



13 December 2013

Independent Expert's Report concludes that Greencross offer for Mammoth Pet Holdings is fair and reasonable

Explanatory Memorandum released to the ASX

- Deloitte Corporate Finance Pty Limited, acting as Independent Expert, has formed the view that the proposed merger is fair and reasonable and in the best interests of Non-Associated Shareholders¹
- The unanimous recommendation of the Independent Directors that shareholders vote in favour of the Resolutions is now unqualified
- The Explanatory Memorandum is attached to this announcement and will be despatched to Greencross shareholders next week

Greencross Limited ("Greencross") (ASX:GXL) engaged Deloitte Corporate Finance Pty Limited ("Deloitte" or "the independent expert") to conduct an independent expert's report to evaluate and form an opinion on the proposed merger between Greencross and Mammoth Pet Holdings ("Mammoth").

On 14 November 2013, Greencross announced that it agreed to merge with Mammoth by acquiring 100% of the equity in Mammoth in exchange for approximately 52.6 million shares in Greencross ("the Merger").

The independent expert has formed the opinion that the proposed merger is fair and reasonable to the Non-Associated Greencross shareholders.

The attached Explanatory Memorandum ("EM") provides details on the Merger and includes a copy of the Independent Expert's Report. It will be despatched to Greencross shareholders next week.

The Independent Directors of Greencross unanimously recommend that Shareholders vote in favour of the Merger.

Details on how Shareholders can vote are in the EM, which includes all information to assist shareholders in how to vote via proxy or at the General Meeting. The General Meeting will be held at 10.00am on 22 January at Level 5, 123 Eagle Street, Brisbane.

¹ Non-Associated Shareholders are Shareholders not associated with TPG Growth or Petco (being the persons whose acquisition of Shares is to be approved for the purposes of item 7 of Section 611 of the Corporations Act pursuant to Resolution 3) and Shareholders other than any Shareholder who is a Mammoth Seller or an Associate of any Mammoth Seller (being the persons whose votes on Resolution 4 are to be disregarded under ASX Listing Rules 10.1 and 14.11)

Greencross CEO Glen Richards said:

"We're very excited by the growth potential of the combined Greencross and Mammoth businesses. This is a proven model which will combine our industry-leading veterinary services with the scale of Petbarn's footprint in Australia and the Animates brand in New Zealand."

"This merger will create Australasia's largest integrated consumer-facing pet care company. We expect the combined company to be EPS accretive in the current fiscal year with double digit EPS accretion in the 2015 fiscal year with over \$440 million in revenue. We encourage Greencross shareholders to carefully read the Explanatory Memorandum."

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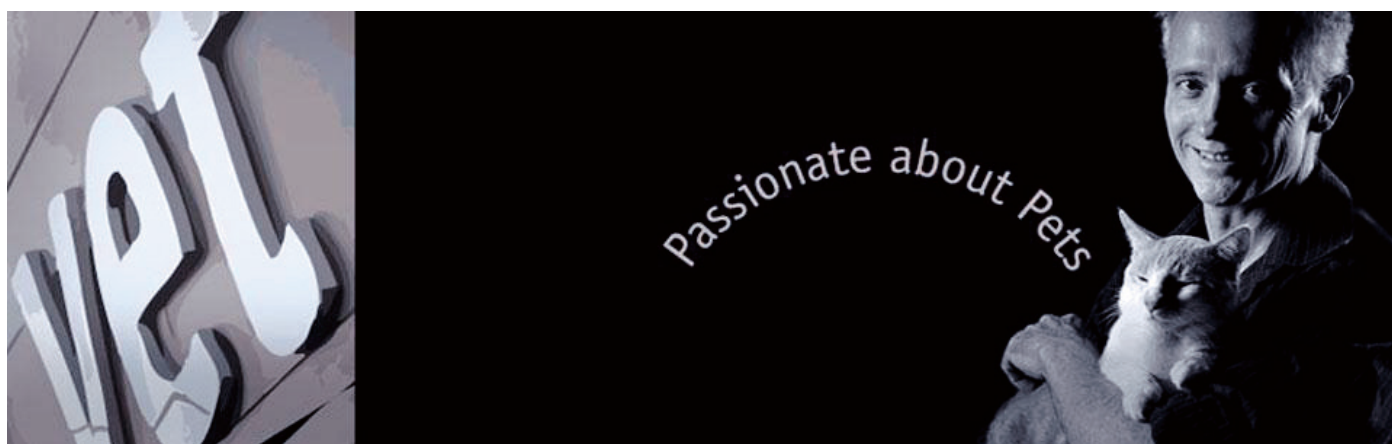
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Greencross Limited
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EXPLANATORY MEMORANDUM - GREENCROSS MERGER WITH MAMMOTH

The Independent Directors of Greencross unanimously recommend that you vote in favour of the Resolutions

The Independent Expert has concluded that the Merger is fair and reasonable to the Non-Associated Shareholders

This document is important and requires your immediate attention and should be read in its entirety. If you have any doubt as to what you should do once you have read this document, you should consult your financial, legal or other professional adviser

Legal adviser

CLAYTON UTZ

Financial adviser

 **ROTHSCHILD**

Important Notices

Date

This Explanatory Memorandum is dated 13 December 2013.

Purpose of Explanatory Memorandum

This document is important. It contains information for Shareholders relating to the Merger. This Explanatory Memorandum provides Shareholders with necessary information to assist them in deciding how to vote on the Resolutions to be considered at the Meeting.

You should read this Explanatory Memorandum in its entirety before making a decision as to how to vote at the Meeting.

If you have any doubt as to what you should do once you have read this Explanatory Memorandum, you should consult your financial, legal or other professional adviser.

Forward looking statements

Certain statements in this Explanatory Memorandum relate to the future. Those statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievements of Greencross to be materially different from future results, performance or achievements expressed or implied by those statements. These statements reflect views only as of the date of this Explanatory Memorandum. The actual results of Greencross and Mammoth may differ materially from the anticipated results, performance or achievements expressed, projected or implied by these forwarding looking statements. Subject to any obligations under the Corporations Act or the ASX Listing Rules, neither Greencross nor Mammoth has any obligation to disseminate after the date of this Explanatory Memorandum any update or revisions to any forward looking statements to reflect any change in expectations in relation to those statements or any change in circumstances, events or conditions on which any of those statements are based.

While Greencross believes that the expectations reflected in the forward looking statements in this document are reasonable, neither Greencross nor any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this Explanatory Memorandum will actually occur and you are cautioned not to place undue reliance on those forward looking statements.

Notice to persons outside Australia

This Explanatory Memorandum has been prepared in accordance with Australian laws, disclosure requirements and accounting standards. These laws, disclosure requirements and accounting standards may be different to those in other countries.

Disclaimer

No person is authorised to give any information or make any representation in connection with the Merger which is not contained in this Explanatory Memorandum. Any information or representation not contained in this Explanatory Memorandum may not be relied on as having been authorised by Greencross or the Directors in connection with the Merger.

Investment decisions

This Explanatory Memorandum contains general advice only and does not take into account the investment objectives, financial situation or particular needs of any individual Shareholder or any other particular person.

This Explanatory Memorandum should not be relied upon as the sole basis for any investment decision in relation to the Merger or Shares generally. Before making any investment decision in relation to the Merger

or Shares generally, it is important that you read this Explanatory Memorandum and seek independent financial, legal or other professional advice.

Privacy

Greencross may collect personal information during the Merger process (including implementing the Merger). Such information may include the names, contact details and shareholding of Shareholders and the names of persons appointed by Shareholders to act as proxy at the Meeting. The primary purpose of the collection of this personal information is to assist Greencross to conduct the Meeting and implement the Merger. Without this information, Greencross may be hindered in its ability to achieve these purposes to full effect.

Personal information of the type described above may be disclosed by Greencross to Greencross' Share Registry, print and mail service providers and authorised securities brokers. Shareholders have certain rights to access their personal information that has been collected and should contact the Company Secretary of Greencross on +61 7 3435 3593 if they wish to access their personal information.

Responsibility for Information

The information concerning Greencross contained in this Explanatory Memorandum including information as to the views and recommendations of the Directors has been prepared by Greencross and is the responsibility of Greencross. None of Mammoth, the Mammoth Sellers, or their advisers assume any responsibility for the accuracy or completeness of that information.

Information concerning Mammoth contained in section 3 (including Annexure D) has been provided by Mammoth and is the responsibility of Mammoth. Neither Greencross nor its advisers assume any responsibility for the accuracy or completeness of that information.

Deloitte has prepared the Independent Expert's Report in relation to Resolutions 1 to 4 and takes responsibility for that report and has consented to the inclusion of that report and the references to that report in the form and context in which they are included in this Explanatory Memorandum. Deloitte is not responsible for any other information contained within this Explanatory Memorandum. Resolution 5, which relates to Director remuneration, is not the subject of the Independent Expert Report.

Shareholders are urged to read the Independent Expert's Report carefully to understand the scope of the report, the methodology of the assessment, the sources of information and the assumptions made.

PwC Securities has prepared the Independent Accountant's Report and takes responsibility for that report and has consented to the inclusion of that report and the references to that report in the form and context in which they are included in this Explanatory Memorandum. PwC Securities is not responsible for any other information contained within this Explanatory Memorandum.

ASIC involvement

A copy of this Explanatory Memorandum has been lodged with ASIC in accordance with the requirements of ASIC Regulatory Guide 74. Neither ASIC nor any of its officers takes any responsibility for the contents of this Explanatory Memorandum.

ASX involvement

A copy of this Explanatory Memorandum has been lodged with ASX in accordance with Listing Rule 15.1. Neither ASX nor any of its officers takes any responsibility for the contents of this Explanatory Memorandum.

Certain defined terms

Capitalised terms used in this Explanatory Memorandum are defined in the glossary in section 7 of this Explanatory Memorandum.



Greencross + Mammoth merger highlights

1

Creates Australasia's largest integrated consumer facing pet care company with 224 stores and clinics in Australia and New Zealand

2

MergeCo's scale and complementary retail and services model provides a **clear point of differentiation** from competitors and an **attractive platform for future growth**

3

Enables MergeCo to **strengthen client and customer engagement**, expand its **product and service offering** and create **cross-selling opportunities**

4

A **leading market position** in the Australian speciality pet care retailing and pet services industry with a **highly fragmented competitor landscape**

5

Greencross' addressable market will increase from approximately \$2bn to approximately \$7bn.

6

The Board anticipates there are **significant cost and revenue synergies** that could be delivered from the Merger

7

Established precedents of integrated retail and services businesses in the US and UK with a track record of successful network expansion and earnings growth

8

Robust growth profile driven by ongoing **store and clinic roll-out, acquisition program and synergies**

9

Experienced Board and management with significant industry expertise

*“The proposed merger is a **landmark transaction** for the company which, if implemented, will transform Greencross into **Australasia’s leading pet care provider** and creates an attractive platform for future growth.”*

Mr Andrew Geddes
Non-Executive Chairman, Greencross Limited



*The Merger with Mammoth is expected to be **EPS accretive in FY2014** on a pro forma basis and deliver **double digit EPS accretion in FY2015F** relative to a market consensus EPS estimate for Greencross on a standalone basis of \$0.286 per share*

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Key dates

AGM and announcement of Merger	14 November 2013
Despatch of Explanatory Memorandum	13 December 2013
Meeting	22 January 2014
Completion ¹	31 January 2014

¹ Subject to Greencross Shareholder approval and regulatory approvals.

Chairman's letter

13 December 2013

Dear Greencross Shareholder,

Greencross announced on 14 November 2013 a proposed Merger with Mammoth. Mammoth is a leading speciality pet care retailer in Australasia, operating under the Petbarn brand in Australia and the Animates brand in New Zealand. Mammoth's 124 "big box" format specialty stores comprise 100 Petbarn stores in Australia and 24 Animates Stores in New Zealand (in a 50:50 joint venture with EBOS Limited²).

The Board believes that the Merger is a landmark transaction for Greencross which, if implemented, will transform Greencross into Australasia's largest integrated consumer facing pet care company with a leading market position in the pet care and pet services industry and create an attractive platform for future growth. The Merger will provide support for Greencross' existing business plan, which has delivered, since the start of 2011, significant share price outperformance against the All Ordinaries Index.

The Directors believe there is a compelling strategic rationale for the Merger and that there are significant cost and revenue synergies that could be achievable. The Merger is expected to be EPS accretive in FY2014 on a pro forma basis and to deliver double digit EPS accretion in FY2015 relative to a market consensus EPS estimate for Greencross on a standalone basis of \$0.286 per share³.

The Merger is conditional on a number of matters, including Shareholder approval for each of the Resolutions. The Independent Directors unanimously recommend that you vote in favour of the Resolutions. Each Independent Director intends to vote any Shares they hold or control in favour of Resolutions 1 to 4. This Explanatory Memorandum contains information on the Merger for you to consider before voting.

The Board commissioned Deloitte Corporate Finance Pty Limited to provide an Independent Expert's Report on the merits of the Merger. The Independent Expert has formed the view that the Merger is fair and reasonable to the Non-Associated Shareholders.

Glen Richards, Jeffrey David, Paul Wilson, TPG Growth and Petco have each indicated that they will not directly or indirectly dispose of the Shares to be issued to them as consideration for the acquisition of their Mammoth Shares (collectively representing approximately 38.3% of Greencross post-Merger), or do anything that would have the effect of transferring effective ownership or control of those Shares⁴, until the first to occur of the release of MergeCo's FY2014 results and 30 September 2014.

Should the Merger be implemented, I will step down as Chairman of Greencross but will remain on the Board as a non-executive director. Mr Stuart James, currently a non-executive director of Greencross, has agreed to take on the role as Chairman and oversee Greencross as it delivers the benefits of this transformational Merger. The Board will further comprise three executive directors, Glen Richards, Jeffrey David and Paul Wilson, as well as two TPG Growth nominated directors, Matthew Hobart and Scott Gilbertson.

I encourage you to read the information in this Explanatory Memorandum carefully, and, if necessary, to seek independent financial, legal or other professional advice prior to attending and voting at the Meeting which is to be held at 10.00am on Wednesday 22 January 2014 at Level 5, 123 Eagle Street Brisbane. If you are unable to attend the Meeting, please complete the accompanying proxy form and return it in accordance with the instructions on the form.

Yours sincerely

Andrew Geddes
Chairman
Greencross Limited

² As at 12 November 2013.

³ EPS accretion calculated on a pro-forma basis and excluding any revenue synergies. The pro forma FY2014F calculation includes a full year contribution from both Greencross and Mammoth and a full year cost synergy contribution, as though the merger was effected on 1 July 2013. Payments relating to integration costs and transaction costs have been excluded from the pro-forma income statement, although debt funded costs increase the forecast interest expense. Consensus estimate for Greencross standalone EPS in FY2015F is 28.6 cents per share (Source: Bloomberg as at 12 November 2013). Acquisition accounting adjustments have not yet been undertaken, and as such pro forma EPS accretion is before any potential amortisation on intangibles identified as part of this process.

⁴ Subject to limited exceptions relating to a takeover bid for or scheme announced by Greencross and the facilitation of intragroup transfers and financing arrangements.

How to vote

Vote in person

To vote in person, attend the Meeting on the date and at the place set out in the Chairman's letter above.

Vote by proxy

If you are not able to attend the Meeting, please complete and sign the proxy form enclosed with the Notice of Meeting as soon as possible.

To complete the proxy form, record your vote on the proxy form in relation to the Resolutions to be considered at the Meeting as follows:

- if you wish to approve the resolution, place a cross (X) in the space provided under the word 'FOR'
- if you don't wish to approve the resolution, place a cross (X), in the space provided under the word 'AGAINST'
- if you do not wish to vote in respect of the resolution, place a cross (X) in the space provided under the word 'ABSTAIN'.

Once you have completed and signed the proxy form, then you may lodge it:

- online at www.boardroomlimited.com.au/vote/greencrossmerger;
- by fax to +61 2 9290 9655;
- by mail to Boardroom Pty Limited, GPO Box 3993, Sydney NSW 2001 Australia;
- in person at Level 7, 207 Kent Street, Sydney NSW 2000 Australia.

You must ensure that your proxy form is received by 10.00am (Brisbane time) Monday 20 January 2014. Proxy forms received later than this time will be invalid.

Vote by corporate representative or power of attorney

If you are a corporate Shareholder and wish to appoint a representative to attend the Meeting, you should ensure that your representative can provide appropriate evidence of his or her appointment.

You may appoint another person, by power of attorney, to attend the Meeting and vote on your behalf. You will need to provide appropriate evidence of that power of attorney.

1. Overview

1.1 Purpose of document

An important transaction such as the Merger requires your approval at a general meeting of Shareholders before it can be implemented, which is to be held at 10.00am on Wednesday 22 January 2014 at Level 5, 123 Eagle Street Brisbane. Details of the Resolutions are set out in sections 6.2 to 6.6.

This Explanatory Memorandum sets out the rationale for the Merger and provides Shareholders with the necessary information to assist them in deciding how to vote on the Resolutions to be considered at the Meeting.

You should read this Explanatory Memorandum in its entirety before making a decision as to how to vote at the Meeting. If you have any doubt as to what you should do once you have read this Explanatory Memorandum, you should consult your independent financial, legal or other professional adviser.

1.2 Introduction

This section provides an introduction to the Merger and this document, and highlights the most critical information for Shareholders to be aware of. It is not intended to replace the document as a whole and Shareholders should read the entire Explanatory Memorandum.

1.3 Overview of Merger

1.3.1 Introduction

The Merger involves the acquisition by Greencross of all of the issued share capital of Mammoth from the Mammoth Sellers and the issue of 52,574,753 Shares to the Mammoth Sellers, representing 58.25% of the post-Completion share capital of Greencross.

Mammoth is Australasia's⁵ leading speciality pet care retailer, operating 100 stores in Australia trading as Petbarn and 24 in New Zealand trading as Animates (the latter in a 50:50 JV with EBOS)⁶. Further information on Mammoth is provided in section 3.

The terms and conditions of the Merger are set out in the Sale Agreement, which Greencross and Mammoth entered into on 14 November 2013. The Merger is conditional upon a number of matters, including the passing of the Resolutions. Details of the Sale Agreement including the other conditions to the Merger are set out in section 6.9.

1.3.2 Snapshot of Greencross post-Completion

Key metrics⁷ for the effect of the Merger on Greencross are set out below:

	before Merger	after Merger	
FY2014F revenue	\$131.2m	\$442.8m	Up 238%
FY2014F EBITDA	\$18.4m	\$54.3m	Up 196%
FY2014F EBIT	\$16.0m	\$42.3m	Up 164%
FY2014F NPAT attributable to members	\$8.9m	\$21.5m	Up 142%
Market capitalisation	\$245m ⁸	\$588m ⁹	Up 140%

⁵ Australasia refers to Australia and New Zealand.

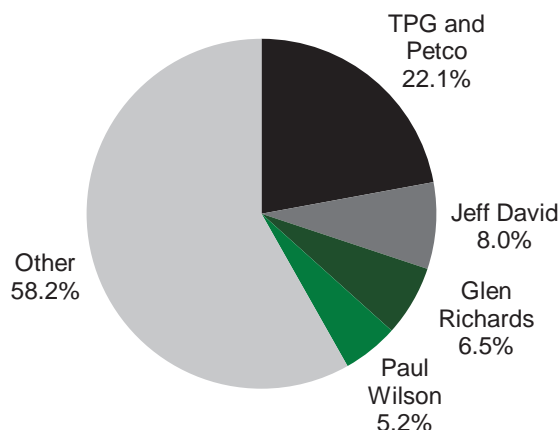
⁶ As at 12 November 2013.

⁷ See section 4.5.7 for key assumptions behind forecast FY2014 pro forma financials for Greencross and Mammoth.

⁸ Assuming a share price of \$6.52 as at 12 November 2013 and 37,682,334 Shares outstanding as at 12 November 2013.

Addressable market ¹⁰	approximately \$2bn	approximately \$7bn	Up 250%
Stores and clinics ¹¹	100	224	Up 124%
Employees	1,200	2,400	Up 100%

Further, the issue of 52,574,753 Shares to the Mammoth Sellers will increase the number of Shares on issue from 37,682,334 Shares to 90,257,087 Shares, and will change the capital structure of Greencross as outlined in section 4.6 of this Explanatory Memorandum. The diagram below sets out in summary the ownership structure of Greencross post-Merger:



1.3.3 Governance

Jeffrey David is a non-executive director of Greencross and the Executive Chairman of Mammoth. He has an interest in 0.07% of Greencross and an interest in 13.68% of Mammoth. Glen Richards is the Managing Director of Greencross and a non-executive director of Mammoth. He has an interest in 8.33% of Greencross and a fully diluted interest in 5.36% of Mammoth¹². Paul Wilson, Managing Director of Mammoth, has an interest in 0.06% of Greencross and an interest in 8.83% of Mammoth.

Accordingly, an Independent Board Committee was established by Greencross consisting of the Greencross Directors Stuart James, John Odium and Andrew Geddes, to consider the key Merger terms and transaction issues.

The Independent Directors unanimously recommend that you vote in favour of the Resolutions. Each Independent Director intends to vote any Shares they hold or control in favour of Resolutions 1 to 4. Refer to section 6.1 for further information.

If the Merger is implemented the Board will comprise a total of 7 Directors:

- 3 executive directors, being Jeffrey David, Glen Richards and Paul Wilson; and
- 4 non-executive directors, being Stuart James, who will also be the Chair, two TPG Growth nominated Directors, being Matthew Hobart and Scott Gilbertson, and Andrew Geddes.

The senior executives of MergeCo are to be Jeffrey David (Chief Executive Officer), Glen Richards (Managing Director, Veterinary Services) and Paul Wilson (Managing Director, Pet Care Retailing).

⁹ Market capitalisation of Greencross after the Merger calculated by multiplying the total shares on issue following Completion (which includes 147,058 Shares issued to Stuart James and John Odium on 19 November 2013 following shareholder approval at the annual general meeting of Greencross held on the same date) by the Greencross share price of \$6.52 at close of market on 12 November 2013.

¹⁰ Management estimates. Addressable market refers to the FY2014 market for the products and services offered by each of Greencross and Mammoth in 2012, being the market for veterinary services (in respect of Greencross) and the market for pet care retailing and pet services (excluding veterinary services) (in respect of Mammoth).

¹¹ As at 12 November 2013.

¹² Glen Richard's fully diluted interest in Mammoth includes 1,646 LTIP rights, which will convert to Mammoth shares on the implementation of the Merger.

1.4 Overview of rationale for merger and risks

The Merger will create Australasia's largest integrated consumer facing pet care company, offering a broad range of products and services to pet owners through its retail stores and clinics as well as through its online sales channel, with an attractive platform for future growth.

1.4.1 Key benefits for Shareholders

Greencross believes that there is a compelling strategic rationale for the Merger:

- Greencross' post-Completion scale and complementary retail and services model will provide a clear point of differentiation from its competitors and create an attractive platform for its future growth;
- The Merger will enable Greencross to strengthen its client and customer engagement, expand its product and service offering and create cross-selling opportunities, enhancing the established history between Greencross and Mammoth of working collaboratively on a range of initiatives including in-store vaccine clinics, pet fun day support and the co-location of stores and clinics;
- Greencross will become Australasia's largest integrated consumer facing pet care company with 224¹³ stores and clinics in Australia and New Zealand;
- Greencross will have a leading market position in the Australian specialty pet care retailing and pet services industry with a highly fragmented competitor landscape;
- Greencross' addressable market will increase from approximately \$2bn to approximately \$7bn;
- Greencross anticipates that significant cost and revenue synergies are achievable from the Merger;
- There are established precedents in the US and UK for the integrated retail and services business model, which have a track record of successful network expansion and earnings growth;
- Greencross will have a robust growth profile underpinned by its ongoing store & clinic roll-out and acquisition program, as well as the anticipated synergies; and
- Greencross will have an experienced Board and management team with significant industry expertise.

The Merger is expected to be EPS accretive for Greencross in FY2014 on a pro forma basis and to deliver double digit EPS accretion in FY2015 relative to a market consensus EPS estimate for Greencross on a standalone basis of \$0.286¹⁴.

1.4.2 Synergies - summary

Greencross anticipates significant cost and revenue synergies in the following areas are achievable as a result of the Merger, and expects to realise \$1.5m of cost synergies on an annualised pro forma basis for FY2014¹⁵:

Synergy driver	Detail
Increased scale	<ul style="list-style-type: none">— MergeCo's significantly greater size will enable the business to reduce scalable costs— Currently, approximately 20% of Greencross revenue is generated by retail product sales
Strong customer franchise in each business	<ul style="list-style-type: none">— Cross-selling between Greencross clinics and Mammoth stores
Mammoth's store footprint	<ul style="list-style-type: none">— Accelerate growth of Greencross network by co-locating new clinics into existing and new Mammoth stores

¹³ Based on Greencross clinics and Mammoth stores as at 12 November 2013.

¹⁴ EPS accretion calculated on a pro-forma basis and excluding any revenue synergies. The pro forma FY2014F calculation includes a full year contribution from both Greencross and Mammoth and a full year cost synergy contribution, as though the merger was effected on 1 July 2013. Payments relating to integration costs and transaction costs have been excluded from the pro-forma income statement, although debt funded costs increase the forecast interest expense. Consensus estimate for Greencross standalone EPS in FY2015F is 28.6 cents per share (Source: Bloomberg as at 12 November 2013). Acquisition accounting adjustments have not yet been undertaken, and as such pro forma EPS accretion is before any potential amortisation on intangibles identified as part of this process.

¹⁵ Refer to section 4.5.7 for details of the \$1.5m of cost synergies Greencross expects to realise on an annualised pro forma basis for FY2014.

Complementary capabilities in each business

- Utilise Mammoth's retailing competency to enhance Greencross merchandise offering in clinic
- Utilise Greencross vet capabilities and brand to extend Mammoth's services offering in store

Further details on the possible cost and revenue synergies are provided in sections 2.3 and 0.

1.5 Possible disadvantages of the Merger

The Merger has possible risks and disadvantages. Shareholders should read section 5 as well as the Independent Expert's Report, regarding the possible risks and disadvantages of the Merger.

The most significant possible risks and disadvantages include:

- Risks relating to implementation of the Merger, if approved; and
- Risks relating to deterioration in the trading environment generally.

1.6 Independent Expert's opinion

Deloitte has formed the view that the Merger is fair and reasonable to the Non-Associated Shareholders.

The Independent Expert Report is included in Annexure B of the Explanatory Memorandum. You should read that report in its entirety.

1.7 Shareholder approvals

As a condition to the Merger proceeding, Shareholders must approve the Resolutions, by majority of votes cast. Those resolutions relate to the following matters:

- (Resolution 1) The issue of 52,574,753 Shares to the Mammoth Sellers under the Sale Agreement for the purposes of ASX Listing Rule 7.1;
- (Resolution 2) The issue of Shares to entities controlled by Jeffrey David and Glen Richards for the purposes of ASX Listing Rule 10.11;
- (Resolution 3) The issue of Shares to, and the acquisition of those Shares by TPG Growth and Petco for the purposes of item 7 of section 611 of the Corporations Act;
- (Resolution 4) The acquisition by the Company of all of the Mammoth Shares from entities controlled by Jeffrey David and Glen Richards for the purposes of ASX listing Rule 10.1; and
- (Resolution 5) An increase in the aggregate remuneration payable to the Directors (as a whole), given the proposed increase in the number of Directors, for the purposes of article 8.4 of Greencross' constitution and ASX Listing Rule 10.17.

For further details on each of the Resolutions, the reasons they are required and details of the voting exclusions (if any), see sections 6.2 to 6.7.

The Resolutions will be put to Shareholders at the Meeting to be held at 10:00am (Brisbane time) on Wednesday 22 January 2014 at Level 5, 123 Eagle Street, Brisbane. The Notice of Meeting convening the Meeting, accompanied by the proxy form, has been sent to Shareholders with this Explanatory Memorandum. A copy of the Notice of Meeting is included in Annexure A.

1.8 Overview of additional information

Certain additional information is provided in section 6, including further details and information on the Resolutions and a summary of the key terms of the Sale Agreement.

1.9 Your questions answered

Topic	Summary	For more information
Why have I received this Explanatory Memorandum?	This Explanatory Memorandum is intended to help you, as a Shareholder, decide how to vote on the Merger which, if approved and implemented, will result in the merger of Greencross with	Section 6.2

	Mammoth.	
What is the Merger?	The Merger involves the acquisition by Greencross of all of the issued share capital of Mammoth from the Mammoth Sellers and the issue of 52,574,753 Shares to the Mammoth Sellers, representing 58.25% of the post-Completion share capital of Greencross. As a result of that acquisition, Mammoth will become a wholly-owned subsidiary of Greencross and the Mammoth Sellers will become shareholders in Greencross.	Section 6.9
Do the Greencross Directors recommend the Merger?	The Independent Directors unanimously recommend that you vote in favour of the Resolutions. Each Independent Director intends to vote any Shares they hold or control in favour of Resolutions 1 to 4.	Section 6.1
What has the Independent Expert said?	The Independent Expert has formed the view that the Merger is fair and reasonable to the Non-Associated Shareholders.	Section 1.6 Annexure B
When will the Merger be completed and the Merger implemented?	Subject to all Conditions being satisfied (which includes obtaining Shareholder approval of the Resolutions), Completion will occur on 31 January 2014.	Section 6.9
Will Shareholders need to be issued with New Shares?	No new Shares will be issued to existing Shareholders as a result of the Merger (although some Shareholders will be issued New Shares in their capacity as Mammoth Sellers).	-
Will Greencross remain listed on the ASX?	Yes, Greencross will remain listed on the ASX following the Merger.	-
What is the rationale and what are the possible key benefits for the Merger?	<p>Greencross believes that there is a compelling strategic rationale for the Merger, which will transform Greencross into Australasia's largest integrated consumer facing pet care company with a leading market position in the speciality pet care retailing and pet services industry and create an attractive platform for future growth.</p> <p>The Merger is expected to be EPS accretive for Greencross in FY2014 on a pro forma basis and to deliver double digit EPS accretion relative to a market consensus EPS estimate for Greencross on a standalone basis of \$0.286¹⁶.</p>	Sections 1.4.1, 1.4.2 and 2
What are the potential disadvantages and risks of the Merger?	<p>Key potential risks and disadvantages to the Merger include:</p> <ul style="list-style-type: none"> • Risks relating to implementation of the Merger, if approved; and • Risks relating to deterioration in the trading environment generally. 	Section 5
What happens if the Merger is not approved?	If the Merger is not approved Greencross will not acquire the shares in Mammoth.	-

¹⁶ EPS accretion calculated on a pro-forma basis and excluding any revenue synergies. The pro forma FY2014F calculation includes a full year contribution from both Greencross and Mammoth and a full year cost synergy contribution, as though the merger was effected on 1 July 2013. Payments relating to integration costs and transaction costs have been excluded from the pro-forma income statement, although debt funded costs increase the forecast interest expense. Consensus estimate for Greencross standalone EPS in FY2015F is 28.6 cents per share (Source: Bloomberg as at 12 November 2013). Acquisition accounting adjustments have not yet been undertaken, and as such pro forma EPS accretion is before any potential amortisation on intangibles identified as part of this process.

Has an alternative proposal been received from a third party?	Since the announcement of the merger discussions on Monday 14 October 2013 no alternative proposal has emerged from a third party.	-
If I wish to support the Merger, what should I do?	As a Shareholder, if you support the Merger, you should vote in favour of the Resolutions at the Meeting. The Notice of Meeting is included as Appendix A to this Explanatory Memorandum.	How to Vote
What if I cannot or do not wish to attend the Meeting?	If you cannot or do not wish to attend the Meeting, you may appoint a proxy, attorney, or representative to vote at the Meeting on your behalf. Full details on how these appointments may be made are contained in the Notice of Meeting, which was accompanied by the proxy form, sent to Shareholders together with this Explanatory Memorandum. A copy of the Notice of Meeting is included as Annexure A. Proxy forms and powers of attorney can be lodged up until 10.00am (Brisbane time) Monday 20 January 2014, being 48 hours before the date of the Meeting by any of the methods set out on the page titled "How to Vote". Proxy forms received later than this time will be invalid.	How to Vote
Is voting compulsory at the Meeting?	Whilst voting is not compulsory, the Greencross Board believes that the Merger is important to all Shareholders and encourages you to exercise your right to vote after having read this Explanatory Memorandum.	-
When will the results of the Meeting be known?	The results of the votes cast at the Meeting will be made publicly available during or shortly after the conclusion of the Meeting.	-
What are the tax implications of the Merger for Shareholders?	There will be no tax implications for Shareholders upon the Merger as the Merger itself will not result in a change to their Greencross shareholding for tax purposes. Shareholders should seek their own independent taxation advice in relation to the implications of continuing to own or disposing of Greencross shares at any time.	-
What are my options in relation to the Merger?	As a Shareholder, your options are to: <ul style="list-style-type: none"> Follow the unanimous recommendation of the Independent Directors and vote in favour of the Resolutions at the Meeting to be held at 10.00am on Wednesday 22 January 2014 at Level 5, 123 Eagle Street, Brisbane; Vote against the Resolutions at the Meeting; Sell your Shares prior to the implementation of the Merger (to be on or about 31 January 2014); or Do nothing. 	How to Vote
What should I do now?	Read this Explanatory Memorandum in full before making any decision on the Merger. If necessary, seek independent financial, legal or other professional advice, as this Explanatory Memorandum does not take into account the financial situation, investment objectives and particular needs of any individual Shareholder. Determine how you wish to vote on the Resolutions, or abstain.	-

	Vote at the Meeting.	
Further questions?	If you have any other questions in relation to the Merger, please call the Merger Information Line on +61 7 3435 3593 or consult your professional adviser.	-

2. Rationale for Merger

2.1 Overview

This section provides information on the rationale for the Merger.

The Merger will create Australasia's largest integrated consumer facing pet care company, offering a broad range of products and services to pet owners through its retail stores and clinics as well as through its online sales channel, with an attractive platform for future growth, by combining two leaders in highly fragmented and closely allied industries:

	Greencross	Mammoth
Leading business	Largest, and only listed, veterinary services provider in Australia. Forecast FY2014 revenue of \$131.2m across 100 clinics.	Largest speciality pet care retailer in Australia and New Zealand. Forecast FY2014 revenue of \$3311.6m across a portfolio of 138 stores at year end.
Attractive market	Addressable market in Australia of approximately \$2bn ¹⁷ . Highly fragmented market, with approximately 2,650 veterinary practice locations of which approximately 150 are owned by corporate veterinary service providers, with the remainder operating as independent practices.	Addressable market in Australia of approximately \$5bn ¹⁷ . Highly fragmented market, consisting of Petbarn (100 stores ¹⁸) with approximately 4% market share by revenue, other specialty pet care retailers (approximately 200 stores under approximately 6 owners) and independent operators (approximately 1,350 stores), who collectively account for approximately 52% of the market by revenue. Supermarket retailers, who offer a limited range of pet food and other products, represent approximately 44% of the market by revenue.
Strong growth	Like-for-like sales growth of approximately 5.4% in FY2013. Long term goal to achieve 20% market share by revenue from its existing market share by revenue of approximately 5%.	Like-for-like sales growth of approximately 8.5% in Australia in FY2013. Long term goal to achieve 20% market share by revenue from its existing market share by revenue in Australia of approximately 4%.
Cultural alignment	<i>"Passionate about pets"</i> <i>"Our purpose is to share our love and passion for animals through the pursuit of veterinary excellence"</i>	<i>"Everything for pets"</i> <i>"Our purpose is to enrich the lives of pet owners and their pets"</i>

¹⁷ Management estimate

¹⁸ As at 12 November 2013.

2.2 Strategic fit enabling enhanced business model

Greencross believes that the strategic rationale for the Merger is compelling, as detailed in the following sections 2.2.1 to 2.2.8.

2.2.1 Differentiation

Greencross' post-Completion scale and complementary retail and services model will provide a clear point of differentiation from its competitors and create an attractive platform for its future growth.

2.2.2 Enhanced offering

The Merger will enable Greencross to strengthen its client and customer engagement, expand its product and service offering and create cross-selling opportunities, including through potential access to Mammoth's 1.5m *Friends for Life* members, enhancing the established history between Greencross and Mammoth of working collaboratively on a range of initiatives including in-store vaccine clinics, pet fun day support and the co-location of stores and clinics.

2.2.3 Largest of breed

Greencross will become Australasia's largest integrated consumer facing pet care company with 224¹⁹ stores and clinics in Australia and New Zealand:

- 85 veterinary general practices;
- 7 veterinary emergency centres;
- 4 veterinary specialty centres;
- 2 veterinary pathology labs;
- 2 veterinary crematoria;
- 100 Petbarn stores; and
- 24 Animates stores,

with the largest market share by revenue in each of speciality pet care retailing and veterinary services and no other competitor operating a combined retailing and services business model at a comparable scale.

2.2.4 Market

Greencross will have a leading market position in the Australian specialty pet care retailing and pet services industry, with a highly fragmented competitor landscape. Greencross' addressable market will increase from approximately \$2bn to approximately \$7bn²⁰.

- The market shares by revenue of Petbarn and other key players of the pet care retail market are estimated to be as follows:
 - 44% - Supermarket retailers (as in, not speciality pet care retailers);
 - 4% - Petbarn (largest speciality pet care retailer); and
 - 52% - Other specialist pet care retailers & service providers and independent operators, with the six next largest competitors to Petbarn operating between them approximately 200 stores and independent operators accounting for approximately 1,350 stores.
- The market shares by revenue of Greencross and other key players in the veterinary service market are estimated to be as follows:
 - 5% - Greencross; and
 - 95% - Other veterinary service providers (of whom the next largest is estimated to have a market share of approximately 1% by revenue).

¹⁹ Based on Greencross clinics and Mammoth stores as at 12 November 2013.

²⁰ Management estimates.

2.2.5 Synergies

Greencross anticipates that significant cost and revenue synergies are achievable from the Merger. Further details are set out in section 2.3 below.

2.2.6 International precedents

There are established precedents in the US and UK for the integrated retail and services business model, which have a track record of successful network expansion and earnings growth, and much larger market shares by revenue than Greencross or Mammoth:

- In the United States, *PetSmart* is estimated to enjoy 18% market share by revenue, whilst *Petco* is estimated to enjoy 9% market share by revenue²¹; and
- In the United Kingdom, *Pets at Home* is estimated to enjoy 11% market share by revenue.

This suggests that there is significant scope for further growth, particular when utilising an integrated pet care retailing and veterinary services business model. The long term goal of Greencross post-Merger would be to achieve a 20% share of its addressable market.

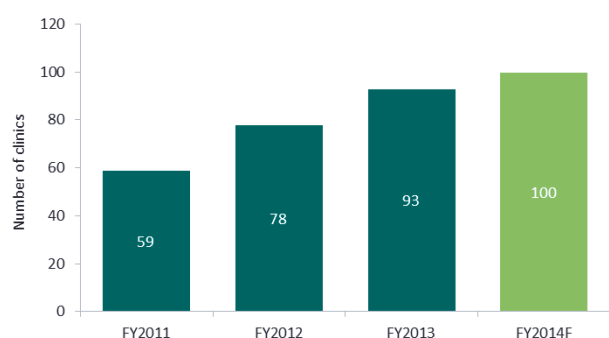
2.2.7 Growth profile

Greencross will have a robust growth profile underpinned by its ongoing store & clinic roll-out and acquisition program, as well as the anticipated cost and revenue synergies.

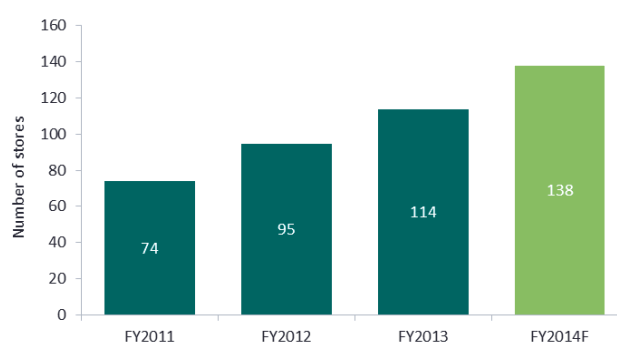
The Merger combines two fast growing businesses: Greencross and Mammoth have each separately and without the benefits of the Merger delivered FY2011-FY2013 historical EBITDA compound annual growth rates of over 25%.

The historical and forecast growth in store and clinic numbers, revenue and EBITDA for the four years to and including FY2014 are set out below:

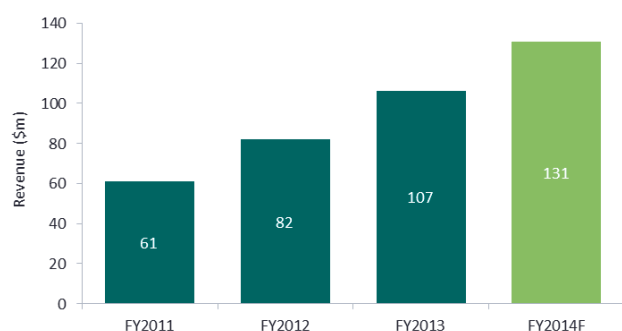
Greencross – Growth in number of clinics FY2011 – FY2014⁽¹⁾



Mammoth – Growth in number of stores FY2011 – FY2014⁽²⁾



Greencross – Revenue growth FY2011 – FY2014

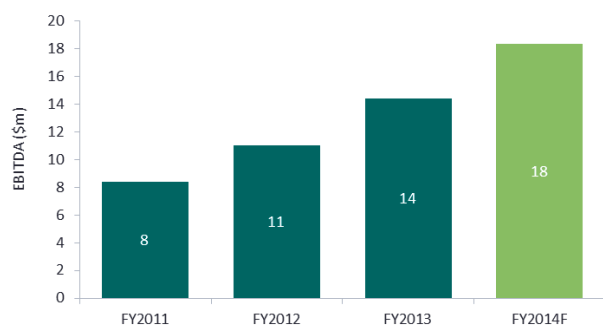


Mammoth – Revenue growth FY2011 – FY2014⁽³⁾



²¹ Estimates are management estimates based on data from Euromonitor, PetSmart 2013 annual report, American Pet Products Association, IBISWorld, OC&C and other public sources.

Greencross - EBITDA growth FY2011 – FY2014



Mammoth - EBITDA growth FY2011 – FY2014⁽³⁾



Source: Statutory audited financials, adjusted for one-off and non-recurring items; management forecasts.

(1) Assumes current clinic portfolio only.

(2) Assumes 138 stores at year end.

(3) Animates revenue and EBITDA 100% consolidated, with FY2014F revenue and EBITDA converted at A\$1:NZ\$1.25.

2.2.8 Industry expertise

Greencross will have an experienced Board and management team with significant industry expertise. Refer to the Board and management biographies in section 4.7.

2.3 Synergies

Greencross anticipates synergies in the following areas are achievable as a result of the Merger, and expects to realise \$1.5m of cost synergies on an annualised pro forma basis for FY2014²²:

Type	Synergy driver	Detail	Key initiatives	Timing ²³
Cost	Increased scale	<ul style="list-style-type: none"> Greencross' significantly greater size will enable the business to reduce scalable costs Currently approximately 20% of Greencross revenue is generated by retail product sales 	— Improve procurement terms for both businesses to match the best terms currently being achieved by either business	6 to 12 months from Merger
			— Improve margins from increased scale and further penetration of private label products	6 to 12 months from Merger
			— Leverage shared services for future growth	12 or more months from Merger
Revenue	Strong customer franchise in each business	— Cross-selling between Greencross clinics and Mammoth stores	— Targeted marketing to encourage Mammoth customers to use Greencross clinics	0 to 6 months from Merger
			— Targeted marketing to encourage Greencross clients to use Mammoth stores	0 to 6 months from Merger
	Mammoth's store footprint	— Accelerate growth of Greencross network by co-locating new clinics into existing and new Mammoth stores	— Co-locate Greencross clinics into existing and new Petbarn stores	12 or more months from Merger

²² Refer to section 4.5.7 for details of the \$1.5m of cost synergies Greencross expects to realise on an annualised pro forma basis for FY2014.

²³ Timing refers to indicative timing only for commencement of benefits.

	Complementary capabilities in each business	— Utilise Mammoth's retailing competency to enhance Greencross merchandise offering in clinic	— Enhance Greencross retail product merchandising	6 to 12 months from Merger
		— Utilise Greencross vet capabilities and brand to extend Mammoth's services offering in store	— Offer Greencross products and services in Petbarn stores (including prescription, OTC drugs, vaccinations, and other veterinary-related services)	6 to 12 months from Merger

2.4 Other benefits

Following the Merger, Greencross' implied market capitalisation will be approximately \$588m²⁴, compared to approximately \$245m before the announcement of the Merger. Greencross expects that this will result in increased liquidity in Shares on ASX and potentially a greater number of research analysts producing research reports on Greencross, as well as lower costs should Greencross raise capital in the future, all of which provides enhanced support for Greencross' veterinary consolidation program and Mammoth's store rollout and acquisition program. The increase in Greencross' capitalisation may also lead to the inclusion of Greencross in the S&P/ASX200 index in the future, which is expected would result in increased interest from institutional investors.

The increase in Greencross' size and market capitalisation may also make Greencross more attractive to prospective employees and provide new opportunities for existing employees.

2.5 Risks and disadvantages

The Merger has possible risks and disadvantages. Shareholders should read section 5 as well as the Independent Expert's Report, regarding the possible risks and disadvantages of the Merger.

²⁴ Assuming a share price of \$6.52 as at 12 November 2013 and 37,682,334 Shares outstanding as at 12 November 2013.

3. Mammoth

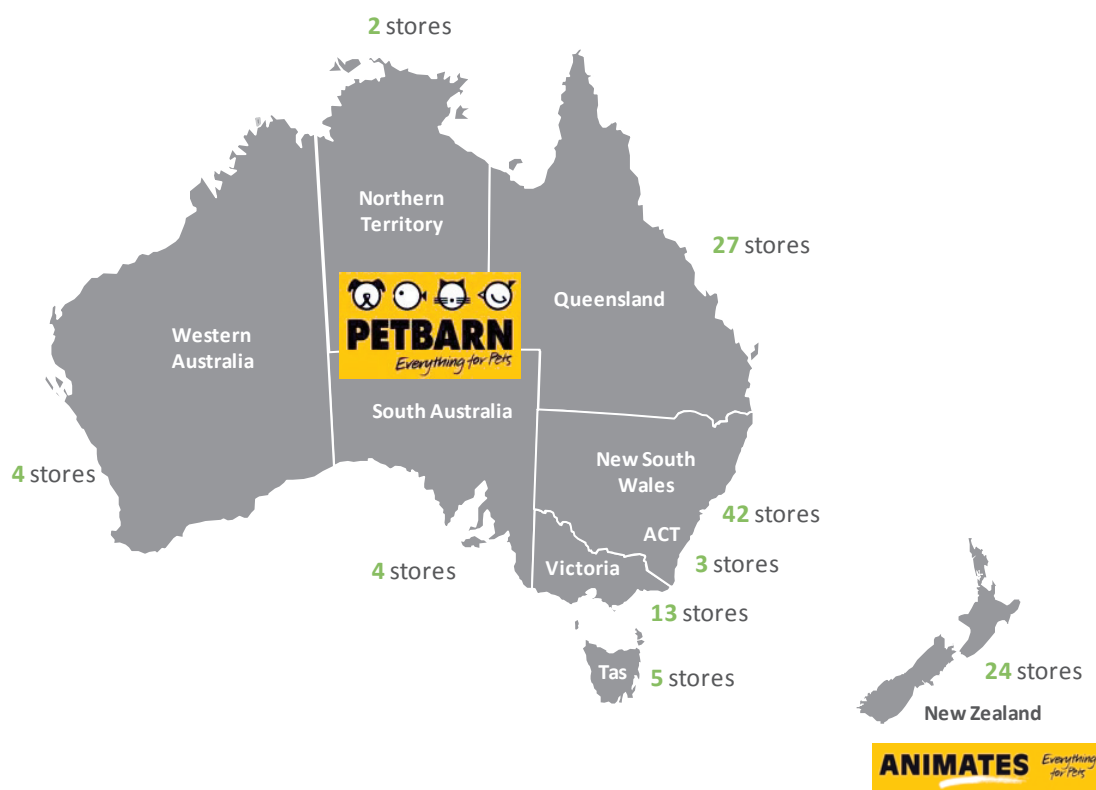
3.1 Overview

Mammoth is Australasia's leading specialty pet care retailer operating under the Petbarn brand in Australia and the Animates brand in New Zealand.

Mammoth offers a broad range of products and services to owners of all types of pets, including dogs, cats, fish, birds, reptiles and small animals, through its store network and online sales platform. At many locations the company also provides certain non-veterinary services, such as grooming services, dog wash facilities and pet adoptions, the latter of which is supported through the company's relationships with the RSPCA and Lort Smith Foundation. Petbarn has also established The Petbarn Foundation to support charities focused on enriching the lives of pets and the people who love and need them.

Petbarn commenced operations in 1979, with Mammoth acquiring its interest in 2006. Since Mammoth's acquisition of Petbarn, the business has grown both organically and through acquisitions to become Australasia's leading specialty pet care retailer.

Location of Mammoth stores as at 12 November 2013



As at 12 November 2013, Mammoth had a network of 100 Petbarn stores across Australia. In addition, lease commitments have been entered into for additional premises as part of the company's store roll out program. Management estimates Petbarn has a 4% market share of the pet care and pet services market (excluding veterinary services), and is the largest speciality pet care retailer by market share²⁵. Mammoth expects to operate 105 Petbarn stores across all Australian states and territories by 31 December 2013 and to open a further 8 Petbarn stores in the six months to 30 June 2014, with commitments in place for all of those Petbarn stores (subject to build and Development Application approval).

Mammoth also holds a 50% controlling interest in Animates, the leading New Zealand specialty pet care retailer by market share²⁶. Animates commenced operations in 1996, with Mammoth acquiring its interest in 2007. Mammoth holds its interest in Animates through a joint venture arrangement with EBOS Group

²⁵ Based on management estimates, by revenue.

²⁶ Management estimate, by revenue.

Limited, a New Zealand stock-exchange-listed healthcare and animal care provider. As at 12 November 2013 Animates operated 24 stores across New Zealand and expects to open a further store by 30 June 2014.

3.2 Business model

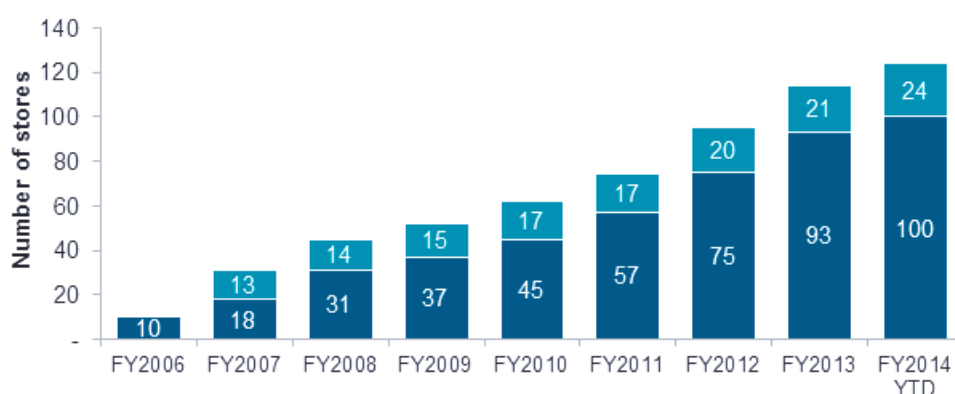
3.2.1 History

Mammoth was formed in 2006 through the acquisition of 10 Petbarn branded pet speciality retail stores in New South Wales and the Australian Capital Territory, with Petbarn having traded since 1979.

Mammoth expanded beyond New South Wales and the Australian Capital Territory with its July 2006 acquisition of the *Jansens* business and its July 2007 acquisition of its interest in the Animates business in New Zealand, taking the store portfolio to 31 by the end of FY2007. In FY2008, Mammoth commenced operations in Queensland and the Northern Territory, and when it entered the Victorian market in FY2010 it operated a portfolio of 62 stores by year end. In FY2011 Mammoth further expanded into Tasmania, reaching 74 stores by year end.

The business continued to grow through FY2012, entering South Australia that year, by which time the store network had expanded to 95. In FY2013, Mammoth entered the Western Australian market, and by 30 June 2014 is anticipated to operate a network of 138 stores.

Store number profile as at 12 November 2013

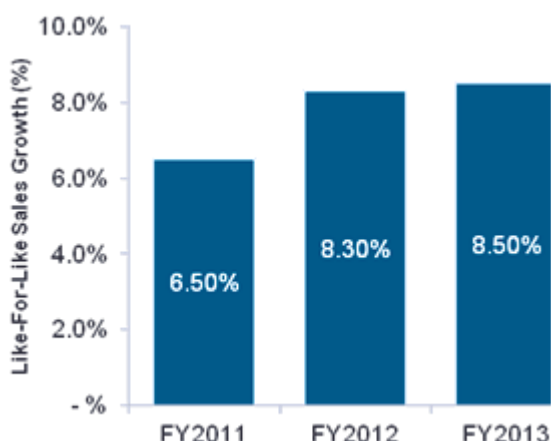


Source: Mammoth Management.

Mammoth has grown to now employ over 1,200 staff, and offers over 6,000 products through its retail store and online channels.

Mammoth's like-for-like sales growth compares favourably to ASX listed retailers and consumer staples. During the year FY2013, Mammoth grew sales to \$260²⁷m. On a like-for-like basis, sales have grown, on average, at high single-digit rates over the past five financial years, largely driven by increased traffic to stores. Petbarn achieved like-for-like sales growth of 8.5% in FY2013 with Mammoth overall achieving like-for-like sales growth of 6.7%.

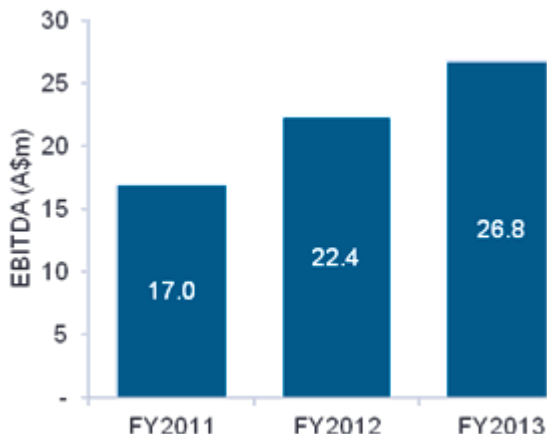
Petbarn like-for-like sales growth history FY2011-FY2013



Source: Mammoth management accounts

Mammoth has produced strong EBITDA growth over the past three years. For the period from FY2011 to FY2013, it realised compound annual growth in underlying EBITDA of approximately 25%.

Mammoth historical EBITDA FY2011-FY2013



Source: Mammoth management accounts

Note: Animates revenue and EBITDA 100% consolidated

3.2.2 Industry overview and competitive landscape

The addressable specialty pet care retail market in Australasia is estimated to be approximately A\$5bn. Growth in the specialty pet care retail market has outperformed the overall retail industry over the past decade. Pet food and pet product sales have grown at approximately 5.0% pa over the past decade²⁸, against approximately 4.6% for the broader retail market²⁹.

²⁷ \$260m represents the statutory sales revenue for Mammoth in FY2013. FY2013 incorporated a 53rd week of trade during which \$5m of sales were realised. To allow for comparison with FY2011 and FY2012 (which were both 52 weeks periods) this 53rd week has been adjusted out of the pro forma FY2013 sales revenue of \$255m.

²⁸ Based on management estimates based on data from ABS and Euromonitor.

²⁹ Source: Australian Bureau of Statistics.

Australia has one of the highest rates of pet ownership in the world, with 63% of households owning a pet and 53% of households owning either a dog or a cat³⁰.

There are favourable demographic trends which are expected to drive the growth of this market, including:

- A growing awareness of pet nutrition, which has seen a trend towards higher margin premium and specialty food brands which offer higher nutritional value. This awareness has also led to a reduction in the feeding of pets from leftovers (sometimes referred to as “table scrapping”). The shift to premium food is believed to drive customers away from the mass market, self-service, trading environment to specialty pet care retailers due to the ability of the latter to provide advice and service to customers.
- An increase in the extent to which pet owners indulge their pets, sometimes referred to as ‘the humanisation of pets’. This in turn drives the sale of premium products, such as treats, and services, such as grooming, accommodation and hydrotherapy. Acupuncture, chiropractic services and other alternative health treatments are also becoming increasingly popular, and there is a growing market in pet insurance.

