



22 August 2012

GREENCROSS LIMITED (ASX: GXL) Announcement

Annual Report for the period ended 30 June 2012

Greencross Limited today announced a reported NPAT of \$4.859m and EPS of 15.78 cents per share for the full year period 1 July 2011 to 30 June 2012.

Revenue for the twelve month period was up 34.9%, with like for like revenue up 1%. Furthermore, EBITDA for the twelve month period was up 35.7%, with like for like EBITDA up 7.2%.

Key financial results are as follows:

Table 1: Key Financial Results

\$M	12 months to 30 June 2011	12 months to 30 June 2012	+ / - %
REVENUE	61.22m	82.60m	34.9%
EBITDA	8.28m	11.24m	35.7%
NPAT	3.46m	4.85m	40.6%
Reported EPS	12.14 cents	15.78 cents	30.0%
Dividend per share	6.0 cents	8.0 cents	33.3%

Dividend

The Company is pleased to announce that the final dividend for the year ended 30 June 2012 will be 4 cents per share. The Record Date for determining shareholders entitlements to the dividend will be 31 August 2012. The Company anticipates payment of the dividend to occur on 14 September 2012.

The dividend will be subject to the Company's Dividend Reinvestment Plan ("DRP"). Shares will be issued under the DRP at a 5% discount to the volume weighted average price of Greencross shares over the 5 days following the Record Date. Subject to agreeing acceptable terms, it is proposed that any shortfall from the DRP will be fully underwritten.

Shareholders who wish to participate in the DRP must have their DRP application form returned to the Company's share registry by no later than 31 August 2012. The Company's DRP application form can be found on the company's website or can be requested from the Company's share registry: (Boardroom Pty Limited Level 7, 207 Kent Street Sydney NSW 2000 Phone: (02) 9290 9600 Fax: (02) 9279 0664).

Please find following the Appendix 4E and Annual Report for the period ended 30 June 2012.

-END-

ABOUT GREENCROSS

Greencross was established in 2003 and has grown to become Australia's leading veterinary services company through the acquisition and integration of 81 practices around Australia.

Greencross's strategy is to continue to consolidate the fragmented veterinary services industry in Australia and is focused on delivering exceptional veterinary medicine and levels of care to its patients. The company's vision is to be the practice of choice for employees, clients, patients and shareholders.

For further information please contact:

Glen Richards
Managing Director, Greencross Limited
Phone: (07) 3435 3535

APPENDIX 4E

PRELIMINARY FINAL REPORT

1. Company details

Name of entity:	Greencross Limited
ABN:	58 119 778 862
Reporting period:	Year ended 30 June 2012
Previous corresponding period:	Year ended 30 June 2011

2. Results for announcement to the market

Revenues from ordinary activities	up	34.9%	to	\$ 82,603,000
Profit from ordinary activities after tax attributable to the owners of Greencross Limited	up	40.6%	to	\$ 4,859,000
Profit for the period attributable to the owners of Greencross Limited	up	40.6%	to	\$ 4,859,000

Dividends

	Amount per security	Franked amount per security
Final dividend for the financial year ended 30 June 2011	3.000 cents	3.000 cents
Interim dividend for the financial year ended 30 June 2012	4.000 cents	4.000 cents

A final dividend for the financial year ended 30 June 2012 has been declared at the date of signing of 4 cents per share, at a Record Date of 31 August 2012 which is expected to be paid on 14 September 2012.

The final dividend for the year ended 30 June 2012 will be subject to the company's Dividend Reinvestment Plan ('DRP'). Eligible shareholders will be able to participate in the DRP with shares expected to be issued at a 5% discount to the volume weight average price of the company's shares over the 5 days following the Record Date. Subject to agreeing acceptable terms, it is proposed that any shortfall from the DRP will be 100% underwritten.

Comments

The profit for the consolidated entity after providing for income tax and non-controlling interest amounted to \$4,859,000 (30 June 2011: \$3,456,000).

Full details of the review of operations for the financial year can be found in the Directors' Report in the attached Annual Report.

3. NTA backing

	Reporting period	Previous corresponding period
Net tangible asset backing per ordinary security	(81.88) cents	(49.27) cents

4. Control gained over entities

Name of entities (or group of entities)	Refer to note 37 'Business combinations' in the attached Annual Report
Date control gained	As above
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material)	\$ 691,000
Profit/(loss) from ordinary activities after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period (where material)	\$ -

5. Loss of control over entities

Name of entities (or group of entities)	Not applicable
Date control lost	
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material)	\$ -
Profit/(loss) from ordinary activities after tax of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material)	\$ -

6. Dividends

Current period

	Amount per security	Franked amount per security
Final dividend for the financial year ended 30 June 2011	3.000 cents	3.000 cents
Interim dividend for the financial year ended 30 June 2012	4.000 cents	4.000 cents

A final dividend for the financial year ended 30 June 2012 has been declared at the date of signing of 4 cents per share, at a Record Date of 31 August 2012 which is expected to be paid on 14 September 2012.

The final dividend for the year ended 30 June 2012 will be subject to the company's Dividend Reinvestment Plan ('DRP'). Eligible shareholders will be able to participate in the DRP with shares expected to be issued at a 5% discount to the volume weight average price of the company's shares over the 5 days following the Record Date. Subject to agreeing acceptable terms, it is proposed that any shortfall from the DRP will be 100% underwritten.

Previous corresponding period

	Amount per security	Franked amount per security
Final dividend for the financial year ended 30 June 2010	2.500 cents	2.500 cents
Interim dividend for the financial year ended 30 June 2011	3.000 cents	3.000 cents

7. Dividend reinvestment plans

The following dividend or distribution plans are in operation:

The dividend reinvestment plan dated 31 March 2011 is in operation, which can be downloaded from <http://www.greencrossvet.com.au/Docs/8-Dividend-Reinvestment-Plan-Rules.pdf>

The last date(s) for receipt of election notices for the dividend or distribution plans: 16 March 2012

8. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Current period	Previous corresponding period	Current period	Previous corresponding period
Vetmax Pty Ltd - joint venture	0.00%	50.00%	\$ -	\$(1,000)
<i>Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)</i>				
Profit(loss) from ordinary activities before income tax			\$ -	\$(1,000)
Income tax on operating activities			\$ -	\$ -

Vetmax Pty Ltd became a 100% subsidiary of the consolidated entity during the year.

9. Foreign entities

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

Not applicable.

10. Audit qualification or review

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

The accounts have been audited and an unqualified opinion has been issued.

11. Attachments

Details of attachments (if any):

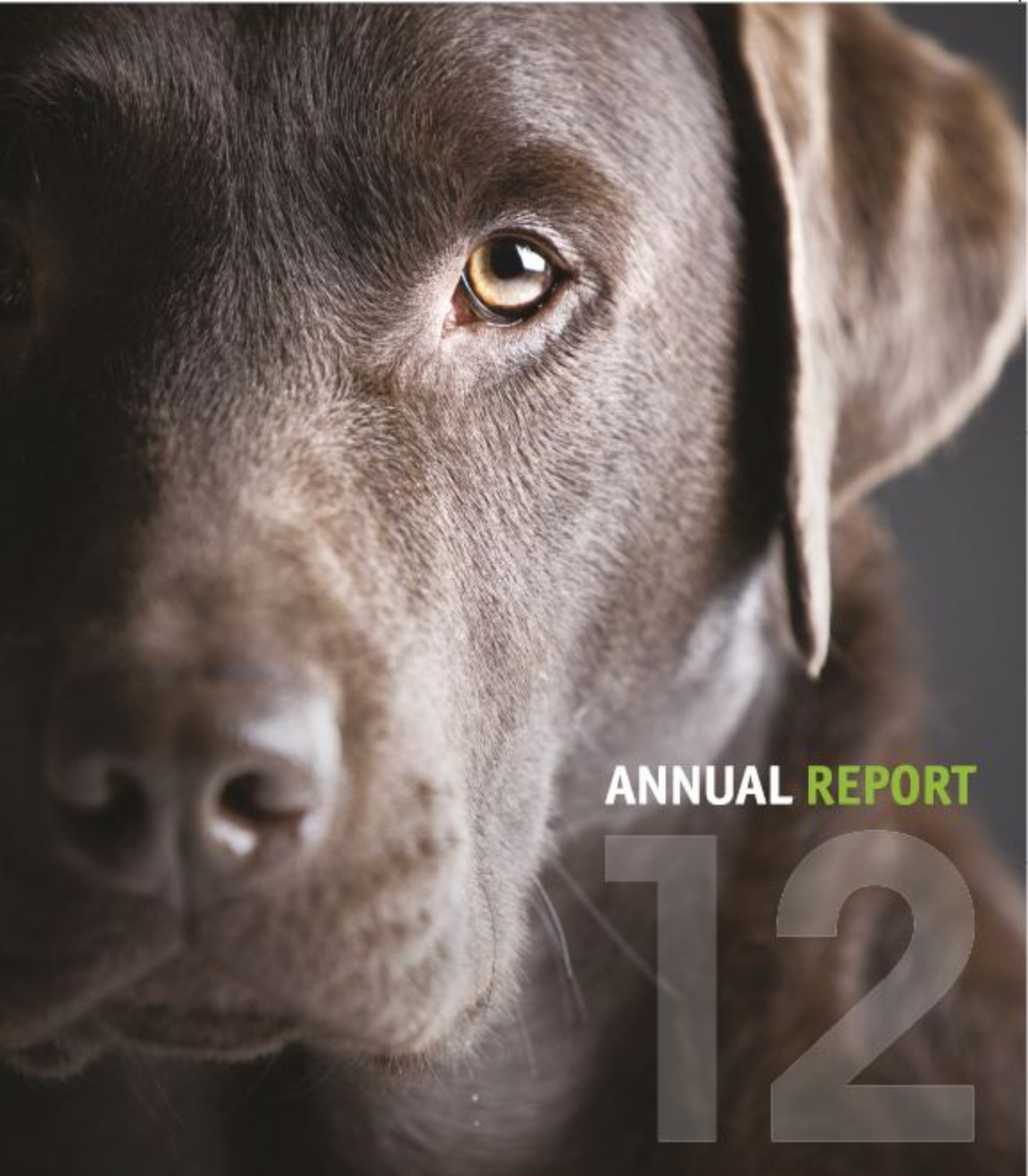
The Annual Report of Greencross Limited for the year ended 30 June 2012 is attached.

12. Signed

Signed:  _____

Date: 22 August 2012

Wesley Coote
Company Secretary
Brisbane



ANNUAL REPORT

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Passionate about Pets



Greencross Ltd

and controlled entities ABN 58 119 778 862

Greencross Limited

ABN 58 119 778 862

Annual Report - 30 June 2012

Greencross Limited
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30 June 2012

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**Greencross Limited
Corporate directory
30 June 2012**

Directors	Andrew Geddes - Chairman Dr Glen Richards - Managing Director Dr John Odum - Executive Director Jeffrey David - Independent Non-Executive Director Stuart James - Independent Non-Executive Director	
Company secretary	Wesley Coote	
Notice of annual general meeting	The annual general meeting of Greencross Limited: will be held at TBA time 11:00 AM date Thursday 25 October 2012	
Registered office	5/28 Balaclava Street Woolloongabba QLD 4102 Tel: (07) 3435 3535 Fax: (07) 3435 3536	
Principal place of business	5/28 Balaclava Street Woolloongabba QLD 4102 Tel: (07) 3435 3535 Fax: (07) 3435 3536 <i>Postal address</i> PO Box 8366 Woolloongabba QLD 4102	
Share register	Boardroom Pty Limited Level 7 207 Kent Street Sydney NSW 2000 Tel: (02) 9290 9600 Fax: (02) 9279 0664	
Auditor	Crowe Horwath Brisbane Level 16 120 Edward Street Brisbane QLD 4000	
Solicitors	Rostron Carlyle Solicitors 15/270 Adelaide Street Brisbane QLD 4001	
Bankers	Commonwealth Bank of Australia 240 Queen Street Brisbane QLD 4000	
Stock exchange listing	Greencross Limited shares are listed on the Australian Securities Exchange (ASX code: GXL)	
Website address	www.greencrossvet.com.au	

PERFORMANCE HIGHLIGHTS

The Board and Management Team of Greencross Limited ('Greencross') are delighted to report a record result for the financial year ending 30 June 2012. Highlights of the financial results are as follows:

- Revenue for the consolidated entity was \$82.603 million, up 34.9% on the prior reported period;
- Earnings before Interest, Tax, Depreciation and Amortisation ('EBITDA') was \$11.236 million, up 35.7% on the prior reported period;
- Net Profit after Tax ('NPAT') was \$4.859 million, up 40.6%; and
- Earnings per Share ('EPS') was \$0.1578 per share, up 30%.

The Board is extremely happy with the results for the year and believe the company is well positioned to continue to deliver these kinds of financial results going forward.

ACQUISITION HIGHLIGHTS

Greencross made the following acquisitions during the year and since the year-end:

1. Carevet South Toowoomba
2. Carevet Chandlers
3. Pets at the Vets North Ringwood
4. Mortdale Animal Hospital
5. Wollongong Veterinary Hospital Group Fairy Meadows
6. Wollongong Veterinary Hospital Group Woonona-Bulli
7. Wollongong Veterinary Hospital Group Wollongong
8. Wollongong Veterinary Hospital Group Warilla-Shell Cove
9. Livingstone Road Animal Health Centre
10. Hurstbridge Animal Clinic
11. Morwell Veterinary Clinic
12. Pakenham Veterinary Clinic
13. Barolin Veterinary Clinic
14. Kelso Veterinary Clinic
15. Woofpurnay Veterinary Hospital Narre Warren
16. Maitland Animal Hospital
17. Rutherford Veterinary Clinic
18. South Tamworth Animal Hospital
19. Kilsyth Veterinary Clinic (settled 17 July 2012)
20. Eastwood House Veterinary Surgery (settled 31 July 2012)
21. Clifford Park Veterinary Surgery (settled 31 July 2012)

Greencross increased its stake in the Animal Emergency Centre Pty Ltd (the owner of the Animal Emergency Centres in Frankston, Hallam and Mt Waverley Victoria) from 59% to 75.3%.

The Animal Emergency Centre Central Coast and the Animal Emergency Centre Toowoomba were opened during the year. Both start-ups provide after-hours critical care for the network of veterinary clinics in the Gosford and Toowoomba areas. Greencross is the majority shareholder in both of these new ventures.

Greencross is currently in the process of setting up its own veterinary pathology business. The business will operate veterinary pathology labs in Brisbane and Melbourne. The new labs will operate under the brand Vepa Labs. The labs will service the Greencross group of practices as well as non-Greencross owned practices. The lab in Melbourne is expected to be fully operational by 1 September 2012, while the lab in Brisbane is expected to be fully operational by 30 November 2012.

New business acquisitions made during FY12 are expected to deliver annualised revenue and EBITDA for the group of approximately \$29.8m and \$4.9m respectively in 2013.

ACQUISITION FUNDING

During the year the company secured, as a stand-by debt funding facility, an additional \$12m of debt from the Commonwealth Bank of Australia ('CBA'). As at 30 June 2012, approximately \$14.5m of the total facility with the CBA is yet to be utilised.

The company will continue to target, as a minimum, twelve new clinic acquisitions per year. These acquisitions will continue to be funded through the use of free cash and the remaining stand-by debt funding facility with the Commonwealth Bank of Australia.

The funding mix will change going forward as the company starts to use less debt and more free cash for new acquisitions. This will see gearing (Net Debt/Equity) come back in line with the company's short term target of 65%, before moving towards the company's long term target of 50%.

DEDICATED STAFF

The number of Greencross employees has grown to approximately 1,000, including over 300 highly skilled veterinarians. The results for this financial year are a credit to the hard work the whole Greencross team have put in over the last year.

The board is proud of the contribution every team member of the company has made to our success during the year. On behalf of the Board, I would like to formally thank all team members for their dedication and continued hard work. The passion and energy from our teams ensure Greencross delivers our promises to all stakeholders.

SHAREHOLDERS RETURN

The company's share price has risen by 250% over the last 12 months, from approximately \$0.70 cents per share to a new company high of \$2.45 per share. This has represented exceptional growth for shareholders over the last 12 months.

The Board had previously resolved to payout a minimum of 50% of the Net Profit After Tax to shareholders as a fully franked dividend. Therefore, a final dividend of 4 cents per share has been recommended by the Board and is expected to be paid on 14 September 2012. This represents a total fully franked dividend of 8 cents per share for the financial year. This is up 33% on the previous year's dividend of 6 cents per share.

The company has in place a Dividend Reinvestment Plan ('DRP') which will balance the need for shareholders to receive a return via a dividend and the company's need for cash to fund future acquisitions. It is anticipated that all dividends will be at least 50% underwritten.

The company has delivered for shareholders a record increase in EPS during the year. EPS are up on the prior year by 3.64 cents per share, or 30.0%. The company is well positioned for growth and it is expected that EPS will grow by at least 15% in Financial Year 2013.

Furthermore, the Board continues to monitor the company's 5 year strategic plan to ensure good organic management of the company, strategic and disciplined acquisitions and exceptional returns to shareholders is achieved.



Andrew Geddes
Chairman

DISCIPLINED AND SKILLED MANAGEMENT TEAM

Greencross Limited ('Greencross') continued to expand its footprint across Eastern Australia with the addition of 21 new general practices as well as the opening of two new Animal Emergency Centres during FY2012. It was an exciting year of welcoming new team members into the Greencross family as well as launching a number of exciting initiatives to support our practices to deliver a better range of services, better standards of patient care and to engage more closely with our pet owners.

Practice Managers, Group Area Managers and the Corporate Team continued with initiatives to create environments for teams and clients that are exceptional in the veterinary industry. Accredited facilities, upgraded equipment, flexible rosters, transparent remuneration and reward systems, world class education programs and an offering of high quality products and services are helping Greencross set the bench marks in the Australian veterinary industry.

