

**Greencross Limited**  
The Pet Company

# Annual Report

## 2015



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# Welcome letter from incoming CEO



## Dear Shareholders,

I would like to take this opportunity to introduce myself to you as your newly appointed CEO and to share how excited and proud I am to be leading such a great company. I joined Greencross as your CFO after a career spanning the UK, Asia and Australasia in both FMCG, services and education. I have made that journey with Helen and our three boys as well as Max our terrier who, as part of our family, has accompanied us across the world.

Greencross operates in a fast growing market and we have a leading competitive position, but more than this we do something really important each day in improving the lives of pets and their owners.

We have an integrated pet care offering that makes us uniquely positioned to meet the everyday needs of pets and their owners across Australasia. The better we can do this, the better our returns will be and the more lives we can positively impact.

I have inherited a deeply experienced and talented team that makes coming to work every day both inspiring and exciting. They are knowledgeable, caring and committed to improving the lives of pets across Australasia. Our strategy is clear, and in FY2015 we delivered another year of strong revenue and earnings growth.

Our challenge is to be the best we can be in providing service excellence to our customers, making pet ownership both accessible and affordable. I am confident that our passionate Greencross team will continue to profitably expand our foot print across Australia and New Zealand as we aim to delight our customers and their pets.

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

With Kindest Regards,

A handwritten signature in black ink, appearing to read 'Martin Nicholas'.

**Martin Nicholas**  
Chief Executive Officer

# Who is Greencross Limited?

## Our company

Greencross is Australasia's preeminent integrated pet care company, offering an extensive range of services and products to serve the pet owners' needs. Formed through the integration of Australasia's largest vet services and retail business, it now offers an extensive network of retail stores, veterinary clinics, grooming and dog-wash facilities across Australia and New Zealand. With over 200 stores, operating under the brands of Petbarn and CityFarmers in Australia and Animates in New Zealand and 132 clinics including general practices, speciality and emergency centres, it is well placed to conveniently serve more than half of the pet owners in ANZ, with considerable opportunity for further growth.

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

## Our vision

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

## Our purpose

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



# Customer & purpose

## DELIVERING A UNIQUE, ONE STOP SHOPPING EXPERIENCE

Greencross Limited – The Pet Company, offers a uniquely integrated proposition for ANZ pet owners, including a large network of stores, multiple websites across our different brands, innovative and exclusive products and pet services through our stores, vet practices, dog wash units and grooming salons. Our websites see over 400,000 visits per month and our store and clinic network more than 225,000 transactions per week.

Our vision is to be **the best pet care company in the world** for our shareholders, our customers, our communities, our suppliers and our teams. We will achieve this by developing and growing the most appropriate range of services and products that can best serve the Australasian pet owners' needs.

We have a clear purpose as a newly integrated business – **to make our world a happier place through**

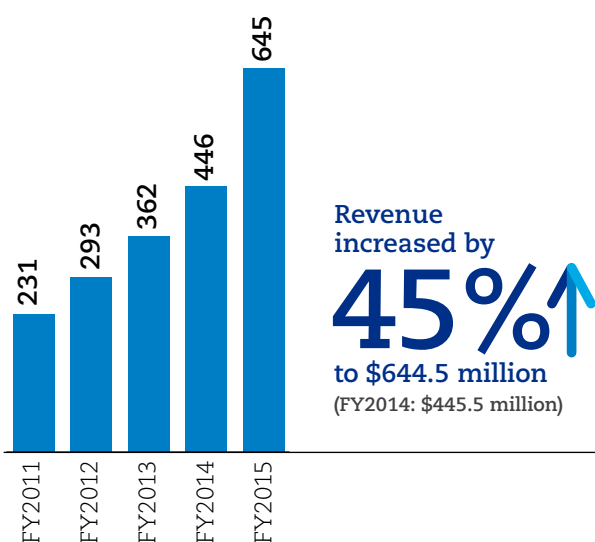
**the love of pets.** We know that animals have a positive impact on us – there's extensive literature, research and medical data to support this. Having a pet means you'll likely you'll be healthier, be less stressed, be more sociable and less lonely, to name but a few. Our aim is to bring the positive benefits that pets can have on us to more people. To do that we will focus on four customer imperatives;

- Making pet ownership more **AFFORDABLE**, so that more homes can experience the positive benefits that having a pet can bring.
- Making great pet products & services more **ACCESSIBLE**, so that pet owners can easily and conveniently access all of the products and services they need to help them be a better pet parent.
- Using our **KNOWLEDGE & EXPERTISE** to become the pet owners trusted advisor, so that we can help take the stress and uncertainty out of pet ownership, thereby making it easier to be a pet parent.
- Helping bring those who love pets **CLOSER TOGETHER**, so that pet parents can access the services and benefits that being a pet parent can offer in their local communities.

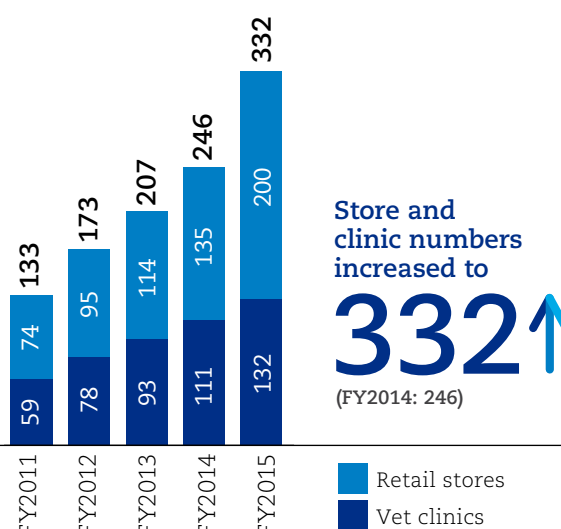


# Our financial and operating performance

## Revenue<sup>1</sup>



## Store and clinic numbers



## 46%↑

### Underlying Gross Margin

Underlying gross margin increased by 46% to \$356.2 million (FY2014: \$244.3 million) and underlying gross margin % increased by 50bps to 55.3% (FY2014 54.8%)

## 60%↑

### Underlying EBITDA

Underlying earnings before interest, tax, depreciation and amortisation increased by 60% to \$86.8 million. (FY2014: \$54.3 million) and EBITDA margin increased by 130bps to 13.5% (FY2014: 12.2%)

## 43%↑

### EPS

Underlying earnings per share increased by 43% to 34.3 cents. (FY2014: 24.0 cents)

## 36%↑

### Dividends

Total FY2015 fully franked dividends increased by 36% to 17.0 cents per share. (FY2014: 12.5 cents)

## 6.2%↑

### Group LFL Sales Growth

Group LFL sales growth up 20bps to 6.2% (FY2014 6.0%)

## 6.2%↑

### Retail – LFL Sales Growth

Retail LFL sales growth 6.2%, reflecting growth in foot traffic and increased demand for services and premium pet products (FY2014: 6.2%)

## 6.1%↑

### Veterinary Services – LFL Sales Growth

Vet LFL sales growth up 110bps to 6.1%, reflecting growing HPP membership, remerchandising benefits and growth in cross referrals (FY2014: 5.0%)

IN FY2015 GREENCROSS DELIVERED ANOTHER YEAR OF STRONG REVENUE AND EARNINGS GROWTH.

1. Pro forma revenue for FY2011 to FY2014, assuming that the merger of Mammoth and Greencross was completed.

# Our financial and operating performance

65 ↑

## Retail Stores

added to the network, bringing the total portfolio to 200 stores

21 ↑

## Veterinary Clinics

added to the network, bringing the total portfolio to 132 clinics

42

### City Farmers Stores

integrated into the existing network

2

### Co-Located Clinics

established, bringing the total portfolio to 5

47

### DIY Dog Washes

opened bringing the total number of in store dog washes to 104

9

### Grooming Salons

opened bringing the total number of in store salons to 40



2.9m

### Loyalty Card Members

in our Friends for Life and Backyard Mates loyalty programs

80%

### On Line LFL Sales Growth

assisted by the introduction of repeat delivery subscription service and on line vet appointments

120,000

### Training Hours

invested in our pet passionate store and clinic teams

230,000

### Active Vet Clients

The largest active vet client base in Australia

80% ↑

### Swipe Rate

by retail customers using a loyalty card

15%

### Private Label Penetration

for Australian retail product sales

>20,000

### Animals Saved

over our history, through our work with the RSPCA and other animal welfare agencies

>43,000

### HPP Members

Healthy Pets Plus is the market leading preventative health scheme

# Key achievements in 2015

## City Farmers Acquisition

In July 2015, we completed the acquisition of 42 City Farmers stores. The integration of City Farmers has been completed on time and on budget.



## Vet acquisitions

We added 21 vet clinics to our network in FY2015 bringing the total to 132 vet clinics.

The vet acquisitions which we completed in FY2015 are expected to deliver over \$31 million of annualised revenue.

We also entered into a joint venture with Animal Referral Hospital, one of Australia's leading speciality and emergency practices.

## New Zealand

We delivered an outstanding year of growth in our NZ retail business with 8% LFL sales growth. We also entered the NZ veterinary services market through the acquisition of 3 clinics in Wellington.

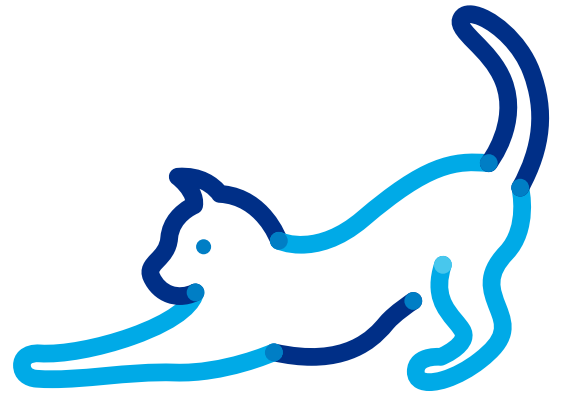


## Loyalty and Wellness Programs

We have 2.3 million Friends for Life members, 600,000 Backyard Mates members and over 43,000 members of our Health Pets Plus wellness program.



# Key achievements in 2015



## Private label

We successfully developed our private label brands including Barkers Best, BFF, Butchers Superior Cuts, Cats in the Kitchen and Daily Bark. Private label sales in Australia have now increased to over 15% of retail product sales.

## New store openings

In FY2015 we added a total of 65 stores to our retail store network, bringing the total to 200 retail stores.

## Co-locations

We established 2 co-located clinics in FY2015 at Kawana and Castle Hill.



## Team

We invested over 120,000 hours of training in our store and clinic teams. Our team members are passionate about working with pets.

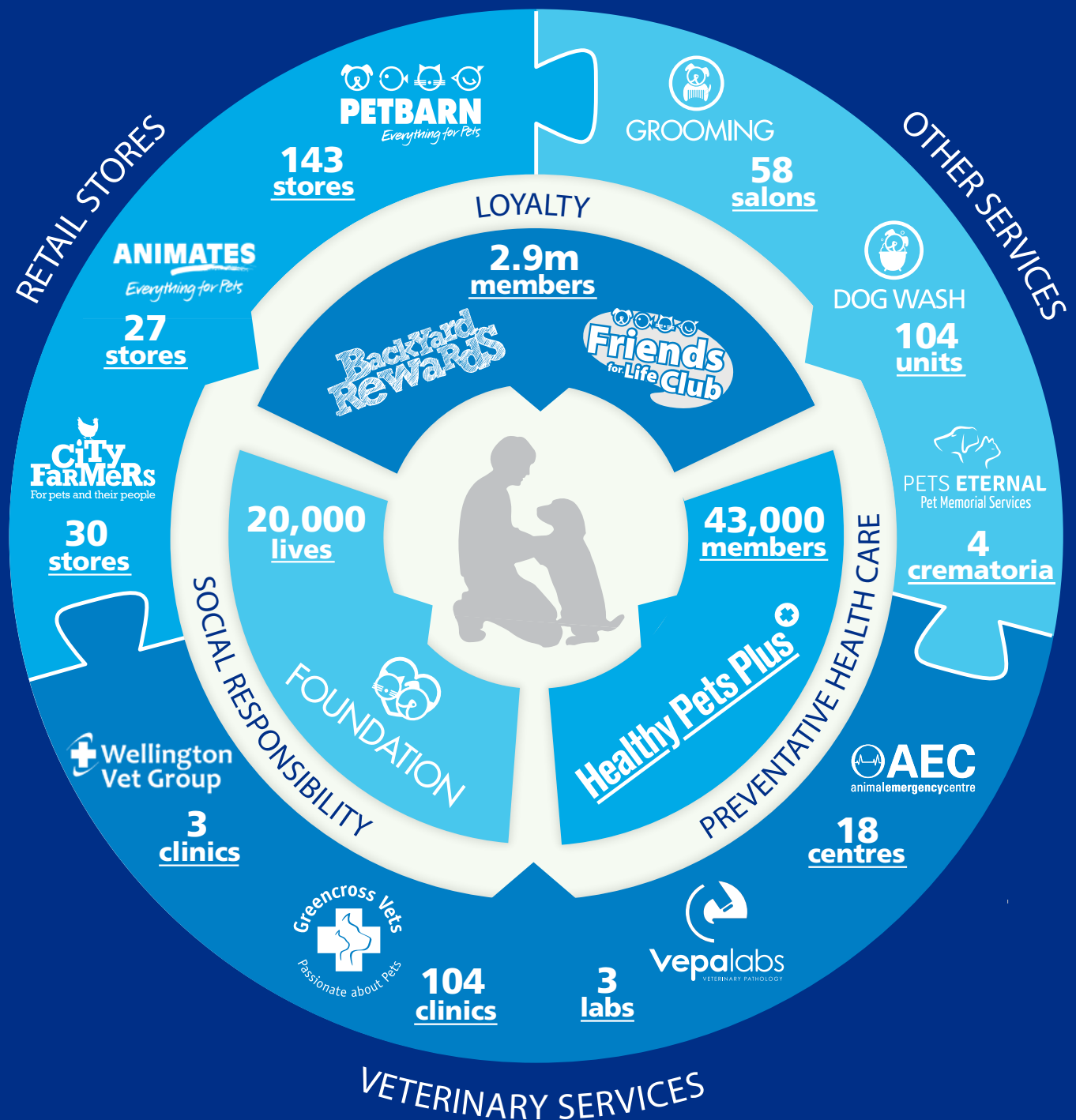
## Charity

The Pet Foundation raised over \$3 million for our charitable partners and saved the lives of thousands of animals through our work with the RSPCA, SPCA and other animal shelters and adoption agencies. We have now saved the lives of over 20,000 animals in Australia and New Zealand.

We provided funding to enable Seeing Eye Dogs Australia to train thirteen seeing eye dog puppies to provide the gift of sight to deserving people.

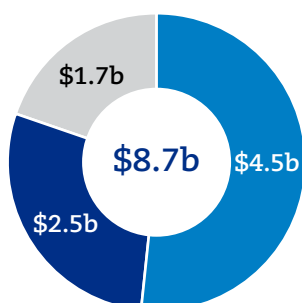
We donated \$1.5 million worth of vet and nurse care to animals in need via the RSPCA, the Stray Animal Network, Wildlife Care and other animal shelters.

# Pets and their families are at the centre of Greencross' integrated pet care model



# Greencross is the clear leader in the resilient and fast growing ANZ pet care market, delivering a uniquely integrated offer to our customers.

ANZ Pet Care Market, 2015

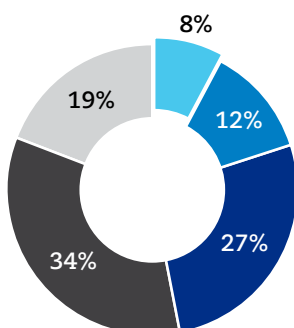


- Pet Products
- Vet Services
- Other Services\*

\*Excluding sale of live animals

Source: IBIS Research, Euromonitor, Management estimates

ANZ Pet Care Market Share, 2015



- Greencross
- Other Retailers
- Other Vets
- Mass Merchants
- Other Services Providers

Source: IBIS Research, Euromonitor, Management estimates

## Key Specialty Retailers

Number of stores	
<b>Greencross</b>	<b>200</b>
Petstock	115
Pets Domain	27
Best Friends	23
PetO	5

## Key Vet Groups

Number of clinics	
<b>Greencross</b>	<b>132</b>
National Veterinary Care	35
Best Friends	23
Vet Friends	13
Vet West	10

Source: Company websites at August '15

### ANZ Pet Care Market

Greencross' addressable market is estimated to be approaching **\$9 billion** (pet products, vet services and other services). The market is growing at approximately **4% per annum** and is expected to reach **\$11 billion** by 2020.

In a fairly stable pet population, pet humanisation and premiumisation are driving demand:

**Pet Products:** Pet owners treat their pets as part of their family, which leads to more purchases of higher quality food, treats and accessories.

**Vet Services:** Pet owners aim to provide highest level of medical care to pets, and moving towards proactive well-being care.

**Other Services:** Increased demand for specialised pet services including grooming, dog minding, pet hotels, training, dog walking, pet crematoria.

### ANZ Pet Care Market Share

Greencross is Australasia's largest integrated pet care company. Our current market share is approximately **8%** and our aim is to achieve **20%** market share in ANZ.

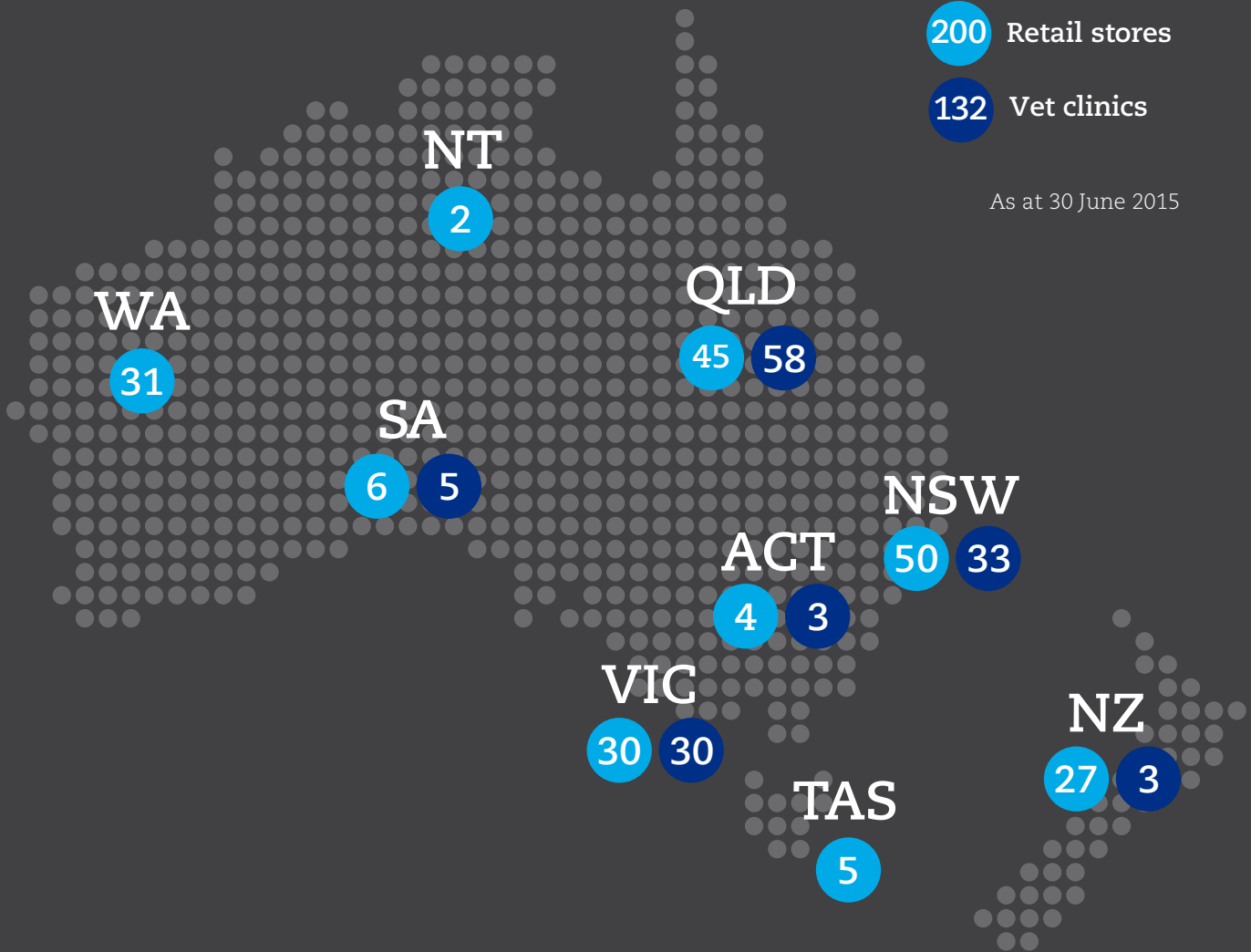
### Network Footprint

In FY2015, we expanded our network by 65 stores and 21 clinics which cemented our position as the clear leader in the ANZ pet care market with **332** locations: **200** retail stores and **132** Vet clinics.

200 Retail stores

132 Vet clinics

As at 30 June 2015



# Our store and clinic network





**IN FY2015 WE ADDED A TOTAL OF 65 STORES AND 21 CLINICS, INCREASING THE SIZE OF OUR NETWORK BY 35%.**



# Our management team



## **Martin Nicholas**

### **Chief Executive Officer and acting Chief Financial Officer**

Martin was appointed as Chief Executive Officer of Greencross in August 2015, having joined Greencross in the role of Chief Financial Officer in May 2014. Martin has over 28 years experience as an executive and finance professional in retail, services and FMCG. Prior to joining Greencross, Martin was the CFO of Study Group International, a private equity owned education business, and served as Group Finance Director for Rentokil Initial PLC, a multinational services business listed on the LSE. Martin also spent 22 years in FMCG with Unilever across a number of locations including the United Kingdom, China, Hong Kong, Singapore and Australia, most recently as CFO for the Australian business.



## **Scott Charters**

### **Chief Operating Officer, Retail**

Scott Charters leads Greencross' retail operations. Scott has over 25 years experience as a retail and marketing executive. Most recently, prior to joining Greencross, Scott was Chief Operating Officer of Barbeques Galore. Prior to that, Scott had a 20 year career with Woolworths in a variety of roles including Area Manager, National Retail Support Manager and Head of Advertising.



## **Dr Ian Kadish**

### **Chief Operating Officer, Veterinary Services**

Ian leads Greencross' veterinary services operations. Ian has over 25 years experience working in the corporate healthcare industry across locations in Australia, the United Kingdom, USA and Africa. Most recently, prior to joining Greencross, Ian was the CEO of Lavery Pathology, a division of ASX Listed Primary Healthcare. Ian is also the former Managing Director of ASX Listed Pulse Healthcare. Ian commenced his career at McKinsey and Company where he specialised in advising on the healthcare industry.



## **David Bissett**

### **Chief Operating Officer, Supply Chain and Business Systems**

David leads Greencross' supply chain and IT business systems. David has over 15 years experience working in retail and supply chain. Most recently, prior to joining Greencross, David was Head of Vendor Management at Coles, where he led a number of major supply chain projects. Prior to that, David worked as a supply chain consultant with PwC.

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# Our management team



**Wendy Lenton**  
Chief People Officer

Wendy leads Greencross' people and culture strategy. Wendy has over 25 years experience as a leading human resources executive across a variety of industries including food manufacturing, telecommunications, financial services and IT. Most recently, prior to joining Greencross, Wendy was Director People and Performance at George Weston Foods. Prior to that, Wendy was Director People and Brand for Vodafone Australia.



**David Hutchinson**  
Chief Marketing Officer

David leads Greencross' customer, sales, marketing and digital activities. David has over 20 years experience in sales and marketing in retail, service, leisure and FMCG both in listed and private equity backed businesses. Most recently, prior to joining Greencross, David was Marketing Director of B&Q PLC, a retail market leader in the UK DIY category. He also spent 5 years as Marketing Director of Costa Coffee (the second largest coffee shop business in the world) where he was a part of the team that lead the rapid global expansion of the brand through equity, joint-venture and franchise business models.



**Vincent Pollaers**  
General Counsel

Vince leads Greencross' compliance, legal and corporate governance activities. Vince has over 20 years experience as a lawyer and strategy consultant. Prior to joining Greencross, Vince was a corporate lawyer at Freshfields and held positions as General Counsel and Strategy Executive of IBM Australia and Managing Director, Asia Pacific of McKinney Rogers.

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# Chairman's & CEO's report

30 June 2015

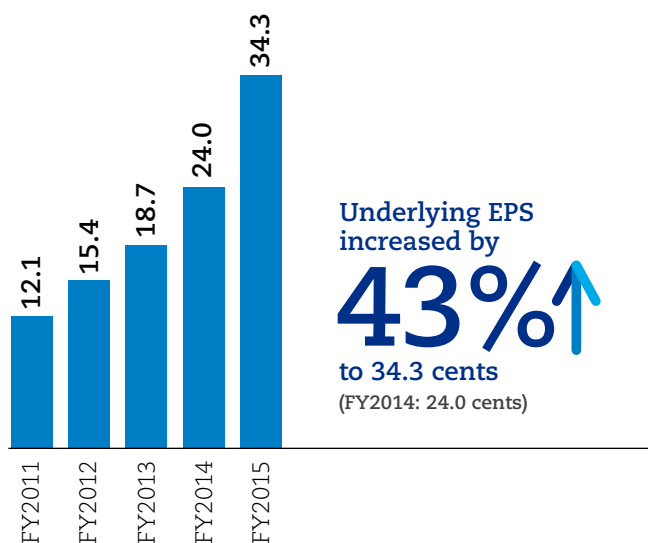
## Dear Fellow Shareholders:

We are delighted to introduce you to the report on the performance of your company for financial year 2015. It was another solid year of growth within a year of substantial change.

## Enhanced Financial Performance

We continued to grow revenue and earnings ahead of the underlying market growth, with both organic and expansionary initiatives contributing strongly. As the graphs below show, we have been able to translate the benefits of the 2014 merger with Mammoth into additional scale to support future value creation.

### Earnings per share (cents)<sup>2</sup>



This translated into underlying earnings per share ("EPS") growth of 10.3 cents per share or 43% to 34.3 cents, and increased the long term compound annual EPS growth for the five year period between FY2011 and FY2015 to 30% from the 26% achieved for the 4 year period from FY2011 to FY2014.

We see these achievements as a clear indication that our implemented growth strategies are working, as your company at the end of FY2015 is almost 3 times larger in both revenue and EPS than it was 5 years ago.

Notwithstanding this performance, we did however miss our stated goal of 36 cents underlying EPS by 4.7% due to factors both within and outside of our

control. Subsequently the factors within our control have been corrected. As a consequence of the miss to guidance the eligible executive directors gave up their incentive entitlement.

## A transformational year

FY2015 was a very productive year for our company. We finalised the integration activities following the merger with the Mammoth Retail business in the second half of FY2014, completing the transition of the company from a standalone Vet business to a fully integrated pet care company with an addressable market of \$8.7 billion.