Competitive landscape

The pet care retail market is characterised by a fragmented competitor landscape, with significant opportunities for consolidation.

The market shares by revenue of Petbarn and other segments of the pet care retail and pet services (excluding veterinary services) market are estimated to be as follows:

- Petbarn – 4%;
- Supermarket retailers – 44%; and
- Other specialist pet care retailers and service providers (including independent operators) – 52%.

It is estimated that over three quarters of specialty pet care retailers in Australia by number of stores are independent operators:

Estimated Australian specialty pet care retail store numbers

Company	Stores
Petbarn	100
PETStock	88
City Farmers	36
Best Friends	16
Better Pet & Garden	13
Other pet super stores ¹	72
Total pet superstores	306
Other	1,354
Total	1,660

Source: Mammoth management estimates, as at 12 November 2013.

Note 1. Represents other chain stores with typically fewer than 10 small format stores.

Despite Mammoth’s rapid growth, comparable international players have significantly larger market shares:

- In the United States, PetSmart is estimated to enjoy 18% market share by revenue, whilst Petco is estimated to enjoy 9% market share by revenue³¹; and
- In the United Kingdom, Pets at Home is estimated to enjoy 11% market share by revenue.

This suggests that there is significant scope for further growth and Mammoth’s long term goal is to achieve a 20% share of its addressable market.

³⁰ Source: Animal Health Alliance, Pet Ownership in Australia 2013.

³¹ Estimates are management estimates based on data from Euromonitor, PetSmart 2013 annual report, American Pet Products Association, IBISWorld, OC&C and other public sources.

Products

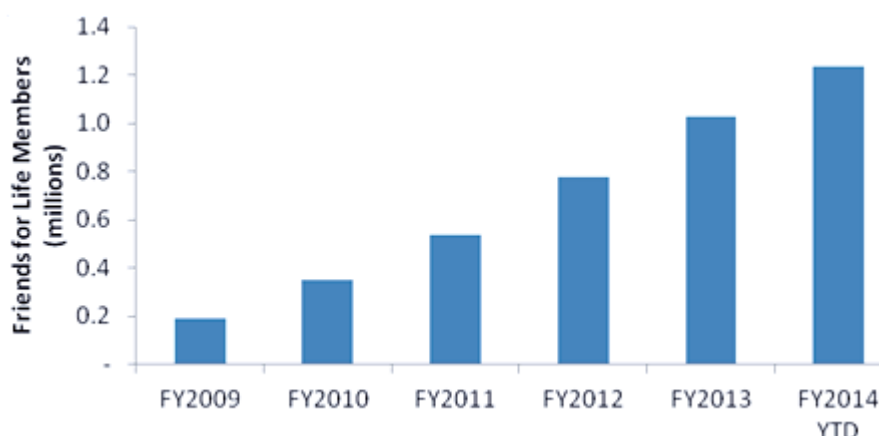
Mammoth's products are marketed to owners of all pets, including dogs, cats, fish, birds, reptiles and small animals. Key categories covered include:

- Food and treats;
- Health and wellbeing;
- Grooming;
- Toys;
- Training and behaviour control;
- Collars, leads, harnesses and other accessories;
- Bedding; and
- Kennels, cages and aquariums.

3.2.3 Customers

The majority of Mammoth's customer base is comprised of individual pet owners. Mammoth serves more than 105,000 customers a week, equivalent to more than 5.5m transactions per year. To drive customer loyalty and encourage retention, Mammoth operates its own loyalty program, the *Friends for Life* club. The club operates in all Petbarn stores, and has also been implemented in the Animates business.

Petbarn's Friends For Life Members history FY2009-FY2014 Year-To-Date (as at 12 November 2013)



The program commenced in 2009, and as at 12 November 2013, there were 1.1m Petbarn members and 0.4m Animates members. Since FY2009, Petbarn memberships have grown by a compound annual growth rate of 53%.

Club members receive store vouchers on reaching certain spending milestones. For example, customers might receive a free bag of pet food after having previously purchased ten pet food bags. Members are also eligible for exclusive member offers and receive invitations to exclusive member events.

3.2.4 Growth drivers

There are three key drivers of future Mammoth growth:

- Organic growth;
- Growth from operating initiatives; and
- Acquisitive growth.

Organic growth

Mammoth is seeking to roll out NTI ("new to industry") stores to achieve critical mass³² in target regions. NTI stores are to comprise a large component of the planned expansion in Mammoth's market share.

To support the selection of sites for its NTI stores, Mammoth has compiled a detailed network plan, which identifies targeted sites, supported by detailed demographic analysis. Potential locations are prioritised based on the most appropriate precincts for expansion.

³² Mammoth considers that a target region achieves critical mass when the stores within that region reach their financial break-even point taken as a whole.

Once a site has been identified, Mammoth uses its team of demographers to provide a statistical view of the proposed location. This statistical view forms part of Mammoth's long term business planning process.

Operating initiatives

Mammoth is implementing a number of operating initiatives to drive future growth. These include:

- Improved understanding of the customer base through the *Friends for Life* loyalty card, to support targeted marketing initiatives;
- Dynamic category management, to manage product mix to maximise margin, including through direct import of higher margin private label products where appropriate;
- Implementing a multi-channel offering following the extension of its state of the art e-commerce website in FY2012;
- Development of centralized distribution to improve supply chain management; and
- Further investment in systems to streamline and advance business processes.

Acquisitive growth

Mammoth's historical growth has materially benefited from its store acquisition strategy, using acquisitions to move into new geographies to provide critical mass. Of its 12 November 2013 portfolio of 124 stores³³, 57 of these have been acquired, as opposed to being NTI stores opened by Mammoth.

Acquiring existing stores can enable access to favourable locations and provides ready access to an established customer base. Historically, the majority of Mammoth's acquired stores have been part of networks (for example, the initial purchase of 10 *Petbarn* stores in FY2006, 7 *Animates* stores and 6 *Jansens* stores in FY2007, 4 *Petwise* stores in FY2011, and 5 *Pets Domain* stores in FY2012).

3.3 Financial information

3.3.1 Basis of preparation for Mammoth financial information

The financial information contained in this section has been prepared by the directors of Mammoth and includes:

- Historical financial information for Mammoth being the:
 - Consolidated statutory balance sheet as at 30 June 2013 (section 3.3.2);
 - Consolidated statutory income statements for FY2011, FY2012 and FY2013 (section 3.3.4)
 - Consolidated pro forma income statements for FY2011, FY2012 and FY2013 (section 3.3.4);
 - Consolidated statutory cash flow statements for FY2011, FY2012 and FY2013 (section 3.3.6); and
- Forecast financial information for Mammoth, being the:
 - Pro forma consolidated forecast income statement for FY2014 (section 3.3.8); and
 - Pro forma consolidated forecast cash flow statement for FY2014 (section 3.3.10),

(together the **Mammoth Forecast Financial Information**).

The Mammoth Historical Financial Information and the Mammoth Forecast Financial Information collectively form the Mammoth Financial Information. The Mammoth Financial Information, together with the corresponding Greencross Historical Financial Information, Greencross Forecast Financial Information, MergeCo Historical Financial Information and MergeCo Forecast Financial Information as defined in section 4, collectively forms the Financial Information.

The pro forma financial information should be read in conjunction with the limitations explained in the *Forward Looking Statements and Responsibility for Information* statements contained within the *Important Notices* section of this Explanatory Memorandum.

All amounts disclosed in the tables are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest \$0.1m.

³³ As at 12 November 2013

Basis of preparation and presentation of the Financial Information

The Financial Information has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards, although it is presented in an abbreviated form insofar as it does not include all the disclosures, statements or comparative information as required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

3.3.1.1 Mammoth Historical Financial Information

The consolidated statutory income statements and cashflow statements for FY2011, FY2012 and FY2013 and the consolidated statutory balance sheet as at 30 June 2013 for Mammoth have been extracted from the audited financial statements of Mammoth Pet Holdings Pty Limited for FY2011, FY2012 and FY2013. The financial statements were audited by PwC who issued unqualified opinions in respect of all periods shown.

The pro forma consolidated income statements for FY2011, FY2012 and FY2013 have been derived from the audited financial statements. As set out below, the directors of Mammoth have adjusted the audited statutory income statements to reflect the underlying earnings of Mammoth during these periods by removing one-off or non-recurring items.

3.3.1.2 Mammoth Forecast Financial Information

The Mammoth Forecast Financial Information has been prepared by Mammoth based on an assessment of present economic and operating conditions and on a number of best estimate assumptions regarding future events and actions as set out in the section below. This information is intended to assist Shareholders in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur.

The Mammoth Forecast Financial Information presented in this Explanatory Memorandum has been reviewed by PwC Securities but has not been audited. An Independent Accountant's Report prepared by PwC Securities is included in Annexure C. Mammoth believes the best estimate assumptions when taken as a whole to be reasonable at the time of preparing this Explanatory Memorandum. However, this information is not fact and Shareholders are cautioned not to place undue reliance on the Mammoth Forecast Financial Information.

Shareholders should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Mammoth Forecast Financial Information, and that this may have a material positive or material negative effect on Mammoth's actual financial performance or financial position.

Accordingly, no person can give Shareholders any assurance that the outcomes discussed in the Mammoth Forecast Financial Information will arise.

The information in this section should be read in conjunction with the specific and general assumptions as set out in this section below, the risk factors as set out in section 5 below and other information in this Explanatory Memorandum.

There is currently no intention to update or revise the Mammoth Forecast Financial Information or other forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Explanatory Memorandum, except where required by law

3.3.1.3 Mammoth accounting policies

The accounting policies relevant to the Mammoth Historical Financial Information are comparable to those adopted by Greencross (as detailed in the Greencross annual report for FY2013) in all material respects.

The AIFRS accounting policies adopted by Mammoth and its subsidiaries in the preparation of the Mammoth Forecast Financial Information are consistent with those set out in its financial report for FY2013 as detailed in Annexure D.

3.3.2 Mammoth historical balance sheet

Set out in Table 3.1 below is the consolidated balance sheet for Mammoth and its subsidiaries as at 30 June 2013, presented on a statutory basis.

Table 3.1 – Mammoth historical balance sheet – as at 30 June 2013

A\$m	Statutory
Current assets	
Cash and cash equivalents	8.3
Inventories	35.4
Trade Receivables	4.6
Other	0.5
Total current assets	48.8
Non current assets	
Property, plant and equipment	56.5
Intangibles	54.8
Other	3.7
Total non current assets	114.9
Total Assets	163.8
Current liabilities	
Trade and other payables	24.4
Borrowings	8.0
Current Tax Liabilities	2.0
Provisions	9.0
Total current liabilities	43.4
Non current liabilities	
Borrowings	74.1
Derivative Financial Instruments	1.9
Provisions	5.8
Total non current liabilities	81.8
Total liabilities	125.2
Net assets	38.6

3.3.3 Commentary on Mammoth historical balance sheet

Assets

Cash and cash equivalents

Cash and cash equivalents primarily pertains to cash at bank, cash in hand, and clearing accounts for sales revenue not received in cash (for example, weekend credit card receipts).

Trade and other receivables

Management invoice promotional and volume rebates in the month of sale and growth rebates quarterly, half-yearly or annually. Supplier rebates accounted for more than 90% of the receivables balance as at 30 June 2013.

Inventories

Inventory consists of retail product for sale to customers. Inventories are primarily held in store and stock counts are performed on a cycle count basis weekly across all Mammoth stores.

Other current assets

Other current assets are comprised of:

- Prepayment relating to annual maintenance fees for stores and the company's financial management system
- Other receivables relating to the rent deposits for new stores

Property, plant and equipment

Property, plant and equipment comprises the following items (at written down value):

- Plant and equipment - \$31.9m
- Leasehold improvements - \$23.4m
- Other³⁴ - \$1.2m

Intangibles

As at 30 June 2013, intangibles represent goodwill relating to acquired stores. Management undertake an annual impairment review.

Other non-current assets

Other non-current assets represent the deferred tax asset balance of \$3.7m.

Liabilities

Trade and other payables

Trade payables mainly consists of purchase of goods from Animal Supplies, Masterpet and other suppliers.

Other current provisions

Other current provisions consists of:

- Employee benefits - \$5.8m
- Customer loyalty programs - \$1.3m
- Lease incentives - \$1.3m
- Other - \$0.6m

Borrowings

Borrowings consists of a senior debt facility held with National Australia Bank and Bank of New Zealand as a source of funding for new store acquisitions and NTIs for Mammoth.

Other non-current provisions

Other non-current provisions comprises:

- Employee benefit provisions - \$0.4m
- Lease incentives - \$3.8m
- Make good provisions - \$1.6m

³⁴ Other property, plant and equipment comprises fit out, hire purchase, motor vehicle, office equipment, and other work in progress.

3.3.4 Mammoth historical income statements

Mammoth's pro forma consolidated income statements for FY2011, FY2012 and FY2013 are summarised in Table 3.2. Mammoth's consolidated statutory income statements for FY2011, FY2012 and FY2013 are summarised in Table 3.3. A reconciliation between the pro forma and statutory income statements is provided in Table 3.4.

Table 3.2 – Mammoth pro forma income statements

A\$m	FY2011	FY2012	FY2013
Revenue	170.0	210.6	255.5
Cost of goods sold	(98.6)	(116.5)	(140.5)
Gross Margin	71.4	94.1	115.0
Operating expenses	(54.4)	(71.7)	(88.2)
EBITDA	17.0	22.4	26.8
Depreciation and Amortisation	(4.6)	(7.6)	(7.3)
EBIT	12.4	14.9	19.4
Net Interest Expense	(6.6)	(6.8)	(6.7)
Profit Before Tax	5.8	8.0	12.7
Income Tax Expense	(1.8)	(2.6)	(3.4)
Net Profit After Tax	4.4	5.4	9.2
Outside Equity Interest	(0.9)	(0.4)	(0.7)
Net Profit After Tax Attributable to Mammoth members	3.1	5.0	8.5

Table 3.3 - Mammoth statutory income statements

A\$m	FY2011	FY2012	FY2013
Revenue	170.0	210.6	261.0
Cost of goods sold	(98.6)	(116.5)	(143.5)
Gross Margin	71.4	94.1	117.5
Operating expenses	(57.2)	(72.0)	(91.4)
EBITDA	14.3	22.1	26.0
Depreciation and Amortisation	(4.6)	(7.6)	(7.5)
EBIT	9.7	14.5	18.6
Net Interest Expense	(6.6)	(6.8)	(6.9)
Profit Before Tax	3.1	7.7	11.7
Income Tax Expense	(0.6)	(3.3)	(3.1)
Net Profit After Tax	2.5	4.2	8.5
Outside Equity Interest	(0.9)	(0.4)	(0.7)
Net Profit After Tax Attributable to Mammoth members	1.5	3.9	7.8

Table 3.4 - Reconciliation of pro forma to statutory income statements

A\$m	EBITDA	NPAT attributable to MergeCo Shareholders
Statutory FY2011	14.3	1.5
Restructure costs	2.6	1.9
Transaction costs	0.1	0.1
Income tax expense adjustment	-	(0.4)
Pro Forma FY2011	17.0	3.1
Statutory FY2012	22.1	3.9
Transaction costs	0.4	0.2
Income tax expense adjustment	-	(0.9)
Pro Forma FY2012	22.4	5.0
Statutory FY2013	26.0	7.8
53rd week adjustment	(0.9)	(0.4)
Transaction costs and other one off costs	1.6	1.1
Pro Forma FY2013	26.8	8.5

Notes on pro forma adjustments**FY2011**

In arriving at Mammoth's underlying net profit attributable to equity holders, Mammoth's statutory profit attributable to equity holders (\$1.5m) was adjusted by:

- adding back acquisition related costs of \$0.1m;
- adding back restructuring costs relating to the acquisition of TPG Growth's interest of \$1.9m; and
- subtracting a \$0.4m true-up of income tax expense attributable to a prior period.

The underlying profit attributable to equity holders, which differs from the statutory figures, is unaudited.

FY2012

In arriving at Mammoth's underlying net profit attributable to equity holders, Mammoth's statutory profit attributable to equity holders (\$3.9m) was adjusted by:

- adding back acquisition related costs of \$0.2m; and
- adding back a \$0.9m true-up of income tax expense attributable to a prior period.

The underlying profit attributable to equity holders, which differs from the statutory figures, is unaudited.

FY2013

In arriving at Mammoth's underlying net profit attributable to equity holders, Mammoth's statutory profit attributable to equity holders (\$7.8m) was adjusted by:

- adding back acquisition related costs and other one off costs of \$1.1m; and
- subtracting the adjustment for the 53rd week of trade included in FY2013 (\$0.4m).

The underlying profit attributable to equity holders, which differs from the statutory figures, is unaudited.

3.3.5 Commentary on Mammoth pro forma income statements

FY2012 compared to FY2011

Revenue

Mammoth's significant sales growth of approximately 24% was primarily led by its store roll-out program. In addition to the benefit from new stores, existing stores continued to produce organic like-for-like sales growth.

The revenue increase in FY2012 was driven by the contribution from a net of 21 stores opened during that period, a full year contribution from stores opened in the year FY2011, and growth in like-for-like sales of 6.2%.

Gross margin

Gross Margin increased by \$22.7m (or approximately 31.8%) between FY2011 and FY2012. The majority of this increase was due to the growth in sales achieved in the Mammoth business, though gross margin percentage also increased from 42.0% to 44.7%. The major driver of this margin increase was improved supplier terms.

EBITDA

EBITDA increased by \$5.4m (or 31.8%) between FY2011 and FY2012. While EBITDA margin increased, this was primarily driven by the gross margin improvements. The cost-of-doing-business as a percentage of revenue grew due to the high number of immature stores in the network.

Depreciation and amortisation

Depreciation and amortisation expense was \$7.6m in the year FY2012, compared to \$4.6m in the year FY 2011, reflecting the depreciation on a larger store network.

Net interest expense

Net interest expense was \$6.8m in FY2012, compared to \$6.6m in FY2011, reflecting a higher debt level as a result of additional drawings to fund store rollouts offset by lower cost of funds.

Income tax expense

Income tax expense was \$2.6m in FY 2012, compared to \$1.8m in FY2011. This represented an effective tax rate of approximately 32.0% in FY2012 and approximately 31% in FY2011, which is broadly consistent with the statutory income tax rate.

FY2013 compared to FY2012

Revenue

The revenue increase in FY2013 was driven by the contribution from a net of 19 stores opened during that period, a full year contribution from stores opened in FY2012, and growth in like-for-like sales of 6.7%, plus a contribution from online and other services, both of which provided their first material revenue in FY2013.

Gross margin

Mammoth gross margin increased by \$20.9m (or 22.2%) between FY2012 and FY2013. The growth in sales accounted for the majority of this increase. Gross margin percentage also increased from 44.7% to 45.0%, due in part to improved supplier terms, as well as the introduction of private label products during FY2013. Further, during FY2013, Mammoth revised the terms of a supply agreement with a key supplier, who agreed to an incremental settlement discount in exchange for a reduction in trade payment terms.

EBITDA

EBITDA increased by \$4.3m (or 19.4%) between FY2012 and FY2013. Whilst EBITDA margin remained roughly constant, there was a gross margin improvement offset by an increase in the cost-of-doing-business as a percentage of revenue due to the continuing high number of immature stores in the network.

Depreciation and amortisation

Depreciation expense and amortisation was \$7.3m in FY2013, compared to \$7.6m in FY2012. During the year ended 30 June 2013, Mammoth revised several accounting policies in relation to expected store life, which reduced depreciation expense.

Net interest expense

Net interest expense was \$6.7m in FY2013, compared to \$6.8m in FY2012, reflecting a reduction in Mammoth's cost of debt.

Income Tax Expense

Income tax expense was \$3.4m in FY2013, compared to \$2.6m in FY2012. This represented an effective tax rate of approximately 27% in FY2013 and approximately 32% in FY2012, which is broadly consistent with the statutory income tax rate.

3.3.6 Mammoth historical cash flow statements

Mammoth's consolidated statutory cash flow statements for FY2011, FY2012 and FY2013 are summarised in Table 3.5.

Table 3.5 – Mammoth historical statutory cash flow statements

A\$m	FY2011	FY2012	FY2013
Cash flows from operating activities			
Receipts from customers	186.4	231.6	283.9
Payments to suppliers and employees	(174.2)	(208.6)	(265.4)
Interest received	0.3	0.5	0.2
Interest paid	(6.1)	(6.2)	(6.6)
Income taxes paid	(1.0)	(2.2)	(3.8)
Net cash inflow from operating activities	5.4	15.1	8.3
Cash flows from investing activities			
Payments for property, plant and equipment	(9.1)	(21.6)	(24.2)
Cash used in acquisitions	(5.9)	(12.1)	-
Net cash outflow from investing activities	(15.0)	(33.7)	(24.2)
Net cash inflow from financing activities	18.8	16.9	13.8
Net increase / (decrease) in cash and cash equivalents	9.1	(1.6)	(2.1)
Cash and cash equivalents at beginning of period	2.9	12.1	10.4
Cash and cash equivalents at end of period	12.1	10.4	8.3

3.3.7 Commentary on Mammoth historical cash flow statements

FY2012 compared to FY2011

Cash flows from operating activities increased by approximately \$9.7m between FY2011 and FY2012. This was driven by an increased earnings contribution at the EBITDA level, offset by a corresponding increase in tax paid and a build up in working capital as inventory was purchased to support new store roll-outs.

Cash flows used in investing activities increased by \$18.7m as a result of the acquisition of the Pet's Domain business, an increase in the amount invested in new stores, and the increased capital investment in upgrading existing stores and infrastructure.

FY2013 compared to FY2012

Cash flows from operating activities decreased by \$6.8m between FY2012 and FY2013. The key driver of this decrease was a build up in working capital, reflecting investment in inventory for new store roll outs and a reduction in supplier payment terms negotiated with a key supplier in exchange for an incremental settlement discount.

In FY2013 historical cash flows from operating activities includes an additional \$7.8m cash outflow arising from the early payment of trade creditors in Mammoth just prior to the end of the financial year. Excluding this payment, pro forma net cash inflow from operating activities would be \$16.1m.

Cash flows used in investing activities decreased by \$9.4m, due to the impact of the Pet's Domain acquisition in the prior period, slightly offset by an increase in the amount invested to support new store roll-outs.

3.3.8 Mammoth forecast income statement

The Mammoth pro forma consolidated forecast income statement for FY2014 is summarised in Table 3.6.

Table 3.6 –Mammoth consolidated forecast income statement for FY2014

A\$m	FY2014
Revenue	311.6
Cost of goods sold	(167.3)
Gross Margin	144.3
Operating costs	(110.5)
EBITDA	33.8
Depreciation and Amortisation	(9.7)
EBIT	24.2
Net Interest Expense	(6.9)
PBT	17.3
Income Tax Expense	(5.4)
Net Profit After Tax	11.9
Outside Equity Interest	(1.0)
Net Profit After Tax Attributable to Mammoth members	10.9

3.3.9 Commentary on Mammoth forecast income statement

Revenue

Revenue growth of \$56.1m in FY2014 (22.0% revenue growth) is forecast to be driven by:

- The continuation of Mammoth's store roll-out, with 14 stores anticipated to be opened (in addition to the existing 124 as at 12 November 2013); and
- Continued organic like-for-like sales growth of 7.4% from the current store portfolio.

Gross margin

Gross margin is forecast to increase by \$29.3m between FY2013 and FY2014, with a corresponding improvement in the gross margin percentage from 45.0% to 46.3%. The improvement in the gross margin percentage is consistent with the annual improvement achieved historically and includes a full year of increased settlement discounts with a key supplier and increased private label penetration.

EBITDA

Mammoth EBITDA is forecast to increase by \$7.1m between FY2013 and FY2014, with an increase in EBITDA margin of 0.4% from 10.5% to 10.9%. The forecast incorporates an increase in the cost-of-doing-business as a percentage of sales from 34.5% to 35.5%. This includes an increase in overall per store labour costs of c.3%, principally due to the impact of a 2.9% statutory wage increase effective from July 2013, and an increase in rental expense based on the terms of the relevant lease agreements for current stores and the costs associated with new store openings.

Depreciation and amortisation

Depreciation and amortisation expense is forecast to be \$9.7m in FY2014, compared to \$7.3m in FY2013. Depreciation for FY2014 is based on the useful lives and costs of the existing asset base, adjusted for the impact of additional capital expenditure from the date of commissioning of assets, including NTI stores.

Net interest expense

The net interest expense forecast assumes \$99.1m of drawn facilities as at 30 June 2013 with the interest rate hedged for approximately 50% of the drawn facilities.

Income Tax Expense

Income tax expense of \$5.4m has been forecast based on an effective tax rate of 30% for Australian operations and 28% for New Zealand operations, consistent with the respective corporate tax rates applicable in FY2014.

Other general assumptions

Animates earnings have been fully consolidated into the Mammoth pro forma earnings. Earnings in New Zealand dollars have been converted at an exchange rate of \$1 Australian dollar to \$1.25 New Zealand dollars.

In preparing the Forecast Financial Information, the following general best estimate assumptions have been adopted:

- No material change in the competitive operating environment in which Mammoth operates;
- No significant deviation from current market expectations of global, Australian or New Zealand economic conditions relevant to the retail industry in Australia and New Zealand for the period;
- No material changes in Australian Commonwealth, state or local government legislation, tax legislation, regulatory legislation, regulatory requirements or government policy that will have a material impact on the financial performance or cash flows, financial position, accounting policies, financial reporting or disclosure of Mammoth during the forecast period;
- No material changes in New Zealand Commonwealth, state or local government legislation, tax legislation, regulatory legislation, regulatory requirements or government policy that will have a material impact on the financial performance or cash flows, financial position, accounting policies, financial reporting or disclosure of Mammoth during the forecast period;
- No material changes in key personnel;
- No material changes in applicable Australian Accounting Standards, other mandatory professional reporting requirements or the Corporations Act which have a material effect on Mammoth's financial performance, financial position, accounting policies, financial reporting or disclosure;
- No material industry strikes or other disturbances, environmental costs, contingent liabilities or legal claims will arise or be settled to the detriment of Mammoth;
- No material cash flow or income statement or financial position impact in relation to litigation (existing or otherwise);
- No material acquisitions or disposals of businesses;
- No material changes to Mammoth's corporate and funding;
- No material disruptions to the continuity of operations of Mammoth nor other material changes in its business;

- No material amendment to any material agreement or arrangement relating to Mammoth's business; and
- None of the risks listed in section 5 have a material adverse impact on the operations of Mammoth.

A sensitivity analysis has been completed on the FY2014 MergeCo pro forma forecast income statement in section 4.5.8.1.

3.3.10 Mammoth forecast cash flow statement

The Mammoth pro forma consolidated forecast cash flow statement for FY2014 is summarised in Table 3.7.

Table 3.7 –Mammoth consolidated forecast cash flow statement for FY2014

A\$m	FY2014
Net cash inflow from operating activities	13.2
Payments for property, plant and equipment	(29.4)
Payments for acquisitions	-
Net proceeds from borrowings	16.3
Cash flows before shareholder distributions	0.1

3.3.11 Commentary on Mammoth forecast cash flow

Net cash inflow from operating activities

Net cash inflow from operating activities is forecast to increase by approximately \$4.9m between FY2013 and FY2014, primarily driven by the forecast increase in earnings.

Payments for property, plant and equipment

Payments for property, plant and equipment are forecast to increase by \$5.2m to \$29.4m. This reflects the continued investment in management's store rollout plan.

Payments for acquisitions

Management has not forecast any payments for acquisitions in FY2014. This is consistent with the position in FY2013, in which there were also no payments for acquisitions.

Net proceeds from borrowings

Net proceeds from borrowings of \$16.3m have been forecast, with the proceeds to be used to fund management's store rollout program.

3.4 Ownership

The issued share capital of Mammoth is 1,483,414 fully paid ordinary shares. Details of Mammoth's ownership structure as at 12 November 2013 is set out in Table 3.6 below.

Table 3.6 - Mammoth Ownership Structure

Shareholder	Ownership Percentage
Jeffrey David	14.2%
Paul Wilson	9.2%
Glen Richards	5.5%
William Teasdale	5.0%
TPG Growth	34.2%
Petco	5.3%
Others	26.6%
Total	100%

In addition, Mammoth also has an established Long-Term Incentive Plan (or LTIP) pursuant to which it has granted 61,395 performance rights to various employees. The LTIP provide that a performance right is an entitlement of a participant in the LTIP to subscribe for, acquire and/or be allocated a share in Mammoth. These LTIP rights also convert to one ordinary Mammoth share on the occurrence of a Mammoth liquidity event. The LTIP rights account for 4.0% of the fully-diluted share capital of Mammoth. The Merger will constitute a Mammoth liquidity event for the purposes of the LTIP. Accordingly, immediately prior to implementation of the Merger, Mammoth will issue new Mammoth Shares in respect of all outstanding LTIP performance rights. These Mammoth Shares will be acquired by Greencross at Completion under the Sale Agreement together with all other Mammoth Shares.

TPG Growth owns approximately 34.2% of the Mammoth Shares, which is ultimately controlled by TPG Global, LLC and its affiliates.

Petco owns approximately 5.3% of the Mammoth Shares through Red Ruff - an investment vehicle ultimately owned by Petco Animal Supplies, Inc. and its subsidiaries.

3.5 Directors, management and key personnel

3.5.1 Current Board

The Mammoth Board is currently comprised of the following Directors:

- Mr Jeffrey David – Executive Chairman
- Mr Paul Wilson – Managing Director
- Mr Steve Michelle – Non-Executive Director
- Mr Bruce Hall – Non-Executive Director
- Mr Matthew Hobart – Non-Executive Director
- Dr Glen Richards – Non-Executive Director

3.5.2 Board Profiles



Mr Jeffrey David

Executive Chairman

Mr David was a founding shareholder of Mammoth. Mr David has been involved in the retail, wholesale and logistics industries for 28 years, commencing with family wholesaling business Davids Limited in 1985. Mr David spent three years in the USA as Senior Vice President and Chief Administration Officer of Independent Grocers Alliance, and seven years in Asia as CEO of Davids Asia Pty Ltd until its sale in 2005. Mr David

was also the founding Chairman of ShopFast, Australia's largest online grocery business prior to its sale to Coles Myer in 2003. Mr David is also a Non-Executive Director of Greencross.



Mr Paul Wilson

Managing Director

Mr Wilson is a co-founder of Mammoth and has served as the Managing Director since its inception in 2005. Mr Wilson holds a Bachelor of Business and a Masters of Business Administration from University of Southern Queensland. Prior to Mammoth Paul was the COO of ShopFast, Australia's largest online grocery retailer (sold to Coles in 2003). Paul has worked in the retail industry for 26 years. He was with Caltex Australia from 1987 to 1999, in a number of roles including, National Fuels pricing and Planning manager, Retail Sales Manager for convenience retailing (500 locations), and GM of Caltex/Boral JV, Vitalgas. In addition Paul is a director of the Petbarn Foundation and is a Director of Animates NZ.



Mr Steve Michelle

Non-Executive Director

Mr Michelle was appointed as Non-Executive Director in 2011. Mr Michelle holds a Graduate Diploma in Urban and Regional Planning from Queensland University of Technology. Mr Michelle has over 14 years retail property experience with Woolworths as State Property Manager and General Manager Property. Over the past 6 years, Mr Michelle has been a self-employed consultant to major corporations with assets in excess of \$1 billion.



Mr Bruce Hall

Non-Executive Director

Mr Hall was appointed as Non-Executive Director in 2010. Mr Hall has over 50 years retail experience in the United States. He commenced his career with Toys R Us where he supported the development of the business in a variety of senior leadership roles, prior to supporting the development of the Babies R Us concept until 1997. Mr Hall then joined Petco Inc., the second largest specialty pet care retailer in the United States, as Executive VP Operations. Mr Hall served as Petco President and Chief Operating Officer from 2003 until his retirement in 2008.



Mr Matthew Hobart

Non-Executive Director

Mr Hobart was appointed as Non-Executive Director in 2010. Mr Hobart is Managing Director and Partner at TPG Growth. Mr Hobart holds a B.A. with Honours from the University of Miami and an M.B.A. from the Stanford University Graduate School of Business. Prior to joining TPG Growth in 2004, Mr Hobart was the Vice President of Corporate Development for Critical Path as part of a turnaround team that lead the company through a major financial and operational restructure. Mr Hobart previously co-founded and served as Managing Director of Vectis Group, a venture corporation that capitalised and built companies globally, in partnership with leading US technology businesses.

As well as being on the board of Mammoth, Mr Hobart is also on the board of iMDsoft.



Dr Glen Richards

Non-Executive Director

Dr Richards is a founding director of Mammoth. Dr Richards is a veterinary honours graduate from University of Queensland and completed a Post Graduate Research Masters at James Cook University. Dr Richards practiced companion Animal medicine and surgery in Brisbane, Townsville and London before commencing practice ownership and establishing Greencross Vets in Townsville in 1994. Dr Richards is the founding Managing Director of Greencross Ltd and a foundation Shareholder of Mammoth. Dr Richards is a past director of Lyppard Australia, one of Australia's leading Veterinary wholesalers. Dr Richards established China's first western veterinary practice (Shanghai PAW) in 2001, and has been a Member of Australian Veterinary Association since 1988, with special interest groups in Small Animals and Practice Management.

3.5.3 Current management

Key members of the Mammoth senior management team include:

- Mr Mike Hume – Property Director
- Mr Adam Herron – CFO and Company Secretary
- Mr Scott Charters – General Manager Petbarn Australia
- Mr Vince Pollaers – General Counsel and Group HR Manager
- Ms Tanya Houghton – General Manager Animates New Zealand

3.5.4 Management profiles

Mr Mike Hume

Property Director

Mr Hume joined Mammoth in 2006. Prior to joining Mammoth Mr Hume spent 23 years with Caltex Australia in a number of senior sales and marketing positions, including property portfolio management, State Manager WA and Qld, and National Retail Operations Manager. Mr Hume holds a Bachelor of Business from the New South Wales Institute of Technology (later reconstituted as the University of Technology, Sydney).

Mr Adam Herron

CFO and Company Secretary

Mr Herron joined Mammoth in 2008. Mr Herron previously spent 11 years with Foxtel in a variety of financial and commercial roles, and was General Manager Finance and Company Secretary from 2004 until 2007. Prior to Foxtel, he spent 6 years in various commercial roles with Unilever Australasia. Mr Herron is a qualified Chartered Secretary and holds a Bachelor of Economics from the University of Sydney.

Mr Scott Charters

General Manager Petbarn Australia

Mr Charters joined Mammoth in 2009. Prior to joining Mammoth Mr Charters was the Chief Operating Officer of Barbeques Galore. Mr Charters has 23 years' retail experience, including 20 years with Woolworths in roles including Training and Development Manager, Area Manager, National Retail Support Manager and Head of Advertising.

Mr Vince Pollaers

General Counsel and Group HR Manager

Mr Pollaers joined Mammoth in 2008. Prior to joining Mammoth Mr Pollaers held positions as a corporate lawyer with Freshfields, London, corporate lawyer with Allens Arthur Robinson, Sydney, General Counsel,

Company Secretary and Strategy Executive for IBM Australia / New Zealand, and Managing Director for McKinney Rogers, a boutique strategy consultancy firm. Mr Pollaers holds both Bachelor of Science and Bachelor of Electrical Engineering degrees from the University of New South Wales, completed his Common Professional Examination and Law Society Final examination at the College of Law, London, and earned a Graduate Diploma in Applied Counselling & Psychotherapy at the Jansen Newman Institute.

Ms Tanya Houghton

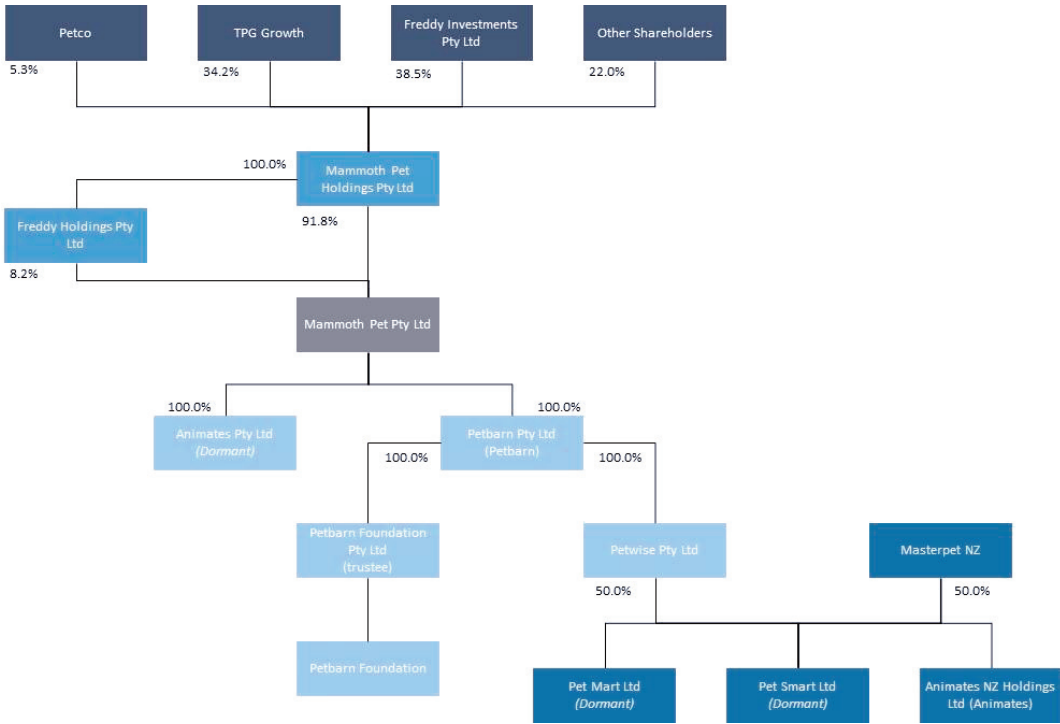
General Manager Animates New Zealand

Ms Houghton joined Mammoth in 2006. Ms Houghton has 20 years’ retail experience, including roles with Petbarn for 4 years as National Operations Manager and National Marketing Manager. Ms Houghton holds a B.A.in English Literature from Massey University.

3.6 Legal structure

Mammoth holds its 100% interest in Petbarn and 50% in the Animates joint venture through the legal structure set out in Table 3.7 below.

Table 3.7 - Mammoth Legal Structure



4. Effect of merger

4.1 Overview

This section provides relevant financial information for Shareholders to consider when assessing the Merger, including details of the financial impact of voting to approve the Merger.

All pro forma information in this section assumes that the Merger took place on 1 July 2013, unless otherwise stated. If the Merger completes on 31 January 2014 as expected:

- the MergeCo statutory balance sheet as at completion will likely vary from the MergeCo pro forma consolidated balance sheet as at 30 June 2013 in Table 4.8;
- the MergeCo statutory income statement for FY14 will vary from the MergeCo pro forma consolidated forecast income statement for FY14 in Table 4.12 due to a less than full year contribution from Greencross (under the terms of AASB 3 Business Combinations, as described in section 4.3.2 below); and
- the MergeCo statutory cash flow statement for FY14 will vary from the MergeCo pro forma consolidated forecast cash flow statement for FY14 in Table 4.16 due to a less than full year contribution from Greencross (under the terms of AASB 3 Business Combinations, as described in section 4.3.2 below)

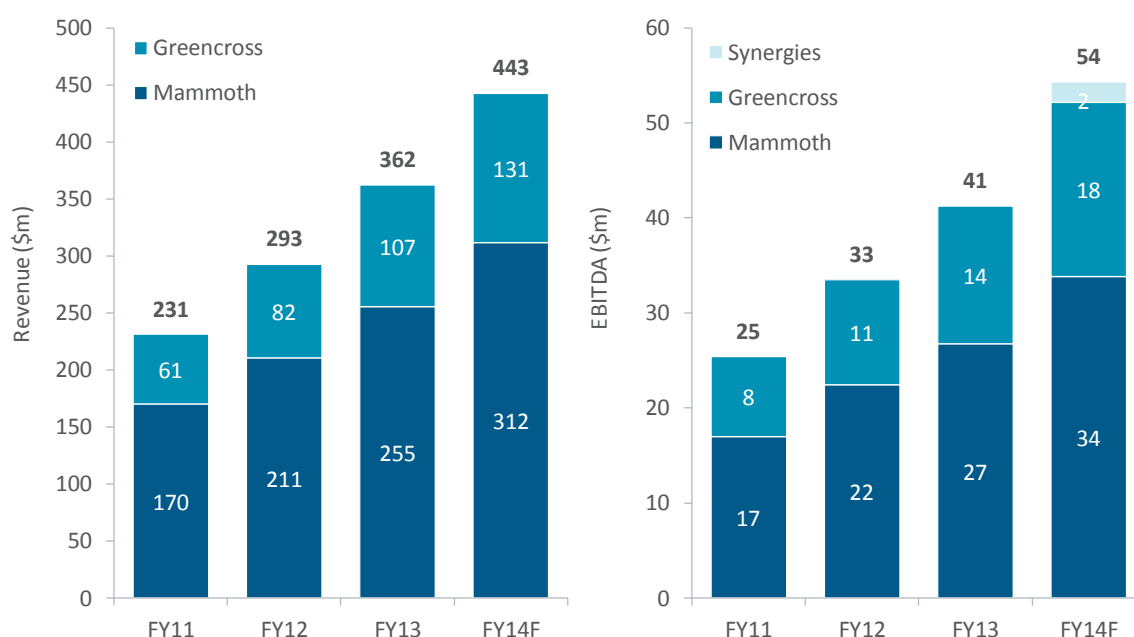
The pro forma financial information should be read in conjunction with the limitations explained in the *Forward Looking Statements* and *Responsibility for Information* statements contained within the *Important Notices* section of this Explanatory Memorandum. All information regarding Mammoth in this section 4, including to the extent that it forms part of the information regarding MergeCo, has been extracted from the information regarding Mammoth in section 3.

All financial information is presented in accordance with the measurement and recognition principles under AIFRS unless otherwise noted.

4.2 Key financials

MergeCo is forecast to generate pro forma FY2014F revenue of \$443m and FY2014F EBITDA of \$54m:

MergeCo historical and forecast revenue and EBITDA FY2011-FY2014



In addition, MergeCo is expected to deliver double digit EPS accretion in FY2015 relative to a market consensus EPS estimate for Greencross on a standalone basis of \$0.286 per share³⁵.

4.3 Financial information

4.3.1 Basis of preparation of Greencross and MergeCo financial information

The financial information contained in this section has been prepared by the Directors and includes:

- Historical financial information for Greencross being the:
 - Consolidated statutory balance sheet as at 30 June 2013 (section 4.4.1)
 - Pro forma consolidated income statements for FY2011, FY2012 and FY2013 (section 4.4.3);
 - Consolidated statutory income statements for FY2011, FY2012 and FY2013 (section 4.4.3); and
 - Consolidated statutory cash flow statements for FY2011, FY2012 and FY2013 (section 4.4.5)

(together, the **Greencross Historical Financial Information**)

- Forecast financial information for Greencross being the:
 - Consolidated forecast income statement for FY2014 (section 4.4.7); and
 - Consolidated forecast cash flow statement for FY2014 (section 4.4.9)

(together, the **Greencross Forecast Financial Information**)

- Historical financial information for MergeCo being the:
 - Pro forma consolidated balance sheet as at 30 June 2013 (section 4.5.1);
 - Pro forma consolidated income statements for FY2011, FY2012 and FY2013 (section 4.5.3); and
 - Pro forma consolidated cash flow statements for FY2011, FY2012 and FY2013 (section 4.5.5)

(together, the **MergeCo Historical Financial Information**), and

- Forecast financial information for MergeCo being the:
 - Pro forma consolidated forecast income statement for FY2014 (section 4.5.7);
 - Consolidated forecast income statement for FY2014 (section 4.5.7);
 - Pro forma consolidated forecast cash flow statement for FY2014 (section 4.5.9); and
 - Consolidated forecast cash flow statement for FY2014 (section 4.5.9)

(together, the **MergeCo Forecast Financial Information**).

Greencross Historical Financial Information and MergeCo Historical Financial Information (together, the **Historical Financial Information**), Greencross Forecast Financial Information and MergeCo Forecast Financial Information (together, the **Forecast Financial Information**) and the corresponding Mammoth Financial Information, as defined in section 3, collectively forms the **Financial Information**.

All amounts disclosed in the tables are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest \$0.1m.

Basis of preparation and presentation of the Financial Information

The Financial Information has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards, although it is presented in an abbreviated form insofar as it does not include all the disclosures, statements or comparative information as required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

³⁵ EPS accretion calculated on a pro-forma basis and excluding any revenue synergies. The pro forma FY2014F calculation includes a full year contribution from both Greencross and Mammoth and a full year cost synergy contribution, as though the merger was effected on 1 July 2013. Payments relating to integration costs and transaction costs have been excluded from the pro-forma income statement, although debt funded costs increase the forecast interest expense. Consensus estimate for Greencross standalone EPS in FY2015F is 28.6 cents per share (Source: Bloomberg as at 12 November 2013). Acquisition accounting adjustments have not yet been undertaken, and as such pro forma EPS accretion is before any potential amortisation on intangibles identified as part of this process..

MergeCo accounting policies

The AIFRS accounting policies adopted by Mammoth and its subsidiaries in the preparation of the Mammoth Financial Information are consistent with those set out in its financial report for FY2013 as detailed in Appendix D

4.3.2 Historical Financial Information

There are no actual historical consolidated results for MergeCo. The Historical Financial Information has been derived from the audited historical statutory consolidated financial statements of both Greencross and Mammoth for FY2011, FY2012 and FY2013 after adjusting for pro forma adjustments outlined below. The financial statements of Greencross for FY2011 and FY2012 were audited by Crowe Howarth and FY2013 by PwC. Unqualified opinions were issued in respect of all periods. All information regarding Mammoth in this section 4, including to the extent that it forms part of the information regarding MergeCo, has been extracted from the information regarding Mammoth in section 3.

Under the terms of AASB 3 Business Combinations, Mammoth is deemed to be the accounting acquirer in the proposed merger. This transaction has therefore been accounted for as a reverse acquisition under AASB 3. Accordingly, the MergeCo Historical and Forecast Financial Information has been prepared on the basis that Mammoth is the deemed acquirer and as though the merger was effective from 1 July 2010.

Shareholders should note that past results do not guarantee future performance.

4.3.3 Forecast Financial Information

The Forecast Financial Information has been derived from the forecast statutory consolidated income and cash flow statements of Greencross and Mammoth for FY2014 after adjusting for pro forma adjustments set out in Table 4.12 and Table 4.16 and accompanying notes.

The Forecast Financial Information has been prepared by the Directors based on an assessment of present economic and operating conditions and on a number of best estimate assumptions regarding future events and actions as set out in the section below. This information is intended to assist Shareholders in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur.

The Forecast Financial Information presented in this Explanatory Memorandum has been reviewed by PwC Securities but has not been audited. An Investigating Accountant's Report prepared by PwC Securities is included in Appendix C. The Directors believe the best estimate assumptions when taken as a whole to be reasonable at the time of preparing this Explanatory Memorandum. However, this information is not fact and Shareholders are cautioned not to place undue reliance on the Forecast Financial Information.

Shareholders should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that this may have a material positive or material negative effect on MergeCo's actual financial performance or financial position.

Accordingly, neither the Directors nor any other person can give Shareholders any assurance that the outcomes discussed in the Forecast Financial Information will arise.

The information in this section should be read in conjunction with the specific and general assumptions as set out in this section below, the risk factors as set out in section 5 below and other information in this Explanatory Memorandum.

The Directors have no intention to update or revise the Forecast Financial Information or other forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Explanatory Memorandum, except where required by law.

4.4 Greencross Historical and Forecast Financial Information

4.4.1 Greencross historical balance sheet – as at 30 June 2013

Set out in the table below is the consolidated balance sheet for Greencross and its subsidiaries as at 30 June 2013, presented on a statutory basis.

Table 4.1 – Greencross consolidated statutory balance sheet as at 30 June 2013

A\$m	Statutory
Current assets	
Cash and cash equivalents	8.8
Inventories	4.2
Trade receivables	1.8
Other	0.8
Total current assets	15.6
Non current assets	
Property, plant and equipment	14.8
Intangibles	71.8
Other	1.7
Total non current assets	88.3
Total Assets	103.9
Current liabilities	
Trade and other payables	11.3
Borrowings	1.6
Other	5.1
Total current liabilities	18.0
Non current liabilities	
Borrowings	33.6
Other	4.9
Total non current liabilities	38.5
Total liabilities	56.6
Net assets	47.3

4.4.2 Commentary on Greencross historical balance sheet

Assets:

Cash

Cash and cash equivalents primarily pertains to cash at bank (\$8.7m).

Trade receivables (current)

Trade receivables include supplier rebates from product manufacturers.

At FY2013, \$0.9m of trade receivables were over 60 days overdue, while customers with balances past due but without provisions for impairment of receivables amounted to \$1.8m.

Inventories

Inventories (\$4.2m) are carried at net realisable value. During FY2013, no provision for impairment of inventories was necessary.

Other assets (current)

Other assets (\$0.8m) primarily refers to accrued revenue (\$0.4m) and prepayments (\$0.3m).

Property, plant and equipment

Property, plant and equipment (\$14.8m) refers to owned plant and equipment (\$12.7m) and plant under lease (\$2.1m).

Intangibles

Intangibles (\$71.8m pre-transaction) refers primarily to goodwill (\$71.5m) and business associate development (\$0.2m net of accumulated amortisation).

During FY2013, no impairment to goodwill was necessary.

Other assets (non current)

Other assets (\$1.7m) refers to a deferred tax asset comprising temporary differences attributable to amounts recognised in profit or loss (\$1.6m) and amounts recognised in equity (\$0.1m).

Liabilities:

Trade and other payables

Trade and other payables (\$11.3m) refers to trade payables (\$5.6m), deferred settlements (\$1.2m), accruals (\$2.1m), GST payable (\$1.5m) and other payables (\$0.9m).

Other liabilities (current)

Other liabilities (\$5.1m) refers to provision for income tax (\$1.3m), provisions including annual leave and long service leave (\$3.3m) and deferred revenue (\$0.5m).

Borrowings

Borrowings (\$35.2m) refers to bank and other loans (\$33.7m) and lease liabilities (\$1.5m).

The bank loans are secured by a fixed and floating charge over the assets of Greencross, a registered mortgage debenture over the whole of the assets of Greencross including goodwill, and a guarantee and indemnity for \$46.6m has been given by Greencross subsidiaries.

The lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

Other liabilities (non current)

Other liabilities (\$4.9m) refers to deferred settlements (\$2.3m) and provisions including long service leave and business associate (\$2.6m).

4.4.3 Greencross historical income statements

The table below shows summaries of the FY2011, FY2012 and FY2013 pro forma income statements for Greencross on a standalone basis.

Table 4.2 – Greencross pro forma historical income statements – FY2011, FY2012 & FY2013

A\$m	FY2011	FY2012	FY2013
Revenue	61.1	82.2	106.6
Cost of goods sold	(16.9)	(21.6)	(27.5)
Gross Margin	44.2	60.7	79.0
Operating expenses	(35.8)	(49.6)	(64.6)
EBITDA	8.4	11.1	14.5
Depreciation and amortisation	(1.1)	(1.3)	(1.9)
EBIT	7.3	9.7	12.6
Net interest expense	(1.5)	(1.9)	(2.5)
Profit Before Tax	5.8	7.8	10.0
Income tax expense	(1.8)	(2.4)	(3.0)
Net Profit After Tax	4.1	5.4	7.0
Outside equity interests	(0.5)	(0.7)	(0.6)
Net Profit After Tax attributable to Greencross shareholders	3.6	4.7	6.4

The table below shows summaries of the FY2011, FY2012 and FY2013 statutory income statements for Greencross on a standalone basis.

Table 4.3 – Greencross statutory historical income statements – FY2011, FY2012 & FY2013

A\$m	FY2011	FY2012	FY2013
Revenue	61.1	82.2	106.6
Cost of goods sold	(16.9)	(21.6)	(27.5)
Gross Margin	44.2	60.7	79.0
Operating expenses	(35.9)	(49.9)	(68.4)
EBITDA	8.3	10.8	10.7
Depreciation and amortisation	(1.1)	(1.3)	(1.9)
EBIT	7.2	9.4	8.8
Net interest expense	(1.5)	(1.9)	(2.5)
Profit Before Tax	5.7	7.5	6.2
Income tax expense	(1.8)	(2.3)	(2.7)
Net Profit After Tax	4.0	5.2	3.5
Outside equity interests	(0.5)	(0.7)	(0.6)
Net Profit After Tax Attributable to Greencross shareholders	3.5	4.5	2.9

The reconciliation of Greencross' pro forma to statutory income statements is set out in the table below.

Table 4.4 - Reconciliation of Greencross pro forma to statutory historical earnings

A\$m	EBITDA	NPAT Attributable to MergeCo Shareholders
Statutory FY2011	8.3	3.5
Add Greencross transaction costs	0.1	0.1
Pro Forma FY2011	8.4	3.6
Statutory FY2012	10.8	4.5
Add Greencross transaction costs	0.1	0.1
Add Greencross deferred settlement	0.2	0.2
Pro Forma FY2012	11.1	4.7
Statutory FY2013	10.7	2.9
Add Greencross transaction costs	1.0	0.9
Add Greencross deferred settlement	1.9	1.9
Add Greencross research legal cost write-offs	0.1	0.1
Add Greencross start-up costs not capitalised	0.9	0.6
Pro Forma FY2013	14.5	6.4

Notes on pro forma adjustments

FY2013

Greencross' reported profit attributable to equity holders (\$2.9m) was adjusted by adding back deferred settlement treated as remuneration (\$1.9m), acquisition related costs (\$0.9m), write-offs relating to research legal costs (\$0.1m) and start-up / closure costs not capitalised (\$0.6m). Underlying profit attributable to equity holders was \$6.4m. The underlying profit, which differs from the statutory figures, is unaudited.

FY2012

Greencross' reported profit attributable to equity holders (\$4.5m) was adjusted by adding back deferred settlement treated as remuneration (\$0.2m) and acquisition related costs (\$0.1m). Underlying profit attributable to equity holders was \$4.7m. The underlying profit, which differs from the statutory figures, is unaudited.

FY2011

Greencross' reported profit attributable to equity holders (\$3.5m) was adjusted by adding back acquisition related costs (\$0.1m). Underlying profit attributable to equity holders was \$3.6m. The underlying profit, which differs from the statutory figures, is unaudited.

4.4.4 Commentary on Greencross historical income statements

The commentary below refers to Greencross pro forma historical income statements (Table 4.2).

Pro forma FY2012 compared to pro forma FY2011

Revenue

Greencross revenue was \$82.2m, up 34.5% on FY2011. This result was influenced by the 18 business acquisitions made during FY2012, which provided \$29.8m revenue on an annualised basis.

Greencross recorded same clinic revenue growth of 1.0% in FY2012 due to minimal fee increases and flat visit numbers.

EBITDA

Greencross EBITDA was \$11.1m, up 31.8% on FY2011. This result was influenced by the 18 business acquisitions made during FY2012, which provided \$4.9m EBITDA on an annualised basis.

Occupancy expenses were \$7.0m, up 37.9% on FY2011 as a result of newly acquired clinics and standard rent inflation. Employee benefits were \$37.8m, up 41.7% on FY2011 as a result of newly acquired clinics and standard wage inflation.

Despite like-for-like revenue growth of 1.0%, strong internal controls ensured a 7.2% increase in like-for-like EBITDA.

Pro forma FY2013 compared to pro forma FY2012

Revenue

Greencross revenue was \$106.6m, up 29.6% on FY2012. This result was influenced by the 15 business acquisitions made during FY2013, which provided \$30.4m revenue on an annualised basis.

