Greencross Limited
ABN 58 119 778 862

Appendix 4D – Half-year Report
For the Half-year Ended 31 December 2015

Lodged with Australian Securities Exchange under Listing Rule 4.2A

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Results for announcement to the market	Compared to the half-year ended 31 December 2014 %	Half-year ended 31 December 2015 $'000
Revenue from ordinary activities	Up 17.9%	362,842
EBITDA attributable to the owners of Greencross Limited	Up 104.6%	45,111
Profit from ordinary activities after tax attributable to the owners of Greencross Limited	Up 617.1%	18,710
NPAT attributable to the owners of Greencross Limited	Up 617.1%	18,710
Underlying EBITDA attributable to the owners of Greencross Limited	Up 16.7%	48,526
Underlying NPAT attributable to the owners of Greencross Limited	Up 11.5%	21,169
Underlying EPS attributable to the owners of Greencross Limited	Up 8.5%	18.7 cents

Dividends	Amount per Security Cents	Compared to the half-year ended 31 December 2014 %	Franked amount per security Cents	Compared to the half-year ended 31 December 2014 %
Interim dividend per ordinary share in respect of the half-year ended 31 December 2015 payable on 23rd March 2016	9.000	Up 12.5%	9.000	Up 12.5%
The record date for determining entitlements to the interim dividend is 26th February 2016				

Dividends
The interim fully franked ordinary dividend in respect of the financial half-year ending 31 December 2015 amounts to 9.0 cents per share, which is an increase of 12.5% from the interim dividend for the financial half-year ended 31 December 2014.

Dividend reinvestment plan suspended
The Company's Dividend Reinvestment Plan ("DRP") has been suspended in relation to the interim dividend payable in respect of the financial half-year ending 31 December 2015.

Commentary
Refer to the section headed "Commentary on results" for an explanation of the results.

Attention is also drawn to the audited Interim Report, Investor Presentation and Media Release material released to the market with this Appendix 4D Half-year Report.

Appendix 4D – Commentary on Results
31 December 2015

H1 2016 Result highlights
The directors are pleased to report the following results for the half-year ended 31 December 2015:

- **Group revenue up by 18%**
- **Group Like for Like[1] ("L4L") revenue 5.1%, >6% excluding Western Australia ("WA")**
- **Gross margin % up 240 bps to 55.6%**
- **Statutory EBITDA up 105% to $45.1m**
- **Underlying EBITDA up 17% to $48.5m**
- **Underlying EPS up 9% to 18.7 cents**

Financial overview – statutory performance
The directors are pleased to report another set of strong results underpinned by robust revenue growth and cash generation across the retail, veterinary and New Zealand operations. The Group has continued to pursue its strategy of organic and acquisitive growth while at the same time leveraging its integrated pet care offering and investing in growth capabilities.

Statutory profit or loss	31-Dec-2015 $'000's	31-Dec-2014 $'000's	Change $'000's	%
Revenue[2]	**362,721**	**307,543**	**55,178**	17.9%
Cost of sales of goods	(161,154)	(143,789)	(17,365)	12.1%
Gross margin	**201,567**	**163,754**	**37,813**	23.1%
Gross margin (%)	55.6%	53.2%	2.4%	
Operating expenses	(156,456)	(141,706)	(14,750)	10.4%
EBITDA	**45,111**	**22,048**	**23,063**	104.6%
EBITDA margin (%)	12.4%	7.2%	5.2%	
Depreciation and amortisation	(8,884)	(6,912)	(1,972)	28.5%
Profit before finance costs and income tax expense	**36,227**	**15,136**	**21,091**	139.3%
Finance costs	(7,952)	(6,081)	(1,871)	30.8%
Profit before income tax expense	**28,275**	**9,055**	**19,220**	212.3%
Income tax expense	(7,917)	(5,374)	(2,543)	47.3%
Profit after income tax expense	**20,358**	**3,681**	**16,677**	453.1%
Non-controlling interest	(1,648)	(1,072)	(576)	53.7%
Net profit after income tax expense attributable to the owners of Greencross Limited	**18,710**	**2,609**	**16,101**	617.1%
Final ordinary dividend per share	**9.0**	**8.0**	**1.0**	12.5%

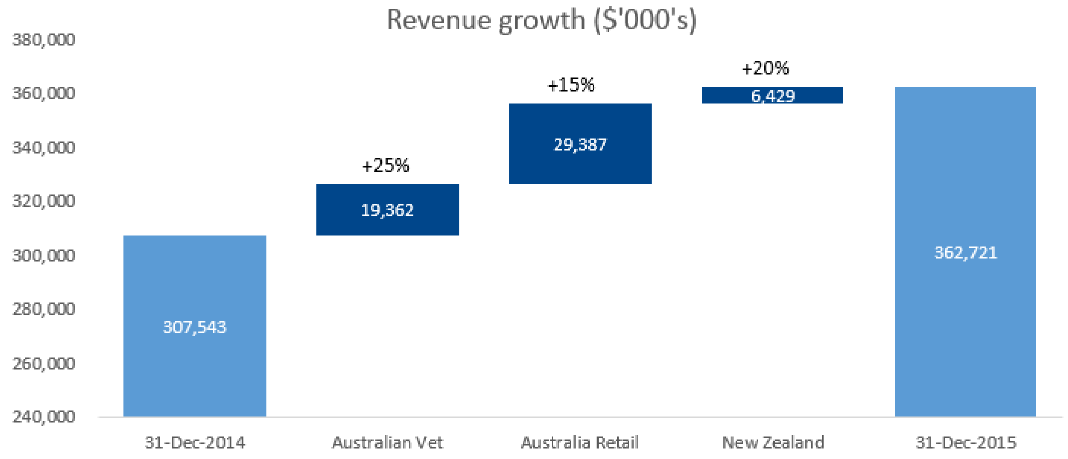
[1] Like for Like sale growth represents comparative sales growth in all stores and clinics after 53 weeks of operation

[2] Excludes interest income

Appendix 4D – Commentary on Results
31 December 2015

Revenue

Revenues were up by 17.9% or $55.2 million to $362.7 million (2014: $307.5 million) as a result of sound L4L sales growth (+5.1%) over the prior comparison period ("pcp") coupled with network expansion.



Increased customer engagement and cross shopping across our integrated pet care offerings is increasing average customer spend and is expected to contribute to sustained revenue growth in future periods.

Revenues in our Veterinary business were up by 25.2% or $19.4m to $96.3m (2014: $77.0m) driven by network expansion, particularly in specialty and emergency, and the accelerated roll out of "in store" co-located vets. Veterinary General Practice ("GP") LFL sales growth (+4.1%) was in line with expectations and positively supported by a 4.6% increase in visits to clinics. Cross referral initiatives are increasingly supporting veterinary sales growth.