Along the way we:

- Saved the lives of 20,000 pets by finding them new loving homes
- Added 86 outlets including the integration of 42 City Farmers stores, taking our fleet to 132 vet clinics and 200 retail stores
- Invested over 120,000 hours of team time in front-line training
- Implemented a customer-led supply chain under Greencross control to support a national high growth business
- Grew retail loyalty membership by 25% to over 2.9 million members and the Vet Healthy Pets Plus membership by 43% to over 43,000 members
- Extended our vet medical specialist reach into NSW via an investment in the Animal Referral Hospital in Sydney
- Commenced our vet expansion activities in New Zealand through the acquisition of 3 clinics in Wellington
- Grew our online business by 80% with it now representing 1% of retail sales
- Completed the integration of the leadership of the company post the merger with Mammoth
- Expanded gross margin by 50 bps to 55.3%
- Increased underlying EBITDA by 60% to \$86.8 million
- Grew EBITDA margin by 130 bps to 13.5%
- Increased underlying NPAT by 77% to \$38.2 million, translating into underlying EPS of 34.3 cents per share
- Increased our annual dividend payout by 36% from 12.5 cents to 17.0 cents, maintaining our payout ratio of approximately 50%.

<sup>2</sup> On underlying basis excluding acquisition and integration costs



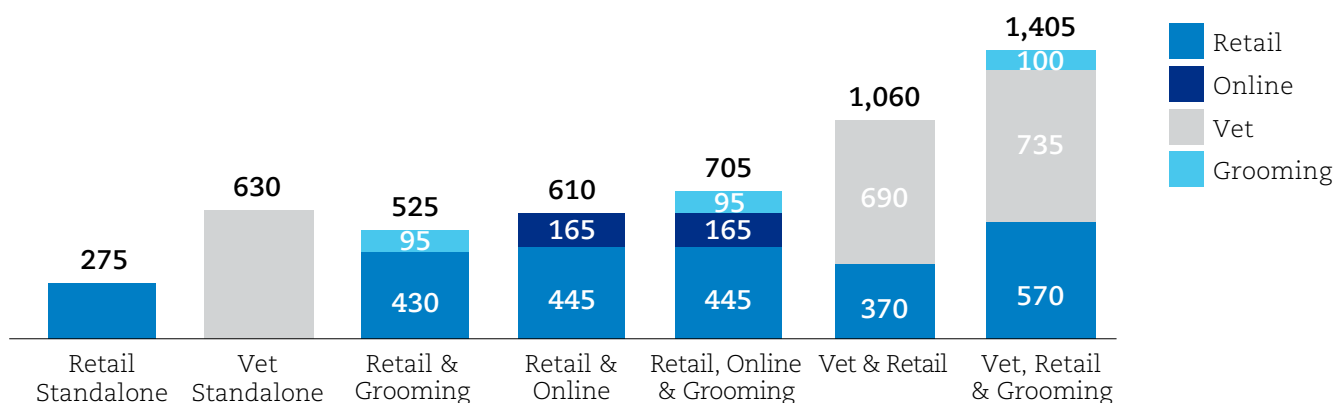
## An integrated pet care company

During the year we completed an in-depth survey of a cross section of Australian and New Zealand pet owning households, seeking their views on their relationship with their pet, and the type and level of support that they are seeking to assist with their pet's wellbeing.

We confirmed that they are looking for a 'trusted advisor' – a group of people with strong product and services knowledge and offerings with whom they can establish a relationship that makes it easy and affordable for them to provide their desired level of care.

Their views are supported by a review of our sales data, where we see the benefit of establishing deeper relationships with our pet parents across all of our offerings. Over 80% of our retail customers have signed up for our 'Friends for Life' and 'Backyard Mates' membership clubs, which means that they register their purchases with us each time they visit. In return for rewards and other benefits, we are able then to use this data and the lessons learned to refine our offerings so that we can better meet their needs, as we strive to become their 'trusted advisor'.

## Customer Annual Spend (\$)



As the chart shows, a pet parent who starts shopping in one of our retail stores, where they spend \$275 each year, will spend 411% more with us when we gain their trust and support across all of our offerings. Similarly, a pet parent who first comes to us in one of our vet clinics, where they spend \$630 a year, will increase their amount spent with us by 123% as we gain their trust and support.

## Clearly defined strategy

Listening to our customers outlines the actions and investments we must undertake to fulfil their needs and turn that into added shareholder value. What our review clearly shows is that maximum value is best achieved if we are able to group as many of our service offerings (vet clinics, retail stores, and grooming salons) together as possible and establish them in a network that enables us to reach all Australian and New Zealand pet owning households.

At present, 59% of pet owning households live within 4km of one of our outlets, whether that be a vet clinic, retail store or grooming salon. Just 16% live within 4km of two of our service offerings, and only 7% within 4km of all three. This supports our view that there is significant opportunity to extend our network to provide wider access to our products and services to pet owners, building loyalty and increasing revenue per customer.

This supports our strategy of uniting our resources to meet the needs of a common pet parent across all our service offerings by:

- Engaging our team so that they are motivated and trained to provide the most knowledgeable and friendly advice and support.
- Extending our reach so as many pet owning households as possible are within easy reach of a vet clinic, retail store or grooming salon, and
- Refining our service and product offerings so that they meet the needs of an informed pet parent.

As we increase our scale we will also achieve improved operational efficiencies and ROI across the group.

In other words, we come together as a single entity focused on nurturing longer, deeper relationships between pets and the people that love them through a network of convenient destinations that provide the services and products that fulfil all of their pet needs.

We are more than just a retailer or a vet, we are **Greencross Limited: "The Pet Company"**.

## Our growth outlook remains strong

Greencross has the privilege to operate in a fast growing \$8.7 billion market, of which we estimate Greencross accounts for only 8%.

We believe we are well positioned to deliver accretive growth, in line with our historical performance, as we continue to serve the growing needs of pets and their families, with an attractive, differentiated, integrated and scalable offering. Our ambition is to achieve 20% market share and our scale means we have the capability needed to achieve this goal.

Additionally, our financial scale means we have the funding needed to invest in our sustainable growth.

## Board and management changes

During the year Mr. Paul Wilson, a co-founder of Mammoth, decided to step down from executive duties as Greencross' Chief Commercial Officer. Paul has been instrumental in the success of Mammoth and then Greencross for 9 years and we thank him for his energy and creativity. Like Glen Richards, who transitioned to a non-executive director earlier in the year, Paul will remain on the board as a non-executive director.

The executive moves led to a reshaping of our executive team, which now in addition to the CEO comprises:

- Mr. David Bissett, Chief Operating Officer, Business Services and IT (including supply chain)
- Mr. Scott Charters, Chief Operating Officer, Retail
- Mr. David Hutchinson, Chief Marketing Officer
- Dr Ian Kadish, Chief Operating Officer, Veterinary Services
- Ms. Wendy Lenton, Chief People Officer
- Mr. Martin Nicholas, CFO
- Mr. Vince Pollaers, General Counsel and Company Secretary.

An expanded and experienced team with the skill and capacity to lead our growth aspirations.

We are pleased also to report on our commitment to gender diversity. Our workforce of 5,800 team members is 53% female, with executive management at 22% female, and senior management team members at 44% female and board membership at 14% female.

## Thank you to our team

Our success is directly attributable to the efforts of our team members. We thank them, on your behalf for their tireless commitment to your company's success, for without them it would not be possible.

As we look out to the years ahead, we see that our opportunity for growth remains strong. The pet market continues to expand as the humanisation of Pets continues and our scale and reach give us unprecedented opportunity to increase the support we can give to more pet owning households, making our world a happier place through the love of pets.

Yours sincerely,



**Stuart James**  
Non-Executive Chairman

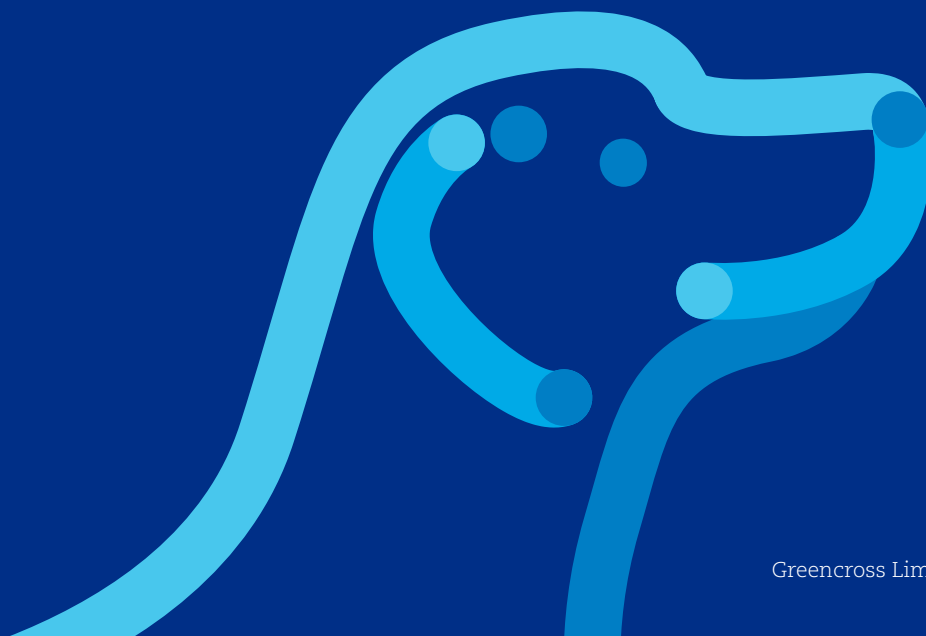


**Jeffrey David**  
Chief Executive

# Financial information

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# Directors' Report

30 June 2015

The Directors present their report on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'group') consisting of Greencross Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2015.

## Directors

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

Name	Position	
Stuart James	Chairman	(appointed as Chairman on 6 February 2014)
Jeffrey David	Chief Executive Officer	(appointed on 6 February 2014)
Christina Boyce	Non-Executive Director	(appointed on 22 September 2014)
Andrew Geddes	Non-Executive Director	(resigned as Chairman on 6 February 2014, appointed director on 6 February 2014)
Scott Gilbertson	Non-Executive Director	(resigned as director on 22 September 2014)
Matthew Hobart	Non-Executive Director	(resigned as director on 22 September 2014)
Chris Knoblanche	Non-Executive Director	(appointed on 22 September 2014)
Dr Glen Richards	Non-Executive Director	(resigned as Executive Director on 1 March 2015, appointed as Non-Executive Director on same date)
Paul Wilson	Non-Executive Director	(resigned as Executive Director on 1 June 2015, appointed as Non-Executive Director on same date)

## Principal activities

The group is an integrated pet care company providing veterinary services, operating physical and on line pet stores, and providing a range of non-medical companion animal services.

## Dividends

Dividends paid during the financial year were as follows:

	FY 2015 <sup>1</sup> \$'000's	FY 2014 <sup>2</sup> \$'000's
Final dividend for the year ended 30 June 2014 (2014: 30 June 2013) of 7.0 cents (2014: 5.0 cents) per ordinary share	7,741	1,873
Interim dividend for the year ended 30 June 2015 (2014: 30 June 2014) of 8.0 cents (2014: 5.5 cents) per ordinary share	8,916	4,994
	<b>16,657</b>	<b>6,867</b>

At the date of signing the financial report the directors have recommended the payment of a final fully franked dividend of 9.0 cents per share at a record date of 19 August 2015, which is expected to be paid on 18 September 2015.

The final dividend for the year ended 30 June 2015 will be subject to the company's Dividend Reinvestment Plan ('DRP'). Eligible shareholders will be able to participate in the DRP with shares expected to be issued at a 2.5% discount to the volume weighted average price ('VWAP') of the company's shares over the 10 days following the record date and will rank equally with all other shares.

\$390,000 (2014: \$191,000) was paid to non-controlling interest in respect of their dividends in the underlying entities during the year ended 30 June 2015. There are no proposed dividends for minority interests as at signing date.

## Review of operations

The profit for the group after providing for income tax and non-controlling interest amounted to \$19,072,000 (30 June 2014: loss of \$127,775,000).

<sup>1</sup> FY 2015 – financial year ended 30 June 2015

<sup>2</sup> FY 2014 – financial year ended 30 June 2014

## Operating and financial review

### 2015 Result highlights

The directors are pleased to report the following results for FY 2015 in a year of substantial change for the group:

- **Like-for-Like Sales** up by + 6.2 %
- **Underlying Revenue** up by +45% to \$644.5 million
- **Statutory Revenue** up by +74% to \$644.5 million
- **Underlying EBITDA** up by +60% to \$86.8 million
- **Underlying NPAT** up by +77% to \$38.2 million
- **NPAT** up by \$146.8 million to \$19.1 million
- **Underlying EPS** up by +43% to 34.3 cents
- **Annual Dividend** up by +36% to 17.0 cents

	FY 2015 <sup>1</sup> \$'000's	FY 2014 <sup>2</sup> \$'000's	Change \$'000's	%
<b>Underlying Performance<sup>3</sup></b>				
<b>Revenue<sup>4</sup></b>	<b>644,454</b>	<b>445,519</b>	<b>198,935</b>	44.7%
Cost of sales of goods	(288,217)	(201,257)	(86,960)	43.2%
<b>Gross margin</b>	<b>356,237</b>	<b>244,262</b>	<b>111,975</b>	45.8%
<i>Gross margin (%)</i>	55.3%	54.8%	0.5%	
Operating expenses	(269,438)	(189,945)	(79,493)	41.9%
<b>EBITDA<sup>5</sup></b>	<b>86,799</b>	<b>54,317</b>	<b>32,482</b>	59.8%
<i>EBITDA margin (%)</i>	13.5%	12.2%	1.3%	
Depreciation and amortisation	(15,056)	(11,765)	(3,291)	28.0%
<b>Profit before finance costs and income tax expense</b>	<b>71,743</b>	<b>42,552</b>	<b>29,191</b>	68.6%
Finance costs	(13,018)	(9,220)	(3,798)	41.2%
<b>Profit before income tax expense</b>	<b>58,725</b>	<b>33,332</b>	<b>25,393</b>	76.2%
Income tax expense	(17,500)	(9,931)	(7,569)	76.2%
<b>Profit after income tax expense</b>	<b>41,225</b>	<b>23,401</b>	<b>17,824</b>	76.2%
Non-controlling interest	(3,071)	(1,778)	(1,293)	72.7%
<b>Net profit after income tax expense attributable to the owners of Greencross Limited</b>	<b>38,154</b>	<b>21,623</b>	<b>16,531</b>	76.5%
<b>Earnings per share ("EPS") (cents)</b>	<b>34.3</b>	<b>24.0</b>	<b>10.3</b>	43.3%

<sup>1</sup> After excluding the impact of acquisition, integration and restructuring costs in line with guidance

<sup>2</sup> Pro forma basis as if the merger of Greencross and Mammoth occurred on 1 July 2013, not 31 January 2014

<sup>3</sup> To assist readers in interpreting the underlying performance of the group we present a set of underlying accounts as well as statutory accounts in this report which are stated before one off acquisition, integration and restructuring costs. This approach is in line with previously provided guidance. The underlying accounts are provided on an unaudited basis. A reconciliation between underlying and statutory reported numbers is provide on page 24 of the Directors report.

<sup>4</sup> Revenue includes revenue from ordinary activities and excludes interest income (FY 2015 \$562,000)

<sup>5</sup> Non-IFRS information: EBITDA – Earnings before interest, tax, depreciation and amortisation

## Financial overview - Underlying Performance<sup>1</sup>

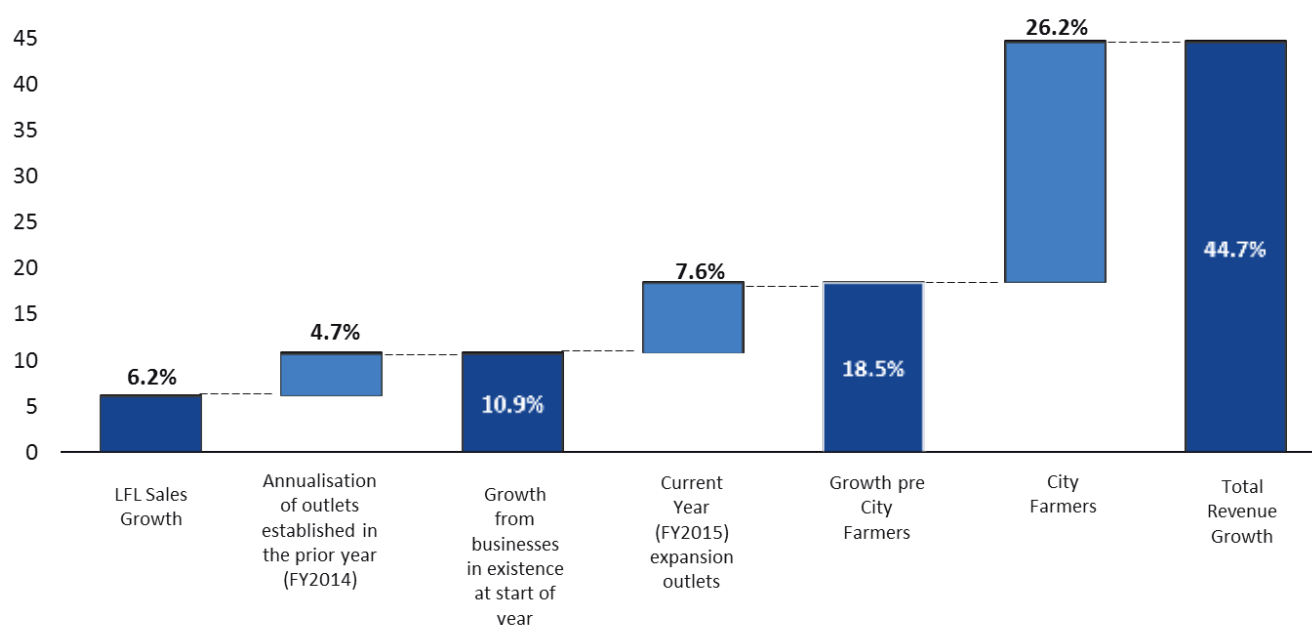
### Sales Revenue

Group sales growth of +44.7% was primarily driven by the acquisition of City Farmers (42 stores) on 17 July 2014. The City Farmers stores have been successfully integrated into the group and delivered revenue of \$117 million for the financial year. Excluding City Farmers, group revenue grew by +18.5% over the prior comparison period ("pcp").

Group Like for Like<sup>2</sup> ("L4L") sales growth was +6.2%, with the benefits of scale, and an integrated pet care platform, increasingly contributing to sustained growth through intra, and inter, divisional referrals, and customer engagement. Veterinary L4L sales growth (+6.1%) was driven by remerchandising of clinics, good growth in our specialty and emergency businesses arising from strong intra group referrals and increasing numbers of cross referrals of Retail customers to our Vet business. Retail L4L sales growth was +6.2% with +5.8% in Australia complemented by a strong New Zealand L4L growth of 8.0%.

The impact of a full year of prior year store and clinic openings contributed +4.7% to group revenue growth with a further +7.6% growth coming from in year new store and clinic openings.

### Revenue Growth Build FY2014- FY2015



During FY 2015 21 veterinary clinics were acquired and 26 net new retail stores were added to the retail fleet in addition to the 42 City Farmer stores acquired in July 2014.

### Gross margin and gross margin %

Group gross margin % at 55.3% was 50bps higher than the pcp (FY 2014 54.8%). Gross margin % in both the Veterinary and Retail businesses improved strongly over the pcp.

In Retail gross margin % of 47.8% (FY 2014 46.2%) improved by 160bps driven by enhanced procurement terms and increased sales of higher margin private label products. The Retail margin in the acquired City Farmers stores has been successfully converged towards total Retail levels as product ranges and offerings have been harmonised. The impact of AUD weakening has not been significant on Retail margins with a limited direct foreign currency exposure.

<sup>1</sup> Underlying results in FY 2015 exclude acquisition, restructuring and integration costs in line with guidance. FY 2014 results are pro forma to include 12 months of Veterinary earnings as if the merger with Mammoth occurred on July 1<sup>st</sup> 2013 and exclude acquisition and merger costs

<sup>2</sup> Like for Like sale growth represents comparative sales growth in all stores and clinics after 53 weeks of operation

# Directors' Report

30 June 2015

In Veterinary, gross margin % of 76.7% (FY 2014 75.8%) improved by 90bps mainly through leveraging Retail buying terms across the group and a positive mix impact of higher gross margins in our fast growing in specialist and emergency clinics.

## Supply Chain

During FY 2015 the supply chain program made significant progress in delivering our operating vision of a best practice supply chain and category management capability. Key milestones achieved over the year include:

- introducing centralised range control
- full deployment of our centralised forecasting and replenishment solution
- delivery of a leading practice space and assortment planning solution
- exiting the food wholesaler supply dependency through direct supply agreements with our primary suppliers
- establishment of third party logistics operations in Sydney and Perth
- integration of retail and vet supply chains
- continued enhancement of vendor performance, collaboration and productivity practices

Despite some supply disruption in H2, we have now achieved a step improvement of in-store availability, supply chain service and commercial performance.

Inventory holding increased by \$39.9 million to \$85.8 million in FY 2015 (FY 2014 \$45.9 million) primarily due to stock in newly opened and acquired stores and clinics (\$24.0 million) and the impact of exiting the wholesaler model for food (we now own warehouse stock) as well as an increased private label stock holding. Stock in existing stores increased by \$3.8m primarily due to a focus on improved on-shelf availability.

## EBITDA & EBITDA margin %

EBITDA of \$86.8 million in FY 2015 grew by 59.8% over the prior period (FY 2014 \$54.3 million) with an EBITDA margin of 13.5% improving 130bps on pcp (12.2% FY 2014).

In Retail, efficiency benefits in same store and support office labour, complemented gross margin improvements to improve EBITDA margin. In Vet, the benefits from operating as an integrated pet care business were from procurement savings, remerchandised clinics and customer referrals (including to our specialty centres). This boosted clinic profit margins alongside the continued growth of our successful Healthy Pets Plus "HPP" companion animal wellness program.

The delivery of synergies from the City Farmers acquisition, merger synergies referred to above, and scale benefits across the group, funded an investment in group capabilities and governance appropriate to a significantly larger business whilst delivering EBITDA margin improvements.

## Profit before tax

Depreciation and amortisation expenses increased by \$3.3 million or 28.0% to \$15.1 million (2014: \$11.8 million). The increase was largely due to the expanded retail fleet and acquisition of City Farmers. Finance costs increased by \$3.8 million or 41.2% to \$13.1 million (2014: \$9.2 million). The increase was largely due to borrowings raised to acquire City Farmers in July 2014 as well as other expansionary investments in H2 2015. The effective interest rate for the period was 6.0%.

## Income tax expense

The estimated income tax expense on reported underlying profit was \$17.5 million (2014: \$9.9 million), representing an effective rate of 29.8% (2014: 29.8%). The main contributors to the effective rates being different to Australia's 30% corporate tax rate relates to the dilutive effect of the New Zealand operations which has a corporate tax rate of 28%.

## Integrated Pet Care Company – delivering synergies and scale

Greencross Limited has undertaken a huge amount of change in the last 18 months and has transformed into an integrated pet care company serving the needs of Australian and New Zealand pet parents. The merger of Greencross Veterinary services and Mammoth Retail businesses has progressed well with cost savings from aligned terms, 2 co-located sites opened (taking total to 3), 70 vet clinics re-merchandised and cross referral initiatives growing well.

The integration of 42 City Farmers stores was also completed in FY 2015. 26 stores in WA remain branded City Farmers, with the 16 East Coast stores rebranded as Petbarn. Trading terms have been aligned with the group, a common range has been largely implemented and the separate head office has been closed. City Farmers' gross margin % has converged to Retail levels ahead of plan and staff retention has been good. FY 2015 sales of \$117 million and EBITDA of \$19 million are a little behind declared expectations (\$120million & \$20m) due to some H2 softness in WA sales, but we remain confident in the strategic importance of the addition to the group.

# Directors' Report

30 June 2015

Acquisition, integration and restructuring costs (\$23.5 million) incurred in completing the merger and acquisition are in line with expectations and slightly below prior market guidance<sup>1</sup>. Key costs incurred include completion fees for capital advisors on capital raising, professional and legal transaction fees, range and store clearance and harmonisation cost, redundancies, double running and project costs. It has been a year of significant change and complexity for the organisation and costs of this scale are non-recurring and exceptional.

## Cash flow highlights

In FY 2015 the underlying business generated \$69.5 million (80% EBITDA conversion) of ungeared pre-tax cash flow, or \$77million (89%) conversion before investment in inventory for new stores.

Total cash used in investing activities was \$75.5 million with \$66 million invested to deliver future expansion, comprising \$58.6 million capex for 26 net new stores and 21 clinics and to develop our supply chain capability. Business as usual ("BAU") capex was \$16.9 million. We also invested \$7.5 million in inventory for new stores.

After incurring net finance and tax costs of \$22 million the underlying business absorbed \$26 million of cash which was funded through the debt facility.

Based on this cash flow conversion rate, the group has more than adequate headroom on its current debt facility to fund its targeted annual expansion rate of 20 stores, 10 co-located Vets and \$20million of acquired Vet revenue. With growing scale and working capital efficiencies the business is forecast to move to self-funded expansion over the next two years.

FY 2015	Statutory Cash flow	Non-repeating Cash Flows			Underlying Cash flow	Of which Expansionary investment
		City Farmers	Integration & Acquisition	Direct supply & Private Label		
<b>EBITDA</b>	<b>86,799</b>				<b>86,799</b>	
Net working capital movement	(28,667)	(3,458)		(7,869)	(17,340)	(7,488)
<b>Ungeared, pre-tax tax operating cash flows</b>	<b>58,132</b>				<b>69,459</b>	
Conversion %	67%				80%	
Net finance & tax costs	(19,931)				(19,931)	
Acquisition & integration	(23,510)		(23,510)		-	
<b>Net cash from operating activities</b>	<b>14,691</b>	(3,458)	(23,510)	(7,869)	<b>49,528</b>	
<b>Net cash used in investing activities</b>	<b>(234,495)</b>	(158,994)	-	-	<b>(75,501)</b>	<b>(58,623)</b>
<b>Free cash flow</b>	<b>(219,804)</b>	(162,452)	(23,510)	(7,869)	<b>(25,973)</b>	<b>(66,111)</b>
Net proceeds from issue of shares	18,553					
Proceeds from borrowings net of refinance costs and repayments	110,199					
<b>Net cash from financing activities</b>	<b>128,752</b>					
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(91,052)</b>					

The major City Farmers acquisition (\$162.5 million including restocking), associated integration & restructuring costs (\$23.5 million) as well as the working capital impact of the move to direct supply and investment in private label (\$7.9 million) impacted free cash flow by \$193.8 million in FY 2015. These are regarded as non-repeating cash flows and excluded from the above underlying cash flow.

Total free cash flow of (\$219.8 million) was funded by decrease in cash balances of \$91.1 million, increased borrowing of \$110.2 million and the last tranche of the City Farmers' capital raise of \$18.5 million.