Notwithstanding challenging trading conditions, Greencross recorded same clinic revenue growth of 5.4% in FY2013, assisted by an increase in service offerings to clients, education programs for staff, improvements in retail merchandising and the introduction of subscription based wellness program, Healthy Pets Plus.

EBIT

Greencross EBITDA was \$14.5m, up 30.6% on FY2012. This result was influenced by the 15 business acquisitions made during FY2013, which provided \$4.5m EBITDA on an annualised basis.

Occupancy expenses were \$9.2m, up 32.2% on FY2012 as a result of newly acquired clinics and standard rent inflation. Employee benefits were \$49.6m, up 31.2% on FY2012 as a result of newly acquired clinics and standard wage inflation.

Greencross recorded same clinic EBITDA growth of 10.1%, reflecting the fixed nature of the costs associated with operating a veterinary services business and Greencross' ability to further achieve operational efficiencies and economies of scale from the consolidation of the veterinary services industry.

4.4.5 Greencross historical cash flow statements

The table below shows summaries of the FY2011, FY2012 and FY2013 statutory cash flow statements for Greencross on a standalone basis.

Table 4.5 – Greencross statutory historical cash flows – FY2011, FY2012 & FY2013

A\$m	FY2011	FY2012	FY2013
Net cash inflow from operating activities	6.1	8.2	10.9
Payments for property, plant and equipment	(0.9)	(2.0)	(3.8)
Payments for acquisitions	(8.0)	(15.3)	(14.5)
Net cash outflow from investing activities	(8.8)	(17.3)	(18.3)

4.4.6 Commentary on Greencross cash flow statements

The commentary below refers to Greencross historical cash flow statements (Table 4.5).

FY2012 compared to FY2011

Cash flows from operations for the period were \$8.2m, up 34.2% compared to FY2012, driven by EBITDA growth and improved working capital.

FY2013 compared to FY2012

Cash flows from operations for the period were \$10.9m, up 31.8% compared to FY2012. Cash flows from operations were impacted during the year by the start-up costs incurred by the two new veterinary pathology laboratories; however, the strong cash conversion reflects the robust nature of the cash flows generated by Greencross.

4.4.7 Greencross forecast income statement

The Greencross pro forma consolidated forecast income statement is summarised in Table 4.6.

Table 4.6 – Greencross pro forma consolidated forecast income statement for FY2014

A\$m	FY2014
Revenue	131.2
Cost of goods sold	(32.2)
Gross Margin	98.9
Operating expenses	(80.6)
EBITDA	18.4
Depreciation and amortisation	(2.3)
EBIT	16.0
Net interest expense	(2.7)
Profit Before Tax	13.3
Income tax expense	(4.0)
Net Profit After Tax	9.3
Outside equity interests	(0.5)
Net Profit After Tax attributable to Greencross shareholders	8.9

4.4.8 Commentary on Greencross forecast income statement assumptions

Revenue

Revenue growth of \$24.6m in FY2014 (23.1% of revenue in FY2013) is forecast to be driven by:

- Vet services supplied at 5 additional General Practice clinics; contribution from the acquisition of *The Melbourne Veterinary Specialist Centre*; and further expansion of Crematory and Pathology services, all of which have actively commenced operations for Greencross in the period post FY2013;
- A full year of trade from acquisitions made in FY2013; and
- Organic like-for-like sales growth of 3.0% across the Vet services portfolio

Gross margin

Gross margin is forecast to increase by \$19.9m between FY2013 and FY2014, with a corresponding improvement in the gross margin percentage from 74.2% to 75.4%. The improvement in the gross margin

percentage follows the Directors' expectations of the benefits to be achieved from ongoing business initiatives.

EBITDA

Greencross EBITDA is forecast to increase by \$3.9m between FY2013 and FY2014, with an increase in EBITDA margin of 0.4% from 13.6% to 14.0%. The forecast incorporates an increase in the cost-of-doing-business as a percentage of sales from 60.6% to 61.4% reflecting the impact of a full year of trade from acquisitions in FY2013 and the cost of operating the new services introduced in FY2014.

Occupancy expenses are forecast to increase by \$2.4m between FY2013 and FY2014 as a result of acquisitions made to 12 November 2013 and standard rent inflation.

Employee benefits are forecast to increase by \$5.9m between FY2013 and FY2014 as a result of acquisitions made to 12 November 2013 and standard wage inflation.

Depreciation and amortisation

Depreciation expense and amortisation is forecast to be \$2.3m in FY2014, compared to \$1.9m in FY2013. Depreciation for FY2014 is based on the useful lives and costs of the existing asset base, adjusted for the impact of additional capital expenditure from the date of commissioning of assets.

Net interest expense

The net interest expense forecast assumes no material draw down of facilities over and above FY2013.

Income Tax Expense

Income tax expense of \$4.0m has been forecast based on an effective tax rate of 30% consistent with the respective corporate tax rates applicable in FY2014.

Other general assumptions

In preparing the Forecast Financial Information, the following general best estimate assumptions have been adopted:

- No material change in the competitive operating environment in which Greencross operates;
- No significant deviation from current market expectations of global or Australian economic conditions relevant to the retail industry in Australia for the period;
- No material changes in Australian Commonwealth, state or local government legislation, tax legislation, regulatory legislation, regulatory requirements or government policy that will have a material impact on the financial performance or cash flows, financial position, accounting policies, financial reporting or disclosure of Greencross during the forecast period;
- No material changes in key personnel;
- No material changes in applicable Australian Accounting Standards, other mandatory professional reporting requirements or the Corporations Act which have a material effect on Greencross' financial performance, financial position, accounting policies, financial reporting or disclosure;
- No material industry strikes or other disturbances, environmental costs, contingent liabilities or legal claims will arise or be settled to the detriment of Greencross;
- No material cash flow or income statement or financial position impact in relation to litigation (existing or otherwise);
- No material acquisitions or disposals of businesses;
- No material changes to Greencross' corporate and funding structure;
- No material disruptions to the continuity of operations of Greencross nor other material changes in its business;
- No material amendment to any material agreement or arrangement relating to Greencross' business; and
- None of the risks listed in section 5 have a material adverse impact on the operations of Greencross.

A sensitivity analysis has been completed on the FY2014 MergeCo pro forma forecast income statement in section 4.5.8.1.

4.4.9 Greencross forecast cash flow statement

The Greencross pro forma consolidated forecast cash flow statement for FY2014 is summarised in Table 4.7.

Table 4.7 – Greencross pro forma consolidated forecast cash flow statement for FY2014

A\$m	FY2014
Net cash inflow from operating activities	13.5
Payments for property, plant and equipment	(4.3)
Payments for acquisitions	(4.9)
Net proceeds from borrowings	0.2
Cash flows before shareholder distributions	4.6

4.4.10 Commentary on Greencross forecast cash flow statement assumptions

Cash flows from operating activities increased by approximately \$2.7m between FY2013 and FY2014. This was driven by a general improvement in business performance and profitability.

4.5 MergeCo Historical and Forecast Financial Information

4.5.1 MergeCo historical balance sheet

The table below sets out the adjustments that have been made to the FY2013 audited statutory consolidated balance sheets for Greencross and Mammoth to present a pro forma consolidated historical balance sheet for MergeCo as though the Merger had been completed as at 30 June 2013.

Table 4.8 – MergeCo pro forma consolidated balance sheet as at 30 June 2013

A\$m	Statutory Greencross	Statutory Mammoth	Pro forma Adjustments	Pro forma MergeCo
Current assets				
Cash and cash equivalents ^{2,3,4,5}	8.8	8.3	(4.5)	12.6
Inventories	4.2	35.4	-	39.6
Trade receivables	1.8	4.6	-	6.4
Other	0.8	0.5	-	1.3
Total current assets	15.6	48.8	(4.5)	59.9
Non current assets				
Property, plant and equipment	14.8	56.5	-	71.3
Intangibles ¹	71.8	54.8	198.6	325.1
Other ^{2,3}	1.7	3.7	1.9	7.4
Total non current assets	88.3	114.9	200.5	403.7

A\$m	Statutory Greencross	Statutory Mammoth	Pro forma Adjustments	Pro forma MergeCo
Total Assets	103.9	163.8	196.0	463.6
Current liabilities				
Trade and other payables	11.3	24.4	-	35.7
Borrowings	1.6	8.0	-	9.6
Other ^{2,4,5}	5.1	11.0	(0.8)	15.3
Total current liabilities	18.0	43.4	(0.8)	60.7
Non current liabilities				
Borrowings ^{2,3}	33.6	74.1	12.7	120.4
Other	4.9	7.7	-	12.6
Total non current liabilities	38.5	81.8	12.7	133.0
Total liabilities	56.6	125.2	11.9	193.7
Net assets	47.3	38.6	184.1	270.0
Equity				
Issued capital ¹	39.2	19.9	206.5	265.6
Other reserves ¹	(4.1)	-	4.1	-
Reserves ^{1,4}	0.4	(0.7)	0.5	0.2
Retained profits ^{1,2,3,4,5}	11.6	16.7	(27.0)	1.2
Equity attributable to the owners	47.1	35.8	184.1	267.0
Non-controlling interest	0.2	2.8	-	3.0
Total Equity	47.3	38.6	184.1	270.0

Notes on pro forma adjustments

The pro forma MergeCo balance sheet above has been adjusted for the following items:

1. An adjustment for intangibles resulting from the Merger, representing the difference between the implied consideration for the Merger (\$245.7m) and the net assets of Greencross as at 30 June 2013 (\$47.3m), less Greencross' non-controlling interests as at 30 June 2013 (\$0.2m).

The implied consideration represents the market value of Greencross' issued share capital of 37,682,334 assumed to be on issue at transaction date based on the closing market price on 12 November 2013 of \$6.52 (\$245.7m).

In practice, the actual consideration for the Merger will be based on the actual value of components of the implied consideration as at the completion date of the Merger. The actual cost will then be allocated to the fair value of the Greencross identifiable assets, liabilities and contingent liabilities as at the implementation date of the Merger.

2. An adjustment for the payment of \$14.1m of transaction costs (including unrecoverable GST), of which \$2.3m will be funded out of existing cash with the remainder \$11.8m debt funded. The transaction costs result in a deferred tax asset of \$1.6m and reduction of income tax payable of \$0.4m.
3. An adjustment to write-off the carrying value of finance costs capitalised in relation to Mammoth's existing borrowings (\$1.9m) and associated deferred tax liability (\$0.3m), on the basis that the borrowings will be refinanced post-merger. It is anticipated that costs of \$1.0m will be incurred in relation to the post-merger refinance which will be capitalised and amortised over a period of 5 years.
4. An adjustment to recognise the Mammoth LTIP that vests on the effective date of the proposed Merger, reflecting the difference between the fair value of the LTIP options (\$0.9m), which has not been expensed at that date. This is not deductible for tax purposes. A payroll tax liability of \$0.8m will arise in respect of the vesting of employee options under the Mammoth LTIP upon completion of the Merger. This expense will reduce income tax payable by \$0.3m.
5. A payroll tax liability of \$0.4m will arise in respect of the vesting of employee options under the Greencross Employee Loan Plan upon completion of the Merger. This expense will reduce income tax payable by \$0.1m.

4.5.2 Commentary on MergeCo historical balance sheet

As there is no actual historical balance sheet for MergeCo, commentary on Mammoth's historical balance sheet and Greencross' historical balance sheet is relevant for interpreting MergeCo's pro forma historical balance sheet. Please see section 3.3.3 for commentary on Mammoth's historical financial position and section 4.4.2 for commentary on Greencross' historical financial position.

The pro forma balance sheet shows current liabilities exceeding current assets. MergeCo will predominantly earn revenue on a cash basis. Current liabilities include trade creditors, payable on normal credit terms, vendor deferred settlements and employee provisions. The Directors believe that MergeCo will be able to pay its liabilities as and when they fall due.

4.5.3 MergeCo historical income statements

The table below is an aggregation of the FY2011, FY2012 and FY2013 pro forma consolidated income statements for Greencross (see section 4.4.3) and Mammoth (see section 3.3.4), adjusted to show the impact of the Merger as though it had been effected from 1 July 2010.

Table 4.9 – MergeCo pro forma historical consolidated income statements for FY2011, FY2012 & FY2013

A\$m	FY2011	FY2012	FY2013
Revenue	231.1	292.8	362.0
Cost of goods sold	(115.5)	(138.1)	(168.0)
Gross Margin	115.6	154.7	194.0
Operating expenses	(90.2)	(121.2)	(152.8)
EBITDA	25.4	33.5	41.2
Depreciation and amortisation	(5.7)	(8.9)	(9.2)
EBIT	19.7	24.6	32.0
Net interest expense	(8.1)	(8.7)	(9.3)
Profit Before Tax	11.7	15.8	22.7
Income tax expense	(3.6)	(4.9)	(6.5)
Net Profit After Tax	8.1	10.9	16.3
Outside equity interests	(1.5)	(1.1)	(1.4)
Net Profit After Tax attributable to merged entity shareholders	6.6	9.8	14.9

The reconciliation of MergeCo's pro forma to statutory earnings is set out in the table below.

Table 4.10 - Reconciliation of MergeCo pro forma to statutory historical income statements

A\$m	EBITDA	NPAT Attributable to MergeCo Shareholders
Statutory FY2011¹	22.5	5.0
Add Mammoth restructure costs	2.6	1.9
Add Greencross transaction costs	0.1	0.1
Add Mammoth transaction costs	0.1	0.1
Income tax expense adjustment	-	(0.4)
Pro Forma FY2011	25.4	6.6
Statutory FY2012²	32.9	8.4
Add Greencross transaction costs	0.1	0.1
Add Mammoth transaction costs	0.4	0.2
Add Greencross deferred settlement	0.2	0.2
Income tax expense adjustment	-	0.9
Pro Forma FY2012	33.5	9.8
Statutory FY2013³	36.7	10.7
Less Mammoth 53rd week adjustment	(0.9)	(0.4)
Add Greencross transaction costs	1.0	0.9
Add Mammoth transaction costs and other one off costs	1.6	1.1
Add Greencross deferred settlement	1.9	1.9
Add Greencross research legal cost write-offs	0.1	0.1
Add Greencross start-up costs not capitalised	0.9	0.6
Pro Forma FY2013	41.2	14.9

1. FY2011 Statutory EBITDA comprised of Mammoth \$14.3m (Table 3.3) and Greencross \$8.3m (Table 4.3). FY2011 Statutory NPAT comprised of Mammoth \$1.5m (Table 3.3) and Greencross \$3.5m (Table 4.3).
2. FY2012 Statutory EBITDA comprised of Mammoth \$22.1m (Table 3.3) and Greencross \$10.8m (Table 4.3). FY2012 Statutory NPAT comprised of Mammoth \$3.9m (Table 3.3) and Greencross \$4.5m (Table 4.3).

3. FY2013 Statutory EBITDA comprised of Mammoth \$26.0m (Table 3.3) and Greencross \$10.7m (Table 4.3). FY2013 Statutory NPAT comprised of Mammoth \$7.8m (Table 3.3) and Greencross \$2.9m (Table 4.3).

4.5.4 Commentary on MergeCo pro forma historical income statements

As there are no actual historical income statements for MergeCo, commentary on Mammoth's historical income statements and Greencross' historical income statements is relevant for interpreting MergeCo's pro forma historical income statements. Please see section 3.3.5 for commentary in relation to Mammoth's historical financial performance and section 4.4.4 for commentary on Greencross' historical financial performance.

4.5.5 MergeCo historical cash flow statements

The table below is an aggregation of the FY2011, FY2012 and FY2013 audited statutory consolidated cash flow statements for Greencross (see section 4.4.5) and Mammoth (see section 3.3.6) adjusted to show the impact of the Merger as though it had been effective from 1 July 2010.

Table 4.11 – MergeCo pro forma historical cash flows – FY2011, FY2012 & FY2013

A\$m	FY2011	FY2012	FY2013
Net cash inflow from operating activities¹	11.5	23.4	19.3³⁶
Payments for property, plant and equipment	(10.0)	(23.6)	(28.0)
Payments for acquisitions	(13.9)	(27.3)	(14.5)
Net cash outflow from investing activities²	(23.9)	(51.0)	(42.5)

1. FY2011 Net cash inflow from operating activities comprised of Mammoth \$5.4m (Table 3.5) and Greencross \$6.1m (Table 4.5). FY2011 Net cash outflow from investing activities comprised of Mammoth \$(15.0)m (Table 3.5) and Greencross \$(8.8)m (Table 4.5).
2. FY2012 Net cash inflow from operating activities comprised of Mammoth \$15.1m (Table 3.5) and Greencross \$8.2m (Table 4.5). FY2012 Net cash outflow from investing activities comprised of Mammoth \$(33.7)m (Table 3.5) and Greencross \$(17.3)m (Table 4.5).
3. FY2013 Net cash inflow from operating activities comprised of Mammoth \$8.3m (Table 3.5) and Greencross \$10.9m (Table 4.5). FY2013 Net cash outflow from investing activities comprised of Mammoth \$(24.2)m (Table 3.5) and Greencross \$(18.3)m (Table 4.5).

4.5.6 Commentary on historical cash flow statements

As there are no actual historical cash flow statements for MergeCo, commentary on Mammoth's historical cash flow statements and Greencross' historical cash flow statements is relevant for interpreting MergeCo's pro forma historical cash flow statements. Please see section 3.3.7 for commentary on Mammoth's historical cash flows and section 4.4.6 for commentary on Greencross' historical cash flows.

³⁶ In FY2013 historical cash flows from operating activities includes an additional \$7.8m cash outflow arising from the early payment of trade creditors in Mammoth just prior to the end of the financial year. Excluding this payment, pro forma net cash inflow from operating activities would be \$27.1m.

4.5.7 MergeCo forecast income statement

The table below is an aggregation of the FY2014 forecast consolidated income statements for Greencross and Mammoth, adjusted to show the impact of the Merger as though it had been affected from 1 July 2013.

Table 4.12 – MergeCo pro forma consolidated forecast income statement for FY2014

A\$m	Forecast Greencross income statement	Forecast Mammoth income statement	Pro forma Adjustments	Pro forma forecast MergeCo income statement
	FY2014	FY2014	FY2014	FY2014
Revenue	131.2	311.6	-	442.8
Cost of goods sold	(32.2)	(167.3)	1.0 ¹	(198.5)
Gross Margin	98.9	144.3	1.0	244.3
Operating expenses	(80.6)	(110.5)	1.2 ^{1,2}	(189.9)
EBITDA	18.4	33.8	2.2	54.3
Depreciation and amortisation	(2.3)	(9.7)	-	(12.0)
EBIT	16.0	24.2	2.2	42.3
Net interest expense	(2.7)	(6.9)	- ³	(9.5)
Profit Before Tax	13.3	17.3	2.2	32.8
Income tax expense	(4.0)	(5.4)	(0.5) ⁴	(9.9)
Net Profit After Tax	9.3	11.9	1.7	22.9
Outside equity interests	(0.5)	(1.0)	-	(1.5)
Net Profit After Tax attributable to merged entity shareholders	8.9	10.9	1.7	21.5

Notes on pro forma adjustments

The following adjustments have been applied to the pro forma forecast earnings for Greencross and Mammoth in Table 4.12 above:

1. Synergy benefits arising from the merger totaling \$1.5m, of which \$1.0m represents estimated gross margin synergies and a further \$0.5m of indirect cost synergies for the period on a Pro Forma basis. Further details of Synergies provided in section 2.3.
2. Reduction of long term incentive plan (LTIP) by \$0.7m, representing the proposed change in post-Merger LTIP scheme from the previous Mammoth structure to the expected MergeCo structure. These costs are not deductible for tax purposes.
3. Net nil change in interest expense, reflecting the aggregate of:

- a. Replacement of Mammoth's forecast amortisation of capitalised borrowing costs (\$0.6m) with the expected amortisation charge following the post-Merger refinance (\$0.2m). Expected refinance costs of \$1.0m will be amortised over 5 years.
- b. Estimated increase in interest expenses of \$0.8m related to the debt drawdown to fund \$11.8m of the total transaction costs.
- c. Estimated interest expense benefit of \$0.4m due to improved terms for Greencross debt following the post-Merger refinance.

4. Net tax impact of the above adjustments, amounting to \$0.5m, calculated at the effective tax rate of 30%.

The table below shows a reconciliation of the MergeCo pro forma forecast income statement and the MergeCo statutory forecast income statement for FY2014.

Table 4.13 – MergeCo consolidated statutory forecast income statement for FY2014

A\$m	Pro forma forecast MergeCo earnings	Reconciliation Adjustments	Statutory forecast MergeCo earnings
	FY2014	FY2014	FY2014
Revenue	442.8	(80.0)	362.8
Cost of goods sold	(198.5)	19.1	(179.4)
Gross Margin	244.3	(60.9)	183.3
Operating expenses	(189.9)	32.7	(157.2)
EBITDA	54.3	(28.2)	26.1
Depreciation and amortisation	(12.0)	1.4	(10.6)
EBIT	42.3	(26.9)	15.5
Net interest expense	(9.5)	(0.3)	(9.8)
Profit Before Tax	32.8	(27.1)	5.7
Income Tax expense	(9.9)	5.4	(4.5)
Net Profit After Tax	22.9	(21.7)	1.2
Outside equity interest	(1.5)	0.3	(1.2)
Net Profit After Tax attributable to merged entity shareholders	21.5	(21.5)	0.0

The reconciliation of MergeCo's pro forma to statutory income statements is set out in the table below.

Table 4.14 - Reconciliation of MergeCo pro forma to statutory forecast income statement for FY2014

A\$m	EBITDA	NPAT attributable to MergeCo Shareholders
Pro Forma	54.3	21.5
Greencross earnings in the seven months ended 31 January 2014 ¹	(11.2)	(5.4)
Synergies not effected in the seven months ended 31 January 2014 ²	(0.9)	(0.6)
Interest adjustment in the seven months ended 31 January 2014 ³	-	0.1
Acquisition costs from merger ⁴	(14.1)	(12.1)
LTIP FY2014 expense ⁵	(0.4)	(0.4)
Mammoth LTIP ⁶	(0.9)	(0.9)
Payroll tax on Mammoth LTIP ⁶	(0.8)	(0.5)
Mammoth bank borrowing costs write off ⁷	-	(1.6)
Statutory	26.1	0.0

Notes on reconciliation adjustments

The following adjustments have been applied to the pro forma forecast EBITDA and NPAT for MergeCo in Table 4.13. Table 4.14 reconciles these numbers with the statutory forecast EBITDA and NPAT.

1. Excluding seven months of Greencross earnings between 1 July 2013 and 31 January 2014, on the basis that the proposed merger is effected from 31 January 2014. This reflects the treatment of the Merger as a reverse acquisition under applicable accounting standards, whereby Mammoth is deemed to be the accounting acquirer in the transaction. The statutory results for FY2014 will therefore reflect a continuation of the results of Mammoth, and will include the results for Greencross for the period following the Merger.
2. Excluding seven months of synergies between 1 July 2013 and 31 January 2014, on the basis that the proposed merger is effected from 31 January 2014 based on the treatment outlined in note 1 above.
3. Excluding seven months of interest expense adjustments between 1 July 2013 and 31 January 2014, on the basis that the proposed merger is effected from 31 January 2014 based on the treatment outlined in note 1 above.
4. Total proposed acquisition costs of \$14.1m, including adviser fees and other costs relating to the transaction (\$13.8m) and non-recoverable GST expense (\$0.4m).
5. The Greencross standalone Employee Share Loan Plan and Mammoth standalone LTIP expense which has been excluded from the pro forma and replaced by the MergeCo scheme with a proposed annual charge of \$0.5m. The actual statutory charge in MergeCo in FY2014 is expected to be \$0.9m.
6. The accelerated write off of the Mammoth LTIP upon vesting of the shares under this program at the completion date of the transaction, and proposed payroll tax implications.

7. Write-off of capitalised borrowing costs in relation to Mammoth's existing debt facility (\$1.9m) on the basis that this will be refinanced post-Merger, offset by the unwinding of a related deferred tax balance (\$0.3m).

4.5.8 Commentary on MergeCo pro forma forecast income statement assumptions

As MergeCo's pro forma forecast income statement is an aggregation of the FY2014 forecast consolidated income statements for Mammoth and Greencross, adjusted to show the impact of the Merger as though it had been affected from 1 July 2013, commentary on Mammoth's forecast income statement assumptions and Greencross' forecast income statement assumptions is relevant for interpreting MergeCo's pro forma forecast income statement. Please see section 3.3.9 for commentary on Mammoth's forecast income statement assumptions and section 4.4.8 for commentary on Greencross' forecast income statement assumptions.

4.5.8.1 Sensitivity Analysis

As an aggregation of the FY2014 forecast consolidated income statements for Mammoth and Greencross, the MergeCo Forecast Financial Information has been based upon certain economic and business assumptions about future events relevant to Greencross and Mammoth. The summary of key best estimate assumptions are set out in sections 3.3.9 and 4.4.8.

The FY2014 EBITDA and NPAT for MergeCo are considered to be sensitive to a number of key assumptions. A summary of the potential impact on EBITDA and NPAT for FY2014 is set out below.

Table 4.15 – MergeCo EBITDA and NPAT sensitivities

A\$m	Impact on MergeCo pro forma FY2014 EBITDA	Impact on MergeCo pro forma FY2014 NPAT to Greencross shareholders
+/- 1% change in revenue (\$)	+/-2.4	+/-1.6
+/- 0.1% change in gross margin (%)	+/-0.4	+/-0.3
+/- 0.1% change in EBITDA margin (%)	+/-0.4	+/-0.3

The sensitivities above are assumed to have a full year impact on FY2014 and therefore do not take into account FY2014 performance to date.

The changes in these assumptions are not intended to be indicative of a complete range of variations that may occur and are not intended as an indication of potential changes considered likely by the Greencross Directors.

Extreme care should be taken in interpreting this information. The analysis treats each movement in an assumption in isolation for other possible movements, which may not be the case. Movements in one assumption may have an off-setting or compounding effect on other variables the effect of which are not reflected in the above analysis. In addition, it is possible that more than one assumption may move at any one point in time giving rise to cumulative effects which are not reflected in this analysis.

Typically MergeCo will respond to any material adverse change in conditions by taking appropriate actions to maximize / minimize to the extent possible the adverse/beneficial effect on profits and dividends. The effect of any such mitigating action has been excluded from the analysis.

4.5.9 MergeCo forecast cash flow statement

Table 4.16 – MergeCo pro forma consolidated forecast cash flow statement for FY2014

A\$m	Forecast Greencross cash flow	Forecast Mammoth cash flow	Pro forma Adjustments	Pro forma forecast MergeCo cash flow
	FY2014	FY2014	FY2014	FY2014
Net cash inflow from operating activities	13.5	13.2	1.1^{1,2}	27.8
Payments for property, plant and equipment	(4.3)	(29.4)	-	(33.7)
Payments for acquisitions	(4.9)	-	-	(4.9)
Net proceeds from borrowings	0.2	16.3	-	16.6
Cash flows before shareholder distributions	4.6	0.1	1.1	5.8

Notes on pro forma adjustments

The following adjustments have been applied to the pro forma cash flow for Greencross and Mammoth in Table 4.16 above:

1. Pro forma cost synergy benefits of \$1.5m, as detailed in section 4.5.7.
2. Increase in pro forma interest expense (\$0.4m) reflecting the net impact of an increase in borrowings to fund the transaction costs (\$0.8m) and a net benefit of lower interest expenses for Greencross following the merger (\$0.4m). Related net tax benefit (\$0.3m) is expected to be received in FY2015.

The table below shows a reconciliation of the MergeCo pro forma forecast cash flow statement and the MergeCo statutory forecast cash flow statement for FY2014.

Table 4.17 – MergeCo consolidated statutory forecast cash flow statement for FY2014

A\$m	Pro forma forecast MergeCo cash flow	Reconciliation Adjustments	Statutory forecast MergeCo cash flow
	FY2014	FY2014	FY2014
Net cash inflow from operating activities	27.8	(14.5)	13.4
Payments for property, plant and equipment	(33.7)	3.5	(30.2)
Payments for acquisitions	(4.9)	4.6	(0.3)
Net proceeds from borrowings	16.6	10.2	26.8
Cash flows before shareholder distributions	5.8	3.9	9.6

The reconciliation of MergeCo's pro forma to statutory cash flow statements is set out in the table below.

Table 4.18 - Reconciliation of pro forma to statutory cash flows before shareholder distributions

A\$m	Cash flows before shareholder distributions
Pro Forma cash flows before shareholder distributions	5.8
Management of Mammoth creditor payments over FY2013 and FY2014 year-ends ¹	7.8
Greencross cashflows in the seven months ended 31 January 2014 ²	1.3
Synergies in the seven months ended 31 January 2014 ³	(0.9)
Interest charge on transaction cost debt funding in the seven months ended 31 January 2014 ⁴	0.2
Transaction costs ⁵	(14.1)
Debt funding of transaction costs ⁵	11.8
Re-finance borrowing costs ⁶	(1.0)
Greencross Employee Share Loan Plan payroll tax ⁷	(0.4)
Mammoth LTIP payroll tax ⁷	(0.8)
Statutory cash flows before shareholder distributions	9.6

Notes on reconciliation adjustments

The following adjustments have been applied to the pro forma forecast cash flows for MergeCo in Table 4.17. Table 4.18 reconciles these numbers with the statutory forecast cash flows before shareholder distributions:

1. Excluding the impact of Mammoth creditor payments over FY2013 and FY2014 which were paid in advance of normal trading terms. These creditor payments are added back in the above reconciliation as FY2014 statutory cash flows in the MergeCo are expected to be higher by \$7.8m;
2. Excluding the seven months of Greencross operating, investing and financing cash flows between 1 July 2013 and 31 January 2014;
3. Excluding seven months of synergies between 1 July 2013 and 31 January 2014;
4. Excluding seven months of interest expense adjustments relating to debt funding of the transaction costs;
5. Total acquisition costs of \$14.1m refers to adviser fees (\$13.8m) and non-recoverable GST expense (\$0.4m), of which \$11.8m is to be funded via additional bank debt;
6. Costs associated with the refinance of debt post-Merger (\$1.0m) which will be paid during FY2014; and
7. Cash impact of the payroll tax adjustments related to the accelerated vesting of the Greencross Employee Share Loan Plan (\$0.4m) and Mammoth LTIP (\$0.8m) at the completion date of the transaction. Cash impact of the related tax benefit is expected to be received in FY2015.

4.5.10 Commentary on MergeCo forecast cash flow statement assumptions

As MergeCo's pro forma forecast cash flow statement is an aggregation of the FY2014 forecast consolidated cash flow statements for Mammoth and Greencross, adjusted to show the impact of the Merger as though it had been affected from 1 July 2013, commentary on Mammoth's forecast cash flow statement assumptions and Greencross' forecast cash flow statement assumptions is relevant for interpreting MergeCo's pro forma forecast cash flow statement. Please see section 3.3.11 for commentary on Mammoth's forecast cash flow statement assumptions and section 4.4.10 for commentary on Greencross' forecast flow statement assumptions.

4.5.11 FY2015 EPS accretion statement

The Directors believe that the Merger will deliver double digit EPS accretion for Greencross in FY15F relative to a market consensus EPS estimate of \$0.286 per share.³⁷

4.5.12 FY2015 EPS accretion statement assumptions

The achievement of the forecast FY2015 EPS accretion is predicated on the following forecast assumptions:

- Revenue growth driven by:
 - Roll-out of new Mammoth stores, on a basis consistent with historic trends;
 - Greencross making acquisitions broadly in line with recent experience;
 - A full year of trade from clinics and stores acquired or opened in FY2014; and
 - Moderate like-for-like sales growth;
- Achievement of synergies as contemplated by section 2.3; and
- The same general best estimate assumptions used in the FY2014 forecast, as set out in sections 3.3.9 and 4.4.8 (other than for potential acquisitions to be undertaken by Greencross in FY2015).

Achievement of the FY2015 EPS accretion is subject to none of the risks listed in section 5 having a material adverse impact on the operations of Greencross, Mammoth or the combined group, including, but not limited to, the risk that the synergies may be less than expected or may not materialise at all, and / or the risk that Australian and New Zealand economic conditions may worsen.

³⁷ EPS accretion calculated on a pro-forma basis and excluding any revenue synergies. The pro forma FY2014F calculation includes a full year contribution from both Greencross and Mammoth and a full year cost synergy contribution, as though the merger was effected on 1 July 2013. Payments relating to integration costs and transaction costs have been excluded from the pro-forma income statement, although debt funded costs increase the forecast interest expense. Consensus estimate for Greencross standalone EPS in FY2015F is 28.6 cents per share (Source: Bloomberg as at 12 November 2013). Acquisition accounting adjustments have not yet been undertaken, and as such pro forma EPS accretion is before any potential amortisation on intangibles identified as part of this process.

4.6 Effect of merger on capital and level of control

The following tables provide details of the changes to Greencross' Shareholder registers if the Merger is implemented.

Glen Richards, Jeffrey David, Paul Wilson, TPG Growth and Petco have each indicated that they will not directly or indirectly dispose of the Shares to be issued to them as consideration for the acquisition of their Mammoth Shares (collectively representing approximately 38.3% of Greencross post-Merger), or do anything that would have the effect of transferring effective ownership or control of those Shares³⁸, until the first to occur of the release of MergeCo's FY2014 results and 30 September 2014.

Current Greencross Shareholders ³⁹	Number of Shares	Greencross shareholding %
John Odium	4,261,466	11.31%
Glen Richards	3,139,009	8.33%
Keith Knight	2,313,331	6.14%
Stuart James	1,806,357	4.79%
Wesley Coote	350,000	0.93%
Andrew Geddes	232,358	0.62%
Jeffrey David	25,689	0.07%
Paul Wilson	23,000	0.06%
Other current Greencross Shareholders	25,531,124	67.75%
Total Greencross shares	37,682,334	100.00%

Shares issued to Mammoth Sellers ⁴⁰	Number of Shares	New Shares %
Jeffrey David	7,190,597	13.68%
Paul Wilson	4,640,015	8.83%
Glen Richards	2,818,491	5.36%
William Teasdale	2,517,774	4.79%
TPG Growth	17,260,298	32.83%
Petco	2,681,031	5.10%
Other Mammoth Sellers	15,466,547	29.40%
Total shares issued to Mammoth Sellers	52,574,753	100.00%

³⁸ Subject to limited exceptions relating to a takeover bid for or scheme announced by Greencross and the facilitation of intragroup transfers and financing arrangements.

³⁹ Disclosures relate to the named person and entities controlled by or associated with that named person.

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⁴⁰ Disclosures relate to the named person and entities controlled by or associated with that named person.

4.7.3 New Board profiles

Mr Stuart James

Independent Non-Executive Chairman

Mr James is an experienced executive within the financial and healthcare sectors. Mr James' 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). Mr James also held an executive role as CEO of the Mayne Group from January 2002 to November 2005. Prior to that Mr James was Mayne's Chief Operating Officer from July 2000 to January 2002. Mr James is the Chairperson of Prime Financial Group Ltd and Pulse Health Ltd, and a member of the Supervisory Board of Wolters Kluwer Nv and a Non-Executive Director of Phosphagenics Ltd.

Mr Jeffrey David

Executive Director (Chief Executive Officer)

Mr David was a founding shareholder of Mammoth. Mr David has been involved in the retail, wholesale and logistics industries for 28 years, commencing with family wholesaling business Davids Limited in 1985. Mr David spent three years in the USA as Senior Vice President and Chief Administration Officer of Independent Grocers Alliance, and seven years in Asia as CEO of Davids Asia Pty Ltd until its sale in 2005. Mr David was also the founding Chairman of ShopFast, Australia's largest online grocery business prior to its sale to Coles Myer in 2003. Mr David is also a Non-Executive Director of Greencross.

Dr Glen Richards

Executive Director (Managing Director, Veterinary Services)

Dr Richards is a veterinary honours graduate from University of Queensland and completed a Post Graduate Research Masters at James Cook University. Dr Richards practiced companion Animal medicine and surgery in Brisbane, Townsville and London before commencing practice ownership and establishing Greencross Vets in Townsville in 1994. Dr Richards is the founding Managing Director of Greencross Ltd and a foundation Shareholder of Mammoth. Dr Richards is a past director of Lyppard Australia, one of Australia's leading Veterinary wholesalers. Dr Richards established China's first western veterinary practice (Shanghai PAW) in 2001, and has been a Member of Australian Veterinary Association since 1988, with special interest groups in Small Animals and Practice Management.

Mr Paul Wilson

Executive Director (Managing Director, Pet Care Retailing)

Mr Wilson is a co-founder shareholder of Mammoth and has served as the Managing Director since its inception in 2005. Mr Wilson holds a Bachelor of Business and a Masters of Business Administration from University of Southern Queensland. Prior to Mammoth Paul was the COO of ShopFast, Australia's largest online grocery retailer (sold to Coles in 2003). Paul has worked in the retail industry for 26 years. He was with Caltex Australia from 1987 to 1999, in a number of roles including, National Fuels pricing and Planning manager, Retail Sales Manager for convenience retailing (500 locations), and GM of Caltex/Boral JV, Vitalgas. In addition Paul is a director of the Petbarn Foundation and is a Director of Animates NZ.

Mr Andrew Geddes

Independent Non-Executive Director

Mr Geddes specialises in professional service firm management and development. This involvement has led to his position as Non-Executive Director with Count Financial Limited, a company offering financial services since its listing on ASX in 2001 through to its subsequent sale to CBA in December 2011. Mr Geddes has conducted management development programs for veterinarians in Australia with Greencross Managing Director Dr Glen Richards and has gained valuable insight into Australian veterinary businesses. As well as having been the Chairman of Greencross, Mr Geddes is also a member of the Remuneration Committee and the Audit Committee.

Mr Matthew Hobart

Non-Executive Director

Mr Hobart is Managing Director and Partner at TPG Growth. Mr Hobart holds a B.A. with Honours from the University of Miami and an M.B.A. from the Stanford University Graduate School of Business. Prior to joining TPG Growth in 2004, Mr Hobart was the Vice President of Corporate Development for Critical Path as part of a turnaround team that lead the company through a major financial and operational restructure. Mr Hobart previously co-founded and served as Managing Director of Vectis Group, a venture corporation that capitalised and built companies globally, in partnership with leading US technology businesses.

As well as being on the board of Mammoth, Mr Hobart is also on the board of iMDsoft.

Mr Scott Gilbertson

Non-Executive Director

Mr Gilbertson is a Partner at TPG Growth where he leads the Operating group, responsible for driving shareholder value creation by contributing to the investment process and by actively engaging with portfolio companies to drive revenue growth, operational effectiveness, and profit enhancement. Mr Gilbertson holds a B.A. from Claremont McKenna College and an M.B.A. from the J.L. Kellogg Graduate School of Management. During his career Scott has served in leadership roles across the consumer, retail and eCommerce industry including Senior Vice President of Merchandising (Chief Merchant) at Under Armour Performance Apparel, COO of J.Crew Group, President eCommerce of J.Crew Group, and CEO of Ludi Labs. In the course of his tenure on the TPG Operating team he has also served in a number of interim executive positions within the TPG portfolio including COO of Bally International, CEO of J.Crew Group and President and COO of Fender Musical Instruments Corporation.

Mr Gilbertson is currently on the boards of Fender Musical Instruments, The Vincraft Group, MarketTools and 3 Day Blinds. He is also an observer to the boards of Adknowledge, Become, Inc. and Petbarn.

4.7.4 Proposed new management

Key members of the new Greencross senior management team include:

- Mr Jeffrey David - Chief Executive Officer
- Dr Glen Richards - Managing Director, Veterinary Services
- Mr Paul Wilson - Managing Director, Pet Care Retailing

4.7.5 New management profiles

Mr Jeffrey David

Chief Executive Officer

See profile under Board profiles, above.

Dr Glen Richards

Managing Director, Veterinary Services

See profile under Board profiles, above.

Mr Paul Wilson

Managing Director, Pet Retailing

See profile under Board profiles, above.

4.8 Intentions of TPG Growth and Petco for business and employees of Greencross

If the Merger is implemented, TPG Growth and Petco will have a combined shareholding in Greencross of over 22%. Despite this substantial shareholding, neither TPG Growth nor Petco will control MergeCo.

The rationale for the Merger outlined in section 2 is consistent with TPG Growth and Petco's intentions for MergeCo.

4.9 Other key implications of proceeding with the merger

There are a number of risks associated with both the implementation of the Merger and the structure of Greencross following the Merger. See section 5 for information regarding these risks.

4.10 Key implications of not proceeding with the merger

If Shareholders do not approve the Resolutions (or if the Merger does not proceed because of the non-fulfilment of any condition), Shareholders will not be able to hold a stake in MergeCo. Instead, they will retain their direct interest in Greencross and Greencross will continue to operate as it did prior to the intended Merger. In these circumstances, the possible advantages of the Merger outlined in section 2 above will not be available to Greencross and Shareholders.

In addition, the possible disadvantages of the Merger discussed in section 5 will not be relevant.

In these circumstances, the Directors and management of Greencross would consider alternatives for the long-term strategic future of Greencross. The Directors believe the future prospects for Greencross in these circumstances would be less attractive than if the Merger proceeds.

5. Risks of merger

5.1 Overview

An investment in Greencross will be exposed to a number of risks as a result of proceeding with the Merger.

Risks that the Directors believe are potentially material are described in this section 5.

There are also risks that are common to all investments in shares and which are not specific to an investment in Greencross or the Merger, for example, the general volatility of share prices including as a result of general economic conditions (including monetary and fiscal policy settings as well as exchange and interest rates) in Australia and overseas and other events outside the usual course of Greencross' business such as acts of terrorism or war.

Shareholders should note that the occurrence or consequences of some of the risks described in this section of the Explanatory Memorandum are partially or completely outside the control of Greencross, its Directors and senior management.

Further, Shareholders should note that this description focuses on the potentially key risks and does not purport to list every risk that Greencross may have now or in the future. It is also important to note that there can be no guarantee that Greencross will achieve its stated objectives or that any forward looking statements or forecasts contained in this Explanatory Memorandum will be realised or otherwise eventuate.

Shareholders should satisfy themselves that they have a sufficient understanding of these matters, including the risks described in this section of the Explanatory Memorandum, and have regard to their own investment objectives, financial circumstances and taxation position before deciding how to vote on the Resolutions. If you do not understand any part of this Explanatory Memorandum, or are in any doubt as to whether to invest in Shares or not, it is recommended that you seek independent financial, legal or other professional advice before deciding how to vote on the Resolutions.

5.2 Risks relating to the implementation of the Merger, if approved

5.2.1 Operational implementation risk

The combination of two businesses of the size of Greencross and Mammoth carries risk, including potential delays or costs in implementing necessary changes, and difficulties in integrating various operations.

The success of the Merger and, in particular, the ability to realise the synergy benefits of the Merger outlined in section 2, will be dependent upon the effective and timely combination of the Greencross and Mammoth businesses. There is a risk that the synergies may be less than expected or may not materialise at all. While Greencross has undertaken analysis in this area, reviewed by the Investigating Accountant, expected synergies cannot be confirmed until the Merger is approved and fully implemented. There is a risk that the merged group's future profitability and prospects could be adversely affected if integration is not completed efficiently and effectively, with minimal disruption to the businesses.

Although Greencross and Mammoth have progressed some of their integration planning, there remains a risk that unforeseen events may arise resulting in the synergies to be delayed, not be obtained, or cost more to achieve than originally expected. These risks include:

- possible difficulties in bringing together the cultures and management styles of both organisations in an effective manner;
- disruption to the ongoing operations of both businesses;
- higher than anticipated integration costs;
- unforeseen costs relating to the integration of some of the IT platforms, management information systems and financial and accounting systems of both businesses; and
- unintended loss of key personnel or expert knowledge or reduced employee productivity due to uncertainty arising as a result of the Merger.

To address these risks, a merger committee consisting of management and advisers to Greencross and Mammoth has been formed to devise strategies to optimise people, processes, systems and risk management frameworks for the immediate post-Merger period.

5.2.2 Change of control risk

If the Merger proceeds, the Mammoth Sellers will be issued Shares representing 58.25% of the post-Completion share capital of Greencross. However, no single Mammoth Seller (together with its associates) will obtain control of the majority of voting shares in Greencross or the ability to appoint the majority of the Greencross Board. Accordingly, although some of the commercial contracts to which Greencross or its subsidiaries are a party contain change of control clauses, the Greencross Board is of the view that the Merger will not trigger a change of control, which would enable counterparties to such contracts to terminate or vary the terms of the contracts upon implementation of the Merger.

5.3 Risks relating to Greencross following the Merger, if approved

The risks and uncertainties described below are not exhaustive and are general risk factors which may have an impact on Greencross post-Merger or specific risks relating to the Mammoth business. Additional risks and uncertainties that Greencross is unaware of, or that it currently considers to be immaterial, may also become important factors that affect the operating and financial performance of Mammoth, MergeCo and the value of Shares.

5.3.1 Assumed liabilities

If the Merger proceeds, Shareholders will share a proportional risk of any contingent liabilities associated with the past operations of Mammoth. This includes exposure to possible taxation and legal claims in respect of, amongst other things, business practices, product and public liability and employee health and safety issues. Greencross undertook a due diligence review regarding these potential exposures prior to signing the Share Sale Agreement. Certain warranties and indemnities were obtained under the Sale Agreement. In addition, certain warranties and indemnities were obtained by Mammoth from Greencross, recognising that as a consequence of the Merger, the Mammoth Sellers are accepting an indirect exposure to 58.25% of any similar contingent liabilities of Greencross.

5.3.2 Retail and economic risk

If the Merger proceeds, Greencross will issue approximately 52.6m Shares to the Mammoth Sellers as consideration for Mammoth. Given the size of the Mammoth business relative to the current Greencross business, the operating and financial performance of Mammoth in the future will have a material impact on the performance of Greencross and on the value of Shares. Despite being more diversified, the enlarged Greencross will have additional exposure to cyclical retail drivers and may perform worse than the standalone Greencross in subdued economic conditions.

5.3.3 Future takeover bids

In the short-term at least, TPG Growth will have a stake sufficiently large to block the takeover of 100% of Greencross. As a result, by voting in favour of the Merger, Shareholders may be foregoing an opportunity to sell their Shares at a premium to trading via a future takeover offer.

5.4 Business specific risks

5.4.1 Greencross

Despite Greencross' strong track record, including during the recent global financial crisis, there are a number of risks, both specific to Greencross and of a general nature, which may either individually, or in combination, materially adversely affect the future operating performance Greencross. Many of these risks are outside the control of Greencross. These risks include those set out below.

Risks in relation to the expected industry trends

There is a risk the Australian economic conditions will worsen. If economic conditions deteriorate, there is a risk that consumers may reduce their level of consumption of veterinary services. Sustained weak economic conditions and consumer sentiment could affect sales or impacting margins. A reduction in consumer spending may have a material impact on Greencross' revenue and may have a material adverse effect on Greencross' future financial performance.

Greencross products and services are marketed to pet owners. There is a risk that levels of pet ownership in Australia will decrease. A reduction in the levels of pet ownership may reduce the size of Greencross'

addressable market, which may result in a decline in revenue and margins which may have an adverse effect on Greencross' future financial performance.

Identification and completion of clinic acquisition opportunities

Part of Greencross' future growth profile is derived from the acquisition of new clinics in targeted geographies. Notwithstanding the highly fragmented veterinary services market, there is a risk that Greencross may not be able to identify and complete a sufficient number of clinic acquisitions to meet its clinic acquisition program targets. This could result in lower sales and profitability in the future than if the acquisition targets were met.

Increased competition for clinic acquisitions

There are low barriers to entry in the market in which Greencross operates and there is a risk that an existing or new entrant to the market might aggressively attempt to grow its market share through acquisitive consolidation with serious discounting and very aggressive marketing although this would take some time to cover Greencross' geographical spread.

Such activities may cause Greencross' competitive position to deteriorate. Any deterioration in Greencross' competitive position may result in a decline in revenue and margins and a loss of market share which may have an adverse effect on Greencross' future financial performance.

Increase competition for clinic acquisitions may increase the acquisition price of future clinic purchases. Any increase in acquisition price may result in additional cash being required to fund future growth, lower returns on future capital employed by Greencross and have an adverse effect on Greencross' future financial performance and growth outlook.

Workplace relations risks

Greencross staff members operate under a modern award and are subject to the terms and conditions of the Fair Work Act. Staffing costs are the single biggest cost of Greencross and any material adverse change to the modern award, the Fair Work Act or adverse effect due to labour market forces may increase costs, reduce overall profitability and have an adverse effect on Greencross' future financial performance.

Product sourcing

Greencross' products are sourced from a network of third parties. Loss or interruption to business of major suppliers, including delays or failures in receiving orders may result in increased product sourcing costs for Greencross or a reduction in the available range in one or more stores. This may in turn adversely impact sales and margins, reduce overall profitability and have an adverse effect on Greencross' future financial performance.

Loss of key management personnel and shortages of skilled personnel

The loss of key management personnel or the inability to recruit or retain suitable skilled personnel may adversely impact sales and margins, reduce overall profitability and have an adverse effect on Greencross' future financial performance.

Information Technology (IT) systems

Greencross is reliant on the capability and reliability of its IT systems and backup systems, and those of its external service providers such as communications carriers, to process transactions, manage debtors and inventory, report financial results and manage its business.

The failure of any of Greencross' IT systems, including veterinary management software could have a significant impact on Greencross' ability to trade and may have an adverse effect on Greencross' future financial performance.

Regulation and litigation

Greencross may be the subject of complaints or litigation by customers, suppliers, employees, government agencies or other third parties. Such matters may have an adverse effect on Mammoth's reputation, divert its financial and management resources from more beneficial uses, or have a material adverse effect on Greencross' future financial performance.

Privacy breaches

The protection of customer, employee and company data is critical to Greencross. Greencross has access to customer information, in particular through its veterinary management software database. The legal and regulatory environment surrounding information security and privacy is increasingly complex and demanding. A significant breach of customer, employee or company data could attract significant media attention, damage Greencross' customer relationships and reputation and ultimately result in lost sales, fines or litigation, which may have an adverse effect on Greencross' future financial performance.

5.4.2 Mammoth

Despite Mammoth's strong track record, including during the recent global financial crisis, there are a number of risks, both specific to Mammoth and of a general nature, which may either individually, or in combination, materially adversely affect the future operating performance of Mammoth. Many of these risks are outside the control of Greencross. These risks include those set out below.

Deterioration in the specialty pet care retail environment

As a specialty pet care retailer, Mammoth is exposed to general economic conditions. The retail environments in the countries in which Mammoth operates are currently experiencing challenging conditions due to volatility in consumer sentiment and retail demand. This has arisen as a result of general uncertainty about future economic conditions, which has been contributed to by factors including the global financial crisis.

There is a risk that Australian and New Zealand economic conditions will worsen. If economic conditions deteriorate, there is a risk that the specialty pet care retail environment will deteriorate as consumers reduce their level of consumption. Sustained weak economic conditions and consumer sentiment could affect sales or require additional discounting, impacting margins. A reduction in consumer spending is likely to have a material impact on Mammoth's revenue and may have a material adverse effect on Mammoth's future financial performance.

Mammoth's products are marketed to pet owners. There is a risk that levels of pet ownership in Australia and New Zealand will decrease. A reduction in the levels of pet ownership may reduce the size of Mammoth's addressable market, which may result in a decline in revenue and margins which may have an adverse effect on Mammoth's future financial performance.

Damage to the brand

Mammoth's Petbarn and Animates brands are crucial assets to the business. The perception of the brands as high quality and credible could be adversely impacted by a number of factors, including:

- Product quality issues;
- Negative press; and
- Breach of any fair trading regulations or Australian Competition and Consumer Commission or New Zealand Commerce Commission Investigations.

Significant deterioration of the Mammoth brands could have an adverse impact on Mammoth's future financial performance.

Possible deterioration in competitive position

Mammoth faces competition from other specialty pet care retailers as well as supermarket retailers. There are few barriers to entry in the market in which Mammoth operates and there is a risk that an existing or new entrant to the market might aggressively attempt to grow its market share through store rollout, growing online presence, increased advertising and / or price cutting.

Such activities may cause Mammoth's competitive position to deteriorate. Any deterioration in Mammoth's competitive position may result in a decline in revenue and margins and a loss of market share which may have an adverse effect on Mammoth's future financial performance.

Product Sourcing

Mammoth's products are sourced from a network of third parties. Loss or interruption to business of major suppliers, including delays or failures in receiving orders may result in increased product sourcing costs for

Mammoth or a reduction in the available range in one or more stores. This may in turn adversely impact sales and margins, reduce overall profitability and have an adverse effect on Mammoth's future financial performance.

Loss of key management personnel

The loss of key management personnel and inability to recruit or retain suitable replacement or additional personnel may adversely impact sales and margins, reduce overall profitability and have an adverse effect on Mammoth's future financial performance.

Information Technology (IT) systems

Mammoth is reliant on the capability and reliability of its IT systems and backup systems, and those of its external service providers such as communications carriers, to process transactions, manage inventory, report financial results and manage its business.

The failure of any of Mammoth's IT systems, including its retail point of sale and inventory management systems could have a significant impact on Mammoth's ability to trade and may have an adverse effect on Mammoth's future financial performance.

Regulation and litigation

Mammoth may be the subject of complaints or litigation by customers, suppliers, government agencies or other third parties. Such matters may have an adverse effect on Mammoth's reputation, divert its financial and management resources from more beneficial uses, or have a material adverse effect on Mammoth's future financial performance.

Foreign exchange rates

Various goods purchased by Mammoth and its suppliers are priced in US\$ and consequently are exposed to movements in the US\$ / A\$ foreign exchange rate which may result in an increase in its cost of inventory, which may not be able to be passed on to consumers.

As a result of its ownership of a 50% interest in the Animates joint venture, Mammoth's results are impacted by movements in the NZ\$ / A\$ foreign exchange rate, and Mammoth does not currently hedge this exposure.

Property

The growth prospects of Mammoth are likely to result from increased contribution from existing stores and Mammoth's ability to continue to open and operate new stores on a profitable basis. The store rollout program is dependent on Mammoth's ability to secure sites on acceptable terms. A significant increase in rental costs associated with new stores could impact margins and the profitability of some stores. Similarly, the inability of Mammoth to source new locations in target areas could reduce Mammoth's ability to continue to expand its store footprint.

Part of Mammoth's forecast growth is derived from the rollout of new stores in catchment areas of existing stores. This could result in a decline in profitability if total sales from the catchment do not materially increase. Mammoth has allowed for the expected impact from new store openings on existing store sales in its forecast based on historical experience.

Privacy breaches

The protection of customer, employee and company data is critical to Mammoth. Mammoth has access to customer information, in particular through its Friends for Life program database. The legal and regulatory environment surrounding information security and privacy is increasingly complex and demanding. A significant breach of customer, employee or company data could attract significant media attention, damage Mammoth's customer relationships and reputation and ultimately result in lost sales, fines or litigation, which may have an adverse effect on Mammoth's future financial performance.

6. Additional information

6.1 Directors' interests and recommendations for Resolutions

6.1.1 Recommendations and Directors' voting intentions

The Independent Directors unanimously recommend that you vote in favour of the Resolutions, in the absence of a superior proposal.

Greencross will disregard any votes cast by the Interested Directors (being Jeffrey David and Glen Richards) or any Associates of either of them on Resolutions 1, 2 and 4. In addition, although the Interested Directors are not precluded from voting on Resolution 3, they have indicated that they will abstain from voting on that resolution in light of their being precluded from voting on Resolutions 1, 2 and 4. In accordance with best practice corporate governance standards, the Interested Directors have not made a recommendation on how you should vote in relation to any of Resolutions 1 to 4.

Greencross will disregard any votes cast by any Director or any Associate of any of them on Resolution 5 (which relates to Director remuneration and is not a Merger Resolution).

Each Independent Director intends to vote any Shares they hold or control in favour of the Resolutions.

6.1.2 Interests of Directors

The Directors do not have any material personal interest in the outcome of the Resolutions other than:

- in the case of Jeffrey David and Glen Richards⁴², their interests in approximately 13.68% and 5.25% of Mammoth respectively;
- their interests arising solely in their capacity as Shareholders of Greencross;
- their interests arising as directors entitled to receive compensation for the provision of services to Greencross in that capacity; and
- their interests in Shares as set out in the table below.