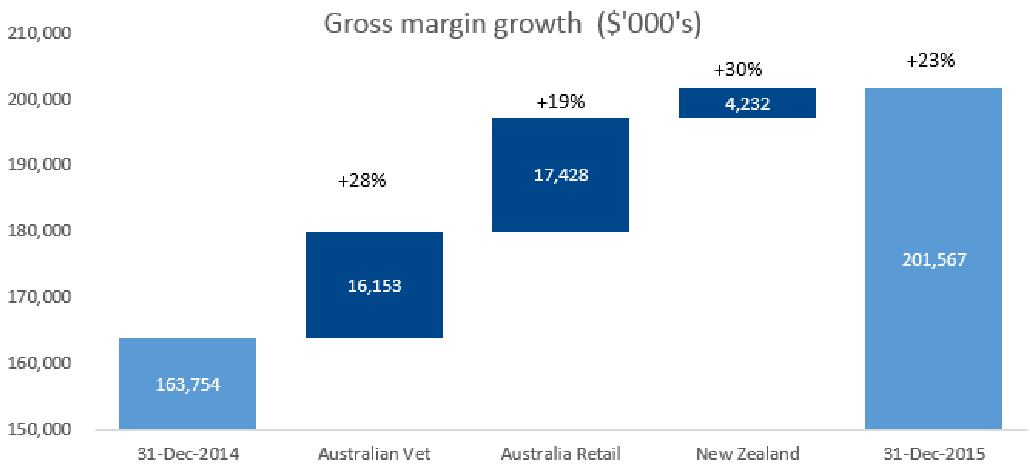
Revenues in our Australian Retail business were up by 14.8% or $29.4m to $228.0m (2014: $198.6m) driven by network expansion and L4L sales growth. Australian retail L4L sales growth (overall +4.3%) was strong (>6%) across all states outside of Western Australia ("WA") but declined in WA due to a poor economic backdrop and soft consumer sentiment. Specific initiatives to increase customer numbers in WA through price competitive grocery brand offers and private label penetration are underway. Our online and non-medical services businesses continue to perform extremely well and grew by 73% and 32% respectively versus pcp.

New Zealand ("NZ") operations saw continued strong growth in the half-year driven by outstanding L4L sales, entry to vet and aggressive network expansion. NZ Retail revenues were up by 20.1% or $6.4m to $38.4m (2014: $32.0m). NZ retail L4L sales growth (+7.3%) reflects the continued strength and momentum of the Animates brand in NZ.

During the financial half-year the Group expanded its network by adding 11 retail stores and 17 veterinary clinics, including 9 "in store" vets.

Gross margin and gross margin %

Group gross margin % increased 2.4% to 55.6% (2014: 53.2%) largely as a result of the change in sales mix towards veterinary services which trade at a higher gross margin % and the improvement in City Farmers margins with reduced clearance, range adjustments and improved buying terms. In the operating divisions gross margin % improved over pcp in Veterinary (+1.4% - due to acquisition of higher margin specialty and emergency businesses) and NZ (+3.6% - includes both the mix effect of NZ veterinary clinics and retail improvement) while Australian Retail (+1.7%) grew as a result of the improved City Farmers margins. This more than outweighed the planned mix impact of higher food sales which generally trade at lower margins than general products. Sales of higher margin private label products increased to 18% of retail sales and have offset the marginal impact of the weakening Australian dollar.



Operating expenses

Operating expenses increased by 10.4% or $14.7m to $156.5m (2014: $141.7m) with the half-year ended 31 December 2014 including $15.3m of exceptional items compared to $3.4m in the current half-year. The Group continues to invest in new retail stores and veterinary clinics in addition to internal capabilities and systems.

EBITDA

EBITDA increased by 104.6% or $23.1m to $45.1m (2014: $22.0m). The Group incurred $19.5m of exceptional costs primarily in relation to the acquisition and integration of City Farmers in the prior period compared to $3.4m in the current period. After removing the impact of these items EBITDA grew by 16.7% or $6.9m to $48.5m (2014: $41.6m) on the back of solid underlying business growth, network expansion through the addition of retail stores and veterinary clinics and improved gross margins.

Finance costs

Finance costs increased by 30.8% or $1.9m to $8.0m (2014: $6.1m) as a result of increased levels of debt following the investments in retail stores and veterinary clinics and integration activities over the last 12 months. A reduction in net debt during the half-year period ending 31 December 2015, coupled with improved terms, will ensure finance costs cease to grow at the level seen in this half-year.

Depreciation and amortisation

Depreciation and amortisation costs increased by 28.5% or $2.0m to $8.9m (2014: $6.9m) primarily as a result of the investments in retail stores and veterinary clinics in both the current and prior year. Further investment through FY 2015 in the existing portfolio also increased the depreciation charge while amortisation of the supply chain project commenced during the current half-year.

Income tax expense

The effective tax rate reduced to 28.0% (2014: 59.3%) due to the reduction in non-deductible costs associated with the City Farmers acquisition and recognition of previously unrecognised losses.

Net profit after tax

Net profit after tax (“NPAT”) was up 617.1% or $16.1m to $18.7m (2014: $2.6m) largely as a result of the strong top line growth and the reduction in exceptional items incurred during the period.

Cash flow highlights

The Group delivered an extremely strong cash performance during the half-year driven by EBITDA growth and disciplined working capital management resulting in strong cash conversion and positive free cash flow.

Statutory cash flow	31-Dec-2015 $'000's	31-Dec-2014 $'000's	Change $'000's	%
EBITDA	**45,111**	**22,048**	**23,063**	104.6%
Net working capital movement	7,254	(11,435)	18,689	(163.4%)
Ungeared, pre-tax operating cash flows	**52,365**	**10,613**	**41,752**	393.4%
Cash conversion %	***116%***	***48%***	***68%***	
Net interest and finance costs paid	(6,946)	(4,791)	(2,155)	45.0%
Income taxes received/(paid)	2,800	(6,411)	9,211	(143.7%)
Net cash from operating activities	**48,219**	**(589)**	**48,808**	(8286.6%)
Purchase of City Farmers	-	(155,308)	155,308	(100.0%)
Expansionary capex	(19,162)	(19,474)	312	(1.6%)
Underlying capex[3]	(13,686)	(14,484)	798	(5.5%)
Net cash used in investing activities	**(32,848)**	**(189,266)**	**156,418**	(82.6%)
Free cash flow	**15,371**	**(189,855)**	**205,226**	(108.1%)
Net proceeds from issues of shares	-	18,553	(18,553)	(100.0%)
Net proceeds from borrowings and refinance costs	9,905	79,152	(69,247)	(87.5%)
Dividends paid	(402)	(295)	(107)	36.3%
Net cash used in financing activities	**9,503**	**97,410**	**(87,907)**	(90.2%)
Net increase/(decrease) in cash and cash equivalents	**24,874**	**(92,445)**	**117,319**	(126.9%)

Ungeared, pre-tax operating cash flow increased by 393.4% or $41.8m to $52.4m (2014: $10.6m) as a result of EBITDA growth, complemented by disciplined working capital management resulting in a cash conversion of 116% (2014: 48%)

Interest and finance costs increased by 45% or $2.2m to $6.9m (2014: $4.8m) as a result of the increased level of bank borrowings compared to the prior period used to fund expansionary and restructuring activities in FY 2015.

Income tax was a net refundable position of $2.8m (2014: payable of $6.4m) as a result of the timing of Australian Tax Office ("ATO") installments being substantially higher than the final tax payable position for the FY 2015 year end.

Net cash used in investing activities decreased by 82.6% or $156.4m to $32.8m (2014: $189.3m) due to the return to more normal levels of investment in retail stores and veterinary clinics and underlying capex excluding City Farmers. During the half-year the Group acquired 8 veterinary clinics, opened 9 "in store" co-located veterinary clinics and opened a further 11 retail stores. In addition the Group continued to develop internal capabilities with $4.6m (2014: $3.3m) invested in supply chain and logistics capabilities and omni channel development.

Free cash flow of $15.4m (2014: cash outflow of $189.9m) represents a significant step towards a sustained self-funding growth model leveraging strong cash conversion and careful investments to increase return on capital.

Net cash used in financing activities decreased by 90.2% or $87.9m to $9.5m (2014: $97.4m) reflecting reduced requirements for debt and equity funding needed to fund the City Farmers acquisition during FY 2015.

[3] Underlying capex represents total capex after removing cash paid in relation to purchase of businesses and investment in new sites and clinics.

