

Greencross Limited

**ANNUAL REPORT
2007**



ABN 58 119 778 862

COMPANY INFORMATION

GREENCROSS LIMITED

ACN 119 778 862

DIRECTORS

Andrew Geddes - Chairperson
Glen Richards - Managing Director
John Odium
Stephen Coles
Glenn Gaudet
Jeffrey David

COMPANY SECRETARY

C. G. Chapman

AUDITORS

William Buck Chartered Accountants
Level 16, William Buck Centre
120 Edward Street,
Brisbane QLD 4000

BANKERS

National Australia Bank Limited
Level 9, 255 Adelaide Street,
Brisbane QLD 4000

LAWYERS

Hemming + Hart Lawyers
Level 2, 307 Queen Street,
Brisbane QLD 4000

REGISTERED OFFICE

36 Balaclava Street,
Woolloongabba QLD 4102

SHARE REGISTRY

Registries Limited
Level 2, 28 Margaret Street,
Sydney NSW 2000

LISTING DETAILS

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

The Company's Veterinary Clinics and Animal Hospitals

BRISBANE

<p>Greencross Forest Lake 447 Waterford Road Ellen Grove QLD 44077 Phone: +61 7 3271 4755 Fax: +61 7 3879 3400 Email: greencross.forestlake@greencrossvet.com.au</p>	<p>Greencross Forest Lake Village Shop 30, Forest Lake Village Forest lake QLD 4078 Phone: +61 7 3279 9155 Fax: +61 7 3278 8255 Email: greencross.forestlake@greencrossvet.com.au</p>	<p>Greencross Chermside 380 Hamilton Road Chermside QLD 4032 Phone: +61 7 3350 1333 Fax: +61 7 3350 2769 Email: greencross.chermside@greencrossvet.com.au</p>
<p>Greencross Kessels Road Cnr Kessels Road & Springfield Street MacGregor QLD 4109 Phone: +61 7 3347 3333 Fax: +61 7 3347 3334 Email: greencross.kesselsroad@greencrossvet.com.au</p>	<p>Greencross Wishart Road 224 Wishart Road Mt Gravatt QLD 4122 Phone: +61 7 3343 6399 Fax: +61 7 3216 8611 Email: greencross.wishartroad@greencrossvet.com.au</p>	<p>Greencross Sunnybank Hills Pinelands Plaza, Beenleigh Road Sunnybank Hills QLD 4109 Phone: +61 7 3345 8066 Fax: +61 7 3344 3154 Email: greencross.sunnybankhills@greencrossvet.com.au</p>
<p>Greencross Jindalee 111 Dandenong Road Mt Ommaney QLD 4074 Phone: +61 7 3279 2311 Fax: +61 7 3279 2334 Email: greencross.jindalee@greencrossvet.com.au</p>	<p>Greencross Springfield Shop 5, 6 Commercial Drive Springfield QLD 4300 Phone: +61 7 3288 4390 Fax: +61 7 3288 5870 Email: greencross.springfield@greencrossvet.com.au</p>	<p>Greencross Woolloongabba 36 Balaclava Road Woolloongabba QLD 4102 Phone: +61 7 3891 5555 Fax: +61 7 3391 0465 Email: greencross.woolloongabba@greencrossvet.com.au</p>
<p>Greencross Moorooka 111 Beaudesert Road Moorooka QLD 4105 Phone: +61 7 3892 1322 Fax: +61 7 3892 1552 Email: greencross.moorooka@greencrossvet.com.au</p>	<p>Greencross Camira 281 Old Logan Road Camira QLD 4300 Phone: +61 7 3818 4111 Fax: +61 7 3818 3657 Email: greencross.camira@greencrossvet.com.au</p>	<p>Greencross Inala Cnr Seviceton & Duella Streets Inala QLD 4077 Phone: +61 7 3372 5700 Fax: +61 7 3372 5054 Email: greencross.inala@greencrossvet.com.au</p>
<p>Greencross Capalaba 155 Old Cleveland Road Capalaba QLD 4122 Phone: +61 7 3390 3555 Fax: +61 7 3823 144 Email: greencross.capalaba@greencrossvet.com.au</p>	<p>More coming soon.....</p>	

**Greencross Limited ABN 58 119 778 862
and Controlled Entities**

GOLD COAST

<p>Greencross City Road 69 City Road Beenleigh QLD 4207 Phone: +61 7 3287 2470 Fax: +61 7 3807 3588 Email: greencross.cityroad@greencrossvet.com.au</p>	<p>Greencross Highland Park Highland Park Shopping Centre Alexander Drive Highland Park QLD 4211 Phone: +61 7 5574 9622 Fax: +61 7 5574 9855 Email: greencross.highlandpark@greencrossvet.com.au</p>	<p>Greencross Mudgeeraba Cnr Mudgeeraba & Worongary Roads Mudgeeraba QLD 4213 Phone: +61 7 5530 5555 Fax: +61 7 5530 5668 Email: greencross.mudgeeraba@greencrossvet.com.au</p>
<p>Greencross Nerang 79 Price Street Nerang QLD 4211 Phone: +61 7 5596 4899 Fax: +61 7 5596 2241 Email: greencross.nerang@greencrossvet.com.au</p>	<p>Greencross Oxenford 1/145 Old Pacific Drive Oxenford QLD 4210 Phone: +61 7 5573 2670 Fax: +61 7 5573 0804 Email: greencross.oxenford@greencrossvet.com.au</p>	<p>Greencross Palm Beach 46-48 Sixth Avenue Palm Beach QLD 4221 Phone: +61 7 5534 4688 Fax: +61 7 5534 4699 Email: greencross.palmbeach@greencrossvet.com.au</p>
<p>Greencross Runaway Bay Runaway Bay Shopping Centre Bayview Street Runaway Bay QLD 4216 Phone: +61 7 5537 3611 Fax: +61 7 5537 3409 Email: greencross.runawaybay@greencrossvet.com.au</p>	<p>Greencross Southport 168 Nerang Street Southport QLD 4215 Phone: +61 7 5531 2573 Fax: +61 7 5532 3611 Email: greencross.southport@greencrossvet.com.au</p>	<p>Greencross West Burleigh 148 West Burleigh Road West Burleigh QLD 4219 Phone: +61 7 5535 9755 Fax: +61 7 5535 9761 Email: greencross.westburleigh@greencrossvet.com.au</p>

NORTH QUEENSLAND

<p>Greencross Annandale Cnr Marabou and Yolanda Drive Annandale QLD 4814 Phone: +61 7 4775 6377 Fax: +61 7 4728 5778 Email: greencross.annandale@greencrossvet.com.au</p>	<p>Greencross Central 251-255 Ross River Road Aitkenvale QLD 4814 Phone: +61 7 4779 2500 Fax: +61 7 4779 2505 Email: greencross.central@greencrossvet.com.au</p>	<p>Greencross Currajong 18 Reardon Street Currajong QLD 4812 Phone: +61 7 4725 7788 Fax: +61 7 4779 2878 Email: greencross.currajong@greencrossvet.com.au</p>
<p>Greencross Willows 68 Thuringowa Drive Kriwan QLD 4817 Phone: +61 7 4773 3744 Fax: +61 7 4773 1365 Email: greencross.willows@greencrossvet.com.au</p>	<p>Greencross Woodlands Woodlands Shopping Village Palm Drive Deeragun QLD 4818 Phone: +61 7 4751 6099 Fax: +61 7 4751 6299 Email: greencross.woodlands@greencrossvet.com.au</p>	

**Greencross Limited ABN 58 119 778 862
and Controlled Entities**

ADELAIDE

Adelaide Specialist Centre 102-104 Magill Road Norwood SA 5067 Phone: +61 8 8132 0533 Fax: +61 8 8132 0633 Email: adelaide.specialist@greencrossvet.com.au		
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VICTORIA

Greencross Ashburton 428 Warrigal Road Ashburton VIC 3147 Phone: +61 3 9885 6224 Fax: +61 3 9885 8120 Email: greencross.studpark@greencrossvet.com.au	Greencross Sandringham 262 Bluff Road Sandringham VIC 3191 Phone: +61 3 9598 3621 Fax: +61 3 9521 9308 Email: greencross.sandringham@greencrossvet.com.au	Greencross Stud Park 1103 Stud Road Rowville VIC 3178 Phone: +61 3 9763 6088 Fax: +61 3 9763 6055 Email: greencross.studpark@greencrossvet.com.au
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**Greencross Limited ABN 58 119 778 862
and Controlled Entities**

Financial Report for the Year Ended 30 June 2007

CHAIRMAN'S REPORT

Welcome to Greencross Limited's (Greencross) 1st Annual Report as a listed company.

As you no doubt realise, Greencross listed on 13 June, 2007 so we are reporting on our first 18 days as a listed company in this Annual Report.

I am pleased to report our profit for the year (18 days trading) was \$74,000. Further profit guidance will be given to the market and our shareholders at our first Annual General Meeting scheduled for Friday, 26 October 2007. We will have our first quarter's financial results by then which will provide better insights into our growth than simply our first 18 day's trading which this report represents.

I can report that the executive management team has been very busy bedding down our 31 profit centres (clinics, specialist centres and emergency centres) and standardising operating procedures.

Negotiations are well under way for our first strategic acquisitions as we position our business into "specialist and emergency centres supported by superior clinics". New branding and marketing initiatives are being implemented as we speak and team member development training has commenced.

We are confident of achieving our forecast financial targets in our Prospectus and look forward to sharing development news with you as we move into our second quarter.

I look forward to meeting you at our 1st Annual General Meeting to be held on Friday 26 October 2007 at 10.00am.



Andrew Geddes.

