Greencross Limited
ABN 58 119 778 862

Appendix 4D – Half-year Report
For the Half-year Ended 31 December 2016

Lodged with Australian Securities Exchange under Listing Rule 4.2A

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31 December 2016

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Appendix 4D
31 December 2016

Results for announcement to the market	Compared to the half-year ended 31 December 2015 %	Half-year ended 31 December 2016 $'000
Revenue from ordinary activities	Up 13.7%	412,278
Profit from ordinary activities after tax attributable to the owners of Greencross Limited	Up 17.2%	21,927
NPAT attributable to the owners of Greencross Limited	Up 17.2%	21,927
EBITDA attributable to the owners of Greencross Limited	Up 14.0%	51,411
EPS attributable to the owners of Greencross Limited	Up 15.3%	19.0 cents
Underlying EBITDA attributable to the owners of Greencross Limited	Up 11.2%	53,938
Underlying NPAT attributable to the owners of Greencross Limited	Up 8.6%	22,996
Underlying EPS attributable to the owners of Greencross Limited	Up 6.7%	19.9 cents

Dividends	Amount per Security Cents	Compared to the half-year ended 31 December 2015 %	Franked amount per security Cents	Compared to the half-year ended 31 December 2015 %
Interim dividend per ordinary share in respect of the half-year ended 31 December 2016 payable on 24th March 2017	9.500	Up 5.6%	9.500	Up 5.6%
The record date for determining entitlements to the interim dividend is 1st March 2017				

Dividends
The interim fully franked ordinary dividend in respect of the financial half-year ending 31 December 2016 amounts to 9.5 cents per share, which is an increase of 5.6% from the interim dividend for the financial half-year ended 31 December 2015.

Dividend reinvestment plan in operation
The Company's Dividend Reinvestment Plan ("DRP") is in operation, a copy of which can be downloaded from:

http://www.greencrosslimited.com.au/Docs/Dividend-Reinvestment-Plan-Rules-2014.pdf

In order to participate in the DRP, the Company's share registry must receive the election notice by 2nd March 2017.

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

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

Appendix 4D – Commentary on Results

31 December 2016

H1 2017 Result highlights

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

- **Group revenue up by 14%**
- **Group Like for Like[1] ("L4L") revenue 4.3%**
- **Gross margin % steady at 55.6%**
- **EBITDA up 14% to $51.4m**
- **Underlying EBITDA up 11% to $53.9m**
- **Underlying EPS up 6% to 19.9 cents**

Financial overview – statutory performance

In H1 2017 the Group's integrated petcare strategy delivered double digit sales and earnings growth underpinned by strong cash generation. The Group has continued to pursue its strategy of organic led growth complemented by selective, value adding, acquisitions to deliver accessible petcare to Australasian pet owners.

Statutory profit or loss	31-Dec-2016[2] $'000's	31-Dec-2015 $'000's	Change $'000's	%
Revenue[3]	**412,278**	**362,721**	**49,557**	13.7%
Cost of sales of goods	(182,870)	(161,154)	(21,716)	13.5%
Gross margin	**229,408**	**201,567**	**27,841**	13.8%
Gross margin (%)	55.6%	55.6%	0.0%	
Operating expenses	(177,997)	(156,456)	(21,541)	13.8%
EBITDA	**51,411**	**45,111**	**6,300**	14.0%
EBITDA margin (%)	12.5%	12.4%	0.1%	
Depreciation and amortisation	(11,257)	(8,884)	(2,373)	26.7%
Profit before finance costs and income tax expense	**40,154**	**36,227**	**3,927**	10.8%
Finance costs	(7,268)	(7,952)	684	(8.6%)
Profit before income tax expense	**32,886**	**28,275**	**4,611**	16.3%
Income tax expense	(8,458)	(7,917)	(541)	6.8%
Profit after income tax expense	**24,428**	**20,358**	**4,070**	20.0%
Non-controlling interest	(2,501)	(1,648)	(853)	51.8%
Net profit after income tax expense attributable to the owners of Greencross Limited	**21,927**	**18,710**	**3,217**	17.2%
Final ordinary dividend per share	**9.5**	**9.0**	**0.5**	5.6%

[1] Like for Like sale growth represents comparative sales growth in all stores and clinics open for over 53 weeks calculated on a 26 week vs 26 week basis

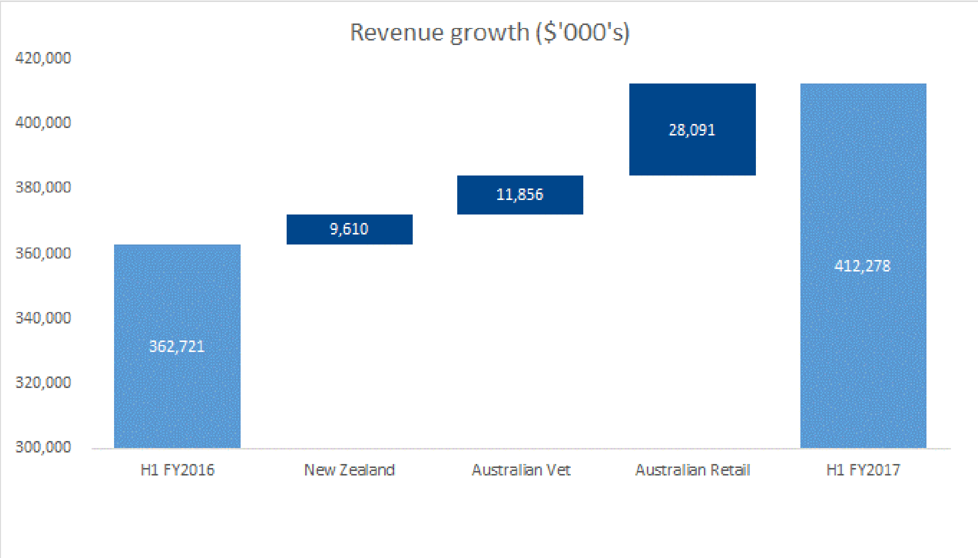
[2] H1 2017 result includes 27 weeks compared to 26 weeks in H1 2016. Week 27 included 3 public holidays and contributed $13.5m revenue, $1.1m EBITDA and $0.2m NPAT (post minorities)

[3] Excludes interest income

Appendix 4D – Commentary on Results
31 December 2016

Revenue

Revenues were up by 13.7% or $49.6 million to $412.3 million (2015: $362.7 million) as a result of pleasing L4L sales growth (+4.3%) over the prior comparison period ("pcp") coupled with continued network expansion.