<sup>1</sup> City Farmers' equity raise documentation and full year results FY 2014 forecast acquisition, integration and restructuring costs of \$24 million



## Financial overview – Statutory Performance

FY 2015 and FY 2014 have been years of substantial change, with the merger completed during January 2014 followed by the acquisition of City Farmers in July 2014. In interpreting the statutory results of FY 2015 and in comparing to the pcp FY 2014 it the following factors should be noted:

- The merger of Greencross and Mammoth occurred on 31 Jan 2014 which results in only 5 months of Veterinary results being included in FY 2014, but 12 months in FY 2015
- The acquisition of CF Group Holdings Pty Ltd (“City Farmers”) occurred on 17 July 2014 increasing the scale of the group in FY 2015
- Integration and acquisition costs of \$23.5 million have been incurred in FY 2015 related to the merger and acquisition
- A \$130 million impairment charge was taken in FY 2014 relating to goodwill arising on the merger

<b>Statutory profit or loss</b>	<b>FY 2015 \$'000's</b>	<b>FY 2014 \$'000's</b>	<b>Change \$'000's</b>	<b>%</b>
<b>Revenue</b>	<b>644,454</b>	<b>370,316</b>	<b>274,138</b>	74.0%
Cost of sales of goods	(294,002)	(189,146)	(104,856)	55.4%
<b>Gross margin</b>	<b>350,452</b>	<b>181,170</b>	<b>169,282</b>	93.4%
<i>Gross margin (%)</i>	54.4%	48.9%	5.5%	
Operating expenses	(287,163)	(153,342)	(133,821)	87.3%
<b>EBITDA</b>	<b>63,289</b>	<b>27,828</b>	<b>35,461</b>	127.4%
<i>EBITDA margin (%)</i>	9.8%	7.5%	2.3%	
Depreciation and amortisation	(15,056)	(10,070)	(4,986)	49.5%
Impairment of assets	-	(130,000)	130,000	100.0%
<b>Profit before finance costs and income tax expense</b>	<b>48,233</b>	<b>(112,242)</b>	<b>160,475</b>	143.0%
Finance costs	(13,018)	(9,687)	(3,331)	34.4%
<b>Profit before income tax expense</b>	<b>35,215</b>	<b>(121,929)</b>	<b>157,144</b>	128.9%
Income tax expense	(13,072)	(4,351)	(8,721)	200.4%
<b>Profit after income tax expense</b>	<b>22,143</b>	<b>(126,280)</b>	<b>148,423</b>	117.5%
Non-controlling interest	(3,071)	(1,495)	(1,576)	105.4%
<b>Net profit after income tax expense attributable to the owners of Greencross Limited</b>	<b>19,072</b>	<b>(127,775)</b>	<b>146,847</b>	114.9%
<b>EPS (cents)</b>	17.2	(190.6)	207.8	109.0%
<b>Final ordinary dividend per share</b>	9.00	7.00	2.00	28.6%

### Financial Statutory Overview

#### Revenues

On a statutory basis revenues were up by 74% or \$274.1 million to \$644.5 million (2014: \$370.3 million). The increase is largely attributable to the inclusion of Veterinary results for a full 12 months in the year ended 30 June 2015 and the acquisition of City Farmers. Notwithstanding these major structural impacts, the group continued to grow well through like for like sales of over +6% and through acquisitions and new site openings.

#### Gross Margin

Gross margin % increased by 550 bps to 54.4% (2014: 48.9%) largely as a result of the change in product/service mix through the inclusion of Greencross Veterinary results which trade at a higher gross margin % compared to the Retail business. Improving gross margin % in both divisions was also achieved via procurement savings, product mix and synergy benefits.

# Directors' Report

30 June 2015

## EBITDA

EBITDA increased by 127% or \$35.5 million to \$63.2 million (2014: \$27.8 million). The increase is largely due to the inclusion of a full year of Greencross Vet and City Farmer results in the year ended 30 June 2015. EBITDA margin benefited from the scale benefits of City Farmers and merger benefits allowing the group to operate as an integrated pet care business deriving procurement and cross shopping benefits. Operating expenses includes the impact of acquisition and integration costs.

No impairment cost was incurred in FY 2015 after the charge of \$130 million in FY 2014 to write down goodwill generated on merger. The increase in finance costs by 34% or \$3.3 million to \$13.0 million (2014: \$9.7 million) is principally associated with higher levels of debt raised to fund the acquisition of City Farmers, veterinary clinics, and the acquisition and opening of retail stores.

Income tax expense increased by 200% or \$8.7 million to \$13.1 million (2014: \$4.3 million). The increase is attributable to higher profit before income tax expense largely due to the inclusion of Greencross and City Farmer results in the year ended 30 June 2015. The effective tax rate of 37.1% for the current financial year has increased due to the impact of non-deductible acquisition costs of \$6 million.

Reported net profit after tax was up 118% or \$148.4 million to \$22.1 million (2014: loss \$126.2 million) largely as a result of non-repeating impairment charge in FY 2014 and growth in the scale of the business following the merger and City Farmers acquisition.

## Acquisition, integration and restructuring expenses

During FY 2015 the group completed the major acquisition of City Farmers and has completed the integration of the acquired business. Acquisition and integration expenses of \$9.5 million and \$14.0 million respectively were incurred in line with previous market guidance<sup>1</sup> of \$10.0 million and \$14.0 million respectively.

Acquisition costs comprise advisory and other professional fees plus stamp duty and irrecoverable GST associated with the transaction. Integration costs comprise the costs of combining and harmonising the two retail businesses including redundancy and labour integration costs (\$6.4 million) and costs associated with the harmonisation of the two product ranges and brands and optimisation of the store network (\$7.6 million).

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

2015	Weighted average shares No.	Revenue <sup>2</sup> \$'000's	EBITDA \$'000's	NPAT attributable to shareholders \$'000's
<b>Reconciliation of underlying to statutory results</b>				
<b>Statutory</b>	<b>111,151,934</b>	<b>644,454</b>	<b>63,289</b>	<b>19,072</b>
Less: acquisition costs	-	-	9,477	9,477
Integration - range, brand and store harmonisation	-	-	7,631	5,342
Integration - redundancy and labour costs	-	-	6,402	4,481
Effective tax rate adjustment	-	-	-	(218)
<b>Underlying</b>	<b>111,151,934</b>	<b>644,454</b>	<b>86,799</b>	<b>38,154</b>

<sup>1</sup>In investor relations presentation dated 16 June 2014 where EPS guidance of 36.0 cents was given after excluding acquisition costs of \$10.0 million and integration costs of \$14.0 million as well as in the FY 2014 results presentation

<sup>2</sup>Revenue includes revenue from ordinary activities and excludes interest income.

# Directors' Report

30 June 2015

## Cash flow

Statutory cash flow	FY 2015 \$'000's	FY 2014 \$'000's	Change \$'000's	%
<b>EBITDA</b>	<b>61,068</b>	<b>27,828</b>	33,240	119.4%
Net working capital movement	(26,446)	7,559	(34,005)	(449.9%)
<b>Ungeared, pre-tax operating cash flows</b>	<b>34,622</b>	<b>35,387</b>	<b>(765)</b>	<b>(2.2%)</b>
Net interest and finance costs paid	(11,109)	(4,339)	(6,770)	156.0%
Income taxes paid	(8,822)	(6,760)	(2,062)	30.5%
<b>Net cash from operating activities</b>	<b>14,691</b>	<b>24,288</b>	<b>(9,597)</b>	<b>(39.5%)</b>
Payment for purchase of business, net of cash acquired	(186,759)	(4,784)	(181,975)	3803.8%
Net payments for property, plant and equipment	(40,465)	(26,216)	(14,249)	54.4%
Payments for intangibles	(7,271)	(3,160)	(4,111)	130.1%
<b>Net cash used in investing activities</b>	<b>(234,495)</b>	<b>(34,160)</b>	<b>(200,335)</b>	<b>586.5%</b>
Net proceeds from issues of shares	18,553	98,047	(84,488)	(82.0%)
Net proceeds from borrowings	110,589	24,318	86,271	354.8%
Dividends paid	(390)	(191)	4,795	(92.5%)
<b>Net cash used in investing activities</b>	<b>128,752</b>	<b>122,174</b>	<b>6,578</b>	<b>5.4%</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(91,052)</b>	<b>112,302</b>	<b>(203,354)</b>	<b>(181.1%)</b>

FY 2015 net cash flow from operating activities of \$14.6 million is stated after paying \$23.5 million of acquisition and integration costs. The ungeared, pre-tax, underlying cash from operating activities after adjusting for these items and before finance and income taxes paid was \$58.1 million which represents a 64% increase or \$22.7 million over the year ended 30 June 2014. The increase is largely due to the inclusion Greencross Vets for 12 months and City Farmers acquisition, but is partially offset by an additional investment in inventories arising from store network expansion, re-stocking of acquired City Farmers stores, private label range build and the move of the business to direct supply from a wholesaler model for major food supplies.

The increase in net cash used in investment activities to \$234.5 million (FY 2014 \$34.2 million) reflects the \$159 million investment in City Farmers paid in cash (\$162.5 million including restocking) and the inclusion of a full year of Vet associated acquisitions in FY 2015.

In order to fund the activities above the group used a combination of debt and equity. An additional net \$18.6 million was raised for the City Farmers acquisition on 17 July 2014 as part of the Retail Entitlement. The proceeds from borrowings of \$110.6 million were primarily used to fund the City Farmers acquisition (\$60.0 million) with the remainder used to fund other acquisitions, NTI investment and internal capabilities.

## Capital management

Following a year of large scale business expansion at 30 June 2015, the group had drawn down \$259 million borrowings (30 June 2014: \$141.0 million) out of the total Australian senior facilities of \$350 million.

Consolidated net debt at 30 June 2015 was \$234.4 million with EBITDA leverage<sup>1</sup> at 2.5x.

The undrawn amount of \$91.0 million on the Australian senior debt facilities, combined with future operating cash flows, is forecast to provide adequate capacity to fund near term growth opportunities including acquisitions, new stores and the continued investment in our internal capabilities, especially as the business moves to self-funded growth.

<sup>1</sup> Bank basis i.e. Net Debt / EBITDA including pro forma 12 month contribution from acquisitions made during the year

# Directors' Report

30 June 2015

The table below summarises the main Australian senior debt facilities as at 30 June 2015:

Facility AUD \$'000s	Facility limit	Expiry date	Amount drawn	
	30-Jun-2015		30-Jun-2015	30-Jun-2014
A	195,000	15/06/2019	193,000	135,000
B1	75,000	15/06/2019	45,493	6,000
B2	80,000	15/06/2019	20,494	-
<b>Senior debt facility</b>	<b>350,000</b>		<b>258,987</b>	<b>141,000</b>

The facility is provided in equal proportions by National Australia Bank ("NAB") and Commonwealth Bank of Australia ("CBA") and matures in June 2019. Financial covenants on the Australian senior debt facilities continue to be comfortably met at 30 June 2015.

The group's interest rate hedging policy is to maintain at least 50% of interest rate swaps coverage over the Australian senior debt facility A. Accordingly at the reporting year-end, \$97.5 million, or just over 50% of facility A, was covered by floating to fixed interest rate swaps. As a consequence of hedging, the group has not fully enjoyed the benefit of the recent reductions in market rates on its hedged debt. The overall average effective interest rate is currently 6% inclusive of fixed rates on hedged debt, floating rates on unhedged debt and margin spreads.

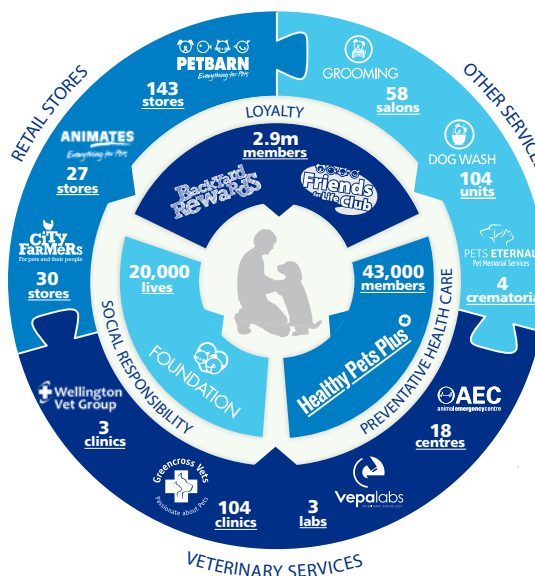
## Group Strategy

Listening to our customers has enabled us to outline the actions and investments we must undertake to fulfil their needs and turn that into added shareholder value. We believe that maximum value is best achieved if we are able to group as many of our offerings (Vet clinics, Retail stores, and Grooming Salons) together as is possible and establish them in a network that enables us to reach all Australian and New Zealand pet owning households. At present, 59% of pet owning households live within 4km of one of our outlets, whether that be a vet clinic, retail store or grooming salon. Just 16% live within 4km of two of our service offerings, and only 7% within 4km of all three. This supports our view that there is significant opportunity to extend our network to provide wider access to our products and services to pet owners, building loyalty and increasing revenue per customer.

Our strategy is to increasingly unite our resources to meet the needs of a common pet parent across all our offerings by:

- Engaging our team so that they are motivated and trained providing the most knowledgeable, friendly advice and support.
- Extending our reach so as many pet owning households as possible are within easy reach of a Vet clinic, retail store or grooming salon, and
- Refining our service and product offerings so that they are meeting the needs of an informed pet parent.

As we increase our scale we will also achieve improved operational efficiencies and ROI across the group.



In other words, we come together as a single entity focused on nurturing longer, deeper relationships between pets and the people that love them through a network of convenient destinations that provide the services and products that fulfil all of their pet needs.

## Material business risks

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

# Directors' Report

30 June 2015

## **Expected industry trends**

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

## **Workplace relations risk**

Greencross staff members operate under a modern award and are subject to the terms and conditions of the Fair Work Act. Staffing costs are the biggest single cost that Greencross incurs and any material adverse effect due to labour market forces may increase cost, reduce overall profitability and have an adverse impact on medium term performance.

## **Identification and completion of acquisition opportunities**

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

## **Product sourcing**

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

## **Loss of key management personnel and shortages of skilled personnel**

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

## **Significant changes in the state of affairs**

### **City Farmers acquisition**

On 17 July 2014, the group acquired 100% of the share capital of CF Group Holdings Pty Ltd ('City Farmers') for the total consideration of \$212.5 million

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

## **Matters subsequent to the end of the financial year**

On 2 July 2015, the group acquired 100% of the business assets of a retail store (located in Western Australia) for the total consideration of \$1.36 million. The fair value of tangible assets acquired were \$0.3 million.

On 14 July 2015, the group acquired 100% of the business assets of a veterinary clinic (located in South Australia) for the total consideration of \$0.75 million including deferred consideration of \$0.1 million. At the date this annual report was authorised for issue the fair value of the assets and liabilities acquired as part of the business combination was incomplete. Therefore, the goodwill and the fair value of the assets and liabilities acquired has not been disclosed.

On 24 July 2015, the group acquired 100% of the business assets of a veterinary clinic (located in Queensland) for the total consideration of \$0.4 million. At the date this annual report was authorised for issue the fair value of the assets and liabilities acquired as part of the business combination was incomplete. Therefore, the goodwill and the fair value of the assets and liabilities acquired has not been disclosed.

On 31 July 2015, the Group acquired 100% of the business assets of a retail store (located in Western Australia) for the total consideration of \$0.7 million. At the date this annual report was authorised for issue the fair value of the assets and liabilities acquired as part of the business combination was incomplete. Therefore, the goodwill and the fair value of the assets and liabilities acquired has not been disclosed.

Apart from the dividend declared as discussed above, no other matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

# Directors' Report

30 June 2015

## Outlook

Greencross expects to deliver strong revenue growth and earnings growth in FY 2016 driven by the expansion of its proven business platform and delivery of the benefits of its integrated business model.

Leverage (Net Debt / EBITDA) is expected to decrease during FY 2016 as a result of increased cash flow generation.

## Environmental regulation

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

## Information on directors

### Mr Stuart James

Title	Non-Executive Director and Chairman
Qualifications	BA (Hons), MAICD, FAIM
Experience and expertise	Mr James is an experienced executive within the financial and healthcare sectors. Following a 25 year career with Shell both in Australia and internationally, Mr James became Managing Director of Australian Financial Services for Colonial and Managing Director of Colonial State Bank (formerly the State Bank of N.S.W). Mr James' also held an executive role as CEO of the Mayne Group from January 2002 to January 2005. Prior to that Mr James was Mayne's Chief Operating Officer from July 2000 to January 2002. Mr James is the Chair of Prime Financial Group Limited, Pulse Health Limited and Affinity Education Group Limited.
Other current public company directorships	Affinity Education Group Limited Prime Financial Group Limited Pulse Health Limited
Former directorships (last 3 years)	Progen Pharmaceuticals Limited Phosphagenics Limited
Special responsibilities	Member of the Remuneration and Nomination Committee
Interests in shares as at 1 July 2015	1,972,547 ordinary shares

### Mr Jeffrey David

Title	Managing Director and Chief Executive
Experience and expertise	Mr David became the Chief Executive of Greencross Limited in February 2014, following its merger with Mammoth Pet Pty Limited. Mr David has worked within and led teams in the retail and logistics industries for more than 25 years in Australia, the United States and Asia. Mr David has served as a Senior Vice President of IGA, Inc., in the USA; the Managing Director of Davids Distribution Pty. Limited; the joint Managing Director of Davids Limited and the CEO of Davids Asia Pte Limited. In 1998, Mr David co-founded ShopFast Pty Limited, one of Australia's first online grocery retailers, sold to Coles in 2003. Mr David has been engaged in the Pet Industry since 2005 when he co-founded Mammoth Pet Pty Limited with the purchase of 10 Petbarn stores. Mr David has been involved with Greencross Limited since June 2007, when he joined its Board just ahead of its IPO. Mr David currently serves as a Non-Executive Director of the Skin and Cancer Foundation Australia.
Other current public company directorships	None
Former directorships (last 3 years)	None
Special responsibilities	Managing Director and Chief Executive
Interests in shares as at 1 July 2015	7,427,635 ordinary shares

# Directors' Report

30 June 2015

## Ms Christina Boyce

Title	Non-Executive Director (appointed 22 September 2014)
Qualifications	B.Ec. (University of Sydney), MBA (KGSM), GAICD
Experience and expertise	Ms Boyce has over 20 years strategic consulting and management experience. Ms Boyce is currently a director of Port Jackson Partners, a consulting firm providing strategic advice to Boards, CEOs and senior management. Prior to this, Ms Boyce worked at McKinsey & Co for 14 years, where she was a Partner. Ms Boyce has worked extensively with companies on growth, strategy development and business restructuring across a range of industries including retail and consumer services in Australia and overseas. Ms Boyce is currently a Non-Executive Director of Monash IVF Group Limited and Cryosite Limited.
Other current public company directorships	Monash IVF Group Limited Cryosite Limited
Former directorships (last 3 years)	None
Special responsibilities	Chair of the Remuneration and Nomination Committee, Member of Audit and Risk Committee
Interests in shares at 1 July 2015	3,000 ordinary shares

## Mr Andrew Geddes

Title	Non-Executive Director (from 6 February 2014) and Former Chairman
Qualifications	B.Com, Dip. Fin. Mgt, M.Ec, FCPA, F.A.I.C.D.
Experience and expertise	Mr Geddes specialises in professional service firm management and development. This involvement led to his position as Non-Executive Director with Count Financial Limited since its listing on ASX in 2001, a company which offered financial services through a national network of accounting firms. Mr Geddes has conducted management development programs for veterinarians in Australia and has gained valuable insight into Australian veterinary businesses through 25 years of consulting work with them. Mr Geddes was past Chairman of Greencross Limited.
Other current public company directorships	None
Former directorships (last 3 years)	Count Financial Limited (COU) (delisted)
Special responsibilities	Member of Audit and Risk Committee
Interests in shares at 1 July 2015	255,896 ordinary shares

# Directors' Report

30 June 2015

## Mr Christopher Knoblanche AM

Title	Non-Executive Director (appointed 22 September 2014)
Qualifications	BCom, ACA, FCPA
Experience and expertise	<p>Mr Knoblanche was Managing Director and Head of Citigroup Corporate and Investment Banking Australia &amp; New Zealand from 2005 to 2012. Mr Knoblanche was previously CEO of Andersen Australia, CEO of Andersen Business Consulting Asia Pacific and Regional Managing Director of Deloitte Management Solutions – Asia. Prior to Citigroup, Mr Knoblanche was a Partner in the boutique investment bank, Caliburn Partnership (now Greenhill Caliburn). Mr Knoblanche served as Board Member &amp; Chair of the Australian Ballet from 2001 to 2013. Mr Knoblanche was awarded the Centenary Medal by the Federal Government for service to business and the arts in 2003. Mr Knoblanche was appointed a Member of the Order of Australia for significant service to arts administration, to the community and to the business and finance sector in 2014.</p> <p>Mr Knoblanche is a Board Member and Chair of Finance Audit Risk Committee of the Environment Protection Authority NSW, Board Member of Whistles Fund Management, Advisory Board Member of Norton Rose Fulbright – Lawyers, Board Member of Aussie Home Loans, Director of Soils for Life (Outcomes Australia) and Director of GE Capital/Money Australia (Hallmark companies). Mr Knoblanche is also Chairman of iSelect Limited.</p>
Other current public company directorships	Hallmark General Insurance Company Limited Hallmark Life Insurance Company Limited iSelect Limited
Former directorships (last 3 years)	The Australian Ballet
Special responsibilities	Chair of the Audit and Risk Management Committee, Member of Remuneration and Nomination Committee
Interests in shares at 1 July 2015	0 ordinary shares

## Dr Glen Richards

Title	Non-Executive Director (appointed 1 March 2015) and Former Executive Director and Chief Veterinary Officer
Qualifications	B.V.Sc.(Hons), M.Sc., F.A.I.C.D.
Experience and expertise	<p>Dr Richards is a qualified veterinarian and founding Managing Director of Greencross Limited. Dr Richards practiced companion animal medicine and surgery in Brisbane, Townsville and London before commencing practice ownership and establishing Greencross Vets in Townsville in 1994. He was a cofounder and director of Mammoth Pet Holdings Pty Ltd up until the time of merger. Dr Richards is a past director of Lyppard Australia, one of Australia's leading Veterinary wholesalers. He established China's first western veterinary practice (Shanghai PAW) in 2001. Dr Richards has been a Member of Australian Veterinary Association since 1988, with special interest groups in Small Animals and Practice Management.</p> <p>Dr Richards is currently is a non-executive director of Regeneus Limited, an ASX listed clinical-stage regenerative medicine company, a non-executive director of 1300Smiles Limited (ASX: ONT) an aggregator and operator of high quality full-service dental facilities across Australia and a non-executive director of US based SmartVet Pty Ltd, an animal health company that develops novel veterinary medicines, vaccines and delivery platforms to improve livestock productivity.</p>
Other current public company directorships	1300Smiles Limited Regeneus Limited
Former directorships (last 3 years)	None
Special responsibilities	None
Interests in shares as at 1 July 2015	2,626,538 ordinary shares



# Directors' Report

30 June 2015

## Paul Wilson

Title	Non-Executive Director (appointed 1 June 2015) and Former Executive Director and Chief Commercial Officer (up to 1 June 2015)
Qualifications	B.Bus, MBA, MAID
Experience and expertise	Mr Wilson was a co-founder, director and shareholder of Mammoth Pet Holdings Pty Ltd prior to its acquisition by Greencross Limited and served as its Managing Director from inception in 2005. Prior to Mammoth, Mr Wilson was the Chief Operating Officer of ShopFast, Australia's largest online grocery retailer (sold to Coles in 2003). He has worked in the retail industry for 26 years. Mr Wilson was with Caltex Australia from 1987 to 1999, in a number of roles including, National Fuels Pricing and Planning Manager, Retail Sales Manager for convenience retailing (500 locations), and General Manager of Caltex/Boral JV, Vitalgas.
Other current public company directorships	None
Former directorships (last 3 years)	None
Special responsibilities	None
Interests in shares as at 1 July 2015	3,116,416 ordinary shares

## Company secretary

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

## Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2015, and the number of meetings attended by each director were:

	Full Board		Remuneration and Nomination Committee		Audit, Compliance and Risk Management Committee	
	Attended	Held <sup>1</sup>	Attended	Held <sup>14</sup>	Attended	Held <sup>14</sup>
Stuart James	6	6	6	6	1	1
Jeffrey David	6	6	-	-	-	-
Dr Glen Richards	6	6	-	-	-	-
Paul Wilson	6	6	-	-	-	-
Andrew Geddes	6	6	-	-	4	4
Christina Boyce	5	5	6	6	3	3
Chris Knoblanche	5	5	6	6	3	3

<sup>1</sup> Held: represents the number of meetings held during the time the director of Greencross held office.

## Remuneration Report

The Company's Directors present the 2015 Remuneration Report prepared in accordance with section 300A of the Corporations Act 2001, for the Company and the Consolidated Entity for the year ending 30 June 2015 ("FY 2015"). The information provided in this Remuneration Report has been audited by PricewaterhouseCoopers as required by section 308(3C) of the Corporations Act 2001. The Remuneration Report forms part of the Directors' Report.

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

### 1. Introduction

#### 1.1 Overview of FY 2015 Remuneration Initiatives

The Company has grown rapidly since it first listed on the ASX in 2007. In 2014, it merged with Mammoth Pet Holdings Pty Ltd, substantially increasing its market capitalisation, and entered the ASX200. With growth comes increased business complexity and opportunity. The Company has responded to greater complexity and opportunity by ensuring that it has the appropriate calibre of leadership at both Board and Executive level.

As part of this the Company undertook a number of key FY 2015 initiatives which culminated in:

- The review and implementation of a new Remuneration Policy and Remuneration and Nomination Committee Charter in August 2014.
- The benchmarking of remuneration for Directors, the Chief Executive and Executives against those in comparable companies, and an appropriate adjustment where necessary to bring those concerned in line with Directors and Executives with comparable skills and experience. This included an adjustment in the remuneration of Directors and the Chief Executive. This was thought prudent to attract and/or retain high calibre individuals in these roles. It also guided remuneration decisions taken in relation to Executives appointed during FY 2015. In the case of the Chief Executive, a benchmark against comparable companies highlighted that the Chief Executive's Total Fixed Remuneration ("TFR") was significantly below the median. After careful consideration, the Board approved a 9.5% increase to bring the Chief Executive's TFR closer to market median.
- The establishment of Director and Executive share ownership guidelines whereby the Company encourages its Directors and Executives to build and maintain a shareholding in the company to the value of at least one year of their total fixed remuneration. In the case of Executives, this is facilitated by the design of the FY 2015 short and long term incentive plans described in detail in this report.
- The establishment of an FY 2015 Executive KMP short term incentive plan to support delivery of a challenging set of stretch financial targets and the successful completion of a number of large, complex and business critical strategic projects, including the integration of large strategic acquisitions and the continued realisation of merger synergies. Awards under this plan are delivered in part in cash and in part in deferred equity which vests at the beginning of FY 2017, and is subject to service and claw-back conditions. It should be noted that while the Chief Executive and Mr Wilson (in his capacity as Executive Director) were eligible to participate in the plan, they indicated to the Board that they wished to waive their rights to any award given that the Company did not achieve its original FY 2015 EPS guidance. This was accepted by the Board.
- The establishment of an FY 2015 Executive KMP long term incentive plan with a three (3) year performance and service period focused on Return on Invested Capital ("ROIC") and EPS growth over the period. Awards under this plan are subject to claw-back conditions. No Executive Director participated in this plan. The Company intends to seek shareholder approval at its 2015 annual general meeting for a 2016 LTI grant to the Chief Executive under this plan.
- The appointment of two new independent Non-Executive Directors, both of whom have strong corporate governance experience, and both of whom joined the Remuneration and Nomination Committee.
- The transition of two cofounders of the business from Executive Director roles to Non-Executive Director roles, ensuring continued access to their wealth of experience and corporate knowledge. As a result of the increase in the number of Non-Executive Directors on the Board, the Company intends to seek shareholder approval at its next annual general meeting for an increase in the size of the Directors' fee pool.
- The appointment of high calibre KMP Executives to assume the Executive responsibilities of the retiring Executive Directors.