Chairman

**Greencross Limited ABN 58 119 778 862
and Controlled Entities**

MANAGING DIRECTORS' REPORT

Greencross Limited's listing on the ASX in June 2007 heralded the arrival of a new standard in veterinary medicine for Australian Pet Owners on a National scale. With an initial group of 30 general practices and one specialty practice, Greencross has begun establishing a network of "branded" general practice veterinary hospitals with aligned specialty and emergency veterinary centres. Currently Greencross has five practices in Townsville, fourteen practices in Brisbane, eight practices on the Gold Coast, three practices in Melbourne, and one practice in Adelaide.

Initially the focus has been on developing critical management infrastructure including the appointment of finance, marketing and communications personnel, and regional veterinary directors and regional group coordinators.

The head office and regional teams provide fundamental support to our local practices. Philosophically veterinary practices are local business, with local vets and nurses creating relationships with local pet owners in the provision of customer service and high quality veterinary care. Veterinary directors in each practice ensure high standards of veterinary medicine, and clinic coordinators in each location ensure each local business runs efficiently so that vets and nurses can focus on delivering high quality medicine and customer service.

Greencross provides human resource, marketing, finance and administrative support to each local practice so that our veterinarians and nurses can focus their attention and energy on delivering high standards of patient care and customer service. To compliment human resource and management initiatives, the roll out of a common IT platform across all practices will be completed by early October 2007.

These initiatives are critical to our acquisition strategy. We have laid the foundations to ready the business for new practices to join our Greencross group. Greencross is currently holding acquisition discussions in a number of locations around Australia.

To ensure the Greencross "brand" has integrity in the market place, an accreditation program for all Greencross practices has been developed. This ensures high "standards of care" across all core functions of our veterinary business including customer service, continuing education, equipment use, patient care, facility upkeep, and treatment protocols so that clients of Greencross practices will develop trust in the capabilities of our practices and our teams to deliver high quality animal health care. All practices in the Greencross group must undergo annual audits to ensure compliance with the accreditation program.

Moving forward into the 2008 financial year the priorities are to

- Maintain organic growth of each location
- Ensure controls, checks and balances in place to support the integrity of our cash flow
- Control costs at all levels, yet strategically spend to optimise growth of individual practices and the business as a whole
- Progress acquisition discussions
- Engage the market place with the Greencross brand
- Establish superior continuing education initiatives for Greencross Veterinarians and Nurses.
- Bed down systems, protocols and policies across all practices to ensure efficiency, responsibility and accountability
- Finalise supplier relations at all levels of the veterinary supply chain
- Ensure Greencross is the preferred employer in the veterinary market place and that we are attracting key people to help realise our vision
- Ensure all our teams excel in customer service
- Practice high quality medicine, surgery and pet care
- Live up to the expectations and needs of high value passionate pet owners

In conclusion, this report is about expectation. In the short period of trading for Greencross Limited we have moved rapidly to ensure our culture, our systems, and our people are aligned to strong organic growth in our existing business and just as importantly, that we are capable of expansive growth via strategic acquisitions in the period ahead.

**Greencross Limited ABN 58 119 778 862
and Controlled Entities
MANAGING DIRECTORS' REPORT**

The year 2008 will be an exciting period for Greencross on the business front with initiatives aimed at expanding our network of practices, as well as expanding our client base organically. I am confident that 2008 will have pet owners recognising superior pet care delivery, shareholders will see strong and positive financial results, and employees will see the Greencross group as the leading employer in the veterinary industry.

A handwritten signature in black ink, reading "Glen Richards". The signature is written in a cursive style with a long, sweeping underline that extends to the right.

Glen Richards
Managing Director

**Greencross Limited ABN 58 119 778 862
and Controlled Entities**

DIRECTORS' REPORT

The Directors present their report together with the financial statements of Greencross Limited ("the Company") and of the consolidated entity, being the Company and the entities it controlled at 30 June 2007.

Directors

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

A. W. Geddes	Non-Executive Chairperson (appointed 11 May 2007)
G. F. Richards	Managing Director (appointed 11 May 2007)
J. David	Non-Executive (appointed 11 May 2007)
G. S. Gaudet	Non-Executive (appointed 19 May 2006)
J. D. Odlum	Executive (appointed 11 May 2007)
S. V. Coles	Executive (appointed 11 May 2007)
J. L. Broad	Executive (appointed 19 May 2006, ceased 11 May 2007)
D. W. K. Jenkins	Non-Executive (appointed 19 May 2006, ceased 11 May 2007)

**Mr Andrew Geddes B.Com, Dip. Fin. Mgt, M.Ec, FCPA, FAICD
(Non-Executive Chairman)**

Andrew specialises in professional service 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. 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.

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

Glen is a leading innovator and entrepreneur in the veterinary profession, with his application of strong business disciplines to develop a coherent model for management and growth of veterinary practices. Glen is a foundation director of United Veterinary Management Pty Ltd, an initiative formed to manage veterinary practices and to develop a quality brand name in the Veterinary market place, and is also a foundation member of Vets Alliance, a marketing and innovations group that provides project and developmental support to its members. Glen commenced his business career in the veterinary industry in 1994, and has grown the Townsville Greencross veterinarians group to 5 Veterinary Practices employing 10 vets, 25 nurses and 15 school based trainees. In 2005 he won the Queensland Section of the Australian Institute of Management's business owner/manager award. He currently serves as a director of Lyppard Australia Pty Ltd, one of the largest wholesalers of veterinary and pet products in Australia.

**Dr John Odlum B.V.Sc., Q.D.A.H., A.I.M.M., M.A.I.C.D.
(Executive Director of Operations)**

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 today employs some fifty veterinarians & veterinary nurses in 6 locations in Brisbane. Over the past 8 years 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 with 120 staff in Queensland.

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**Dr Stephen Coles B.V.Sc., M.A.C.V.Sc., Dip A.V.D.C.
(Executive Director)**

Stephen began his career in Veterinary Science in 1978 and became a Registered Specialist in Veterinary Dentistry in 1996. Stephen is a Fellow at the University of Melbourne Faculty of Veterinary Science and a Scientific Associate for the Royal Zoological gardens in Melbourne. Stephen has managed veterinary practices for most of his career. He is currently Chairman of the Melbourne Veterinary Specialist Centre, Animal Emergency Centre Melbourne, Caroline Springs and Ashwood Veterinary Hospitals.

**Mr Glenn Gaudet
(Non-Executive Director)**

Glenn's experience in the operations of expanding companies provides additional assessment and verification skills to the Board to assist in evaluating and recommending investment opportunities. Glenn is the founder of Platinum Outcomes, which specialises in aggregating cottage industries into corporate structures. Greencross Limited is the first of these to list on the ASX.

**Mr Jeff David
(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, a non-executive director of Nudie Foods Pty Limited, a manufacturer of fresh juices, and the Skin and Cancer Foundation Australia, a non profit specialist medical organization dedicated to providing services in the areas of dermatology and dermatopathology.

Company Secretary

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

C. G. Chapman (appointed 11 May 2007)

J. L. Broad (appointed 19 May 2006, ceased 11 May 2007)

**Mr Craig Chapman B.Com., A.S.C.P.A., C.S.A.
(Chief Financial Officer and Company Secretary)**

Craig has 20 years experience in service industry sectors holding senior management roles with hotels, travel companies, theme parks and the property industry. Craig has previously worked for Sea World, Sea World Nara Resort, Ramada Hotels & Resorts, Hayman Island, Stamford Hotels & Resorts, Islands Hotels & Resorts, Jones Lang Lasalle, Travel Online and most recently with S8 Limited. Craig joined S8 Limited in June 2001 and was responsible for the group's finance and operations. S8 Limited was listed on ASX in December 2001. Commencing in September 2005 S8 Limited acquired Harvey World Travel, Transonic Travel, Travelscene and Gullivers Travel and was itself acquired by MFS in December 2006. Craig holds a Bachelor of Commerce from the University of Queensland and is an Associate CPA. He also holds a Graduate Diploma in Company Secretarial Practice and is an Associate of the Institute of Chartered Secretaries and Administrators.

Principal Activities

The principal activity of the consolidated entity during the financial year was operating as a provider of veterinary services. During the year the consolidated entity acquired control of 31 practices through a combination of asset and share purchases. Details of these acquisitions are included in Note 23 to the Financial Report. The consolidated entity did not commence trading until 13 June 2007

Review of Results and Operations

Greencross is a leading veterinary services company in Australia.

Established in 2007, Greencross has grown into a substantial business through the acquisition of 31 practices around Australia. The consolidated entity traded for 18 days in the year ended 30 June 2007 following the completion of the acquisitions on 12 June 2007. Revenue for the period under review was \$1.568m and the consolidated entity reported a profit after income tax of \$74,000.

Greencross Limited ABN 58 119 778 862 and Controlled Entities

Operational Highlights

The consolidated entity successfully acquired and integrated 31 veterinary practices around Australia.

Significant after Balance Date Events

No matters or circumstances have arisen since 30 June 2007 that have significantly affected, or may significantly affect:

- (a) The Group's operations in future financial years, or
- (b) The results of these operations in future financial years, or
- (c) The Group's state of affairs in future financial years.

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the consolidated entity other than the acquisition of 31 veterinary practices and raising of capital and listing on the Australian Securities Exchange.

Likely Future Developments and Expected Results

The consolidated entity will continue to pursue its policy of growing the company both organically and by acquisition during the next financial year.

Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in the future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

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

The company did not declare any dividends for the period and has no immediate intention to declare or distribute dividends.

