

**WE ARE A GROUP  
OF INTERCONNECTED  
BUSINESS ENTITIES  
THAT SPECIALISE IN THE  
HUMAN AND ANIMAL  
HEALTHCARE SECTORS.  
WE ARE EBOS.**

|                                       |                    |
|---------------------------------------|--------------------|
| <b>Report from the Directors</b>      | <b>03 - 32</b>     |
| Who is EBOS?                          | 03                 |
| What we do                            | 04                 |
| How we do It                          | 07                 |
| Our Goal                              | 08                 |
| Case Studies                          | 10                 |
| Managing Director's Review            | 14                 |
| Chairman's Report                     | 18                 |
| Financial Highlights                  | 21                 |
| Board of Directors                    | 22                 |
| Operational Round-Up                  | 25                 |
| Corporate Governance Statement        | 26                 |
| Directors' Report & Disclosures       | 28                 |
| <br><b>Financial Statements</b>       | <br><b>33 - 77</b> |
| Directors' Responsibility Statement   | 34                 |
| Auditor's Report                      | 35                 |
| Income Statement                      | 36                 |
| Statement of Comprehensive Income     | 36                 |
| Balance Sheet                         | 37                 |
| Statement of Changes in Equity        | 38                 |
| Cash Flow Statement                   | 39                 |
| Notes to the Financial Statements     | 40                 |
| Additional Stock Exchange Information | 78                 |
| Directory                             | 79                 |
| Trading Entities                      | 80                 |



## WHO IS EBOS?

**WE'RE A GROUP OF INTERCONNECTED BUSINESS ENTITIES THAT SPECIALISE IN THE HUMAN AND ANIMAL HEALTHCARE SECTORS. EACH DAY, WE ENSURE THAT THOUSANDS OF MEDICAL AND SURGICAL PRODUCTS, PHARMACEUTICALS AND ANIMAL HEALTHCARE SUPPLIES REACH THE PEOPLE AND PLACES THEY'RE NEEDED. WE'RE DOING THIS FASTER, SMARTER AND MORE COST-EFFECTIVELY EACH YEAR. THERE'S NO OTHER COMPANY QUITE LIKE US.**

**\$1.43BN**

GROUP REVENUE

**TOP 50  
COMPANY**

LISTED ON THE NZ  
STOCK EXCHANGE

**1,000+**

STAFF HEADQUARTERED  
IN NZ, AUSTRALIA AND  
THE PACIFIC

# EBOS IS PART OF THE LIFEBLOOD OF THE NEW ZEALAND HEALTHCARE INDUSTRY. OUR GROUP IS RESPONSIBLE FOR A SIGNIFICANT PERCENTAGE OF PRODUCT VOLUMES SUPPLIED TO BOTH THE PUBLIC AND PRIVATE SECTOR.

This gives us a unique position in terms of our market offering. It allows us to identify and develop: cost efficiencies, more responsive delivery to market, and IT-lead enhancements. Those benefits are available to every EBOS Group customer; tailored to their specific needs.

## WHOLESALE & SUPPLY CHAIN LOGISTICS

We operate best-of-breed distribution systems and electronic ordering of supplies for a wide range of healthcare providers – hospitals, GPs, pharmacists, aged care facilities and others. We also provide these services to the pet care and veterinary markets.  
**ProPharma, Health Support and Masterpet**

## 3RD PARTY/4TH PARTY LOGISTICS

We operate a “virtual company” service for multinational pharmaceutical and medical device companies that want an effective presence in New Zealand without having to set up their own operations. The service includes warehousing/distribution, regulatory management, medicines repackaging, contract sales teams, MIS systems, financial services and procurement.  
**Healthcare Logistics**

## SALES AND MARKETING

We partner with leading manufacturers to bring to market thousands of healthcare products. These are supported by dedicated sales teams in every market sector.  
**EBOS Healthcare – New Zealand;  
EBOS Healthcare – Australia;  
Vital Medical, Australia; Masterpet**

## MANUFACTURING AND RETAIL

The Group has 50% ownership of the 20-store nationwide chain of Animates retail stores. We also manufacture a number of EBOS-owned products (including well-known household brands Vitapet, Antiflamme and Allersearch), in both the animal and human healthcare markets.  
**Masterpet (Animates); Beaphar Animal,  
Antiflamme, Allersearch, Vitapet**





# EBOS GROUP HAS A NUMBER OF KEY STRATEGIES THAT HAVE ENABLED US TO ACHIEVE YEAR-ON-YEAR GROWTH FOR THE PAST 10 YEARS.

## OUR CLEAR STRATEGIC VISION

The Group's single-minded strategy is to be number one or two in every area we contest. Our acquisitions – a total of 18 to date – have all been meticulously planned and executed to achieve this. We look for businesses that have a strong fit with our core competencies, coupled with potential to add further value. A prime example of this is our recent ownership of Masterpet; the largest acquisition in the Group's history, at \$105 million.

## OUR DYNAMIC BUSINESS MODEL

In the healthcare industry, the market landscape is continually evolving. Global and regional trends, public policy, and clinical advancements are just some of the key factors driving change. EBOS Group has an equally dynamic business model that can meet any emerging market need. And the larger we grow, the more nimble we become. Our various Group entities offer a suite of proven capabilities that can adapt to any new customer or market. The scale of the Group also means we have significant internal expertise – in areas such as marketing, logistics, finance, sales or sophisticated Information-Technology – that can be accessed by any company in the Group.

## OUR ABILITY TO SERVICE ANY PRODUCT

EBOS is one of the few companies to cater for the entire 'product lifecycle', and optimise the product's value at every stage. As a new product migrates across the continuum from specialty status into a commodity item, it requires different kinds of market support. There is always an EBOS business ready to step up. From within the Group, we can give any product the support it needs; from a sophisticated marketing resource, to a straight-forward delivery channel, or anything in between.

## OUR MARKET DEPTH & SCALE

EBOS is part of the lifeblood of the New Zealand healthcare industry. Our Group is responsible for a significant percentage of product volumes supplied to both the public and private sector. This gives us a unique position in terms of our market offering. It allows us to identify and develop: cost efficiencies, more responsive delivery to market, and IT-lead enhancements. Those benefits are available to every EBOS Group customer; tailored to their specific needs. We have similar aspirations to grow our Australian market presence.

## OUR GOAL

**EBOS GROUP HAS  
SET A GOAL TO BECOME  
A \$1 BILLION MARKET  
CAPITALISATION BUSINESS  
WITHIN FIVE YEARS.**

**WE WANT TO BECOME  
AN ICONIC NEW ZEALAND  
BRAND, PROVIDING ALL  
NEW ZEALANDERS WITH  
AN OPPORTUNITY TO  
INVEST IN THE GROWING  
HEALTHCARE AND ANIMAL  
CARE MARKETS.**



## CASE STUDIES

We deliver vital medical supplies and pharmaceuticals to eight District Health Boards (DHBs), servicing almost half of New Zealand's population.

COMBINED HOSPITAL BUSINESS

---

We're the first storage point for more than 50% of pharmaceuticals (by value) used in the New Zealand market.

HEALTHCARE LOGISTICS

---

There's almost 73,000 sq metres of combined warehouse space in the EBOS Group (that's the size of about seven rugby fields).

EBOS GROUP

---

Our staff donate their time and expertise to the charity United Way New Zealand ([www.unitedway.org.nz](http://www.unitedway.org.nz)). EBOS is a recognised corporate supporter of United Way New Zealand.

EBOS GROUP

---

We distribute 100% of the funded vaccines used in medical practices – that's approximately 1.25 million doses every year.

HEALTHCARE LOGISTICS

---

We've developed a fully recyclable 'cold chain' packaging system for our medical centre customers – reducing the amounts of packaging they need to dispose of.

HEALTHCARE LOGISTICS

---

At EBOS Healthcare NZ alone, we process 45,000 customer orders per year.

EBOS HEALTHCARE NZ

---

We operate the distribution centre for Pharmacybrands – which provides franchised marketing, buying and clinical services for Unichem, Amcal, Radius, Life and Carecommunity pharmacies. We also provide marketing and buying group services to over 100 independent pharmacies under the Vantage Gold Club brand.

PROPHARMA

---

Our Infection Prevention speciality business unit is the Australian market leader in single use hygienic waste management and also an environmentally sound option offering water savings.

EBOS HEALTHCARE AUSTRALIA

---

Each day, we're helping New Zealand's aging population live more comfortably – by supplying products for 25,000 bed spaces in aged care facilities across New Zealand. We distribute the I-Stat Blood Analyser System, which gives clinicians immediate blood test results at the patient's bedside – used in emergency departments, theatres, and remote facilities.

**EBOS HEALTHCARE NZ**

---





## CASE STUDIES

ProPharma is the largest and only national pharmacy wholesaler in New Zealand. We invest in workplace literacy and numeracy training for our staff – with 50 staff participating in onsite training programmes so far.

PROPHARMA, HEALTHCARE LOGISTICS  
AND PWR

---

EBOS-owned brand Anti-Flamme is the official linament rub of the NZ All Whites.

[WWW.ANTIFLAMME.CO.NZ](http://WWW.ANTIFLAMME.CO.NZ)

---

We co-sponsor the NZ Pharmacy Awards, which recognises excellence in the pharmacy industry.

PROPHARMA

---

Masterpet's own Vitapet brand is available in almost all supermarkets throughout Australia and New Zealand. Masterpet is also the exclusive NZ distributor of leading premium pet food brands, Eukanuba and Iams.

MASTERPET

---

When the Waikato DHB was looking for a single wipe that could both clean and disinfect hospital surfaces and equipment, EBOS sourced a product called Tuffie5™ – a unique wipe that's safe on skin, but extremely toxic to viruses and bacteria.

