Passionate about Pets

Greencross Ltd

and controlled entities ABN 58 119 778 862

ANNUAL REPORT 2011

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COMPANY INFORMATION

REGISTERED ADDRESS
Greencross Limited
Trading as Greencross Vets
5/28 Balaclava Street
Woolloongabba QLD 4102

DIRECTORS
Andrew Geddes – Independent Non-Executive Chairperson
Glen Richards- Managing Director
John Odlum – Executive Director
Jeffrey David – Independent Non-Executive Director
Stuart James – Non-Executive Director

AUDITORS
Crowe Horwath Brisbane
Level 16, 120 Edward Street
Brisbane QLD 4000

COMPANY SECRETARY
Wesley Coote

BANKERS
Commonwealth Bank of Australia Limited
240 Queen Street
Brisbane QLD 4000

LAWYERS
Winchester Young & Maddern
44 Balaclava Street
Woolloongabba QLD 4102

SHARE REGISTRY
Boardroom Pty Limited
Level 7, 207 Kent Street,
Sydney NSW 2000

LISTING DETAILS
Australian Securities Exchange Limited
Home Exchange: Brisbane
Trading Symbol Shares: GXL

CHAIRMAN'S REPORT

PERFORMANCE HIGHLIGHTS

The Board and Management Team of Greencross Limited are delighted to report a strong result for the financial year ending 30 June 2011. Some of the highlights of the financial results are as follows:

- Revenue for the group was $61.216 million, up 2.2% on a like for like basis and up 21.1% on the prior reported period;
- Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) was $8.281 million, up 6.7% on a like for like basis and up 32.0% on the prior reported period;
- 35.2% increase in Net Profit after Tax (NPAT) to $3.967 million;
- 5.6% increase in Earnings Per Share (EPS) to $0.1214 per share; and
- 66.7% increase in Operating Cash Flows to $6.143million.

The financial results have been achieved despite some very challenging economic times and despite the recent Brisbane floods and Cyclone Yasi. The results show the robust nature of veterinary services and the depth and experience that now exists within the Company.

The Company is well positioned to continue to deliver these kinds of financial results going forward both organically and through acquisitions.

ACQUISITION HIGHLIGHTS

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

1. Animal Emergency Centre – Mt Waverley
2. Animal Emergency Centre – Hallam
3. Animal Emergency Centre – Frankston
4. Williamston Veterinary Hospital
5. Anvet Werribee Animal Hospital
6. Pets First Hoppers Crossing
7. Point Cook Animal Hospital
8. Caloundra Veterinary hospital
9. Springvale Animal Hospital
10. Marshall Veterinary Clinic
11. Lambton Veterinary Clinic
12. Ballarat Family Vet
13. Creswick Family Vet
14. Carevet South Toowoomba (Settled on 1 July 2011)
15. Carevet Chandlers (Settled on 1 July 2011)
16. Pets at the Vets North Ringwood (Settled on 15 July 2011)
17. Mortdale Animal Hospital (Settled on 22 July 2011)
18. Wollongong Veterinary Hospital Group Fairy Meadows (Settled on 8 August 2011)
19. Wollongong Veterinary Hospital Group Woonona-Bulli (Settled on 8 August 2011)
20. Wollongong Veterinary Hospital Group Wollongong (Settled on 8 August 2011)
21. Wollongong Veterinary Hospital Group Warilla-Shell Cove (Settled on 8 August 2011)

Furthermore, Greencross acquired two smaller clinics, Dee Why and Brookvale, and merged these into a new state of the art facility at Brookvale.

The Animal Emergency Centre – Woolloongabba was opened in December 2010 and is located inside our already existing Woolloongabba clinic. This start up business provides after-hours critical care for the network of veterinary clinics in the Brisbane area.

This new business is an example of the various efficiencies that scale will deliver to the Company in the future with this business budgeted to contribute revenue of $1m and EBITDA of $250k in FY12, with start up costs of $15k.

The combination of the new acquisitions and start ups are expected to deliver annualised revenue and EBITDA for the group of approximately $21.5m and $3.6m respectively.

DEDICATED STAFF

Greencross currently employs over 700 highly skilled, talented and dedicated vets, nurse and support staff. The results for this financial year are a credit to the hard work they have put in over the last year.

As we continue to grow, both organically and through acquisitions, we will welcome on board new team members who will share our core goal which is to deliver value to our clients and shareholders through our love and passion for animals.

On behalf of the Board, I would like to welcome those new team members who have joined Greencross in the last year either as a replacement in one of our existing clinics or through one of the acquisitions we have made.

SHAREHOLDERS RETURN

The Board has formally resolved to payout a minimum of 50% of the Net Profit After Tax to shareholders as a fully franked dividend. This financial year shareholders have already received a fully franked interim dividend of 3 cents per share. Furthermore, a final dividend of 3 cents per share has been recommended by the Board and is expected to be paid on 16 September 2011. This represents a total fully franked dividend of 6 cents per share for this financial year. This is up 140% on the previous year's dividend of 2.5 cents per share.

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

Earnings per Share has increased by 0.64 cents per share, or 5.6%, in financial year 2011. The Company is well positioned to continue to grow Earnings per Share and it is expected that Earnings per Share will grow by at least 15% in Financial Year 2012.

The Board, at present, is comfortable that the Company will be able to facilitate its stated acquisition growth of twelve new clinics per year through the use of free cash and the current debt facility with the Commonwealth Bank of Australia.

The Board is pleased to report that it is on track to deliver the 5 year strategic plan which it has developed. The 5 year plan considers the balance between the need to organically manage the Company, deliver on our acquisition promises and provide the greatest return to shareholders on their investment. Furthermore, the Board has complete confidence in our Managing Director Dr Glen Richards and his team to deliver on the various promises made to shareholders and for the Company to continue to increase shareholders' wealth now and into the future.

Andrew Geddes
Chairman

MANAGING DIRECTOR'S REPORT

RESILIENT BUSINESS MODEL

Greencross Ltd once again demonstrated the resilience of its business model and of the veterinary industry with four straight years of profit growth since listing in 2007. We have continued to focus on developing a national network of profitable companion animal practices that are innovative places to work, that challenge and excite our veterinary teams, and deliver high quality veterinary care for passionate pet owners.

Reported financial results include:

- Revenue for the year was $61.16m, up 21.1% on the previous year (2010: $50.5m)
- Earnings before interest, tax, depreciation and amortisation (EBITDA) for the year was $8.281m, up 32.0% on the previous year (2010: $6.325m)

INCREASE IN MARKET SHARE THROUGH ACQUISITION GROWTH

Greencross continued to develop management and corporate capabilities to support our existing practices and to increase our acquisition and integration activity.

The main driver of growth in 2011 was through acquisitions, with twenty-three practices acquired between August 2010 and August 2011. The Support office and management team are to be commended on the success in acquisitions and integrations to date. Execution of the business plan will see Greencross acquire and integrate at least twelve practices in the next twelve months.

ROBUST CORE BUSINESS

Greencross prides itself as a company that manages our practices well and creates work environments for our teams and our clients that are recognised as exceptional in the veterinary industry. Tough economic conditions dampened our organic growth with like for like revenue growing at a slow 2.2% but strong internal controls ensured the corresponding EBITDA (earnings before interest, tax, depreciation and amortisation) grew at 6.7% for the 2011 financial year.

Our area managers, veterinary directors and practice managers have worked hard on developing our workplaces, engaging our teams, and developing our internal controls to ensure our practices improved profitability during tough economic times. The next 12 months will see an expansion of services and products available to our patients to keep them healthy, with a commitment to our pet owners to ensure they are able to access the best in veterinary care.

Our centralised data base and IT platform enables Greencross to benchmark our practices with each other as well as to easily communicate with our pet owners on a regular basis for marketing and education purposes. We survey our clients once per year to confirm our hospitals are living up to our pet owners' expectations and to provide valuable feedback to improve our standards of care.

Attract, retain, develop and inspire team members

Greencross actively seeks to be an employer of choice for our team members through wide ranging human resource initiatives. Greencross continues to expand education opportunities, develop reward and recognition programs, communicate our remuneration strategies as well as expanding the career path and career opportunities for our employees.

Our "business associate" program for Veterinary Directors and Practice Managers provides wealth creation and leadership opportunities for our key team members. The program was expanded in 2011 to include three, five and ten year options. This has seen a large increase in participants keen to take up the business opportunity.

Recently we commissioned Best Practice Australia Pty Ltd to conduct our second companywide survey of our 700 employees. The results were very pleasing. We have moved to the highest level of cultural engagement possible for any organisation with feedback from our employees suggesting that support, teamwork, opportunities, work environment and team relationships make Greencross a truly great place to work.

GROW SHAREHOLDER VALUE YEAR ON YEAR

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

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

Glen Richards

Glen Richards
Managing Director

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial statements of Greencross Limited being the Company and the entities it controlled at 30 June 2011 ("the Group").

Directors

The Directors of the parent entity in office at any time during or since the end of the financial year:

A. W. Geddes	Independent Non-Executive Chairperson
G. F. Richards	Managing Director
J. David	Independent Non-Executive Director
S. B. James	Non-Executive Director
S. V. Coles	Executive Director (Resigned as Director 04/01/2011)
J. D. Odlum	Executive Director

Particulars of each Director's experience and qualifications are set out in **Attachment 1**.

As at the date of this report the Company had the following two committees:

Name of Committee	**Directors who are members**
Audit, Compliance and Risk Management Committee	J. David (Chairperson), A. W. Geddes and S. B. James
Remuneration Committee	S. B. James (Chairperson), A. W. Geddes and J. David

Directors Meetings

Number of directors and committee meetings held during the financial year and attendance by each Director were:

	Board Meetings		**Audit, Compliance and Risk Management Committee**		**Remuneration Committee**	
Name of Director	A	B	A	B	A	B
A. W. Geddes	7	7	2	1	2	2
G. F. Richards	7	7	#	#	#	#
J. David	7	7	2	2	2	2
S. B. James	7	7	2	2	2	2
J. D. Odlum	7	7	#	#	#	#
S. V. Coles	3	3	#	#	#	#

# = Not a member of this committee
A = Number of meetings held during the time the director held office during the year or was a committee member.
B = Number of meetings attended.

Interests in the Share Capital of the Company for Each Director
At the date of this report the beneficial interest of each Director in the share capital of the Company was as follows:

Name of Director	Ordinary Shares No.	Options No.	Ordinary Shares Issued pursuant to the Employee Loan Plan
A. W. Geddes	200,000	-	-
G. F. Richards	2,689,824	-	350,000
S. B. James	1,500,000	-	-
J. David	23,000	-	-
S. V. Coles	1,440,000	-	-
J. D. Odlum	4,026,376	-	-

Principal Activities
The principal activity of the consolidated entity during the financial year was operating as a provider of veterinary services. There were no changes to the principle activity of the Greencross group during the financial year.

Corporate Information
This annual report covers the Greencross Limited consolidated group which comprises Greencross Limited and its subsidiaries ('the Group'). The Group's functional and presentation currency is AUD ($).

Greencross Limited is a company limited by shares that is incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange. The registered office of Greencross Limited is 5/28 Balaclava Street, Woolloongabba QLD 4102.

The financial report of Greencross Limited for the year ended 30 June 2011 was authorised for issue on 17 August 2011 in accordance with a resolution of the Board of Directors.

Review of Results and Operations
Greencross is the leading veterinary services company in Australia which was established in 2007. Greencross has grown into a substantial business through the acquisition of 64 practices around Australia.

Greencross achieved a net profit after tax of $3.967m for the financial year ended 30 June 2011 (2010:$2.934m).

Revenue for the period under review was $61.216m (2010: $50.568m). Basic and diluted earnings per share were 12.14 cents (2010: 11.50 cents).

Events Subsequent to Reporting Date
The Company made the following acquisition after reporting date:

1. The acquisition on 1 July 2011 of a 51% controlling interest in the Care Veterinary Group Pty Ltd (including Care Vet South Toowoomba and Carevet Chandlers);
2. Acquisitions of the businesses of Mortdale Veterinary Hospital on 22 July 2011 and Pets at the Vets North Ringwood on 15 July 2011;
3. The acquisition on 8 August 2011 of a 58% controlling interest in the Wollongong Veterinary Hospital Group (including Fairy Meadows, Wollongong, Woonona-Bulli and Warilla-Shell Cove).

No other events have occurred after reporting date, other than these acquisitions, which have significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company, in the period subsequent to 30 June 2011.

Likely Future Developments and Expected Results

The Directors and Management of the consolidated entity will continue to pursue growth in its current operations and will seek further cost efficiencies so as to optimise the returns for shareholders from the existing portfolio of veterinary practices. Directors and Management will continue to pursue acquisitions which fit within the core competencies and investment criteria of the Group. The Group has a stated goal of acquiring a minimum of a further twelve veterinary practices for the 2011/ 2012 financial year.