Directors Meetings

Number of directors meetings held during the financial year and attendance by directors was:

Name of Director	Directors meetings held during the period whilst holding office	Directors meetings attended	Audit committee meetings held during the period whilst in office	Audit committee meetings attended
A. W. Geddes	3	3	-	-
G. F. Richards	3	3	-	-
J. David	3	3	-	-
D. W. K. Jenkins	6	6	-	-
J. L. Broad	6	6	-	-
G. S. Gaudet	8	8	-	-
J. D. Odium	3	3	-	-
S. V. Coles	3	3	-	-

At the date of this report, the company has a formally constituted audit committee of the Board of Directors, comprising of J. David and G. S. Gaudet. No meetings were held during the financial year.

Interests of Directors

At the date of this report the following interests in ordinary shares and options were held by directors or entities associated with them:

Name of Director	Ordinary Shares	Options
A. W. Geddes	200,000	-
G. F. Richards	2,739,824	500,000
J. David	23,000	-
G. Gaudet	1,780,002	500,000
J. D. Odium	2,130,468	250,000
S. V. Coles	1,380,000	500,000

Note: These did not form part of emoluments.

Greencross Limited ABN 58 119 778 862 and Controlled Entities

Share Options

No options were issued or granted since the end of the financial year and up to the date of this report. At the date of this report there were 2,000,000 options over ordinary shares of the parent entity exercisable at \$1.20 between 15 June 2010 and 14 June 2011, at which time they will expire. Movements in options during the year are disclosed in note 20.

REMUNERATION REPORT

This report details the nature and amount of remuneration for each director of Greencross Limited, and for the executives receiving the highest remuneration.

Remuneration policy

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 suitable qualified key management, reward the achievement of strategic objectives and create value for shareholders.

The remuneration for key management of the consolidated entity takes into account:

- the capability and experience of key management;
- key management's ability to control the performance of business units within the Company's business; and
- the individual's and the company's performance.

The performance of key management is measured annually with each executive and is based predominantly on the forecast growth of the consolidated entity's profits and shareholders' value. All bonuses and incentives must be linked to performance. The Managing Director, Executive Director and Chief Financial Officer approve changes but the board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes. Any changes must be justified by reference to performance. The policy is designed to attract suitable key management and reward them for performance that results in long-term growth in shareholder wealth.

There are currently no active employee share and option arrangements for key management, as these are still being developed.

The key management 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.

All remuneration paid to key management is valued at the cost to the company and expensed. No shares have been given to directors or executives.

The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is currently set at \$400,000 per annum. Fees for non-executive directors are not linked to the performance of the consolidated entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and all do currently hold shares.

Performance-based remuneration

There are currently no performance-based components of remuneration arrangements for key management.

Company performance, shareholder wealth and director and executive remuneration

The remuneration policy has been set to increase goal congruence between shareholders, directors and executives.

The employment conditions of the managing director, Glen Richards, the executive director and specified executives are formalised in contracts of employment. Other than non-executive directors, all key management personnel are full-time executives of the Group.

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.

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Details of the nature and amount of each major element of the emoluments of each of the key management personnel of the company and the highest remunerated executive officers of the company and the consolidated entity are:

Directors, Executives and Key Management Personnel

2007

	Salaries & Fees	Short Term	Total	Post Employment	Long Term	Total
		Non- Monetary Benefits		Superannuation	Long Service Leave	
Directors						
Andrew Geddes	-	-	-	-	-	-
Jeffrey David	-	-	-	-	-	-
Glenn Gaudet	-	-	-	-	-	-
Glen Richards	6,923	-	6,923	623	-	7,546
John Odlum	3,077	-	3,077	3,210	-	6,287
Stephen Coles	3,654	-	3,654	329	-	3,983
Executives and Key Management						
Craig Chapman	5,938	-	5,938	406	-	6,344
Keith Knight	3,846	-	3,846	346	-	4,192
TOTAL	23,438	-	23,438	4,914	-	28,352

**Greencross Limited ABN 58 119 778 862
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Options Exercised

There have been no shares issued during or since the end of the year as a result of the exercise of options.

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 arms length with some directors, under which they are entitled to a benefit. Details of these are set out in note 28.

Non-audit services

During the year William Buck, the Parent Company's auditor, has performed no other services in addition to their statutory audit duties as set out in note 6.

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 2007. William Buck continues in office in accordance with section 327 of the Corps 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 directors.

On behalf of the Directors



Glen Richards
Managing Director

Brisbane
31 August 2007

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**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT
2001 TO THE DIRECTORS OF GREENCROSS LIMITED AND CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2007 there have 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.



William Buck
Chartered Accountants



R.Q. Cole

Partner

Brisbane, 31 August 2007

**Greencross Limited ABN 58 119 778 862
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INCOME STATEMENT FOR YEAR ENDED 30 JUNE 2007

	Note	Consolidated Entity		Parent Entity	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
Revenue	2	1,542	-	1,040	-
Other income	2	26	-	26	-
Total Revenue		1,568	-	1,066	
Cost of sales		379	-	305	-
Bank and credit card charges		1	-	1	-
Communications and technology expense		32	-	32	-
Depreciation	3	22	-	11	-
Payroll costs		614	-	439	-
Employee benefits expense		153	-	145	-
External contracting, consulting and professional fees		14	-	16	-
Finance costs	3	33	-	33	-
Advertising		9	-	9	-
Insurance		5	-	5	-
Occupancy expense		122	-	89	-
Printing, postage and distribution		5	-	3	-
Equipment		11	-	1	-
Other expenses		13	-	13	-
Profit/(loss) before income tax		155	-	(36)	-
Income tax expense	4	81	-	24	-
Profit for the year		74	-	(60)	-
Profit attributable to minority equity interest		(9)	-	-	-
Profit attributable to equity holders of the parent entity		65	-	(60)	-
Basic earnings per share (cents per share)	7	6.45	-		
Diluted earnings per share (cents per share)	7	6.42	-		

**Greencross Limited ABN 58 119 778 862
and Controlled Entities**

BALANCE SHEET AS AT 30 JUNE 2007

	Note	Consolidated Entity		Parent Entity	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	8	2,705	-	2,595	-
Trade and other receivables	9	378	-	254	-
Inventories	10	1,307	-	831	-
Other current assets	15	207	-	212	-
TOTAL CURRENT ASSETS		4,597	-	3,892	-
NON-CURRENT ASSETS					
Other financial assets	11	-	-	6,296	-
Property, plant and equipment	13	2,309	-	1,192	-
Intangible assets	14	24,629	-	19,647	-
Deferred tax assets	18	827	-	827	-
TOTAL NON-CURRENT ASSETS		27,765	-	27,962	-
TOTAL ASSETS		32,362	-	31,854	-
CURRENT LIABILITIES					
Trade and other payables	16	5,083	-	4,511	-
Short-term borrowings	17	52	-	434	-
Current tax liabilities	18	-	-	-	-
Short-term provisions	19	407	-	320	-
TOTAL CURRENT LIABILITIES		5,542	-	5,265	-
NON-CURRENT LIABILITIES					
Trade and other payables	16	3,121	-	3,121	-
Long-term borrowings	17	8,545	-	8,500	-
Deferred tax liabilities	18	126	-	126	-
Other long-term provisions	19	187	-	135	-
TOTAL NON-CURRENT LIABILITIES		11,979	-	11,882	-
TOTAL LIABILITIES		17,521	-	17,147	-
NET ASSETS		14,841	-	14,707	-

**Greencross Limited ABN 58 119 778 862
and Controlled Entities**

BALANCE SHEET AS AT 30 JUNE 2007

	Note	Consolidated Entity		Parent Entity	
		2007	2006	2007	2006
		\$000	\$000	\$000	\$000
EQUITY					
Issued capital	20	14,767	-	14,767	-
Reserves		-	-	-	-
Retained earnings		65	-	(60)	-
Parent interest		14,832	-	14,707	-
Minority equity interest		9	-	-	-
TOTAL EQUITY		14,841	-	14,707	-

**Greencross Limited ABN 58 119 778 862
and Controlled Entities**

STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2007

Consolidated Entity

	Issued Capital \$000	Retained Earnings \$000	Total \$000
Balance at 1 July 2006	-	-	-
Shares and options issued	16,193	-	16,193
Profit attributable to members of parent entity	-	65	65
Share Issue costs	(1,426)	-	(1,426)
Balance at 30 June 2007	<u>14,767</u>	<u>65</u>	<u>14,832</u>

Parent Entity

	Issued Capital \$000	Retained Earnings \$000	Total \$000
Balance at 1 July 2006	-	-	-
Shares issued	16,193	-	16,193
Profit attributable to members of parent entity	-	(60)	(60)
Share Issue costs	(1,426)	-	(1,426)
Balance at 30 June 2007	<u>14,767</u>	<u>(60)</u>	<u>14,707</u>

**Greencross Limited ABN 58 119 778 862
and Controlled Entities**

CASH FLOW STATEMENT FOR YEAR ENDED 30 JUNE 2007

	Note	Consolidated Entity		Parent Entity	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		1,797	-	1,132	-
Payments to suppliers and employees		(1,048)	-	(433)	-
Interest received		26	-	26	-
Finance costs		(161)	-	(161)	-
Net cash provided by (used in) operating activities	23a	614	-	564	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(75)	-	(74)	-
Payment for businesses, subsidiaries, net of cash acquired	23b	(16,835)	-	(16,896)	-
Net cash provided by (used in) investing activities		(16,910)	-	(16,970)	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		11,710	-	11,710	-
Proceeds from borrowings		8,500	-	8,500	-
Share issue transaction costs		(1,209)	-	(1,209)	-
Net cash provided by (used in) financing activities		19,001	-	19,001	-
Net increase(decrease) in cash held		2,705	-	2,595	-
Cash at beginning of financial year		-	-	-	-
Cash at end of financial year	8	2,705	-	2,595	-

**Greencross Limited ABN 58 119 778 862
and Controlled Entities**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers the consolidated entity Greencross Limited and controlled entities, and Greencross Limited as an individual parent entity. Greencross Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of Greencross Limited and controlled entities, and Greencross Limited as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety, which ensures that the financial statements and notes comply with International Financial Reporting Standards (AIFRS).

