Greencross Limited
The Pet Company

Annual Report
2016

ACN 119 778 862

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Who is Greencross Limited?

Our company

Greeencross is Australasia's preeminent integrated pet care company, offering an extensive range of services and products to serve the pet owners' needs. Formed through the integration of Australasia's largest vet services and retail business,it now offers an extensive network of retail stores, veterinary clinics, grooming salons and dog-wash facilities across Australia and New Zealand. With over 220 stores, operating under the brands of Petbarn and City Farmers in Australia and Animates in New Zealand and over 150 clinics including general practices, speciality and emergency centres, Greencross is well placed to conveniently serve more than half of the pet owners in ANZ, with considerable opportunity for further growth.

Greencross also offers a range of additional pet care services such as crematoria, pet adoption, puppy behavioural training, pet insurance and pet hotels. In addition to selling pet food and accessories through its store and clinic network, Greencross also has an extensive and rapidly growing online business serving the Australian and New Zealand pet care market.

Our vision

Our vision is to be the best pet care company in the world for our shareholders, our customers, our communities, our suppliers and our teams.

Our purpose

To make our world a happier place through the love of pets.

Chairman's report

30 June 2016

Dear Fellow Shareholders:

2016 has been an active year for your Company, and I have been delighted with our management and staff who have, at all times, retained an unwavering focus on providing service and value to our customers, improving our financial and operating performance, and successfully executing our integrated pet care strategy.

In early 2016 we received a number of indicative, conditional and non-binding proposals to acquire all of the shares in Greencross at up to $6.75 per share, adjusted for dividends. After careful consideration the Board chose not to recommend any of these approaches, on the basis of their lack of certainty and our view that they undervalued Greencross. We had high confidence in the future growth and performance of the Group through the pursuit of an integrated pet care solution for consumers in the fast growing Australasian pet care market.

That remains our view and I am pleased to report that the financial and operating performance of the business in FY2016 underlines that we have the right business model, corporate strategy and management team to grow your Company and deliver shareholder value.

Financial Performance

The financial performance of the Company this year has been pleasing, with improvements in gross margin and profitability backed by strong cash flows. Revenue increased by 14% to $733.7 million driven by network expansion, LFL sales growth and improved customer engagement. EBITDA increased by 38% to $87.1 million and underlying EBITDA increased by 12% to $97.5 million. NPAT increased by 82% to $34.6 million while underlying NPAT was $42.1 million, a 10% increase over the prior corresponding period.

The Company's increased profitability has led the Board to resolve to pay a final fully franked dividend of 9.5 cents per share. The final dividend takes total dividends for the year to 18.5 cents, up 9% compared to last year. The final dividend will be paid on 23 September 2016.

Integrated Pet Care Company

The underlying rationale for the merger of Greencross Limited and Mammoth Pet was that an integrated pet care offering would deliver affordability and convenience to our customers and enable the Company to grow its market share in the Australian pet sector. One of our operational highlights this year has been the outstanding performance of our 17 in-store clinics. We received over 50,000 visits to our in-store clinics this year and this has led to a significant increase in the number of customers who choose to both shop at our stores and use our vet clinics. Based on this initial success, we now intend to accelerate the roll out of in-store clinics in our network, with the addition of a further 15 in FY2017.

Board Changes

Martin Nicholas was appointed as Chief Executive Officer on 26 August 2015 and, as such, joined the Company's Board. In addition, Rebekah Horne was appointed as a director on 8 September 2015.

Diversity

We are pleased to report on our commitment to gender diversity. Women represent 76% of all employees, 37% of senior management positions and 25% of directors on our board. Female representation in our Company has increased across all three categories over the past year.

Conclusion

Our FY2016 results were achieved during a challenging period, and the strong performance of the business this year is a credit to the passion and commitment of our entire team. So, in closing, I would like to thank our management and staff, led by Martin, for their efforts during the year, as well as my fellow directors and our shareholders for your continued support.

Stuart James
Chairman

23 August 2016
Sydney

OUR FY2016 RESULTS WERE ACHIEVED DURING A CHALLENGING PERIOD, AND THE STRONG PERFORMANCE OF THE BUSINESS THIS YEAR IS A CREDIT TO THE PASSION AND COMMITMENT OF OUR ENTIRE TEAM.

CEO's report

30 June 2016

Dear Fellow Shareholders:

I am delighted to introduce you to the report on the performance of your company for the financial year 2016. It was another year of solid growth, substantial change and progress on many fronts. Our commitment to our integrated pet care strategy remains and we have reinforced our position as the leading pet care specialist in the ANZ market, growing profitably, delivering strong cash flow and expanding our store and clinic network.

Financial Performance

In FY2016 Group revenues grew by 14% to $733.7 million, supported by continued network expansion and Group LFL[1] sales growth of 4.4%. We achieved solid sales growth across all three of our business divisions.

Gross margin was successfully expanded by 130bps to 55.7% and cash flow conversion was strengthened through effective working capital management, delivering $18.4 million of free cash flow and a $6.4 million reduction in net debt.

Statutory NPAT increased by 82% to $34.6 million and underlying NPAT increased by 10% to $42.1 million, which translated to underlying EPS of 37 cents per share. This enabled the Board to declare annual dividends of 18.5 cents per share, a 9% increase on the previous year and in line with our target payout ratio of 50%.

A number of strategic growth initiatives were also successfully advanced in FY2016. We accelerated our roll out of in-store clinics, which now represent over 8% of our GP vet revenue. Our digital platform was enhanced with our online business growing by 83% and our Group Loyalty program, allowing customers to earn and use points across both our retail and vet businesses, was successfully rolled out nationally in December 2016.

Network Expansion and In-Store Clinics

We continued the rapid expansion of our network in FY2016, opening 21 stores and 23 clinics and ending the year with 221 stores and 155 clinics.

As part of this network expansion, we opened another 14 in-store vet clinics. The successful execution of this strategy is increasing customer engagement and driving loyalty and visit frequency. We have been delighted with the performance of our in-store clinics, both in terms of client acceptance and financial performance. The clinics are reaching break even ahead of expectations and are positively impacting our sales per square metre. In the current market conditions these in-store clinics represent an attractive growth avenue with superior investment returns. They are also proving attractive to young entrepreneurial vets who are grasping the chance to jointly invest with Greencross in fully equipped, start up veterinary clinics with all the support of the Greencross Group.

Currently 8% of our retail stores have an in-store clinic but our analysis shows that approximately half of our 221 retail stores can accommodate a clinic. 29% of our retail stores have a grooming salon.

Where practicable all new stores will open with a full suite of services (vet, grooming and dog wash) and we will continue to retrofit the existing store fleet giving our customers the convenience of all their pet care needs in one location.

Private and Exclusive Labels

A key element of our strategy to encourage customer loyalty at improved margins, is to optimise the sale of quality private label and exclusive brand products in our stores. In June we successfully launched Leaps & Bounds, our first private label dog food, and we are delighted with its progress. Private label and exclusive brands now make up 20% of Australian retail sales, up from 15% in the previous year, with a medium term target of 25%.

Loyalty Program and Cross Shopping

Our award winning Friends for Life loyalty program is a key driver of sales and customer engagement. Understanding our customers spend, combined with our knowledge of their pets, allows us to personalise our communication to customers increasing engagement and our share of their pet care spend. We now have more than 3 million members who accounted for over 80% of retail transactions and over 85% of retail sales revenue in FY2016.

This year we enhanced our Group Loyalty program, enabling customers to earn and redeem rewards points across the group at both our vet clinics and our retail stores. The results of this unique group program have been very encouraging, with the number of Australian customers who shop across more than one format increasing by 36% to over 136,000 people. These shoppers comprise only 9% of our active customer base, but already represent 21% of sales revenue and 23% of gross margin.

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

CEO's report

Employer of Choice

Greencross is Australia's largest employer of vets, and we currently employ more than 580 professional veterinary staff. This year, 35 vet graduates accepted the opportunity to commence their professional careers with Greencross through our unique graduate recruitment program and 14 vets joined us as joint owners in our in-store clinics. We are very excited to welcome these bright and talented young men and women to the Greencross team.

Online

Our future vision is to create a seamless shopping experience for our customers providing them with the flexibility to shop in our stores or clinics, order online and have their products home delivered or arrange to pick up their orders in-store.

During the year, our profitable online sales grew by 83% to $8 million as we expanded our online range to over 4,000 products, commenced online sales of prescription food and launched a mobile optimised version of our website. We received over 5.5 million visits to our website from pet owners, both looking to buy our products and services, and to find useful information to help them care for their pets.

Supply Chain

Our supply chain has performed very well in FY2016, with on shelf availability of our top 1000 items above 96%. In FY2016, we benefitted from the first full year of our systems upgrade allowing centralised ordering and improved forecasting. We also smoothly transitioned to direct control of our primary distribution centre at Eastern Creek in Sydney.

Pet Foundation

Through our charitable arm, The Pet Foundation, we raised over $2.5 million in FY2016 for our partners including the RSPCA and Seeing Eye Dogs Australia. Over 100 Petbarn, City Farmers and Animates stores now have pet adoption centres and in the past year we saved the lives of over 6,000 animals by finding them a loving home. We also sponsored the training of 14 seeing eye puppies to help give deserving people the gift of sight. We remain absolutely committed to animal welfare and enhancing the lives of pets.

Thank You to Our Team

Finally, the success of our Company depends on the passion and dedication of our wonderful staff. I would like to take this opportunity to thank all of our team members, on your behalf, for their tireless dedication, commitment and expertise. Thank you.

As we look forward, our growth opportunity remains strong. The ANZ pet market continues to expand, driven by the continued humanisation of pets and an increasing awareness of the importance animal health and nutrition. Greencross remains uniquely positioned, with its integrated pet care model, to serve these growing needs, providing advice and support as we expand our scale and reach. We are well set to deliver growth and value for our shareholders as we continually strive to make the world a happier place through the love of pets.

I look forward to updating you on our progress throughout the year.

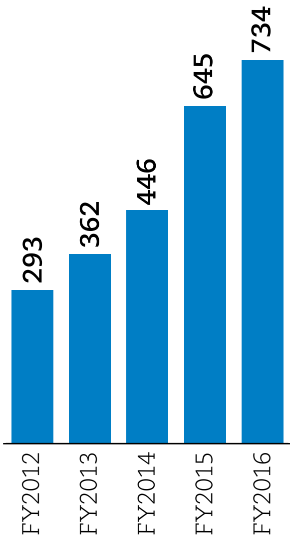
Yours sincerely,

Martin Nicholas
Chief Executive Officer

23 August 2016
Sydney

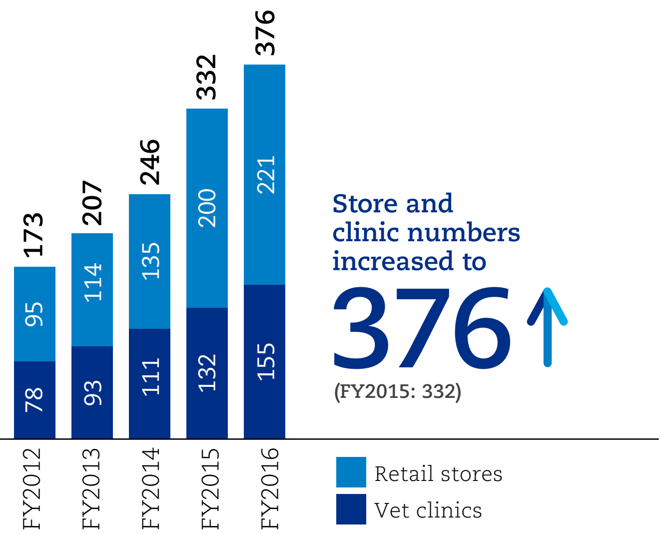
Our financial and operating performance

Revenue



Revenue increased by **14%** to $733.7 million (FY2015: $644.5 million)

Store and clinic numbers



Store and clinic numbers increased to **376** (FY2015: 332)

11%

Australian Retail

Revenue increased by 11% to $458.1 million (FY2015: $412.1 million) with LFL sales growth of 3.4% and Gross Margin increased by 60bps to 47.3% (FY2015: 46.7%)

17%

Australian Veterinary Services

Revenue increased by 17% to $194.4 million (FY2015: $166.1 million) with LFL sales growth of 3.6% and Gross Margin increased by 90bps to 77.6% (FY2015: 76.7%)

22%

New Zealand

Revenue increased by 22% to $81.1 million (FY2015: $66.3 million) with LFL sales growth of 7.5% and Gross Margin increased by 260bps to 48.6% (FY2015: 46.0%)

17%

Group Gross Margin

Group Gross Margin increased by 17% to $408.7 million (FY2015 $350.5 million) and Group Gross Margin % increased by 130 bps to 55.7% (FY2015: 54.4%)

12%

EBITDA

Underlying EBITDA increased by 12% to $97.5 million (FY2015: $86.8 million)

10%

NPAT

Underlying NPAT increased by 10% to $42.1 million (FY2015: $38.2 million)

9%

Annual Dividends

Total FY2016 fully franked dividends increased by 9% to 18.5 cents per share (FY2015: 17.0 cents)

Our financial and operating performance

21↑

Retail Stores

added to the network, bringing the total portfolio to 221 stores

23↑

Veterinary Clinics

added to the network, bringing the total portfolio to 155 clinics

14↑

Co-Located Clinics

added, bringing the total portfolio to 17 in-store clinics. Only 8% of our retail stores have an in-store clinic.

147
DIY Dog Washes
45% of our retail stores have a dogwash

63
Grooming Salons
29% of our retail stores have a grooming salon

>3m
Loyalty Card Holders
in our Friends for Life Club. Our loyalty card holders represent over 85% of retail sales revenue

180,000
Training Hours
invested in our pet passionate store and clinic teams

>80%↑
Swipe Rate
by retail customers using a loyalty card

83%
On-line LFL Sales Growth
supported by the introduction of a mobile optimised website and expansion of our in-line range to over 4,000 products

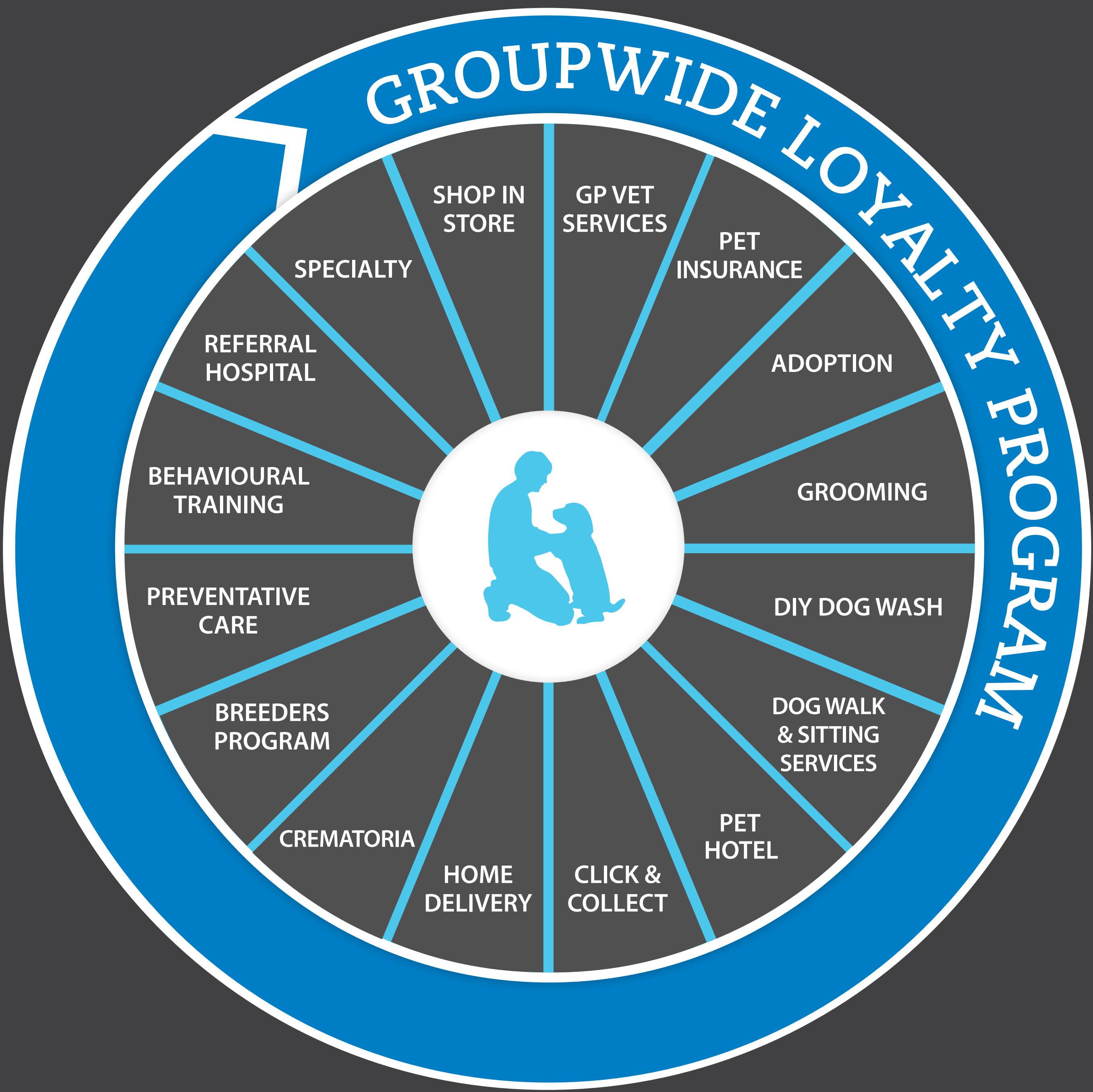
237,000↑
Active Vet Clients
The largest active vet client base in Australia

20%
Private Label Penetration
for Australian retail product sales

>6,000
Animals Lives Saved
this year through our work with the RSPCA and other animal welfare agencies

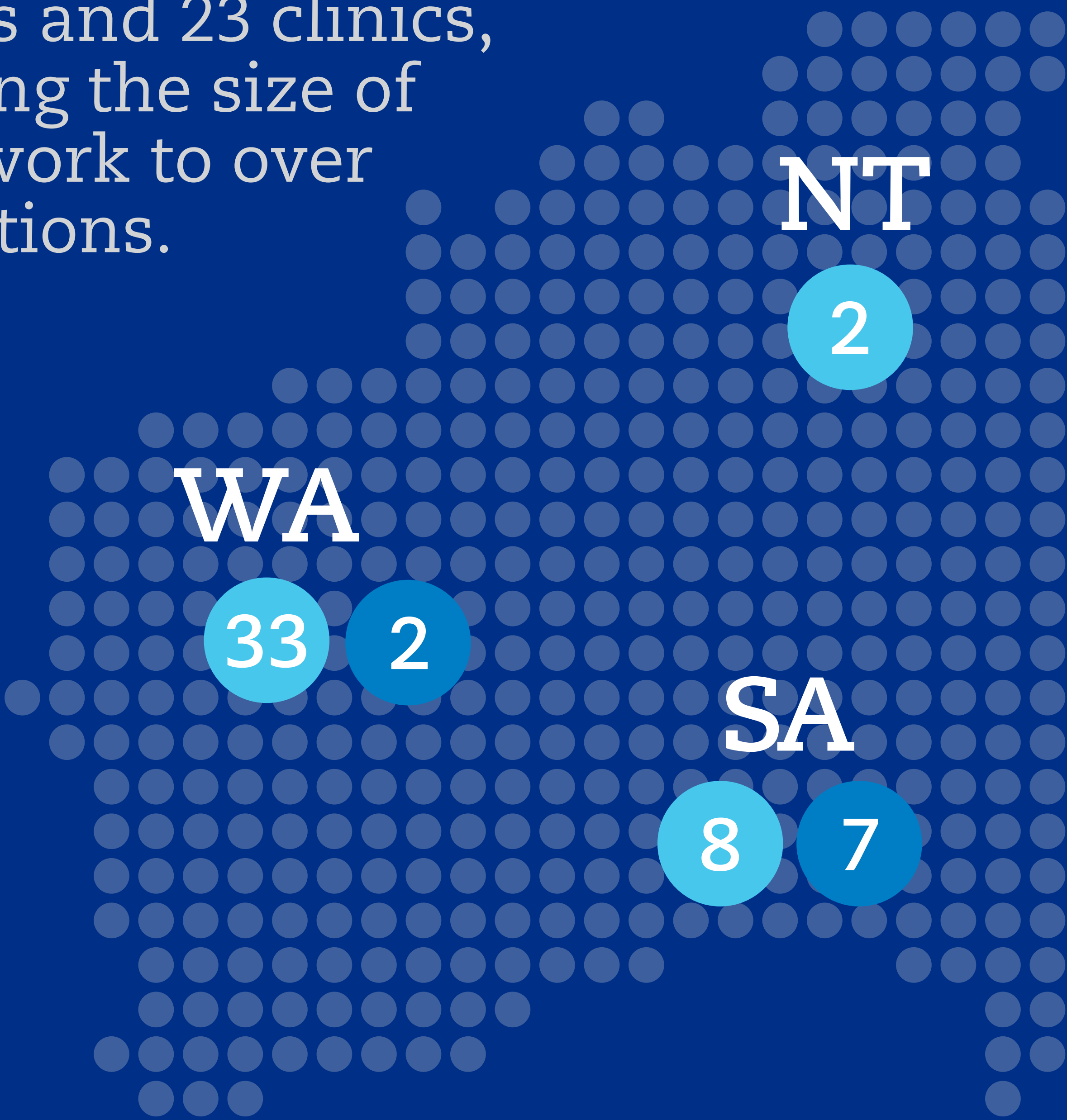
>54,000
HPP Members
our Healthy Pets Plus wellness program is the market leading preventative health scheme

PETS AND THEIR FAMILIES ARE AT THE CENTRE OF GREENCROSS' INTEGRATED PET CARE MODEL




PETBARN
Everything for Pe
NOW OPEN

In FY2016 we opened 21 stores and 23 clinics, increasing the size of our network to over 375 locations.



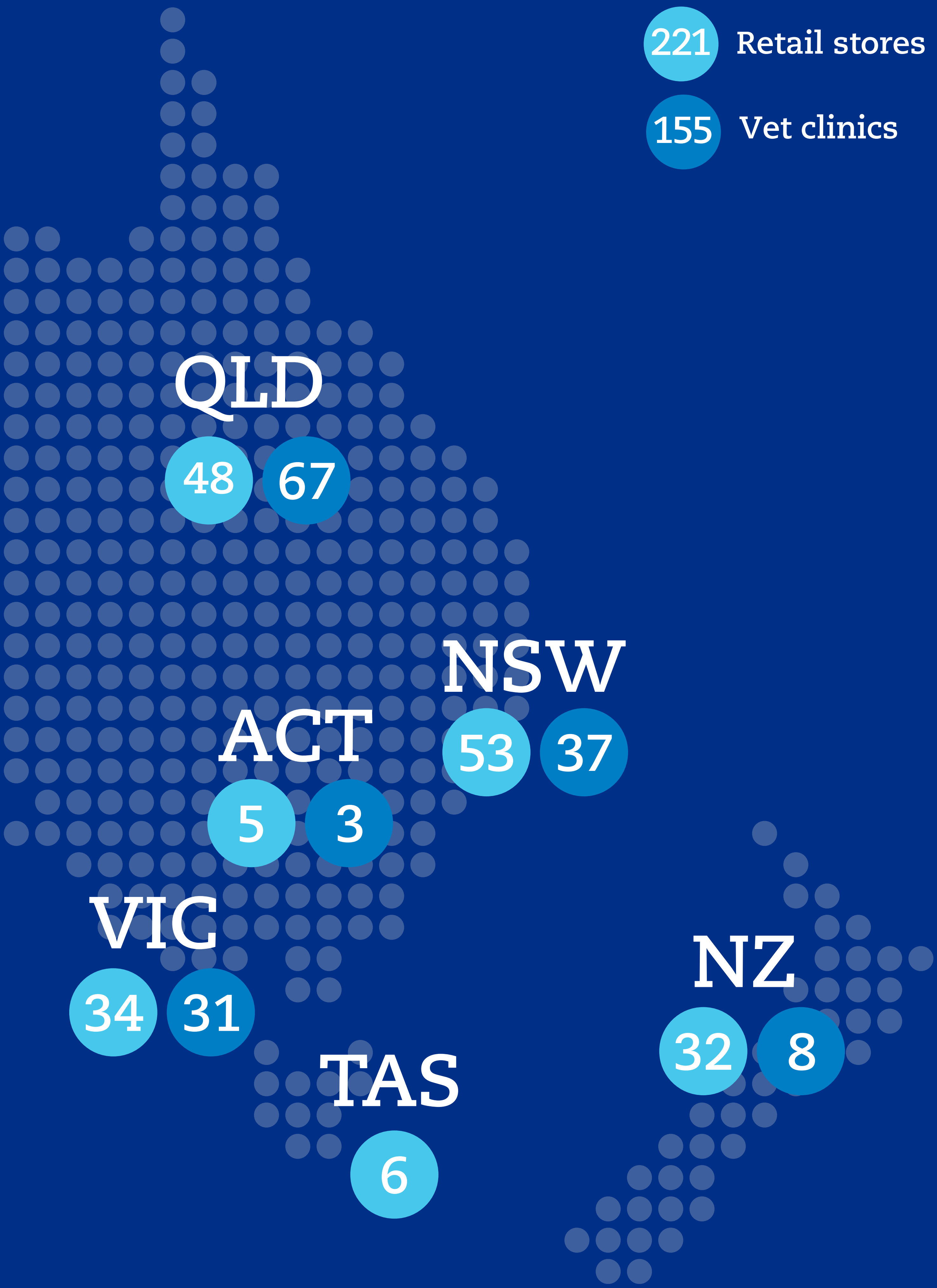
Our store and clinic network

Greencross Vets
Passionate about Pets

PETBARN
Everything for Pets

ANIMATES
Everything for Pets

City Farmers
For pets and their people



As at 30 June 2016


PETBA
Greencross Vets
Kedron

WE AIM TO PROVIDE CUSTOMERS WITH ALL OF THE PRODUCTS AND SERVICES THEY NEED IN A ONE STOP PET SHOP.

GREENCROSS IS AUSTRALASIA'S PREEMINENT INTEGRATED PET CARE COMPANY. OUR **KNOWLEDGE, SERVICE AND PROFESSIONAL EXPERTISE** GIVE OUR CUSTOMERS MORE REASONS TO SHOP WITH US.

Our team members are passionate about animals and we enjoy helping our customers share special moments with their pets.

In-store clinics give our retail customers easy access to expert advice from our qualified veterinary professionals to help ensure their pets' health and wellbeing.

17 → 32

Greencross has 17 in-store vet clinics and is aiming to reach 32 in-store clinics by the end of FY2017.

>8%

In-store clinics now represent more than 8% of GP clinic revenue.

29%
of our retail stores have a grooming salon.

63 IN-STORE GROOMING SALONS

open across Australia and New Zealand.

Services like grooming and dog washing make us a one stop shop for pet owners, **increasing customer visit frequency and loyalty.**

>100,000

grooms completed in the past 12 months.