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

# Directors' Report

30 June 2015

## 1.2 Key Management Personnel

Set out below is the list of the Directors and Executives of the Company whose remuneration details are outlined in this Remuneration Report. These Directors and Executives comprised the key management personnel ("KMP") of the Company for FY 2015, who have authority and responsibility for planning, directing and controlling the activities of the Company, as defined within the relevant accounting standard. Except where noted, these Directors and Executives were employed for all of FY 2015 in the positions noted below.

**Table 1 – Key Management Personnel**

Name	Position	Period Covered Under this Report
<b>Directors</b>		
Stuart James	Non-Executive Chairman	Full financial year
Jeffrey David	Executive Director and Chief Executive	Full financial year
Christina Boyce	Non-Executive Director	22 Sep 2015 to 30 Jun 2015
Andrew Geddes	Non-Executive Director	Full financial year
Scott Gilbertson	Non-Executive Director	1 July 2014 to 17 Sep 2014
Matthew Hobart	Non-Executive Director	1 July 2014 to 17 Sep 2014
Christopher Knoblanche	Non-Executive Director	22 Sep 2015 to 30 Jun 2015
Glen Richards	Executive Director and Chief Veterinary Officer	1 Jul 2014 to 28 Feb 2015
	Non-Executive Director	1 Mar 2015 to 30 June 2015
Paul Wilson	Executive Director and Chief Commercial Officer	1 Jul 2014 to 31 May 2015
	Non-Executive Director	1 Jun 2015 to 30 Jun 2015
<b>Other KMP</b>		
Scott Charters	Chief Operating Officer, Retail	Full financial year
Ian Kadish	Chief Operating Officer, Veterinary Services	1 Dec 2014 to 30 June 2015
Martin Nicholas	Chief Financial Officer	Full financial year

## 1.3 Link between Remuneration and Company Performance

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

The key financial measures for FY 2015 that applied to Executive KMP incentives are all considered to be appropriate for sustainable long-term performance and shareholder value creation. They were:

- **Underlying Earnings Per Share (EPS) growth** – Underlying EPS (Earnings per Share) is a measure of profitability, a direct determinant of dividends and a measure of the Company's long-term success. Underlying EPS excludes any exceptional non-repeating income or costs that are not relevant to the long term performance of the Group. FY 2014 underlying EPS normalises for the Greencross-Mammoth merger as if it had occurred at the beginning of the year, including a full year of synergies. Integration and acquisition costs are excluded in both FY 2014 and FY 2015. For FY 2015, growth in statutory EPS was in excess of growth in underlying EPS. For the avoidance of doubt, underlying EPS from FY 2015 forward does not exclude any charges in relation to impairment or write downs. In FY 2014 the group incurred an impairment charge of \$130m in relation to goodwill generated on merger, this is excluded from the base year (FY 14) EPS on which growth for the LTIP plan is then calculated. In FY 2015, the actual reported EPS was 34.3 cents, being a 43% increase on the previous year.

# Directors' Report

30 June 2015

- **Underlying EBITDA relative to budget** - Underlying EBITDA is a measure of the company's underlying ability to generate cash to pay dividends and support growth. Underlying EBITDA excludes any exceptional non repeating income or costs that are not relevant to the long term performance of the Group. FY 2014 underlying EBITDA normalises for the Greencross-Mammoth merger as if it had occurred at the beginning of the year, including a full year of synergies. Integration and acquisition costs are excluded in both FY 2014 and FY 2015. In FY 2015, growth in statutory EBITDA was in excess of growth in underlying EBITDA. The EBITDA budget for FY 2015 was in excess of FY 2015 market guidance. For the avoidance of doubt, underlying EBITDA performance does not exclude any charges in relation to impairment or write downs. In FY 2015, the actual reported underlying EBITDA was \$86.8 million, a 60% increase on the previous year.
- **Underlying Return on Invested Capital (ROIC)** - Underlying ROIC is a measure of capital efficiency. It takes into account both the cost of equity and debt. It ensures that earnings growth is achieved on a sustainable basis. Underlying ROIC is adjusted for one-off non recurrent items and the impact of significant acquisitions and disposals. FY 2014 underlying ROIC normalises for the Greencross-Mammoth merger as described above. For the avoidance of doubt, underlying ROIC performance does not exclude any charges in relation to impairment or write downs. In FY 2015, the Company achieved a ROIC of 9%.

Short-term incentive payments for 2015 performance were on average less than target for all KMP Executives. This is consistent with the level of achievement against guidance. No long-term incentives were in place for vesting during 2015.

## Actual Performance

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

**Table 2 – Greencross Underlying Financial Performance for the Past Five Years**

	Measure	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Revenue <sup>1</sup>	\$M	231.0	293.0	362.0	445.5	644.5
Revenue Growth (on previous year)	%		26.8%	23.5%	23.1%	44.7%
EBITDA <sup>1</sup>	\$M	25.0	33.0	41.0	54.3	87.8
EBITDA Growth (on previous year)	%		32.0%	24.2%	32.4%	61.7%
NPAT <sup>1</sup>	\$M	7.0	10.0	14.9	21.6	38.2
NPAT Growth (on previous year)	%		42.9%	49.0%	45.0%	76.9%
EPS <sup>2</sup>	cents	12.0	15.0	18.7	24.0	34.3
EPS Growth (on previous year)	%		25.0%	24.7%	28.3%	42.9%
Closing share price <sup>2</sup> above	\$	0.97	2.29	4.73	9.24	5.75
Dividend Per Share <sup>2</sup>	cents	6.0	8.0	10.0	12.5	17.0

<sup>1</sup> On a pro forma and underlying basis as if the merger had occurred on 1 July 2010

<sup>2</sup> As reported for legal entity Greencross Limited

## 2. Remuneration Governance and Policy

### 2.1 Remuneration Governance

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

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

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

The Committee Charter is available on the Company's website at [www.greencrosslimited.com.au](http://www.greencrosslimited.com.au). The Charter is reviewed annually and was last reviewed in August 2014.

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

Ms Boyce replaced Mr Hobart on the Committee on 22 September 2014, and Mr Knoblanche replaced Mr Geddes on 1 December 2014. Ms Boyce was elected Chair of the Committee on 1 December 2014. Mr James continued on the Committee throughout FY 2015.

During FY 2015, the Committee met 6 times with full attendance by all members. The Chief Executive and Chief People Officer have a standing invitation to attend all Committee meetings to assist in deliberations (excluding matters relating to their own employment).

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

### 2.2 External Remuneration Advice

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

During the year, the Committee (on behalf of the Board) engaged Guerdon Associates as its independent consultant to provide information on remuneration matters. In particular, Guerdon Associates assisted in: (1) benchmarking Directors' fees; (2) benchmarking CEO and executive remuneration; (3) benchmarking the Directors' Fee Pool; and (4) assisting in the preparation of this report. Guerdon Associates was paid \$62,000 for these services.

The Board was satisfied that advice received from Guerdon Associates was free from any undue influence by KMPs to whom the advice related, because strict protocols were observed and complied with regarding any interaction between Guerdon Associates and management. All remuneration advice was provided directly to the Chair of the Committee or the Chairman of the Board.

No remuneration recommendations as defined in section 9B of the Corporations Act, were made by Guerdon Associates.

## 2.3 Remuneration Policy and Key Principles

### Policy purpose

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

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

A copy of the Remuneration Policy can be found on the Company's website at [www.greencrosslimited.com.au](http://www.greencrosslimited.com.au).

### Executive Remuneration Policy

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

- Provides competitive rewards that attract and retain high calibre executives;
- Sets fixed remuneration at a level that reflects the executives' duties and accountabilities relative to market standards and their level of experience and expertise;
- Instils an ownership culture by encouraging executives to hold shares;
- Aligns executive incentive rewards with the creation of value for shareholders;
- Sets demanding levels of performance, with clear links to an executive's remuneration;
- Manages risk by measuring performance over different time periods, ensuring reward is aligned with shareholder value and ensuring a significant component is received as equity;
- Benchmarks remuneration against appropriate comparator groups; and
- Complies with applicable legal requirements and appropriate standards of governance.

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

### Non-Executive Director Remuneration Policy

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

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

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

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

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

### 3. Chief Executive and Other Executive KMP Remuneration

#### 3.1 Executive KMP Remuneration Structure

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

#### Framework Summary

The diagram below summarises the framework for FY 2015. The framework will be reviewed each year.

**Diagram 1 – KMP Executive Remuneration Framework**

Total Fixed Remuneration (TFR)	Short Term Incentive		Long Term Incentive	
Comprises: <ul style="list-style-type: none"> <li>Cash salary;</li> <li>Salary sacrifice items; and</li> <li>Employer superannuation contributions in line with statutory obligations.</li> </ul> TFR is determined by reference to the first, second and third quartiles in market (where applicable) and the individual's skills and experience relative to the position's requirements.	Up to 100% of TFR ("maximum STI")		Grant value of 50% of TFR ("maximum LTI").	
	100% of available STI dependent on achieving the EBITDA budget. The EBITDA budget for FY 2015 was in excess of FY 2015 market guidance.  Threshold hurdle = 90% of budget  Target hurdle = 100% of budget.		70% of available LTI dependent on achieving EPS growth hurdles based on predefined growth rates	30% of available LTI dependent on achieving ROIC target.
	Cash STI	Deferred STI	EPS growth averaged over three-year period: 1/7/14 to 30/6/17.  Threshold hurdle = 90% of target  Target hurdle = 100% of target	
	Cash reward up to 50% of total STI awarded.	Deferred Share rights for up to 50% of total STI awarded.  Deferred STI restricted for 12 months and subject to forfeiture conditions.		

#### Company's Ownership Philosophy

It has long been the Company's philosophy that Executives should share in the ownership of the Company. Whilst this is not mandated, it is strongly encouraged and the Company's remuneration structure for FY 2015 was designed to facilitate this.

#### 3.2 Executive KMP Total Fixed Remuneration

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

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

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

Fixed remuneration is determined by reference to the market 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> quartiles (relevant to the expected size of the Company and position scope) and the individual's skills and experience relative to the position's requirements. This policy provides the company with the flexibility to promote from within or recruit externally, attract and retain talent by recognising Executive experience and expertise, within an acceptable market remuneration range.

### **3.3 Executive KMP Short Term Incentive**

The Company's STI Plan aims to reward Executives for meeting or exceeding annual performance thresholds, whilst at the same time aligning their STI rewards with shareholder interests with partial payment in deferred share rights. Governance mechanisms permit forfeiture in defined circumstances.

The following summarises the key features of the 2015 STI Plan:

#### Who is eligible to participate in STI awards?

All KMP Executives participate in the STI Plan.

#### How are STI rewards set?

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

#### What is the performance requirement?

Achievement of the underlying EBITDA budget for FY 2015. Underlying EBITDA is a measure of the company's underlying ability to generate cash to pay dividends and support growth. Underlying EBITDA excludes any exceptional non repeating income or costs that are not relevant to the long term performance of the Group. FY 2014 underlying EBITDA normalises for the Greencross-Mammoth merger as if it had occurred at the beginning of the year, including a full year of synergies. Integration and acquisition costs are excluded in both FY 2014 and FY 2015. FY 2015 statutory EBITDA growth was in excess of underlying growth. The EBITDA budget for FY 2015 was in excess of FY 2015 market guidance. For the avoidance of doubt our measure of underlying EBITDA performance does not exclude any charges in relation to impairment or write downs.

#### What is the method of assessment against performance hurdles?

The achieved underlying EBITDA against audited financial statements, adjusted as outlined above.

The underlying EBITDA target may be adjusted at Board discretion to exclude any gains/losses on disposal of assets and other adjustable items whose impact on Greencross's business has not been fully realised as at the end of the performance measurement period.

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

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

#### What is the form of payment?

For FY 2015, STI outcome is payable 50% in cash and 50% in performance rights. The performance rights convert to shares after one year and are subject to forfeiture conditions. Each performance rights results in a share plus pro-rata shares based on the value of dividends reinvested during the performance period. In the event of a change in control, redundancy or the death or total and permanent disablement of the Executive, the performance rights will vest.



# Directors' Report

30 June 2015

## Can any of the STI be clawed back?

Performance rights will be forfeited if, before the end of the one year restriction period:

- In the opinion of the Board, there has been a material adverse outcome (including, but not limited to, a material write-down or impairment or a material misstatement in or omission from the financial statements of Greencross); or
- The Executive is terminated for cause; or
- The Executive ceases employment with the Company or any of its related entities, unless otherwise determined by the Board because of special circumstances.

## Can the board exercise discretion in relation to STI awards?

The Board can exercise its discretion to amend any element of the STI award plan.

### **3.4 Executive KMP Long Term Incentive**

The following summarises the key features of the 2015 LTI Plan. No Directors participate in the plan.

## Who is eligible to participate in the LTI plan?

All KMP Executives other than Executive Directors were eligible.

## What Securities Are Offered?

Performance rights are granted over ordinary fully paid shares. Each performance right represents a right to receive one share in the Company plus prorated shares in accord with dividends accrued over the vesting period, subject to the terms of the LTI Plan. The default settlement is in shares. The Board, in its absolute discretion, may permit settlement in cash, upon consideration of such factors as to whether an individual already holds sufficient shares to meet shareholding requirements, or, in circumstances where employment has been terminated and if the employee was a good leaver. The Board also has discretion to satisfy vested grants and the allocation of subsequent shares to participants by either the issue of new shares or an on-market acquisition.

## How do Rights Vest?

Rights granted to participants will vest to the extent that the Board determines that:

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

## What is the Performance Period?

A 3-year Performance Period will apply. The Performance Period for the 2015 LTI is 1 July 2014 to 30 June 2017.

## When are Performance Conditions tested?

The Performance Conditions are tested following the announcement of the FY 2017 full year result, in or around September 2017.

## How do you determine the number of performance rights?

The number of performance rights each participant receives is determined by dividing the dollar value of the maximum LTI award by the Allocation Price. The Allocation Price in respect of the rights is calculated as the ten (10) day volume weighted average price (VWAP) of the Company's shares for the five trading days up to and including 1 July 2014 and the five trading days immediately following 1 July 2014.

## What are the performance conditions?

There are two performance hurdles: underlying EPS Growth and underlying ROIC.

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

Underlying EPS (Earnings per Share) is a measure of profitability, a direct determinant of dividends and a measure of the Company's long-term success. Underlying EPS excludes any exceptional non repeating income or costs that are not relevant to the long term performance of the Group. FY 2014 underlying EPS normalises for the Greencross-Mammoth merger as if it had occurred at the beginning of the year, including a full year of synergies. Integration and acquisition costs are excluded in both FY 2014 and FY 2015. For the avoidance of doubt our measure of underlying EPS for FY 2015 forward does not exclude any charges in relation to impairment or write downs. In FY 2014 the group incurred an impairment charge of \$130m in relation to goodwill generated on merger, this is excluded from the base year (FY 2014) EPS on which growth for the LTIP plan is then calculated.

# Directors' Report

30 June 2015

Underlying ROIC is a measure of capital efficiency. It takes into account both the cost of equity and debt. It ensures that earnings growth is achieved on a sustainable basis. Underlying ROIC is adjusted for one-off non recurrent items and the impact of significant acquisitions and disposals. FY 2014 underlying ROIC normalises for the Greencross-Mammoth merger as described above. For the avoidance of doubt our measure of underlying ROIC performance does not exclude any charges in relation to impairment or write downs.

Relative TSR was not considered a suitable performance metric, as there were an insufficient number of suitable comparison companies for valid and meaningful judgement of performance.

#### Details of the EPS Performance Condition

Seventy percent of the rights will only vest under the FY 2015 Grant to the extent a reported underlying EPS growth condition is satisfied over the Performance Period. Broadly, underlying EPS measures the earnings generated by the Company attributable to each share on issue. The underlying EPS hurdles are based on 3-year average since implementation of the Plan. Vesting of FY 2015 grants will be based average EPS growth for FY 2015, FY 2016 and FY 2017.

The target and threshold hurdle are set with reference to the group's Long Term Five Year Plan (LTP) and the forward market consensus. Performance against these hurdles will be disclosed retrospectively at the conclusion of the performance period.

The proportion of the rights subject to the EPS performance condition that vests will be determined by reference to underlying EPS achieved in FY 2014 (\$0.24 per share), as follows:

Greencross's average growth in reported EPS,	Rights vesting (% of maximum number of rights)	
Equal to or greater than the stretch EPS growth	100%	The Board retains discretion to amend any aspects of the LTI plan. Any discretion applied will be disclosed.
Greater than the threshold EPS growth but less than the stretch EPS growth maximum	Progressive pro rata grant from 50% to 100% (i.e., on a straight line basis)	
Equal to the threshold EPS growth	50%	
Less than the threshold EPS growth	0%	

#### Details of the ROIC Performance Condition

Thirty percent of the FY 2015 Grant (30%) will be subject to an underlying ROIC hurdle, based on the Company's underlying ROIC performance over the Performance Period.

ROIC is the Group's net profit after tax divided by the Group's weighted average invested capital (total assets less cash).

The target and threshold hurdles are set with reference to the group's Long Term Five Year Plan (LTP) and the forward market consensus. These hurdles are above the Company's weighted average cost of capital. Performance against these hurdles will be disclosed retrospectively at the conclusion of the performance period.

# Directors' Report

30 June 2015

The proportion of the rights subject to the ROIC performance condition that vests will be determined by reference to ROIC achieved in FY 2015 as follows:

Greencross's ROIC	Rights vesting (% of maximum number of rights)
Equal to or greater than the maximum ROIC target	100%
Greater than the threshold ROIC target, but less than the maximum ROIC target	Progressive pro rata grant from 50% to 100% (i.e., on a straight line basis)
Equal to the threshold ROIC target	50%
Less than the threshold ROIC target	0%

The Board retains a discretion to adjust the measurement of ROIC for the purpose of the ROIC Performance Condition to ensure that the participant is neither advantaged nor disadvantaged by matters outside management's control that affect ROIC (for example, by excluding one-off non-recurrent items or the impact of significant acquisitions or disposals).

#### Is there a testing of performance conditions?

Following the end of the relevant Performance Period, the Board will:

- test the applicable Performance Conditions (including any service conditions, if relevant) and determine the extent to which the Performance Conditions have been satisfied and rights will Vest;
- determine the time when the rights will Vest; and
- within a reasonable timeframe, notify participants of the extent to which any applicable Performance Conditions have been satisfied and rights will Vest (or have Vested), and, if relevant, whether rights will be settled in Shares.

There is no re-testing.

#### What is the treatment for Dividends and Voting Rights in Performance Rights?

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

#### Are there restrictions on Hedging of LTIs?

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

#### Is there a real risk of Forfeiture?

A Performance right granted will lapse if:

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

# Directors' Report

30 June 2015

## Change in Control

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

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

In relation to rights which are only subject to a service related Performance Condition (e.g., rights granted as part of a deferred STI award), all such unvested rights will, unless the Board determines otherwise, Vest in full on a Change of Control regardless of the applicable Performance Period that has elapsed.

## How do Rights vest?

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

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

## Can any of the LTI be clawed back?

Rights will be forfeited if, before the end of the vesting restriction period:

- In the opinion of the Board, there has been a material adverse outcome (including, but not limited to, a material write-down or impairment or a material misstatement in or omission from the financial statements of Greencross); or
- The Executive is terminated for cause; or
- The Executive ceases employment with the Company or any of its related entities, unless otherwise determined by the Board because of special circumstances.

## **3.5 Executive KMP Shareholding Guideline**

All KMP Executives are encouraged to build and maintain a minimum shareholding requirement equal to one times fixed remuneration.

## **3.6 Executive Service Contracts**

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

Major provisions of the agreements are set out below.

# Directors' Report

30 June 2015

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

**Table 3 – Key Contractual Provisions for Current Executives**

	<b>Employing Company</b>	<b>Contract Duration</b>	<b>Termination Notice Period (Company)</b>	<b>Termination Notice Period (Employee)</b>
Jeff David Managing Director and Chief Executive	Greencross	No Fixed Term	3 Months	3 Months
Martin Nicholas Chief Financial Officer	Greencross	No Fixed Term	6 Months	6 Months
Scott Charters Chief Operating Officer, Retail	Greencross	No Fixed Term	3 Months	3 Months
Ian Kadish Chief Operating Officer, Veterinary Services (from 1 Dec 15)	Greencross	No Fixed Term	6 Months	6 Months

### 3.7 Executive Remuneration Received and Statutory Tables

#### Managing Director and Chief Executive

A benchmarking exercise undertaken in early FY 2015 highlighted that the Chief Executive's Total Fixed Remuneration ("TFR") was significantly below the median for comparable companies. After careful consideration, the Board approved a 9.5% increase to bring the Chief Executive's TFR closer to market median. As a result, the total fixed remuneration for the Chief Executive for FY 2015 was \$780,000. After adjustment, the Chief Executive's TFR is still below median for comparable peers.

It should be noted that while the Chief Executive was eligible to participate in the Executive Short Term Incentive Plan, he indicated to the Board that he wished to waive his right to any award given that the Company did not achieve its original FY 2015 EPS guidance. This was accepted by the Board. The Chief Executive was not eligible to participate in the Executive Long Term Incentive Plan in FY 2015.

#### Other KMP Executives

Mr Charters was the only other KMP to receive an increase to his fixed remuneration in FY 2015. Mr Charters received an increase of \$65,000 to his base salary in FY 2015.

Table 4 details the nature and amount of remuneration of the Chief Executive and other named Executives for the year ended 30 June 2015:

**Table 4 – Remuneration of Executives**

		Fixed Term Remuneration			Variable Remuneration			Total Remuneration in Accordance with Accounting Standards \$	Performance Related %
		Short Term Benefits		Post Employment Benefits	Short Term Benefits		Long Term Benefits		
		Salary, Fees and Allowances \$	Non-Monetary \$		STI Award (Cash) \$	Fair Value of Deferred Shares/ Rights Under STI Awards \$			
Jeff David	2015	761,217	-	18,783	-	-	-	780,000	-
Chief Executive Officer	2014	691,700	-	20,842	-	-	-	712,542	-
Glen Richards	2015	297,832	-	14,088	-	-	-	311,920	-
Chief Veterinary Officer	2014	114,231	-	6,753	-	-	-	120,984	-
Paul Wilson	2015	495,542	-	20,453	-	-	-	515,995	-
Chief Commercial Officer	2014	671,508	-	5,438	-	-	-	676,946	-
Scott Charters	2015	356,250	-	39,924	-	99,788	1,348	498,174	20%
Chief Operating Officer, Retail	2014	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ian Kadish	2015	276,964	-	14,874	-	72,206	976	365,645	20%
Chief Operating Officer, Veterinary Services	2014	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Martin Nicholas	2015	432,215	-	18,782	-	111,453	1,506	564,921	20%
Chief Financial Officer	2014	53,197	-	4,941	-	225,000	-	283,138	79%
<b>Total</b>	<b>2015</b>	<b>2,620,020</b>	-	<b>126,904</b>	-	<b>283,447</b>	<b>3,830</b>	<b>3,036,655</b>	<b>9%</b>
<b>Total</b>	<b>2014</b>	<b>1,530,636</b>	-	<b>37,974</b>	-	<b>225,000</b>	-	<b>1,793,610</b>	<b>13%</b>

## STI Awards for 2015

STI payments to the Chief Executive and other KMP Executives for the 2015 financial year are set out in Table 5 below. The amounts reflect STI awards awarded but not yet paid or in respect of the 2015 financial year. STI deferred share rights will be granted in September 2015 and are subject to a one-year restriction period and forfeiture conditions.

**Table 5 – STI Awards FY 2015 for Executives**

		STI Cash \$	STI Deferred Share Rights \$	% of maximum STI awarded	% of maximum STI forfeited
Jeff David Chief Executive	2015	-	-	0%	100%
	2014	-	-	-	-
Glen Richards Chief Veterinary Officer	2015	-	-	0%	100%
	2014	-	-	-	-
Paul Wilson Chief Commercial Officer	2015	-	-	0%	100%
	2014	-	-	-	-
Scott Charters Chief Operating Officer, Retail	2015	99,788	99,788	49%	51%
	2014	n/a	n/a	-	-
Ian Kadish Chief Operating Officer, Veterinary Services	2015	72,206	72,206	49%	51%
	2014	n/a	n/a	-	-
Martin Nicholas Chief Financial Officer	2015	111,453	111,453	49%	51%
	2014	225,000	-	-	-
<b>Total</b>	<b>2015</b>	<b>283,447</b>	<b>283,447</b>	<b>49%</b>	<b>51%</b>
<b>Total</b>	<b>2014</b>	<b>225,000</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Movement in Long-Term Incentives

Details of Unvested performance rights held by Executives and movement during the year are detailed in Table 6 below.

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

	Type	Performance Hurdles	Performance Period	Granted in FY 2015		Vested in FY 2015		Lapsed of Forfeited in FY 2015		Balance of unvested Equity 30 June 15		Share price at beginning of performance period	
				Number	Number	Number	Number	Number	Number	Number	Number		
Scott Charters	Rights	EPS, ROIC	1/7/14 - 30/6/17	21,376	-	-	-	20,108	\$9.45				
Ian Kadish	Rights	EPS, ROIC	1/7/14 - 30/6/17	15,467	-	-	-	14,550	\$9.45				
Martin Nicholas	Rights	EPS, ROIC	1/7/14 - 30/6/17	23,874	-	-	-	22,458	\$9.45				



# Directors' Report

30 June 2015

## 4. Non-Executive Directors' Remuneration

### 4.1 Non-Executive Directors' Remuneration Structure and Fee Pool

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

Non-Executive Directors' fees are determined within an aggregated Directors' fee pool limit of \$750,000, which was last approved by shareholders at the 2014 Extraordinary General Meeting.

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

There was an increase in Board and committee fees paid to Non-Executive Directors in FY 2015 with effect from 27 August 2014. Fees were increased to bring them in line with those of comparable organisations.

