

# GREENCROSS LIMITED

AND CONTROLLED ENTITIES

ANNUAL REPORT 2008



ABN 58 119 778 862

## COMPANY INFORMATION

### ***GREENCROSS LIMITED***

ACN 119 778 862

#### **DIRECTORS**

Andrew Geddes - Chairperson

Glen Richards - Managing Director

John Odlum

Stephen Coles

Glenn Gaudet

Jeffrey David

#### **COMPANY SECRETARY**

Craig Chapman

#### **AUDITORS**

WHK Horwath

Level 16, WHK Horwath 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

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

***The Company's Veterinary Clinics and Animal Hospitals***

**BRISBANE**

<p><b>Greencross Forest Lake</b> 447 Waterford Road Ellen Grove QLD 4078 Phone: +61 7 3271 4755 Fax: +61 7 3879 3400 Email: <a href="mailto:greencross.forestlake@greencrossvet.com.au">greencross.forestlake@greencrossvet.com.au</a></p>	<p><b>Greencross Forest Lake Village</b> Shop 30, Forest Lake Village Forest lake QLD 4078 Phone: +61 7 3279 9155 Fax: +61 7 3278 8255 Email: <a href="mailto:greencross.forestlake@greencrossvet.com.au">greencross.forestlake@greencrossvet.com.au</a></p>	<p><b>Greencross Chermside</b> 380 Hamilton Road Chermside QLD 4032 Phone: +61 7 3350 1333 Fax: +61 7 3350 2769 Email: <a href="mailto:greencross.chermside@greencrossvet.com.au">greencross.chermside@greencrossvet.com.au</a></p>
<p><b>Greencross Kessels Road</b> Cnr Kessels Road &amp; Springfield Street MacGregor QLD 4109 Phone: +61 7 3347 3333 Fax: +61 7 3347 3334 Eail: <a href="mailto:greencross.kesselsroad@greencrossvet.com.au">greencross.kesselsroad@greencrossvet.com.au</a></p>	<p><b>Greencross Wishart Road</b> 224 Wishart Road Mt Gravatt QLD 4122 Phone: +61 7 3343 6399 Fax: +61 7 3216 8611 Email: <a href="mailto:greencross.wishartroad@greencrossvet.com.au">greencross.wishartroad@greencrossvet.com.au</a></p>	<p><b>Greencross Pets and Vets on the Lake</b> Shop 1/ 120 Woogaroo Street Forest Lake QLD 4078 Phone: +61 7 3278 8066 Fax: +61 7 3278 9191 Email: <a href="mailto:greencross.pets&amp;vets@greencrossvet.com.au">greencross.pets&amp;vets@greencrossvet.com.au</a></p>
<p><b>Greencross Jindalee</b> 111 Dandenong Road Mt Ommaney QLD 4074 Phone: +61 7 3279 2311 Fax: +61 7 3279 2334 Email: <a href="mailto:greencross.jindalee@greencrossvet.com.au">greencross.jindalee@greencrossvet.com.au</a></p>	<p><b>Greencross Sunnybank Hills</b> Pinelands Plaza, Beenleigh Road Sunnybank Hills QLD 4109 Phone: +61 7 3345 8066 Fax: +61 7 3344 3154 Email: <a href="mailto:greencross.sunnybankhills@greencrossvet.com.au">greencross.sunnybankhills@greencrossvet.com.au</a></p>	<p><b>Greencross Woolloongabba</b> 36 Balaclava Road Woolloongabba QLD 4102 Phone: +61 7 3891 5555 Fax: +61 7 3391 0465 Email: <a href="mailto:greencross.woolloongabba@greencrossvet.com.au">greencross.woolloongabba@greencrossvet.com.au</a></p>
<p><b>Greencross Moorooka</b> 111 Beaudesert Road Moorooka QLD 4105 Phone: +61 7 3892 1322 Fax: +61 7 3892 1552 Email: <a href="mailto:greencross.moorooka@greencrossvet.com.au">greencross.moorooka@greencrossvet.com.au</a></p>	<p><b>Greencross Camira</b> 281 Old Logan Road Camira QLD 4300 Phone: +61 7 3818 4111 Fax: +61 7 3818 3657 Email: <a href="mailto:greencross.camira@greencrossvet.com.au">greencross.camira@greencrossvet.com.au</a></p>	<p><b>Greencross Inala</b> Cnr Seviceton &amp; Duella Streets Inala QLD 4077 Phone: +61 7 3372 5700 Fax: +61 7 3372 5054 Email: <a href="mailto:greencross.inala@greencrossvet.com.au">greencross.inala@greencrossvet.com.au</a></p>
<p><b>Greencross Capalaba</b> 155 Old Cleveland Road Capalaba QLD 4122 Phone: +61 7 3390 3555 Fax: +61 7 3823 144 Email: <a href="mailto:greencross.capalaba@greencrossvet.com.au">greencross.capalaba@greencrossvet.com.au</a></p>	<p><b>Greencross Moreton</b> 346-348 Redbank Plains Road Redbank Plains QLD 4301 Phone: +61 7 3814 3333 Fax: +61 7 3814 3500 Email: <a href="mailto:greencross.moreton@greencrossvet.com.au">greencross.moreton@greencrossvet.com.au</a></p>	

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

**GOLD COAST**

<p><b>Greencross City Road</b> 69 City Road Beenleigh QLD 4207 Phone: +61 7 3287 2470 Fax: +61 7 3807 3588 Email: <a href="mailto:greencross.cityroad@greencrossvet.com.au">greencross.cityroad@greencrossvet.com.au</a></p>	<p><b>Greencross Highland Park</b> Highland Park Shopping Centre Alexander Drive Highland Park QLD 4211 Phone: +61 7 5574 9622 Fax: +61 7 5574 9855 Email: <a href="mailto:greencross.highlandpark@greencrossvet.com.au">greencross.highlandpark@greencrossvet.com.au</a></p>	<p><b>Greencross Mudgeeraba</b> Cnr Mudgeeraba &amp; Worongary Roads Mudgeeraba QLD 4213 Phone: +61 7 5530 5555 Fax: +61 7 5530 5668 Email: <a href="mailto:greencross.mudgeeraba@greencrossvet.com.au">greencross.mudgeeraba@greencrossvet.com.au</a></p>
<p><b>Greencross Nerang</b> 79 Price Street Nerang QLD 4211 Phone: +61 7 5596 4899 Fax: +61 7 5596 2241 Email: <a href="mailto:greencross.nerang@greencrossvet.com.au">greencross.nerang@greencrossvet.com.au</a></p>	<p><b>Greencross Oxenford</b> 1/145 Old Pacific Drive Oxenford QLD 4210 Phone: +61 7 5573 2670 Fax: +61 7 5573 0804 Email: <a href="mailto:greencross.oxenford@greencrossvet.com.au">greencross.oxenford@greencrossvet.com.au</a></p>	<p><b>Greencross Palm Beach</b> 46-48 Sixth Avenue Palm Beach QLD 4221 Phone: +61 7 5534 4688 Fax: +61 7 5534 4699 Email: <a href="mailto:greencross.palmbeach@greencrossvet.com.au">greencross.palmbeach@greencrossvet.com.au</a></p>
<p><b>Greencross Runaway Bay</b> Runaway Bay Shopping Centre Bayview Street Runaway Bay QLD 4216 Phone: +61 7 5537 3611 Fax: +61 7 5537 3409 Email: <a href="mailto:greencross.runawaybay@greencrossvet.com.au">greencross.runawaybay@greencrossvet.com.au</a></p>	<p><b>Greencross Southport</b> 168 Nerang Street Southport QLD 4215 Phone: +61 7 5531 2573 Fax: +61 7 5532 3611 Email: <a href="mailto:greencross.southport@greencrossvet.com.au">greencross.southport@greencrossvet.com.au</a></p>	<p><b>Greencross West Burleigh</b> 148 West Burleigh Road West Burleigh QLD 4219 Phone: +61 7 5535 9755 Fax: +61 7 5535 9761 Email: <a href="mailto:greencross.westburleigh@greencrossvet.com.au">greencross.westburleigh@greencrossvet.com.au</a></p>
<p><b>Greencross Surfers Paradise</b> 97 Bundall Road Bundall QLD 4217 Phone: +61 7 5538 9283 Fax: +61 7 5538 9283 Email: <a href="mailto:greencross.surfersparadise@greencrossvet.com.au">greencross.surfersparadise@greencrossvet.com.au</a></p>	<p><b>Greencross Ashmore</b> Shop 37/ 146 Cotlew Street Ashmore QLD 4214 Phone: +61 7 5539 2211 Fax: +61 7 5539 2211 Email: <a href="mailto:greencross.ashmore@greencrossvet.com.au">greencross.ashmore@greencrossvet.com.au</a></p>	<p><b>Greencross Helensvale</b> 102 Helensvale Road Helensvale QLD 4212 Phone: +61 7 5573 3355 Fax: +61 7 5573 3386 Email: <a href="mailto:greencross.helensvale@greencrossvet.com.au">greencross.helensvale@greencrossvet.com.au</a></p>