Increased customer engagement and cross shopping across our integrated pet care offerings is increasing average customer spend and contributing to sustained revenue growth.

Revenues in our Veterinary business were up by 12.3% or $11.9m to $108.2m (2015: $96.3m) driven by instore clinic ramp up, a 5.8% increase in clinic visits as well as strong specialty and emergency performance. Network expansion was driven by the accelerated roll out of "in store" co-located vets bringing new world class clinics and employment to the market. Veterinary L4L sales growth (+5.3%) was pleasing and supported by cross referral initiatives and rapid growth of instore clinics.

Revenues in our Australian Retail business were up by 12.3% or $28.1m to $256.1m (2015: $228.0m) driven by network expansion and L4L sales growth. Australian retail L4L sales growth of +3.7% was solid across all states outside of Western Australia ("WA") where the poor economic backdrop continues to dampen L4L sales. Our online and non-medical services businesses continue to perform extremely well and grew by 45% and 32% respectively versus pcp.

New Zealand ("NZ") operations saw continued strong growth in the half-year driven by outstanding L4L sales, continued entry to vet and aggressive network expansion. NZ Retail revenues were up by 25% or $9.6m to $48.0m (2015: $38.4m). NZ retail L4L sales growth (+5.7%) reflects the continued strength and momentum of the Animates brand in NZ.

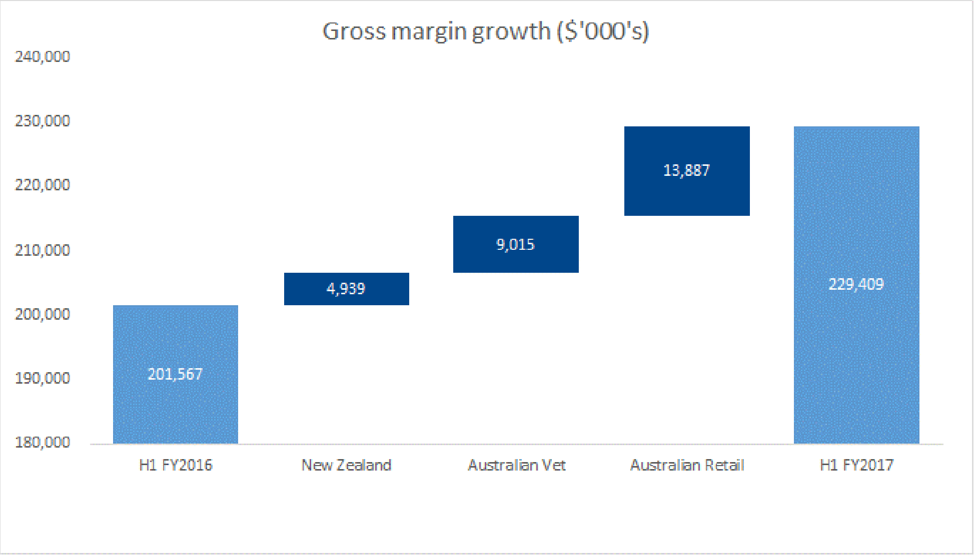
During the financial half-year the Group expanded its network by adding 16 retail stores and 10 veterinary clinics, including 7 "in-store" clinics.

Gross margin and gross margin %

Group gross margin % remained steady at 55.6% (2015: 55.6%).

Australian Retail margin 47.7% (+0.2%) was impacted by increased sales of food as % of total sales and a change in mix of promotional tactics, however this was offset by a reduction in distribution costs. NZ margin 48.5% (+0.7%) also grew largely due to sales mix but also due to improvements in underlying retail gross margins.

Gross margin % remained steady in Veterinary at 77.6% .



Operating expenses
Operating expenses increased by 14% or $21.5m to $178.0m (2015: $156.5m) compared to the half-year ended 31 December 2015 which included $3.4m of exceptional items compared to $2.5m in the current half-year. The Group continues to invest in new retail stores and new instore veterinary clinics both of which have attractive economic returns but have higher relative operating expenses in early years. Investment in internal capabilities and systems upgrading continues.

EBITDA
EBITDA increased by 14.0% or $6.3m to $51.4m (2015: $45.1m). The Group incurred $2.5m of exceptional costs primarily in relation to acquisition, integration and restructuring compared to $3.4m in the prior period. After removing the impact of these items EBITDA grew by 11.2% or $5.4m to $53.9m (2015: $48.5m) on the back of solid underlying business growth and network expansion through the addition of retail stores and veterinary clinics.

Finance costs
Finance costs decreased by 8.6% or $0.7m to $7.3m (2015: $8.0m) as a result of decreased levels of net debt, coupled with improved terms.

Depreciation and amortisation
Depreciation and amortisation costs increased by 26.7% or $2.4m to $11.3m (2015: $8.9m) primarily as a result of the investments in retail stores and veterinary clinics in both the current and prior year.

Income tax expense
The effective tax rate reduced to 25.7% (2015: 28.0%) due to the recognition of previously unrecognised losses.

Net profit after tax
Net profit after tax (“NPAT”) was up 17.2% or $3.2m to $21.9m (2015: $18.7m) largely as a result of the strong top line growth and the reduction in exceptional items incurred during the period.