Despite a solid year of growth including revenue growing at 35% and net profit after tax ('NPAT') growing at 41% economic conditions through 2012 continued to be flat in many areas across Australia. With a year of minimal fee increases and flat visit numbers like for like revenue grew at 1%; yet strong internal controls ensured the corresponding earnings before interest, tax, depreciation and amortisation ('EBITDA') grew greater than 7% for the 2012 financial year.

A number of management strategies were implemented to manage growth in a disciplined way including better systems of induction, daily, weekly, monthly and quarterly meeting cycles for implementation of goals and imperatives, as well as expanding our coaching, benchmarking and performance monitoring across all departments and practices.

TEAM ENGAGEMENT DELIVERS STABLE EARNINGS

Team engagement continued to be a priority for the business with the appointment of Dr Rachel James into the role of General Manager of Education. With the ability to leverage the large number of employees in the different regions Greencross offers world class workshops, symposiums and seminars across the regions for our veterinarians, practice managers and nurses in topics such as clinical training and leadership development.

Integration and induction programs for new clinics and new employees joining Greencross were further developed so that new team member on-boarding is far smoother. All employees work their way through an induction program and face to face workshops to assist adoption of Greencross systems and policies as well as to align culturally with Greencross's vision for the veterinary industry.

Greencross continues with excellent employee retention rates of 85% for veterinarians and 79% for receptionist and nurses for FY2012. With a young and generally feminised industry we are focused on keeping our people engaged and happy in our workplaces. Our vendors continue to provide strong leadership in the company with 72% of our original vending veterinarians still in senior roles. Our business associate joint venture partnership for young veterinarians and practice managers is an exciting wealth creation opportunity proving popular with our teams.

CLIENT ENGAGEMENT GROWS OUR BUSINESS

Healthy Pets Plus ('HPP'), a proactive health care plan for pets, was launched in May this year across our network of general practices. HPP is a subscription program that allows pet owners ready access to their local Greencross veterinarian, provides wellness screening tests for their pets, and discounts on all veterinary services and products to make pet ownership easy. The response rate has been very impressive with over 4,000 pet owners opting into the program after only three months.

Over the last 12 months, in conjunction with Provet Australia, we have developed our own customer service training program. The Passionate about Service ('PAS') program is delivered over a 10 month period via on-line resources as well as utilising our practice managers to train every team member across our network of practices. PAS, in combination with our recruitment and performance management program, continues to drive client engagement with Net Promoter Score surveys staying above "plus 60" for 52 weeks straight!

Greencross continues to embrace new technology with upgrades to our reminder system to ensure more intimate communication with our pet owners via SMS, email and direct mail. We regularly communicate with over 62% of our clients via our monthly educational e-newsletters and promotional offers. At the end of July 2012 11,500 passionate pet owners "liked" us on Facebook after 8 months of launching into this medium and our website continues to be one of the highest ranking pet sites in Australia with over 20,000 visits to our website per month with 63% of website visits being new visitors.

ACQUISITIONS CONTINUE TO DRIVE EPS GROWTH

With the expansion of our acquisitions and integrations team, we expect acquisitions to continue at a steady rate during FY2013. The successful acquisition and integration of 21 practices saw earnings per share grow 30% above FY2012. The profitability of new practices into the group continues to improve through leveraging Greencross management strategies and buying power. Execution of the business plan will see Greencross acquire and integrate at least twelve more practices in the next twelve months.

GROW SHAREHOLDER VALUE YEAR ON YEAR

As stated last year, we are committed to delivering outstanding client service, high end professional patient care in well-equipped and well promoted facilities. We are fortunate to have many engaged, capable and conscientious employees at all levels of our company that strive to make a difference for our pet owners, for our fellow team members and for our shareholders.

In the next twelve months we will continue our support for our people, we will deliver excellence in veterinary care for our clients and patients, and with the support of our bankers and investors, we will continue to drive shareholder value through our acquisitive and organic initiatives.

A handwritten signature in dark ink, appearing to read 'Glen Richards', with a long, sweeping horizontal line underneath.

Glen Richards
Managing Director

Greencross Limited
Directors' report
30 June 2012

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Greencross Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the year ended 30 June 2012.

Directors

The following persons were directors of Greencross Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Andrew Geddes - Chairman
 Dr Glen Richards
 Dr John Odium
 Jeffrey David
 Stuart James
 Bruce Dixon (appointed on 14 November 2011 and resigned on 7 May 2012)

Principal activities

The principal activity of the consolidated entity during the financial year was operating as a provider of veterinary services.

Dividends

Dividends paid during the financial year were as follows:

	2012 \$'000	2011 \$'000
Final dividend for the year ended 30 June 2011 (2011: 30 June 2010) of 3 cents (2011: 2.5 cents) per ordinary share paid on 16 September 2011 (2011: 6 December 2010)	898	714
Interim dividend for the year ended 30 June 2012 (2011: 30 June 2011) of 4 cents (2011: 3 cents) per ordinary share paid on 30 March 2012 (2011: 29 April 2011)	1,248	882
	<u>2,146</u>	<u>1,596</u>

At the date of signing the consolidated entity has declared a final dividend of 4 cents per share at a Record Date of 31 August 2012, which is expected to be paid on 14 September 2012.

The final dividend for the year ended 30 June 2012 will be subject to the company's Dividend Reinvestment Plan ('DRP'). Eligible shareholders will be able to participate in the DRP with shares expected to be issued at a 5% discount to the volume weight average price of the company's shares over the 5 days following the Record Date. Subject to agreeing acceptable terms, it is proposed that any shortfall from the DRP will be 100% underwritten.

\$170,000 (2011: \$315,000) was paid to non-controlling interest in respect of their dividends in the underlying entity during the year ended 30 June 2012. There are no proposed dividends for minority interests as at signing date.

Review of operations

The profit for the consolidated entity after providing for income tax and non-controlling interest amounted to \$4,859,000 (30 June 2011: \$3,456,000).

Revenue for the year under review was \$82,603,000 (2011: \$61,216,000). Basic and diluted earnings per share were 15.78 cents and 15.75 cents respectively (2011: 12.14 cents and 12.14 cents respectively).

The consolidated entity is the leading veterinary services company in Australia which was established in 2007. The consolidated entity has grown into a substantial business through the acquisition of 78 practices around Australia.

Significant changes in the state of affairs

The consolidated entity acquired the following businesses during the year:

Greencross Limited
Directors' report
30 June 2012

- The Care Veterinary Group Pty Ltd – 51% controlling interest acquired on 1 July 2011 (including Care Vet South Toowoomba and Carevet Chandlers);
- Pets at the Vets North Ringwood – acquired on 15 July 2011;
- Mortdale Veterinary Hospital – acquired on 22 July 2011;
- The Wollongong Veterinary Hospital Group – 58% controlling interest acquired on 10 August 2011 (including Fairy Meadows, Wollongong, Woonona-Bulli and Warilla-Shell Cove);
- Acquisition of Livingstone Road Animal Hospital on 20 September 2011;
- Acquisition of Hurstbridge Veterinary Clinic and Hospital on 26 October 2011;
- Acquisition of Animal Clinic Morwell on 15 November 2011;
- Acquisition of Barolin Veterinary Hospital on 1 December 2011;
- Acquisition on Pakenham Animal Health on 6 December 2011;
- Acquisition of Maitland Veterinary Hospital and Rutherford Veterinary Clinic on 31 January 2012;
- Acquisition of Kelso Veterinary Clinic on 6 March 2012;
- Acquisition of Woofpurnay Veterinary Hospital on 25 May 2012; and
- Acquisition of South Tamworth Animal Hospital on 26 June 2012.

Vepa Labs Pty Ltd was incorporated as a company during the year with trading expected to commence from 1 September 2012.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

On 17 July 2012, the consolidated entity acquired Kilsyth Veterinarian Clinic for the total consideration of \$1,820,000 which included a deferred settlement amount of \$345,000. The fair value of assets acquired were \$78,655.

On 31 July 2012 the consolidated entity acquired Eastwood House and Clifford Park Veterinary Surgery through Care Veterinary Group (51% owned) for the total consideration of \$940,065 which included a deferred settlement amount of \$225,000. The fair value of assets acquired were \$87,547.

The values identified in relation to the business acquisitions are preliminary as at the signing date as independent valuations have not been finalised.

Apart from the dividend declared as discussed above, no other matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity'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 in its current operations and will seek further cost efficiencies so as to optimise the returns for shareholders from the existing portfolio of veterinary practices. Directors and management will continue to pursue acquisitions which fit within the core competencies and investment criteria of the consolidated entity.

Earnings per share for financial year ended 30 June 2013 is expected to grow by at least 15%, or to 18.14 cents per share.

Environmental regulation

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

Information on directors

Name: Andrew Geddes
Title: Independent Non-Executive Chairperson
Qualifications: B.Com, Dip. Fin. Mgt, M.Ec, FCPA, FAICD
Experience and expertise: Andrew has over 35 years consulting experience to professional services firms. This involvement led to his position as a non-executive director with Count Financial Limited between 2000 and 2012. He has previously conducted management development programs for veterinarians in Australia where he gain valuable insight into the Australian veterinary services industry.

Other current directorships: None
Former directorships (in the last 3 years): Non-Executive Director Count Financial Limited (2000 through 2012)
Special responsibilities: Member of the Audit, Compliance and Risk Management Committee and a member of the Remuneration Committee

Interests in shares: 226,089 ordinary shares
Interests in options: None

Name: Dr Glen Richards
Title: Managing Director
Qualifications: B.V.Sc.(Hons), M.Sc., FAICD
Experience and expertise: Glen holds an honours degree in veterinary science from the University of Queensland as well as a Post Graduate Research Master in production and reproduction parameters in Bos Indicus Cattle from James Cook University. He practiced companion animal medicine and surgery in Brisbane, Townsville and London before commencing practice ownership and establishing Greencross Vets in Townsville in 1994. He has been a Member of Australian Veterinary Association since 1988, with special interest groups in Small Animals and Practice Management. He is the founding Managing Director of Greencross Ltd.

Other current directorships: None
Former directorships (in the last 3 years): None
Special responsibilities: None
Interests in shares: 3,113,281 ordinary shares
Interests in options: None

Name: Dr John Odium
Title: Executive Director
Qualifications: B.V.Sc., Q.D.A.H., A.I.M.M., GAICD
Experience and expertise: John has 30 years experience as a veterinary surgeon and during which time he has managed, operated and owned Veterinary Practices. In 1981 he founded Knight Odium, a group practice which had 6 locations in Brisbane. In 2002 John helped establish Vets Alliance Pty Ltd in conjunction with large practices in Melbourne, Adelaide, Perth and Townsville. Based in Perth, it was developed to disseminate mutual expertise, design procedures, protocols and marketing plans, and share resources between the 30 involved practices. During 2002 John was one of the prime movers in forming the service company United Veterinary Management Limited, which managed four separately owned practice groups, encompassing 16 practices in Queensland.

Other current directorships: None
Former directorships (in the last 3 years): None
Special responsibilities: None
Interests in shares: 4,132,967 ordinary shares
Interests in options: None

Greencross Limited
Directors' report
30 June 2012

Name:	Jeff David
Title:	Independent Non-Executive Director
Experience and expertise:	Jeff commenced full time work with the family business of Davids Holdings Pty Ltd in 1985. From 1989 to 1992 Jeff, worked in the United States with IGA Inc., serving as Marketing Director and then Senior Vice President. In 1992, Jeff returned to Davids serving in senior roles as the company changed its status from private to public. Jeff currently serves as Executive Chairman of Petbarn Pty Limited, a retailer of pet food and accessories, and as a non-executive director of the Skin and Cancer Foundation Australia, a non profit specialist medical organisation dedicated to providing services in the areas of dermatology and dermatopathology. Jeff also serves as a member of the Advisory Board of Nudie Foods Pty Limited, a manufacturer of fresh juices.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities:	Chairperson of the Audit, Compliance and Risk Management Committee and a member of the Remuneration Committee.
Interests in shares:	24,997 ordinary shares
Interests in options:	None
Name:	Stuart James
Title:	Independent Non-Executive Director
Experience and expertise:	Stuart is an experienced executive within the financial and healthcare sectors. Stuart's past roles have included Managing Director of Australian Financial Services for Colonial and Managing Director of Colonial State Bank (formerly the State Bank of N.S.W). He also held an executive role as CEO of the Mayne Group from January 2002 to January 2005. Prior to that Stuart was Mayne's Chief Operating Officer from July 2000 to January 2002. Stuart is a member of the Supervisory Board of Wolters Kluwer NV and a Member of the Advisory Board of NED Phosphagenics Ltd.
Other current directorships:	Chairperson of Prime Financial Group Ltd (ASX: PFG), Progen Pharmaceuticals Ltd (ASX: PGL), and Pulse Health Ltd (ASX: PHG)
Former directorships (in the last 3 years):	None
Special responsibilities:	Chairperson of the Remuneration Committee and a member of the Audit, Compliance and Risk Management Committee.
Interests in shares:	1,573,405 ordinary shares
Interests in options:	None
Name:	Bruce Dixon (appointed on 14 November 2011 and resigned on 7 May 2012)
Title:	Non-Executive Director
Qualifications:	B.Ec, AICD
Experience and expertise:	Bruce was formerly the Chief Executive Officer and Managing Director of Healthscope Ltd ('Healthscope') from 1997 to 2010. During his tenure at Healthscope the company experienced significant growth, growing from \$18 million market capitalisation to the eventual sale price to private equity of \$2.7 billion in 2010. Prior to Healthscope, Bruce was the General Manager of Spotless Services Limited.
Other current directorships:	Not applicable as no longer a director
Former directorships (in the last 3 years):	Not applicable as no longer a director
Special responsibilities:	Not applicable as no longer a director
Interests in shares:	Not applicable as no longer a director
Interests in options:	Not applicable as no longer a director

Greencross Limited
Directors' report
30 June 2012

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

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

Company secretary

Wesley Coote (BCom, CA, ACIS) is Chief Financial Officer and Company Secretary. He has over 7 years experience in Chartered Accounting with experience in providing business services advice to the health, motor dealers, property development/building, accounting and financial services industries. He has worked for Greencross for the past 4 years. He holds a Bachelor of Commerce from the University of Queensland and is a member of the Institute of Chartered Accountant and a member of Chartered Secretaries Australia.

Meetings of directors

The number of meetings of the company's Board of Directors and of each board committee held during the year ended 30 June 2012, and the number of meetings attended by each director were:

	Full Board		Remuneration Committee		Audit, Compliance and Risk Management	
	Attended	Held	Attended	Held	Attended	Held
Andrew Geddes	10	11	1	1	1	1
Dr Glen Richards	11	11	-	-	-	-
Dr John Odium	9	11	-	-	-	-
Jeffrey David	11	11	1	1	1	1
Stuart James	11	11	1	1	1	1
Bruce Dixon	6	6	-	-	1	1

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

Remuneration report (audited)

The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the consolidated entity and the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation

A Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's and company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms with the market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

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Directors' report
30 June 2012

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

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

Alignment to shareholders' interests:

- has economic profit as a core component of plan design
- focuses 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
- attracts and retains high calibre executives

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations are separate.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Remuneration Committee and makes recommendations to the Board. The Remuneration Committee ensures non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to determination of his own remuneration. Non-executive directors do not receive share options or other incentives.

Fees for non-executive directors are not linked to the performance of the consolidated entity and no portion of their remuneration is at risk. However, to align the non-executive directors' interests with that of shareholders, the non-executive directors are encouraged to hold shares in the consolidated entity. All non-executive directors have acquired shares in the consolidated entity.

Non-executive directors do not participate in equity plans of the consolidated entity or company.

ASX listing rules requires that the aggregate non-executive directors remuneration shall be determined periodically by a general meeting. The shareholders approved an aggregate remuneration including compulsory superannuation of \$400,000 at the consolidated entity's incorporation and has yet to be revised.

Key management personnel remuneration

The remuneration policy of Greencross Limited has been designed to align key management objectives with shareholder and business objectives by providing a competitive remuneration package. The Board of Greencross Limited believes the compensation levels to be appropriate and effective in its ability to attract and retain suitably qualified key management, reward the achievement of strategic objectives and create value for shareholders.

There are five main remuneration components for the key management personnel which are as follows:

- Fixed remuneration
- Short Term Performance Bonus
- Employee Loan Plan
- Employee Share Plan ('ESP')
- Senior Management Option Plan ('SMOP')

Fixed remuneration

The remuneration of key management personnel includes a fixed component expressed as a dollar amount. The fixed component is comprised of a base salary and employer superannuation contributions. The key management personnel may take their base salary in cash or through fringe benefits such as motor vehicles and expense payments.

Fixed remuneration is reviewed annually by the Remuneration Committee in relation to the Managing Director and his individual performance and relevant comparative compensation in the market. The Managing Director reviews the individual performance of all other key management personnel and makes recommendations to the Remuneration Committee in relation to their fixed remuneration.

Key management personnel's fixed remuneration levels are aligned by comparison to similar roles in industrial companies with multi location sites located in Australia and of similar size companies to Greencross Limited. The Executive Remuneration Report prepared by Robert Half International was also used as a source of benchmarking the key management personnel's fixed remuneration.

The Board is satisfied after reviewing external reports on remuneration of executives that the fixed component of the key management personnel remuneration is fair and reasonable.

Short term performance bonus

The consolidated entity has in place an incentive plan through which participants are eligible to receive an annual bonus if they satisfy pre-determined operational, strategic and individual performance targets.

The annual bonus program is in place for all key management personnel as well as other key staff below the level of key management personnel.

The annual bonus program and the performance conditions set under the program are designed to motivate and reward staff for high performance. The annual bonus program is designed to align the interests of the key management personnel with the consolidated entity's financial performance and with the management principles and cultural values of the consolidated entity.

The performance hurdles used to determine the annual bonus program vary depending upon the individual key management personnel's position. Formal performance hurdles have been set for all key management personnel, including the Managing Director.