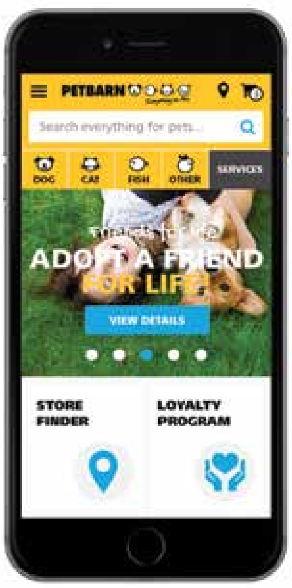
↑83%

Online Sales

Our online sales revenue grew by 83% in FY2016.

We have over **4,000** products available online.

We received more than **5.5 million visits** to our website in FY2016 from customers buying our products and services and looking to find useful information to help them care for their pets.



20%

Private label sales have now increased to 20% of Australian retail product sales.

LEAPS & BOUNDS
100% Natural with added vitamins & minerals

This year, we successfully introduced our private label brand 'Leaps and Bounds' and continued to develop our stable of private label products and exclusive brands including Barkers Best, BFF, Butchers Superior Cuts, Cats in the Kitchen and Daily Bark.


PETBARN
DAILY BARK

35

In FY2016, Greencross gave 35 young Australians the opportunity to commence their veterinary careers through **our graduate induction program.**

Greencross is **the largest** single employer of vets in Australia.

>580

PROFESSIONAL VET STAFF

We received over

1 million

visits to our GP vet clinics in FY2016.

>100

Over 100 of our Petbarn, Animates and City Farmers stores now have pet adoption centres to help save the lives of abandoned animals by providing them with a loving home.

>6,000

ANIMALS WERE SAVED IN FY2016 THROUGH OUR PET FOUNDATION

We raised over **$2.5 million** in FY2016 for our charity partners, including the RSPCA and other adoption agencies. Our donations enabled Seeing Eye Dogs Australia to train 14 guide dog puppies to provide the gift of sight to deserving people.

Financial information

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Directors' Report

30 June 2016

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 year ended 30 June 2016.

Directors

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

Name	Position	
Stuart James	Chairman	
Jeffrey David	Chief Executive Officer	(resigned as director on 26 August 2015)
Martin Nicholas	Chief Executive Officer	(appointed on 26 August 2015)
Christina Boyce	Non-Executive Director	
Andrew Geddes	Non-Executive Director	
Rebekah Horne	Non-Executive Director	(appointed on 8 September 2015)
Chris Knoblanche	Non-Executive Director	
Dr Glen Richards	Non-Executive Director	
Paul Wilson	Non-Executive Director	

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.

Dividends

Dividends paid during the financial year were as follows:

	FY 2016[1] $'000's	FY 2015[2] $'000's
Final dividend for the year ended 30 June 2015 (2015: 30 June 2014) of 9.0 cents (2015: 7.0 cents) per ordinary share	9,992	7,741
Interim dividend for the year ended 30 June 2016 (2015: 30 June 2015) of 9.0 cents (2015: 8.0 cents) per ordinary share	10,278	8,916
	20,270	**16,657**

At the date of signing the financial report The Directors have recommended the payment of a final fully franked dividend of 9.5 cents per share at a record date of 31 August 2016, which is expected to be paid on 23 September 2016.

The final dividend for the year ended 30 June 2016 will be subject to the company's Dividend Reinvestment Plan ('DRP'). Eligible shareholders will be able to participate in the DRP with shares expected to be issued at a 2.5% discount to the volume weighted average price ('VWAP') of the company's shares over the 10 days following the record date and will rank equally with all other shares.

$614,000 (2015: $390,000) was paid to non-controlling interest in respect of their dividends in the underlying entities during the year ended 30 June 2016. There are no proposed dividends for minority interests as at signing date.

Review of operations

The profit for the Group after providing for income tax and non-controlling interest amounted to $34,620,000 (30 June 2015: $19,072,000).

[1] FY 2016 – financial year ended 30 June 2016

[2] FY 2016 – financial year ended 30 June 2015

Operating and financial review

The Directors are pleased to report the following results for the year ended 30 June 2016:

- **Group revenue up by 14%**
- **Network expanded by 21 retail stores and 23 veterinary clinics**
- **Group Like for Like[1] ("LFL") sales revenue 4.4%;**
- **Gross margin % up 130 bps to 55.7%**
- **Statutory EBITDA up 38% to $87.1m**
- **Underlying[2] EBITDA up 12% to $97.5m**
- **Underlying EPS up 8% to 37.0 cents**
- **Cash conversion of 108%**

Financial overview – statutory performance

The Directors are pleased to report a set of results underpinned by revenue and profit growth in conjunction with strong cash generation across 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	FY 2016 $'000's	FY 2015 $'000's	Change $'000's	%
Revenue[3]	733,672	644,454	89,218	13.8%
Cost of sales of goods	(324,949)	(294,002)	(30,947)	10.5%
Gross margin	408,723	350,452	58,271	16.6%
Gross margin (%)	55.7%	54.4%	1.3%	
Operating expenses	(321,583)	(287,163)	(34,420)	12.0%
EBITDA	87,140	63,289	23,851	37.7%
EBITDA margin (%)	11.9%	9.8%	2.1%	
Depreciation and amortisation	(17,821)	(15,056)	(2,765)	18.4%
Profit before finance costs and income tax expense	69,319	48,233	21,086	43.7%
Finance costs	(15,649)	(13,018)	(2,631)	20.2%
Profit before income tax expense	53,670	35,215	18,455	52.4%
Income tax expense	(15,007)	(13,072)	(1,935)	14.8%
Profit after income tax expense	38,663	22,143	16,520	74.6%
Non-controlling interest	(4,043)	(3,071)	(972)	31.7%
NPAT[4] attributable to the owners of Greencross Limited	34,620	19,072	15,548	81.5%
Underlying[2] EPS (cents)	37.0	34.3	2.7	7.9%
Annual dividend per share (cents)	18.5	17.0	1.5	8.8%

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

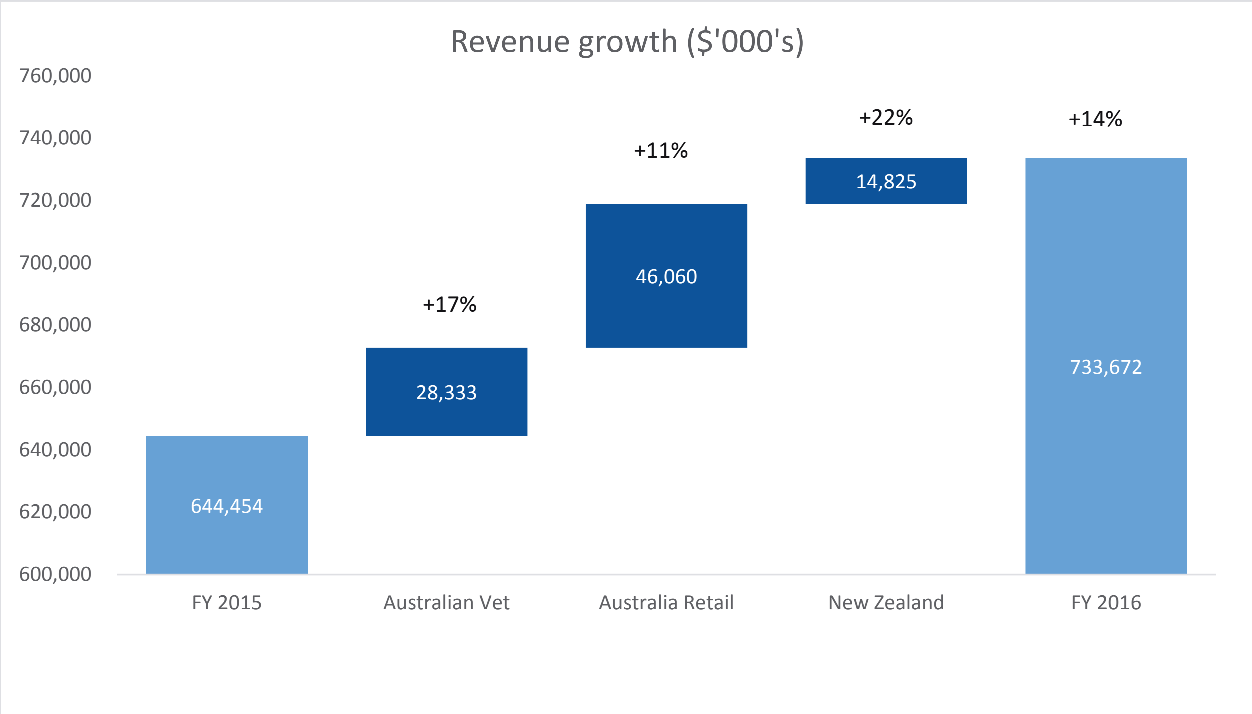
[2] To assist readers in interpreting the underlying performance of the Group we present a set of underlying accounts as well as statutory accounts in this report which are stated before one off or non-comparable acquisition, defence, integration and restructuring costs. The underlying accounts are provided on an unaudited basis. A reconciliation between underlying and statutory reported numbers is provided later in this Directors' report.

[3] Excludes interest income

[4] NPAT – Net profit after income tax expense

Revenue

Revenues were up by 13.8% or $89.2 million to $733.7 million (2015: $644.5 million) as a result of continued network expansion and Group LFL sales growth (+4.4%) over the prior comparison period ("pcp").



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 17.1% or $28.3m to $194.4m (2015: $166.1m) 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 (+3.6%) was in line with expectations and positively supported by a 3.6% increase in visits to clinics. Cross referral initiatives continue to perform well and are increasingly supporting veterinary sales growth. During the financial year the Veterinary business added 18 veterinary clinics to its network, including 13 "in-store" veterinary clinics.

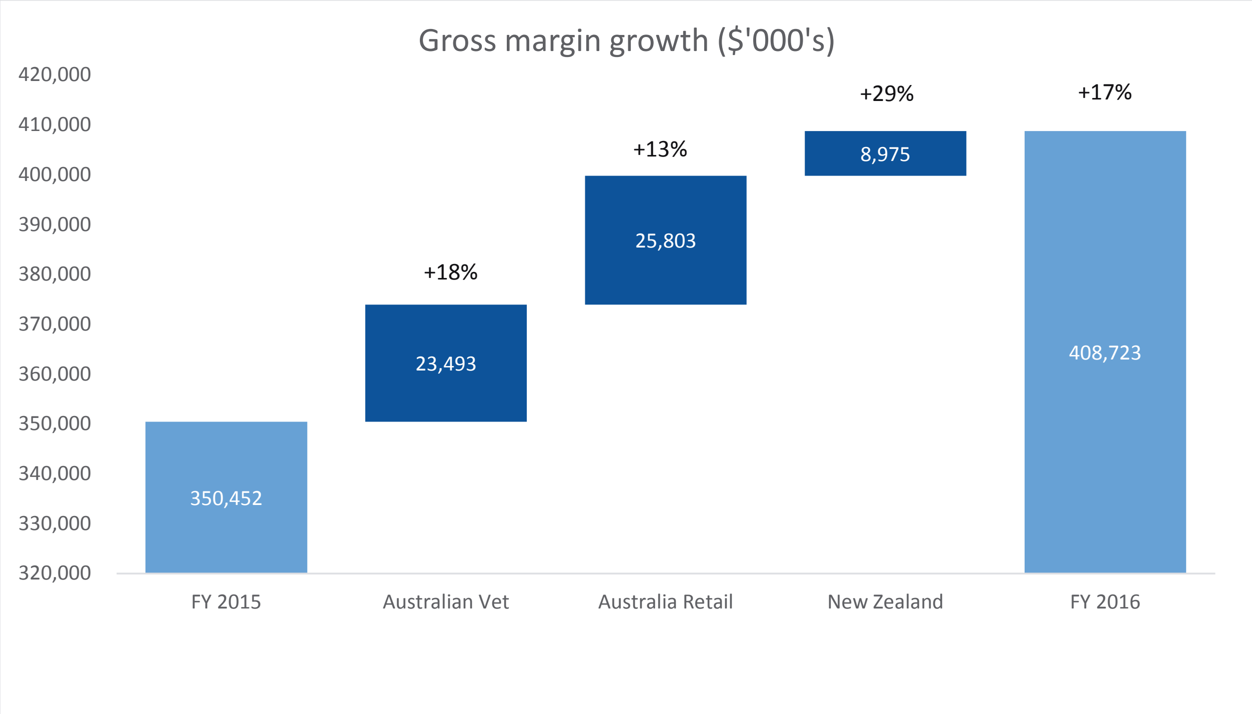
Revenues in our Australian Retail business were up by 11.2% or $46.1m to $458.1m (2015: $412.1m) driven by network expansion and LFL sales growth. Australian retail LFL sales growth (overall +3.4%) was satisfactory, particularly in states outside Western Australia ("WA"). Sales declined in WA due to the continued poor economic backdrop and softer consumer sentiment. Specific initiatives to increase customer numbers in WA are underway. During the second half of the financial year more targeted discounting in an increasingly competitive market slowed sales growth but increased margins. Our online and non-medical services businesses (grooming predominately) continue to perform extremely well and grew by 83% and 30% respectively. During the financial year the Australian Retail business added 17 new retail stores to its network and closed 1 store.

Our New Zealand ("NZ") business saw continued strong growth in the year driven by outstanding LFL sales, continued growth in vet and more aggressive network expansion. NZ revenues were up by 22.4% or $14.8 to $81.1m (2015: $66.3m). NZ retail LFL sales growth (+6.8%) reflects the continued strength and momentum of the Animates brand in NZ while the relatively new Vet business contributed LFL sales growth of over 10%. During the financial year the NZ business added 5 retail stores and 5 veterinary clinics.

Gross margin and gross margin %

Group gross margin % increased 1.3% to 55.7% (2015: 54.4%) as a result of the change in sales mix towards veterinary services and an improvement in City Farmers margins with reduced clearance, range adjustments and improved buying terms.

In the operating divisions gross margin % improved over the prior year in Veterinary (+0.9%) mainly due to the acquisition of higher margin specialty and emergency businesses, NZ (+2.7%) which includes both the mix effect of higher margin veterinary clinics and improvement in retail margins and Australian Retail (+0.9%) which grew as a result of the improved City Farmers margins, increasing private label penetration (now 20% of sales) and more targeted discounting.



Operating expenses

Operating expenses increased by 12.0% or $34.4m to $321.6m (2015: $287.2m). Included within operating expenses are $10.4m of acquisition, defence advisory costs, integration, restructuring and other exceptional or non-comparable costs (2015: $23.5m). After removing the effect of these items operating expenses increased by 15.5% or $41.7m to $311.2m (2015: $269.4m). The increase is mainly due to the impact of expansionary activities - the incremental addition of new sites adding to operating expenses. There was also incremental investment in the internal capabilities required to support the larger business moving forward, which will not repeat in future periods thereby driving operating leverage – a key focus of the Group in FY 2017.

EBITDA

EBITDA increased by 37.7% or $23.9m to $87.1m (2015: $63.3m). Underlying EBITDA grew by 12% or $10.7m to $97.5m (2015: $86.8m) on the back of underlying business growth, continued network expansion through the addition of retail stores, in-store veterinary clinics and veterinary clinics plus improved gross margins.

Depreciation and amortisation

Depreciation and amortisation costs increased by 18.4% or $2.8m to $17.8m (2015: $15.1m) primarily as a result of the investments in retail stores and veterinary clinics in both the current and prior year. Further investment through FY 2016 in the existing portfolio also increased the depreciation charge while amortisation of the supply chain project commenced during the current year.

Finance costs

Finance costs increased by 20.2% or $2.6m to $15.6m (2015: $13.0m) 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 year ending 30 June 2016, coupled with improved terms of Australian senior debt facilities, will ensure finance costs cease to grow at the level seen this year.

Income tax expense

The effective tax rate reduced to 28.0% (2015: 37.1%) due to the reduction in non-deductible costs associated with the City Farmers acquisition and the recognition of previously unrecognised losses.

Net profit after tax

Net profit after tax ("NPAT") was up 81.5% or $15.5m to $34.6m (2015: $19.1m) due to top line revenue growth through expansion and LFL sales growth, margin growth and the reduction in restructuring costs incurred during the period.

Cash flow highlights

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

Statutory cash flow	FY 2016 $'000's	FY 2015 $'000's	Change $'000's	%
EBITDA	87,140	63,289	23,851	37.7%
Net working capital movement	6,569	(28,667)	35,236	122.9%
Ungeared, pre-tax operating cash flows	93,709	34,622	59,087	170.7%
Cash conversion %	107.5%	54.7%	52.8%	
Net interest and finance costs paid	(13,947)	(11,109)	(2,838)	(25.5%)
Income taxes received/(paid)	(1,126)	(8,822)	7,696	87.2%
Net cash from operating activities	78,636	14,691	63,945	435.3%
Purchase of City Farmers	-	(158,994)	158,994	100.0%
Expansionary capex	(38,567)	(51,381)	12,814	24.9%
Underlying capex[1]	(21,712)	(24,120)	2,408	10.0%
Net cash used in investing activities	(60,279)	(234,495)	174,216	74.3%
Free cash flow	18,357	(219,804)	238,161	108.4%
Net proceeds from issues of shares	252	18,553	(18,301)	98.6%
Net proceeds from borrowings and refinance costs	25,267	110,589	(85,322)	77.2%
Dividends paid	(10,892)	(390)	(10,502)	(2692.8%)
Net cash used in financing activities	14,627	128,752	(114,125)	(88.6%)
Net increase/(decrease) in cash and cash equivalents	32,984	(91,052)	124,036	136.2%

Ungeared, pre-tax operating cash flow increased by 170.7% or $59.1m to $93.7m (2015: $34.6m) as a result of EBITDA growth and disciplined working capital management resulting in a cash conversion of 107.5% (2015: 54.7%).

Improved inventory management coupled with benefits from the supply chain project led to a 4% or $13k reduction in average inventories per Australian retail store to $314k (2015: $327k). Warehouse inventory increased by $1.5m to $17.5m (2015: $16.1m) despite the transition to direct supply from key suppliers which increased inventory by $4.5m during FY 2016.

Improved credit collection processes and billing terms led to a $5.6m reduction in trade and other receivables to $8.6m (2015: $14.2m), while improvements in supplier terms, tighter working capital management and growth in volumes led to an increase of $13.0m in trade and other payables to $92.7m (2015: $79.7m).

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

Interest and finance costs increased by 25.5% or $2.8m to $13.9m (2015: $11.1m) as a result of the increased average level of bank borrowings compared to the prior year which was used to fund expansionary and restructuring activities in FY 2015. Finance costs of $1.3m were also paid in the year (2015: $3.0m) in relation to the debt refinancing undertaken through the first half of the financial year.

Income tax paid decreased by 87.2% or $7.7m to $1.1m (2015: $8.8m) as a result of refunds received during the year coupled with reduced Australian Tax Office ("ATO") installments as a result of the low taxable income in FY 2015. This is not expected to repeat through FY 2017 and beyond when the Group will return to a more normal level of tax payments.

Net cash used in investing activities decreased by 74.3% or $174.2m to $60.3m (2015: $234.5m) due to the return to more normal levels of investment in retail stores and veterinary clinics and underlying capex excluding City Farmers. During the year the Group's expansionary capex included the addition of 23 veterinary clinics (including 14 "in-store" veterinary clinics) and a further 21 retail stores. In addition the Group continued to develop internal capabilities with underlying capex of $21.7m (2015: $24.1m) including $7.1m invested in supply chain, omni channel development and other internal capabilities (2015: $7.3m).

Free cash flow of $18.4m (2015: cash outflow of $219.8m) 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 88.6% or $114.1m to $14.6m (2015: $128.8m) reflecting reduced requirements for debt and equity funding used to fund the City Farmers acquisition during FY 2015. The Group paid an interim cash dividend of 9.0 cents per share to shareholders, or $10.3m in cash (2015: no cash dividend paid) which was funded from free cash flow.

Capital management

During the financial year ended 30 June 2016 Group net debt decreased by $6.4m to $228.0m (2015: $234.4m) as a result of strong cash conversion and a transition towards self-funded growth outside of material, one off potential acquisitions.

As at 30 June 2016 the Group had drawn down $280.0m borrowings (2015: $259.0m) 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 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	30-Jun-2016		30-Jun-2016	30-Jun-2015
A1 – bullet revolver	75,000	Oct-2020	75,000	-
A2 – bullet revolver	275,000	Oct-2020	204,862	-
B – accordion	50,000	Oct-2020	-	-
Old facility			-	258,987
Senior debt facility	**400,000**		**279,862**	**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 renegotiated Australian senior debt facilities have been relaxed 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 30 June 2016.

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$12.0 million (2015: $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 year, $97.5 million of debt was hedged by floating to fixed interest rate swaps.

The overall average effective interest rate is currently 4.7% (2015: 5.0%), inclusive of fixed rates on hedged debt, floating rates on unhedged debt and margin spreads. As at 30 June 2016 the weighted average interest rate had decreased by 30 bps to 4.7% 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 $120.0m 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[1] and the continued investment in our internal capabilities.

Acquisition, integration and restructuring expenses

During the year ended 30 June 2016 the Group incurred acquisition & defence costs, integration and restructuring and other exceptional or non-comparable costs of $10.4m (2015: $23.5m). In the prior period the Group completed the acquisition and integration of City Farmers. In the current year the exceptional items relate to acquisition and defence advisory 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 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.

	FY 2016		FY 2015	
	EBITDA	NPAT	EBITDA	NPAT
Reconciliation of underlying to statutory results	$'000's	$'000's	$'000's	$'000's
Statutory	**87,140**	**34,620**	**63,289**	**19,072**
Add back: acquisition & defence costs	3,390	2,712	9,477	9,477
Integration - range, brand and store harmonisation	3,450	2,483	7,631	5,342
Redundancy and restructuring costs	2,355	1,696	6,402	4,481
Share-based payments expense (non-comparable)	1,179	1,179	-	-
Effective tax rate adjustment	-	(601)	-	(218)
Total adjustments	**10,374**	**7,469**	**23,510**	**19,082**
Underlying	**97,514**	**42,089**	**86,799**	**38,154**

[1] NTI – New to industry

Financial overview - underlying performance

Underlying profit or loss	FY 2016 $'000's	FY 2015 $'000's	Change $'000's	%
Revenue[1]	733,672	644,454	89,218	13.8%
EBITDA	87,140	63,289	23,851	37.7%
Underlying EBITDA	97,514	86,799	10,715	12.3%
Underlying EBITDA margin (%)	*13.3%*	*13.5%*	*(0.2%)*	
Underlying NPAT attributable to the owners of Greencross Limited	42,089	38,154	3,935	10.3%
Underlying EPS (cents)	37.0	34.3	2.7	7.9%
Annual dividend per share (cents)	18.5	17.0	1.5	8.8%

Underlying EBITDA & EBITDA margin %

Underlying EBITDA grew by 12.3% or $10.7 to $97.5m (2015: $86.8m) driven by top line expansion, LFL sales growth and gross margin expansion balanced by investments 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 with improving operating leverage.

Group gross margin % increased by 0.4% to 55.7% (2015: 55.3%) 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 the prior year in the Veterinary business (+0.9%) due to the acquisition of higher margin specialty and emergency businesses and in also in NZ (+2.7%) which includes both the mix effect of higher margin veterinary clinics and improvement in underlying retail margins. The Australian Retail business underlying gross margin % reduced by (-0.5%) as a result of a planned increase in mix towards our food categories. Offsetting this decline was an increase in private label penetration which now represents 20% of retail product sales (2015: 17%).

Operating expenses increased by 15.5% or $41.7m to $311.2m (2015: $269.4m). The increase is mainly due to the impact of expansionary activities - the incremental addition of new sites adding to operating expenses. There was also modest growth in the cost base of our existing portfolio which was in line with expectations. Incremental investment in the internal capabilities of the Group were made to support the larger business, which will not repeat in future periods thereby driving operating leverage – a key focus of the Group in FY 2017.

As a result of the above underlying EBITDA % decreased by 20 bps to 13.3% (2015:13.5%).

Underlying NPAT

Underlying NPAT was up 10.3% or $3.9m to $42.1m (2015: $38.2m) due to top line expansion, LFL sales growth, margin growth, investment in our internal capabilities and higher finance and depreciation and amortisation costs.

[1] Excludes interest income

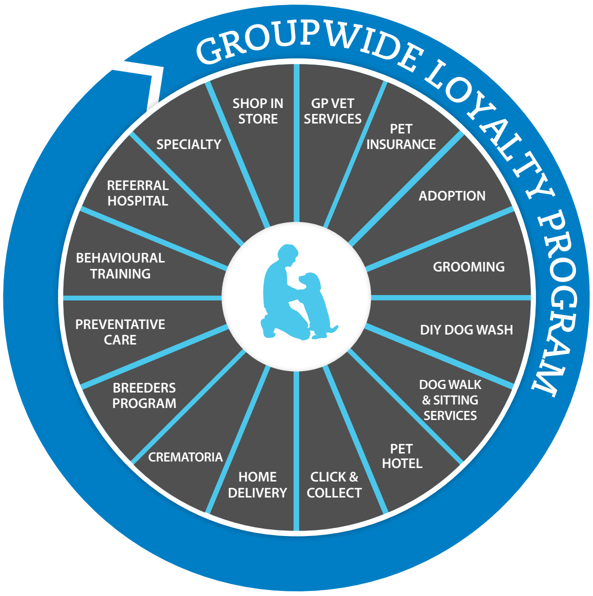
Group Strategy

Our three pronged group strategy aims to deliver an integrated pet care offering and the convenience of 'one-stop shopping' to as many Australasian pet owning households as possible.

We will invest to:

- Optimize our current business improving customer service and our product and service offerings making pet ownership more ***affordable*** to more families
- Expand our network and reach to make our offering ***accessible*** to as many households as possible
- Focus on our integrated model making convenient ***one-stop shopping*** available to our clients and customers

This strategy enhances customer engagement by putting the pet owner at the centre of all we do. As we engage with our customers we grow profitably and increase shareholder returns.



Greencross is simply 'better together' focusing on nurturing longer, deeper relationships between pets and the people that love them through a network of convenient destinations that provide the services and products that fulfil all of their pet care needs.

Material business risks

The key risks that the Group faces that have the potential to have a material impact on the performance of the Group, and how they are managed are detailed below. The Group is committed to managing the potential risks it faces in a continuous and proactive manner.

Expected industry trends

If overall economic conditions worsened, reducing consumer spending or if the level of pet ownership in Australasia declined this could have an adverse effect on the Group's growth prospects and financial performance.

Workplace relations risk

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 biggest single cost that Greencross incurs and any material adverse effect due to labour market forces may increase cost, reduce overall profitability and have an adverse impact on medium term performance.

Identification and completion of acquisition opportunities

There are low barriers to entry in the market that Greencross is seeking to grow via acquisition and new store openings. This give rises to the risk that an existing or new entrant could aggressively drive up the price or drive down the availability of growth opportunities, thus limiting the Group's ability to grow profitably. We believe that the scale of the market and the alternative of "in-store" clinics can mitigate against this risk in the medium term.