Details of the Directors' interest in Shares as at 13 December 2013 are set out in the following table:

Directors	Shares
Andrew Geddes	232,358
Stuart James	1,806,357
John Odium	4,331,905
Jeffrey David	25,689
Glen Richards	3,139,009

⁴² Disclosures relate to the named person and entities controlled by or associated with that named person.

6.2 Background to Resolutions

6.2.1 Outline of Merger

On 14 November 2013, Greencross announced that it had entered into a binding agreement to merge with Mammoth, subject to shareholder and other regulatory approvals. The Merger will be effected through Greencross acquiring 100% of the Shares of Mammoth in exchange for the issue by Greencross of 52,574,753 Shares to the Mammoth Sellers. Those Shares will be divided between the Mammoth Sellers in proportion to their interests in Mammoth.

Accordingly, the Mammoth Sellers will receive the following number of Shares:

Mammoth Seller⁴³	Number of New Shares to be issued under the Sale Agreement
Jeffrey David	7,190,597
Paul Wilson	4,640,015
Glen Richards	2,818,491
TPG Growth	17,260,298
Petco	2,681,031
Other Mammoth Sellers	17,984,320
Total	52,574,753

The Merger is subject to a number of conditions. These include approval by Shareholders at the Meeting. Further details of the conditions are noted in section 6.9.

The purpose of Resolutions 1 to 3 (inclusive) is to enable Greencross to issue the New Shares to the Mammoth Sellers. Resolution 4 relates to approval of the acquisition of Mammoth. Resolution 5 relates to the total remuneration payable to Directors and is not a condition to implementation of the Merger. Resolutions 1 to 4 are conditions to implementation of the Merger.

Resolutions 1 to 5 are interdependent. That means each of those Resolutions must be passed for the approvals sought to be effective.

Accordingly if Resolutions 1 to 5 are passed and subject to the satisfaction or waiver of the other conditions precedent to the Merger, Greencross will acquire all of the issued share capital of Mammoth at Completion.

If the conditions to the Merger are not satisfied or waived on or before 7 March 2014 or such later date as the parties agree, any party may elect to terminate the agreement.

6.2.2 Regulatory requirements

The Corporations Act and ASX Listing Rules set out a number of regulatory requirements that must be satisfied in relation to the issue of New Shares under the Merger in respect of Resolutions 1 to 4. These regulatory requirements are set out in sections 6.3.1, 6.4.1, 6.5.1, 6.6.1 of this Explanatory Memorandum. There are no regulatory requirements in respect of Resolution 5.

⁴³ Disclosures relate to the named person and entities controlled by or associated with that named person.

6.3 Additional information relating to Resolution 1

Resolution 1:

"That for the purposes of ASX Listing Rule 7.1, subject to and conditional on resolutions 2, 3, 4 and 5 being passed, approval is given for the Company to issue 52,574,753 fully paid ordinary shares in the capital of the Company to the Mammoth Sellers as consideration for the acquisition of 100% of the fully paid ordinary shares in Mammoth from the Mammoth Sellers on the terms and conditions set out in the Explanatory Memorandum."

6.3.1 Application of ASX Listing Rule 7.1

Listing Rule 7.1 provides that a company must not, subject to certain exceptions, issue during any 12 month period any equity securities or other securities with rights of conversion to equity (such as an option) if the number of those securities exceeds 15% of the total ordinary securities on issue at the commencement of that 12 month period.

The New Shares to be issued pursuant to the Merger will exceed 15% of the total ordinary securities on issue at the commencement of that 12 month period. As a result, shareholder approval for the purposes of ASX Listing Rule 7.1 is required.

6.3.2 Specific information required by Listing Rule 7.1

- *The maximum number of New Shares to be issued*
The number of New Shares that will be issued by Greencross is 52,574,753.
- *The date by which Greencross will issue the New Shares*
If Shareholders approve Resolutions 1 to 5, the issue of the New Shares under the Merger will take place on the last day of the calendar month in which all of the Conditions are satisfied or waived, which is expected to be on 31 January 2014.
- *The issue price of the New Shares to be issued*
The total consideration to be paid for the issue of the New Shares is the transfer of all of the Mammoth Shares to Greencross by the Mammoth Sellers.
- *The persons to whom the New Shares will be issued*
The Mammoth Sellers.
- *Terms of New Shares to be issued*
The terms of the New Shares are set out in section 6.10 of the Explanatory Memorandum.
- *Intended use of the funds raised through the issue of New Shares*
The New Shares are to be issued by Greencross in satisfaction of the consideration to be paid to the Mammoth Sellers for acquiring 100% of the Mammoth Shares.
- *Issue date*
The Shares are expected to be issued on or around 31 January 2014, subject to receipt of Shareholder and all of the conditions in the agreement being satisfied or waived.

6.3.3 Voting exclusion

In accordance with ASX Listing Rules 7.3.8 and 14.11, Greencross will disregard any votes cast on this resolution by the Mammoth Sellers or any Associates of any of them.

However, Greencross will not disregard a vote if it is cast by a Mammoth Seller or an Associate of any of the Mammoth Sellers as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by a Mammoth Seller or an Associate of any of the Mammoth Sellers chairing the Meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form as the proxy decides.

6.4 Additional information relating to Resolution 2

Resolution 2:

"That for the purposes of ASX Listing Rule 10.11, subject to and conditional on resolutions 1, 3 4 and 5 being passed, approval is given for the Company to issue:

- (a) 7,190,597 fully paid ordinary shares in the capital of the Company to entities controlled by Jeffrey David; and*
- (b) 2,818,491 fully paid ordinary shares in the capital of the Company to entities controlled by Glen Richards,*

as consideration for the acquisition of all of the fully paid ordinary shares in Mammoth held by them on the terms and conditions set out in the Explanatory Memorandum."

6.4.1 Application of ASX Listing Rule 10.11

Listing Rule 10.11 provides that a company must not, subject to certain exceptions, issue or agree to issue any equity securities without the approval of holders of ordinary securities, to a related party or to a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained.

Some of the New Shares to be issued pursuant to the Merger will be issued to related parties. As a result, shareholder approval pursuant to ASX Listing Rule 10.11 will be required prior to the issue of those New Shares.

Specific information required by Listing Rule 10.11

- *The related parties*

As Directors, Jeffrey David and Glen Richards are related parties of Greencross. Jeffrey David and Glen Richards⁴⁴ are also Mammoth Sellers and as a result of the Merger New Shares will be issued to them.

- *Maximum number of New Shares to be issued to the related parties*

7,190,597 and 2,818,491 respectively.

- *The date by which Greencross will issue the New Shares to the related parties*

If Shareholders approve resolutions 1 to 4 (inclusive), the issue of the New Shares under the Merger will take place on the last day of the calendar month in which all of the conditions in the agreement are satisfied or waived, which is expected to be on 31 January 2014.

- *The issue price of the securities and a statement of the terms of the issue.*

The total consideration to be paid for the issue of the New Shares is the transfer of all of the Mammoth Shares to Greencross by the Mammoth Sellers. Based on the market price of Shares on 12 November 2013, the implied value of the New Shares to be issued to Jeffrey David and Glen Richards⁴⁵ (and therefore the implied value of the Mammoth Shares they will sell to Mammoth under the Merger) is \$46,882,692 and \$18,376,563 respectively. The terms of the New Shares are set out in section 6.10 of this Explanatory Memorandum.

- *The intended use of the funds raised.*

The New Shares are to be issued by Greencross in satisfaction of the consideration to be paid to the Mammoth Sellers, including Jeffrey David and Glen Richards⁴⁶, for acquiring 100% of the Mammoth Shares.

6.4.2 Voting exclusion

In accordance with ASX Listing Rule 10.13.6 and 14.11, Greencross will disregard any votes cast on this resolution by entities controlled by Jeff David and entities controlled by Glen Richards or an associate of any of them.

⁴⁴ Disclosures relate to the named person and entities controlled by or associated with that named person.

⁴⁵ Disclosures relate to the named person and entities controlled by or associated with that named person.

⁴⁶ Disclosures relate to the named person and entities controlled by or associated with that named person.

However, Greencross will not disregard a vote if it is cast by any Mammoth Seller or any Associate of any of the Mammoth Sellers as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by any Mammoth Seller or any Associate of any of the Mammoth Sellers of them chairing the Meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form as the proxy decides.

6.5 Additional information relating to Resolution 3

Resolution 3:

"That for the purposes of item 7 of section 611 of the Corporations Act, subject to and conditional on resolutions 1, 2, 4 and 5 being passed, approval is given for:

- (a) the Company to issue 17,260,298 fully paid ordinary shares in the capital of the Company to, and for the acquisition of those shares by, TPG Growth; and*
- (b) the Company to issue 2,681,031 fully paid ordinary shares in the capital of the Company to, and for the acquisition of those shares by, Petco,*

as consideration for the acquisition of all of the fully paid ordinary shares in Mammoth held by them on the terms and conditions set out in the Explanatory Memorandum."

6.5.1 Application of Section 611(7)

Pursuant to section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares of a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

- from 20% or below to more than 20%; or
- from a starting point that is above 20% and below 90%.

The voting power of a person in a company is determined in accordance with section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's Associates have a relevant interest.

A person (second person) will be an 'Associate' of the other person (first person) if:

- the first person is a body corporate and the second person is:
 - a body corporate the first person controls;
 - a body corporate that controls the first person; or
 - a body corporate that is controlled by an entity that controls the person;
- the second person has entered or proposed to enter in a relevant agreement with the first person for the purpose of controlling or influencing the composition of the company's board or the conduct of the company's affairs; and
- the second person is a person with whom the first person is acting or proposed to act, in concert in relation to the company's affairs.

A person has a relevant interest in securities as determined in accordance with section 608 of the Corporations Act, including if they:

- are the holder of the securities;
- have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
- have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

Section 611 of the Corporations Act provides that certain acquisitions of relevant interests in a company's voting shares are exempt from the takeover provisions prohibition in section 606(1), including acquisitions approved previously by a resolution passed at a general meeting of the company in which the acquisition is made (item 7 of section 611 of the Corporations Act). Shareholder approval under item 7 of Section 611 of the Corporations Act is required for the acquisition by TPG Growth and Petco of Shares as discussed in this Explanatory Memorandum because those Shares in aggregate represent 22.09% of MergeCo. The Shares of TPG Growth and Petco are to be aggregated for this purpose for the reasons set out in section 6.5.2.

6.5.2 Specific information required by Section 611(7) and recommended by ASIC Regulatory Guide 74

The information set out below is required to be provided to Shareholders under the Corporations Act or is recommended to be provided to Shareholders under ASIC Regulatory Guide 74 in respect of obtaining approval for the acquisition of New Shares under item 7 of section 611 of the Corporations Act. Shareholders are also referred to the Independent Expert's Report annexed to this Explanatory Memorandum as Annexure B.

- *TPG Growth and Petco's relationship*

TPG Growth is ultimately controlled by TPG Global, LLC and its affiliates (**TPG Global & Affiliates**), including through management agreements. Petco is ultimately owned by Petco Animal Supplies, Inc. (**Petco Inc.**). In turn, a vehicle (or vehicles) ultimately controlled by TPG Global & Affiliates holds greater than 20% of the voting shares in Petco Inc. As a result of this shareholding, TPG Growth will obtain a relevant interest in the MergeCo shares to be held by Petco following implementation of the Merger for the purposes of sections 606 and 611 of the Corporations Act.

- *Details of TPG Growth and Petco and their Associates*

Background information on TPG Growth and Petco is set out in section 3.4.

- *Identity of persons who will hold a relevant interest in the Shares and details of related voting power in Greencross*

TPG Growth and Petco are making the acquisition the subject of Resolution 3:

- The maximum extent of the increase in their voting power in Greencross that will result from the acquisition is 22.09%;
- The voting power they will have as a result of the acquisition is 22.09%;
- The maximum extent of the increase in the voting power of each of their associates that will result from the acquisition is 22.09%; and
- The voting power that each of their associates will have as a result of the acquisition is 22.09%.

- *Intentions of TPG Growth and Petco in relation to Greencross*

The intentions of TPG Growth and Petco in relation to Greencross are set out in section 4.8.

- *Capital structure*

The proposed capital structure of Greencross following completion of the Merger is set out in section 4.6.

- *Board of Directors*

The proposed composition of the Board of Greencross following completion of the Merger is set out in section 4.7.

- *Terms of New Shares to be issued*

The terms of the New Shares are set out in section 6.10.

- *Rationale for the Merger*

An explanation of the rationale for the Merger is set out in section 2 of the Explanatory Memorandum.

- *Timing*

The Shares are expected to be issued on or around 31 January 2014, subject to receipt of Shareholder and other regulatory approvals.

- *Interests and Recommendations of Directors*

The Directors interests and recommendations are set out in section 6.1.

6.5.3 Voting exclusion

In accordance with item 7 of section 611 of the Corporations Act, Greencross will disregard any votes cast on this resolution by TPG Growth, Petco and any Associate of any of them.

6.6 Additional information relating to Resolution 4

Resolution 4:

"That for the purposes of ASX Listing Rule 10.1, subject to and conditional on resolutions 1, 2, 3 and 5 being passed, approval is given for the Company to acquire all of the fully paid ordinary shares in Mammoth owned by entities controlled by Jeffrey David and Glen Richards on the terms and conditions set out in the Explanatory Memorandum."

6.6.1 Application of ASX Listing Rule 10.1

Listing Rule 10.1 provides that approval of holders of an entity's ordinary securities is required where an entity proposes to acquire a substantial asset from a second entity that is, amongst other things, a related party of the first mentioned entity, or an Associate of that second entity.

For these purposes:

- a person is a related party if the person is a director or an entity controlled by a director; and
- an asset is a substantial asset if its value, or the value of the consideration for it, is 5% or more of the equity interests of the company as set out in the latest accounts of the company given to ASX under the Listing Rules.

Pursuant to the Merger, Greencross would acquire Mammoth Shares from entities controlled by Jeffrey David and Glen Richards. Jeffrey David and Glen Richards are related parties of Greencross because they are Directors. The Mammoth Shares are a substantial asset for the purposes of Listing Rule 10.1. As a result, the acquisition of those Mammoth Shares requires the approval of Shareholders pursuant to ASX Listing Rule 10.1.

6.6.2 Specific information required by Listing Rule 10.1

Under Listing Rule 10.10, the Notice of Meeting is required to contain a report on the transaction from an independent expert stating whether the transaction is fair and reasonable to holders of the Company's ordinary securities whose votes are not to be disregarded. The Independent Expert's Report is set out in Annexure B. The Independent Expert has formed the view that the Merger is fair and reasonable to the Non-Associated Shareholders.

Shareholders are advised to consider the Independent Expert's Report carefully before deciding how to vote on Resolution 3.

6.6.3 Voting exclusion

In accordance with ASX Listing Rule 10.10.1 and 14.11, Greencross will disregard any votes cast on this resolution by any Mammoth Seller or any Associates of any of them.

However, Greencross will not disregard a vote if it is cast by any Mammoth Seller or any Associate of any of the Mammoth Sellers as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by any Mammoth Seller or any Associate of any of the Mammoth Sellers of them chairing the Meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form as the proxy decides.

6.7 Additional information relating to Resolution 5

Resolution 5:

" That, subject to and conditional on resolutions 1, 2, 3 and 4 being passed, pursuant to article 8.4 of the Company's constitution, and for the purposes of Listing Rule 10.17, the maximum aggregate remuneration payable by the Company to the Directors (as a whole) for their non-executive services be increased by \$250,000 from \$500,000 per annum to \$750,000 per annum, divided among the Directors in such proportion and manner as the Directors agree or, in default of that agreement, equally."

The Meeting will consider a Resolution to approve an increase in the aggregate remuneration payable to the Directors (as a whole), given the proposed increase in the number of Directors, for the purposes of article 8.4 of Greencross' constitution and ASX Listing Rule 10.17. It is proposed to increase the limit by \$250,000 per annum from \$500,000 per annum to \$750,000 per annum, to be divided among the Directors in such proportion and manner as the Directors agree or, in default of that agreement, equally.

6.7.1 Voting exclusion

In accordance with ASX Listing Rule 10.17 and 14.11, Greencross will disregard any votes cast on this resolution by a Director and an Associate of a Director.

However, Greencross will not disregard a vote if it is cast by a Director as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by a Director chairing the Meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form as the proxy decides.

6.8 Public disclosures regarding Greencross

Greencross is admitted to the official list of ASX and is a disclosing entity for the purposes of the Corporations Act. As a disclosing entity, it is subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules. Broadly, those obligations require Greencross to prepare both yearly and half yearly financial statements and to report on its operations during the relevant accounting period, and to obtain an audit or review report from its auditor.

Copies of these and other documents lodged with ASIC may be obtained from or inspected at an ASIC office.

Greencross must ensure that ASX is continuously notified of information about specific events and matters as they arise for the purposes of ASX making the information available to the Australian securities market.

Greencross has an obligation under the ASX Listing Rules (subject to certain exceptions) to notify ASX immediately of any information concerning it of which it becomes aware, which a reasonable person would expect to have a material effect on the price or value of its quoted securities.

Copies of announcements concerning Greencross are available from www.asx.com.au.

6.9 Summary of Sale Agreement

On 14 November 2013, each of the Mammoth Sellers, Greencross, Freddy Investments Pty Ltd (**Trustee**) and Mammoth Pet Pty Limited (the **Mammoth Subsidiary**) entered into the Sale Agreement.

The Sale Agreement sets out the terms and conditions upon which the Sellers have agreed to sell 100% of the Mammoth Shares in exchange for the issue by Greencross of the New Shares.

The following is a summary of the material terms and conditions of the Sale Agreement.

Conditions precedent

Completion under the Sale Agreement is conditional upon the following conditions:

- *Shareholder approval for TPG Growth / Petco acquiring >20% interest*: Shareholders approve the issue of the New Shares to, and the acquisition of the New Shares by, TPG Growth and Petco for the purposes of, and in accordance with the requirements of item 7 of section 611 of the Corporations Act;
- *Shareholder approval for Merger*: Shareholders approve the Merger and entry into and performance of the Sale Agreement by Greencross for the purposes of, and in accordance with the requirements of Listing Rules 7.1, 10.1 and 10.11;
- *Landlord consents*: landlord consents are obtained in respect of certain of the key leases held by Mammoth to the Merger and the change of control of Mammoth resulting from the Merger; and
- *Mammoth key contract consents*: consents are obtained under Mammoth key contracts to the Merger and the change of control of Mammoth resulting from the Merger,

the (**Conditions**).

Sale and purchase

On Completion, Greencross will buy all of the Mammoth Shares and will pay for them by issuing the New Shares to the Mammoth Sellers.

Completion of the sale and purchase of the Mammoth Shares is to occur at 10.00 am on the last day of the calendar month in which all of the Conditions have been satisfied or waived. The parties are expecting that Completion will take place on 31 January 2014.

Period before Completion

Each of the Mammoth Sellers and Greencross are required to ensure that the businesses of the Mammoth group and the Greencross Group are conducted materially in the ordinary and usual course consistent with the usual business practices of those businesses from the date of the Sale Agreement and until Completion or termination of the Sale Agreement. The Mammoth Sellers and Greencross must also ensure that the Mammoth group and Greencross Group do not engage in certain restricted conduct prior to Completion, including issuing or allotting shares; buying back or redeeming any shares or reducing share capital; declaring or paying dividends; altering the constitutions of any entity in the group; incurring capital expenditure in excess of certain specified amounts; or entering into or terminating any material contracts, except as permitted under the Sale Agreement.

Notification of breach, MAC or Greencross Share Price Event

The Mammoth Sellers and Greencross are required to notify the other, if prior to Completion they become aware:

- of a breach of the agreed restrictions prior to Completion (a **Pre-Completion Breach**);
- an event, occurrence or change which individually or when aggregated with all other events, has diminished or is reasonably likely to diminish:
 - the annual earnings before interest and tax of, as applicable, the Greencross Group or the Mammoth group, by \$2,000,000 or more; or
 - the net assets of the Greencross Group or the Mammoth group by \$6,000,000 or more; or
 - has or is reasonably likely to have a material adverse impact on the financial or trading position or prospects of, as applicable, the Greencross Group or the Mammoth group or the business or operations of the Greencross Group or the Mammoth group,(**Material Adverse Change**);
- the share price of Greencross quoted on the ASX closes, on any 5 consecutive trading days, at or below \$4.62 (**Greencross Share Price Event**).

Termination

The Sale Agreement may be terminated by the party in respect of which a below event has not occurred if:

- immediately prior to Completion, a legal restraint preventing the Merger is in effect;
- any time before Completion, a Pre-Completion Breach occurs in respect of Mammoth or Greencross; or
- any time before Completion, a Material Adverse Change occurs in respect of Mammoth or Greencross,

and such event is not removed or remedied beforehand, or if any time before Completion a Market Material Adverse Change occurs. Alternatively, that party may proceed to Completion and make a claim in respect of any Pre-Completion Breach or other breach that contributed to any Material Adverse Change.

A Market Material Adverse Change occurs where the S&P/ASX 200 index closes, on any 5 consecutive days after 14 November 2013 and before the Completion Date, 15% or more below the S&P/ASX 200 index at the close of business on 14 November 2013 (being 5,355.40).

Reverse Break Fee

The Mammoth Sellers may terminate the Sale Agreement if a Greencross Share Price Event occurs, but if the Mammoth Sellers terminate the Sale Agreement due to a Greencross Share Price Event the Mammoth Sellers must pay, or procure Mammoth to pay, Greencross a reverse break fee of \$1,500,000.

Break fee

Greencross must pay a break fee of \$2,800,000 to the Mammoth Sellers if any Director (excluding any Interested Director):

- fails to recommend the Merger to Shareholders;
- publicly withdraws their recommendation of the Merger;
- publicly recommends any competing transaction; or

-
- publicly changes, withdraws or modifies any publicly announced intention to vote their shares in favour of the Resolutions,

provided that the Independent Expert's Report includes an opinion of the Independent Expert that the Merger is "fair and reasonable" or "reasonable but not fair" to Shareholders and except where Greencross has, prior to such events, terminated the Sale Agreement in accordance with its terms.

Issue of Mammoth Shares

Prior to Completion, Mammoth Shares will be issued to:

- the Mammoth Subsidiary as trustee for participants of the Mammoth Long Term Incentive Plan who are not Mammoth Sellers; and
- the participants of the Mammoth Long Term Incentive Plan who are Mammoth Sellers,

under the Mammoth Long Term Incentive Plan Rules (**LTIP Rules**), in satisfaction of the rights of certain participants' performance rights under the LTIP Rules.

Reconstituted Boards

At Completion, the parties to the Sale Agreement have agreed that the boards of directors of the Greencross Group and the Mammoth group are to be reconstituted.

Exclusivity

During the period of exclusivity (which starts on 14 November 2013 and ends on whichever is the earlier of Completion or 7 March 2014) (**Exclusivity Period**), Greencross must not, and Greencross must ensure that none of its representatives, without prior written consent of the Mammoth Sellers:

- solicit, invite, encourage or initiate by enquiries, negotiations or discussions, or communicate any intention to do so, with a view to obtaining any offer, proposal or expression of interest from any person in relation to, or which may lead to, a competing transaction;
- negotiate or enter into a competing transaction or enter into any negotiations or discussions with any person (other than the Mammoth Sellers) in respect of any competing transaction, even if that person's competing transaction was not directly or indirectly solicited, invited, encouraged or initiated by Greencross or any of its representatives, or that person has publically announced the competing transaction (**No Talk**); or
- solicit, invite, encourage, initiate or otherwise permit any person (other than the Mammoth Sellers or their respective related entities) to undertake due diligence in relation to Greencross or any of its related entities or any of their respective businesses or operations which may lead to a competing transaction, or make available to any person (other than the Mammoth Sellers or any of their respective related entities), or permit any such person to receive, any non-public information relating to Greencross or any of its related entities or any of their respective businesses or operations, which may lead to a competing transaction (**No Due Diligence**).

An exception to No Talk and No Due Diligence is applicable if the Greencross Board, acting in good faith, after having obtained written legal advice from reputable external counsel, and, if appropriate, its financial advisers, determines that:

- a competing transaction is or may reasonably be expected to be, a superior proposal; or
- where there is not yet a competing transaction, the steps which the Greencross Board proposes to take may reasonably be expected to lead to a competing transaction which is a superior proposal,

and failing to respond to the competing transaction would be likely to constitute a breach of the Greencross Board's fiduciary or statutory duties (**Exception**).

If during the Exclusivity Period, Greencross is approached, directly or indirectly, by any person to take any action of a kind referred to in No Talk or No Due Diligence, or if Greencross proposes to take any action of a kind referred to in No Talk or No Due Diligence, then Greencross must promptly notify the Mammoth Sellers and provide full details of the approach or proposal, including regular updates on the status of any such inquiry or proposal. If the Exception above does not apply, Greencross must also provide the Mammoth Sellers with the identity of the relevant person in relation to the competing transaction.

Greencross must not, and must procure that its representatives do not, enter into any legally binding agreement, arrangement or understanding in relation to a competing transaction, or change its or their recommendation in favour of the transaction or publically recommend a competing transaction, unless it has provided the Mammoth Sellers with full details of the competing transaction (including the identity of the relevant person, unless the Exception applies) and at least 5 Business Days to match the terms of the competing transaction. Greencross' obligations in this regard apply in respect of each new competing transaction and any variation or amendment to a competing transaction.

If the Greencross Board determines that the Mammoth Sellers match or exceed the terms of a competing transaction, then Greencross and the Mammoth Sellers and each of their respective representatives must use all reasonable endeavours to agree the amendments to the Sale Agreement that are reasonably necessary to reflect the Mammoth Sellers' counter proposal and to enter into an amended Sale Agreement to give effect to those amendments and to implement the counter proposal. Greencross must use all reasonable endeavours to procure that the Greencross Board, excluding the Interested Directors, unanimously recommend the Mammoth Sellers' counter proposal to Shareholders and not recommend the relevant competing transaction.

Warranties

The Sale Agreement contains representations and warranties given by the Mammoth Sellers to Greencross in respect of Mammoth (**Mammoth Warranties**), and representations and warranties given by Greencross to the Mammoth Sellers in respect of the Greencross Group (**Greencross Warranties**). A brief summary of the key warranties is set out below.

Mammoth Warranties

Each Mammoth Seller warrants as to its legal status, capacity and authority to enter into the Sale Agreement and perform the Mammoth Seller's obligations under the Sale Agreement.

The Mammoth Sellers also provide general corporate warranties in relation to the Mammoth group, including in respect of the legal and beneficial ownership of the Mammoth Shares, the conduct of business, compliance with law, accounting and record keeping, assets, liabilities and financing arrangements, contracts, real property and environmental matters, intellectual property, systems, employees, superannuation, legal proceedings, insurance and tax. The Mammoth Sellers also provide warranties in respect of disclosure of information including a warranty that they have not withheld from the due diligence materials anything which the Mammoth Sellers are aware and which might reasonably affect the willingness of Greencross to enter into and complete the Merger.

Greencross Warranties

Greencross warrants as to its legal status, capacity and authority to enter into the Sale Agreement and perform the obligations under the Sale Agreement, including issuing the New Shares. Greencross also provides general corporate warranties in relation to the Greencross Group including in respect of Greencross' share capital, the New Shares, the conduct of business, compliance with law, accounting and record keeping, assets and financing arrangements, contracts, real property, employees and tax. Greencross also warrants it has not withheld from the due diligence materials anything which Greencross is aware and which might reasonably affect the willingness of the Mammoth Sellers to enter into and complete the Merger.

Indemnities

Each Mammoth Seller indemnifies Greencross against any loss suffered by Greencross or any Mammoth group entity as a result of breach of a Mammoth Warranty, subject to certain limitations under the Sale Agreement.

Greencross indemnifies each Mammoth Seller against any loss suffered by the Mammoth Seller as a result of a breach of any Greencross Warranty, subject to certain limitations under the Sale Agreement.

Each of the Mammoth Sellers and Greencross provide an indemnity in respect of tax related matters.

Limitations

A Mammoth Seller and Greencross (each a **Warrantor**) is not liable for a breach of warranty under the Sale Agreement unless the aggregate amount the warranty recipient would be entitled to recover in relation to that claim is at least:

- \$1 in respect of title and capacity warranties;
- \$70,000 in respect of tax warranties and indemnities provided by Greencross;
- \$100,000 in respect of tax warranties and indemnities provided by the Mammoth Sellers;
- \$220,000 in respect of all other warranties provided by Greencross; and
- \$330,000 in respect of all other warranties provided by the Mammoth Sellers,

and unless the aggregate amount that warranty recipient would be entitled to recover is at least \$3,300,000 (in the case of Greencross) and \$2,200,000 (in the case of the Mammoth Sellers).

The maximum aggregate amount recoverable by Greencross from a Mammoth Seller is an amount equal to the Mammoth Seller's respective percentage of \$330,000,000 in respect of title and capacity warranties and \$60,000,000 in respect of all other claims.

The maximum aggregate amount recoverable by a Mammoth Seller from Greencross is an amount equal to the Mammoth Seller's respective percentage of \$220,000,000 in respect of title and capacity warranties and \$50,000,000 in respect of all other claims.

Warranty and Indemnity Insurance

Greencross and the Mammoth Sellers must each obtain warranty and indemnity insurance in respect of the warranties provided under the Sale Agreement. Both Greencross and the Mammoth Sellers have obtained such insurance with acceptable insurers and on terms and for a level of cover which are satisfactory to the parties. The terms of the warranty and indemnity insurance are confidential.

6.10 Summary of terms of New Shares

Each of the New Shares will rank *pari passu* in all respects with the existing issued Shares and carry an entitlement to the cash dividend distribution to be made by Greencross in respect of the Shares for the 6 month period up to 31 December 2013.

6.11 Regulatory approvals and relief

6.11.1 FIRB approval

The Foreign Acquisitions and Takeovers Act 1975 (Cth) (the **FATA**), administered by the Foreign Investment Review Board, regulates the acquisition of interests in certain Australian entities where the acquisition results in a foreign person acquiring a substantial interest in the Australian entity.

From time to time, each of TPG Growth and Petco is a foreign person for the purposes of the FATA because a foreign entity or person holds 15% or more of its shares, or multiple foreign entities or persons hold in aggregate not less than 40% of its shares. If the Merger is implemented, TPG Growth and Petco will together acquire a substantial interest (as that term is defined in the FATA) in Greencross.

On 11 December 2013, FIRB confirmed in writing that there are no objections under Australia's foreign investment policy to the proposed issue by Greencross to TPG Growth and Petco of the New Shares.

6.11.2 Other regulatory approvals

No further regulatory approvals for the Merger are required.

6.12 Consents

The following persons have given and have not, before the date of issue of this Explanatory Memorandum, withdrawn their consent to be named in this Explanatory Memorandum in the form and context in which they are named:

- Clayton Utz as Greencross' legal adviser;
- Rothschild as Greencross' financial adviser;

-
- Deloitte as the Independent Expert;
 - PwC Securities as the Investigating Accountant;
 - PwC as Greencross' auditor and taxation adviser; and
 - Mammoth.

Mammoth has given, and has not withdrawn, its written consent to the inclusion of the information in section 3 (including Annexure D), including the financial information about Mammoth that has been prepared by Mammoth and provided to Greencross to assist it with the preparation of the financial information on MergeCo in section 3 of this Explanatory Memorandum, and the references to that information in the form and context in which they are included in this Explanatory Memorandum.

Deloitte as Independent Expert has given, and has not withdrawn, its written consent to the inclusion of the Independent Expert's Report in Annexure B and the references to that report in the form and context in which they are included in this Explanatory Memorandum.

PwC Securities as Investigating Accountant has given, and has not withdrawn, its written consent to the inclusion of the Investigating Accountant's Report in Annexure C and the references to that report in the form and context in which they are included in this Explanatory Memorandum.

Each party referred to in this section 6.12:

- does not make, or purport to make, any statement in this Explanatory Memorandum, or any statement on which a statement in this Explanatory Memorandum is based, other than a statement included in this Explanatory Memorandum with the consent of that party; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Explanatory Memorandum, other than as described in this section with the consent of that party.

7. Glossary

Defined term	Meaning	
\$	Australian dollars.	
AGM	the annual general meeting of Greencross held on 14 November 2013.	
AIFRS	Australian International Financial Reporting Standards.	
Animates	Mammoth's operations in New Zealand, which trade under the brand "Animates" (in a 50:50 joint venture with EBOS).	
ASIC	Australian Securities and Investments Commission.	
Associate	an 'associate' as defined in section 9 of the Corporations Act, except that a reference to 'Associate' in relation to a Listing Rule has the meaning given to it in Listing Rule 14.11.	
ASX	ASX Limited (ACN 008 624 691), or, where the context requires, the financial market operated by it on which Greencross shares are quoted.	
Australasia	Australia and New Zealand.	
Board	the board of Directors from time to time.	
Completion	completion of the sale and purchase of the New Shares pursuant to the Sale Agreement.	
Completion Date	the date on which Completion occurs.	
Conditions	has the meaning given in section 6.9.	
Corporations Act	the Corporations Act 2001 (Cth).	
Deloitte	Deloitte Corporate Finance Pty Limited.	
Director	a director of Greencross from time to time.	
EBOS	EBOS Group Limited, a company listed on the New Zealand Stock Exchange.	
EBIT	earnings before interest and taxation.	
EBITDA	earnings before interest, taxation, depreciation and amortisation.	
Explanatory Memorandum	this explanatory memorandum.	
	<i>in relation to Greencross:</i>	<i>in relation to Mammoth:</i>
FY2006	the financial year ended 30 June 2006.	the financial year ended 30 June 2006.
FY2007	the financial year ended 30 June 2007.	the financial year ended 30 June 2007.
FY2008	the financial year ended 30 June 2008.	the financial year ended 29 June 2008.
FY2009	the financial year ended 30 June 2009.	the financial year ended 28 June 2009.
FY2010	the financial year ended 30 June 2010.	the financial year ended 27 June 2010.
FY2011	the financial year ended 30 June 2011.	the financial year ended 26 June 2011.
FY2012	the financial year ended 30 June 2012.	the financial year ended 24 June 2012.
FY2013	the financial year ended 30 June 2013.	the financial year ended 30 June 2013.
FY2014	the financial year ended 30 June 2014.	the financial year ended 29 June 2014.
FY2015	the financial year ended 30 June 2015.	
Greencross	Greencross Limited ABN 58 119 778 862.	
Independent Directors	Andrew Geddes, Stuart James and John Odum, being the Directors other than the Interested Directors.	
Independent Expert	Deloitte.	
Independent Expert's Report	the report by Deloitte included as Annexure B to this Explanatory Memorandum.	
Interested Directors	Jeffrey David and Glen Richards.	

Investigating Accountant	PwC.
Listing Rules	the listing rules of the ASX and any other rules of ASX which are applicable while Greencross is admitted to the official list, each as amended from time to time, except to the extent of any express written waiver by ASX.
Like-for-like sales growth	same store sales growth.
Mammoth	Mammoth Pet Holdings Pty Limited ABN 29 146 505 848.
Mammoth Seller	a seller under the Sale Agreement of Mammoth Shares.
Mammoth Shares	fully paid ordinary shares in the capital of Mammoth.
Meeting	the general meeting of Shareholders convened by the Notice of Meeting, which is expected to be held at 10.00am on Wednesday 22 January 2014 at Level 5, 123 Eagle Street, Brisbane.
MergeCo	Greencross following Completion.
Merger	the proposed merger of Greencross and Mammoth as set out in this Explanatory Memorandum.
Merger Information Line	the Merger information line established by Greencross available on +61 7 3435 3593 9.00am to 5.00pm Brisbane time Monday to Friday.
New Shares	the 52,574,753 Shares to be issued to the Mammoth Sellers as set out in section 6.9.
Non-Associated Shareholders	Shareholders not associated with TPG Growth or Petco (being the persons whose acquisition of Shares is to be approved for the purposes of item 7 of Section 611 of the Corporations Act pursuant to Resolution 3) <i>and</i> Shareholders other than any Shareholder who is a Mammoth Seller or an Associate of any Mammoth Seller (being the persons whose votes on Resolution 4 are to be disregarded under ASX Listing Rules 10.1 and 14.11).
Notice of Meeting	the notice of meeting which accompanies this Explanatory Memorandum.
NTI	new to industry.
Petbarn	Mammoth's operations in Australia, which trade under the brand "Petbarn".
Petco	Red Ruff Investment Company.
PwC	PricewaterhouseCoopers.
PwC Securities	PricewaterhouseCoopers Securities Ltd.
Related Party	a related party as defined in section 228 of the Corporations Act.
Resolutions	the resolutions to be considered at the Meeting, as set out in the Notice of Meeting.
Sale Agreement	means the share sale agreement dated 14 November 2013 between the Mammoth Sellers and Greencross, as amended, the terms of which are summarised in section 6.9.
Share	a fully paid ordinary share in the capital of Greencross.
Shareholder	a holder of a Share.
TPG Growth	TPG STAR SF Pte. Ltd.

Annexure A - Notice of Meeting



Greencross Vets

Greencross Limited

ABN 58 119 778 862

Notice of Extraordinary General Meeting and Explanatory Memorandum

MEETING DOCUMENTATION

Wednesday 22 January 2014

Commencing at 10.00am (Brisbane time)

The Independent Directors of Greencross unanimously recommend that you vote in favour of the Resolutions

The Independent Expert has concluded that the Merger is fair and reasonable to the Non-Associated Shareholders

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION

This Notice of Meeting including Proxy Form and accompanying Explanatory Memorandum should be read in their entirety. If you are in doubt as to how you should vote, you should seek advice from your accountant, solicitor or financial adviser prior to voting.

Should you wish to discuss any matters referred to in this document, please contact the Merger Information Line between 9.00am and 5.00pm (Brisbane time).

GREENCROSS LIMITED
ACN 119 778 862
NOTICE OF GENERAL MEETING

Notice is hereby given that a meeting of the members of Greencross Limited (**Greencross** or **Company**) will be held at Level 5, 123 Eagle Street Brisbane at 10.00am (Brisbane time) on Wednesday 22 January 2014 for the purposes outlined below (**Meeting**).

The accompanying Explanatory Memorandum describes the various matters to be considered at the Meeting. It forms part of and should be read together with this Notice.

Capitalised terms used in this notice have the same meaning given to them in the Glossary contained in the Explanatory Memorandum, unless the context requires otherwise.

AGENDA

The business of the Meeting is to consider and, if thought fit, to pass, with or without amendment, five resolutions to approve the Merger with Mammoth.

The purpose of Resolutions 1 to 3 (inclusive) is to enable Greencross to issue the New Shares to the Mammoth Sellers. Resolution 4 relates to approval of the acquisition of Mammoth. Resolution 5 relates to the total remuneration payable to Directors and is not a condition to implementation of the Merger. Resolutions 1 to 4 are conditions to implementation of the Merger.

Resolutions 1 to 5 are interdependent. That means each of those Resolutions must be passed for the approvals sought to be effective.

The Independent Directors unanimously recommend that you vote in favour of the Resolutions, in the absence of a superior proposal.

Greencross will disregard any votes cast by the Interested Directors (being Jeffrey David and Glen Richards) or any Associates of either of them on Resolutions 1, 2 and 4. In addition, although the Interested Directors are not precluded from voting on Resolution 3, they have indicated that they will abstain from voting on that resolution in light of their being precluded from voting on Resolutions 1, 2 and 4. In accordance with best practice corporate governance standards, the Interested Directors have not made a recommendation on how you should vote in relation to any of Resolutions 1 to 4.

Greencross will disregard any votes cast by any Director or any Associate of any of them on Resolution 5 (which relates to Director remuneration and is not a Merger Resolution).

Each Independent Director intends to vote any Shares they hold or control in favour of the Resolutions.

Resolution 1 - Proposed issue of New Shares to the Mammoth Sellers

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That for the purposes of ASX Listing Rule 7.1, subject to and conditional on resolutions 2, 3, 4 and 5 being passed, approval is given for the Company to issue 52,574,753 fully paid

ordinary shares in the capital of the Company to the Mammoth Sellers as consideration for the acquisition of 100% of the fully paid ordinary shares in Mammoth from the Mammoth Sellers on the terms and conditions set out in the Explanatory Memorandum."

Voting exclusion: In accordance with ASX Listing Rules 7.3.8 and 14.11, Greencross will disregard any votes cast on this resolution by the Mammoth Sellers or any Associates of any of them.

However, Greencross will not disregard a vote if it is cast by a Mammoth Seller or an Associate of any of the Mammoth Sellers as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by a Mammoth Seller or an Associate of any of the Mammoth Sellers chairing the Meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form as the proxy decides.

Resolution 2 - Proposed issue of New Shares to entities controlled by or associated with Jeff David and Glen Richards

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That for the purposes of ASX Listing Rule 10.11, subject to and conditional on resolutions 1, 3, 4 and 5 being passed, approval is given for the Company to issue:

- (a) 7,190,597 fully paid ordinary shares in the capital of the Company to entities controlled by Jeff David; and*
- (b) 2,818,491 fully paid ordinary shares in the capital of the Company to entities controlled by Glen Richards,*

as consideration for the acquisition of all of the fully paid ordinary shares in Mammoth held by them on the terms and conditions set out in the Explanatory Memorandum."

Voting exclusion: In accordance with ASX Listing Rule 10.13.6 and 14.11, Greencross will disregard any votes cast on this resolution by entities controlled by Jeff David and entities controlled by Glen Richards or an associate of any of them.

However, Greencross will not disregard a vote if it is cast by any Mammoth Seller or any Associates of any of them as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by any Mammoth Seller or any Associates of any of them of them chairing the Meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form as the proxy decides.

Resolution 3 - Proposed issue of New Shares to entities controlled by or associated with TPG and PetCo

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That for the purposes of item 7 of section 611 of the Corporations Act, subject to and conditional on resolutions 1, 2, 4 and 5 being passed, approval is given for:

- (a) the Company to issue 17,260,298 fully paid ordinary shares in the capital of the Company to, and for the acquisition of those shares by, TPG; and*
- (b) the Company to issue 2,681,031 fully paid ordinary shares in the capital of the Company to, and for the acquisition of those shares by, PetCo,*

as consideration for the acquisition of all of the fully paid ordinary shares in Mammoth held by them on the terms and conditions set out in the Explanatory Memorandum."

Voting exclusion: In accordance with item 7 of section 611 of the Corporations Act, Greencross will disregard any votes cast on this resolution by entities controlled by or associated with TPG, PetCo and any Associate of any of them.

Resolution 4 - Proposed acquisition of Mammoth from entities controlled by or associated with Jeff David and Glen Richards

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That for the purposes of ASX Listing Rule 10.1, subject to and conditional on resolutions 1, 2, 3 and 5 being passed, approval is given for the Company to acquire all of the fully paid ordinary shares in Mammoth entities controlled by Jeff David and Glen Richards on the terms and conditions set out in the Explanatory Memorandum."

Voting exclusion: In accordance with ASX Listing Rule 10.10.1 and 14.11, Greencross will disregard any votes cast on this resolution by any Mammoth Seller or any Associates of any of them.

However, Greencross will not disregard a vote if it is cast by any Mammoth Seller or any Associates of any of them as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by any Mammoth Seller or any Associates of any of them of them chairing the Meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form as the proxy decides.

Resolution 5 - Proposed increase in board remuneration

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to and conditional on resolutions 1, 2, 3, and 4 being passed, pursuant to article 8.4 of the Company's constitution, and for the purposes of Listing Rule 10.17, the maximum aggregate remuneration payable by the Company to the Directors (as a whole) for their non-executive services be increased by \$250,000 from \$500,000 per annum to \$750,000 per annum, divided among the Directors in such proportion and manner as the Directors agree or, in default of that agreement, equally."

Voting exclusion: In accordance with ASX Listing Rule 10.17 and 14.11, Greencross will disregard any votes cast on this resolution by a Director and an Associate of a Director.

However, Greencross will not disregard a vote if it is cast by a Director as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by a Director chairing the Meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form as the proxy decides.

By order of the Board

Wesley Coote, Chief Financial Officer and Company Secretary

13 December 2013

Proxy instructions

Shareholders are entitled to appoint up to two individuals or body corporates to act as proxies to attend and vote on their behalf. Where more than one proxy is appointed each proxy may be appointed to represent a specific proportion of the Shareholder's voting rights. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes.

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority), once completed and signed, may be lodged:

- online at www.boardroomlimited.com.au/vote/greencrossmerger;
- by fax to +61 2 9290 9655;
- by mail to Boardroom Pty Limited, GPO Box 3993, Sydney NSW 2001 Australia;
- in person at Level 7, 207 Kent Street, Sydney NSW 2000 Australia.

You must ensure that your proxy form is received by 10.00am (Brisbane time) Monday 20 January 2014. Proxy forms received later than this time will be invalid.

The proxy form must be signed by the Shareholder or the Shareholder's attorney duly authorised in writing or, if the Shareholder is a corporation, in a manner permitted by the Corporations Act or under the hand of a duly authorised officer or attorney. The proxy may, but need not, be a Shareholder of the Company.

In the case of Shares jointly held by two or more persons, all joint holders must sign the proxy form.

A proxy form is attached to this Notice of Meeting.

Corporate representative

A corporation may elect to appoint an individual to act as its representative in accordance with section 250D of the Corporations Act, in which case the Company will require a certificate of appointment of the corporate representative executed in accordance with the Corporations Act. The certificate of appointment must be lodged with the Company before the Meeting or at the registration desk on the day of the Meeting.

Voting entitlement

For the purposes of determining voting entitlements at the Meeting, Shares will be taken to be held by the persons who are registered as holding the Shares at 5.00 pm (AEST) on Monday 20 January 2014. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.



All Correspondence to:

✉ **By Mail** Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia

Level 7, 207 Kent Street,
Sydney NSW 2000 Australia

📠 **By Fax:** +61 2 9290 9655

💻 **Online:** www.boardroomlimited.com.au

☎ **By Phone:** (within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 10:00am (Brisbane Time) on Monday 20 January 2014.**

🖨 TO VOTE ONLINE

STEP 1: VISIT www.boardroomlimited.com.au/vote/greencrossmerger

STEP 2: Enter your holding/investment type:

STEP 3: Enter your Reference Number:

STEP 4: Enter your Voting Access Code:

PLEASE NOTE: For security reasons it is important you keep the above information confidential.

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chairman of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

STEP 3 SIGN THE FORM

The form **must** be signed as follows:

Individual: This form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all the securityholders should sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **10:00am (Brisbane Time) on Monday, 20 January 2014.** Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

🖨 **Online** www.boardroomlimited.com.au/vote/greencrossmerger

📠 **By Fax** + 61 2 9290 9655

✉ **By Mail** Boardroom Pty Limited
GPO Box 3993,
Sydney NSW 2001 Australia

👤 **In Person** Level 7, 207 Kent Street,
Sydney NSW 2000 Australia

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

☐

Your Address

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

PROXY FORM

STEP 1 APPOINT A PROXY

I/We being a member/s of **Greencross Limited** and entitled to attend and vote hereby appoint

☐

Appoint the **Chairman of the Meeting (mark box)**

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting as my/our proxy at the Extraordinary General Meeting of the Company to be held at **Level 5,123 Eagle Street Brisbane QLD 4000, on Wednesday 22nd January 2014, at 10:00am (Brisbane Time)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

☐

If the Chair of the meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect of Resolution 5, please place a mark in the box.

By marking this box, you acknowledge that the Chair of the meeting may exercise your proxy even if he has an interest in the outcome of resolutions and that votes cast by the Chair of the meeting for these resolutions other than as proxy holder will be disregarded because of that interest.

If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on resolution 5 and your votes will not be counted in calculating the required majority if a poll is called on the resolution.

The Chairman of the Meeting intends to vote undirected proxies in favour of each of the items of business.

STEP 2 VOTING DIRECTIONS

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

		For	Against	Abstain*
Resolution 1	Proposed issue of 52,574,753 fully paid ordinary shares in the capital of the Company to the Mammoth Sellers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Proposed issue of 7,190,597 fully paid ordinary shares in the capital of the Company to entities controlled by Jeff David and 2,818,491 fully paid ordinary shares in the capital of the Company to entities controlled by Glen Richards.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Proposed issue of 17,260,298 fully paid ordinary shares in the capital of the Company to, and for the acquisition of those shares by, TPG, and the proposed issue of 2,681,031 fully paid ordinary shares in the capital of the Company to, and for the acquisition of those shares by, PetCo.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Proposed acquisition of Mammoth from entities controlled by Jeff David & Glen Richards	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Proposed increase in board remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

STEP 3 SIGNATURE OF SHAREHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / /

Annexure B - Independent Expert Report



Greencross Limited

Independent expert's report and Financial Services Guide
11 December 2013



Financial Services Guide

What is a Financial Services Guide?

This Financial Services Guide (FSG) provides important information to assist you in deciding whether to use our services. This FSG includes details of how we are remunerated and deal with complaints.

Where you have engaged us, we act on your behalf when providing financial services. Where you have not engaged us, we act on behalf of our client when providing these financial services, and are required to give you an FSG because you have received a report or other financial services from us.

What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds and related regulated emissions units (i.e., carbon) to retail and wholesale clients.

Our general financial product advice

Where we have issued a report, our report contains only general advice. This advice does not take into account your personal objectives, financial situation or needs. You should consider whether our advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is provided to you in connection with the acquisition of a financial product you should read the relevant offer document carefully before making any decision about whether to acquire that product.

How are we and all employees remunerated?

We will receive a fee of approximately \$200,000 exclusive of GST in relation to the preparation of this report. This fee is not contingent upon the success or otherwise of the Proposed Merger between Greencross Limited and Mammoth Pet Holdings Pty Limited.

Other than our fees, we, our directors and officers, any related bodies corporate, affiliates or associates and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary and while eligible for annual salary increases and bonuses based on overall performance they do not receive any commissions or other benefits as a result of the services provided to you. The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

Deloitte Corporate Finance Pty Limited, ABN 19 003 833 127, AFSL 241457 of Level 1 Grosvenor Place, 225 George Street, Sydney NSW 2000

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Member of Deloitte Touche Tohmatsu Limited

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Associations and relationships

We are ultimately controlled by the Deloitte member firm in Australia (Deloitte Touche Tohmatsu). Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu.

What should you do if you have a complaint?

If you have any concerns regarding our report or service, please contact us. Our complaint handling process is designed to respond to your concerns promptly and equitably. All complaints must be in writing to the address below.

If you are not satisfied with how we respond to your complaint, you may contact the Financial Ombudsman Service (FOS). FOS provides free advice and assistance to consumers to help them resolve complaints relating to the financial services industry. FOS' contact details are also set out below.

The Complaints Officer	Financial Ombudsman Services
PO Box N250	GPO Box 3
Grosvenor Place	Melbourne VIC 3001
Sydney NSW 1220	info@fos.org.au
complaints@deloitte.com.au	www.fos.org.au
Fax: +61 2 9255 8434	Tel: 1300 780 808
	Fax: +61 3 9613 6399

What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services provided by us. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

The Independent Directors
Greencross Limited
36 Balaclava Street
Woolloongabba, QLD 4102

11 December 2013

Dear Directors

Independent expert's report

Introduction

On 14 November 2013 (the Announcement Date) the directors of Greencross Limited (Greencross) announced a transaction whereby Greencross and Mammoth Pet Holdings Pty Limited (Mammoth), a privately owned company operating a network of pet supplies stores in Australia and New Zealand, would merge their businesses (the Proposed Merger). If the Proposed Merger proceeds, Greencross will acquire 100% of the shares in Mammoth in return for the issue of 52.6 million Greencross shares (Consideration) to existing Mammoth shareholders, representing 58.25% of the total Greencross shares on issue immediately following completion of the Proposed Merger. Existing Greencross shareholders will continue to hold their shares (representing the other 41.75% of the total shares on issue following completion) and Greencross will remain listed on the Australian Securities Exchange (ASX).

Key Mammoth shareholders, being Jeffrey David, Dr Glen Richards, Paul Wilson, TPG Capital (TPG) and Petco Animal Supplies Inc (Petco), have each indicated that they will not directly or indirectly dispose of the shares to be issued to them as consideration for the acquisition of their Mammoth shares (collectively representing approximately 38.3% of Greencross post the Proposed Merger), or do anything that would have the effect of transferring effective ownership or control of those shares, until the first to occur of the release of Merged Entity's¹ results for the financial year ending 30 June (FY) 2014 and 30 September 2014.

Following implementation of the Proposed Merger, the board of directors of the Merged Entity will have seven directors split broadly equally between current representatives of Greencross and Mammoth and their shareholders.

The Proposed Merger will need to be approved at a meeting of the shareholders of Greencross. Approval of the Proposed Merger requires more than 50% of the total votes cast on the Proposed Merger to be cast in its favour.

Full details of the Proposed Merger are provided in the explanatory memorandum prepared for the shareholders of Greencross to assist them consider the Proposed Merger (Explanatory Memorandum).

Purpose of the report

Pursuant to Section 611 of the Corporations Act 2001(Cth) (Corporations Act) and ASX Listing Rule Chapter 10 (ASX Listing Rule 10), an independent expert's report is required to assist certain shareholders of Greencross in their decision whether to approve the Proposed Merger.

Having regard to the legal requirements referred to above, the independent directors of Greencross (the Independent Directors), being those directors not associated with Mammoth, have requested Deloitte Corporate Finance Pty Limited (Deloitte Corporate Finance) to prepare an independent expert's report providing our opinion as to whether the Proposed Merger:

¹ The Merged Entity refers to the enlarged Greencross, following the implementation of the Proposed Merger

- is fair and reasonable to ‘Non-Associated Shareholders’ pursuant to item 7 of Section 611. Non-Associated Shareholders are defined as those Greencross shareholders not associated with TPG or Petco (given the existing interest of TPG in Petco, Petco is considered an associate of TPG), which, as a result of the Proposed Merger, will increase their combined shareholding in Greencross from nil to approximately 22%
- is fair and reasonable to ‘Non-Excluded Shareholders’ in accordance with ASX Listing Rule 10. Excluded Shareholders are defined as those whose votes are to be disregarded under ASX Listing Rule 10, being shareholders who are also shareholders in Mammoth.

This report is to be included in the Explanatory Memorandum and has been prepared exclusively for the purpose of assisting the relevant shareholders in their consideration of the Proposed Merger. It should not be used for any other purpose. We are therefore not responsible to you, or anyone else, whether for our negligence or otherwise, if the report is used by any other person for any other purpose.

Basis of evaluation

In undertaking the work associated with this report, we have had regard to Australian Securities and Investments Commission (ASIC) Regulatory Guide 111 in relation to the content of expert’s reports, and ASIC Regulatory Guide 112 in respect of the independence of experts.

Item 7 of Section 611

ASIC policy requires the Proposed Merger to be evaluated as if it was a takeover offer from TPG and associates. As a result, fairness has to be assessed by comparing the fair market value of Greencross shares with the consideration being offered.

Pursuant to ASIC policy, the independent expert is required to compare the fair market value of a share in Greencross on a control basis with the fair market value of the consideration under the Proposed Merger, on a minority basis. The Proposed Merger is ‘fair’ if the value of the consideration is equal to or greater than the estimated fair market value of one Greencross share on a stand-alone basis prior to the Proposed Merger.

In line with ASIC policy, we have evaluated the Proposed Merger as a takeover offer and have therefore assessed the value of Greencross shares on a control basis and the value of the Consideration (being shares in the Merged Entity) on a minority basis. We note that the Proposed Merger could be viewed as a merger of equals, although we have not sought to assess the transaction on this basis.

In assessing whether the Proposed Merger is reasonable, we have considered other factors that are likely to be of relevance to the Non-Associated Shareholders in addition to fairness.

ASX Listing Rule 10

Having regard to ASIC guidance, we have assessed that:

- if the Proposed Merger is fair to Non-Associated Shareholders in connection with Item 7 of Section 611, it is also fair to the Non-Excluded Shareholders under ASX Listing Rule 10.1, and vice versa
- if the Proposed Merger is reasonable to Non-Associated Shareholders in connection with Item 7 of Section 611, it is also reasonable to the Non-Excluded Shareholders under ASX Listing Rule 10.1, and vice versa.