Cash flow highlights

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

Statutory cash flow	31-Dec-2016 $'000's	31-Dec-2015 $'000's	Change $'000's	%
EBITDA	**51,411**	**45,111**	**6,300**	14.0%
Net working capital movement	(2,777)	7,254	(10,031)	(138.3%)
Ungeared, pre-tax operating cash flows	**48,634**	**52,365**	**(3,731)**	(7.1%)
Cash conversion %	***95%***	***116%***	***(21%)***	
Net interest and finance costs paid	(5,002)	(6,946)	1,944	(28.0%)
Income taxes received/(paid)	(1,674)	2,800	(4,474)	(159.8%)
Net cash from operating activities	**41,958**	**48,219**	**(6,261)**	(13.0%)
Expansionary capex	(25,699)	(19,162)	(6,537)	34.1%
Underlying capex[1]	(9,367)	(13,686)	4,319	(31.6)%
Net cash used in investing activities	**(35,066)**	**(32,848)**	**(2,218)**	6.8%
Free cash flow	**6,892**	**15,371**	**(8,479)**	(55.2%)
Net proceeds from issues of shares	-	-	-	-
Net proceeds from borrowings and refinance costs	(833)	9,905	(10,738)	(108.4%)
Dividends paid	(1,022)	(402)	(620)	154.2%
Net cash used in financing activities	**(1,855)**	**9,503**	**(11,358)**	(119.5%)
Net increase/(decrease) in cash and cash equivalents	**5,037**	**24,874**	**(19,837)**	(79.7%)

Ungeared, pre-tax operating cash flow decreased by 7.1% or $3.7m to $48.6m (2015: $52.4m). Working capital management remains strong resulting in a cash conversion of 95% (2015: 116%). Prior year benefits from a step reduction in receivables which is maintained this year.

Interest and finance costs decreased by 28% or $1.9m to $5.0m (2015: $6.9m) as a result of decreased level of bank borrowings and improved terms.

Income tax was a net payable position of $1.7m (2015: refundable of $2.8m) as a result of the timing of Australian Tax Office ("ATO") installments.

Net cash used in investing activities increased by 6.8% or $2.2m to $35.1m (2015: $32.8m) due to increased investment in retail stores and veterinary clinics. During the half-year the Group acquired 3 veterinary clinics and 3 retail stores, opened 7 "in-store" veterinary clinics and opened a further 13 retail stores. In addition the Group continued to develop internal capabilities with $3.2m (2015: $4.6m) invested in growth capabilities and omni channel development.

Free cash flow of $6.9m (2015: $15.4m) represents a further 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 increased by 119.5% or $11.4m to $1.9m (2015: $9.5m net cash inflow) reflecting no debt drawn in the period.

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

Capital management

During the financial half-year ended 31 December 2016 Group net debt decreased by 2.2% or $5.1m to $222.8m (30 June 2016: $227.9m) as a result of strong cash conversion and a transition towards self-funded growth outside of one off material potential acquisitions.

As at 31 December 2016 the Group had drawn down $279.9m borrowings (30 June 2016: $279.9m) out of the $350.0m Australian senior facilities with an additional accordion facility of $50m also available. The strong cash result helped the Group deleverage the Australian senior debt facilities with the leverage ratio reducing to 2.1x (30 June 2016: 2.3x) on a reported basis.

A summary of the facility is detailed below:

Facility AUD $'000s	Facility limit 31-Dec-2016	Expiry date	Amount drawn 31-Dec-2016	Amount drawn 30-Jun-2016
A1 – bullet revolver	75,000	Oct-2020	75,000	75,000
A2 – bullet revolver	275,000	Oct-2020	204,862	204,862
B – accordion	50,000	Oct-2020	-	-
Senior debt facility	**400,000**		**279,862**	**279,862**

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 are fixed for the life of the facility and comprise of a Leverage Ratio (being Net Debt to EBITDA adjusted for acquisitions) and a Fixed-Charge Coverage Ratio (being EBIT and fixed charges to fixed charges and interest). All of these ratios continue to be comfortably met at 31 December 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 (30 June 2016: $10.0 million). The facility is used to fund operations in New Zealand, expires on 31 December 2018 and has a bullet repayment due at expiry.

At the reporting half-year, $140.0 million of debt was hedged by floating to fixed interest rate swaps.

The overall average effective interest rate is currently 5.0% (2015: 5.2%), inclusive of fixed rates on hedged debt, floating rates on unhedged debt and margin spreads.

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

Acquisition, integration and restructuring expenses

During the half-years ended 31 December 2016 and 31 December 2015 the group incurred acquisition, integration and restructuring and other exceptional costs of $2.5m and $3.4m respectively.

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

	H1 FY 2017		H1 FY 2016	
	EBITDA	NPAT	EBITDA	NPAT
Reconciliation of underlying to statutory results	$'000's	$'000's	$'000's	$'000's
Statutory	**51,411**	**21,927**	**45,111**	**18,710**
Add back: acquisition (including DD) & defence costs	852	613	896	717
Share-based payments expense (for comparability)	450	324	383	383
Site Rationalisation costs	105	76	687	495
Redundancy and restructuring (including Brisbane Support Office)	1,120	806	1,449	1,043
Recognition of tax losses	-	(750)	-	(179)
Total adjustments	**2,527**	**1,069**	**3,415**	**2,459**
Underlying	**53,938**	**22,996**	**48,526**	**21,169**

Appendix 4D – Commentary on Results

31 December 2016

Financial overview - underlying performance

Underlying profit or loss	31-Dec-2016[1] $'000's	31-Dec-2015 $'000's	Change $'000's	%
Revenue[2]	**412,278**	**362,721**	**49,557**	13.7%
Cost of sales of goods	(182,870)	(161,154)	(21,716)	13.5%
Gross margin	**229,408**	**201,567**	**27,841**	13.8%
Gross margin (%)	55.6%	55.6%	0.0%	
Operating expenses	(175,470)	(153,041)	(22,429)	14.7%
EBITDA	**53,938**	**48,526**	**5,412**	11.2%
EBITDA margin (%)	13.1%	13.4%	(0.3%)	
Depreciation and amortisation	(11,257)	(8,884)	(2,373)	26.7%
Profit before finance costs and income tax expense	**42,681**	**39,642**	**3,039**	7.7%
Finance costs	(7,268)	(7,952)	684	(8.6%)
Profit before income tax expense	**35,413**	**31,690**	**3,723**	11.7%
Income tax expense	(9,916)	(8,873)	(1,043)	11.8%
Profit after income tax expense	**25,497**	**22,817**	**2,680**	11.7%
Non-controlling interest	(2,501)	(1,648)	(853)	51.8%
Net profit after income tax expense attributable to the owners of Greencross Limited	**22,996**	**21,169**	**1,827**	8.6%
EPS (cents)	**19.9**	**18.7**	**1.2**	6.7%
Final ordinary dividend per share in cents	**9.5**	**9.0**	**0.5**	5.6%

Revenue

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

Gross margin and gross margin %

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

Operating expenses

Underlying operating expenses (after adjusting for exceptional items) grew by 14.7% or $22.4m to $175.5m (2015: $153.0m). This is driven by the addition of new retail stores and veterinary clinics to the network and investment in our internal capabilities and systems.