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

Basis of Preparation

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

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 12 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.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

b. Functional and Presentation Currency

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

c. Cost of Business Combinations

The cost of business combinations are 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, plus any costs directly attributable to the business combination.

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

**Greencross Limited ABN 58 119 778 862
and Controlled Entities**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet 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 credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

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 applied to form an income tax consolidated group under the tax consolidation regime commencing 1 July 2007. For the year ended 30 June 2007 all entities in the consolidated entity were not a part of a consolidated group.

e. Inventories

Inventories are measured at the lower of cost and net realisable value.

f. Property, Plant and Equipment

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

Plant and equipment

Plant and equipment are measured on the 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 income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of property, plant and equipment other than investment properties are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Depreciation

The depreciable amount of all fixed assets including building 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.

**Greencross Limited ABN 58 119 778 862
and Controlled Entities**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

Class of Fixed Asset	Depreciation Rate
Motor vehicles	20%
Computer equipment	33%
Fittings, fixtures and equipment	10% - 20%

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

g. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the consolidated entity, are classified as finance 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 cost 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 income statement 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

**Greencross Limited ABN 58 119 778 862
and Controlled Entities**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Non-derivative financial liabilities are recognised 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.

Impairment

At each reporting date, the group assess 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 income statement.

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 income statement.

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.

k. Employee Benefits

Provision is made for the company'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 289.

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 balance sheet.

n. Revenue

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.

**Greencross Limited ABN 58 119 778 862
and Controlled Entities**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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 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 balance sheet are shown inclusive of GST.

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

q. Comparative Figures

The company did not trade in the prior comparative period.

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.

Authorisation of Financial Report

The financial report was authorised for issue by the board of directors on 31 August 2007.

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. Where an impairment trigger exists, the recoverable amount of the asset is determined. 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 2007. 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 income statement 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 income statement.

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.

The recoverable amount of the consolidated entity's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

**Greencross Limited ABN 58 119 778 862
and Controlled Entities**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For any asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

NOTE 2: REVENUE

	Note	Consolidated Entity		Parent Entity	
		2007	2006	2007	2006
		\$000	\$000	\$000	\$000
Operating activities:					
sale of goods		1,542	-	1,040	-
		<u>1,542</u>	<u>-</u>	<u>1,040</u>	<u>-</u>
Non-operating activities:					
Interest received – other persons		26	-	26	-
		<u>26</u>	<u>-</u>	<u>26</u>	<u>-</u>

NOTE 3: PROFIT FOR THE YEAR

Expenses

Finance costs:

Interest - other persons	33	-	33	-
Total finance costs	<u>33</u>	<u>-</u>	<u>33</u>	<u>-</u>

Depreciation of non-current assets:

Plant and equipment	22	-	11	-
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NOTE 4: INCOME TAX EXPENSE

a. The components of tax expense comprise:

Current tax	81	-	24	-
Deferred tax	-	-	-	-
	<u>81</u>	<u>-</u>	<u>24</u>	<u>-</u>

b. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:

Prima facie tax payable on profit from ordinary activities before income tax at 30% (2006: 30%)	46	-	(11)	-
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Add/(subtract):

Tax effect of:

**Greencross Limited ABN 58 119 778 862
and Controlled Entities**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 4: INCOME TAX EXPENSE

	Note	Consolidated Entity		Parent Entity	
		2007	2006	2007	2006
		\$000	\$000	\$000	\$000
non-deductible expenditure		35	-	35	-
Income tax attributable to entity		81	-	24	-
c. Amounts recognised directly in equity					
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but debited or credited to equity.					
Net deferred tax		476	-	476	-
d. Franking credits available at year end adjusted for franking credits or debits arising from:					
Payment of provision for income tax					
Payment of dividends recognised as a liability					
Receipt of dividends recognised as a receivable				-	-

**Greencross Limited ABN 58 119 778 862
and Controlled Entities**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

- a. **Names and positions held of consolidated and parent entity key management personnel in office at any time during the financial year are:**

Key Management Person Position

Directors

A. W. Geddes	<i>Non-Executive Chairperson (appointed 11 May 2007)</i>
G. Gaudet	<i>Non-Executive Director (appointed 19 May 2006)</i>
J. David	<i>Non-Executive Director (appointed 11 May 2007)</i>
D. W. J. Denkins	<i>Non-Executive Director (appointed 19 May 2006, resigned 11 May 2007)</i>
G. F. Richards	<i>Managing Director (appointed 11 May 2007)</i>
J. D. Odlum	<i>Executive Director (appointed 11 May 2007)</i>
S. V. Coles	<i>Executive Director (appointed 11 May 2007)</i>
J. L. Broad	<i>Executive Director & Company Secretary (appointed 19 May 2006, resigned 11 May 2007)</i>

Executives

C. G. Chapman	<i>Chief Financial Officer & Company Secretary (appointed 11 May 2007)</i>
K. E. Knight	<i>Veterinary Clinical Director (appointed 13 May 2007)</i>

- b. **Options and Rights Holdings**

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

	Balance 1 July 2006	Issued as purchase consideration	Issued for services rendered	Options Exercised	Sales	Balance vested and not exercisable 30 June 2007
<u>Directors</u>	No.	No.	No.	No.	No.	No.
G. F. Richards	-	500,000	-	-	-	500,000
G. Gaudet	-	-	500,000	-	-	500,000
J. D. Odlum	-	250,000	-	-	-	250,000
S. V. Coles	-	500,000	-	-	-	500,000
<u>Executives</u>						
K. E. Knight	-	250,000	-	-	-	250,000
Total	-	1,500,000	500,000	-	-	2,000,000

All options are vested and exercisable at \$1.20 between 15 June 2010 and 14 June 2011.

**Greencross Limited ABN 58 119 778 862
and Controlled Entities**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

c. Shareholdings

Number of Shares in the Parent Entity held by Key Management Personnel

	Balance 1 July 2006	Issued as purchase consideration	Purchases	Other share based payments	Sales	Balance 30 June 2007
<u>Directors</u>	No.	No.	No.	No.	No.	No.
A. W. Geddes	-	-	200,000	-	-	200,000
G. F. Richards	-	1,459,824	1,280,000	-	-	2,739,824
J. David	-	-	23,000	-	-	23,000
G. Gaudet	2	-	1,480,000	300,000	-	1,780,002
J. D. Odum	-	1,150,468	980,000	-	-	2,130,468
S. V. Coles	-	-	1,380,000	-	-	1,380,000
<u>Executives</u>						
C. G. Chapman	-	-	600,000	-	-	600,000
K. E. Knight	-	600,000	500,000	-	-	1,100,000
Total	2	3,210,292	6,443,000	300,000	-	9,953,294

NOTE 6: AUDITORS' REMUNERATION

	Consolidated Entity		Parent Entity	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Remuneration of the auditor of the parent entity for:				
auditing or reviewing the financial report	33	-	33	-

NOTE 7: EARNINGS PER SHARE

	Consolidated Entity	
	2007	2006
	\$000	\$000
a. Reconciliation of earnings to profit or loss		
Profit for the year	74	-
Profit attributable to minority equity interest	(9)	-
Earnings used to calculate basic and diluted EPS	65	-
	No.	No.
b. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	1,005,536	2
Weighted average number of options outstanding	93,150	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	1,098,686	2

**Greencross Limited ABN 58 119 778 862
and Controlled Entities**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 8: CASH AND CASH EQUIVALENTS

Note	Consolidated Entity		Parent Entity	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Cash at bank and in hand	2,705	-	2,595	-
Short-term bank deposits	-	-	-	-
	2,705	-	2,595	-

Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

Cash and cash equivalents	2,705	-	2,595	-
	2,705	-	2,595	-

NOTE 9: TRADE AND OTHER RECEIVABLES

CURRENT

Trade receivables	169	-	99	-
Other receivables	194	-	140	-
	363	-	239	-

Other receivables

Amounts receivable from:

Related party	15	-	15	-
	378	-	254	-

NOTE 10: INVENTORIES

CURRENT

At cost	1,307	-	831	-
	1,307	-	831	-

NOTE 11: OTHER FINANCIAL ASSETS

NON CURRENT

Investments in controlled entities	-	-	6,296	-
	-	-	6,296	-

**Greencross Limited ABN 58 119 778 862
and Controlled Entities**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 12: CONTROLLED ENTITIES

a. Controlled Entities Consolidated

** Percentage of voting power is in proportion to ownership*

	Country of Incorporation	Percentage Owned (%)*	
		2007	2006
Ultimate Parent Entity			
Greencross Limited	Australia		
Subsidiaries of Greencross Limited:			
Greencross Townsville Pty Ltd	Australia	100	-
Seabeach Pty Ltd	Australia	100	-
Gorrie Veterinary Services Pty Ltd	Australia	100	-
Chermside Veterinary Hospital Pty Ltd	Australia	100	-
Veterinary Referral Services Pty Ltd	Australia	70	-

NOTE 13: PROPERTY, PLANT AND EQUIPMENT

	Note	Consolidated Entity		Parent Entity	
		2007	2006	2007	2006
		\$000	\$000	\$000	\$000
PLANT AND EQUIPMENT					
Plant and equipment:					
At cost		2,484	-	1,203	-
Accumulated depreciation		(238)	-	(11)	-
		<u>2,246</u>	<u>-</u>	<u>1,192</u>	<u>-</u>
Plant and equipment under finance lease:					
At cost		119	-	-	-
Accumulated depreciation		(56)	-	-	-
		<u>63</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>2,309</u>	<u>-</u>	<u>1,192</u>	<u>-</u>

a. Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

Balance at the beginning of year	-	-	-	-
Additions	75	-	74	-
Disposals	-	-	-	-
Additions through acquisition of entity	2,256	-	1,129	-
Depreciation expense	(22)	-	(11)	-
Carrying amount at the end of year	<u>2,309</u>	<u>-</u>	<u>1,192</u>	<u>-</u>

**Greencross Limited ABN 58 119 778 862
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 14: INTANGIBLE ASSETS

	Consolidated Entity		Parent Entity	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Goodwill				
Cost	24,629	-	19,647	-
Accumulated impairment losses	-	-	-	-
Net carrying value	24,629	-	19,647	-
Total intangibles	24,629	-	19,647	-

Goodwill				
Balance at the beginning of year	-	-	-	-
Acquisitions through business combinations	24,629	-	19,647	-
Closing value at 30 June 2007	24,629	-	19,647	-

Impairment Disclosures

Goodwill is allocated to cash-generating units, which are based on the group's reporting segments.