Earnings per share for 2011/ 2012 is expected to grow by at least 15%, or to $0.1396 per share.

Significant Changes in State of Affairs

There have been no significant changes in the state of affairs of the consolidated entity since 30 June 2010, other than the acquisitions as noted in Note 11 to the financial statements.

Performance in Relation to Environmental Regulation

There has been no matter either during or since the end of the financial year which in the opinion of the Directors would give rise to any conflict with the provisions of existing environmental regulation.

Dividends Paid or Recommended

Dividends paid or recommended for payment for the financial year ended 30 June 2011 are as follows:

Final dividend recommended $0.03 per share (2010:$0.025)
Interim dividend paid during the year $0.03 per share (2010: $0.00)

The record date for the final dividend for the financial year ended 30 June 2011 is 26 August 2011. The dividend payment date is 16 September 2011.

The final dividend will be subject to the Company's Dividend Reinvestment Plan ('DRP'). Eligible shareholders will be able to participate in the DRP with shares to be issued under the DRP at a 2.5% discount to the volume weighted average price of Greencross shares over the 5 days following the Record Date. Subject to agreeing acceptable terms, it is proposed that any shortfall from the DRP will be 100% underwritten.

REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each director of Greencross Limited, and for the key management personnel of the Group. The Directors of the Group present the Remuneration Report prepared in accordance with section 300A of the Corporations Act 2011 (Act) for the Group and its controlled entities for the year ended 30 June 2011. The information provided in this Remuneration Report has been audited as a requirement by section 308(3C) of the Act.

Using the Remuneration Report

In response to the corporate governance changes in relation to Remuneration Reports, the Group has undertaken a number of improvements to the Remuneration Report and devoted significant attention to the layout, structure and content of the 2011 Remuneration Report with a view to ensure it meets the needs and expectations of shareholders and other stakeholders.

The 2011 Remuneration Report is designed to provide transparent, clear disclosure of the Group's remuneration structures, whilst still making the report as concise and readable as possible. In addition to the disclosures required under the Act, the Group has included some additional information that is likely to be of interest to shareholders.

Directors and Key Management Personnel

This Remuneration Report sets out the compensation arrangements in place for the Group's Non-Executive Directors and the five Senior Executives (including Executive Directors) who are the key management personnel of the Group and the parent entity, for the purpose of the Corporations Act and Accounting Standards as at 30 June 2011.

Table 1: Directors and Key Management Personnel

Key Management Personnel		Non- Executive Directors	
Name	**Position**	**Name**	**Position**
G. F. Richards	Managing Director	A. W. Geddes	Independent Non-Executive Chairman
J. D. Odlum	Executive Director	J. David	Independent Non-Executive Director
W. J. Coote	Chief Financial Officer/ Company Secretary	S. B. James	Non- Executive Director
S. V. Coles	General Manager of Speciality & Emergency		
T. W. King	General Manager of Operations		

Non- Executive Directors Remuneration

Details of the Non- Executive Directors' remuneration for Financial Year 2011 and Financial Year 2010 are set out in table 2 below.

Table 2: Non-Executive Directors' remuneration for FY11 and FY10

Name	Short Term Benefits		Post-Employment Benefits		Total Fees
	Fees	Non-Monetary benefits	Super Contribution	Long Service Leave	
A. W. Geddes (Chairman)					
FY2011	57,067	-	4,541	-	61,608
FY2010	54,875	-	4,128	-	59,003
J. David					
FY2011	27,212	-	2,081	-	29,293
FY2010	37,283	-	1,981	-	39,264
S. B. James					
FY2011	23,120	-	2,081	-	25,201
FY2010	15,413	-	1,387	-	16,800
Total					
FY2011	107,399	-	8,703	-	116,102
FY2010	107,571	-	7,496	-	115,067

The Board's remuneration guidelines and policies for Non-Executive Directors are set out in the below table:

Table 3: Non-Executive Directors remuneration guidelines and policies

Guideline/ Policy	Explanation
Aggregate Board fees are approved by shareholders	The maximum aggregate amount of fees that can be paid to Non-Executive Directors is currently set at $400,000 per annum. The fees paid to Non-Executive Directors include compulsory superannuation contributions. The maximum aggregate amount of fees can only be increased by a resolution passed at a general meeting of the Company. The maximum aggregate amount of the fees does not require to be increased by the Company at present.

Fees are set by reference to key considerations	The manner in which the maximum aggregate fee pool is apportioned amongst the Non-Executive Directors is reviewed annually. The Remuneration Committee undertakes this review and makes the recommendations to the Board after taking into consideration a number of factors including, but not limited to, the following: • The responsibilities and risks attaching to the role of Non-Executive Director; • The time commitment expected of the Non-Executive Director; and • The fees paid of peer companies to their Non-Executive Directors. The Company has not deemed it necessary to engage the services of an independent consultant to review the fees paid to the Non-Executive Directors during the reporting period.
Remuneration is structured to preserve independence whilst creating alignment	Fees for Non-Executive Directors are not linked to the performance of the consolidated entity and no portion of their remuneration is at risk. However, to align the Non-Executive Directors' interests with that of shareholders, the Non-Executive Directors are encouraged to hold shares in the company. All Non-Executive Directors have acquired shares in the Company. Furthermore, Non-Executive Directors do not participate in equity plans of the Company.
Reviews of Remuneration	The Remuneration Committee and the Board annually review its approach to Non-Executive Directors remuneration to ensure it remains in line with general industry practices and best practice principles of good corporate governance. Independent external advice is sought when required.
Board Fees/ Committee Fees	Board Fees, per annum inclusive of superannuation, for FY2011 are as follows: • Chairman - $55,000 • Members - $25,200 No additional fees are paid to Non-Executive Directors for Committee fees as the fees paid to them as a board member are inclusive of this.
Other Fees/ benefits	No additional fees for special duties or exertions were paid during FY2011. Non-Executive Directors are also entitled to be reimbursed for all reasonable business related expenses, including travel and accommodation costs to attend meetings, as may be incurred in the discharge of their duties.
Post-Employment Benefits	Superannuation contributions are included in the fee paid to the Non-Executive Directors at a rate of 9%, which satisfies the Company's statutory superannuation obligations. Non- Executive Directors are not entitled to receive any other retirement benefits.

Key Management Personnel Remuneration

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

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

Table 4: Remuneration components for key management personnel

Component	**Explanation**
Fixed remuneration	The remuneration of key management personnel includes a fixed component expressed as a dollar amount. The fixed component is comprised of a base salary and employer superannuation contributions. The key management personnel may take their base salary in cash or through fringe benefits such as motor vehicles and expense payments. Fixed remuneration is reviewed annually by the Remuneration Committee in relation to the Managing Director and his individual performance and relevant comparative compensation in the market. The Managing Director reviews the individual performance of all other key management personnel and makes recommendations to the Remuneration Committee in relation to their fixed remuneration. Key management personnel's fixed remuneration levels are aligned by comparison to similar roles in industrial companies with multi location sites located in Australia and of similar size companies to Greencross. The Executive Remuneration Report prepared by Robert Half International was also used as a source of benchmarking the key management personnel's fixed remuneration. The Board is satisfied after reviewing external reports on remuneration of executives that the fixed component of the key management personnel remuneration is fair and reasonable.
Short Term Performance Bonus	The Company has in place an incentive plan through which participants are eligible to receive an annual bonus if they satisfy pre-determined operational, strategic and individual performance targets. The annual bonus program is in place for all key management personnel as well as other key staff below the level of key management personnel. The annual bonus program and the performance conditions set under the program are designed to motivate and reward staff for high performance. The annual bonus program is designed to align the interests of the key management personnel with the Company's financial performance and with the management principles and cultural values of the Company. The performance hurdles used to determine the annual bonus program vary depending upon the individual key management personnel's position. Formal performance hurdles have been set for all key management personnel, including the Managing Director. For the Managing Director, performance hurdles are linked to financial and non-financial measures. The Managing Director must first satisfy the Board that he has achieved the non-financial measures set. The bonus is then linked to the financial performance of the Company, being an improvement in the Company's earnings per share over the previous financial year of greater than 10%. For other key management personnel, the annual bonus program is linked to specific operational targets set at the beginning of each financial year. The operational targets consist of a number of non-financial and financial measures. Depending on the key management's responsibilities, the emphasis upon financial and non-financial measurements can vary significantly.

	Specific examples of financial measures used in FY2011 include: • EBIT performance to budget; • Capital and financial management; • Improvement in the Company's EPS over prior year Specific examples of non-financial measures used in FY2011 include: • Risk management including OH&S; • Investor relations; • New business initiatives; • Alignment with the Company's cultural values. The Remuneration Committee assesses the Managing Director's performance against his performance hurdles and makes recommendations to the Board for final determination. The Managing Director assesses the performance of all other key management personnel and makes recommendations to the Remuneration Committee for consideration, which in turn makes recommendations to the Board for final determination. All annual bonuses are delivered as a cash bonus to all key management personnel. Cash payment of the annual bonus is only paid after the auditors have signed off on the Annual Report for the full year. If the key management personnel cease employment with the Company before the annual bonus targets are achieved, then they will not be entitled to receive the annual bonus. The Board has determined that none of the key management personnel of Greencross are eligible for an annual bonus in FY2011 due to failure of the Company to meet the financial targets set.
Employee Loan Plan	The Board introduced an employee loan plan in FY2011 called the Greencross Limited Employee Loan Plan (Loan Plan). Shareholders approved the introduction of this Loan Plan at the 2010 Annual General Meeting. The Board believes the Loan Plan is in the best interests of the Company. The purpose of the Loan Plan is to better align the interests of shareholders and the employees of Greencross Limited (Employees) by linking the potential economic wealth of Employees to the long-term success of the Company. The Board may from time to time invite Employees to participate in the Loan Plan and acquire shares in the Company. Employees will acquire no shares under the Loan Plan unless the requirements of the ASX Listing Rules have been complied with. The maximum number of shares subject to the Loan Plan rules shall not exceed 15% of the issued capital of the Company. The Employees are invited to subscribe for a new issue of the Company's shares. Generally, shares will be issued to the Employees at an issue price set by the Board at no discount to the market price at the date of the allocation. Market Price for this purpose shall be the average closing price of Greencross Limited ordinary shares for five trading days on the Australian Securities Exchange prior to the date of allocation. A Company provided loan as outlined below would fund the acquisition cost of the shares. The shares will be registered in the name of the Employees, but will remain subject to restrictions on dealing as specified by the Board (which may include applying a holding lock to the shares) until the Employees become entitled to withdraw the shares from the Loan Plan.

	The Board will specify the performance hurdles that will generally need to be satisfied before the Employees may withdraw their shares from the Loan Plan. Performance hurdles may include minimum tenure periods (Vesting Scale) and performance criteria specified by the Board at the time of the invitation. Generally, provided any loans outstanding have been repaid, the Employees may withdraw their shares from the Loan Plan once the applicable performance hurdles have been satisfied. In certain special circumstances (including if an Employee dies, becomes totally and permanently disabled (in the opinion of the Board) or if the Board determines that a change of control of the Company has occurred or is likely to occur (for example, because the Company is subject to a takeover bid, proposes to enter into a scheme of arrangement or is to be wound up)) the rules permit the Employee (or his/her legal personal representative (as the case may be)) to repay any loan and withdraw from the Loan Plan all of the Employee's shares that remain subject to the performance hurdles. The Company may extend a loan to enable the Employees to acquire shares under the Loan Plan as determined by the Board. Generally speaking, the loan is repayable within 5 years unless one of the following events occurs first in which case the loan will become repayable: a) the dismissal of the Employee; b) the acceptance of the resignation of the Employee by the Company or any subsidiary of the Company; c) failure to satisfy the performance hurdles (as specified by the Board at the time of the invitation); d) death of the Employee; e) termination of the employment of the Employee otherwise than by way of dismissal or resignation. Loans under the Loan Plan are limited recourse in nature, which means that if at the date that the loan becomes repayable the Employee's shares are worth less than the outstanding balance of the loan, the Company cannot recover the difference from the Employee. If at the date that the loan becomes repayable the proceeds of sale of the shares exceed the total amount of the loan owing to the Company by the Employee, then subject to satisfaction of any performance hurdles, the surplus proceeds shall be paid by the Company to the Employee. Interest will not be payable on the outstanding balance of the loan. As security for the loan, the Employee will pledge the shares acquired under the Loan Plan to the Company at the time the financial assistance is provided and will grant a charge over any future benefits attributable to those shares, including bonus shares, rights, and dividends. Loans or other financial assistance will only be extended to the Employees as permitted by the *Corporations Act 2001*. Dividends on the shares the subject of the Loan Plan will be paid to the Employees' nominated bank accounts. If the performance hurdles specified by the Board are not satisfied or should the Employees not elect to take up their shares, the Employees will generally forfeit their shares. In these circumstances, the Employee must redeliver the shares to the Company. Shares re-acquired by the Company will be cancelled.