EBITDA & EBITDA margin %

Underlying EBITDA grew by 11.2% or $5.4m to $53.9m (2015: $48.5m) driven by top line expansion and investment in our internal capabilities and systems.

Finance costs

Finance costs decreased by 8.6% or $0.7m to $7.3m (2015: $8.0m) as a result of reduced levels of debt along with improved terms, despite further investments in retail stores and veterinary clinics and integration activities over the last 6 months.

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[1] H1 2017 result includes 27 weeks compared to 26 weeks in H1 2016. Week 27 included 3 public holidays and contributed $13.5m revenue, $1.1m EBITDA and $0.2m NPAT (post minorities)

[2] Excludes interest income

Depreciation and amortisation

Depreciation and amortisation costs increased by 26.7% or $2.4m to $11.3m (2015: $8.9m) primarily as a result of the investments in retail stores and veterinary clinics in both the current and prior year.

Net profit after tax

Underlying NPAT was up 8.6% or $1.8m to $23.0m (2015: $21.2m) due to strong sales, investment in our internal capabilities and lower finance cost offset by depreciation and amortisation costs.

Appendix 4D – Other Information

31 December 2016

Dividend policy

It remains the policy of the Board to distribute approximately 50% of operating earnings after tax as dividends, as well as increase the quantum of those dividends year on year. The Board has proposed a full franked interim dividend of 9.5 cents per share in respect of the half-year ended 31 December 2016 which represents an increase of 5.6% or 0.5 cents over the interim dividend declared for the half-year ended 31 December 2015.

Net tangible asset backing per share

	31-Dec-2016 $'000	30-Jun-2016 $'000
Net tangible assets per share (cents)	(74.62) cents	(89.40) cents

Acquired or disposed of businesses and assets

Refer to note 17 'Business combinations' in the attached Interim Report.

Acquired or disposed of controlled entities

Refer to note 17 'Business combinations' in the attached Interim Report.

Associates and joint ventures

The Company has no related associates or joint venture entities.

Audit qualification or review

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

Greencross Limited
ABN 58 119 778 862

Interim Report - 31 December 2016

Director’s report
31 December 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 financial half-year ended 31 December 2016.

Directors

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

Name	Position
Stuart James	Chairman
Martin Nicholas	Chief Executive Officer
Christina Boyce	Non-Executive Director
Andrew Geddes	Non-Executive Director
Rebekah Horne	Non-Executive Director
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.

Review of operations

The profit for the group after providing for income tax and non-controlling interest amounted to $21,927,000 (31 December 2015: $18,710,000).

Financial overview

In H1 2017 the Group's integrated petcare strategy delivered double digit sales and earnings growth underpinned by strong cash generation. The Group has continued to pursue its strategy of organic led growth complemented by selective, value adding, acquisitions to deliver accessible petcare to Australasian pet owners.

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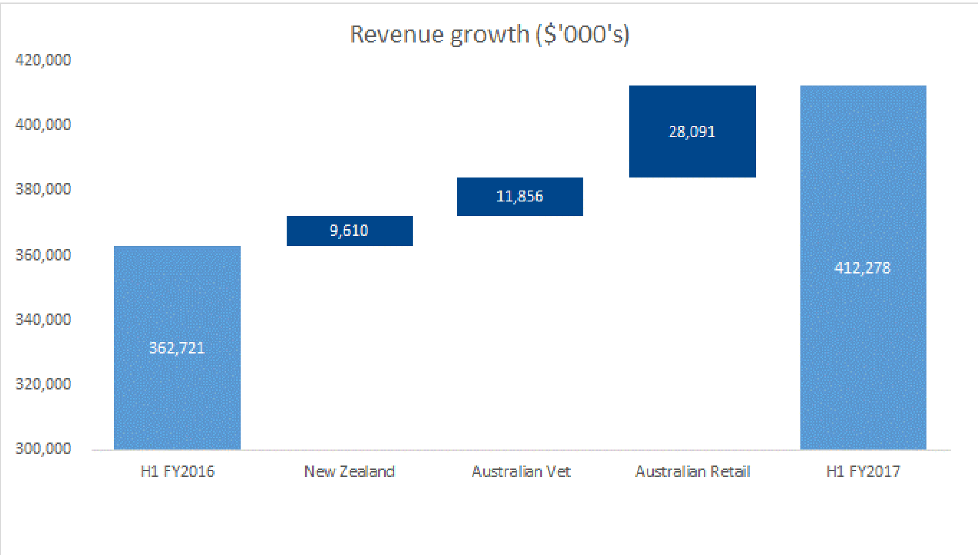
Profit after income tax expense	**24,428**	**20,358**	**4,070**	20.0%
Non-controlling interest	(2,501)	(1,648)	(853)	51.8%
Net profit after income tax expense attributable to the owners of Greencross Limited	**21,927**	**18,710**	**3,217**	17.2%
Final ordinary dividend per share	**9.5**	**9.0**	**0.5**	5.6%

Revenue

Revenues were up by 13.7% or $49.6 million to $412.3 million (2015: $362.7 million) as a result of pleasing L4L sales growth (+4.3%) over the prior comparison period ("pcp") coupled with continued network expansion.



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Revenues in our Australian Retail business were up by 12.3% or $28.1m to $256.1m (2015: $228.0m) driven by network expansion and L4L sales growth. Australian retail L4L sales growth of +3.7% was solid across all states outside of Western Australia ("WA") where the poor economic backdrop continues to dampen L4L sales. Our online and non-medical services businesses continue to perform extremely well and grew by 45% and 32% respectively versus pcp.