For the Managing Director, performance hurdles are linked to financial and non-financial measures. The Managing Director must first satisfy the Board that he has achieved the non-financial measures set. The bonus is then linked to the financial performance of the consolidated entity, being an improvement in the consolidated entity's earnings per share ('EPS') over the previous financial year of greater than 10%.

For other key management personnel, the annual bonus program is linked to specific operational targets set at the beginning of each financial year. The operational targets consist of a number of non-financial and financial measures.

Depending on the key management's responsibilities, the emphasis upon financial and non-financial measurements can vary significantly.

Specific examples of financial measures used in the financial year ended 30 June 2012 include:

- Earnings before interest and tax ('EBIT') performance to budget;
- Capital and financial management; and
- Improvement in the consolidated entity's EPS over prior year

Specific examples of non-financial measures used in the financial year ended 30 June 2012 include:

- Risk management including occupational health and safety ('OH&S');
- Investor relations;
- New business initiatives; and
- Alignment with the consolidated entity's cultural values.

The Remuneration Committee assesses the Managing Director's performance against his performance hurdles and makes recommendations to the Board for final determination. The Managing Director assesses the performance of all other key management personnel and makes recommendations to the Remuneration Committee for consideration, which in turn makes recommendations to the Board for final determination.

All annual bonuses are delivered as a cash bonus to all key management personnel. Cash payment of the annual bonus is only paid after the auditors have signed off on the Annual Report for the full year.

If the key management personnel cease employment with the consolidated entity before the annual bonus targets are achieved, then they will not be entitled to receive the annual bonus.

Employee loan plan

The Board introduced an employee loan plan in 2011 called the Greencross Limited Employee Loan Plan ('Loan Plan'). Shareholders approved the introduction of this Loan Plan at the 2010 Annual General Meeting.

The Board believes the Loan Plan is in the best interests of the consolidated entity. The purpose of the Loan Plan is to better align the interests of shareholders and the employees of Greencross Limited ('Employees') by linking the potential economic wealth of Employees to the long-term success of the consolidated entity.

The Board may from time to time invite Employees to participate in the Loan Plan and acquire shares in the company. Employees will acquire no shares under the Loan Plan unless the requirements of the ASX Listing Rules have been complied with.

The maximum number of shares subject to the Loan Plan rules shall not exceed 15% of the issued capital of the company.

The Employees are invited to subscribe for a new issue of the company's shares. Generally, shares will be issued to the Employees at an issue price set by the Board at no discount to the market price at the date of the allocation. Market Price for this purpose shall be the average closing price of Greencross Limited ordinary shares for five trading days on the Australian Securities Exchange prior to the date of allocation. A consolidated entity provided loan as outlined below would fund the acquisition cost of the shares. The shares will be registered in the name of the Employees, but will remain subject to restrictions on dealing as specified by the Board (which may include applying a holding lock to the shares) until the Employees become entitled to withdraw the shares from the Loan Plan.

The Board will specify the performance hurdles that will generally need to be satisfied before the Employees may withdraw their shares from the Loan Plan. Performance hurdles may include minimum tenure periods ('Vesting Scale') and performance criteria specified by the Board at the time of the invitation. Generally, provided any loans outstanding have been repaid, the Employees may withdraw their shares from the Loan Plan once the applicable performance hurdles have been satisfied.

In certain special circumstances (including if an Employee dies, becomes totally and permanently disabled (in the opinion of the Board) or if the Board determines that a change of control of the consolidated entity has occurred or is likely to occur (for example, because the consolidated entity is subject to a takeover bid, proposes to enter into a scheme of arrangement or is to be wound up)) the rules permit the Employee (or their legal personal representative (as the case may be)) to repay any loan and withdraw from the Loan Plan all of the Employee's shares that remain subject to the performance hurdles.

The consolidated entity may extend a loan to enable the Employees to acquire shares under the Loan Plan as determined by the Board. Generally speaking, the loan is repayable within 5 years unless one of the following events occurs first in which case the loan will become repayable:

- the dismissal of the Employee;
- the acceptance of the resignation of the Employee by the consolidated entity;
- failure to satisfy the performance hurdles (as specified by the Board at the time of the invitation);
- death of the Employee; or
- termination of the employment of the Employee otherwise than by way of dismissal or resignation.

Greencross Limited
Directors' report
30 June 2012

Loans under the Loan Plan are limited recourse in nature, which means that if at the date that the loan becomes repayable the Employee's shares are worth less than the outstanding balance of the loan, the consolidated entity cannot recover the difference from the Employee. If at the date that the loan becomes repayable the proceeds of sale of the shares exceed the total amount of the loan owing to the consolidated entity by the Employee, then subject to satisfaction of any performance hurdles, the surplus proceeds shall be paid by the consolidated entity to the Employee.

Interest will not be payable on the outstanding balance of the loan.

As security for the loan, the Employee will pledge the shares acquired under the Loan Plan to the consolidated entity at the time the financial assistance is provided and will grant a charge over any future benefits attributable to those shares, including bonus shares, rights, and dividends.

Loans or other financial assistance will only be extended to the Employees as permitted by the Corporations Act 2001.

Dividends on the shares that are subject of the Loan Plan will be paid to the Employees' nominated bank accounts.

If the performance hurdles specified by the Board are not satisfied or should the Employees not elect to take up their shares, the Employees will generally forfeit their shares. In these circumstances, the Employee must redeliver the shares to the consolidated entity. Shares re-acquired by the consolidated entity will be cancelled.

The Employees may exercise their right to vote in accordance with voting rights attached to their shares acquired under the Loan Plan at meetings of shareholders of the consolidated entity.

The consolidated entity will meet the ongoing administration expenses of the Loan Plan. The Employees will meet all outgoings and expenses in selling or otherwise dealing with their shares.

The Participant will be able to access the benefit of the proposed Loan Plan if the average closing price of Greencross Limited ordinary shares for five trading days on the Australian Securities Exchange is equal to or greater than:

- 24 months from an allocation, \$1.77;
- 36 months from an allocation, \$2.40;
- 48 months from an allocation, \$3.34; and
- 59 months from an allocation, \$4.20.

The expiry/forfeiture date of the above shares is 19 October 2015.

Provided there is no breach of the Plan Rules that results in forfeiture, the shares which are the subject of the Greencross Loan Plan shall vest to the Participant according to the following Vesting Scale:

- 20% – 24 months from allocation;
- 20% – 36 months from allocation;
- 20% – 48 months from allocation; and
- 40% – 59 months from allocation.

No rights, under the Employee Loan Plan, were granted during the reporting period (2011: 825,000).

Senior management option plan ('SMOP')

The SMOP is designed to reward strong performance by individuals within the consolidated entity. Options are issued under the SMOP in accordance with thresholds set out in plans and it provides certain employees (as determined by the Managing Director and Remuneration Committee) with the opportunity to acquire shares in the company, or rights to acquire shares in the company. The plan operates by granting an option to employees to purchase a prescribed number of shares at a pre-determined time in the future.

Each option is convertible to one ordinary share. The exercise price of the options, determined in accordance with the rules of the plan, is based on the weighted average price of the consolidated entity's shares traded during the 5 days preceding the date of offering the option.

Greencross Limited
Directors' report
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No options were issued under this plan during the year (2011: nil).

There are currently 265,000 SMOP on issue. They have an exercise price of \$1.40 per share and have an expiry date of 10 July 2013.

Consolidated entity performance and link to remuneration

Fees for directors are not directly linked to the performance of the consolidated entity and no portion of their remuneration is at risk. However, to align the directors' interests with that of shareholders, the directors are encouraged to hold shares in the consolidated entity. All directors have acquired shares in the consolidated entity.

Use of remuneration consultants

During the financial year ended 30 June 2012, the consolidated entity did not engage with any remuneration consultants to review its existing remuneration policies and provide recommendations on how to improve both the short-term incentives ('STI') program and long-term incentives ('LTI') programs.

Voting and comments made at the company's 2011 Annual General Meeting ('AGM')

At the last AGM 92% of the shareholders voted to adopt the remuneration report for the year ended 30 June 2011. The consolidated entity did not receive any specific feedback at the AGM regarding its remuneration practices.

B Details of remuneration

Amounts of remuneration

Details of the remuneration of the directors and key management personnel are set out in the following tables. Key management personnel are defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity.

The key management personnel of the consolidated entity consisted of the following directors of Greencross Limited:

- Andrew Geddes - Chairman
- Dr Glen Richards
- Dr John Odium
- Jeffrey David
- Stuart James
- Bruce Dixon (appointed on 14 November 2011 and resigned on 7 May 2012)

And the following executives:

- Wesley Coote - Chief Financial Officer and Company Secretary
- Terry King - General Manager of Operations

Greencross Limited
Directors' report
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2012	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Bonus	Employee loan plan dividend	Super-annuation	Long service leave	Equity-settled	
Name	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Andrew Geddes	50,458	-	-	4,541	-	-	54,999
Jeffrey David	24,220	-	-	2,180	-	-	26,400
Stuart James	23,120	-	-	2,081	-	-	25,201
Bruce Dixon *	10,893	-	-	1,070	-	-	11,963
	<u>108,691</u>	<u>-</u>	<u>-</u>	<u>9,872</u>	<u>-</u>	<u>-</u>	<u>118,563</u>
<i>Executive Directors:</i>							
Dr Glen Richards	220,000	-	24,500	19,800	5,237	28,805	298,342
Dr John Odium	59,934	-	-	48,994	1,484	-	110,412
	<u>279,934</u>	<u>-</u>	<u>24,500</u>	<u>68,794</u>	<u>6,721</u>	<u>28,805</u>	<u>408,754</u>
<i>Other Key Management Personnel:</i>							
Wesley Coote	150,000	-	17,500	13,500	2,696	20,575	204,271
Terry King	148,461	-	15,750	13,362	2,998	18,517	199,088
	<u>298,461</u>	<u>-</u>	<u>33,250</u>	<u>26,862</u>	<u>5,694</u>	<u>39,092</u>	<u>403,359</u>
	<u>687,086</u>	<u>-</u>	<u>57,750</u>	<u>105,528</u>	<u>12,415</u>	<u>67,897</u>	<u>930,676</u>

* Appointed as a director on 14 November 2011 and resigned on 7 May 2012

Greencross Limited
Directors' report
30 June 2012

2011	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Bonus	Employee loan plan dividend	Super-annuation	Long service leave	Equity-settled	
Name	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Andrew Geddes	57,067	-	-	4,541	-	-	61,608
Jeffrey David	27,212	-	-	2,081	-	-	29,293
Stuart James	23,120	-	-	2,081	-	-	25,201
	<u>107,399</u>	<u>-</u>	<u>-</u>	<u>8,703</u>	<u>-</u>	<u>-</u>	<u>116,102</u>
<i>Executive Directors:</i>							
Dr Glen Richards	200,001	-	10,500	18,000	12,840	28,805	270,146
Dr John Odium	63,395	-	-	47,490	8,853	-	119,738
Dr Stephen Coles *	69,872	-	-	39,826	8,345	-	118,043
	<u>333,268</u>	<u>-</u>	<u>10,500</u>	<u>105,316</u>	<u>30,038</u>	<u>28,805</u>	<u>507,927</u>
<i>Other Key Management Personnel:</i>							
Wesley Coote	134,898	-	7,500	12,894	7,691	20,575	183,558
Terry King	120,849	-	6,750	12,115	4,239	18,517	162,470
	<u>255,747</u>	<u>-</u>	<u>14,250</u>	<u>25,009</u>	<u>11,930</u>	<u>39,092</u>	<u>346,028</u>
	<u>696,414</u>	<u>-</u>	<u>24,750</u>	<u>139,028</u>	<u>41,968</u>	<u>67,897</u>	<u>970,057</u>

* Dr Stephen Coles resigned as an executive director in January 2011 and became a key management personnel of the company until 30 June 2011. His salary disclosed above is for the full year to 30 June 2011.

Greencross Limited
Directors' report
30 June 2012

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2012	2011	2012	2011	2012	2011
<i>Non-Executive Directors:</i>						
Andrew Geddes	100%	100%	- %	- %	- %	- %
Jeffrey David	100%	100%	- %	- %	- %	- %
Stuart James	100%	100%	- %	- %	- %	- %
Bruce Dixon *	100%	- %	- %	- %	- %	- %
Dr Stephen Coles **	- %	93%	- %	- %	- %	7%
<i>Executive Directors:</i>						
Dr Glen Richards	88%	84%	10%	11%	2%	5%
Dr John Odium	99%	93%	- %	- %	1%	7%
<i>Other Key Management Personnel:</i>						
Wesley Coote	89%	85%	10%	11%	1%	4%
Terry King	89%	86%	9%	11%	2%	3%

* Bruce Dixon was appointed as a director on 14 November 2011 and resigned on 7 May 2012.

** Dr Stephen Coles ceased being a key management personnel of the consolidated entity on 1 July 2011.

C Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Dr Glen Richards
Title:	Managing Director
Agreement commenced:	1 July 2007
Term of agreement:	30 June 2015
Details:	• Termination by KMP - 6 months' written notice. No further Short Term Incentive ('STI') or Long Term Incentive ('LTI') entitlements other than those owing at the date of termination. Company may elect to make payment in lieu of notice. • Termination on death, illness or disability - No notice required. No further STI or LTI entitlements other than those owing at the date of termination. • Termination for cause - No notice required. No further STI or LTI entitlements other than those owing at the date of termination. • Termination by company - 12 months' written notice if terminated as a result of a corporate restructure, merger, or buyout by another entity. Company may elect to make payment in lieu of notice. • Superannuation guarantee contribution which is currently 9%, and does not receive any other retirement benefits. • Covenants that during the term of his employment and for up to 12 months after termination he will not solicit any clients or employees of the Company. Furthermore, he covenants not to be involved in a business of the same nature as Greencross within 20 kilometres of Greencross.

Greencross Limited
Directors' report
30 June 2012

All other key management personnel have entered into employment agreements of between 1 to 5 years in duration with the consolidated entity. The agreements all contain remuneration, performance and confidentiality obligations on the part of the employer and employee.

The employment contracts stipulate a range of one to eighteen-month resignation periods. The consolidated entity may terminate an employment contract without cause by providing written notice or making payment in lieu of notice, based on the individual's annual salary component together with a redundancy payment of the individual's fixed salary component calculated based on service in accordance with legislation. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the company can terminate employment at any time.

The key management personnel receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits.

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

D Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2012.

Options

There were no options issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2012.

There were no options granted to or exercised by directors and other key management personnel as part of compensation during the year ended 30 June 2012.

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Greencross Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
10 July 2008	10 July 2013	\$1.40	265,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options

The following ordinary shares of Greencross Limited were issued during the year ended 30 June 2012 on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
10 July 2008	\$1.40	10,000

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the company

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

Non-audit services

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

Officers of the company who are former audit partners of Crowe Horwath Brisbane

There are no officers of the company who are former audit partners of Crowe Horwath Brisbane.

Rounding of amounts

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Auditor

Crowe Horwath Brisbane 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



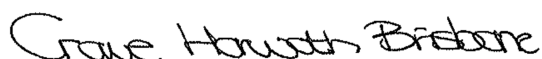
Glen Richards
Managing Director

22 August 2012
Brisbane

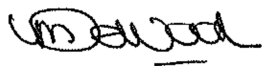
Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of Greencross Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2012 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.



Crowe Horwath Brisbane



Vanessa de Waal
Partner

Signed at Brisbane, 22 August 2012

Greencross Limited
Corporate Governance Statement
30 June 2012

The Board of Directors ('Board') of Greencross Limited ('company') is responsible for the governance of the company and its controlled entities ('consolidated entity').

Good corporate governance is a fundamental part of the culture and business practices of the consolidated entity. The key aspects of the consolidated entity's corporate governance framework and primary corporate governance practices for the 2012 year are outlined below:

The Board of Directors

Role and responsibilities of the Board

The Board has adopted a formal charter that details the functions and responsibilities of the Board.

The Board's most significant responsibilities are:

- Stakeholder interests
- Strategy
- Performance
- Integrity of external reporting
- Risk management and compliance
- Executive review, succession planning and culture

Stakeholder interests

Guiding the consolidated entity with a view to long-term, sustainable returns for shareholders having regard to the interests of other stakeholders, including clients, staff and the communities in the regions in which the consolidated entity operates.

Providing strategic direction to the consolidated entity, with a focus on consistent business performance, behaviour, transparency and accountability.

Reviewing and monitoring corporate governance and corporate social responsibility throughout the consolidated entity.

Strategy

Reviewing, approving and monitoring corporate strategy and plans.

Making decisions concerning the consolidated entity's capital structure and dividend policy.

Reviewing, approving and monitoring major investment and strategic commitments.

Performance

Reviewing business results and monitoring budgetary controls.

Integrity of external reporting

Reviewing and monitoring the processes, controls and procedures which are in place to maintain the integrity of the consolidated entity's accounting and financial records and statements.

Reviewing and monitoring reporting to shareholders and regulators, including the provision of objective, comprehensive, factual and timely information to the Australian Securities Exchange ('ASX').

Risk management and compliance

Monitoring and reviewing the risk management processes, the consolidated entity's risk profile and the processes for compliance with regulations and standards and other regulatory requirements.

Reviewing and monitoring processes for the maintenance of adequate credit quality.

Executive review, succession planning and culture

Approving key executive appointments and remuneration; and monitoring and reviewing executive succession planning and diversity.

Reviewing and monitoring the performance of the Managing Director and senior management.

Monitoring and influencing the consolidated entity's culture, reputation and ethical standards.

Board performance

Monitoring the Board's composition, director selection, Board processes and Board performance.

The Board has reserved certain powers for itself and delegated authority and responsibility for day-to-day management of the consolidated entity to the Managing Director. This authority is broad ranging and may be sub-delegated. Delegations are subject to strict limits. The Managing Director's authorities and responsibilities include:

- development and implementation of Board approved strategies;
- setting operational plans within a comprehensive risk management framework; and
- sound relationship management with the consolidated entity's stakeholders.

All delegated authorities provided by the Board to the Managing Director are reviewed and reconfirmed annually.