Product sourcing

The Group's products are sourced from a network of third parties. Loss or interruption to the business of a major supplier, including delays or failures in receiving orders may result in increased product sourcing costs for the Group or a reduction in the available range in one or more stores, impacting sales, margin and growth.

Loss of key management personnel and shortages of skilled personnel
The loss of key management personnel and/or skilled team members in an unplanned or unexpected manner could have a negative impact on the ability of the Group to deliver on its growth plans with subsequent impact on financial results. Market attractive packages, including short term incentive plan (STIP) and long term incentive plan (LTIP) are offered to key personnel to encourage retention and to attract new talent. This helps mitigate against this risk, as does succession planning.

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

Matters subsequent to the end of the financial year
On 1 July 2016, the Group acquired 100% of the business assets of a veterinary clinic (located in South Australia) for the total consideration of $1,000,000 including deferred consideration of $150,000. At the date this annual report was authorised for issue the fair value of 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 6 July 2016 the Group acquired 100% of the business assets of a retail store (located in Queensland) for the total consideration of $2,448,000. At the date this annual 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 July 2016, the Group acquired 100% of the issued capital of Inion Pty Ltd (located in Australia Capital Territory) for the total consideration of $2,200,000. At the date this annual report was authorised for issue the fair value of 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 27 July 2016 the Group acquired 100% of the business assets of a retail store (located in Victoria) for the total consideration of $270,000. At the date this annual 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 discussed above, no other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Outlook
The Group expects to deliver ongoing revenue growth and earnings growth in FY 2017 driven by the expansion of its proven business platform and delivery of the benefits of its integrated business model.

The Group expects to deliver continued strong operating cash flows to support both acquisitive and organic growth in FY 2017.

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

Information on directors

Stuart James	
Title	Non-Executive Director and Chairman
Qualifications	BA (Hons), MAICD, FAIM
Experience and expertise	Stuart is an experienced executive within the financial and healthcare sectors. Following a 25 year career with Shell both in Australia and internationally, Stuart became Managing Director of Australian Financial Services for Colonial and Managing Director of Colonial State Bank (formerly the State Bank of N.S.W). Stuart also held an executive role as CEO of the Mayne Group from January 2002 to January 2005. Prior to that Stuart was Mayne's Chief Operating Officer from July 2000 to January 2002. Stuart recently held the office of Chairman of Prime Financial Group Limited and Affinity Education Group, and is currently the Chairman of Pulse Health Limited.
Other current public company directorships	Pulse Health Limited
Former directorships (last 3 years)	Affinity Education Group Limited, Progen Pharmaceuticals Limited Phosphagenics Limited
Special responsibilities	Member of the Remuneration and Nomination Committee
Interests in shares as at 1 July 2016	2,103,051 ordinary shares

Martin Nicholas	
Title	Managing Director and Chief Executive
Qualifications	BA (Hons) Oxford University, ACMA
Experience and expertise	Martin became the Chief Executive of Greencross Limited in August 2015. Prior to his appointment as Chief Executive Martin was the Chief Financial Officer ('CFO") at Greencross. Prior to joining Greencross, Martin was the CFO of Study Group International, a private equity owned education business, and served as Group Finance Director for Rentokil Initial PLC, a multinational services business listed on the London Stock Exchange. Martin also spent 22 years in FMCG with Unilever across a number of locations including the United Kingdom, China, Hong Kong, Singapore and Australia, most recently as CFO for the Australian business.
Other current public company directorships	None
Former directorships (last 3 years)	None
Special responsibilities	Managing Director and Chief Executive
Interests in shares as at 1 July 2016	17,752 ordinary shares

Christina Boyce	
Title	Non-Executive Director (appointed 22 September 2014)
Qualifications	B.Ec. (University of Sydney), MBA (KGSM), GAICD
Experience and expertise	Christina has over 20 years strategic consulting and management experience. She is currently a director of Port Jackson Partners, a consulting firm providing strategic advice to Boards, CEOs and senior management. Prior to this, she worked at McKinsey & Co for 14 years, where she was a Partner. Christina has worked extensively with companies on growth, strategy development and business restructuring across a range of industries including retail and consumer services in Australia and overseas. She is currently a Non-Executive Director of Monash IVF Group and Oneview Healthcare Plc.
Other current public company directorships	Monash IVF Group Limited Oneview Healthcare Public Limited Company - Oneview Healthcare Plc is listed on ASX
Former directorships (last 3 years)	Cryosite Limited
Special responsibilities	Chair of the Remuneration and Nomination Committee, Member of Audit and Risk Committee
Interests in shares at 1 July 2016	9,000 ordinary shares

Andrew Geddes	
Title	Non-Executive Director (from 6 February 2014) and Former Chairman
Qualifications	B.Com, Dip. Fin. Mgt, M.Ec, FCPA, F.A.I.C.D.
Experience and expertise	Andrew specialises in professional service firm management and development. This led to his appointment as non-executive director with Count Financial Limited, an ASX listed financial services company. Andrew has conducted management development programs for veterinarians in Australia where he has gained valuable insight into Australian veterinary businesses.
Other current public company directorships	None
Former directorships (last 3 years)	None
Special responsibilities	Member of Audit and Risk Committee
Interests in shares at 1 July 2016	259,854 ordinary shares

Rebekah Horne	
Title	Non-Executive Director (appointed 8 September 2015)
Qualifications	BBus
Experience and expertise	Rebekah has 20 years' experience in digital, telecommunications, mobile and media companies and is currently the Chief Digital and Data Officer of the NRL. Prior to joining the NRL Rebekah was the CDO of Network Ten. Prior to joining Ten, Rebekah was the CEO of LA based start-up Topfloor.com, a Google and POLARIS Ventures backed e-commerce business where Rebekah reported to the board. In 2011, Rebekah founded Inception Digital, a small digital agency funded by MH Carnegie. From 2006 to 2011, Rebekah was responsible for the internationalisation of News Corp's digital business, Fox Interactive Media, starting with the build of the Australian operation, and going on to be the SVP international, responsible for all territories outside of the US, which included 26 international territories. Prior to joining News Corp, Rebekah held a senior content and commerce position at SingtelOptus. Rebekah also has experience as a Non-Executive Director, sitting on the board of a range of subsidiary companies for Network Ten.
Other current public company directorships	None
Former directorships (last 3 years)	None
Special responsibilities	None
Interests in shares as at 1 July 2016	0 ordinary shares

Christopher Knoblanche AM	
Title	Non-Executive Director (appointed 22 September 2014)
Qualifications	BCom, ACA, FCPA
Experience and expertise	Chris is currently the Principal of Advisory & Capital Pty Ltd. Chris was Managing Director and Head of CitiGroup Corporate and Investment Banking Australia & New Zealand for the period from 2005 to 2012. He was previously CEO of Andersen Australia, CEO of Andersen Business Consulting Asia Pacific and Regional Managing Director of Deloitte Management Solutions – Asia. Prior to CitiGroup, Chris was a Partner in the boutique Investment bank, Caliburn Partnership now Greenhill Caliburn. Chris served as Board Member and Chair of the Australian Ballet for the period from 2001 to 2013). Chris was appointed a Member of the Order of Australia for significant service to arts administration, to the community and to the business and finance sector in 2014.
Other current public company directorships	iSelect Limited
Former directorships (last 3 years)	None
Special responsibilities	Chair of the Audit and Risk Management Committee, Member of Remuneration and Nomination Committee
Interests in shares at 1 July 2016	6,000 ordinary shares

Dr Glen Richards	
Title	Non-Executive Director (appointed 1 March 2015) and Former Executive Director and Chief Veterinary Officer
Qualifications	B.V.Sc.(Hons), M.Sc., F.A.I.C.D.
Experience and expertise	Glen is the founding Managing Director of Greencross and was a co founder and Director of Mammoth Pet Holdings Pty Ltd prior to the merger with Greencross. He practiced companion animal medicine and surgery in Brisbane, Townsville and London before commencing practice ownership and establishing Greencross Vets in Townsville in 1994. Glen is a past Director of Lyppard Australia, one of Australia's leading Veterinary wholesalers. He established China's first western veterinary practice (Shanghai PAW) in 2001. He has been a Member of Australian Veterinary Association since 1988, with special interest Groups in small animals and practice management.
Other current public company directorships	1300 Smiles Limited Regeneus Limited
Former directorships (last 3 years)	None
Special responsibilities	None
Interests in shares as at 1 July 2016	2,626,538 ordinary shares

Paul Wilson	
Title	Non-Executive Director (appointed 1 June 2015) and Former Executive Director and Chief Commercial Officer (up to 1 June 2015)
Qualifications	B.Bus, MBA, MAID
Experience and expertise	Paul was a co-founder, director and shareholder of Mammoth Pet Holdings Pty Ltd prior to the merger with GXL. Prior to founding Mammoth, Paul was the Chief Operating Officer 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 employed at Caltex Australia from 1987 to 1999, in a number of roles including, National Fuels Pricing and Planning Manager, Retail Sales Manager for convenience retailing and General Manager of Caltex/Boral JV, Vitalgas.
Other current public company directorships	None
Former directorships (last 3 years)	None
Special responsibilities	Chairman of Animates Joint Venture
Interests in shares as at 1 July 2016	3,169,837 ordinary shares

Vincent Pollaers – Company Secretary

Vincent was appointed General Counsel and Company Secretary on 2 April 2014. Vincent joined Mammoth Pet Holdings Pty Limited in 2008. Prior to joining Mammoth he held positions as a weapons electrical engineering officer in the Royal Australian Navy, management consultant with Pricewaterhouse in Hong Kong, corporate lawyer with Freshfields in London and Allens Arthur Robinson in Sydney, General Counsel, Company Secretary and Strategy Executive for IBM Australia / New Zealand, and Asia Pacific Managing Director for McKinney Rogers, a boutique strategy consultancy firm. Vincent is also an Honorary Fellow of the Faculty of Medicine at the University of Melbourne, Chairman of the Australian Twin Registry (a medical research enabling facility funded by the federal government), and a special advisor to the National Breast Cancer Foundation. Vincent 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 Post Graduate Diploma in Counselling and Applied Psychotherapy at the Jansen Newman Institute.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2016, and the number of meetings attended by each director were:

	Full Board		Remuneration and Nomination Committee		Audit, Compliance and Risk Management Committee	
	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]
Stuart James	12	12	4	4	-	-
Martin Nicholas	9	9	-	-	-	-
Christina Boyce	12	12	4	4	5	5
Jeffrey David	2	3	-	-	-	-
Andrew Geddes	12	12	-	-	5	5
Rebekah Horne	7	7	-	-	-	-
Chris Knoblanche	12	12	4	4	5	5
Dr Glen Richards	12	12	-	-	-	-
Paul Wilson	12	12	-	-	-	-

[1] Held: represents the number of meetings held during the time the director of Greencross held office.

Remuneration Report

The Directors present the 2016 Remuneration Report prepared in accordance with section 300A of the Corporations Act 2001, for the Company and the consolidated entity for the year ending 30 June 2016 ("FY 2016"). The information provided in this Remuneration Report has been audited by PricewaterhouseCoopers as required by section 308(3C) of the Corporations Act 2001. The Remuneration Report forms part of the Directors' Report.

The Remuneration Report outlines the remuneration strategies and arrangements for the Company's Key Management Personnel ("KMP"), who have authority and responsibility for planning, directing and controlling the activities of the Company.

1. Introduction

1.1 Overview of FY 2016 Remuneration Initiatives

The Company has grown rapidly since it first listed on the ASX in 2007, entering the ASX 200 in 2014. With growth comes increased business complexity and opportunity. The Company has responded with more sophisticated executive remuneration frameworks that, while controlling for various risks, also encourage management to respond to the many growth opportunities the market, and our positioning in it, affords us.

In FY 2016, the Company undertook a number of key initiatives which culminated in:

- The appointment of Martin Nicholas to the position of Managing Director and Chief Executive Officer.
- The appointment of Warwick Thresher to the position of Chief Financial Officer.
- The review of the Remuneration Policy and Remuneration and Nomination Committee Charter previously adopted in August 2014. The review determined that both the Policy and Charter continue to represent good governance practices and meet the needs of the Company.
- Annual General Meeting Shareholder approval of an increase to the Directors' Fee Pool to ensure appropriate fees and fee reserves for Director attraction and retention, and board renewal as and when required.
- In accord with the objective of Director attraction and retention, the review and increase to the fees payable to Directors with effect from 22 October 2015.
- Consistent with our preparedness for board renewal, and following an assessment of Board capability for an in increase in the digital marketing experience, Rebekah Horne was appointed as an additional independent Non-Executive Director on 8 September 2015.
- The introduction of relative total shareholder return (TSR) as a third measure of performance into the FY 2016 Executive KMP long term incentive plan. The combination of relative TSR with Return on Invested Capital ("ROIC") and EPS growth, ensures a more complete and robust method to assess and reward long term performance, while diversifying risk from excessive reliance on just one or two measures. In addition, the combination provides a balance between backward looking measures of past performance, and forward looking measures of the market's assessment on how management has positioned the company for future performance.
- Annual General Meeting Shareholder approval of the LTI grant of performance rights subject to these performance measures to the newly appointed CEO, Martin Nicholas

The Company welcomes shareholder support for these initiatives as it continues its evolution and growth.

1.2 Key Management Personnel

Set out below is the list of the Directors and Executives of the Company whose remuneration details are outlined in this Remuneration Report. These Directors and Executives comprised the key management personnel ("KMP") of the Company for FY 2016, who have authority and responsibility for planning, directing and controlling the activities of the Company, as defined within the relevant accounting standard and confirmed by our auditors. Except where noted, these Directors and Executives were employed for all of FY 2016 in the positions noted below.

Table 1 – Key Management Personnel

Name	Position	Period Covered Under this Report
Directors		
Christina Boyce	Non-Executive Director	Full financial year
Jeffrey David	Managing Director and Chief Executive Officer ("CEO")	1 July 2015 to 27 Aug 2015
Andrew Geddes	Non-Executive Director	Full financial year
Rebekah Horne	Non-Executive Director	8 Sep 2015 to 30 June 2016
Stuart James	Non-Executive Chairman	Full financial year
Christopher Knoblanche	Non-Executive Director	Full financial year
Martin Nicholas	Chief Financial Officer	1 July 2015 to 27 Aug 2015
	Managing Director and Chief Executive Officer ("CEO")	28 Aug 2015 to 30 Jun 2016
Glen Richards	Non-Executive Director	Full financial year
Paul Wilson	Non-Executive Director	Full financial year
Other KMP		
Scott Charters	Group Chief Operating Officer ("COO")	Full financial year
Ian Kadish	Chief Operating Officer, Veterinary Services	1 July 2015 to 4 January 2016
Warwick Thresher	Chief Financial Officer ("CFO")	1 January 2016 to 30 June 2016

1.3 Link between Remuneration and Company Performance

The Company believes it is crucial to shareholder value creation to have clearly identified key performance metrics that link Executive KMP remuneration to company performance.

The key financial measures for FY 2016 that applied to Executive KMP incentives are all considered to be appropriate for sustainable long-term performance and shareholder value creation. They were:

- **Earnings Per Share (EPS) growth** – EPS is a measure of profitability, a direct determinant of dividends and a measure of the Company's long-term success. In FY 2016, the actual reported EPS was 30.4 cents, being a 76.7% increase on the previous year. EPS may, at the discretion of the board, exclude any exceptional non-repeating or non-comparable income or costs that are not relevant to the long term performance of the Group including acquisition or defence advisory related costs. In FY 2016, the actual reported underlying EPS was 37.0 cents, being a 7.9% increase on the previous year. The FY 2016 underlying EPS result excluded $10.4m (FY 2015: $23.5m) of exceptional, non-repeating or non-comparable costs.

- **EBITDA relative to budget** is a measure of the company's underlying ability to generate cash to pay dividends and support growth. In FY 2016, the actual reported EBITDA was $87.1 million, being a 37.7% increase on the previous year. EBITDA may, at the discretion of the board, exclude any exceptional non-repeating or non-comparable income or costs that are not relevant to the long term performance of the Group including acquisition or defence advisory related costs. In FY 2016, the actual reported underlying EBITDA was $97.5 million, being a 12.3% increase on the previous year. The FY 2016 underlying EBITDA result excluded $10.4m (FY 2015: $23.5m) of exceptional, non-repeating or non-comparable costs.

- **Underlying Return on Invested Capital (ROIC)** is a measure of capital efficiency. It takes into account both the cost of equity and debt. It ensures that earnings growth is achieved on a sustainable basis. Underlying ROIC may, at the discretion of the board, exclude any exceptional non-repeating or non-comparable income or costs that are not relevant to the long term performance of the Group including acquisition or defence advisory related costs and the impact of significant acquisitions and disposals. In FY2016 underlying ROIC was 9%, this excluded $10.4m (FY 2015: $23.5m) of exceptional, non-repeating or non-comparable costs

- **Total Shareholder Return (TSR)** is a measure of is a measure of share price appreciation and dividends paid to show the total return to the shareholder expressed as an annualized percentage. The Company measures performance by comparison against the total shareholder returns of the ASX200 over a period of 3 years excluding the resources sector. In FY 2016 TSR was 21%.

- **Like for Like (LFL) Sales** – LFL sales is a measure of the percentage growth of sales revenue generated in the current financial year compared to the sales revenue generated in the previous financial year for stores and clinics that were open in the same period last year. In FY 2016, the actual reported LFL was +4.4%.

- **Operating Cash Flow** – Operating Cash Flow is defined as underlying EBITDA less change in working capital less underlying capex and is a measure of the effectiveness of the Company in generating cash to fund expansion, tax, interest and dividends. In FY 2016, $87.9 million of operating cash flow was delivered. This was an increase of 113% on FY 2015 ($41.3m).

- **Revenue** – Revenue is a measure of the effectiveness of the Company to grow total sales through both LFL, inorganic and organic expansionary activities. In FY 2016, the actual reported operating revenue was $733.7 million, being a 13.8% increase on the previous year.

Short-term incentive payments for FY 2016 performance were on average less than maximum for all KMP Executives. Their threshold and maximum took market expectations into account and this outcome is consistent with the level of achievement against consensus. No long-term incentives were in place for vesting during FY 2016.

Performance and Remuneration

Table 2 below outlines Greencross's performance over the last five years.

Table 2 – Greencross Financial Performance and Remuneration for the Past Five Years

	Measure	FY 2012[2]	FY 2013[2]	FY 2014[2]	FY 2015	FY 2016
Revenue	$M	293.0	362.0	445.5	644.5	733.6
Revenue Growth (on previous year)	%	NA	23.5%	23.1%	44.7%	13.8%
Total LFL Sales	%	NA	NA	6.0%	6.2%	4.4%
Underlying EBITDA[1]	$M	33.5	41.2	54.3	86.8	97.5
Underlying EBITDA Growth (on previous year)	%	NA	23.0%	31.8%	59.9 %	12.3%
EBITDA	$M	32.9	36.7	[38.6]	63.3	87.1
EBITDA Growth (on previous year)	%	NA	11.6%	5.2%	64.0%	37.7%
Underlying NPAT[1]	$M	10.0	14.9	21.6	38.2	42.1
Underlying NPAT Growth (on previous year)	%	NA	49.0%	45.0%	76.9%	10.3%
NPAT	$M	8.4	10.7	(127.8)	19.1	34.6
NPAT Growth (on previous year)	%	NA	27.4%	(1,294.4%)	114.9%	82.5%
Underlying EPS[1]	cents	15.0	18.7	24.0	34.3	37.0
Underlying EPS Growth (on previous year)	%	25.0%	24.7%	28.3%	42.9%	7.9%
EPS	cents	NA	NA	(190.6)	17.2	30.4
EPS Growth (on previous year)	%	NA	NA	NA	109.0%	76.7%
Operating Cash Flow	$	NA	NA	45.0	41.3	87.9
Closing share price	$	2.29	4.73	9.24	5.75	6.76
Dividend Per Share	cents	8.0	10.0	12.5	17.0	18.5
Total Shareholder return	%	NA	NA	98%	(36%)	21%

[1] On an underlying basis – see descriptions in section 1.3 of this Remuneration Report

[2] Pro forma as if the merger had occurred on 1 July 2010

2. Remuneration Governance and Policy

2.1 Remuneration Governance

The Board oversees, and is responsible for, remuneration decisions. To assist the Board, governance and oversight of remuneration is delegated to the Remuneration and Nomination Committee ("Committee").

The purpose of the Committee, as stated in its Charter, is to assist the Board by reviewing and making recommendations to the Board in relation to:

- the Company's remuneration policy, including as it applies to Directors and the process by which any pool of Directors' fees approved by shareholders is allocated to Directors;
- Board renewal and planning;
- the appointment and re-election of members of the Board and its committees;
- director and senior executive remuneration, equity-based incentive plans and other employee benefit programs;
- the Company's superannuation arrangements;
- the Company's recruitment, retention and termination policies;
- CEO and senior executive succession;
- the evaluation process of the Board, its Committees and individual Directors;
- senior executive and Board member performance review, which takes place at least annually;
- those aspects of the Company's remuneration policies and packages, including equity-based incentives, which should be subject to shareholder approval; and
- the size and composition of the Board and strategies to address Board diversity and the Company's performance in respect of the Company's Diversity Policy, including whether there is any gender or other inappropriate bias in remuneration for Directors, senior executives or other employees.

The Committee Charter is available on the Company's website at www.greencrosslimited.com.au. The Charter is reviewed annually.

All members of the Committee are Independent Non-Executive Directors.

Committee members in FY 2016 were Christina Boyce (Chair), Stuart James and Christopher Knoblanche.

During FY 2016, the Committee met 4 times with full attendance by all members. The Chief Executive Officer and Chief Human Resources Officer have a standing invitation to attend all Committee meetings to assist in deliberations (excluding matters relating to their own employment).

Further information on the Remuneration and Nomination Committee is provided in the Corporate Governance Statement in this Annual Report.

2.2 External Remuneration Advice

From time to time, the Committee seeks independent external advice on the appropriateness of the remuneration framework and remuneration arrangements for Directors and Executives. The Chair of the Committee oversees the engagement and payment of independent consultants.

During the year, the Committee (on behalf of the Board) engaged Guerdon Associates as its independent consultant to provide information on remuneration matters. The Board was satisfied that advice received from Guerdon Associates was free from any undue influence by KMPs to whom the advice related, because strict protocols were observed and complied with regarding any interaction between Guerdon Associates and management. All remuneration advice was provided directly to the Chair of the Committee or the Chairman of the Board. No remuneration recommendations as defined in section 9B of the Corporations Act, were made by Guerdon Associates.

2.4 Remuneration Policy and Key Principles

Policy purpose

The purpose of the Greencross remuneration policy is to establish a framework for remuneration that will:

- ensure that competitive remuneration policies and practices are observed which enable the attraction and retention of senior management and directors who will create value for shareholders;
- fairly and responsibly reward senior management and Directors having regard to the Company's performance, the performance of senior management, the aspirations of the Company, and the general pay environment;
- comply with all relevant legal and regulatory provisions; and
- facilitate good governance.

A copy of the Remuneration Policy can be found on the Company's website at www.greencrosslimited.com.au.

Executive Remuneration Policy

The Greencross Remuneration Policy complements the Company's business strategy by aiming to reward Executives fairly and responsibly in accordance with the market and ensure that Greencross:

- Provides remuneration that attracts and retains appropriately qualified and experienced executives;
- Sets fixed remuneration at a level that reflects the executives' duties and accountabilities relative to market standards and their level of experience and expertise;
- Instils an ownership culture by encouraging executives to hold shares;
- Aligns executive incentive rewards with the creation of value for shareholders;
- Links an executive's remuneration to demanding levels of performance;
- Manages risk by measuring performance over different time periods and for multiple measures of performance, ensuring a significant component is received and held as equity;
- Benchmarks remuneration against appropriate comparator groups; and
- Complies with applicable legal requirements and appropriate standards of governance.

Executive remuneration is reviewed annually having regard to individual and business performance, internal equity, and comparative information.

Non-Executive Director Remuneration Policy

The Greencross policy for Non-Executive Director remuneration is to provide remuneration that is sufficient to attract and retain Directors with the experience, knowledge, diversity and judgement to oversee the Company's success.

Remuneration for Non-Executive Directors may contain any or all of the following:

- cash fees that reflect the individuals' time commitment and board responsibilities;
- other benefits such as superannuation payments as required under Australian superannuation guarantee legislation.

No retirement benefits are provided in addition to the individual's superannuation.

Further details on Non-Executive Remuneration are contained in section 4.0 of this Remuneration Report.

3. Chief Executive and Other Executive KMP Remuneration

3.1 Executive KMP Remuneration Structure

Executive KMP remuneration has a fixed component and an 'at risk' component that varies with performance. The 'at risk' component comprises a Short Term Incentive ("STI") and a Long Term Incentive ("LTI"). STI and LTI are set as a percentage of each executive's Total Fixed Remuneration ("TFR"). TFR is the sum of salary, salary sacrifice arrangements and the direct cost of benefits, including superannuation, motor vehicles, car parking, living away from home expenses and fringe benefits tax.

Framework Summary

The diagram below summarises the framework for FY 2016. The framework will be reviewed each year.

Diagram 1 – KMP Executive Remuneration Framework

Total Fixed Remuneration (TFR)	Short Term Incentive	Long Term Incentive
Comprises: • Cash salary; • Salary sacrifice items; and • Employer superannuation contributions in line with statutory obligations. TFR is determined by reference to the following: • the market median – policy is to select a TFR within 25 to 75 percentile; • individual's skills and experience relative to the position's requirements; and • in the case of internal promotions, policy is consistent with market convention in setting initial TFR below median.	Up to 50% of TFR awarded in cash ("maximum STI") The maximum STI is dependent on achieving Key Performance Indicator (KPI) parameters for revenue, total comparable sales, Group EBIDA and cash flow. Each of these represent a 25% share of the maximum STI. Scale of 0% at threshold and 100% at stretch • Revenue threshold hurdle = $729m • Comp sales (%) threshold hurdle = 4.2% • Group EBITDA threshold hurdle = $99m • Cash flow threshold hurdle = $68m Threshold payment requirements are set relative to budget. The budget set for each KPI was in excess of FY2016 market guidance.	Grant value of 50% of TFR ("maximum LTI"). KPI breakdown: 1. <u>EPS</u> • 50% of maximum LTI dependent on achieving EPS growth hurdles based on predefined growth rates • Vesting scale of 0% at threshold and 100% at stretch • EPS growth averaged over 3 year period: 1 July 2015 to 30 June 2018. • Threshold hurdle is 8%. 2. <u>ROIC</u> • 30% of maximum LTI dependent on achieving ROIC target ("ROIC Target"). • Threshold hurdle is higher than the weighted average cost of capital (WACC). • Threshold hurdle: 80% of ROIC Target. • Maximum payment at 100% of ROIC Target. 3. <u>Total Shareholder Return</u> • 20% of maximum LTI dependent on total shareholder return measured against the total shareholder returns of the ASX200 companies (excluding resources sector) over a period of 3 years. • Threshold payment hurdle: 50th percentile = 50% payment • Maximum payment hurdle: ≥75th percentile = 100% payment

Company's Ownership Philosophy

It has long been the Company's philosophy that Executives should share in the ownership of the Company. All KMP Executives have a guideline to build and maintain a minimum shareholding equal to one times fixed remuneration. Whilst this is not mandated, it is monitored and encouraged.