Capital management

During the financial half-year ended 31 December 2015 Group net debt decreased by 6.1% or $14.3m to $220.1m (2014: $234.4m) as a result of strong cash conversion and a transition towards self-funded growth outside of one off material potential acquisitions.

As at 31 December 2015 the Group had drawn down $269.9m borrowings (2014: $258.9m) out of the recently refinanced $350.0m Australian senior facilities with an additional accordion facility of $50m. The strong cash result helped the Group deleverage the Australian senior debt facilities with the leverage ratio reducing to 2.3x (30 June 2015: 2.5x) on a bank covenant basis.

The Group refinanced the main Australian senior debt facilities during the financial half-year resulting in improved commercial terms, a relaxation in covenants, an additional accordion facility of $50m and an extension to tenor out to October 2020. A summary of the new facility is detailed below:

Facility	Facility limit	Expiry date	Amount drawn	
AUD $'000s	31-Dec-2015		31-Dec-2015	30-Jun-2015
A1 – bullet revolver	75,000	Oct-2020	75,000	-
A2 – bullet revolver	275,000	Oct-2020	194,862	-
B – accordion	50,000	Oct-2020	-	-
Old facility				258,987
Senior debt facility	**400,000**		**269,862**	**258,987**

The $400m senior debt facility comprises 2 separate revolving facilities and an accordion facility. All debt facilities are provided in equal proportions by National Australia Bank ("NAB") and Commonwealth Bank of Australia ("CBA"). The facility matures in October 2020 when all facilities become repayable with a final bullet payment. Under the $50m accordion facility the Group is permitted to approach other lenders if the existing syndicate does not wish to participate.

Financial covenant ratios on the Australian senior debt facilities have been relaxed as compared to the previous facility, are fixed for the life of the facility and comprise of a Leverage Ratio (being Net Debt to EBITDA adjusted for acquisitions) and a Fixed-Charge Coverage Ratio (being EBIT and fixed charges to fixed charges and interest). All of these ratios continue to be comfortably met at 31 December 2015.

In addition to the above facilities the Group also has a NZ$15.0 million senior facility with the Bank of New Zealand ("BNZ") facility through the 50% owned subsidiary Animates NZ Holdings Limited which is currently drawn to NZ$10.0 million (2014: $10.0 million). The facility is used to fund operations in New Zealand, expires on 31 December 2018 and has a bullet repayment due at expiry.

At the reporting half-year, $97.5 million was hedged by floating to fixed interest rate swaps.

The overall average effective interest rate is currently 5.2% (2015: 6.0%), inclusive of fixed rates on hedged debt, floating rates on unhedged debt and margin spreads. As at 31 December 2015 the weighted average interest rate had decreased by 80 bps to 5.2% as a result of improved terms under the new debt facility. These new terms coupled with strong cash performance will ensure finance costs are contained as the Group moves forward.

The headroom of $130.1m on the Australian senior debt facilities combined with future operating cash flows will provide ample capacity to fund near term growth opportunities including acquisitions, NTI's and the continued investment in our internal capabilities.

Acquisition, integration and restructuring expenses

During the half-years ended 31 December 2015 and 31 December 2014 the group incurred acquisition, integration and restructuring and other exceptional costs of $3.4m and $19.5m respectively. In the prior period the Group completed the acquisition and integration of City Farmers. In the current half-year the exceptional items relate to acquisition costs, one off site rationalization/closure costs, non-comparable share-based payments expenses and leadership team redundancy and restructuring costs.

Accounting standards as adopted by the group require the classification of profit and loss items by nature. As a consequence the acquisition, integration and restructuring and other exceptional costs incurred during the half-year cannot be separately identified on the face of the statutory profit and loss statement. In order to assist readers of the financial statements the group has presented an underlying profit and loss statement after removing the impact of such costs from each cost type.

2016 Half-year Reconciliation of underlying to statutory results	Weighted average shares No.	Revenue $'000's	EBITDA $'000's	NPAT attributable to shareholders $'000's
Statutory	**113,431,710**	**362,721**	**45,111**	**18,710**
Add back: acquisition costs	-	-	896	717
Site rationalisation costs	-	-	687	495
Share-based payments expense (non-comparable)	-	-	383	383
Leadership Team - redundancy and restructuring costs	-	-	1,449	1,043
Effective tax rate adjustment	-	-	-	(179)
Total adjustments	-	-	*3,415*	*2,459*
Underlying	**113,431,710**	**362,721**	**48,526**	**21,169**

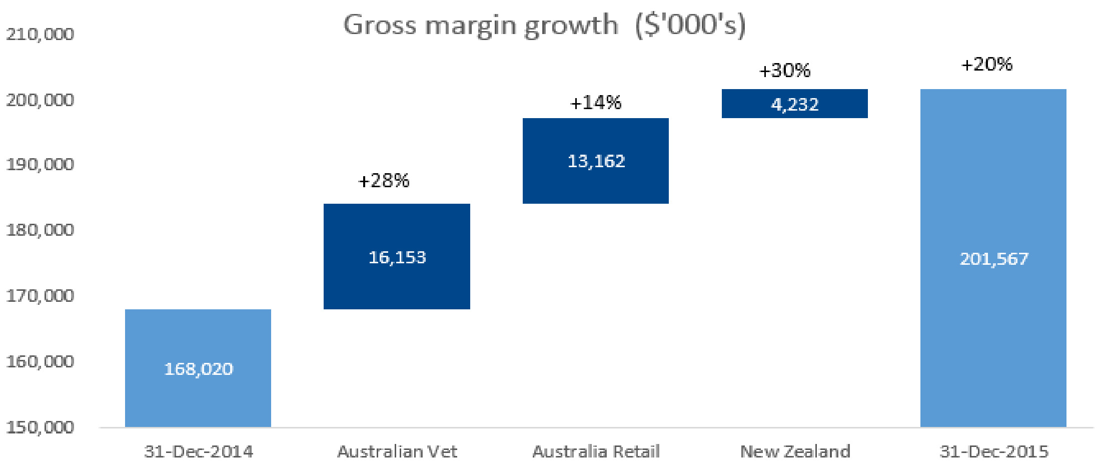
2015 Half-year Reconciliation of underlying to statutory results	Weighted average shares No.	Revenue $'000's	EBITDA $'000's	NPAT attributable to shareholders $'000's
Statutory	**110,346,288**	**307,543**	**22,048**	**2,609**
Add back: acquisition costs	-	-	7,778	7,778
Integration - range, brand and store harmonisation	-	-	5,782	4,047
Integration - redundancy and labour costs	-	-	5,977	4,184
Effective tax rate adjustment	-	-	-	368
Total adjustments	-	-	*19,537*	*16,377*
Underlying	**110,346,288**	**307,543**	**41,585**	**18,986**

Financial overview - underlying performance

Underlying profit or loss	31-Dec-2015 $'000's	31-Dec-2014 $'000's	Change $'000's	%
Revenue[4]	**362,721**	**307,543**	**55,178**	17.9%
Cost of sales of goods	(161,154)	(139,523)	(21,631)	15.5%
Gross margin	**201,567**	**168,020**	**33,547**	20.0%
Gross margin (%)	55.6%	54.6%	1.0%	
Operating expenses	(153,041)	(126,434)	(26,607)	21.0%
EBITDA	**48,526**	**41,586**	**6,940**	16.7%
EBITDA margin (%)	13.4%	13.5%	(0.1%)	
Depreciation and amortisation	(8,884)	(6,912)	(1,972)	28.5%
Profit before finance costs and income tax expense	**39,642**	**34,674**	**4,968**	14.3%
Finance costs	(7,952)	(6,081)	(1,871)	30.8%
Profit before income tax expense	**31,690**	**28,593**	**3,097**	10.8%
Income tax expense	(8,873)	(8,535)	(338)	4.0%
Profit after income tax expense	**22,817**	**20,058**	**2,759**	13.8%
Non-controlling interest	(1,648)	(1,072)	(576)	53.7%
Net profit after income tax expense attributable to the owners of Greencross Limited	**21,169**	**18,986**	**2,183**	11.5%
EPS (cents)	**18.7**	**17.2**	**1.5**	8.7%
Final ordinary dividend per share in cents	**9.0**	**8.0**	**1.0**	12.5%

Revenue
There are no differences between underlying and statutory revenues – please refer to earlier section on statutory overview for commentary.