EBOS HEALTHCARE NZ

---

“EBOS has a local presence, which is good. They're a friendly, approachable New Zealand company. They haven't got the bureaucracy of an international/multinational, so they can be more flexible and make decisions.”

CLIENT QUOTE FROM INDEPENDENT MARKET  
RESEARCH, DECEMBER 2010

---

Nearly all Masterpet employees own a pet themselves (*and include their pets' names in their work email signature!*)

**Toni Kilvington**

National Account & Farm Sales Manager  
& proud parent of Bailie, Gemma, Chakaya and  
Topaz the Eukanuba dogs, Buxton the Iams cat,  
& Marcus the grass munching horse.

MASTERPET

---

# EBOS OPERATES IN ENDURING BUSINESS SECTORS WITH CONSISTENTLY STRONG DEMAND. AS THE GREAT WARREN BUFFET HAS SAID: **"IT IS NOT NECESSARY TO DO EXTRAORDINARY THINGS TO GET EXTRAORDINARY RESULTS."**

Through knowing our markets, patience, persistence and many years of 'hard graft': EBOS has achieved remarkable growth.

When we first started out, we were one of several competitors of similar value in the market. It's fair to say there's daylight between us and those companies now. While most of those remain below the \$50m revenue mark, EBOS has grown to a \$1.4 billion company.

*So what have we done differently?* I think the fundamental difference is that EBOS has never simply followed the market.

We've always preferred to read the market. We look ahead for global trends, analyse their likely local impact and position our business to capitalise on them.

Secondly, we're always willing to embrace change. We're not wedded to old ways of doing things. If the needs of our market are shifting, we'll move to meet that. If we see a smarter way to structure our business, we'll do it. Our focus has always been on trying to add value for our customers.



**MARK WALLER**  
CHIEF EXECUTIVE  
OFFICER & MANAGING  
DIRECTOR

## MANAGING DIRECTOR'S REVIEW

In the past year, for instance, we've merged parts of our ProPharma and Health Support entities. We've changed the roles of virtually all our senior executives, right across the business. It's all about keeping things fresh, moving forward, and allowing people to play to their strengths. Not least of all, being part of an ever-changing industry and working with a dynamic team keeps us highly motivated.

Yet while the structure of our business may change, the fundamentals do not. Our business is comprised of several different trading entities, however EBOS Group is better understood as an inter-connected whole.

In last year's Annual Report, we explained how our business model could cater for the entire lifecycle of any healthcare product – from a breakthrough medical device, to a commodity product.

Looking at it another way, we have the same ability to service any type of healthcare business or customer.

For the entrepreneurial manufacturer launching a new product, we can provide full sales and marketing capability. For the multinationals looking to maintain a market presence in this part of the world, we offer a cost-effective and successful channel to market. For our public health bodies in New Zealand, we provide a nationwide interface and a just-in-time delivery model that delivers real efficiencies.

When it comes to choosing a go-to-market partner, all of those manufacturers have a similar wish list. They're looking for a company that can offer reach, depth, scalability, and influence in the market. If you can offer all that – as well as specific value-adds for each customer – you become the automatic 'go-to-guys' for the whole healthcare market. Which is, in a nutshell, the EBOS proposition.

The recent acquisition of Masterpet is a natural fit with our strategy. This successful animal health business had been on our radar for about 10 years. We liked the fact that it mirrored our own core competencies while also offering us spread across the non-institutional, non-government funded sector. The core values of Masterpet are similar to those held by EBOS.

We now have a prime opportunity to leverage our expertise into the animal health sector. Masterpet has built an impressively strong brand in veterinary practices, pet stores, specialty retail and grocery with an established direct retail presence via its 50% ownership of the Animates pet store group. We can learn a lot about branding from their success. Likewise, we can see where EBOS will add further value. We're keen to deliver further efficiencies and expansion across the manufacturing, wholesaling, and clinical areas.

The past year hasn't been without challenges. We had an isolated and highly unusual problem in Australia with our Vital Medical business when a small group of ex-staff set up business in opposition. We have pursued the matter legally and reached a satisfactory outcome. Our Pacific Islands business also had a relatively quiet year after several years of buoyant capital equipment sales.

To sum up, it's been a hugely important year for us. We completed the biggest acquisition in our history with Masterpet. We wrapped up the sale of our Scientific business and paid down previous debt. We implemented internal mergers and changes to senior management. We also signed off on syndicated banking; a necessary step for any business that's growing in size and influence.

We're now poised for the next phase of growth. The next five years is likely to see us build breadth of scale internationally. We will also look to develop more depth in vertical markets, potentially into the provision of healthcare itself.

Our goal is clearly in sight – to become a \$1 billion market capitalisation business. Ultimately, we want to see EBOS become an iconic Kiwi brand and household name. We are well-placed to provide the kind of blue-chip investment that will give ordinary investors access to the substantial and growing healthcare market.

For those of you already involved with EBOS, you have been a vital part of our journey so far. It's a pleasure to share our vision for the future with you.



Mark Waller  
*Chief Executive Officer*  
*& Managing Director*

ANOTHER STRONG  
YEAR FINANCIALLY  
WHICH CONTINUES  
OUR EXCELLENT  
TRACK RECORD.

**\$1.43BN**

---

TURNOVER

**\$105M**

---

MASTERPET  
ACQUISITION

**\$28.112M**

---

CASH GENERATED  
FROM OPERATIONS

## **REFLECTING ON THE PAST YEAR, I AM REMINDED THAT MUCH HAS CHANGED FROM 2011; NOT JUST THE SIZE AND SHAPE OF THE BUSINESS, BUT ALSO AMONG THE RANKS OF OUR SHAREHOLDERS, AND OUR MANAGEMENT STRUCTURE.**

What has not changed, however, has been the delivery of improved results for our shareholders; and the ongoing pursuit of underpinning growth opportunities.

It would be fair to say that these changes have marked a new phase in the EBOS journey; from being a small but profitable business at the beginning of the last decade, to a top 25 NZX company with more than 1000 employees and a strong presence in both Australia and New Zealand.

Last year, about this time, I signalled that although we had come through a period of consolidation and rationalisation, our appetite for acquisitions was still strong, and that we were looking at a number of opportunities.

The rest is now history, as in December we announced the acquisition of the Masterpet Group of companies from private interests. This was the largest investment we have ever made, and it gave EBOS entry into a new and exciting market sector in Australia and New Zealand. Financially we were well prepared for this, having exited our Scientific businesses for a healthy profit in 2010, and ended last year with money in the bank and no net debt. Nine months down the track, we can report that we are very pleased with this latest addition to the Group. It augers well for healthy growth in earnings in the future.



**RICK CHRISTIE**  
CHAIRMAN OF  
DIRECTORS

## CHAIRMAN'S REPORT

The continued growth of the EBOS Group necessitated some changes in our management structure and operating systems. I am pleased to report that, thanks to a great effort from management, these were implemented and have enabled us to integrate Masterpet, and grow our existing businesses, with minimal disruption. We have, where possible, leveraged our existing skills across the Group. In other areas we have acquired new talent, notably from our Masterpet acquisition, but also to supplement and strengthen our financial capabilities.

### SHAREHOLDERS

Our shareholder base also underwent significant change. With the exit of 10% cornerstone shareholder Masthead from the Register, this created the opportunity for other new shareholders to move quickly to invest, resulting in a wider institutional base and better coverage and liquidity. On behalf of the Board, I would like to personally welcome our new shareholders to the EBOS family.

### RESULTS

In the year ended June 2012, revenue from continuing operations increased to \$1.429bn, with EBITDA up to \$46.856m and Net Profit after Tax to \$27.949m. This was a solid result given that we exited our Scientific businesses in 2010, saw a contribution of only a part-year's trading from the Masterpet acquisition, and dealt with a number of legal and integration expenses during a year of great change. Operating cash flow for the year was a healthy \$28m.

### BALANCE SHEET

Despite the very significant investment made in Masterpet (\$105m plus debt), we finished the year with net group debt of only \$87m, which emphasises the underlying strength of our balance sheet last year. We also took the opportunity to diversify our banking partnerships, with the inclusion of BNZ in a banking syndicate, led by ANZ/National Bank, with whom we have had a long-term relationship. Net assets increased to \$209m reflecting the Masterpet acquisition, with total assets now approaching \$658m.

### DIVIDEND

This strong financial result enabled the company to declare a final dividend of 20.5 cents per share, an increase of 13.9% on the final dividend of 18.0 cents per share in 2011.

### BOARD

Peter Merton resigned from the Board during the year, following a further sell-down of his shareholdings and to pursue his growing interest in Pharmacybrands. Mark Stewart departed as a consequence of Masthead's exit. I would like to personally thank both of them for their contribution to our meetings and to the ongoing growth of the company. Looking to the future, we are well placed in terms of Board diversity, with a strong mix of skills and experience.

### MANAGEMENT

After another successful year of growth and financial outcomes I must commend the work of our management team, which is very ably led by Mark Waller. Mark personally leads our acquisition and divestment activities, and can claim much credit for their success. Alongside him are a very competent team of professional advisers, with whom we have worked for many years, and whom we know well.