3.2 Executive KMP Total Fixed Remuneration

TFR is the sum of salary, salary sacrifice arrangements and the direct cost of benefits, including superannuation, motor vehicles, car parking, living away from home expenses and fringe benefits tax.

Executives receive TFR which is determined by the scope of the Executive's position and the individual's level of knowledge, skill and experience relative to position requirements.

The Company annually reviews the TFR of key Executives and benchmarks this against appropriate market comparisons using information and advice from external consultants. There is no guarantee of any base pay increases included in any Executive's contract.

Fixed remuneration is determined by reference to the market median, P25 and P75, (relevant to the expected size of the Company and position scope) and the individual's skills and experience relative to the position's requirements. This policy recognises the need for flexibility to promote from within or recruit externally, attract and retain talent by recognising Executive experience and expertise, within an acceptable market remuneration range.

3.3 Executive KMP Short Term Incentive

The Company's STI Plan aims to reward Executives for meeting or exceeding annual performance thresholds on financial measures that, if achieved, create value.

The following summarises the key features of the 2016 STI Plan:

Who is eligible to participate in STI awards?
All executive management including KMP Executives participate in the STI Plan.

How are STI rewards set?
The STI is an annual 'at risk' incentive scheme. The level of STI reward opportunity is set as a percentage of an employee's TFR. This percentage is determined by the Remuneration and Nomination Committee with reference to market comparator data, the scope of the employee's position and responsibilities and the employee's ability to influence outcomes. The maximum STI that can be earned is capped to minimise excessive risk taking by Executives and other plan participants.

What is the performance requirement?
The four performance requirements are revenue, comparable sales, Group EBITDA and cash flow (defined as EBITDA less change in working capital less underlying capex). Each performance requirement is weighted equally, constituting 25% of the maximum potential STI payment that can be awarded.

What is the method of assessment against performance hurdles?

The amount of the maximum STI awarded will depend on the extent to which the performances requirements are met. Testing is to occur following the Company's announcement of audited results for the year ended 30 June 2016.

Actual outcomes are measured against the pre-defined threshold and maximum hurdles, which are referenced to the internal budgets and set at the beginning of the financial period.

The philosophy in setting these financial hurdles is to establish thresholds that represent the desired minimum outcomes and maximums that are realistically achievable with exceptional performance.

What is the form of payment?
For FY 2016, STI outcome is payable wholly in cash. In some years the board may provide partial payment in deferred share rights to defer cash expense. This was not necessary in FY 2016 due to the company's improved cash earnings.

Can any of the STI be clawed back?

Where a Trigger Event occurs and a Participant receives an Incentive Payment that the Participant would otherwise not have received, or receives a greater Incentive Payment than the Participant would otherwise have received, had the event not occurred (an **Unfair Benefit**), the Board reserves the right to clawback any previously paid or proposed remuneration of the

Participant (whether as part of an Award under a Plan or as part of the fixed annual remuneration of the Participant).

The Trigger Events that could lead to a clawback are:

- any person has committed an act which constitutes fraud, or dishonesty or gross misconduct in relation to the affairs of any Group Company;
- a Participant brings any Group Company into disrepute;
- a Participant is in breach of his or her obligations to any Group Company, including compliance with this Clawback Policy or any other applicable Group policy;
- a Participant fails to perform any other act reasonably and lawfully requested of the Participant by the Company;
- an act or omission (whether intentional or inadvertent) of any person occurs that has the effect of delivering strong Group performance in a manner that is unsustainable or involves unacceptably high risk, and results, or is likely to result, in a detrimental impact on Group performance, including but not limited to write downs or impairments;
- the Company becomes aware of a material misstatement or omission in the financial statements in relation to the Company in any of the previous three financial years; or
- any other circumstances which the Board determines in good faith to have resulted in an Unfair Benefit to the Participant.

Can the board exercise discretion in relation to STI awards?
The Board can exercise its discretion to amend any element of the STI award plan.

3.4 Executive KMP Long Term Incentive

The following summarises the key features of the 2016 LTI Plan. No Directors participate in the plan.

Who is eligible to participate in the LTI plan?
All KMP Executives were eligible. The Chief Executive Officer had Shareholder approval to participate in the plan.

What Securities Are Offered?
Performance rights are granted over ordinary fully paid shares. Each performance right represents a right to receive one share in the Company plus prorated shares in accord with dividends accrued over the vesting period, subject to the terms of the LTI Plan. The default settlement is in shares. The Board may, in its absolute discretion, permit settlement in cash. The Board also has discretion to satisfy vested grants and the allocation of subsequent shares to participants by either the issue of new shares or an on-market acquisition.

How do Rights Vest?
Rights granted to participants will vest to the extent that the Board determines that:

- the performance condition was satisfied during the Performance Period; and
- the participant was continuously employed by the Company until the Vest Date of the rights (unless the participant ceased employment by reason of redundancy, permanent disability or death (Good Leaver)) and has not given notice to terminate their employment.

What is the Performance Period?
A 3-year Performance Period will apply. The Performance Period for the 2016 LTI is 1 July 2015 to 30 June 2018.

When are performance conditions tested?
The performance conditions are tested following the announcement of the FY 2018 full year result, in or around September 2018.

How do you determine the number of performance rights?
The number of performance rights each participant receives is determined by dividing 50% of the Executive's 2016 financial year TFR by the Allocation Price. The Allocation Price is the volume weighted average price (VWAP) of the Company's shares over five days immediately before, and five days immediately after, 11 August 2015, which is $6.43.

What are the performance conditions?
There are three performance hurdles: EPS Growth, ROIC, and TSR.

Together, the use of these three hurdles is intended to provide a balanced view of the Company's performance and delivery against strategic objectives and provide alignment with shareholder interests.

EPS growth – EPS is a measure of profitability, a direct determinant of dividends and a measure of the Company's long-term success. Underlying EPS may, at the discretion of the board, exclude any exceptional non-repeating or non-comparable income or costs that are not relevant to the long term performance of the Group including acquisition or defence advisory related costs.

ROIC is a measure of capital efficiency. It takes into account both the cost of equity and debt. It ensures that earnings growth is achieved on a sustainable basis. Underlying ROIC may, at the discretion of the board, exclude any exceptional non-repeating or non-comparable income or costs that are not relevant to the long term performance of the Group including acquisition or defence advisory related costs and the impact of significant acquisitions and disposals.

TSR is a measure of is a measure of share price appreciation and dividends paid to show the total return to the shareholder expressed as an annualized percentage. The Company measures performance by comparison against the total shareholder returns of the ASX200 over a period of 3 years excluding the resources sector.

Details of the EPS performance condition
Fifty percent of the rights will only vest under the FY 2016 Grant to the extent a reported EPS growth condition is satisfied over the Performance Period. Broadly, EPS measures the earnings generated by the Company attributable to each share on issue. The EPS growth hurdle is based on the 3-year average annual growth over the performance period. Vesting of FY 2016 grants will be based average EPS growth for FY 2016, FY 2017 and FY 2018.

The target and threshold hurdle are set with reference to the group's Long Term Five Year Plan (LTP) and the forward market consensus. The threshold hurdle is 8%. The vesting scale is straight-line with 0% vesting at threshold and 100% at stretch.

Performance against these hurdles will be disclosed retrospectively at the conclusion of the performance period.

Details of the ROIC performance condition
Thirty percent of the FY 2016 Grant will be subject to an underlying ROIC hurdle, based on the Company's underlying ROIC performance over the Performance Period.

The target and threshold hurdles are set with reference to the group's Long Term Five Year Plan (LTP) and the forward market consensus. These hurdles are above the Company's weighted average cost of capital.

Performance against these hurdles will be disclosed retrospectively at the conclusion of the performance period.

The proportion of the rights subject to the ROIC performance condition that vests will be determined by reference to ROIC achieved over the period FY 2016, FY 2017 and FY 2018 as follows:

3 Year underlying ROIC Achievement Vs Target		% Payment	
Base	**Max**	**Base**	**Max**
80%	100%	0%	100%

Details of the TSR performance condition
Twenty percent of the FY 2016 Grant will be subject to testing the Company's TSR against the TSR of ASX200 Index companies (excluding the resources sector) over FY 2016, FY 2017 and FY 2018.

3 year TSR equal to or above the TSR of ASX 200 Index Companies (excluding resources sector)			
Ranking:	**Equal to 50th percentile**	**Between 50th and 75th percentiles**	**Equal to or above 75th percentile**
Proportion vesting:	50%	Pro rata from 50% to 100%	100%

Is there a testing of performance conditions?
Following the end of the relevant performance period, the Board will:

- test the applicable performance and other conditions and determine the extent to which the these conditions have been satisfied and rights will vest;
- determine the time when the rights will vest; and
- within a reasonable timeframe, notify participants of the extent to which any applicable performance and other conditions have been satisfied and rights will vest (or have vested), and, if relevant, confirmation that the rights will be settled in shares.

Testing will occur following the announcement of the Company's full year results and before 29 August 2018.
There are no re-tests after the initial, and final, test of performance.

What is the treatment for Dividends and Voting Rights in Performance Rights?
Rights do not carry a right to vote or, in general, a right to participate in other corporate actions such as bonus issues. Dividends are recognised in the value of a performance right, and in the number of shares that may vest with each right. However, recipients do not receive any dividends on rights that have not vested.

Are there restrictions on Hedging of LTIs?
A Participant must not enter into any scheme, arrangement or agreement (including options and derivative products) under which the Participant may alter the economic benefit to be derived from any rights that remain subject to these Rules, irrespective of future changes in the market price of Shares.

Is there a real risk of Forfeiture?
A Performance right granted will lapse if:

- The applicable performance condition is not satisfied;
- The participant leaves the Company due to resignation or dismissal, unless the Board in its absolute discretion determines otherwise, or if the employee is a Good Leaver (i.e. has left due to redundancy, permanent disability, death or another circumstance deemed acceptable to the board);
- The Board determines (in its absolute discretion) that the employee has acted fraudulently or dishonestly or is in material breach of his/her obligations under the LTI Plan or to the Company; or
- The employee purports to transfer, mortgage, charge or otherwise dispose of any right or interest in a performance right other than in accordance with the terms of the LTI Plan

Change in Control
If an Event occurs prior to the vesting of rights, then the Board may, within 14 days after the Event, determine in its absolute discretion the treatment of the participant's unvested rights and the timing of such treatment, which may include determining that the unvested rights:

- Vest (whether subject to further performance conditions or not);
- lapse or are forfeited;
- remain subject to the applicable performance conditions and/or Performance Period(s);
- become subject to substitute or varied performance conditions and/or Performance Period(s); or
- which Vest in accordance with this rule, may only be settled in cash or with securities other than Shares, having regard to any matter the Board considers relevant, including, without limitation, the circumstances of the Event (including the value being proposed to Shareholders), the extent to which the applicable performance conditions have been satisfied (or estimated to have been satisfied) at the time of the Event and/or the proportion of the Performance Period that has passed at the time of the Event.

How do Rights vest?
The participant will be allocated Shares (or Cash Equivalent Value) for rights that vest as soon as practicable following the relevant Vesting Date.

Following the determination of vesting of rights, the Board will notify the participant of the method by which the vested rights will be settled (i.e. the allocation of Shares or the payment of the Cash Equivalent Value).

Can any of the LTI be clawed back?
Where a Trigger Event occurs and a Participant receives an Incentive Payment that the Participant would otherwise not have received, or receives a greater Incentive Payment than the Participant would otherwise have received, had the event not occurred (an **Unfair Benefit**), the Board reserves the right to clawback any previously paid or proposed remuneration of the Participant (whether as part of an Award under a Plan or as part of the fixed annual remuneration of the Participant).

The Trigger Events that could lead to a clawback are:

- any person has committed an act which constitutes fraud, or dishonesty or gross misconduct in relation to the affairs of any Group Company;
- a Participant brings any Group Company into disrepute;
- a Participant is in breach of his or her obligations to any Group Company, including compliance with this Clawback Policy or any other applicable Group policy;
- a Participant fails to perform any other act reasonably and lawfully requested of the Participant by the Company;
- an act or omission (whether intentional or inadvertent) of any person occurs that has the effect of delivering strong Group performance in a manner that is unsustainable or involves unacceptably high risk, and results, or is likely to result, in a detrimental impact on Group performance, including but not limited to write downs or impairments;
- the Company becomes aware of a material misstatement or omission in the financial statements in relation to the Company in any of the previous three financial years; or
- any other circumstances which the Board determines in good faith to have resulted in an Unfair Benefit to the Participant.

3.5 Executive KMP Shareholding Guideline
All KMP Executives have a guideline to build and maintain a minimum shareholding requirement equal to one times fixed remuneration. This is monitored annually.

3.6 Executive Service Contracts

Remuneration and other terms of employment for the Chief Executive, and the other KMP Executives are formalised in service agreements.

A summary of the key contractual provisions for each of the current Executive personnel is set out in Table 3 below.

Table 3 – Key Contractual Provisions for FY 2016 KMP Executives

	Employing Company	Contract Duration	Termination Notice Period (Company)	Termination Notice Period (Employee)
Martin Nicholas Managing Director and Chief Executive	Greencross Limited	No Fixed Term	12 Months	12 Months
Scott Charters Group Chief Operating Officer	Greencross Limited	No Fixed Term	6 Months	6 Months
Warwick Thresher Chief Financial Officer	Greencross Limited	No Fixed Term	6 Months	6 Months

3.7 Executive Remuneration Received and Statutory Tables

Managing Director and Chief Executive Officer

The total annual fixed remuneration for the Chief Executive Officer for FY 2016 was $780,000. While this level of total fixed remuneration falls below the median for this role in comparable companies, the Board believes it is appropriate when taking into consideration market convention to remunerate below the median when promoting internal candidates. Mr Nicholas was previously the Chief Financial Officer of the Company.

The total annual remuneration of Mr Nicholas is at or near the median for this role in comparable companies. As Chief Executive Officer, Mr Nicholas was eligible to participate in the Executive Short Term Incentive Plan and Long Term Incentive Plan in FY 2016; up to an aggregate of 100% of his total annual fixed remuneration.

Chief Financial Officer

Warwick Thresher was engaged as Chief Financial Officer from 1 January 2016 with a total annual fixed remuneration of $314,308. While this level of total fixed remuneration falls below the median for this role in comparable companies, the Board believes it is appropriate when taking into consideration market convention to remunerate below the median when promoting internal candidates. Mr Thresher previously held the role of General Manager, Finance for the Group.

The total annual remuneration of Mr Thresher with effect from 1 July 2016 will be at or near the median for this role in comparable companies. As Chief Financial Officer, Mr Thresher will be eligible to participate in the Executive Short Term Incentive Plan and Long Term Incentive Plan in FY 2017; up to an aggregate of 100% of his total annual fixed remuneration from the date of his appointment. In FY 2016 Mr Thresher participated in the Senior Management STI plan and the Executive LTI plan up to an aggregate of 50% of his total annual fixed remuneration.

Other KMP Executives

Mr Charters was the only other KMP Executive to receive an increase to his fixed remuneration in FY 2016. Mr Charters' total annual fixed remuneration was increased to $480,384 in FY 2016.

During FY 2016, both Jeffrey David and Ian Kadish ceased employment with the Company and, at the end of their employment, received their statutory and contractual entitlements.

As previously reported in the FY 2015 Remuneration Report Dr Glen Richards and Paul Wilson ceased employment as KMP Executives and were appointed as Non-Executive directors during the year ended 30 June 2015.

Table 4 details the nature and amount of remuneration of the Chief Executive and other KMP Executives for the year ended 30 June 2016:

Table 4 – Remuneration of KMP Executives

		Fixed Term Remuneration			Variable Remuneration					
		Short Term Benefits	Post Employment Benefits		Short Term Benefits		Long Term Benefits			
		Salary, Fees and Allowances $	Non- Monetary $	Super $	STI Award (Cash) $	Fair Value of Deferred Shares/Rights Under STI Awards[3] $	Fair Value of Equity Grants Under LTI Plan $	Total Remuneration in Accordance with Accounting Standards $	Performance Related %	STI Forfeiture %
Jeff David[1]	2016	353,520	-	8,262	-	-	-	361,782	-	-
	2015	761,217	-	18,783	-	-	-	780,000	-	-
Martin Nicholas	2016	707,548	-	18,519	113,183	109,121	12,036	960,407	24%	71%
	2015	432,215	-	18,782	111,453	1,506	965	564,921	20%	51%
Glen Richards	2016	-	-	-	-	-	-	-	-	-
	2015	297,832	-	14,088	-	-	-	311,920	-	-
Paul Wilson	2016	-	-	-	-	-	-	-	-	-
	2015	495,542	-	20,453	-	-	-	515,995	-	-
Scott Charters	2016	479,956	-	18,604	72,553	97,701	7,715	676,529	26%	71%
	2015	356,250	-	39,924	99,788	1,348	864	498,174	20%	51%
Ian Kadish[1]	2016	646,056	-	25,262	16,000	70,699	-	758,017	7%	71%
	2015	276,964	-	14,874	72,206	976	625	365,645	NA	
Warwick Thresher[2]	2016	146,654	-	9,654	11,402	-	909	168,619	7%	71%
	2015	NA	NA	NA	NA	NA	NA	-	NA	NA
Total	**2016**	**2,333,734**	**-**	**80,301**	**213,138**	**277,521**	**20,660**	**2,925,354**	**17%**	**73%**
	2015	**2,620,020**	**-**	**126,904**	**283,447**	**3,830**	**2,454**	**3,036,655**	**9%**	**51%**

[1] Pro rata for the period in role and includes termination payments including statutory entitlements.
[2] Pro rata for the period in role from 1 January 2016 to 30 June 2016
[3] In FY 2016 all short term benefits classified under deferred shares/rights under STI were awarded in relation to the FY 2015 Deferred STIP

STI Awards for 2016

STI payments to the Chief Executive and other KMP Executives for the 2016 financial year are set out in Table 5 below. The amounts reflect STI awards awarded but not yet paid or granted in respect of the 2016 financial year.

Table 5 – STI Awards FY 2016 for KMP Executives

		STI Cash $	STI Deferred Share Rights $	% of maximum STI awarded	% of maximum STI forfeited
Martin Nicholas	2016	113,183	-	29%	71%
	2015	111,453	111,453	49%	51%
Scott Charters	2016	72,553	-	29%	71%
	2015	99,788	99,788	49%	51%
Ian Kadish[1]	2016	16,000	-	14%	86%
	2015	72,206	72,206	49%	51%
Warwick Thresher[2]	2016	11,402	-	29%	71%
	2015	NA	NA	NA	NA
Total	**2016**	**213,138**	**-**	**27%**	**73%**
Total	**2015**	**111,453**	**111,453**	**49%**	**51%**

[1] STI Cash pro rata to reflect period in role from 1 July 2015 to 4 January 2016
[2] STI Cash pro rata to reflect period in role from 1 January 2016 to 30 June 2016

Movement in Long-Term Incentives

Details of unvested long-term incentive performance rights held by KMP Executives and movement during the year are detailed in Table 6 below.

Table 6 - Details of movement of unvested Performance Rights held during the year by Executives

		FY 2015 Performance period 1 Jul 2014 - 30 June 2017				FY 2016 Performance period 1 Jul 2015 - 30 June 2018			
	Type	Granted	Vested	Lapsed	Unvested	Granted	Vested	Lapsed	Unvested
Martin Nicholas	Rights	23,874	-	-	22,458	60,653	-	-	60,653
Scott Charters	Rights	21,376	-	-	20,108	38,880	-	-	38,880
Ian Kadish	Rights	15,467	-	-	14,550	17,492	-	-	17,492
Warwick Thresher[1]	Rights	7,838	-	-	7,838	12,220	-	-	12,220

[1] Awarded under the FY 2015 and FY 2016 Senior Management LTIP Scheme

4. Non-Executive Directors' Remuneration

4.1 Non-Executive Directors' Remuneration Structure and Fee Pool

Non-Executive Directors' remuneration consists of a base fee for their role as Board members plus committee fees for their role on nominated Board sub-committees. All fees are inclusive of statutory superannuation.

Non-Executive Directors' fees are determined within an aggregated Directors' fee pool limit of $1 million, which was last approved by shareholders at the Annual General Meeting held on 22 October 2015.

Director fees are benchmarked and reviewed against market data provided by independent external advisers.

There was an increase in Board and committee fees paid to Non-Executive Directors in FY 2016 with effect from 22 October 2015. Fees were increased to bring them in line with those of comparable organisations.

Table 7 – Annual Board and Committee Fees Payable to Non-Executive Directors

Position		Board
Chairman of the Board	After	210,000
	Before	200,000
Non-Executive Director	After	105,000
	Before	100,000

Position		Audit and Risk Committee	Remuneration and Nomination Committee
Committee Chairman	After	27,250	27,250
	Before	25,000	25,000
Committee Member	After	10,500	10,500
	Before	10,000	10,000

No retirement benefits are paid other than the statutory superannuation contributions required under Australian superannuation guarantee legislation. Board and committee fees amounts are inclusive of statutory superannuation contributions.

4.2 Non-Executive Directors' Remuneration Statutory Tables

Details on the nature and amount of remuneration of Greencross's Non-Executive Directors for FY 2016 are set out in Table 13.

Table 8 – Remuneration of Non-Executive Directors

		Non-monetary benefits	Cash Fees (including superannuation) $
Christina Boyce	2016	-	139,595
	2015	-	99,992
Andrew Geddes	2016	-	132,078
	2015	-	101,378
Rebekah Horne	2016	-	84,173
	2015	NA	NA
Stuart James	2016	-	217,271
	2015	-	212,500
Christopher Knoblanche	2016	-	139,595
	2015	-	99,992
Glen Richards	2016	-	99,614
	2015	-	32,692
Paul Wilson	2016	-	103,404
	2015	-	7,692
Total	**2016**	**-**	**915,730**
	2015	**-**	**554,246**

4.3 Non-Executive Director Shareholding Guideline

All Non-Executive Directors are encouraged to build and maintain a minimum shareholding equal to one times fixed remuneration.

5. Additional disclosures relating to key management personnel

5.1 Related Party Transactions

Related Party Transactions

The following transactions occurred with related parties:

	Consolidated FY 2015 $	Consolidated FY 2016 $
Payment for goods and services:		
Purchase of inventory from Petco Animal Supplies, Inc., a related party associated with directors Matthew Hobart and Scott Gilbertson.	1,519,701	-
Payment for other expenses:		
Rent and outgoings paid to Greencross Properties Pty Ltd, a company controlled by director Dr Glen Richards.*	85,745	80,034
Rent paid to KCORM Property Trust, a trust associated with director Dr Glen Richards.*	181,554	186,699
Rent paid to AEC Property Trust, a trust associated with director Dr Glen Richards.*	220,445	73,482
Fees paid to director Paul Wilson for his role as Chairman of Animates NZ Holdings Limited	-	26,250

Receivable from and payable to related parties

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

	Consolidated	
	FY 2015 $	FY 2016 $
Current payables and receivables:		
Rent payable to AEC Property Trust, a trust associated with director Dr Glen Richards.	(1,527)	-
Rent prepaid to AEC Property Trust, a trust associated with director Dr Glen Richards	-	632

Loans to/from related parties

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

* Greencross has strong disciplines to avoid any real or perceived conflict of interest with respect to related party transactions. Dr Richards has no involvement in the evaluation, negotiation or management of leases of the properties in which he has an interest. All rental agreements on all properties are managed by the Company's central property department on an arms-length basis and are maintained in a real property information system to ensure visibility. All veterinary services related properties have been transitioned onto this information system during FY 2015 All contract renewals, market reviews and new leases are negotiated and reviewed by the Chief Business Development Officer, who reports to the CEO and is also an accredited valuer. All lease renewal and new leases also come to the CFO for formal approval. Dr Richards has no executive role in the Group so is not involved in this process. The related party properties are treated identically to all other properties. Full disclosure is made in the Annual Report. The Company will continue to disclose the position on these properties. As they come up for renewal, the attractiveness of these properties will be reviewed, their fit within the real estate portfolio assessed and, if retained, market rate rents will be negotiated on an arms length basis.

5.2 KMP Shareholdings

In accordance with Class Order 14/632 issued by the Australia Securities and Investments Commission relating to 'Key management personnel equity instrument disclosures', the following disclosure relates only to equity instruments in the company or its subsidiaries.

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

Table 9 – KMP Shareholdings

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Cessation as KMP	Balance at the end of the year
Stuart James	1,972,547	-	130,504	-		2,103,051
Martin Nicholas	17,752	-	-	-		17,752
Christina Boyce	3,000	-	6,000	-		9,000
Jeffrey David [1]	7,427,635	-	-		(7,427,635)	-
Andrew Geddes	255,896	-	3,958	-		259,854
Rebekah Horne	-		-	-		-
Christopher Knoblanche	-	-	6,000	-		6,000
Dr Glen Richards	2,556,770	-	-	-		2,556,770
Paul Wilson	3,116,416	-	53,421	-		3,169,837
Scott Charters	262,997	-	-	(211,000)		51,997
Ian Kadish [1]	6,000	-	-		(6,000)	-
Warwick Thresher	-	-	-	-		-

[1] Ceased to be a KMP during FY 2016

This concludes the remuneration report, which has been audited

Shares under performance rights
There were no unissued ordinary shares of Greencross Limited under performance rights outstanding at the date of this report.

Shares issued on the exercise of performance rights
There were no ordinary shares of Greencross Limited issued on the exercise of performance rights during the year ended 30 June 2016 or up to the date of this report.

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

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

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

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

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

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 33 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 33 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former audit partners of PricewaterhouseCoopers
There are no officers of the company who are former audit partners of PricewaterhouseCoopers.

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

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

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

____

Martin Nicholas

Director

23 August 2016
Sydney

This statement reports on the Company's key governance framework, principles and practices as at 30 June 2016 with respect to the Company and its controlled entities (together, the **Group**), and has been approved by the Board. These principles and practices are reviewed regularly and revised as appropriate to reflect changes in law and best practice in corporate governance.

As a company listed on the Australian Securities Exchange Limited (**ASX**), the Company must comply with the Corporations Act 2001 (Cth) (**Corporations Act**), the ASX Listing Rules, and other laws applicable in Australia and in countries where the Group operates.

1.0 Compliance with ASX Corporate Governance Principles and Recommendations

ASX Listing Rule 4.10.3 requires ASX listed companies to report on the extent to which they have followed the Corporate Governance Principles and Recommendations (**ASX Principles and ASX Recommendations**) 3rd Edition released by the ASX Corporate Governance Council.

Details of the Company's compliance with the Corporate Governance Principles and Recommendations are set out in this statement.

The Company's corporate governance practices were in place throughout the year ended 30 June 2016, and comply in all material respects with the ASX Recommendations, unless otherwise stated.

A checklist, cross referencing the ASX Recommendations to the relevant sections of this statement and the remuneration report, is provided at the end of this report.

2.0 The Board of Directors and Management

2.1 The Board Charter

ASX Recommendation 1.1

In August 2014, the Board adopted a new charter which clearly sets out the role and responsibilities of the Board.