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

Position		Board
Chairman of the Board	After	200,000
	Before	150,000
Non-Executive Director	After	100,000
	Before	75,000

Position		Audit and Risk Committee	Remuneration and Nomination Committee
Committee Chairman	After	25,000	25,000
	Before	25,000	25,000
Committee Member	After	10,000	10,000
	Before	-	-

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

# Directors' Report

30 June 2015

## 4.2 Non-Executive Directors' Remuneration Statutory Tables

Details on the nature and amount of remuneration of Greencross's Non-Executive Directors for FY 2015 are set out in Table 13.

**Table 8 – Remuneration of Non-Executive Directors**

		Fees (including superannuation) \$
Stuart James	2015	212,500
	2014	76,292
Christina Boyce	2015	99,992
	2014	-
Andrew Geddes	2015	101,378
	2014	50,000
Scott Gilbertson	2015	-
	2014	-
Matthew Hobart	2015	-
	2014	-
Christopher Knoblanche	2015	99,992
	2014	-
Glen Richards	2015	32,692
	2014	-
Paul Wilson	2015	7,692
	2014	-
<b>Total</b>	<b>2015</b>	<b>554,246</b>
	<b>2014</b>	<b>126,292</b>

## 4.3 Non-Executive Director Shareholding Guideline

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

## 5. Additional disclosures relating to key management personnel

### 5.1 Related Party Transactions

#### Related Party Transactions

The following transactions occurred with related parties:

	Consolidated	
	2015	2014
	\$	\$
Payment for goods and services:		
Purchase of inventory from Petco Animal Supplies, Inc., a related party associated with directors Matthew Hobart and Scott Gilbertson.**	1,519,701	6,086,709
Payment for other expenses:		
Rent and outgoings paid to Greencross Properties Pty Ltd, a company controlled by director Dr Glen Richards.*	85,745	35,626
Rent paid to KCORM Property Trust, a trust associated with director Dr Glen Richards.*	181,554	73,156
Rent paid to AEC Property Trust, a trust associated with director Dr Glen Richards.*	220,445	87,799
Other transactions:		
Key management personnel compensation paid to Freddy Management Pty Limited, an entity associated with directors Jeffrey David and Paul Wilson	-	933,333

# Directors' Report

30 June 2015

## Receivable from and payable to related parties

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

	Consolidated	
	2015	2014
	\$	\$
Current payables:		
Rent payable to AEC Property Trust, a trust associated with director Dr Glen Richards.	(1,527)	3,135
Payable for purchase of inventory to Petco Animal Supplies, Inc., a related party associated with directors Matthew Hobart and Scott Gilbertson.**	-	640,715

## Loans to/from related parties

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

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

\*\* Robust procurement disciplines are observed for all sourcing decisions. While the company continues to purchase inventory from Petco Animal Supplies, the directors, Matthew Hobart and Scott Gilbertson, have now left the board.

## 5.2 KMP Shareholdings

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

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

**Table 9 – KMP Shareholdings**

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Stuart James	1,940,967	-	32,180	-	1,972,547
Jeffrey David	7,697,604	-	-	269,969	7,427,635
Christina Boyce	-	-	3,000	-	3,000
Andrew Geddes	235,989	-	19,907	-	255,896
Scott Gilbertson	-	-	-	-	-
Matthew Hobart	-	-	-	-	-
Christopher Knoblanche	-	-	-	-	-
Dr Glen Richards	5,276,538	-	-	3,100,000	2,626,538
Paul Wilson	4,966,416	-	-	1,850,000	3,116,416
Scott Charters	364,597	-	-	176,066	188,531
Ian Kadish	-	-	6,000	-	6,000
Martin Nicholas	-	-	17,752	-	17,752

*This concludes the remuneration report, which has been audited*

# Directors' Report

30 June 2015

## Shares under performance rights

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

## Shares issued on the exercise of performance rights

There were no ordinary shares of Greencross Limited issued on the exercise of performance rights during the year ended 30 June 2015 or up to the date of this report.

## Indemnity and insurance of officers

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

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

## Indemnity and insurance of auditor

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

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

## Proceedings on behalf of the company

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

## Non-audit services

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

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

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

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

## Officers of the company who are former audit partners of PricewaterhouseCoopers

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

## Rounding of amounts

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

## Auditor's independence declaration

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

# Directors' Report

30 June 2015

## Auditor

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

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

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Jeffrey David', written over a horizontal line.

Jeffrey David  
Director

11 August 2015  
Sydney

# Corporate Governance Statement

30 June 2015

## Corporate Governance Statement

This statement reports on the Company's key governance framework, principles and practices as at 30 June 2015 with respect to the Company and its controlled entities (together, the **Group**), and has been approved by the Board. These principles and practices are reviewed regularly and revised as appropriate to reflect changes in law and best practice in corporate governance.

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

### 1.0 Compliance with ASX Corporate Governance Principles and Recommendations

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

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

The Company's corporate governance practices were in place throughout the year ended 30 June 2015, and comply in all material respects with the ASX Recommendations, unless otherwise stated.

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

### 2.0 The Board of Directors and Management

#### 2.1 The Board Charter

##### *ASX Recommendation 1.1*

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

In particular, the charter details the:

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

A copy of the Board Charter is available on the Company's website at: [www.greencrosslimited.com.au](http://www.greencrosslimited.com.au)

#### 2.2 The role of the Board

##### *ASX Recommendation 1.1*

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

The primary role of the Board is to:

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

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

# Corporate Governance Statement

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## 2.3 The responsibilities of the Board

### *ASX Recommendation 1.1*

Broadly, the Board is responsible for:

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

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

### *Strategy*

The Board is responsible for:

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

### *Risk Management and Reporting*

The Board is responsible for:

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

### *Relationship with Management*

The Board is responsible for:

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

### *Monitoring of Performance*

The Board is responsible for:

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

# Corporate Governance Statement

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## *Corporate Governance*

The Board is responsible for:

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

The corporate governance policies are available on the Company's website at [www.greencrosslimited.com.au](http://www.greencrosslimited.com.au)

## **2.4 Board Delegation to Managing Director and Management**

### *ASX Recommendation 1.1*

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

The Managing Director is Mr Jeffrey David, who was appointed as the Group's Chief Executive on 6 February 2014. The Managing Director is responsible for running the day to day affairs of the Group and to implement the policies and strategies set by the Board. In carrying out these responsibilities, the Managing Director must report to the Board in a timely and clear manner.

The Board has delegated, through the Managing Director, the following responsibilities to the management team of the Group:

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

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

## **2.5 Responsibilities of Chairman**

### *ASX Recommendations 2.5*

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

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

The Chairman is responsible for:

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

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



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## 2.6 Responsibilities of Company Secretary

### *ASX Recommendation 1.4*

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

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

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

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

## 2.7 Composition of the Board

### *ASX Recommendations 2.2, 2.4*

The Board Charter requires that:

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

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

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

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

A review of Board composition and skills is undertaken annually by the Board which enables the Board to assess the skills and the experience of each Director and the combined capabilities of the Board. The results of this review are considered in the context of the Group's operations and strategy. Further information on the skills assessment conducted in FY 2015 is set out in paragraph 2.9 below. The results of this review are then incorporated into the selection process for new Directors.

## 2.8 Independence of Directors

### *ASX Recommendations 2.3, 2.4*

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

The Board currently comprises the following independent Directors: Christina Boyce, Andrew Geddes, Stuart James and Christopher Knoblanche.

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

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

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

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

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

## 2.9 Board Skills Matrix

*ASX Recommendation 2.2*

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

## 2.10 Appointment and re-election of Board members

*ASX Recommendations 1.3*

The Company has formal letters of appointment for each Director appointed by the Board in FY15, setting out the key terms and conditions of the appointment.

The process for appointing a Director is:

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

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

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

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

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

## 2.11 Board meetings

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

The number of Board meetings and each Director's attendance at those meetings are set out in the 'Meetings of Directors' section in the Directors' Report of this Annual Report.

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## 2.12 Performance of Board, its Committees and individual Directors

### *ASX Recommendation 1.6*

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

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

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

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

In FY15 the Board conducted an assessment of the performance and effectiveness of the Board as a whole, which included an assessment of the function of the Board Committees.

## 2.13 Conflicts of interest

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

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

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

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

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

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

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

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

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

## **2.14 Access to management**

*ASX Recommendation 1.1*

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

## **2.15 Access to independent professional advice**

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

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

## **2.16 Remuneration arrangements**

*ASX Recommendation 8.2*

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

## **2.17 Senior executives**

*ASX Recommendations 1.7, 8.2*

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

## **3.0 Board Committees**

### **3.1 Board Committees and Membership**

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

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

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

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

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

### 3.2 Committee Charters and Governance

*ASX Recommendations 2.1, 4.1, 7.1 & 8.1*

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

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

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

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

### 3.3 Committee access to Management

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

### 3.4 Audit and Risk Management Committee

*ASX Recommendations 4.1 and 7.1*

#### 3.4.1 Role of the Audit and Risk Management Committee

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

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

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

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## 3.4.2 Responsibility of the Audit and Risk Management Committee

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

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

## 3.4.3 Composition of the Audit and Risk Management Committee

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

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

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

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

## 3.4.4 Access to the Audit and Risk Management Committee

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

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

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

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

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## 3.4.5 External auditor

### *ASX Recommendation 4.3*

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

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

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

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

## 3.4.6 Internal audit function

### *ASX Recommendation 7.3*

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

## 3.5 Remuneration and Nomination Committee

### *ASX Recommendations 2.1 and 8.1*

#### 3.5.1 Role of the Remuneration and Nomination Committee

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

#### 3.5.2 Composition of the Remuneration and Nomination Committee

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

The Members of the Remuneration Committee are:

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

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

#### 3.5.3 Responsibilities and Charter

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

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

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

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

## 3.5.4 Equity-Based Remuneration Scheme

*ASX Recommendation 8.3*

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

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

## 3.5.5 Induction of new Directors

*ASX Recommendation 2.6*

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

## 4.0 Risk Management and Internal Control

*ASX Recommendations 7.1 and 7.4*

### 4.1 Approach to Risk Management

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

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

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

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

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

### 4.2 Risk Management Roles and Responsibilities

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



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

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

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

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

### *ASX Recommendations 4.2*

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

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

The statement confirms:

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

This statement also includes:

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

## 4.4 Economic, Environmental and Social Sustainability

### *ASX Recommendations 7.4*

There is no known material exposure to economic, environmental or social sustainability risks.

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

## 5.0 Communicating with shareholders

### 5.1 Strategy

#### *ASX Recommendation 6.1, 6.2*

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

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

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

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## 5.2 Meetings and briefings

### *ASX Recommendation 6.3*

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

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

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

## 5.3 Electronic Communications

### *ASX Recommendation 6.4*

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

## 5.4 Continuous disclosure

### *ASX Recommendation 5.1*

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

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

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

## 6.0 Promoting Ethical and Responsible Behaviour

### *ASX Recommendation 3.1*

### 6.1 Code of conduct

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

# Corporate Governance Statement

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The Code of Conduct covers:

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

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

## 6.2 Whistleblower Policy and Escalation

The Group has developed a detailed Whistleblowers Policy, which sets out clear and established procedures for the escalation of complaints and notification of incidents to the senior management team and the Board. This ranges from escalation of daily business or management concerns, up to serious financial, cultural or reputational matters. The Whistleblowers Policy is underlined by the Group's commitment to promoting and supporting a culture of corporate compliance and ethical behaviour.

Employees are provided with various avenues for escalation of complaints or concerns. To the extent possible and subject to legal and regulatory requirements, information reported under the Whistleblower Policy will be kept confidential.

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

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

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

## 6.3 Restrictions on dealing in securities

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

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

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

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## 7.0 Diversity

### *ASX Recommendation 1.5*

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

The Group is committed to:

- gender diversity;
- ensuring that the composition of its Board of Directors continues to be appropriate. The Board Charter clearly states that it should comprise Directors with a broad range of skills, experience, and diversity to build the profile of future Board candidates. In FY15, the Board appointed its first female non-executive director;
- providing a workplace that embraces diversity in relation to gender and age, as well as provide greater work and career flexibility; and
- being a diversity leader in Australia with regards to the Pet Retail and Veterinary Service industry by:
  - providing a diversity inclusive workplace in which everyone has the opportunity to fully participate and is valued for their distinctive skills, experiences and perspectives; and
  - incorporating diversity into its business practices through its corporate social responsibility initiatives that aim to improve the quality of life for its workforce, their families, communities and society at large.

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

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

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

The Board has an objective of employing a high proportion of women in the Group distributed evenly across all levels of management. The Group has maintained this objective throughout FY15. The Board also established the objective of increasing female representation on the Board. As a result, in FY15 a woman was appointed to the Board for the first time. These objectives are to be reviewed again in FY16.

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

	FY15 Actual	
	No.	%
Number of male employees in the whole organisation	2,748	46.9%
Number of female employees in the whole organisation	3,109	53.1%
Number of male in senior executive <sup>1</sup> positions	7	77.8%
Number of female in senior executive positions	2	22.2%
Number of male directors on the Board	6	86%
Number of female directors on the Board	1	14%

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

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<sup>1</sup> Senior executives includes managers who hold roles designated as senior executive roles, and includes Key Management Personnel and other managers who report directly to the Chief Executive.

# Corporate Governance Statement

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

Principle	ASX Corporate governance Principles and Best Practice Recommendations	CGCS Reference	Compliance
<b>1.0</b>	<b>Lay solid foundations for management and oversight</b>		
	A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.		
1.1	A listed entity should disclose:		
	a) The respective roles and responsibilities of its board and management; and	2.1, 2.2, 2.3, 2.4, 2.5, 2.14	Comply
	b) Those matters expressly reserved to the board and those delegated to management.	2.1, 2.2, 2.3, 2.4, 2.5, 2.6, 2.14	Comply
1.2	A listed entity should:		
	a) Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a director; and	2.10	Comply
	b) Provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	2.10	Comply
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	2.10	Appointment letters have been issued to individuals appointed to the Board in FY15. The Company is in the process of issuing Appointment Letters to individuals appointed to the Board prior to FY15.
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	2.6	Comply
1.5	A listed entity should:		
	a) Have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;	7.0	Comply
	b) Disclose that policy or a summary of it; and	7.0	Comply
	c) Disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:		

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Principle	ASX Corporate governance Principles and Best Practice Recommendations	CGCS Reference	Compliance
	<ol style="list-style-type: none"> <li>1) The respective proportions of men and women on the board in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</li> <li>2) If the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</li> </ol>	7.0	Comply
1.6	<p>A listed entity should:</p> <ol style="list-style-type: none"> <li>a) Have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</li> <li>b) Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</li> </ol>	2.3, 2.12	Comply
1.7	<p>A listed entity should:</p> <ol style="list-style-type: none"> <li>a) Have and disclose a process for periodically evaluating the performance of its senior executives; and</li> <li>b) Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</li> </ol>	2.17	Comply
<b>2.0</b>	<p><b>Structure the board to add value</b></p> <p>A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.</p>		
2.1	<p>The board of a listed entity should:</p> <ol style="list-style-type: none"> <li>a) Have a nomination committee which: <ol style="list-style-type: none"> <li>1) Has at least three members, a majority of whom are independent directors; and</li> <li>2) Is chaired by an independent director, and disclose: <ol style="list-style-type: none"> <li>1) The charter of the committee;</li> <li>2) The members of the committee; and</li> <li>3) As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ol> </li> </ol> </li> <li>b) If it does not have a nomination committee disclose that fact and processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</li> </ol>	3.1, 3.5	Comply
		3.1, 3.5	Comply
		3.1, 3.5	Comply
		3.1, 3.5	Comply
		3.1, 3.5	Comply
		N/A	The Company does have a nomination committee.
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	2.9	Comply

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Principle	ASX Corporate governance Principles and Best Practice Recommendations	CGCS Reference	Compliance
2.3	A listed entity should disclose:		
	a) The names of the directors considered by the board to be independent directors;	2.8	Comply
	b) If a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and	N/A	Comply
	c) The length of service of each director.	2.7	Comply
2.4	A majority of the board of a listed entity should be independent directors.	2.7, 2.8	Comply
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	2.5	Comply
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	3.5.5	Comply
<b>3.0</b>	<b>A listed entity should act ethically and responsibly</b> A listed entity should act ethically and responsibly.		
3.1	A listed entity should:		
	a) Have a code of conduct for its directors, senior executives and employees; and	6.1	Comply
	b) Disclose that code or a summary of it.	6.1	Comply
<b>4.0</b>	<b>Safeguard integrity in corporate reporting</b> A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.		
4.1	The board of a listed entity should:		
	a) Have an audit committee which:	3.4	Comply
	1) Has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and	3.4.3	Comply
	2) Is chaired by an independent director, who is not the chair of the board	3.4.3	Comply
	And disclose:		
	3) The charter of the committee	3.4	Comply
	4) The relevant qualifications and experience of the members of the committee; and	3.4	Comply
	5) In relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	3.1	Comply



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Principle	ASX Corporate governance Principles and Best Practice Recommendations	CGCS Reference	Compliance
	b) If it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	N/A	The Company does have an audit committee.
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	4.3	Comply
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	3.4.5	Comply
<b>5.0</b>	<b>Make timely and balanced disclosure</b>  A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.		
5.1	A listed entity should:  a) Have a written policy for complying with its continuous disclosure obligations under Listing Rules; and  b) Disclose that policy or a summary of it.	5.4	Comply
<b>6.0</b>	<b>Respect the rights of security holders</b>  A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.		
6.1	A listed entity should provide information about itself and its governance to investors via its website	5.1	Comply
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	5.1	Comply
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	5.2	Comply
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	5.3	Comply

# Corporate Governance Statement

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

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# Corporate Governance Statement

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

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## Auditor's Independence Declaration

As lead auditor for the audit of Greencross Limited for the year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in blue ink, appearing to read 'Adam Thompson'.

Adam Thompson  
Partner  
PricewaterhouseCoopers

Sydney  
11 August 2015

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# Statement of profit or loss and other comprehensive income

For the year ended 30 June 2015

	Note	Consolidated	
		2015 \$'000	2014 \$'000
<b>Revenue</b>	5	645,016	370,445
<b>Expenses</b>			
Cost of sales of goods		(294,002)	(189,146)
Employee benefits expense		(167,950)	(81,015)
Depreciation and amortisation expense	6	(15,056)	(10,070)
Marketing costs		(10,376)	(6,426)
Occupancy costs		(69,606)	(39,556)
Administration costs		(29,754)	(18,299)
Impairment of assets	15	-	(130,000)
Acquisition costs		(9,477)	(8,046)
Finance costs	6	(13,580)	(9,816)
<b>Profit/(loss) before income tax expense</b>		35,215	(121,929)
Income tax expense	7	(13,072)	(4,351)
<b>Profit/(loss) after income tax expense for the year</b>		22,143	(126,280)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net change in the fair value of cash flow hedges taken to equity, net of tax		(373)	(209)
Foreign currency translation		21	(113)
Other comprehensive income for the year, net of tax		(352)	(322)
<b>Total comprehensive income for the year</b>		<u>21,791</u>	<u>(126,602)</u>
Profit/(loss) for the year is attributable to:			
Non-controlling interest		3,071	1,495
Owners of Greencross Limited	27	19,072	(127,775)
		<u>22,143</u>	<u>(126,280)</u>
Total comprehensive income for the year is attributable to:			
Non-controlling interest		3,071	1,495
Owners of Greencross Limited		18,720	(128,097)
		<u>21,791</u>	<u>(126,602)</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	44	17.16	(190.56)
Diluted earnings per share	44	17.15	(190.56)

As set out in note 2, basis of preparation, to these financial statements, as a result of the reverse acquisition of Greencross Limited and its controlled entities ('Greencross') by Mammoth Pet Holdings Pty Limited and its controlled entities ('Mammoth') on 31 January 2014, the comparative statement of profit or loss and other comprehensive income for the year ended 30 June 2014 represents the results of Mammoth for the period from 1 July 2013 to 30 June 2014 and the results of Greencross for the period 1 February 2014 to 30 June 2014.

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

# Statement of financial position

As at 30 June 2015

	Note	Consolidated	
		2015 \$'000	2014 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	29,599	120,651
Trade and other receivables	9	14,172	6,818
Inventories	10	85,849	45,908
Current tax assets	11	3,425	-
Other	12	1,640	1,690
<b>Total current assets</b>		<u>134,685</u>	<u>175,067</u>
<b>Non-current assets</b>			
Other financial assets	13	286	157
Property, plant and equipment	14	131,414	89,909
Intangibles	15	527,835	288,066
Deferred tax	16	19,382	9,865
<b>Total non-current assets</b>		<u>678,917</u>	<u>387,997</u>
<b>Total assets</b>		<u>813,602</u>	<u>563,064</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	17	79,721	64,644
Borrowings	18	1,354	2,165
Current tax liabilities	19	1,478	883
Provisions	20	21,033	15,263
<b>Total current liabilities</b>		<u>103,586</u>	<u>82,955</u>
<b>Non-current liabilities</b>			
Borrowings	21	262,676	145,032
Derivative financial instruments	22	2,729	2,196
Deferred tax	23	1,317	723
Provisions	24	24,154	10,457
<b>Total non-current liabilities</b>		<u>290,876</u>	<u>158,408</u>
<b>Total liabilities</b>		<u>394,462</u>	<u>241,363</u>
<b>Net assets</b>		<u>419,140</u>	<u>321,701</u>
<b>Equity</b>			
Contributed equity	25	520,294	433,245
Reserves	26	(36)	310
Accumulated losses	27	(113,700)	(116,115)
Equity attributable to the owners of Greencross Limited		<u>406,558</u>	<u>317,440</u>
Non-controlling interest	28	12,582	4,261
<b>Total equity</b>		<u>419,140</u>	<u>321,701</u>

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

# Statement of changes in equity

For the year ended 30 June 2015

<b>Consolidated</b>	<b>Contributed equity \$'000</b>	<b>Reserves \$'000</b>	<b>Retained profits \$'000</b>	<b>Non-controlling interest \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2013	19,870	(734)	16,654	2,774	38,564
Profit/(loss) after income tax expense for the year	-	-	(127,775)	1,495	(126,280)
Other comprehensive income for the year, net of tax	-	(322)	-	-	(322)
Total comprehensive income for the year	-	(322)	(127,775)	1,495	(126,602)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 25)	413,375	-	-	-	413,375
Share-based payment expense	-	1,366	-	-	1,366
Additional non-controlling interests arising on the acquisition of Greencross Limited	-	-	-	183	183
Dividends paid (note 29)	-	-	(4,994)	(191)	(5,185)
Balance at 30 June 2014	<u>433,245</u>	<u>310</u>	<u>(116,115)</u>	<u>4,261</u>	<u>321,701</u>

<b>Consolidated</b>	<b>Contributed equity \$'000</b>	<b>Reserves \$'000</b>	<b>Retained profits \$'000</b>	<b>Non-controlling interest \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2014	433,245	310	(116,115)	4,261	321,701
Profit after income tax expense for the year	-	-	19,072	3,071	22,143
Other comprehensive income for the year, net of tax	-	(352)	-	-	(352)
Total comprehensive income for the year	-	(352)	19,072	3,071	21,791
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 25)	87,049	-	-	-	87,049
Share-based payment expense	-	6	-	-	6
Acquired non-controlling interests (note 38)	-	-	-	5,640	5,640
Dividends paid (note 29)	-	-	(16,657)	(390)	(17,047)
Balance at 30 June 2015	<u>520,294</u>	<u>(36)</u>	<u>(113,700)</u>	<u>12,582</u>	<u>419,140</u>

As set out in note 2, basis of preparation, to these financial statements, as a result of the reverse acquisition of Greencross Limited and its controlled entities ('Greencross') by Mammoth Pet Holdings Pty Limited and its controlled entities ('Mammoth') on 31 January 2014, the comparative statement of changes in equity for the period 1 July 2013 to 30 June 2014 comprises the equity balances of Mammoth at 1 July 2013, the profit for the year and transactions with equity holders of Mammoth including the impact of the reverse acquisition, and the equity balances of the consolidated group comprising Mammoth and Greencross at 30 June 2014.

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

# Statement of cash flows

For the year ended 30 June 2015

	Note	Consolidated	
		2015 \$'000	2014 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		704,620	413,769
Payments to suppliers and employees (inclusive of GST) *		(658,300)	(372,557)
		46,320	41,212
Interest received		562	129
Interest and other finance costs paid		(11,671)	(4,468)
Acquisition costs		(11,698)	(5,825)
Income taxes paid		(8,822)	(6,760)
Net cash from operating activities	42	14,691	24,288
<b>Cash flows from investing activities</b>			
Payment for purchase of business, net of cash acquired	38	(186,759)	(4,784)
Payments for property, plant and equipment		(40,465)	(26,852)
Payments for intangibles		(7,271)	(3,160)
Proceeds from disposal of property, plant and equipment		-	636
Net cash used in investing activities		(234,495)	(34,160)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	25	20,897	100,389
Share issue transaction costs		(2,344)	(2,342)
Proceeds from borrowings**		119,526	164,555
Refinance costs		(3,000)	(4,896)
Repayment of finance leases		(387)	(742)
Repayment of borrowings **		(5,550)	(134,599)
Dividends paid to non-controlling interests in subsidiaries		(390)	(191)
Net cash from financing activities		128,752	122,174
Net increase/(decrease) in cash and cash equivalents		(91,052)	112,302
Cash and cash equivalents at the beginning of the financial year		120,651	8,349
Cash and cash equivalents at the end of the financial year	8	29,599	120,651

As set out in note 2, basis of preparation, to these financial statements, as a result of the reverse acquisition of Greencross Limited and its controlled entities ('Greencross') by Mammoth Pet Holdings Pty Limited and its controlled entities ('Mammoth') on 31 January 2014, the comparative statement of cash flows for the period 1 July 2013 to 30 June 2014 comprises the cash balance of Mammoth at 1 July 2013, the cash flows of Mammoth for the period from 1 July 2013 to 30 June 2014, the cash flows of Greencross for the period from 1 February 2014 to 30 June 2014 and the cash balance of the consolidated entity comprising Mammoth and Greencross at 30 June 2014.

\* includes integration and restructuring costs of \$14,033,000 in the financial year ended 30 June 2015.

\*\*during the financial year ended 30 June 2014 the Group refinanced the Australia senior debt facilities. The settlement and subsequent draw down are disclosed separately in the statement of cash flows.

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



# Notes to the financial statements

30 June 2015

## Note 1. General information

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

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

5/28 Balaclava Street  
Woolloongabba QLD 4102

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 11 August 2015. The directors have the power to amend and reissue the financial statements.

## Note 2. Significant accounting policies

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

### New, revised or amending Accounting Standards and Interpretations adopted

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

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

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

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

#### *AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets*

The consolidated entity has applied AASB 2013-3 from 1 July 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed.

#### *AASB 2013-4 Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting*

The consolidated entity has applied AASB 2013-4 from 1 July 2014 and amends AASB 139 'Financial Instruments: Recognition and Measurement' to permit continuation of hedge accounting in circumstances where a derivative (designated as hedging instrument) is novated from one counter party to a central counterparty as a consequence of laws or regulations.