Gross margin and gross margin %
Group gross margin % increased by 1.0% to 55.6% (2014: 54.6%) largely as a result of the change in sales mix towards veterinary services which trade at a higher gross margin %. In the operating divisions, gross margin % improved over pcp in Veterinary (+1.4% - due to acquisition of higher margin specialty and emergency businesses) and NZ (+3.6% - includes effect of NZ veterinary clinics and retail improvement) while Australian Retail (-0.4%) softened as a result of the planned mix impact of higher food sales which generally trade at lower margins than general products. Sales of higher margin private label products increased to 18% of retail sales and have offset the marginal impact of the weakening Australian dollar.



[4] Excludes interest income

Operating expenses

Underlying operating expenses (after adjusting for exceptional items) grew by 21.0% or $26.6m to $153.0m (2014: $126.4m). This is driven by the addition of new retail stores and veterinary clinics to the network and investment in our internal capabilities and systems. Operating expenses are not expected to grow at this level in future periods.

EBITDA & EBITDA margin %

Underlying EBITDA grew by 16.7% or $6.9m to $48.5m (2014: $41.6m) driven by top line expansion and gross margin expansion balanced by investment in our internal capabilities and systems. Cost control remains high on the agenda and the Group expects both top line and bottom line underlying growth to be more closely aligned in future periods.

Finance costs

Finance costs increased by 30.8% or $1.9m to $8.0m (2014: $6.1m) as a result of increased levels of debt following the investments in retail stores and veterinary clinics and integration activities over the last 12 months. A reduction in net debt during the half-year period ending 31 December 2015, coupled with improved terms, will ensure finance costs cease to grow at the level seen in this half-year.

Depreciation and amortisation

Depreciation and amortisation costs increased by 28.5% or $2.0m to $8.9m (2014: $6.9m) primarily as a result of the investments in retail stores and veterinary clinics in both the current and prior year. Further investment through FY 2015 in the existing portfolio also increased the depreciation charge while amortisation of the supply chain project commenced during the current half-year.

Net profit after tax

Underlying NPAT was up 11.5% or $2.2m to $21.2m (2014: $19.0m) due to strong sales and margin growth, investment in our internal capabilities and higher finance and depreciation and amortisation costs.

Appendix 4D – Other information

31 December 2015

Dividend policy

It remains the policy of the Board to distribute approximately 50% of operating earnings after tax as dividends, as well as increase the quantum of those dividends year on year. The Board has proposed a full franked interim dividend of 9.0 cents per share in respect of the half-year ended 31 December 2015 which represents an increase of 12.5% or 1.0 cents over the interim dividend declared for the half-year ended 31 December 2014.

Net tangible asset backing per share

	31-Dec-2015 $’000	30-Jun-2015 $’000
Net tangible assets per share (cents)	(86.87) cents	(96.90) cents

Acquired or disposed of businesses and assets

Refer to note 16 'Business combinations' in the attached Interim Report.

Acquired or disposed of controlled entities

Refer to note 16 'Business combinations' in the attached Interim Report.

Associates and joint ventures

The Company has no related associates or joint venture entities.

Audit qualification or review

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

Greencross Limited
ABN 58 119 778 862

Interim Report - 31 December 2015

Director’s report
31 December 2015

The Directors present their report on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'Group') consisting of Greencross Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the financial half-year ended 31 December 2015.

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

Name	Position	
Stuart James	Chairman	(appointed as Chairman on 6 February 2014)
Jeffrey David	Chief Executive Officer	(appointed on 6 February 2014, resigned as director on 26 August 2015)
Martin Nicholas	Chief Executive Officer	(appointed on 26 August 2015)
Christina Boyce	Non-Executive Director	(appointed on 22 September 2014)
Andrew Geddes	Non-Executive Director	(resigned as Chairman on 6 February 2014, appointed director on 6 February 2014)
Chris Knoblanche	Non-Executive Director	(appointed on 22 September 2014)
Dr Glen Richards	Non-Executive Director	(resigned as Executive Director on 1 March 2015, appointed as Non-Executive Director on same date)
Paul Wilson	Non-Executive Director	(resigned as Executive Director on 1 June 2015, appointed as Non-Executive Director on same date)

Principal activities
The group is an integrated pet care company providing veterinary services, operating physical and online pet stores, and providing a range of non-medical companion animal services.

Review of operations
The profit for the group after providing for income tax and non-controlling interest amounted to $18,710,000 (31 December 2014: $2,609,000).

Financial overview

The directors are pleased to report another set of strong results underpinned by strong revenue growth and cash generation across the retail, veterinary and New Zealand operations. The Group has continued to pursue its strategy of organic and acquisitive growth while at the same time leveraging the integrated pet care offering and investing in growth capabilities.

Statutory profit or loss	31-Dec-2015 $'000's	31-Dec-2014 $'000's	Change $'000's	%
Revenue[5]	**362,721**	**307,543**	**55,178**	17.9%
Cost of sales of goods	(161,154)	(143,789)	(17,365)	12.1%
Gross margin	**201,567**	**163,754**	**37,813**	23.1%
Gross margin (%)	55.6%	53.2%	2.4%	
Operating expenses	(156,456)	(141,706)	(14,750)	10.4%
EBITDA	**45,111**	**22,048**	**23,063**	104.6%
EBITDA margin (%)	12.4%	7.2%	5.2%	
Depreciation and amortisation	(8,884)	(6,912)	(1,972)	28.5%
Profit before finance costs and income tax expense	**36,227**	**15,136**	**21,091**	139.3%
Finance costs	(7,952)	(6,081)	(1,871)	30.8%
Profit before income tax expense	**28,275**	**9,055**	**19,220**	212.3%
Income tax expense	(7,917)	(5,374)	(2,543)	47.3%
Profit after income tax expense	**20,358**	**3,681**	**16,677**	453.1%
Non-controlling interest	(1,648)	(1,072)	(576)	53.7%
Net profit after income tax expense attributable to the owners of Greencross Limited	**18,710**	**2,609**	**16,101**	617.1%
EPS (cents)	**16.5**	**2.4**	**14.1**	587.5%
Final ordinary dividend per share	**9.0**	**8.0**	**1.0**	12.5%

Revenue

Increased customer engagement and cross shopping across our integrated pet care offerings is increasing average customer spend and is expected to contribute to sustained revenue growth in future periods.

Revenues in our Veterinary business were up by 25.2% or $19.4m to $96.3m (2014: $77.0m) driven by network expansion, particularly in specialty and emergency, and the accelerated roll out of “in store” co-located vets. Veterinary General Practice (“GP”) LFL sales growth (+4.1%) was in line with expectations and positively supported by a 4.6% increase in visits to clinics. Cross referral initiatives are increasingly supporting veterinary sales growth.