	The Employees may exercise their right to vote in accordance with voting rights attached to their shares acquired under the Loan Plan at meetings of shareholders of the Company. The Company will meet the ongoing administration expenses of the Loan Plan. The Employees will meet all outgoings and expenses in selling or otherwise dealing with their shares. The following shares were issued during the year to key management personnel of the Company: • G.F. Richards – 350,000 ordinary shares • W.J. Coote – 250,000 ordinary shares • T.W. King – 225,000 ordinary shares The fair value of the shares issued during the year to key management personnel was 41.15 cents per share. The Participant will be able to access the benefit of the proposed Loan Plan if the average closing price of Greencross Limited ordinary shares for five trading days on the Australian Securities Exchange is equal to or greater than: a. 24 months from an allocation, $1.77; b. 36 months from an allocation, $2.40; c. 48 months from an allocation, $3.34; and d. 59 months from an allocation, $4.20. The expiry/forfeiture date of the shares issued during the year is 19 October 2015. Provided there is no breach of the Plan Rules that results in forfeiture, the shares which are the subject of the Greencross Loan Plan shall vest to the Participant according to the following Vesting Scale: 20% – 24 months from allocation; 20% – 36 months from allocation; 20% – 48 months from allocation; and 40% – 59 months from allocation. No rights, under the Employee Loan Plan, were granted during the reporting period.
Employee Share Plan (“ESP”)	Shares are issued under the ESP in accordance with thresholds set out in plans. It provides employees with the opportunity to acquire shares in the Company for no consideration as a bonus component of their remuneration. Employees with 12 months service or greater and work full-time are entitled to up to $1,000 worth of shares and part-time employees are entitled to a pro-rata amount based on the number of hours worked. Shares issued under ESP rank equally with other fully paid ordinary shares from the date of issue. Shares are issued in the name of the participating employee and are subject to a restriction period. The shares are restricted under the plan until the earlier of 3 years from the date of acquisition or the date they cease to be an employee. Once the restriction period is lifted the shares can be traded as fully paid ordinary shares. The ESP has no conditions that could result in the recipient forfeiting ownership of shares. The ESP complies with current Australian Taxation Legislation during the financial year, enabling Australian resident employees with a taxable income of less than $180,000 to have up to $1,000 of shares, in respect of employee share schemes, excluded from their assessable income. The shares are issued at the weighted average price over the 5 trading days prior to the date of the issue to employees. No shares were issued under this plan during the year (2010: nil).

Senior Management Option Plan ("SMOP")	The SMOP is designed to reward strong performance by individuals within Greencross. Options are issued under the SMOP in accordance with thresholds set out in plans and it provides certain employees (as determined by the Managing Director and Remuneration Committee) with the opportunity to acquire shares in the Company, or rights to acquire shares in the Company. The plan operates by granting an option to employees to purchase a prescribed number of shares at a pre-determined time in the future. Each option is convertible to one ordinary share. The exercise price of the options, determined in accordance with the rules of the plan, is based on the weighted average price of the Company's shares traded during the 5 days preceding the date of offering the option. No options were issued under this plan during the year (2010: nil). There are currently 275,000 SMOP on issue. They have an exercise price of $1.40 per share and have an expiry date of 8 July 2013.

Details of the nature and the amount of each key management personnel's remuneration for FY2011 and FY2010 (calculated in accordance with applicable accounting standards) are set out in table 5.

Table 5: Key Management Personnel remuneration for FY11 and FY10

Name	**Short Term Benefits**				**Post-Employment Benefits**		**Share Based Payments**	**Total Fees**
	Fixed Salary & Wages	**Non-Monetary**	**Short Term Performance Bonus**	**Employee Loan Plan Dividend[1]**	**Fixed Superannuation**	**Fixed Long Service Leave**	**Amortised cost of Employee Loan Plan[2]**	
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
G. F. Richards								
FY2011	200,001	-	-	10,500	18,000	12,840	28,805	270,146
FY2010	199,791	-	-	-	17,981	9,665	-	227,437
J. D. Odlum								
FY2011	63,395	-	-	-	47,490	8,853	-	119,738
FY2010	111,098	-	-	-	39,507	7,216	-	157,821
W. J. Coote								
FY2011	134,898	-	-	7,500	12,894	7,691	20,575	183,558
FY2010	120,922	-	-	-	11,233	4,425	-	136,580
S. V. Coles								
FY2011	69,872	-	-	-	39,826	8,345	-	118,043
FY2010	85,988	-	-	-	12,308	6,817	-	105,113
T. W. King[3]								
FY2011	120,849	-	-	6,750	12,115	4,239	18,517	162,470
FY2010	107,076	-	-	-	9,637	1,729	-	118,442
Total								
FY2011	589,015	-	-	24,750	130,325	41,968	67,897	853,955
FY2010	624,875	-	-	-	90,666	29,852	-	745,393

1 Key management personnel issued with shares pursuant to the Employee Loan Plan are entitled to participate in dividends paid during the vesting period. The value recorded here is the actual amount of the dividends received during the year by the key management personnel.

2 In accordance with the requirements of the Accounting Standards, remuneration includes a proportion of the fair value of equity compensation granted or outstanding during the year (i.e. equity based incentives under the Employee Loan Plan that remains unvested as at 30 June 2011). The fair value of equity instruments is determined as at the grant date and is progressively allocated over the vesting period. The amount included in remuneration is not related or indicative of the benefit (if any) that the key management personnel may ultimately realize should the equity instrument vest. The fair value of the Employee Loan Shares at the date of their granting has been determined in accordance with AASB 2 applying a Black-Scholes valuation model. The assumption underpinning these valuations are set out in Note 27 to the financial statements.

3 Mr King was appointed by Greencross on 03/08/2009.

Key Management Personnel Employment Agreements
Details of the Managing Director's Executive Employment Agreement are set out in the table below:

Table 6: Key terms of the Executive Employment Agreement with Dr Glen Frank Richards

Duration	Dr Richards's initial employment contract was from 1/7/2007 to 30/6/2011 (4 year period). Dr Richards has agreed to, and the Board has extended, his employment with the Company for a further 4 years to 30/6/2015.
Termination by Managing Director	6 months' written notice. No further Short Term Incentive (STI) or Long Term Incentive (LTI) entitlements other than those owing at the date of termination. Company may elect to make payment in lieu of notice.
Termination for death/ illness/ disability	No notice required. No further STI or LTI entitlements other than those owing at the date of termination.
Termination for cause	No notice required. No further STI or LTI entitlements other than those owing at the date of termination.
Other Company initiated termination	12 months' written notice if terminated as a result of a corporate restructure, merger, or buyout by another entity. Company may elect to make payment in lieu of notice.
Long Term Payments	Dr Richards receives a superannuation guarantee contribution which is currently 9%, and does not receive any other retirement benefits.
Restraint	Dr Richards covenants that during the term of his employment and for up to 12 months after termination he will not solicit any clients or employees of the Company. Furthermore, he covenants not to be involved in a business of the same nature as Greencross within 20 kilometres of Greencross.

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

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

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

Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

Indemnification and Insurance of Officers
The Company has agreements with each of the Directors of the Company in office at the date of this report indemnifying them against liabilities to any person other than the Company or a related body corporate that may arise from their acting as Directors of the Company. Notwithstanding that they may have ceased to hold office, other than where such liabilities arise out of their position or of conduct involving a wilful breach of duty by the officers, the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company.

The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and Officers' liability, as such disclosure is prohibited under the terms of the contract.

Contracts with Directors
During the year the consolidated entity entered into commercial contracts at arm's length with some directors, under which they are entitled to a benefit. Details of these are set out in note 24.

Non-audit services
The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/ or the group are important.

During the year no amounts were paid or payable to the auditor for non-audit services (2010: Nil).

Auditor's Independence Declaration Under Section 307C of the Corporations Act 2001
The auditor's independence declaration follows this report and forms part of the Directors' report for the year ended 30 June 2011. Crowe Horwath Brisbane continues in office in accordance with section 327 of the Corporations Act 2001.

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 the 'rounding off' of amounts in the Director's report and financial statements. Amounts in the Director's report and financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Signed in accordance with a resolution of the Board of Directors.

On behalf of the Directors

Glen Richards
Managing Director

Brisbane, 17 August 2011

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A WHK Group Firm

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 there has been:

I. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

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

Crowe Horwath Brisbane

Crowe Horwath Brisbane

Vanessa de Waal
Partner

Signed at Brisbane, 17 August 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 $000	2010 $000
Revenue	2	61,125	50,517
Other income	2	91	51
Total Revenue and other income		61,216	50,568
Cost of sales		16,915	15,132
Depreciation and amortisation		1,072	913
Payroll costs		26,682	21,680
Finance costs	3	1,564	1,213
Occupancy costs		5,051	4,158
Share of net loss/(profit) of associates		1	1
Acquisition Costs		114	126
Other expenses		4,082	3,148
Profit/(loss) before income tax		5,735	4,199
Income tax expense	4	1,768	1,265
Profit for the year		3,967	2,934
Other comprehensive income			
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive income for the year		3,967	2,934
Profit attributable to:			
Owners of the parent entity		3,456	2,750
Non-controlling Interests		511	184
Profit/ (Loss) for the year		3,967	2,934
Total comprehensive income attributable to:			
Owners of the parent entity		3,456	2,750
Non-controlling Interests		511	184
Total comprehensive income for the year		3,967	2,934
Earnings per share			
From continuing operations:			
Basic earnings per share (cents per share)	7	12.14	11.50
Diluted earnings per share (cents per share)	7	12.14	11.50

Notes to the financial statements are attached

Greencross Limited ABN 58 119 778 862
and Controlled Entities

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

	Note	2011 $000	2010 $000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	3,046	1,515
Trade and other receivables	9	861	864
Inventories	10	1,957	1,410
Other current assets	15	773	666
TOTAL CURRENT ASSETS		6,637	4,455
NON-CURRENT ASSETS			
Equity accounted investment	12	39	39
Property, plant and equipment	13	7,733	6,640
Intangible assets	14	44,526	35,470
Deferred tax assets	18	800	554
TOTAL NON-CURRENT ASSETS		53,098	42,703
TOTAL ASSETS		59,735	47,158
CURRENT LIABILITIES			
Trade and other payables	16	5,452	4,428
Short-term borrowings	17	385	238
Current tax liabilities	18	801	147
Short-term provisions	19	1,682	1,179
TOTAL CURRENT LIABILITIES		8,320	5,992
NON-CURRENT LIABILITIES			
Trade and other payables	16	309	-
Long-term borrowings	17	20,232	15,497
Deferred tax liabilities	18	288	173
Other long-term provisions	19	294	181
TOTAL NON-CURRENT LIABILITIES		21,123	15,851
TOTAL LIABILITIES		29,443	21,843
NET ASSETS		30,292	25,315
EQUITY			
Issued capital	20	20,880	17,475
Retained earnings		9,412	7,553
Owners interest		30,292	25,028
Non-controlling Interest		-	287
TOTAL EQUITY		30,292	25,315

Notes to the financial statements are attached

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

	Attributable to owners of Greencross Ltd			
	Issued Capital	Retained Earnings	Non-controlling Interests	Total
	$000	$000	$000	$000
Balance at 1 July 2009	**16,816**	**5,269**	**115**	**22,200**
Total comprehensive income for the year	-	2,750	184	2,934
Transactions with owners in their capacity as owners:				
Shares and options issued	661	-	-	661
Non-controlling interest on acquisition of subsidiary	-	-	(12)	(12)
Dividends Paid	-	(466)	-	(466)
Share Issue costs	(2)	-	-	(2)
Transactions with owners in their capacity as owners	659	(466)	(12)	181
Balance at 30 June 2010	**17,475**	**7,553**	**287**	**25,315**
Total comprehensive income for the year	-	3,456	511	3,967
Transactions with owners in their capacity as owners:				
Shares and options issued	3,127	-	-	3,127
Shares issued under DRP	441	-	-	441
Non-controlling interest on acquisition of subsidiary	-	-	(483)	(483)
Dividends Paid	-	(1,597)	(316)	(1,912)
Share Issue costs	(163)	-	-	(163)
Transactions with owners in their capacity as owners	3,405	(1,597)	(799)	1,010
Balance at 30 June 2011	**20,880**	**9,412**	**-**	**30,292**

Notes to the financial statements are attached

CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR ENDED 30 JUNE 2011

	Note	2011 $000	2010 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		67,397	55,452
Payments to suppliers and employees		(55,222)	(45,718)
Interest received		91	53
Finance costs		(1,650)	(1,437)
GST Paid		(3,228)	(2,734)
Income Tax paid		(1,245)	(1,931)
Net cash provided by operating activities	23a	6,143	3,685
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(881)	(1,949)
Payments for deferred settlements		(455)	(537)
Deposit for businesses, subsidiaries		-	(312)
Payments for intangibles		(197)	(130)
Payments for equity accounted investments		-	(39)
Proceeds from sale of property plant & equipment		(1)	-
Payment for businesses, subsidiaries, net of cash acquired	11	(7,315)	27
Net cash used in investing activities		(8,849)	(2,940)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from shares issued		3,355	651
Net Proceeds/(Repayment) from/of borrowings		2,891	(804)
Dividends Paid		(1,777)	(466)
Share issue transaction costs		(232)	(2)
Distribution to Minority Interest		-	(65)
Net cash provided by/(used in) financing activities		4,237	(686)
Net increase/(decrease) in cash and cash equivalents		1,531	59
Cash and cash equivalents at beginning of financial year		1,515	1,456
Cash and cash equivalents at end of financial year	8	3,046	1,515

Notes to the financial statements are attached

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations), other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial statements cover the consolidated entity comprising Greencross Limited and its controlled entities. Greencross Limited is a listed public company, incorporated and domiciled in Australia.