#### *AASB 2014-1 Amendments to Australian Accounting Standards (Parts A to C)*

The consolidated entity has applied Parts A to C of AASB 2014-1 from 1 July 2014. These amendments affect the following standards: AASB 2 'Share-based Payment': clarifies the definition of 'vesting condition' by separately defining a 'performance condition' and a 'service condition' and amends the definition of 'market condition'; AASB 3 'Business Combinations': clarifies that contingent consideration in a business combination is subsequently measured at fair value with changes in fair value recognised in profit or loss irrespective of whether the contingent consideration is within the scope of AASB 9; AASB 8 'Operating Segments': amended to require disclosures of judgements made in applying the aggregation criteria and clarifies that a reconciliation of the total reportable segment assets to the entity's assets is required only if segment assets are reported regularly to the chief operating decision maker; AASB 13 'Fair Value Measurement': clarifies that the portfolio exemption applies to the valuation of contracts within the scope of AASB 9 and AASB 139; AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets': clarifies that on revaluation, restatement of accumulated depreciation will not necessarily be in the same proportion to the change in the gross carrying value of the asset; AASB 124 'Related Party Disclosures': extends the definition of 'related party' to include a management entity that provides KMP services to the entity or its parent and requires disclosure of the fees paid to the management entity; AASB 140 'Investment Property': clarifies that the acquisition of an investment property may constitute a business combination.

# Notes to the financial statements

30 June 2015

## Note 2. Significant accounting policies (continued)

The following are also relevant:

- Amendments made to Australian Accounting Standards by AASB 2015-1 (Improvements 2012-2014 cycle)
- Amendments made to AASB 101 by AASB 2015-2 (Disclosure initiative)

### Basis of preparation

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

### Historical cost convention

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

### Critical accounting estimates

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

### Reverse acquisition

Greencross Limited completed the legal acquisition of Mammoth Pet Holdings Pty Limited on 31 January 2014.

Mammoth Pet Holdings Pty Limited and its controlled entities will be referred to in these financial statements as Mammoth. Greencross Limited and its controlled entities prior to the acquisition is referred to as Greencross, and the combined group post the acquisition is referred to as the consolidated entity.

Under the terms of AASB 3 Business Combinations, Mammoth is deemed to be the accounting acquirer in the business combination. This transaction has therefore been accounted for as a reverse acquisition under AASB 3. Accordingly, the consolidated financial statements of Greencross have been prepared as a continuation of the consolidated financial statements of Mammoth. Mammoth as the deemed acquirer, has accounted for the acquisition of Greencross at 31 January 2014. Refer to note 38 for further details of the business combination.

The implications for the application of AASB 3 on the financial statements is as follows:

### Statement of profit and loss and comprehensive income

- The 2014 statement of profit and loss and comprehensive income comprises 12 months of Mammoth's results and the results of Greencross for the period from the acquisition date to the financial year end being 1 February 2014 to 30 June 2014.

### Statement of financial position

- The 2014 statement of financial position represents that of the consolidated entity, Greencross as at 30 June 2014, which consolidates the Mammoth and Greencross statement of financial position as at that date.

### Statement of changes in equity

- The 2014 statement of changes in equity comprises the opening equity balances of Mammoth as at 1 July 2013, the profit for the year and transactions with equity holders being 12 months of Mammoth and 5 months of Greencross including the impact of the reverse acquisition on the equity balances and the closing equity balances of the consolidated entity as at the end of the period being 30 June 2014.

### Statement of cash flows

- The 2014 statement of cash flows comprises the opening cash balance of Mammoth as at 1 July 2013, the transactions for the year being 12 months of Mammoth and 5 months of Greencross including the impact of the reverse acquisition on the cash balance.

# Notes to the financial statements

30 June 2015

## Note 2. Significant accounting policies (continued)

### Parent entity information

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

#### *Investments in subsidiaries and associates*

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

#### *Tax consolidation legislation*

Greencross and its wholly owned Australian controlled entities that were owned prior to the reverse acquisition by Mammoth, have implemented the tax consolidation legislation.

Greencross and its controlled entities (prior to 31 January 2014) in the tax consolidated group accounted for their own current and deferred tax amounts. These tax amounts were measured as if each entity in the tax consolidated group (prior to 31 January 2014) continued to be a stand-alone taxpayer in its own right. In addition to its own current and deferred tax amounts, the company also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities prior to 31 January in the tax consolidated group.

The entities prior to 31 January 2014 entered into a tax funding agreement under which the wholly owned entities of Greencross prior to 31 January 2014 fully compensate Greencross for any current tax payable assumed and are compensated by Greencross for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Greencross under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from Greencross, which was issued as soon as practicable after the end of each financial year. Greencross may also have required payment of interim funding amounts to assist with its obligations to pay tax instalments. Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the tax consolidated group.

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

### Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Greencross Limited ('company' or 'parent entity') as at 30 June 2015 and the results of all subsidiaries for the year then ended. Greencross Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity' or 'Group'. As set out previously, the reverse acquisition basis of accounting has been applied following the Mammoth merger on 31 January 2014.

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

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

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

# Notes to the financial statements

30 June 2015

## Note 2. Significant accounting policies (continued)

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

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

### Operating segments

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

### Foreign currency translation

#### *Functional and presentation currency*

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

#### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of profit or loss and other comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

#### *Group companies*

The results and balance sheet of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that balance sheet,
- income and expenses for each consolidated statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

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

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

# Notes to the financial statements

30 June 2015

## Note 2. Significant accounting policies (continued)

### Revenue recognition

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

#### *Sale of goods*

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

It is the consolidated entity's policy to sell its products to the end customer with a right of return within 28 days. Accumulated experience is used to estimate and provide for such returns at the time of sale.

The consolidated entity operates a loyalty programme where customers accumulate points for purchases made which entitle them to discounts on future purchases. The award points are recognised as a separately identifiable component of the initial sale transaction, by allocating the fair value of the consideration received between the award points and the other components of the sale such that the award points are recognised at their fair value.

Revenue from the award points is recognised when the points are redeemed. The amount of revenue is based on the number of points redeemed relative to the total number expected to be redeemed. Award points expire 12 months after the initial sale.

#### *Rendering of services*

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

#### *Interest*

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

#### *Other revenue*

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

#### *Dividends*

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

### Income tax

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

# Notes to the financial statements

30 June 2015

## Note 2. Significant accounting policies (continued)

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

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

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

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

The implication of the reverse acquisition in 2014 on the tax consolidated groups is as follows:

- The consolidated entity (Greencross and Mammoth tax consolidated groups) formed a tax consolidated group on 1 February 2014. These entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the 30 June 2014 consolidated financial statements.
- Greencross Limited and its wholly owned Australian controlled entities comprised a tax consolidated group prior to 31 January 2014. These entities were taxed as a single entity and the deferred tax assets and liabilities of these entities have been incorporated into the acquisition accounting refer note 38 for further details of the business combination.
- Mammoth Pet Holdings Pty Limited and its wholly owned Australian controlled entities comprised a tax consolidated group prior to 31 January 2014. These entities were taxes as a single entity and deferred tax assets and liabilities are set off in the consolidated financial statements.

### Current and non-current classification

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

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

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

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

### Cash and cash equivalents

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

### Trade and other receivables

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

# Notes to the financial statements

30 June 2015

## Note 2. Significant accounting policies (continued)

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

### Inventories

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

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

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

### Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

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

### Cash flow hedges

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

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

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

### Property, plant and equipment

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

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

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

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

# Notes to the financial statements

30 June 2015

## **Note 2. Significant accounting policies (continued)**

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

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

### **Leases**

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

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

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

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

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

### **Intangible assets**

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

### **Goodwill**

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

### **Brand names and customer relationships**

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



## Note 2. Significant accounting policies (continued)

### *Internally-generated*

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

Internally generated intangible assets are amortised on a straight line basis over the period of their expected benefit being their finite useful life of 10 years.

### **Investments and other financial assets**

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

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

### *Financial assets at fair value through profit or loss*

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

### *Impairment of financial assets*

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

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

### **Impairment of non-financial assets**

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

# Notes to the financial statements

30 June 2015

## Note 2. Significant accounting policies (continued)

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

### Trade and other payables

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

### Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Transaction costs relating to the setup of banking facilities, including facility fees and associated costs have been capitalised. These transaction costs have been offset against the facility in note 18 and are being expensed over the period of the loan.

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### Finance costs

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

### Provisions

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

### Employee benefits

#### *Short-term employee benefits*

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

## Note 2. Significant accounting policies (continued)

### *Other long-term employee benefits*

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

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

### *Defined contribution superannuation expense*

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

### *Share-based payments*

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

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

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

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

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying the Black Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

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

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

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

# Notes to the financial statements

30 June 2015

## **Note 2. Significant accounting policies (continued)**

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

### **Business Associate**

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

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

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

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

### **Fair value measurement**

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

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

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

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

### **Issued capital**

Ordinary shares are classified as equity.

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

### **Dividends**

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

### **Business combinations**

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

# Notes to the financial statements

30 June 2015

## Note 2. Significant accounting policies (continued)

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

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

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

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

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

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

### *Reverse acquisition*

A reverse acquisition occurs when the acquirer is the entity whose equity interests have been acquired and the issuing entity is the acquiree. Although legally the issuing entity is regarded as the parent and the private entity is regarded as the subsidiary, the legal subsidiary is the acquirer if it has the power to govern the financial and operating policies of the legal parent so as to obtain benefits from its activities.

In a reverse acquisition, the cost of the business combination is deemed to have been incurred by the legal subsidiary in the form of equity instruments issued to the owners of the legal parent. The published price of the equity instruments of the acquirer is used to determine the cost of the combination, and a calculation shall be made to determine the number of equity instruments the acquirer would have to issue to provide the same percentage ownership interest of the combined entity to the owners/shareholders of the acquirer as they have in the combined entity as a result of the reverse acquisition. The fair value of the number of equity instruments so calculated shall be used as the cost of the combination.

On 31 January 2014, Greencross acquired 100% of the issued shares of Mammoth. Under the principles of AASB 3 Business Combinations, Mammoth was the accounting acquirer in the business combination and therefore, the transaction has been accounted for as a reverse acquisition.

Refer to the basis of preparation for details of the impact of the reverse acquisition in 2014 on each of the primary statements from the date of acquisition.

Refer to note 38 for further details of the business combinations effected during the current financial year.

# Notes to the financial statements

30 June 2015

## Note 2. Significant accounting policies (continued)

### Earnings per share

#### *Basic earnings per share*

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

#### *Diluted earnings per share*

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

### Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

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

### Rounding of amounts

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

### New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2015. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

#### *AASB 9 Financial Instruments*

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

## **Note 2. Significant accounting policies (continued)**

### *AASB15 Revenue from Contracts with Customers*

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

## **Note 3. Critical accounting judgements, estimates and assumptions**

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

### *Goodwill and other indefinite life intangible assets (note 15)*

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

### *Allocation of acquisition goodwill to cash generating units ("CGUs") (Notes 15 and 38)*

The allocation of goodwill created as a result of a business combination is a significant judgement which is, in part, impacted by the identification of synergies expected to be realised as a result of a business combination and allocating those synergies to the cash generating units which are expected to benefit from the synergies. The allocation of goodwill impacts the carrying value of CGUs and the associated assessment of impairment in connection with those CGUs.

### *Business combinations (note 38)*

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

# Notes to the financial statements

30 June 2015

## Note 4. Operating segments

### *Identification of reportable operating segments*

The consolidated entity's Chief Executive Officer and Chief Financial Officer examined the group's performance from both a product and geographical perspective and have identified two reportable segments of its business, being retail and veterinary. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

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

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

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

### *Types of products and services*

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

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



# Notes to the financial statements

30 June 2015

## Note 4. Operating segments (continued)

### Operating segment information

<b>Consolidated - 2015</b>	Retail \$'000	Veterinary \$'000	Intersegment eliminations/ unallocated \$'000	Total \$'000
<b>Revenue</b>				
Revenue from external customers	478,352	166,102	-	644,454
Interest revenue	483	79	-	562
<b>Total revenue</b>	<u>478,835</u>	<u>166,181</u>	<u>-</u>	<u>645,016</u>
<b>EBITDA *</b>				
Depreciation and amortisation	(12,388)	(2,668)	-	(15,056)
Interest income	-	-	562	562
Finance costs	-	-	(13,580)	(13,580)
<b>Profit/(loss) before income tax expense</b>	<u>30,180</u>	<u>18,053</u>	<u>(13,018)</u>	<u>35,215</u>
Income tax expense				(13,072)
<b>Profit after income tax expense</b>				<u>22,143</u>
<b>Assets</b>				
Segment assets	<u>499,711</u>	<u>261,485</u>	<u>-</u>	761,196
<i>Unallocated assets:</i>				
Cash and cash equivalents				29,599
Current tax assets				3,425
Deferred tax asset				<u>19,382</u>
<b>Total assets</b>				<u>813,602</u>
<i>Total assets includes:</i>				
Acquisition of non-current assets	<u>243,487</u>	<u>20,627</u>	<u>-</u>	<u>264,114</u>
<b>Liabilities</b>				
Segment liabilities	<u>89,368</u>	<u>38,269</u>	<u>-</u>	127,637
<i>Unallocated liabilities:</i>				
Provision for income tax				1,478
Borrowings				264,030
Deferred tax liability				<u>1,317</u>
<b>Total liabilities</b>				<u>394,462</u>

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

# Notes to the financial statements

30 June 2015

## Note 4. Operating segments (continued)

Consolidated - 2014	Retail	Veterinary	Intersegment eliminations/ unallocated	Total
	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>				
Revenue from external customers	314,943	55,373	-	370,316
Interest revenue	129	-	-	129
<b>Total revenue</b>	<b>315,072</b>	<b>55,373</b>	<b>-</b>	<b>370,445</b>
<b>EBITDA</b>				
Depreciation and amortisation	23,956	3,872	-	27,828
Impairment of assets	(8,953)	(1,117)	-	(10,070)
Interest revenue	-	-	(130,000)	(130,000)
Finance costs	-	-	129	129
	-	-	(9,816)	(9,816)
<b>Profit/(loss) before income tax expense</b>	<b>15,003</b>	<b>2,755</b>	<b>(139,687)</b>	<b>(121,929)</b>
Income tax expense				(4,351)
<b>Loss after income tax expense</b>				<b>(126,280)</b>
<b>Assets</b>				
Segment assets	196,535	236,013	-	432,548
<i>Unallocated assets:</i>				
Cash and cash equivalents				120,651
Deferred tax asset				9,865
<b>Total assets</b>				<b>563,064</b>
<i>Total assets includes:</i>				
Acquisition of non-current assets	23,752	20,151	-	43,903
<b>Liabilities</b>				
Segment liabilities	59,158	34,285	-	93,443
<i>Unallocated liabilities:</i>				
Borrowings				147,197
Deferred tax liability				723
<b>Total liabilities</b>				<b>241,363</b>
<i>Geographical information</i>				
	<b>Sales to external customers</b>		<b>Geographical non-current assets</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Australia	578,159	314,395	658,433	371,748
New Zealand	66,295	55,921	20,030	16,249
	<b>644,454</b>	<b>370,316</b>	<b>678,463</b>	<b>387,997</b>

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

# Notes to the financial statements

30 June 2015

## Note 4. Operating segments (continued)

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

	Consolidated	
	2015	2014
	\$'000	\$'000
Profit/(loss) for the year	22,143	(126,280)
Less: Interest received	(562)	(129)
Add: Interest expense	13,580	9,816
Add: Income tax expense	13,072	4,351
Add: Depreciation and amortisation expense	15,056	10,070
Add: Impairment of goodwill	-	130,000
EBITDA	<u>63,289</u>	<u>27,828</u>

## Note 5. Revenue

	Consolidated	
	2015	2014
	\$'000	\$'000
<i>Sales revenue</i>		
Sale of goods	519,381	327,225
Rendering of services	123,672	41,577
Other sales revenue	1,401	1,514
	<u>644,454</u>	<u>370,316</u>
<i>Other revenue</i>		
Interest	562	129
Revenue	<u>645,016</u>	<u>370,445</u>

# Notes to the financial statements

30 June 2015

## Note 6. Expenses

	Consolidated	
	2015	2014
	\$'000	\$'000
Profit/(loss) before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	3,391	2,597
Plant and equipment	10,771	7,124
Motor vehicles	401	164
Office equipment	168	185
Total depreciation	14,731	10,070
<i>Amortisation</i>		
Brand names	153	-
Customer relationships	172	-
Total amortisation	325	-
Total depreciation and amortisation	15,056	10,070
<i>Impairment</i>		
Goodwill	-	130,000
<i>Finance costs</i>		
Interest and finance charges paid/payable	12,927	6,302
Amortisation of borrowing costs	1,082	1,554
Write-off of borrowing costs	-	1,960
Amount capitalised	14,009	9,816
	(429)	-
Finance costs expensed	13,580	9,816
<i>Share-based payments expense</i>		
Share-based payments expense	6	1,366
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	55,489	27,338
<i>Superannuation expense</i>		
Defined contribution superannuation expense	11,636	3,413

# Notes to the financial statements

30 June 2015

## Note 7. Income tax expense

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Income tax expense</i>		
Current tax	5,418	4,464
Deferred tax - origination and reversal of temporary differences	6,759	(822)
Adjustment recognised for prior periods	895	709
	<u>13,072</u>	<u>4,351</u>
Aggregate income tax expense		
Deferred tax included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets (note 16)	6,807	(1,545)
Increase/(decrease) in deferred tax liabilities (note 23)	(48)	723
	<u>6,759</u>	<u>(822)</u>
Deferred tax - origination and reversal of temporary differences		
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit/(loss) before income tax expense	35,215	(121,929)
Tax at the statutory tax rate of 30%	10,565	(36,579)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Impairment of goodwill	-	39,000
Entertainment expenses	38	47
Share-based payments	2	410
Acquisition costs	1,799	742
Sundry items	(119)	94
	<u>12,285</u>	<u>3,714</u>
Adjustment recognised for prior periods	895	709
Difference in overseas tax rates	(108)	(72)
	<u>13,072</u>	<u>4,351</u>
Income tax expense		
	<u>13,072</u>	<u>4,351</u>
	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Amounts credited directly to equity</i>		
Deferred tax assets (note 16)	(216)	(1,453)
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	8,623	-
Potential tax benefit @ 30%	2,587	-

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

# Notes to the financial statements

30 June 2015

## Note 8. Current assets - cash and cash equivalents

	Consolidated	
	2015	2014
	\$'000	\$'000
Cash on hand	394	4,468
Cash at bank	29,205	116,183
	<u>29,599</u>	<u>120,651</u>

As at 30 June 2014 cash at bank includes \$99,635,000 raised as a result of the institutional placement and institutional entitlement offer (note 25) completed to fund the purchase of CF Group Holdings Pty Limited which occurred on 17 July 2014 (note 38)

## Note 9. Current assets - trade and other receivables

	Consolidated	
	2015	2014
	\$'000	\$'000
Trade receivables	16,640	7,615
Less: Provision for impairment of receivables	(2,468)	(797)
	<u>14,172</u>	<u>6,818</u>

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

### *Impairment of receivables*

The consolidated entity has recognised a loss of \$452,000 (2014: loss of \$9,000) in profit or loss in respect of impairment of receivables for the year ended 30 June 2015.

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

	Consolidated	
	2015	2014
	\$'000	\$'000
0 to 3 months overdue	199	-
3 to 6 months overdue	747	797
Over 6 months overdue	1,522	-
	<u>2,468</u>	<u>797</u>

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

	Consolidated	
	2015	2014
	\$'000	\$'000
Opening balance	797	-
Additional provisions recognised	716	9
Additions through business combinations	1,219	788
Unused amounts reversed	(264)	-
	<u>2,468</u>	<u>797</u>

# Notes to the financial statements

30 June 2015

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

### *Past due but not impaired*

Overdue receivables without provision for impairment amount to \$2,985,000 as at 30 June 2015 (2014: \$1,476,000).

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

	Consolidated	
	2015	2014
	\$'000	\$'000
0 to 3 months overdue	2,727	1,350
3 to 6 months overdue	235	121
Over 6 months overdue	23	5
	<u>2,985</u>	<u>1,476</u>

## Note 10. Current assets - inventories

	Consolidated	
	2015	2014
	\$'000	\$'000
Stock in transit - at cost	805	414
Stock on hand - at cost	85,044	45,494
	<u>85,849</u>	<u>45,908</u>

Write-downs of inventories to net realisable value is primarily related to in-store shrinkage and write-off of expired stock. The expense recognised during the year ended 30 June 2015 amounted to \$6,724,000 or 1.0% of revenue (2014: \$4,129,388 or 1.1% of revenue). The expense has been included in 'Cost of sales of goods' in the statement of profit or loss and other comprehensive income.

## Note 11. Current assets - current tax assets

	Consolidated	
	2015	2014
	\$'000	\$'000
Income tax refund due	3,425	-

As at 30 June 2015 the income tax refund due represents the net refundable position the Group has with the Australian Tax Office.

## Note 12. Current assets - other

	Consolidated	
	2015	2014
	\$'000	\$'000
Accrued revenue	302	407
Prepayments	1,152	1,059
Security deposits	186	224
	<u>1,640</u>	<u>1,690</u>

# Notes to the financial statements

30 June 2015

## Note 13. Non-current assets - other financial assets

	Consolidated	
	2015 \$'000	2014 \$'000
Shares in unlisted entities - at cost	286	157

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

	Consolidated	
	2015 \$'000	2014 \$'000
Leasehold improvements - at cost	56,671	41,124
Less: Accumulated depreciation	(9,658)	(8,829)
	47,013	32,295
Plant and equipment - at cost	127,794	92,199
Less: Accumulated depreciation	(44,868)	(35,683)
	82,926	56,516
Motor vehicles - at cost	2,402	1,027
Less: Accumulated depreciation	(1,381)	(440)
	1,021	587
Office equipment - at cost	3,053	2,993
Less: Accumulated depreciation	(2,599)	(2,482)
	454	511
	131,414	89,909

### Reconciliations

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

Consolidated	Leasehold improvements \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Office equipment \$'000	Total \$'000
Balance at 1 July 2013	23,398	31,917	678	474	56,467
Additions	11,505	15,104	80	194	26,883
Additions through business combinations (note 38)	-	17,013	-	-	17,013
Disposals	(76)	(550)	(8)	(2)	(636)
Exchange differences	65	156	1	30	252
Depreciation expense	(2,597)	(7,124)	(164)	(185)	(10,070)
	32,295	56,516	587	511	89,909
Balance at 30 June 2014	32,295	56,516	587	511	89,909
Additions	18,023	22,239	106	97	40,465
Additions through business combinations (note 38)	210	15,080	729	29	16,048
Exchange differences	(124)	(128)	-	(25)	(277)
Depreciation expense	(3,391)	(10,771)	(401)	(168)	(14,731)
	47,013	82,936	1,021	444	131,414

### Property, plant and equipment secured under finance leases

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



# Notes to the financial statements

30 June 2015

## Note 15. Non-current assets - intangibles

	Consolidated	
	2015 \$'000	2014 \$'000
Goodwill	514,971	282,600
Brand names	1,304	992
Less: Accumulated amortisation	(153)	-
	1,151	992
Internally generated software	10,431	3,160
Customer relationships	1,454	1,314
Less: Accumulated amortisation	(172)	-
	1,282	1,314
	527,835	288,066

### Reconciliations

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

	Goodwill \$'000	Brand names \$'000	Internally generated software \$'000	Customer relationships \$'000	Total \$'000
<b>Consolidated</b>					
Balance at 1 July 2013	54,755	-	-	-	54,755
Additions	-	-	3,160	-	3,160
Additions through business combinations (note 38)	357,845	992	-	1,314	360,151
Impairment of assets	(130,000)	-	-	-	(130,000)
	282,600	992	3,160	1,314	288,066
Balance at 30 June 2014	282,600	992	3,160	1,314	288,066
Additions	-	-	7,271	-	7,271
Additions through business combinations (note 38)	232,371	312	-	140	232,823
Amortisation expense	-	(153)	-	(172)	(325)
	514,971	1,151	10,431	1,282	527,835
Balance at 30 June 2015	514,971	1,151	10,431	1,282	527,835

### Impairment testing for goodwill

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

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

	Consolidated	
	2015 \$'000	2014 \$'000
Vet	176,510	158,281
Retail - Australia	327,791	115,194
Retail - New Zealand	10,670	9,125
	514,971	282,600

# Notes to the financial statements

30 June 2015

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

### *Key assumptions used for value-in-use calculations*

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

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

#### *Vet*

Period of cash flows: 5 years (2014: 5 years)

Growth rate during the forecast period: 3% (2014: 3%)

Pre-tax discount rate: 12.4% (2014: 14.2%)

Terminal value growth rate of 2.5% (2014: 2.5%)

#### *Retail - Australia*

Period of cash flows: 5 years (2014: 5 years)

Growth rate during the forecast period: 3% (2014: 3%)

Pre-tax discount rate: 12.1% (2014: 14.3%)

Terminal value growth rate of 2.5% (2014: 2.5%)

#### *Retail - New Zealand*

Period of cash flows: 5 years (2014: 5 years)

Growth rate during the forecast period: 3% (2014: 3%)

Pre-tax discount rate: 13.2% (2014: 13.5%)

Terminal value growth rate of 2.5% (2014: 2.5%)

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

### *Impairment charge*

For the year ended 30 June 2015 there has been no impairment charge (2014: \$130,000,000).

### *Impact of possible changes in key assumptions*

As disclosed in note 2, the directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill carrying amount may decrease.

The sensitivities that have been separately modelled are as follows:

- (a) a 2% increase in the pre-tax discount rate; and
- (b) 10% under performance against forecast EBITDA.

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

# Notes to the financial statements

30 June 2015

## Note 16. Non-current assets - deferred tax

	Consolidated	
	2015	2014
	\$'000	\$'000
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Impairment of receivables	740	239
Property, plant and equipment	(3,798)	(1,890)
Employee benefits	4,168	3,834
Finance leases	97	(106)
Provision for lease make good	1,142	629
Accrued expenses	1,896	218
Inventories	-	1,147
Provisions	3,399	2,764
Cash flow hedges	1,086	659
Deferred lease incentives	3,398	-
Acquisition costs	1,974	1,288
Losses	4,328	-
	18,430	8,782
Amounts recognised in equity:		
Transaction costs on share issue	952	1,083
Deferred tax asset	19,382	9,865
Amount expected to be recovered within 12 months	8,590	3,524
Amount expected to be recovered after more than 12 months	10,792	6,341
	19,382	9,865
<i>Movements:</i>		
Opening balance	9,865	3,725
Credited/(charged) to profit or loss (note 7)	(6,807)	1,545
Credited to equity (note 7)	216	1,453
Additions through business combinations (note 38)	16,841	3,052
Credited/(charged) to other comprehensive income	517	90
Adjustment with respect to prior periods	(1,250)	-
Closing balance	19,382	9,865

# Notes to the financial statements

30 June 2015

## Note 17. Current liabilities - trade and other payables

	Consolidated	
	2015	2014
	\$'000	\$'000
Trade payables	52,021	35,882
GST and withholding tax payable	2,056	2,222
Accrued expenses	24,013	24,411
Dividend payable to non-controlling interest	938	979
Unearned income	693	1,150
	<u>79,721</u>	<u>64,644</u>

Refer to note 30 for further information on financial instruments.