In particular, the charter details the:

- roles and responsibilities of the Board;
- roles and responsibilities delegated to the Managing Director and the management team of the Group;
- composition of the Board and related matters;
- protocols to observe where a Director has a conflict of interest;
- procedure for the Directors to obtain independent professional advice; and
- term of appointment of Directors.

A copy of the Board Charter is available on the Company's website at: *www.greencrosslimited.com.au*

2.2 The role of the Board

ASX Recommendation 1.1

The Company's Constitution provides that the business and affairs of the Group are to be managed by, or under the direction of, the Board.

The primary role of the Board is to:

- provide input, guidance and approve the strategic direction of the Group;
- guide, monitor, and evaluate the performance of, the management of the Group and its businesses in achieving its strategic plans; and
- ensure the highest standard of governance of the Group.

The Board aims to protect and enhance the interests of its shareholders, while taking into account the interests of other stakeholders, including employees, customers, clients, suppliers and the wider community.

2.3 The responsibilities of the Board

ASX Recommendation 1.1

Broadly, the Board is responsible for:

- achieving, and demonstrating, the highest standard of governance of the Group;
- the overall operation and stewardship of the Group;
- the long-term growth and profitability of the Group;
- the strategies, policies and financial objectives of the Group; and
- monitoring the implementation of the Group's strategies, policies and financial objectives.

In fulfilling the above responsibilities, the Board oversees the Group's strategy, risk management and reporting practices, relationship with management (including the monitoring of performance) and corporate governance.

Strategy

The Board is responsible for:

- providing input to, and approving, the Group's strategic direction and budgets as developed by management;
- monitoring and assessing the Group's performance against strategic and business plans; and
- monitoring major capital expenditure.

Risk Management and Reporting

The Board is responsible for:

- identifying the principal risks of the Group's business and ensuring the Group has in place an appropriate risk management framework and establishing the acceptable levels of risk within which the Board expects the management of the Group to operate;
- reviewing and ratifying the Group's systems of internal compliance and control, risk management and legal compliance systems, to determine the integrity and effectiveness of those systems; and
- approving and monitoring material internal and external financial and other reporting, including:
    - periodic reporting to shareholders, the ASX and other stakeholders; and
    - overseeing the Company's processes for making timely and appropriate disclosure of all material information concerning the Group that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

Relationship with Management

The Board is responsible for:

- appointing and removing the Managing Director and the Company Secretary;
- ratifying the appointment and removal of senior executives (which includes all executives who report directly to the Managing Director);
- approving the Group's remuneration policies and framework and determining whether the remuneration and conditions of service of senior executives are appropriate and consistent with the approved remuneration policies and framework;
- monitoring executive succession planning;
- delegating the day to day decision making and implementation of Board approved strategy to the Managing Director; and
- setting specific limits of authority for management.

Monitoring of Performance

The Board is responsible for:

- establishing criteria for assessing performance of senior executives and monitoring and evaluating their performance;
- undertaking an annual evaluation of the performance of the Board, each Board Committee and individual Directors, comparing their performance with the requirements of the Board Charter, relevant Board Committee Charters and the reasonable expectations of individual Directors;
- appointing a suitable non-executive Director to conduct an annual evaluation of the performance of the Chair, including the canvassing of views of the other Directors; and
- where appropriate, engaging external facilitators to conduct its performance evaluations.

Corporate Governance
The Board is responsible for:
- selecting and appointing the Board Chair;
- ensuring ethical behaviour and compliance with the Company's own governing documents, including its Code of Conduct; and
- monitoring and evaluating the Group's compliance with its corporate governance standards.

The corporate governance policies are available on the Company's website at *www.greencrosslimited.com.au*

2.4 Board Delegation to Managing Director and Management
ASX Recommendation 1.1
The Board has reserved certain powers for itself and delegated authority and responsibility for management of the Group to the Managing Director. This authority is broad ranging and may be sub-delegated to other levels of the management team of the Group. Delegations are subject to strict limits.

Mr Jeffrey David resigned as Managing Director on 27 August 2015. On 28 August 2015 Mr Martin Nicholas was appointed as the Group's Managing Director. The Managing Director is responsible for running the day to day affairs of the Group and to implement the policies and strategies set by the Board. In carrying out these responsibilities, the Managing Director must report to the Board in a timely and clear manner.

The Board has delegated, through the Managing Director, the following responsibilities to the management team of the Group:
- proposing the strategic direction of the Group for consideration by the Board;
- developing business plans and budgets and, to the extent approved by the Board, implementing these plans and budgets to deliver the strategy;
- operating the Group's business within the parameters set by the Board from time to time and keeping the Board informed of material developments in the Group's business;
- in respect of proposed transactions, commitments or arrangements that exceed the parameters set by the Board, referring such matters to the Board for its consideration and approval;
- identifying and managing operational and other risks and, where those risks could have a material impact on the Group's businesses, formulating strategies for managing these risks for consideration by the Board;
- implementing the policies, processes and codes of conduct approved by the Board; and
- managing the Group's current financial and other reporting mechanisms and controlling and monitoring systems to ensure that these mechanisms and systems function effectively and capture all relevant material information on a timely basis.

All delegated authorities provided by the Board to the Managing Director are reviewed regularly.

2.5 Responsibilities of Chairman
ASX Recommendations 2.5
The Board Charter prevents the same person from simultaneously holding the roles of Chairman and Managing Director. These roles are distinct and separate.

The Board is chaired by an independent non-executive Director. The Chairman is Mr Stuart James, who was appointed as the Group's Chairman on 6 February 2014. Mr James is an experienced director and former executive within the financial and healthcare sectors. A detailed list of his directorships and prior experience is set out in the 'Information on Directors' section in the Directors' Report of this Annual Report.

The Chairman is responsible for:
- chairing meetings of the Board and providing effective leadership to the Board;
- maintaining ongoing dialogue with the Managing Director and providing appropriate mentoring and guidance; and
- being a respected ambassador for the Group, including chairing meetings of shareholders and dealing with key stakeholders including investors, customers and regulatory bodies.

The positions held by Mr James outside the Group do not prevent him executing and fulfilling all of his obligations and responsibilities to the Board and the Group.

2.6 Responsibilities of Company Secretary

ASX Recommendation 1.4

The Company Secretary is appointed and removed by the Board. The Company Secretary, Mr Vincent Pollaers, reports, and is accountable to, the Board, through the Chairman, on all matters to do with the proper functioning of the Board and Board Committees. The Company Secretary's responsibilities include:

- advising the Directors, the Board and its Committees on governance and regulatory matters;
- monitoring that Board and Committee policy and procedures are followed;
- coordinating the timely completion and despatch of Board and Committee papers;
- ensuring that the business at Board and Committee meetings is accurately captured in the minutes; and
- helping to organise and facilitate the induction and professional development of Directors.

Each Director is able to communicate directly with the Company Secretary and vice versa, and to receive advice from the Company Secretary.

Mr Pollaers, the current Company Secretary, was appointed on 2 April 2014. The profile for the Company Secretary is provided in the 'Company Secretary' section in the Directors' Report of this Annual Report.

2.7 Composition of the Board

ASX Recommendations 2.2, 2.4

The Board Charter requires that:

- a majority of the Board are independent Directors; and
- the Board comprise people with a mix of skills and diversity of backgrounds to enable the Board to discharge its duties effectively in order to allow for the Group to fulfil its goals and responsibilities to shareholders and other key stakeholders.

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

- the Board being of a size to assist in efficient decision making;
- the Board size being not less than 3; and
- each Director possessing unquestionable integrity and being of good character.

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

A review of Board composition and skills is undertaken annually by the Board which enables the Board to assess the skills and the experience of each Director and the combined capabilities of the Board. The results of this review are considered in the context of the Group's operations and strategy. Further information on the skills assessment conducted in FY 2016 is set out in paragraph 2.9 below. The results of this review are then incorporated into the selection process for new Directors.

2.8 Independence of Directors

ASX Recommendations 2.3, 2.4

Directors are expected to bring independent views and judgment to Board deliberations. An independent Director must be independent of management and able to exercise unfettered and independent judgment, free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of the Director's judgment as to what is in the best interests of the Group. The 'Information on Directors' section of this Annual Report identifies the major associations of each Director outside of the Group.

The Board currently comprises the following independent Directors: Christina Boyce, Andrew Geddes, Stuart James, Rebekah Horne and Christopher Knoblanche. Two former executives of the Company, Paul Wilson and Glen Richards, remain on the Board as non-executive directors.

In assessing whether a Director is independent, the Board has adopted the independence requirements of applicable laws, rules and regulations, as well as the ASX Principles. The criteria adopted by the Company in assessing independence, as prescribed by the ASX Principles, are set out in both the Board Charter and the Audit and Risk Management Committee Charter, which are available on the Company's website.

The Board Charter provides that the Board will regularly review the independence of each Director in light of the interests disclosed by each Director. Specifically, the Board will review the independence of any Director who has served in that position for more than 10 years in order to confirm that their independent status can be maintained.

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

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

Disclosure of related party transactions is set out in the notes to the financial statements and remuneration report of the Annual Report.

2.9 Board Skills Matrix

ASX Recommendation 2.2

The Board has identified particular qualifications, attributes, skills and experience that are important to be represented on the Board as a whole, in light of the Company's current and expected future business needs. The Board seeks to ensure that these particular qualifications, attributes, skills and experience are sufficiently present on the Board. Following a review earlier in the year, the Board was satisfied that it had sufficient skills and experience in areas of strategy, finance and governance but believed it could enhance its level of online and digital marketing skills. Operational experience in retailing and vet services were judged appropriate but the Board felt it could increase its gender diversity

2.10 Appointment and re-election of Board members

ASX Recommendations 1.3

The Company has formal letters of appointment for each Director, setting out the key terms and conditions of the appointment.
The process for appointing a Director is:

- when a vacancy exists, the Board identifies candidates with the appropriate expertise and experience, using external consultants if appropriate.;
- the Board undertakes appropriate checks in relation to the character, experience, education, criminal record and bankruptcy history for each of these candidates; and
- the most suitable candidate is appointed by the Board but must stand for election at the next annual general meeting of the Company.

The process for re-election of a Director is in accordance with the Company's Constitution and the ASX Listing Rules, which require that, other than the Managing Director, any Director who holds office for a continuous period in excess of three years, or past the third annual general meeting following their appointment as a Director, whichever is longer, is required to retire by rotation at each annual general meeting and is eligible to stand for re-election.

A candidate standing for election as a non-executive Director will be asked to provide the Board, or the Remuneration and Nomination Committee, with the following information, which will be provided to shareholders to enable them to make an informed decision as to whether to elect or re-elect the candidate at the next annual general meeting:

- biographical details, including the relevant qualifications and experience and the skills the candidate can bring to the Board;
- details of any other material Directorships currently held by the candidate;
- in the case of a candidate standing for election as a Director for the first time:
    - any material adverse information revealed by the checks the Company has performed about the Director;
    - details of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect, their independent judgement;
    - if the Board considers that the candidate will, if elected, qualify as an independent Director, a statement to that effect;
- in the case of a candidate standing for re-election as a Director:
    - the term of office currently served by the Director; and
    - if the Board considers the Director to be an independent Director, a statement to that effect; and
- a statement by the Board as to whether it supports the election or re-election of the candidate.

In determining whether it will support the election or re-election of a Director, the Board will assess the above information and, in the case of Directors standing for re-election, the performance of each Director.

2.11 Board meetings

Directors are expected to prepare adequately for, attend and participate at Board meetings and meetings of Committees.
The number of Board meetings and each Director's attendance at those meetings are set out in the 'Meetings of Directors' section in the

Directors' Report of this Annual Report.

2.12 Performance of Board, its Committees and individual Directors

ASX Recommendation 1.6

The Board periodically conducts an assessment of the performance and effectiveness of the Board as a whole, the Board Committees and individual Directors. The performance of the Board, each Board Committee and individual Directors is compared with the relevant performance requirements of the Board Charter, relevant Board Committee Charters and the reasonable expectations of individual Directors, including by reference to the goals and objectives of the Board established by the Chairman following the performance review of the previous year.

Performance of each Committee of the Board is initially discussed and reviewed within each Committee and then subsequently reviewed as part of the Board's annual assessment.

The Board Charter requires that the review of the performance of the Chairman be conducted by a suitable non-executive Director, appointed by the Board.

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

In FY16 the Board conducted an assessment of the performance and effectiveness of the Board as a whole, which included an assessment of the function of the Board Committees.

2.13 Conflicts of interest

Directors are expected to avoid any action, position or interest that conflicts or appears to conflict with an interest of the Group. This is a matter for ongoing consideration by all Directors, and any Director who has a material personal interest in a matter relating to the Group's affairs must, in accordance with their obligations under law and the Company's constitution, notify the Board of that interest.

To assist Directors in managing any such conflicts, the Board has developed protocols (appended to the Board Charter) which set out the structures and procedures to be followed where a conflict of interest arises in respect of a Director. The objectives of these protocols are to ensure that:

- the consideration of matters by the Board and any Board committees is undertaken free from any actual influence or appearance of influence from Directors who have a conflicting interest; and
- the disclosure of the Group's confidential information is subject to appropriate corporate governance controls.

The Corporations Act 2001 and the Company's Constitution provide that a Director who has a material personal interest in a matter that is being considered at a Directors' meeting cannot be present while the matter is being considered at the meeting or vote on the matter, except in the following circumstances:

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

Even though the Corporations Act 2001 and the Company's Constitution allow these exceptions, the Board's conflict of interest protocols provide that when a potential conflict of interest arises in respect of a relevant matter to be considered by the Board, the participation of the Director concerned in the Board's consideration of the relevant matter is to be assessed by the other Directors. The protocols allow for the other Directors to:

- exclude the Director concerned from the Board's consideration of the relevant matter by directing that the Director concerned:
  - must not receive any information about the relevant matter; and
  - is not entitled to participate in any discussions regarding, nor take part in any decision-making process in relation to, the relevant matter; or

- allow the Director to participate in the Board's consideration of the relevant matter on a limited basis, by directing that the Director concerned:
  - receive part of the information in respect of the relevant matter; or
  - receive redacted versions of information distributed to the Board in respect of the relevant matter; or
  - participate in the discussions regarding the relevant matter but not to vote on resolutions covering the relevant matter.

Additionally, the board protocols set out detailed administrative procedures to be observed by the Company in such circumstances where a Director has a conflict of interest in relation to a matter subject to consideration by the Board, to ensure that the Director concerned takes no part in discussions and exercises no influence over other members of the Board.

2.14 Access to management

ASX Recommendation 1.1

Board members have complete and open access to management through the Chairman, Managing Director and the Company Secretary at any time. In addition to regular presentations by management to Board and Board Committee meetings, Directors may, through the Chairman or Managing Director, seek briefings from management on specific matters.

2.15 Access to independent professional advice

The Board Charter allows each Director to seek independent professional advice at the Group's expense, with the prior approval of the Chairman. Such independent professional advice can be obtained by Directors where the issue or recommendation in question is one which the Director reasonably considers, after consulting with the Board or the Chairman, is of a character that makes obtaining independent advice appropriate.

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

2.16 Remuneration arrangements

ASX Recommendation 8.2

The Group's Remuneration Policy, as it relates to the remuneration of the Board, each Director and senior executives is set out in the 'Remuneration report' which forms part of the Directors' Report as set out in the Annual Report.

2.17 Senior executives

ASX Recommendations 1.7, 8.2

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

3.0 Board Committees

3.1 Board Committees and Membership

ASX Recommendations 2.1, 4.1, 4.2, 7.1, 7.2 and 8.1

The Board has the ability, under the Company's Constitution, to delegate its powers and responsibilities to Committees of the Board. This allows the Directors to spend additional and more focused time on specific issues.

The Board currently has two standing committees to assist in the discharge of its responsibilities.

Committee	Members	Key responsibilities	Composition
Audit and Risk Management Committee	Christopher Knoblanche (Chair) Christina Boyce Andrew Geddes	Monitors the financial reporting process, and external audit functions. Oversees the management of material business risks and the development of corporate governance principles.	Three Independent Non-Executive Directors.
Remuneration and Nomination Committee	Christina Boyce (Chair) Stuart James Christopher Knoblanche	Assists the Board in considering remuneration policies, practices and decisions. Ensures the Board and the CEO have the necessary range of skills, expertise and experience to further corporate objectives.	Three Independent Non-Executive Directors.

The qualifications of each standing Committee's members and the number of meetings they attended during the year are set out in 'Information on Directors' and 'Meetings of Directors' sections in the Directors' Report in the Annual Report.

3.2 Committee Charters and Governance

ASX Recommendations 2.1, 4.1, 7.1 & 8.1

In August 2014, the Board adopted a new charter for each of its standing committees which clearly sets out the role and responsibilities of the Committees.

Copies of the Charters for each of these Board Committees and the policies relevant to the responsibilities of each Board Committee, are available on the Company's website.

Each Board Committee must review their Charter and the policies relating to their responsibilities, at least once every year. The Board also conducts its own periodic reviews of each Board Committee Charter and Policy. Board approval is required for any amendments to these Charters or Policies, which are suggested by the Board Committees.

Following each Committee meeting, the Board receives a copy of the minutes of meeting from the relevant Committee. Further, on an annual basis, the Board receives a report from each Committee on its activities undertaken during the financial year.

3.3 Committee access to Management

Each Board Committee may, within the scope of its responsibilities, have access to the management team of the Group, information and external professional advice it needs to the carrying out of its responsibilities under its Charter.

3.4 Audit and Risk Management Committee

ASX Recommendations 4.1 and 7.1

3.4.1 Role of the Audit and Risk Management Committee

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

The Audit and Risk Management Committee's role, responsibilities, composition and membership requirements are documented in the Audit and Risk Management Committee Charter approved by the Board.

The Audit and Risk Management Committee relies on the information provided by management and the external auditor.

3.4.2 Responsibility of the Audit and Risk Management Committee

The primary responsibility of the Committee in relation to financial matters is to oversee the Group's financial reporting process on behalf of the Board and to report the results of its activities to the Board. More specifically, the Committee is responsible for:

- the integrity of the accounting and financial reporting processes of the Group;
- the Group's external audits;
- compliance with applicable accounting standards to give a true and fair view of the financial position and performance of the Group;
- oversight of management in the preparation of the Group's financial statements and financial disclosures;
- oversight of the work of the external auditor;
- setting, approval and regulation of the annual fee for each type of audit or non-audit service to be provided by the external auditor;
- review and oversight of the risk profile of the Group within the context of the Board determined risk appetite;
- conducting annual reviews and making recommendations to the Board concerning the Group's risk management policy, risk appetite and particular risks or risk management practices of concern to the Committee;
- review of management's plans for mitigation of material risks faced by the Group;
- promoting awareness of a risk-based culture and the achievement of a balance between risk minimisation and reward for risks accepted;
- review and making recommendations to the Board in relation to any incident involving fraud or other failure of the Group's internal controls; and
- review and making recommendations to the Board regarding the Group's insurance program, having regard to the business of the Group and the insurable risks associated with the business.

3.4.3 Composition of the Audit and Risk Management Committee

All members of the Audit and Risk Management Committee must be non-executive Directors (a minimum of three is required) and a majority must be independent Directors. It is a requirement that all members of the Audit and Risk Management Committee be financially literate and have a range of different backgrounds, skills and experience, having regard to the operations and financial and strategic risk profile of the Group. The members of the Audit and Risk Management Committee are:

- Chris Knoblanche - Independent Non-Executive – (Chairman);
- Christina Boyce – Independent Non-Executive; and
- Andrew Geddes – Independent Non-Executive.

The qualifications and experience of the members of the Audit and Risk Management Committee are set out in the 'Information on Directors' section of this annual report.

Members of the Committee are appointed for a term of no more than 3 years. Existing Committee members are eligible for re-appointment to the Committee for so long as they remain independent Directors.

3.4.4 Access to the Audit and Risk Management Committee

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

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

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

The Committee provides sufficient opportunities for the external auditor to meet privately with members of the Committee.

3.4.5 External auditor

ASX Recommendation 4.3

The Audit and Risk Management Committee is responsible for making recommendations to the Board on the appointment, reappointment or replacement, remuneration, monitoring the effectiveness and independence of the external auditors. The Committee will also provide the Board with recommendations as to resolving disagreements between the management team and the external auditor regarding financial reporting. In addition, the Committee considers the rotation of the external auditor and the scope and adequacy of the external audit.

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

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

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

3.4.6 Internal audit function

ASX Recommendation 7.3

The Company does not have a dedicated internal audit function. At present, the Committee delegates responsibility for risk management and internal controls to both the Managing Director and Chief Financial Officer who continually monitor the Company's internal and external risk environment, and report to the Committee. Necessary action is taken to protect the integrity of the Company's books and records including by way of design and implementation of internal controls, and to ensure operational efficiencies, mitigation of risks, and safeguard of company assets.

3.5 Remuneration and Nomination Committee

ASX Recommendations 2.1 and 8.1

3.5.1 Role of the Remuneration and Nomination Committee

Members of the Remuneration and Nomination Committee have been selected to ensure that the Committee has the appropriate level of remuneration, risk, legal and industry expertise and knowledge to allow the Committee to discharge its mandate.

3.5.2 Composition of the Remuneration and Nomination Committee

The Committee comprises non-executive Directors (a minimum of three is required), with a majority of its members being independent Directors.

The Members of the Remuneration Committee are:

- Christina Boyce – Independent Non-Executive Director (Chair).
- Stuart James – Independent Non-Executive Director; and
- Christopher Knoblanche - Independent Non-Executive Director.

Members of the Committee are appointed for a term of no more than 3 years. Existing Committee members are eligible for re-appointment to the Committee for so long as they remain independent Directors.

3.5.3 Responsibilities and Charter

Under the Group's Remuneration and Nomination Committee Charter (available on the Company's website at (www.greencrosslimited.com.au) the Remuneration and Nomination Committee is responsible for assisting the Board to determine the appropriate remuneration for Directors and senior executives consistent with the Group's Remuneration Policy.

The Remuneration and Nomination Committee is, inter alia, specifically responsible for:

- the Group's remuneration policy, including as it applies to Directors and the process by which the maximum aggregate amount of Directors' fees approved by shareholders is allocated to Directors;
- Board succession issues and planning;
- the appointment and re-election of people as members of the Board and its committees;

- induction of people as Directors and continuing professional development programs for Directors;
- remuneration packages of Directors and senior executives, equity-based incentive plans and other employee benefit programs;
- succession plans of the Managing Director;
- the process for the evaluation of the performance of the Board, its Board Committees and individual Directors;
- the review of the performance of the Managing Director and members of the Board, which should take place at least annually;
- those aspects of the Group's remuneration policies and packages, including equity-based incentives, which should be subject to shareholder approval; and
- the size and composition of the Board and strategies to address Board diversity and the Group's performance in respect of the Group's Diversity Policy, including whether there is any gender or other inappropriate bias in remuneration for Directors, senior executives or other employees.

3.5.4 Equity-Based Remuneration Scheme

ASX Recommendation 8.3

Under the Group's Remuneration Policy, remuneration for executive Directors and senior executives may incorporate equity-based remuneration which includes participation in employee share and option schemes. Where a participant in either of these Company equity schemes enters into any transactions which are designed to limit the economic risk of participating in those schemes:

- the participant must disclose the details of the transaction to the Company Secretary;
- the Company Secretary will disclose to the Board the details of the transaction; and
- the Board will consider whether:
    - the participant is a key management personnel and if so, whether there has been a breach of any law;
    - the equity-based remuneration scheme should be amended; or
    - future participation of senior executives in the equity-based remuneration scheme should be amended in any way.

3.5.5 Induction of new Directors

ASX Recommendation 2.6

As the Remuneration and Nomination Committee maintains oversight over the process for appointing new Directors, the Committee also plays a role in ensuring that newly appointed Directors are sufficiently inducted to the business in line with the Board’s Induction Program.

4.0 Risk Management and Internal Control

ASX Recommendations 7.1 and 7.4

4.1 Approach to Risk Management

The Board and management recognise that risk management and internal compliance and controls are key elements of good corporate governance.

The Company’s approach to risk management is based on the identification, assessment, monitoring and management of material business risks embedded in its business and integrated management systems.

The operating and financial review within the Directors’ Report outlines the Company’s performance during the year, the financial position and the main business strategies and prospects. It also highlights the material business risks associated with the ongoing operations of the business and achievements of the Company’s stated strategies.

The Board and its Audit and Risk Management Committee is responsible for oversight of the material business risks. Senior executives are responsible for overseeing the implementation of the Company’s Risk Management Policy.

During the year, the Audit and Risk Committee completed a review of the Company’s Risk Management Policy. A copy of the Company’s Risk Management Policy is available on the Company’s website.

4.2 Risk Management Roles and Responsibilities

The Board is responsible for ensuring that risks and opportunities are identified on a timely basis and that the Company’s objectives and activities are aligned with those risks and opportunities.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include:

- the Board receives regular updates on key risks;
- the implementation of Board approved annual operating budgets and plans and monitoring actual progress results;
- the Audit and Risk Management Committee receives reports on material business risks and is tasked with assessing processes and procedures to identify risks and mitigation strategies in the Group's activities; and
- the Board annually reviews the Company's strategic plan and prospects and the material business risks which may impact achievement of the Company's strategies.

During the year, the Audit and Risk Management Committee and the Board reviewed the material business risks for the Company and received reports from management of the effectiveness of the Company's management of those risks.

4.3 Assurance provided to the Board in relation to the financial statements

ASX Recommendations 4.2

The Board receives bi-monthly reports about the financial condition and operational results of the Group.

The Managing Director and Chief Financial Officer provide, at the end of each six monthly period, a formal statement to the Board confirming that the Company's financial reports present a true and fair view, in all material respects, and the Group's financial condition and operational results have been prepared in accordance with the relevant accounting standards.

The statement confirms:

- the integrity of the Company's financial statements;
- that the notes to the financial statements are based on a sound system of risk management and internal compliance and control (which implement the policies approved by the Board);
- that the Company's risk management and internal compliance and control systems, to the extent they relate to financial reporting, are operating efficiently and effectively in all material respects.

This statement also includes:

- the relevant declarations required under section 295A of the Corporations Act 2001; and
- the relevant assurances required under Recommendation 4.2 of the ASX Corporate Governance Principles and Recommendations, jointly from the Managing Director and the Chief Financial Officer.

4.4 Economic, Environmental and Social Sustainability

ASX Recommendations 7.4

The Company closely monitors economic, environmental and social sustainability risks associated with its business, and is not aware of any material exposures. Three risks to the business which are carefully monitored and reported on are (i) work health and safety in stores and clinics, (ii) animal welfare in stores and clinics; and (iii) ethical sourcing of products from abroad.

The Company puts safety first and has a good track record in managing work health and safety risks, with steady year-on-year improvements in key performance indicators such as lost time injury frequency rates and new claims frequency rate. Performance against agreed targets is reviewed at every Board meeting.

As the leading pet care company in Australasia, the Company is focused on ensuring all animals in its care, whether in store adoption centres, or in its veterinary clinics and hospitals, receive the highest standards of care and attention. This is delivered through ongoing professional training and supervisions and, in stores, via partnerships with organisations such as the RSPCA.