Definition of value

Our valuation analysis is based on the concept of fair market value, which we have defined as the amount at which the shares in the entities valued would be expected to change hands between a knowledgeable willing buyer and a knowledgeable willing seller, neither of whom is under any compulsion to buy or sell. Special purchasers may be willing to pay higher prices to reduce or eliminate competition, to ensure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. Our valuations have not been premised on the existence of a special purchaser.

Summary and conclusion

In our opinion the Proposed Merger is fair and reasonable to both:

- **Non-Associated Shareholders pursuant to item 7 of Section 611; and**
- **Non-Excluded Shareholders under ASX Listing Rule 10.1**

In arriving at this opinion, we have had regard to the following factors.

The Proposed Merger is fair

Set out in the table below is a comparison of our assessment of the fair market value of a share in Greencross (on a control basis) with the consideration offered under the Proposed Merger (on a minority basis).

Table 1: Evaluation of fairness¹

	Section	Units	Low	High
Estimated fair market value of a Greencross share	8.2	\$	6.35	7.50
Estimated fair market value of Consideration	10.1	\$	6.61	7.39

Source: Deloitte Corporate Finance analysis

Note:

1. All amounts stated in this report are in Australian dollars (\$) unless otherwise stated and may be subject to rounding.

The value of the Consideration offered under the Proposed Merger is within the range of our estimate of the fair market value of a Greencross share. Accordingly it is our opinion that the Proposed Merger is fair.

We have estimated the fair market value of Greencross and Mammoth by applying the capitalisation of earnings method. The valuation of the shares in the Merged Entity, thus of the Consideration, is based on a sum of the parts method. In assessing the fair market value for Greencross and Mammoth, we have applied a similar earnings multiple to the FY14 EBITDA for each of the businesses. We consider Mammoth and Greencross to have similar features, risks and opportunities and it is therefore reasonable that they should be valued on a broadly consistent basis. Both entities are market leaders and are exposed to similar underlying risks associated with high growth business plans. The multiple selected for Mammoth is 0.5 times EBITDA lower than the multiple for Greencross, reflecting the longer time to maturity and greater risks associated with the establishment of new to industry (NTI) stores as well as lower barriers to entry.

We note that should lower earnings multiples be applied to both companies with a difference consistent to that assumed in our valuation (of 0.5 times), the Proposed Merger would still be considered fair.

Fair market value of a share in Greencross on a control basis

We have estimated the fair market value of a Greencross share to be between \$6.35 and 7.50 on a control basis. The table below summarises the key metrics and assumptions used to derive this value.

Table 2: Valuation of a share in Greencross on a control basis

	Section	Units	Low	High
EBITDA ¹	8.2.1	\$million	18.1	18.1
Earnings multiple (minority basis)	8.2.2	Times	14.0	15.0
Enterprise value (minority basis)		\$million	253.4	271.5
Net debt	8.2.3	\$million	36.0	36.0
Equity value (minority basis)		\$million	217.4	235.5
Premium for control	8.2.4	%	10.0%	20.0%
Equity value (control basis)		\$million	239.1	282.6
Shares on issue	4.4	Million	37.7	37.7
Value of shares (on a control basis)		\$ per share	6.35	7.50

Source: Deloitte Corporate Finance analysis

Note:

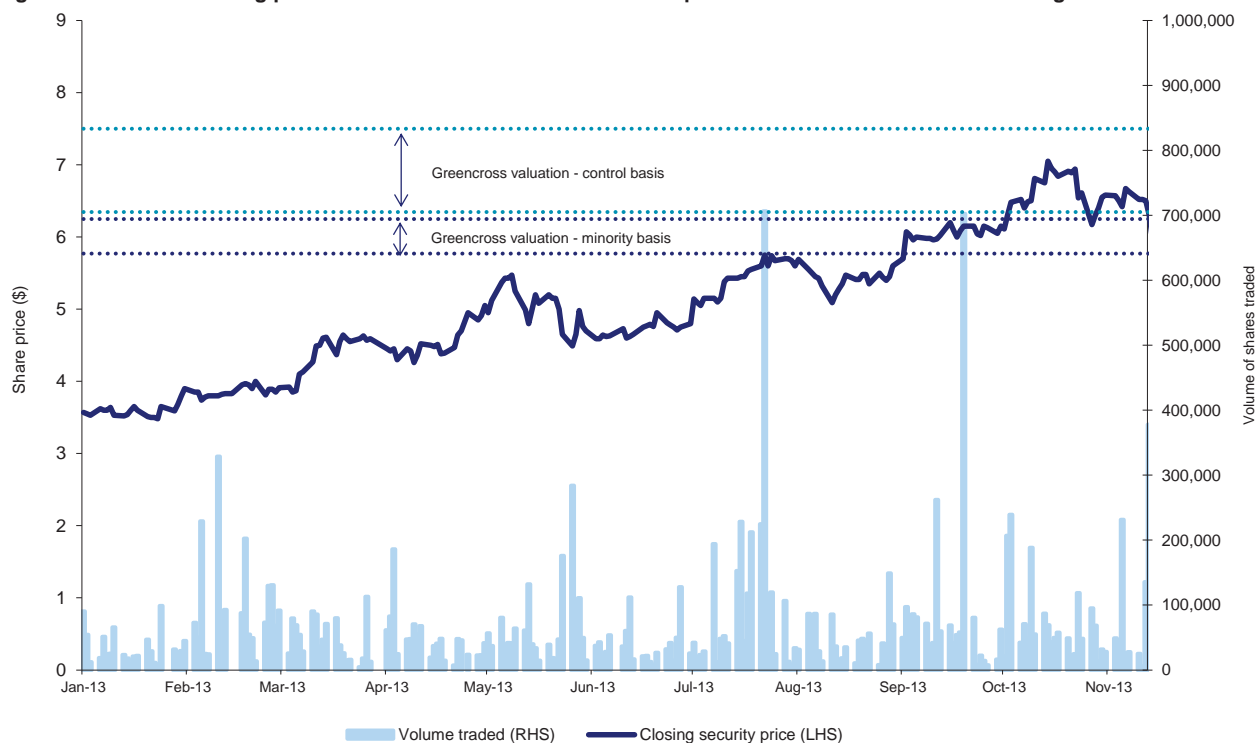
1. EBITDA – earnings before interest, tax, depreciation and amortisation

We have cross-checked our valuation of Greencross shares by reference to:

- a high level discounted cash flow analysis, which estimates an equity value of Greencross (on a control basis) in the range of \$216.3 million to \$261.9 million. Overall, we consider our estimated value of Greencross under the discounted cash flow methodology broadly supports our valuation under the capitalisation of earnings method

- recent share market trading. The figure below illustrates that the recent share trading Greencross prior to the announcement of the Proposed Merger on 14 November 2013 is supportive of our valuation range.

Figure 1: Historical trading performance of Greencross' shares compared to our estimated valuation range²



Source: S&P Capital IQ, Deloitte Corporate Finance analysis

On 14 October 2013, Greencross made a preliminary announcement regarding the potential merger with Mammoth. Whilst no specifics in relation to the terms of the Proposed Merger were disclosed with the announcement, the share price of Greencross after this date may partially reflect the impact of the Proposed Merger. Share trading prior to the 14 October 2014 is also broadly supportive of our selected valuation range.

Valuation of a share in the Merged Entity on a minority basis

The consideration to be received by Greencross shareholders comprises shares in the Merged Entity. We have assessed the fair market value of the shares in the Merged Entity to be between \$6.61 and \$7.39 per share on a minority basis.

In estimating the fair market value of the Merged Entity on a minority basis, we have applied the sum of the parts methodology, which requires estimation of the following:

- the fair market value of Greencross expressed on a minority basis. As set out in Table 2, we have estimated the fair market enterprise value of Greencross on a minority basis to be between \$253.4 million and \$271.5 million
- the fair market value of Mammoth expressed on a minority basis, as set out below.

² The valuation range of Greencross shares on a minority basis presented in the figure is based on the equity value on a minority basis presented in table 2 divided by the number of Greencross shares on issue.

Table 3: Summary – valuation of Mammoth (minority basis)

	Section	Units	Low	High
EBITDA	9.2.1	\$million	32.2	32.2
Earnings multiple (minority basis)	9.2.2	Times	13.5	14.5
Enterprise value (minority basis)		\$million	434.7	466.9
Net debt	9.2.3	\$million	(76.8)	(76.8)
Equity value (on a minority basis)		\$million	357.9	390.1

Source: Deloitte Corporate Finance analysis

- we have cross-checked our valuation by performing a high level discounted cash flow analysis. The equity value of Mammoth (on a control basis) under the discounted cash flow analysis is estimated to be in the range of \$435.5 million to \$512.2 million. This valuation range implies a control premium of 22% to 31% over our selected value range, based on the capitalisation of earnings, which we consider to be reasonable
- the fair market value of synergies expected to result from the integration of Greencross and Mammoth businesses (Synergies). We have valued the Synergies using the discounted cash flow method and have had regard to projections provided by Greencross and the risks associated with achieving these synergies.

Set out in the table below is our assessment of the fair market value of a share in the Merged Entity (on a minority basis).

Table 4: Valuation of the Merged Entity

	Section	Unit	Low	High
Greencross	8.2	\$million	253.4	271.5
Mammoth	9.2	\$million	434.7	466.9
Synergies	10.1.1	\$million	30.0	50.0
Enterprise value (minority basis)		\$million	718.1	788.4
Net debt ¹	10.3	\$million	(121.8)	(121.8)
Equity value (minority basis)		\$million	596.3	666.6
Number of shares	6.2	million	90.3	90.3
Value of shares (on a minority basis)		\$	6.61	7.39

Source: Deloitte Corporate Finance analysis

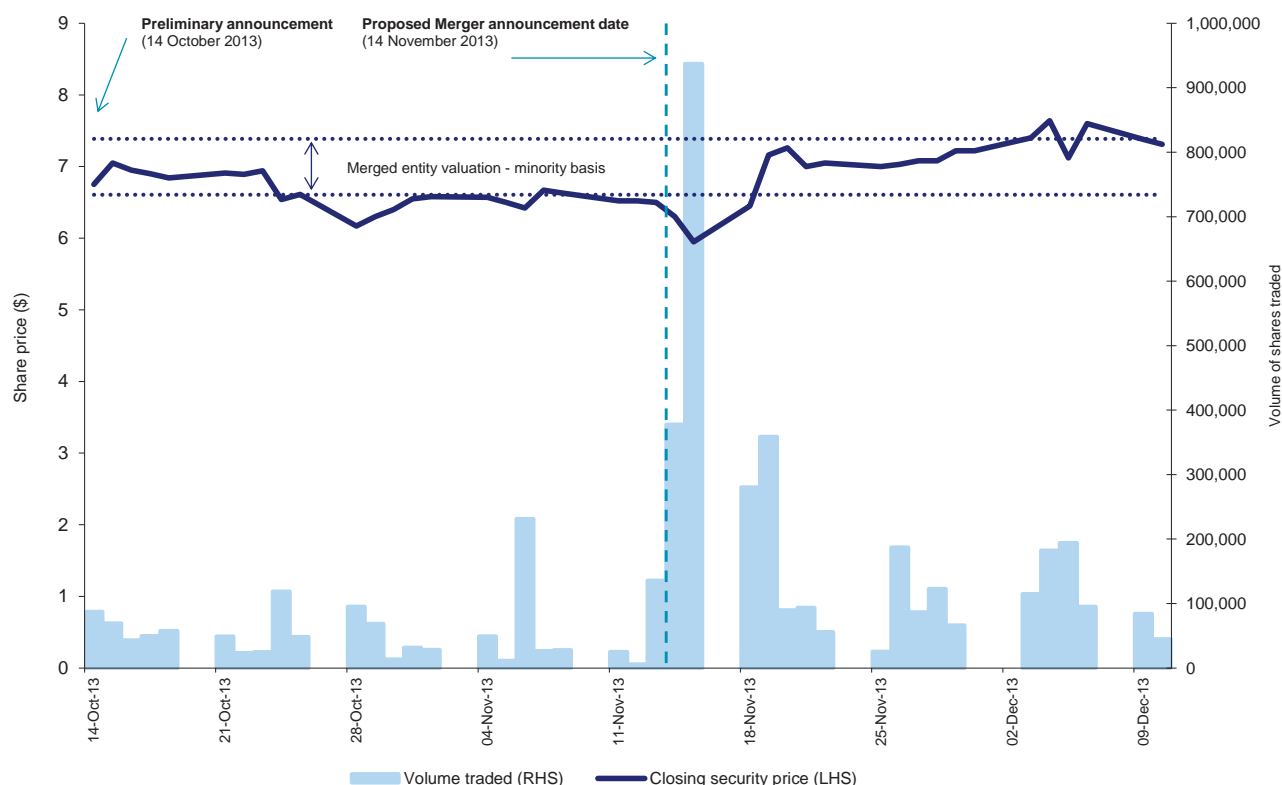
Note:

1. The debt balance presented includes transaction costs yet to be incurred associated with the Proposed Merger of approximately \$9 million

The trading price of Greencross shares subsequent to the Announcement Date should provide a reasonable guidance on the trading price of shares in the Merged Entity. This is because, to the extent to which the Proposed Merger is expected to proceed, the market is likely to have fully reflected the impact of the Proposed Merger into the Greencross share price following announcement of the terms of the Proposed Merger.

Our valuation of the shares of the Merged Entity is in line with the most recent share trading of Greencross shares. The figure below illustrates a comparison of our valuation of the Merged Entity (on a minority basis) with Greencross share trading subsequent to the Announcement Date.

Figure 2: Trading performance of Greencross' shares post announcement compared to our estimated valuation range



Source: S&P Capital IQ, Deloitte Corporate Finance analysis

Regardless of the outcome of the Proposed Merger, the price of Greencross' shares will vary in the future, based on market movements, developments in the pet industry and changes in Greencross' specific circumstances.

The Proposed Merger is reasonable

In accordance with ASIC Regulatory Guide 111 an offer is reasonable if it is fair. On this basis, in our opinion the Proposed Merger is reasonable. We have also considered the following factors in assessing the reasonableness of the Proposed Merger:

In assessing the reasonableness of the Proposed Merger, we have considered the following key matters.

The Proposed Merger could be viewed as a 'merger of equals' and Greencross shareholders will have an equitable share of the Merged Entity

Whilst ASIC policy requires the independent expert to assess the fairness of the Proposed Merger as if it was a takeover offer, thus requiring Greencross shares to be evaluated on a control basis and shares in the Merged Entity to be evaluated on a minority basis, it could be argued the Proposed Merger is a 'merger of equals'. This is because:

- Greencross and Mammoth operate in the pet servicing industry with operations comprising both retail and the provision of services through a network of practices/stores of similar size and with similar growth prospects
- following the implementation of the Proposed Merger, the board and management roles of the Merged Entity will be split broadly equally between current representatives of Greencross and Mammoth
- if the Proposed Merger is implemented, no single shareholder will have an interest that enables it to control the Merged Entity (defined as an interest representing more than 50% of the shares)
- Greencross shareholders will still have an opportunity to realise a control premium in the event of any future change of control transaction for the Merged Entity.

If the Proposed Merger was treated as a merger of equals, the fair market value of a share in Greencross and in the Merged Entity could be assessed on the same basis and the terms of the Proposed Merger would be even more favourable to Greencross shareholders. The following table sets out a comparison of the fair market value of shares in Greencross and of the Merged Entity both on a minority basis.

Table 5: Comparison of the assessed value of Greencross and the Merged Entity (minority basis)

	Units	Low	High
Value of Greencross prior to Proposed Merger (on a minority basis)	\$ per share	5.77	6.25
Value of the Consideration (on a minority basis)	\$ per share	6.61	7.39

Source: Deloitte Corporate Finance analysis

The above valuation ranges are derived from applying an FY14 EBITDA multiple (on a minority basis) of 14.0 times to 15.0 times for Greencross and 13.5 times to 14.5 times for Mammoth. Based on the mid-point of the selected multiples, the implied value contribution to the Merged Entity by Greencross Shareholders is approximately 37.7%³ (in comparison to a merger ratio of 41.75%).

The following table sets out the implied value contribution of Greencross to the Merged Entity, based on the application of a range of FY14 EBITDA multiples.

Table 6: Relative value contribution analysis

Mammoth EBITDA multiple (times)	Greencross EBITDA multiple (times)					
	10.0	11.0	12.0	13.0	14.0	15.0
9.5	38.8%	41.6%	44.2%	46.5%	48.7%	50.7%
10.5	35.7%	38.4%	40.9%	43.3%	45.4%	47.4%
11.5	33.1%	35.7%	38.2%	40.4%	42.5%	44.5%
12.5	30.8%	33.4%	35.7%	38.0%	40.0%	42.0%
13.5	28.8%	31.3%	33.6%	35.8%	37.8%	39.7%
14.5	27.1%	29.5%	31.7%	33.8%	35.8%	37.6%

Source: Deloitte Corporate Finance analysis

Note:

1. Shaded area reflects valuation scenario where Greencross shareholders are receiving more than their proportionate share of the Merged Entity.

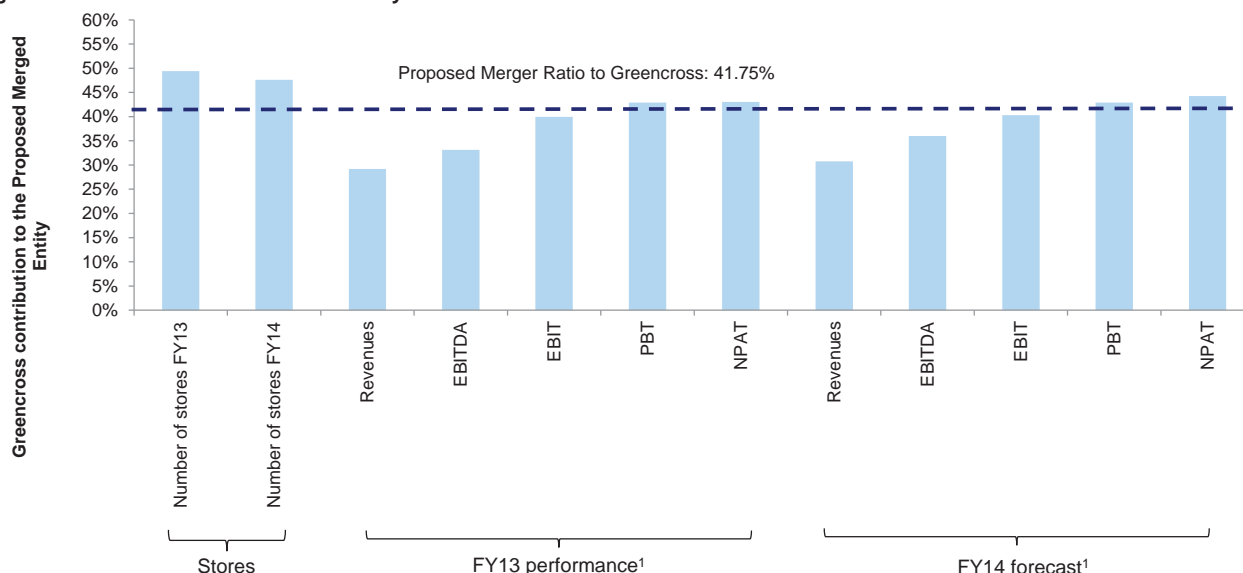
As outlined in Table 6 above, where a lower multiple is applied to FY14 earnings for both Greencross and Mammoth, the implied value contribution of Greencross to the Merged Entity remains below 41.75%, and the Proposed Merger remains favourable to Greencross shareholders.

Under this analysis, in order for Greencross shareholders to be disadvantaged by the financial terms of the Proposed Merger, the EBITDA multiple for Greencross would need to exceed the multiple applied to Mammoth by 20% (i.e. 15 times for Greencross and 12.5 times for Mammoth). We do not consider such a premium to be warranted.

³ The implied value contribution is estimated by comparing the value of Greencross and Mammoth on a stand-alone basis with no value attributed to synergies.

There are also a broad range of other indicators that suggest that Greencross shareholders are receiving an equitable share of the Merged Entity. The figure below illustrates Greencross' contribution to the Merged Entity having regard to various parameters.

Figure 3: Relative value contribution analysis



Source: Deloitte Corporate Finance analysis

Note:

1. Earnings are presented on an attributable and adjusted basis (refer to Sections 4.6 and 5.5) of the report for further details
2. The number of stores for Greencross includes vet practices, labs and non-consumer facing sites.

Greencross' contribution to revenues and earnings for FY13 and FY14 is less than the proposed merger ratio of 41.75% for Greencross shareholders. This is an additional indicator that Greencross shareholders are getting an equitable share of the Merged Entity.

We note that after FY14, Greencross is expected to have a greater "ramp-up" over the medium term, as a result of acquiring already established practices, whereas Mammoth's earnings over the medium term are negatively impacted by the lower earnings contribution of NTI stores. Based on discussion with management, we understand that NTI stores take approximately eight years to reach maturity. This results in the long term growth of Mammoth being less capital intensive, than that of Greencross. Taking into accounts these dynamics, it may be that over the medium term the relativity of growth between the two businesses may be less favourable to Greencross when compared with the proposed merger ratio.

The Proposed Merger allows Greencross shareholders to participate in the full benefits of the substantial synergies expected to be realised from the integration with Mammoth

The Proposed Merger provides an opportunity to integrate two complementary businesses to create a significantly stronger and diverse business, offering a full suite of pet services and products. Greencross shareholders will participate in any synergy benefits realised by the Merged Entity.

Greencross and Mammoth management have identified several revenue and cost saving synergies from the merger of the businesses, including:

- co-location of Greencross veterinary clinics and Petbarn stores and rolling out new stores as combined Petbarn stores/Greencross clinics
- Greencross will be able to offer Petbarn products for sale in its veterinary clinics
- Petbarn may offer veterinary consultations with Greencross as a value added service to its customers
- the Merged Entity will be of significantly greater size, enabling an improvement in procurement terms and margin improvement
- increased engagement with pet owners through being able to offer a full suite of pet related products and services
- combination of established loyalty programs of Greencross and Petbarn, allowing marketing to be undertaken to a greater pool of potential customers

- Greencross Shareholders will still have an opportunity to realise a control premium in the event of any future change of control transaction for the Merged Entity.

Our valuation of the synergies takes into consideration the associated risk of achieving them. To the extent that Greencross and Mammoth management are able to deliver these planned synergies, the upside potential associated with the synergies could be greater than that reflected in our valuation.

A larger scale will result in benefits

The Merged Entity is likely to have a larger market capitalisation than Greencross on a stand-alone basis.

The increased market capitalisation of the Merged Entity and enlarged shareholder base may attract greater analyst coverage, which may in turn enhance the profile of the Merged Entity, particularly with institutional investors. These factors could provide increased liquidity and greater trading depth than that currently experienced by Greencross shareholders.

As a result of the increased market capitalisation, the Merged Entity may also have improved access to both debt and equity capital on possibly more attractive terms, compared with those currently available to Greencross.

The merger with Mammoth would combine a number of favourable attributes in the respective businesses

We consider the merger with Mammoth to be complimentary to the growth profile and business structure of Greencross. The Merged Entity will benefit from a number of attributes, which may not otherwise be available to Greencross shareholders' on a stand-alone basis or in the case of a transaction with another party. In particular:

- Mammoth is the market leader in the specialty pet care retail sector in Australia and the Merged Entity will benefit from its established presence throughout the country
- the merger with Mammoth enables a scrip for scrip merger without significant dilution of Greencross shareholders and without significantly affecting the future ability of shareholders to receive a premium for control
- integration of veterinary services with pet care services and product distribution is a model already proven by similar experiences in the US and in the UK
- through the merger with Mammoth, Greencross will have access to expertise and unique skills that may enhance the growth potential of Greencross. Mammoth management may bring additional experience and expertise to the operations of the Merged Entity
- the merger will allow Greencross to diversify its revenues away from veterinary services and into specialty retail.

The potential disadvantages of the Proposed Merger appear relatively minor compared to the identified advantages

The Proposed Merger may result in adverse consequences to the value of Greencross shares:

- as for any other merger, the Proposed Merger will have post-merger integration risks. The merger of two entities is a complex and time consuming process. Given the high growth plans of management of both Greencross and Mammoth, there is a risk that the anticipated synergy benefits will take longer to be achieved and that implementation costs will be higher than expected
- the intentions of TPG and its associates have not been disclosed. With a 22% interest in the Merged Entity and two directors nominated to the board of directors of the Merged Entity, TPG will be the company's largest shareholder and will have significant influence. However, being a private equity investor, Greencross shareholders could expect TPG's interest to be broadly aligned to theirs as to the maximisation of profits and return. Risks relating to a cornerstone investor are typically greater in the presence of an industry player. We also note that TPG may have the intention to divest its shareholding after the period that it has indicated it will hold them for⁴. Given its significant shareholding in the Merged Entity, a sale of shares by TPG may temporarily depress the Merged Entity share trading price to the extent that it occurs on-market
- companies in the retail sector are currently trading at lower earnings multiples compared to companies in the healthcare sector. There is a risk that subsequent to the Proposed Merger, the Merged Entity will be perceived as a company with operations in the retail sector and trade at lower multiples than those recently experienced by Greencross, despite the significant growth prospects of Mammoth and of the Merged Entity. The integration of Mammoth with Greencross may make Greencross a less attractive investment to a number of existing shareholders.

⁴ TPG has indicated that they will not directly or indirectly dispose of the shares to be issued to them as consideration for the acquisition of their Mammoth shares or do anything that would have the effect of transferring effective ownership or control of those shares, being the first to occur of the release of Merged Entity's FY14 results and 30 September 2014.

Conclusion on reasonableness

On balance, in our opinion, the advantages of the Proposed Merger outweigh the disadvantages.

Opinion


In our opinion, the Proposed Merger is fair and reasonable to both Non-Associated Shareholders and Non-Excluded Shareholders.

An individual shareholder's decision in relation to the Proposed Merger may be influenced by his or her particular circumstances. If in doubt the shareholder should consult an independent adviser, who should have regard to their individual circumstances.

This opinion should be read in conjunction with our detailed report which sets out our scope and findings.

Yours faithfully

DELOITTE CORPORATE FINANCE PTY LIMITED



Stephen Reid

Director



Rachel Foley-Lewis

Director

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1 Background to the Proposed Merger

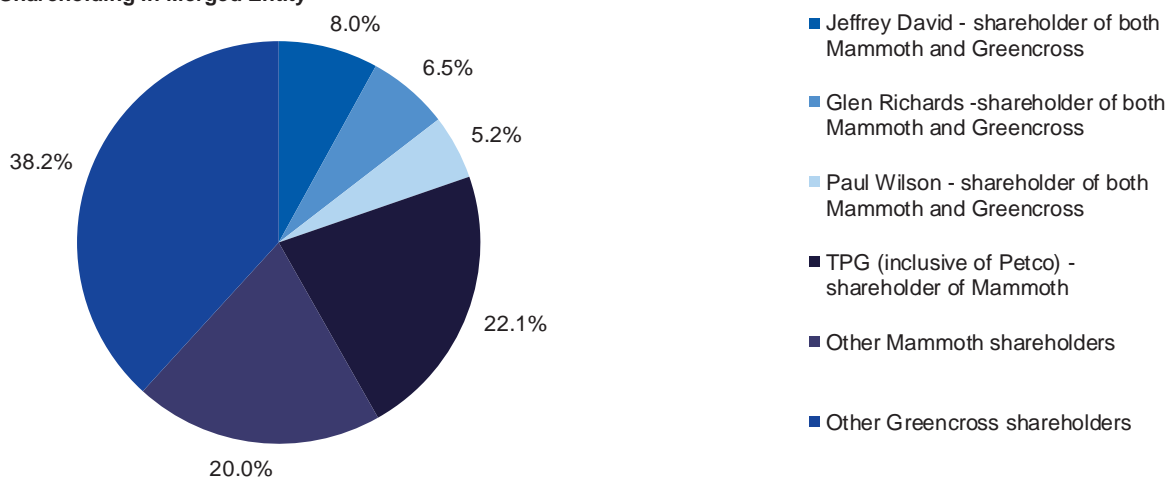
1.1 Summary

On 14 November 2013 the directors of Greencross announced the Proposed Merger whereby Greencross and Mammoth, a privately owned company operating a network of pet care stores in Australia and New Zealand, would merge their businesses. If the Proposed Merger proceeds, Greencross will acquire 100% of the shares in Mammoth in return for the issue of 52.6 million Greencross shares to existing Mammoth shareholders, representing 58.25% of the total Greencross shares on issue immediately following completion of the Proposed Merger.

Existing Greencross shareholders will continue to hold their shares (representing the other 41.75% of the total shares on issue following completion) and Greencross will remain listed on the ASX.

The figure below sets out the shareholders of Greencross immediately after the Proposed Merger (referred to as the Merged Entity), including senior management and TPG (currently a shareholder of Mammoth).

Figure 4: Shareholding in Merged Entity



Source: Greencross

Refer to Section 6.2 for a detailed overview of the shareholders of the Merged Entity.

Key Mammoth shareholders Jeffrey David, Dr Glen Richards, Paul Wilson, TPG and Petco, have each indicated that they will not directly or indirectly dispose of the shares to be issued to them as consideration for the acquisition of their Mammoth shares (collectively representing approximately 38.3% of Greencross post the Proposed Merger), or do anything that would have the effect of transferring effective ownership or control of those shares, until the first to occur of the release of Merged Entity's FY2014 results and 30 September 2014.

Following implementation of the Proposed Merger the board of the Merged Entity will have seven directors including:

- at least four Non-Executive directors as follows:
 - Stuart James, currently a Non-Executive director of Greencross, will be appointed as one of the non-executive directors and the Chairman of the Merged Entity
 - Andrew Geddes, the current Non-Executive Chairman of Greencross, will remain on the Board of the Merged Entity as a non-executive director
 - two non-executive directors will be nominated by TPG.
- three executive directors including:
 - Mr Jeffrey David, the current Executive Chairman of Mammoth and Non-Executive Director of Greencross, to be appointed as Chief Executive Officer (CEO)
 - Dr Glen Richards, the current Managing Director of Greencross, will be responsible for the veterinary business and will remain on the board of Greencross

- Mr Paul Wilson, the current Managing Director of Mammoth, will be responsible for the retail business and will be appointed to the board of Greencross.

Table 7: Merged Entity – new Board of Directors and previous role within Greencross and Mammoth

	Merged Entity board of directors	Current role on Greencross board of directors	Current role on Mammoth board of directors
Stuart James	Non-Executive Chairman	Non-Executive Director	-
Jeffrey David	CEO	Non-Executive Director	Executive Chairman
Dr Glen Richards	Managing Director (Veterinary Services)	Managing Director	Non-Executive Director
Mr Paul Wilson	Managing Director (Pet Care Retailing)	-	Managing Director
Andrew Geddes	Non-Executive Director	Non-Executive Director	-
Matthew Hobart ¹	Non-Executive Director	-	Non-Executive Director
Scott Gilbertson ¹	Non-Executive Director	-	-
Number of directors	7	4	3

Source: Greencross

Note:

1. Matthew Hobart and Scott Gilbertson are to be nominated by TPG

The Board and management roles of the Merged Entity will therefore be split broadly equally between current representatives of Greencross and Mammoth.

The Proposed Merger will need to be approved at a meeting of the shareholders of Greencross. Approval of the Proposed Merger requires more than 50% of the total votes cast on the Proposed Merger to be cast in its favour.

Full details of the Proposed Merger are provided in the Explanatory Memorandum.

1.2 Key conditions of the Proposed Merger

The Proposed Merger is subject to a number of conditions including:

- foreign investment review board approval in relation to the issue of new shares to TPG and Petco
- Shareholder approval for TPG (and Petco) acquiring an interest greater than 20%, in accordance with the requirements of item 7 of Section 611 of the Corporations Act
- Shareholder approval for the Merger in accordance with the requirements of Listing Rules 7.1, 10.1 and 10.11
- consent from Mammoth's landlords and key contract holders are obtained.

Refer to Section 7.8 of the Explanatory Memorandum for further details of the key conditions.

1.3 Intentions if the Proposed Merger proceeds

It is proposed that Greencross will continue to manage and develop its existing business and, following implementation of the Proposed Merger, will operate and integrate Mammoth into the Merged Entity.

It is intended that the directors and management of the Merged Entity will determine how best to further develop those businesses, expand the retail franchise and affiliate presence, enhance revenues and otherwise maximise the operating performance of the Merged Entity, including through the combination of each businesses' technical and managerial skills, and product offering, for the benefit of the Merged Entity and its shareholders.

Greencross and Mammoth have undertaken extensive due diligence work in order to identify potential synergies from the integration of the two businesses. If the Proposed Merger proceeds, the management of the Merged Entity will seek to implement initiatives aimed at unlocking value from the synergies identified.

No significant changes are anticipated in respect of Greencross' existing financial policies.

2 Scope of the report

2.1 Purpose of the report

Pursuant to Section 611 of the Corporations Act and ASX Listing Rule 10, an independent expert's report is required to assist certain shareholders of Greencross in their decision whether to approve or reject the Proposed Merger.

In particular we note the following requirements.

Section 611 An issue of shares by a company to a shareholder that will increase the shareholder's relevant interest in the company from above 20% to less than 90% is prohibited under Section 606 of the Corporations Act unless the Proposed Merger is approved by shareholders at a general meeting, in accordance with item 7 of Section 611.

If the Proposed Merger is completed, one shareholder of Mammoth, TPG, will (also through its investment in another shareholder of Mammoth, Petco) gain an economic interest in the enlarged Greencross of approximately 22% which will require shareholder approval in accordance with item 7 of Section 611.

An independent expert's report is therefore required under Section 611 to provide Greencross Shareholders not associated with TPG and Petco (Non-Associated Shareholders) with an independent view as to whether the Proposed Merger is fair and reasonable.

ASX Listing Rule 10 ASX Listing Rule 10.1 requires a listed entity to obtain shareholder approval before it acquires a substantial asset from, or disposes of a substantial asset to, an entity that is in a position of significant influence (or a related party) when the consideration to be paid constitutes more than 5% of the equity interest of that entity.

Pursuant to ASX Listing Rule 10.10, the listed entity undertaking the transaction must prepare a notice of meeting containing an independent expert's report that provides an opinion as to whether a proposed transaction is fair and reasonable to the holders of the entity's ordinary securities whose votes are not to be disregarded.

In relation to the Proposed Merger:

- Mr Jeffrey David is considered to be in a position of significant influence, given his directorship and substantial shareholding in both Greencross and Mammoth. In addition, Dr Glen Richards (collectively with Mr Jeffrey David, the 'Common Directors') is a common director of the two companies
- Mammoth is considered to be a substantial asset to Greencross under ASX Listing Rule 10.1.

Given the ability of the Common Directors to influence the terms of the Proposed Merger, Mammoth is considered a related party to Greencross for the purpose of ASX Listing Rule 10.1.

An independent expert's report is therefore required under ASX Listing Rule 10 to provide an opinion as to whether the Proposed Merger is fair and reasonable to Greencross' shareholders whose votes are not to be disregarded, being shareholders who are not also Shareholders in Mammoth (Non-Excluded Shareholders).

Having regard to the above, the Independent Directors, have requested Deloitte Corporate Finance to prepare an independent expert's report providing our opinion as to whether the Proposed Merger:

- is fair and reasonable to Non-Associated Shareholders pursuant to item 7 of Section 611 of the Corporations Act
- is fair and reasonable to Non-Excluded Shareholders in accordance with ASX Listing Rule 10.

This report is to be included in the Explanatory Memorandum to be sent to Greencross shareholders and has been prepared exclusively for the purpose of assisting the relevant shareholders in their consideration of the Proposed Merger. It should not be used for any other purpose. We are therefore not responsible to you, or anyone else, whether for our negligence or otherwise, if the report is used by any other person for any other purpose.

2.2 Basis of evaluation

2.2.1 Guidance

In undertaking the work associated with this report, we have had regard to ASIC Regulatory Guide 111 in relation to the content of expert's reports, and ASIC Regulatory Guide 112 in respect of the independence of experts.

ASIC Regulatory Guide 111 provides guidance in relation to the content of independent expert's reports prepared for transactions under Chapters 5, 6 and 6A of the Corporations Act, in relation to a number of transactions including takeover bids, schemes of arrangement and acquisitions approved by security holders under item 7 of Section 611 and related party transactions amongst others.

Irrespective of the transaction being evaluated by the independent expert, ASIC Regulatory Guide 111 provides general guidance that "in deciding on the appropriate form of analysis for a report, an expert should bear in mind that the main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the proposed transaction. An expert should focus on the purpose and outcome of the transaction, that is, the substance of the transaction, rather than the legal mechanism used to effect the transaction".

2.2.2 Section 611

Background

ASIC Regulatory Guide 111 indicates that an issue of shares approved under item 7 of Section 611 should be assessed by the independent expert as if it was a takeover bid under Chapter 6 of the Corporations Act. This is because the entity or person being issued with shares could have achieved the same or a similar outcome by launching a scrip takeover for the company. Pursuant to ASIC Regulatory Guide 111, a takeover bid is:

- 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer
- 'reasonable' if it is fair. It might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

Based on the above, fairness should be assessed by comparing the subject of the takeover offer (i.e. shares in the company issuing shares, being Greencross) with the consideration being received by shareholders of the company (i.e. shares in the company after the Proposed Merger, that is, in the Merged Entity).

The regulatory guide suggests that under a takeover bid, this comparison should be made assuming 100% ownership of the 'target'. Since the consideration to be received by shareholders is represented by minority parcels of shares in the Merged Entity, scrip in the merged company is typically assessed on a minority basis. This results in the valuation of the target and of the consideration being done on a different basis.

Having regard to ASIC Regulatory Guide 111 in connection with item 7 of Section 611, should the Proposed Merger be assessed as if it was a takeover bid, it should be assessed as if it was a scrip takeover offer.

ASIC Regulatory Guide 111.31 states that "the expert may need to assess whether a scrip takeover is in effect a merger of entities of equivalent value when control of the enlarged company will be shared equally between the bidder and the target. In this case, the expert may be justified in using an equivalent approach to valuing the securities of the bidder and the target".

Based on guidance contained in the ASIC Regulatory Guide 111 the Proposed Merger could be assessed in two different ways and interpretation of the guidance is required.

Having regard to ASIC Regulatory Guide 111.31, there is an argument that the bidder (in the context of the Proposed Merger under item 7 of Section 611, TPG and its associates) and the target (Greencross and its existing shareholders) will equally share control of the enlarged company being the Merged Entity so that, in substance, the Proposed Merger may represent a 'merger of equals', based on the following:

- Greencross and Mammoth operate in the pet servicing industry with operations comprising both retail and services through a network of practices/stores of similar size and with similar growth prospects
- following the implementation of the Proposed Merger, the board and management roles of the Merged Entity will be shared broadly equally between current representatives of Greencross and Mammoth

- if the Proposed Merger is implemented, no single shareholder will have an interest that enables it to control the Merged Entity (defined as an interest representing more than 50% of the shares)
- Greencross Shareholders will still have an opportunity to realise a control premium in the event of any future change of control transaction for the Merged Entity.

However, as a result of the Proposed Merger, TPG and its associates will gain an interest in the Merged Entity greater than 20% (approximately 22%), with the total interest to be held by Mammoth shareholders' being 58.25%. On balance, we have assessed the Proposed Merger as if TPG had made a takeover offer for Greencross. The Proposed Merger would be assessed as 'fair' if the expected fair market value of a Greencross share subsequent to the Proposed Merger (i.e. the Merged Entity's trading price) is equal to or greater than the estimated fair market value of a Greencross share on a stand-alone basis.

Basis of evaluation

We have assessed the Proposed Merger on the basis of a takeover offer and have therefore assessed the value of Greencross shares on a control basis and the value of the Consideration (being shares in the Merged Entity) on a minority basis.

In assessing whether the Proposed Merger is reasonable, we have considered other factors that are likely to be of relevance to the Greencross shareholders in addition to fairness such as other advantages and disadvantages of the Proposed Merger to the Non-Associated Shareholders.

Amongst the factors considered to assess the reasonableness of the Proposed Merger, we have compared the fair market value of the shares in Greencross and in the Merged Entity on the same basis to reflect the fact that the Proposed Merger could be considered a 'merger of equals'.

2.2.3 ASX Listing Rule 10

Background

ASIC Regulatory Guide 111 indicates that a proposed related party transaction is:

- 'fair' if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity. According to ASIC Regulatory Guide 111.58, "Where the financial benefit given by the entity is securities in the entity and the consideration is securities in another entity held by a related party as in the case of the Proposed Merger, the value of the entity's securities should be compared to the value of the securities it is purchasing"
- 'reasonable' if it is 'fair'. It might also be 'reasonable' if, despite being 'not fair', the expert believes there are sufficient reasons (ASIC Regulatory Guide 111 specifically indicates a number of factors that should be considered in assessing the reasonableness of a transaction) for members to vote for the proposal.

ASIC Regulatory Guide 111 also states that when analysing related party transactions, it is important that an expert focuses on the substance of the related party transaction rather than the legal mechanism and that an expert should take into account all material terms of the proposal.

Furthermore, ASIC Regulatory Guide 111.63 states that "an expert need only conduct one analysis of whether the transaction is 'fair and reasonable', even if the report has been prepared for a reason other than the transaction being a related party transaction (e.g. if item 7 of section 611 approval is also required)".

Notwithstanding ASIC Regulatory Guide 111.58, in the context of the Proposed Merger, the substance of the transaction is such that:

- the financial benefit to be provided by Greencross to the related party is represented by the fair market value of the 58.25% economic interest in the Merged Entity; and
- the consideration to be provided to Greencross comprises the fair market value of 100% of the share capital of Mammoth plus any other value resulting from the combination of Mammoth and Greencross, that is, synergies expected to be realised pursuant to the Proposed Merger.

We note that the fairness condition described above is effectively satisfied when the fairness condition in relation to item 7 of Section 611 is also satisfied.

In addition, we are of the view that if the Proposed Merger is 'reasonable' under Section 611, it is also reasonable to the Non-Excluded Shareholders for the purposes of ASX Listing Rule 10.1.

Basis of evaluation

Having regard to the above and to the substance of the Proposed Merger, we have assessed that:

- if the Proposed Merger is fair to Non-Associated Shareholders in connection with the Section 611, it is also fair to the Non-Excluded Shareholders under ASX Listing Rule 10.1, and vice versa
- if the Proposed Merger is reasonable to Non-Associated Shareholders in connection with Section 611, it is also reasonable to the Non-Excluded Shareholders under ASX Listing Rule 10.1, and vice versa.

2.2.4 Individual circumstances

We have evaluated the Proposed Merger for Greencross shareholders as a whole and have not considered the effect of the Proposed Merger on the particular circumstances of individual investors. Due to their particular circumstances, individual investors may place a different emphasis on various aspects of the Proposed Merger from the one adopted in this report. Accordingly, individuals may reach different conclusions to ours on whether the Proposed Merger is fair and reasonable. If in doubt investors should consult an independent adviser, who should have regard to their individual circumstances.

2.3 Limitations and reliance on information

The opinion of Deloitte Corporate Finance is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. This report should be read in conjunction with the declarations outlined in Appendix F.

This engagement has been conducted in accordance with professional standard APES 225 Valuation Services issued by the Accounting Professional and Ethical Standards Board Limited (APESB).

Our procedures and enquiries did not include verification work nor constitute an audit or a review engagement in accordance with standards issued by the Auditing and Assurance Standards Board (AUASB) or equivalent body and therefore the information used in undertaking our work may not be entirely reliable.

3 Veterinary services and pet supplies industry in Australia

Greencross specialises in the provision of general and specialist veterinary, laboratory and crematory services (with a focus on companion pets, such as dogs and cats) in Queensland, New South Wales (NSW), South Australia and Victoria.

Petbarn and Animates, Mammoth's operating subsidiaries in Australia and New Zealand, respectively, operate as pet specialty retail chains offering food, health care, grooming, toys, clothes and accessories.

Given that the vast majority of Greencross' and Mammoth's operations are in Australia, below we present an overview of the veterinary services and pet supplies retail industries in Australia.

3.1 Pet population

Domestic pets are an important element of the Australian lifestyle. Australia has one of the highest levels of pet ownership in the world with over 63% of households estimated to own a pet. The Australian pet population includes approximately 4.2 million dogs (with 39% of households owing a dog), 3.3 million cats (29% of households), 4.8 million birds, 10.7 million fish and 2.2 million other types of pets (e.g. horses, rabbits, guinea pigs).⁵

Pet ownership is highest amongst families. The typical pet owner is female (generally females are the main carer of pets), married with children, living in the suburbs, and employed⁶. Pet ownership is lowest for retired people living alone and second lowest amongst single people living alone or sharing a household with unrelated people.

The structure of the Australian society is changing, with increasing proportions of singles, couples with two incomes and no children and retirees. As society changes so do pet populations. Both busy executives and retirees are looking for maintenance-free lifestyles, and this has stimulated the proliferation of unit and townhouse developments. These factors could have caused a slight decline in numbers of dogs and cats over the past two decades although statistics on pet population are not consistent. On the other hand, the trends described above may also create interest in smaller breeds of dogs and more exotic pets⁷.

Increased urbanisation in Australia and restrictive legislation (for instance, strata restrictions in units and apartment blocks) can limit pet ownership. Pet owners are also becoming more accountable for their pets' actions. However, recent changes in the NSW strata bylaws⁸ may signal a new and more positive attitude towards pets in apartments.

3.2 Pet spending

A continuing 'humanisation' of pets and a gradual increase in household disposable income has progressively increased spending per pet, particularly in relation to veterinary services as a broader range of medical treatments and advanced surgical and diagnostic procedures have become available.

Greater education about pet health has contributed to an increasing demand for pet insurance, as well as varied veterinary services, including diagnostic services, dentistry and oncology. The pet supplies retail industry is significantly affected by evolving preferences of pet owners and household discretionary income. This is observed in increasing demand for healthy or organic pet food, and designer pet accessories and clothing.

Pet food has been compared to baby food in terms of its resilient market performance, with people prioritising spending on their pets as they would a member of their immediate family.

The veterinary and pet supplies industries are estimated to have had an annual turnover in FY13 of \$2.5 billion and \$3.3 billion⁹, respectively. The breakdown of spending in the two industries is set out in the figures below.

⁵ Pet Ownership in Australia 2013. The pet population numbers in this report are based on the findings of the Australian Pet Ownership Survey, commissioned by the Alliance and undertaken by Galaxy Research.

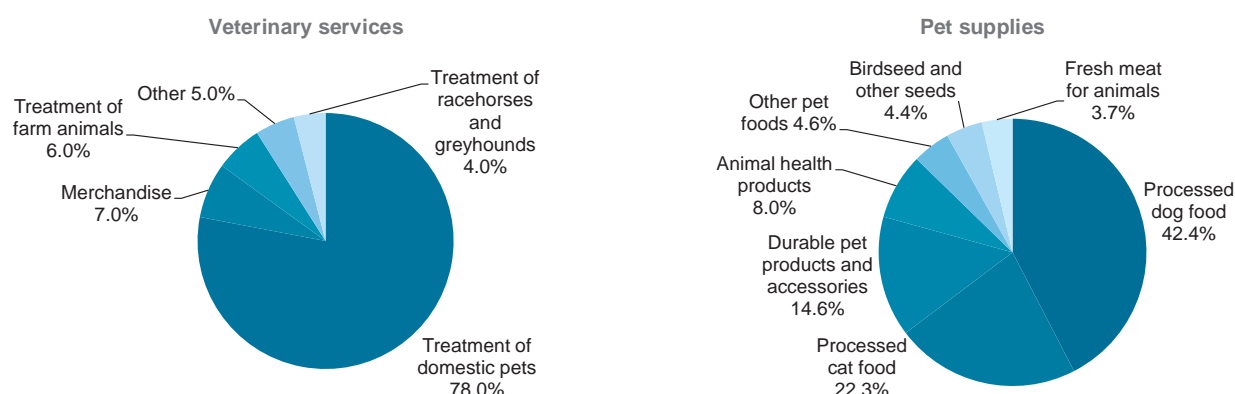
⁶ Centre for Companion Animals in the Community

⁷ Australian Companion Animals Council

⁸ www.fairtrading.nsw.gov.au - According to proposed legislation in NSW, new strata schemes would not have pet bans bylaws as a default regulation

⁹ IBIS World Pty Limited (IBISWorld)

Figure 5: Product and services segmentation

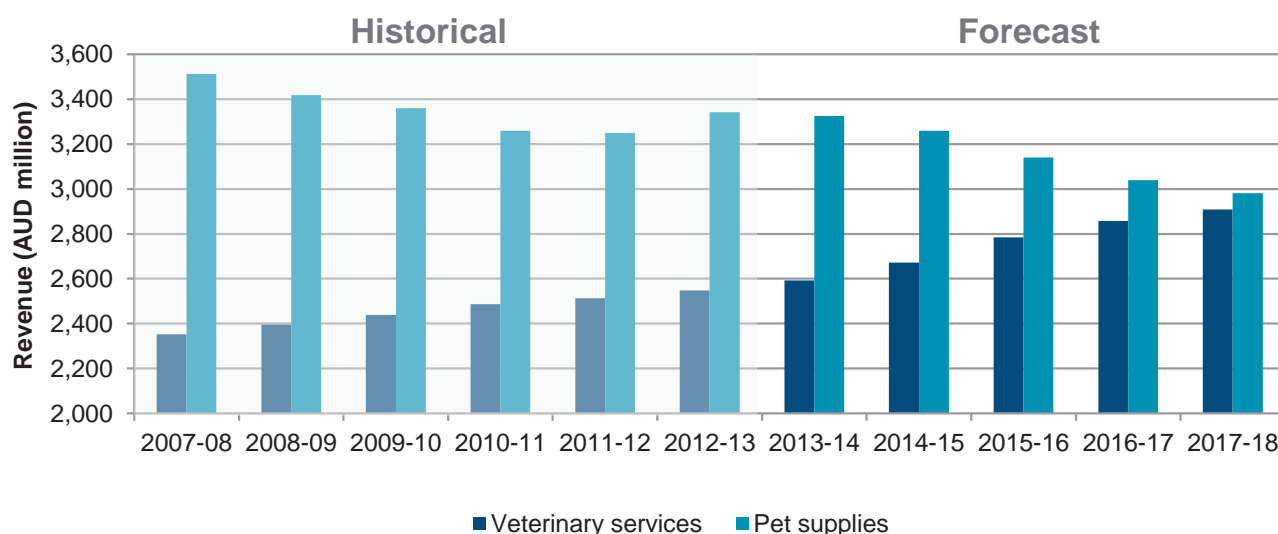


Source: IBISWorld

Veterinary services for domestic pets (the area of focus for Greencross) account for over 78% of revenue for the veterinary services industry, of which veterinary services for dogs contribute approximately two thirds. With respect to pet supplies, Mammoth supplies the whole range of products set out in Figure 5 above.

These two industries have experienced contrasting trends. Whilst the veterinary services industry has been growing in the past few years, pet supplies turnover has been gradually contracting. According to research published by IBISWorld, these trends are likely to continue in the medium term as set out in the figure below.

Figure 6: Veterinary services and Pet supplies industry revenue



Source: IBISWorld

We note that according to other studies undertaken and referred to by Greencross and their advisors the pet care industry is forecast to experience growth in revenues over the forecast period (as opposed to a decline as indicated by the study referred to in Figure 6). There are a number of industry reports covering the pet retailing industry which, at times, provide contradictory trends. Some common observations provided by these studies include:

- customers are increasingly buying premium products for their pets, which is likely to contributing to higher growth in sales of premium dog and cat foods in future years
- strong sales growth in pet healthcare products is expected as pet owners becoming increasingly concerned with the health and wellbeing of their pets.

The Australian veterinary services industry and, to a lesser extent, the overall pet care industry have been relatively resilient throughout the slow growth period and recession that has been affecting Australia and the rest of the global economies since 2007-08.

Other trends affecting the industry include the ongoing pressure on profitability as:

- supermarkets and online stores are expected to drive pet supplies prices down
- increasing costs of labour, medical goods and medical services are expected to affect veterinary practices.

Price pressure is likely to drive further industry consolidation, especially in the veterinary services industry. Smaller market participants are not likely to be capable of competing with companies that can achieve economies of scale as expenditure on advanced equipment becomes more prevalent.

Whilst the pet supplies industry is contracting as a whole, there is room for market participants to differentiate their offerings and increase market share.

3.3 Market participants

Veterinary services

The veterinary services industry is highly fragmented but undergoing a process of consolidation. The largest market participant is Greencross, which has an estimated market share of 3.9% by number of veterinary practices, according to IBISWorld¹⁰.

Healthscope Limited and IDEXX Laboratories Pty Limited, which primarily provide healthcare services and human pathology services, respectively, also provide laboratory services to the Australian veterinary services industry. IBISWorld estimates these companies to have a 1.0% market share each. The fourth largest market participant, VetWest Animal Hospitals, has an estimated 0.3% market share and is the largest provider of diversified veterinary services in Western Australia.

The rest of the Australian veterinary services industry is comprised of small, largely single practice businesses, government animal health laboratories and human pathology laboratories that offer veterinary tests.

The number of veterinarians entering the industry has increased through the creation of new veterinary schools. The proportion of veterinarians that are female is dramatically increasing, as the older group of veterinarians, which are typically male, retire. The Australian Veterinary Association Limited (AVA) estimates that around 80% of new veterinary graduates are female.¹¹ The AVA considers that female veterinarians are more likely to choose part-time working arrangements, or leave the profession earlier than their male counterparts. This is expected to reduce the potential for oversupply of veterinarians.

As demand for specialist procedures increases, veterinary practices will need to invest in new instruments and equipment. Larger veterinary practices are likely to benefit by achieving economies of scale. New entrants, particularly young veterinarians, may be deterred from establishing specialist practices due to high capital costs.

The AVA expects the growing supply of veterinarians and the high costs of equipping a practice to challenge the viability of the private practice model.¹²

Pet supplies

The pet supplies retail industry has recently been subject to greater consolidation. The top three market participants account for approximately 47.7% of total industry revenue.¹³ The largest contributors to the industry's revenue are Wesfarmers Limited (Wesfarmers) and Woolworths Limited (Woolworths) through the operation of their major supermarket chains and department stores. Wesfarmers and Woolworths have 21.7% and 20.6% market share, respectively.

Mammoth, through its 100 'Petbarn' branded stores, is the largest specialised pet supplies retail chain in Australia¹⁴. Mammoth offers products and services for a range of domestic pets and is estimated to have a 5.4% market share.¹⁵ Over the past five years, Mammoth has achieved a higher rate of growth than the industry, through organic growth and acquisitions.

¹⁰ Greencross claims a 5.7% market share by industry revenues

¹¹ Porritt, D., "Australian veterinary workforce review report", AVA, June 2013, p 14.

¹² Porritt, D., "Australian veterinary workforce review report", AVA, June 2013, p 23.

¹³ IBISWorld

¹⁴ As at 12 November 2013

¹⁵ IBISWorld

Petstock Pty Limited and Paradise Retail Holdings Pty Limited (Paradise), owner of the Pets Paradise franchise, account for 2.2% and 1.8% market share, respectively.¹⁶ Paradise went into receivership in August 2012 and there remains uncertainty as to the continued operation of its 62 stores.

The rest of the Australian pet supplies retail industry is comprised of single locations and small chains. However, the industry faces growing external competition from online stores and veterinarian clinics.

Procurement cost savings and brand recognition are likely to be two major factors driving increased market share of large specialty pet supplies retailers in the pet supplies offering.

¹⁶ IBISWorld

4 Profile of Greencross

4.1 Overview

Greencross owns and operates Australia's largest network of veterinary practices and pet-related specialist centres with an estimated market share of approximately 5% (by revenue). Listed on the ASX since June 2007, the Company had a market capitalisation of \$244 million as at 13 November 2013 (the day prior to the announcement of the Proposed Merger).

The company's operations are located in the eastern states of Australia, with half of all sites and the company's headquarters located in Queensland.

The company's facilities include general practice veterinary clinics (which provide a range of services including vaccinations, de-sexing, dentistry, parasite prevention, surgery, pathology, radiology, ultrasound and pet weight loss), emergency centres (which provide full animal hospital facilities for after-hours care and treatment of sick and injured pets), specialist centres (which provide animal behaviour services, dermatology, cardiology, ophthalmology and dentistry), vet pathologies and pet crematoria.