## Note 18. Current liabilities - borrowings

	Consolidated	
	2015	2014
	\$'000	\$'000
Bank loans	2,250	2,328
Capitalised borrowing costs	(1,873)	(1,024)
Business Associate loan	661	474
Lease liability	316	387
	<u>1,354</u>	<u>2,165</u>

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

Refer to note 30 for further information on financial instruments.

## Note 19. Current liabilities - current tax liabilities

	Consolidated	
	2015	2014
	\$'000	\$'000
Provision for income tax	<u>1,478</u>	<u>883</u>

## Note 20. Current liabilities - provisions

	Consolidated	
	2015	2014
	\$'000	\$'000
Employee benefits	11,967	10,427
Deferred lease incentives	2,590	1,991
Lease make good	20	503
Onerous lease	1,989	102
Customer loyalty	3,560	1,787
Business Associate	907	453
	<u>21,033</u>	<u>15,263</u>

# Notes to the financial statements

30 June 2015

## **Note 20. Current liabilities - provisions (continued)**

### *Employee benefits*

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

### *Amounts not expected to be settled within the next 12 months*

The current portion of this liability includes all of the accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision of \$11,967,000 (2014: \$10,427,000) is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The group does not expect \$3,617,000 (2014: \$3,128,000) of this liability to be taken or paid within the next 12 months.

### *Deferred lease incentives*

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

### *Lease make good*

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

### *Onerous lease*

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

### *Customer loyalty*

The consolidated entity operated a loyalty programme where customers accumulate points for purchases made which entitle them to discounts on future purchases. The award points are recognised as a separately identifiable component of the initial sale transaction, by allocating the fair value of the consideration received between the award points and the other components of the sale such that the award points are recognised at their fair value.

Revenue from the award points is recognised when the points are redeemed against the provision. The amount of revenue is based on the number of points redeemed relative to the total number expected to be redeemed. Award points expire 12 months after the initial sale.

### *Business Associate*

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

# Notes to the financial statements

30 June 2015

## Note 20. Current liabilities - provisions (continued)

### Movements in provisions

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

<b>Consolidated - 2015</b>	Deferred lease incentives \$'000	Lease make good \$'000	Onerous lease \$'000	Business Associate \$'000	Customer loyalty \$'000
Carrying amount at the start of the year	1,991	503	102	453	1,787
Additional provisions recognised	557	-	1,650	561	3,101
Additions through business combinations (note 38)	129	66	-	-	1,737
Amounts transferred from non-current	2,098	(346)	1,989	409	-
Amounts used	(2,185)	(203)	(1,752)	-	(3,065)
Payments	-	-	-	(516)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Carrying amount at the end of the year	<u>2,590</u>	<u>20</u>	<u>1,989</u>	<u>907</u>	<u>3,560</u>

## Note 21. Non-current liabilities - borrowings

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Bank loans	265,674	148,284
Capitalised borrowing costs	(3,421)	(3,991)
Lease liability	423	739
	<hr/>	<hr/>
	<u>262,676</u>	<u>145,032</u>

Refer to note 30 for further information on financial instruments.

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

### Total secured liabilities

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

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Bank loans	267,924	150,612
Capitalised borrowing costs	(5,294)	(5,015)
Lease liability	739	1,126
	<hr/>	<hr/>
	<u>263,369</u>	<u>146,723</u>

### Assets pledged as security

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

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

# Notes to the financial statements

30 June 2015

## Note 21. Non-current liabilities - borrowings (continued)

### Financing arrangements

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

	Consolidated	
	2015 \$'000	2014 \$'000
Total facilities		
Bank loans	363,405	290,977
Used at the reporting date		
Bank loans	267,924	150,612
Unused at the reporting date		
Bank loans	95,481	140,365

## Note 22. Non-current liabilities - derivative financial instruments

	Consolidated	
	2015 \$'000	2014 \$'000
Interest rate swap contracts - cash flow hedges	2,729	2,196

Refer to note 30 for further information on financial instruments.

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

## Note 23. Non-current liabilities - deferred tax

	Consolidated	
	2015 \$'000	2014 \$'000
<i>Deferred tax liability comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Prepayments	45	-
Development costs	580	31
Intangibles	692	692
Deferred tax liability	1,317	723
Amount expected to be settled within 12 months	161	82
Amount expected to be settled after more than 12 months	1,156	641
	1,317	723
<i>Movements:</i>		
Opening balance	723	-
Credited/(charged) to profit or loss (note 7)	(48)	723
Additions through business combinations (note 38)	562	-
Adjustments in respect of prior periods	80	-
Closing balance	1,317	723

# Notes to the financial statements

30 June 2015

## Note 24. Non-current liabilities - provisions

	Consolidated	
	2015 \$'000	2014 \$'000
Employee benefits	2,017	1,373
Deferred lease incentives	8,736	4,540
Lease make good	3,786	1,594
Onerous lease	6,099	88
Business Associate	3,516	2,862
	<u>24,154</u>	<u>10,457</u>

### Employee benefits

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

### Deferred lease incentives

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

### Lease make good

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

### Onerous lease

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

### Business Associate

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

### Movements in provisions

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

	Deferred lease incentives \$'000	Lease make good \$'000	Onerous lease \$'000	Business Associate \$'000
<b>Consolidated - 2015</b>				
Carrying amount at the start of the year	4,540	1,594	88	2,862
Additional provisions recognised	3,843	520	8,000	1,228
Additions through business combinations (note 38)	1,637	1,326	-	-
Amounts transferred to current	(1,284)	346	(1,989)	(409)
Amounts used	-	-	-	(165)
	<u>8,736</u>	<u>3,786</u>	<u>6,099</u>	<u>3,516</u>

## Note 25. Equity - contributed equity

	Consolidated			
	2015 Shares	2014 Shares	2015 \$'000	2014 \$'000
Ordinary shares - fully paid	<u>111,703,993</u>	<u>101,804,303</u>	<u>520,294</u>	<u>433,245</u>



# Notes to the financial statements

30 June 2015

## Note 25. Equity - contributed equity (continued)

### Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	30 June 2013	1,483,414		19,870
Vesting of performance rights *	31 January 2014	61,395	\$0.00	-
Elimination of legal acquiree shares	22 January 2014	(1,544,809)	\$0.00	-
Shares on acquisition of Mammoth (reverse acquisition of Greencross) **	22 January 2014	52,574,753	\$0.00	-
Shares on acquisition of Mammoth (reverse acquisition of Greencross) ***	22 January 2014	37,682,334	\$8.24	310,503
Elimination of share issues under the Employee Loan Plan ****	22 January 2014	(1,375,000)	\$0.00	-
Share issue - Dividend Reinvestment Plan	14 March 2014	636,087	\$7.80	4,961
Share issue - Employee Loan Plan ****	24 March 2014	125,000	\$2.30	288
Share issue - Employee Loan Plan ****	2 April 2014	250,000	\$0.70	175
Share issue - Employee Loan Plan ****	2 April 2014	100,000	\$2.30	230
Share issue - Employee Loan Plan ****	4 June 2014	20,000	\$4.70	94
Share issue - Institutional Placement ****	30 June 2014	8,144,443	\$8.45	68,821
Share issue - Institutional Entitlement Offer ****	30 June 2014	3,646,686	\$8.45	30,814
Share issue transaction costs		-	\$0.00	(2,511)
Balance	30 June 2014	101,804,303		433,245
Share issue - Retail Entitlement Offer	14 July 2014	2,414,530	\$8.45	20,403
Share issue - Vendor Placement	17 July 2014	5,555,557	\$9.00	50,000
Share issue - Dividend Reinvestment Plan	29 September 2014	793,113	\$9.76	7,741
Share issue - Employee Loan Plan ****	27 October 2014	105,000	\$4.70	494
Share issue transaction costs		-	\$0.00	(505)
Share issue - Dividend Reinvestment Plan	31 March 2015	1,031,490	\$8.64	8,916
Balance	30 June 2015	111,703,993		520,294

\* The Mammoth Pet Holdings Pty Limited performance rights vested on the liquidity event being the legal acquisition of it by Greencross Limited. No consideration was paid for the performance rights by the employees. A share based payment expense has been recognised for the performance rights issued.

\* The Mammoth Pet Holdings Pty Limited performance rights vested on the liquidity event being the legal acquisition of it by Greencross Limited. No consideration was paid for the performance rights by the employees. A share based payment expense has been recognised for the performance rights issued.

\*\* The issue of shares to the legal acquiree (Mammoth Pet Holdings Pty Limited) shareholders was calculated under the terms of the Explanatory Memorandum whereby they received shares equating to 58.25% of the total equity issued of the legal acquirer post transaction. As the legal acquirer (Greencross Limited) had 37,682,334 shares prior to the transaction, this equated to 52,574,753 shares being issued to the legal acquiree shareholders.

\*\*\* The legal acquirer (Greencross Limited) had 37,682,334 shares prior to the transaction, of which 1,375,000 were issued under the Employee Loan Plan which will be recognised in share capital on the repayment of the loans described below. As it is the legal parent, the number of shares on issue was adjusted to reflect this with share capital total recognised equivalent to the consideration if the legal acquirer (Mammoth Pet Holdings Pty Limited) had purchased it using the share price at the day the transaction completed.

\*\*\*\* The institutional placement and institutional entitlement offer were completed and the shares issued in relation to the purchase of CF Group Holdings Pty Limited which occurred subsequent to year end on 17 July 2014.

# Notes to the financial statements

30 June 2015

## Note 25. Equity - contributed equity (continued)

### \*\*\*\*\* Employee loan plan

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

### Ordinary shares

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

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

### Dividend reinvestment plan

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

### Share buy-back

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

### Capital risk management

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

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

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

## Note 26. Equity - reserves

	Consolidated	
	2015	2014
	\$'000	\$'000
Foreign currency reserve	(236)	(257)
Capital profits reserve	(423)	(423)
Hedging reserve - cash flow hedges	(1,828)	(1,455)
Share-based payments reserve	2,451	2,445
	<u>(36)</u>	<u>310</u>

# Notes to the financial statements

30 June 2015

## Note 26. Equity - reserves (continued)

### Foreign currency reserve

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

### Capital profits reserve

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

### Hedging reserve - cash flow hedges

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

### Share-based payments reserve

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

### Movements in reserves

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

<b>Consolidated</b>	Foreign currency \$'000	Capital profits \$'000	Hedging reserve - cash flow hedges \$'000	Share-based payments \$'000	Total \$'000
Balance at 1 July 2013	(144)	(423)	(1,246)	1,079	(734)
Foreign currency translation	(113)	-	-	-	(113)
Changes in fair value of cash flow hedges	-	-	(298)	-	(298)
Deferred tax	-	-	89	-	89
Share-based payment expense	-	-	-	1,366	1,366
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 June 2014	(257)	(423)	(1,455)	2,445	310
Foreign currency translation	21	-	-	-	21
Changes in fair value of cash flow hedges	-	-	(533)	-	(533)
Deferred tax	-	-	160	-	160
Share-based payment expense	-	-	-	6	6
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 June 2015	<u>(236)</u>	<u>(423)</u>	<u>(1,828)</u>	<u>2,451</u>	<u>(36)</u>

## Note 27. Equity - accumulated losses

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Retained profits/(accumulated losses) at the beginning of the financial year	(116,115)	16,654
Profit/(loss) after income tax expense for the year	19,072	(127,775)
Dividends paid (note 29)	(16,657)	(4,994)
	<hr/>	<hr/>
Accumulated losses at the end of the financial year	<u>(113,700)</u>	<u>(116,115)</u>

# Notes to the financial statements

30 June 2015

## Note 28. Equity - non-controlling interest

	Consolidated	
	2015 \$'000	2014 \$'000
Issued capital	312	312
Reserves	(74)	(74)
Retained profits	12,344	4,023
	<u>12,582</u>	<u>4,261</u>

## Note 29. Equity - dividends

### Dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2015 \$'000	2014 \$'000
Interim dividend for the year ended 30 June 2014 of 5.5 cents per ordinary share	-	4,994
Final dividend for the year ended 30 June 2014 of 7.0 cents per ordinary share	7,741	-
Interim dividend for the year ended 30 June 2015 of 8.0 cents per ordinary share	8,916	-
	<u>16,657</u>	<u>4,994</u>

At the date of signing the financial report the consolidated entity has declared a final dividend of 9.0 cents per share at a record date of 19 August 2015, which is expected to be paid on 18 September 2015.

The final dividend for the year ended 30 June 2015 will be subject to the company's Dividend Reinvestment Plan ('DRP'). Eligible shareholders will be able to participate in the DRP with shares expected to be issued at a 2.5% discount to the volume weighted average price ('VWAP') of the company's shares over the 10 days following the record date and will rank equally with all other shares.

\$390,000 (2014: \$191,000) was paid to non-controlling interest in respect of their dividends in the underlying entities during the year ended 30 June 2015. There are no proposed dividends for minority interests as at signing date.

### Franking credits

	Consolidated	
	2015 \$'000	2014 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>20,241</u>	<u>17,828</u>

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

# Notes to the financial statements

30 June 2015

## Note 30. Financial instruments

### Financial risk management objectives

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

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

### Market risk

#### Foreign currency risk

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

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

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

Consolidated	Assets		Liabilities	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
New Zealand dollars	36,012	29,432	24,302	21,532

The consolidated entity had net assets denominated in foreign currencies of \$11,710,000 (assets \$36,012,000 less liabilities \$24,302,000) as at 30 June 2015 (2014: net assets of \$7,900,000 (assets \$29,432,000 less liabilities \$21,532,000)). Based on this exposure, with all other variables held constant, the following could have occurred:

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

Consolidated - 2014	% change	AUD strengthened		% change	AUD weakened	
		Effect on profit	Effect on equity		Effect on profit	Effect on equity
New Zealand dollars	10%	(322)	(322)	10%	394	394

#### Price risk

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

# Notes to the financial statements

30 June 2015

## Note 30. Financial instruments (continued)

### Interest rate risk

The consolidated entity's main interest rate risk arises from long-term borrowings and interest rate swap contracts. Borrowings issued at variable rates expose the consolidated entity to interest rate risk. Borrowings issued at fixed rates expose the consolidated entity to fair value interest rate risk. The policy is to maintain approximately 50% of borrowings at fixed rate using interest rate swaps to achieve this when necessary.

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

The gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. It is reclassified into profit or loss when the hedged interest expense is recognised. In the year ended 30 June 2015 a gain of \$nil (2014: \$nil) was reclassified into profit or loss and included in finance costs.

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

Consolidated	2015		2014	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Bank loans	5.00%	267,924	4.91%	150,612
Interest rate swaps (notional principal amount)	3.85%	97,500	4.35%	83,195
Net exposure to cash flow interest rate risk		<u>365,424</u>		<u>233,807</u>

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

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

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

Consolidated - 2014	Basis points increase			Basis points decrease		
	Basis points change	Effect on profit before tax	Effect on equity	Basis points change	Effect on profit before tax	Effect on equity
Bank loans	100	(1,506)	(1,054)	100	1,506	1,054
Interest rate swap contracts	100	832	832	100	(832)	(832)
		<u>(674)</u>	<u>(222)</u>		<u>674</u>	<u>222</u>

# Notes to the financial statements

30 June 2015

## Note 30. Financial instruments (continued)

### Credit risk

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

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

### Liquidity risk

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

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

### Financing arrangements

Unused borrowing facilities at the reporting date:

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Bank loans	95,481	140,365

Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time and have an average maturity of 3.95 years (2014: 4.94 years).

### Remaining contractual maturities

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

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

# Notes to the financial statements

30 June 2015

## Note 30. Financial instruments (continued)

Consolidated - 2014	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-%	35,882	-	-	-	35,882
Other payables	-%	3,072	-	-	-	3,072
<i>Interest-bearing - variable</i>						
Bank loans	4.91%	9,349	9,742	166,543	-	185,634
Lease liability	6.58%	448	791	-	-	1,239
Total non-derivatives		<u>48,751</u>	<u>10,533</u>	<u>166,543</u>	<u>-</u>	<u>225,827</u>
<b>Derivatives</b>						
Interest rate swaps net settled	4.35%	1,464	1,294	564	-	3,322
Total derivatives		<u>1,464</u>	<u>1,294</u>	<u>564</u>	<u>-</u>	<u>3,322</u>

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

### Fair value of financial instruments

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

## Note 31. Fair value measurement

### Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated - 2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Liabilities</i>				
Interest rate swap contracts	-	2,729	-	2,729
Total liabilities	<u>-</u>	<u>2,729</u>	<u>-</u>	<u>2,729</u>

Consolidated - 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Liabilities</i>				
Interest rate swap contracts	-	2,196	-	2,196
Total liabilities	<u>-</u>	<u>2,196</u>	<u>-</u>	<u>2,196</u>

There were no transfers between levels during the financial year.

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



# Notes to the financial statements

30 June 2015

## Note 31. Fair value measurement (continued)

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

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

### *Valuation techniques for fair value measurements categorised within level 2 and level 3*

Derivative financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

## Note 32. Key management personnel disclosures

### *Compensation*

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

	Consolidated	
	2015	2014
	\$	\$
Short-term employee benefits	3,428,065	1,870,638
Post-employment benefits	156,552	49,264
Share-based payments	6,284	-
	<u>3,590,901</u>	<u>1,919,902</u>

## Note 33. Remuneration of auditors

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

	Consolidated	
	2015	2014
	\$	\$
<i>Audit services - PricewaterhouseCoopers</i>		
Audit or review of the financial statements	<u>855,000</u>	<u>593,800</u>
<i>Other services - PricewaterhouseCoopers</i>		
Tax compliance services	-	24,500
Tax advice on mergers and acquisitions	-	165,390
Due diligence and accounting advice on mergers and acquisitions	<u>120,275</u>	<u>906,970</u>
	<u>120,275</u>	<u>1,096,860</u>
	<u>975,275</u>	<u>1,690,660</u>
<i>Audit services - network firms</i>		
Audit or review of the financial statements	<u>54,545</u>	<u>49,573</u>

# Notes to the financial statements

30 June 2015

## Note 34. Contingent liabilities

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

	Consolidated	
	2015	2014
	\$'000	\$'000
Bank guarantees	11,806	12,111

## Note 35. Commitments

	Consolidated	
	2015	2014
	\$'000	\$'000
<i>Capital commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	1,759	319
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	59,806	39,633
One to five years	206,039	113,373
More than five years	72,197	33,285
	338,042	186,291
<i>Lease commitments - finance</i>		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	377	448
One to five years	414	791
Total commitment	791	1,239
Less: Future finance charges	(52)	(113)
Net commitment recognised as liabilities	739	1,126
Representing:		
Lease liability - current (note 18)	316	387
Lease liability - non-current (note 21)	423	739
	739	1,126

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

Finance lease commitments includes contracted amounts for various plant and equipment with a written down value of \$1,204,000 (2014: \$1,432,000 ) under finance leases expiring within 1 to 3 years. Under the terms of the leases, the consolidated entity has the option to acquire the leased assets for predetermined residual values on the expiry of the leases.

## Note 36. Related party transactions

### Parent entity

Greencross Limited is the parent entity.

# Notes to the financial statements

30 June 2015

## Note 36. Related party transactions (continued)

### Subsidiaries

Interests in subsidiaries are set out in note 39.

### Key management personnel

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

### Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2015	2014
	\$	\$
Payment for goods and services:		
Purchase of inventory from Petco Animal Supplies, Inc., a related party associated with directors Matthew Hobart and Scott Gilbertson.	1,519,701	6,086,709
Payment for other expenses:		
Rent and outgoings paid to Greencross Properties Pty Ltd, a company controlled by director Dr Glen Richards.	85,745	35,626
Rent paid to KCORM Property Trust, a trust associated with director Dr Glen Richards.	181,554	73,156
Rent paid to AEC Property Trust, a trust associated with director Dr Glen Richards.	220,445	87,799
Other transactions:		
Key management personnel compensation paid to Freddy Management Pty Limited, an entity associated with directors Jeffrey David and Paul Wilson	-	933,333

### Receivable from and payable to related parties

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

	Consolidated	
	2015	2014
	\$	\$
Current payables:		
Rent payable to AEC Property Trust, a trust associated with director Dr Glen Richards.	(1,527)	3,135
Payable for purchase of inventory to Petco Animal Supplies, Inc., a related party associated with directors Matthew Hobart and Scott Gilbertson.	-	640,715

### Loans to/from related parties

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

### Terms and conditions

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

# Notes to the financial statements

30 June 2015

## Note 37. Parent entity information

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

### Statement of profit or loss and other comprehensive income

	Parent	
	2015 \$'000	2014 \$'000
Profit/(loss) after income tax	17,082	(131,227)
Total comprehensive income	17,082	(131,227)

### Statement of financial position

	Parent	
	2015 \$'000	2014 \$'000
Total current assets	5,370	122,082
Total assets	538,426	443,427
Total current liabilities	11,809	7,416
Total liabilities	11,809	7,400
Equity		
Contributed equity	664,552	574,387
Accumulated losses	(137,935)	(138,360)
Total equity	526,617	436,027

### Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity has provided financial guarantees in respect of the bank overdraft and the bank loans of the subsidiaries amounting to \$258,897,000 (2014: \$143,855,000), secured by a registered charge over the assets of the parent entity and its subsidiaries.

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

The parent entity has and will continue to receive dividends from its subsidiaries in order to have appropriate profit reserves given the accumulated losses to be able to pay dividends to its shareholders. There was and is sufficient retained profits in the subsidiaries in order to satisfy dividend payment obligations during the year as well as at 30 June 2015.

### Dividends

Subsequent to the reporting date, certain companies of the consolidated entity declared dividends totalling \$10,500,000, payable to Greencross Limited on 18 August 2015.

### Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2015 and 30 June 2014.

### Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2015 and 30 June 2014.

# Notes to the financial statements

30 June 2015

## **Note 37. Parent entity information (continued)**

### *Significant accounting policies*

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.

## **Note 38. Business combinations**

### *Summary of business acquisitions for the year ended 30 June 2015*

The consolidated entity acquired the following businesses during the financial year:

- CF Group Holdings Pty Ltd ('City Farmers') - acquired on 17 July 2014;
- Greencross Pet Friends Pty Limited - acquired on 12 August 2014;
- Petrest Pty Ltd - acquired on 10 December 2014;
- retail store in Queensland - acquired on 21 January 2015
- 4 retail stores in Victoria ("My Pet Warehouse") - acquired on 12 and 13 February 2015;
- HMS Software Pty Limited ("Super Pet Warehouse") - acquired on 12 February 2015;
- Veterinary Holdings Pty Limited ("ARH") - acquired on 13 February 2015;
- a further 8 veterinary clinics in Australia, 3 veterinary clinics in New Zealand, a pet crematoria business, 5 retail stores in Australia and a grooming business in New Zealand acquired during the financial year ended 30 June 2015.

All acquisitions in the period were related to the provision of pet care services and products to increase the Group's market share in Australia and New Zealand. The acquired businesses contributed revenues of \$139,065,000 and profit before tax of \$1,690,000 after charging acquisition and integration costs to the Group for the period from acquisition to 30 June 2015. If the acquisitions occurred on 1 July 2014, the full year contributions would have been revenues of \$172,596,000 and profit before tax of \$9,098,000 after charging acquisition and integration costs. Unless otherwise stated, the values identified in relation to each acquisition were provisional as at 30 June 2015.

Total acquisition costs of \$9,477,000 have been expensed to profit or loss during the year.

# Notes to the financial statements

30 June 2015

## Note 38. Business combinations (continued)

Details summarising all of the acquisitions are as follows:

	Fair value \$'000
Cash and cash equivalents	8,145
Trade receivables	1,235
Inventories	13,023
Prepayments	710
Other current assets	472
Plant and equipment	16,048
Intangibles	447
Investments	129
Deferred consideration receivable	12,674
Deferred tax asset	16,842
Trade payables	(13,354)
Other payables	(5,256)
Provision for income tax	(652)
Deferred tax liability	(562)
Employee benefits	(2,438)
Lease make good provision	(1,392)
Deferred lease incentive	(1,766)
Customer loyalty	(1,737)
Other provisions	(9,952)
Bank loans	(3,523)
Non-controlling interest	(4,727)
	<hr/>
Net assets acquired	24,366
Goodwill	232,371
	<hr/>
Acquisition-date fair value of the total consideration transferred	256,737
	<hr/> <hr/>
Representing:	
Cash paid or payable to vendor	196,808
Greencross Limited shares issued to vendor	50,000
Contingent consideration	8,561
Non-controlling interest	913
Contingent shares to be issued by company as part of consideration	455
	<hr/>
	256,737
	<hr/> <hr/>
Acquisition costs expensed to profit or loss	9,477
	<hr/> <hr/>

# Notes to the financial statements

30 June 2015

## Note 38. Business combinations (continued)

	Consolidated	
	2015	2014
	\$'000	\$'000
Cash used to acquire business, net of cash acquired:		
Acquisition-date fair value of the total consideration transferred	256,737	320,039
Add: payments made for prior period acquisition	3,096	-
Less: cash and cash equivalents	(8,145)	(3,252)
Less: contingent consideration	(8,561)	(1,317)
Less: shares to be issued by company as part of consideration	(50,000)	(310,503)
Less: contingent shares in subsidiary to be issued to vendor	(455)	-
Less: non-controlling interest	(913)	(183)
Less: cash paid to partly owned controlled entity	(5,000)	-
Net cash used	<u>186,759</u>	<u>4,784</u>

### *CF Group Holdings Pty Ltd ("City Farmers")*

On 17 July 2014, the Group acquired 100% of the share capital of CF Group Holdings Pty Ltd ('City Farmers') for the total consideration of \$212,479,000. The acquired business contributed revenues of \$116,831,000 and loss before tax of \$3,607,000 after charging acquisition and integration costs to the Group for the period from acquisition date to 30 June 2015. If the acquisition occurred on 1 July 2014, the full year contributions would have been revenues of \$120,882,000 and loss before tax of \$2,952,000 after charging acquisition and integration costs.

### *Greencross Pet Friends Pty Limited*

On 12 August 2014 the Group acquired 51% of the share capital of Greencross Pet Friends Pty Limited for the total consideration of \$1,500,000. The acquired business contributed revenues of \$1,524,000 and profit before tax of \$13,000 to the Group for the period from acquisition date to 30 June 2015. If the acquisition occurred on 1 July 2014, the full year contributions would have been revenues of \$2,032,000 and profit before tax of \$324,000.

### *Petrest Pty Ltd*

On 10 December 2014 the Group acquired 100% of the share capital of Petrest Pty Ltd for the total consideration of \$2,090,000. The acquired business contributed revenues of \$837,000 and profit before tax of \$209,000 to the Group for the period from acquisition date to 30 June 2015. If the acquisition occurred on 1 July 2014, the full year contributions would have been revenues of \$1,516,000 and profit before tax of \$377,000.