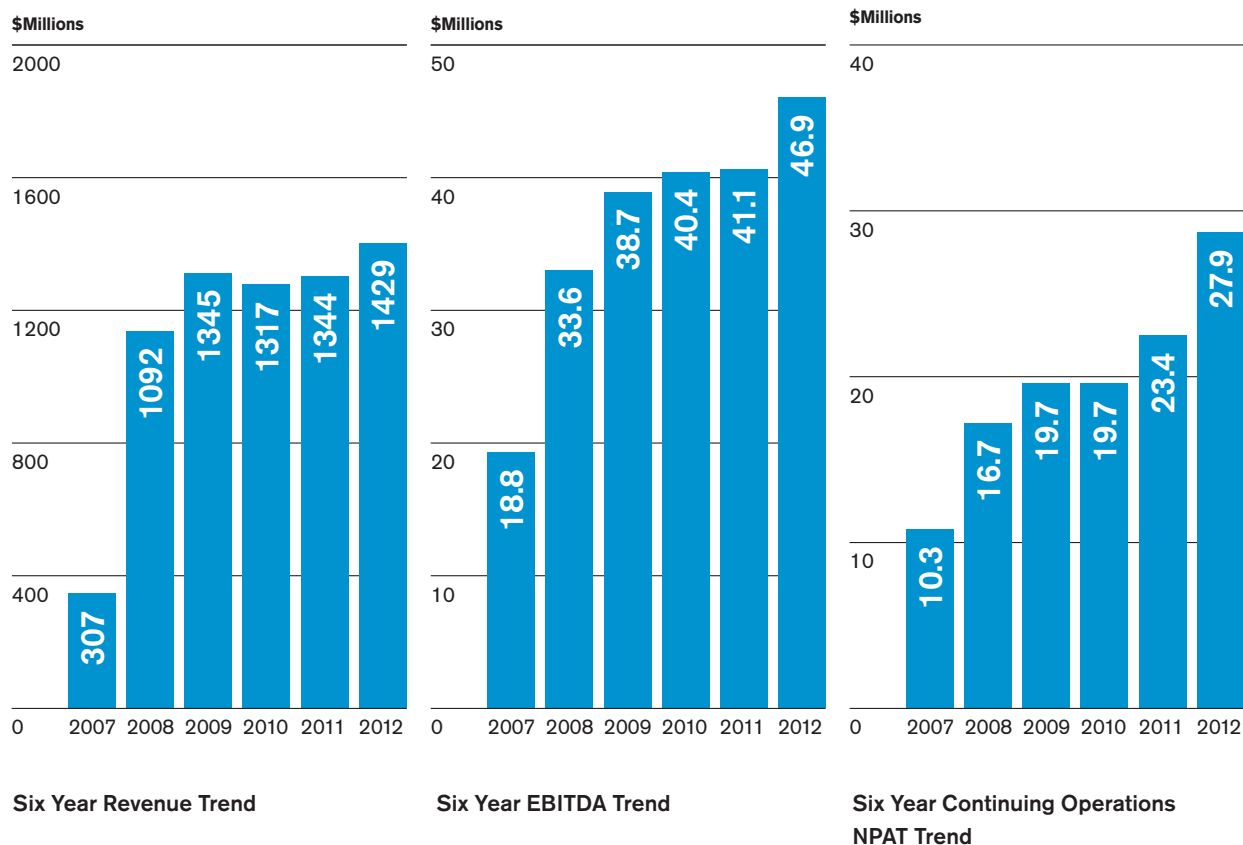
### OUTLOOK

EBOS operates in a healthcare environment undergoing considerable reform, and this inevitably creates some uncertainty regarding revenues and margins. Nevertheless we see the reforms as an opportunity to grow our Healthcare business further, along with the growth potential of the Masterpet Group in both New Zealand and Australia. In summary, EBOS is in a strong position to continue to grow both organically and by further acquisition in the year ahead.



Rick Christie  
*Chairman of Directors*

## FINANCIAL HIGHLIGHTS



## HIGHLIGHTS SUMMARY

|                                                                    | 2012    | 2011         | 2010    | 2009    | 2008    | 2007   |
|--------------------------------------------------------------------|---------|--------------|---------|---------|---------|--------|
| Net cash inflow from operating activities (\$'000)                 | 28,112  | 21,703       | 41,813  | 33,310  | 28,546  | 7,254  |
| Shareholders' interest (\$'000)                                    | 208,601 | 198,796      | 182,790 | 162,039 | 147,304 | 92,195 |
| Earnings per share from continuing operations                      | 53.6c   | 45.4c        | 39.5c   | 41.1c   | 37.6c   | 31.7c  |
| Net interest bearing debt to net interest bearing debt plus equity | 29.9%   | Nil in Funds | 1.5%    | 19.6%   | 32.0%   | 8.1%   |

## BOARD OF DIRECTORS



### **RICK CHRISTIE**

MSC (HONS),  
FNZID, FNZIM

*Chairman of Directors*

Joined the EBOS Group Ltd Board in June 2000, and appointed Chairman in April 2003. Member of the Audit and Risk Committee, the Remuneration Committee and the Nomination Committee. Rick Christie is a professional director with a breadth of governance and management experience in the oil and petrol-chemical industries. Former Chief Executive of the diversified investment company Rangatira Ltd, a former Managing Director of Cable Price Downer and former Chief Executive of Trade New Zealand. He is the Chairman of National e-Science Infrastructure – NeSI, Director of South Port New Zealand Ltd, NZ Pork Industry Board, Solnet Solutions Ltd, Tourism Holdings Ltd, and Wakefield Health Ltd. Previously Chairman of AgResearch Ltd, Deputy Chairman of the Foundation for Research, Science & Technology and Chairman of the Victoria University Foundation Board of Trustees. He is also a Fellow of the Royal Society of Arts, Manufacturers and Commerce in London. He is a former Director of Television New Zealand and the New Zealand Symphony Orchestra and a past president of Chamber Music New Zealand.

---



### **MARK WALLER**

BCOM, ACA, FNZIM

*Chief Executive Officer*

*& Managing Director*

Mark Waller has been Chief Executive Officer and Managing Director of EBOS Group Ltd since 1987. He is a member of the Remuneration Committee. He is a Director of all the EBOS Group Ltd subsidiaries, as well as being a Director of Scott Technology Ltd, and HTS-110 Ltd (Alternate Director).

---



### ELIZABETH COUTTS

BMS, CA

Appointed to the EBOS Group Ltd Board July 2003. She is a member of the Audit and Risk Committee and the Nomination Committee. Elizabeth Coutts is a professional director. She is a former Chairman of Meritec Group, Industrial Research, and Life Pharmacy Ltd, Director of Air New Zealand Ltd, the Health Funding Authority and Trust Bank New Zealand, former Deputy Chairman of Public Trust, board member of Sport and Recreation NZ, member of the Pharmaceutical Management Agency (Pharmac), Commissioner for both the Commerce and Earthquake Commissions and former external monetary policy adviser to the Governor of the Reserve Bank of New Zealand and Chief Executive of the Caxton Group of Companies and Carter Building Supply Group. Her current directorships include Chair of Urwin & Co Ltd, and Director of NZ Directories Holdings Ltd (and subsidiaries), Ports of Auckland Ltd, Ravensdown Fertiliser Co-operative Ltd, Sanford Ltd, Skellerup Holdings Ltd and Tennis Auckland Region Incorporation, and member, Marsh New Zealand Advisory Board. She is Chair of Inland Revenue, Audit Committee.

---



### PETER KRAUS

MA (HONS), DIP ENG

Peter Kraus has been a Director of EBOS Group Ltd since 1990. He is a member of the Nomination Committee. He is a Director of Whyte Adder No.3 Ltd, Strand Holdings Ltd, Strand Management Ltd, Herpa Properties Ltd, Ecostore Company Ltd, Oceania Attractions Ltd, ISL International Ltd, Hapimana Properties Ltd and Huckleberry Farms Ltd and Trustee of the Perpanida Trust and The Annalise Trust.

---

## BOARD OF DIRECTORS



### **SARAH OTTREY**

BCOM

Appointed to the EBOS Group Ltd Board September 2006. Sarah Ottrey is a Director of Blue Sky Meats (NZ) Ltd, Smiths City Group Ltd and Sarah Ottrey Marketing Ltd. She is a past board member of the Public Trust. Sarah has held senior marketing management positions with Unilever and DB Breweries.

---

### **MARK STEWART**

BCOM

*(Resigned 29 March 2012)*

Appointed to the EBOS Group Ltd Board September 2008. Mark Stewart commenced working for the PDL Group of Companies in 1983. From 1987 to 2001 he held senior executive roles and had directorship responsibilities for a number of companies in the PDL Group. He was Managing Director of MasterTrade Group Ltd from July 1991 until October 1994, gaining experience in manufacturing, sales and marketing in the Asian and Australasian markets. Since October 2001 he has been Managing Director of Masthead Ltd, the private investment vehicle of the Stewart Family. He is a director of Masthead Holdings Ltd, Masthead Ltd, Masthead Services Ltd, Masthead Investments Ltd, Masthead Portfolios Ltd, Masthead Management Ltd, Windwhistle Holdings Ltd, Forwood Forestry Ltd, Southern Excursions Ltd, Stravon Safaries Ltd, Python Portfolios Ltd, Woodbent Hill Ltd, Laindon Ltd, Andos Holdings Ltd, Anaconda Ltd, Proteus Group Holdings Ltd, Medusa Ltd, Lesley Hills Holdings Ltd, Newco Noi Ltd and Ziwipeak Ltd, and an Alternate Director of Wakefield Health Ltd.

---



### **BARRY WALLACE**

MCOM (HONS), CA

Appointed to the EBOS Group Ltd Board October 2001. He is Chairman of the Audit and Risk Committee and member of the Remuneration Committee. Barry Wallace is a chartered accountant with a background in financial management with Rank Xerox New Zealand Ltd and David Reid Electronics. Barry is a former Chief Executive of Health Support Ltd and is the financial manager for a private group of companies. He is a Director of Allum Management Services Ltd, Whyte Adder No.3 Ltd, Strand Holdings Ltd, Strand Management Ltd, Herpa Properties Ltd, Ecostore Company Ltd, Eco Tech Solutions Ltd, Oceania Attractions Ltd, ISL International Ltd, Hapimana Properties Ltd, Huckleberry Farms Ltd and a Trustee of The Perpanida Trust and The Annalise Trust.