Composition of the Board

The Board requires that each of its directors possess unquestionable integrity and good character. The Board identifies other appropriate skills and characteristics required for the Board and individual directors in order for the consolidated entity to fulfil its goals and responsibilities to shareholders and other key stakeholders.

The composition of the Board is based on the following factors:

- the Board will be of a size to assist in efficient decision making;
- the Board size shall not be less than three but no more than ten;
- the Chairman of the Board should be an independent non-executive director;
- the Board should comprise directors with a broad range of expertise, skills and experience from diverse range of backgrounds including sufficient skills and experience appropriate to the consolidated entity's business; and
- the role of the Chairman and that of the Managing Director are to be held by two separate individuals. The Chairman is to be an independent non-executive director and the Managing Director an executive director.

The skills, experience, expertise and commencement dates of the directors are set out in the 'Information on directors' section in the Directors' Report of this Annual Report.

Chairman

The consolidated entity's Chairman is Mr Andrew Geddes. Mr Geddes has been Chairman of the consolidated entity since listing in June 2007. Mr Geddes has skills and experience across a broad portfolio of service based industries and companies including accounting and veterinary services. A detailed list of his directorships and prior experience can be found 'Information on directors' section in the Directors' Report of this Annual Report.

Mr Geddes' positions held outside the consolidated entity are not deemed to prevent him executing and fulfilling all of his obligations and responsibilities to the Board and the consolidated entity.

Independence of directors

Directors are expected to bring independent views and judgement to Board deliberations. An independent director must be independent of management and able to exercise unfettered and independent judgement, free of any business or other relationship that could materially interfere with the exercise of the director's ability to act in the best interests of the consolidated entity.

In assessing whether a director is independent, the Board has regard to the standards it has adopted that reflect the independence requirements of applicable laws, rules and regulations, including the ASX Corporate Governance Principles and Recommendations.

The Board considers that Mr Andrew Geddes, Mt Stuart James and Mr Jeffrey David are independent directors.

In determining independence, each non-executive director is required to make an annual disclosure of all relevant information to the Board. Any assessment of independence for a non-executive director who does not meet the independence standards adopted by the Board will be specifically disclosed to the market in the consolidated entity's Annual Report.

The Board has procedures in place to ensure it operates independently of management.

Disclosure of related party transactions is set out in Note 36 of the Annual Report.

Conflicts of interest

Directors are expected to avoid any action, position or interest that conflicts or appears to conflict with an interest of the consolidated entity. This is a matter for ongoing consideration by all directors, and any director who has a material personal interest in a matter relating to the consolidated entity's affairs must notify the other directors of that interest.

The Corporations Act 2001 together with the company's Constitution, require that a director who has a material personal interest in a matter that is being considered at a directors' meeting cannot be present while the matter is being considered at the meeting or vote on the matter, except in the following circumstances:

- the directors without a material personal interest in the matter have passed a resolution that identifies the director, the nature and extent of the director's interest in the matter and its relation to the affairs of the consolidated entity, which states that the remaining directors are satisfied that the interest should not disqualify the director from voting or being present;
- the Australian Securities and Investments Commission ('ASIC') has made a declaration or order under the Corporations Act 2001(Cth), which permits the director to be present and vote even though the director has a material personal interest;
- there are not enough directors to form a quorum for a directors' meeting because of the disqualification of the interested directors, in which event one or more of the directors (including a director with a material personal interest) may call a general meeting to address the matter; or
- the matter is of a type which the Corporations Act 2001 specifically permits the director to vote upon and to be present at a directors' meeting during consideration of the matter notwithstanding the director's material personal interest.

Even though the Corporations Act 2001 and the company's Constitution allow these exceptions, the company's corporate governance standards provide that when a potential conflict of interest arises, the director concerned does not receive copies of the relevant Board papers and withdraws from the Board meeting while such matters are considered. Accordingly, in such circumstances, the director concerned takes no part in discussions and exercises no influence over other members of the Board. If a significant conflict of interest with a director exists and cannot be resolved, the director is expected to tender his or her resignation after consultation with the Chairman.

Appointment and re-election of Board members

A review of Board composition and skills is undertaken annually by the Board which enables the Board to assess the skills and the experience of each director and the combined capabilities of the Board. The results of this review are considered in the context of the consolidated entity's operations and strategy.

The results of this review are then incorporated into the selection process for new directors. The process for appointing a director is that, when a vacancy exists, the Board identifies candidates with the appropriate expertise and experience, using external consultants if appropriate. The most suitable candidate is appointed by the Board but must stand for election by shareholders at the next annual general meeting of the company.

The company has formal letters of appointment for each of its directors, setting out the key terms and conditions of the appointment. The process for re-election of a director is in accordance with the company's Constitution, which requires that, other than the Managing Director, one-third (or the nearest number to one-third) are required to retire by rotation at each annual general meeting and are eligible to stand for re-election.

Before each annual general meeting, the Board assesses the performance of each director due to stand for re-election, and the Board decides whether to recommend to shareholders that they vote in favour of the re-election of each director.

Board meetings

Directors are expected to prepare adequately for, attend and participate at Board meetings and meetings of Committees.

The number of Board meetings and each director's attendance at those meetings are set out in the Directors' Report in this Annual Report.

Performance of Board, its committees and individual directors

The Board conducts an annual assessment of the performance and effectiveness of the Board as a whole and of its Committees and individual directors. Performance of each Committee of the Board is initially discussed and reviewed within each Committee and then subsequently reviewed as part of the Board's annual assessment.

External experts are engaged as required to review aspects of the Board's activities and to assist in a continuous improvement process to enhance the overall effectiveness of the Board.

The annual performance evaluation for the Board, its Committees and the individual directors has been conducted in accordance with the process disclosed in this report.

Remuneration arrangements

The remuneration policy for the Board and the remuneration of each director is set out in the 'Remuneration report' which forms part of the Directors' Report as set out in this Annual Report.

Access to management

Board members have complete and open access to management through the Chairman, Managing Directors and the Company Secretary at any time. In addition to regular presentations by management to Board and Board Committee meetings, directors may seek briefings from management on specific matters. The Board also consults with other consolidated entity employees and advisers and seeks additional information, where appropriate.

The Company Secretary also provides advice and support to the Board and is responsible for the company's day-to-day governance framework.

Access to independent professional advice

Written guidelines entitle each director to seek independent professional advice at the consolidated entity's expense, with the prior approval of the Chairman.

The Board can conduct or direct any investigation to fulfil its responsibilities and can retain, at the consolidated entity's expense, any legal, accounting or other services that it considers necessary from time to time to perform its duties.

Company secretaries

All company secretaries are appointed and removed by the Board. Further details on the Company Secretary are provided in the directors' report of this Annual Report.

Senior executives

Information on the performance evaluation and structure of remuneration for the consolidated entity's senior executives can be found in the 'Remuneration report', which forms part of the Directors' Report as set out in this Annual Report.

Board and committee operations

To help it carry out its responsibilities, the Board has established the following Committees and has adopted charters setting out the matters relevant to the composition, responsibilities and administration of these Committees:

- Audit, Compliance and Risk Management Committee; and
- Remuneration Committee.

Following each Committee meeting, the Board receives a copy of the minutes of meeting from the relevant Committee. Further, on an annual basis, the Board receives a report from each Committee on its activities undertaken during the year. The qualifications of each Committee's members and the number of meetings they attended during the year are set out in the Directors' Report.

The Board will also establish sub-committees to address matters of specific importance.

Audit, Compliance and Risk Management Committee

The Audit, Compliance and Risk Management Committee assists the Board in carrying out its responsibility to exercise due care, diligence and skill in relation to the consolidated entity's reporting of financial information, internal control systems, compliance with applicable laws and regulations, and monitoring and controlling the accounting policies and procedures designed to safeguard the group's assets and maintain the integrity of financial reporting.

All members of the Committee must be non-executive directors. It is a requirement that all members of the Audit, Compliance and Risk Management Committee be financially literate and have a range of different backgrounds, skills and experience, having regard to the operations and financial and strategic risk profile of the consolidated entity. The members of the Audit, Compliance and Risk Management Committee are:

- Jeffrey David – Independent Non-Executive (Chairperson);
- Andrew Geddes - Independent Non-Executive; and
- Stuart James – Independent Non-Executive.

The Audit, Compliance and Risk Management Committee's role, responsibilities, composition and membership requirements are documented in the Audit, Compliance and Risk Management Committee Charter approved by the Board. The Audit, Compliance and Risk Management Committee has the authority to conduct or direct any investigation required to fulfil its responsibilities and has the ability to retain, at the consolidated entity's expense, such legal, accounting or other advisers, consultants or experts as it considers necessary from time to time in the performance of its duties.

The Audit, Compliance and Risk Management Committee relies on the information provided by management and the external auditor. The Audit, Compliance and Risk Management Committee do not have the duty to plan or conduct audits or to determine that the consolidated entity's financial statements and disclosures are complete and accurate. These are the responsibility of management and the external auditor.

Access to the Committee

To draw appropriate matters to the attention of the Audit, Compliance and Risk Management Committee, the following individuals have direct access to the Committee:

- Managing Director;
- Chief Financial Officer;
- Company Secretary; and
- the external auditor.

'Direct access' means that the person has the right to approach the Committee without having to proceed via normal reporting line protocols. Other employees of the consolidated entity may have access to the Audit, Compliance and Risk Management Committee through the 'Whistleblower Protection Program'.

External auditor

The Audit, Compliance and Risk Management Committee is responsible for the selection, evaluation, compensation and, where appropriate, replacement of the external auditor, subject to shareholder approval where required.

The Audit, Compliance and Risk Management Committee ensures that the lead external audit partner and concurring review partner rotate off the consolidated entity's audit at least every five years and that they are not reassigned to the consolidated entity's audit for another five years.

The Audit, Compliance and Risk Management Committee meets with the external auditor throughout the year to review the adequacy of the existing external audit arrangements with particular emphasis on the effectiveness, performance and independence of the audit. The Audit, Compliance and Risk Management Committee receives assurances from the external auditor that they meet all applicable independence requirements in accordance with the Corporations Act 2001 and the rules of the professional accounting bodies. This independence declaration follows the Directors' Report and is provided immediately before this Corporate Governance Statement in the Annual Report.

The external auditor attends the company's annual general meeting and is available to answer shareholder questions regarding aspects of the external audit and their report.

Responsibility of the Audit, Compliance and Risk Management Committee

The Audit, Compliance and Risk Management Committee is responsible for:

- integrity of the accounting and financial reporting processes of the consolidated entity;
- consolidated entity's external audit;
- consolidated entity's internal audit;
- compliance with applicable accounting standards to give a true and fair view of the financial position and performance of the consolidated entity;
- oversight of management in the preparation of the consolidated entity's financial statements and financial disclosures;
- oversight of the work of the external auditor;
- setting, approval and regulation of the annual fee limit for each type of audit or non-audit service to be provided by the external auditor;
- review and oversight of the risk profile of the consolidated entity within the context of the Board determined risk appetite;
- making recommendations to the Board concerning the consolidated entity's risk appetite and particular risks or risk management practices of concern to the Committee;
- review of management's plans for mitigation of material risks faced by the consolidated entity; and
- promoting awareness of a risk-based culture and the achievement of a balance between risk minimisation and reward for risks accepted.

Remuneration Committee

Members of the Remuneration Committee have been selected to ensure the appropriate level of remuneration, risk, legal and industry expertise and knowledge. The members of the Remuneration Committee are also members of the Audit, Compliance and Risk Management Committee recognising the importance of aligning remuneration and risk.

All members of the Committee must be non-executive directors. The Members of the Remuneration Committee are:

- Stuart James – Independent Non-Executive (Chairperson);
- Andrew Geddes - Independent Non-Executive; and
- Jeffrey David – Independent Non-Executive.

Responsibilities and Remuneration Committee charter

The Remuneration Committee is responsible for:

- overseeing the consolidated entity's general remuneration strategy;
- reviewing and making recommendations to the Board concerning:
 - o remuneration policy and Total Reward packages for the Managing Director and direct reports;
 - o remuneration arrangements for non-executive directors; and
 - o arrangements for recruiting, retaining and terminating senior executives;
- supporting the Board with monitoring the principles and framework required for measuring the compliance and behavioural requirements of the consolidated entity, including the consolidated entity's culture and diversity.

Communicating with shareholders

Strategy

The consolidated entity aims to be open and transparent with all stakeholders, including the owners of the business, the shareholders. Information is communicated to shareholders regularly through a range of forums and publications. These include:

- the consolidated entity's annual general meeting;
- notices and explanatory memoranda of annual general meetings;
- the annual financial report (for those shareholders who have requested a copy), which is also located on the consolidated entity's website;
- trading updates and market/investor briefings;
- disclosures to the ASX (on which the consolidated entity's securities are listed);
- the consolidated entity's website, where there is a Shareholder Centre and News Centre providing access to consolidated entity announcements, media releases, previous years' financial results and investor presentations.

The consolidated entity is committed to maintaining a level of disclosure that provides all investors with timely and equal access to information.

Continuous disclosure

The Corporations Act 2001 and the ASX Listing Rules require that the consolidated entity discloses to the market matters which could be expected to have a material effect on the price or value of the consolidated entity's securities. In compliance with these continuous disclosure requirements, the consolidated entity's policy is that shareholders are informed in a timely manner of all major developments that impact the consolidated entity. There is a detailed disclosure policy in place, which has been formed to provide advice on the requirements for disclosure of information to the market and is intended to maintain the market integrity and market efficiency of the consolidated entity's securities.

The consolidated entity has established written guidelines and procedures to supplement the disclosure policy. These guidelines and procedures are designed to manage the consolidated entity's compliance with the continuous disclosure obligations of the ASX on which the consolidated entity's securities are listed (including the ASX) and to attribute accountability at a senior executive level for that compliance.

Pursuant to the disclosure policy and supplementary guidelines and procedures, all material matters which may potentially require disclosure are promptly reported to the Board. Where appropriate executives will refer matters to the Board, to make an assessment and determination as to disclosure. Where appropriate the Board will be consulted on the most significant or material disclosures. All executives and Board members are responsible for reporting matters qualifying for disclosure to the Board and/or the Company Secretary. Routine administrative announcements will be made by the Company Secretary without requiring approval from the Board. The Company Secretary is responsible for all communications with the ASX.

Assurance provided to the Board

The Board has received:

- the relevant declarations required under section 295A of the Corporations Act 2001; and
- the relevant assurances required under Recommendation 7.3 of the ASX Corporate Governance Principles and Recommendations, jointly from the Managing Director and the Chief Financial Officer.

Code of conduct

The consolidated entity has a Code of Conduct which requires the observance of strict ethical guidelines. The Code of Conduct applies to all employees and directors of the consolidated entity, with the conduct of the Board and each director also governed by the Board charter.

The Code of Conduct covers:

- personal conduct;
- honesty;
- relations with customers;
- prevention of fraud;
- financial advice to customers;
- conflict of interest; and
- disclosure.

The consolidated entity's behaviours together with the consolidated entity's Code of Conduct take into account the consolidated entity's legal obligations and the reasonable expectations of the consolidated entity's stakeholders, and emphasise the practices necessary to maintain confidence in the consolidated entity's integrity.

The consolidated entity has also adopted a code of conduct for financial professionals, which applies to the Chief Financial Officer, Finance and all employees serving in finance and accounting roles. In addition, the consolidated entity supports the AVA Veterinary Code of Conduct and the relevant state Veterinary Surgeons Board legislation on conduct which includes:

- major obligations and commitments to patients and clients;
- principles of conduct; and
- the role and responsibilities of an independent external body, which investigates complaints about non-compliance with the Code.

Escalation

The consolidated entity has clear and established procedures and a culture that encourages the escalation of complaints and notification of incidents to management and the Board. This ranges from escalation of daily business or management concerns, up to serious financial, cultural or reputational matters.

Employees are provided with various avenues for escalation of complaints or concerns, including Whistleblower Protection Program.

Whistleblower protection

The consolidated entity has a Whistleblower Protection Program for confidential reporting of unacceptable or undesirable conduct. The system enables disclosures to be made to a protected disclosure officer by the consolidated entity's employees, or, where applicable, if the matter is highly sensitive and the employee believes it more appropriate, directly to the Audit, Compliance and Risk Management Committee. The consolidated entity does not tolerate incidents of fraud, corrupt conduct, adverse behaviour, legal or regulatory noncompliance, or questionable accounting and auditing matters by its employees. Accordingly, there are established procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters.

Employees are also encouraged to escalate any issues they believe could have a material impact on the consolidated entity's profitability, reputation, governance or compliance.

It is a responsibility of the Audit, Compliance and Risk Management Committee to ensure that employees can make confidential, anonymous submissions regarding such matters. The consolidated entity will take all reasonable steps to protect a person who comes forward to disclose unacceptable or undesirable conduct, including disciplinary action (potentially resulting in dismissal) of any person taking reprisals against them.

Restrictions on dealing in securities

Directors, officers and employees are subject to the Corporations Act 2001 restrictions on applying for, acquiring and disposing of securities in, or other relevant financial products of, the consolidated entity (or procuring another person to do so) if they are in possession of inside information. Inside information is information which is not generally available, and which if it were generally available a reasonable person would expect it to have a material effect on the price or value of the securities of the consolidated entity. There are also legal restrictions on insider trading imposed by the laws that apply to the consolidated entity and its directors, officers and employees.

The consolidated entity has an established policy relating to trading in the consolidated entity's securities by directors, officers and certain other employees of the consolidated entity. These directors, officers and employees are prohibited from trading in the consolidated entity's securities during prescribed blackout periods prior to the release of the consolidated entity's annual and half-yearly results announcements. Directors, officers and certain employees are further required to notify their intention to trade in the consolidated entity's securities prior to trading.

Diversity

The consolidated entity recognises that a diverse and inclusive workforce is not only good for our employees, it also good for our business. It helps the consolidated entity attract and retain talented people, create more innovative solutions, and be more flexible and responsive to our clients' and shareholders' needs. With 87% of our staff being female, the consolidated entity is committed to continue to building a strong female friendly workplace. The consolidated entity is committed to provide a workplace that embraces diversity in relation to gender and age, as well as provide greater work and career flexibility.