### *Retail store in Queensland*

On 21 January 2015, the Group acquired 100% of the business assets of a retail store (located in Queensland) for the total consideration of \$4,213,000. The acquired business contributed revenues of \$1,410,000 and profit before tax of \$256,000 to the Group for the period from acquisition date to 30 June 2015. If the acquisition occurred on 1 July 2014, the full year contributions would have been revenues of \$2,820,000 and profit before tax of \$512,000.

### *4 retail stores in Victoria ("My Pet Warehouse")*

On 12 and 13 February 2015, the Group acquired 100% of the business assets of My Pet Warehouse comprising 4 retail stores (located in Victoria) for the total consideration of \$7,480,000. The acquired business contributed revenues of \$1,933,000 and profit before tax of \$436,000 to the Group for the period from acquisition date to 30 June 2015. If the acquisition occurred on 1 July 2014, the full year contributions would have been revenues of \$4,639,000 and profit before tax of \$1,046,000.

### *HMS Software Pty Limited ("Super Pet Warehouse")*

On 12 February 2015, the Group acquired 100% of the share capital of HMS Software Pty Limited comprising 1 retail store (located in Victoria) for the total consideration of \$2,047,000. The acquired business contributed revenues of \$944,000 and profit before tax of \$192,000 to the Group for the period from acquisition date to 30 June 2015. If the acquisition occurred on 1 July 2014, the full year contributions would have been revenues of \$2,266,000 and profit before tax of \$461,000.

# Notes to the financial statements

30 June 2015

## Note 38. Business combinations (continued)

Details of the acquisition are as follows:

	City Farmers Fair value \$'000	Greencross Pet Friends Pty Limited Fair value \$'000	Petrest Pty Ltd Fair value \$'000	Retail store in Queensland Fair value \$'000	My Pet Warehouse Fair value \$'000	Super Pet Warehouse Fair value \$'000
Cash and cash equivalents	7,171	-	-	-	-	-
Trade receivables	754	-	-	-	-	-
Inventories	10,800	93	64	139	449	100
Prepayments	543	76	21	-	-	-
Other current assets	466	-	-	-	-	-
Plant and equipment	12,697	110	53	82	443	140
Intangibles	447	-	-	-	-	-
Deferred tax asset	16,513	22	2	57	62	56
Trade payables	(12,888)	-	-	-	-	-
Other payables	(3,789)	-	(25)	-	-	(72)
Provision for income tax	-	-	-	-	-	(138)
Deferred tax liability	(562)	-	-	-	-	-
Employee benefits	(1,354)	(72)	(6)	(137)	(36)	(8)
Lease make good provision	(1,392)	-	-	-	-	-
Deferred lease incentive	(1,766)	-	-	-	-	-
Customer loyalty	(1,336)	-	-	-	-	-
Other provisions	(9,551)	-	-	-	-	-
Bank loans	-	(223)	-	-	-	-
Net assets acquired	16,753	6	109	141	918	78
Goodwill	195,726	1,494	1,981	4,072	6,562	1,969
Acquisition-date fair value of the total consideration transferred	<u>212,479</u>	<u>1,500</u>	<u>2,090</u>	<u>4,213</u>	<u>7,480</u>	<u>2,047</u>
Representing:						
Cash paid or payable to vendor	162,479	765	1,729	4,213	7,480	2,047
Greencross Limited shares issued to vendor	50,000	-	-	-	-	-
Contingent consideration	-	-	361	-	-	-
Non-controlling interest	-	735	-	-	-	-
	<u>212,479</u>	<u>1,500</u>	<u>2,090</u>	<u>4,213</u>	<u>7,480</u>	<u>2,047</u>
Cash used to acquire business, net of cash acquired:						
Acquisition-date fair value of the total consideration transferred	212,479	1,500	2,090	4,213	7,480	2,047
Less: cash and cash equivalents	(7,171)	-	-	-	-	-
Less: contingent consideration	-	-	(361)	-	-	-
Less: shares issued by company as part of consideration	(50,000)	-	-	-	-	-
Less: non-controlling interest	-	(735)	-	-	-	-
Net cash used	<u>155,308</u>	<u>765</u>	<u>1,729</u>	<u>4,213</u>	<u>7,480</u>	<u>2,047</u>



# Notes to the financial statements

30 June 2015

## **Note 38. Business combinations (continued)**

### *Veterinary Holdings Pty Limited ("ARH")*

On 13 February 2015, the Group executed a subscription agreement for 50.1% of the share capital of Veterinary Holdings Pty Limited, a veterinary group comprising of four veterinary clinics located in Australia, for the total consideration of \$12,674,000. The acquired business contributed revenues of \$8,929,000 and profit before tax of \$1,693,000 to the Group for the period from acquisition date to 30 June 2015. If the acquisition occurred on 1 July 2014, the full year contributions would have been revenues of \$19,124,000 and profit before tax of \$2,845,000.

Under the terms of the subscription agreement the amount of deferred consideration is calculated based on an EBITDA multiple in relation to the financial performance of ARH during the financial year ended 30 June 2016 and adjusted for net debt.

### *Other business combinations*

During the financial year the Group acquired a further 8 veterinary clinics in Australia, 3 veterinary clinics located in New Zealand, a pet crematoria business, 5 retail stores in Australia and a grooming business in New Zealand via a combination of share and asset purchases for total consideration of \$14,254,000. The acquired businesses contributed revenues of \$10,708,000 and profit before tax of \$2,498,000 to the Group for the period from the various acquisition dates to 30 June 2015. If the acquisitions occurred on 1 July 2014, the full year contributions would have been revenues of \$23,368,000 and profit before tax of \$6,495,000.

# Notes to the financial statements

30 June 2015

## Note 38. Business combinations (continued)

Details of the acquisition are as follows:

	ARH Fair value \$'000	Other business combinations Fair value \$'000
Cash and cash equivalents	974	-
Trade receivables	477	4
Inventories	307	1,071
Prepayments	51	19
Deferred consideration receivable	12,674	-
Other current assets	-	7
Plant and equipment	1,357	1,166
Investments	129	-
Deferred tax asset	-	129
Trade payables	(466)	-
Other payables	(1,320)	(50)
Provision for income tax	(514)	-
Employee benefits	(496)	(329)
Customer loyalty	(401)	-
Other provisions	-	(401)
Bank loans	(3,300)	-
Non-controlling interest	(4,727)	-
	<hr/>	<hr/>
Net assets acquired	4,745	1,616
Goodwill	7,929	12,638
	<hr/>	<hr/>
Acquisition-date fair value of the total consideration transferred	12,674	14,254
	<hr/>	<hr/>
Representing:		
Cash paid or payable to vendor	5,000	13,095
Contingent consideration	7,219	981
Contingent shares in subsidiary to be issued to vendor	455	-
Non-controlling interest	-	178
	<hr/>	<hr/>
	12,674	14,254
	<hr/>	<hr/>
Cash used to acquire business, net of cash acquired:		
Acquisition-date fair value of the total consideration transferred	12,674	14,254
Less: cash and cash equivalents	(974)	-
Less: contingent consideration	(7,219)	(981)
Less: shares issued by company as part of consideration	(455)	-
Less: non-controlling interest	-	(178)
Less: cash paid to partly owned controlled entity	(5,000)	-
	<hr/>	<hr/>
Net cash used/(received)	(974)	13,095
	<hr/>	<hr/>

# Notes to the financial statements

30 June 2015

## Note 39. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		2015 %	2014 %
Greencross Operations Pty Ltd *	Australia	100.00%	100.00%
Greencross NSW Pty Ltd *	Australia	100.00%	100.00%
Greencross Townsville Pty Ltd *	Australia	100.00%	100.00%
Seabeach Pty Ltd *	Australia	100.00%	100.00%
Gorrie Veterinary Services Pty Ltd *	Australia	100.00%	100.00%
Chermside Veterinary Hospital Pty Ltd *	Australia	100.00%	100.00%
Veterinary Referral Services Pty Ltd *	Australia	70.00%	70.00%
Pet Accident and Emergency Pty Ltd *	Australia	90.00%	90.00%
Gold Coast Animal Referral & Emergency Pty Ltd *	Australia	90.00%	90.00%
Animal Emergency Centre Woolloongabba Pty Ltd *	Australia	100.00%	100.00%
Animal Emergency Centre Pty Ltd *	Australia	75.31%	75.31%
Animal Emergency Centre (Frankston) Pty Ltd *	Australia	75.31%	75.31%
Animal Emergency Centre Hallam Pty Ltd *	Australia	75.31%	75.31%
Williamstown Veterinary Holdings Pty Ltd *	Australia	100.00%	100.00%
Williamstown Veterinary Hospital Pty Ltd *	Australia	100.00%	100.00%
Point Cook Animal Hospital Pty Ltd *	Australia	100.00%	100.00%
Point Cook Unit Trust *	Australia	100.00%	100.00%
Pets First Hoppers Crossing Pty Ltd *	Australia	100.00%	100.00%
Anvet Werribee Pty Ltd *	Australia	100.00%	100.00%
Greencross Vets Toowoomba Pty Ltd *	Australia	100.00%	100.00%
Greencross Vets Southcoast Pty. Ltd. *	Australia	100.00%	100.00%
Vepa Labs Pty Ltd *	Australia	100.00%	100.00%
Vetmax Pty Ltd *	Australia	100.00%	100.00%
Animal Emergency Centre Toowoomba Pty. Ltd. *	Australia	65.00%	65.00%
Animal Emergency Centre Central Coast Pty Ltd *	Australia	65.25%	65.25%
Mammoth Pet Holdings Pty Limited	Australia	100.00%	100.00%
Petbarn Pty Limited	Australia	100.00%	100.00%
Mammoth Pet Pty Limited	Australia	100.00%	100.00%
Petbarn Properties Pty Limited	Australia	100.00%	100.00%
Animates NZ Holdings Limited	New Zealand	50.00%	50.00%
Freddy Holdings Pty Ltd	Australia	100.00%	100.00%
Petwise Pty Ltd	Australia	100.00%	100.00%
CF Group Holdings Pty Ltd	Australia	100.00%	-%
City Farmers Investments Pty Ltd	Australia	100.00%	-%
City Farmers Holdings Pty Ltd	Australia	100.00%	-%
CF Intermediate Holdings Pty Ltd	Australia	100.00%	-%
City Farmers Finance Pty Ltd	Australia	100.00%	-%
City Farmers Services Pty Ltd	Australia	100.00%	-%
City Farmers Retail Pty Ltd	Australia	100.00%	-%
City Farmers Been Pty Ltd	Australia	100.00%	-%
City Farmers Arun Pty Ltd	Australia	100.00%	-%
City Farmers Brwn Pty Ltd	Australia	100.00%	-%
City Farmers UNDR Pty Ltd	Australia	100.00%	-%
City Farmers MITC Pty Ltd	Australia	100.00%	-%
City Farmers Bedf Pty Lt	Australia	100.00%	-%
City Farmers MALG Pty Ltd	Australia	100.00%	-%
City Farmers MIDL Pty Ltd	Australia	100.00%	-%
City Farmers Belm Pty Ltd	Australia	100.00%	-%

# Notes to the financial statements

30 June 2015

## Note 39. Interests in subsidiaries (continued)

Name	Principal place of business / Country of incorporation	Ownership interest	
		2015 %	2014 %
City Farmers Will Pty Ltd	Australia	100.00%	-%
City Farmers Kelm Pty Ltd	Australia	100.00%	-%
City Farmers Cval Pty Ltd	Australia	100.00%	-%
City Farmers Rock Pty Ltd	Australia	100.00%	-%
City Farmers Mand Pty Ltd	Australia	100.00%	-%
City Farmers Wemb Pty Ltd	Australia	100.00%	-%
City Farmers Joon Pty Ltd	Australia	100.00%	-%
City Farmers Balc Pty Ltd	Australia	100.00%	-%
City Farmers CURR Pty Ltd	Australia	100.00%	-%
City Farmers Whit Pty Ltd	Australia	100.00%	-%
Flea Boy and Tick Girl Pty Ltd	Australia	100.00%	-%
Veterinary Holdings Pty Limited	Australia	50.10%	-%
The Animal Referral Hospital Pty Ltd	Australia	50.10%	-%
Animal Emergency Centre Canberra	Australia	30.06%	-%
Animal Referral Hospital Canberra	Australia	30.06%	-%
HMS Software Pty Limited	Australia	100.00%	-%
Healthy Pets Plus Limited	Australia	100.00%	100.00%

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

# Notes to the financial statements

30 June 2015

## Note 39. Interests in subsidiaries (continued)

### Summarised financial information

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

	Animates NZ Holdings Limited	
	2015	2014
	\$'000	\$'000
<i>Summarised statement of financial position</i>		
Current assets	15,824	13,018
Non-current assets	20,187	16,414
Total assets	36,011	29,432
Current liabilities	15,379	21,532
Non-current liabilities	8,923	-
Total liabilities	24,302	21,532
Net assets	11,709	7,900
<i>Summarised statement of profit or loss and other comprehensive income</i>		
Revenue	66,492	56,505
Expenses	(61,085)	(52,962)
Profit before income tax expense	5,407	3,543
Income tax expense	(1,514)	(953)
Profit after income tax expense	3,893	2,590
Other comprehensive income	-	-
Total comprehensive income	3,893	2,590
<i>Other financial information</i>		
Profit attributable to non-controlling interests	1,946	1,295

# Notes to the financial statements

30 June 2015

## Note 40. Deed of cross guarantee

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

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

\* The 2014 statement of profit or loss comprises 12 months of results for these entities which were party to the deed of cross guarantee.

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

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

# Notes to the financial statements

30 June 2015

## Note 40. Deed of cross guarantee (continued)

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

	2015 \$'000	2014 \$'000
<b>Statement of profit or loss and other comprehensive income</b>		
Revenue	535,619	302,987
Other income	959	1,747
Cost of sales of goods	(252,063)	(156,168)
Employee benefits expense	(134,327)	(66,590)
Depreciation and amortisation expense	(12,076)	(7,937)
Marketing costs	(8,645)	(5,236)
Occupancy costs	(60,290)	(33,134)
Administration costs	(22,065)	(14,710)
Impairment of assets	-	(130,000)
Acquisition costs	(9,319)	(8,046)
Other expenses	(374)	341
Finance costs	(12,787)	(9,192)
	<hr/>	<hr/>
<b>Profit/(loss) before income tax expense</b>	24,632	(125,938)
Income tax expense	(10,006)	(3,098)
	<hr/>	<hr/>
<b>Profit/(loss) after income tax expense</b>	14,626	(129,036)
Other comprehensive income for the year, net of tax	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
<b>Total comprehensive income for the year</b>	<u>14,626</u>	<u>(129,036)</u>
	<hr/>	<hr/>
<b>Equity - retained profits</b>	<b>2015 \$'000</b>	<b>2014 \$'000</b>
Retained profits/(accumulated losses) at the beginning of the financial year	(165,173)	6,530
Profit/(loss) after income tax expense	14,626	(129,036)
Transfer to non-controlling interest	-	(1,495)
	<hr/>	<hr/>
Accumulated losses at the end of the financial year	<u>(150,547)</u>	<u>(124,001)</u>

# Notes to the financial statements

30 June 2015

## Note 40. Deed of cross guarantee (continued)

<b>Statement of financial position</b>	<b>2015 \$'000</b>	<b>2014 \$'000</b>
<b>Current assets</b>		
Cash and cash equivalents	15,761	113,423
Trade and other receivables	17,159	13,018
Inventories	76,795	38,735
Current tax assets	4,942	-
Prepayments	1,079	394
Other	422	631
	<u>116,158</u>	<u>166,201</u>
<b>Non-current assets</b>		
Other financial assets	12,689	6,390
Property, plant and equipment	122,323	75,421
Intangibles	476,195	265,473
Deferred tax	18,838	8,792
	<u>630,045</u>	<u>356,076</u>
<b>Total assets</b>	<u>746,203</u>	<u>522,277</u>
<b>Current liabilities</b>		
Trade and other payables	74,703	54,217
Borrowings	(639)	(7,436)
Current tax liabilities	-	(798)
Provisions	18,560	12,031
	<u>92,624</u>	<u>58,014</u>
<b>Non-current liabilities</b>		
Borrowings	254,581	144,008
Derivative financial instruments	2,729	2,196
Deferred tax	1,145	-
Provisions	23,924	10,302
	<u>282,379</u>	<u>156,506</u>
<b>Total liabilities</b>	<u>375,003</u>	<u>214,520</u>
<b>Net assets</b>	<u>371,200</u>	<u>307,757</u>
<b>Equity</b>		
Contributed equity	520,293	431,213
Reserves	1,454	(950)
Accumulated losses	(150,547)	(124,001)
Non-controlling interest	-	1,495
<b>Total equity</b>	<u>371,200</u>	<u>307,757</u>

## Note 41. Events after the reporting period

On 2 July 2015, the Group acquired 100% of the business assets of a retail store (located in Western Australia) for the total consideration of \$1,363,000. The fair value of tangible assets acquired were \$343,000.

On 14 July 2015, the Group acquired 100% of the business assets of a veterinary clinic (located in South Australia) for the total consideration of \$750,000 including deferred consideration of \$100,000. At the date this annual report was authorised for issue the fair value of the assets and liabilities acquired as part of the business combination was incomplete. Therefore, the goodwill and the fair value of the assets and liabilities acquired has not been disclosed.



# Notes to the financial statements

30 June 2015

## Note 41. Events after the reporting period (continued)

On 24 July 2015, the Group acquired 100% of the business assets of a veterinary clinic (located in Queensland) for the total consideration of \$350,000 including deferred consideration of \$30,000. At the date this annual report was authorised for issue the fair value of the assets and liabilities acquired as part of the business combination was incomplete. Therefore, the goodwill and the fair value of the assets and liabilities acquired has not been disclosed.

On 31 July 2015, the Group acquired 100% of the business assets of a retail store (located in Western Australia) for the total consideration of \$706,000. At the date this annual report was authorised for issue the fair value of the assets and liabilities acquired as part of the business combination was incomplete. Therefore, the goodwill and the fair value of the assets and liabilities acquired has not been disclosed.

Apart from the dividend declared as disclosed in note 29, no other matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

## Note 42. Reconciliation of profit/(loss) after income tax to net cash from operating activities

	Consolidated	
	2015 \$'000	2014 \$'000
Profit/(loss) after income tax expense for the year	22,143	(126,280)
Adjustments for:		
Depreciation and amortisation	15,056	10,070
Impairment of goodwill	-	130,000
Share-based payments	6	1,366
Non-cash finance costs	1,082	3,514
Non-cash movements in reserves	181	(322)
Change in operating assets and liabilities:		
Increase in trade and other receivables	(5,541)	(50)
Increase in inventories	(26,916)	(5,375)
Decrease/(increase) in deferred tax assets	7,540	(1,635)
Decrease/(increase) in prepayments	656	(8)
Increase in trade and other payables	1,674	11,050
Increase in derivative liabilities	-	299
Decrease in provision for income tax	(3,450)	(1,394)
Increase in deferred tax liabilities	-	723
Increase in other provisions	2,260	2,330
Net cash from operating activities	<u>14,691</u>	<u>24,288</u>

## Note 43. Non-cash investing and financing activities

	Consolidated	
	2015 \$'000	2014 \$'000
Shares issued under dividend reinvestment plan	16,657	4,961
Shares issued in relation to business combinations	<u>50,000</u>	<u>310,503</u>
	<u>66,657</u>	<u>315,464</u>

# Notes to the financial statements

30 June 2015

## Note 44. Earnings per share

	Consolidated	
	2015 \$'000	2014 \$'000
Profit/(loss) after income tax	22,143	(126,280)
Non-controlling interest	(3,071)	(1,495)
Profit/(loss) after income tax attributable to the owners of Greencross Limited	<u>19,072</u>	<u>(127,775)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	111,151,934	67,052,122
Adjustments for calculation of diluted earnings per share:		
Performance rights	60,717	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>111,212,651</u>	<u>67,052,122</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	17.16	(190.56)
Diluted earnings per share	17.15	(190.56)

60,145 options over ordinary shares in the 2014 year have been excluded from the calculation as their inclusion would become anti-dilutive.

## Note 45. Share-based payments

### *Executive Short Term Incentive Plan ('STIP')*

The Group has implemented an "at risk" STIP which rewards executives for meeting or exceeding annual performance thresholds. Part of this reward is delivered as deferred share rights, subject to forfeiture conditions, to align rewards with shareholder interests. The performance rights, granted on 1 September 2015 will vest on 1 July 2016 when they automatically convert into one ordinary share each at an exercise price of nil.

Under the STIP participants are granted performance rights provided certain performance conditions are met in relation to the financial year ended 30 June 2015.

The Board can exercise its discretion to amend any element of the STIP.

At the date of signing this report no performance rights had been granted to executives.

# Notes to the financial statements

30 June 2015

## Note 45. Share-based payments (continued)

### Executive Long Term Incentive Plan ('LTIP')

The Group has implemented an Executive LTIP for key management personnel executives (no directors participate in the plan) with performance rights granted over ordinary fully paid shares, subject to forfeiture conditions, which will vest to the extent that the Board determines that:

- the performance condition(s) have been satisfied during the performance period; and
- the participant was continuously employed by the Company until the vesting date of the rights

A 3-year performance period will apply (1 July 2014 to 30 June 2017) with performance conditions tested, and any vesting occurring, following the announcement of the FY17 full year result, on or around September 2017. The scheme employs two performance hurdles: underlying EPS Growth and underlying ROIC, both measured over the 3 year performance period against threshold and maximum hurdles.

The number of performance rights each participant receives is determined by dividing the dollar value of the maximum LTIP award by the allocation price. The allocation price in respect of the rights is calculated as the volume weighted average price of the Company's shares over the five trading days immediately before, and the five trading days immediately following, the announcement of the Company's FY14 results.

Set out below are summaries of performance rights granted under the plan:

### 2015

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised *	Expired/ forfeited/ other	Balance at the end of the year
26/06/2015	01/09/2017	\$0.00	-	60,717	-	-	60,717
			-	60,717	-	-	60,717

### 2014

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
10/08/2011	10/08/2019	\$0.00	33,700	-	(33,700)	-	-
22/06/2012	22/06/2020	\$0.00	26,445	-	(24,945)	(1,500)	-
16/08/2013	31/08/2022	\$0.00	-	2,750	(2,750)	-	-
			60,145	2,750	(61,395)	(1,500)	-

# Directors' declaration

30 June 2015

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 40 to the financial statements.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Jeffrey David', written over a horizontal line.

Jeffrey David  
Director

11 August 2015  
Sydney



## **Independent auditor's report to the members of Greencross Limited**

### ***Report on the financial report***

We have audited the accompanying financial report of Greencross Limited (the company), which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Greencross Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

### ***Directors' responsibility for the financial report***

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the *Corporations Act 2001* and . and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

### ***Auditor's responsibility***

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

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

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

### ***Independence***

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

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
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Liability limited by a scheme approved under Professional Standards Legislation.



### *Auditor's opinion*

In our opinion:

- (a) the financial report of Greencross Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Corporations Regulations 2001*.
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 2.

### **Report on the Remuneration Report**

We have audited the remuneration report included in pages 32 to 49 of the directors' report for the year ended 30 June 2015. 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 2015 complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in blue ink that reads 'Adam Thompson'.

Adam Thompson  
Partner

Sydney  
11 August 2015

# Shareholder information

30 June 2015

The shareholder information set out below was applicable as at 20 July 2015.

## Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	3,810
1,001 to 5,000	3,447
5,001 to 10,000	575
10,001 to 100,000	358
100,001 and over	60
	<hr/>
	8,250
	<hr/> <hr/>
Holding less than a marketable parcel	335
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## Equity security holders

### Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
J P MORGAN NOMINEES AUSTRALIA LIMITED	12,942,810	11.59
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	12,730,278	11.40
NATIONAL NOMINEES LIMITED	12,514,006	11.20
PREBEST PTY LIMITED	7,400,000	6.62
WILLEESE PTY LIMITED	3,099,349	2.77
CITICORP NOMINEES PTY LIMITED	3,003,425	2.69
RED RUFF INVESTMENT COMPANY	2,768,764	2.48
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	2,293,251	2.05
MAXIMUM (NQ) PTY LIMITED	2,096,734	1.88
QUADRANT PRIVATE EQUITY NO 3 LP	2,094,667	1.88
MR STUART BRUCE JAMES & MRS JILLIAN DOREEN JAMES	1,972,547	1.77
BNP PARIBAS NOMS PTY LTD	1,879,007	1.68
PAPERBARK PTY LTD	1,739,564	1.56
QUADRANT PRIVATE EQUITY NO 3D PTY LTD	1,706,889	1.53
MR JOHN DAVID ODLUM & MRS ANN ODLUM	1,659,600	1.49
UBS NOMINEES PTY LTD	1,313,944	1.18
JODAV PTY LTD	1,100,000	0.98
MR JOHN DAVID ODLUM	980,000	0.88
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	975,302	0.87
QUADRANT PRIVATE EQUITY NO 3C PTY LIMITED	950,389	0.85
	<hr/>	
	75,220,526	67.35
	<hr/> <hr/>	

### Unquoted equity securities

There are no unquoted equity securities.

# Shareholder information

30 June 2015

## Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
NATIONAL AUSTRALIA BANK LIMITED AND ASSOCIATED ENTITIES	8,529,644	7.64
JEFFREY DAVID AND ASSOCIATED ENTITIES	7,427,635	6.65
UBS GROUP AG AND RELATED ENTITIES	5,672,795	5.08

## Voting rights

The voting rights attached to ordinary shares are set out below:

### *Ordinary shares*

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

There are no other classes of equity securities.



# Corporate directory

## Directors

Stuart James – Chairman  
Martin Nicholas – Chief Executive Officer  
Andrew Geddes  
Paul Wilson  
Dr Glen Richards  
Christina Boyce  
Chris Knoblanche

## Company secretary

Vincent Pollaers

## Registered office

5/28 Balaclava Street  
Wooloongabba QLD 4102  
Telephone: 07 3435 3535  
Facsimile: 07 3435 3536

## Principal place of business

5/28 Balaclava Street  
Wooloongabba QLD 4102  
Postal address  
PO Box 8366  
Wooloongabba QLD 4102

## Share register

Link Market Services Limited  
Level 12  
680 George Street  
Sydney NSW 2000  
Australian Telephone: 1300 554 474  
International Telephone: +61 1300 554 474  
Facsimile: 02 9287 0303

## Auditor

PricewaterhouseCoopers  
Darling Park Tower 2  
201 Sussex Street  
Sydney NSW 1171

## Solicitors

Clayton Utz  
1 Bligh Street  
Sydney NSW 2000

## Bankers

Commonwealth Bank of Australia  
240 Queen Street  
Brisbane QLD 4000

National Australia Bank  
255 George Street  
Sydney NSW 2000

## Stock exchange listing

Greencross Limited shares are listed  
on the Australian Securities Exchange  
(ASX code: GXL)

## Website

[greencrosslimited.com.au](http://greencrosslimited.com.au)

**Greencross Limited**  
The Pet Company

[greencrosslimited.com.au](https://greencrosslimited.com.au)