---

### **PETER MERTON**

BPHARM

*(Resigned 14 September 2011)*

Appointed to the EBOS Group Ltd Board September 2007. Peter Merton has worked in the retail, manufacturing, distribution and wholesale areas of the pharmacy industry in New Zealand, Asia and Africa since the early eighties. In 1987 he joined Zuellig Pharma in New Zealand where he worked for the Zuellig group and then API until 2005. From 1997 through 2008 he was Chief Executive Officer of PRNZ Ltd. He is Chairman of Pharmacybrands Ltd and a Director of Cape Healthcare Ltd, and Trustee of Pentz Trust.

---

*The named Directors held office during the year and with the exception of Peter Merton and Mark Stewart, are currently Directors.*

## THE DRIVE WITHIN EBOS GROUP BUSINESSES FOR CONTINUOUS IMPROVEMENT IS AIMED DIRECTLY AT IMPROVING OUR CUSTOMER EXPERIENCE.

Our equal focus on growth initiatives compels us to continually re-evaluate the status quo. These dynamics create an exciting environment for change in the pursuit of operational and strategic excellence.

### *Highlights*

Number of acquisition opportunities evaluated

---

Successful Masterpet deal – our biggest ever

---

Innovation with new technology

---

Integration of Health Support into ProPharma

---

Information technology – latest SAP upgrade

---

Key customer contracts signed

---

Strong operating cash flow of \$28m

---

Another record net profit performance  
from continuing operations

---

Record earnings per share from continuing operations

---

## CORPORATE GOVERNANCE STATEMENT

The Board and management of EBOS Group Ltd are committed to ensuring that the Company adheres to best practice and governance principles and maintains high ethical standards. The Board has agreed to regularly review and assess the Company's governance structures to ensure they are consistent, both in form and in substance, with best practice. These are set out in the Company's Corporate Governance Code, the full content of which can be found on the Company's website ([www.ebos.co.nz](http://www.ebos.co.nz)). The Board considers that the Company's Corporate Governance policies, practices and procedures substantially comply with the New Zealand Exchange Corporate Governance Best Practice Code.

### CODE OF ETHICS

The EBOS Code of Ethics is the framework of standards by which the directors and employees of EBOS and its related companies are expected to conduct their professional lives, and covers conflicts of interest, receipt of gifts, confidentiality, expected behaviour, delegated authority and compliance with laws and policies.

### ROLE OF THE BOARD AND MANAGEMENT

The Board is responsible for the direction and supervision of the business and affairs of the Company and the monitoring of the performance of the Company on behalf of shareholders. The Board also places emphasis on regulatory compliance.

Responsibility for the day-to-day management of the Company has been delegated to the Chief Executive Officer/Managing Director and his management team.

### BOARD COMPOSITION

The Board is elected by the shareholders of EBOS Group Ltd. At each annual meeting at least one third of the directors retire by rotation. The Board currently comprises the following non-executive directors: Chairman, Rick Christie; Peter Kraus; Elizabeth Coutts; Sarah Ottrey; and Barry Wallace. It has one executive director Mark Waller, Chief Executive Officer and Managing Director. Rick Christie, Elizabeth Coutts and Sarah Ottrey have been determined as Independent Directors, (as defined under the NZSX Listing Rules and the EBOS Group Ltd Corporate Governance Code).

### BOARD COMMITTEES

Specific responsibilities are delegated to the Audit and Risk Committee, the Remuneration Committee and the Nomination Committee. Each of these committees has a charter setting out the committee's objectives, procedures, composition and responsibilities. Copies of these charters are available on the Company's website.

**AUDIT AND RISK COMMITTEE**

The Audit and Risk Committee provides the Board with assistance in fulfilling its responsibilities to shareholders, the investment community and others for overseeing the Company's financial statements, financial reporting processes, internal accounting systems, financial controls, and annual external financial audit and EBOS's relationship with its external auditor. In addition, the Audit and Risk Committee is responsible for the establishment of policies and procedures relating to risk oversight, identification, management and control. Members of the Audit and Risk Committee are Barry Wallace (Chairman), Rick Christie and Elizabeth Coutts.

**REMUNERATION COMMITTEE**

The Remuneration Committee provides the Board with assistance in establishing relevant remuneration policies and practices for directors, executives and employees. Members of the Remuneration Committee are Rick Christie (Chairman), Barry Wallace and Mark Waller.

**NOMINATION COMMITTEE**

The procedure for the appointment and removal of directors is ultimately governed by the Company's Constitution. A director is appointed by ordinary resolution of the shareholders although the Board may fill a casual vacancy. The Board has delegated to the Nomination Committee the responsibility for recommending candidates to be nominated as a director on the Board and candidates for the committees. When recommending candidates to act as director, the Nomination Committee takes into account such factors as it deems appropriate, including the experience and qualifications of the candidate. The current members of the Nomination Committee are Rick Christie (Chairman), Elizabeth Coutts and Peter Kraus. The majority of the members of the Nomination Committee are independent.

**BOARD PROCESSES**

The table within the Directors' Report shows attendances at the board and committee meetings during the year ended 30 June 2012.

**SHARE TRADING BY DIRECTORS AND OFFICERS**

The Company has formal procedures that directors and officers must follow when trading EBOS shares. They must notify and obtain the consent of the Board prior to any trading. All trading must be conducted within two prescribed trading windows. These periods commence from the date on which the annual result and half-yearly results are announced and conclude on the following 30 November and 30 April respectively.

**SHAREHOLDER PARTICIPATION**

The Board aims to ensure that shareholders are informed of all major developments affecting the Group's state of affairs. Information is communicated to shareholders in the Annual Report and the Interim Report. The Board has adopted a policy of Continuous Disclosures that complies with the NZSX Listing Rules. The Board encourages full participation of shareholders at the Annual Meeting to ensure a high level of accountability and identification with the Group's strategies and goals. Investors can obtain information on the company from its website ([www.ebos.co.nz](http://www.ebos.co.nz)). The site contains recent NZSX announcements and reports.

## DIRECTORS' REPORT & DISCLOSURES

Your Directors are pleased to submit to shareholders their report and financial statements for the year ended 30 June 2012.

### PRINCIPAL ACTIVITIES

EBOS Group Limited (the Company) is listed on the NZSX board of the New Zealand Exchange (NZX) under the securities code EBO. The Company operated in two business segments up until 1 September 2010, being Healthcare and Scientific. Healthcare incorporates the sale of healthcare products in a range of sectors, own brands, retail healthcare and wholesale activities, and logistics. The Scientific segment incorporated the sale of laboratory consumables, life sciences equipment and technical support to industry and research laboratories.

The Scientific segment was sold on 1 September 2010. The Company operated in one business segment, being Healthcare from September 2010 until December 2011. In December 2011 the company acquired the Masterpet Group which represents a separate business segment from Healthcare, being Animal care. Animal care incorporates the sale of animal care products in a range of sectors, own brands, retail and wholesale activities.

### ISSUED CAPITAL

As at 30 June 2012 the Company had on issue 52,107,487 ordinary fully paid shares.

### GROUP RESULTS

Group operating revenue from continuing operations was \$1.429bn in the year ended 30 June 2012 (2011 \$1.344bn). Operating profit before finance costs and tax from continuing operations of \$43.1m (2011 \$37.7m) was earned for the year ended 30 June 2012. The net profit for the year after interest and tax was \$27.9m (2011 \$31.6m including \$8.2m from profit on sale of discontinued operations). Earnings per share from continuing operations were 53.6 cents (2011 45.4 cents). Cash flow of \$28.1m (2011 \$21.7m) was generated from operating activities.

### DIVIDENDS

The Directors approved a final dividend of 20.5 cents per share making a total of 34.0 cents per share for the year (2011 51.5 cents per share which included a special dividend of 20 cents following the sale of the Scientific segment).

### DIRECTORS

Peter Merton and Mark Stewart resigned as directors during the year. Elizabeth Coutts and Barry Wallace retire by rotation in accordance with the Company's constitution and, being eligible, offer themselves for re-election.

---

### ISSUED CAPITAL

**52,107,487 shares**

---

### DIVIDEND

**20.5 cps**

**DIRECTORS' INTERESTS**

**Share dealings by Directors**

The Directors have disclosed to the Board under section 148(2) of the Companies Act 1993 particulars of acquisitions or dispositions of relevant interest.

**Disclosure of interests by Directors**

In accordance with section 140(2) of the Companies Act 1993, the directors named below have made general disclosure of interest, by a general notice disclosed to the Board and entered in the Company's interest register, as follows:

R.G.M. Christie: Chairman of National e-Science Infrastructure – NeSI, Director of South Port New Zealand Ltd, NZ Pork Industry Board, Solnet Solutions Ltd, Tourism Holdings Ltd, and Wakefield Health Ltd.

E.M. Coutts: Chair of Urwin & Co Ltd, and Director of NZ Directories Holdings Ltd (and subsidiaries), Ports of Auckland Ltd, Ravensdown Fertiliser Co-operative Ltd, Sanford Ltd, Skellerup Holdings Ltd and Tennis Auckland Region Incorporation, and Member, Marsh New Zealand Advisory Board. She is chair of Inland Revenue, Audit Committee.

P.F. Kraus: Director of Whyte Adder No.3 Ltd, Strand Holdings Ltd, Strand Management Ltd, Herpa Properties Ltd, Ecostore Company Ltd, Oceania Attractions Ltd, ISL International Ltd, Hapimana Properties Ltd and Huckleberry Farms Ltd and Trustee of the Perpanida Trust and The Annalise Trust.