Through its joint sourcing office in Shanghai with PetCo, the Group undertakes audits of the manufacturing plants associated with the sourcing of exclusive brands to ensure high ethical standards are maintained.

5.0 Communicating with shareholders

5.1 Strategy

ASX Recommendation 6.1, 6.2

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

- the Group's annual general meeting;
- notices and explanatory memoranda of annual general meetings;
- the annual financial report (for those shareholders who have requested a copy), which is also located on the Company's website;
- trading updates and market/investor briefings;
- disclosures to the ASX (on which the Group's securities are listed);
- the Group's website (http://www.greencrosslimited.com.au), where there is an Investor Relations Centre providing access to Group announcements, media releases, previous years' financial results, investor presentations and corporate governance materials, including the charters governing each Board Committee and the Group's corporate governance policies.

The Group is committed to maintaining a level of disclosure that provides all investors with timely and equal access to information. Consistent with this commitment, the Group has developed its Communications Policy which promotes efficient two-way communication between the Company and its investors, brokers and analysts.

5.2 Meetings and briefings

ASX Recommendation 6.3

The Company encourages shareholders to attend and actively participate in its general meetings. The Company sends shareholders a notice of meeting in advance of each meeting, which includes details of the time and place of the meeting, the resolutions to be considered and proxy voting procedures.

To allow for the participation of any shareholders who are unable to attend these meetings, the Company encourages shareholders to forward their questions to the Company Secretary prior to the meeting. Where appropriate, these questions will be read out and answered at the meeting, or, if this is not practicable, the question and answer will be recorded in the transcript of the meeting.

The Board's current policy and precedent is to utilise a poll for all resolution considered at the meetings of shareholders, as demonstrated at its 2014 Annual General Meeting.

5.3 Electronic Communications

ASX Recommendation 6.4

The Company recognises that it is often efficient to communicate electronically. Therefore, the Communications Policy allows for shareholders to receive from, and send communications to, the Company and its share registry electronically. The Company will endeavour to format its communications to shareholders in a way that is easily accessible and readable on a computer screen or other electronic devices which are commonly used for that purpose. A printer-friendly option will also be included in such communications.

5.4 Continuous disclosure

ASX Recommendation 5.1

The Corporations Act 2001 and the ASX Listing Rules require that the Group discloses to the market matters which could be expected to have a material effect on the price or value of the Group's securities. In compliance with these continuous disclosure requirements, the Group's policy is that shareholders are informed in a timely manner of all major developments that impact the Group. There is a detailed Continuous Disclosure Policy in place, which has been formed to provide advice on the requirements for disclosure of information to the market. The policy is intended to maintain the market integrity and market efficiency of the Group's securities. In addition to the Company's legal obligations under the Corporations Act 2001 and the ASX Listing Rules, the Continuous Disclosure Policy is based on the best practice guidelines set out in relevant documents produced by the ASX (including its Corporate Governance Council), ASIC and the Australasian Investor Relations Association.

As well as ensuring compliance with the Company's legal obligations, the Continuous Disclosure Policy promotes the provision of timely, balanced, direct and equal shareholder access to Group information and investor confidence in the integrity of the Group and its securities. The Continuous Disclosure Policy contains detailed procedures regarding the preparation and release of Company announcements, how the Company proposes to respond to media and market speculation regarding the Group and the conduct of briefings or meetings with investors or analysts.

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

6.0 Promoting Ethical and Responsible Behaviour

ASX Recommendation 3.1

6.1 Code of conduct

The Group has a Code of Conduct which requires the observance of strict ethical guidelines. The Code of Conduct applies to all employees and Directors of the Group, with the conduct of the Board and each Director also governed by the Board Charter.

The Code of Conduct covers:

- the Group's business ethics (including standards of openness, honesty, fairness and integrity);
- the protocol relating to the giving and receiving of business courtesies and entertainment and other financial inducements;
- professional and personal conduct (including in relation to trading in shares, privacy and intellectual property, financial integrity and relationships with other Group employees);
- prevention of fraud and other forms of deceitful conduct;
- financial advice to customers;
- the standards of behaviour expected of Group employees;
- conflict of interest; and
- disclosure of any suspected breaches of the Code of Conduct.

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

6.2 Whistleblower Policy and Escalation

The Group has developed a detailed Whistleblowers Policy, which sets out clear and established procedures for the escalation of complaints and notification of incidents to the senior management team and the Board. This ranges from escalation of daily business or management concerns, up to serious financial, cultural or reputational matters. The Whistleblowers Policy is underlined by the Group's commitment to promoting and supporting a culture of corporate compliance and ethical behaviour.
Employees are provided with various avenues for escalation of complaints or concerns. To the extent possible and subject to legal and regulatory requirements, information reported under the Whistleblower Policy will be kept confidential.

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

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

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

6.3 Restrictions on dealing in securities

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

The Group has an established policy relating to trading in the Group's securities by Directors, officers and certain other employees of the Group. These Directors, officers and employees are prohibited from trading in the Group's securities during prescribed prohibited periods (blackout periods) which include the period prior to the release of the Group's annual and half-yearly results announcements. The Securities Trading Policy does allow for Directors, officers and other restricted employees to trade in Company securities during these blackout periods in some very limited circumstances. Such limited circumstances include where the trading in Company securities occurs as a result of the exercise of options or rights under employee incentive schemes, accepting a takeover offer and the transfer of securities into a superannuation fund of the Director or restricted employee. There is also provision for trading to occur during blackout periods where there are found to be exceptional circumstances which justify the trading of Company securities during such periods.

Directors, officers and certain employees are further required to notify their intention to trade in the Group's securities prior to conducting any such trading.

7.0 Diversity

ASX Recommendation 1.5

The Company holds its people in the highest esteem. The Company recognises that a diverse and inclusive workforce is good for its employees and its business. It helps the Group attract and retain talented people, create more innovative solutions, and be more flexible and responsive to our clients' and shareholders' needs. Diversity enables people from different backgrounds to bring fresh ideas and perceptions to the Company which promote efficiency and add value to the Group's business.

The Group is committed to:

- gender diversity;
- ensuring that the composition of its Board of Directors continues to be appropriate. The Board Charter clearly states that it should comprise Directors with a broad range of skills, experience, and diversity to build the profile of future Board candidates. In FY16, the Board increased its female representation to 25% (2 female directors, 6 male directors) ;
- providing a workplace that embraces diversity in relation to gender and age, as well as provide greater work and career flexibility; and
- being a diversity leader in Australia with regards to the Pet Retail and Veterinary Service industry by:
    - providing a diversity inclusive workplace in which everyone has the opportunity to fully participate and is valued for their distinctive skills, experiences and perspectives; and
    - incorporating diversity into its business practices through its corporate social responsibility initiatives that aim to improve the quality of life for its workforce, their families, communities and society at large.

Accordingly the Group has developed a Diversity Policy which outlines the Group's diversity objectives in relation to gender, age, cultural background and ethnicity. It includes requirements for the Board to establish measureable objectives for achieving diversity, and for the Board to assess annually both the objectives and the Group's progress in achieving them, including by benchmarking against other comparable businesses.

The Diversity Policy sets out the following strategies that the Group strives to achieve in promoting a corporate culture which embraces diversity:

- promoting the principles of merit and fairness when making decisions about recruitment, development, promotion, remuneration and flexible work arrangements;
- having an overall transparent process for the review and appointment of senior management positions and Board members;
- recruiting from a diverse pool of qualified candidates, where appropriate engaging a professional search / recruitment firm, advertising vacancies widely, making efforts to identify prospective employees who have diversity attributes and ensuring diversity of members on the selection / interview panel when selecting and appointing new employees (including senior management) and new Board members;
- embedding the importance of diversity within the Group's culture by encouraging and fostering a commitment to diversity by leaders at all levels whilst recognising that diversity is the responsibility of all employees;
- reinforcing with our people that in order to have a properly functioning and diverse workplace, discrimination, harassment, vilification and victimisation will not be tolerated within the Group; and
- continuing to review and develop policies and procedures to ensure diversity within the organisation, including with the adoption of key performance indicators for senior executives to measure the achievement of diversity objectives under the Group's diversity policy.

The Board has an objective of employing a high proportion of women in the Group distributed evenly across all levels of management. The Group has maintained this objective throughout FY16. The Board also established the objective of increasing female representation on the Board. In FY16, Ms Rebekah Horne was appointed as a non-executive Director to the Board.

Information on the actual number and proportion of women employed by the Group is set out below:

	FY16 Actual	
	No.	%
Number of male employees in the whole organisation	1,109	24%
Number of female employees in the whole organisation	3,440	76%
Number of male in senior executive[1] positions	37	63%
Number of female in senior executive[1] positions	22	37%
Number of male directors on the Board	6	75%
Number of female directors on the Board	2	25%

[1] Senior executives includes managers who hold roles designated as senior, and includes roles that report directly to the Chief Executive Officer or his direct reports.

A copy of the Diversity Policy is available on the Company's website.

8.0 A checklist, cross referencing the ASX Recommendations to the relevant sections of this statement and the remuneration report

Principle	ASX Corporate governance Principles and Best Practice Recommendations	CGCS Reference	Compliance
1.0	**Lay solid foundations for management and oversight**		
	A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.		
1.1	A listed entity should disclose:		
	a) The respective roles and responsibilities of its board and management; and	2.1, 2.2, 2.3, 2.4, 2.5, 2.14	Comply
	b) Those matters expressly reserved to the board and those delegated to management.	2.1, 2.2, 2.3, 2.4, 2.5, 2.6, 2.14	Comply
1.2	A listed entity should:		
	a) Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a director; and	2.10	Comply
	b) Provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	2.10	Comply
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	2.10	Comply
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	2.6	Comply
1.5	A listed entity should:		
	a) Have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;	7.0	Comply
	b) Disclose that policy or a summary of it; and	7.0	Comply
	c) Disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:		
	1) The respective proportions of men and women on the board in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or	7.0	Comply
	2) If the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.		
1.6	A listed entity should:		

Principle	ASX Corporate governance Principles and Best Practice Recommendations	CGCS Reference	Compliance
	a) Have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and	2.3, 2.12	Comply
	b) Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	2.3, 2.12	Comply
1.7	A listed entity should:		
	a) Have and disclose a process for periodically evaluating the performance of its senior executives; and	2.17	Comply
	b) Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	2.17	Comply
2.0	**Structure the board to add value**		
	A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.		
2.1	The board of a listed entity should:		
	a) Have a nomination committee which:	3.1, 3.5	Comply
	1) Has at least three members, a majority of whom are independent directors; and	3.1, 3.5	Comply
	2) Is chaired by an independent director,	3.1, 3.5	Comply
	and disclose:		
	1) The charter of the committee;	3.1, 3.5	Comply
	2) The members of the committee; and	3.1, 3.5	Comply
	3) As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	3.1, 3.5	Comply
	b) If it does not have a nomination committee disclose that fact and processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	N/A	The Company does have a nomination committee.
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	2.9	Comply
2.3	A listed entity should disclose:		
	a) The names of the directors considered by the board to be independent directors;	2.8	Comply
	b) If a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and	N/A	Comply

Principle	ASX Corporate governance Principles and Best Practice Recommendations	CGCS Reference	Compliance
	c) The length of service of each director.	2.7	Comply
2.4	A majority of the board of a listed entity should be independent directors.	2.7, 2.8	Comply
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	2.5	Comply
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	3.5.5	Comply
3.0	**A listed entity should act ethically and responsibly**		
	A listed entity should act ethically and responsibly.		
3.1	A listed entity should:		
	a) Have a code of conduct for its directors, senior executives and employees; and	6.1	Comply
	b) Disclose that code or a summary of it.	6.1	Comply
4.0	**Safeguard integrity in corporate reporting**		
	A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.		
4.1	The board of a listed entity should:		
	a) Have an audit committee which:	3.4	Comply
	1) Has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and	3.4.3	Comply
	2) Is chaired by an independent director, who is not the chair of the board	3.4.3	Comply
	And disclose:		
	3) The charter of the committee	3.4	Comply
	4) The relevant qualifications and experience of the members of the committee; and	3.4	Comply
	5) In relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	3.1	Comply
	b) If it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	N/A	The Company does have an audit committee.

Principle	ASX Corporate governance Principles and Best Practice Recommendations	CGCS Reference	Compliance
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	4.3	Comply
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	3.4.5	Comply
5.0	**Make timely and balanced disclosure** A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.		
5.1	A listed entity should: a) Have a written policy for complying with its continuous disclosure obligations under Listing Rules; and b) Disclose that policy or a summary of it.	5.4	Comply
6.0	**Respect the rights of security holders** A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.		
6.1	A listed entity should provide information about itself and its governance to investors via its website	5.1	Comply
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	5.1	Comply
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	5.2	Comply
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	5.3	Comply

7.0	**Recognise and manage risk** A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.		
7.1	The board of a listed entity should a) Have a committee or committees to oversee risk, each of which 1) Has at least three members, a majority of whom are independent directors; and 2) Is chaired by an independent director and disclose: 3) The charter of the committee; 4) The members of the committee; and 5) As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b) If it does not have a risk committee that satisfies (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	3.4 3.1	Comply
7.2	The board or a committee of the board should: a) Review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and b) Disclose, in relation to each reporting period, whether such a review has taken place	3.4.2	Comply
7.3	A listed entity should disclose: a) If it has an internal audit function, how the function is structured and what role it performs; or b) If it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	3.4.6	Comply
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and socio sustainability risks and, if it does, how it manages or intents to manage those risks.	4.4	Comply

8.0	**Remunerate fairly and responsibly** A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.		
8.1	The board of a listed entity should: a) Have a remuneration committee which: 1) Has at least three members, a majority of whom are independent directors; and 2) Is chaired by an independent director and disclose: 3) The charter of the committee; 4) The members of the committee; and 5) As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b) If it does not have a remuneration committee disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	3.5 3.1	Comply
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	2.16	Comply
8.3	A listed entity which has an equity-based remuneration scheme should: a) Have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and b) Disclose that policy or a summary of it.	3.5.4	Comply

Auditor's Independence Declaration

As lead auditor for the audit of Greencross Limited for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

2. no contraventions of any applicable code of professional conduct in relation to the audit.

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

Adam Thompson
Partner
PricewaterhouseCoopers

Sydney
23 August 2016

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Statement of profit or loss and other comprehensive income

For the year ended 30 June 2016

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Revenue	5	734,009	645,016
Expenses			
Cost of sales of goods		(324,949)	(294,002)
Employee benefits expense		(190,442)	(167,950)
Depreciation and amortisation expense	6	(17,821)	(15,056)
Marketing costs		(10,880)	(10,376)
Occupancy costs		(78,121)	(69,606)
Administration costs		(40,128)	(29,754)
Acquisition costs		(2,012)	(9,477)
Finance costs	6	(15,986)	(13,580)
Profit before income tax expense		53,670	35,215
Income tax expense	7	(15,007)	(13,072)
Profit after income tax expense for the year		38,663	22,143
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		789	(373)
Foreign currency translation		276	21
Other comprehensive income for the year, net of tax		1,065	(352)
Total comprehensive income for the year		39,728	21,791
Profit for the year is attributable to:			
Non-controlling interest		4,043	3,071
Owners of Greencross Limited	27	34,620	19,072
		38,663	22,143
Total comprehensive income for the year is attributable to:			
Non-controlling interest		4,043	3,071
Owners of Greencross Limited		35,685	18,720
		39,728	21,791
		Cents	**Cents**
Basic earnings per share	44	30.41	17.16
Diluted earnings per share	44	30.25	17.15

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

Statement of financial position

30 June 2016

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Assets			
Current assets			
Cash and cash equivalents	8	62,583	29,599
Trade and other receivables	9	8,575	14,172
Inventories	10	92,002	85,849
Current tax assets	11	-	3,425
Other	12	1,672	1,640
Total current assets		164,832	134,685
Non-current assets			
Other financial assets	13	292	286
Property, plant and equipment	14	156,867	131,414
Intangibles	15	553,227	531,427
Deferred tax	16	16,018	19,382
Total non-current assets		726,404	682,509
Total assets		891,236	817,194
Liabilities			
Current liabilities			
Trade and other payables	17	92,732	79,721
Borrowings	18	4,389	1,354
Current tax liabilities	19	5,601	1,478
Provisions	20	20,990	21,033
Total current liabilities		123,712	103,586
Non-current liabilities			
Borrowings	21	286,159	262,676
Derivative financial instruments	22	1,601	2,729
Deferred tax	23	4,517	1,317
Provisions	24	22,249	24,154
Total non-current liabilities		314,526	290,876
Total liabilities		438,238	394,462
Net assets		452,998	422,732
Equity			
Contributed equity	25	530,537	520,294
Reserves	26	2,208	(36)
Accumulated losses	27	(99,350)	(113,700)
Equity attributable to the owners of Greencross Limited		433,395	406,558
Non-controlling interest	28	19,603	16,174
Total equity		452,998	422,732

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

Statement of changes in equity

30 June 2016

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 year	-	-	19,072	3,071	22,143
Other comprehensive income for the year, net of tax	-	(352)	-	-	(352)
Total comprehensive income for the year	-	(352)	19,072	3,071	21,791
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 25)	87,049	-	-	-	87,049
Share-based payment expense	-	6	-	-	6
Acquired non-controlling interests (note 38)	-	-	-	9,232	9,232
Dividends paid (note 29)	-	-	(16,657)	(390)	(17,047)
Balance at 30 June 2015	520,294	(36)	(113,700)	16,174	422,732

Consolidated	Contributed equity $'000	Reserves $'000	Retained profits $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2015	520,294	(36)	(113,700)	16,174	422,732
Profit after income tax expense for the year	-	-	34,620	4,043	38,663
Other comprehensive income for the year, net of tax	-	1,065	-	-	1,065
Total comprehensive income for the year	-	1,065	34,620	4,043	39,728
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 25)	10,243	-	-	-	10,243
Share-based payment expense	-	1,179	-	-	1,179
Dividends paid (note 29)	-	-	(20,270)	(614)	(20,884)
Balance at 30 June 2016	530,537	2,208	(99,350)	19,603	452,998

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

Statement of cash flows

30 June 2016

	Note	Consolidated 2016 $'000	2015 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		809,595	704,620
Payments to suppliers and employees (inclusive of GST) *		(713,874)	(658,300)
		95,721	46,320
Interest received		337	562
Interest and other finance costs paid		(14,284)	(11,671)
Acquisition costs		(2,012)	(11,698)
Income taxes paid		(1,126)	(8,822)
Net cash from operating activities	42	78,636	14,691
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	38	(10,116)	(186,759)
Payments for property, plant and equipment		(43,024)	(40,465)
Payments for intangibles		(7,139)	(7,271)
Net cash used in investing activities		(60,279)	(234,495)
Cash flows from financing activities			
Proceeds from issue of shares	25	252	20,897
Share issue transaction costs		-	(2,344)
Proceeds from borrowings		27,872	119,526
Refinance costs		(1,262)	(3,000)
Repayment of finance leases		(218)	(387)
Repayment of borrowings		(1,125)	(5,550)
Dividends paid	29	(10,278)	-
Dividends paid to non-controlling interests in subsidiaries		(614)	(390)
Net cash from financing activities		14,627	128,752
Net increase/(decrease) in cash and cash equivalents		32,984	(91,052)
Cash and cash equivalents at the beginning of the financial year		29,599	120,651
Cash and cash equivalents at the end of the financial year	8	62,583	29,599

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 consolidated entity consisting of Greencross Limited and its subsidiaries. The financial statements are presented in Australian dollars, which is Greencross Limited's functional and presentation currency.

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

5/28 Balaclava Street
Woolloongabba QLD 4102

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 23 August 2016. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

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

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

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

AASB2014-1 Amendments to Australian Accounting Standards (including Part A; Annual Improvements 2010-2012 and 2011-2013 Cycles).

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss and derivative financial instruments.

Critical accounting estimates

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

Note 2. Significant accounting policies (continued)

Parent entity information
The financial information for the parent entity, Greencross Limited, disclosed in note 37 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries and associates
Investments in subsidiaries and associates are accounted for at cost in the financial statements of the company. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

Tax consolidation legislation
Greencross along with its wholly owned Australian controlled entities have implemented the tax consolidation legislation.

Greencross and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts were measured as if each entity in the tax consolidated group continued to be a stand-alone taxpayer in its own right. In addition to its own current and deferred tax amounts, the company also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from entities in the tax consolidated group.

The entities prior to 31 January 2014 entered into a tax funding agreement under which the wholly owned entities of Greencross prior to 31 January 2014 fully compensate Greencross for any current tax payable assumed and are compensated by Greencross for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Greencross 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 Greencross, which was issued as soon as practicable after the end of each financial year. Greencross may also have required payment of interim funding amounts to assist with its obligations to pay tax instalments. Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the tax consolidated group.

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

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Greencross Limited ('company' or 'parent entity') as at 30 June 2016 and the results of all subsidiaries for the year then ended. Greencross Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity' or 'Group'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Note 2. Significant accounting policies (continued)

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

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

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Greencross Limited's functional and presentation currency.

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 statement of profit or loss and other comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income 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. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets.

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 statement of financial position presented are translated at the closing rate at the date of that balance sheet,
- income and expenses for each consolidated statement of profit or loss and other comprehensive income 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), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

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.

Revenue recognition

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

Note 2. Significant accounting policies (continued)

Sale of goods
The consolidated entity operates a chain of retail stores and veterinary clinics selling pet speciality goods. Revenue from the sale of goods is recognised when the consolidated entity sells a product to the customer. Retail sales are usually by credit card or in cash.

It is the consolidated entity'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.

The consolidated entity 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.

Rendering of services
Revenue from pet grooming and veterinary services is recognised in the accounting period in which the services are provided.

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

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

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.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

Note 2. Significant accounting policies (continued)

Greencross Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Research and development grants

Research and development grants are recognised in the period for which they relate. A credit is recognised as other income in the statement of profit or loss and comprehensive income to match the incremental tax benefit of the credit with the costs for which it is intended to compensate. The remaining tax credits reduce income tax payable and current tax expense. Where research and development expenses are capitalised in accordance with AASB 138 Intangible Assets, the tax benefit is recognised as deferred income and amortised on a systematic basis over the useful life of the equivalent asset (or through adjustment to the carrying value of the asset which is subsequently recognised in the statement of comprehensive income through a reduced amortisation charge over the life of the asset).

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

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

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

Note 2. Significant accounting policies (continued)

Inventories

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Derivative financial instruments

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 each reporting date. 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.

Derivatives are classified as current or non-current depending on the expected period of realisation.

Cash flow hedges

Cash flow hedges are used to cover the consolidated entity's exposure to variability in cash flows that is attributable to particular risks associated with a recognised asset or liability or a firm commitment which could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income through the cash flow hedges reserve in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, the amounts recognised in equity are transferred to profit or loss.

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, the amounts previously recognised in equity remain in equity until the forecast transaction occurs.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives at the rates as follows:

Leasehold improvements	10-15 years
Plant and equipment	4-15 years
Motor vehicles	8 years
Office equipment	5 years

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

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

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

Note 2. Significant accounting policies (continued)

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

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

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

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

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

Intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Brand names and customer relationships
Brand and customer relationships acquired in a business combination are amortised on a straight line basis over the period of their expected benefit being their finite useful life of 10 years for brand names and 7 years for customer relationships.

Note 2. Significant accounting policies (continued)

Internally-generated
An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:
- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Internally generated intangible assets are amortised on a straight line basis over the period of their expected benefit being their finite useful life of 15 years.

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

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

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are either: i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mis-match. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

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

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

Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Note 2. Significant accounting policies (continued)

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings
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 in note 21 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 the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

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

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

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Note 2. Significant accounting policies (continued)

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

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

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

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

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Black Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

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

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

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

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Business Associate
To incentivise certain employees the consolidated entity has employment agreements under which the employees can become entitled to either short-term or long-term profit-share or bonus payments upon financial contribution for the entry into the program.

Note 2. Significant accounting policies (continued)

The financial contribution made by participants are treated as short term borrowings as they are generally refundable subject to satisfying both the terms of employment agreement and the business associate agreement ('BA Agreement'), less any amounts already paid.

The short-term and long-term employee benefits under the business associate program are recognised as a provision and represent expected future payments to be made in respect of the employee’s BA Agreement.

The liability for these business associate short-term and long-term employee benefits are recognised in current and non-current liabilities, depending on the right to defer payment of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of long-term employee benefits. Consideration is given to expected future performance measures and periods of service. Expected future payments are discounted using market yield at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital

Ordinary shares are classified as equity.

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

Dividends

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

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

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

Note 2. Significant accounting policies (continued)

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

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

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

Earnings per share

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

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts
The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2016. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Note 2. Significant accounting policies (continued)

AASB 9 Financial Instruments
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2018 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB15 Revenue from Contracts with Customers
This standard is expected to be applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard and the amendments from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. This standard will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised.

The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the group has operating lease commitments of $355,725,000. However, the group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows. The consolidated entity will adopt this standard and the amendments from 1 July 2019 and the impact of its adoption is yet to be assessed by the consolidated entity.

Note 3. Critical accounting judgements, estimates and assumptions

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

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

Goodwill and other indefinite life intangible assets (note 15)
The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Business combinations (note 38)
As discussed in note 2, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 4. Operating segments

Identification of reportable operating segments
The consolidated entity's Chief Executive Officer and Chief Financial Officer examined the group's performance from both a product and geographical perspective and have identified two reportable segments of its business, 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 consolidated entity.

The information reported to the CODM is on 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 and sale of pet care products in Australia

Note 4. Operating segments (continued)

Operating segment information

Consolidated - 2016	Retail $'000	Veterinary $'000	Other segments $'000	Total $'000
Revenue				
Revenue from external customers	539,238	194,434	-	733,672
Interest income	250	87	-	337
Total revenue	539,488	194,521	-	734,009
EBITDA *	63,835	23,305	-	87,140
Depreciation and amortisation	(15,093)	(2,728)	-	(17,821)
Interest income	-	-	337	337
Finance costs	-	-	(15,986)	(15,986)
Profit/(loss) before income tax expense	48,742	20,577	(15,649)	53,670
Income tax expense				(15,007)
Profit after income tax expense				38,663
Assets				
Segment assets	529,559	283,076	-	812,635
Unallocated assets:				
Cash and cash equivalents				62,583
Deferred tax asset				16,018
Total assets				891,236
Total assets includes:				
Acquisition of non-current assets	13,928	6,429	-	20,357
Liabilities				
Segment liabilities	107,292	30,280	-	137,572
Unallocated liabilities:				
Provision for income tax				5,601
Borrowings				290,548
Deferred tax liability				4,517
Total liabilities				438,238

* including $10,374,000 of acquisition, defence, integration and restructuring costs split between Retail ($8,596,000) and Veterinary ($1,778,000).