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

<p><b>Greencross Robina</b> Shop25 Robina Quays Shopping Centre Robina Parkway Robina QLD 42226 Phone: +61 7 5593 0300 Fax: +61 7 5578 7777 Email: <a href="mailto:greencross.robina@greencrossvet.com.au">greencross.robina@greencrossvet.com.au</a></p>	<p><b>Greencross Varsity Lakes</b> 221 Christine Avenue Varsity Lakes QLD 4226 Phone: +61 7 5520 6820 Fax: +61 7 5520 6810 Email: <a href="mailto:greencross.varsitylakes@greencrossvet.com.au">greencross.varsitylakes@greencrossvet.com.au</a></p>	<p><b>Gold Coast Animal Referral &amp; Emergency</b> Unit 4/ 75 Casua Drive Varsity Lakes QLD 4227 Phone: +61 7 5593 4544 Fax: +61 7 5593 4599 Email:</p>
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***NORTH QUEENSLAND***

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

***ADELAIDE***

<p><b>Adelaide Specialist Centre</b> 102-104 Magill Road Norwood SA 5067 Phone: +61 8 8132 0533 Fax: +61 8 8132 0633 Email: <a href="mailto:adelaide.specialist@greencrossvet.com.au">adelaide.specialist@greencrossvet.com.au</a></p>		
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**Greencross Limited ABN 58 119 778 862  
and Controlled Entities**

**VICTORIA**

<p><b>Greencross Ashburton</b> 428 Warrigal Road Ashburton VIC 3147 Phone: +61 3 9885 6224 Fax: +61 3 9885 8120 Email: <a href="mailto:greencross.studpark@greencrossvet.com.au">greencross.studpark@greencrossvet.com.au</a></p>	<p><b>Greencross Sandringham</b> 262 Bluff Road Sandringham VIC 3191 Phone: +61 3 9598 3621 Fax: +61 3 9521 9308 Email: <a href="mailto:greencross.sandringham@greencrossvet.com.au">greencross.sandringham@greencrossvet.com.au</a></p>	<p><b>Greencross Stud Park</b> 1103 Stud Road Rowville VIC 3178 Phone: +61 3 9763 6088 Fax: +61 3 9763 6055 Email: <a href="mailto:greencross.studpark@greencrossvet.com.au">greencross.studpark@greencrossvet.com.au</a></p>
<p><b>Greencross Ashwood</b> 509 Warrigal Road Ashwood VIC 3147 Phone: +61 3 9885 2255 Fax: +61 3 9885 2877 Email: <a href="mailto:greencross.ashwood@greencrossvet.com.au">greencross.ashwood@greencrossvet.com.au</a></p>		

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

**Financial Report for the Year Ended 30 June 2008**

**CHAIRMAN'S REPORT**

As you may be aware, Greencross Limited listed on 13 June, 2007, resulting in our first annual report covering only 18 days trading. This report covers our first full year's trading as a listed company. It gives me great pleasure to report that we have exceeded our prospectus targets for turnover and net profit in what has been a changing economic climate.

The highlights are summarised below:

- Operating Revenue was up 7.2% on our prospectus target to \$34.399 million.
- Net profit after tax was up 19.4% on our prospectus target to \$2.404 million.
- Earnings per share were up 17.3% on our prospectus target to 11.03 cents per share.

This is a good result given reduced consumer confidence and spending in some sectors since December, 2007, due to the credit crisis and increasing energy and fuel costs to consumers. The acquisition of six new businesses during the year assisted us in exceeding prospectus target by contributing positively to the result.

Management has successfully integrated our forty-one businesses into one company focussed on delivering exceptional veterinary medicine and levels of care for our Greencross patients. Professional development programmes have been implemented for veterinarians, nurses and support specialists. New marketing initiatives have been started with shareholder cards, RSPCA and client reminder systems. And development work continues with our integrated management reporting system.

Greencross plan to continue to grow into the future through a combination of organic growth and acquisitive growth.

Overall 2008 has been a year of consolidation and development of a consistent company wide operating platform.

We are confident moving into 2009 with July results being above budget.

I hope you will be able to attend our Annual General Meeting on October 31<sup>st</sup>.



Andrew Geddes.

Chairman

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

### **MANAGING DIRECTORS' REPORT**

Greencross Limited, in our first full year of operation, has established a network of veterinary practices with a team of vets and nurses that operate as a community. Our network has been supported by a dedicated management team that have laid the foundations to continue to deliver organic and acquisitive growth in 2009.

Despite the first year challenges of consolidating numerous small business entities, Greencross Limited has delivered an excellent financial result, exceeding prospectus forecasts. The first six months of the 2008 financial year were exceptionally buoyant, with each region delivering better than expected revenue and profit results. Generally weaker economic conditions from March to June, saw a reduction in our revenue growth from 8% back to 3.7%; at the same time, human resource market conditions saw general salaries and wages in the veterinary industry rising in line with a shortage of skilled personnel. This resulted in a short term reduction in profitability through the same period. Early indicative results for FY 2009 are very pleasing.

Greencross Limited is a human resource management company, with our core revenue stream coming from the sale of professional time. In line with developments in the United States, a key cultural initiative in 2009 is to create a remuneration system for our employees that link salaries with revenue; and by using "open book" management initiatives, to support a culture that each local practice develop into its own franchise unit with an understanding of revenue streams and cost structures.

Practice leaders, group directors and group coordinators have embraced many operational and administrative changes this year, and have to be congratulated and thanked for their tenacity and dedication in 2008. Some of the key operational highlights in FY 2008 include:

- Established the foundations for a responsive and efficient support office so that our practices focus on client and patient care and not administrative functions.
- Developed the Accreditation System for Greencross Practices.
- Developed financial controls, systems, and disciplines.
- Developed policy, systems and procedure to aid one company strategy.
- Upgraded facilities and equipment in many practices.
- Established key supplier relationships.
- Established centrally co-located computer server and rolled out a common software system across all practices.
- Expanded the Greencross veterinary nursing course in a joint venture relationship with Australian Agriculture Colleges Corporation to include Townsville, Brisbane and Gold Coast. Greencross now trains more veterinary nurses than any other Queensland organisation.
- Developed the career map and expanded our internal continuing education programs for Greencross Veterinarians and Nurses.
- Established an internal communication system across all practices.
- Established monthly key performance indicators and reports for all practices along the lines of "Open Book" management and balanced scorecard principles.
- Established a strong relationship with University of Queensland by offering the Greencross "Fit for Practice" Elective for final year students.
- Established a support agreement with the RSPCA which includes all pets adopted from the RSPCA being referred to Greencross Practices for follow up examinations and owner education.

In summary we are pleased with management strategies to date that ensured good organic growth in our practices, that embraced our teams with education and career opportunities, that ensured our clients and patients are the focus for our localities and that have ensured our culture, our systems, and our people are aligned to delivering exceptional service and best standards of care.

On the acquisitions front, we had 6 practices join the Greencross Group. Greencross approach to acquisitions is to ensure that we do not overpay for practices and that we buy practices that compliment our current network. Our acquisitions must be easy to manage going forward, must grow earnings per share, and create shareholder value. Now that foundations are in place with a responsive and efficient Support Office, we will see strategic acquisitions increase, and clusters forming in new regions in 2009.



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

**MANAGING DIRECTORS' REPORT**

Our key strategic focus areas for 2009 include:

- Professionalism: Ensuring that our practices look and feel professional with facilities, equipment, and people capable of delivering high end veterinary care.
- Brand development: Signage and branding on all our general practices, and then communicate our quality position locally and regionally to pet owners.
- Leverage Professional Time: Utilise our nurse support teams more effectively to ensure our veterinarians are more engaged with clients and patients, and ultimately more effective and productive in our practices.
- "Franchise" culture: Allow our teams to develop autonomous workplaces that operate as independent business units yet are integrated in the Greencross community and supported by Greencross with clear guidelines and expectation for clinical and financial performance.
- Develop Sustainable Remuneration and Reward Systems: Employees see a long term career at Greencross, with pay, conditions, education, non-financial and financial programs all nurturing an "ownership" culture which ultimately links performance of our practices with a remuneration system.

FY2008 has been a year of consolidation, a year of creating a solid base and establishing a culture and a community in the Greencross group. In FY2009 we will continue to grow Greencross organically through development of our people, investment in facilities and equipment, and through local and regional marketing initiatives. Acquisitive growth will continue through seeking out strategic animal hospitals. Greencross's ultimate vision is to be the practice and business of choice for our employees, clients, patients, and shareholders. Our strategic plan and execution will see organic and acquisitive expansion to realise that vision.

A handwritten signature in black ink, reading "Glen Richards". The signature is fluid and cursive, with a long horizontal flourish extending 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 2008.

**Directors**

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

A. W. Geddes	Non-Executive Chairperson
G. F. Richards	Managing Director
J. David	Non-Executive
G. S. Gaudet	Non-Executive
J. D. Odlum	Executive
S. V. Coles	Executive

**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.

As well as being the Chairman of the company, Andrew is also a member of the Remuneration Committee and is responsible for driving risk and compliance issues.

**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. He currently serves as a director of Lyppard Australia Pty Ltd, one of the largest wholesalers of veterinary and pet products in Australia, and Petbarn Pty Ltd, a retailer of pet food and accessories throughout Australia and New Zealand.

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

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

**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.

Glenn is the Chairman of the Audit Committee and a member of the Board's Remuneration Committee.

**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.

Jeff is the Chairman of the Remuneration Committee and a member of the Board's Audit Committee.

**Company Secretary**

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

C. G. Chapman

**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.

He is also a director of 6 Octaviar Limited subsidiaries, a director of Ausarc Limited, Global Voyager Pty Ltd and Global Voyager Holdings Pty Ltd.