The financial statements of Greencross Limited and controlled entities comply with all Australian equivalents to International Financial Reporting Standards in their entirety, which ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS).

The financial report was authorised for issue by the Board of Directors on 17 August 2011.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

Reporting Basis and Conventions

The financial statements have been prepared on an accruals basis and is based on historical costs.

Accounting Policies

Accounting Standards not Previously Applied

The Group has not adopted any new Australian Accounting Standards during the year.

a. **Principles of Consolidation**

A controlled entity is any entity Greencross Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 28 to the financial statements. All controlled entities have a 30 June financial year-end.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Non-controlling interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial statements.

b. **Functional and Presentation Currency**

Items included in the financial statements of each of the Group's entities are measured using Australian dollars which is the functional and presentation currency of the parent entity.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

c. **Cost of Business Combinations**

The cost of business combinations is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control.

Acquisition related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

Where equity instruments are issued for consideration and the published price at the date of exchange is an unreliable indication of fair value due to the thinness of the market, other more reliable evidence and valuation methods are used to determine the fair value of the consideration at the date of exchange.

d. **Income Tax**

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantively enacted by the balance date.

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in profit or loss except where it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Greencross Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime commencing 1 July 2007. For the year ended 30 June 2010 all 100% owned entities in the consolidated entity formed part of a tax consolidated group.

The head entity, Greencross Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Greencross Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from the unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

e. **Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of acquired products includes the cost to the group to acquire those products.

f. **Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on a cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Plant & Equipment	Depreciation Rate
- Motor vehicles	20%
- Computer equipment	10% - 30%
- Fittings, fixtures and equipment	7% - 20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

g. **Leases**

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

h. **Financial Instruments**

Recognition

Financial instruments are initially measured at fair value on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the statement of comprehensive income in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Financial liabilities

Non-derivative financial liabilities are initially recognised at fair value, net of transaction costs incurred. They are subsequently measured at amortised cost, comprising original debt less principal payments and amortisation.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

i. Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

j. Intangibles

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

k. Employee Benefits

Provision is made for the group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

The aggregate number of employees / contract staff at balance date was 695 (2010: 554).

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

l. **Provisions**

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

m. **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

n. **Revenue**

Revenue is measured at the fair value of consideration received or receivable, net of trade discounts, returns and rebates.

Revenue from the rendering of veterinary services is recognised on an accrual basis when the right to receive the revenue is established, it can be reliably measured, and it is probable that the revenue will be received.

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

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

Revenue from the sale of goods is recognised when a group entity sells a product to a customer. Retail sales are usually by credit card or by cash.

All revenue is stated net of the amount of goods and services tax (GST).

o. **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

p. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

q. **Comparative Figures**

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

r. **Rounding of Amounts**

The parent entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and directors' report have been rounded off to the nearest $1,000.

s. **Joint Ventures**

The interest in a jointly controlled entity is accounted for in the consolidated financial statements using the equity method and is carried at cost by the group.

Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss, and the share of the post-acquisition movements in reserves is recognised in other comprehensive income. Details relating to the joint venture are set out in note 12.

t. **Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key Estimates — Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of goodwill for the year ended 30 June 2011. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the statement of comprehensive income.

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

NOTE 2: REVENUE	2011 $000	2010 $000
Operating activities:		
Sale of goods and services	61,125	50,517
Non-operating activities:		
Interest received – other persons	91	51

NOTE 3: PROFIT FOR THE YEAR

Expenses		
Finance costs:		
Interest - other persons	1,561	1,210
Interest – Deferred Settlements	3	3
Total finance costs	1,564	1,213
Operating lease payments	3,940	3,388
Superannuation expense	1,974	1,603

NOTE 4: INCOME TAX EXPENSE

a. The components of tax expense comprise:		
Current tax	1,673	1,045
Deferred tax	95	220
	1,768	1,265
b. The prima facie tax on profit before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit before income tax at 30% (2010: 30%)	1,721	1,260
Add/(subtract):		
Tax effect of:		
non-deductible expenses	47	5
Income tax attributable to entity	1,768	1,265
c. Franking credits available at year end adjusted for franking credits or debits arising from the payment of income tax	3,465	3,289

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 5: SHARES AND OPTIONS HELD BY KEY MANAGEMENT PERSONNEL

a. Options and Rights Holdings

Number of Options over Parent Entity shares Held by Key Management Personnel

	Balance 1 July 2010	Issued as purchase consideration	Issued under employee share option plan	Options Exercised	Options Cancelled	Balance at 30 June 2011
Non Executive	**No.**	**No.**	**No.**	**No.**	**No.**	**No.**
A. W. Geddes	-	-	-	-	-	-
J. David	-	-	-	-	-	-
S. B. James	-	-	-	-	-	-
Key Management Personnel						
G. F. Richards	417,500*	-	-	-	(417,500)	-
J. D. Odlum	208,750*	-	-	-	(208,750)	-
W. J. Coote	10,000^	-	-	-	-	10,000
S. V. Coles	417,500*	-	-	-	(417,500)	-
T. W. King	-	-	-	-	-	-
Total	1,053,750	-	-	-	(1,043,750)	10,000

** These options were exercisable on or before 14 June 2011 at an exercise price of $1.20 per option. No options were exercised before 14 June 2011 and as such all outstanding options as at 14 June 2011 have been cancelled.*

^ These options will vest on 8 July 2011 and are exercisable between 8 July 2011 and 8 July 2013 at $1.40 per option.

	Balance 1 July 2009	Issued as purchase consideration	Issued under employee share option plan	Options Exercised	Options Cancelled	Balance at 30 June 2010
Non Executive Directors	**No.**	**No.**	**No.**	**No.**	**No.**	**No.**
A. W. Geddes	-	-	-	-	-	-
J. David	-	-	-	-	-	-
S. B. James	-	-	-	-	-	-
Key Management Personnel						
G. F. Richards	417,500	-	-	-	-	417,500
J. D. Odlum	208,750	-	-	-	-	208,750
W. J. Coote	-	-	10,000	-	-	10,000
S. V. Coles	417,500	-	-	-	-	417,500
K.E. Knight	208,750	-	-	-	-	208,750
T. W. King	-	-	-	-	-	-
Total	1,252,500	-	10,000	-	-	1,262,500

NOTE 5: SHARES AND OPTIONS HELD BY KEY MANAGEMENT PERSONNEL (CONT'D)

b. Shareholdings: Number of Shares in the Parent Entity held by Key Management Personnel

	Balance 1 July 2010	Issued under the Employee Loan Plan	Purchases	Issued under the Company's DRP	Sales	Balance 30 June 2011
Non Executive Directors	No.	No.	No.	No.	No.	No.
A. W. Geddes	200,000	-	-	-	-	200,000
J. David	23,000	-	-	-	-	23,000
S. B. James	1,000,000	-	500,000	-	-	1,500,000
Key Management Personnel						
G. F. Richards	2,689,824	350,000	-	-	-	3,039,824
J. D. Odlum	2,861,896	-	1,114,287	50,193	-	4,026,376
W. J. Coote	-	250,000	-	-	-	250,000
S. V. Coles	1,440,000	-	-	-	-	1,440,000
T. W. King	60,000	225,000	-	-	-	285,000
Total	8,274,720	825,000	1,614,287	50,193	-	10,764,200

	Balance 1 July 2009	Issued under the Employee Loan Plan	Purchases	Issued under the Company's DRP	Sales	Balance 30 June 2010
Non Executive Directors	No.	No.	No.	No.	No.	No.
A. W. Geddes	200,000	-	-	-	-	200,000
J. David	23,000	-	-	-	-	23,000
S. B. James	-	-	1,000,000	-	-	1,000,000
Key Management Personnel						
G. F. Richards	2,739,824	-	10,000	-	(60,000)	2,689,824
J. D. Odlum	2,861,896	-	-	-	-	2,861,896
W. J. Coote	-	-	-	-	-	-
S. V. Coles	1,440,000	-	-	-	-	1,440,000
K.E. Knight	1,450,234	-	-	-	-	1,450,234
T. W. King	-	-	60,000	-	-	60,000
Total	8,714,954	-	1,070,000	-	(60,000)	9,724,954

NOTE 6: AUDITORS' REMUNERATION

	Consolidated Entity	
	2011 $000	**2010 $000**
Remuneration of the auditor of the Group for:		
- Auditing or reviewing the financial report	91	65
	91	65

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

NOTE 7: EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at 30 June 2011 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2011:

	$	**$**
Profit attributable to ordinary shareholders (basic)	**3,456,000**	**2,750,000**
Weighted average number of ordinary shares (basic)	**No.**	**No.**
Issued ordinary shares at 1 July	24,213,122	23,007,767
Effect of shares issued per employee share plan	577,953	-
Effect of shares issued per dividend reinvestment plan	90,633	-
Effect of shares issued per placement and SPP	3,590,690	914,091
Weighted average number of ordinary shares at 30 June	**28,472,398**	**23,921,858**

The options are considered to be potential ordinary shares and are therefore excluded from the weighted average number of ordinary shares used in the calculation of basic earnings per share. Where dilutive, potential ordinary shares are included in the calculation of diluted earnings per share.

Diluted earnings per share

Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	$	**$**
Profit attributable to ordinary shareholders (diluted)	3,456,000	2,750,000
Weighted average number of ordinary shares (diluted)	**No.**	**No.**
Weighted average number of ordinary share at 30 June	28,472,398	23,921,858
Effect of share options on issue	-	-
Weighted average number of ordinary shares (diluted) at 30 June	**28,472,398**	**23,921,858**

The 275,000 employee share options still on issue as at 30 June 2011 are included in the calculation of diluted earnings per share to the extent that they are dilutive.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 7: EARNINGS PER SHARE (CONTD)

	2011	2010
Basic earnings per share (cents per share)	12.14	11.50
Diluted earnings per share (cents per share	12.14	11.50

NOTE 8: CASH AND CASH EQUIVALENTS

	2011 $000	2010 $000
Cash at bank and in hand	3,046	1,515
Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	3,046	1,515

NOTE 9: TRADE AND OTHER RECEIVABLES

CURRENT		
Trade receivables	927	911
Less: provision for impairment	(66)	(47)
	861	864

NOTE 10: INVENTORIES

CURRENT		
At cost	1,957	1,410

NOTE 11: ACQUISITION OF BUSINESSES

	2011 $000	2011 $000	2011 $000
During the year the following businesses and controlled entities were acquired.	Caloundra Veterinary Clinic (100%) (Business)	Brookvale Veterinary Clinic (100%) (Business)	Lambton Veterinary Clinic (100%) (Business)
	Acquired 30/08/2010	**Acquired 26/08/2010**	**Acquired 13/12/2010**
Purchase consideration			
Cash consideration	824	98	292
Deferred Settlement	143	120	85
Total purchase consideration	967	218	377
Less: Fair value of net identifiable assets acquired	239	68	101
Goodwill	728	150	276
Assets and liabilities held at acquisition date:			
Inventory	32	16	50
Trade and other receivables	13	-	-
Property, plant and equipment	232	52	64
Provisions	(38)	-	(13)
Net identifiable assets acquired	239	68	101
Outflow of cash to acquire business, net of cash acquired:			
Cash consideration	824	98	292
Outflow of cash	824	98	292
Profit/(loss) since acquisition date included in profit for the year of the consolidated entity	138	(13)	2

NOTE 11: ACQUISITION OF BUSINESSES (CONT'D)