Revenues in our Australian Retail business were up by 14.8% or $29.4m to $228.0m (2014: $198.6m) driven by network expansion and L4L sales growth. Australian retail L4L sales growth (overall +4.3%) was strong (>6%) across all states outside of Western Australia (“WA”) but declined in WA due to a poor economic backdrop and soft consumer sentiment. Specific initiatives to increase customer numbers in WA through price competitive grocery brand offers and private label penetration are underway. Our online and non-medical services businesses continue to perform extremely well and grew by 73% and 32% respectively versus pcp.

New Zealand (“NZ”) operations saw continued strong growth in the half-year driven by outstanding L4L sales, entry to vet and aggressive network expansion. NZ Retail revenues were up by 20.1% or $6.4m to $38.4m (2014: $32.0m). NZ retail L4L sales growth (+7.3%) reflects the continued strength and momentum of the Animates brand in NZ.

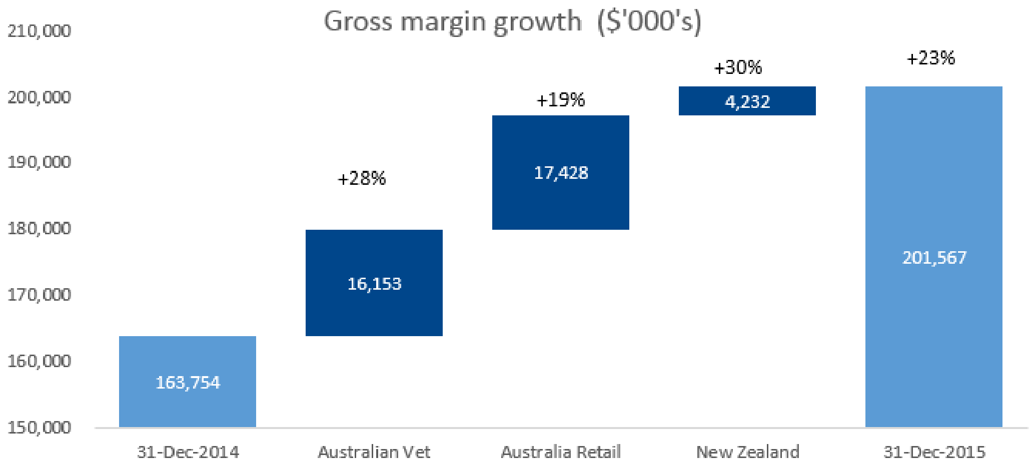
During the financial half-year the Group expanded its network by adding 11 retail stores and 17 veterinary clinics, including 9 “in store” vets.

[5] Excludes interest income

Gross margin and gross margin %

Group gross margin % increased 2.4% to 55.6% (2014: 53.2%) largely as a result of the change in sales mix towards veterinary services which trade at a higher gross margin % and the improvement in City Farmers margins with reduced clearance, range adjustments and improved buying terms. In the operating divisions gross margin % improved over pcp in Veterinary (+1.4% - due to acquisition of higher margin specialty and emergency businesses) and NZ (+3.6% - includes both the mix effect of NZ veterinary clinics and retail improvement) while Australian Retail (+1.7%) grew as a result of the improved City Farmers margin. This more than outweighed the planned mix impact of higher food sales which generally trade at lower margins than general products. Sales of higher margin private label products increased to 18% of retail sales and have offset the marginal impact of the weakening Australian dollar.

Gross margin increased by 23.1% or $37.8m to $201.6m (2014: $163.8m) primarily as a result of L4L sales increase and network expansion plus the expected margin improvements in City Farmers stores.



Operating expenses

Operating expenses increased by 10.4% or $14.7m to $156.5m (2014: $141.7m) with the half-year ended 31 December 2014 including $15.3m of exceptional items compared to $3.4m in the current half-year. The Group continues to invest in network expansion and internal capabilities and systems.

EBITDA

EBITDA increased by 104.6% or $23.1m to $45.1m (2014: $22.0m). The Group incurred $19.5m of exceptional costs in the prior period compared to $3.4m in the current period. After removing the impact of these items EBITDA grew by 16.7% or $6.9m to $48.5m (2014: $41.6m) on the back of solid underlying business growth, network expansion and improved gross margins.

Finance costs

Finance costs increased by 30.8% or $1.9m to $8.0m (2014: $6.1m) as a result of increased levels of debt following the investments in retail stores and veterinary clinics and integration activities over the last 12 months. A reduction in net debt during the half-year period ending 31 December 2015, coupled with improved terms, will ensure finance costs cease to grow at the level seen in this half-year.

Depreciation and amortisation

Depreciation and amortisation costs increased by 28.5% or $2.0m to $8.9m (2014: $6.9m) primarily as a result of the investments in retail stores and veterinary clinics in both the current and prior year. Further investment through FY 2015 in the existing portfolio also increased the depreciation charge while amortisation of the supply chain project commenced during the current half-year.

Income tax expense

The effective tax rate reduced to 28.0% (2014: 59.3%) due to the reduction in non-deductible costs associated with the City Farmers acquisition and recognition of previously unrecognised losses.

Net profit after tax

Net profit after tax ("NPAT") was up 617.1% or $16.1m to $18.7m (2014: $2.6m) largely as a result of the strong top line growth and the reduction in exceptional items incurred during the period.

Balance sheet highlights

During the half-year ended 31 December 2015 the Group maintained a disciplined approach to working capital management resulting in:

- increased cash and cash equivalents,
- reduction in trade and other receivables through improved collections and invoicing procedures,
- reduction in in store inventories,
- overall increase in inventory driven by opening of new stores and further move to direct delivery; and
- net debt reduced as a consequence of strong operating cash flows and disciplined capital expenditure.

Cash flow highlights

The Group delivered an extremely strong cash performance during the half-year driven by EBITDA growth and disciplined working capital management resulting in strong cash conversion and positive free cash flow.

Statutory cash flow	31-Dec-2015 $'000's	31-Dec-2014 $'000's	Change $'000's	%
EBITDA	**45,111**	**22,048**	**23,063**	104.6%
Net working capital movement	7,254	(11,435)	18,689	(163.4%)
Ungeared, pre-tax operating cash flows	**52,365**	**10,613**	**41,752**	393.4%
Cash conversion %	***116%***	***48%***	***68%***	
Net interest and finance costs paid	(6,946)	(4,791)	(2,155)	45.0%
Income taxes received/(paid)	2,800	(6,411)	9,211	(143.7%)
Net cash from operating activities	**48,219**	**(589)**	**48,808**	(8286.6%)
Purchase of City Farmers	-	(155,308)	155,308	(100.0%)
Expansionary capex	(19,162)	(19,474)	312	(1.6%)
Underlying capex[6]	(13,686)	(14,484)	798	(5.5%)
Net cash used in investing activities	**(32,848)**	**(189,266)**	**156,418**	(82.6%)
Free cash flow	**15,371**	**(189,855)**	**205,226**	(108.1%)
Net proceeds from issues of shares	-	18,553	(18,553)	(100.0%)
Net proceeds from borrowings and refinance costs	9,905	79,152	(69,247)	(87.5%)
Dividends paid	(402)	(295)	(107)	36.3%
Net cash used in financing activities	**9,503**	**97,410**	**(87,907)**	(90.2%)
Net increase/(decrease) in cash and cash equivalents	**24,874**	**(92,445)**	**117,319**	(126.9%)

Ungeared, pre-tax operating cash flow increased by 393.4% or $41.8m to $52.4m (2014: $10.6m) as a result of EBITDA growth, complemented by disciplined working capital management resulting in a cash conversion of 116% (2014: 48%)

Interest and finance costs increased by 45% or $2.2m to $6.9m (2014: $4.8m) as a result of the increased level of bank borrowings compared to the prior period used to fund expansionary and restructuring activities in FY 2015.