He 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. There were no changes to the principle activities of the Greencross group during the financial year under review.

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

### **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 40 practices around Australia.

Greencross achieved a net profit after tax of \$2.404m for the financial year ended 30 June 2008.

Revenue for the period under review was \$34.687m. Basic earnings per share was 11.03 cents, while diluted earnings per share was 10.83 cents.

The Board has not declared a dividend due to cash flow requirements for deferred settlements and proposed acquisitions.

Greencross continued its successful growth strategy through the acquisition of 5 veterinary practices and an interest in an emergency and specialist centre.

A key focus on the 2008 financial year was the integration of all acquisitions made in the previous year, particularly the selection and establishment of the IT platform to ensure that we have daily visibility to all practices around Australia.

To support ongoing expansion, Greencross also bolstered its management structure in 2008 with the appointment of Michael Woodcock (Veterinary Clinical Director), Geoff Wilson (Veterinary Clinical/ Acquisition Director) and Wesley Coote (Financial Controller).

Greencross employs around 400 staff Australia wide. The company continues to grow and work towards the stated vision of being a best practice provider of veterinary services.

Greencross's outlook for 2008/09 remains favourable with proposed acquisitions and expansion opportunities.

### **Operational Highlights**

The consolidated entity successfully acquired and integrated 5 veterinary practices around Australia during the year ended 30 June 2008.

### **Events Subsequent to Reporting Date**

On 1 July 2008, settlement of the Anvet Ashwood practices occurred. The consideration for this acquisition was made up of \$480,000 cash (cash reserves & additional debt) and \$320,000 worth of Greencross shares (100% held in escrow for 13 months) issued at a 5 day VWAP of \$0.98567.

On 2 July 2008, settlement of Moreton and Pets and Vets on the Lake practices occurred. The consideration for this acquisition was made up of \$1,181,000 cash (cash reserves & additional debt) and \$295,000 worth of Greencross shares (6.5% held in escrow for 12 months issued at a 5 day VWAP of \$0.98567 and 93.5% to be issued in 14 months time at the 5 day VWAP at the date of final settlement, adjusting for any performance clawback).

On 8 July 2008, 119,853 shares were issued under the Employee Share Plan at the 5 day VWAP of \$1.09.

On 10 July 2008, 295,000 options were issued under the Senior Management Option Plan. The options are exercisable at \$1.40 and expire on 10 July 2013. The options will vest as follows:

- 1/3 on 10 July 2009;
- 1/3 on 10 July 2010; and
- 1/3 on 10 July 2011.

### **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.

### **Significant Changes in State of Affairs**

Other than detailed elsewhere, there have been no significant changes in the state of affairs of the consolidated entity since 30 June 2007.

### **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.

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

**Directors Meetings**

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

Name of Director	Board of Directors		Audit Committee		Remuneration Committee	
	A	B	A	B	A	B
A. W. Geddes	12	12	#	#	#	#
G. F. Richards	12	12	#	#	#	#
J. David	12	11	2	1	2	1
G. S. Gaudet	12	11	2	2	2	2
J. D. Odlum	12	11	#	#	#	#
S. V. Coles	12	11	#	#	#	#

# = Not a member of this committee

A = Number of meetings held during the time the director held office during the year or was a committee member.

B = Number of meetings attended

**Interests 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	417,500
J. David	23,000	-
G. Gaudet	1,780,002	417,500
J. D. Odlum	2,100,234	208,750
S. V. Coles	1,380,000	417,500

Note: These did not form part of emoluments.

**REMUNERATION REPORT (AUDITED)**

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

**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 Remuneration Committee reviews and makes recommendations to the board 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.

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

### **Employment Agreements**

Employment Agreements have been entered into with Executive Directors and Senior Executives. The agreements contain remuneration, performance and confidentiality obligations on the part of both the employer and employee.

The Executives covenant that during the term of employment and for up to 12 months after termination they will not solicit any client or employee of the company.

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.

### **Non- Executive Directors**

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. The fees paid to Non-Executive Directors include compulsory superannuation contributions.

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. Furthermore, Non-Executive Directors do not participate in equity plans of the Company and do not receive retirement benefits.

### **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, with the exception of CFO and Company Secretary, Craig Chapman who changed to part-time during the year.

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.

### **Employee Share Plan ("ESP")**

Shares are issued under the ESP in accordance with thresholds set out in plans (to be approved by shareholders at the 2008 AGM). It provides employees with the opportunity to acquire shares in the Company for no consideration as a bonus component of their remuneration. Employees with 12 months service or greater and work full-time are entitled to \$1,000 of shares each year and part-time employees are entitled to a prorate amount based on the number of hours worked. Shares issued under ESP rank equally with other full paid ordinary shares from the date of issue.

Shares are issued in the name of the participating employee and are subject to a restriction period. The shares are restricted under the plan until the earlier of 3 years from the date of acquisition or the date they cease to be an employee. Once the restriction period is lifted the shares can be traded as fully paid ordinary shares. The ESP has no conditions that could result in the recipient forfeiting ownership of shares.

The ESP complies with current Australian Taxation Legislation, enabling Australian resident employees to have up to \$1,000 of shares, in respect of employee share scheme, excluded from their assessable income.

The shares are issued at the weighted average price over the 5 trading days prior to the date of the issue to employees.

No shares were issued under this plan during the year.

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

**Senior Management Options Plan (“SMOP”)**

The SMOP is designed to reward strong performance by individuals within Greencross. Options are issued under the SMOP in accordance with thresholds set out in plans (to be approved by shareholders at the 2008 AGM) and it provides certain employees (as determined by the Managing Director and Remuneration Committee) with the opportunity to acquire shares in the Company, or rights to acquire shares in the Company. The plan operates by granting an option to employees to purchase a prescribed number of shares at a pre-determined time in the future.

Each option is convertible to one ordinary share. The exercise price of the options, determined in accordance with the rules of the plan, is based on the weighted average price of the Company’s shares traded during the 5 days preceding the date of offering the option.

No options were issued under this plan during the year.

Details of the nature and amount of each major element of the emoluments of each of the directors and 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**

**2008**

Directors	Short Term			Post Employment	Long Term	Total
	Salaries & Fees	Non-Monetary Benefits	Total	Superannuation	Long Service Leave	
Andrew Geddes	45,873	-	45,873	4,127	-	50,000
Jeffrey David	22,019	-	22,019	1,981	-	24,000
Glenn Gaudet	22,019	-	22,019	1,981	-	24,000
Glen Richards	179,999	-	179,999	16,138	3,091	199,228
John Odum	79,999	-	79,999	97,000	2,492	179,491
Stephen Coles	95,360	-	95,360	8,582	1,707	105,649
<b>Executives and Key Management</b>						
Craig Chapman (part-time from May 2008)	112,489	-	112,489	11,364	2,139	125,992
Keith Knight	95,997	-	95,997	8,640	2,092	106,729
Wesley Coote (since April 2008)	21,923	-	21,923	1,973	585	24,481
Michael Woodcock	137,877	-	137,877	10,295	1,965	150,137
Geoff Wilson (since June 2008)	7,287	-	7,287	656	347	8,290
<b>TOTAL</b>	<b>820,842</b>	<b>-</b>	<b>820,842</b>	<b>162,737</b>	<b>14,418</b>	<b>997,997</b>

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

**2007**

<b>Directors</b>	Salaries & Fees	Short Term	Total	Post Employment	Long Term	Total
		Non-Monetary Benefits		Superannuation	Long Service Leave	
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
<b>Executives and Key Management</b>						
Craig Chapman	5,938	-	5,938	406	-	6,344
Keith Knight	3,846	-	3,846	346	-	4,192
<b>TOTAL</b>	<b>23,438</b>	<b>-</b>	<b>23,438</b>	<b>4,914</b>	<b>-</b>	<b>28,352</b>

**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 24.

**Non-audit services**

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

Details of the amounts paid or payable to the auditor for non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with advice received from the Audit Committee, is satisfied that the provisions of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditors independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity:

	<b>2008</b>	<b>2007</b>
Taxation Compliance Services	29,150	-

**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 2008. WHK Horwath continues in office in accordance with section 327 of the *Corps Act 2001*.