S.C. Ottrey: Director of Blue Sky Meats (NZ) Ltd, Smiths City Group Ltd and Sarah Ottrey Marketing Ltd.

B.J. Wallace: Director of Allum Management Services Ltd, Whyte Adder No.3 Ltd, Strand Holdings Ltd, Strand Management Ltd, Herpa Properties Ltd, Ecostore Company Ltd, Eco Tech Solutions Ltd, Oceania Attractions Ltd, ISL International Ltd, Hapimana Properties Ltd, Huckleberry Farms Ltd and a Trustee of The Perpanida Trust and The Annalise Trust.

M.B. Waller: Director of EBOS Group Ltd subsidiaries and associated companies and a Director of Scott Technology Ltd, and HTS-110 Ltd (Alternate Director).

P.M. Merton: (Resigned 14 September 2011) Chairman of Pharmacybrands Ltd, and Director of Cape Healthcare Ltd, and Trustee of Pentz Trust.

M.J. Stewart: (Resigned 29 March 2012) Director of Masthead Holdings Ltd, Masthead Ltd, Masthead Services Ltd, Masthead Investments Ltd, Masthead Portfolios Ltd, Masthead Management Ltd, Windwhistle Holdings Ltd, Forwood Forestry Ltd, Southern Excursions Ltd, Stravon Safaries Ltd, Python Portfolios Ltd, Woodbent Hill Ltd, Laindon Ltd, Andos Holdings Ltd, Anaconda Ltd, Proteus Group Holdings Ltd, Medusa Ltd, Lesley Hills Holdings Ltd, and Newco No1 Ltd and Ziwipeak Ltd. Alternate Director of Wakefield Health Limited.

## DIRECTORS' REPORT & DISCLOSURES

No notices from directors of the company requesting to use company information received in their capacity as directors, which would not otherwise have been available to them.

### SHARE DEALINGS BY DIRECTORS

| Director                                                                                                                          | Ordinary Shares Purchased<br>/(Sold) | Consideration Paid<br>/(Received) | Date of Transaction                       |
|-----------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-----------------------------------|-------------------------------------------|
| R.G.M. Christie –<br>All non-beneficially held<br>Issue of restricted staff shares<br>Maturing staff shares                       | 8,492<br>(37,750)                    | \$24,630<br>Nil                   | To 30 June 2012<br>March 2012             |
| M.J. Stewart –<br>Non-beneficially held<br>Director of Python Portfolios Ltd                                                      | (5,307,571)                          | (\$37,152,997)                    | March 2012                                |
| M.B. Waller –<br>Held by associated persons<br>Non-beneficially held<br>Issue of restricted staff shares<br>Maturing staff shares | (7,028)<br>8,492<br>(37,750)         | (\$53,413)<br>\$24,630<br>Nil     | May 2012<br>To 30 June 2012<br>March 2012 |

### DIRECTORS' SHAREHOLDINGS

| Number of fully paid shares held as at |                                                                                        | 30 June<br>2012    | 30 June<br>2011    |
|----------------------------------------|----------------------------------------------------------------------------------------|--------------------|--------------------|
| E.M. Coutts                            | - Held by associated persons                                                           | 19,510             | 19,510             |
| R.G.M. Christie                        | - Non-beneficially held –<br>Staff share purchase scheme                               | 143,286            | 172,544            |
| P.F. Kraus                             | - Held by associated persons                                                           | 1,076<br>4,464,974 | 1,076<br>4,464,974 |
| P.M. Merton                            | - Held by associated persons                                                           | 521,277            | 521,277            |
| S.C. Ottrey                            | - Held by associated persons                                                           | 5,035              | 5,035              |
| M.J. Stewart                           | - Non-beneficially held –<br>Director of Python Portfolios Ltd                         | -                  | 5,307,571          |
| B.J. Wallace                           | - Non-beneficially held –<br>Director of Whyte Adder No.3 Ltd/<br>Herpa Properties Ltd | 4,464,974          | 4,464,974          |
| M.B. Waller                            | - Held by associated persons<br>- Non-beneficially held – Staff share purchase scheme  | 429,040<br>143,286 | 439,005<br>172,544 |

**ATTENDANCE**

|                 | Board              |          | Audit & Risk       |                    | Remuneration       |                    |
|-----------------|--------------------|----------|--------------------|--------------------|--------------------|--------------------|
|                 | Eligible to Attend | Attended | Eligible to Attend | Committee Attended | Eligible to Attend | Committee Attended |
| R.G.M. Christie | 10                 | 10       | 4                  | 4                  | 3                  | 3                  |
| P.F. Kraus      | 10                 | 9        | -                  | -                  | -                  | -                  |
| E.M. Coutts     | 10                 | 10       | 4                  | 4                  | -                  | -                  |
| P. M. Merton    | 2                  | 1        | -                  | -                  | -                  | -                  |
| S.C. Ottrey     | 10                 | 10       | -                  | -                  | -                  | -                  |
| M.J. Stewart    | 6                  | 6        | -                  | -                  | -                  | -                  |
| B.J. Wallace    | 10                 | 10       | 4                  | 4                  | 3                  | 3                  |
| M.B. Waller     | 10                 | 10       | 4                  | 3                  | 3                  | 3                  |

**INDEMNITY AND INSURANCE**

In accordance with section 162 of the Companies Act 1993 and the constitution of the company, the Company has given indemnities to, and has effected insurance for, the directors and executives of the Company and its related companies which, except for some specific matters which are expressly excluded, indemnify and insure directors and executives against monetary losses as a result of actions undertaken by them in the course of their duties. Specifically excluded are certain matters, such as the incurring of penalties and fines which may be imposed for breaches of law.

**DIRECTORS' REMUNERATION AND OTHER BENEFITS**

Directors' remuneration and other benefits required to be disclosed pursuant to section 211(1) of the Companies Act 1993 for the year ended 30 June 2012 were as follows:

|                                               | 30 June 2012                | 30 June 2011 |
|-----------------------------------------------|-----------------------------|--------------|
| R.G.M. Christie                               | \$127,500                   | \$127,500    |
| E.M. Coutts                                   | \$65,000                    | \$65,000     |
| P.F. Kraus                                    | \$60,000                    | \$60,000     |
| P. M. Merton                                  | \$12,500                    | \$60,000     |
| S.C. Ottrey                                   | \$60,000                    | \$60,000     |
| M.J. Stewart                                  | \$45,000                    | \$60,000     |
| B.J. Wallace                                  | \$67,500                    | \$67,500     |
| M.B. Waller                                   | Salary \$480,470            | \$470,420    |
| (Chief Executive Officer & Managing Director) | *Other benefits \$2,905,361 | \$1,430,798  |

\*Includes a one-off long term incentive; performance bonus and other emoluments.

## DIRECTORS' REPORT & DISCLOSURES

### EMPLOYEE REMUNERATION

Grouped below, in accordance with Section 211 of the Companies Act 1993, are the number of employees or former employees of the company and its subsidiaries, including those based in Australia, who received remuneration and other benefits in their capacity as employees totalling NZ\$100,000 or more during the year.

| Employee Remuneration (NZ\$) | 30 June 2012        | 30 June 2011        |
|------------------------------|---------------------|---------------------|
|                              | Number of employees | Number of employees |
| 100,000 – 110,000            | 23                  | 16                  |
| 110,000 – 120,000            | 17                  | 9                   |
| 120,000 – 130,000            | 14                  | 11                  |
| 130,000 – 140,000            | 5                   | 6                   |
| 140,000 – 150,000            | 4                   | 2                   |
| 150,000 – 160,000            | 4                   | 5                   |
| 160,000 – 170,000            | 4                   | 6                   |
| 170,000 – 180,000            | 1                   | 1                   |
| 180,000 – 190,000            | 2                   | 3                   |
| 190,000 – 200,000            | 3                   | 1                   |
| 200,000 – 210,000            | 3                   | 1                   |
| 210,000 – 220,000            | 2                   | 2                   |
| 220,000 – 230,000            | 1                   | -                   |
| 230,000 – 240,000            | -                   | 1                   |
| 250,000 – 260,000            | -                   | 1                   |
| 260,000 – 270,000            | 1                   | -                   |
| 270,000 – 280,000            | 3                   | 1                   |
| 310,000 – 320,000            | 1                   | -                   |
| 330,000 – 340,000            | -                   | 1                   |
| 340,000 – 350,000            | -                   | 1                   |
| 350,000 – 360,000            | -                   | 2                   |
| 360,000 – 370,000            | -                   | 1                   |
| 380,000 – 390,000            | 1                   | -                   |
| 390,000 – 400,000            | -                   | 1                   |
| 460,000 – 470,000            | 1                   | -                   |
| 530,000 – 540,000            | -                   | 1                   |
| 550,000 – 560,000            | 1                   | -                   |
| 630,000 – 640,000            | -                   | 1                   |
| 680,000 – 690,000            | 1                   | -                   |

### AUDITORS

The Company's Auditors, Deloitte, will continue in office in accordance with the Companies Act 1993.

The Directors are satisfied that the provision of non-audit services, during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Companies Act 1993. Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditors are outlined in note 5 to the financial statements.