Income tax was a net refundable position of $2.8m (2014: payable of $6.4m) as a result of the timing of Australian Tax Office ("ATO") installments being substantially higher than the final tax payable position for the FY 2015 year end.

Net cash used in investing activities decreased by 82.6% or $156.4m to $32.8m (2014: $189.3m) due to the return to more normal levels of investment in retail stores and veterinary clinics and underlying capex excluding City Farmers. During the half-year the Group acquired 8 veterinary clinics, opened 9 "in store" co-located veterinary clinics and opened a further 11 retail stores. In addition the Group continued to develop internal capabilities with $4.6m (2014: $3.3m) invested in supply chain and logistics capabilities and omni channel development.

[6] Underlying capex represents net cash used in investing activities after removing cash paid in relation to purchases of businesses and investments in new sites and clinics.

Free cash flow of $15.4m (2014: cash outflow of $189.9m) represents a significant step towards a sustained self-funding growth model leveraging strong cash conversion and careful investments to increase return on capital.

Net cash used in financing activities decreased by 90.2% or $87.9m to $9.5m (2014: $97.4m) reflecting reduced requirements for debt and equity funding needed to fund the City Farmers acquisition during FY 2015.

Non IFRS financial information

Underlying gross margin and underlying EBITDA are financial measures which are not prescribed by Australian equivalents to International Financial Reporting Standards ("AIFRS") and represent the earnings under AIFRS adjusted for specific non-cash items and significant items. Underlying gross margin and underlying EBITDA information included in the this report has not been subject to any specific audit or review procedures by our auditor but has been extracted from the accompanying financial report.

Significant changes in the state of affairs

On 3rd February 2016, the Group acquired 100% of the business assets of a retail store (located in New South Wales) for the total consideration of $155,000. At the date this half-year report was authorised for issue the fair value of the assets and liabilities acquired as part of the business combination was incomplete. Therefore, the goodwill and the fair value of the assets and liabilities acquired has not been disclosed.

On 8th February 2016, the Group acquired 100% of the business assets of a veterinary clinic (located in Western Australia) for the total consideration of $400,000. At the date this half-year report was authorised for issue the fair value of the assets and liabilities acquired as part of the business combination was incomplete. Therefore, the goodwill and the fair value of the assets and liabilities acquired has not been disclosed.

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

Rounding of amounts

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

Auditor's independence declaration

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

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

On behalf of the directors

____

Martin Nicholas
Director

16 February 2016
Sydney

pwc

Auditor's Independence Declaration

As lead auditor for the review of Greencross Limited for the half-year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Greencross Limited and the entities it controlled during the period.

Adam Thompson
Partner
PricewaterhouseCoopers

Sydney
16 February 2016

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Greencross Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2015

	Note	Consolidated 31 Dec 2015 $'000	Consolidated 31 Dec 2014 $'000
Revenue	5	362,842	307,693
Expenses			
Cost of sales of goods		(161,154)	(143,789)
Employee benefits expense		(93,579)	(79,850)
Depreciation and amortisation expense		(8,884)	(6,912)
Marketing costs		(5,453)	(5,287)
Occupancy costs		(38,534)	(34,278)
Administration costs		(17,994)	(14,356)
Acquisition costs		(896)	(7,778)
Other expenses		-	(157)
Finance costs		(8,073)	(6,231)
Profit before income tax expense		28,275	9,055
Income tax expense		(7,917)	(5,374)
Profit after income tax expense for the half-year		20,358	3,681
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net change in the fair value of cash flow hedges taken to equity, net of tax		326	(384)
Foreign currency translation		145	74
Other comprehensive income for the half-year, net of tax		471	(310)
Total comprehensive income for the half-year		20,829	3,371
Profit for the half-year is attributable to:			
Non-controlling interest		1,648	1,072
Owners of Greencross Limited		18,710	2,609
		20,358	3,681
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		1,648	1,072
Owners of Greencross Limited		19,181	2,299
		20,829	3,371
		Cents	**Cents**
Basic earnings per share	18	16.49	2.36
Diluted earnings per share	18	16.46	2.36

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

Greencross Limited
Statement of financial position
As at 31 December 2015

	Note	Consolidated 31 Dec 2015 $'000	Consolidated 30 Jun 2015 $'000
Assets			
Current assets			
Cash and cash equivalents		54,473	29,599
Trade and other receivables		11,020	14,172
Inventories		91,092	85,849
Income tax refund due		-	3,425
Other		2,468	1,640
Total current assets		159,053	134,685
Non-current assets			
Other financial assets		286	286
Property, plant and equipment	6	144,729	131,414
Intangibles	7	538,468	527,835
Deferred tax		17,366	19,382
Total non-current assets		700,849	678,917
Total assets		859,902	813,602
Liabilities			
Current liabilities			
Trade and other payables		91,286	79,721
Borrowings	8	921	1,354
Current tax liabilities		2,362	1,478
Provisions		19,646	21,033
Total current liabilities		114,215	103,586
Non-current liabilities			
Borrowings	9	273,644	262,676
Derivative financial instruments	10	2,262	2,729
Deferred tax		4,551	1,317
Provisions		25,285	24,154
Total non-current liabilities		305,742	290,876
Total liabilities		419,957	394,462
Net assets		439,945	419,140
Equity			
Contributed equity	11	530,286	520,294
Reserves		813	(36)
Accumulated losses		(104,982)	(113,700)
Equity attributable to the owners of Greencross Limited		426,117	406,558
Non-controlling interest	12	13,828	12,582
Total equity		439,945	419,140

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

Greencross Limited
Statement of changes in equity
For the half-year ended 31 December 2015

Consolidated	Contributed equity $'000	Reserves $'000	Retained profits $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2014	433,245	310	(116,115)	4,261	321,701
Profit after income tax expense for the half-year	-	-	2,609	1,072	3,681
Other comprehensive income for the half-year, net of tax	-	(310)	-	-	(310)
Total comprehensive income for the half-year	-	(310)	2,609	1,072	3,371
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	78,132	-	-	-	78,132
Additional non-controlling interests arising on acquisitions	-	-	-	913	913
Dividends paid (note 13)	-	-	(7,741)	(295)	(8,036)
Balance at 31 December 2014	511,377	-	(121,247)	5,951	396,081

Consolidated	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2015	520,294	(36)	(113,700)	12,582	419,140
Profit after income tax expense for the half-year	-	-	18,710	1,648	20,358
Other comprehensive income for the half-year, net of tax	-	471	-	-	471
Total comprehensive income for the half-year	-	471	18,710	1,648	20,829
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 11)	9,992	-	-	-	9,992
Share-based payment expense	-	378	-	-	378
Dividends paid (note 13)	-	-	(9,992)	(402)	(10,394)
Balance at 31 December 2015	530,286	813	(104,982)	13,828	439,945

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

Greencross Limited
Statement of cash flows
For the half-year ended 31 December 2015

	Note	Consolidated 31 Dec 2015 $'000	Consolidated 31 Dec 2014 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		403,254	333,817
Payments to suppliers and employees (inclusive of GST)		(349,993)	(313,205)
		53,261	20,612
Interest received		121	150
Interest and other finance costs paid		(7,067)	(4,941)
Acquisition, integration and restructuring costs paid		(896)	(9,999)
Income taxes refunded		2,800	(6,411)
Net cash from/(used in) operating activities		48,219	(589)
Cash flows from investing activities			
Payment for purchase of businesses, net of cash acquired	16	(6,218)	(165,379)
Payments for property, plant and equipment		(21,718)	(20,995)
Payments for intangibles		(4,912)	(3,298)
Proceeds from disposal of property, plant and equipment		-	406
Net cash used in investing activities		(32,848)	(189,266)
Cash flows from financing activities			
Proceeds from issue of shares	11	-	20,897
Share issue transaction costs		-	(2,344)
Proceeds from borrowings		12,401	82,122
Refinance costs		(1,264)	(1,796)
Repayment of finance leases		(107)	(174)
Repayment of borrowings		(1,125)	(1,000)
Dividends paid to non-controlling interests in subsidiaries		(402)	(295)
Net cash from financing activities		9,503	97,410
Net increase/(decrease) in cash and cash equivalents		24,874	(92,445)
Cash and cash equivalents at the beginning of the financial half-year		29,599	120,651
Cash and cash equivalents at the end of the financial half-year		54,473	28,206

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

Note 1. General information

The financial statements cover Greencross Limited as a Group consisting of Greencross Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Greencross Limited's functional and presentation currency.