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

**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

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

Glen Richards  
Managing Director


Brisbane  
29 August 2008

**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 2008 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.

WHK Horwath



R.Q. Cole

Principal

Brisbane, 29 August 2008

**Liability limited by a scheme approved under professional standards legislation**

*Total Financial Solutions*

**Member Horwath International**

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A WHK Group firm

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

**INCOME STATEMENT FOR YEAR ENDED 30 JUNE 2008**

	Note	Consolidated Entity		Parent Entity	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
Revenue	2	34,399	1,542	23,317	1,040
Other income	2	288	26	283	26
<b>Total Revenue</b>		<b>34,687</b>	<b>1,568</b>	<b>23,600</b>	<b>1,066</b>
Cost of sales		10,613	379	6,657	305
Bank and credit card charges		189	1	135	1
Communications and technology		285	32	187	32
Depreciation		404	22	247	11
Payroll costs		14,274	614	10,492	439
Employee benefits		221	153	167	145
External contracting, consulting and professional fees		11	14	4	16
Finance costs	3	1,042	33	1,039	33
Advertising		319	9	257	9
Insurance		71	5	55	5
Occupancy		2,716	122	1,883	89
Printing, postage and distribution		298	5	242	3
Equipment		21	11	12	1
Share of net loss of associates		3	-	-	-
Other expenses		702	13	554	13
<b>Profit/(loss) before income tax</b>		<b>3,518</b>	<b>155</b>	<b>1,669</b>	<b>(36)</b>
Income tax expense	4	1,006	81	477	24
<b>Profit for the year</b>		<b>2,512</b>	<b>74</b>	<b>1,192</b>	<b>(60)</b>
Profit attributable to minority interest		(108)	(9)	-	-
<b>Profit attributable to equity holders of the parent entity</b>		<b>2,404</b>	<b>65</b>	<b>1,192</b>	<b>(60)</b>
Basic earnings per share (cents per share)	7	11.03	6.45		
Diluted earnings per share (cents per share)	7	10.83	6.42		

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

**BALANCE SHEET AS AT 30 JUNE 2008**

	Note	Consolidated Entity		Parent Entity	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	8	2,487	2,705	2,311	2,595
Trade and other receivables	9	607	378	689	254
Inventories	10	1,194	1,307	830	831
Other current assets	15	1,813	207	2,027	212
<b>TOTAL CURRENT ASSETS</b>		<b>6,101</b>	<b>4,597</b>	<b>5,857</b>	<b>3,892</b>
<b>NON-CURRENT ASSETS</b>					
Other financial assets	11	-	-	6,649	6,296
Equity accounted investment	12	89	-	-	-
Property, plant and equipment	13	3,927	2,309	2,557	1,192
Intangible assets	14	30,118	24,629	24,868	19,647
Deferred tax assets	18	823	827	802	827
<b>TOTAL NON-CURRENT ASSETS</b>		<b>34,957</b>	<b>27,765</b>	<b>34,876</b>	<b>27,962</b>
<b>TOTAL ASSETS</b>		<b>41,058</b>	<b>32,362</b>	<b>40,733</b>	<b>31,854</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	16	4,431	5,083	5,890	4,511
Short-term borrowings	17	226	52	56	434
Current tax liabilities	18	1,006	-	912	-
Short-term provisions	19	704	407	686	320
<b>TOTAL CURRENT LIABILITIES</b>		<b>6,367</b>	<b>5,542</b>	<b>7,544</b>	<b>5,265</b>
<b>NON-CURRENT LIABILITIES</b>					
Trade and other payables	16	2,348	3,121	2,348	3,121
Long-term borrowings	17	13,253	8,545	13,213	8,500
Deferred tax liabilities	18	118	126	114	126
Other long-term provisions	19	118	187	105	135
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>15,837</b>	<b>11,979</b>	<b>15,780</b>	<b>11,882</b>
<b>TOTAL LIABILITIES</b>		<b>22,204</b>	<b>17,521</b>	<b>23,324</b>	<b>17,147</b>
<b>NET ASSETS</b>		<b>18,854</b>	<b>14,841</b>	<b>17,409</b>	<b>14,707</b>

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

**BALANCE SHEET AS AT 30 JUNE 2008**

	Note	Consolidated Entity		Parent Entity	
		2008	2007	2008	2007
		\$000	\$000	\$000	\$000
EQUITY					
Issued capital	20	16,277	14,767	16,277	14,767
Retained earnings		2,469	65	1,132	(60)
Parent interest		18,746	14,832	17,409	14,707
Minority interest		108	9	-	-
<b>TOTAL EQUITY</b>		<b>18,854</b>	<b>14,841</b>	<b>17,409</b>	<b>14,707</b>

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

**STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2008**

***Consolidated Entity***

	<b>Issued Capital</b>	<b>Retained Earnings</b>	<b>Total</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Balance at 1 July 2006</b>	-	-	-
Shares and options issued	16,193		16,193
Profit for the year	-	74	74
Share Issue costs	(1,426)	-	(1,426)
<b>Balance at 30 June 2007</b>	<b>14,767</b>	<b>74</b>	<b>14,841</b>
Shares and options issued	1,526	-	1,526
Profit for the year	-	2,512	2,512
Distribution to minority interest	-	(9)	(9)
Share Issue costs	(16)	-	(16)
<b>Balance at 30 June 2008</b>	<b>16,277</b>	<b>2,577</b>	<b>18,854</b>

***Parent Entity***

	<b>Issued Capital</b>	<b>Retained Earnings</b>	<b>Total</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Balance at 1 July 2006</b>	-	-	-
Shares issued	16,193	-	16,193
Profit for the year	-	(60)	(60)
Share Issue costs	(1,426)		(1,426)
<b>Balance at 30 June 2007</b>	<b>14,767</b>	<b>(60)</b>	<b>14,707</b>
Shares issued	1,526	-	1,526
Profit for the year	-	1,192	1,192
Share Issue costs	(16)	-	(16)
<b>Balance at 30 June 2008</b>	<b>16,277</b>	<b>1,132</b>	<b>17,409</b>

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

**CASH FLOW STATEMENT FOR YEAR ENDED 30 JUNE 2008**

	Note	Consolidated Entity		Parent Entity	
		2008	2007	2008	2007
		\$000	\$000	\$000	\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers		37,402	1,797	26,216	1,132
Payments to suppliers and employees		(31,118)	(1,048)	(20,424)	(433)
Interest received		288	26	283	26
Finance costs		(796)	(161)	(790)	(161)
Tax paid		(128)	-	(128)	-
Net cash provided by operating activities	23a	5,648	614	5,157	564
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment		(1,149)	(75)	(1,047)	(74)
Payments for deferred settlements		(2,918)	-	(2,918)	-
Deposit for businesses, subsidiaries		(1,657)	-	(1,657)	-
Payments for intangibles		(388)	-	-	-
Payments for investments		(92)	-	(362)	-
Payment for businesses, subsidiaries, net of cash acquired	23b	(4,211)	(16,835)	(4,211)	(16,896)
Net cash used in investing activities		(10,415)	(16,910)	(10,195)	(16,970)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issue of shares		-	11,710	-	11,710
Net proceeds from borrowings		4,565	8,500	4,770	8,500
Share issue transaction costs		(16)	(1,209)	(16)	(1,209)
Net cash provided by financing activities		4,549	19,001	4,754	19,001
Net increase(decrease) in cash held		(218)	2,705	(284)	2,595
Cash at beginning of financial year		2,705	-	2,595	-
Cash at end of financial year	8	2,487	2,705	2,311	2,595

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**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 (IFRS) in their entirety, which ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS).

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 27 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-



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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

assessable or disallowed items. It is calculated using the tax rates that have been enacted or are 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 formed an income tax consolidated group under the tax consolidation regime commencing 1 July 2007. For the year ended 30 June 2008 all 100% owned entities in the consolidated entity formed part of a tax consolidated group.

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

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivables from or payable to other entities in the 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

**Greencross Limited ABN 58 119 778 862  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

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.

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

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
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.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

**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**

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.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

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 368.

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.

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

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

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

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

o. **Borrowing Costs**

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

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

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

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 commenced trading for 13 June 2007 and as such the comparative figures included in the financial report are representative of 18 days trading only.

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 29 August 2008.

**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 2008. 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.

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.

**Greencross Limited ABN 58 119 778 862  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	Consolidated Entity		Parent Entity	
<b>NOTE 2: REVENUE</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Operating activities:				
sale of goods	34,399	1,542	23,317	1,040
Non-operating activities:				
Interest received – other persons	288	26	283	26
<b>NOTE 3: PROFIT FOR THE YEAR</b>				
<b>Expenses</b>				
Finance costs:				
Interest - other persons	793	33	793	33
Interest – Deferred Settlements	246	-	246	-
Total finance costs	1,042	33	1,039	33
Operating lease payments	2,074	109	1,466	87
Superannuation expense	1,058	43	778	32
<b>NOTE 4: INCOME TAX EXPENSE</b>				
a. The components of tax expense comprise:				
Current tax	1,006	81	477	24
Deferred tax	-	-	-	-
	1,006	81	477	24
b. The prima facie tax on profit before income tax is reconciled to the income tax as follows:				
Prima facie tax payable on profit before income tax at 30% (2007: 30%)	1,055	46	501	(11)
Add/(subtract):				
Tax effect of:				
Tax losses recouped	(48)	-	(89)	-
non-deductible/ (assessable)	(1)	35	65	35
Income tax attributable to entity	1,006	81	477	24

**Greencross Limited ABN 58 119 778 862  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	Consolidated Entity		Parent Entity	
<b>Note 4: INCOME TAX EXPENSE (CONT'D)</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
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 the payment of provision for income tax.			1,361	227

**NOTE 5: SHARES AND OPTIONS HELD BY KEY MANAGEMENT PERSONNEL**

- 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</i>
G. Gaudet	<i>Non-Executive Director</i>
J. David	<i>Non-Executive Director</i>
G. F. Richards	<i>Managing Director</i>
J. D. Odium	<i>Executive Director</i>
S. V. Coles	<i>Executive Director</i>

**Executives**

C. G. Chapman	<i>Chief Financial Officer &amp; Company Secretary</i>
K. E. Knight	<i>Veterinary Clinical Director</i>
W.J. Coote	<i>Financial Controller (Appointed 4 April 2008)</i>
M. Woodcock	<i>Veterinary Clinical Director (1 July 2008)</i>
G. Wilson	<i>Veterinary Clinical/ Acquisition Director (Appointed 31 May 2008)</i>