Veterinary practices	24,629	-	19,647	-
----------------------	--------	---	--------	---

The practices were acquired in June 2007 and grouped as a single cash generating unit on the basis that goodwill is not monitored at individual practice level and synergies are expected across all practices.

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

Period of cash flow: 5 years

Growth rate during the forecast period: 5%

Pre-tax discount rate of 16.4% based on a weighted average cost of capital of 11.5%

NOTE 15: OTHER ASSETS

CURRENT				
Prepayments	207	-	212	-

**Greencross Limited ABN 58 119 778 862
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 16: TRADE AND OTHER PAYABLES

	Consolidated Entity		Parent Entity	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
CURRENT				
Unsecured liabilities				
Trade payables	1,997	-	1,583	-
Sundry payables and accrued expenses	158	-	-	-
Liability to settle acquired entities	2,928	-	2,928	-
	<u>5,083</u>	<u>-</u>	<u>4,511</u>	<u>-</u>
NON-CURRENT				
Unsecured liabilities				
Liability to settle acquired entities	3,121	-	3,121	-
	<u>3,121</u>	<u>-</u>	<u>3,121</u>	<u>-</u>

Included in non-current liabilities is the liability to settle the acquisition of controlled entities and businesses, which will be settled by way cash. The cash component of the consideration is disclosed as a current liability. 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

CURRENT

Unsecured liabilities

Unsecured Loans	28	-	-	-
Non trade payables due to controlled entities	-	-	434	-
	<u>28</u>	<u>-</u>	<u>434</u>	<u>-</u>

Secured liabilities

Lease liability	21a 24	-	-	-
	<u>52</u>	<u>-</u>	<u>434</u>	<u>-</u>

NON-CURRENT

Secured liabilities

Bank loans	8,500	-	8,500	-
Lease liability	21a 45	-	-	-
	<u>8,545</u>	<u>-</u>	<u>8,500</u>	<u>-</u>

a. Total current and non-current secured liabilities:

Bank loan	8,500	-	8,500	-
Lease liability	69	-	-	-
	<u>8,569</u>	<u>-</u>	<u>8,500</u>	<u>-</u>

b. Details of security are:

- Fixed and Floating Charge over the consolidated entity

**Greencross Limited ABN 58 119 778 862
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 17: BORROWINGS

	Consolidated Entity		Parent Entity	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
- Registered Mortgage Debenture over the whole of the assets of Greencross Limited and its controlled entities including goodwill and uncalled capital and called but unpaid capital				
- Guarantee and Indemnity for \$14,000,000 given by controlled entities				

NOTE 18: TAX ASSETS AND LIABILITIES

a. Liabilities

CURRENT

Income Tax	-	-	-	-
------------	---	---	---	---

NON-CURRENT

Deferred tax liability comprises:

Deferred consideration	126	-	126	-
------------------------	-----	---	-----	---

Total	126	-	126	-
-------	-----	---	-----	---

b. Assets

Deferred tax assets comprise:

Employee provisions	177	-	136	-
---------------------	-----	---	-----	---

Transaction costs on equity issue	476	-	476	-
-----------------------------------	-----	---	-----	---

Cast base differences	126	-	126	-
-----------------------	-----	---	-----	---

Tax losses	48	-	89	-
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	827	-	827	-
--	-----	---	-----	---

c. Reconciliations

i. Deferred Tax Liability

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

Deferred consideration

Opening balance	-	-	-	-
-----------------	---	---	---	---

Charged to the income statement	126	-	126	-
---------------------------------	-----	---	-----	---

Closing balance	126	-	126	-
-----------------	-----	---	-----	---

ii. Deferred Tax Assets

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

Provisions

Opening balance	-	-	-	-
-----------------	---	---	---	---

Acquired balance	170	-	114	-
------------------	-----	---	-----	---

**Greencross Limited ABN 58 119 778 862
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 18: TAX ASSETS AND LIABILITIES

	Consolidated Entity		Parent Entity	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Credited to the income statement	7	-	22	-
Closing balance	177	-	136	-
Transaction costs on equity issue				
Opening balance	-	-	-	-
Acquired balance	-	-	-	-
Credited directly to equity	476	-	476	-
Closing balance	476	-	476	-
Cost based differences				
Opening balance	-	-	-	-
Acquired balance	-	-	-	-
Credited/(charged) to the income statement	126	-	126	-
Closing balance	126	-	126	-
Taxation losses				
Opening balance	-	-	-	-
Acquired balance	-	-	-	-
Credited/(charged) to the income statement	48	-	89	-
Closing balance	48	-	89	-

NOTE 19: PROVISIONS

Consolidated Entity

	Long-term Employee Benefits*	Short-term Employee Benefits	Total
	\$000	\$000	\$000
Opening balance at 1 July 2006	-	-	-
Additional provisions	-	40	40
Amounts used	-	(13)	(13)
Acquired balances	199	368	567
Unused amounts reversed	-	-	-
Balance at 30 June 2007	199	395	594

* Includes current and non-current portions.

Parent Entity

Opening balance at 1 July 2006	-	-	-
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**Greencross Limited ABN 58 119 778 862
and Controlled Entities**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 19: PROVISIONS

	Long-term Employee Benefits*	Short-term Employee Benefits	Total
	\$000	\$000	\$000
Additional provisions	-	33	33
Amounts used	-	(10)	(10)
Acquired balances	147	285	432
Unused amounts reversed	-	-	-
Balance at 30 June 2007	147	308	455

* Includes current and non-current portions.

Analysis of Total Provisions

	Consolidated Entity		Parent Entity	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Current	407	-	320	-
Non-current	187	-	135	-
	594	-	455	-

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 has been included in Note 1 to this report.

**Greencross Limited ABN 58 119 778 862
and Controlled Entities**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 20: ISSUED CAPITAL

	Parent Entity		Parent Entity	
	2007 No.	2006 No.	2007 \$000	2006 \$000
a. Ordinary shares				
At the beginning of reporting period	-	-	-	-
Shares issued during the year:				
Seed Capital issued at 5 cents per share	6,520,002	-	326	-
Seed Capital issued at 50 cents per share*	200,000	-	200	-
Seed Capital issued at 95 cents per share*	300,000	-	300	-
Shares issued for services at \$1.00 per share	300,000	-	300	-
Shares issued for acquisitions at \$1.00 per share	3,210,292	-	3,210	-
Shares issued pursuant to the Prospectus at \$1.00 per share	11,000,000	-	11,000	-
Deferred equity consideration on acquisition	-	-	200	-
Equity Issue costs	-	-	(1,426)	-
At reporting date	21,530,294	-	14,110	-
* \$115,000 was expensed as the difference between the issue price and the fair value of the shares				
b. Options				
At the beginning of reporting period	-	-	-	-
Options issued during the year:				
Options issued for acquisitions at 32.86 cents per option	1,500,000	-	493	-
Options issued for services at 32.86 cents per option	500,000	-	164	-
Options outstanding and not exercisable at reporting date	2,000,000	-	657	-
Total Issued Capital			14,767	

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.

**Greencross Limited ABN 58 119 778 862
and Controlled Entities**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 21: CAPITAL AND LEASING COMMITMENTS

	Note	Consolidated Entity		Parent Entity	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
a. Finance Lease Commitments					
Payable — minimum lease payments:					
not later than 12 months		26	-	-	-
between 12 months and 5 years		54	-	-	-
greater than 5 years		-	-	-	-
Minimum lease payments		80	-	-	-
Less future finance charges:					
not later than 12 months		(4)	-	-	-
between 12 months and 5 years		(7)	-	-	-
		69	-	-	-
Represented by:					
not later than 12 months		24	-	-	-
between 12 months and 5 years		45	-	-	-
Finance leases relate to veterinary equipment.					
b. Operating Lease Commitments					
Payable — minimum lease payments					
not later than 12 months		1,824	-	1,281	-
between 12 months and 5 years		7,302	-	5,129	-
greater than 5 years		1,363	-	1,174	-
		10,489	-	7,584	-
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, and incremental contingent rental. Contingent rents are normally based on fixed percentage increases or movements in the consumer price index.					
.c. Commitments for capital expenditure					
not later than 12 months		100	-	100	-

NOTE 22: SEGMENT REPORTING

Business and Geographical Segments

Business segments

The consolidated entity has only one business segment.

Geographical segments

The consolidated entity's business segment is located in Australia only.