Note 4. Operating segments (continued)

Consolidated - 2015	Retail $'000	Veterinary $'000	Other segments $'000	Total $'000
Revenue				
Revenue from external customers	478,352	166,102	-	644,454
Interest revenue	483	79	-	562
Total revenue	478,835	166,181	-	645,016
EBITDA*	42,568	20,721	-	63,289
Depreciation and amortisation	(12,388)	(2,668)	-	(15,056)
Interest revenue	-	-	562	562
Finance costs	-	-	(13,580)	(13,580)
Profit/(loss) before income tax expense	30,180	18,053	(13,018)	35,215
Income tax expense				(13,072)
Profit after income tax expense				22,143
Assets				
Segment assets	499,711	265,077	-	764,788
Unallocated assets:				
Cash and cash equivalents				29,599
Land and buildings				3,425
Deferred tax asset				19,382
Total assets				817,194
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

* including $23,510,000 of acquisition, integration and restructuring costs split between Retail ($22,547,000) and Veterinary ($963,000).

Geographical information

	Sales to external customers		**Geographical non-current assets**	
	2016 $'000	**2015 $'000**	**2016 $'000**	**2015 $'000**
Australia	652,552	578,159	698,314	658,433
New Zealand	81,120	66,295	28,801	20,030
	733,672	644,454	727,115	678,463

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	
	2016 $'000	2015 $'000
Profit/(loss) for the year	38,663	22,143
Less: Interest received	(337)	(562)
Add: Interest expense	15,986	13,580
Add: Income tax expense	15,007	13,072
Add: Depreciation and amortisation expense	17,821	15,056
EBITDA	87,140	63,289

Note 5. Revenue

	Consolidated	
	2016 $'000	2015 $'000
Sale of goods	574,161	519,381
Rendering of services	153,980	123,672
Other sales revenue	2,031	1,401
Other revenue	3,500	-
Interest	337	562
Revenue	734,009	645,016

Note 6. Expenses

	Consolidated 2016 $'000	Consolidated 2015 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	4,477	3,391
Plant and equipment	11,882	10,771
Motor vehicles	346	401
Office equipment	137	168
Total depreciation	16,842	14,731
Amortisation		
Brand names	159	153
Customer relationships	207	172
Internally generated software	613	-
Total amortisation	979	325
Total depreciation and amortisation	17,821	15,056
Finance costs		
Interest and finance charges paid/payable	14,825	12,927
Amortisation of borrowing costs	1,453	1,082
	16,278	14,009
Amount capitalised	(292)	(429)
Finance costs expensed	15,986	13,580
Rental expense relating to operating leases		
Minimum lease payments	63,459	55,489
Superannuation expense		
Defined contribution superannuation expense	13,727	11,636
Share-based payments expense		
Share-based payments expense	1,179	6

Note 7. Income tax expense

	Consolidated	
	2016	2015
	$'000	$'000
Income tax expense		
Current tax	10,623	5,418
Deferred tax - origination and reversal of temporary differences	5,619	6,759
Adjustment recognised for prior periods	(1,235)	895
Aggregate income tax expense	15,007	13,072
Deferred tax included in income tax expense comprises:		
Decrease in deferred tax assets (note 16)	5,217	6,807
Increase/(decrease) in deferred tax liabilities (note 23)	402	(48)
Deferred tax - origination and reversal of temporary differences	5,619	6,759
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	53,670	35,215
Tax at the statutory tax rate of 30%	16,101	10,565
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	67	38
Share-based payments	354	2
Acquisition costs	-	1,799
Sundry items	(145)	(119)
	16,377	12,285
Adjustment recognised for prior periods	(1,235)	895
Difference in overseas tax rates	(135)	(108)
Income tax expense	15,007	13,072

	Consolidated	
	2016	2015
	$'000	$'000
Amounts credited directly to equity		
Deferred tax assets (note 16)	-	(216)
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	8,623	8,623
Potential tax benefit @ 30%	2,587	2,587

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

Note 8. Current assets - cash and cash equivalents

	Consolidated 2016 $'000	Consolidated 2015 $'000
Cash on hand	423	394
Cash at bank	62,160	29,205
	62,583	29,599

Note 9. Current assets - trade and other receivables

	Consolidated 2016 $'000	Consolidated 2015 $'000
Trade receivables	9,481	16,640
Less: Provision for impairment of receivables	(906)	(2,468)
	8,575	14,172

Trade receivables is predominately comprised of rebates and promotional claims from current suppliers.

Impairment of receivables
The consolidated entity has recognised a loss of $436,000 (2015: loss of $452,000) in profit or loss in respect of impairment of receivables for the year ended 30 June 2016.

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

	Consolidated 2016 $'000	Consolidated 2015 $'000
0 to 3 months overdue	-	199
3 to 6 months overdue	772	747
Over 6 months overdue	134	1,522
	906	2,468

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

	Consolidated 2016 $'000	Consolidated 2015 $'000
Opening balance	2,468	797
Additional provisions recognised	436	716
Additions through business combinations	-	1,219
Receivables written off during the year as uncollectable	(1,998)	-
Unused amounts reversed	-	(264)
Closing balance	906	2,468

Note 9. Current assets - trade and other receivables (continued)

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to $1,380,000 as at 30 June 2016 ($2,985,000 as at 30 June 2015).

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

	Consolidated	
	2016	2015
	$'000	$'000
0 to 3 months overdue	942	2,727
3 to 6 months overdue	229	235
Over 6 months overdue	209	23
	1,380	2,985

Note 10. Current assets - inventories

	Consolidated	
	2016	2015
	$'000	$'000
Stock in transit	1,229	805
Stock on hand	90,773	85,044
	92,002	85,849

Write-downs of inventories to net realisable value is primarily related to slow moving stock which will be required to be discounted in the future to below cost to clear existing quantities on hand. The expense recognised during the year ended 30 June 2016 amounted to $8,306,000 or 1.1% of revenue (2015: $6,724,000 or 1.0% of revenue). The expense has been included in 'Cost of sales of goods' in the income statement of profit or loss and other comprehensive income.

Note 11. Current assets - current tax assets

	Consolidated	
	2016	2015
	$'000	$'000
Income tax refund due	-	3,425

Note 12. Current assets - other

	Consolidated	
	2016	2015
	$'000	$'000
Accrued revenue	425	302
Prepayments	1,054	1,152
Security deposits	193	186
	1,672	1,640

Note 13. Non-current assets - other financial assets

	Consolidated 2016 $'000	Consolidated 2015 $'000
Shares in unlisted entities - at cost	292	286

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

	Consolidated 2016 $'000	Consolidated 2015 $'000
Leasehold improvements - at cost	73,222	56,671
Less: Accumulated depreciation	(14,056)	(9,658)
	59,166	47,013
Plant and equipment - at cost	152,193	127,794
Less: Accumulated depreciation	(55,617)	(44,868)
	96,576	82,926
Motor vehicles - at cost	1,869	2,402
Less: Accumulated depreciation	(1,069)	(1,381)
	800	1,021
Office equipment - at cost	3,045	3,053
Less: Accumulated depreciation	(2,720)	(2,599)
	325	454
	156,867	131,414

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial 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 2014	32,295	56,516	587	511	89,909
Additions	18,023	22,239	106	97	40,465
Additions through business combinations (note 38)	210	15,080	729	29	16,048
Exchange differences	(124)	(128)	-	(25)	(277)
Depreciation expense	(3,391)	(10,771)	(401)	(168)	(14,731)
Balance at 30 June 2015	47,013	82,936	1,021	444	131,414
Additions	16,202	26,579	235	8	43,024
Additions through business combinations (note 38)	530	483	3	1	1,017
Disposals	(865)	(221)	(117)	(23)	(1,226)
Exchange differences	763	564	4	32	1,363
Write off of assets	-	(1,883)	-	-	(1,883)
Depreciation expense	(4,477)	(11,882)	(346)	(137)	(16,842)
Balance at 30 June 2016	59,166	96,576	800	325	156,867

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

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

Note 15. Non-current assets - intangibles

	Consolidated 2016 $'000	Consolidated 2015 $'000
Goodwill	534,203	518,563
Brand names	1,304	1,304
Less: Accumulated amortisation	(312)	(153)
	992	1,151
Internally generated software	17,570	10,431
Less: Accumulated amortisation	(613)	-
	16,957	10,431
Customer relationships	1,454	1,454
Less: Accumulated amortisation	(379)	(172)
	1,075	1,282
	553,227	531,427

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

Consolidated	Goodwill $'000	Brand names $'000	Internally generated software $'000	Customer relationships $'000	Total $'000
Balance at 1 July 2014	282,600	992	3,160	1,314	288,066
Additions	-	-	7,271	-	7,271
Additions through business combinations (note 38)	235,963	312	-	140	236,415
Amortisation expense	-	(153)	-	(172)	(325)
Balance at 30 June 2015	518,563	1,151	10,431	1,282	531,427
Additions	15,640	-	7,139	-	22,779
Amortisation expense	-	(159)	(613)	(207)	(979)
Balance at 30 June 2016	534,203	992	16,957	1,075	553,227

Impairment testing for goodwill
For the purpose of impairment testing, goodwill has been allocated to the CGUs, or groups of CGUs, that are expected to benefit from the synergies of the business combination and which represent the level at which management will monitor and manage the goodwill as follows:

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

A CGU level summary of the goodwill allocation is presented below:

	Consolidated	
	2016	2015
	$'000	$'000
Vet	182,732	176,510
Retail - Australia	338,705	327,791
Retail - New Zealand	12,766	10,670
	534,203	514,971

Key assumptions used for value-in-use calculations
The group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit ('CGU') is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates do not exceed the long-term average growth rates for the industry in which each CGU operates.

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

Vet
Period of cash flows: 5 years (2015: 5 years)
Average revenue growth rate during the forecast period: 4% (2015: 8%)
Pre-tax discount rate: 11.7% (2015:12.4%)
Terminal value growth rate of 2.5% (2015: 2.5%)

Retail - Australia
Period of cash flows: 5 years (2015: 5 years)
Average revenue growth rate during the forecast period: 5% (2015: 8%)
Pre-tax discount rate: 11.6% (2015: 12.1%)
Terminal value growth rate of 2.5% (2015: 2.5%)

Retail - New Zealand
Period of cash flows: 5 years (2015: 5 years)
Average revenue growth rate during the forecast period: 4% (2015: 5%)
Pre-tax discount rate: 12.5% (2015: 13.2%)
Terminal value growth rate of 2.5% (2015: 2.5%)

These assumptions have been used for the analysis of each CGU within an operating segment. Management determined budgeted EBITDA based on past performance and its expectations for the future. The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used reflect specific risks relating to the relevant segments and the countries in which they operate.

Impairment charge
For the year ended 30 June 2016 there has been no impairment charge (2015: $0).

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

Impact of possible changes in key assumptions
As disclosed in note 2, the directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill carrying amount may decrease.
The sensitivities that have been separately modelled are as follows:
(a) a 2% increase in the pre-tax discount rate; and
(b) 10% under performance against forecast EBITDA.

The re-testing of value in use using these sensitised assumptions confirmed no impairment charge.

Note 16. Non-current assets - deferred tax

	Consolidated 2016 $'000	Consolidated 2015 $'000
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Impairment of receivables	272	740
Property, plant and equipment	(6,003)	(3,798)
Employee benefits	4,217	4,168
Finance leases	-	97
Provision for lease make good	1,185	1,142
Accrued expenses	4,950	1,896
Provisions	2,847	3,399
Cash flow hedges	480	1,086
Deferred lease incentives	2,926	3,398
Acquisition costs	2,050	1,974
Losses	3,094	4,328
	16,018	18,430
Amounts recognised in equity:		
Transaction costs on share issue	-	952
Deferred tax asset	16,018	19,382
Amount expected to be recovered within 12 months	11,480	8,590
Amount expected to be recovered after more than 12 months	4,538	10,792
	16,018	19,382
Movements:		
Opening balance	19,382	9,865
Charged to profit or loss (note 7)	(5,217)	(6,807)
Credited to equity (note 7)	-	216
Additions through business combinations (note 38)	108	16,841
Credited/(charged) to other comprehensive income	(356)	517
Adjustment with respect to prior periods	2,101	(1,250)
Closing balance	16,018	19,382

Note 17. Current liabilities - trade and other payables

	Consolidated 2016 $'000	Consolidated 2015 $'000
Trade payables	53,322	52,021
GST and withholding tax payable	3,512	2,056
Accrued expenses	32,696	24,013
Dividend payable to non-controlling interest	1,002	938
Unearned income	2,200	693
	92,732	79,721

Refer to note 30 for further information on financial instruments.

Note 18. Current liabilities - borrowings

	Consolidated 2016 $'000	Consolidated 2015 $'000
Bank loans	3,287	2,250
Capitalised borrowing costs	-	(1,873)
Business Associate loan	731	661
Lease liability	371	316
	4,389	1,354

Refer to note 21 for further information on assets pledged as security and financing arrangements.

Refer to note 30 for further information on financial instruments.

Note 19. Current liabilities - current tax liabilities

	Consolidated 2016 $'000	Consolidated 2015 $'000
Provision for income tax	5,601	1,478

Note 20. Current liabilities - provisions

	Consolidated 2016 $'000	Consolidated 2015 $'000
Employee benefits	12,708	11,967
Deferred lease incentives	2,260	2,590
Lease make good	61	20
Onerous lease	1,223	1,989
Customer loyalty	3,844	3,560
Business Associate	894	907
	20,990	21,033

Note 20. Current liabilities - provisions (continued)

Employee benefits
The provision for employee benefits relates to the group's liability for long service leave and annual leave.

Amounts not expected to be settled within the next 12 months
The current portion of this liability includes all of the accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision of $12,708,000 (2015: $11,967,000) is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The group does not expect $3,581,000 (2015: $3,617,000) of this liability to be taken or paid within the next 12 months.

Deferred lease incentives
The provision represents operating lease incentives received. The incentives are allocated to profit or loss in such a manner that the benefit is recognised on a straight-line basis over the initial lease term.

Lease make good
The provision represents the present value of the estimated costs to make good the premises leased by the consolidated entity at the end of the respective lease terms.

Onerous lease
The provision represents the present value of the estimated costs, net of any sub-lease revenue, that will be incurred until the end of the lease terms where the obligation is expected to exceed the economic benefit to be received.

Customer loyalty
The consolidated entity operated 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 against the provision. 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.

Business Associate
The Business Associate liability represents the estimated future cash flows to be made within one year of the reporting date in respect of Business Associate liabilities.

Movements in provisions
Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

Consolidated - 2016	Deferred lease incentives $'000	Lease make good $'000	Onerous lease $'000	Business Associate $'000	Customer loyalty $'000
Carrying amount at the start of the year	2,590	20	1,989	907	3,560
Additional provisions recognised	100	-	-	844	2,380
Amounts transferred from non-current	1,972	337	1,338	296	-
Amounts used	(2,402)	(296)	(2,104)	-	(2,096)
Payments	-	-	-	(1,153)	-
Carrying amount at the end of the year	2,260	61	1,223	894	3,844

Note 21. Non-current liabilities - borrowings

	Consolidated 2016 $'000	Consolidated 2015 $'000
Bank loans	291,312	265,674
Capitalised borrowing costs	(5,303)	(3,421)
Lease liability	150	423
	286,159	262,676

Refer to note 30 for further information on financial instruments.

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 2016 $'000	Consolidated 2015 $'000
Bank loans	294,599	267,924
Capitalised borrowing costs	(5,303)	(5,294)
Lease liability	521	739
	289,817	263,369

Assets pledged as security
Borrowings are secured by a fixed and floating charge over the assets of the consolidated entity.

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

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

	Consolidated 2016 $'000	Consolidated 2015 $'000
Total facilities		
Bank loans	364,285	363,405
Used at the reporting date		
Bank loans	294,599	267,924
Unused at the reporting date		
Bank loans	69,686	95,481

Note 22. Non-current liabilities - derivative financial instruments

	Consolidated 2016 $'000	Consolidated 2015 $'000
Interest rate swap contracts - cash flow hedges	1,601	2,729

Refer to note 30 for further information on financial instruments.

Refer to note 31 for further information on fair value measurement.

Note 23. Non-current liabilities - deferred tax

	Consolidated 2016 $'000	Consolidated 2015 $'000
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Prepayments	49	45
Intangibles	4,468	1,272
Deferred tax liability	4,517	1,317
Amount expected to be settled within 12 months	172	161
Amount expected to be settled after more than 12 months	4,345	1,156
	4,517	1,317
Movements:		
Opening balance	1,317	723
Charged/(credited) to profit or loss (note 7)	402	(48)
Additions through business combinations (note 38)	-	562
Adjustments in respect of prior periods	2,798	80
Closing balance	4,517	1,317

Note 24. Non-current liabilities - provisions

	Consolidated 2016 $'000	Consolidated 2015 $'000
Employee benefits	2,110	2,017
Deferred lease incentives	7,494	8,736
Lease make good	3,889	3,786
Onerous lease	4,761	6,099
Business Associate	3,995	3,516
	22,249	24,154

Employee benefits
The provision for employee benefits relates to the group’s liability for long service leave and annual leave.

Note 24. Non-current liabilities - provisions (continued)

Deferred lease incentives
The provision represents operating lease incentives received. The incentives are allocated to profit or loss in such a manner that the benefit is recognised on a straight-line basis over the initial lease term.

Lease make good
The provision represents the present value of the estimated costs to make good the premises leased by the consolidated entity at the end of the respective lease terms.

Onerous lease
The provision represents the present value of the estimated costs, net of any sub-lease revenue, that will be incurred until the end of the lease terms where the obligation is expected to exceed the economic benefit to be received.

Business Associate
The Business Associate liability represents the estimated future cash flows to be made within more than one year of the reporting date in respect of Business Associate liabilities.

Movements in provisions
Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

Consolidated - 2016	Deferred lease incentives $'000	Lease make good $'000	Onerous lease $'000	Business Associate $'000
Carrying amount at the start of the year	8,736	3,786	6,099	3,516
Additional provisions recognised	730	440	-	908
Amounts transferred to current	(1,972)	(337)	(1,338)	(296)
Payments	-	-	-	(133)
Carrying amount at the end of the year	7,494	3,889	4,761	3,995

Note 25. Equity - contributed equity

	Consolidated			
	2016 Shares	2015 Shares	2016 $'000	2015 $'000
Ordinary shares - fully paid	113,720,770	111,703,993	530,537	520,294

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2014	101,804,303		433,245
Share issue - Retail Entitlement Offer	14 July 2014	2,414,530	$8.45	20,403
Share issue - Vendor Placement	17 July 2014	5,555,557	$9.00	50,000
Share issue - Dividend Reinvestment Plan	29 September 2014	793,113	$9.76	7,741
Share issue - Employee Loan Plan *	27 October 2014	105,000	$4.70	494
Share issue transaction costs		-	$0.00	(505)
Share issue - Dividend Reinvestment Plan	31 March 2015	1,031,490	$8.64	8,916
Balance	30 June 2015	111,703,993		520,294
Share issue - Dividend Reinvestment Plan	18 September 2015	1,716,777	$5.82	9,992
Share issue - Employee Loan Plan *	9 June 2016	300,000	$0.84	251
Balance	30 June 2016	113,720,770		530,537

Note 25. Equity - contributed equity (continued)

* Employee loan plan
The Employee Loan Plan ('Loan Plan') was discontinued immediately prior to the merger between Greencross and Mammoth on 31 January 2014 at which point all shares subject to the Loan Plan vested to the participant. Under the Loan Plan selected employees were invited to acquire shares in the company. Loans under the Plan are limited recourse in nature, non-interest bearing and secured against the shares acquired under the Loan Plan. As prescribed in AASB 2 Share-based Payment the shares originally issued under the Loan Plan are not recognised in contributed equity until the loan is repaid.

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the legal parent company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the legal parent company does not have a limited amount of authorised capital.

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

Dividend reinvestment plan
The legal parent company has a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. Shares are issued under the plan at a discount to the market price, as the Directors may determine.

Share buy-back
There is no current on-market share buy-back.

Capital risk management
The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

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

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

Note 26. Equity - reserves

	Consolidated	
	2016 $'000	2015 $'000
Foreign currency reserve	40	(236)
Capital profits reserve	(423)	(423)
Hedging reserve - cash flow hedges	(1,039)	(1,828)
Share-based payments reserve	3,630	2,451
	2,208	(36)

Note 26. Equity - reserves (continued)

Foreign currency reserve
The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Capital profits reserve
The reserve was created on the reorganisation of Mammoth Pet Pty Limited on 18 October 2010 when Mammoth Holdings Pty Limited purchased Mammoth Pet Pty Limited and Freddy Holdings Pty Limited, a shareholder of Mammoth Pet Pty Limited.

Hedging reserve - cash flow hedges
The reserve is used to recognise the effective portion of the gain or loss of cash flow hedge instruments that is determined to be an effective hedge.

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Foreign currency $'000	Capital profits $'000	Hedging reserve - cash flow hedges $'000	Share-based payments $'000	Total $'000
Balance at 1 July 2014	(257)	(423)	(1,455)	2,445	310
Foreign currency translation	21	-	-	-	21
Changes in fair value of cash flow hedges	-	-	(533)	-	(533)
Deferred tax	-	-	160	-	160
Share-based payment expense	-	-	-	6	6
Balance at 30 June 2015	(236)	(423)	(1,828)	2,451	(36)
Foreign currency translation	276	-	-	-	276
Changes in fair value of cash flow hedges	-	-	1,127	-	1,127
Deferred tax	-	-	(338)	-	(338)
Share-based payment expense	-	-	-	1,179	1,179
Balance at 30 June 2016	40	(423)	(1,039)	3,630	2,208

Note 27. Equity - accumulated losses

	Consolidated 2016 $'000	Consolidated 2015 $'000
Accumulated losses at the beginning of the financial year	(113,700)	(116,115)
Profit after income tax expense for the year	34,620	19,072
Dividends paid (note 29)	(20,270)	(16,657)
Accumulated losses at the end of the financial year	(99,350)	(113,700)

Note 28. Equity - non-controlling interest

	Consolidated 2016 $'000	Consolidated 2015 $'000
Issued capital	312	312
Reserves	(74)	(74)
Retained profits	19,365	15,936
	19,603	16,174

Note 29. Equity - dividends

Dividends
Dividends paid during the financial year were as follows:

	Consolidated 2016 $'000	Consolidated 2015 $'000
Final dividend for the year ended 30 June 2014 of 7.0 cents per ordinary share	-	7,741
Interim dividend for the year ended 30 June 2015 of 8.0 cents per ordinary share	-	8,916
Final dividend for the year ended 30 June 2015 of 9.0 cents per ordinary share	9,992	-
Interim dividend for the year ended 30 June 2016 of 9.0 cents per ordinary share	10,278	-
	20,270	16,657

At the date of signing the financial report the consolidated entity has declared a final dividend of 9.5 cents per share at a record date of 31 August 2016, which is expected to be paid on 23 September 2016.

The final dividend for the year ended 30 June 2016 will be subject to the company's Dividend Reinvestment Plan ('DRP'). Eligible shareholders will be able to participate in the DRP with shares expected to be issued at a 2.5% discount to the volume weighted average price ('VWAP') of the company's shares over the 10 days following the record date and will rank equally with all other shares.

$614,000 (2015: $390,000) was paid to non-controlling interest in respect of their dividends in the underlying entities during the year ended 30 June 2016. There are no proposed dividends for minority interests as at signing date.

Franking credits

	Consolidated 2016 $'000	Consolidated 2015 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	19,375	20,241

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 30. Financial instruments

Financial risk management objectives
The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk
The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
Consolidated	2016 $'000	2015 $'000	2016 $'000	2015 $'000
New Zealand dollars	46,824	36,012	30,362	24,302

The consolidated entity had net assets denominated in foreign currencies of $16,462,000 (assets $46,824,000 less liabilities $30,362,000) as at 30 June 2016 (2015: net assets of $11,710,000 (assets $36,012,000 less liabilities $24,302,000)). Based on this exposure, with all other variables held constant, the following could have occurred:

	AUD strengthened			AUD weakened		
Consolidated - 2016	% change	Effect on profit	Effect on equity	% change	Effect on profit	Effect on equity
New Zealand dollars	10%	(437)	(515)	10%	536	631

	AUD strengthened			AUD weakened		
Consolidated - 2015	% change	Effect on profit	Effect on equity	% change	Effect on profit	Effect on equity
New Zealand dollars	10%	(354)	(279)	10%	433	342

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

Note 30. Financial instruments (continued)

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

The contracts require settlement of net interest receivable or payable each 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

The gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. It is reclassified into profit or loss when the hedged interest expense is recognised. In the year ended 30 June 2016 a gain of $nil (2015: $nil) was reclassified into profit or loss and included in finance costs.

As at the reporting date, the consolidated entity had the following variable rate borrowings and interest rate swap contracts outstanding:

	2016		2015	
Consolidated	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Bank loans	4.65%	294,599	5.00%	267,924
Interest rate swaps (notional principal amount)	3.85%	101,250	3.85%	97,500
Net exposure to cash flow interest rate risk		395,849		365,424

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

An official increase/decrease in interest rates would have the following effect on profit before tax and equity per annum:

	Basis points increase			Basis points decrease		
Consolidated - 2016	Basis points change	Effect on profit before tax	Effect on equity	Basis points change	Effect on profit before tax	Effect on equity
Bank loans	100	(2,831)	(2,011)	-	2,831	2,011
Interest rate swap contracts	100	975	683	-	(975)	(683)
		(1,856)	(1,328)		1,856	1,328

	Basis points increase			Basis points decrease		
Consolidated - 2015	Basis points change	Effect on profit before tax	Effect on equity	Basis points change	Effect on profit before tax	Effect on equity
Bank loans	100	(2,226)	(1,563)	100	2,226	1,563
Interest rate swap contracts	100	1,010	709	100	(1,010)	(709)
		(1,216)	(854)		1,216	854

Note 30. Financial instruments (continued)

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity is not exposed to any significant credit risk given the nature of the consolidated entity's operations generate cash and credit card revenue.

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

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

Financing arrangements
Unused borrowing facilities at the reporting date:

	Consolidated	
	2016 $'000	2015 $'000
Bank loans	69,686	95,481

Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time and have an average maturity of 2.94 years (2015: 3.95 years).

Remaining contractual maturities
The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2016	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	53,322	-	-	-	53,322
BAS payable	-	3,512	-	-	-	3,512
Other payables	-	1,061	-	-	-	1,061
Interest-bearing - variable						
Bank loans	4.65%	16,100	17,457	310,854	-	344,411
Lease liability	6.01%	390	123	33	-	546
Total non-derivatives		74,385	17,580	310,887	-	402,852
Derivatives						
Interest rate swaps net settled	-	1,838	1,023	-	-	2,861
Total derivatives		1,838	1,023	-	-	2,861

Note 30. Financial instruments (continued)

Consolidated - 2015	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	53,921	-	-	-	53,921
Tax payable	-	2,056	-	-	-	2,056
Other payables	-	693	-	-	-	693
Interest-bearing - variable						
Bank loans	5.00%	15,894	17,241	287,060	-	320,195
Lease liability	6.30%	377	331	83	-	791
Total non-derivatives		72,941	17,572	287,143	-	377,656
Derivatives						
Interest rate swaps net settled	3.85%	1,496	959	35	-	2,490
Total derivatives		1,496	959	35	-	2,490

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

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 31. Fair value measurement

Fair value hierarchy

The following tables detail the consolidated entity'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 - 2016	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Interest rate swap contracts	-	1,601	-	1,601
Total liabilities	-	1,601	-	1,601

Consolidated - 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.