	2011 $000	2011 $000	2011 $000
During the year the following businesses and controlled entities were acquired.	Springvale Animal Hospital (100%) (Business)	Marshall Lane Veterinary Clinic (100%) (Business)	Ballarat & Creswick Family Pet Care Clinics (100%) (Business)
	Acquired 14/04/2011	**Acquired 27/05/2011**	**Acquired 22/06/2011**
Purchase consideration			
Cash consideration	261	981	633
Deferred Settlement	-	-	156
Total purchase consideration	261	981	789
Less: Fair value of net identifiable assets acquired	15	67	179
Goodwill	246	914	610
Assets and liabilities held at acquisition date:			
Inventory	33	33	88
Trade and other receivables	-	4	12
Property, plant and equipment	10	36	108
Provisions	(28)	(6)	(29)
Net identifiable assets acquired	15	67	179
Outflow of cash to acquire business, net of cash acquired:			
Cash consideration	261	981	633
Outflow of cash	261	981	633
Profit/(loss) since acquisition date included in profit for the year of the consolidated entity	(10)	14	3

NOTE 11: ACQUISITION OF BUSINESSES (CONT'D)

	2011 $000	2011 $000
During the year the following businesses and controlled entities were acquired.	Babtec & Mungojess Acquisition (Controlled Entities) **Acquired 30/09/2010**	TOTAL
Purchase consideration		
Cash consideration	4,668	7,757
Deferred Settlement	-	504
Total purchase consideration	4,668	8,261
Less: Fair value of net identifiable assets/(liabilities) acquired	(1,200)	(531)
Goodwill	5,868	8,792
Assets and liabilities held at acquisition date:		
Inventory	153	405
Trade and other receivables	135	164
Cash	442	442
Property, plant and equipment	352	854
Deferred Tax Asset	112	112
Trade and other payables	(507)	(507)
Provisions	(315)	(429)
Loans payable	(1,572)	(1,572)
Net identifiable assets/(liabilities) acquired	(1,200)	(531)
Outflow of cash to acquire business, net of cash acquired:		
Cash consideration	4,668	7,757
Less: cash acquired	(442)	(442)
Outflow of cash	4,226	7,315
Profit/(loss) since acquisition date included in profit for the year of the consolidated entity (less minority interest)	775	909

(i) The assets and liabilities arising from the acquisition are recognised at fair value which is equal to carrying value.

(ii) There were no material differences between the recognised carrying value of assets and liabilities at acquisition date and carrying value immediately before the combination.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 11: ACQUISITION OF BUSINESSES (CONT'D)

(iii) Goodwill on acquisition has arisen as a result of the profitability of the acquired operations and as result of the excess of consideration paid for the businesses and controlled entities over the fair value of net assets acquired.

(iv) Acquisition-related costs of $114,000 are included in the statement of comprehensive income and as cash flows from operating activities in the statement of cash flows.

(v) The Brookvale acquisition included the acquisition of Dee Why Veterinary Clinic and Brookvale Veterinary Clinic.

(vi) The Babtec & Mungojess acquisition included the acquisition of the following interests in these companies:

Anvet Weribee Pty Ltd	100%
Petsfirst Hoppers Crossing Pty Ltd	100%
Point Cook Animal Hospital Pty Ltd	100%
Point Cook Unit Trust	100%
Williamstown Veterinary Holdings Pty Ltd	100%
Williamstown Veterinary Hospital Pty Ltd	100%
Animal Emergency Centre Pty Ltd	59%
Animal Emergency Centre (Frankston) Pty Ltd	59%
Animal Emergency Centre Hallam Pty Ltd	59%

(vii) The Company incorporated the following 100% owned subsidiary during the year:
Animal Emergency Centre Woolloongabba Pty Ltd – Incorporated 03/11/2010
Total paid up capital $100.

(viii) The acquired businesses contributed revenues of $10,114,533 and net profit after tax and minority interest of $909,040 to the Group for the year. If the acquisitions had occurred on 1 July 2010, the combined revenue and net profit after tax and less minority interest for the year ended 30 June 2011 would have been $15,524,832 and $1,036,069 respectively.

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

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

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

(xii) In accordance with accounting policies, the group elected to recognise the non-controlling interest in Animal Emergency Centre Pty Ltd, Animal Emergency Centre (Frankston) and Animal Emergency Centre Hallam Pty Ltd at their proportionate share of the acquired net identifiable assets.

(xiii) In relation to the Ballarat and Creswick acquisition, there is a deferred consideration of $155,700 which is payable on 26 June 2015. In recognising the deferred consideration at net present value, a discount rate of 0.621% has been applied to the payment.

NOTE 12: EQUITY ACCOUNTED INVESTMENT

	2011 $000	2010 $000
NON-CURRENT		
Investment in Joint Venture	39	39
Total Investments	39	39

Investments in joint ventures are accounted for in the consolidated financial statements using the equity method of accounting.

		2011	2010
(a)	Movements in carrying amounts	$000	$000
	Carrying amount at the beginning of the financial year	39	102
	Movement due to increase in stake in Associates	-	(102)
	Acquisition of interest in Joint Venture	-	39
	Share of profit/ (loss) after tax	-	-
	Carrying amount at the end of the financial year	39	39
(b)	Ownership Interest in Joint Venture	50%	50%

Vetmax Pty Ltd was incorporated 29th September 2009

(c) Summarised financial information of its associates and joint ventures and its aggregated assets, liabilities and revenue are as follows:

Share of Joint Venture's assets and liabilities

	2011 $000	2010 $000
Current Assets	20	19
Non-Current Assets	4	7
Total Assets	24	25
Current Liabilities	1	1
Total Liabilities	1	1
Net Assets	23	24
Share of Joint Venture's revenue, expenses and results		
Revenue	55	25
Expenses	(56)	(26)
Profit/(loss) before income tax	(1)	(1)
Share of Joint Venture's capital commitments	(1)	(1)

NOTE 13: PROPERTY, PLANT & EQUIPMENT

	2011 $000	2010 $000
PLANT AND EQUIPMENT		
Plant and equipment:		
At cost	10,560	7,878
Accumulated depreciation	(3,540)	(1,984)
	7,020	5,894
Plant and equipment under finance lease:		
At cost	920	1,020
Accumulated amortisation	(207)	(274)
	713	746
	7,733	6,640

Plant and equipment with a book value of $713,000 are subject to the finance lease liabilities referred to in note 21a.

a. **Movements in Carrying Amounts**

Movement in the carrying amounts for plant and equipment between the beginning and the end of the current financial year:

	2011 $000	2010 $000
Balance at the beginning of year	6,640	5,377
Additions	1,322	2,046
Disposals	(11)	-
Additions through increase in stake of entity	352	130
Acquisitions through business combinations	502	-
Depreciation and amortisation	(1,072)	(913)
Carrying amount at the end of year	7,733	6,640

NOTE 14: INTANGIBLE ASSETS

	2011 $000	2010 $000
Goodwill at Cost	44,230	35,362
Other Intangibles	296	108
Total intangibles	44,526	35,470
Goodwill		
Balance at the beginning of year	35,362	35,238
Acquisitions through share purchase	5,868	-
Acquisitions – increase in stake – current year	-	90
Acquisitions through business combinations	2,924	34
Notional Interest on Defferred Settlements	7	-
Deferred Settlements finalised – current year	69	-
Closing value at 30 June	44,230	35,362

NOTE 14: INTANGIBLE ASSETS (CONT'D)

	2011 $000	2010 $000
Impairment Disclosures		
Goodwill is allocated to cash-generating units, which are based on the group's geographical regions as follows:		
- Brisbane	10,013	9,254
- Gold Coast	12,371	12,731
- Townsville	2,577	3,011
- Melbourne	14,907	8,085
- New South Wales	2,774	2,281
- Adelaide	339	-
- Sunshine Coast	1,249	-
	44,230	35,362

All practices are grouped into seven (7) separate cash generating units on the basis of their geographical location. Goodwill is not monitored at the individual practice level as synergies are expected across all practices within the geographical locations.

Significant assumptions used for the purposes of the value in use calculation include:
Period of cash flows: 5 years (2010: 5 years)
Growth rate during the forecast period: 2% (2010: Nil)
Pre-tax discount rate of 12% (2010: 12%) based on a weighted average cost of capital of 8.4% (2010: 8.4%)

NOTE 15: OTHER ASSETS

	2011 $000	2010 $000
CURRENT		
Prepayments	437	265
Deposit for Business Purchase	-	312
Debt Funding Costs	-	54
Accrued Income	322	-
Other Current Assets	14	35
Total Other Current Assets	773	666

NOTE 16: TRADE AND OTHER PAYABLES

	2011 $000	2010 $000
CURRENT		
Unsecured liabilities		
Trade payables	3,320	2,776
Sundry payables and accrued expenses	1,954	1,293
Liability to settle acquired entities	178	359
	5,452	4,428
NON-CURRENT		
Liability to settle acquired entities	309	-

Included in non-current liabilities are any liabilities to settle the acquisition of controlled entities and businesses, which will be settled by way of cash. The non-current portion of the deferred consideration has been discounted to present value using the Groups' weighted average external borrowing rate.

NOTE 17: BORROWINGS

	Note	2011 $000	2010 $000
CURRENT			
Unsecured liabilities			
Unsecured loans		58	81
Secured liabilities			
Bank loans		235	-
Lease liabilities	21a	92	157
		385	238
NON-CURRENT			
Secured liabilities			
Bank loans		19,926	15,270
Lease liabilities	21a	306	227
		20,232	15,497
a. Total current and non-current secured liabilities:			
Bank loan		20,161	15,270
Lease liabilities		398	384
		20,559	15,654

b. Details of security are:

- Fixed and Floating Charge over the assets of the consolidated entity
- Registered Mortgage Debenture over the whole of the assets of Greencross Limited and its controlled entities including goodwill, uncalled capital and called but unpaid capital
- Lease liabilities are secured by a charge over plant and equipment.
- Guarantee and Indemnity for $29,550,000 given by controlled entities

NOTE 18: TAX ASSETS AND LIABILITIES

		2011 $000	2010 $000
a.	**Liabilities**		
	CURRENT		
	Income Tax	801	147
	NON-CURRENT		
	Deferred tax liabilities comprise:		
	Cost base differences	288	173
	Total	288	173
b.	**Assets**		
	NON-CURRENT		
	Deferred tax assets comprise:		
	Employee provisions	637	400
	Transaction costs on equity issue	56	113
	Cost base differences	107	41
		800	554

c. **Reconciliations**

i. **Deferred Tax Liability**

The movement in deferred tax liability for each temporary difference during the year is as follows:

	2011 $000	2010 $000
Deferred consideration		
Opening balance	-	3
Charged to the statement of comprehensive income	-	(3)
Closing balance	-	-
Cost based differences		
Opening balance	173	115
Charged to the statement of comprehensive income	115	58
Closing Balance	288	173

NOTE 18: TAX ASSETS AND LIABILITIES (CONT'D)

	2011 $000	2010 $000
ii. **Deferred Tax Assets**		
The movement in deferred tax assets for each temporary difference during the year is as follows:		
Provisions		
Opening balance	400	345
Acquired balance on acquisitions	126	-
Charged to the statement of comprehensive income	111	55
Closing balance	637	400
Transaction costs on equity issue		
Opening balance	113	237
Balances credited directly to equity	69	-
Reduction of balances charged directly to equity	(126)	(124)
Closing balance	56	113
Cost based differences		
Opening balance	41	126
Acquired balance on acquisitions	31	-
Credited/(charged) to the statement of comprehensive income	35	(85)
Closing balance	107	41

NOTE 19: PROVISIONS

	Long-term Employee Benefits* $000	Short-term Employee Benefits $000	Total $000
Opening balance at 1 July 2010	376	984	1,360
Additional provisions	279	1,916	2,195
Amounts used	(65)	(1,514)	(1,579)
Balance at 30 June 2011	590	1,386	1,976
Opening Balance at 1 July 2009	314	872	1,186
Additional provisions	65	1,268	1,333
Amounts used	(3)	(1,156)	(1,159)
Balance at 30 June 2010	376	984	1,360

* Includes current and non-current portions.

NOTE 19: PROVISIONS (CONT'D)

Analysis of Total Provisions

	2011 $000	2010 $000
Current	1,682	1,179
Non-current	294	181
	1,976	1,360

Provision for Long-term Employee Benefits

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1 to this report.