**Greencross Limited ABN 58 119 778 862
and Controlled Entities**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 23: CASH FLOW INFORMATION

	Consolidated Entity		Parent Entity	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
a. Reconciliation of Cash Flow from Operations with Profit after Income Tax				
Profit after income tax	64	-	(60)	-
Depreciation	22	-	11	-
Receivables and other assets	(210)	-	(326)	-
Inventory	(70)	-	(1)	-
Payables	1,210	-	1,277	-
Provisions	9	-	51	-
Deferred tax assets and liabilities	(411)	-	(388)	-
Cash flow from operations	614	-	564	-

**Greencross Limited ABN 58 119 778 862
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 23: CASH FLOW INFORMATION

b. Acquisition of Entities

	2007 \$000	2007 \$000	2007 \$000	2007 \$000	2007 \$000	2007 \$000	2007 \$000	2007 \$000	2007 \$000	2007 \$000	2007 \$000	2007 \$000
i During the year the following controlled entities and businesses were acquired.	Veterinary Referral Services Pty Ltd (70%)	Seabeach Pty Ltd (100%)	Sandringham Veterinary Hospital (100%)	Stud Park Veterinary Hospital (100%)	Chermside Veterinary Hospital Pty Ltd (100%)	Gorrie Veterinary Services Pty Ltd (100%)	Greencross Townsville Pty Ltd (100%)	Knight Odlum Group (i) (100%)	Medivet Group (ii) (100%)	Other Veterinary Businesses (iii) (100%)	TOTAL	
Purchase consideration												
Cash consideration	312	860	2,090	2,446	581	753	1,118	1,809	2,242	4,423	16,634	
Vendor Liability	-	292	798	957	290	786	-	-	847	2,079	6,049	
Share and Options	-	-	164	-	-	-	1,624	1,915	200	-	3,903	
Direct costs relating to the acquisition (accrual)	-	-	-	-	-	-	-	165	143	233	541	
Direct costs relating to the acquisition (cash)	-	3	2	2	4	7	9	9	9	217	262	
Total purchase consideration	312	1,155	3,054	3,405	875	1,546	2,751	3,898	3,441	6,952	27,389	
Less: Fair value of net identifiable assets acquired	-	248	86	52	129	220	624	445	181	776	2,760	
Goodwill	312	907	2,968	3,353	746	1,326	2,127	3,453	3,260	6,176	24,629	
Assets and liabilities held at acquisition date:												
Cash and cash equivalents	29	27	-	-	2	3	-	-	-	-	61	
Trade and other receivables	13	23	-	-	76	69	-	-	-	-	181	
Other current assets	105	38	65	53	30	86	147	238	155	319	1,236	
Investments and other non-current assets	-	-	-	-	-	-	-	-	-	-	-	
Property, plant and equipment	145	172	33	49	196	133	514	333	85	613	2,273	
Deferred tax assets	-	-	-	-	15	20	-	-	-	-	35	
Trade and other payables	(256)	(27)	-	-	(32)	-	-	-	-	-	(315)	

**Greencross Limited ABN 58 119 778 862
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 23: CASH FLOW INFORMATION

b. Acquisition of Entities

	2007 \$000	2007 \$000	2007 \$000	2007 \$000	2007 \$000	2007 \$000	2007 \$000	2007 \$000	2007 \$000	2007 \$000	2007 \$000
Short-term borrowings	-	-	-	-	(69)	-	-	-	-	-	(69)
Current tax liabilities	-	15	-	-	(48)	(26)	-	-	-	-	(59)
Provisions	(36)	-	(12)	(50)	(41)	(65)	(37)	(126)	(59)	(156)	(582)
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-
Net identifiable assets acquired	-	248	86	52	129	220	624	445	181	776	2,760
Outflow of cash to acquire subsidiary, net of cash acquired:											
Cash consideration and direct costs	312	863	2,092	2,448	585	760	1,127	1,818	2,251	4,640	16,896
Less: balances acquired cash	(29)	(27)	-	-	(2)	(3)	-	-	-	-	(61)
Outflow of cash	283	836	2,092	2,448	583	757	1,127	1,818	2,251	4,640	16,835
Profit/(loss) since acquisition date included in profit for the year of the consolidated entity	30	19	*	*	16	11	57	*	*	*	*
	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.
Number of shares issued or issuable as part consideration	-	-	-	-	-	-	1,460	1,750	200	-	3,410
Number of options granted as part consideration	-	-	200	200	-	-	500	500	-	100	1,500

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

- (i) Acquisitions are made up of the following businesses - Jindalee-Jamboree Heights Veterinary Surgery, Springfield Veterinary Consulting Rooms, Woolloongabba Pet Hospital, Moorooka Veterinary Clinic, Camira Veterinary Surgery and Inala Veterinary Surgery.
- (ii) Acquisitions are made up of the following businesses – Medivet Nerang, Medivet Highland Park and Medivet Oxenford.
- (iii) Acquisitions are made up of the following businesses – Kessels Road Veterinary Hospital, Wishart Road Veterinary Hospital, Sunnybank Hills Veterinary Clinic, Upton & Upton Veterinary Surgeons, West Burleigh Veterinary Practice, Southport Veterinary Clinic, Runaway Bay Veterinary Surgery, City Road Animal Hospital, Mudgeeraba Animal Hospital and Ashburton Veterinary Clinic.

**Greencross Limited ABN 58 119 778 862
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 23: CASH FLOW INFORMATION

b. Acquisition of Entities

- (iv) All business combinations were settled on 12 June 2007.
 - (v) Fair value of equity instruments issued or issuable are disclosed in note 26.
 - (vi) There were no differences between the recognised carrying value of assets and liabilities at acquisition date and carrying value immediately before the combination.
 - (vii) The prospectus date 3 May 2007 disclosed proforma financial information for the consolidated entity on the basis of 2007 historical results adjusted for the impact of capital raising, listing and acquisition of the above businesses. Proforma revenue was disclosed as \$27.706m and EBITDA of \$4.291m.
- * No disclosure has been made of the profit/(loss) since acquisition date of the business asset acquisitions as such businesses have been amalgamated for management reporting purposes and reliable information is not available for individual businesses.

**Greencross Limited ABN 58 119 778 862
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 23: CASH FLOW INFORMATION

	Consolidated Entity		Parent Entity	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
c. Credit Standby Arrangements with Banks				
Bank Overdraft	500	-	500	-
Amount utilised	-	-	-	-
	500	-	500	-
Asset Finance Facility	1,000	-	1,000	-
Amount utilised	-	-	-	-
	1,000	-	1,000	-
The major facilities are summarised as follows:				
Indemnity Guarantee Facility – Financial Guarantee	4,000	-	4,000	-
d. Loan Facilities				
Loan facilities	9,500	-	9,500	-
Amount utilised	8,500	-	8,500	-
Amount unutilised	1,000	-	1,000	-

The major facilities are summarised as follows:

Bill loan facility

The loan facility expires on 30 June 2010, when it will be renegotiated. The loan is split equally between fixed and variable rates. The current rates are 7.68% and 6.93% respectively.

Finance will be provided under all facilities provided the company and the consolidated entity have not breached any borrowing requirements and the required financial ratios are met.

**Greencross Limited ABN 58 119 778 862
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 24: RELATED PARTY TRANSACTIONS

	Consolidated Entity		Parent Entity	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.				
Transactions with related parties:				
Key Management Personnel				
Greencross Properties Pty Ltd, a company controlled by G F Richards, provided professional services to the Group. There is no balance owing at 30 June 2007.	37	-	37	-
Reefpeak Pty Ltd, a company controlled by C G Chapman, provided professional services to the Group. There is no balance owing at 30 June 2007.	17	-	17	-
Greencross Properties Pty Ltd, a company controlled by G F Richards, leases premises to the Group at current market rent.	4	-	4	-
Icecombe Pty Ltd, a company controlled by J D Odum, leases premises to the Group at current market rent.	-	-	-	-
Rand & Miller Pty Ltd, a company associated with S V Coles, leases premises to the Group at current market rent.	7	-	7	-
Coles & Inglis Pty Ltd, a company associated with S V Coles, leases premises to the Group at current market rent.	7	-	7	-
Stud Park Veterinary Trust, a company associated with S V Coles, leases premises to the Group at current market rent.	9	-	9	-

**Greencross Limited ABN 58 119 778 862
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 25: FINANCIAL INSTRUMENTS

a. **Financial Risk Management**

The group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, bills, leases, trust units, and derivatives.

Financial Risks

The main risks the group is exposed to through its financial instruments are interest rate risk, liquidity risk, and credit risk.

Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate debt. At 30 June 2007 50% group debt is floating and 50% is fixed. For further details on interest rate risk refer to Note 25(b)(i) and (ii).

Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The consolidated entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the consolidated entity.

b. **Financial Instruments**

Interest Rate Risk

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

**Greencross Limited ABN 58 119 778 862
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 25: FINANCIAL INSTRUMENTS

	Weighted Average Effective Interest Rate		Floating Interest Rate		Fixed Interest Rate Maturing						Non Interest Bearing		TOTAL	TOTAL	
	2007	2006	2007	2006	Within 1 year		1 to 5 years		Over 5 years		2007	2006	2007	2007	
	%	%	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Financial Assets:															
Cash and cash equivalents	5.70	-	2,705	-	-	-	-	-	-	-	-	-	-	2,705	-
Receivables	-	-	-	-	-	-	-	-	-	-	-	363	-	363	-
Total Financial Assets			2,705	-	-	-	-	-	-	-	-	363	-	3,068	-
Financial Liabilities:															
Loans	7.31	-	-	-	-	-	8,500	-	-	-	-	-	-	8,500	-
Payables	-	-	-	-	-	-	-	-	-	-	-	1,997	-	1,997	-
Deferred Consideration	-	-	-	-	-	-	-	-	-	-	-	6,049	-	6,049	-
Leases	6.00	-	-	-	24	-	45	-	-	-	-	-	-	69	-
Total Financial Liabilities			-	-	24	-	8,545	-	-	-	-	8,406	-	16,615	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 26: SHARE BASED PAYMENTS

	2007 \$000	2006 \$000	2007 \$000	2006 \$000
(a) Expenses arising from share-based transactions recognised in the income statement.				
Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:				
Shares issued at a discount to fair value to employees	115	-	115	-
(b) Expenses arising from share-based transactions recognised directly in equity				
Shares issued at fair value	225	-	225	-
Options issued at fair value	123	-	123	-
	348	-	348	-
(c) Expenses arising from share-based transactions recognised as acquisition costs in the determination of purchase consideration for the acquisition of businesses				
Shares issued at fair value	75	-	75	-
Options issued at fair value	41	-	41	-
	116	-	116	-
(d) Share based payments as part consideration for the purchase of businesses and entities				
Shares issued at fair value	3,210	-	3,210	-
Options issued at fair value	492	-	492	-
Shares to be issued 24 months after acquisition at fair value at date of acquisition	200	-	200	-
	3,902	-	3,902	-
(e) Fair value of options granted				
The assessed fair value at grant date of options granted during the year ended 30 June 2007 was 32.86 cents per option. The fair value at grant date was independently determined using a Black-Scholes 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 2007 included:				
(i)	Options are fully vested exercisable at \$1.20 between 15 June 2010 and 14 June 2011 at which time they will expire;			
(ii)	Volatility: 40% based on historical volatility of similar listed companies;			
(iii)	Risk Free Rate: 5.84%			
(iv)	Dividend yield: Nil			
(f) Fair value of shares issued:				
The fair value of shares issued as share-based payments was \$1.00 based on the prospectus issue price.				