The consolidated entity is committed to ensuring that the composition of its Board of Directors continues to be appropriate. The Board Charter clearly states that it should comprise Directors with a broad range of skills, experience, and diversity to build the profile of future Board candidates.

Diversity policy summary

The consolidated entity recognises the benefits of diversity where people from different backgrounds can bring fresh ideas and perceptions which make the way work is done more efficient, products and services more valued.

Greencross does not tolerate non-inclusive behaviour and upholds the law aimed at preventing vicarious liability. To achieve this Greencross expects its employees to:

- Uphold and demonstrate Greencross' core Values and behaviours at work or at after-hours work functions;
- Regularly attend/complete diversity awareness training;
- Understand and comply with Diversity policies and procedures;
- Know how to appropriately access and use the Resolution Options Model;
- Be assertive to prevent inappropriate and non-inclusive behaviours of discrimination, harassment, bullying, victimisation and vilification; and
- Willingly adapt their behaviours if required to ensure appropriate workplace conduct.

The Diversity Policy links directly to Greencross' 5 year Strategic Plan. It supports the development of a high-performance culture and reinforces our Values with diversity integrated into the business processes to deliver enhanced workplace, client, patient and community outcomes.

As a measurement of gender diversity, the proportion of women employees in the consolidated entity as at 30 June 2012 is as follows:

- | | |
|---------------------------------------|-----|
| • Women on the Board | Nil |
| • Women in senior executive positions | 25% |
| • Women in the organisation | 87% |

Greencross Limited
Statement of comprehensive income
For the year ended 30 June 2012

		Consolidated	
	Note	2012	2011
		\$'000	\$'000
Revenue	5	82,603	61,216
Expenses			
Cost of sales		(21,581)	(16,915)
Occupancy		(6,964)	(5,051)
Employee benefits expense		(37,920)	(26,682)
Depreciation and amortisation expense	6	(1,349)	(1,072)
Share of net loss of associates		-	(1)
Acquisition costs		7	(114)
Other expenses		(4,816)	(4,082)
Finance costs	6	(2,018)	(1,564)
Profit before income tax expense		7,962	5,735
Income tax expense	7	(2,412)	(1,768)
Profit after income tax expense for the year		5,550	3,967
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u>5,550</u>	<u>3,967</u>
Profit for the year is attributable to:			
Non-controlling interest		691	511
Owners of Greencross Limited	28	<u>4,859</u>	<u>3,456</u>
		<u>5,550</u>	<u>3,967</u>
Total comprehensive income for the year is attributable to:			
Non-controlling interest		691	511
Owners of Greencross Limited		<u>4,859</u>	<u>3,456</u>
		<u>5,550</u>	<u>3,967</u>
		Cents	Cents
Basic earnings per share	44	15.78	12.14
Diluted earnings per share	44	15.75	12.14

The above statement of comprehensive income should be read in conjunction with the accompanying notes

Greencross Limited
Statement of financial position
As at 30 June 2012

		Consolidated	
	Note	2012	2011
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents	8	3,348	3,046
Trade and other receivables	9	1,053	861
Inventories	10	3,148	1,957
Loans	11	231	-
Other	12	1,095	773
Total current assets		<u>8,875</u>	<u>6,637</u>
Non-current assets			
Investments accounted for using the equity method	13	-	39
Property, plant and equipment	14	10,300	7,733
Intangibles	15	60,392	44,526
Deferred tax	16	1,044	800
Total non-current assets		<u>71,736</u>	<u>53,098</u>
Total assets		<u>80,611</u>	<u>59,735</u>
Liabilities			
Current liabilities			
Trade and other payables	17	7,546	5,452
Borrowings	18	786	385
Income tax	19	1,030	801
Provisions	20	2,416	1,682
Total current liabilities		<u>11,778</u>	<u>8,320</u>
Non-current liabilities			
Payables	21	2,227	309
Borrowings	22	30,652	20,232
Deferred tax	23	331	288
Provisions	24	422	294
Total non-current liabilities		<u>33,632</u>	<u>21,123</u>
Total liabilities		<u>45,410</u>	<u>29,443</u>
Net assets		<u>35,201</u>	<u>30,292</u>
Equity			
Issued capital	25	23,044	20,747
Other reserves	26	(381)	-
Reserves	27	201	133
Retained profits	28	12,125	9,412
Equity attributable to the owners of Greencross Limited		<u>34,989</u>	<u>30,292</u>
Non-controlling interest	29	212	-
Total equity		<u>35,201</u>	<u>30,292</u>

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

Greencross Limited
Statement of changes in equity
For the year ended 30 June 2012

	Issued capital \$'000	Other reserves \$'000	Reserves \$'000	Retained profits \$'000	Non- controlling interest \$'000	Total equity \$'000
Consolidated						
Balance at 1 July 2010	17,419	-	56	7,552	287	25,314
Profit after income tax expense for the year	-	-	-	3,456	511	3,967
Other comprehensive income for the year, net of tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	3,456	511	3,967
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs	3,328	-	-	-	-	3,328
Options issued	-	-	77	-	-	77
Non-controlling interest on acquisition of subsidiary	-	-	-	-	(483)	(483)
Dividends paid	-	-	-	(1,596)	(315)	(1,911)
Balance at 30 June 2011	20,747	-	133	9,412	-	30,292
	Issued capital \$'000	Other reserves \$'000	Reserves \$'000	Retained profits \$'000	Non- controlling interest \$'000	Total equity \$'000
Consolidated						
Balance at 1 July 2011	20,747	-	133	9,412	-	30,292
Profit after income tax expense for the year	-	-	-	4,859	691	5,550
Other comprehensive income for the year, net of tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	4,859	691	5,550
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs	2,283	-	-	-	-	2,283
Shares issued on option exercised	14	-	-	-	-	14
Options issued	-	-	68	-	-	68
Distributions	-	-	-	-	(80)	(80)
Non-controlling interest on acquisition of subsidiary	-	-	-	-	(229)	(229)
Transactions with non- controlling interest	-	(381)	-	-	-	(381)
Dividends paid	-	-	-	(2,146)	(170)	(2,316)
Balance at 30 June 2012	23,044	(381)	201	12,125	212	35,201

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

Greencross Limited
Statement of cash flows
For the year ended 30 June 2012

Note	Consolidated	
	2012 \$'000	2011 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	90,694	67,397
Payments to suppliers (inclusive of GST)	<u>(78,242)</u>	<u>(58,450)</u>
	12,452	8,947
Interest received	93	91
Interest and other finance costs paid	(2,018)	(1,650)
Income taxes paid	<u>(2,282)</u>	<u>(1,245)</u>
Net cash from operating activities	42 <u>8,245</u>	<u>6,143</u>
Cash flows from investing activities		
Payment for purchase of business, net of cash acquired	38 (15,078)	(7,315)
Payments for property, plant and equipment	(2,020)	(881)
Payments for intangibles	(38)	(197)
Payments for deferred settlements	(158)	(455)
Proceeds from sale of property, plant and equipment	<u>-</u>	<u>(1)</u>
Net cash used in investing activities	<u>(17,294)</u>	<u>(8,849)</u>
Cash flows from financing activities		
Proceeds from issue of shares	830	3,355
Proceeds from borrowings	10,227	2,891
Share issue transaction costs	(43)	(232)
Dividends paid	<u>(1,663)</u>	<u>(1,777)</u>
Net cash from financing activities	<u>9,351</u>	<u>4,237</u>
Net increase in cash and cash equivalents	302	1,531
Cash and cash equivalents at the beginning of the financial year	<u>3,046</u>	<u>1,515</u>
Cash and cash equivalents at the end of the financial year	8 <u><u>3,348</u></u>	<u><u>3,046</u></u>

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

Note 1. General information

The financial report covers Greencross Limited as a consolidated entity consisting of Greencross Limited and the entities it controlled. The financial report is presented in Australian dollars, which is Greencross Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Greencross Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

5/28 Balaclava Street
Woolloongabba QLD 4102

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

The financial report was authorised for issue, in accordance with a resolution of directors, on 22 August 2012. The directors have the power to amend and reissue the financial report.

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 consolidated entity 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.

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

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 2010-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project

The consolidated entity has applied AASB 2010-4 amendments from 1 July 2011. The amendments made numerous non-urgent but necessary amendments to a range of Australian Accounting Standards and Interpretations. The amendments provided clarification of disclosures in AASB 7 'Financial Instruments: Disclosures', in particular emphasis of the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments; clarified that an entity can present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes in accordance with AASB 101 'Presentation of Financial Instruments'; and provided guidance on the disclosure of significant events and transactions in AASB 134 'Interim Financial Reporting'.

Note 2. Significant accounting policies (continued)

AASB 2010-5 Amendments to Australian Accounting Standards

The consolidated entity has applied AASB 2010-5 amendments from 1 July 2011. The amendments made numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board.

AASB 124 Related Party Disclosures (December 2009)

The consolidated entity has applied AASB 124 (revised) from 1 July 2011. The revised standard simplified the definition of a related party by clarifying its intended meaning and eliminating inconsistencies from the definition. A subsidiary and an associate with the same investor are related parties of each other; entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other.

AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets

The consolidated entity has applied AASB 2010-6 amendments from 1 July 2011. These amendments add and amended disclosure requirements in AASB 7 about transfer of financial assets, including the nature of the financial assets involved and the risks associated with them. Additional disclosures are now required when (i) an asset is transferred but is not derecognised; and (ii) when assets are derecognised but the consolidated entity has a continuing exposure to the asset after the sale.

AASB 1054 Australian Additional Disclosures

The consolidated entity has applied AASB 1054 from 1 July 2011. The standard sets out the Australian-specific disclosures as a result of Phase I of the Trans-Tasman Convergence Project, which are in addition to International Financial Reporting Standards, for entities that have adopted Australian Accounting Standards.

AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project

The consolidated entity has applied AASB 2011-1 amendments from 1 July 2011. These amendments made changes to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to International Financial Reporting Standards ('IFRSs') and harmonisation between Australian and New Zealand Standards. The amendments removed certain guidance and definitions from Australian Accounting Standards for conformity of drafting with IFRSs but without any intention to change requirements.

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-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

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

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 37.

Note 2. Significant accounting policies (continued)

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Greencross Limited ('company' or 'parent entity') as at 30 June 2012 and the results of all subsidiaries for the year then ended. Greencross Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity 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 consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Refer to the 'business combinations' accounting policy for further details. 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 comprehensive income and statement of financial position of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity 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 consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

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

Revenue recognition

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

Sale of goods

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts. Retail sales are usually by credit card or by cash.

Rendering of veterinary services

Rendering of veterinary services revenue is recognised on an accrual basis when the right to receive the revenue is established.

Note 2. Significant accounting policies (continued)

Interest

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

Dividend revenue

Dividend revenue is recognised when the right to receive a dividend has been established.

Other revenue

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

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and 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 apply 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 investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

Greencross Limited (the 'head entity') and its wholly-owned Australian controlled entities have formed an income tax consolidated group under the tax consolidation regime. The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'stand alone taxpayer' 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 controlled entities 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.

Note 2. Significant accounting policies (continued)

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.

Trade and other receivables

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

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

Inventories

Finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises 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.

Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Income earned from joint venture entities is recognised as revenue in the parent entity's profit or loss, whilst in the consolidated financial statements they reduce the carrying amount of the investment.

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 over their expected useful lives at the rates as follows:

Motor vehicles	20%
Computer equipment	10 to 30%
Furniture, fixtures and fittings	7 to 20%

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

Plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Note 2. Significant accounting policies (continued)

Leases

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

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

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

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

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

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangibles are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business combination. 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.

Other intangibles

Significant costs associated with other intangibles are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Note 2. Significant accounting policies (continued)

Investments and other financial assets

Investments and other financial assets are measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. The fair values of quoted investments are based on current bid prices. For unlisted investments, the consolidated entity establishes fair value by using valuation techniques. These include the use of recent arms length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are 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 ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

Impairment of financial assets

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

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. 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 to sell 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 consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

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

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

Note 2. Significant accounting policies (continued)

Finance costs

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

- interest on short-term and long-term borrowings
- interest on finance leases

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Wages and salaries and annual leave

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

Long service leave

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

Defined contribution superannuation expense

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

Share-based payments

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

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

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity 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 are 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.

Note 2. Significant accounting policies (continued)

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

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

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

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

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

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity 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.

Issued capital

Ordinary shares are classified as equity.

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

Dividends

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

Note 2. Significant accounting policies (continued)

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

Where the business combination is achieved in stages, the consolidated entity 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 contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

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

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

Earnings per share

Basic earnings per share

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

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.

Note 2. Significant accounting policies (continued)

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 Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2012. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and 2010-7 Amendments to Australian Accounting Standards arising from AASB 9

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The consolidated entity will adopt this standard from 1 July 2013 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 2010-8 Amendments to Australian Accounting Standards- Deferred Tax: Recovery of Underlying Assets

These amendments are applicable to annual reporting periods beginning on or after 1 January 2012 and a practical approach for the measurement of deferred tax relating to investment properties measured at fair value, property, plant and equipment and intangible assets measured using the revaluation model. The measurement of deferred tax for these specified assets is based on the presumption that the carrying amount of the underlying asset will be recovered entirely through sale, unless the entity has clear evidence that economic benefits of the underlying asset will be consumed during its economic life. The consolidated entity is yet to quantify the tax effect of adopting these amendments from 1 July 2012.

Note 2. Significant accounting policies (continued)

AASB 10 Consolidated Financial Statements

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee's returns (e.g. operating policies, capital decisions, appointment of key management). The consolidated entity will not only have to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. The adoption of this standard from 1 July 2013 may have an impact where the consolidated entity has a holding of less than 50% in an entity, has de facto control, and is not currently consolidating that entity.

AASB 11 Joint Arrangements

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard defines which entities qualify as joint ventures and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets will use equity accounting. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities will account for the assets, liabilities, revenues and expenses separately, using proportionate consolidation. The consolidated entity is yet to evaluate the effect of adopting this standard from 1 July 2013.

AASB 12 Disclosure of Interests in Other Entities

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. It contains the entire disclosure requirement associated with other entities, being subsidiaries, associates and joint ventures. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation – Special Purpose Entities'. The adoption of this standard from 1 July 2013 will significantly increase the amount of disclosures required to be given by the consolidated entity such as significant judgements and assumptions made in determining whether it has a controlling or non-controlling interest in another entity and the type of non-controlling interest and the nature and risks involved.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the consolidated entity from 1 July 2013 should be minimal, although there will be increased disclosures where fair value is used.

AASB 127 Separate Financial Statements (Revised)

AASB 128 Investments in Associates and Joint Ventures (Reissued)

These standards are applicable to annual reporting periods beginning on or after 1 January 2013. They have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12. The adoption of these revised standards from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 119 Employee Benefits (September 2011)

This revised standard is applicable to annual reporting periods beginning on or after 1 January 2013. The amendments eliminate the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The adoption of the revised standard from 1 July 2013 will require increased disclosures by the consolidated entity.

Note 2. Significant accounting policies (continued)

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement

These amendments are applicable to annual reporting periods beginning on or after 1 July 2013, with early adoption not permitted. They amend AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). The adoption of these amendments from 1 July 2013 will remove the duplication of information relating to individual KMP in the notes to the financial statements and the directors report. As the aggregate disclosures are still required by AASB 124 and during the transitional period the requirements may be included in the Corporations Act or other legislation, it is expected that the amendments will not have a material impact on the consolidated entity.

AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make numerous consequential changes to a range of Australian Accounting Standards and Interpretations, following the issuance of AASB 10, AASB 11, AASB 12 and revised AASB 127 and AASB 128. The adoption of these amendments from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income

These amendments are applicable to annual reporting periods beginning on or after 1 July 2012. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation. The adoption of the revised standard from 1 July 2012 will impact the consolidated entity's presentation of its statement of comprehensive income.

AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The disclosure requirements of AASB 7 'Financial Instruments: Disclosures' (and consequential amendments to AASB 132 'Financial Instruments: Presentation') have been enhanced to provide users of financial statements with information about netting arrangements, including rights of set-off related to an entity's financial instruments and the effects of such rights on its statement of financial position. The adoption of the amendments from 1 July 2013 will increase the disclosures by the consolidated entity.

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities

The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of "currently has a legally enforceable right of set-off"; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 will not have a significant impact on the consolidated entity.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 (IFRS 1) 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of comprehensive information requirements when an entity provides a third balance sheet in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; AASB 132 'Financial Instruments: Presentation' Clarification of the tax effect of distributions to holders of an equity instrument is recognised in the income statement; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities. The adoption of the amendments from 1 July 2013 will not have a significant impact on the consolidated entity.

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 within the next financial year are discussed below.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Binomial model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets

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

No impairment has been recognised in respect of goodwill for the year ended 30 June 2012. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the statement of comprehensive income.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs to sell or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Income tax

The consolidated entity 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 consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity'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.

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

Recovery of deferred tax assets

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

Long service leave provision

As discussed in note 2, the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

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 consolidated entity 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.

Business Associate liability

The Business Associate liability is recognised and measured at the present value of the estimated future cash flows to be made in respect of the Business Associate liabilities at reporting date. In determining the present value of the liability, estimates of Business Associates attrition rates and expected growth rates of the Business Associates' clinics through increased performance and inflation have been taken into account. Expected future Business Associate payments are discounted using market yields on government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 4. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into one operating segment being the provision of veterinary services in Australia. This operating segment 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.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on at least a monthly basis.