NOTE 20: ISSUED CAPITAL

		2011 No.	2010 No.	2011 $000	2010 $000
a.	**Ordinary shares**				
	Opening balance at 1 July	24,213,122	23,007,767	17,419	16,769
	Shares issued during the year:				
	Shares issued pursuant to the Employee Share Plan (iii)	825,000	-	-	-
	Shares issued under dividend reinvestment plan	532,101	-	441	-
	Shares issued per capital raising/SPP	4,355,708	930,000	3,050	650
	Shares issued in current year in relation to prior year acquisitions	-	275,355	-	-
	Equity Issue Costs	-	-	(163)	(2)
	Closing balance at 30 June	29,925,931	24,213,122	20,747	17,419
b.	**Options**				
	Opening balance at 1 July	2,275,000	2,295,000	56	47
	Options issued during the year	-	-	-	-
	Options cancelled during the year	(2,000,000)	(20,000)	-	-
	Options issued pursuant to the Employee Share Option Plan	-	-	77	9
	Options outstanding and exercisable at 30 June	275,000	2,275,000	133	56
				20,880	17,475

NOTE 20: ISSUED CAPITAL (CONT'D)

(i) Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2009 was 28.00 cents per option. The fair value at grant date was independently determined using a Binomial option pricing model that takes into account the exercise price, volatility of the underlying shares, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2009 included:

i) Options are fully vested and exercisable at $1.40 between 15 June 2010 and 30 June 2013 at which time they will expire;

ii) Volatility: 48.75% based on the company's historical volatility;

iii) Risk Free Rate: 6.61%

iv) Dividend yield: Nil

(ii) Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

All shares are ordinary shares and have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of members.

(iii) Fair value of Employee Loan Plan Shares

The assessed fair value at grant date of shares granted during the year ended 30 June 2011 was 41.15 cents per share. The fair value at grant date was independently determined using a Binomial option pricing model that takes into account the exercise price, volatility of the underlying shares, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for shares granted during the year ended 30 June 2011 included:

v) Volatility: 55% based on the company's historical volatility;

vi) Risk Free Rate: 4.77%

vii) Dividend yield: 3%

NOTE 21: CAPITAL AND LEASING COMMITMENTS

	2011 $000	2010 $000
a. Finance Lease Commitments		
Payable — minimum lease payments:		
- not later than 12 months	126	178
- between 12 months and 5 years	351	232
Minimum lease payments	477	410
Less future finance charges:		
- not later than 12 months	(34)	(21)
- between 12 months and 5 years	(45)	(5)
	398	384
Represented by:		
- not later than 12 months	92	157
- between 12 months and 5 years	306	227
	398	384

The consolidated entity leases veterinary equipment under finance leases expiring from 0 to 3 years. Leases in all circumstances provide for the lessor to take ownership of the leased assets at the end of the term of the lease. Lease payments comprise of monthly principal and interest repayments. All interest payable is fixed at the start of the life of the lease.

	2011 $000	2010 $000
b. Operating Lease Commitments		
Payable — minimum lease payments		
- not later than 12 months	4,192	3,388
- between 12 months and 5 years	6,951	6,541
- greater than 5 years	1,212	631
	12,335	10,560

The consolidated entity leases premises under operating leases expiring from 3 to 10 years. Leases in some circumstances provide the right of renewal at which time all leases are renegotiated. Lease payments comprise a base amount, and in some cases, an incremental contingent rental. Contingent rents are normally based on fixed percentage increases or movements in the consumer price index.

NOTE 22: SEGMENT REPORTING

Business and Geographical Segments

The consolidated entity has only one operating segment being the provision of veterinary services in Australia.

NOTE 23: CASH FLOW INFORMATION

		2011 $000	2010 $000
a.	**Reconciliation of Cash Flow from Operations with Profit after Income Tax**		
	Profit after income tax	3,967	2,934
	Depreciation	1,072	913
	Share of (profit)/loss of associate/joint venture	1	1
	Interest on deferred settlement	7	3
	Options and shares Issued	85	9
	Change in operating assets and liabilities, net of effects from purchase of businesses		
	Trade receivables and other assets	40	(318)
	Provision for impairment of receivables	19	17
	Loss on sale of fixed assets	12	-
	Movement in non-controlling interest on assets	(495)	-
	Inventories	(143)	(36)
	Trade payables and other liabilities	797	685
	Provisions	189	174
	Tax assets and liabilities	592	(695)
	Cash flow from operations	6,143	3,685

b. **Non Cash Flow Activities**

During the year equipment to the value of $442,000 was acquired by way of finance leases, as these transactions are of a non cash nature its effects have not been recognised in the statement of cash flows.

c. **Credit Standby Arrangements with the Bank**

	2011	2010
Bank overdraft	500	500
Amount utilised	-	-
Amount unutilised	500	500
Asset finance facility	1,000	1,000
Amount utilised	398	375
Amount unutilised	602	625

NOTE 23: CASH FLOW INFORMATION (CONT'D)

	2011 $000	2010 $000
Indemnity guarantee facility – financial guarantee	1,500	1,500
Amount utilised	415	599
Amount unutilised	1,085	901
e. **Loan Facility**		
Bill loan facility	26,450	17,270
Amount utilised	20,161	15,270
Amount unutilised	6,289	2,000

Finance will be provided under all facilities provided the Group has not breached any borrowing requirements and the required financial ratios are met.

NOTE 24: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favorable than those available to other parties unless otherwise stated.

Transactions with related parties:

	2011 $000	2010 $000
Key Management Personnel		
Greencross Properties Pty Ltd, a company controlled by G F Richards, leases premises to the Group at current market rent. There is no balance owing at 30 June 2011.	103	95
Icecombe Pty Ltd, a company controlled by J D Odlum, leases premises to the Group at current market rent. There is $2,598 balance owing at 30 June 2011.	179	183
Rand & Miller Pty Ltd, a company associated with S V Coles, leases premises to the Group at current market rent. There is no balance owing at 30 June 2011.	141	137
Coles & Inglis Pty Ltd, a company associated with S V Coles, leases premises to the Group at current market rent. There is no balance owing at 30 June 2011.	99	102

NOTE 24: RELATED PARTY TRANSACTIONS (CON'T)

	2011 $000	2010 $000
KCORM Property Trust, a trust associated with G Richards, J Odlum and S V Coles, leases premises to the Group at current market rent. There is no balance owing at 30 June 2011.	165	168
AEC Property Trust, a trust associated with G Richards, J Odlum and S V Coles, leases premises to the Group at current market rent. There is $375 balance owing at 30 June 2011.	119	-
Stud Park Veterinary Trust, a trust associated with S V Coles, leases premises to the Group at current market rent. There is no balance owing at 30 June 2011.	151	158

NOTE 25: DIVIDENDS

(a) Ordinary Shares

	2011 $000	2010 $000
Final fully franked dividend for the year ended 30 June 2010 of 2.5 cents (2010 2 cents) per fully paid share paid on 6 December 2010 (2010 – 18 December 2009) franked at the tax rate of 30%.	714	466
Interim fully franked dividend for the year ended 30 June 2011 of 3 cents (2010 Nil) per fully paid share paid on 29 April 2011 franked at the tax rate of 30%.	883	-
Total dividends provided for or paid	1,597	466
Dividends paid in cash, repayment of loan or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2011 and 2010 were as follows:		
Paid in Cash	1,462	466
Satisfied by issue of shares	135	-
	1,597	466

NOTE 25: DIVIDENDS (CONT'D)

	2011 $000	2010 $000
(b) Dividends not recognised at the end of the reporting period		
In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 3 cents per fully paid ordinary share (2010 2.5 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend is expected to be paid on 16 September 2011 out of retained earnings at 30 June 2011, but not recognised as a liability at year end.	898*	714

**The above dividend calculation is based on the number of shares held at 30 June 2011.*

(c) Franked dividends

The franked portions of the final dividends recommended after 30 June 2011 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ended 30 June 2012.

	2011 $000	2010 $000
Franking credits available for subsequent financial years based on a tax rate of 30% (2010 – 30%)	3,465	3,289

The above consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

The impact on the franking account of the dividend recommended by the directors since the end of the reporting period, but not recognised as a liability at the reporting date, will be a reduction in the franking account of $385,000 (2010 - $306,000).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 26: FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group 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 and ageing analysis for credit risk. The Board through the Audit Compliance and Risk Management Committee reviews and agrees policies for managing each of these risks in order to maintain a consistent level of quality across the group which includes the minimisation of risk. The policies for managing each of the Group's risks are summarised below and remain unchanged from the prior year.

The Group has no derivative financial instruments at 30 June 2011 (2010: Nil).

The Group holds the following financial instruments:

	2011 $000	2010 $000
Financial assets		
Cash and cash equivalents	3,046	1,515
Trade and other receivables	861	864
	3,907	**2,379**
Financial liabilities		
Trade and other payables	5,761	4,428
Loans and borrowings	20,617	15,735
	26,378	**20,163**

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised above.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit. The consolidated entity does not require collateral in respect of financial assets. There are no significant concentrations of credit risk within the Group.

None of the parent entity's receivables are past due and impaired (2010: Nil). The aging of the consolidated entity's trade receivables at the reporting date was:

	2011		2010	
	Gross $000	Impairment $000	Gross $000	Impairment $000
Not past due (current)	312	-	284	-
Past due 0-30 days (30 day aging)	159	-	205	-
Past due 31-60 days (60 day aging)	103	-	101	-
Past due more than 60 days (+90 day ageing)	352	(66)	321	(47)
	927	**(66)**	**911**	**(47)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 26: FINANCIAL RISK MANAGEMENT (CONT'D)

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of receivables not past due or past due by up to 60 days. For those receivables outstanding more than 60 days each debtor has been individually analysed and a provision for impairment established accordingly as necessary.

The movement in the provision for impairment in receivables in respect of trade receivables of the consolidated entity during the year was as follows:

	2011 $000	2010 $000
Balance at 1 July	(47)	(30)
Impairment loss recognised	(107)	15
Receivables written off	88	(32)
Balance at 30 June	**(66)**	**(47)**

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping sufficient committed credit lines available to meet the Groups requirements.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

30 June 2011	**Carrying amount** **$000**	**Contractual cash flows** **$000**	**Less than 1 year** **$000**	**1 – 5 years** **$000**
Non-derivative financial liabilities				
Trade and other payables	5,761	5,761	5,452	309
Finance leases	398	477	126	351
Bank loans	20,161	24,031	1,806	22,225
Unsecured loans	58	58	58	-
	26,378	**30,327**	**7,442**	**22,885**

30 June 2010	**Carrying amount** **$000**	**Contractual cash flows** **$000**	**Less than 1 year** **$000**	**1 – 5 years** **$000**
Non-derivative financial liabilities				
Trade and other payables	4,428	4,430	4,430	-
Finance leases	384	410	178	232
Bank loans	15,270	16,640	1,096	15,544
Unsecured loans	81	81	81	-
	20,163	**21,561**	**5,785**	**15,776**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 26: FINANCIAL RISK MANAGEMENT (CONT'D)

Market risk

(a) *Foreign exchange risk*

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group is not exposed to foreign exchange risk.

(b) *Interest rate risk*

The Group manages its exposure to interest rate fluctuations by continuously monitoring its debt and interest cover ratio to ensure any significant movement would not have a material impact on the performance of the company. The consolidated entity does not engage in any significant transactions which are of a speculative nature.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	30 June 2011		30 June 2010	
	Effective Interest Rate	**Balance $000**	**Effective Interest Rate**	**Balance $000**
Variable rate instruments	**%**		**%**	
Cash and cash equivalents	3.65%	3,046	3.65%	1,515
Bank loans	5.85%	(255)	5.85%	(5,386)
		2,791		(3,871)
Fixed rate instruments				
Finance leases	7.6%	(398)	7.6%	(384)
Bank loans	8.4%	(19,906)	6.75%	(9,884)
		(20,304)		(10,268)

Interest rate sensitivity

There would be no material impact on the after tax profit of the group if interest rates had changed by +/- 50 basis points from the year end rates with all other variables held constant.

Fair values

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments. The fair value of the current borrowings approximates the carrying amount, as the impact of discounting is not significant.

Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

The Board of Directors monitors the return on capital.

NOTE 27: SHARE BASED PAYMENTS

	2011 $000	2010 $000

(a) Expenses arising from share-based transactions recognised in the statement of comprehensive income.

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2011 $000	2010 $000
Options issued at fair value	9	9
Shares Issued under the Employee Share Loan Plan	68	-
	77	9

(b) Fair value of the Employee Share Loan Plan shares granted.

The assessed fair value at grant date of options granted during the year ended 30 June 2011 was 41.15 cents per share. The fair value at grant date was independently determined using a Binomial option pricing model that takes into account the exercise price, volatility of the underlying shares, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2011 included:

(i) Shares are issued but cannot be dealt with under the plan until 19/10/2016 5r at time which is determined by the Directors of the Group;

(ii) Volatility: 55.00% based on the company's historical volatility;

(iii) Risk Free Rate: 4.77%;

(iv) Dividend yield: 3.0%

(c) Fair value of employee options granted.