**Greencross Limited ABN 58 119 778 862  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

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

**b. Options and Rights Holdings**

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

	Balance 1 July 2007	Issued as purchase consideration	Issued for services rendered	Options Exercised	Transferred	Balance vested and not exercisable 30 June 2008
<u>Directors</u>	No.	No.	No.	No.	No.	No.
G. F. Richards	500,000	-	-	-	(82,500)	417,500
G. Gaudet	500,000	-	-	-	(82,500)	417,500
J. D. Odium	250,000	-	-	-	(41,250)	208,750
S. V. Coles	500,000	-	-	-	(82,500)	417,500
<u>Executives</u>						
C.G. Chapman	-	-	-	-	330,000	330,000
K. E. Knight	250,000	-	-	-	(41,250)	208,750
<b>Total</b>	<b>2,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,000,000</b>

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

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

	Balance 1 July 2007	Issued as purchase consideration	Purchases	Transfer between Shareholder	Sales	Balance 30 June 2008
<u>Directors</u>	No.	No.	No.	No.	No.	No.
A. W. Geddes	200,000	-	-	-	-	200,000
G. F. Richards	2,739,824	-	-	-	-	2,739,824
J. David	23,000	-	-	-	-	23,000
G. Gaudet	1,780,002	-	-	-	-	1,780,002
J. D. Odium	2,130,468	-	170,000	(200,234)	-	2,100,234
S. V. Coles	1,380,000	-	-	-	-	1,380,000
<u>Executives</u>						
C. G. Chapman	600,000	-	1,500	-	-	601,500
K. E. Knight	1,100,000	-	150,000	200,234	-	1,450,234
G. Wilson	-	810,106	-	-	-	810,106
<b>Total</b>	<b>9,953,294</b>	<b>810,106</b>	<b>321,500</b>	<b>-</b>	<b>-</b>	<b>11,084,900</b>

**NOTE 6: AUDITORS' REMUNERATION**

	Consolidated Entity		Parent Entity	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Remuneration of the auditor of the parent entity for:				
auditing or reviewing the financial report	65	33	65	33
Taxation compliance services	29	-	29	-
	<b>94</b>	<b>33</b>	<b>94</b>	<b>33</b>



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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**NOTE 7: EARNINGS PER SHARE**

	<b>Consolidated Entity</b>	
	<b>2008</b>	<b>2007</b>
<b>Basic earnings per share</b>		
The calculation of basis earnings per share at 30 June 2008 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2008:		
<b>Profit attributable to ordinary shareholders</b>	<b>2,404,000</b>	<b>65,000</b>
<b>Weighted average number of ordinary shares</b>		
Issued ordinary shares at 1 July	21,530,294	-
Effect of shares issued for cash consideration	-	841,594
Effect of shares issued for services	-	149,931
Effect of shares issued for acquisitions	251,340	14,011
<b>Weighted average number of ordinary shares at 30 June</b>	<b><u>21,781,634</u></b>	<b><u>1,005,536</u></b>

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

**Diluted earnings per share**

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

<b>Profit attributable to ordinary shareholders (basic)</b>	2,404,000	65,000
<b>Profit attributable to ordinary shareholders (diluted)</b>	2,404,000	65,000
<b>Weighted average number of ordinary shares (diluted)</b>		
Weighted average number of ordinary share at 30 June	21,781,634	1,005,536
Effect of share options on issue	400,000	2,354
<b>Weighted average number of ordinary shares (diluted) at 30 June</b>	<b><u>22,181,634</u></b>	<b><u>1,007,890</u></b>

The 2,000,000 options issued during the 2007 financial year and still on issue as at 30 June 2008 are included in the calculation of diluted earnings per share to the extent which they are dilutive.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**NOTE 8: CASH AND CASH EQUIVALENTS**

	<b>Consolidated Entity</b>		<b>Parent Entity</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Cash at bank and in hand	2,487	2,705	2,311	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	2,487	2,705	2,311	2,595
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**NOTE 9: TRADE AND OTHER RECEIVABLES**

**CURRENT**

Trade receivables	581	169	453	99
Less: Provision for Doubtful Debts	(27)	-	(18)	-
Other receivables	53	194	53	140
	<u>607</u>	<u>363</u>	<u>488</u>	<u>239</u>

Other receivables

Amounts receivable from:

Controlled entities	-	15	201	15
	<u>607</u>	<u>378</u>	<u>689</u>	<u>254</u>

**NOTE 10: INVENTORIES**

**CURRENT**

At cost	1,194	1,307	830	831
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**NOTE 11: OTHER FINANCIAL ASSETS**

**NON CURRENT**

Investments in controlled entities	-	-	6,649	6,296
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**Greencross Limited ABN 58 119 778 862  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**Note 12: INVESTMENTS ACCOUNTED FOR  
USING THE EQUITY METHOD**

	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
<b>NON CURRENT</b>				
Shares in associates	89	-	-	-

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost in the parent entity

	2008	2007
	\$000	\$000
(a) Movements in carrying amounts		
Carrying amount at the beginning of the financial year	-	-
Acquisitions	92	-
Share of loss after tax	(3)	-
Carrying amount at the end of the financial year	89	-

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

	Ownership Interest	Assets	Liabilities	Revenue	Loss
<b>2008</b>	%	\$000	\$000	\$000	\$000
Gold Coast Animal Referral and Emergency	30%	94	104	512	(3)

The above associate is incorporated in Australia

**Note 13: PROPERTY, PLANT & EQUIPMENT**

**PLANT AND EQUIPMENT**

Plant and equipment:

At cost	4,155	2,484	2,677	1,203
Accumulated depreciation	(616)	(238)	(241)	(11)
	3,539	2,246	2,436	1,192

Plant and equipment under finance lease:

At cost	428	119	138	-
Accumulated amortisation	(40)	(56)	(17)	-
	388	63	121	-
	3,927	2,309	2,557	1,192

**Greencross Limited ABN 58 119 778 862  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	Consolidated Entity		Parent Entity	
<b>NOTE 13: PROPERTY, PLANT &amp; EQUIPMENT (CONT'D)</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>

**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	2,309	-	1,192	-
Additions	1,457	75	1,047	74
Disposals	-	-	-	-
Additions through acquisition of entity	565	2,256	565	1,129
Depreciation and amortisation	(404)	(22)	(247)	(11)
Carrying amount at the end of year	3,927	2,309	2,557	1,192

**NOTE 14: INTANGIBLE ASSETS**

**Goodwill**

Cost	30,118	24,629	24,868	19,647
Accumulated impairment losses	-	-	-	-
Net carrying value	30,118	24,629	24,868	19,647
Total intangibles	30,118	24,629	24,868	19,647

**Goodwill**

Balance at the beginning of year	24,629	-	19,647	-
Acquisitions through business combinations – current year	5,101	24,629	4,835	19,647
Acquisitions through business combinations – prior year	388	-	386	-
Closing value at 30 June 2008	30,118	24,629	24,868	19,647

**Impairment Disclosures**

Goodwill is allocated to cash-generating units, which are based on the group's geographical regions as follows:

- East Brisbane	3,922	3,872	3,113	3,628
- West Brisbane	3,687	3,640	2,333	2,931
- Gold Coast	12,613	7,262	12,018	5,684
- Townsville	2,485	2,453	-	-
- Melbourne	7,411	7,402	7,404	7,404
Total	30,118	24,629	24,868	19,647

**Greencross Limited ABN 58 119 778 862  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**NOTE 14: INTANGIBLE ASSETS (CONT'D)**

The majority of the practices were acquired in June 2007 and all practices are grouped into five (5) separate cash generating units on the basis of their geographical location. Goodwill is not monitored at the individual practice level as synergies are expected across all practices within the geographical locations.

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

Period of cash flows: 5 years

Growth rate during the forecast period: 3%

Pre-tax discount rate of 13.1% based on a weighted average cost of capital of 9.1%

	<b>Consolidated Entity</b>		<b>Parent Entity</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>NOTE 15: OTHER ASSETS</b>				
CURRENT				
Prepayments	156	207	370	212
Other Current Assets	1,657	-	1,657	-
Total Other Current Assets	1,813	207	2,027	212

**NOTE 16: TRADE AND OTHER PAYABLES**

CURRENT

Unsecured liabilities

Trade payables 1,821 1,997 1,725 1,583

Sundry payables and accrued expenses 1,590 158 1,551 -

Amounts payable to controlled entities - - 1,594 -

Liability to settle acquired entities 1,020 2,928 1,020 2,928

**4,431** **5,083** **5,890** **4,511**

NON-CURRENT

Unsecured liabilities

Liability to settle acquired entities 2,348 3,121 2,348 3,121

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

**NOTE 17: BORROWINGS**

CURRENT

Unsecured liabilities

Unsecured Loans 37 28 - -

Non trade payables due to controlled entities - - - 434

**37** **28** **-** **434**

**Greencross Limited ABN 58 119 778 862  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

		Consolidated Entity		Parent Entity	
		2008	2007	2008	2007
		\$000	\$000	\$000	\$000
<b>NOTE 17: BORROWINGS (CONT'D)</b>					
Secured liabilities					
Lease liability	21a	189	24	56	-
		226	52	56	434
<b>NON-CURRENT</b>					
Secured liabilities					
Bank loans		13,187	8,500	13,187	8,500
Lease liability	21a	66	45	26	-
		13,253	8,545	13,213	8,500
a. Total current and non-current secured liabilities:					
Bank loan		13,187	8,500	13,187	8,500
Lease liability		255	69	82	-
		13,442	8,569	13,269	8,500
b. Details of security are:					
- Fixed and Floating Charge over the consolidated entity					
- 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 \$22,800,000 given by controlled entities					
<b>NOTE 18: TAX ASSETS AND LIABILITIES</b>					
a. <b>Liabilities</b>					
CURRENT					
Income Tax		1,006	-	912	-
NON-CURRENT					
Deferred tax liability comprises:					
Deferred consideration		52	126	52	126
Cost base differences		66	-	62	-
Total		118	126	114	126
b. <b>Assets</b>					
Deferred tax assets comprise:					
Employee provisions		246	177	237	136
Transaction costs on equity issue		361	476	361	476
Cost base differences		126	126	126	126
Temporary difference other		90	-	78	-
Tax losses		-	48	-	89
		823	827	802	827