Table 8: Greencross veterinary clinics by location

	QLD	NSW	VIC	SA	Total
General practice veterinary clinics	46	20	18	2	86
Emergency centres	2	1	3	1	7
Specialty centres	0	0	2	1	3
Pathology	1	0	1	0	2
Crematoria	2	0	0	0	2
Total	51	21	24	4	100

Source: Greencross

Note:

1. As at November 2013

The majority of Greencross' revenues are generated from services and products provided to companion animals such as domestic dogs and cats. It also sells pet-related products through its network of clinics and online store including pet food, grooming products, pet toys, parasite prevention products and other pet pharmaceutical items. In FY13, Greencross sourced approximately 75% of its revenues from veterinary services, 22% from product sales, 2% from pathology services and the balance from crematory and other specialty services.

The veterinary clinics and specialist centres are run by over 1,200 staff members including over 350 veterinarians and 600 nurses and support staff¹⁷. Greencross has approximately 200,000 active customers (pet owners) and over 270,000 patients (pets) visit Greencross' veterinary clinics each year.

4.2 Corporate history

Greencross was established in 1994 by Dr Glenn Richards a veterinarian and the current Managing Director, via the combination of four clinics in Townsville, Queensland. In the years that followed, the Company expanded via the acquisition of independent veterinary practices and specialist centres.

The company's growth accelerated substantially since its listing on the ASX in 2007. The capital proceeds of the initial public offering (IPO) were used to acquire a further 31 veterinary practices located in Queensland and Victoria as well as a 70% interest in a specialist veterinary centre located in South Australia.

Greencross formalised its acquisitions strategy in 2010 by creating a board approved 5-year plan targeting veterinary practices with annual revenues of over \$1 million. To fund the planned acquisitions the company raised further equity and debt capital.

¹⁷ as at October 2013

4.3 Business model

Greencross' strategy involves the continued expansion of its footprint (primarily via acquisitions) throughout Australia. The company aims to form a national network of allied veterinary clinics with a goal to:

- provide a more professional environment for some of the smaller veterinary practices. Through Greencross, practices have access to better equipment and education and can focus on providing quality veterinary medicine to patients
- cross-sell products and services between its various operations to its customers
- improve economic margins via scale
- diversify its portfolio in order to de-risk the overall operations.

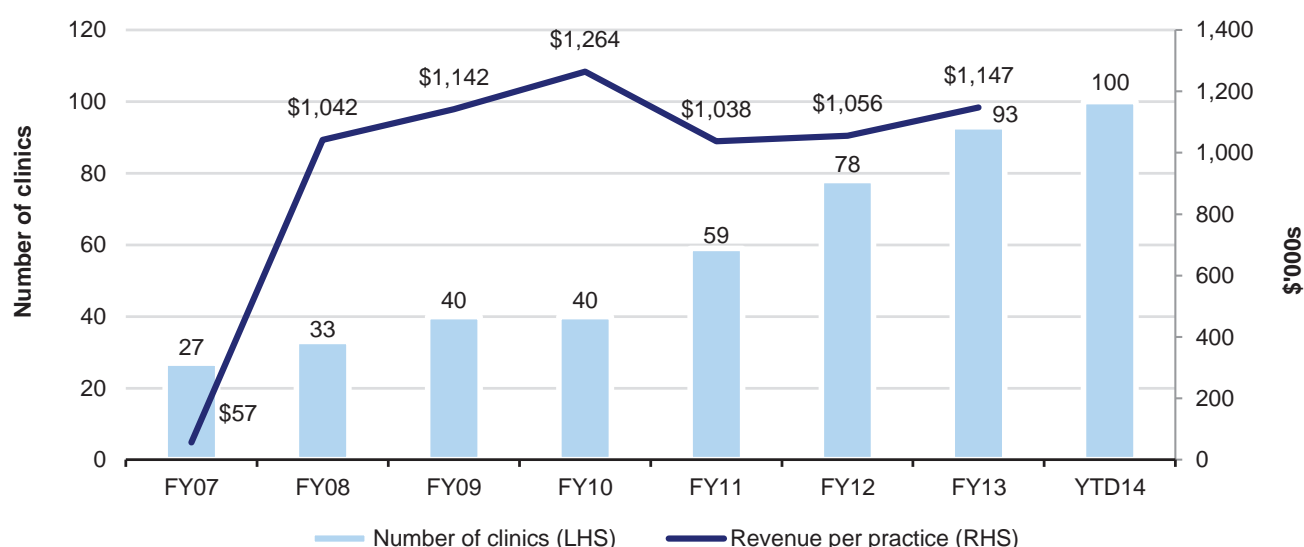
Greencross has been diligently pursuing this strategy via:

- the acquisition of one to two veterinary business per month in metropolitan areas and increasingly, in rural centres
- increasing referrals from its veterinary clinics to its specialist service centres, pathologies, emergency centres and crematoria. These specialist businesses capitalise on the trend towards treating pets as a part of the family, and also help to diversify sources of revenue
- increasing the efficiency of newly acquired veterinary clinics. Overstaffed practices are encouraged to improve their roster efficiency to reduce costs. In addition, all new practices benefit from Greencross' buying power which results in an almost immediate margin improvement on consumables
- developing regionally clustered veterinary businesses. Greencross aims to develop a network of general practices that are clustered around allied speciality veterinary businesses (such as emergency and pathology centres). The general practices are located in targeted regions and work as a referral network for Greencross' specialty centres. As approximately half of the clinic revenues are sourced from within a three kilometre radius, the practices can be located in close proximity with limited cannibalisation of allied clinic revenues.

Through the above strategy, Greencross plans to increase its market share from approximately 5% currently, to 20% over the long term. The company already has market share of approximately 11% in Queensland, though market share is even higher in select regions of Queensland (e.g. Townsville and the Gold Coast).

Greencross management have been consistently targeting small, established veterinary practices at acquisition multiples of 3.5 times to 4.5 times earnings before interest and tax. Since FY11, Greencross has made over 41 acquisitions (exceeding its stated target of one to two acquisitions per month), with an average acquisition multiple of approximately four times EBIT. With the exception of FY07, when Greencross acquired a number of new practices, the average revenue per practice has been steady at around \$1 million.

Figure 7: Greencross veterinary clinics



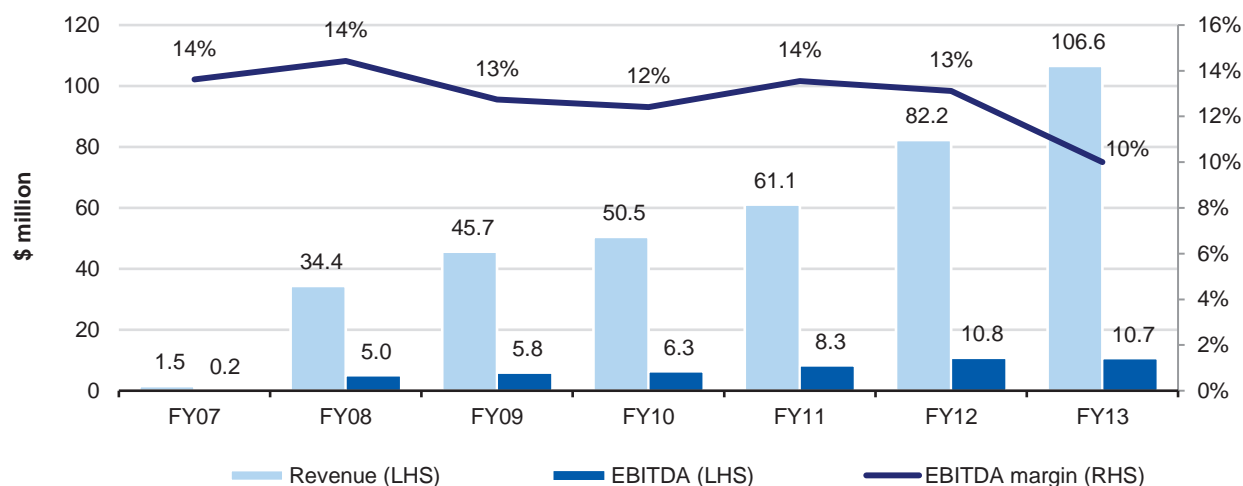
Source: Greencross

Acquisitions have historically been funded via a mix of equity and debt. Since listing in 2007, Greencross has raised \$15 million of equity via two separate placements and increased its borrowings to \$35 million.

The company has also partly funded several of its acquisitions through deferred consideration, which helps to incentivise veterinarians at acquired clinics to stay in the practice. The vendors receive earn outs between one and two years post acquisition, calculated on EBIT, but may choose to remain in the business for longer periods. Retention of key staff at the acquired practices allows for a smooth integration of the new practices with Greencross.

As a result of its strategy, Greencross' sales have been growing since its IPO in 2007.

Figure 8: Greencross' historical revenues and earnings



Source: Greencross

Note:

1. Revenue and EBITDA is as reported and before normalisation adjustments

Greencross' revenues have grown at a compound average growth rate (CAGR) of 28.3% over the past three years, primarily driven by Greencross' acquisitions of veterinary clinics. Greencross' year-on-year growth for FY12 and FY13 was driven by:

- acquisition of an additional 19 practices in FY12 and 15 practices in FY13. The FY13 acquisitions are expected to contribute annualised revenue of \$30.4 million to Greencross
- same clinic revenue growth of 5.38% in FY13 (1.1% in FY12). Greencross attributes the high organic growth rate achieved in FY13 to several of its strategies including the Healthy Pets Plus (HPP) program, social media marketing, staff incentives and supply chain partnerships.

The Company's earnings margins declined in FY13 due to the lower margins generated by some of the newly acquired veterinary clinics.

HPP program

In 2012 Greencross was faced with an industry in decline as families had fewer children, and in turn, fewer pets. In response to this dynamic and in line with its strategy, in May 2012 Greencross launched the HPP program, a subscription based pet healthcare plan. At an annual cost of \$400 per annum, under the HPP, a pet owner receives two comprehensive physical exams per year, a health screening test, unlimited general consultations, and a 20% discount on various pet products including food for their pet.

HPP has approximately 20,000 members and memberships continue to grow. The HPP program encourages pet owners to visit more frequently and purchase nutritional and preventative products at Greencross practices. As a result of this strategy, Greencross has achieved organic growth in its existing clinics due to an increase in the annual spend per customer. The HPP program provides a predictable revenue stream for Greencross as payments are typically received monthly, by direct debit.

Greencross plans to extend the HPP program to include services such as 24 hour consultations, as well as dental plans to ensure pets have healthy teeth.

4.4 Capital structure and shareholders

As at the date of this report Greencross had 37,682,334 shares on issue. Greencross' key shareholders are presented in the table below:

Table 9: Greencross Shareholders as at November 2013

Name	Number of shares (number)	Percentage of Shares held (%)
Dr John Odium	4,318,122	11.5%
Dr Glen Richards	3,139,009	8.3%
Keith Knight	2,313,331	6.1%
Stuart James	1,791,722	4.8%
Wesley Coote	350,000	0.9%
Andrew Geddes	232,358	0.6%
Jeff David	25,689	0.1%
Paul Wilson	23,000	0.1%
Other current Greencross shareholders	25,489,103	67.6%
Total securities on issue	37,682,334	100%

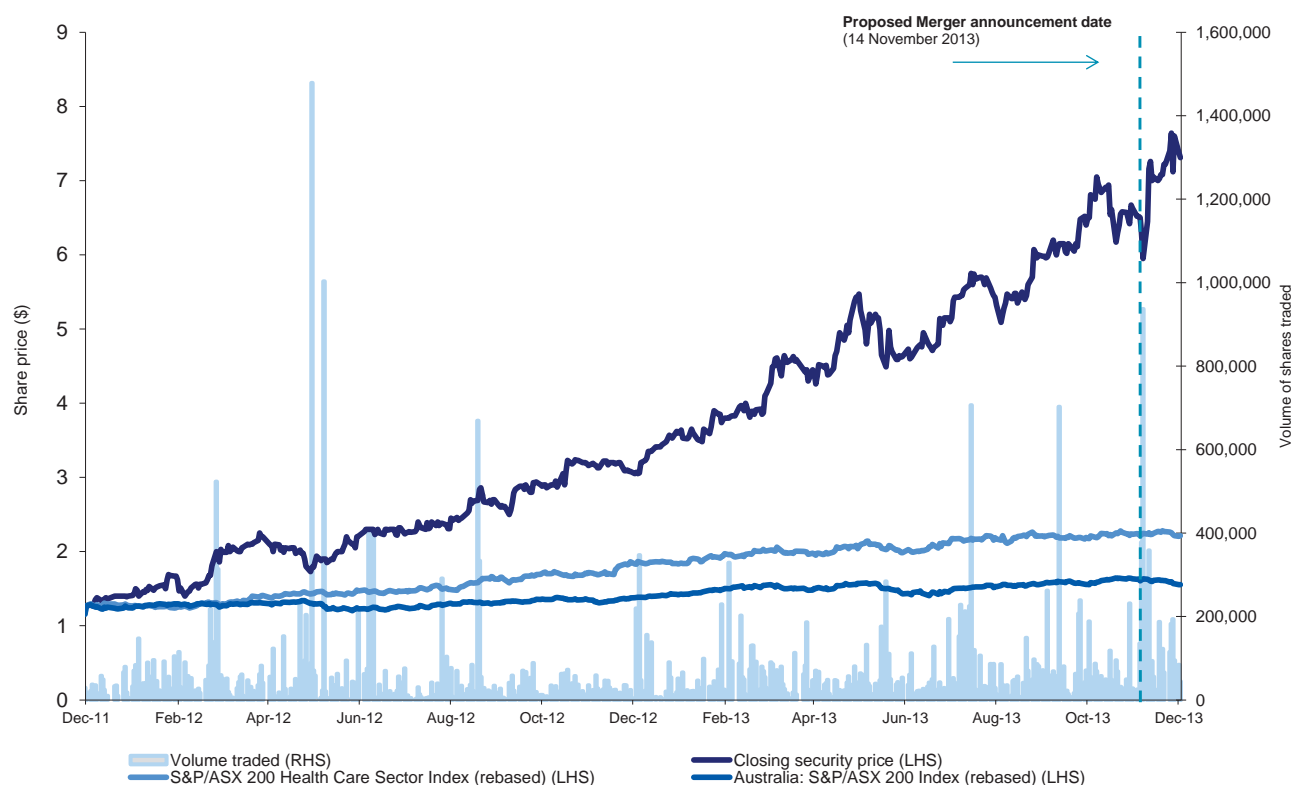
Source: S&P Capital IQ

In February 2013, Greencross completed a placement of 3.3 million shares to institutional and sophisticated investors at \$3.40 per share to raise \$11.2 million. Approximately half (\$5 million) of the proceeds were used to acquire the Ku-Ring-Gai veterinary hospital, with the remainder earmarked for further acquisitions.

4.5 Share price performance

The figure below sets out Greencross' share price movements together with trading volumes and a comparison with relevant stock indices for the two year period to 10 December 2013.

Figure 9: Share price performance



Source: S&P Capital IQ

Greencross' share price has increased significantly in the past two years and has significantly outperformed the broader Australian stock market. The factors contributing to the increase in Greencross' share price include the strong operational performance of the business combined with the earnings accretion resulting from the numerous acquisitions.

Greencross' total return on its ordinary shares was 172% over the year to 10 December 2012, and 110% over the year to 10 December 2013.

The positive performance of Greencross has seen an increasing number of broker analysts covering the stock. As at the date of this report, four brokers regularly issue research analysis on Greencross. This includes Bailieu, Cannacord, Commonwealth Bank and Wilson HTM.

On 14 October 2013, Greencross made an announcement regarding the potential merger with Mammoth. On that day the share price increased by \$0.40 to \$7.05 (an increase of 6.0%) for the day.

On 14 November 2013, Greencross announced the terms of the Proposed Merger. Greencross' share price decreased from \$6.30 on the day prior to the official Announcement Date to \$5.95 on 15 November 2013 and then subsequently increased, reaching a high of \$7.80 on 4 December 2013. Greencross' closing share price was \$7.31 on 10 December 2013.

A summary of Greencross' quarterly share price performance during the same period is provided in the following table.

Table 10: Greencross quarterly share price information

Quarter end date	Low (\$)	High (\$)	Last trade (\$)	Volume	VWAP (\$)¹
Prior to Proposed Merger announcement					
December 2011	1.02	1.42	1.40	1,890,340	1.19
March 2012	1.39	2.12	2.12	3,821,700	1.71
June 2012	1.73	2.40	2.30	5,868,770	1.97
September 2012	2.22	2.97	2.90	2,849,660	2.58
December 2012	2.80	3.51	3.48	2,464,130	3.12
March 2013	3.48	4.70	4.59	3,403,260	3.94
June 2013	4.26	5.55	4.75	3,249,910	4.71
September 2013	4.80	6.21	6.05	5,393,070	5.67
Period to 14 November 2013	6.11	7.15	6.30	2,632,980	6.51
Post Announcement Date					
Period from 14 November 2013 to 10 December 2013	5.95	7.80	7.31	3,395,100	6.66

Source: Capital IQ and Deloitte Corporate Finance analysis

Note:

1. VWAP – volume weighted average price

The trading volume for the quarter ended 30 September 2013 was approximately 14% of Greencross' shares on issue, which was the highest volume of shares traded per quarter over the last two years.

4.6 Financial performance

The audited income statements of Greencross for the periods ended FY10 to FY13 together with unaudited normalisation adjustments are summarised in the table below.

Table 11: Financial performance

	Actual FY10 (\$million)	Actual FY11 (\$million)	Actual FY12 (\$million)	Actual FY13 (\$million)
Trading revenue	50.5	61.1	82.2	106.6
Revenue growth (%)		21.0%	34.5%	29.6%
Expenses	(44.2)	(52.8)	(71.5)	(95.9)
Expense growth rate (%)		19.4%	35.2%	34.2%
EBITDA	6.3	8.3	10.8	10.7
EBITDA margin (%)	12.4%	13.5%	13.1%	10.0%
Depreciation & amortisation	(0.9)	(1.1)	(1.3)	(1.9)
EBIT	5.4	7.2	9.4	8.8
EBIT margin (%)	10.7%	11.9%	11.6%	8.3%
Net interest expense	(1.2)	(1.6)	(2.0)	(2.7)
Net profit before tax (NPBT)	4.2	5.7	7.5	6.2
Tax	(1.3)	(1.8)	(2.3)	(2.7)
Net profit after tax (NPAT)	2.9	4.0	5.2	3.5
Profit attributable to:				
Greencross	2.8	3.5	4.5	2.9
Non-controlling interests	0.2	0.5	0.7	0.6
Normalisation adjustments				
Reported EBITDA	6.3	8.3	10.8	10.7
Transaction costs		0.1	0.2	1.0
Deferred consideration			0.1	1.9
Write-off in regards to research legal costs				0.1
Start-up/closure costs not capitalised				0.9
Adjusted EBITDA	6.3	8.4	11.1	14.5

Source: Greencross annual reports

We note the following in relation to the table:

- revenue has more than doubled over the three year period to FY13, primarily driven by Greencross' acquisition of veterinary practices. Greencross also achieved growth in same clinic revenues of 5.38% in FY13 as a result of some of its organic growth strategies including HPP
- expenses primarily consist of wages and salaries which accounted for over half of FY13 expenses. Other expenses include consumables, rent, and acquisition expenses. Greencross' expense growth rate outstripped the growth in revenues in FY12 and FY13 driven by an expansion of wages and corporate costs
- EBITDA margins declined in FY13 due to the lower margins achieved in connection with newly acquired clinics

- Greencross' reported EBITDA is subject to a number of abnormal and/or one-off items such as deferred consideration payments in respect of Greencross' acquisitions and operational expenditures in relation to the establishment of new practices. Normalisation adjustments set out in the table above reflect the elimination of these costs from Greencross' reported EBITDA. EBITDA adjusted for these items is also referred to as 'underlying' EBITDA throughout the rest of this report
- interest expenses have been increasing in recent years as Greencross has taken on more debt financing to partially fund its acquisitions
- deferred settlement costs paid to veterinary clinic vendors have been treated as remuneration for accounting purposes. The deferred settlement costs relate to the contingent consideration portion of certain acquisitions that could not be capitalised for accounting purposes
- start-up costs were incurred in relation to the establishment of two veterinary pathology businesses in Melbourne and Brisbane during FY13. The Melbourne and Brisbane laboratories were opened in September 2012 and February 2013, respectively, and costs relating to both were incurred until April 2013. The opening of the two pathology laboratories was delayed and significant additional operational expenditures were incurred which could not be capitalised for accounting purposes. The pathology laboratories are expected to be profitable by FY14 and contribute a small EBITDA margin to the group.
- veterinary practice acquisition costs of \$971,000 were incurred in FY13
- Greencross' cash flow from operations was \$8.3 million in FY12 and \$9.9 million in FY13, which is approximately \$3 million less than EBITDA
- the above results are fully consolidated and include revenue and earnings relating to minority interests.

4.7 Financial position

The audited balance sheets of Greencross as at 30 June 2012 and 30 June 2013 are summarised in the table below.

Table 12: Financial position

	June 2012 audited (\$million)	June 2013 audited (\$million)
Cash	3.3	8.8
Receivables	1.4	1.8
Inventory	3.1	4.2
Other	1.0	0.8
Total current assets	8.9	15.6
Property, plant and equipment	10.3	14.8
Intangibles	59.2	71.8
Other	0.8	1.7
Total non-current assets	70.3	88.3
Payables	7.5	11.3
Interest bearing liabilities	0.9	1.6
Provisions	3.9	5.1
Total current liabilities	12.3	18.0
Payables	1.2	2.3
Interest bearing liabilities	29.5	33.6
Provisions	1.3	2.6
Total non-current liabilities	32.0	38.5
Net assets	34.8	47.3
Net assets attributable to minority interests	(0.8)	(0.2)
Net assets attributable to Greencross	34.1	47.1

Source: Annual Reports

We note the following with regard to the above statements of financial position:

- cash at bank was approximately \$8.8 million at 30 June 2013. The increase in cash from 30 June 2012 was due to the \$11 million equity raising in February 2013, less \$5 million cash consideration paid to acquire the Ku-Ring-Gai Vet Hospital
- other current assets relate to receivables and inventories (pets yet to be collected from Greencross' clinics). Greencross has negative net working capital requirements as over 80% of its cash receipts are derived via credit card payments at the time of pet consultations
- intangible assets represent goodwill from acquisitions
- current liabilities exceed current assets by \$2.4 million in FY13 (\$3.4 million in FY12). Greencross notes in its FY13 annual report that it generates positive operating cash flows (\$10.9 million in FY13), which it uses to meet its funding arrangements and finance its growth through acquisitions. Greencross considers that its forecast earnings support its ability to operate within its current financing facilities in the future and, as such, its operations are a going concern
- payables consist of trade and other payables and the current portion of deferred consideration relating to Greencross' acquisitions
- other current liabilities consist of deferred revenue recognised for membership fees received for the HPP program
- non-current payables relate to the contingent deferred consideration in relation to veterinary clinic acquisitions.

- Greencross' total external borrowings were \$35.7 million at 30 June 2013.

Table 13: Debt profile

	June 2013 audited (\$million)
Bank loans	33.2
Lease liability	1.6
Indemnity guarantee facility	0.9
Total	35.7

Source: Greencross FY13 Annual report

Almost all of Greencross' bank loans are interest only loans, while \$1.0 million of loans are principal and interest payment loans. Bank loans are secured by a fixed and floating charge over Greencross' goodwill, uncalled capital, called but unpaid capital and a guarantee and indemnity for \$46.6 million given by Greencross' subsidiaries. Greencross had \$13.2 million of undrawn debt facilities available as at 30 June 2013, consisting of the unused portion of the Commonwealth Bank of Australia facility (\$10.2 million), a bank overdraft of \$1.0 million and \$1.9 million of asset financing and indemnity guarantee facilities.

Greencross' bank loans have an average maturity of two years and a weighted average interest rate of 4.40%.

Lease liabilities are effectively secured as the rights to the leased assets and revert to the lessor in the event of default.

In addition, we note that as at 30 June 2013, an amount equivalent to \$3.5 million was expected to be due as deferred consideration in relation to recent acquisitions.

4.8 Tax considerations

As at 30 June 2013, Greencross had a franking credit balance of \$7.0 million.

5 Profile of Mammoth

5.1 Overview

Mammoth is a private Australian company with investments in pet specialty retail chains in Australia and New Zealand. Mammoth:

- owns and operates 100¹⁸ pet supplies superstores throughout Australia (or an estimated market share of 4.0%¹⁹ by revenue) trading under the ‘Petbarn’ brand name (for the purpose of this report, we refer to ‘Petbarn’ as the operating business in Australia)
- owns a 50% economic interest in Animates NZ Holdings Limited, the owner and operator of 24 pet specialty retail supplies superstores in New Zealand trading under the ‘Animates’ brand name and is the leading retailer in New Zealand²⁰. EBOS Group Limited (EBOS), a public company listed on the New Zealand Stock Exchange, is the ultimate owner of the remaining 50% interest in Animates. Petbarn is the manager of Animates through a long term management agreement.

By number of stores, Petbarn and Animates are the leaders in the pet specialty retail markets in Australia and in New Zealand. However, mass food retail operators that offer pet food products, such as Woolworths and Coles, have a larger footprint.

Mammoth is majority owned by founder shareholders (38.5%) and TPG Capital, the latter being a global U.S.-based private equity fund (39.5%²¹). The balance is owned by other investors and management.

5.2 Corporate history

Mammoth was established in November 2005 to acquire and become the holding company of Petbarn Pty Limited. The existing Petbarn business was incorporated in 1979 and operated 10 pet stores when it was acquired by Mammoth.

Over the past eight years, Mammoth has expanded its business through acquisitions and the introduction of NTI pet stores, which have historically been funded via a mix of equity and debt capital.

5.3 Business model

Mammoth specialises in the wholesaling, retailing, marketing and distribution of pet food and supplies for dogs, cats, fish, birds, reptiles and small animals and provides a range of pet services. Mammoth sells a wide range of both Mammoth owned and third-party brands.

Similarly to Greencross, Mammoth’s strategy involves an aggressive expansion of its footprint throughout Australia (as well as New Zealand). In contrast to Greencross, growth has been primarily driven by the development of NTI stores as opposed to acquisitions (over the last five years, approximately 60% of Mammoth’s growth has been through NTI stores and 40% via acquisitions). Whilst the former take longer to achieve maturity, they also require a much lower initial capital investment. The payback period for NTI stores is currently targeted at under four years, but the actual average payback period has been lower for more recent openings, exceeding expectations.

Mammoth plans to continue growing its business by approximately 20 new stores per annum through organic growth and, where deemed appropriate, further accelerate its presence in new and existing markets via strategic acquisitions. The continuing growth in scale is expected to increase barriers to entry for new players and to lower Mammoth’s operating costs. Mammoth’s management is of the view that the business can achieve 20% market share in Australia and New Zealand, with the goal of achieving the dominant position in the pet specialty retail industry.

Mammoth utilises speciality network demographers to aid the identification of target markets. Since 2007, Mammoth has reviewed over 500 potential locations, negotiated on over 200 locations resulting in 79 NTI openings. The figure below sets out the development of Mammoth’s stores and revenue per store over recent years.

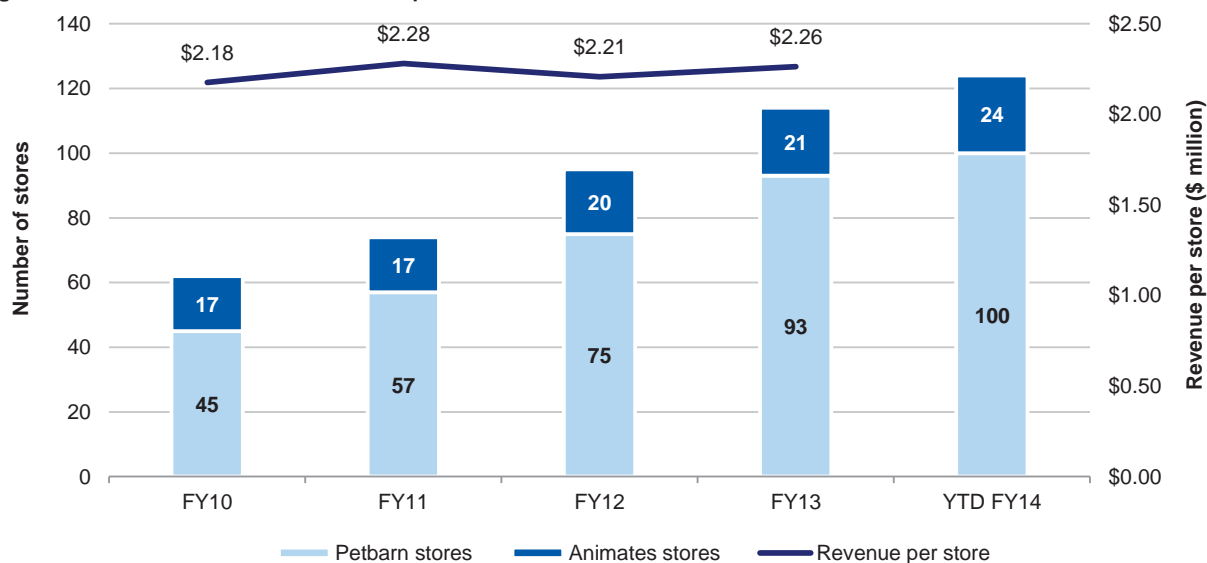
¹⁸ As at 12 November 2013

¹⁹ Mammoth estimates, by revenue

²⁰ Mammoth estimates, by revenue

²¹ 34.2% direct interest combined with a 5.3% interest owned indirectly via Petco.

Figure 10: Mammoth's stores and revenue per store^{1,2}



Source: Mammoth

Notes:

1. Revenue per store is presented on a consolidated basis (i.e. 100% of Animates)
2. Revenue is based on sale of goods and excludes service revenue

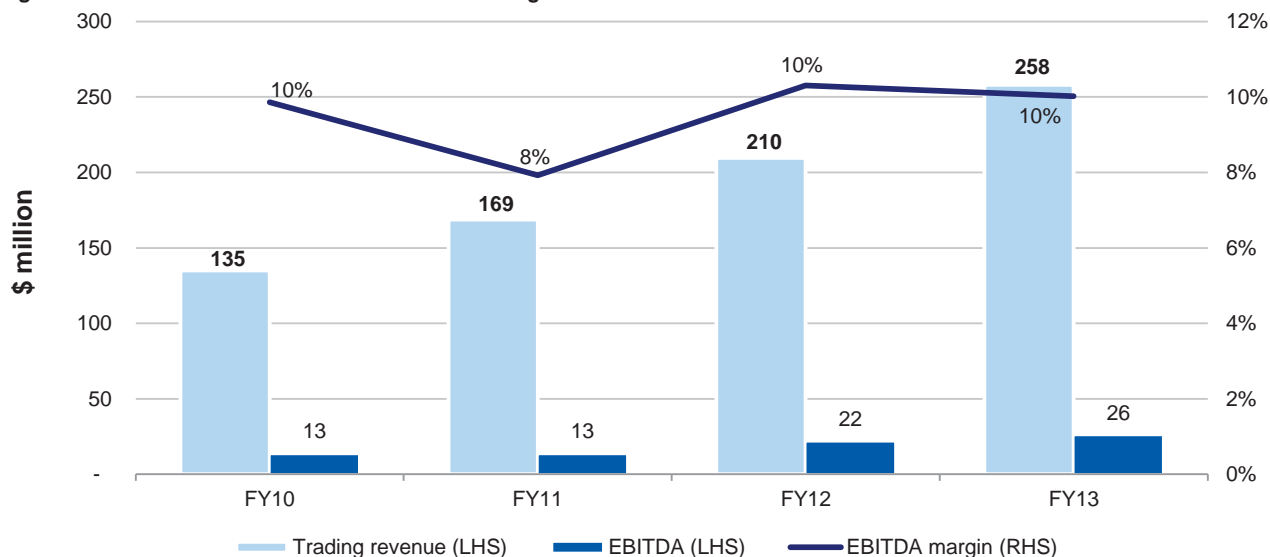
NTI stores require an estimated eight years to fully ramp up and enter into a mature stage with stabilised margins and a consolidated local market share. As Mammoth's portfolio include stores at various stages of development and the group is expected to grow at a substantial pace, historical consolidated financial performance is of little guidance to Mammoth's economic potential.

In addition to its expansion strategy, Mammoth is currently implementing a number of new operating initiatives aimed at improving its economic performance on a 'same store' basis, such as:

- multi-channel offering through e-commerce (although online sales still represent only a marginal portion of Mammoth's income and management expects that, in contrast to other industries, there is a cap on the extent online sales can grow in the pet supplies industry)
- widening the range of private label products (which generate far higher margins than third party products)
- improve supply chain management, such as developing a centralised distribution model and investing in new systems
- Petbarn has an exclusive supply agreement with Petco for the provision of certain non-food products from China and has also established relationships with local food manufacturers for the production of their own labelled products
- improve customer fidelity and targeted marketing via the establishment of loyalty programs (i.e. Friend For Life (FFL) program). As at 30 June 2013, FFL had more than 1 million members and continues to grow.

Through the implementation of the expansion strategy, Mammoth's turnover has been growing over a number of years, whilst the EBITDA margin has remained relatively flat. As mentioned above, Mammoth's consolidated economic margins are weighed down by the expansion of the network of stores.

Figure 11: Mammoth' historical revenues and earnings



Source: Mammoth

Notes:

1. Trading revenue and EBITDA is presented on a consolidated basis and is before normalisation adjustments (refer to Table 15)
2. Trading revenue is based on sale of goods and excludes service revenue

As can be seen from the above figure, revenues have been growing strongly since 2010. The trading revenue CAGR over the past three years has been 24.1%. Revenue growth has resulted from the combination of a substantial expansion in Mammoth's pet retail network and a more moderate increase in the average revenue per pet retail shop (refer to Figure 10 and Figure 11). Same store sales growth has been approximately 8.1% per annum over the past five years.

Whilst economic margins have been relatively stable over the past four years, as referred to above, increasing margins generated by maturing stores have been offset by lower margins achieved by NTI stores. Management has advised that the NTI stores take approximately eight years to reach maturity. The 18 new stores opened in FY13 contributed approximately 6.5% of revenue in FY13, with the remainder contributed by existing stores (93.3%) and online sales (0.2%).

5.4 Capital structure and shareholders

Mammoth's key shareholders are presented in the table below.

Table 14: Mammoth's Shareholders as at November 2013

Name	Number of shares (number)	Percentage of Shares held (%)
Jeffrey David (Executive Chairman of Mammoth)	211,282	14.2%
Paul Wilson (Managing Director)	136,338	9.2%
Glen Richards	81,170	5.5%
Other Mammoth Founding Shareholders	141,596	9.5%
Mammoth Founding Shareholders	570,386	38.5%
TPG Star Pavlich L.P.	507,161	34.2%
Petco	78,777	5.3%
Other Mammoth shareholders	327,090	22.0%
Total shares issued to Mammoth shareholders	1,483,414	100.0%

Source: Mammoth

TPG Star Pavlich L.P. is an investment vehicle of the global private equity fund TPG. As TPG Capital is the owner of Petco, and Petco owns a beneficial interest of 5.3% in Mammoth, TPG has a cumulative beneficial interest in Petbarn of 39.5%.

Performance rights are allocated to management and employees in recognition of achievement during the year. At present there are 58,645 performance rights on issue, which represent the right to receive one ordinary share in Mammoth on the exercise of the performance rights, subject to certain conditions. In the scenario of a trade sale, the performance rights are automatically exercised immediately prior to the sale. The above shareholding information is presented before the performance rights being exercised.

5.5 Financial performance

The audited consolidated income statement of Mammoth for the periods ended FY10 to FY13 are summarised in the table below.

Table 15: Financial performance

	FY10 Actual (\$million)	FY11 Actual (\$million)	FY12 Actual (\$million)	FY13 Actual (\$million)
Revenue¹	135.0	170.0	210.6	261.0
Revenue growth (%)	n/a	26.0%	23.9%	23.9%
Expenses	(121.6)	(155.8)	(188.6)	(235.0)
Expense growth rate (%)	n/a	28.0%	21.1%	24.6%
EBITDA	13.3	14.3	22.1	26.0
EBITDA margin (%)	9.9%	8.4%	10.5%	10.0%
Depreciation & amortisation	(3.8)	(4.6)	(7.6)	(7.5)
EBIT	9.5	9.7	14.5	18.6
EBIT margin (%)	7.1%	5.7%	6.9%	7.1%
Net interest expense	(5.2)	(6.6)	(6.8)	(6.9)
Net profit before tax (NPBT)	4.4	3.1	7.7	11.7
Tax	(1.3)	(0.6)	(3.3)	(3.1)
NPAT	3.1	2.5	4.3	8.5
Profit attributable to;				
Owners of Mammoth Pet Holdings Pty Limited	2.0	1.5	3.9	7.8
Non-controlling interests	1.1	0.9	0.4	0.7
Normalisation adjustments				
Reported EBITDA	13.3	14.3	22.1	26.0
Restructure costs	-	2.6	-	-
Transaction costs	-	0.1	0.4	1.6
53rd week adjustment	-	-	-	(0.9)
Adjusted EBITDA	13.3	17.0	22.4	26.8

Source: Mammoth annual reports

Note:

1. Revenue is inclusive of interest revenue

We note the following in relation to the table:

- the figures are presented on a consolidated basis (i.e. incorporate 100% of Animates)
- revenue is inclusive of sales and services. Revenue has been growing approximately 25% per year from FY11 to FY13, primarily driven by increases in the pet retail network and in revenue associated with the ramp-up of recently opened stores
- expenses primarily consist of cost of goods sold, employee expenses and occupancy costs, representing approximately 60%, 20% and 10% of total operating expenses, respectively

- EBITDA margins have remained relatively constant over the last four years, as the costs associated with the start-up of NTI stores, are partly offset by improvement in established stores
- Mammoth's reported EBITDA is subject to a number of abnormal and/or one-off items such as restructure and transaction costs. The adjusted EBITDA presented above is post any normalisations
- cash flows from operations were \$5.4 million in FY11, \$15.1 million in FY12 and \$8.3 million in FY13. The decrease in cash flows from operations was primarily attributable to an increase in working capital requirements in FY13
- cash flows relating to investing activities (store acquisition and NTI's) was \$15.0 million in FY11, \$33.7 million in FY12 and \$24.2 million in FY13. Mammoth will continue to incur costs relating to store acquisitions and NTI's for the foreseeable future, in line with its corporate strategy
- interest expenses have increased in recent years as Mammoth has increased its debt to fund growth. The weighted average interest expense for FY13 was 8.71% (8.63% in FY12).

5.6 Financial position

The audited consolidated balance sheets of Mammoth as at 30 June 2012 and 30 June 2013 are summarised in the table below.

Table 16: Financial position

	June 2012 audited (\$'000)	June 2013 audited (\$'000)
Cash	10.4	8.3
Receivables	3.4	4.6
Inventory	28.0	35.4
Other	0.5	0.5
Total current assets	42.3	48.8
Property, plant and equipment	40.2	56.5
Deferred tax assets	3.1	3.7
Intangibles	54.8	54.8
Total non-current assets	98.0	114.9
Payables	30.2	24.4
Interest bearing liabilities	4.0	8.0
Derivative financial instruments	0.5	0.0
Current tax liabilities	2.1	2.0
Provisions	4.4	9.0
Total current liabilities	41.1	43.4
Interest bearing liabilities	63.8	74.1
Provisions	4.3	5.8
Derivative financial instruments	1.9	1.9
Total non-current liabilities	69.9	81.8
Net assets	29.3	38.6
Equity attributable to owners of Mammoth Pet Holdings Pty Limited	27.3	35.8
Non-controlling interests	2.0	2.8
Total equity	29.3	38.6

Source: Mammoth annual reports

We note the following with regard to the statements of financial position:

- the figures are presented on a consolidated basis (i.e. incorporate 100% of Animates)
- intangible assets relate to goodwill being recorded following the acquisition of pet stores

- trade and other payables primarily consist of trade payables, accrued expenses, dividends payable and GST and withholding tax payable
- provisions primarily consist of employee benefits, lease incentives and a make good provision
- the increase in working capital is a result of the increase in the number of stores. Management has advised that inventory is held for approximately 75 days and debtors and creditors have a 30 day payment timeframe. The working capital position as at 30 June 2013 was \$15.6 million
- net debt position as at 30 June 2013 was \$73.8 million and \$79.3 million as at 31 October 2013. The debt position has increased due to the company drawing down on its debt facility to fund NTIs.

6 Profile of the Merged Entity

6.1 Overview

If the Proposed Merger proceeds, Greencross will own 100% of Mammoth and the Greencross shareholders will hold 41.75% of the Merged Entity. Mammoth's shareholders will own the residual 58.25%.

The Merged Entity will become the largest player in the Australian specialised pet care services sector offering a diversified suite of pet products and services in every state in Australia and in New Zealand. Based on current store numbers, the Merged Entity will have 224²² veterinary clinics and pet stores trading under the Greencross, Petbarn and Animates brands.

The Proposed Merger will present a number of opportunities for Greencross and Mammoth to enter new markets and combine their operations, for instance by:

- setting up veterinary clinics inside existing Petbarn stores
- co-locating Greencross veterinary clinics and Petbarn stores and rolling out new stores as combined Petbarn stores/Greencross clinics
- establishing “mini Petbarn” stores within Greencross clinics, where a full scale Petbarn store may not be viable
- combine loyalty programs already established for Greencross and Petbarn
- improving procurement terms through larger scale and access to specialised skillsets available across Mammoth and Greencross

The Merged Entity is also likely to facilitate the cross sale of products and services of each business. Management estimates that 6% of Petbarn customers are currently clients of Greencross and 20% of Greencross customers shop at Petbarn.

6.2 Capital structure and shareholders

The Merged Entity will continue to be listed on the ASX under Greencross Limited (GXL ticker). Greencross will acquire all of the shares of Mammoth by issuing 52.6 million new shares in Greencross.

²² As at November 2013

The following table sets out the capital structure of the Merged Entity.

Table 17: Indicative capital structure of the Merged Entity

Shareholders	Previous shareholder of	Merged Entity	
		Number of shares	% shareholding
TPG and Petco	Mammoth	19,941,330	22.1%
Jeffrey David	Mammoth and Greencross	7,216,286	8.0%
Glen Richards	Mammoth and Greencross	5,901,482	6.5%
Paul Wilson	Mammoth and Greencross	4,663,015	5.2%
John Odium	Greencross	4,318,122	4.8%
Keith Knight	Greencross	2,313,331	2.6%
Stuart James	Greencross	1,791,722	2.0%
Wesley Coote	Greencross	350,000	0.4%
Andrew Geddes	Greencross	232,358	0.3%
Other Mammoth Founding Shareholders	Greencross	4,818,961	5.3%
Other current Greencross shareholders	Mammoth	25,489,103	28.2%
Other current Mammoth shareholders	Greencross	13,221,377	14.6%
Total		90,257,087	100.0%

Source: Greencross Investor Presentation

6.3 Board of directors and management

The board of the Merged Entity will have seven directors, comprising not more than three executives with the remainder being non-executive directors. The non-executive directors will include Stuart James (who will also be Chairman), two non-executive directors nominated by TPG Capital and the remaining non-executive directors will be independent.

The senior executives of the Merged Entity will include Jeffrey David (CEO), Glen Richards (responsible for the veterinary business) and Paul Wilson (responsible for the retail business).

Refer to Section 1 of this report for more details about the composition of the board of directors of the Merged Entity.

6.4 Expected synergies

Significant revenue and cost synergies are expected as a result of the Proposed Merger, the most significant of which include the following:

- *leveraging existing customer bases of Greencross and Petbarn:* targeted cross-marketing initiatives are expected to generate revenue synergies by promoting Greencross services to existing Petbarn loyalty program members; and promoting Petbarn to existing Greencross customers. Approximately 50% of Petbarn stores are located in close proximity to a Greencross clinic and only a small proportion of Petbarn loyalty program members are Greencross customers
- *procurement terms and increased scale:* Greencross expects to leverage Petbarn's more favourable procurement terms in relation to selected products. Further, the larger scale of the Merged Entity's operations may support additional improvement in procurement terms. The time taken to realise these benefits will depend on negotiations with suppliers and other supply chain considerations
- *equalisation of merchant fees:* the Merged Entity may be able to leverage Petbarn's low merchant service fee and scale of operations to negotiate more favourable terms
- *new service offering of veterinary services in Petbarn stores:* Greencross veterinarians may be able to offer vaccinations in Petbarn stores in the short term. Co-locating Greencross veterinary clinics in some existing and proposed new Petbarn stores is expected to start occurring 12 months following the Proposed Merger. The integration will require extensive designing, planning and execution. This opportunity will accelerate growth for Greencross
- *leveraging Petbarn's retailing expertise within Greencross veterinary clinics:* management has identified they will be able to utilise Petbarn's expertise to improve Greencross' merchandising strategies across its clinics

- *introducing Greencross endorsed food and private pet food label in Petbarn stores:* the Proposed Merger may allow Petbarn to sell prescription foods, usually restricted for sale by veterinarians. The opportunity to sell Greencross endorsed food in Petbarn stores is estimated to require a 12 month roll out period
- *removal of head office and other administration cost:* the combined head office of the Merged Entity is likely to reduce labour costs, despite increased corporate overheads and administration costs associated with the rapid expansion of the Greencross and Petbarn businesses.

Greencross management has disclosed an estimate of the synergies expected to be realised in FY14 on an annualised basis (\$1.5 million). We note that Greencross and Mammoth have undertaken extensive analysis to identify and quantify synergies beyond FY14 and, in particular, until FY18. According to this analysis, the quantum of synergies will increase substantially over the following four years. Due to the commercial sensitivity of such analysis, we have not disclosed it in this report.

6.5 Pro-forma financial performance

The forecast pro-forma financial performance of the Merged Entity for FY14 is set out in the table below.

Table 18: Pro-forma financial performance

	Greencross (\$million)	Mammoth (\$million)	Adjustments (\$million)	Merged Entity (\$million)
Trading revenue	131.2	311.6		442.8
EBITDA	18.4	33.8	2.2	54.4
<i>Margin (%)</i>	14.0%	10.8%		12.3%
Depreciation and amortisation	(2.3)	(9.7)		(12.0)
EBIT	16.0	24.2	2.2	42.3
<i>Margin (%)</i>	12.2%	7.8%		9.6%
Net interest expense	(2.7)	(6.9)		(9.5)
Profit before tax	13.3	17.3	2.2	32.8
Income tax expense	(4.0)	(5.4)	(0.5)	(9.9)
NPAT (pre minorities)	9.3	11.9	1.7	22.9
Less minorities	(0.5)	(1.0)		(1.5)
NPAT (post minorities)	8.9	10.9	1.7	21.5
Earnings per share				0.238

Source: Greencross

The above FY14 forecast pro-forma financial performance is based on the following:

- assumes the merger completes on 1 July 2013
- pro-forma annualised cost synergy benefits have been included (potential revenue synergies have been excluded)
- reduction in the Mammoth long term incentive plan expense to reflect the expected post-merger scheme of the Merged Entity
- net nil change in interest expense, based on the following assumptions:
 - estimated increase in interest expenses due to the debt drawdown to fund transaction costs
 - estimated reduction in interest expense due to improved terms for Greencross debt
 - reduction in amortisation charges reflecting lower capitalised borrowing costs.

Based on the above pro-forma analysis, and synergies disclosed to the market by Greencross, the Proposed Merger is expected to be earnings accretive to Greencross shareholders in FY14.

6.6 Pro-forma financial position

The pro-forma financial position of the Merged Entity as at 30 June 2013 is set out in the table below.

Table 19: Financial position

	Greencross (\$million)	Mammoth (\$million)	Adjustments (\$million)	Merged Entity (\$million)
Cash	8.8	8.3	(4.5)	12.6
Receivables	1.8	4.6		6.4
Inventory	4.2	35.4		39.6
Other	0.8	0.5		1.3
Total current assets	15.6	48.8	(4.5)	59.9
Property, plant and equipment	14.8	56.5		71.3
Deferred tax assets	1.7	3.7	1.9	7.4
Other	71.8	54.8	198.6	325.1
Total non-current assets	88.3	114.9	200.5	403.7
Payables	11.3	24.4		35.7
Interest bearing liabilities	1.6	8.0		9.6
Other	5.1	11.0	(0.8)	15.3
Total current liabilities	18.0	43.4	(0.8)	60.7
Interest bearing liabilities	33.6	74.1	12.7	120.4
Other	4.9	7.7		12.6
Total non-current liabilities	38.5	81.8	12.7	133.0
Net assets	47.3	38.6	184.1	270.0
Non-controlling interest	0.2	2.8		3.0
Equity attributable to the owners	47.1	35.8	184.1	267.0

Source: Greencross Investor Presentation

The adjustments to the pro-forma financial position are based on the following:

- cash and debt will be used to fund the transaction costs yet to be incurred
- payroll tax will be paid on the Mammoth long term incentive plan and the Greencross employee loan plan
- the adjustment for intangibles has been estimated based on the merger ratio and share price as at 12 November 2013
- a deferred tax asset has been estimated in relation to the amortisation of capitalised transaction costs and a deferred tax liability associated with the write-off of the carrying value of capitalised finance costs in relation to Mammoth's existing borrowings
- transaction costs contingent to the completion of the Proposed Merger of approximately \$9.0 million.

7 Valuation methodology

7.1 Definition of value

Our valuation analysis is based on the concept of fair market value, which we have defined as the amount at which the shares in the entities valued would be expected to change hands between a knowledgeable willing buyer and a knowledgeable willing seller, neither of whom is under any compulsion to buy or sell. Special purchasers may be willing to pay higher prices to reduce or eliminate competition, to ensure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. Our valuations have not been premised on the existence of a special purchaser.

7.2 Valuation methodologies

To estimate the fair market value of Greencross, Mammoth and the Merged Entity we have considered common market practice and the valuation methodologies recommended by ASIC Regulatory Guide 111, which provides guidance in respect of the content of independent expert's reports. These are discussed below.

7.2.1 Market based methods

Market based methods estimate a company's fair market value by considering the market price of transactions in its shares or the market value of comparable companies. Market based methods include:

- capitalisation of earnings method
- analysis of a company's recent share trading history
- industry specific methods.

The capitalisation of earnings method estimates fair market value based on the company's future earnings and an appropriate earnings multiple. An appropriate earnings multiple is derived from market transactions involving comparable companies. The capitalisation of earnings method is appropriate where the company's earnings are relatively stable.

The most recent share trading history provides evidence of the fair market value of the share in a company where they are publicly traded in an informed and liquid market.

Industry specific methods estimate market value using rules of thumb for a particular industry. Generally rules of thumb provide less persuasive evidence of the market value of a company than other valuation methods because they may not account for company specific factors.

7.2.2 Discounted cash flow methods

Discounted cash flow methods estimate market value by discounting a company's future cash flows to a net present value. These methods are appropriate where a projection of future cash flows can be made with a reasonable degree of confidence. Discounted cash flow methods are commonly used to value early stage companies or projects with a finite life.

7.2.3 Asset based methods

Asset based methods estimate the market value of a company's share based on the realisable value of its identifiable net assets. Asset based methods include:

- orderly realisation of assets method
- liquidation of assets method
- net assets on a going concern basis.

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realisation costs.

These asset based methods ignore the possibility that the company's value could exceed the realisable value of its assets as they ignore the value of intangible assets such as customer lists, management, supply arrangements and goodwill. Asset based methods are appropriate when companies are not profitable, a significant proportion of a company's assets are liquid, or for asset holding companies.

7.3 Selection of valuation methodologies

7.3.1 Greencross and Mammoth valuation methodology

There are a number of uncertainties and risks which will affect the growth prospects of Greencross and Mammoth and therefore their fair market values. We have considered these issues, which are set out below, in selecting our valuation methodology:

- the ability of Greencross to identify and acquire suitable veterinary practices. Greencross considers that there are sufficient independent veterinary practices that can be acquired at current multiples of around 4.0 times EBIT. There is a risk that Greencross' acquisition costs may increase in the future
- integration risks associated with Greencross' acquisitive growth strategy. Integration risks include the ability of Greencross to achieve margin improvements on newly acquired practices and NTI clinics, retain key staff at acquired clinics and generate the targeted levels of referrals to its network of specialist centres
- risks of achieving forecast revenues and earnings on Greencross' new business operations including the newly acquired pathology businesses and pet crematoria
- ability of Mammoth to identify and establish NTI stores. NTI stores are expected to reach maturity eight years after establishment. There is a risk the growth profile for the NTI stores is not achieved and capital expenditure associated with the establishment of NTI stores is higher than projected
- risk of Mammoth achieving its projected cost savings as the business expands.

Due to the uncertainties around key drivers of the Greencross and Mammoth businesses identified above, there is a range of possible scenarios that could underpin a discounted cash flow analysis, and therefore a wide range of possible valuation outcomes. As such, we do not consider it appropriate to adopt the discounted cash flow methodology as our primary valuation approach and we have adopted the capitalisation of earnings method to estimate the fair market value of Greencross and Mammoth. Notwithstanding the limitations associated with using discounted cash flow analysis, we have used a high level discounted cash flow valuation as a cross check to provide additional evidence of the fair market value of Greencross and Mammoth.

We have also used Greencross' recent share trading as a benchmark to cross-check our valuation analysis.

Capitalisation of earnings method

We consider it appropriate to estimate the fair market value of Greencross and Mammoth under the capitalisation of earnings method, based on the following:

- Greencross and Mammoth have both recently reported their FY13 financial results and have also prepared and disclosed their forecast FY14 earnings
- as disclosed in Annexure C of the Explanatory Memorandum, PwC Securities has been engaged by the Directors of Greencross to undertake a review of the FY14 forecast adopted by the Directors in accordance with APES 345 "*Reporting on prospective financial information prepared in connection with a Disclosure Document*" and has provided a limited assurance opinion on the reasonableness of the assumptions giving rise to the forecast financial information in compliance with ASIC Regulatory Guide 170 Prospective financial information (RG 170)
- Greencross and Mammoth have shown a consistent pattern of strong growth in earnings, which is expected to continue into the future
- Greencross and Mammoth do not have a finite lifespan

- we have identified a number of Australian and international veterinary services, retail, healthcare and high growth companies that are considered broadly comparable to Greencross and Mammoth. The trading multiples of these companies can be used to estimate the value of Greencross and Mammoth
- we have also identified a number of transactions involving companies broadly comparable to Greencross and Mammoth in Australia and internationally. It is possible to use the price achieved in mergers or acquisitions of comparable companies to provide evidence of an appropriate earnings multiple.

Discounted cash flow valuation cross check

Our high level discounted cash flow analysis was based on financial models prepared by Greencross and Mammoth management (the Greencross Financial Model and the Mammoth Financial Model, collectively, the Financial Models), which contain financial projections for Greencross and Mammoth for the period from 1 January 2014 to 30 June 2020 (Projection Period).

The Greencross Financial Model and the Mammoth Financial Model were prepared based on:

- projected nominal after tax cash flows up to and including the year ending 30 June 2020
- expansion strategies for each of the businesses, with corresponding capital expenditure requirements
- the future cash flow projections for Mammoth were prepared on an attributable basis (100% of cash flows relating to Petbarn and 50% relating to Animates).

We have performed an analysis of the Financial Models which included:

- analysing the cash flow projections, although this excluded procedures regarding the mathematical accuracy of the projections. Accordingly, neither an a review or an audit of the model was undertaken (our work did not constitute an audit or review of the projections in accordance with AUASB)
- scenario analysis in regards to the Mammoth Financial Model, considering the projected cash flows based on no new NTI's, identified NTI's and all projected growth
- holding discussions with Greencross and Mammoth management concerning the preparation of the projections, and their views regarding the assumptions on which they are based.