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 27: EFFECTS OF CHANGES IN ACCOUNTING STANDARDS

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The entity's assessment of the impact of these new standards and interpretations is set out below:

- (i) *AASB 7 Financial Instruments: Disclosures and AASB2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023, AASB 1038]*

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The entity has not adopted the standards early. Application of the standards will not effect any of the amount recognised in the financial statements, but will impact the information disclosed in relation to the financial instruments.

- (ii) *AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 [AASB5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023, AASB 1038]*

AASB 2007-3 is applicable to annual reporting periods beginning on or after 1 January 2008. The entity has not adopted the standard early. AASB 2007-3 consequentially amends a number of standards arising from the issue of AASB 8. These amendments result from the change of name to AASB 8. AASB 8 is a disclosure standard and will therefore have no impact on the entity's reported position and performance.

- (iii) *AASB 2007-7 Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 107, AASB 128]*

AASB 2007-7 is applicable to annual reporting periods beginning on or after 1 July 2007. The entity has not adopted the standard early. AASB 2007-7 makes editorial changes to six standards. One change is the removal of the encouragement in AASB 107 Cash Flow Statements to adopt a particular format for the cash flow statements. Another change is the deletion of superseded implementation guidance accompanying AASB 4

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DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 16 to 48, 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 2006 and of the performance for the year ended on that date of the company and consolidated entity;
2. The audited remuneration disclosures set out on pages 12 to 13 of the directors 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 company 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.

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

A handwritten signature in black ink, appearing to read 'Glen Richards', with a long, sweeping underline that extends to the right.

Glen Richards
Director

Dated this 31st day of August 2007

**Greencross Limited ABN 58 119 778 862
and Controlled Entities**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GREENCROSS LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Greencross Limited (the Company), which comprises the balance sheets as at 30 June 2007, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, 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.

As permitted by the Corporations Regulations 2001, the Company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), as required by Australian Accounting Standard AASB 124 Related Party Disclosures, under the heading Remuneration Report on pages 12-13 of the Directors' report and not in the financial report. We have audited the remuneration disclosures on pages 12 to 13 of the Directors' report.

Directors' Responsibility for the Financial Report and the AASB 124 Remuneration Disclosures Contained in the Directors' Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the Company are responsible for the remuneration disclosures contained in the Directors' report.

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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is also to express an opinion on the remuneration disclosures contained in the Directors' report based on our audit.

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 judgment, 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 and the remuneration disclosures contained in the Directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, has been provided to the directors on the same date as this auditor's report.

Auditor's Opinion

In our opinion:

- a) the financial report of Greencross Limited is in accordance with the Corporations Act 2001, including:
 - i) giving a true and fair view of company and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

In our opinion, the remuneration disclosures on pages 12 to 13 of the Directors' report comply with Australian Accounting Standard AASB 124 Related Party Disclosures.



William Buck
Chartered Accountants



R.Q. Cole

Partner

Brisbane, 31 August 2007

**Greencross Limited ABN 58 119 778 862
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SHAREHOLDER INFORMATION

For the Year Ended 30 June 2007

Distribution of Shares as at 30 August 2007.

Ordinary Shares

1 – 1,000	49
1,001 – 5,000	289
5,001 – 10,000	129
10,001 – 100,000	97
100,001 and over	26
	590

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 30 August 2007 are listed below:

Name	No. of Ordinary Shares Held	% of Issued Share Capital
ANZ NOMINEES LIMITED <CASH INCOME A/C>	2,255,000	10.47
PLATINUM OUTCOMES PTY LTD	1,780,002	8.27
GREENCROSS VETS PTY LTD <GREENCROSS UNIT A/C>	1,459,824	6.78
GREENCROSS PROPERTIES PTY LTD <GREENCROSS PROPERTIES A/C>	1,280,000	5.95
PETFOOD ONLINE PTY LTD <THE COLES/RAND FAMILY A/C>	1,000,000	4.64
MR JOHN DAVID ODLUM & MRS ANN ODLUM <ODLUM FAMILY A/C>	980,000	4.55
MR JOHN DAVID ODLUM & MRS ANN ODLUM <ODLUM SUPER FUND A/C>	750,000	3.48
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	724,622	3.37
MR CRAIG GRAEME CHAPMAN	600,000	2.79
BYERA PTY LTD <KNIGHT FAMILY A/C>	600,000	2.79
INVIA CUSTODIAN PTY LIMITED <BLACK A/C>	500,000	2.3
BYERA PTY LTD <KEITH KNIGHT SUPER FUND A/C>	500,000	2.3
KATANA CAPITAL LIMITED	410,000	1.90
MR JOHN DAVID ODLUM & MR KEITH EDWARD KNIGHT <KNIGHT ODLUM SUPER FUND A/C>	400,468	1.86
SANDRINGHAM ANIMAL HOSPITAL PTY LTD <STEPHEN COLES FAMILY A/C>	380,000	1.77
UBS NOMINEES PTY LTD	333,193	1.55
BYDAND CAPITAL PTY LTD	330,000	1.53
MR RAKESH TULSHYAN & MRS SEEMA TULSHYAN <BTML A/C>	300,000	1.39
ASPEN COVE PTY LTD <ASPEN COVE S/F A/C>	200,000	0.93
DR MATTHEW CHARLES MILLER	200,000	0.93
TOTAL	14,983,109	69.59

Options

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1 – 1,000	-
1,001 – 5,000	-
5,001 – 10,000	-
10,001 – 100,000	-
100,001 and over	5
	<hr style="width: 50%; margin: auto;"/>
	5
	<hr style="width: 50%; margin: auto;"/>

Five Option Holders

The names of the 5 holders of options as at 30 August 2007 are listed below:

Name	No. of Options Held	% of Issued Share Capital
MR GLEN RICHARDS & MRS LISA RICHARDS <RICHARDS SUPER FUND A/C>	500,000	25.00
MR STEPHEN VINCENT COLES	500,000	25.00
PLATINUM OUTCOMES PTY LTD	500,000	25.00
MR JOHN DAVID ODLUM & MRS ANN ODLUM <ODLUM SUPER FUND A/C>	250,000	12.50
BYERA PTY LTD <KEITH KNIGHT SUPER FUND A/C>	250,000	12.50
TOTAL	2,000,000	100.00

Share Registry

Registries Limited
Level 2,
28 Margaret Street,
Sydney NSW 2000

Substantial Shareholders and Option Holders as at 30 August 2007

	Shares	Options
A. W. Geddes	200,000	-
G. F. Richards	2,739,824	500,000
J. David	23,000	-
G. S. Gaudet	1,780,002	500,000
J. D. Odlum	2,130,468	250,000
K. E. Knight	1,100,000	250,000

Shares in the Company in which Directors have a relevant interest as at 30 August 2007

Name of Director	Ordinary Shares	Options
A. W. Geddes	200,000	-
G. F. Richards	2,739,824	500,000
J. David	23,000	-
G. S. Gaudet	1,780,002	500,000
J. D. Odlum	2,130,468	250,000
S. V. Coles	1,380,000	500,000

Greencross Limited ABN 58 119 778 862 and Controlled Entities

CORPORATE GOVERNANCE STATEMENT

This statement sets out the key corporate governance principles of Greencross Limited (“the Company”).

In formulating governance principles that guide the operations of the company the directors have taken into account the ASX Corporate Governance Council best practice recommendations. Those recommendations have been adopted except where an alternate approach has been outlined in this statement.

Role of the Board

The Board’s primary role is to protect the interests of shareholders through corporate governance policies. In carrying out its responsibilities, the Board will endeavour to serve the interests of shareholders, customers, employees, unit owners, suppliers, lenders and the broader communities in which we operate.

The Board of Directors is accountable for the performance of the Company and aims to protect and enhance long-term shareholder value. The Board’s responsibilities include the following:

- Set strategic direction of the group and monitor implementation of that strategy;
- Appoint and remove (if appropriate) the Managing Director/CEO;
- Approve appointment (and remove if appropriate) of Company Secretary/CFO;
- Monitor financial outcomes and integrity of reporting (in particular approve annual budgets and strategic plans);
- Approve and monitor acquisitions, major capital expenditure, capital management and divestitures;
- Monitor and evaluate the effectiveness of internal controls, risk management and compliance systems.

The board will regularly review its responsibilities and alter them if necessary. The Board recognises that Non-Executive Directors do not have a responsibility for day-to-day management of the business of the company.