**Greencross Limited ABN 58 119 778 862  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

<b>NOTE 18: Tax ASSETS AND LIABILITIES (CONT'D)</b>	<b>Consolidated Entity</b>		<b>Parent Entity</b>	
	<b>2008 \$000</b>	<b>2007 \$000</b>	<b>2008 \$000</b>	<b>2007 \$000</b>
<b>c. Reconciliations</b>				
<b>i. Deferred Tax Liability</b>				
The movement in deferred tax liability for each temporary difference during the year is as follows:				
Deferred consideration				
Opening balance	126	-	126	-
Charged to the income statement	(74)	126	(74)	126
Closing balance	52	126	52	126
Cost based differences				
Opening balance	-	-	-	-
Acquired balance	-	-	-	-
Credited/(charged) to the income statement	66	-	62	-
Closing balance	66	-	62	-
<b>ii. Deferred Tax Assets</b>				
The movement in deferred tax assets for each temporary difference during the year is as follows:				
Provisions				
Opening balance	177	-	136	-
Acquired balance	22	170	22	114
Credited to the income statement	47	7	79	22
Closing balance	246	177	237	136
Transaction costs on equity issue				
Opening balance	476	-	476	-
Acquired balance	-	-	-	-
Credited directly to equity	(115)	476	(115)	476
Closing balance	361	476	361	476

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

<b>NOTE 18: Tax ASSETS AND LIABILITIES (CONT'D)</b>	<b>Consolidated Entity</b>		<b>Parent Entity</b>	
	<b>2008 \$000</b>	<b>2007 \$000</b>	<b>2008 \$000</b>	<b>2007 \$000</b>
Cost based differences				
Opening balance	126	-	126	-
Acquired balance	-	-	-	-
Credited/(charged) to the income statement	-	126	-	126
Closing balance	126	126	126	126
Temporary Differences Other				
Opening balance	-	-	-	-
Acquired balance	-	-	-	-
Credited/(charged) to the income statement	90	-	78	-
Closing balance	90	-	78	-
Taxation losses				
Opening balance	48	-	89	-
Acquired balance	-	-	-	-
Credited/(charged) to the income statement	(48)	48	(89)	89
Closing balance	-	48	-	89

**NOTE 19: PROVISIONS**

<b>Consolidated Entity</b>	<b>Long-term</b>	<b>Short-term</b>	<b>Total</b>
	<b>Employee Benefits* \$000</b>	<b>Employee Benefits* \$000</b>	<b>\$000</b>
Opening balance at 1 July 2007	199	395	594
Additional provisions	5	396	401
Amounts used	-	(246)	(246)
Acquired balances	3	70	73
Unused amounts reversed	-	-	-
Balance at 30 June 2008	207	615	822

\* Includes current and non-current portions.

**Parent Entity**

Opening balance at 1 July 2007	147	308	455
Additional provisions	40	396	436
Amounts used	-	(173)	(173)



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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**NOTE 19: PROVISIONS (CONT'D)**

**Consolidated Entity**

	Long-term Employee Benefits*	Short-term Employee Benefits	Total
Acquired balances	3	70	73
Unused amounts reversed	-	-	-
Balance at 30 June 2008	190	601	791

\* Includes current and non-current portions.

**Analysis of Total Provisions**

	Consolidated Entity		Parent Entity	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Current	704	407	686	320
Non-current	118	187	105	135
	822	594	791	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.

**NOTE 20: ISSUED CAPITAL**

	Parent Entity		Parent Entity	
	2008 No.	2007 No.	2008 \$000	2007 \$000
a. <b>Ordinary shares</b>				
At the beginning of reporting period	21,530,294	-	14,110	-
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	1,206,004	3,210,292	1,526	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	-	-	(16)	(1,426)
At reporting date	22,736,298	21,530,294	15,620	14,110

\* \$115,000 was expensed in the prior year as the difference between the issue price and the fair value of the shares

**Greencross Limited ABN 58 119 778 862  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**NOTE 20: ISSUED CAPITAL (CONT'D)**

	Parent Entity		Parent Entity	
	2008	2007	2008	2007
	No.	No.	\$000	\$000
<b>b. Options</b>				
At the beginning of reporting period	2,000,000	-	657	-
Options issued during the year:				
Options issued for acquisitions at 32.86 cents per option (fair value at grant date)	-	1,500,000	-	493
Options issued for services at 32.86 cents per option (fair value at grant date)	-	500,000	-	164
Options outstanding and not exercisable at reporting date	2,000,000	2,000,000	657	657
<b>Total Issued Capital</b>			<b>16,277</b>	<b>14,767</b>

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.

**NOTE 21: CAPITAL AND LEASING COMMITMENTS**

	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
<b>a. Finance Lease Commitments</b>				
Payable — minimum lease payments:				
not later than 12 months	203	26	59	-
between 12 months and 5 years	68	54	27	-
greater than 5 years	-	-	-	-
Minimum lease payments	271	80	86	-
Less future finance charges:				
not later than 12 months	(14)	(4)	(3)	-
between 12 months and 5 years	(2)	(7)	(1)	-
	255	69	82	-
Represented by:				
not later than 12 months	189	24	56	-
between 12 months and 5 years	66	45	26	-

Finance leases relate to veterinary equipment.

**Greencross Limited ABN 58 119 778 862  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**NOTE 21: CAPITAL AND LEASING COMMITMENTS (CONT'D)**

	<b>Consolidated Entity</b>		<b>Parent Entity</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>b. Operating Lease Commitments</b>				
Payable — minimum lease payments				
not later than 12 months	2,106	1,824	1,553	1,281
between 12 months and 5 years	7,476	7,302	5,604	5,129
greater than 5 years	1,361	1,363	1,166	1,174
	10,943	10,489	8,323	7,584
	10,943	10,489	8,323	7,584
<p>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.</p>				
<b>c. Commitments for capital expenditure</b>				
not later than 12 months	-	100	-	100
	-	100	-	100
	-	100	-	100

**NOTE 22: SEGMENT REPORTING**

**Business and Geographical Segments**

**Business segments**

The consolidated entity has only one business segment.

**Geographical locations**

The consolidated entity's business segment is located in Australia only and is broken up into the following geographical locations which do not constitute a separate segment:

- East Brisbane;
- West Brisbane;
- Gold Coast;
- Townsville; and
- Melbourne.

**Greencross Limited ABN 58 119 778 862  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**NOTE 23: CASH FLOW INFORMATION**

	<b>Consolidated Entity</b>		<b>Parent Entity</b>	
	<b>2008 \$000</b>	<b>2007 \$000</b>	<b>2008 \$000</b>	<b>2006 \$000</b>
<b>a. Reconciliation of Cash Flow from Operations with Profit after Income Tax</b>				
Profit after income tax	2,512	74	1,192	(60)
Depreciation	404	22	247	11
Receivables and other assets	(379)	(220)	(573)	(326)
Provision for doubtful debts	27	-	18	-
Inventory	239	(70)	127	(1)
Payables and other liabilities	1,441	1,210	2,714	1,277
Provisions	155	9	263	51
Tax assets and liabilities	1,000	(411)	923	(388)
Share of loss of associate	3	-	-	-
Interest on deferred settlement	246	-	246	-
Cash flow from operations	<u>5,648</u>	<u>614</u>	<u>5,157</u>	<u>564</u>
<b>b. Acquisition of Entities</b>				
	<b>2008 \$000</b>	<b>2008 \$000</b>	<b>2008 \$000</b>	<b>2008 \$000</b>
<b>i</b> During the year the following businesses were acquired.				
	Pet Accident & Emergency Pty Ltd (51%) (Controlled Entity) Acquired 1/11/07	Surfers and Ashmore Veterinary Clinics (100%) (Business) Acquired 14/12/07 (i)	Coastvet Group of Veterinary Clinics (100%) (Business) Acquired 30/5/08 (ii)	TOTAL
Purchase consideration				
Cash consideration	255	1,698	1,967	3,920
Shares and Options	-	550	975	1,525
Direct costs relating to the acquisition (cash)	11	132	148	291
Total purchase consideration	<u>266</u>	<u>2,380</u>	<u>3,090</u>	<u>5,736</u>
Less: Fair value of net identifiable assets acquired	-	171	464	635
Goodwill	<u>266</u>	<u>2,209</u>	<u>2,626</u>	<u>5,101</u>
Assets and liabilities held at acquisition date:				
Inventory	-	40	86	126
Trade and other receivables	-	-	20	20
Property, plant and equipment	-	131	433	564