Note 5. Revenue

	Consolidated	
	2012	2011
	\$'000	\$'000
<i>Sales revenue</i>		
Sale of goods and services	<u>82,510</u>	<u>61,125</u>
<i>Other revenue</i>		
Interest	<u>93</u>	<u>91</u>
Revenue	<u><u>82,603</u></u>	<u><u>61,216</u></u>

Greencross Limited
Notes to the financial statements
30 June 2012

Note 6. Expenses

	Consolidated	
	2012	2011
	\$'000	\$'000
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	1,243	1,050
Plant and equipment under lease	106	22
Total depreciation	1,349	1,072
<i>Finance costs</i>		
Interest and finance charges paid/payable	2,011	1,561
Interest and finance charges paid/payable on deferred settlements	7	3
Finance costs expensed	2,018	1,564
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	5,372	3,940
<i>Superannuation expense</i>		
Defined contribution superannuation expense	2,786	1,974
<i>Share-based payments expense</i>		
Options	68	77

Greencross Limited
Notes to the financial statements
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Note 7. Income tax expense

	Consolidated	
	2012	2011
	\$'000	\$'000
<i>Income tax expense</i>		
Current tax	2,477	1,799
Deferred tax - origination and reversal of temporary differences	(68)	(31)
Adjustment recognised for prior periods	3	-
	<u>2,412</u>	<u>1,768</u>
Aggregate income tax expense	<u>2,412</u>	<u>1,768</u>
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets (note 16)	(111)	(146)
Increase in deferred tax liabilities (note 23)	43	115
	<u>(68)</u>	<u>(31)</u>
Deferred tax - origination and reversal of temporary differences	<u>(68)</u>	<u>(31)</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	7,962	5,735
Tax at the statutory tax rate of 30%	2,389	1,721
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	20	47
	<u>2,409</u>	<u>1,768</u>
Adjustment recognised for prior periods	3	-
Income tax expense	<u>2,412</u>	<u>1,768</u>
<i>Amounts charged/(credited) directly to equity</i>		
Deferred tax assets (note 16)	(19)	(66)

Note 8. Current assets - cash and cash equivalents

	Consolidated	
	2012	2011
	\$'000	\$'000
Cash on hand	37	24
Cash at bank	3,311	3,022
	<u>3,348</u>	<u>3,046</u>

Greencross Limited
Notes to the financial statements
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Note 9. Current assets - trade and other receivables

	Consolidated	
	2012	2011
	\$'000	\$'000
Trade receivables	1,131	927
Less: Provision for impairment of receivables	(78)	(66)
	<u>1,053</u>	<u>861</u>

Impairment of receivables

The consolidated entity has recognised a loss of \$98,000 (2011: \$86,000) in profit or loss in respect of impairment of receivables for the year ended 30 June 2012.

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

	Consolidated	
	2012	2011
	\$'000	\$'000
Over 60 days overdue	<u>78</u>	<u>66</u>

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

	Consolidated	
	2012	2011
	\$'000	\$'000
Opening balance	66	47
Additional provisions recognised	110	105
Receivables written off during the year as uncollectable	<u>(98)</u>	<u>(86)</u>
Closing balance	<u>78</u>	<u>66</u>

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to \$1,053,000 as at 30 June 2012 (\$861,000 as at 30 June 2011).

The consolidated entity did not consider a credit risk on the aggregate balances after reviewing credit terms of customers based on recent collection practices. Based on historic default rates, the consolidated entity believes that no impairment allowance is necessary in respect of receivables not past due or past due by up to 60 days. For those receivables outstanding more than 60 days each debtor has been individually analysed and a provision for impairment established accordingly as necessary.

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

	Consolidated	
	2012	2011
	\$'000	\$'000
1 to 30 days overdue	133	471
31 to 60 days overdue	298	103
Over 60 days overdue	<u>622</u>	<u>287</u>
	<u>1,053</u>	<u>861</u>

Greencross Limited
Notes to the financial statements
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Note 10. Current assets - inventories

	Consolidated	
	2012	2011
	\$'000	\$'000
Inventory - at cost	<u>3,148</u>	<u>1,957</u>

Note 11. Current assets - loans

	Consolidated	
	2012	2011
	\$'000	\$'000
Loans	<u>231</u>	<u>-</u>

Loans are not past due or impaired.

Note 12. Current assets - other

	Consolidated	
	2012	2011
	\$'000	\$'000
Accrued revenue	394	322
Prepayments	657	437
Security deposits	10	10
Other current assets	<u>34</u>	<u>4</u>
	<u>1,095</u>	<u>773</u>

Note 13. Non-current assets - investments accounted for using the equity method

	Consolidated	
	2012	2011
	\$'000	\$'000
Investment in joint venture - Vetmax Pty Ltd	<u>-</u>	<u>39</u>

Refer to note 40 for further information on interests in joint ventures.

Vetmax Pty Ltd became a 100% subsidiary of the consolidated entity during the year.

Note 14. Non-current assets - property, plant and equipment

	Consolidated	
	2012	2011
	\$'000	\$'000
Plant and equipment - at cost	14,854	10,560
Less: Accumulated depreciation	(5,315)	(3,540)
	<u>9,539</u>	<u>7,020</u>
Plant and equipment under lease	1,001	920
Less: Accumulated depreciation	(240)	(207)
	<u>761</u>	<u>713</u>
	<u><u>10,300</u></u>	<u><u>7,733</u></u>

Reconciliations

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

	Plant and equipment \$'000	Plant under lease \$'000	Total \$'000
Consolidated			
Balance at 1 July 2010	5,894	746	6,640
Additions	1,674	-	1,674
Additions through business combinations (note 38)	502	-	502
Disposals	-	(11)	(11)
Depreciation expense	<u>(1,050)</u>	<u>(22)</u>	<u>(1,072)</u>
Balance at 30 June 2011	7,020	713	7,733
Additions	1,866	154	2,020
Additions through business combinations (note 38)	1,896	-	1,896
Depreciation expense	<u>(1,243)</u>	<u>(106)</u>	<u>(1,349)</u>
Balance at 30 June 2012	<u><u>9,539</u></u>	<u><u>761</u></u>	<u><u>10,300</u></u>

Property, plant and equipment secured under finance leases

Refer to note 35 for further information on property, plant and equipment secured under finance leases.

Note 15. Non-current assets - intangibles

	Consolidated	
	2012	2011
	\$'000	\$'000
Goodwill - at cost	60,058	44,230
	<u>60,058</u>	<u>44,230</u>
Other intangibles - at cost	334	296
	<u>334</u>	<u>296</u>
	<u><u>60,392</u></u>	<u><u>44,526</u></u>

Greencross Limited
Notes to the financial statements
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Note 15. Non-current assets - intangibles (continued)

Reconciliations

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

	Goodwill \$'000	Other intangibles \$'000	Total \$'000
Consolidated			
Balance at 1 July 2010	35,362	108	35,470
Additions	-	188	188
Additions through business combinations (note 38)	8,868	-	8,868
Balance at 30 June 2011	44,230	296	44,526
Additions	-	38	38
Additions through business combinations (note 38)	15,828	-	15,828
Balance at 30 June 2012	60,058	334	60,392

Impairment testing

Goodwill is allocated to cash-generating units, which are based on the consolidated entity's geographical regions as follows:

	Consolidated	
	2012	2011
	\$'000	\$'000
Brisbane	10,013	10,013
Gold Coast	12,037	12,037
Townsville and Sunshine Coast	5,066	3,826
Melbourne	17,218	12,186
New South Wales	8,663	2,774
Adelaide	339	339
Animal Emergency Centres	3,056	3,055
Carevet	864	-
Southcoast	2,802	-
	60,058	44,230

All practices are grouped into seven separate cash generating units on the basis of their geographical location. Goodwill is not monitored at the individual practice level as synergies are expected across all practices within the geographical locations.

Significant assumptions used for the purposes of the value in use calculation include:

- Period of cash flows: 5 years (2011: 5 years)
- Growth rate during the forecast period: 2% (2011: 2%)
- Pre-tax discount rate of 10.5% (2011: 12%) based on a weighted average cost of capital of 7.4% (2011: 8.4%)

Note 15. Non-current assets - intangibles (continued)

Sensitivity analysis

The consolidated entity has conducted sensitivity analysis on the assumptions above to assess the effect on recoverable amount of changes in the key assumptions.

The consolidated entity is satisfied that all the assumptions on which the recoverable amounts are based are fair and reasonable and that currently overall there are no reasonably known changes to these assumptions that would cause the aggregate amount to exceed the aggregate recoverable amount of any of the consolidated entity's CGUs as at 30 June 2012.

Note 16. Non-current assets - deferred tax

	Consolidated	
	2012	2011
	\$'000	\$'000
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Tax losses	31	-
Impairment of receivables	23	-
Property, plant and equipment	(99)	-
Employee benefits	847	637
Finance leases	(107)	-
Accrued expenses	162	-
Cost base differences	-	107
Deferred settlement	113	-
Other	17	-
	<u>987</u>	<u>744</u>
Amounts recognised in equity:		
Transaction costs on share issue	<u>57</u>	<u>56</u>
	<u>57</u>	<u>56</u>
Deferred tax asset	<u>1,044</u>	<u>800</u>
<i>Movements:</i>		
Opening balance	800	554
Credited to profit or loss (note 7)	111	146
Credited to equity	19	66
Additions through business combinations (note 38)	114	157
Reduction of balance charged directly to equity	-	(123)
Closing balance	<u>1,044</u>	<u>800</u>

Greencross Limited
Notes to the financial statements
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Note 17. Current liabilities - trade and other payables

	Consolidated	
	2012	2011
	\$'000	\$'000
Trade payables	4,058	3,320
Deferred settlement	442	178
Accruals	1,355	815
GST payable	1,212	831
Other payables	479	308
	<u>7,546</u>	<u>5,452</u>

Refer to note 31 for further information on financial instruments.

Note 18. Current liabilities - borrowings

	Consolidated	
	2012	2011
	\$'000	\$'000
Bank loans	372	235
Loan to business associate	144	-
Unsecured loans	95	58
Lease liability	175	92
	<u>786</u>	<u>385</u>

Refer to note 22 for further information on assets pledged as security and financing arrangements and note 31 for further information on financial instruments.

Note 19. Current liabilities - income tax

	Consolidated	
	2012	2011
	\$'000	\$'000
Provision for income tax	<u>1,030</u>	<u>801</u>

Note 20. Current liabilities - provisions

	Consolidated	
	2012	2011
	\$'000	\$'000
Annual leave	1,936	1,354
Long service leave	432	296
Employee benefits	48	32
	<u>2,416</u>	<u>1,682</u>

Note 21. Non-current liabilities - payables

	Consolidated	
	2012	2011
	\$'000	\$'000
Deferred settlements	2,227	309

Refer to note 31 for further information on financial instruments.

Deferred settlements represent the liability to settle the acquisition of controlled entities and businesses, which will be settled by way of cash. The non-current portion of the deferred settlements have been discounted to present value using the consolidated entity's weighted average external borrowing rate.

Note 22. Non-current liabilities - borrowings

	Consolidated	
	2012	2011
	\$'000	\$'000
Bank loans	29,237	19,926
Loan to business associate	1,145	-
Lease liability	270	306
	<u>30,652</u>	<u>20,232</u>

Refer to note 31 for further information on financial instruments.

Total secured liabilities

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

	Consolidated	
	2012	2011
	\$'000	\$'000
Bank loans	29,609	20,161
Lease liability	445	398
	<u>30,054</u>	<u>20,559</u>

Assets pledged as security

The bank loans are secured by a fixed and floating charge over the assets of the consolidated entity, a registered mortgage debenture over the whole of the assets of the consolidated entity including goodwill, uncalled capital and called but unpaid capital and a guarantee and indemnity for \$41,550,000 (2011: \$29,550,000) has been given by the subsidiaries of the consolidated entity.

The lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position, revert to the lessor in the event of default.

Greencross Limited
Notes to the financial statements
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Note 22. Non-current liabilities - borrowings (continued)

Financing arrangements

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

	Consolidated	
	2012	2011
	\$'000	\$'000
Total facilities		
Bank overdraft	500	500
Bank loans	40,704	26,450
Asset finance facility (lease liability)	2,345	1,000
Indemnity guarantee facility - financial guarantee	1,645	1,500
	<u>45,194</u>	<u>29,450</u>
Used at the reporting date		
Bank overdraft	-	-
Bank loans	29,609	20,161
Asset finance facility (lease liability)	445	398
Indemnity guarantee facility - financial guarantee	640	415
	<u>30,694</u>	<u>20,974</u>
Unused at the reporting date		
Bank overdraft	500	500
Bank loans	11,095	6,289
Asset finance facility (lease liability)	1,900	602
Indemnity guarantee facility - financial guarantee	1,005	1,085
	<u>14,500</u>	<u>8,476</u>

Note 23. Non-current liabilities - deferred tax

	Consolidated	
	2012	2011
	\$'000	\$'000
<i>Deferred tax liability comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Cost base differences	<u>331</u>	<u>288</u>
Deferred tax liability	<u>331</u>	<u>288</u>
<i>Movements:</i>		
Opening balance	288	173
Charged to profit or loss (note 7)	<u>43</u>	<u>115</u>
Closing balance	<u>331</u>	<u>288</u>

Greencross Limited
Notes to the financial statements
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Note 24. Non-current liabilities - provisions

	Consolidated	
	2012	2011
	\$'000	\$'000
Long service leave	422	294

Note 25. Equity - issued capital

	Consolidated		Consolidated	
	2012	2011	2012	2011
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	31,635,311	29,925,931	23,044	20,747

Movements in ordinary share capital

Details	Date	No of shares	Issue price	\$'000
Balance	1 July 2010	24,213,122		17,419
Issue of shares per capital raising/SPP	10 August 2010	2,220,713	\$0.70	1,555
Issue of shares per capital raising/SPP	10 September 2010	520,708	\$0.70	365
Issue of shares per capital raising/SPP	5 October 2010	1,614,287	\$0.70	1,130
Shares issued pursuant to the Employee Share Plan	18 October 2010	825,000	\$0.00	-
Shares issued under the Dividend Reinvestment Plan	29 April 2011	532,101	\$0.83	441
Share issue transaction costs				(163)
Balance	30 June 2011	29,925,931		20,747
Shares issued under Dividend Reinvestment Plan	16 September 2011	271,988	\$1.10	299
Shares issued under Dividend Reinvestment Plan	22 September 2011	336,824	\$1.10	370
Shares issued as acquisitions consideration	1 February 2012	668,879	\$1.28	856
Shares issued under Dividend Reinvestment Plan	28 March 2012	235,184	\$1.90	447
Shares issued under Dividend Reinvestment Plan	30 March 2012	186,505	\$1.90	354
Shares issued pursuant to the Employee Share Plan (net of fair value)	4 June 2012	10,000	\$1.40	14
Share issue transaction costs				(43)
Balance	30 June 2012	31,635,311		23,044

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.

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.

Greencross Limited
Notes to the financial statements
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Note 25. Equity - issued capital (continued)

Options outstanding

At 30 June 2012 there were 265,000 (2011: 275,000) options outstanding.

Capital risk management

The consolidated entity's objectives when managing capital are 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.

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

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The capital risk management policy remains unchanged from the 30 June 2011 Annual Report.

Note 26. Equity - other reserves

	Consolidated	
	2012	2011
	\$'000	\$'000
Other reserves	(381)	-

The other reserves relate to transactions with non-controlling interest.

Note 27. Equity - reserves

	Consolidated	
	2012	2011
	\$'000	\$'000
Options reserve	201	133
	Option reserve	Total
	\$'000	\$'000
Consolidated		
Balance at 1 July 2010	56	56
Options issued pursuant to the Employee Share Option Plan	77	77
Balance at 30 June 2011	133	133
Fair value of options under ESOP	68	68
Balance at 30 June 2012	201	201

Greencross Limited
Notes to the financial statements
30 June 2012

Note 28. Equity - retained profits

	Consolidated	
	2012	2011
	\$'000	\$'000
Retained profits at the beginning of the financial year	9,412	7,552
Profit after income tax expense for the year	4,859	3,456
Dividends paid (note 30)	(2,146)	(1,596)
	<u>12,125</u>	<u>9,412</u>
Retained profits at the end of the financial year	<u>12,125</u>	<u>9,412</u>

Note 29. Equity - non-controlling interest

	Consolidated	
	2012	2011
	\$'000	\$'000
Reserves	(229)	-
Retained profits	441	-
	<u>212</u>	<u>-</u>

Note 30. Equity - dividends

Dividends

	Consolidated	
	2012	2011
	\$'000	\$'000
Final dividend for the year ended 30 June 2011 (2011: 30 June 2010) of 3 cents (2011: 2.5 cents) per ordinary share paid on 16 September 2011 (2011: 6 December 2010)	898	714
Interim dividend for the year ended 30 June 2012 (2011: 30 June 2011) of 4 cents (2011: 3 cents) per ordinary share paid on 30 March 2012 (2011: 29 April 2011)	1,248	882
	<u>2,146</u>	<u>1,596</u>

At the date of signing the consolidated entity has declared a final dividend of 4 cents per share at a Record Date of 31 August 2012, which is expected to be paid on 14 September 2012.

The final dividend for the year ended 30 June 2012 will be subject to the company's Dividend Reinvestment Plan ("DRP"). Eligible shareholders will be able to participate in the DRP with shares expected to be issued at a 5% discount to the volume weight average price of the company's shares over the 5 days following the Record Date. Subject to agreeing acceptable terms, it is proposed that any shortfall from the DRP will be 100% underwritten.

\$170,000 (2011: \$315,000) was paid to non-controlling interest in respect of their dividends in the underlying entity during the year ended 30 June 2012. There are no proposed dividends for minority interests as at signing date.

Note 30. Equity - dividends (continued)

Franking credits

	Consolidated	
	2012	2011
	\$'000	\$'000
Franking credits available at the reporting date based on a tax rate of 30%	3,866	3,465
Franking credits available for subsequent financial years based on a tax rate of 30%	3,866	3,465
Franking debits that will arise from the payment of dividends declared subsequent to the reporting date based on a tax rate of 30%	(542)	(385)
Net franking credits available based on a tax rate of 30%	<u>3,324</u>	<u>3,080</u>

Note 31. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. The consolidated entity'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 consolidated entity. The consolidated entity uses sensitivity analysis in the case of interest rate and ageing analysis for credit risk.