7.3.2 Merged Entity valuation methodology

To estimate the fair market value of the Merged Entity, we have selected the sum of the parts method. Under this method, we have estimated the fair market value of the Merged Entity based on the aggregated fair market value of:

- Greencross, estimated as set out above
- Mammoth, estimated as set out above
- synergies expected to result from the integration of Greencross and Mammoth. We have applied a high level discounted cash flow approach to value the synergies, for the following reasons:
 - Greencross and Mammoth have jointly engaged a specialist consultant to identify areas where synergies between the two entities could be realised and to quantify the relevant impact on earnings
 - Greencross management has provided us with detailed analysis on the potential synergies with projections up to FY18
 - the discounted cash flow analysis takes account of the expected ramp-up of the synergies
 - the discount rate applied to the cash flows from the synergies takes into account the significant risks involved in achieving the projected synergies.

In contrast to the valuation method used to value Greencross and Mammoth on a stand-alone basis, we are of the view the capitalisation of earnings method is inappropriate to value the synergies due to their growth profile. Whilst Greencross management has disclosed synergies expected to be realised in FY14, substantial analysis was undertaken by both Greencross and Mammoth to quantify synergies expected beyond this financial year. According to this analysis, the value of synergies will increase substantially in the following years.

In addition to the above methodology, we have also had regard to trading in Greencross shares after the announcement of the Proposed Merger on 14 November 2013 (the Announcement Date). It is arguable that the share trading price of Greencross after this date reflects the fair market value of the shares in the Merged Entity to the extent the Proposed Merger is expected to be approved.

8 Valuation of Greencross

8.1 Valuation of Greencross before the Proposed Scheme

Deloitte Corporate Finance has estimated the fair market value of Greencross (on a control basis) to be in the range of \$239.1 million to \$282.6 million as at the valuation date. This implies a value per share of \$6.35 to \$7.50 on a control basis.

Details of our analysis are set out below.

8.2 Capitalisation of earnings method

Our valuation of Greencross using the capitalisation of earnings method is set out in the table below.

Table 20: Valuation of Greencross – capitalisation of earnings method

	Section	Units	Low	High
EBITDA	8.2.1	(\$million)	18.1	18.1
Earnings multiple (minority basis)	8.2.2	times	14.0	15.0
Enterprise value (minority basis)		(\$million)	253.4	271.5
Net debt	8.2.3	(\$million)	(36.0)	(36.0)
Equity value (minority basis)	8.2.4	(\$million)	217.4	235.5
Premium for control	8.2.4		10%	20%
Total equity value (on a control basis)		(\$million)	239.1	282.6
Number of shares	5.4	million	37.7	37.7
Equity value per share (on a control basis)		\$ per share	6.35	7.50

Source: Deloitte Corporate Finance analysis

Details of the analyses undertaken for each of the above components are set out in the sections that follow.

8.2.1 Forecast earnings

We have selected EBITDA as an appropriate measure of earnings for Greencross. Earnings multiples based on EBITDA are less sensitive to different financing structures, depreciation and amortisation accounting policies, than other broadly used measures of earnings such as EBIT or NPAT. This allows for better comparison with earnings multiples of other companies.

Greencross has provided us with a forecast of FY14 financial performance as disclosed in the Explanatory Memorandum. The following table sets out the historical performance and FY14 plan for Greencross including normalisation adjustments.

Table 21: Historical and current consolidated underlying EBITDA of Greencross

	FY10 Actual (\$million)	FY11 Actual (\$million)	FY12 Actual (\$million)	FY13 Actual (\$million)	FY14 Forecast (\$million)
Number of practices	40	59	78	93	100
Practice revenue	50.5	61.1	82.2	106.6	131.2
Adjusted EBITDA ¹	6.3	8.4	11.1	14.5	18.4
EBITDA margin	12.4%	13.7%	13.5%	13.6%	14.0%

Source: Greencross

Note:

1. EBITDA has been normalised for transaction costs, deferred settlement adjustments, start-up costs not capitalised and legal costs as set out previously in Table 11.

As can be seen from the above table, Greencross' income has grown significantly in recent years, driven by the acquisition of veterinary and specialty practices.

The FY14 forecast data set out in the table above, is based on Greencross' current veterinary clinic portfolio (100) and excludes the impact of any practices which are likely to be acquired or set up between the date of this report and 30 June 2014 (additional 14 practices according to Greencross' projections). Since Greencross is currently acquiring practices at a rate of 1-2 per month, practice numbers, revenues and earnings are likely to be higher for FY14 than indicated in the table above. Greencross has prepared a budget for FY14 which includes the projected acquisition of new clinics and the associated revenues and earnings contribution of these clinics. The FY14 budget projects revenues of \$138.1 million and EBITDA of \$18.8 million on a consolidated basis (implying a contribution of approximately \$0.4 million from new practices). Greencross' budgeted EBITDA for FY14 is based on the following assumptions:

- acquisition of 21 new centres including veterinary clinics and two NTI 'super clinics'²³ in the year to FY14, bringing total practices to 114
- EBITDA margins are expected to increase to 14.0% (from 13.6% in FY13), reflecting cost savings and other improvements from integrating the veterinary practices. Greencross expects to achieve EBITDA margins of 19.1% on its veterinary practices portfolio with pathology practices having much lower margins and the two crematoria having considerably higher margins. The projected margin at a consolidated level also includes corporate overheads cost which contribute to a lower consolidated EBITDA margin
- the acquisition of new practices in FY14 is expected to be funded by a combination of debt, internally generated cash and deferred consideration. In FY14, acquisition capex is expected to be \$19.5 million.

The above forecasts are expressed on a consolidated basis. As Greencross owns less than 100% of certain operations, the FY14 EBITDA attributable to Greencross shareholders is expected to be \$18.1 million.

Further details on the basis and assumptions used by Greencross to forecast the FY14 earnings are set out in section 4.4.2 of the Explanatory Memorandum.

Given the level of review on the FY14 forecast financials undertaken by Greencross and its financial advisors as well as by Mammoth for the purpose of the Proposed Merger, we consider the attributable FY14 EBITDA of \$18.1 million to be appropriate for the purpose of estimating the fair market value of Greencross. Given the business model of Greencross, we considered it appropriate to include the expected growth from additional acquisitions as set out above.

Additional support for the use of the FY14 forecast is as follows:

- FY14 EBITDA is based on a detailed forecast which has been approved by Greencross' board of directors

²³ NTI super clinics are full service hospitals expected to be established by Greencross and are larger than Greencross' average clinic size. These new practices are expected to have low margins (<3% EBITDA margin) in the first year of their development.

- as disclosed in Annexure C of the Explanatory Memorandum, PwC Securities has been engaged by the Directors of Greencross to undertake a review of the FY14 forecast adopted by the Directors in accordance with APES 345 “Reporting on prospective financial information prepared in connection with a Disclosure Document” and has provided a limited assurance opinion on the reasonableness of the assumptions giving rise to the forecast financial information in compliance with RG 170. We note that this review is limited to the forecast data associated with the existing portfolio of practices and has not included the review of the expected contribution of new practices referred to above
- as at 31 October 2013, Greencross YTD revenues and EBITDA are respectively slightly higher and lower than the FY14 budget. The run rate of acquired practices is on track in comparison to the FY14 budget
- Greencross has a positive track record of matching, if not beating, projected financial performance, for instance:
 - Greencross has been very consistent in acquiring 1 to 2 veterinary clinics per month in line with its stated target EBIT multiple of 4.0 times
 - 2013 net profit was within Greencross’ previously stated guidance (excluding one off items).
- broker estimates of Greencross’ FY14 EBITDA prior to the announcement of the Proposed Merger are in line with our selected level of earnings as set out in the table below:

Table 22: Broker consensus estimates

Broker	Date of report	FY14 EBITDA (\$million)
Broker 1	2-Oct-13	17.9
Broker 2	25-Jul-13	18.6
Broker 3	12-Sep-13	18.1
Broker 4	27-Aug-13	18.3
Average		18.2

Source: Broker reports

8.2.2 Earnings multiple

We have applied an earnings multiple in the range of 14.0 times to 15.0 times EBITDA on a minority basis. In selecting this earnings multiple range we have considered:

- earnings multiples derived from share market prices of listed comparable companies
- prices achieved in mergers and acquisitions of comparable companies
- company specific factors regarding Greencross impacting its growth prospects and risk profile.

These are discussed separately below.

Market trading multiples

There are no companies directly comparable to Greencross listed in Australia. In order to benchmark Greencross’ fair market value against relevant listed businesses, we have considered a broader range of listed companies:

- **international veterinary services companies:** we have identified two international listed veterinary services companies, being CVS Group Plc (CVS) and VCA Antech, Inc (VCA) which are the most directly comparable companies to Greencross. We note that, as these companies are located in the US and UK, they face a number of different opportunities and risks compared to Greencross
- **Australian healthcare companies:** we have considered Australian companies in the broader healthcare industry as they provide similar healthcare services to Greencross such as pathology, surgery and imaging
- **high growth companies:** we have considered companies with an expanding network which have growth prospects similar to Greencross. We have had particular regard to companies that are affected by similar demand drivers, such as retailers or service providers.

Share market trading multiples (on a minority basis) for companies are summarised in the following table.

Table 23: Veterinary service earnings multiples– market trading (minority basis)

	Enterprise Value (\$million)	EBITDA margin Current (2014)	EBITDA growth		EBITDA multiples (times)		
			Current (2014)	Forward (2015)	Historical (2013)	Current (2014)	Forward (2015)
Greencross	271	13.6%	59.1%	19.4%	23.5x	14.8x	12.4x
Veterinary services							
VCA	3,269	17.9%	23.0%	7.1%	11.5x	9.4x	8.8x
CVS	310	13.5%	22.0%	3.0%	12.3x	10.1x	9.8x
Average		15.7%	22.5%	5.1%	11.9x	9.7x	9.3x
Healthcare							
Ramsay Health Care Limited	8,751	15.2%	17.6%	10.0%	14.7x	12.5x	11.4x
Sonic Healthcare Limited	8,161	19.1%	16.8%	9.3%	12.9x	11.1x	10.1x
Primary Health Care Limited	3,492	26.6%	10.8%	6.9%	9.5x	8.6x	8.0x
Virtus Health Limited	813	30.7%	34.9%	9.5%	17.4x	12.9x	11.8x
1300SMILES Limited	148	31.7%	14.4%	16.4%	13.2x	11.5x	9.9x
Average		24.7%	18.9%	10.4%	13.6x	11.3x	10.2x
High growth companies							
Domino's Pizza Enterprises Limited	1,405	15.8%	94.9%	23.7%	31.3x	16.0x	13.0x
G8 Education Limited	938	18.5%	79.2%	40.8%	30.7x	17.1x	12.2x
The Reject Shop Limited	505	7.4%	36.3%	23.2%	12.6x	9.1x	7.5x
Capitol Health Limited	197	14.1%	52.8%	22.8%	24.5x	16.1x	13.1x
Average		13.9%	65.8%	27.6%	24.8x	14.6x	11.4x
Overall average		19.1%	36.6%	15.7%	17.3x	12.2x	10.5x

Source: Capital IQ, company announcements, Deloitte Corporate Finance analysis

Notes:

1. EBITDA multiples are presented on a minority interest basis. Earnings multiples implied from the share market trading of comparable companies do not reflect the market value for a controlling interest in a company as they reflect portfolio holdings.
2. Enterprise values were calculated as the sum of each company's market capitalisation as at 13 November 2013 plus their most recently disclosed net borrowings.
3. Current multiples refer to the year ended 30 June 2014 and forward multiples refer to the following year for Greencross and all of the comparable companies, with the exception of VCA and G8 Education Limited (G8), which have a year end of 31 December.

Additional information regarding the above companies and valuation metrics are provided at Appendix B.

General comments regarding the multiples together with the operations of the companies and comparability to Greencross are listed below:

- the international listed veterinary businesses (VCA based in the US and CVS based in the UK) are comparable to Greencross. VCA is a much larger business which is also engaged in equipment manufacturing. In addition, VCA appears to be more mature with lower growth prospects (according to market consensus) than Greencross. CVS is more comparable to Greencross as it is a leading veterinary services provider in the UK and has grown substantially in recent years. CVS has acquired 41 surgeries since FY10 and 14 surgeries in FY13. CVS is more mature than Greencross, having achieved a sizeable market share of 11% in the UK small companion animal market as at 30 June 2013. CVS' EBITDA is expected to grow at 20.0% in FY14 and 3.0% in FY15, which is lower than the rates expected for Greencross. Therefore, whilst we consider CVS a meaningful benchmark to assess the value of Greencross, we are of the view that Greencross should trade at a premium compared to CVS
- the selected Australian healthcare companies trade at relatively higher multiples than the international veterinary peers. As these companies provide services to humans they face a different demand profile as their services are less

discretionary in nature than the services Greencross provides to pets. Furthermore, the Australian healthcare system subsidises demand through Medicare and health insurance which, everything else being equal, should result in a more resilient demand profile compared to that of Greencross. On the other hand, none of the selected companies have a growth outlook comparable to that of Greencross. On balance, whilst the earnings multiples observed in Australian healthcare businesses represent a relevant valuation benchmark, Greencross should trade at a premium to the healthcare earnings multiples due to its higher growth profile

- of the selected high growth listed companies:
 - Capitol Health Limited (Capitol) has a similar expected high growth profile and margins to Greencross. Capitol operates in the healthcare industry, providing medical diagnostic imaging services in Victoria
 - G8 and Domino's Pizza Enterprises Limited (Domino's) have similar expansion strategies to Greencross. Both of these companies have engaged in a large number of acquisitions in the last three years and are expected (according to market consensus) to achieve substantial forward earnings growth
 - The Reject Shop Limited (Reject Shop) has recently engaged in a number of acquisitions to expand its store network. It has a growth profile that is broadly comparable to Greencross but is expected to earn relatively low EBITDA margins in comparison.

Given the above, we consider the earnings multiples observed for these companies should provide good guidance for the valuation of Greencross. The average trading multiples of the selected high growth listed companies are broadly in line with that implied by the market capitalisation of Greencross.

Merger and acquisition multiples

The acquisition price of a company represents the market value of a controlling interest in that company.

We have compiled merger and acquisition multiples for companies comparable to Greencross. These companies, together with their earnings multiples, are summarised as follows.

Table 24: Comparable mergers and acquisition multiples (control basis)

Date	Target	Acquirer	Country	Percentage acquired (%)	Enterprise value (\$million)	Enterprise value / EBITDA (historical) (times)
Apr-13	Vets4Pets Limited	Pets at Home Limited (Kohlberg Kravis Roberts)	UK	100%	44	n/a
Jan-12	Associate Veterinary Clinics Limited	VCA	Canada	80%	77	n/a
Oct-10	Provet Holdings Limited	Henry Schein, Inc.	Australia	100%	95	7.8x
Jun-10	Pet DRx Corporation	VCA	US	100%	65	12.6x
Feb-10	Veterinary Enterprises & Trading Limited	CVS	UK	100%	21	15.1x
Average					60	11.8x

Source: Mergermarket, S&P Capital IQ, ASX announcements, Deloitte Corporate Finance analysis

Additional information regarding the comparable companies and valuation metrics calculation of the merger and acquisition earnings multiples are provided at Appendix C.

We note the following in respect of mergers and acquisitions involving comparable companies:

- the transactions considered involved the acquisition of a majority interest in the target company and the implied EBITDA multiples therefore incorporate a premium for control
- all of the veterinary services targets were smaller than Greencross. In general, larger companies will transact at higher earnings multiples, accordingly we would expect these smaller companies to trade at lower multiples
- the acquisition of Veterinary Enterprises & Trading Limited (Veterinary Enterprises) by CVS is a comparable transaction. Veterinary Enterprises was an operator of 27 veterinary surgeries in the populous south east region of the UK. However we note that Veterinary Enterprises had a relatively low EBITDA margin of 6% and was a significantly smaller sized business than Greencross. The relatively high implied EBITDA multiple reflected the strategic benefits

of the transaction to CVS including increased scale, geographic reach, potential for increased referrals and revenue diversification. On balance, we consider the Veterinary Enterprises transaction is a useful benchmark

- Pet DRx was a general and specialty veterinary service provider, operating a network of 23 veterinary hospitals in California in the United States. At the time of the transaction, Pet DRx's had relatively low EBITDA margins of 11% relative to Greencross, however it was expected to achieve significant forecast growth in EBITDA of 33.4%. We also note that there are several factors that limit the comparability of the Pet DRx transaction to Greencross including its significantly smaller size and its weaker position as a small veterinary services player in the US. We consider that on balance, Greencross would be expected to transact at a premium to Pet DRx
- the Provet Holdings Limited acquisition by Henry Schein, Inc was a broadly comparable transaction to Greencross as it operated in the Australian veterinary services industry. However we consider that the Provet transaction has limited comparability to Greencross due to its smaller size and the nature of its operation as a supplier to veterinary clinics.

Selected multiple

Greencross has a unique business model as a leading veterinary services provider in Australia which it is currently bolstering via an acquisition-led growth strategy. As such there are no directly comparable listed peers for Greencross.

Greencross is achieving significantly higher growth in earnings than listed veterinary services and healthcare peer companies and as such would be expected to trade at higher earnings multiples. The high growth companies in Australia provide stronger evidence of an appropriate multiple for Greencross based on its forward earnings growth estimates and strong earnings margins.

CVS is the most comparable business to Greencross based on its operations and trades at an FY14 multiple of 10.1x EBITDA (on a minority basis). However CVS is more mature than Greencross and has lower forecast growth in earnings. Australian Healthcare companies face a different demand profile as these services are less discretionary in nature to the services Greencross provides to pets. As such we consider that Greencross would trade at a premium to both the international veterinary services companies and the Australian healthcare services providers.

We have also given consideration to transactions in the veterinary and pet services space which occurred at an average multiple of 11.8 times EBITDA. Veterinary Enterprises was the most comparable transaction, which occurred at a multiple of 15.1 times EBITDA (on a control basis). However we note that Veterinary Enterprises was significantly smaller than the current size of Greencross and was based in the UK.

Having regard to our analysis, we have selected an EBITDA multiple for Greencross in the range of 14.0 times to 15.0 times EBITDA, on a minority basis.

8.2.3 Net debt

We have been advised by Greencross management that the forecast net debt position of Greencross as at 31 December 2013 will be as follows.

Table 25: Forecast net debt as at 31 December 2013

	(\$million)
Current and non-current interest bearing liabilities less cash	33.1
Deferred consideration	2.9
Attributable net debt	36.0

Source: Greencross

We note that as at 31 December 2013 an amount estimated to be \$2.9 million will be due as deferred consideration relating to historical transactions by Greencross.

8.2.4 Premium for control

As we have assessed the earnings multiple for Greencross on a minority basis, an adjustment to our valuation to reflect a premium for control is necessary. A premium for control represents the difference between the market value of a controlling interest and a minority interest.

The owner of a controlling interest has the ability to do many things that the owner of a minority interest does not. These include:

- merge or integrate the business with others thus realising synergies
- control the cash flows of the company, such as dividends, capital expenditure and compensation for directors
- determine the strategy and policy of the company
- make acquisitions or divest operations
- control the composition of the board of directors.

Australian studies indicate that premiums required for control of companies range from between 20% and 40% of the portfolio holding values (a research undertaken by Deloitte Corporate Finance on control premia is set out in Appendix D). However, we are of the view that a premium for control for Greencross would likely to be lower given that:

- Greencross has a very low level of debt, which means that applying a control premium to Greencross' minority equity value has a proportionately larger impact on its enterprise value
- Greencross has a high growth profile due to its acquisitive growth strategy. Since our valuation reflects such a steep growth profile, we consider it unlikely that a potential purchaser of Greencross would be willing to pay a large premium on top of any value ascribed to this growth
- there is a lack of other market participants that could be expected to extract substantial synergies from Greencross other than Mammoth. Mammoth operates in the same markets, has a similar size and growth potential to Greencross. There are no other large scale veterinary practices in Australia and other Australian specialty pet care retailers are much smaller than Mammoth. Therefore it is unlikely any other potential acquirers would pay a significant control premium for Greencross.

The level of premium that should be applied to the value of a minority interest in order to derive the value of a controlling interest is somewhat subjective. Based on these considerations, we consider a control premium between 10% and 20% to be appropriate for Greencross.

8.3 Cross check using the DCF method

We have used a high level DCF method to cross-check the reasonableness of our valuation of Greencross under the capitalisation of earnings method. The discounted cash flow methodology assumes that the underlying investors in a business have full control over the company and therefore over the distribution of its future cash flows. As a result, the value of Greencross using the discounted cash flow method is inclusive of any premium for control.

Table 26: Valuation of Greencross using the DCF method (control basis)

	Unit	Low	High
Enterprise value (on a control basis)	\$million	252.4	298.0
Less: net debt	\$million	(36.0)	(36.0)
Equity value (on a control basis)	\$million	216.3	261.9

Source: Deloitte Corporate Finance analysis

Our indicative DCF analysis is broadly supportive of our valuation of Greencross.

A sensitivity analysis of our DCF valuation using alternative valuation parameters is set out in the figure below.

Table 27: Equity value sensitivity (control basis)

Terminal value growth rate %	12.0%	11.5%	Discount rate 11.0%	10.5%	10.0%
2.5%	185.6	202.7	221.9	243.7	268.6
3.0%	197.5	216.3	237.6	261.9	289.9
3.5%	210.9	231.7	255.5	282.8	314.5

Source: Deloitte Corporate Finance analysis

A description of the cash flow projections and of the valuation assumptions adopted is set out below.

8.3.1 Future cash flows

We note the following in respect of the projections contained in the Greencross Financial Model:

- the projected cash flows for Greencross are prepared on a nominal basis for the Projection Period. We have selected ungeared after-tax cash flow projections as the basis for our valuation
- the projected cash flows have been prepared by management on a bottom up basis and fully consolidate all the entities controlled by Greencross. We have made adjustments to reflect cash flows attributable to Greencross shareholders
- revenue has been projected for current operating veterinary clinics, identified potential acquisitions, unidentified acquisitions and future NTIs
- expenses predominantly relate to cost of goods sold (COGS) (veterinary consumables), salaries and wages, rent, marketing and head office expenses
- the EBITDA margin is projected to progressively increase from its current level over the forecast period, a result of:
 - increased veterinary clinic earnings margins as the acquired practices achieve a higher level of maturity and integration
 - ramp up of the pathology operations. The pathology business margins are expected to increase significantly by FY20 from almost nil in FY14
 - improved operational efficiencies through benchmarking, coaching of Greencross staff and new systems and processes to reduce corporate support costs
 - improved visual merchandising of Greencross clinics
 - development and improvement of a complete service offering to clients to increase spend per pet
 - continued focus on the HPP program.
- as Greencross typically enjoys a negative working capital balance, some of the growth is expected to be self-funded
- annual capex of approximately \$20 million related to acquisitions and NTIs inclusive of deferred consideration component
- a corporate tax rate of 30%.

8.3.2 Discount rate

The discount rate used to equate the future cash flows to a present value reflects the risk adjusted rate of return demanded by a hypothetical investor. We have selected a nominal after tax discount rate in the range of 10.5% to 11.5% to discount the future cash flows of Greencross to their present value. In selecting this range, we have considered the following:

- the Capital Asset Pricing Model (CAPM) having regard to market data observed on comparable companies
- the required rate of return of Greencross as estimated by brokers.

The nominal after tax discount rate range selected reflects our assessment of the weighted average cost of capital for Greencross based on the following:

Table 28: Greencross discount rate

	Low	High	Notes
Risk free rate	4.3%	4.3%	Five day average of the zero coupon ten year Australian government bond as at 29 November 2013
Equity market risk premium	7.0%	7.0%	
Beta	0.90	1.00	Based on analysis of comparable companies
Specific risk premium	1.0%	1.5%	Based on the risks associated with Greencross growth profile
Cost of Equity	11.6%	12.8%	
Gross cost of debt	7.8%	7.8%	350 basis points above our selected risk free rate
Tax rate	30.0%	30.0%	Australian corporate tax rate
Cost of debt (net of tax)	5.5%	5.5%	
Debt/Enterprise value	15.0%	15.0%	Based on a consideration of Greencross' gearing and the average gearing level of the comparable companies
Weighted average cost of capital (WACC)	10.7%	11.7%	
Selected WACC	10.5%	11.5%	

Source: Deloitte Corporate Finance analysis

8.3.3 Terminal value

The terminal value estimates the value of the ongoing cash flows after the forecast period. We have estimated the terminal value using the Gordon growth method based on the following:

- forecast nominal post tax cash flows in the terminal year of FY20 adjusted to reflect a normalised level of capital expenditure
- a discount rate in the range of 10.5% to 11.5%
- a long term growth rate of 3.0%. This growth is at the high end of the targeted inflation rate by the Reserve Bank of Australia (RBA). For the purpose of our analysis, we have assumed that Greencross will cease its acquisition/expansion program by the terminal year. However, we note that whilst no additional acquisitions are assumed, above average growth would still be expected as benefits from the acquisitions planned in the outer years are assumed to be realised.

8.3.4 Net debt

As discussed in Section 8.2.3, the assumed net debt position of Greencross is \$36.0 million.

8.4 Analysis of recent share trading

In order to assess the reasonableness of our estimate of the fair market value of a Greencross share, we have compared our assessed fair market value to recent trading in Greencross shares.

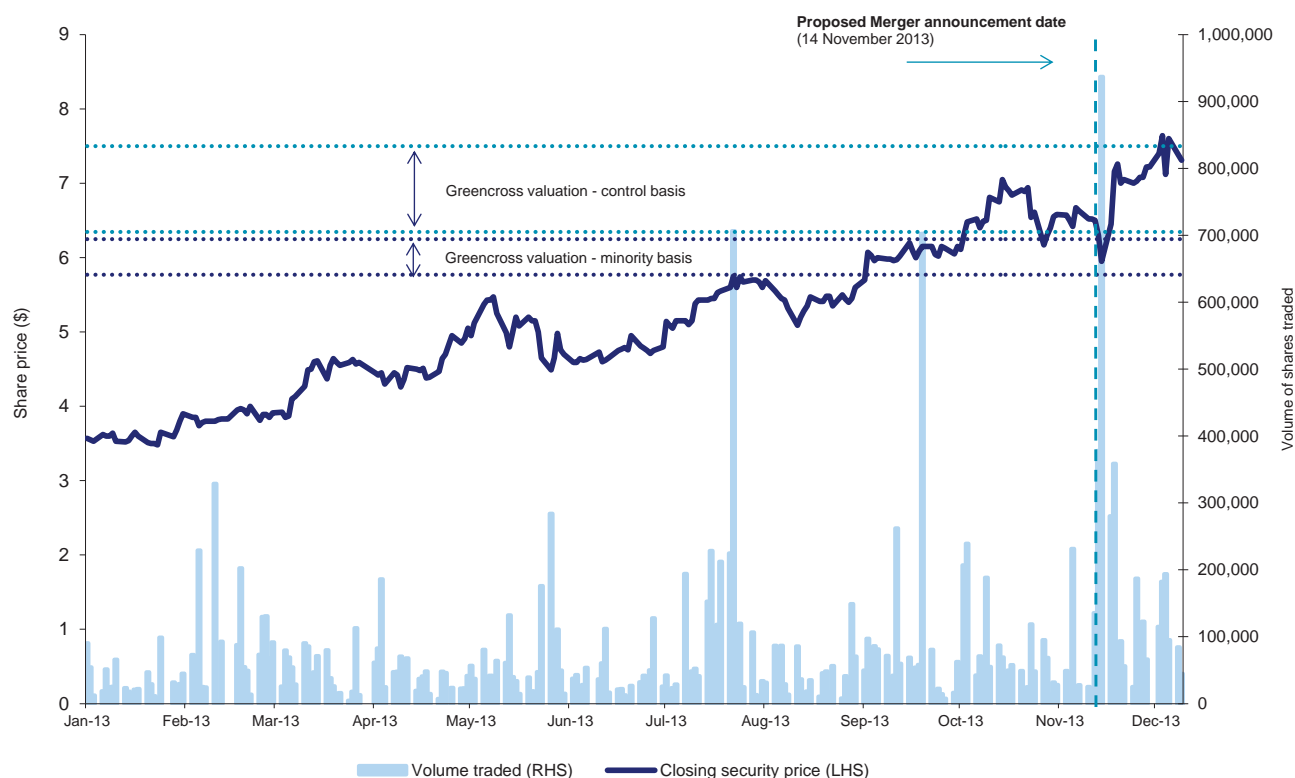
The market can be expected to provide an objective assessment of the fair market value of a listed entity, where the market is well informed and liquid. Market prices incorporate the influence of all publicly known information relevant to the value of an entity's securities (on a minority basis).

Greencross share trading has been relatively volatile recently. Since 1 January 2013, Greencross share price has appreciated 66.7% and reached a peak of \$7.15 in the period prior to 14 October 2013, the date on which Greencross first announced negotiations for a possible deal with Mammoth were ongoing.

We also note that Greencross' trading volumes have historically been relatively low. This could be a factor contributing to the relatively high volatility of the share price. In general, the lower the liquidity, the less informative trading is of the underlying value of the security.

Our valuation range of Greencross as set out in Section 8.2 is expressed on a control basis. This valuation results from the application of a control premium of 10% to 20%. Our valuation analysis therefore implies a value per Greencross share on a minority basis of \$5.77 to \$6.25. This range is supported by Greencross' recent share trading as set out in the figure and table below.

Figure 12: Historical trading performance of Greencross' shares compared to our estimated valuation range



Source: S&P Capital IQ, Deloitte Corporate Finance analysis

Table 29: Recent VWAP of Greencross' shares up to the Announcement Date

	VWAP (\$)	Low (\$)	High (\$)	Volume (Millions)	Daily average volume (Thousands)
Over 12 month period to 14 November 2013	5.08	4.97	5.16	17.1	66
Over 6 month period to 14 November 2013	5.77	5.63	5.87	10.6	80
Over 3 month period to 14 November 2013	6.18	6.02	6.29	6.0	91
Over 1 month period to 14 November 2013	6.29	6.10	6.48	2.5	108
Over 1 week period to 14 November 2013	6.10	5.85	6.31	1.5	296
1 Day after announcement 14 November 2013	6.02	5.95	6.48	0.9	187

Source: S&P Capital IQ, Deloitte Corporate Finance analysis

We are of the view that given the impact of the announcement of the Proposed Merger on 14 November 2013, Greencross share trading prior to this date is a more appropriate basis on which to benchmark our fundamental valuation of Greencross.

9 Valuation of Mammoth

9.1 Valuation of Mammoth

Deloitte Corporate Finance has estimated the fair market value of Mammoth (on a minority basis) to be in the range of \$357.9 million to \$390.1 million.

9.2 Capitalisation of earnings method

Our valuation of Mammoth using the capitalisation of earnings method is set out in the table below.

Table 30: Summary – capitalisation of earnings method

	Section	Units	Low	High
Earnings (EBITDA)	9.2.1	(\$million)	32.2	32.2
Earnings multiple (minority basis)	9.2.2	times	13.5	14.5
Enterprise value (minority basis)		(\$million)	434.7	466.9
Net debt	9.2.3	(\$million)	(76.8)	(76.8)
Equity value (on a minority basis)		(\$million)	357.9	390.1

Source: Deloitte Corporate Finance analysis

9.2.1 Forecast earnings

We have selected EBITDA as an appropriate measure of earnings for Mammoth.

Greencross and Mammoth have provided us with a forecast of FY14 financial performance. The following table sets out the historical performance and FY14 plan for Mammoth.

Table 31: Historical and forecast attributable EBITDA of Mammoth

	FY10 Actual (\$million)	FY11 Actual (\$million)	FY12 Actual (\$million)	FY13 Actual (\$million)	FY14 Forecast (\$million)
Store numbers	62	74	95	114	134
Revenues	124.1	160.8	206.0	258.6	311.2
EBITDA	12.5	15.8	20.7	26.5	32.2
EBITDA margin	10.1%	9.8%	10.1%	10.3%	10.3%

Source: Mammoth

Note:

1. Revenues and EBITDA reflect a proportional consolidation of Mammoth's 50% interest in Animates.

Mammoth has undergone significant revenue and earnings growth. EBITDA has grown at a CAGR of 28% per annum over the period FY10 to FY13. For FY14, EBITDA is projected to grow at 22% compared to FY13. The FY14 forecast is premised on the following assumptions and considerations:

- 16 of the 20 new stores forecast to be opened in FY14 relate to Petbarn, with the remaining 4 relating to Animates (net of closures) (no acquisitions are assumed)
- the continuing expansion of the stores network will require initial capital investments expected to be funded via debt and internally generated cash flows. In FY14, capex of \$18.6 million is expected to be incurred to fund this development. The net debt position is expected to grow from \$67.7 million as at 30 September 2013 to \$74.5 million as at 30 June 2014

- NTI stores take an estimated eight year period to fully mature, with stabilised margins and a consolidated local market share. Given the continuing roll-out of new stores, EBITDA in FY14 is (similar to previous years) weighed down by lower margins being achieved on more recently opened stores. Subject to external factors, Mammoth's EBITDA will continue to grow as a result of existing stores reaching a more mature stage and the roll-out of new NTI stores, as well as the implementation of business initiatives such as multi-channel offering through e-commerce, widening the range of private label products, improved procurement and distribution arrangements.

The Mammoth Financial Model reflects benefits expected to be realised from the factors referred to above. Most of the growth in earnings reflected in the Mammoth Financial Model is a result of development of new stores (Mammoth plans to continue growing its business by approximately 20 new stores per annum beyond FY14). The Mammoth Financial Model is underpinned by numerous assumptions and whilst Mammoth's management is confident about its achievement, it is difficult for us to review it to a level where we are comfortable presenting in this report.

We are of the view that a valuation of Mammoth adopting the capitalisation of earnings method should be based on FY14 forecast EBITDA, due to the following:

- as disclosed in Annexure C of the Explanatory Memorandum, PwC Securities has been engaged by the Directors of Greencross to undertake a review of the FY14 forecast adopted by the Directors in accordance with APES 345 *"Reporting on prospective financial information prepared in connection with a Disclosure Document"* and has provided a limited assurance opinion on the reasonableness of the assumptions giving rise to the forecast financial information in compliance with RG 170²⁴
- during the course of negotiations between Greencross and Mammoth, the former has reviewed and undertaken due diligence work on Mammoth's financial projections. In addition, the financial projections have been reviewed by independent financial advisors
- as at 30 September 2013, total stores for Mammoth was 120 (YTD plan was 116) and YTD EBITDA was \$6.4 million (7% ahead of YTD plan of \$5.9 million)
- FY14 data has been specifically reviewed and both entities are comfortable disclosing this data in the Explanatory Memorandum accompanying this report.

We have therefore selected earnings based on the FY14 forecast EBITDA of \$32.2 million.

Further details on the basis and assumptions used for Mammoth's forecast earnings are set out in Section 4.4.2 of the Explanatory Memorandum.

9.2.2 Earnings multiple

We have applied an earnings multiple in the range of 13.5 to 14.5 times EBITDA (on a minority basis). In selecting this earnings multiple range, we have considered:

- earnings multiples derived from share market prices of listed comparable companies
- prices achieved in mergers and acquisitions of comparable companies
- company specific factors regarding Mammoth's operating business impacting its growth prospects and risk profile.

These are discussed separately below.

Market trading multiples

We note that there are no companies directly comparable to Mammoth which are listed in Australia. As such, we have considered the earnings multiples of the following listed companies:

- **international pet supplies retail company:** we have identified a US-based listed pet supplies retail company, PetSmart Inc (PetSmart), to be the most comparable company to Mammoth. We note that as this company is located in the US it faces a number of different opportunities and risks compared to Mammoth, which operates purely in Australia and New Zealand

²⁴ We note that in contrast to Greencross' forecast financials review, the review of Mammoth's FY14 forecast EBITDA has also included new additions to its current portfolio of stores.

- **Australian and New Zealand retail companies:** we have considered Australian companies in the broader retail industry as their business models are relatively similar to Mammoth's. However as these companies provide products and services for humans and not pets (with the exception of EBOS) they face a different demand profile
- **high growth companies:** we have considered companies with acquisitive growth strategies which have high growth prospects similar to Mammoth. We have had particular regard to companies that are affected by similar demand drivers as Mammoth, such as retailers.

Share market trading multiples (on a minority basis) for the above companies are summarised in the following table.

Table 32: Pet retailing earnings multiples– market trading

		EBITDA margin (%)	EBITDA growth (%)		EBITDA multiples (times)		
	Enterprise value (million)	Current (2014)	Current (2014)	Forward (2015)	Historical (2013)	Current (2014)	Forward (2015)
International pet supplies retail							
PetSmart	8,394	13.2%	16.0%	6.8%	9.8x	8.5x	7.9x
Australian general retail companies							
Woolworths	46,669	7.9%	5.4%	6.8%	10.2x	9.7x	9.1x
Wesfarmers	53,697	8.1%	13.3%	9.4%	12.1x	10.7x	9.8x
Harvey Norman Holdings Limited	4,105	16.9%	35.7%	9.1%	13.4x	9.9x	9.1x
Super Retail Group Limited	3,042	11.9%	23.9%	12.7%	14.4x	11.7x	10.3x
JB Hi-Fi Limited	2,212	6.5%	9.4%	5.9%	10.5x	9.6x	9.1x
Myer Holdings Limited	1,944	9.4%	3.4%	5.3%	6.9x	6.7x	6.4x
David Jones Limited	1,646	10.2%	1.6%	9.3%	8.5x	8.4x	7.7x
EBOS	1,378	3.3%	53.4%	3.5%	12.1x	7.9x	7.6x
Kathmandu Holdings Limited	716	19.5%	15.6%	12.2%	11.3x	9.8x	8.7x
Fantastic Holdings Limited	237	6.2%	33.4%	18.4%	11.1x	8.3x	7.0x
Average		10.0%	19.5%	9.2%	11.1x	9.3x	8.5x
High growth companies							
Domino's	1,405	15.8%	94.9%	23.7%	31.3x	16.0x	13.0x
G8	938	18.5%	79.2%	40.8%	30.7x	17.1x	12.2x
Reject Shop	505	7.4%	36.3%	23.2%	12.6x	9.1x	7.5x
Capitol	197	14.1%	52.8%	22.8%	24.5x	16.1x	13.1x
Average		13.9%	65.8%	27.6%	24.8x	14.6x	11.4x
Overall average		11.8%	27.4%	11.7%	14.6x	10.6x	9.2x

Source: Deloitte Corporate Finance analysis, CapitalIQ

Notes:

1. Enterprise values were calculated as the sum of each company's market capitalisation as at 13 November 2013 plus their most recently disclosed net borrowings.
2. EBITDA multiples are presented on a minority basis. Earnings multiples implied from the share market trading of comparable companies do not reflect the market value for a controlling interest in a company as they are portfolio holdings.
3. Current multiples refer to the year ended 30 June 2014 and forward multiples refer to the following year for all the comparable companies with the exception of PetSmart which has a current year end of 31 December 2014.

Additional information regarding the above companies and valuation metrics are provided at Appendix B.

General comments regarding the multiples together with the operations of the companies and comparability to Mammoth are listed below:

- many of the comparable companies identified are significantly larger than Mammoth. In general, larger companies have higher earnings multiples than smaller companies
- we consider Mammoth to have higher growth potential than many of the comparable companies. In general, companies which are expected to achieve high growth in the future are likely to trade at higher EBITDA multiples

- whilst PetSmart is the most comparable company to Mammoth as it is the leading retailer of pet supplies in the US, Puerto Rico and Canada, we note that despite still growing at a considerable pace (PetSmart expanded its network of over a thousand stores by 46 retail stores and 4 pet hotels in the year ended 31 December 2012 and PetSmart's EBITDA is forecast to grow at 16.0% in FY14 and 6.8% in FY15²⁵) it is more mature than Petbarn. This key difference results in two key considerations:

- PetSmart's growth prospects are lower than those of Mammoth
- the risk profile of PetSmart is lower than that of Mammoth as its business model is more established.

On balance, Mammoth should trade at a premium compared to PetSmart

- we consider the Australian speciality retail companies to be broadly comparable to Mammoth's operating business, however, we note that they offer different products to Mammoth and are therefore exposed to different risks and opportunities. We note the following in relation to the selected companies:
 - Woolworths and Wesfarmers are competitors to Mammoth as they provide pet food and other pet supplies through their grocery and department stores. However both companies provide highly diversified product offerings, and are also considerably larger than Mammoth. The EBITDA of Woolworths and Wesfarmers is expected to grow 5.4% and 13.3%, respectively in FY14 and 6.8% and 9.4% in FY15, respectively
 - Fantastic Holdings Limited (Fantastic), Harvey Norman Holdings Limited (Harvey Norman) and EBOS's earnings are expected to grow above 30% in FY14, which is comparable to the projected growth rate of Mammoth. Fantastic, Harvey Norman and EBOS's average current and forward EBITDA multiples, on a minority basis, are 8.7 and 7.9 times, respectively
 - Myer Holdings Limited (Myer) and David Jones Limited (David Jones) are diverse retailers, offering a broader range of products and cater to a wider customer base relative to Mammoth's operating business. Myer and David Jones are well established in the industry and have lower growth profiles than Mammoth. We would therefore expect Mammoth to trade on a higher earnings multiple than Myer and David Jones
 - Super Retail Group Limited (Super Retail) is a diversified retailer with a variety of stores/brands within its portfolio and is considered a market leader. Its current and forward EBITDA growth is 23.9% and 12.7% and it has a FY14 EBITDA margin of 11.9%, which is comparable to that of Mammoth. Super Retail's current and forecast EBITDA multiples, on a minority basis, are 11.7 times and 10.3 times
- we have identified four Australian companies, that have a similar growth profile to Mammoth. We note the following in relation to these companies:
 - we consider the Reject Shop to be the most comparable selected company to Mammoth in terms of growth strategy. It has a growth profile that is broadly comparable to Mammoth and is expected to earn relatively comparable EBITDA margins
 - Capitol and G8 have similar expected high growth profiles to Mammoth, however operate within the services industry. In addition, Capitol and G8 have higher EBITDA margins than Mammoth, and would be expected to trade at a higher earnings multiple
 - Domino's has a similar expansion strategy to Mammoth. Domino's has engaged in a large number of acquisitions in the last three years and is expected to achieve forward EBITDA growth of 23.7%. Domino's is expected to earn an EBITDA margin of approximately 15.8%, and together with their significant expected growth in earnings, it would be expected to trade at multiples comparable to Mammoth.

Merger and acquisition multiples

We have not been able to identify any transactions that are able to provide a meaningful benchmark to assess the value of Mammoth. We note we have identified the following transactions, which we consider comparable, however price data on these transactions is not publicly available:

- Quadrant Private Equity's acquisition of City Farmers Retail Pty Limited for \$93 million in August 2013
- Archer Capital's acquisition of Best Friends Pets for an undisclosed sum in July 2012
- EBOS's acquisition Masterpet Corporation Ltd (50% shareholder of Animates) for \$80 million in December 2011.

²⁵ Based on brokers' consensus data.

Selected multiple

PetSmart is the only truly comparable business with publicly available market data that we identified. However, PetSmart is at a far more advanced stage of development compared to Mammoth. The Australian listed retailers identified operate in market segments (primarily clothing and food) that have different dynamics compared to the Australian pet supplies retail market:

- none of these players are a market leader (with the exception of Super Retail) in their specialty retail product, with substantial growth prospects, as is the case for Mammoth
- the clothing retail market has proven to be particularly vulnerable to online competition and high Australian dollar. Online sales are generally a lesser threat to specialty pet retail suppliers. In fact, we note that in far more mature markets such as the U.S., online retail sales for pet products only account for 6%²⁶ of market sales. Furthermore, Mammoth's stores are able to provide the customer with a 'pet-walk-in experience' which makes the traditional on-store shopping a more attractive alternative to online shopping
- large food distributors such as Woolworths and Wesfarmers (through Coles) dominate the Australian food market and a substantial part of their sales is non-discretionary which makes their economic performance resilient to adverse market conditions. However, their growth prospects are much more limited than those of Mammoth.

Companies trading on higher EBITDA margins generally trade on higher earnings multiples. The EBITDA margin of Mammoth is forecast to increase significantly by FY20.

We have identified three transactions with similar features to Mammoth. However, the terms of these transactions are not publicly available. In any case, we would expect Mammoth to trade at a premium due to its larger and geographically diversified footprint in Australia and New Zealand, as well as a more proven business model.

We consider Mammoth and Greencross have similar features and it is therefore reasonable that they should be valued on a broadly consistent basis. Whilst Mammoth has higher and longer term growth prospects (the ramp-up timing for the Mammoth NTI stores is generally longer than that required by Greencross to integrate and enhance the performance of its acquired businesses), we consider it is subject to greater risks. In particular, barriers to entry in the retail market are lower than in the broader healthcare sector.

Having regard to the above, we have selected an FY14 EBITDA (on a minority basis) multiple for Mammoth of 13.5 to 14.5 times.

²⁶ Packaged Facts, Pet Food in the US, 10th Edition

9.2.3 Net debt

The forecast net debt position of Mammoth as at 31 December 2013 is \$76.8 million.

Table 33: Net debt

	(\$million)
Current and non-current interest bearing liabilities	82.1
Cash	(5.3)
Net debt	76.8

Source: Mammoth

Notes:

1. Is based on 50% of the Animates business.

9.3 Discounted cash flow method

We have used a high level discounted cash flow method to cross-check the reasonableness of our valuation of Mammoth under the capitalisation of earnings method. The discounted cash flow methodology assumes that the underlying investors in a business have full control over the company and therefore over the distribution of its future cash flows. As a result, the value of Mammoth using the discounted cash flow method is, in contrast to our valuation of Mammoth using the capitalisation of earnings, inclusive of any premium for control.

The value of Mammoth derived under the discounted cash flow methodology, is set out in the following table.

Table 34: Valuation of Mammoth (control basis)

		Low	High
Enterprise value (on a control basis)	\$million	512.3	589.0
Less: net debt	\$million	(76.8)	(76.8)
Equity value (on a control basis)	\$million	435.5	512.2

Source: Deloitte Corporate Finance analysis

A sensitivity analysis of our DCF valuation using alternative valuation parameters is set out in the figure below.

Table 35: Equity value sensitivity (control basis)

Terminal value growth rate %	13.0%	12.5%	Discount rate 12.0%	11.5%	11.0%
2.5%	383.6	413.4	446.5	483.5	524.9
3.0%	403.2	435.5	471.6	512.2	558.0
3.5%	424.8	460.1	499.8	544.5	595.4

Source: Deloitte Corporate Finance analysis

Our valuation of Mammoth under the DCF approach implies a premium to our valuation of Mammoth using the earnings multiples approach in the range of 22% to 31%, as set out below.

Table 36: Cross-check analysis (equity value of Mammoth)

		Low	High
Capitalisation of earnings (minority basis)	\$million	357.9	390.1
Discounted cash flow (control basis)	\$million	435.5	512.2
Implied premium		22%	31%

Source: Deloitte Corporate Finance analysis

The premium implied by our valuation using the DCF method is broadly consistent with control premiums observed in market transactions as discussed in Section 8.2.4. Whilst the implied control premium for Mammoth is higher than that assumed for our valuation of Greencross on a control basis (10% to 20%), we consider this is reasonable taking into account the higher level of debt of Mammoth and that a broader range of businesses could seek to realise synergies from an acquisition of Mammoth.

9.3.1 Future cash flows

We note the following in respect of the projections contained in the Mammoth Financial Model:

- the projected cash flows in the Mammoth Model are prepared on a nominal basis for the Projection Period. We have selected ungeared after-tax cash flow projections as a basis for our valuation
- the projected cash flows have been prepared by management on a bottom up basis and include 50% of the cash flows associated with Animates
- revenue includes that associated with current operating stores as at the Valuation Date, NTI stores which have been identified by management, future NTIs (sites not yet identified) and online sales. Revenue associated with NTI stores escalates over a period of eight years, at which time the store is expected to reach maturity
- operating costs primarily consisting of the cost of goods, labour, advertising and rent
- the EBITDA margin is projected to significantly increase by the end of FY20. The increase in the margin is a result of an increasing portion of Mammoth's stores reaching maturity and the implementation of a number of identified strategies to increase margins such as:
 - NTI's opened over the past few years reaching maturity
 - multi-channel offering through e-commerce
 - widening the range of private label products
 - improve supply chain management such as the development of a centralised distribution model and investment in new systems
 - improve customer fidelity and targeted marketing via the establishment of loyalty programs (i.e. FFL program)
- working capital has been included based on projected balance sheet movements
- NTI store investment expenditure of approximately \$1 million per store has been included, along with ongoing maintenance
- cash flows associated with Animates have been converted in AUD based on a flat exchange rate of NZD:AUD 1.25
- a corporate tax rate of 30%.

9.3.2 Discount rate

The discount rate used to equate the future cash flows to a present value reflects the risk adjusted rate of return demanded by a hypothetical investor. We have selected a nominal after tax discount rate in the range of 11.5% to 12.5% to discount the future cash flows of Mammoth to their present value. In selecting this range, we have considered the required rate of return of comparable companies in the broader Australian retail and international pet supply industry. Given the relatively limited contribution of the New Zealand operations, we have simplified our analysis by developing a discount rate applicable to the Australian operations only.

The nominal after tax discount rate range selected reflects our assessment of the weighted average cost of capital for Mammoth based on the following.

Table 37: Mammoth discount rate

	Low	High	Notes
Risk free rate	4.3%	4.3%	Five day average of the zero coupon ten year Australian government bond as at 29 November 2013
Equity market risk premium	7.0%	7.0%	
Beta	1.00	1.10	Based on analysis of comparable companies
Specific risk premium	1.5%	2.0%	Based on the risks associated with Mammoth growth profile. Lower barriers to entry compared with Greencross
Cost of Equity	12.8%	14.0%	
Gross cost of debt	7.8%	7.8%	Based on 350 basis points above our selected risk free rate
Tax rate	30.0%	30.0%	Australian corporate tax rate. Given the relatively limited weighting of the New Zealand operations, we have (conservatively) simplified this assumption by not taking into account the slightly lower corporate tax rate applied in New Zealand (28%).
Cost of debt (net of tax)	5.5%	5.5%	
Debt/Enterprise value	15.0%	15.0%	Based on analysis of comparable companies and Mammoth's capital structure
WACC	11.7%	12.7%	
Selected WACC	11.5%	12.5%	

Source: Deloitte Corporate Finance analysis

9.3.3 Terminal value

The terminal value estimates the value of the ongoing cash flows after the forecast period. We estimated the terminal value using the Gordon growth method based on the following:

- forecast nominal post tax cash flows in the terminal year of FY20 adjusted to reflect a normalised level of capex
- a discount rate in the range of 11.5% to 12.5%
- a long term growth rate of 3.0%. This growth is at the high end of the targeted inflation rate by the RBA. For the purpose of our analysis, we have assumed that Mammoth will terminate its expansion program by the terminal year. However, we note that whilst no additional NTI stores are assumed, above average growth would still be expected as benefits from the NTI stores planned in the outer years will be realised.

9.3.4 Net debt

As discussed in Section 9.2.3, the forecast net debt position of Mammoth as at 31 December 2013 is \$76.8 million.

9.3.5 Scenario analysis

The valuation of Mammoth is sensitive to the growth assumed for Mammoth's network of stores. Our valuation set out above includes revenue associated with current operating stores, NTI stores which have been identified by management and future NTIs (sites not yet identified). In considering the impact of revenue growth on the underlying value, we have had regard to the following three scenarios:

- Base Scenario: identified growth strategy throughout Projection Period
- Scenario 1: includes FY14 and FY15 growth from identified stores
- Scenario 2: no store growth beyond existing stores.

The table below sets out the net present value of Mammoth's projected cash flows under these three scenarios and under various discount rates.

Table 38: Equity value sensitivity (control basis)

Discount rate	12.5%	12.0%	11.5%	11.0%	10.5%	10.0%	9.5%
Base Scenario	435.5	471.6	512.2	558.0	610.1	669.9	739.1
Scenario 1	318.6	342.6	369.6	399.9	434.4	473.7	519.2
Scenario 2	272.5	291.8	313.3	337.5	364.9	396.3	432.5

Source: Deloitte Corporate Finance analysis

In considering the impact on value of the different scenarios, we note the risks associated with Scenarios 1 and 2 are significantly lower than that associated with the Base Scenario. A discount rate of 10.5% applied to Scenario 1 and a discount rate of 9.5% applied to Scenario 2, results in an equity value of Mammoth broadly consistent with the low end of the range determined for the Base Scenario, which implies a control premium of approximately 20% to the value selected under the capitalisation of earnings method.

10 Valuation of the Merged Entity

10.1 Valuation summary

In this section we have estimated the fair market value of the Shares in the Merged Entity. As described in Section 7, the valuation has been performed on a minority basis.

We have estimated the equity value of the Merged Entity to be in the range of \$596.3 million to \$666.6 million (or \$6.61 to \$7.39 per share) as set out in the table below.

Table 39: Valuation of the Merged Entity (minority basis)

	Section	Low (\$million)	High (\$million)
Greencross	8.2	253.4	271.5
Mammoth	9.2	434.7	466.9
Synergies	10.1.1	30.0	50.0
Enterprise value		718.1	788.4
Net debt	10.1.2	(121.8)	(121.8)
Equity value of the Merged Entity		596.3	666.6
Shares outstanding	6.2	90.3	90.3
Equity value of the Merged Entity (\$ per share)		6.61	7.39

Source: Deloitte Corporate Finance analysis

We have estimated the fair market value of the Merged Entity using a sum-of-the-parts approach having regard to the valuation of Greencross and Mammoth on a stand-alone basis set out in Sections 8 and 9. In addition, as there is an expectation of substantial synergies to be realised as a result of the Proposed Merger, we have also assessed the fair market value of these synergies.

10.1.1 Synergies

Throughout the due diligence process undertaken by Greencross and Mammoth, the companies have undertaken extensive analysis of the potential synergies expected to be realised upon integration of the businesses. Greencross and Mammoth have jointly engaged a specialist consultant to identify areas where synergies between the two entities could be realised and quantify the relevant impact on earnings.

In assessing the value of the synergies, we have had regard to the projections provided by management. The synergies identified relate to both cost and revenue synergies, as set out below (refer to Section 6.4 for a detailed overview of the identified synergies):

- co-location of stores/clinics
- marketing of Mammoth products and services to Greencross customers and vice-versa
- equalisation of procurement terms and increased bargaining power
- reduction of head office costs
- increased scale and private label products.

As set out in the Explanatory Memorandum, Greencross and Mammoth management have estimated that synergies from the integration of the two organisations will result in \$1.5 million benefit at the EBITDA level in FY14 on an annualised basis. The analysis provided to Deloitte Corporate Finance suggests that the financial impact of synergies will grow substantially over the following four years to FY18 with the major benefits resulting from the cross-marketing activities and the co-location of Greencross clinics and Mammoth stores.

Management's analysis suggests that Greencross and Mammoth have the ability to execute the Proposed Merger and integrate the businesses with relatively limited integration and restructuring costs. In addition, no major regulatory hurdles have been identified in implementing the identified synergies except for certain health compliance requirements when co-locating veterinary services and pet care stores.

The prior successful integration of veterinary clinics within retail operations in offshore markets (PetSmart (US based) and Pets and Home (UK based)) provides support that the realisation of these synergies is feasible.

Based on the financial projections provided and the analysis undertaken by Greencross and Mammoth, we have adopted a discounted cash flow analysis to assess the fair market value of the synergies. The key assumptions adopted are as follows.

Cash flow projections

We have used the cash flow projections provided by Greencross for the period between FY14 and FY18. Cash flows include revenues and cost savings net of operating costs required to implement the synergies. The projections are based on the identification of cross-selling opportunities (i.e. management have assumed a certain percentage of customers of Greencross and Petbarn will be sold products and services from the other party realising positive margins) and cost savings (i.e. rationalisation of head office costs, enhancement of procurement costs for Greencross by accessing Mammoth's bargaining power, co-location of premises).

We have adjusted the cash flow projections to reflect tax expenses. In addition, we have assumed that synergies projected in FY18 will grow at 3% in line with the assumption used to estimate the terminal value in our discounted cash flow analysis of Greencross and Mammoth.

Discount rate

In determining a discount rate to apply to the cash flow projections, we consider that the risks involved with achieving the synergies are in some ways similar to those of an early-stage company, and investors would therefore require higher rates of return than investors in stable companies. Venture capitalists are a common source of equity capital for both early-stage companies and those seeking to expand or restructure their operations.

The Australian Venture Capital Guide provides the following indicative guidelines for required rates of return.