**Greencross Limited ABN 58 119 778 862  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**NOTE 23: CASH FLOW INFORMATION (CONT'D)**

	<b>2008 \$000</b>	<b>2008 \$000</b>	<b>2008 \$000</b>	<b>2008 \$000</b>
Current tax liabilities	-	-	(2)	(2)
Provisions	-	-	(73)	(73)
Net identifiable assets acquired	-	171	464	635
Outflow of cash to acquire subsidiary, net of cash acquired:				
Cash consideration and direct costs	266	1,830	2,115	4,211
Less: balances acquired cash	-	-	-	-
Outflow of cash	266	1,830	2,115	4,211
Profit since acquisition date included in profit for the year of the consolidated entity	131	184	75	390
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
Number of shares issued or issuable as part consideration	-	323,530	882,474	1,206,004
Number of options granted as part consideration	-	-	-	-
ii During the year the following equity accounted entities were acquired.	Gold Coast Animal Referral & Emergency Pty Ltd (30%) Acquired 2/11/07			
Purchase consideration				
Cash consideration	79			
Share and Options	-			
Direct costs relating to the acquisition (cash)	13			
Total purchase consideration	92			
Loss since acquisition date included in profit for the year of the consolidated entity	(3)			
iii After year end, and before reporting date, the following businesses were acquired.	Anvet Ashwood (100%) (Business) Acquired 1/7/08 Moreton and Pets & Vets Clinic (100%) (Business) Acquired 2/7/08 (vii) TOTAL			
Purchase consideration				
Cash consideration	480	1,181	1,661	
Shares and Options	320	295	615	
Direct costs relating to the acquisition (cash)	8	25	33	
Total purchase consideration	808	1,501	2,309	

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**NOTE 23: CASH FLOW INFORMATION (CONT'D)**

	<b>2008 \$000</b>	<b>2008 \$000</b>	<b>2008 \$000</b>
Less: Fair value of net identifiable assets acquired	124	416	540
Goodwill	684	1,085	1,769
Assets and liabilities held at acquisition date:			
Inventory	10	186	196
Trade and other receivables	14	-	14
Property, plant and equipment	123	230	353
Current liabilities	(3)	-	(3)
Provisions	(20)	-	(20)
Net identifiable assets acquired	124	416	540
Outflow of cash to acquire subsidiary, net of cash acquired:			
Cash consideration and direct costs	488	1,206	1,694
Less: balances acquired cash	-	-	-
Outflow of cash	488	1,206	1,694
	<b>No.</b>	<b>No.</b>	<b>No.</b>
Number of shares issued or issuable as part consideration	324,653	299,610	624,263
Number of options granted as part consideration	-	-	-

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

- (i) Acquisition is made up of the following businesses – Surfers Veterinary Surgery and Ashmore Veterinary Surgery.
- (ii) Acquisition is made up of the following businesses – Coastvet Helensvale, Coastvet Robina and Coastvet Burleigh.
- (iii) Fair value of equity instruments issued is based on volume weighted average price for the five day trading period prior to settlement.
- (iv) There were no differences between the recognised carrying value of assets and liabilities at acquisition date and carrying value immediately before the combination.
- (v) Goodwill on acquisitions has arisen as a result of the profitability of the acquired operations and as result of the excess of consideration paid for the businesses and controlled entities over the value of the net assets acquired.
- (vi) The acquired business contributed revenues of \$1,834,762 and net profit after tax of \$387,000 to the Group for the year. If the acquisitions had occurred on 1 July 2007, the contributed revenue and net profit after tax for the year ended 30 June 2008 would have been \$6,342,626 and \$1,524,998 respectively.
- (vii) Acquisition is made up of the following businesses – Moreton Veterinary Hospital and Pets and Vets on the Lake.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**NOTE 23: CASH FLOW INFORMATION (CONT'D)**

	Consolidated Entity		Parent Entity	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>c. Credit Standby Arrangements with Banks</b>				
Bank Overdraft	500	500	500	500
Amount utilised	-	-	-	-
	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>
Asset Finance Facility	1,000	1,000	1,000	1,000
Amount utilised	-	-	-	-
	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
Indemnity Guarantee Facility – Financial Guarantee	4,100	4,000	4,100	4,000
<b>d. Loan Facilities</b>				
Bill loan facilities	18,100	9,500	18,100	9,500
Amount utilised	13,187	8,500	13,187	8,500
Amount unutilised	<u>4,913</u>	<u>1,000</u>	<u>4,913</u>	<u>1,000</u>

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.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**NOTE 24: RELATED PARTY TRANSACTIONS**

	Consolidated Entity		Parent Entity	
	2008 \$000	2007 \$000	2008 \$000	2007 \$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:				
<b>Key Management Personnel</b>				
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 2008.	-	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 2008.	-	17	-	17
Greencross Properties Pty Ltd, a company controlled by G F Richards, leases premises to the Group at current market rent. There is no balance owing at 30 June 2008.	37	4	37	4
Icecombe Pty Ltd, a company controlled by J D Odum, leases premises to the Group at current market rent. There is no balance owing at 30 June 2008.	145	-	145	-
Rand & Miller Pty Ltd, a company associated with S V Coles, leases premises to the Group at current market rent. There is no balance owing at 30 June 2008.	88	7	88	7
Coles & Inglis Pty Ltd, a company associated with S V Coles, leases premises to the Group at current market rent. There is no balance owing at 30 June 2008.	88	7	88	7
Stud Park Veterinary Trust, a company associated with S V Coles, leases premises to the Group at current market rent. There is no balance owing at 30 June 2008.	121	9	121	9



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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**NOTE 25: FINANCIAL RISK MANAGEMENT**

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and aging analysis for credit risk. The Board through the Audit Committee reviews and agrees policies for managing each of these risks in order to maintain a consistent level of quality across the group which includes the minimisation of risk. The policies for managing each of the Group's risks are summarised below and remain unchanged from the prior year.

The Group and the parent entity hold the following financial instruments:

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets</b>				
Cash and cash equivalents	2,487	2,705	2,311	2,595
Trade and other receivables	607	378	689	254
	<b>3,094</b>	<b>3,083</b>	<b>3,000</b>	<b>2,849</b>
<b>Financial liabilities</b>				
Trade and other payables	6,779	8,204	8,238	7,632
Interest-bearing loans and borrowings	13,479	8,597	13,269	8,934
	<b>20,258</b>	<b>16,801</b>	<b>21,507</b>	<b>16,566</b>

**Credit risk**

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

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

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

None of the parent entity's receivables are past due or impaired (2007: Nil). The aging of the consolidated entity's trade receivables at the reporting date was:

	<b>2008</b>		<b>2007</b>	
	<b>Gross</b>	<b>Impairment</b>	<b>Gross</b>	<b>Impairment</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Not past due (current)	290	-	105	-
Past due 0-30 days (30 day aging)	103	-	20	-
Past due 31-60 days (60 day aging)	51	-	11	-
Past due more than 60 days (+90 day aging)	137	27	33	-
	<b>581</b>	<b>27</b>	<b>169</b>	<b>-</b>

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**NOTE 25: FINANCIAL RISK MANAGEMENT (CONT'D)**

**Credit risk continued**

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

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

	<b>Consolidated</b>	
	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance at 1 July	-	-
Impairment loss recognised	(27)	-
Receivables written off	-	-
<b>Balance at 30 June</b>	<b>(27)</b>	<b>-</b>

**Liquidity risk**

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

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

<b>Consolidated</b>	<b>Carrying</b>	<b>Contract-</b>	<b>Less than</b>	<b>1 – 5</b>	<b>Over 5</b>
<b>30 June 2008</b>	<b>amount</b>	<b>ual cash</b>	<b>1 year</b>	<b>years</b>	<b>years</b>
		<b>flows</b>			
		<b>\$'000</b>			
Non-derivative financial liabilities					
Trade and other payables	6,779	6,915	4,431	2,484	-
Finance leases & hire purchase	255	271	203	68	-
Bank loans	13,187	15,906	1,009	14,897	-
Unsecured loans	37	37	37	-	-
	<b>20,258</b>	<b>23,129</b>	<b>5,680</b>	<b>17,449</b>	<b>-</b>

<b>Parent</b>	<b>Carrying</b>	<b>Contract-</b>	<b>Less than</b>	<b>1 – 5</b>	<b>Over 5</b>
<b>30 June 2008</b>	<b>amount</b>	<b>ual cash</b>	<b>1 year</b>	<b>years</b>	<b>years</b>
		<b>flows</b>			
		<b>\$'000</b>			
Non-derivative financial liabilities					
Trade and other payables	6,644	6,780	4,296	2,484	-
Payments to controlled entities	1,594	1,594	1,594	-	-
Finance leases & hire purchase	82	86	59	27	-
Bank loans	13,187	15,906	1,009	14,897	-
	<b>21,507</b>	<b>24,366</b>	<b>6,958</b>	<b>17,408</b>	<b>-</b>

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**NOTE 25: FINANCIAL RISK MANAGEMENT (CONT'D)**

**Market risk**

(a) *Foreign exchange risk*

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

(b) *Interest rate risk*

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

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

	<b>30 June 2008</b>		<b>30 June 2007</b>	
	<b>Effective Interest Rate</b>	<b>Balance \$'000</b>	<b>Effective Interest Rate</b>	<b>Balance \$'000</b>
<b>Consolidated</b>				
<b>Variable rate instruments</b>				
Cash assets	6.5%	2,487	5.7%	2,705
Bank loans	7.8%	(8,937)	7.3%	(4,250)
		<u>(6,450)</u>		<u>(1,545)</u>
<b>Fixed rate instruments</b>				
Finance leases & hire purchase	8.8%	(255)	6.0%	(69)
Bank loans	7.3%	(4,250)	7.3%	(4,250)
		<u>(4,505)</u>		<u>(4,319)</u>
<b>Parent</b>				
<b>Variable rate instruments</b>				
Cash assets	6.5%	2,311	5.7%	2,595
Bank loans	7.8%	(8,937)	7.3%	(4,250)
		<u>(6,626)</u>		<u>(1,655)</u>
<b>Fixed rate instruments</b>				
Finance leases & hire purchase	8.8%	(82)	-	-
Bank loans	7.3%	(4,250)	7.3%	(4,250)
		<u>(4,332)</u>		<u>(4,250)</u>

*Interest rate sensitivity*

As a result of variable rate borrowings being offset by variable rate cash and cash equivalents during the current and prior year there would be no material impact on the after tax profit of the group or the parent entity if interest rates had changed by +/- 50 basis points from the year end rates with all other variables held constant.