R. G. M. Christie  
*Chairman of Directors*



M. B. Waller  
*Chief Executive Officer  
& Managing Director*

21 August 2012

|                                       |    |
|---------------------------------------|----|
| Directors' Responsibility Statement   | 34 |
| Auditor's Report                      | 35 |
| Income Statement                      | 36 |
| Statement of Comprehensive Income     | 36 |
| Balance Sheet                         | 37 |
| Statement of Changes in Equity        | 38 |
| Cash Flow Statement                   | 39 |
| Notes to the Financial Statements     | 40 |
| Additional Stock Exchange Information | 78 |
| Directory                             | 79 |
| Trading Entities                      | 80 |

## DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of EBOS Group Limited are pleased to present to shareholders the financial statements for EBOS Group and its controlled entities (together the "Group") for the year to 30 June 2012.

The Directors are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which give a true and fair view of the financial position of the Company and the Group as at 30 June 2012 and the results of their operations and cash flows for the year ended on that date.

The Directors consider the financial statements of the Company and the Group have been prepared using accounting policies which have been consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and Group and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The Directors consider that they have taken adequate steps to safeguard the assets of the Company and the Group, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

The Financial Statements are signed on behalf of the Board by:



R. G. M. Christie  
*Chairman of Directors*



M. B. Waller  
*Chief Executive Officer  
& Managing Director*

21 August 2012

**Report on the Financial Statements**

We have audited the financial statements of EBOS Group Limited and group on pages 36 to 77, which comprise the consolidated and separate balance sheets of EBOS Group Limited, as at 30 June 2012, the consolidated and separate income statements, statements of comprehensive income, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Board of Directors' Responsibility for the Financial Statements**

The Board of Directors is responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the Board of Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibilities**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate 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 the accounting policies used and the reasonableness of accounting estimates, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Other than in our capacity as auditor and the provision of information technology services, due diligence and internal control assurance services we have no relationship with or interests in EBOS Group Limited or any of its subsidiaries.

**Opinion**

In our opinion, the financial statements on pages 36 to 77:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of EBOS Group Limited and group as at 30 June 2012, and their financial performance and cash flows for the year then ended.

**Report on Other Legal and Regulatory Requirements**

We also report in accordance with section 16 of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 30 June 2012:

- we have obtained all the information and explanations we have required; and
- in our opinion proper accounting records have been kept by EBOS Group Limited as far as appears from our examination of those records.



**Chartered Accountants**

21 August 2012

Christchurch, New Zealand

This audit report relates to the financial statements of EBOS Group Limited and group for the year ended 30 June 2012 included on EBOS Group Limited's website. The board of directors is responsible for the maintenance and integrity of EBOS Group Limited's website. We have not been engaged to report on the integrity of EBOS Group Limited's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 21 August 2012 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## INCOME STATEMENT

| For the Financial Year Ended 30 June, 2012                                                | NOTES | Group<br>2012<br>\$'000 | 2011<br>\$'000 | Parent<br>2012<br>\$'000 | 2011<br>\$'000 |
|-------------------------------------------------------------------------------------------|-------|-------------------------|----------------|--------------------------|----------------|
| <b>Continuing operations</b>                                                              |       |                         |                |                          |                |
| <b>Revenue</b>                                                                            | 2 (a) | 1,428,679               | 1,343,756      | 95,188                   | 99,271         |
| <b>Profit before depreciation, amortisation,<br/>finance costs and income tax expense</b> |       | 46,856                  | 41,125         | 29,439                   | 13,682         |
| Depreciation                                                                              | 2 (b) | (3,674)                 | (3,231)        | (433)                    | (425)          |
| Amortisation of finite life intangibles                                                   | 2 (b) | (94)                    | (173)          | –                        | –              |
| <b>Profit before finance costs and tax</b>                                                |       | 43,088                  | 37,721         | 29,006                   | 13,257         |
| Finance costs                                                                             | 2 (b) | (6,987)                 | (5,148)        | (4,322)                  | (3,010)        |
| <b>Profit before income tax</b>                                                           | 2 (b) | 36,101                  | 32,573         | 24,684                   | 10,247         |
| Income tax                                                                                | 3     | (8,152)                 | (9,173)        | (36)                     | (1,118)        |
| <b>Profit for the year from continuing operations</b>                                     |       | 27,949                  | 23,400         | 24,648                   | 9,129          |
| <b>Discontinued operations</b>                                                            |       |                         |                |                          |                |
| Profit for the year from discontinued operations                                          | 33    | –                       | 8,179          | –                        | –              |
| <b>Profit for the year</b>                                                                |       | 27,949                  | 31,579         | 24,648                   | 9,129          |
| <b>Earnings per share:</b>                                                                |       |                         |                |                          |                |
| <b>From continuing and discontinued operations</b>                                        |       |                         |                |                          |                |
| Basic (cents per share)                                                                   | 27    | 53.6                    | 61.2           |                          |                |
| Diluted (cents per share)                                                                 | 27    | 53.6                    | 61.2           |                          |                |
| <b>From continuing operations</b>                                                         |       |                         |                |                          |                |
| Basic (cents per share)                                                                   | 27    | 53.6                    | 45.4           |                          |                |
| Diluted (cents per share)                                                                 | 27    | 53.6                    | 45.4           |                          |                |

## STATEMENT OF COMPREHENSIVE INCOME

| For the Financial Year Ended 30 June, 2012          | NOTES | Group<br>2012<br>\$'000 | 2011<br>\$'000 | Parent<br>2012<br>\$'000 | 2011<br>\$'000 |
|-----------------------------------------------------|-------|-------------------------|----------------|--------------------------|----------------|
| <b>Profit for the year</b>                          |       | 27,949                  | 31,579         | 24,648                   | 9,129          |
| <b>Other comprehensive income</b>                   |       |                         |                |                          |                |
| Cash flow hedges gains                              | 22    | 176                     | 855            | 343                      | 615            |
| Related income tax to cashflow hedges               | 22    | (123)                   | (262)          | (95)                     | (195)          |
| (Losses)/gains on translation of foreign operations | 22    | (1,783)                 | 1,357          | –                        | –              |
| <b>Total comprehensive income net of tax</b>        |       | 26,219                  | 33,529         | 24,896                   | 9,549          |

Notes to the financial statements are included on pages 40–77.

## BALANCE SHEET

| As at 30 June, 2012                       | NOTES  | Group<br>2012<br>\$'000 | 2011<br>\$'000 | Parent<br>2012<br>\$'000 | 2011<br>\$'000 |
|-------------------------------------------|--------|-------------------------|----------------|--------------------------|----------------|
| <b>Current assets</b>                     |        |                         |                |                          |                |
| Cash and cash equivalents                 |        | 52,646                  | 99,678         | 7,413                    | 73,130         |
| Trade and other receivables               | 6      | 175,712                 | 152,797        | 8,943                    | 10,183         |
| Prepayments                               | 7      | 4,540                   | 2,673          | 1,577                    | 944            |
| Inventories                               | 8      | 162,997                 | 121,807        | 9,114                    | 8,347          |
| Current tax refundable                    | 3      | 735                     | 1,045          | 333                      | –              |
| Other financial assets – derivatives      | 9      | 109                     | –              | –                        | –              |
| Advances to subsidiaries                  |        | –                       | –              | 26,766                   | 1,538          |
| <b>Total current assets</b>               |        | <b>396,739</b>          | <b>378,000</b> | <b>54,146</b>            | <b>94,142</b>  |
| <b>Non-current assets</b>                 |        |                         |                |                          |                |
| Property, plant and equipment             | 10     | 23,489                  | 16,974         | 4,999                    | 4,037          |
| Capital work in progress                  | 11     | 9                       | –              | –                        | –              |
| Prepayments                               | 7      | 195                     | 847            | –                        | –              |
| Deferred tax assets                       | 3      | 7,426                   | 4,538          | 645                      | 693            |
| Goodwill                                  | 12     | 180,553                 | 114,132        | 1,728                    | 1,728          |
| Indefinite life intangibles               | 13     | 30,881                  | 23,796         | 4,960                    | 4,960          |
| Finite life intangibles                   | 14     | 279                     | 32             | –                        | –              |
| Shares in subsidiaries                    | 15     | –                       | –              | 215,686                  | 110,686        |
| Investment in associate                   | 16     | 18,428                  | –              | –                        | –              |
| <b>Total non-current assets</b>           |        | <b>261,260</b>          | <b>160,319</b> | <b>228,018</b>           | <b>122,104</b> |
| <b>Total assets</b>                       |        | <b>657,999</b>          | <b>538,319</b> | <b>282,164</b>           | <b>216,246</b> |
| <b>Current liabilities</b>                |        |                         |                |                          |                |
| Bank overdraft                            |        | 307                     | –              | –                        | –              |
| Trade and other payables                  | 18     | 275,548                 | 259,130        | 8,131                    | 8,826          |
| Finance leases                            | 17, 19 | 534                     | 5              | –                        | –              |
| Bank loans                                | 17     | 10,156                  | –              | 4,000                    | –              |
| Current tax payable                       | 3      | 6,988                   | 3,422          | –                        | 643            |
| Employee benefits                         |        | 8,412                   | 4,983          | 3,018                    | 2,218          |
| Other financial liabilities - derivatives | 20     | 530                     | 815            | 222                      | 598            |
| Advances from subsidiaries                | 17     | –                       | –              | 29,576                   | 54,464         |
| <b>Total current liabilities</b>          |        | <b>302,475</b>          | <b>268,355</b> | <b>44,947</b>            | <b>66,749</b>  |
| <b>Non-current liabilities</b>            |        |                         |                |                          |                |
| Bank loans                                | 17     | 129,684                 | 57,177         | 107,250                  | 28,000         |
| Trade and other payables                  | 18     | 3,943                   | 4,591          | –                        | –              |
| Deferred tax liabilities                  | 3      | 10,880                  | 8,706          | 2,026                    | 2,038          |
| Finance leases                            | 17, 19 | 1,064                   | 6              | –                        | –              |
| Employee benefits                         |        | 1,352                   | 688            | –                        | –              |
| <b>Total non-current liabilities</b>      |        | <b>146,923</b>          | <b>71,168</b>  | <b>109,276</b>           | <b>30,038</b>  |
| <b>Total liabilities</b>                  |        | <b>449,398</b>          | <b>339,523</b> | <b>154,223</b>           | <b>96,787</b>  |
| <b>Net assets</b>                         |        | <b>208,601</b>          | <b>198,796</b> | <b>127,941</b>           | <b>119,459</b> |
| <b>Equity</b>                             |        |                         |                |                          |                |
| Share capital                             | 21     | 107,970                 | 107,970        | 107,970                  | 107,970        |
| Foreign currency translation reserve      | 22     | 690                     | 2,473          | –                        | –              |
| Retained earnings                         | 22     | 100,359                 | 88,824         | 20,061                   | 11,827         |
| Cash flow hedge reserve                   | 22     | (418)                   | (471)          | (90)                     | (338)          |
| <b>Total equity</b>                       |        | <b>208,601</b>          | <b>198,796</b> | <b>127,941</b>           | <b>119,459</b> |

Notes to the financial statements are included on pages 40–77.