New Zealand ("NZ") operations saw continued strong growth in the half-year driven by outstanding L4L sales, continued entry to vet and aggressive network expansion. NZ Retail revenues were up by 25% or $9.6m to $48.0m (2015: $38.4m). NZ retail L4L sales growth (+5.7%) reflects the continued strength and momentum of the Animates brand in NZ.

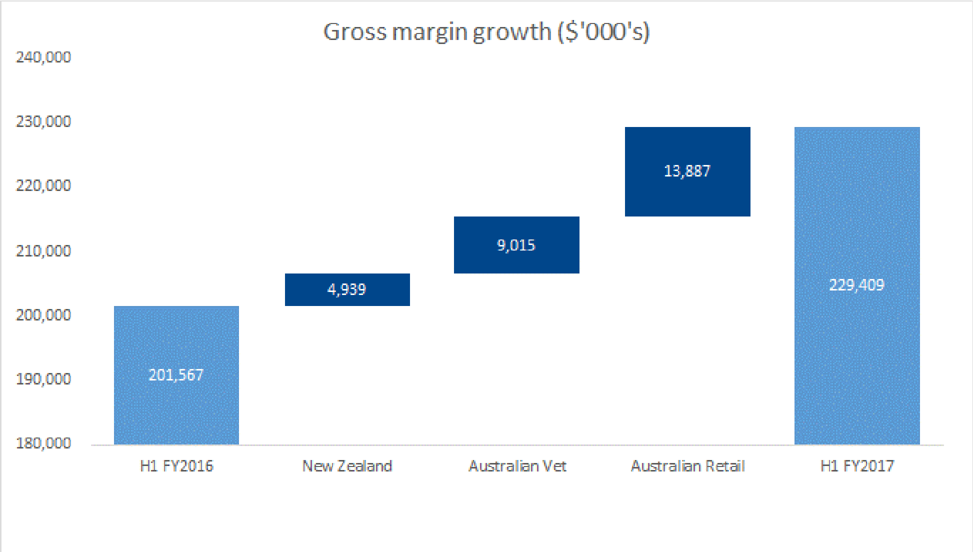
During the financial half-year the Group expanded its network by adding 16 retail stores and 10 veterinary clinics, including 7 "in-store" clinics.

Gross margin and gross margin %

Group gross margin % remained steady at 55.6% (2015: 55.6%).

Australian Retail margin 47.7% (+0.2%) was impacted by increased sales of food as % of total sales and a change in mix of promotional tactics, however this was offset by a reduction in distribution costs. NZ margin 48.5% (+0.7%) also grew largely due to sales mix but also due to improvements in underlying retail gross margins.

Gross margin % remained steady in Veterinary at 77.6%



Operating expenses

Operating expenses increased by 14% or $21.5m to $178.0m (2015: $156.5m) compared to the half-year ended 31 December 2015 which included $3.4m of exceptional items compared to $2.5m in the current half-year. The Group continues to invest in new retail stores and new instore veterinary clinics both of which have attractive economic returns but have higher relative operating expenses in early years. Investment in internal capabilities and systems upgrading continues.

EBITDA

EBITDA increased by 14.0% or $6.3m to $51.4m (2015: $45.1m). The Group incurred $2.5m of exceptional costs primarily in relation to acquisition, integration and restructuring compared to $3.4m in the prior period. After removing the impact of these items EBITDA grew by 11.2% or $5.4m to $53.9m (2015: $48.5m) on the back of solid underlying business growth and network expansion through the addition of retail stores and veterinary clinics.

Finance costs

Finance costs decreased by 8.6% or $0.7m to $7.3m (2015: $8.0m) as a result of decreased levels of net debt, coupled with improved terms.

Depreciation and amortisation

Depreciation and amortisation costs increased by 26.7% or $2.4m to $11.3m (2015: $8.9m) primarily as a result of the investments in retail stores and veterinary clinics in both the current and prior year.

Income tax expense

The effective tax rate reduced to 25.7% (2015: 28.0%) due to the recognition of previously unrecognised losses.

Net profit after tax

Net profit after tax ("NPAT") was up 17.2% or $3.2m to $21.9m (2015: $18.7m) largely as a result of the strong top line growth and the reduction in exceptional items incurred during the period.

Balance sheet highlights

During the half-year ended 31 December 2016 the Group maintained a disciplined approach to working capital management resulting in:

- increased cash and cash equivalents,
- reduction in in store inventories,
- overall increase in inventory driven by opening of new stores and further move to direct delivery; and
- net debt reduced as a consequence of strong operating cash flows and disciplined capital xpenditure.

Cash flow highlights

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

Statutory cash flow	31-Dec-2016 $'000's	31-Dec-2015 $'000's	Change $'000's	%
EBITDA	**51,411**	**45,111**	**6,300**	14.0%
Net working capital movement	(2,777)	7,254	(10,031)	(138.3%)
Ungeared, pre-tax operating cash flows	**48,634**	**52,365**	**(3,731)**	(7.1%)
Cash conversion %	***95%***	***116%***	***(21%)***	
Net interest and finance costs paid	(5,002)	(6,946)	1,944	(28.0%)
Income taxes received/(paid)	(1,674)	2,800	(4,474)	(159.8%)
Net cash from operating activities	**41,958**	**48,219**	**(6,261)**	(13.0%)
Expansionary capex	(25,699)	(19,162)	(6,537)	34.1%
Underlying capex[1]	(9,367)	(13,686)	4,319	(31.6)%
Net cash used in investing activities	**(35,066)**	**(32,848)**	**(2,218)**	6.8%
Free cash flow	**6,892**	**15,371**	**(8,479)**	(55.2%)
Net proceeds from issues of shares	-	-	-	-
Net proceeds from borrowings and refinance costs	(833)	9,905	(10,738)	(108.4%)
Dividends paid	(1,022)	(402)	(620)	154.2%
Net cash used in financing activities	**(1,855)**	**9,503**	**(11,358)**	(119.5%)
Net increase/(decrease) in cash and cash equivalents	**5,037**	**24,874**	**(19,837)**	(79.7%)

Ungeared, pre-tax operating cash flow decreased by 7.1% or $3.7m to $48.6m (2015: $52.4m). Working capital management remains strong resulting in a cash conversion of 95% (2015: 116%). Prior year benefits from a step reduction in receivables which is maintained this year.

