 5 years.

Acquisition of General Purchasing Organisation (GPO)
In July 2019, the Group entered into a binding Business Purchase Agreement to acquire a veterinary procurement business / GPO. The acquisition is conditional on due diligence, board approval and lease assignment, with the business expected to settle by 30 September 2019. The business is expected to deliver aggregate annual revenue of approximately $2.4 million and an aggregate annual EBIT of approximately $0.9 million. Total consideration for the acquisition is $5.0 million, including a deferred component of $0.5 million subject to earnout conditions. All consideration will be settled in cash.

Dividend
On 26 August 2019, the company declared a final dividend in respect of the financial year of 3.5 cents per share payable on 2 October 2019.

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 2019 and of its performance for the financial year ended on that date; and

- The Company is within the class of companies affected by ASIC Corporations (Wholly owned Companies) Instrument 2016/785. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor in full of any debt in accordance with the deed of cross guarantee.

- There are reasonable grounds to believe that the Company and the companies to which ASIC Corporations (Wholly owned Companies) Instrument 2016/785 applies, as detailed in note 34 to the financial statements will, as a group, be able to meet any liabilities to which they are, or may become, subject to because of the deed of cross guarantee.

- 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

Susan Forrester
Director

Tomas Steenackers
Director

26 August 2019
Brisbane

Independent Auditor's Report to the Members of National Veterinary Care Ltd

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of National Veterinary Care Ltd ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2019, 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, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

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

Basis for Opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001* has been given to the directors of the Company.

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

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Key Audit Matters

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

Key Audit Matter	How our audit addressed the key audit matter
Impairment Assessment of Goodwill Note 12 to the financial statements	
In accordance with Australian Accounting Standard - AASB 136 'Impairment of assets', the Group is required to perform an annual impairment assessment of the carrying value of goodwill. The Group comprises one operating segment and one cash generating unit (CGU), being the operation of veterinary service businesses in Australia and New Zealand. The Group utilises a value-in-use cash flow forecast to determine the recoverable amount of the cash generating unit to which goodwill is allocated being the business as a whole. The cash flow forecast has a number of assumptions in relation to future financial and operating performance. These include estimates and judgements of future revenues, operating costs, profit before interest, tax, depreciation and amortisation, growth rate and discount rate. We consider this to be a key audit matter given the significant balance of goodwill and level of estimation and judgements involved in completing the value-in-use calculation. The Group discloses the impairment assessment of goodwill in Note 12 to the financial statements.	Our procedures included but were not limited to the following: We evaluated the Group's identification of the CGU and compared against company policy in respect of segment reporting. We agreed the cash flow forecasts to Board approved budgets. We examined the cash flow forecast, compared with historical and current operating results and performed enquiry with management to find corroborative evidence in relation to appropriateness of assumptions used in the forecasts. We evaluated the appropriateness of the discount rate used and performed sensitivity analysis over discount rates and growth rates. We tested the mathematical accuracy of the cash flow forecast. We compared the recoverable amount of the cash generating unit to the carrying value of the constituent assets. We assessed the adequacy of disclosure in Note 12 to the financial statements.

Key Audit Matter	How our audit addressed the key audit matter
Acquisition Accounting Note 27 to the financial statements	
The Group acquired and integrated 32 veterinary service businesses during the year. In accordance with Australian Accounting Standard - AASB 3 ‘Business Combinations’, the Group is required to identify and assess fair value of the assets and liabilities acquired. There are judgements involved in determining the fair value of the assets and liabilities acquired and the fair value of contingent consideration payable to the vendors. Given the Group is in the growth phase and the number of acquisitions during the year, we consider this to be a key audit matter. The Group discloses the acquisition accounting in Note 27 to the financial statements.	Our procedures included but were not limited to the following: We evaluated the acquisition prices by comparing to settlement statements and sale agreements. We evaluated management’s processes and controls in relation to the acquisitions which occurred during the year. We examined the net assets at acquisition and also the resulting goodwill calculation. We examined the terms and conditions of the sale agreements. We evaluated the methodology applied to identify and value the assets acquired and liabilities assumed and the fair value of contingent consideration payable. We assessed the amount and accounting treatment of acquisition costs. We considered the allocation of goodwill to the cash generating unit and we assessed the adequacy of disclosure in Note 27 to the financial statements.