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

5/28 Balaclava Street
Woolloongabba QLD 4102

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 16 February 2016. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

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

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial half-year ended 31 December 2015 and are not expected to have any significant impact for the full financial year ending 30 June 2016. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 3. Critical accounting judgements, estimates and assumptions

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

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

Recovery of deferred tax assets
The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest available profit forecasts. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits.

Significant items on which the Group has exercised accounting judgement include recognition of deferred tax assets in respect of acquisition losses on the City Farmer acquisition. The amounts recognised in the consolidated financial statements in respect of this matter are derived from the Group’s best estimation and judgement as described above.

Note 4. Operating segments

Identification of reportable operating segments
The Group has two reportable segments, being retail and veterinary. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

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

EBITDA is a financial measure which is not prescribed by Australian Accounting Standards and represents the profit adjusted for specific non-cash and significant items. The directors consider EBITDA to reflect the core earnings of the Group.

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

Types of products and services
The principal products and services of each of these operating segments are as follows:

Retail	Sale of specialty pet care products and services in Australia and New Zealand
Veterinary	Provision of veterinary services in Australia

Note 4. Operating segments (continued)

Operating segment information

Consolidated - 31 Dec 2015	Retail $'000	Veterinary $'000	Intersegment eliminations/ unallocated $'000	Total $'000
Revenue				
Revenue from external customers	266,409	96,312	-	362,721
Other revenue	88	33	-	121
Total revenue	266,497	96,345	-	362,842
EBITDA*	33,508	11,603	-	45,111
Depreciation and amortisation	(7,622)	(1,262)	-	(8,884)
Interest revenue	-	-	121	121
Finance costs	-	-	(8,073)	(8,073)
Profit/(loss) before income tax expense	25,886	10,341	(7,952)	28,275
Income tax expense				(7,917)
Profit after income tax expense				20,358
Assets				
Segment assets	512,199	275,864	-	788,063
Unallocated assets:				
Cash and cash equivalents				54,473
Deferred tax asset				17,366
Total assets				859,902
Liabilities				
Segment liabilities	103,416	33,803	-	137,219
Unallocated liabilities:				
Provision for income tax				6,124
Deferred tax liability				2,049
Borrowings				274,565
Total liabilities				419,957

* including $3,415,000 of exceptional items split between Retail ($2,454,000) and Veterinary ($961,000).

Note 4. Operating segments (continued)

Consolidated - 31 Dec 2014	Retail $'000	Veterinary $'000	Intersegment eliminations/ unallocated $'000	Total $'000
Revenue				
Revenue from external customers	230,582	76,961	-	307,543
Other revenue	123	27	-	150
Total revenue	230,705	76,988	-	307,693
EBITDA	9,044	13,004	-	22,048
Depreciation and amortisation	(5,813)	(1,099)	-	(6,912)
Interest revenue	-	-	150	150
Finance costs	-	-	(6,231)	(6,231)
Profit/(loss) before income tax expense	3,231	11,905	(6,081)	9,055
Income tax expense				(5,374)
Profit after income tax expense				3,681
Consolidated - 30 Jun 2015				
Assets				
Segment assets	499,711	261,485	-	761,196
Unallocated assets:				
Cash and cash equivalents				29,599
Current tax assets				3,425
Deferred tax asset				19,382
Total assets				813,602
Total assets includes:				
Acquisition of non-current assets	243,487	20,627	-	264,114
Liabilities				
Segment liabilities	89,368	38,269	-	127,637
Unallocated liabilities:				
Provision for income tax				1,478
Borrowings				264,030
Deferred tax liability				1,317
Total liabilities				394,462

Geographical information

	Sales to external customers		Geographical non-current assets	
	31 Dec 2015 $'000	31 Dec 2014 $'000	31 Dec 2015 $'000	30 Jun 2015 $'000
Australia	324,320	275,571	674,263	623,947
New Zealand	38,401	31,972	26,586	18,664
	362,721	307,543	700,849	642,611

The geographical non-current assets above are exclusive of, where applicable, financial instruments and deferred tax assets.

Note 4. Operating segments (continued)

Earnings before interest, tax, depreciation and amortisation ('EBITDA')

	Consolidated	
	31 Dec 2015 $'000	31 Dec 2014 $'000
Profit for the half-year	20,358	3,681
Less: Interest received	(121)	(150)
Add: Interest expense	8,073	6,231
Add: Income tax expense	7,917	5,374
Add: Depreciation and amortisation expense	8,884	6,912
EBITDA	45,111	22,048

Note 5. Revenue

	Consolidated	
	31 Dec 2015 $'000	31 Dec 2014 $'000
Sales revenue		
Sale of goods	286,588	250,955
Rendering of services	75,809	56,253
Other sales	324	335
	362,721	307,543
Other revenue		
Interest	121	150
Revenue	362,842	307,693

Note 6. Non-current assets - property, plant and equipment

	Consolidated	
	31 Dec 2015 $'000	30 Jun 2015 $'000
Leasehold improvements - at cost	63,787	56,671
Less: Accumulated depreciation	(11,866)	(9,658)
	51,921	47,013
Plant and equipment - at cost	143,837	127,794
Less: Accumulated depreciation	(52,444)	(44,868)
	91,393	82,926
Motor vehicles - at cost	2,598	2,402
Less: Accumulated depreciation	(1,572)	(1,381)
	1,026	1,021
Office equipment - at cost	3,099	3,053
Less: Accumulated depreciation	(2,710)	(2,599)
	389	454
	144,729	131,414

Note 6. Non-current assets - property, plant and equipment (continued)

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

Consolidated	Leasehold improvements $'000	Plant and equipment $'000	Motor vehicles $'000	Office equipment $'000	Total $'000
Balance at 1 July 2015	47,013	82,936	1,021	444	131,414
Additions	7,067	14,450	200	1	21,718
Additions through business combinations (note 16)	143	326	3	-	472
Disposals	(207)	(298)	(8)	-	(513)
Exchange differences	18	16	1	22	57
Depreciation expense	(2,113)	(6,037)	(191)	(78)	(8,419)
Balance at 31 December 2015	51,921	91,393	1,026	389	144,729

Note 7. Non-current assets - intangibles

	Consolidated 31 Dec 2015 $'000	Consolidated 30 Jun 2015 $'000
Goodwill	521,157	514,971
Brand names	1,304	1,304
Less: Accumulated amortisation	(232)	(153)
	1,072	1,151
Internally generated software	15,343	10,431
Less: Accumulated amortisation	(283)	-
	15,060	10,431
Customer relationships	1,454	1,454
Less: Accumulated amortisation	(275)	(172)
	1,179	1,282
	538,468	527,835