The assessed fair value at grant date of options granted during the year ended 30 June 2009 was 28.00 cents per option. The fair value at grant date was independently determined using a Binomial option pricing model that takes into account the exercise price, volatility of the underlying shares, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2009 included:

(v) Options are fully vested and exercisable at $1.40 between 15 June 2010 and 30 June 2013 at which time they will expire;

(vi) Volatility: 48.75% based on the company's historical volatility;

(vii) Risk Free Rate: 6.61%;

(viii) Dividend yield: Nil

NOTE 28: CONTROLLED ENTITIES

a. **Controlled Entities Consolidated**

** Percentage of voting power is in proportion to ownership*	Country of Incorporation	Percentage Owned (%)*	
		2011	2010
Ultimate Parent Entity:			
Greencross Limited	Australia		
Subsidiaries of Greencross Limited:			
Greencross Operations Pty Ltd	Australia	100	100
Greencross NSW Pty Ltd	Australia	100	100
Greencross Townsville Pty Ltd	Australia	100	100
Seabeach Pty Ltd	Australia	100	100
Gorrie Veterinary Services Pty Ltd	Australia	100	100
Chermside Veterinary Hospital Pty Ltd	Australia	100	100
Veterinary Referral Services Pty Ltd	Australia	70	70
Pet Accident and Emergency Pty Ltd	Australia	51	51
Gold Coast Animal Referral & Emergency Pty Ltd	Australia	51	51
Animal Emergency Centre Woolloongabba Pty Ltd	Australia	100	-
Animal Emergency Centre Pty Ltd	Australia	59	-
Animal Emergency Centre (Frankston) Pty Ltd	Australia	59	-
Animal Emergency Centre Hallam Pty Ltd	Australia	59	-
Williamstown Veterinary Holdings Pty Ltd	Australia	100	-
Williamstown Veterinary Hospital Pty Ltd	Australia	100	-
Point Cook Animal Hospital Pty Ltd	Australia	100	-
Point Cook Unit Trust	Australia	100	-
Pets First Hoppers Crossing Pty Ltd	Australia	100	-
Anvet Werribee Pty Ltd	Australia	100	-

NOTE 29: SUBSEQUENT EVENTS

The Company acquired the following businesses after the reporting date:

- The Care Veterinary Group – 51% controlling interest acquired on 01/07/2011 (including Care Vet South Toowoomba and Carevet Chandlers)
- Pets at the Vets North Ringwood – acquired on 15/07/2011
- Mortdale Veterinary Hospital – acquired on 22/07/2011
- The Wollongong Veterinary Hospital Group – 58% controlling interest acquired on 10/08/2011 (including Fairy Meadows, Wollongong, Woonona-Bulli and Warilla-Shell Cove).

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NOTE 29: SUBSEQUENT EVENTS (CONT'D)

	2011 $000	2011 $000
a) After the reporting date the following businesses were acquired	Pets at the Vets North Ringwood (100%) (Business)	Mortdale Veterinary Hospital (100%) (Business)
	Acquired 15/07/2011	**Acquired 22/07/2011**
Purchase consideration		
Cash consideration	746	1,230
Deferred settlement	187	-
Total purchase consideration	933	1,230
Less: Provisionally determined fair values of net identifiable assets acquired	42	(50)
Goodwill	891	1,280
Assets and liabilities held at acquisition date:		
Inventory	60	10
Trade and other receivables	3	21
Property, plant and equipment	54	10
Trade and other creditors	(10)	-
Provisions	(65)	(91)
Net identifiable assets acquired	42	(50)

(i) Fair values of the assets and liabilities disclosed above have only been determined provisionally as the independent valuations have not been finalised.

(ii) Acquisition-related costs for the above business total $37k, $10k of this which was reimbursed by the vendor.

NOTE 29: SUBSEQUENT EVENTS (CONT'D)

b) After the reporting date Greencross acquired controlling interest in the following businesses	**2011 $000** The Care Veterinary Group (51%) (Controlled Entities) **Acquired 01/07/2011**	**2011 $000** The Wollongong Veterinary Hospital Group (58%) (Controlled Entities) **Acquired 08/08/2011**
Purchase consideration		
Cash consideration	1,028	2,838
Total purchase consideration	1,028	2,838
Less: Provisionally determined fair values of net identifiable assets acquired	42	29
Goodwill	986	2,809
Assets and liabilities held at acquisition date:		
Inventory	106	162
Cash	-	143
Trade and other receivables	37	-
Deferred tax asset	11	17
Property, plant and equipment	235	385
Intangible assets	79	-
Trade and other creditors	(68)	(143)
Provisions	(37)	(56)
Loans payable	(253)	(479)
Finance lease liabilities	(87)	-
Net identifiable assets acquired	42	29

(i) Fair values of the assets and liabilities disclosed above have only been determined provisionally as the independent valuations have not been finalised.

NOTE 30: NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following standards, amendments to standards and interpretations have been identified as those which impact the entity in the period of initial application. They are available for early adoption at 30 June 2011, but have not been applied in preparing this financial report.

(i) AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 will become mandatory for the consolidated entity's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The consolidated entity has not yet determined the potential effect of the standard.

(ii) AASB 124 *Related party Disclosures* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for consolidated entity's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.

(iii) AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets.* Amendments made to *AASB 7 Financial Instruments: Disclosures* in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments, which will become mandatory for consolidated entity's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.

(iv) AASB 2010-8 *Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets*. In December 2010, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities that is through the use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. The group will apply the amendment from 1 July 2012. It is currently evaluating the impact of the amendment.

(v) AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement – AASB 14 make amendments to Interpretation 14 AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements removing an unintended consequence arising from the treatment of the prepayments of future contributions in some circumstances when there is a minimum funding requirement. The amendments will become mandatory for the consolidated entity's 30 June 2012 financial statements, with retrospective application required. The amendments are not expected to have any impact.

NOTE 31: PARENT ENTITY FINANCIAL INFORMATION

a Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2011 $000	2010 $000
Statement of Financial Position		
Current assets	(1)	133
Total assets	22,775	18,211
Current liabilities	-	70
Total liabilities	-	70
Shareholders' equity		
Issued capital	20,880	17,475
Retained earnings	1,894	666
	22,774	**18,141**
Profit or loss for the year	2,824	-
Total comprehensive income	2,824	-

b Guarantees entered into by the parent entity

The parent entity has provided financial guarantees in respect of the bank overdraft and the bank loans of the subsidiaries amounting to $30,550,000 (2010 - $22,800,000), 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.

c Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2011 (2010: nil).

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 24 to 61, are in accordance with the *Corporations Act 2001* and:
   a. comply with Accounting Standards and the Corporations Regulations 2001; and
   b. give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date;
2. The audited remuneration disclosures set out on pages 9 to 17 of the director's report comply with Accounting Standard AASB 124 Related Part Disclosures and the Corporations Regulations 2001.
3. The Chief Executive Officer and Chief Financial Officer have each declared in accordance with section 295A of the Companies Act 2001 that:
   a. the financial records of the group for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
   b. the financial statements and notes for the financial year comply with the Accounting Standards; and
   c. the financial statements and notes for the financial year give a true and fair view;
4. in the director's opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
5. The directors draw attention to note 1 to the financial statements which includes a statement of compliance with International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the Board of Directors.

Glen Richards
Director

Dated this 17th day of August 2011

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A WHK Group Firm

Independent Auditor's Report

To the members of Greencross Limited

Report on the Financial Report
We have audited the accompanying financial report of Greencross Ltd, which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors Responsibility for the 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 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards.*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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*.

Opinion
In our opinion:

(a) the financial report of Greencross Ltd 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 2011 and of it's performance for the year ended on that date; and

  ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(b) The consolidated financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report
We have audited the Remuneration Report included on pages 9 to 18 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion
In our opinion the Remuneration Report of Greencross Ltd for year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

Crowe Horwath Brisbane

Crowe Horwath Brisbane

Vanessa De Waal
Partner

Signed at Brisbane, 17 August 2011

SHAREHOLDER INFORMATION

For the Year Ended 30 June 2011

Distribution of Shares as at 4 August 2011.

Ordinary Shares

1 – 1,000	264
1,001 – 5,000	358
5,001 – 10,000	158
10,001 – 100,000	192
100,001 and over	43
	1,015

Voting Rights

Ordinary shares carry voting rights of one vote per share.

Twenty Largest Ordinary Shareholders

The names of the 20 largest holders of ordinary shares as at 4 August 2011 are listed below:

Name	No. of Ordinary Shares Held	% of Issued Share Capital
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	1,764,484	5.896
SANDHURST TRUSTEES LTD <ENDEAVOR ASSET MGMT MDA A/C>	1,749,660	5.847
MR JOHN DAVID ODLUM & MRS ANN ODLUM <ODLUM SUPER FUND A/C>	1,610,000	5.380
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED <BERNDALE A/C>	1,514,923	5.062
GREENCROSS VETS PTY LTD <GREENCROSS UNIT A/C>	1,459,824	4.878
MR JOHN DAVID ODLUM & MR KEITH EDWARD KNIGHT <KNIGHT ODLUM SUPER FUND A/C>	1,125,513	3.761
PETFOOD ONLINE PTY LTD <THE COLES/RAND FAMILY A/C>	1,060,000	3.542
GREENCROSS PROPERTIES PTY LTD <GREENCROSS PROPERTIES A/C>	1,012,400	3.383
MR JOHN DAVID ODLUM & MRS ANN ODLUM <ODLUM FAMILY A/C>	980,000	3.275
DEBUSCEY PTY LTD	638,457	2.133
BYERA PTY LTD <KNIGHT FAMILY A/C>	600,000	2.005
BYERA PTY LTD <KEITH KNIGHT SUPER FUND A/C>	500,000	1.671
MR CRAIG GRAEME CHAPMAN	500,000	1.671
J P MORGAN NOMINEES AUSTRALIA LIMITED	469,964	1.570
ASHBOURNE PARK PTY LTD <THE DARYL HOLMES S/FUND A/C>	464,291	1.551
DR MATTHEW CHARLES MILLER	417,497	1.395
MARICH NOMINEES PTY LTD <R MARICH SUPERANNUATION A/C>	408,722	1.366
SANDRINGHAM ANIMAL HOSPITAL PTY LTD <STEPHEN COLES FAMILY A/C>	380,000	1.270
MR GLEN FRANK RICHARDS	350,000	1.170
JOHN DAVID ODLUM & KEITH EDWARD KNIGHT AND ANN ODLUM <KNIGHT ODLUM SUPER FUND>	310,863	1.039
	17,316,598	**57.865**

SHAREHOLDER INFORMATION (CONT')
For the Year Ended 30 June 2011

Options

1 – 1,000	-
1,001 – 5,000	-
5,001 – 10,000	23
10,001 – 100,000	2
100,001 and over	-
	25

CORPORATE GOVERNANCE STATEMENT

The Board of directors of the Company is responsible for the governance of the Company and its controlled entities (the Group).

Good corporate governance is a fundamental part of the culture and business practices of the Group. The key aspects of the Group's corporate governance framework and primary corporate governance practices for the 2011 year are outlined below:

THE BOARD OF DIRECTORS

Role and responsibilities of the Board

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

The Board's most significant responsibilities are:

Stakeholder interests

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

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

Reviewing and monitoring corporate governance and corporate social responsibility throughout the Group.

Strategy

Reviewing, approving and monitoring corporate strategy and plans.

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

Reviewing, approving and monitoring major investment and strategic commitments.

Performance

Reviewing business results and monitoring budgetary controls.

Integrity of external reporting

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

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

Risk management and compliance

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

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

Executive review, succession planning and culture

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

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

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

Board performance

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

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

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

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

Composition of the Board

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

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

- the Board will be of a size to assist in efficient decision making;
- the Board size shall not be less than 3 but no more than 10;
- the Chairman of the Board should be an independent non-executive director;
- the Board should comprise directors with a broad range of expertise, skills and experience from diverse range of backgrounds including sufficient skills and experience appropriate to the Group's business; and
- The role of the Chairman and that of the Managing Director are to be held by two separate individuals. The Chairman is to be an independent non-executive director and the Managing Director an executive director.

*The skills, experience, expertise and commencement dates of the directors are set out at **Attachment 1** of this Annual Report.*

Chairman

The Group's Chairman is Mr Andrew Geddes. Mr Geddes has been Chairman of the Company since listing in June 2007. Mr Geddes has skills and experience across a broad portfolio of service based industries and companies including accounting and veterinary services. A detailed list of his directorships and prior experience can be found at **Attachment 1** of the Annual Report.

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

Independence of directors

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

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

the Australian Securities Exchange (ASX) Corporate Governance Principles and Recommendations.