Interest and finance costs decreased by 28% or $1.9m to $5.0m (2015: $6.9m) as a result of decreased level of bank borrowings and improved terms.

Income tax was a net payable position of $1.7m (2015: refundable of $2.8m) as a result of the timing of Australian Tax Office ("ATO") installments.

Net cash used in investing activities increased by 6.8% or $2.2m to $35.1m (2015: $32.8m) due to increased investment in retail stores and veterinary clinics. During the half-year the Group acquired 3 veterinary clinics and 3 retail stores, opened 7 "in-store" veterinary clinics and opened a further 13 retail stores. In addition the Group continued to develop internal capabilities with $3.2m (2015: $4.6m) invested in growth capabilities and omni channel development.

Free cash flow of $6.9m (2015: $15.4m) represents a further 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 increased by 119.5% or $11.4m to $1.9m (2015: $9.5m net cash inflow) reflecting no debt drawn in the period.

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

Non IFRS financial information

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

Significant changes in the state of affairs

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

Rounding of amounts

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

Auditor's independence declaration

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

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

On behalf of the directors

____

Martin Nicholas
Director

21 February 2017
Sydney

Greencross Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2016

	Note	Consolidated 31 Dec 2016 $'000	Consolidated 31 Dec 2015 $'000
Revenue	5	412,493	362,842
Expenses			
Cost of sales of goods		(182,870)	(161,154)
Employee benefits expense		(107,284)	(93,579)
Depreciation and amortisation expense		(11,257)	(8,884)
Marketing costs		(6,548)	(5,453)
Occupancy costs		(45,119)	(38,534)
Administration costs		(18,194)	(17,994)
Acquisition costs		(852)	(896)
Finance costs		(7,483)	(8,073)
Profit before income tax expense		32,886	28,275
Income tax expense		(8,458)	(7,917)
Profit after income tax expense for the half-year		24,428	20,358
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		2,240	326
Foreign currency translation		76	145
Other comprehensive income for the half-year, net of tax		2,316	471
Total comprehensive income for the half-year		26,744	20,829
Profit for the half-year is attributable to:			
Non-controlling interest		2,501	1,648
Owners of Greencross Limited		21,927	18,710
		24,428	20,358
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		2,501	1,648
Owners of Greencross Limited		24,243	19,181
		26,744	20,829
		Cents	Cents
Basic earnings per share	19	19.02	16.49
Diluted earnings per share	19	18.95	16.46

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

Greencross Limited
Statement of financial position
As at 31 December 2016

	Note	Consolidated 31 Dec 2016 $'000	Consolidated 30 Jun 2016 $'000
Assets			
Current assets			
Cash and cash equivalents		67,620	62,583
Trade and other receivables		10,976	8,575
Inventories		96,413	92,002
Other		2,528	1,672
Total current assets		177,537	164,832
Non-current assets			
Derivative financial instruments	6	638	-
Other financial assets		292	292
Property, plant and equipment	7	167,952	156,867
Intangibles	8	565,182	553,227
Deferred tax		13,408	16,018
Total non-current assets		747,472	726,404
Total assets		925,009	891,236
Liabilities			
Current liabilities			
Trade and other payables		96,164	92,732
Borrowings	9	3,588	4,389
Current tax liabilities		8,942	5,601
Provisions		21,768	20,990
Total current liabilities		130,462	123,712
Non-current liabilities			
Borrowings	10	286,796	286,159
Derivative financial instruments	11	-	1,601
Deferred tax		5,264	4,517
Provisions		23,317	22,249
Total non-current liabilities		315,377	314,526
Total liabilities		445,839	438,238
Net assets		479,170	452,998
Equity			
Contributed equity	12	541,385	530,537
Reserves		4,975	2,208
Accumulated losses		(89,256)	(99,350)
Equity attributable to the owners of Greencross Limited		457,104	433,395
Non-controlling interest	13	22,066	19,603
Total equity		479,170	452,998

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

Greencross Limited
Statement of changes in equity
For the half-year ended 31 December 2016

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)	12,582	419,140
Profit after income tax expense for the half-year	-	-	18,710	1,648	20,358
Other comprehensive income for the half-year, net of tax	-	471	-	-	471
Total comprehensive income for the half-year	-	471	18,710	1,648	20,829
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	9,992	-	-	-	9,992
Share-based payment expense	-	378	-	-	378
Dividends paid (note 14)	-	-	(9,992)	(402)	(10,394)
Balance at 31 December 2015	530,286	813	(104,982)	13,828	439,945

Consolidated	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2016	530,537	2,208	(99,350)	19,603	452,998
Profit after income tax expense for the half-year	-	-	21,927	2,501	24,428
Other comprehensive income for the half-year, net of tax	-	2,316	-	-	2,316
Total comprehensive income for the half-year	-	2,316	21,927	2,501	26,744
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 12)	10,848	-	-	-	10,848
Share-based payments	-	450	-	-	450
Dividends paid (note 14)	-	-	(10,848)	(1,022)	(11,870)
Balance at 31 December 2016	541,385	4,974	(88,271)	21,082	479,170

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

Greencross Limited
Statement of cash flows
For the half-year ended 31 December 2016

	Note	Consolidated 31 Dec 2016 $'000	Consolidated 31 Dec 2015 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		439,458	403,254
Payments to suppliers and employees (inclusive of GST)		(389,972)	(349,993)
		49,486	53,261
Interest received		215	121
Interest and other finance costs paid		(5,217)	(7,067)
Acquisition, integration and restructuring costs paid		(852)	(896)
Income taxes (paid) / refunded		(1,674)	2,800
Net cash from operating activities		41,958	48,219
Cash flows from investing activities			
Payment for purchase of businesses, net of cash acquired	17	(9,011)	(6,218)
Payments for property, plant and equipment		(20,654)	(21,718)
Payments for intangibles		(5,401)	(4,912)
Net cash used in investing activities		(35,066)	(32,848)
Cash flows from financing activities			
Proceeds from borrowings		-	12,401
Refinance costs		-	(1,264)
Repayment of finance leases		(167)	(107)
Repayment of borrowings		(666)	(1,125)
Dividends paid to non-controlling interests in subsidiaries		(1,022)	(402)
Net cash from/(used in) financing activities		(1,855)	9,503
Net increase in cash and cash equivalents		5,037	24,874
Cash and cash equivalents at the beginning of the financial half-year		62,583	29,599
Cash and cash equivalents at the end of the financial half-year		67,620	54,473