Risk management is carried out by the Audit Compliance and Risk Management Committee ('Committee') under policies approved by the Board of Directors ('Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. The Committee identifies, evaluates and hedges financial risks within the consolidated entity's operating units.

Market risk

Foreign currency risk

The consolidated entity is not exposed to any significant foreign currency risk.

Price risk

The consolidated entity is not exposed to any significant price risk.

Interest rate risk

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

Note 31. Financial instruments (continued)

As at the reporting date, the consolidated entity had the following variable rate cash balances and borrowings outstanding:

	2012		2011	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Consolidated				
Cash at bank	3.65	3,311	3.65	3,022
Bank loans	5.26	<u>(29,609)</u>	5.85	<u>(20,161)</u>
Net exposure to cash flow interest rate risk		<u><u>(26,298)</u></u>		<u><u>(17,139)</u></u>

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

For the consolidated entity the bank loans outstanding, \$1,255,000 (2011: \$20,161,000), are principal and interest payment loans and the remaining \$28,354,000 are interest only loans. An official increase/decrease in interest rates of 50 (2011: 50) basis points would not have a material impact on profit before tax for the consolidated entity, based on the net exposure.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit. 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 consolidated entity does not hold any collateral.

The consolidated entity has no significant credit risk exposure.

Liquidity risk

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

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

Note 31. Financial instruments (continued)

Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated	
	2012	2011
	\$'000	\$'000
Bank overdraft	500	500
Bank loans	11,095	6,289
Asset finance facility (lease liability)	1,900	602
Indemnity guarantee facility - financial guarantee	1,005	1,085
	<u>14,500</u>	<u>8,476</u>

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time and have an average maturity of 2 years (2011: 2 years).

Remaining contractual maturities

The following tables detail the consolidated entity'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 - 2012	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						
<i>Non-interest bearing</i>						
Trade payables	-	4,967	-	-	-	4,967
Deferred settlement *	-	432	601	1,765	-	2,798
Loan to business associate *	-	143	67	433	1,353	1,996
Other payables	-	478	-	-	-	478
Other loans	-	95	-	-	-	95
<i>Interest-bearing - variable</i>						
Bank loans	5.26	1,916	-	30,053	-	31,969
Lease liability	7.60	202	280	-	-	482
Total non-derivatives		<u>8,233</u>	<u>948</u>	<u>32,251</u>	<u>1,353</u>	<u>42,785</u>

Greencross Limited
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Note 31. Financial instruments (continued)

Consolidated - 2011	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						
<i>Non-interest bearing</i>						
Trade payables	-	4,151	-	-	-	4,151
Deferred settlement *	-	178	309	-	-	487
Other payables	-	308	-	-	-	308
Other loans	-	58	-	-	-	58
<i>Interest-bearing - variable</i>						
Bank loans	5.85	1,806	-	22,225	-	24,031
Lease liability	7.60	126	351	-	-	477
Total non-derivatives		<u>6,627</u>	<u>660</u>	<u>22,225</u>	<u>-</u>	<u>29,512</u>

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

* Net present value amounts rather than remaining contractual maturity

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade 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 instruments.

Note 32. Key management personnel disclosures

Directors

The following persons were directors of Greencross Limited during the financial year:

Andrew Geddes	Independent Non-Executive Chairperson
Dr Glen Richards	Managing Director
Dr John Odium	Executive Director
Jeffrey David	Independent Non-Executive Director
Stuart James	Independent Non-Executive Director
Bruce Dixon (appointed on 14 November 2011 and resigned on 7 May 2012)	Non-Executive Director

Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Wesley Coote	Chief Financial Officer and Company Secretary
Terry King	General Manager of Operations

Note 32. Key management personnel disclosures (continued)

Compensation

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

	Consolidated	
	2012	2011
	\$	\$
Short-term employee benefits	744,836	721,164
Post-employment benefits	105,528	139,028
Long-term benefits	12,415	41,968
Share-based payments	67,897	67,897
	<u>930,676</u>	<u>970,057</u>

Shareholding

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
2012					
<i>Ordinary shares</i>					
Andrew Geddes	200,000	-	26,089	-	226,089
Dr Glen Richards	3,039,824	-	73,457	-	3,113,281
Dr John Odium	4,026,376	-	106,591	-	4,132,967
Jeffrey David	23,000	-	1,997	-	24,997
Stuart James	1,500,000	-	73,405	-	1,573,405
B Dixon * **	-	-	490,831	(490,831)	-
Wesley Coote	250,000	-	-	-	250,000
Terry King	285,000	-	-	-	285,000
	<u>9,324,200</u>	<u>-</u>	<u>772,370</u>	<u>(490,831)</u>	<u>9,605,739</u>

* Additions includes 480,711 ordinary shares held at date of appointment as a director

** Disposals/other includes 90,665 shares disposed of during the period of appointment. The remaining amount represents no longer key management personnel not necessarily a physical disposal of holding

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
2011					
<i>Ordinary shares</i>					
Andrew Geddes	200,000	-	-	-	200,000
Dr Glen Richards	2,689,824	350,000	-	-	3,039,824
Dr John Odium	2,861,896	50,193	1,114,287	-	4,026,376
Jeffrey David	23,000	-	-	-	23,000
Stuart James	1,000,000	-	500,000	-	1,500,000
Dr Stephen Coles *	1,440,000	-	-	(1,440,000)	-
Wesley Coote	-	250,000	-	-	250,000
Terry King	60,000	225,000	-	-	285,000
	<u>8,274,720</u>	<u>875,193</u>	<u>1,614,287</u>	<u>(1,440,000)</u>	<u>9,324,200</u>

* Disposals/other represents no longer key management personnel not necessarily a physical disposal of holding

Note 32. Key management personnel disclosures (continued)

Option holding

The number of options over ordinary shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
2012					
<i>Options over ordinary shares</i>					
Wesley Coote	10,000	-	-	-	10,000
	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
2011					
<i>Options over ordinary shares</i>					
Dr Glen Richards	417,500	-	-	(417,500)	-
Dr John Odium	208,750	-	-	(208,750)	-
Dr Stephen Coles	417,500	-	-	(417,500)	-
Wesley Coote	10,000	-	-	-	10,000
	<u>1,053,750</u>	<u>-</u>	<u>-</u>	<u>(1,043,750)</u>	<u>10,000</u>

Related party transactions

Related party transactions are set out in note 36.

Note 33. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Crowe Horwath Brisbane, the auditor of the company, and its network firms:

	Consolidated	
	2012	2011
	\$	\$
<i>Audit services - Crowe Horwath Brisbane</i>		
Audit or review of the financial statements	<u>88,850</u>	<u>91,000</u>
<i>Other services - related practices</i>		
Open measures	<u>11,040</u>	<u>-</u>

All auditor's remuneration is paid by Greencross Operations Pty Ltd a 100% owned subsidiary of Greencross Limited.

Note 34. Contingent liabilities

	Consolidated	
	2012	2011
	\$'000	\$'000
Bank guarantees	<u>41,550</u>	<u>30,550</u>

Note 35. Commitments

	Consolidated	
	2012	2011
	\$'000	\$'000
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	5,659	4,192
One to five years	16,453	6,951
More than five years	968	1,212
	<u>23,080</u>	<u>12,355</u>
<i>Lease commitments - finance</i>		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	202	126
One to five years	280	351
Total commitment	482	477
Less: Future finance charges	<u>(37)</u>	<u>(79)</u>
Net commitment recognised as liabilities	<u>445</u>	<u>398</u>
Representing:		
Lease liability - current (note 18)	175	92
Lease liability - non-current (note 22)	<u>270</u>	<u>306</u>
	<u>445</u>	<u>398</u>

Operating lease commitments includes contracted amounts for leased premises and veterinary equipment under non-cancellable operating leases expiring within 3 to 10 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Finance lease commitments includes contracted amounts for various plant and equipment with a written down value of \$761,000 (2011: \$713,000) under finance leases expiring within 1 to 3 years. Under the terms of the leases, the consolidated entity has the option to acquire the leased assets for predetermined residual values on the expiry of the leases.

Note 36. Related party transactions

Parent entity

Greencross Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 39.

Joint ventures

Interests in joint ventures are set out in note 40.

Key management personnel

Disclosures relating to key management personnel are set out in note 32 and the remuneration report in the directors' report.

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Note 36. Related party transactions (continued)

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2012	2011
	\$	\$
Payment for other expenses:		
Rent and outgoings paid to Greencross Properties Pty Ltd, a company controlled by director Dr Glen Richards.	156,545	103,000
Rent paid to Icecombe Pty Ltd, a company controlled by director Dr John Odium.	194,594	179,000
Rent paid to Rand & Miller Pty Ltd, a company associated with director Dr Stephen Coles.	-	141,000
Rent paid to Coles & Inglis Pty Ltd, a company associated with director Dr Stephen Coles.	-	99,000
Rent paid to KCORM Property Trust, a trust associated with directors Dr Glen Richards and Dr John Odium.	185,246	165,000
Rent paid to AEC Property Trust, a trust associated with directors Dr Glen Richards and Dr John Odium.	212,368	119,000
Rent paid to Petbarn Pty Ltd, a company associated with directors Jeff David and Dr Glen Richards.	44,564	19,360

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2012	2011
	\$	\$
Current payables:		
Rent payable to Icecombe Pty Ltd, a company controlled by director Dr John Odium.	-	2,598
Rent payable to AEC Property Trust, a trust associated with directors Dr Glen Richards and Dr John Odium.	3,102	375

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

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

Note 37. Parent entity information

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

Statement of comprehensive income

	Parent	
	2012	2011
	\$'000	\$'000
Profit/(loss) after income tax	(13)	2,824
Total comprehensive income	(13)	2,824

Note 37. Parent entity information (continued)

Statement of financial position

	Parent	
	2012	2011
	\$'000	\$'000
Total current assets	4,684	4,485
Total assets	22,958	22,774
Total current liabilities	(23)	-
Total liabilities	(23)	-
Equity		
Issued capital	23,245	20,880
Retained profits/(accumulated losses)	(264)	1,894
Total equity	22,981	22,774

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity has provided financial guarantees in respect of the bank overdraft and the bank loans of the subsidiaries amounting to \$41,550,000 (2011: \$30,550,000), secured by a registered charge over the assets of the parent entity and its subsidiaries.

No liability was recognised by the parent entity in relation to these guarantees as the liability for the bank overdraft and the bank loans are recorded in the relevant subsidiaries of the parent entity.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2012 and 30 June 2011.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2012 and 30 June 2011.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity. Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.

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Note 38. Business combinations

Care Veterinary Group

On 1 July 2011 Greencross Limited acquired 51% of the ordinary shares of Care Veterinary Group for the total consideration transferred of \$956,000. This is a veterinary care business. It was acquired to increase Greencross Limited's market share in Australia. The goodwill of \$864,000 represents the value of the business to the company. The acquired business contributed revenues of \$2,044,293 and profit after tax of \$156,498 (\$79,814 after minority interest) to the consolidated entity for the period from 1 July 2011 to 30 June 2012. Full year contributions would have been the same as revenues and profit after tax disclosed above. The values identified in relation to the acquisition of Care Veterinary Group are final as at 30 June 2012.

Details of the acquisition are as follows:

	Acquiree's carrying amount \$'000	Fair value \$'000
Cash and cash equivalents	2	2
Trade receivables	7	7
Inventories	54	54
Other current assets	3	3
Plant and equipment	117	117
Deferred tax asset	5	5
Trade payables	(24)	(24)
Provision for income tax	(12)	(12)
Other provisions	(16)	(16)
Lease liability	(44)	(44)
Net assets acquired	92	92
Goodwill		864
Acquisition-date fair value of the total consideration transferred		956
Representing:		
Cash paid or payable to vendor		956
	Consolidated	
	2012	2011
	\$'000	\$'000
Cash used to acquire business, net of cash acquired:		
Acquisition-date fair value of the total consideration transferred	956	-
Less: cash and cash equivalents	(2)	-
Net cash used	954	-

Greencross Limited
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Note 38. Business combinations (continued)

Wollongong Veterinary Hospital Group

On 8 August 2011 Greencross Limited acquired 58% of the ordinary shares of Wollongong Veterinary Hospital Group for the total consideration transferred of \$2,860,000. This is a veterinary care business. It was acquired to increase Greencross Limited's market share in Australia. The goodwill of \$2,802,000 represents the value of the business to the company. The acquired business contributed revenues of \$3,810,395 and profit after tax of \$534,056 (\$309,753 after minority interest) to the consolidated entity for the period from 8 August 2011 to 30 June 2012. If the acquisition occurred on 1 July 2011, the full year contributions would have been revenues of \$4,156,795 and profit after tax of \$582,607. The values identified in relation to the acquisition of The Wollongong Veterinary Hospital Group are final as at 30 June 2012.

Details of the acquisition are as follows:

	Acquiree's carrying amount \$'000	Fair value \$'000
Trade receivables	14	14
Inventories	166	166
Plant and equipment	385	385
Deferred tax asset	19	19
Trade payables	(142)	(142)
Other provisions	(65)	(65)
Bank loans	(319)	(319)
Net assets acquired	58	58
Goodwill		2,802
Acquisition-date fair value of the total consideration transferred		2,860
Representing:		
Cash paid or payable to vendor		2,860
	Consolidated	
	2012	2011
	\$'000	\$'000
Cash used to acquire business, net of cash acquired:		
Acquisition-date fair value of the total consideration transferred	2,860	-
Net cash used	2,860	-

Greencross Limited
Notes to the financial statements
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Note 38. Business combinations (continued)

Maitland Veterinary Hospital and Rutherford Veterinary Clinic

On 31 January 2012, Greencross Limited acquired 100% of the business assets of Maitland Veterinary Hospital and Rutherford Veterinary Clinic for the total consideration transferred of \$3,016,000. The values identified in relation to the acquisitions are preliminary as at 30 June 2012. The acquired business contributed revenues of \$1,231,928 and net profit after tax of \$116,255 for the period from 31 January 2012 to 30 June 2012. If the acquisition occurred on 1 July 2011, the full year contributions would have been revenues of \$2,457,124 and net profit of \$281,015. The values identified in relation to the acquisition of Maitland Veterinary Hospital and Rutherford Veterinary Clinic are final as at 30 June 2012.

Details of the acquisition are as follows:

	Acquiree's carrying amount \$'000	Fair value \$'000
Inventories	120	120
Other current assets	19	19
Plant and equipment	252	252
Deferred tax asset	26	26
Trade payables	(150)	(150)
Employee benefits	(87)	(87)
Net assets acquired	180	180
Goodwill		2,836
Acquisition-date fair value of the total consideration transferred		3,016
Representing:		
Cash paid or payable to vendor		2,249
Contingent consideration		767
		3,016
	Consolidated	
	2012	2011
	\$'000	\$'000
Cash used to acquire business, net of cash acquired:		
Acquisition-date fair value of the total consideration transferred	3,016	-
Less: contingent consideration	(767)	-
Net cash used	2,249	-

In relation to the Maitland Veterinary Hospital acquisition, there is a deferred contingent consideration which is payable on 31 January 2015. The final deferred consideration payable will be calculated as one times EBIT for the year ended 30 June 2014. In recognising the deferred consideration at net fair value, a discount rate of 6.21% has been applied to the payment.

Greencross Limited
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Note 38. Business combinations (continued)

Business acquisitions - amalgamated (Current year)

During the financial year ended 30 June 2012, Greencross Limited acquired 100% of the business assets of the following entities for the total consideration transferred of \$10,616,000:

- Pets at the Vets North Ringwood (acquired on 15 July 2011);
- Mortdale Veterinary Hospital (acquired on 22 July 2011);
- Livingstone Road Animal Hospital (acquired on 20 September 2011);
- Hurstbridge Veterinary Clinic and Hospital (acquired on 26 October 2011);
- Animal Clinic Morwell (acquired on 15 November 2011);
- Barolin Veterinary Hospital (acquired on 1 December 2011);
- Pakenham Animal Health (acquired on 6 December 2011);
- Kelso Veterinary Clinic (acquired on 6 March 2012);
- Woofpurnay Veterinary Hospital (acquired on 24 May 2012); and
- South Tamworth Animal Hospital (acquired on 26 June 2012).

The values identified in relation to the South Tamworth acquisition are preliminary as at 30 June 2012.

All other values identified in relation to the above acquisitions are final as at 30 June 2012 except where expressed above.

The above business acquisitions contributed revenues of \$6,661,143 and profit after tax of \$735,368 for the period from acquisition to 30 June 2012. Full year contributions would have been revenues of \$15,581,776 and profit after tax of \$1,718,407.

Details of the acquisition are as follows:

	Acquiree's carrying amount \$'000	Fair value \$'000
Trade receivables	32	32
Inventories	643	643
Other current assets	44	44
Plant and equipment	1,142	1,142
Deferred tax asset	64	64
Trade payables	(315)	(315)
Accrued expenses	(299)	(299)
Other liabilities	(21)	(21)
Net assets acquired	1,290	1,290
Goodwill		9,326
Acquisition-date fair value of the total consideration transferred		10,616
Representing:		
Cash paid or payable to vendor		9,015
Deferred settlement		1,601
		10,616

Note 38. Business combinations (continued)

	Consolidated	
	2012	2011
	\$'000	\$'000
Cash used to acquire business, net of cash acquired:		
Acquisition-date fair value of the total consideration transferred	10,616	-
Less: deferred settlement	(1,601)	-
	<u>9,015</u>	<u>-</u>
Net cash used	<u>9,015</u>	<u>-</u>

In relation to the Pets at the Vets North Ringwood acquisition there is a deferred consideration of \$187,083 which is payable on 14 July 2012.

In relation to the Livingstone Road Animal Hospital acquisition there is a deferred consideration of \$225,000 which is payable on 20 September 2013. In recognising the deferred consideration at net present value a discount rate of 6.21% has been applied to the payment.