Information Other than the Financial Report and Auditor’s Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group’s annual report for the year ended 30 June 2019, but does not include the financial report and our auditor’s report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 21 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of National Veterinary Care Ltd for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

A B Narayanan
Partner

Brisbane, Queensland
26 August 2019

National Veterinary Care Ltd
Shareholder information
30 June 2019

The shareholder information set out below was applicable as at 6 August 2019.

Equity security holders

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

	Ordinary shares Number of shares held	% of total shares
HSBC Custody Nominees (Australia) Limited	20,510,099	30.61
JP Morgan Nominees Australia Pty Limited	6,859,120	10.24
BNP Parabis Noms Pty Ltd <DRP>	4,167,694	6.22
Charles Foster Pty Ltd <The Foster Family Superannuation Fund>	3,720,185	5.55
National Nominees Limited	3,350,970	5.00
Citicorp Nominees Pty Limited	1,945,657	2.90
BNP Parabis Nominees Pty Ltd <Agency Lending DRP A/C>	1,229,617	1.84
Bamganie Pty Ltd <The Ian Buchanan Family A/C >	1,152,023	1.72
Mr Tomas Antonio Steenackers <The Steenackers Family A/C >	1,135,500	1.69
BNP Parabis Nominees Pty Ltd <IB AU NOMS Retail Client DRP>	1,081,421	1.61
Sargon CT Pty Ltd <Henroth Pty Ltd >	808,376	1.21
A.D. Foster Consultants Pty Ltd <The A.D. Foster Family A/C>	647,897	0.97
B&S Forrester Pty Ltd < Forrester Family A/C >	600,000	0.90
Latman Pty Ltd <Superannuation Fund A/C>	545,000	0.81
TB & BB Investments Pty Ltd <Burgess Superfund A/C>	530,000	0.79
Neweconomy com au Nominees Pty Limited <900 ACCOUNT>	471,348	0.70
Sandhurst Trustees Ltd <Endeavor Asset Mgmt MDA A/C>	455,848	0.68
Iamatana Pty Ltd	425,000	0.63
Brimolda Pty Ltd <Brimolda A/C>	420,154	0.63
Southmay Pty Ltd <Southmay Staff Super Fund>	410,000	0.61
Subtotal	50,465,909	75.32
Balance of register	16,535,457	24.68
Total quoted equity securities	67,001,366	100.00

Distribution of equity securities

Analysis of the number of equity security holders by size of holding:

	Number of holders	Number of tradeable shares
1 to 1,000	842	465,046
1,001 to 5,000	953	2,647,682
5,001 to 10,000	278	2,213,629
10,001 to 100,000	264	7,612,159
100,001 and over	40	53,812,850
Total	2,377	67,001,366
Holding less than a marketable parcel	128	15,837

Securities subject to restriction, including voluntary escrow

There are no securities subject to restriction.

Unquoted equity securities

The Company has future deferred consideration obligations in relation to acquisitions completed in prior periods which will be settled by equity, with a maximum number of 419,399 ordinary shares to be issued.
The Company has granted 598,867 unquoted performance rights to employees under the Company's Employee Incentive Plan, which entitles the holder to one ordinary share for each performance right held subject to achieving vesting conditions.

Substantial holders

The names of substantial holders who have notified the Company in accordance with Part 6C.1 of the *Corporations Act 2001* as at 6 August 2019 are:

	Number held	Percentage
IOOF Holdings Limited and associated entities	8,780,351	13.10%
Invesco Australia Limited	7,590,412	11.32%
JP Morgan Nominees Australia Limited	5,189,030	7.74%
Charles Foster and associated entities	4,398,082	6.57%
Grandeur Peak Global Advisors, LLC	3,612,991	5.39%

Voting rights

The Company has ordinary shares on issue. Each issued ordinary share carries the right to vote at any members' meeting. 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. The Company also has unquoted performance rights on issue, which do not carry any voting rights until they have vested and been exercised and resulting ordinary shares issued.

On-market buyback

There is no current on-market buyback of the Company's securities.

Registry

Securityholders who have any questions regarding their holding should contact the Company's registrar:

Link Market Services Limited
P: 1300 554 474 (in Australia) or +61 1300 554 474 (from overseas)
F: +61 2 9287 0303
E: registrars@linkmarketservices.com.au
www.investorcentre.linkmarketservices.com.au

Share price

The Company's share price can be obtained at the ASX website www.asx.com.au and using the ASX code NVL.