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

Note 1. General information

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

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

5/28 Balaclava Street
Woolloongabba QLD 4102

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 21 February 2017. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

New or amended Accounting Standards and Interpretations adopted

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial half-year ended 31 December 2016 and are not expected to have any significant impact for the full financial year ending 30 June 2017. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 3. Critical accounting judgements, estimates and assumptions

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

Goodwill and other indefinite life intangible assets
The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment. 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.

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

Business combinations
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.

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

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

Note 4. Operating segments

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

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

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

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

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

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

Note 4. Operating segments (continued)

Operating segment information

Consolidated - 31 Dec 2016	Retail $'000	Veterinary $'000	Other segments $'000	Total $'000
Revenue				
Revenue from external customers	304,110	108,168	-	412,278
Other revenue	167	48	-	215
Total revenue	304,277	108,216	-	412,493
EBITDA*	37,729	13,682	-	51,411
Depreciation and amortisation	(9,349)	(1,908)	-	(11,257)
Interest revenue	-	-	215	215
Finance costs	-	-	(7,483)	(7,483)
Profit/(loss) before income tax expense	28,380	11,774	(7,268)	32,886
Income tax expense				(8,458)
Profit after income tax expense				24,428
Assets				
Segment assets	551,933	292,048	-	843,981
Unallocated assets:				
Cash and cash equivalents				67,620
Deferred tax asset				13,408
Total assets				925,009
Liabilities				
Segment liabilities	109,304	31,945	-	141,249
Unallocated liabilities:				
Provision for income tax				8,942
Deferred tax liability				5,264
Borrowings				290,384
Total liabilities				445,839

* including $2,527,000 of exceptional items split between Retail ($1,908,000) and Veterinary ($619,000).

Note 4. Operating segments (continued)

Consolidated - 31 Dec 2015	Retail $'000	Veterinary $'000	Other segments $'000	Total $'000
Revenue				
Revenue from external customers	266,409	96,312	-	362,721
Other revenue	88	33	-	121
Total revenue	266,497	96,345	-	362,842
EBITDA*	33,508	11,603	-	45,111
Depreciation and amortisation	(7,622)	(1,262)	-	(8,884)
Interest revenue	-	-	121	121
Finance costs	-	-	(8,073)	(8,073)
Profit/(loss) before income tax expense	25,886	10,341	(7,952)	28,275
Income tax expense				(7,917)
Profit after income tax expense				20,358
Consolidated - 30 Jun 2016				
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
Liabilities				
Segment liabilities	107,292	30,280	-	137,572
Unallocated liabilities:				
Provision for income tax				5,601
Deferred tax liability				4,517
Borrowings				290,548
Total liabilities				438,238

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

Geographical information

	Sales to external customers		**Geographical non-current assets**	
	31 Dec 2016 $'000	**31 Dec 2015 $'000**	**31 Dec 2016 $'000**	**30 Jun 2016 $'000**
Australia	364,267	324,320	714,064	698,314
New Zealand	48,011	38,401	32,770	28,801
	412,278	362,721	746,834	727,115

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

Note 4. Operating segments (continued)

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

	Consolidated	
	31 Dec 2016 $'000	31 Dec 2015 $'000
Profit for the half-year	24,428	20,358
Less: Interest received	(215)	(121)
Add: Interest expense	7,483	8,073
Add: Income tax expense	8,458	7,917
Add: Depreciation and amortisation expense	11,257	8,884
EBITDA	51,411	45,111

Note 5. Revenue

	Consolidated	
	31 Dec 2016 $'000	31 Dec 2015 $'000
Sales revenue		
Sale of goods	321,168	286,588
Rendering of services	90,595	75,809
Other sales	515	324
	412,278	362,721
Other revenue		
Interest	215	121
Revenue	412,493	362,842

Note 6. Non-current assets - derivative financial instruments

	Consolidated	
	31 Dec 2016 $'000	30 Jun 2016 $'000
Interest rate swap contracts - cash flow hedges	638	-

Refer to note 15 for further information on fair value measurement.

Note 7. Non-current assets - property, plant and equipment

	Consolidated	
	31 Dec 2016 $'000	30 Jun 2016 $'000
Leasehold improvements - at cost	85,208	73,222
Less: Accumulated depreciation	(16,800)	(14,056)
	68,408	59,166
Plant and equipment - at cost	160,686	152,193
Less: Accumulated depreciation	(62,026)	(55,617)
	98,660	96,576
Motor vehicles - at cost	1,825	1,869
Less: Accumulated depreciation	(1,225)	(1,069)
	600	800
Office equipment - at cost	3,025	3,045
Less: Accumulated depreciation	(2,741)	(2,720)
	284	325
	167,952	156,867

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

Consolidated	Leasehold improvements $'000	Plant and equipment $'000	Motor vehicles $'000	Office equipment $'000	Total $'000
Balance at 1 July 2016	59,166	96,576	800	325	156,867
Additions	11,267	9,371	1	15	20,654
Additions through business combinations (note 17)	601	-	-	-	601
Disposals	(7)	(64)	(23)	(1)	(95)
Exchange differences	198	94	17	4	313
Depreciation expense	(2,818)	(7,317)	(194)	(59)	(10,388)
Balance at 31 December 2016	68,407	98,660	601	284	167,952