Note 31. Fair value measurement (continued)

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 32. Key management personnel disclosures

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

	Consolidated	
	2016	2015
	$	$
Short-term employee benefits	3,404,142	3,428,065
Post-employment benefits	135,426	156,552
Share-based payments	298,181	6,284
	3,837,749	3,590,901

Note 33. Remuneration of auditors

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

	Consolidated	
	2016	2015
	$	$
Audit services - PricewaterhouseCoopers		
Audit or review of the financial statements	450,000	855,000
Other services - PricewaterhouseCoopers		
Due diligence and accounting advice on mergers and acquisitions	-	120,275
Tax advice on research and development	250,000	-
	250,000	120,275
	700,000	975,275
Audit services - network firms		
Audit or review of the financial statements	57,300	54,545

Note 34. Contingent liabilities

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

	Consolidated 2016 $'000	Consolidated 2015 $'000
Bank guarantees	10,050	11,806

Note 35. Commitments

	Consolidated 2016 $'000	Consolidated 2015 $'000
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	2,691	1,759
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	67,005	59,806
One to five years	223,155	206,039
More than five years	65,565	72,197
	355,725	338,042
Lease commitments - finance		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	389	377
One to five years	157	414
Total commitment	546	791
Less: Future finance charges	(25)	(52)
Net commitment recognised as liabilities	521	739
Representing:		
Lease liability - current (note 18)	371	316
Lease liability - non-current (note 21)	150	423
	521	739

Operating lease commitments includes contracted amounts for leased premises, vehicles and forklift equipment under non-cancellable operating leases expiring within 1 to 10 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Finance lease commitments includes contracted amounts for various plant and equipment with a written down value of $961,000 (2015: $1,204,000) under finance leases expiring within 1 to 3 years. Under the terms of the leases, the consolidated entity has the option to acquire the leased assets for predetermined residual values on the expiry of the leases.

Note 36. Related party transactions

Parent entity
Greencross Limited is the parent entity.

Note 36. Related party transactions (continued)

Subsidiaries
Interests in subsidiaries are set out in note 39.

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

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	2016 $	2015 $
Payment for goods and services:		
Purchase of inventory from Petco Animal Supplies, Inc., a related party associated with directors Matthew Hobart and Scott Gilbertson.	-	1,519,701
Payment for other expenses:		
Rent and outgoings paid to Greencross Properties Pty Ltd, a company controlled by director Dr Glen Richards.	80,034	85,745
Rent paid to KCORM Property Trust, a trust associated with director Dr Glen Richards.	186,699	181,554
Rent paid to AEC Property Trust, a trust associated with director Dr Glen Richards.	73,482	220,445

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

	Consolidated	
	2016 $	2015 $
Current payables:		
Rent payable to KCORM Property Trust, a trust associated with director Dr Glen Richards.	632	-
Rent payable to AEC Property Trust, a trust associated with director Dr Glen Richards.	-	(1,527)

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

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

Note 37. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2016 $'000	2015 $'000
Profit after income tax	22,321	17,082
Total comprehensive income	22,321	17,082

Note 37. Parent entity information (continued)

Statement of financial position

	Parent	
	2016	**2015**
	$'000	**$'000**
Total current assets	4,141	5,370
Total assets	537,198	538,426
Total current liabilities	(416)	11,809
Total liabilities	(416)	11,809
Equity		
Contributed equity	674,795	664,552
Share-based payments reserve	1,179	-
Accumulated losses	(138,360)	(137,935)
Total equity	537,614	526,617

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity has provided financial guarantees in respect of the bank overdraft and the bank loans of the subsidiaries amounting to $279,862,000 (2015: $258,897,000), secured by a registered charge over the assets of the parent entity and its subsidiaries.

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

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2016 and 30 June 2015.

The parent entity has and will continue to receive dividends from its subsidiaries in order to have appropriate profit reserves given the accumulated losses to be able to pay dividends to its shareholders. There was and is sufficient retained profits in the subsidiaries in order to satisfy dividend payment obligations during the year as well as at 30 June 2016.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2016 and 30 June 2015.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.

Note 38. Business combinations

Supply and distribution business
On 29 April 2016, the Group acquired 100% of the business assets of a distribution centre (located in Sydney) for the total consideration of $7,846,000. The distribution centre provides logistics and warehouse services and operates as a cost centre. It does not contribute towards any Group revenues or profits.

Note 38. Business combinations (continued)

Other business combinations
During the financial year the Group acquired a further 9 veterinary clinics and 6 retail stores via a combination of share and asset purchases for total consideration of $8,550,000. The acquired businesses contributed revenues of $7,274,000 and profit before tax of $1,143,000 to the Group for the period from acquisition 30 June 2016. If the acquisitions occurred on 1 July 2015, the full year contributions would have been revenues of $13,838,000 and profit before tax of $2,003,000.

Veterinary Holdings Pty Limited (ARH)
During the year, the provisional values in relation to the ARH acquisition were finalised. The comparatives have been revised to include the effect of the measurement period adjustment as if the accounting for the business combination had been completed on the acquisition date. The change relates to an increase in expected deferred consideration payable, the net effect of which is an increase in goodwill and non-controlling interest of $3,592,000.

Details summarising all of the acquisitions other than ARH are as follows:

	Fair value $'000
Cash and cash equivalents	1
Trade receivables	7
Inventories	530
Prepayments	6
Plant and equipment	1,017
Deferred tax asset	108
Other payables	(100)
Employee benefits	(256)
Onerous Lease	(100)
Lease liability	(7)
Lease incentive	(450)
Net assets acquired	756
Goodwill	15,640
Acquisition-date fair value of the total consideration transferred	16,396
Representing:	
Cash paid or payable to vendor	15,559
Contingent consideration	837
	16,396
Acquisition costs expensed to profit or loss	2,012

Note 38. Business combinations (continued)

	Consolidated 2016 $'000	Consolidated 2015 $'000
Cash used to acquire business, net of cash acquired:		
Acquisition-date fair value of the total consideration transferred	16,396	260,329
Add: payments made for prior period acquisition	1,057	3,096
Less: cash and cash equivalents	-	(8,145)
Less: settlement of receivable	(6,500)	-
Less: contingent consideration	(837)	(8,561)
Less: shares to be issued by company as part of consideration	-	(50,000)
Less: contingent shares in subsidiary to be issued to vendor	-	(455)
Less: non-controlling interest	-	(4,505)
Less: cash paid to partly owned controlled entity	-	(5,000)
Net cash used	10,116	186,759

	Supply and Distribution Business Fair value $'000	Other Business Combinations Fair value $'000
Cash and cash equivalents	-	1
Trade receivables	-	7
Inventories	-	530
Prepayments	-	6
Plant and equipment	420	597
Deferred tax asset	30	78
Employee benefits	(99)	(157)
Deferred lease incentive	-	(450)
Accrued expenses	(100)	-
Lease liability	-	(7)
Other liabilities	(100)	-
Net assets acquired	151	605
Goodwill	7,695	7,945
Acquisition-date fair value of the total consideration transferred	7,846	8,550
Representing:		
Cash paid or payable to vendor	7,846	7,713
Contingent consideration	-	837
	7,846	8,550
Cash used to acquire business, net of cash acquired:		
Acquisition-date fair value of the total consideration transferred	7,846	8,550
Add: payments made for prior period acquisition	-	1,057
Less: contingent consideration	-	(837)
Less: settlement of receivable	(6,500)	-
Net cash used	1,346	8,770

Note 39. Interests in subsidiaries

Note 39. Interests in subsidiaries (continued)

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

Name	Principal place of business / Country of incorporation	Ownership interest 2016 %	Ownership interest 2015 %
Greencross Operations Pty Ltd *	Australia	100.00%	100.00%
Greencross NSW Pty Ltd *	Australia	100.00%	100.00%
Greencross Townsville Pty Ltd *	Australia	100.00%	100.00%
Seabeach Pty Ltd *	Australia	100.00%	100.00%
Gorrie Veterinary Services Pty Ltd *	Australia	100.00%	100.00%
Chermside Veterinary Hospital Pty Ltd *	Australia	100.00%	100.00%
Veterinary Referral Services Pty Ltd *	Australia	70.00%	70.00%
Pet Accident and Emergency Pty Ltd *	Australia	90.00%	90.00%
Gold Coast Animal Referral & Emergency Pty Ltd *	Australia	90.00%	90.00%
Animal Emergency Centre Woolloongabba Pty Ltd *	Australia	100.00%	100.00%
Animal Emergency Centre Pty Ltd *	Australia	75.31%	75.31%
Animal Emergency Centre (Frankston) Pty Ltd *	Australia	75.31%	75.31%
Animal Emergency Centre Hallam Pty Ltd *	Australia	75.31%	75.31%
Williamstown Veterinary Holdings Pty Ltd *	Australia	100.00%	100.00%
Williamstown Veterinary Hospital Pty Ltd *	Australia	100.00%	100.00%
Point Cook Animal Hospital Pty Ltd *	Australia	100.00%	100.00%
Point Cook Unit Trust *	Australia	100.00%	100.00%
Pets First Hoppers Crossing Pty Ltd *	Australia	100.00%	100.00%
Anvet Werribee Pty Ltd *	Australia	100.00%	100.00%
Greencross Vets Toowoomba Pty Ltd *	Australia	100.00%	100.00%
Greencross Vets Southcoast Pty. Ltd. *	Australia	100.00%	100.00%
Vepa Labs Pty Ltd *	Australia	100.00%	100.00%
Vetmax Pty Ltd *	Australia	100.00%	100.00%
Animal Emergency Centre Toowoomba Pty. Ltd. *	Australia	65.00%	65.00%
Animal Emergency Centre Central Coast Pty Ltd *	Australia	32.50%	65.25%
Mammoth Pet Holdings Pty Limited	Australia	100.00%	100.00%
Petbarn Pty Limited	Australia	100.00%	100.00%
Mammoth Pet Pty Limited	Australia	100.00%	100.00%
Petbarn Properties Pty Limited	Australia	100.00%	100.00%
Animates NZ Holdings Limited	New Zealand	50.00%	50.00%
Freddy Holdings Pty Ltd	Australia	100.00%	100.00%
Petwise Pty Ltd	Australia	100.00%	100.00%
CF Group Holdings Pty Ltd	Australia	100.00%	100.00%
City Farmers Investments Pty Ltd	Australia	100.00%	100.00%
City Farmers Holdings Pty Ltd	Australia	100.00%	100.00%
CF Intermediate Holdings Pty Ltd	Australia	100.00%	100.00%
City Farmers Finance Pty Ltd	Australia	100.00%	100.00%
City Farmers Services Pty Ltd	Australia	100.00%	100.00%
City Farmers Retail Pty Ltd	Australia	100.00%	100.00%
City Farmers Been Pty Ltd	Australia	100.00%	100.00%
City Farmers Arun Pty Ltd	Australia	100.00%	100.00%
City Farmers Brwn Pty Ltd	Australia	100.00%	100.00%
City Farmers UNDR Pty Ltd	Australia	100.00%	100.00%
City Farmers MITC Pty Ltd	Australia	100.00%	100.00%
City Farmers Bedf Pty Lt	Australia	100.00%	100.00%
City Farmers MALG Pty Ltd	Australia	100.00%	100.00%
City Farmers MIDL Pty Ltd	Australia	100.00%	100.00%

Note 39. Interests in subsidiaries (continued)

Name	Principal place of business / Country of incorporation	Ownership interest 2016 %	2015 %
City Farmers Belm Pty Ltd	Australia	100.00%	100.00%
City Farmers Will Pty Ltd	Australia	100.00%	100.00%
City Farmers Kelm Pty Ltd	Australia	100.00%	100.00%
City Farmers Cval Pty Ltd	Australia	100.00%	100.00%
City Farmers Rock Pty Ltd	Australia	100.00%	100.00%
City Farmers Mand Pty Ltd	Australia	100.00%	100.00%
City Farmers Wemb Pty Ltd	Australia	100.00%	100.00%
City Farmers Joon Pty Ltd	Australia	100.00%	100.00%
City Farmers Balc Pty Ltd	Australia	100.00%	100.00%
City Farmers CURR Pty Ltd	Australia	100.00%	100.00%
City Farmers Whit Pty Ltd	Australia	100.00%	100.00%
Flea Boy and Tick Girl Pty Ltd	Australia	100.00%	100.00%
Veterinary Holdings Pty Limited	Australia	50.10%	50.10%
The Animal Referral Hospital Pty Ltd	Australia	50.10%	50.10%
Animal Emergency Centre Canberra	Australia	30.06%	30.06%
Animal Referral Hospital Canberra	Australia	30.06%	30.06%
HMS Software Pty Limited	Australia	100.00%	100.00%
Melbourne Veterinary Specialist Centre *	Australia	72.00%	72.00%
Southern Animal Referral Centre Pty Ltd *	Australia	100.00%	100.00%
Greencross Pet Friends Pty Ltd	Australia	51.00%	51.00%
Greencross White Hills Pty Ltd	Australia	75.00%	75.00%
Petrest Pty Ltd	Australia	100.00%	100.00%
Greencross Western Australia Pty Ltd	Australia	100.00%	-

* Interests in subsidiaries that were acquired as part of the merger with Mammoth.

Note 39. Interests in subsidiaries (continued)

Summarised financial information
Summarised financial information of the subsidiary with non-controlling interests that is material to the consolidated entity are set out below:

	Animates NZ Holdings Limited	
	2016	2015
	$'000	$'000
Summarised statement of financial position		
Current assets	17,761	15,824
Non-current assets	29,063	20,187
Total assets	46,824	36,011
Current liabilities	19,005	15,379
Non-current liabilities	11,357	8,923
Total liabilities	30,362	24,302
Net assets	16,462	11,709
Summarised statement of profit or loss and other comprehensive income		
Revenue	81,120	66,492
Expenses	(75,018)	(61,085)
Profit before income tax expense	6,102	5,407
Income tax expense	(1,747)	(1,514)
Profit after income tax expense	4,355	3,893
Other comprehensive income	-	-
Total comprehensive income	4,355	3,893
Other financial information		
Profit attributable to non-controlling interests	2,238	1,946

Note 40. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

Greencross Limited
Greencross Operations Pty Ltd
Greencross NSW Pty Ltd
Greencross Townsville Pty Ltd
Mammoth Pet Holdings Pty Limited
Petbarn Pty Limited
Mammoth Pet Pty Limited
City Farmers Investments Pty Ltd
City Farmers Holdings Pty Ltd
CF Group Holdings Pty Ltd
CF Intermediate Holdings Pty Ltd
City Farmers Finance Pty Ltd
City Farmers Services Pty Ltd
City Farmers Retail Pty Ltd
City Farmers Been Pty Ltd
City Farmers Arun Pty Ltd
City Farmers Brwn Pty Ltd
City Farmers UNDR Pty Ltd
City Farmers MITC Pty Ltd
City Farmers Bedf Pty Ltd
City Farmers MALG Pty Ltd
City Farmers MIDL Pty Ltd
City Farmers Belm Pty Ltd
City Farmers Will Pty Ltd
City Farmers Kelm Pty Ltd
City Farmers Cval Pty Ltd
City Farmers Rock Pty Ltd
City Farmers Mand Pty Ltd
City Farmers Wemb Pty Ltd
City Farmers Joon Pty Ltd
City Farmers Balc Pty Ltd
City Farmers CURR Pty Ltd
City Farmers Whit Pty Ltd
Flea Boy and Tick Girl Pty Limited

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission ('ASIC').

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by Greencross Limited, they also represent the 'Extended Closed Group'.

Note 40. Deed of cross guarantee (continued)

Set out below is a consolidated statement of profit or loss and other comprehensive income and statement of financial position of the 'Closed Group'.

Statement of profit or loss and other comprehensive income	2016 $'000	2015 $'000
Revenue	594,392	535,619
Other income	2,226	959
Cost of sales of goods	(274,242)	(252,063)
Employee benefits expense	(142,915)	(134,327)
Depreciation and amortisation expense	(13,946)	(12,076)
Marketing costs	(9,226)	(8,645)
Occupancy costs	(66,060)	(60,290)
Administration costs	(30,810)	(22,065)
Acquisition costs	(1,938)	(9,319)
Other expenses	-	(374)
Finance costs	(15,217)	(12,787)
Profit before income tax expense	42,264	24,632
Income tax expense	(10,855)	(10,006)
Profit after income tax expense	31,409	14,626
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	31,409	14,626

Equity - retained profits	2016 $'000	2015 $'000
Accumulated losses at the beginning of the financial year	(152,781)	(165,173)
Profit after income tax expense	31,409	14,626
Accumulated losses at the end of the financial year	(121,372)	(150,547)

Note 40. Deed of cross guarantee (continued)

Statement of financial position	2016 $'000	2015 $'000
Current assets		
Cash and cash equivalents	45,625	15,761
Trade and other receivables	26,929	17,159
Inventories	80,871	76,795
Current tax assets	(7,105)	4,942
Prepayments	1,010	1,079
Other	558	422
	147,888	116,158
Non-current assets		
Other financial assets	12,689	12,689
Property, plant and equipment	134,137	122,323
Intangibles	495,427	476,195
Deferred tax	26,439	18,838
	668,692	630,045
Total assets	816,580	746,203
Current liabilities		
Trade and other payables	83,294	74,703
Borrowings	(2,917)	(639)
Provisions	18,212	18,560
	98,589	92,624
Non-current liabilities		
Borrowings	278,209	254,581
Derivative financial instruments	1,601	2,729
Deferred tax	3,652	1,145
Provisions	21,941	23,924
	305,403	282,379
Total liabilities	403,992	375,003
Net assets	412,588	371,200
Equity		
Contributed equity	530,537	520,293
Reserves	3,423	1,454
Accumulated losses	(121,372)	(150,547)
Total equity	412,588	371,200

Note 41. Events after the reporting period

On 1 July 2016, the Group acquired 100% of the business assets of a veterinary clinic (located in South Australia) for the total consideration of $1,000,000 including deferred consideration of $150,000. At the date this annual report was authorised for issue the fair value of 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 6 July 2016 the Group acquired 100% of the business assets of a retail store (located in Queensland) for the total consideration of $2,448,000. At the date this annual 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.

Note 41. Events after the reporting period (continued)

On 8 July 2016, the Group acquired 100% of the issued capital of Inion Pty Ltd (located in Australia Capital Territory) for the total consideration of $2,200,000. At the date this annual report was authorised for issue the fair value of 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 27 July 2016 the Group acquired 100% of the business assets of a retail store (located in Victoria) for the total consideration of $270,000. At the date this annual 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 29, no other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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

	Consolidated	
	2016 $'000	2015 $'000
Profit after income tax expense for the year	38,663	22,143
Adjustments for:		
Depreciation and amortisation	17,821	15,056
Write off of property, plant and equipment	1,883	-
Share-based payments	1,173	6
Non-cash finance costs	1,253	1,082
Non-cash movements in reserves	(57)	181
Change in operating assets and liabilities:		
Increase in trade and other receivables	(1,019)	(5,541)
Increase in inventories	(5,623)	(26,916)
Decrease in deferred tax assets	3,472	7,540
Decrease in prepayments	97	656
Increase in trade and other payables	13,124	1,674
Increase/(decrease) in provision for income tax	10,748	(3,450)
Increase/(decrease) in other provisions	(2,899)	2,260
Net cash from operating activities	78,636	14,691

Note 43. Non-cash investing and financing activities

	Consolidated	
	2016 $'000	2015 $'000
Shares issued under dividend reinvestment plan	9,992	16,657
Shares issued in relation to business combinations	-	50,000
	9,992	66,657

Note 44. Earnings per share

	Consolidated	
	2016	2015
	$'000	$'000
Profit after income tax	38,663	22,143
Non-controlling interest	(4,043)	(3,071)
Profit after income tax attributable to the owners of Greencross Limited	34,620	19,072
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	113,828,575	111,151,934
Adjustments for calculation of diluted earnings per share:		
Performance rights	610,500	60,717
Weighted average number of ordinary shares used in calculating diluted earnings per share	114,439,075	111,212,651
	Cents	**Cents**
Basic earnings per share	30.41	17.16
Diluted earnings per share	30.25	17.15

Note 45. Share-based payments

Executive Short Term Incentive Plan (FY15 'STIP')
The Group has implemented an "at risk" STIP which rewards executives for meeting or exceeding annual performance thresholds. Part of this reward is delivered as deferred share rights, subject to forfeiture conditions, to align rewards with shareholder interests. The performance rights, granted on 1 September 2015 will vest on 1 July 2016 when they automatically convert into one ordinary share each at an exercise price of nil.

Under the STIP participants are granted performance rights provided certain performance conditions are met in relation to the financial year ended 30 June 2015.

The Board can exercise its discretion to amend any element of the STIP.

At the date of signing this report no performance rights granted to executives have been exercised due to the the security trading blackout period guidelines set forth under ASX Listing Rules 12.9-12.12.

Note 45. Share-based payments (continued)

Executive Long Term Incentive Plan ('LTIP')

FY15 LTIP

The Group has implemented an Executive LTIP for key management personnel executives with performance rights granted over ordinary fully paid shares, subject to forfeiture conditions, which will vest to the extent that the Board determines that:
- the performance condition(s) have been satisfied during the performance period; and
- the participant was continuously employed by the Company until the vesting date of the rights

A 3-year performance period will apply (1 July 2014 to 30 June 2017) with performance conditions tested, and any vesting occurring, following the announcement of the FY17 full year result, on or around September 2017. The scheme employs two performance hurdles: EPS Growth and ROIC, both measured over the 3 year performance period against threshold and maximum hurdles.

The number of performance rights each participant receives is determined by dividing the dollar value of the maximum LTIP award by the allocation price. The allocation price in respect of the rights is calculated as the volume weighted average price of the Company's shares over the five trading days immediately before, and the five trading days immediately following, the announcement of the Company's FY14 results.

FY16 LTIP

The Group has implemented an Executive LTIP for key management personnel executives with performance rights granted over ordinary fully paid shares, subject to forfeiture conditions, which will vest to the extent that the Board determines that:
- the performance condition(s) have been satisfied during the performance period; and
- the participant was continuously employed by the Company until the vesting date of the rights

A 3-year performance period will apply (1 July 2015 to 30 June 2018) with performance conditions tested, and any vesting occurring, following the announcement of the FY18 full year result, on or around September 2018. The scheme employs three performance hurdles: EPS Growth, ROIC and total shareholder return (TSR) . All performance hurdles are measured over the 3 year performance period against threshold and maximum hurdles.

The number of performance rights each participant receives is determined by dividing the dollar value of the maximum LTIP award by the allocation price. The allocation price in respect of the rights is calculated as the volume weighted average price of the Company's shares over the five trading days immediately before, and the five trading days immediately following, the announcement of the Company's FY16 results.

Set out below are summaries of performance rights granted under the plan:

2016

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised *	Expired/ forfeited/ other	Balance at the end of the year
26/06/2015	01/09/2017	$0.00	60,717	-	-	-	60,717
26/06/2016	30/06/2018	$0.00	-	129,245	-	-	129,245
			60,717	129,245	-	-	189,962

Note 45. Share-based payments (continued)

2015

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
26/06/2015	01/09/2017	$0.00	-	60,717	-	-	60,717
			-	60,717	-	-	60,717

Directors' declaration

30 June 2016

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 40 to the financial statements.

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

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

On behalf of the directors

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Martin Nicholas
Director

23 August 2016
Sydney

Independent auditor's report to the members of Greencross Limited

Report on the financial report

We have audited the accompanying financial report of Greencross Limited (the company), which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Greencross Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Auditor's opinion

In our opinion:

(a) the financial report of Greencross Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

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

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the remuneration report included in pages 43 to 61 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Greencross Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Adam Thompson
Partner

Sydney
23 August 2016

Shareholder information

30 June 2016

The shareholder information set out below was applicable as at 20 July 2015.

Distribution of equitable securities

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

	Number of holders of ordinary shares	
1 to 1,000	3,916	1,817,778
1,001 to 5,000	3,084	7,188,339
5,001 to 10,000	503	3,643,357
10,001 to 100,000	310	8,060,409
100,001 and over	59	93,485,887
	7,872	114,195,770
Holding less than a marketable parcel	8,578	321

Equity security holders

Twenty largest quoted equity security holders

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

	Ordinary shares	
	Number held	% of total shares issued
J P MORGAN NOMINEES AUSTRALIA LIMITED	22,939,320	20.17
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	16,001,629	14.07
NATIONAL NOMINEES LIMITED	6,627,561	5.83
CITICORP NOMINEES PTY LIMITED	6,093,447	5.36
PREBEST PTY LIMITED	5,000,000	4.40
WILLEESE PTY LIMITED	3,099,349	2.73
BNP PARIBAS NOMINEES PTY LTD	2,773,714	2.44
RED RUFF INVESTMENT COMPANY	2,768,764	2.43
MR STUART BRUCE JAMES + MRS GILLIAN DOREEN JAMES	2,103,051	1.85
MAXIMUM (NQ) PTY LIMITED	2,096,734	1.84
JODAV HOLDINGS PTY LTD	1,921,368	1.69
PAPERBARK PTY LTD	1,739,564	1.53
UBS NOMINEES PTY LTD	1,660,347	1.46
BNP PARIBAS NOMINEES PTY LTD	1,509,000	1.33
MR JOHN DAVID ODLUM + MRS ANN ODLUM	1,487,370	1.31
BNP PARIBAS NOMS PTY LTD	1,062,807	0.93
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,059,178	0.93
MR JOHN DAVID ODLUM	980,000	0.86
CS FOURTH NOMINEES PTY LIMITED	756,762	0.67
WARBONT NOMINEES PTY LTD	727,477	0.64
	82,407,442	72.47

Unquoted equity securities

There are no unquoted equity securities.

Substantial holders
There are no substantial holders in the company.

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

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

There are no other classes of equity securities.

Corporate directory

Directors

Stuart James – Chairman
Martin Nicholas – Chief Executive Officer
Christina Boyce
Andrew Geddes
Rebekah Horne
Chris Knoblanche
Dr Glen Richards
Paul Wilson

Company secretary

Vincent Pollaers

Registered office

5/28 Balaclava Street
Wooloongabba QLD 4102
Telephone: (07) 3435 3535
Facsimile: (07) 3435 3536

Principal place of business

5/28 Balaclava Street
Wooloongabba QLD 4102
Postal address
PO Box 8366
Woolloongabba QLD 4102

Share register

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000
Australian Telephone: 1300 554 474
International Telephone: +61 1300 554 474
Facsimile: 02 9287 0303

Auditor

PricewaterhouseCoopers
Darling Park Tower 2
201 Sussex Street
Sydney NSW 1171

Solicitors

Clayton Utz
1 Bligh Street
Sydney NSW 2000

Bankers

Commonwealth Bank of Australia
240 Queen Street
Brisbane QLD 4000

National Australia Bank
255 George Street
Sydney NSW 2000

Stock exchange listing

Greencross Limited shares are listed on the Australian Securities Exchange (ASX code: GXL)

Website

greencrosslimited.com.au

langdonwithers.com #GXL0002

Greencross Limited
The Pet Company

greencrosslimited.com.au