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

Consolidated	Goodwill $'000	Brand names $'000	Internally generated software $'000	Customer relationships $'000	Total $'000
Balance at 1 July 2015	514,971	1,151	10,431	1,282	527,835
Additions	-	-	4,912	-	4,912
Additions through business combinations (note 16)	6,186	-	-	-	6,186
Amortisation expense	-	(79)	(283)	(103)	(465)
Balance at 31 December 2015	521,157	1,072	15,060	1,179	538,468

Note 8. Current liabilities - borrowings

	Consolidated	
	31 Dec 2015 $'000	30 Jun 2015 $'000
Bank loans	-	2,250
Capitalised borrowing costs	-	(1,873)
Business Associate loan	603	661
Lease liability	318	316
	921	1,354

Note 9. Non-current liabilities - borrowings

	Consolidated	
	31 Dec 2015 $'000	30 Jun 2015 $'000
Bank loans	279,259	265,674
Capitalised borrowing costs	(5,928)	(3,421)
Lease liability	313	423
	273,644	262,676

The facility agreement for the secured Bank loans were renewed with updated terms in October 2015. Under the renewed agreement, the facilities are bullet loans and therefore there will be no principal repayments on the loan until maturity date. The maturity date is three years for Facility A1 and five years for Facility A2. Accordingly, the Secured bank loans have been classified as non-current.

The consolidated entity complied with all bank covenant requirements during the period.

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

	Consolidated	
	31 Dec 2015 $'000	30 Jun 2015 $'000
Bank loans	279,259	267,924
Capitalised borrowing costs	(5,928)	(5,294)
Lease liability	631	739
	273,962	263,369

Note 10. Non-current liabilities - derivative financial instruments

	Consolidated	
	31 Dec 2015 $'000	30 Jun 2015 $'000
Interest rate swap contracts - cash flow hedges	2,262	2,729

Refer to note 14 for further information on fair value measurement.

Note 11. Equity - contributed equity

	Consolidated			
	31 Dec 2015 Shares	30 Jun 2015 Shares	31 Dec 2015 $'000	30 Jun 2015 $'000
Ordinary shares - fully paid	113,420,770	111,703,993	530,286	520,294

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2015	111,703,993		520,294
Share issue - Dividend Reinvestment Plan	18 September 2015	1,716,777	$5.82	9,992
Balance	31 December 2015	113,420,770		530,286

Note 12. Equity - non-controlling interest

	Consolidated	
	31 Dec 2015 $'000	30 Jun 2015 $'000
Issued capital	312	312
Reserves	(74)	(74)
Retained profits	13,590	12,344
	13,828	12,582

Note 13. Equity - dividends

Dividends paid during the financial half-year were as follows:

	Consolidated	
	31 Dec 2015 $'000	31 Dec 2014 $'000
Final dividend for the year ended 30 June 2014 of 7.0 cents per ordinary share.	-	7,741
Final dividend for the year ended 30 June 2015 of 9.0 cents per ordinary shares	9,992	-
Dividends paid to minority interest	402	295
	10,394	8,036

At the date of signing the interim financial report the directors have recommended the payment of an interim fully franked dividend of 9.0 cents per share at a record date of 26 February 2016, which is expected to be paid on 23 March 2016.

Note 14. Fair value measurement

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

Consolidated - 31 Dec 2015	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Interest rate swap contracts	-	2,262	-	2,262
Total liabilities	-	2,262	-	2,262

Consolidated - 30 Jun 2015	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Interest rate swap contracts	-	2,729	-	2,729
Total liabilities	-	2,729	-	2,729

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature. Bank loans approximate fair value of the carrying amount on the basis of the variable nature of the interest rates associated with the loans.

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

Bank loans approximate fair value of the carrying amount on the basis of the variable nature of the interest rates associated with the loans.

Valuation techniques for fair value measurements categorised within level 2 and level 3
Derivative financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

Note 15. Contingent liabilities

The Group has provided bank guarantees to various landlords in relation to leases of subsidiaries.

	Consolidated	
	31 Dec 2015 $'000	30 Jun 2015 $'000
Bank guarantees	12,503	11,806

Note 16. Business combinations

Summary of business acquisitions for the financial half-year ended 31 December 2015
The Group acquired 8 veterinary clinics and 2 retail stores during the financial half-year.

Note 16. Business combinations (continued)

All acquisitions in the period were related to the provision of pet care services and products to increase the Group's market share in Australia. The goodwill of $6,186,000 represents the value of the businesses to the Group in addition to the net tangible assets acquired. The acquired businesses contributed revenues of $2,437,000 and profit before tax of $416,000 to the Group for the period from acquisition to 31 December 2015. If the acquisitions occurred on 1 July 2015, the 6 month contribution would have been revenues of $3,692,000 and profit before tax of $681,000. Unless otherwise stated, the values identified in relation to each acquisition were provisional as at 31 December 2015.

Details summarising all of the acquisitions are as follows:

	Fair value $'000
Trade receivables	7
Inventories	365
Prepayments	1
Plant and equipment	472
Deferred tax asset	39
Employee benefits	(257)
Net assets acquired	627
Goodwill	6,186
Acquisition-date fair value of the total consideration transferred	6,813
Representing:	
Cash paid or payable to vendor	5,876
Contingent consideration	937
	6,813
Acquisition costs expensed to profit or loss	896

	Consolidated 31 Dec 2015 $'000	Consolidated 31 Dec 2014 $'000
Cash used to acquire business, net of cash acquired:		
Acquisition-date fair value of the total consideration transferred	6,813	224,208
Add: payments made for prior period acquisition	342	-
Less: cash and cash equivalents	-	(7,171)
Less: shares issued by company as part of consideration	-	(50,000)
Less: contingent consideration	(937)	(745)
Less: non-controlling interest	-	(913)
Net cash used	6,218	165,379

Note 17. Events after the reporting period

On 3rd February 2016, the Group acquired 100% of the business assets of a retail store (located in New South Wales) for the total consideration of $155,000. At the date this half-year report was authorised for issue the fair value of the assets and liabilities acquired as part of the business combination was incomplete. Therefore, the goodwill and the fair value of the assets and liabilities acquired has not been disclosed.

On 8 February 2016, the Group acquired 100% of the business assets of a veterinary clinic (located in Western Australia) for the total consideration of $400,000. At the date this half-year report was authorised for issue the fair value of the assets and liabilities acquired as part of the business combination was incomplete. Therefore, the goodwill and the fair value of the assets and liabilities acquired has not been disclosed.

Apart from the dividend declared as disclosed in note 13, no other matter or circumstance has arisen since 31 December 2015 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 18. Earnings per share

	Consolidated	
	31 Dec 2015 $'000	31 Dec 2014 $'000
Profit after income tax	20,358	3,681
Non-controlling interest	(1,648)	(1,072)
Profit after income tax attributable to the owners of Greencross Limited	18,710	2,609
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	113,431,710	110,346,288
Adjustments for calculation of diluted earnings per share:		
Options	214,207	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	113,645,917	110,346,288
	Cents	**Cents**
Basic earnings per share	16.49	2.36
Diluted earnings per share	16.46	2.36

In the directors' opinion:

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

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

Martin Nicholas
Director

16 February 2016
Sydney

Independent auditor's review report to the members of Greencross Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Greencross Limited (the company), which comprises the statement of financial position as at 31 December 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Greencross Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

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

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

Independence

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

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Conclusion

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

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

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

PricewaterhouseCoopers

Adam Thompson
Partner

Sydney
16 February 2016