In relation to the Animal Clinic Morwell acquisition there is a deferred consideration of \$150,000 which is payable on 15 November 2013. In recognising the deferred consideration at net present value a discount rate of 6.21% has been applied to the payment.

In relation to the Barolin Veterinary Hospital acquisition there is a deferred consideration of \$282,000 which is payable in two \$70,500 instalments on 1 December 2014 and 1 December 2015 and one \$141,000 instalment on 1 December 2013. In recognising the deferred consideration at net present value a discount rate of 6.21% has been applied to the payment.

In relation to the Pakenham Animal Health acquisition there is a deferred consideration of \$231,754 which is payable in an instalment of \$77,191 which is payable on 6 December 2012 and an instalment of \$154,383 which is payable on 6 December 2013. In recognising the deferred consideration at net present value a discount rate of 6.21% has been applied to the payment.

In relation to the Woofpurnay Veterinary Hospital acquisition there is a deferred consideration of \$250,000 which is payable on 25 May 2015. In recognising the deferred consideration at net present value a discount rate of 6.21% has been applied to the payment.

In relation to the South Tamworth Animal Hospital acquisition, there is a deferred contingent consideration which is payable on 26 June 2015. The final deferred consideration payable will be calculated as one times EBIT for the year ended 30 June 2014. In recognising the deferred consideration at net fair value, a discount rate of 6.21% has been applied to the payment.

Greencross Limited
Notes to the financial statements
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Note 38. Business combinations (continued)

Babtec & Mungojess and controlled entities (Prior year)

On 30 September 2010, Greencross Limited acquired 100% of the ordinary shares of Babtec & Mungojess and controlled entities for the total consideration transferred of \$4,668,000. It was acquired to increase Greencross Limited's market share in Australia. The goodwill of \$5,868,000 represents the value of the entity to Greencross Limited. The values identified in relation to the acquisition are final as at 30 June 2011.

Details of the acquisition are as follows:

	Acquiree's carrying amount \$'000	Fair value \$'000
Cash equivalents	442	-
Trade receivables	135	574
Inventories	153	153
Plant and equipment	352	352
Deferred tax asset	112	66
Trade payables	(507)	(498)
Employee benefits	(315)	(315)
Bank loans	<u>(1,572)</u>	<u>(1,532)</u>
Net liabilities acquired	<u>(1,200)</u>	<u>(1,200)</u>
Goodwill		<u>5,868</u>
Acquisition-date fair value of the total consideration transferred		<u><u>4,668</u></u>
Representing:		
Cash paid or payable to vendor		<u><u>4,668</u></u>
	Consolidated	
	2012	2011
	\$'000	\$'000
Cash used to acquire business, net of cash acquired:		
Acquisition-date fair value of the total consideration transferred	<u>-</u>	<u>4,668</u>
Net cash used	<u><u>-</u></u>	<u><u>4,668</u></u>

Greencross Limited
Notes to the financial statements
30 June 2012

Note 38. Business combinations (continued)

Business acquisitions - amalgamated (Prior year)

During the financial year ended 30 June 2011, Greencross Limited acquired 100% of the business assets of the following entities for the total consideration transferred of \$3,593,000:

- Brookvale Veterinary Clinic (acquired on 26 August 2010);
- Caloundra Veterinary Clinic (acquired on 30 August 2010);
- Lambton Veterinary Clinic (acquired on 13 December 2010);
- Springvale Animal Hospital (acquired on 14 April 2011);
- Marshall Lane Veterinary Clinic (acquired on 27 May 2011); and
- Ballarat & Creswick Family Pet Care Clinics (acquired on 22 June 2011).

The values identified in relation to the acquisitions are final as at 30 June 2011.

Details of the acquisition are as follows:

	Acquiree's carrying amount \$'000	Fair value \$'000
Trade receivables	29	29
Inventories	252	252
Plant and equipment	502	502
Employee benefits	(114)	(114)
Net assets acquired	669	669
Goodwill		2,924
Acquisition-date fair value of the total consideration transferred		<u>3,593</u>
Representing:		
Cash paid or payable to vendor		3,089
Deferred settlement		504
		<u>3,593</u>
	Consolidated	
	2012	2011
	\$'000	\$'000
Cash used to acquire business, net of cash acquired:		
Acquisition-date fair value of the total consideration transferred	-	3,593
Less: deferred settlement	-	(504)
Net cash used	-	3,089

Note 38. Business combinations (continued)

In relation to the Brookvale Veterinary Clinic acquisition there is a deferred consideration of \$120,000 which is payable in two \$10,000 instalments on the 26 August 2011 and the 26 August 2012 and six instalments of \$12,500 payable in February and August of each year until August 2014. In recognising the deferred contingent consideration and net present value, a discount rate of 0.621% has been applied to the payment.

In relation to the Caloundra Veterinary Clinic acquisition, there is a deferred contingent consideration which is payable on 30 June 2012. The final deferred consideration payable will be calculated as four and a half times the EBIT of the clinic for the year ended 30 June 2012 x 15%. In recognising the deferred consideration at net fair value, a discount rate of 0.621% has been applied to the payment.

In relation to the Lambton Veterinary Clinic acquisition, there is a deferred consideration of \$85,000 which is payable on 15 December 2012. In recognising the deferred consideration at net present value, a discount rate of 0.621% has been applied to the payment.

In relation to the Ballarat & Creswick Family Pet Care Clinics acquisition, there is a deferred consideration of \$155,700 which is payable on 26 June 2015. In recognising the deferred consideration at net present value, a discount rate of 0.621% has been applied to the payment.

The above two prior year business combinations contributed combined revenues of \$10,115,000 and net profit after tax and minority interest of \$909,000 to the consolidated entity for the period from date of acquisition to 30 June 2011. If the business combinations had occurred on 1 July 2010, the combined revenue would have been \$15,525,000 and net profit after tax and minority interest of \$1,036,000 for the year.

Acquisition costs expensed to profit and loss for the above two prior year business combinations was \$114,000.

Greencross Limited
Notes to the financial statements
30 June 2012

Note 39. Subsidiaries

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

Name of entity	Country of incorporation	Equity holding	
		2012 %	2011 %
Greencross Operations Pty	Australia	100.00	100.00
Greencross NSW Pty Ltd	Australia	100.00	100.00
Greencross Townsville Pty Ltd	Australia	100.00	100.00
Seabeach Pty Ltd	Australia	100.00	100.00
Gorrie Veterinary Services Pty Ltd	Australia	100.00	100.00
Chermside Veterinary Hospital Pty Ltd	Australia	100.00	100.00
Veterinary Referral Services Pty Ltd	Australia	70.00	70.00
Pet Accident and Emergency Pty Ltd	Australia	51.00	51.00
Gold Coast Animal Referral & Emergency Pty Ltd	Australia	51.00	51.00
Animal Emergency Centre Woolloongabba Pty Ltd	Australia	100.00	100.00
Animal Emergency Centre Pty Ltd	Australia *	75.00	59.00
Animal Emergency Centre (Frankston) Pty Ltd	Australia *	75.00	59.00
Animal Emergency Centre Hallam Pty Ltd	Australia *	75.00	59.00
Williamstown Veterinary Holdings Pty Ltd	Australia *	100.00	100.00
Williamstown Veterinary Hospital Pty Ltd	Australia *	100.00	100.00
Point Cook Animal Hospital Pty Ltd	Australia *	100.00	100.00
Point Cook Unit Trust	Australia *	100.00	100.00
Pets First Hoppers Crossing Pty Ltd	Australia *	100.00	100.00
Anvet Werribee Pty Ltd	Australia *	100.00	100.00
Care Veterinary Group Pty Ltd	Australia	51.00	-
Greencross Vets Southcoast Pty. Ltd.	Australia	58.00	-
Vepa Labs Pty Ltd (formerly known as Green Pathology Pty. Ltd)	Australia ***	100.00	-
Vetmax Pty Ltd	Australia **	100.00	-
Animal Emergency Centre Toowoomba Pty Ltd	Australia ****	33.15	-
Animal Emergency Centre Central Coast Pty Ltd	Australia *****	65.25	-

* Acquired as part of the Babtec & Mungojess and controlled entities acquisition (refer to note 37 for business combination details)

** Previously a joint venture, now a wholly owned subsidiary

*** Entity was incorporated on 10 May 2012 and changed its name on 18 June 2012

Note 39. Subsidiaries (continued)

**** Entity was incorporated on 21 October 2011

***** Entity was incorporated on 1 November 2011

Note 40. Interests in joint ventures

Interests in joint ventures are accounted for using the equity method of accounting. Information relating to joint ventures is set out below:

Joint venture	Principal activities	Consolidated Percentage interest	
		2012 %	2011 %
Vetmax Pty Ltd	Veterinary services	-	50.00

Information relating to the joint venture partnership is set out below.

	2012 \$'000	2011 \$'000
<i>Share of assets and liabilities</i>		
Current assets	-	20
Non-current assets	-	4
Total assets	-	24
Current liabilities	-	1
Total liabilities	-	1
Net assets	-	23
<i>Share of revenue, expenses and results</i>		
Revenue	-	55
Expenses	-	(56)
Loss before income tax	-	(1)

Vetmax Pty Ltd became a 100% subsidiary of the consolidated entity during the year.

Note 41. Events after the reporting period

On 17 July 2012, the consolidated entity acquired Kilsyth Veteriniary Clinic for the total consideration of \$1,820,000 which included a deferred settlement amount of \$345,000. The fair value of assets acquired were \$78,655.

Details of the acquisition are as follows:

	Acquiree's carrying amount \$'000	Fair value \$'000
Plant and equipment	79	79
Net assets acquired	79	79
Goodwill		1,741
Acquisition-date fair value of the total consideration transferred		1,820
Representing:		
Cash paid or payable to vendor		1,475
Contingent consideration		345
		1,820

On 31 July 2012 the consolidated entity acquired Eastwood House and Clifford Park Veterinary Surgery through Care Veterinary Group (51% owned) for the total consideration of \$940,065 which included a deferred settlement amount of \$225,000. The fair value of assets acquired were \$87,547.

Details of the acquisition are as follows:

	Acquiree's carrying amount \$'000	Fair value \$'000
Plant and equipment	92	92
Employee benefits	(4)	(4)
Net assets acquired	88	88
Goodwill		852
Acquisition-date fair value of the total consideration transferred		940
Representing:		
Cash paid or payable to vendor		715
Contingent consideration		225
		940

Note 41. Events after the reporting period (continued)

The values identified in relation to the business acquisitions are preliminary as at the signing date as independent valuations have not been finalised.

Apart from the dividend declared as disclosed in note 30, no other matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 42. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2012	2011
	\$'000	\$'000
Profit after income tax expense for the year	5,550	3,967
Adjustments for:		
Net loss on disposal of property, plant and equipment	-	12
Depreciation	1,349	1,072
Share of loss of joint venture	-	1
Interest on deferred settlement	-	7
Options and shares issued	82	85
Movement in non-controlling interest on assets	39	(495)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(242)	59
Increase in inventories	(208)	(143)
Decrease/(increase) in deferred tax assets	(130)	592
Increase in trade and other payables	683	797
Increase in provision for income tax	217	-
Increase in deferred tax liabilities	43	-
Increase in employee benefits	862	189
Net cash from operating activities	<u>8,245</u>	<u>6,143</u>

Note 43. Non-cash investing and financing activities

	Consolidated	
	2012	2011
	\$'000	\$'000
Acquisition of plant and equipment by means of finance leases	90	442
Shares issued under dividend reinvestment plan	1,470	441
Shares issued in relation to business combinations	856	-
	<u>2,416</u>	<u>883</u>

Note 44. Earnings per share

	Consolidated	
	2012	2011
	\$'000	\$'000
Profit after income tax	5,550	3,967
Non-controlling interest	<u>(691)</u>	<u>(511)</u>
Profit after income tax attributable to the owners of Greencross Limited	<u>4,859</u>	<u>3,456</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	30,783,943	28,472,398
Adjustments for calculation of diluted earnings per share:		
Options	<u>57,737</u>	<u>-</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>30,841,680</u>	<u>28,472,398</u>
	Cents	Cents
Basic earnings per share	15.78	12.14
Diluted earnings per share	15.75	12.14

The 265,000 employee options still on issue as at 30 June 2012 are included in the calculation of diluted earnings per share to the extent that they are dilutive. The 275,000 outstanding options at 30 June 2011 were not dilutive and were therefore excluded from the calculation of diluted earnings per share.

Note 45. Share-based payments

Senior management option plan ('SMOP')

The SMOP is designed to reward strong performance by individuals within Greencross Limited. Options are issued under the SMOP in accordance with thresholds set out in plans and it provides certain employees (as determined by the Managing Director and Remuneration Committee) with the opportunity to acquire shares in the consolidated entity, or rights to acquire shares in the consolidated entity. The plan operates by granting an option to employees to purchase a prescribed number of shares at a pre-determined time in the future.

Each option is convertible to one ordinary share. The exercise price of the options, determined in accordance with the rules of the plan, is based on the weighted average price of the consolidated entity's shares traded during the 5 days preceding the date of offering the option.

No options were issued under this plan during the year (2011: nil).

Set out below are summaries of options granted under the plans:

2012

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
10/07/08	10/07/13	\$1.40	275,000	-	(10,000)	-	265,000
			<u>275,000</u>	<u>-</u>	<u>(10,000)</u>	<u>-</u>	<u>265,000</u>

Greencross Limited
Notes to the financial statements
30 June 2012

Note 45. Share-based payments (continued)

2011

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
10/07/08	14/06/11	\$1.20	2,000,000	-	-	(2,000,000)	-
10/07/08	10/07/13	\$1.40	275,000	-	-	-	275,000
			<u>2,275,000</u>	<u>-</u>	<u>-</u>	<u>(2,000,000)</u>	<u>275,000</u>

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2012 Number	2011 Number
10/07/08	10/07/13	<u>265,000</u>	<u>275,000</u>
Total exercisable		<u><u>265,000</u></u>	<u><u>275,000</u></u>

The weighted average share price during the financial year was \$1.794 (2011: \$0.793).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1 year (2011: 2 years).

Greencross Limited
Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto 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 thereto 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 thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Glen Richards', written over a horizontal line.

Glen Richards
Managing Director

22 August 2012
Brisbane

Independent Auditor's Report

To the members of Greencross Limited

Report on the Financial Report

We have audited the accompanying financial report of Greencross Limited, which comprises the statements of financial position as at 30 June 2012, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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

Independence

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

Opinion

In our opinion:

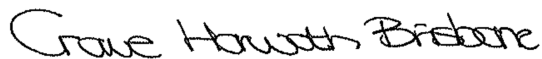
- (a) the financial report of Greencross Limited is in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
- (b) the consolidated financial statements and notes also comply with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the Remuneration Report

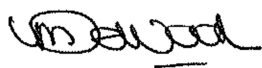
We have audited the Remuneration Report included in pages 10 to 19 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Greencross Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.



Crowe Horwath Brisbane



Vanessa de Waal
Partner

Signed at Brisbane, 22 August 2012

Greencross Limited
Shareholder information
30 June 2012

The shareholder information set out below was applicable as at 23 July 2012.

Distribution of equitable securities

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

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	350	-
1,001 to 5,000	499	1
5,001 to 10,000	227	21
10,001 to 100,000	205	2
100,001 and over	42	-
	<u>1,323</u>	<u>24</u>
Holding less than a marketable parcel	<u>-</u>	<u>-</u>

Greencross Limited
Shareholder information
30 June 2012

Equity security holders

Twenty largest quoted equity security holders

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

	Ordinary shares	
	Number held	% of total shares issued
MR JOHN DAVID ODLUM & MRS ANN ODLUM <ODLUM SUPER FUND A/C>	1,610,000	5.09
MR STUART BRUCE JAMES & MRS GILLIAN DOREEN JAMES <S B JAMES SUPER FUND A/C>	1,573,405	4.97
CITICORP NOMINEES PTY LIMITED	1,225,020	3.87
MR JOHN DAVID ODLUM & MR KEITH EDWARD KNIGHT <KNIGHT ODLUM SUPER FUND A/C>	1,180,592	3.73
NATIONAL NOMINEES LIMITED	1,064,240	3.36
GREENCROSS PROPERTIES PTY LTD <GREENCROSS PROPERTIES A/C>	1,040,048	3.29
GREENCROSS VETS PTY LTD <GREENCROSS UNIT A/C>	1,037,191	3.28
MR JOHN DAVID ODLUM & MRS ANN ODLUM <ODLUM FAMILY A/C>	980,000	3.10
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	799,829	2.53
DR GLEN FRANK RICHARDS & MRS LISA HELEN RICHARDS <RICHARDS SUPER FUND A/C>	686,042	2.17
DEBUSCEY PTY LTD	669,701	2.12
UBS NOMINEES PTY LTD	600,412	1.90
BYERA PTY LTD <KNIGHT FAMILY A/C>	600,000	1.90
SANDHURST TRUSTEES LTD <ENDEAVOR ASSET MGMT MDA A/C>	590,287	1.87
ASHBOURNE PARK PTY LTD <THE DARYL HOLMES S/FUND A/C>	514,291	1.63
BYERA PTY LTD <KEITH KNIGHT SUPER FUND A/C>	500,000	1.58
PETFOOD ONLINE PTY LTD <THE COLES/RAND FAMILY A/C>	473,558	1.50
MARICH NOMINEES PTY LTD <R MARICH SUPERANNUATION A/C>	471,250	1.49
MR CRAIG GRAEME CHAPMAN	470,000	1.49
DR MATTHEW CHARLES MILLER	426,286	1.35
	16,512,152	52.22

Unquoted equity securities

There are no unquoted equity securities.

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
John David Odlum and Associated Entites	3,379,633	10.68
Glen Frank Richards and Associated Entities	3,113,281	9.84
Keith Knight and Associated Entities	1,863,334	5.89

Greencross Limited
Shareholder information
30 June 2012

Voting rights

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

Ordinary shares

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

There are no other classes of equity securities.