The Board considers that Mr Andrew Geddes and Mr Jeffery David are independent directors. Mr Stuart James is not considered an independent director due to his shareholding in the Company. Mr James currently holds 5.01% of the issued capital of the Company and is deemed to be a substantial shareholder. There is no other matter, in the opinion of the Board, that affects Mr James' status as an independent director on the board.

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 Company's Annual Report.

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

Disclosure of related party transactions is set out in Note 24 in the financial report.

Conflicts of interest

Directors are expected to avoid any action, position or interest that conflicts or appears to conflict with an interest of the 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 notify the other directors of that interest.

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

- the directors without a material personal interest in the matter have passed a resolution that identifies the director, the nature and extent of the director's interest in the matter and its relation to the affairs of the Company, which states that the remaining directors are satisfied that the interest should not disqualify the director from voting or being present;
- the Australian Securities and Investments Commission (ASIC) has made a declaration or order under the *Corporations Act* 2001(Cth), which permits the director to be present and vote even though the director has a material personal interest;
- there are not enough directors to form a quorum for a directors' meeting because of the disqualification of the interested directors, in which event one or more of the directors (including a director with a material personal interest) may call a general meeting to address the matter; or
- the matter is of a type which the *Corporations Act* 2001 (Cth) 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 (Cth) and the Company's Constitution allow these exceptions, the Group's corporate governance standards provide that when a potential conflict of interest arises,the director concerned does not receive copies of the relevant Board papers and withdraws from the Board meeting while such matters are considered. Accordingly, in such circumstances, the director concerned takes no part in discussions and exercises no influence over other members of the Board. If a significant conflict of interest with a director exists and cannot be resolved, the director is expected to tender his or her resignation after consultation with the Chairman.

Appointment and re-election of Board members

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

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

The Company has formal letters of appointment for each of its directors, setting out the key terms and conditions of the appointment. The process for re-election of a director is in accordance with the

Company's Constitution, which requires that, other than the Managing Director, one-third (or the nearest number to one-third) are required to retire by rotation at each annual general meeting and are eligible to stand for re-election.

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

Board meetings

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

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

Performance of Board, its committees and individual directors

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

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

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

Remuneration arrangements

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

Access to management

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

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

Access to independent professional advice

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

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

Company secretaries

All company secretaries are appointed and removed by the Board. Further details on the Company Secretary are provided **Attachment 1** of this Annual Report.

Senior executives

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

Board and committee operations

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

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

Following each Committee meeting, the Board receives a copy of the minutes of meeting from the relevant Committee. Further, on an annual basis, the Board receives a report from each Committee on its activities undertaken during the year. The qualifications of each Committee's members and the number of meetings they attended during the 2011 year are set out in the Directors' Report.

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

Audit , Compliance and Risk Management Committee

The Audit, Compliance and Risk Management Committee assists the Board in carrying out its responsibility to exercise due care, diligence and skill in relation to the 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.

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

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

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

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

Access to the Committee

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

- Managing Directors;
- 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, Compliance and Risk Management Committee through the 'Whistleblower Protection Program'.

External auditor

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

The Audit, Compliance and Risk Management Committee ensures that the lead external audit partner and concurring review partner rotate off the 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, Compliance and Risk Management Committee meets with the external auditor throughout the year to review the adequacy of the existing external audit arrangements with particular emphasis on the effectiveness, performance and independence of the audit. The Audit, Compliance and Risk Management Committee receives assurances from the external auditor that they meet all applicable independence requirements in accordance with the *Corporations Act* 2001 (Cth) and the rules of the professional accounting bodies. This independence declaration forms part of the Directors' Report and is provided on page 19 of this annual Report.

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

Responsibility of the Audit, Compliance and Risk Management Committee

- integrity of the accounting and financial reporting processes of the Group;
- Group's external audit;
- Group's internal audit;
- 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 limit for each type of audit or non-audit service to be provided by the external auditor;
- review and oversight of the risk profile of the Group within the context of the Board determined risk appetite;

- making recommendations to the Board concerning the Group's risk appetite and particular risks or risk management practices of concern to the Committee;
- review of management's plans for mitigation of material risks faced by the Group; and
- promoting awareness of a risk-based culture and the achievement of a balance between risk minimisation and reward for risks accepted.

Remuneration Committee

Members of the Remuneration Committee have been selected to ensure the appropriate level of remuneration, risk, legal and industry expertise and knowledge. The members of the Remuneration

Committee are also members of the Audit, Compliance and Risk Management Committee recognising the importance of aligning remuneration and risk.

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

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

Responsibilities and Remuneration Committee charter

- oversee the Group's general remuneration strategy;
- review and make recommendations to the Board concerning:
  - remuneration policy and Total Reward packages for the Managing Director and direct reports;
  - remuneration arrangements for non-executive directors; and
  - arrangements for recruiting, retaining and terminating senior executives;
- support the Board with monitoring the principles and framework required for measuring the compliance and behavioural requirements of the Group, including the Group's culture and diversity.

Communicating with shareholders

Strategy

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

- the Company'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 Australian Securities Exchange (on which the Company's securities are listed);
- the Company's website, where there is a Shareholder Centre and News Centre providing access to Company announcements, media releases, previous years' financial results and investor presentations.

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

Continuous disclosure

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

The Company has established written guidelines and procedures to supplement the disclosure policy. These guidelines and procedures are designed to manage the Group's compliance with the continuous disclosure obligations of the Australian Securities Exchange on which the

Company's securities are listed (including the ASX) and to attribute accountability at a senior executive level for that compliance.

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

Assurance provided to the Board

The Board has received:

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

Code of conduct

The Company 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:

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

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

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

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

Escalation

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

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

Whistleblower protection

The Company has a Whistleblower Protection Program for confidential reporting of unacceptable or undesirable conduct. The system enables disclosures to be made to a protected disclosure officer by the Company's employees, or, where applicable, if the matter is highly sensitive and the employee believes it more appropriate, directly to the Audit, Compliance and Risk Management Committee. The Company does not tolerate incidents of fraud, corrupt conduct, adverse behaviour, legal or regulatory non-compliance, 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 Company's profitability, reputation, governance or compliance.

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

Restrictions on dealing in securities

Directors, officers and employees are subject to the *Corporations Act* 2001 (Cth) 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 laws that apply to the Company and its directors, officers and employees.

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

Diversity

The Company recognises that a diverse and inclusive workforce is not only good for our employees, it also good for our business. It helps the Company attract and retain talented people, create more innovative solutions, and be more flexible and responsive to our clients' and shareholders' needs.

With over 80% of our staff being female, the Company is committed to continue to building a strong female friendly workplace. The Company is committed to provide a workplace that embraces diversity in relation to gender and age, as well as provide greater work and career flexibility.

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

ATTACHMENT 1 – DIRECTOR'S AND KEY MANGAEMENT PERSONNEL EXPERIENCE AND QUALIFICATIONS

Mr Andrew Geddes B.Com, Dip. Fin. Mgt, M.Ec, FCPA, FAICD

(Independent Non-Executive Chairperson)

Andrew specialises in professional services firm management and development. This involvement has led to his position as non-executive director with Count Financial Limited since its listing on ASX in 2001, a company offering financial services through accounting firms across Australia. He has conducted management development programs for veterinarians in Australia with Greencross managing director Dr Glen Richards and has gained valuable insight into Australian veterinary businesses. As well as being the Chairman of the company, Andrew is also a member of the Board's Audit, Compliance and Risk Management Committee and a member of the Board's Remuneration Committee.

Dr Glen Richards B.V.Sc.(Hons), M.Sc., F.A.I.C.D.

(Managing Director)

Glen is a veterinary honours graduate from University of Queensland and completed a Post Graduate Research Masters at James Cook University researching production and reproduction parameters in Bos Indicus Cattle. He practiced companion Animal medicine and surgery in Brisbane, Townsville and London before commencing practice ownership and establishing Greencross Vets in Townsville in 1994. He is the founding Managing Director of Greencross Ltd and a foundation Director and Shareholder of Petbarn Pty Ltd, Australia's leading pet retailer with over 75 stores across Australia and New Zealand. He 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.

Dr John Odlum B.V.Sc., Q.D.A.H., A.I.M.M., GAICD

(Executive Director) (Appointed as Director 01/07/2010)

John has 30 years experience as a veterinary surgeon and during that time he has managed, operated and owned Veterinary Practices. In 1981 he founded Knight Odlum, a group practice which had 6 locations in Brisbane. Since 1999 John's responsibilities have included financial control, practice development and day-to-day administration. In 1995 John helped found Vetmark Limited, a professional organisation set up for the promotion of Veterinary Practice management and marketing in Queensland. John has been a director of Vetmark for the last nine years. In 2002 Knight Odlum helped establish Vets Alliance Pty Ltd in conjunction with large practices in Melbourne, Adelaide, Perth and Townsville. Based in Perth, it was developed to disseminate mutual expertise, design procedures, protocols and marketing plans, and share resources between the 30 involved practices. During 2002 John was one of the prime movers in forming the service company United Veterinary Management Limited, which managed four separately owned practice groups, encompassing 16 practices in Queensland.

Mr Jeff David

(Independent Non-Executive Director)

Jeff commenced full time work with the family business of Davids Holdings Pty Ltd in 1985. From 1989 to 1992 Jeff, worked in the United States with IGA Inc., serving as Marketing Director and then Senior Vice President. In 1992, Jeff returned to Davids serving in senior roles as the company changed its status from private to public. Jeff currently serves as Executive Chairman of Petbarn Pty Limited, a retailer of pet food and accessories, and as a non-executive director of the Skin and Cancer Foundation Australia, a non profit specialist medical organisation dedicated to providing services in the areas of dermatology and dermatopathology. Jeff also serves as a member of the Advisory Board of Nudie Foods Pty Limited, a manufacturer of fresh juices.

Jeff is the Chairperson of the Board's Audit, Compliance and Risk Management Committee and a member of the Board's Remuneration Committee.

Mr Stuart James

(Non-Executive Director)

Stuart is an experienced executive within the financial and healthcare sectors. Stuart's past roles have included Managing Director of Australian Financial Services for Colonial and Managing Director of Colonial State Bank (formerly the State Bank of N.S.W). Mr James' also held an executive role as CEO of the Mayne Group from January 2002 to January 2005. Prior to that Mr James was Mayne's Chief Operating Officer from July 2000 to January 2002. Stuart is the Chairperson of Prime Financial Group Ltd, Progen Pharmaceuticals Ltd and Pulse Health Ltd. Stuart is also a member of the Supervisory Board of Wolters Kluwer Nv and a Member of the Advisory Board of NED Phosphagenics Ltd.

Stuart is the Chairperson of the Board's Remuneration Committee and a member of the Board's Audit, Compliance and Risk Management Committee.

Mr Wesley Coote B.Com, CA, ACIS

(Chief Financial Officer and Company Secretary)

Wesley has over 7 years experience in Chartered Accounting with experience in providing business services advice to the health, motor dealers, property development/ building, accounting and financial services industries. He has worked for Greencross for the past 3 years starting as Financial Controller before taking over as Chief Financial Officer in December 2008.

He holds a Bachelor of Commerce from the University of Queensland and is a member of the Institute of Chartered Accountants. He also holds a Graduate Diploma of Applied Corporate Governance from the Institute of Chartered Secretaries.

Dr Stephen Coles B.V.Sc., M.A.C.V.Sc., Dip AVDC

(General Manager of Specialty and Emergency)

Dr Stephen Coles is a Veterinary Specialist and has been a Veterinarian for 33 years. He has owned and operated multiple practices in Melbourne before joining Greencross Limited as one of the founding group of practices.

Stephen was one of the founding partners in the Melbourne Veterinary Specialist Centre in Melbourne which commenced in 1995 and has been Chairman of the Animal Emergency Centres (Vic) for the last 6 years. He is currently Head of Specialty and Emergency for Greencross having had 16 years of experience in that field and being a Specialist himself.

He is also a Scientific Associate for the Royal Melbourne Zoo and a Life Member of the Australian Veterinary Dental Society. Stephen is one of only two Specialist Veterinary Dentists in Australia and 150 worldwide. Stephen lives on a rural property in South East Melbourne and breeds Red Poll Cattle in his spare time.

Mr Terry King, Honours B.Sc., MBT

(General Manager of Operations)

Terry has held Executive Management positions in private industry within the Health Care Sector for 15 years before joining Greencross in the capacity as General Manager of Operations over 2 years ago. Holding an Honours Bachelor of Science degree from the University of Guelph in Canada, and a Masters of Business and Technology from the University of New South Wales, Terry brings a thorough understanding of the blend between efficient business processes, and the provision of science based best health care standards to Greencross. Terry has demonstrated success in Strategic Business Planning and New Business Acquisitions and compliments the extensive experience of the other members of Greencross Executive Management Team.

Passionate about Pets
Greencross Ltd

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1300 GREENX
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