Note 8. Non-current assets - intangibles

	Consolidated 31 Dec 2016 $'000	Consolidated 30 Jun 2016 $'000
Goodwill	541,626	534,203
Brand names	1,348	1,304
Less: Accumulated amortisation	(392)	(312)
	956	992
Internally generated software	23,026	17,570
Less: Accumulated amortisation	(1,397)	(613)
	21,629	16,957
Customer relationships	1,454	1,454
Less: Accumulated amortisation	(483)	(379)
	971	1,075
	565,182	553,227

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

Consolidated	Goodwill $'000	Brand names $'000	Internally generated software $'000	Customer relationships $'000	Total $'000
Balance at 1 July 2016	534,203	992	16,957	1,075	553,227
Additions	-	-	5,401	-	5,401
Additions through business combinations (note 17)	7,423	-	-	-	7,423
Amortisation expense	-	(37)	(728)	(104)	(869)
Balance at 31 December 2016	541,626	955	21,630	971	565,182

Note 9. Current liabilities - borrowings

	Consolidated 31 Dec 2016 $'000	Consolidated 30 Jun 2016 $'000
Bank loans	2,564	3,287
Business Associate loan	731	731
Lease liability	293	371
	3,588	4,389

Note 10. Non-current liabilities - borrowings

	Consolidated	
	31 Dec 2016 $'000	30 Jun 2016 $'000
Bank loans	291,427	291,312
Capitalised borrowing costs	(4,692)	(5,303)
Lease liability	61	150
	286,796	286,159

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

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

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

	Consolidated	
	31 Dec 2016 $'000	30 Jun 2016 $'000
Bank loans	293,991	294,599
Capitalised borrowing costs	(4,692)	(5,303)
Lease liability	354	521
	289,653	289,817

Note 11. Non-current liabilities - derivative financial instruments

	Consolidated	
	31 Dec 2016 $'000	30 Jun 2016 $'000
Interest rate swap contracts - cash flow hedges	-	1,601

Refer to note 15 for further information on fair value measurement.

Note 12. Equity - contributed equity

	Consolidated			
	31 Dec 2016 Shares	30 Jun 2016 Shares	31 Dec 2016 $'000	30 Jun 2016 $'000
Ordinary shares - fully paid	115,677,223	113,720,770	541,385	530,537

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2016	113,720,770		530,537
Share issue - Employee Loan Plan *****	24 August 2016	168,018	$0.00	-
Share issue - Dividend Reinvestment Plan	18 September 2016	1,770,638	$6.13	10,848
Share issue - Employee Loan Plan *****	22 November 2016	17,797	$0.00	-
Balance	31 December 2016	115,677,223		541,385

Note 13. Equity - non-controlling interest

	Consolidated	
	31 Dec 2016 $'000	30 Jun 2016 $'000
Retained profits	22,066	19,603

Note 14. Equity - dividends

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

	Consolidated	
	31 Dec 2016 $'000	31 Dec 2015 $'000
Final dividend for the year ended 30 June 2016 of 9.0 cents per ordinary shares	10,848	9,992
Dividends paid to minority interest	1,022	402
	11,870	10,394

At the date of signing the interim financial report the directors have recommended the payment of an interim fully franked dividend of 9.5 cents per share at a record date of 1 March 2017, which is expected to be paid on 24 March 2017

The interim dividend for the financial half-year ended 31 December 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.

Note 15. Fair value measurement

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

Consolidated - 31 Dec 2016	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Interest rate swap contracts	-	638	-	638
Total assets	-	638	-	638

Consolidated - 30 Jun 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

There were no transfers between levels during the financial year.

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

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

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

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

Note 16. Contingent liabilities

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

	Consolidated	
	31 Dec 2016 $'000	30 Jun 2016 $'000
Bank guarantees	10,525	12,503

Note 17. Business combinations

Summary of business acquisitions for the financial half-year ended 31 December 2016
The Group acquired 3 veterinary clinics and 3 retail stores during the financial half-year.

All acquisitions in the period were related to the provision of pet care services and products to increase the Group's market share in Australia. The goodwill of $7,423,000 represents the value of the businesses to the Group in addition to the net tangible assets acquired. Unless otherwise stated, the values identified in relation to each acquisition were provisional as at 31 December 2016.

Note 17. Business combinations (continued)

Details summarising all of the acquisitions are as follows:

	Fair value $'000
Cash and cash equivalents	101
Trade receivables	7
Inventories	495
Prepayments	43
Plant and equipment	601
Deferred tax asset	94
Employee benefits	(601)
Net assets acquired	740
Goodwill	7,423
Acquisition-date fair value of the total consideration transferred	8,163
Representing:	
Cash paid or payable to vendor	8,013
Contingent consideration	150
	8,163
Acquisition costs expensed to profit or loss	852

	Consolidated 31 Dec 2016 $'000	Consolidated 31 Dec 2015 $'000
Cash used to acquire business, net of cash acquired:		
Acquisition-date fair value of the total consideration transferred	8,163	6,813
Add: payments made for prior period acquisition	998	342
Less: contingent consideration	(150)	(937)
Net cash used	9,011	6,218

Note 18. Events after the reporting period

Apart from the dividend declared as disclosed in note 14, no other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 19. Earnings per share

	Consolidated 31 Dec 2016 $'000	Consolidated 31 Dec 2015 $'000
Profit after income tax	24,428	20,358
Non-controlling interest	(2,501)	(1,648)
Profit after income tax attributable to the owners of Greencross Limited	21,927	18,710

Note 19. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	115,268,449	113,431,710
Adjustments for calculation of diluted earnings per share:		
Options	443,471	214,207
Weighted average number of ordinary shares used in calculating diluted earnings per share	115,711,920	113,645,917

	Cents	Cents
Basic earnings per share	19.02	16.49
Diluted earnings per share	18.95	16.46

In the directors' opinion:

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

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the financial half-year ended on that date; and

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

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

On behalf of the directors

Martin Nicholas
Director

21 February 2017
Sydney

Auditor's Independence Declaration

As lead auditor for the review of Greencross Limited for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Adam Thompson
Partner
PricewaterhouseCoopers

Sydney
21 February 2017

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Greencross Limited (the company), which comprises the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Greencross Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Greencross Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

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1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date;

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

PricewaterhouseCoopers

Adam Thompson
Partner

Sydney
21 February 2017