Table 40: Venture capital required rates of return

Methodology	Required rate of return
Starting a new business	30.0% to 40.0%
Expanding a business, MBOs or MBIs	20.0% to 30.0%

Source: Australian Venture Capital Guide 2006

These rates of return are significantly higher than those required for mature listed stable companies. The reason that the discount rate required for an early stage/expanding business is different to that required for a mature stable company is because the relationship between business risks, finance risks and the cost of equity changes as a company grows and becomes profitable and there is more uncertainty with respect to projected cash flows.

Whilst the risk associated with the identified synergies varies from low risk (i.e. reduction in head office costs) to high risk synergies (i.e. co-location of stores/clinics), for the purpose of our analysis we have considered the synergies on a consolidated basis.

We consider a discount rate in the range of 20.0% to 25.0% to be an appropriate discount rate to apply to the future cash flows associated with all identified synergies, to account for the risks involved in achieving the cash flows.

Synergy Valuation

We have estimated a valuation range for the synergies of \$30 million to \$50 million (on a minority basis).

Our selected valuation range is an expression of our judgment having regard to the risk profile of the synergies, their upside potential and various scenarios considered. Our valuation implies a value attributable to synergies equivalent to approximately 5% of the aggregated value of Greencross and Mammoth on a stand-alone basis, which we do not consider unreasonable.

The table below indicates sensitivity analysis on the valuation of the synergies using different discount rates and long term growth rates.

Table 41: Total synergies valuation summary (millions)

Terminal growth rate	Discount rate						
	30.0%	27.5%	25.0%	22.5%	20.0%	17.5%	15.0%
2.5%	38.2	42.9	48.6	55.8	65.1	77.8	95.6
3.0%	38.7	43.4	49.3	56.8	66.6	79.9	98.9
3.5%	39.2	44.0	50.1	57.9	68.1	82.1	102.4

Source: Deloitte Corporate Finance analysis

In order to reflect the higher risk typically associated with revenue synergies (because they may be subject to factors outside the control of management) we have performed a similar sensitivity analysis holding the cost synergies in isolation. Given the lower risk typically associated with achieving cost synergies, we utilised a lower discount rate range, 15% to 20% (650 bps and 550 bps above the midpoint of the Greencross and Mammoth discount rates, respectively, based on the midpoint of the selected ranges).

Table 42: Cost synergy valuation summary (millions)

Terminal growth rate	Discount rate						
	25.0%	22.5%	20.0%	17.5%	15.0%	12.5%	10.0%
2.5%	26.2	30.3	35.7	43.0	53.2	68.8	95.0
3.0%	26.7	30.9	36.5	44.2	55.1	72.0	101.1
3.5%	27.1	31.6	37.4	45.5	57.2	75.5	108.2

Source: Deloitte Corporate Finance analysis

Valuation cross-check

There appears to be a strong argument for an integration of the two businesses and therefore the Proposed Merger could unlock value that is greater than 5% implied through our calculation.

By applying the same EBITDA multiple used to assess the value of Greencross and Mammoth on a stand-alone basis, synergies of \$2.2 million to \$3.4 million would be required in FY14 (in contrast to the estimated \$1.5 million on an annualised basis). Given the expected ramp-up in the projected synergies, we consider that such a level of synergies (\$2.2 million to \$3.4 million) should be achievable shortly after FY14, providing support for our estimated value range. Management's analysis also supports this view.

10.1.2 Net debt

The forecast pro-forma net debt of the Merged Entity as at 31 December 2013 is \$121.8 million as set out in the table below. The net debt position includes contingent costs associated with the Proposed Merger.

Table 43: Net debt position of Merged Entity

	Section	(\$million)
Greencross net debt	8.2.3	36.0
Mammoth net debt	9.2.3	76.8
Transaction costs ¹		9.0
Merged Entity net debt		121.8

Source: Deloitte Corporate Finance analysis

Note:

1. Total acquisition costs from the Proposed Merger, if it proceeds is estimated to be \$14.1 million. Part of these costs have already been borne by Greencross and Mammoth and are hence reflected in their net debt positions.

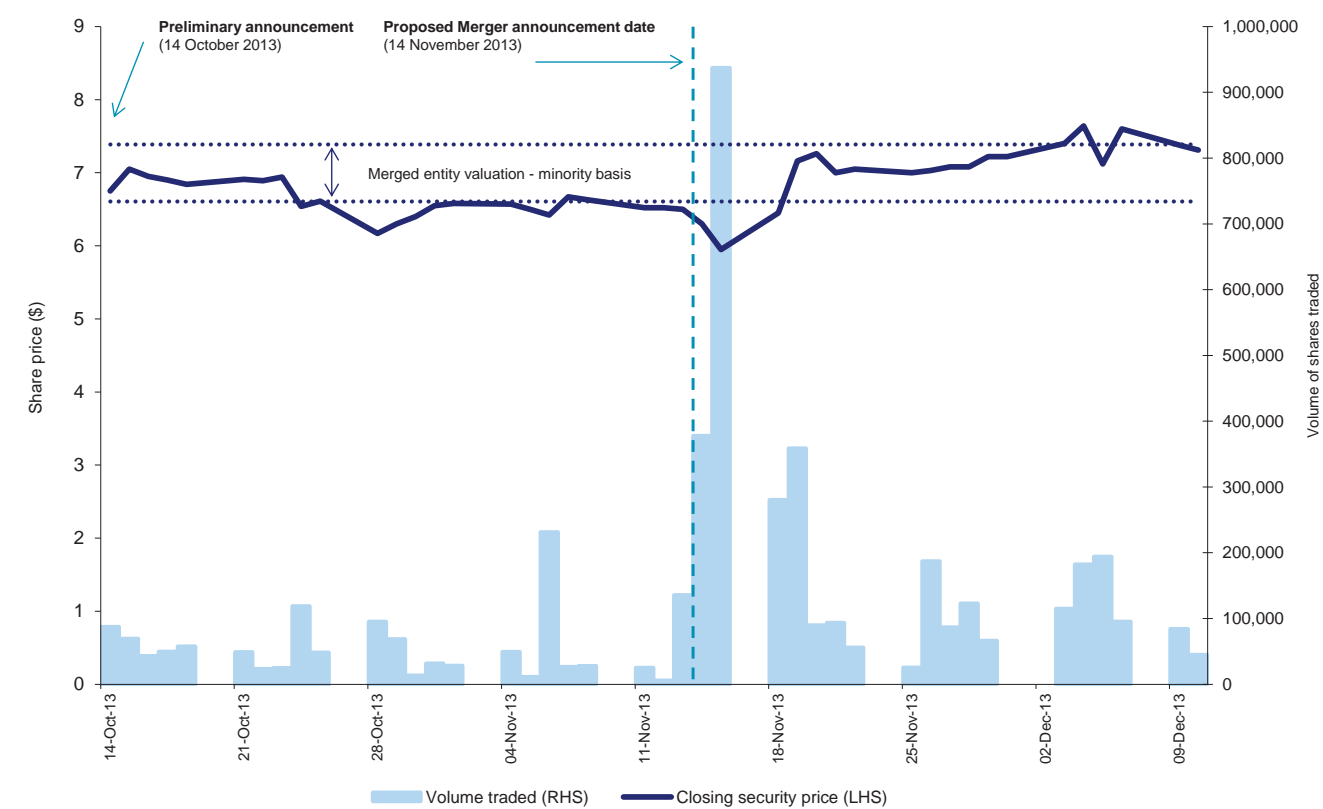
10.2 Share trading cross check

The trading price of Greencross shares subsequent to the Announcement Date should provide reasonable guidance on the trading price of shares in the Merged Entity. This is because the market is likely to have fully reflected the impact of the Proposed Merger into Greencross' share price as soon as it was informed of the terms of the Proposed Merger, to the extent to which the Proposed Merger is expected to proceed. However, Greencross' recent share trading is difficult to interpret since:

- the information on the potential synergies arising from the Proposed Merger provided to the market is limited to an estimate of the impact on FY14 earnings only. Our valuation of the synergies implies a value per share of \$0.33 to \$0.55
- the market does not have access to long term detailed financial projections of both Greencross and Mammoth. Thus, it is only partially informed on the growth prospects of both businesses.

The figure below compares the share trading of Greencross subsequent to the Announcement Date and compares it with our assessed valuation range of the Merged Entity on a minority basis.

Figure 13: Trading performance of Greencross' shares post announcement compared to our estimated valuation range



Source: S&P Capital IQ, Deloitte Corporate Finance analysis

The recent share trading of Greencross' shares appears to be supportive of our estimated fair market value of the Merged Entity on a minority basis.

Appendix A: Glossary

Reference	Definition
\$	Australian dollars
ACCC	Australian Competition & Consumer Commission
AFSL	Australian Financial Services Licence
AHA	Animal Health Alliance
Animates	Animates NZ Holdings Limited
Announcement Date	14 November 2013
APESB	Accounting Professional and Ethical Standards Board Limited
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ASX Listing Rule 10	ASX Listing Rule Chapter 10
AUASB	Auditing and Assurance Standards Board
AVA	Australian Veterinary Association Limited
β	beta
CAGR	Compound annual growth rate
Capitol	Capitol Health Limited
CAPM	Capital Asset Pricing Model
CEO	Chief Executive Officer
COGS	Cost of Goods Sold
Common Directors	Mr Jeffrey David and Dr Glen Richards, collectively
Consideration	52.4 million Greencross Shares
Corporations Act	Corporations Act 2001 (Cth)
CVS	CVS Group plc
David Jones	David Jones Limited
DCF	Discount Cash Flow
Deloitte Corporate Finance	Deloitte Corporate Finance Pty Limited
Domino's	Domino's Pizza Enterprises Limited
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBOS	EBOS Group Limited
EMRP	Equity Market Risk Premium
EV	Enterprise Value
Excluded Shareholders	Greencross' shareholders whose votes are to be disregarded under ASX Listing Rule 10, being shareholders who are also shareholders in Mammoth
Explanatory Memorandum	The explanatory memorandum for shareholders to assist them in their consideration of the Proposed Merger
Fantastic	Fantastic Holdings Limited
FFL	Petbarn's 'friend for life' loyalty program
FICS	Financial Industry Complaints Service
Financial Models, the	Financial models prepared by Greencross and Mammoth management
FSG	Financial Services Guide
FOS	Financial Ombudsman Service

Reference	Definition
FY	Financial year ended 30 June
G8	G8 Education Limited
Greencross	Greencross Limited
Greencross Financial Model	Detailed financial model prepared by Greencross management
Harvey Norman	Harvey Norman Holdings Limited
HPP	Healthy Pets Plus
IBISWorld	IBIS World Pty Ltd
Independent Directors	Directors of Greencross who are not also the Common Directors
IPO	Initial public offering
K_d	Cost of debt capital
K_e	Cost of equity capital
LHS	Left hand side
Mammoth	Mammoth Pet Holdings Pty Limited
Merged Entity	The enlarged Greencross following the acceptance of the Proposed Merger
Myer	Myer Holdings Limited
Non-Associated Shareholders	Greencross Shareholders not associated with TPG and Petco
Non-Excluded Shareholders	Greencross Shareholders who are not also shareholders in Mammoth
NPAT	Net profit after tax
NPBT	Net profit before tax
NSW	New South Wales
NTI	New to industry
Paradise	Paradise Retail Holdings Pty Limited
PBT	Profit before tax
PDS	Product Disclosure Statement
Petbarn	Petbarn Pty Limited and the trading name for Mammoth's operating business in Australia
Petco	Petco Animal Supplies, Inc.
PetSmart	PetSmart, Inc.
Projection Period	1 January 2014 to 30 June 2020
Proposed Merger, the	The proposed merger of Greencross and Mammoth, announced on 14 November 2013
RBA	Reserve Bank of Australia
Reject Shop	The Reject Shop Limited
RHS	Right hand side
Synergies, the	Synergies expected to result for the integration of Greencross and Mammoth
R_f	Risk free rate of return
R_m	Expected return on the market portfolio
TPG	TPG Capital or TPG Star Pavlich L.P.
VCA	VCA Antech, Inc.
Veterinary Enterprises	Veterinary Enterprises & Trading Limited
VWAP	Volume Weighted Average Price
WACC	Weighted average cost of capital
Wesfarmers	Wesfarmers Limited
Woolworths	Woolworths Limited
YTD	Year to date

Appendix B: Comparable entities

Greencross

Table 44: Veterinary services earnings multiples – market trading (minority basis)

Company	Country	Enterprise value (AUD million)	Gearing (%)	EBITDA growth		EBITDA multiples			EBITDA margin		
				Current (%)	Forward (%)	Historical (times)	Current (times)	Forecast (times)	Historical (times)	Current (times)	Forecast (times)
Greencross	Australia	271	10%	59.1%	19.4%	23.5x	14.8x	12.4x	10.8%	13.6%	13.9%
Veterinary services											
VCA Antech Inc.	United States	3,269	16%	23.0%	7.1%	11.5x	9.4x	8.8x	17.3%	17.9%	18.1%
CVS	United Kingdom	310	16%	22.0%	3.0%	12.3x	10.1x	9.8x	12.7%	13.5%	13.4%
Average¹		1,789	16%	22.5%	5.1%	11.9x	9.7x	9.3x	15.0%	15.7%	15.7%
Healthcare											
Ramsay Health Care Limited	Australia	8,751	12%	17.6%	10.0%	14.7x	12.5x	11.4x	14.2%	15.2%	15.5%
Sonic Healthcare Limited	Australia	8,161	21%	16.8%	9.3%	12.9x	11.1x	10.1x	18.1%	19.1%	19.5%
Primary Health Care Limited	Australia	3,492	30%	10.8%	6.9%	9.5x	8.6x	8.0x	25.2%	26.6%	27.1%
Virtus Health Limited	Australia	813	16%	34.9%	9.5%	17.4x	12.9x	11.8x	25.0%	30.7%	30.8%
1300SMILES Limited	Australia	148	(5%)	14.4%	16.4%	13.2x	11.5x	9.9x	30.9%	31.7%	31.7%
Average¹		4,273	15%	18.9%	10.4%	13.6x	11.3x	10.2x	22.7%	24.7%	24.9%
Median¹		3,492	16%	16.8%	9.5%	13.2x	11.5x	10.1x	25.0%	26.6%	27.1%
High growth companies											
Domino's	Australia	1,405	1%	94.9%	23.7%	31.3x	16.0x	13.0x	15.4%	15.8%	15.8%
G8	Australia	938	2%	79.2%	40.8%	30.7x	17.1x	12.2x	17.0%	18.5%	19.5%
Reject Shop	Australia	505	0%	36.3%	23.2%	12.6x	9.3x	7.5x	6.5%	7.4%	8.0%
Capitol	Australia	197	3%	52.8%	22.8%	24.5x	16.1x	13.1x	12.9%	14.1%	15.9%
Average¹		761	2%	65.8%	27.6%	24.8x	14.6x	11.4x	13.0%	13.9%	14.8%
Median¹		721	2%	66.0%	23.4%	27.6x	16.1x	12.6x	14.2%	14.9%	15.9%
Overall average¹		2,544	10%	36.6%	15.7%	17.3x	12.2x	10.5x	17.8%	19.1%	19.6%
Overall median¹		938	12%	23.0%	10.0%	13.2x	11.5x	10.1x	17.0%	17.9%	18.1%
Overall minimum¹		148	(5%)	10.8%	3.0%	9.5x	8.6x	7.5x	6.5%	7.4%	8.0%
Overall maximum¹		8,751	30%	94.9%	40.8%	31.3x	17.1x	13.1x	30.9%	31.7%	31.7%

Source: Capital IQ, Deloitte Corporate Finance analysis. Note: 1. The above averages are shown exclusive of Greencross.

Mammoth

Table 45: Pet retail earnings multiples – market trading (minority basis)

Table 40.1: Pet retail earnings multiples (market trading (minority basis))											
Company	Country	Enterprise value (AUD million)	Gearing (%)	EBITDA growth		EBITDA multiples			EBITDA margin		
				Current (%)	Forward (%)	Historical (times)	Current (times)	Forecast (times)	Historical (times)	Current (times)	Forecast (times)
Pet supply retailers											
PetSmart	United States	8,394	3%	16.0%	6.8%	9.8x	8.5x	7.9x	13.2%	13.4%	13.4%
Retail companies											
Woolworths	Australia	46,669	8%	5.4%	6.8%	10.2x	9.7x	9.1x	7.9%	8.0%	8.1%
Wesfarmers	Australia	53,697	6%	13.3%	9.4%	12.1x	10.7x	9.8x	8.1%	8.3%	8.6%
Harvey Norman	Australia	4,105	16%	35.7%	9.1%	13.4x	9.9x	9.1x	16.9%	17.9%	18.2%
Super Retail Group Limited	Australia	3,042	11%	23.9%	12.7%	14.4x	11.7x	10.3x	11.9%	12.4%	12.8%
JB Hi-Fi Limited	Australia	2,212	3%	9.4%	5.9%	10.5x	9.6x	9.1x	6.5%	6.4%	6.2%
Myer	Australia	1,944	18%	3.4%	5.3%	6.9x	6.7x	6.4x	9.4%	9.7%	9.8%
David Jones	Australia	1,646	5%	1.6%	9.3%	8.5x	8.4x	7.7x	10.2%	10.7%	11.0%
EBOS	New Zealand	1,378	11%	53.4%	3.5%	12.1x	7.9x	7.6x	7.4%	3.3%	3.4%
Kathmandu Holdings Limited	New Zealand	716	5%	15.6%	12.2%	11.3x	9.8x	8.7x	19.5%	19.6%	19.7%
Fantastic	Australia	237	3%	33.4%	18.4%	11.1x	8.3x	7.0x	6.2%	7.0%	7.4%
Average		11,565	9%	19.5%	9.2%	11.1x	9.3x	8.5x	10.6%	10.0%	10.3%
Median		2,078	7%	14.4%	9.2%	11.2x	9.6x	8.9x	9.0%	8.7%	9.0%
High growth companies											
Domino's Pizza Enterprises Limited	Australia	1,405	1%	94.9%	23.7%	31.3x	16.0x	13.0x	15.4%	15.8%	15.8%
G8	Australia	938	2%	79.2%	40.8%	30.7x	17.1x	12.2x	17.0%	18.5%	19.5%
Reject Shop	Australia	505	0%	36.3%	23.2%	12.6x	9.3x	7.5x	6.5%	7.4%	8.0%
Capitol	Australia	197	3%	52.8%	22.8%	24.5x	16.1x	13.1x	12.9%	14.1%	15.9%
Average		761	2%	65.8%	27.6%	24.8x	14.6x	11.4x	13.0%	13.9%	14.8%
Median		721	2%	66.0%	23.4%	27.6x	16.1x	12.6x	14.2%	14.9%	15.9%
Average		8,472	6%	27.4%	11.7%	14.6x	10.6x	9.2x	11.4%	11.3%	11.8%
Median		1,646	5%	16.0%	9.3%	12.1x	9.7x	9.0x	10.2%	10.2%	10.7%
Minimum		197	0%	1.6%	3.5%	6.9x	6.7x	6.4x	4.8%	3.3%	3.4%
Maximum		53,697	18%	94.9%	23.7%	31.3x	17.1x	13.0x	23.1%	19.5%	19.6%

Source: Capital IQ, Deloitte Corporate Finance analysis

Appendix C: Comparable transactions

Table 46: Comparable mergers and acquisition multiples

Date	Target	Acquirer	Country	Percentage acquired (%)	Enterprise value (AUD million)	EV / EBITDA (times)
Veterinary services and pet retailing companies						
22-Aug-13	City Farmers Retail Pty Limited	Quadrant Private Equity Pty Limited	Australia	majority'	93	n/a
09-Apr-13	Vets4Pets Limited	Pets at Home Limited (Kohlberg Kravis Roberts)	UK	100%	44	n/a
31-Jan-12	Associate Veterinary Clinics Limited	VCA	Canada	80%	77	n/a
14-Oct-10	Provet Holdings Limited	Henry Schein, Inc.	Australia	100%	95	7.8x
02-Jun-10	Pet DRx Corporation	VCA	US	100%	65	12.6x
19-Feb-10	Veterinary Enterprises & Trading Limited	CVS	UK	100%	21	15.1x
Average						11.8

Source: Mergermarket, Capital IQ, ASX announcements, Deloitte Corporate Finance analysis

Appendix D: Control premium

Deloitte study

We conducted a study of premiums paid in Australian transactions completed between 1 January 2000 and 31 August 2013. This study was conducted by Deloitte staff for internal research purposes. Our merger and acquisition data was sourced from Bloomberg and Reuters and yielded 530 transactions that were completed during the period under review²⁷.

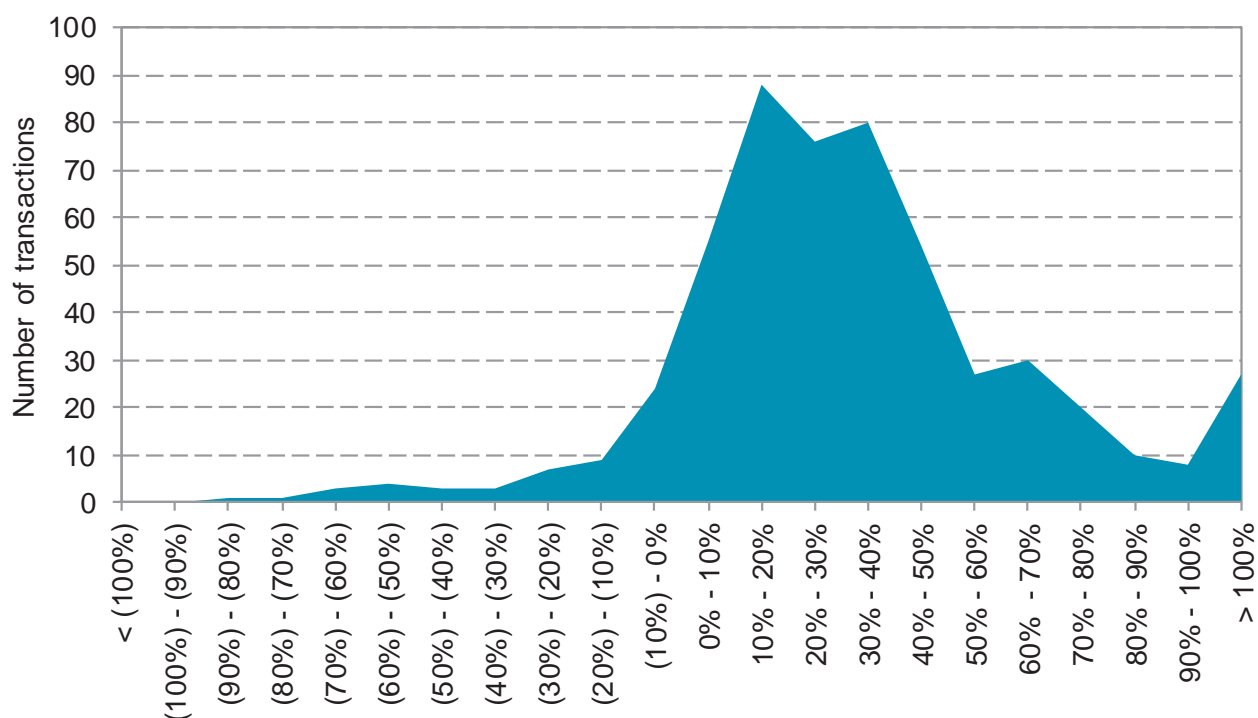
Our data set consisted of transactions where an acquiring company increased its shareholding in a target company from a minority interest to a majority stake or acquired a majority stake in the target company.

We assessed the premiums by comparing the offer price to the closing trading price of the target company one month prior to the date of the announcement of the offer. Where the consideration included shares in the acquiring company, we used the closing share price of the acquiring company on the day prior to the date of the offer.

Summary of findings

As the following figure shows, premiums paid in Australian transactions between 1 January 2000 and 31 August 2013 are widely distributed with a long ‘tail’ of transactions with high premiums.

Figure 14: Distribution of data



Source: Deloitte Corporate Finance analysis

²⁷ Excluding transactions where inadequate data was available.

The following table details our findings.

Table 47: Premium analysis - findings

	Control premium
Average	34%
Median	29%
Upper quartile	47%
Lower quartile	12%

Source: Deloitte Corporate Finance analysis

Notwithstanding the relatively wide dispersion of control premiums observed in our study we consider the control premium range of 20% to 40% to be representative of general market practice for the following reasons.

Many of the observed control premiums below 20% are likely to have been instances where the market has either been provided with information or anticipated a takeover offer in advance of the offer being announced. Accordingly, the pre-bid share trading price may already reflect some price appreciation in advance of a bid being received, which creates a downward bias on some of the observed control premiums in our study.

Many of the observed control premiums above 40% are likely to have been influenced by the following factors which create an upward bias on some of the observed control premiums in our study:

- some acquirers are prepared to pay above fair market value to realise ‘special purchaser’ value which is only available to a very few buyers. Such ‘special purchaser’ value would include the ability to access very high levels of synergistic benefits in the form of cost and revenue synergies or the ability to gain a significant strategic benefit
- abnormally high control premiums are often paid in contested takeovers where there are multiple bidders for a target company. In such cases, bidders may be prepared to pay away a greater proportion of their synergy benefits from a transaction than in a non-contested situation
- some of the observations of very high premiums are for relatively small listed companies where there is typically less trading liquidity in their shares and they are not closely followed by major broking analysts. In such situations, the traded price is more likely to trade at a deeper discount to fair market value on a control basis.

Accordingly, the observed control premiums to share trading prices for such stocks will tend to be higher.

Other studies

In addition to the study above, we have also had regard to the following:

- a study conducted by S.Rossi and P.Volpin of London Business School dated September 2003, ‘Cross Country Determinants of Mergers and Acquisitions’, on acquisitions of a control block of shares for listed companies in Australia announced and completed from 1990 to 2002. This study included 212 transactions over this period and indicated a mean control premium of 29.5% using the bid price of the target four weeks prior to the announcement
- ‘Valuation of Businesses, Shares and Equity’ (4th edition, 2003) by W.Lonergan states at pages 55-56 that: “Experience indicates that the minimum premium that has to be paid to mount a successful takeover bid was generally in the order of at least 25 to 40 per cent above the market price prior to the announcement of an offer in the 1980s and early 1990s. Since then takeover premiums appear to have fallen slightly.”
- a study conducted by P.Brown and R.da Silva dated 1997, ‘Takeovers: Who wins?’, JASSA: The Journal of the Securities Institute of Australia, v4(Summer):2-5. The study found that the average control premium paid in Australian takeovers was 29.7% between the period January 1974 and June 1985. For the ten year period to November 1995, the study found the average control premium declined to 19.7%.

Appendix E: Sources of information

In preparing this report we have had access to the following principal sources of information:

- draft Explanatory Memorandum prepared by Greencross management
- annual report/s for Greencross for the year ending 30 June 2010, 2011, 2012 and 2013
- audited financial statements for Mammoth for the years ending 30 June 2010, 2011, 2012 and 2013
- detailed financial projections for Greencross and Mammoth
- Greencross' major agreements/contracts with third parties, including loan agreements,
- internal documents of Greencross and Mammoth relevant to the Proposed Merger, including:
 - business strategy documents and analysis, prepared by management and by external consultants
 - details of existing employee share incentive schemes
 - board minutes
 - historical acquisition information
- annual reports for comparable companies
- company websites for Greencross, Mammoth and comparable companies
- publicly available information on comparable companies and market transactions published by ASIC, Thompson research, Capital IQ, and Mergermarket
- IBISWorld company and industry reports
- other industry reports including the Pet Ownership in Australia 2013 commissioned by the Alliance and undertaken by Galaxy Research
- PWC's Investigating Accountant's Report dated 29 November 2013
- other publicly available information, media releases and brokers reports on Greencross, Mammoth, comparable companies, the veterinary services industry and the Australian retail industry.

In addition, we have had discussions and correspondence with certain directors and executives, including Glen Richards, Jeffrey David, Paul Wilson and John Odium in relation to the above information and to current operations and prospects.

Appendix F: Qualifications, declarations and consents

This report has been prepared at the request of the Independent Directors of Greencross and is to be included in the Explanatory Memorandum to be given to the relevant Shareholders for approval of the Proposed Merger. Accordingly, it has been prepared only for the benefit of the Independent Directors of Greencross and of the relevant Shareholders and those persons entitled to receive the Explanatory Memorandum in their assessment of the Proposed Merger and should not be used for any other purpose. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the relevant Shareholders, in respect of this report, including any errors or omissions however caused. Further, recipients of this report should be aware that it has been prepared without taking account of their individual objectives, financial situation or needs. Accordingly, each recipient should consider these factors before acting on the Proposed Merger. This engagement has been conducted in accordance with professional standard APES 225 Valuation Services issued by the APESB.

The report represents solely the expression by Deloitte Corporate Finance of its opinion as to whether the Proposed Merger is fair and reasonable to:

- to the Non-Associated Shareholders pursuant to item 7 of Section 611.
- Non-Excluded Shareholders in accordance with ASX Listing Rule 10.

Deloitte Corporate Finance consents to this report being included in the Explanatory Memorandum.

Statements and opinions contained in this report are given in good faith but, in the preparation of this report, Deloitte Corporate Finance has relied upon the completeness of the information provided by Greencross and their officers, employees, agents or advisors which Deloitte Corporate Finance believes, on reasonable grounds, to be reliable, complete and not misleading. Deloitte Corporate Finance does not imply, nor should it be construed, that it has carried out any form of audit or verification on the information and records supplied to us. Drafts of our report were issued to Greencross management for confirmation of factual accuracy.

In recognition that Deloitte Corporate Finance may rely on information provided by Greencross and their officers, employees, agents or advisors, Greencross has agreed that it will not make any claim against Deloitte Corporate Finance to recover any loss or damage which Greencross may suffer as a result of that reliance and that it will indemnify Deloitte Corporate Finance against any liability that arises out of either Deloitte Corporate Finance's reliance on the information provided by Greencross and their officers, employees, agents or advisors or the failure by Greencross and their officers, employees, agents or advisors to provide Deloitte Corporate Finance with any material information relating to the Proposed Merger.

To the extent that this report refers to prospective financial information we have considered the prospective financial information and the basis of the underlying assumptions. The procedures involved in Deloitte Corporate Finance's consideration of this information consisted of enquiries of Greencross and Mammoth personnel and analytical procedures applied to the financial data. These procedures and enquiries did not include verification work nor constitute an audit or a review engagement in accordance with standards issued by the AUASB or equivalent body and therefore the information used in undertaking our work may not be entirely reliable.

Based on these procedures and enquiries, Deloitte Corporate Finance considers that there are reasonable grounds to believe that the prospective financial information for Greencross and Mammoth included in this report has been prepared on a reasonable basis in accordance with ASIC Regulatory Guide 111. In relation to the prospective financial information, actual results may be different from the prospective financial information of Greencross and Mammoth referred to in this report since anticipated events frequently do not occur as expected and the variation may be material. The achievement of the prospective financial information is dependent on the outcome of the assumptions. Accordingly, we express no opinion as to whether the prospective financial information will be achieved.

Deloitte Corporate Finance holds the appropriate Australian Financial Services licence to issue this report and is owned by the Australian Partnership Deloitte Touche Tohmatsu. The employees of Deloitte Corporate Finance principally involved in the preparation of this report were Stephen Reid, Director, B.Ec, M.App.Fin.Inv., CA, F.Fin; Tapan Parekh, B.Bus., M. Com, CA, F.Fin; Rachel Foley-Lewis, Director, B.Comm., CA, F.Fin; and Michele Picciotta, Senior Manager, B.Comm (Hons). Each has many years' experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

Consent to being named in disclosure document

Deloitte Corporate Finance Pty Limited (ACN 003 833 127) of 225 George Street, Sydney, NSW, 2000 acknowledges that:

- Greencross proposes to issue an Explanatory Memorandum in respect of the Proposed Merger
- the Explanatory Memorandum will be issued in hard copy and be available in electronic format
- it has previously received a copy of the draft Explanatory Memorandum for review
- it is named in the Explanatory Memorandum as the ‘independent expert’ and the Explanatory Memorandum includes its independent expert’s report in Annexure B of the Explanatory Memorandum.

On the basis that the Explanatory Memorandum is consistent in all material respects with the draft Explanatory Memorandum received, Deloitte Corporate Finance Pty Limited consents to it being named in the Explanatory Memorandum in the form and context in which it is so named, to the inclusion of its independent expert’s report in Annexure B of the Explanatory Memorandum and to all references to its independent expert’s report in the form and context in which they are included, whether the Explanatory Memorandum is issued in hard copy or electronic format or both.

Deloitte Corporate Finance Pty Limited has not authorised or caused the issue of the Explanatory Memorandum and takes no responsibility for any part of the Explanatory Memorandum, other than any references to its name and the independent expert’s report as included in Annexure B.

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Annexure C - Investigating Accountant's Report



The Directors
Greencross Limited
28 Balaclava Street
Woolloongabba QLD 4102

13 December 2013

Dear Directors

Investigating Accountant's Report

Independent Limited Assurance Report on historical and forecast financial information and Financial Services Guide

We have been engaged by Greencross Limited (**Greencross** or the **Company**) to report on the historical and forecast financial information for inclusion in the Explanatory Memorandum dated on or about 13 December 2013 and relating to the issue of ordinary shares in the Company to shareholders in Mammoth Pet Holdings Pty Limited (**Mammoth**).

Expressions and terms defined in the Explanatory Memorandum have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian financial services licence under the Corporations Act 2001. PricewaterhouseCoopers Securities Ltd, which is wholly-owned by PricewaterhouseCoopers holds the appropriate Australian financial services licence under the Corporations Act 2001. This report is both an Investigating Accountant's Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

Scope

You have requested PricewaterhouseCoopers Securities Ltd to review the following financial information (**Financial Information**):

- a) **Mammoth Financial Information**, comprising:
 - i. Historical Financial Information for Mammoth being:
 - consolidated statutory balance sheet as at 30 June 2013 (Section 3.3.2)
 - consolidated statutory income statements for FY2011, FY2012 and FY2013 (Section 3.3.4)
 - consolidated statutory cash flow statements for FY2011, FY2012 and FY2013 (Section 3.3.6), and
 - ii. Pro Forma Historical Financial Information for Mammoth, being:
 - pro forma consolidated income statements for FY2011, FY2012 and FY2013 (Section 3.3.4), and

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- iii. Forecast Financial Information, being:
 - consolidated forecast income statement for FY2014 (Section 3.3.8)
 - consolidated forecast cash flow statement for FY2014 (Section 3.3.10)
- b) **Greencross Financial Information**, comprising:
 - i. Historical Financial Information for Greencross, being:
 - consolidated statutory balance sheet as at 30 June 2013 (section 4.4.1)
 - consolidated statutory income statements for FY2011, FY2012 and FY2013 (Section 4.4.3)
 - consolidated statutory cash flow statements for FY2011, FY2012 and FY2013 (Section 4.4.5), and
 - ii. Pro Forma Historical Financial Information for Greencross, being:
 - pro forma consolidated income statements for FY2011, FY2012 and FY2013 (Section 4.4.3), and
 - iii. Forecast Financial Information, being:
 - consolidated forecast income statement for FY2014 (Section 4.4.7)
 - consolidated forecast cash flow statement for FY2014 (Section 4.4.9)
- c) **MergeCo Historical Financial Information**, comprising:
 - i. Pro Forma Historical Financial Information for MergeCo, being:
 - pro forma consolidated income statements for FY2011, FY2012 and FY2013 (Section 4.5.3)
 - pro forma consolidated cash flow statements for FY2011, FY2012 and FY2013 (Section 4.5.5), and
 - pro forma consolidated balance sheet as at 30 June 2013 (Section 4.5.1)
- d) **MergeCo Forecast Financial Information**, comprising:
 - i. Forecast Financial Information, being:
 - consolidated forecast income statement for FY2014 (Section 4.5.7)
 - consolidated forecast cash flow statement for FY2014 (Section 4.5.9), and
 - ii. Pro Forma Forecast Financial Information, being:
 - pro forma consolidated forecast income statement for FY2014 (Section 4.5.7)
 - pro forma forecast cash flow statement for FY2014 (Section 4.5.9)

MergeCo represents the consolidation of Greencross by Mammoth.



Historical Financial Information

The historical financial information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and Mammoth's adopted accounting policies.

The historical financial information for Mammoth has been extracted from the financial reports of Mammoth for the years ended 30 June 2011, 2012 and 2013, which were audited by PricewaterhouseCoopers in accordance with Australian Auditing Standards. PricewaterhouseCoopers issued unqualified audit opinions on the financial reports. The historical financial information is presented in the Explanatory Memorandum in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

The historical financial information for Greencross has been extracted from the financial reports of Greencross for FY2011, FY2012 and FY2013. The financial reports for FY2011 and FY2012 were audited by Crowe Howarth in accordance with Australian Auditing Standards. Crowe Howarth issued unqualified opinions in respect of both periods. The financial report for FY2013 was audited by PricewaterhouseCoopers in accordance with Australian Auditing Standards. Certain historical financial information for FY2012 was restated in the financial report. The restated historical financial information for FY2012 has been reflected in this document. PricewaterhouseCoopers issued an unqualified audit opinion on the financial report.

Pro Forma Historical Financial Information

The pro forma historical financial information has been derived from the historical financial information of Mammoth and Greencross, after adjusting for the effects of pro forma adjustments described in Sections 3 and 4 of the Explanatory Memorandum. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and adopted accounting policies applied to the historical financial information and the events and transactions to which the pro forma adjustments relate, as described in Sections 3 and 4 of the Explanatory Memorandum, as if those events and transactions had occurred as at the date of the historical financial information. Due to its nature, the pro forma historical financial information does not represent Greencross' nor MergeCo's actual or prospective financial position, financial performance, and/or cash flows.

Forecasts

The forecast income statements and cash flows of Greencross, Mammoth and MergeCo for FY2014 are described in Sections 3 and 4 of the Explanatory Memorandum (**Forecasts**). The directors' best estimate assumptions underlying the Forecasts are described in Sections 3 and 4. The basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards.

Pro Forma Forecasts

The pro forma forecast income statement and cash flow of MergeCo for FY2014, described in Section 4 of the Explanatory Memorandum have been derived from forecasts for Greencross and Mammoth, and adjusted for the effects of the pro forma adjustments described in Section 4 of the Explanatory



Memorandum (**Pro Forma Forecasts**). The stated basis of preparation used in the preparation of the Pro Forma Forecasts, being the recognition and measurement principles contained in Australian Accounting Standards applied to the forecast and the events and transactions to which the pro forma adjustments relate, as described in Section 4 of the Explanatory Memorandum, is as if those events and transactions had occurred as at 1 July 2013.

Due to their nature, the Pro Forma Forecasts do not represent the actual prospective financial performance and cash flows of MergeCo for FY2014.

Directors' responsibility

The directors of Greencross are responsible for the preparation of the Historical Financial Information and Pro Forma Historical Financial Information, including its basis of preparation and the selection and determination of pro forma adjustments made to the Historical Financial Information and included in the Pro Forma Historical Financial Information.

The directors of Greencross are also responsible for the preparation of the Forecasts and the Pro Forma Forecasts, including their basis of preparation and the selection and determination of the pro forma adjustments made to the Forecasts and included in the Pro Forma Forecasts. This includes responsibility for its compliance with applicable laws and regulations and for such internal controls as the directors determine are necessary to enable the preparation of Financial Information that is free from material misstatement.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the Historical Financial Information, the Pro Forma Historical Financial Information, the Forecasts and Pro Forma Forecasts, the best-estimate assumptions underlying the Forecasts and Pro Forma Forecasts, and the reasonableness of the Forecasts and Pro Forma Forecasts themselves, based on our review. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

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

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

Conclusions

Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the historical financial information, as described in Sections 3 and 4 of the Explanatory Memorandum and comprising:

- consolidated statutory balance sheet for Mammoth as at 30 June 2013 (Section 3.3.2)



- consolidated statutory income statements for Mammoth for FY2011, FY2012 and FY2013 (Section 3.3.4)
- consolidated statutory cash flow statements for Mammoth for FY2011, FY2012 and FY2013 (Section 3.3.6)
- consolidated statutory balance sheet for Greencross as at 30 June 2013 (section 4.4.1)
- consolidated statutory income statements for Greencross for FY2011, FY2012 and FY2013 (Section 4.4.3)
- consolidated statutory cash flow statements for Greencross for FY2011, FY2012 and FY2013 (Section 4.4.5)

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Sections 3 and 4 of the Explanatory Memorandum being the recognition and measurement principles contained in Australian Accounting Standards and adopted accounting policies.

Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the pro forma historical financial information as described in Sections 3 and 4 of the Explanatory Memorandum, and comprising:

- pro forma consolidated income statements for Mammoth for FY2011, FY2012 and FY2013 (Section 3.3.4)
- pro forma consolidated income statements for Greencross for FY2011, FY2012 and FY2013 (Section 4.4.3)
- pro forma consolidated income statements for MergeCo for FY2011, FY2012 and FY2013 (Section 4.5.3)
- pro forma consolidated cash flow statements for MergeCo for FY2011, FY2012 and FY2013 (Section 4.5.5), and
- pro forma consolidated balance sheet for MergeCo as at 30 June 2013 (Section 4.5.1)

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Sections 3 and 4 of the Explanatory Memorandum being the recognition and measurement principles contained in Australian Accounting Standards and the adopted accounting policies applied to the historical financial information and the events and transactions to which the pro forma adjustments relate, as described in Sections 3 and 4 of the Explanatory Memorandum, as if those events or transactions had occurred as at the date of the historical financial information.

Forecasts

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

- the directors' best-estimate assumptions used in the preparation of the Forecasts of Greencross, Mammoth and MergeCo for FY2014 do not provide reasonable grounds for the Forecasts; and



- in all material respects, the Forecasts:
 - are not prepared on the basis of the directors' best-estimate assumptions, as described in Sections 3 and 4 of the Explanatory Memorandum; and
 - are not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the company's adopted accounting policies, and
- the Forecasts are unreasonable.

Pro Forma Forecasts

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

- the directors' best-estimate assumptions used in the preparation of the Pro Forma Forecasts for MergeCo for FY2014 does not provide reasonable grounds for the Pro Forma Forecasts; and
- in all material respects, the Pro Forma Forecasts:
 - are not prepared on the basis of the directors' best-estimate assumptions, as described in Sections 3 and 4 of the Explanatory Memorandum; and
 - are not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the company's adopted accounting policies, applied to the Pro Forma Forecasts and the pro forma adjustments as if those adjustments had occurred as at the date of the Pro Forma Forecasts, and
- the Pro Forma Forecasts are unreasonable.

Forecasts and Pro Forma Forecasts

The Forecasts and Pro Forma Forecasts have been prepared by management and adopted by the directors in order to provide prospective investors with a guide to the potential financial performance of MergeCo for the year ending 30 June 2014. There is a considerable degree of subjective judgment involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Forecasts and Pro Forma Forecasts since anticipated events and transactions frequently do not occur as expected and the variation may be material. The directors' best-estimate assumptions on which the Forecasts and Pro Forma Forecasts are based relate to future events and transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside their control. Evidence may be available to support the directors' best-estimate assumptions on which the Forecasts and Pro Forma Forecasts are based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the directors' best-estimate



assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in Greencross, which are detailed in the Explanatory Memorandum, and the inherent uncertainty relating to the Forecasts and Pro Forma Forecasts. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in Sections 4 and 5 of the Explanatory Memorandum. The sensitivity analysis described in Section 4 of the Explanatory Memorandum demonstrates the impact on the Forecasts and Pro Forma Forecasts of changes in key best-estimate assumptions. We express no opinion as to whether the Forecasts and Pro Forma Forecasts will be achieved.

The Forecasts and Pro Forma Forecasts have been prepared by the directors for the purpose of inclusion in the Explanatory Memorandum. We disclaim any assumption of responsibility for any reliance on this report, or on the Forecasts or Pro Forma Forecasts to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of Mammoth and Greencross, that all material information concerning the prospects and proposed operations of Greencross, Mammoth and MergeCo have been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Emphasis of matter

We draw attention to Section 4.5.1 of the Explanatory Memorandum which sets out that in preparing the Financial Information only provisional amounts have been recognised for the fair values of acquired assets and liabilities in accordance with AASB3 Business Combinations. The provisional amounts have been based on the historical cost recognised in the financial statements of Greencross.

Accordingly, Table 4.8 of the Financial Information does not necessarily contain all of the adjustments to the reported amounts of assets and liabilities that will be required to reflect their final fair values and in particular does not necessarily recognise the final fair value of identifiable intangible assets separately to goodwill, and the pro forma forecast income statement at Table 4.12 and the forecast income statement at Table 4.13 do not include the amortisation of identifiable intangible assets

Our opinion is not modified in respect of this matter.

Restriction on Use

Without modifying our conclusions, we draw attention to Sections 3 and 4 of the Explanatory Memorandum, which describes the purpose of the financial information, being for inclusion in the Explanatory Memorandum. As a result, the financial information may not be suitable for use for another purpose.

Consent

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this assurance report in the public document in the form and context in which it is included.



Liability

The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this report in the Explanatory Memorandum. PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or omissions from the Explanatory Memorandum.

Independence or Disclosure of Interest

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of this transaction other than the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.

Financial Services Guide

We have included our Financial Services Guide as Appendix A to our report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our report.

Yours faithfully

A handwritten signature in black ink that reads 'Paul Lindstrom'.

Paul Lindstrom
Authorised Representative
PricewaterhouseCoopers Securities Ltd

A handwritten signature in black ink that reads 'M. Haberlin'.

Mark Haberlin
Authorised Representative
PricewaterhouseCoopers Securities Ltd



Appendix A – Financial Services Guide

PRICEWATERHOUSECOOPERS SECURITIES LTD FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 13 December 2013

1. *About us*

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) (**PwC Securities**) has been engaged by Greencross Limited (**the Company**) to provide a report in the form of an Investigating Accountant's Report in relation to the issue of ordinary shares in the Company to shareholders in Mammoth Pet Holdings Pty Limited (**the Report**) for inclusion in the Explanatory Memorandum dated on or about 13 December 2013.

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2. *This Financial Services Guide*

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

3. *Financial services we are licensed to provide*

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.



4. *General financial product advice*

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

5. *Fees, commissions and other benefits we may receive*

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report, an estimation of our fees is approximately \$815,000 (exclusive of GST and out of pocket expenses) as at the date of this report.

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

6. *Associations with issuers of financial products*

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business. PricewaterhouseCoopers is the auditor of Greencross Limited and Mammoth Pet Holdings Pty Ltd.

7. *Complaints*

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Service ("**FOS**"), an external complaints resolution service. FOS can be contacted by calling 1300 780 808. You will not be charged for using the FOS service.



8. *Contact Details*

PwC Securities can be contacted by sending a letter to the following address:

Paul Lindstrom
Authorised Representative of
PricewaterhouseCoopers Securities Ltd

Riverside Centre
123 Eagle Street
BRISBANE QLD 4000
GPO Box 150
BRISBANE QLD 4001

Annexure D - Mammoth accounting policies as per the Mammoth financial report for the year ended 30 June 2013

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the Mammoth Financial Information (as defined in Section 3) are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The Mammoth Financial Information is for the consolidated entity consisting of Mammoth Pet Holdings Pty Limited and its subsidiaries (**Mammoth**).

(a) Basis of preparation

The Mammoth Financial Information has been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Mammoth is a for-profit entity for the purpose of preparing the Mammoth Financial Information.

(i) New and amended standards adopted by Mammoth

None of the new standards and amendments to standards that are mandatory for FY2013 affected any of the amounts recognised in FY2013 or any prior period and are not likely to affect future periods.

(ii) Early adoption of standards

Mammoth has elected to apply the following pronouncements to FY2013:

- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*
- AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*.

None of the items in Mammoth Financial Information had to be restated as a result of applying these standards.

(iii) Historical cost convention

The Mammoth Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value.

(iv) Critical accounting estimates

The preparation of the Mammoth Financial Information requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Mammoth's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Mammoth Financial Information, are disclosed in note 2. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Mammoth Financial Information, are disclosed in note 2.

(b) Principles of consolidation

(i) Subsidiaries

The Mammoth Financial Information incorporates the assets and liabilities of all subsidiaries of Mammoth Pet Holdings Pty Limited as at 30 June 2013 and the results of all subsidiaries for the year then ended.

Subsidiaries are all entities (including special purpose entities) over which Mammoth has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether Mammoth controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to Mammoth. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by Mammoth (refer to note 1(g)).

Intercompany transactions, balances and unrealised gains on transactions between Mammoth companies 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 Mammoth.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the Mammoth Financial Information are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Mammoth Financial Information is presented in Australian dollars, which is Mammoth's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement, within finance costs. All other foreign exchange gains and losses are presented in the consolidated income statement on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(iii) Group companies

The results and balance sheet of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet, and
- income and expenses for each consolidated income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

All revenue is stated net of the amount of goods and services tax (GST).

Mammoth recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of Mammoth's activities as described below. Mammoth bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Sale of goods - retail

Mammoth operates a chain of retail stores selling pet specialty goods. Revenue from the sale of goods is recognised when Mammoth sells a product to the customer. Retail sales are usually by credit card or in cash.

It is Mammoth's policy to sell its products to the end customer with a right of return within 28 days. Accumulated experience is used to estimate and provide for such returns at the time of sale.

Revenue from sale of goods is recognised upon delivery of goods and services.

Customer loyalty programme

Mammoth operates a loyalty programme where customers accumulate points for purchases made which entitle them to discounts on future purchases. The award points are recognised as a separately identifiable component of the initial sale transaction, by allocating the fair value of the consideration received between the award points and the other components of the sale such that the award points are recognised at their fair value.

Revenue from the award points is recognised when the points are redeemed. The amount of revenue is based on the number of points redeemed relative to the total number expected to be redeemed. Award points expire 12 months after the initial sale.

(ii) Services

Revenue from pet grooming and veterinary services is recognised in the accounting period in which the services are provided.

(iii) Interest income

Interest income is recognised using the effective interest method.

(iv) Dividends

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence, refer note 1(l).

(e) Income tax

The income tax expense or revenue for the period is the tax payable on the current 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 to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where Mammoth's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Mammoth Financial Information. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where Mammoth is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Mammoth has implemented the tax consolidation legislation. Each Mammoth entity recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits,

which are immediately assumed by the parent entity. The current tax liability of each Mammoth entity is then subsequently assumed by Mammoth Pet Holdings Pty Ltd.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in directly in equity.

(i) Tax consolidation legislation

Mammoth has implemented the tax consolidation legislation.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate Mammoth Pet Holdings Pty Limited for any current tax payable assumed and are compensated by Mammoth Pet Holdings Pty Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Mammoth Pet Holdings Pty Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables.

(f) Leases

Leases of property, plant and equipment where Mammoth, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the 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 Mammoth will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Mammoth as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease, subject to any renewals.

Lease income from operating leases where Mammoth is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the consolidated balance sheet based on their nature.

Lease incentives

Mammoth recognises all lease incentives for the agreement of new or renewed operating leases as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

Mammoth as lessee also recognises the aggregate benefit of incentives as reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

(g) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by Mammoth. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition-date. On an acquisition-by-acquisition basis, Mammoth recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(h) Impairment of assets

Goodwill and 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 assets are tested 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. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(i) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheet.

(j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that Mammoth will not be able to collect all amounts due according to the original terms of the receivables.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is

written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business.

(l) Investments and other financial assets

Classification

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the consolidated balance sheet.

(ii) Financial liabilities

Non-derivative financial liabilities are recognised when Mammoth becomes a party to the contractual provisions of the instrument. Financial liabilities held comprise trade payables, other payables and borrowings that are non-derivative financial liabilities with fixed or determinable payments. They are included in current liabilities, except for those with maturities greater than 12 months after the reporting period which are classified as non-current liabilities. Financial liabilities are included in trade and other payables and borrowings and in the consolidated balance sheet.

(iii) Derivatives

Derivative instruments are discussed further in note 1(m).

Recognition and derecognition

Financial instruments, incorporating financial assets and financial liabilities, are recognised when Mammoth becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets and liabilities that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to the consolidated income statement immediately.

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby Mammoth no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the consolidated income statement.

Measurement

At initial recognition, Mammoth measures a financial asset or liability at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method or cost. Amortised cost is the amount at which the financial asset or liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Impairment

Mammoth assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

If there is evidence of impairment for any of Mammoth's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash

flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the consolidated income statement.

(m) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Mammoth designates certain derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

Mammoth documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. Mammoth also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or finance costs.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

(n) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Mammoth and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, over the lease term if shorter, as follows:

	30 June 2013	24 June 2012
- Leasehold improvements	6.5% - 10%	7.5% - 10%
- Plant and equipment	10% - 25%	7.5% - 40%
- Motor vehicles	12.5%	12.5%
- Office equipment	20%	20%

Work in progress represents new stores that are in the process of being completed. The useful lives for leasehold improvement assets have been reviewed with new estimates made, refer to note 2(iii).

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(o) Intangible assets

(i) Goodwill

Goodwill is measured as described in note 1(h). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(p) Trade and other payables

These amounts represent liabilities for goods and services provided to Mammoth prior to the end of financial year which are unpaid. The amounts are unsecured and are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(q) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Transaction costs relating to the setup of banking facilities, including facility fees and associated costs have been capitalised. These transaction costs have been offset against the facility and are being expensed over the period of the loan.

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless Mammoth has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(r) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(s) Provisions

Provisions are recognised when Mammoth has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Gift vouchers

The liability for gift vouchers is measured as the total gift vouchers sold not redeemed.

(t) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employee's services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period 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 end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based payments

Share based compensation benefits are provided to employees in lieu of salaries and directors fees.

Under the share scheme, shares issued vest immediately on grant date. The market value of the shares issued is recognised as an employee benefits expense with a corresponding increase in equity. Unissued shares under the share scheme are recognised in the share based payment reserve.

(iv) Long term incentive plan

Share based compensation benefits are provided to employees through the Mammoth Long Term Incentive Plan.

The fair value of the performance rights granted under the Mammoth Long Term Incentive Plan is recognised as an employee benefits expense with a corresponding increase in equity. Unissued shares under the share scheme are recognised in the share based payment reserve.

The total amount to be expensed is determined by reference to the fair value of the performance rights granted, which includes any market performance conditions and the impact of any non vesting conditions but excludes the impact of any service and non market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of performance rights that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of performance rights that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

(u) Contributed equity

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.

(v) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(w) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of 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 taxation authority is included with other receivables or payables in the consolidated balance sheet.

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 taxation authority, are presented as operating cash flows.

(x) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods and have not been early adopted by Mammoth. Mammoth's assessment of the impact of these new standards and interpretations is set out below.

- (i) AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* and AASB 2012-6 *Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures* (effective from 1 January 2015)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption.

There will be no impact on Mammoth's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and Mammoth does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. Mammoth has not yet decided when to adopt AASB 9.

AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 127 *Separate Financial Statements*, AASB 128 *Investments in Associates and Joint Ventures*, AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* and AASB 2012-10 *Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments* (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation - Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. While Mammoth does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by Mammoth will not affect any of the amounts recognised in the Mammoth Financial Information.

Mammoth does not expect to adopt the new standards before their operative date. They would therefore be first applied in the Mammoth Financial Information for FY2014.

(ii) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. Mammoth has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the Mammoth Financial Information. Mammoth does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending June 2014.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

Mammoth makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The 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.

(i) Estimated impairment of goodwill

Mammoth tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(o). The recoverable amounts of cash generating units (CGUs) have been determined based on value in use calculations. These calculations require the use of assumptions regarding gross margins, growth rates and discount rates applicable to each CGU.

(ii) Income taxes

Mammoth is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Mammoth estimates its tax liabilities based on Mammoth's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(iii) Revision of useful lives of plant and equipment and leasehold improvements

During FY2013 the estimated total useful lives of leasehold improvement assets were revised to reflect the actual usage of the assets seen in the stores. The net effect of the changes in the current year was an decrease in depreciation expense of \$1,430,603.

Assuming the assets are held until the end of their estimated useful lives, depreciation in future years in relation to these assets will be decreased by the following amounts:

Year ending 30 June	\$
2014	2,759,423
2015	2,334,431
2016	2,185,039

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