Board Size and Composition

The Company’s Constitution provides that the number of Directors shall not be less than 3 or more than 10.

Best practice recommendations issued by the ASX recommend that a majority of the Board is to be comprised of independent directors. The Board considers that the company is not currently of a size, nor are its affairs of such complexity to justify the expense of the appointment of a majority of independent non-executive directors. The Board believes that the individuals on the Board are able to make quality and independent judgments in the best interests of the Company on all relevant issues. Further independent directors may be appointed depending upon the future acquisitions and growth of the Company.

The Chairperson of the Board is to be an independent director. This is to ensure that the board can bring quality judgements free of bias on all issues. An independent director is a non-executive director and:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three years has not been employed in an executive capacity by the Company or other group member, or been a director after ceasing to hold any such employment;
- within the last three years has not been a principal of a material professional advisor or a material consultant to the group, or an employee materially associated with the service provided;
- is not a material supplier or customer of the group, or an officer of or otherwise associated directly with a material supplier or customer;
- has no material contractual relationship with the group other than as a director of the Company;
- has not served on the board for a period which could, or could reasonably be perceived to, materially interfere with the director’s ability to act in the best interests of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director’s ability to act in the best interests of the Company.

The board has reviewed the independence of each director and considers that with the exception of G F Richards, J D Odium and S V Coles, each director is independent and free of any business or other relationship that could materially interfere with the director’s independent judgement and ability to act in the best interests of the Company.

**Greencross Limited ABN 58 119 778 862
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Director	Year First Appointed	Non Executive	Independent	Retiring at 2007 AGM	Seeking re-election at 2007 AGM
A. W. Geddes	2007	Yes	Yes	No	Yes*
G. F. Richards	2007	No	No	No	No
J. David	2007	Yes	Yes	No	Yes*
G. Gaudet	2006	Yes	Yes	Yes	Yes
J. D. Odlum	2007	No	No	No	No
S. V. Coles	2007	No	No	No	No

* Retires and, being eligible offers himself for re-election, having been appointed during the year.

Details of the background experience, professional skills and qualifications of each director are set out in the Directors' Report of this Annual Report.

Tenure of Directors

The tenure of Directors (other than the Managing Director/CEO and Executive Directors) is subject to reappointment by shareholders at a general meeting on a rolling three-year basis. One third of the Directors are to retire at each Annual General Meeting as set out in the Company Constitution.

A Director, other than the Managing Director/CEO and Executive Directors, appointed by the Directors, must retire at the next Annual General Meeting.

An Executive Director shall cease to be a Director immediately after he ceases to be an executive but may be re-appointed a Director at the discretion of the Board. Executive Directors are not eligible for appointment to outside boards unless the Board determines otherwise.

Independent Advice

With the prior approval of the Chairperson each Director may obtain independent professional advice at the Company's expense, to assist in the proper discharge of the Director's duties.

Disclosure of Interests

A Director who has a direct or indirect interest in a matter being considered by the Board must disclose the nature of the interest or extent of the conflict to a meeting of the Board as a soon as practicable after the relevant facts comes to the Director's knowledge.

Each Director must comply with the Law in relation to being present, or voting, at a Board meeting that considers a matter in which a Director has a material personal interest.

Financial Reporting

The Company's financial report preparation and approval process requires both the Managing Director/CEO and Company Secretary/CFO certifying (in writing) that the Company's financial report presented a true and fair view in all material respects, of the Company's financial condition and operational results and was in accordance with applicable accounting standards. This is required prior to the board sign off the financial statements.

Performance Evaluation

The Chairperson is responsible for undertaking a continuous review of the performance and contribution of individual directors. The board will continually review its evaluation processes in order to ensure effectiveness of the board and any committees where the board delegates its power.

The Managing Director/CEO is responsible for the performance evaluation of key executives as this concerns the day-to-day operations of the Company.

Greencross Limited ABN 58 119 778 862 and Controlled Entities

Board Committees

Audit Committee

Best practice recommendations issued by the ASX recommend that the Chairperson should not be the Chairperson of the board and that the audit committee consist of at least three members (currently 2 members) however due to the size of our board we have not taken on board these recommendations. This policy will be reviewed in the coming financial year.

The Board has established an Audit Committee to assist in carrying out its responsibilities. This Committee is comprised of independent non-executive Directors only. This committee has no decision making powers and only makes recommendations to the Board on matters that fall within the term of its charter.

The Audit Committee of the Company has been formed to support and advise the Board in relation to the group's financial reporting, control environment and legal and regulatory compliance. Key areas and specific responsibilities of the Committee include:

Internal and External Reporting;

Recommend to the Board the appointment and removal of external auditors and review terms of engagement;

Monitor and evaluate the effectiveness of the external audit;

Monitor relationship between management and the external auditor;

Evaluate the adequacy of the group's internal control framework;

Review external audit letters and monitor management response and actions to correct any deficiencies;

Review the representation letters, annual and half yearly financial statements of the group, accompanying releases to ASX and other financial information distributed externally, and where appropriate recommend their acceptance to the Board;

Review and approve all significant accounting policy changes; and

Managing Director/CEO and Company Secretary/CFO signoff in writing.

Business Risks

Evaluate adequacy of business risk management controls;

Review reports provided by management regarding key business risks, their mitigation and monitoring;

Evaluate adequacy and effectiveness of the Company's administrative, operating and accounting policies;

Review and monitor related party transactions;

Evaluate the group's exposure to fraud; and

Evaluate the structure and adequacy of the group's insurances on an annual basis.

Compliance

Evaluate procedure in place to ensure complies with all legal and regulatory requirements;

Evaluate effectiveness and timeliness of management reporting and control systems; and

Monitor effectiveness and assurance that continuous disclosure requirements are met.

Other

Monitor the group's system of corporate governance.

The Committee will not have any executive powers with regard to its findings and recommendations.

The Committee may seek any information it considers necessary to carry out its duties from external auditors (without management present) and internal management.

The number of Committee meetings and attendance details are set out in the Directors' report.

The Committee will consist of at least two Directors, both of whom must be independent. Members of the Committee will be appointed for an initial term of three years after which their appointment may be subject to annual rotation.

Members of the Committee will all have a working familiarity with basic finance and accounting practices. At least one member should have accounting or related financial management expertise.

Greencross Limited ABN 58 119 778 862 and Controlled Entities

The Chairperson of the Committee will be a non-executive Director of Greencross and an independent director. The Chairperson of the Board will appoint the Chairperson of the Committee. Should the Chairperson be absent from a meeting, the members present will appoint a Chairperson for that meeting.

The members of the Audit Committee are:

J. David – Independent Non-Executive

G. Gaudet - Independent Non-Executive

The Committee will meet at least twice per year or additionally, as circumstances require. The Chairperson will call a meeting of the Committee if so requested by any Committee member, the Company Secretary/CFO, the external auditors or the Board. A quorum will consist of two members of the Committee.

The committee will, at least once per year, meet with the external auditors without management present.

In addition to the members of the Committee, the Chairperson of the Committee may invite Company Executives and/or external parties to attend meetings as they see fit.

Remuneration

Best practice recommendations issued by the ASX recommend a formal remuneration committee be established however given the size of our board remuneration policies are included in the charter of the board and is the responsibility of the board of Directors as stated previously.

Remuneration Policy

Non Executive Directors

The Company's non-executive Directors receive only fees (including statutory superannuation where applicable) for their services and the reimbursement of reasonable expenses. The fees are competitively set to attract and retain appropriately qualified and experienced Directors, and are in line with market standards.

The Directors fees available to non-executive Directors has been set at a maximum of \$400,000.

Executive Directors and Senior Executives

The Company's remuneration policy aims to ensure that remuneration rates across the Company are competitive, so that the Company is able to attract, motivate and retain high quality employees and motivate employees to achieve levels of performance necessary to create sustained growth and shareholder value.

The Managing Director/CEO, Executive Directors and other senior executives may at the board's discretion receive bonuses based on the achievement of specific goals related to their performance and the performance of the Company.

Nomination

Best practice recommendations issued by the ASX recommend a nomination committee be established however given the size of our board this is included in the charter of the board and the responsibilities of the board of Directors as stated previously.

Corporate Governance

This is included in the charter of the audit committee and the responsibilities of the audit committee as stated previously.

Risk Assessment & Management

This is included in the charter of the audit committee and the responsibilities of the audit committee as stated previously.

Share Trading

The Company has a policy that Directors, senior management and employees with price sensitive information must seek approval of the Chairperson or Managing Director/CEO before dealing or trading in Greencross Limited securities.

Continuous Disclosure

The Board understands and respects that prompt disclosure of price sensitive information is central to the efficient operation of the ASX's securities market and has adopted comprehensive policies covering matters such as the release of information to the public and analyst briefings. The Chairperson, Managing Director/CEO and Company Secretary/CFO have responsibility for overseeing and coordinating disclosure of information to the ASX.

Greencross Limited ABN 58 119 778 862 and Controlled Entities

Communications with Shareholders

The Company places considerable importance on effective communications with shareholders. Its communications strategy promotes the communication of information to shareholders through the distribution of financial reports, announcements through the ASX, media releases and addresses by the Chairperson and Managing Director/CEO at general meetings.

Conduct and Ethics

The Company's code of conduct requires that Directors and employees act with the highest level of integrity and in compliance with the letter and spirit of the law.

External Auditor

As part of the Company's commitment to safeguarding integrity in financial reporting, procedures and policies have been implemented to monitor the independence and performance of the Company's external auditors, William Buck Chartered Accountants.

To strengthen the external auditor's role and accountability to shareholders, the external auditor is invited to attend the Company's annual general meetings and be available to answer shareholder questions about the audit.