**Greencross Limited ABN 58 119 778 862  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**NOTE 25: FINANCIAL RISK MANAGEMENT (CONT'D)**

**Fair values**

The carrying values of financial assets and liabilities are assumed to approximate their fair values due to their relatively short-term nature.

**Capital risk management**

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

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

The Board of Directors monitors the return on capital.

**NOTE 26: SHARE BASED PAYMENTS**

	2008 \$000	2007 \$000	2008 \$000	2007 \$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	1,526	3,210	1,526	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
	1,526	3,902	1,526	3,902

**Greencross Limited ABN 58 119 778 862  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**NOTE 26: SHARE BASED PAYMENTS (CONT'D)**

(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 in the year ended 30 June 2007 was \$1.00 based on the prospectus issue price.

**NOTE 27: CONTROLLED ENTITIES**

a. **Controlled Entities Consolidated**

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

	Country of Incorporation	Percentage Owned (%)*	
		2008	2007
Ultimate Parent Entity:			
Greencross Limited	Australia		
Subsidiaries of Greencross Limited:			
Greencross Operations Pty Ltd	Australia	100	-
Greencross Townsville Pty Ltd	Australia	100	100
Seabeach Pty Ltd	Australia	100	100
Gorrie Veterinary Services Pty Ltd	Australia	100	100
Chermside Veterinary Hospital Pty Ltd	Australia	100	100
Veterinary Referral Services Pty Ltd	Australia	70	70
Pet Accident and Emergency Pty Ltd	Australia	51	-

**Greencross Limited ABN 58 119 778 862  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**NOTE 28: EFFECTS OF CHANGES IN ACCOUNTING STANDARDS**

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2008, but have not been applied in preparing this financial report.

- Revised AASB 3 *Business Combinations* changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.
- AASB 8 Operating Segments introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Group's 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.
- Revised AASB 101 Presentation of Financial Statements introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income" and makes changes to the statement of changes in equity. The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's disclosures.
- Revised AASB 123 Borrowing Costs removes the option to expense all borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Group's 30 June 2010 financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions the Group will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. The Group has not yet determined the potential effect of the revised standard on future earnings.
- Revised AASB 127 *Consolidated and Separate Financial Statements* changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.
- AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations* changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the amending standard on the Group's financial report.

**Greencross Limited ABN 58 119 778 862  
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**DIRECTORS' DECLARATION**

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 19 to 53, 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 2008 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 13 to 15 of the director's report comply with Accounting Standard AASB 124 Related Part Disclosures and the Corporations Regulations 2001.
3. The Chief Executive Officer and Chief Financial Officer have each declared in accordance with section 295A of the Companies Act 2001 that:
  - a. the financial records of the 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.



Glen Richards  
Director

Dated this 29<sup>th</sup> day of August 2008

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GREENCROSS LIMITED

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 2008, 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, other explanatory notes and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' Responsibility for the Financial 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 controls 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 compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

#### *Independence*

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



*Auditor's Opinion*

In our opinion the financial report of Greencross Limited is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

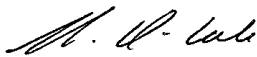
**Report on the Remuneration Report**

We have audited the Remuneration Report included on pages 13-15 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's Opinion*

In our opinion the Remuneration Report of Greencross Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

**WHK HORWATH**



**RUSSELL COLE**  
Principal

Brisbane, 29 August 2008

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

**SHAREHOLDER INFORMATION**

**For the Year Ended 30 June 2008**

Distribution of Shares as at 26 August 2008.

**Ordinary Shares**

1 – 1,000	90
1,001 – 5,000	343
5,001 – 10,000	153
10,001 – 100,000	135
100,001 and over	29
	750

**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 26 August 2008 are listed below:

Name	No. of Ordinary Shares Held	% of Issued Share Capital
PLATINUM OUTCOMES PTY LTD	1,780,002	7.829
GREENCROSS VETS PTY LTD <GREENCROSS UNIT A/C>	1,459,824	6.421
GREENCROSS PROPERTIES PTY LTD <GREENCROSS PROPERTIES A/C>	1,280,000	5.630
PETFOOD ONLINE PTY LTD <THE COLES/RAND FAMILY A/C>	1,000,000	4.398
MR JOHN DAVID ODLUM & MRS ANN ODLUM <ODLUM FAMILY A/C>	980,000	4.310
WILVET PTY LTD <JIREH A/C>	810,106	3.563
MR JOHN DAVID ODLUM & MRS ANN ODLUM <ODLUM SUPER FUND A/C>	750,000	3.299
MR CRAIG GRAEME CHAPMAN	601,500	2.646
MR WILLIAM EDWARD HOLMES <W & H HOLMES SUPER FUND A/C>	600,000	2.639
BYERA PTY LTD <KNIGHT FAMILY A/C>	600,000	2.639
M F CUSTODIANS LTD	500,000	2.199
BYERA PTY LTD <KEITH KNIGHT SUPER FUND A/C>	500,000	2.199
ANZ NOMINEES LIMITED <CASH INCOME A/C>	434,084	1.909
MR JOHN DAVID ODLUM & MR KEITH EDWARD KNIGHT <KNIGHT ODLUM SUPER FUND A/C>	400,468	1.761
HAWK CAPITAL PTY LTD ATF HAWK CAPITAL FAMILY TRUST	398,174	1.751
SANDRINGHAM ANIMAL HOSPITAL PTY LTD <STEPHEN COLES FAMILY A/C>	380,000	1.671
HAWK CAPITAL PTY LTD <HAWK CAPITAL FAMILY A/C>	377,647	1.661
CITICORP NOMINEES PTY LIMITED	367,107	1.615
UBS NOMINEES PTY LTD	333,193	1.465
NEWTECH PTY LTD	323,530	1.423
<b>Total</b>	<b>13,875,635</b>	<b>61.029</b>

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

**Options**

1 – 1,000	-
1,001 – 5,000	-
5,001 – 10,000	-
10,001 – 100,000	-
100,001 and over	6
	<u>6</u>

**Five Option Holders**

The names of the 6 holders of options as at 26 August 2008 are listed below:

Name	No. of Options Held	% of Issued Share Capital
MR GLEN RICHARDS & MRS LISA RICHARDS <RICHARDS SUPER FUND A/C>	417,500	20.875
MR STEPHEN VINCENT COLES	417,500	20.875
PLATINUM OUTCOMES PTY LTD	417,500	20.875
MR JOHN DAVID ODLUM & MRS ANN ODLUM <ODLUM SUPER FUND A/C>	208,750	10.438
BYERA PTY LTD <KEITH KNIGHT SUPER FUND A/C>	208,750	10.438
MR CRAIG GRAEME CHAPMAN	330,000	16.499
<b>TOTAL</b>	<b>2,000,000</b>	<b>100.00</b>

**Share Registry**

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

**Substantial Shareholders and Option Holders as at 26 August 2008**

	Shares	Options
G.F. RICHARDS	2,739,824	417,500
J.D. ODLUM	2,100,234	208,750
G.S. GAUDET	1,780,002	417,500
K.E. KNIGHT	1,450,234	208,750
S.V. COLES	1,380,000	417,500
C.G. CHAPMAN	601,500	330,000

**Greencross Limited ABN 58 119 778 862  
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**Shares in the Company in which Directors have a relevant interest as at 26 August 2008**

Name of Director	Ordinary Shares	Options
A. W. Geddes	200,000	-
G. F. Richards	2,739,824	417,500
J. David	23,000	-
G. S. Gaudet	1,780,002	417,500
J. D. Odlum	2,100,234	208,750
S. V. Coles	1,501,745	417,500

**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;

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

- 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 Odlum 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.

Director	Year First Appointed	Non Executive	Independent	Retiring at 2008 AGM	Seeking re-election at 2008 AGM
A. W. Geddes	2007	Yes	Yes	No	No
G. F. Richards	2007	No	No	No	No
J. David	2007	Yes	Yes	Yes	Yes
G. Gaudet	2006	Yes	Yes	No	No
J. D. Odlum	2007	No	No	No	No
S. V. Coles	2007	No	No	No	No

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 Non-Executive 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 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.

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

### **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.

### **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.

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

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.

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.

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

### **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.

### **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.