## STATEMENT OF CHANGES IN EQUITY

| For the Financial Year ended 30 June, 2012       | NOTES | Group<br>2012<br>\$'000 | 2011<br>\$'000 | Parent<br>2012<br>\$'000 | 2011<br>\$'000 |
|--------------------------------------------------|-------|-------------------------|----------------|--------------------------|----------------|
| Equity at start of year                          |       | 198,796                 | 182,790        | 119,459                  | 127,433        |
| Profit for the year                              |       | 27,949                  | 31,579         | 24,648                   | 9,129          |
| Other comprehensive income:                      |       |                         |                |                          |                |
| Movements in cashflow hedge reserve              |       | 53                      | 593            | 248                      | 420            |
| Movement in foreign currency translation reserve |       | (1,783)                 | 1,357          | –                        | –              |
| Dividends paid to company shareholders           | 23    | (16,414)                | (19,493)       | (16,414)                 | (19,493)       |
| Shares issued                                    | 21    | –                       | 1,970          | –                        | 1,970          |
| <b>Equity at end of year</b>                     |       | <b>208,601</b>          | <b>198,796</b> | <b>127,941</b>           | <b>119,459</b> |

Notes to the financial statements are included on pages 40–77.

## CASH FLOW STATEMENT

| For the Financial Year ended 30 June, 2012                  | NOTES | Group<br>2012<br>\$'000 | 2011<br>\$'000 | Parent<br>2012<br>\$'000 | 2011<br>\$'000 |
|-------------------------------------------------------------|-------|-------------------------|----------------|--------------------------|----------------|
| <b>Cash flows from operating activities</b>                 |       |                         |                |                          |                |
| Receipts from customers                                     |       | 1,433,077               | 1,342,560      | 72,651                   | 72,669         |
| Interest received                                           |       | 1,746                   | 2,367          | 1,100                    | 1,934          |
| Dividends received from subsidiaries                        |       | –                       | –              | 22,677                   | 23,305         |
| Payments to suppliers and employees                         |       | (1,391,675)             | (1,306,387)    | (67,030)                 | (66,706)       |
| Taxes paid                                                  |       | (8,049)                 | (11,689)       | (1,071)                  | (234)          |
| Interest paid                                               |       | (6,987)                 | (5,148)        | (4,322)                  | (3,010)        |
| <b>Net cash inflow from operating activities</b>            | 26(d) | 28,112                  | 21,703         | 24,005                   | 27,958         |
| <b>Cash flows from investing activities</b>                 |       |                         |                |                          |                |
| Sale of property, plant & equipment                         |       | 103                     | 37             | 15                       | –              |
| Advances from subsidiaries                                  |       | –                       | –              | (24,888)                 | 41,622         |
| Purchase of property, plant & equipment                     |       | (3,821)                 | (3,887)        | (1,457)                  | (212)          |
| Payments for capital work in progress                       |       | (9)                     | –              | –                        | –              |
| Payments for intangible assets                              |       | (30)                    | –              | –                        | –              |
| Advances to subsidiaries                                    |       | –                       | –              | (25,228)                 | 3,110          |
| Proceeds from disposal of businesses                        | 26(b) | –                       | 45,203         | –                        | –              |
| Advanced to jointly controlled entity                       |       | (1,057)                 | –              | –                        | –              |
| Acquisition of associates                                   | 16    | (18,200)                | –              | –                        | –              |
| Acquisition of subsidiaries                                 | 26(a) | (89,915)                | –              | (105,000)                | –              |
| <b>Net cash (outflow)/inflow from investing activities</b>  |       | (112,929)               | 41,353         | (156,558)                | 44,520         |
| <b>Cash flows from financing activities</b>                 |       |                         |                |                          |                |
| Proceeds from issue of shares                               |       | –                       | 1,970          | –                        | 1,970          |
| Proceeds from borrowings                                    |       | 172,250                 | –              | 172,250                  | –              |
| Repayment of borrowings                                     |       | (118,501)               | (3,000)        | (89,000)                 | –              |
| Dividends paid to equity holders of parent                  | 23    | (16,414)                | (19,493)       | (16,414)                 | (19,493)       |
| <b>Net cash inflow/(outflow) from financing activities</b>  |       | 37,335                  | (20,523)       | 66,836                   | (17,523)       |
| Net (decrease)/increase in cash held                        |       | (47,482)                | 42,533         | (65,717)                 | 54,955         |
| Effect of exchange rate fluctuations on cash held           |       | 143                     | 661            | –                        | –              |
| Net cash and cash equivalents at beginning of the year      |       | 99,678                  | 56,484         | 73,130                   | 18,175         |
| <b>Net cash and cash equivalents at the end of the year</b> |       | 52,339                  | 99,678         | 7,413                    | 73,130         |
| Cash and cash equivalents                                   |       | 52,646                  | 99,678         | 7,413                    | 73,130         |
| Bank overdrafts                                             |       | (307)                   | –              | –                        | –              |
|                                                             |       | 52,339                  | 99,678         | 7,413                    | 73,130         |

Notes to the financial statements are included on pages 40–77.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 30 June, 2012

### 1. SUMMARY OF ACCOUNTING POLICIES

#### 1.1 STATEMENT OF COMPLIANCE

EBOS Group Ltd ("the Company") is a profit-oriented company incorporated in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Exchange.

The Company operated in two business segments up until September 2010, being Healthcare and Scientific – Healthcare incorporates the sale of healthcare products in a range of sectors, own brands, retail healthcare and wholesale activities, and logistics and Scientific incorporated the sale of laboratory consumables, life sciences equipment and technical support to industry and research laboratories. The Scientific segment was sold in September 2010. The Company operated in one business segment, being Healthcare, from September 2010 until December 2011. In December 2011 the company acquired the Masterpet Group which represents a separate business segment from Healthcare, being Animal care. Animal care incorporates the sale of animal care products in a range of sectors, own brands, retail and wholesale activities.

The Company is a reporting entity and issuer for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act.

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable reporting standards as appropriate for profit oriented entities.

The Financial Statements comply with International Financial Reporting Standards ("IFRS").

#### 1.2 BASIS OF PREPARATION

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments.

Cost is based on the fair value of the consideration given in exchange for assets.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June, 2012 and the comparative information presented in these financial statements for the year ended 30 June, 2011.

The information is presented in thousands of New Zealand dollars.

#### 1.3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In the application of NZ IFRS management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of NZ IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Critical judgements made by management principally relate to the identification of intangible assets such as brands separately from goodwill, arising on acquisition of a business or subsidiaries and the recognition of revenue on significant contracts subject to renewal where the receipt of cashflows does not match the services provided.

#### 1.4 KEY SOURCES OF ESTIMATION UNCERTAINTY

Key sources of estimation uncertainty relate to assessment of impairment of goodwill and indefinite life intangibles.

The Group determines whether goodwill and indefinite life intangibles are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and indefinite life intangibles are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and indefinite life intangibles are discussed in notes 12 and 13. It is assumed that significant contracts will be rolled over for each period of renewal.

The most recent impairment calculation has been used in the current year where management considers that the following criteria have been met: there has been little change in the assets and liabilities of a cash generating unit in which the most recent recoverable amount calculation resulted in an amount that exceeded the carrying amount of the unit by a substantial margin and where there have been no events or changes in circumstances that would cause only a remote chance that the current carrying amount of the unit is impaired.

Determining the recoverable amounts of goodwill and intangible assets requires the estimation of the effects of uncertain future events at balance date. These estimates involve assumptions about risk assessment to cash flows or discount rates used, future changes in salaries and future changes in price affecting other costs.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2012

### 1.5 SPECIFIC ACCOUNTING POLICIES

The following specific accounting policies have been adopted in the preparation and presentation of the financial statements.

#### a) Basis of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Group, being the Company (the Parent entity) and its subsidiaries as defined in NZ IAS-27 '*Consolidated and Separate Financial Statements*'. A list of subsidiaries appears in note 15 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method.

The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the cost of acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant NZ IFRS's. Changes in the fair value of contingent consideration classified as equity are not recognised.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant inter-company transactions and balances are eliminated on consolidation.

In the Company's financial statements, investments in subsidiaries are recognised at their cost, less any adjustment for impairment.

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Investments in associates are incorporated in the Group financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in

the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Where necessary, adjustments are made to bring the associates accounting policies into line with those of the Group.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. The Group's goodwill accounting policy is set out below. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

#### b) Goodwill

Goodwill arising on the acquisition of the subsidiary is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held equity interest (if any) in the acquiree over the fair value of the identifiable net assets recognised.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interests (if any) in the acquiree, the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised, but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. The recoverable amount is the higher of fair value less cost to sell and value in use. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss is recognised immediately in profit or loss and is not subsequently reversed.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2012

### c) Indefinite life intangible assets

Indefinite life intangible assets represent purchased brand names and are initially recognised at cost. Such intangible assets are regarded as having indefinite useful lives and they are tested annually for impairment on the same basis as for goodwill.

### d) Finite life intangible assets

Finite life intangible assets are recorded at cost less accumulated amortisation. Amortisation is charged on a straight line basis over their estimated useful life. The estimated useful life of finite life intangible assets is 1 to 8 years. The estimated useful life and amortisation period is reviewed at the end of each annual reporting period.

### e) Intangible assets acquired in a business combination

All potential intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

### f) Property, plant, and equipment

The Group has five classes of property, plant and equipment:

- Freehold land;
- Buildings;
- Leasehold improvements;
- Plant and vehicles; and
- Office equipment, furniture and fittings.

Property, plant and equipment is initially recorded at cost.

Cost includes the original purchase consideration and those costs directly attributable to bring the item of property, plant and equipment to the location and condition for its intended use.

After recognition as an asset property, plant and equipment is carried at cost less accumulated depreciation and impairment losses.

When an item of property, plant and equipment is disposed of, any gain or loss is recognised in the Income Statement and is calculated as the difference between the sale price and the carrying value of the item.

Depreciation is provided for on a straight line basis on all property, plant and equipment other than freehold land, at depreciation rates calculated to allocate the assets' cost less estimated residual value, over their estimated useful lives.

Leased assets are depreciated over the shorter of the unexpired period of the lease and the estimated useful life of the assets.

The following useful lives are used in the calculation of depreciation:

- |                                            |                |
|--------------------------------------------|----------------|
| • Buildings                                | 20 to 50 years |
| • Leasehold improvements                   | 2 to 15 years  |
| • Plant and vehicles                       | 2 to 20 years  |
| • Office equipment, furniture and fittings | 2 to 10 years  |

### g) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its non current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, other than for goodwill and indefinite life intangible assets, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately. Impairment losses can not be reversed for goodwill and indefinite life intangible assets.

### h) Taxation

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years and further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2012

liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items recognised in other comprehensive income or directly in equity, in which case the tax is also recognised in other comprehensive income or directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

### i) Inventories

Inventories are recognised at the lower of cost, determined on a weighted average basis, and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business, less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

### j) Leases

The Group leases certain plant and equipment and land and buildings.

Finance leases, which effectively transfer to the Group substantially all of the risks and benefits incident to ownership of the leased item, are capitalised at the present value of the minimum lease payments. The leased assets and corresponding liabilities are recognised and the leased assets are depreciated over the period the Group is expected to benefit from their use. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the Income Statement.

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the lease items, are included in the determination of the net surplus in equal instalments over the period of the lease. Lease incentives received are recognised as an integral part of the total lease payments made and also spread on a basis representative of the pattern of benefits expected to be derived from the leased asset.

### k) Foreign Currency Translation

#### Functional and Presentation Currency

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 New Zealand dollars, which is the Company's functional and presentation currency.

#### Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the Income Statement for the period.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2012

### k) Foreign Currency Translation continued

#### Foreign Operations

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average rates for the period. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in profit or loss on disposal of the foreign operation.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at exchange rates prevailing at the reporting date.

### l) Goods & Services Tax

Revenues, expenses, liabilities and assets are recognised net of the amount of goods and services tax (GST), except for receivables and payables which are recognised inclusive of GST.

Cash flows are included in the cash flow statement on a net basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

### m) Financial Instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

#### Financial Assets

Financial assets are classified into the following specific categories: "financial assets at fair value through profit or loss" (FVTPL), "held to maturity" investments, "available for sale" (AFS) financial assets and "loans and receivables". The category depends on the nature and purpose of the financial assets and is determined at initial recognition. The categories used are set out below:

#### Cash & Cash Equivalents:

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### Financial Assets at Fair Value through Profit and Loss (FVTPL):

Financial assets are classified as FVTPL where the financial asset is either held for trading or it is designated at FVTPL, such as derivative financial asset instruments where hedge accounting is not applied.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

#### Loans and Receivables:

Trade and other receivables, including advances to subsidiaries, that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the Income Statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

#### Equity Instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

#### Financial Liabilities

Financial liabilities are classified as either financial liabilities at "fair value through profit or loss" (FVTPL) or "other financial liabilities" measured at amortised cost. The classifications used are set out below:

#### Financial Liabilities at Fair Value through Profit and Loss:

Financial liabilities are classified as FVTPL where the financial liability is either held for trading or it is designated at FVTPL, such as derivative financial liability instruments where hedge accounting is not applied.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest paid on the financial liability.

#### Other Financial Liabilities:

Trade and other payables, including advances from subsidiaries and bank loans, are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest rate method.

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received plus issue costs associated with the borrowing. After initial recognition, these loans and borrowings are subsequently measured at amortised cost using the effective interest rate method which allocates the cost through the expected life of the loan or borrowing. Amortised cost is calculated taking into account any issue costs, and any discount or premium on drawdown.

Bank loans are classified as current liabilities (either advances or current portion of term debt) unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

#### Derivative Financial Instruments

The Group enters into foreign currency forward exchange contracts to hedge trading transactions, including anticipated transactions, denominated in foreign currencies and from time to time uses interest rate swaps to manage cash flow interest rate risk.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2012

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as cashflow hedges of highly probable forecast transactions.

### Cashflow Hedges

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an on-going basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cashflows of the hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cashflow hedges are recognised in other comprehensive income and accumulated as a separate component of equity in the hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset and liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires, is terminated, exercised or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

### n) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of returns, discounts, allowances and GST. The following specific recognition criteria must be met before revenue is recognised:

#### Sale of Goods

Sales of goods are recognised when significant risks and rewards of owning the goods are transferred to the buyer, when the revenue can be measured reliably and when management effectively ceases involvement or control.

### Rendering of Services

Revenue from services rendered is recognised when it is probable that the economic benefits associated with the transaction will flow to the entity. The stage of completion at balance date is assessed based on the value of services performed to date as a percentage of the total services to be performed.

### Interest Income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

### Effective Interest Method

The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the carrying amount of the financial asset.

### Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a straight line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying agreement.

### Dividend Income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

### o) Cash Flow Statement

The cash flow statement is prepared exclusive of GST, which is consistent with the method used in the income statement.

Definition of terms used in the cash flow statement:

Operating activities include all transactions and other events that are not investing or financing activities.

Investing activities are those activities relating to the acquisition and disposal of current and non-current investments and any other non-current assets.

Financing activities are those activities relating to changes in the equity and debt capital structure of the Company and Group and those activities relating to the cost of servicing the Company's and the Group's equity capital.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2012

### **p) Employee Entitlements**

A liability for annual leave and long service leave is accrued and recognised in the statement of financial position. The liability is equal to the present value of the estimated future cash outflows as a result of employee services provided at balance date.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided up to reporting date.

### **q) Segment Reporting**

The Group's operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (Chief Executive Officer) in order to allocate resources to the segment and to assess its performance.

### **r) Research and Development**

Expenditure on research activities, such as software development, is recognised as an expense in the period it is incurred.

### **s) Adoption of new revised Standards and interpretations**

No standards have been adopted during the year which have had a material impact on these financial statements. We are not aware of any standards in issue but not yet effective which would materially impact the amounts recognised or disclosed in the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2012

### 2. PROFIT FROM CONTINUING OPERATIONS

|                                                                                                                             | NOTES | Group<br>2012<br>\$'000 | 2011<br>\$'000     | Parent<br>2012<br>\$'000 | 2011<br>\$'000  |
|-----------------------------------------------------------------------------------------------------------------------------|-------|-------------------------|--------------------|--------------------------|-----------------|
| <b>(a) Revenue</b>                                                                                                          |       |                         |                    |                          |                 |
| Revenue consisted of the following items:                                                                                   |       |                         |                    |                          |                 |
| Revenue from the sale of goods – external                                                                                   |       | 1,423,398               | 1,337,454          | 56,002                   | 58,639          |
| Revenue from the sale of goods – inter group                                                                                |       | –                       | –                  | 10,269                   | 10,964          |
| Revenue from the rendering of services                                                                                      |       | 3,117                   | 3,523              | –                        | –               |
| Management fees – external                                                                                                  |       | 176                     | 415                | –                        | –               |
| Management fees – inter group                                                                                               |       | –                       | –                  | 440                      | 456             |
| Rental revenue – inter group                                                                                                |       | –                       | –                  | –                        | 12              |
| Interest revenue – inter group                                                                                              |       | –                       | –                  | 128                      | 233             |
| Interest revenue – external                                                                                                 |       | 1,746                   | 2,364              | 972                      | 1,702           |
| Royalty income – inter group                                                                                                |       | –                       | –                  | 4,700                    | 3,960           |
| Dividends – inter group                                                                                                     |       | –                       | –                  | 22,677                   | 23,305          |
| Gain on disposal of associate                                                                                               |       | 242                     | –                  | –                        | –               |
|                                                                                                                             |       | <u>1,428,679</u>        | <u>1,343,756</u>   | <u>95,188</u>            | <u>99,271</u>   |
| <b>(b) Profit before income tax expense</b>                                                                                 |       |                         |                    |                          |                 |
| Profit before income tax has been arrived at after crediting/<br>(charging) the following gains and losses from operations: |       |                         |                    |                          |                 |
| (Loss) on disposal of property, plant and equipment                                                                         |       | (128)                   | (34)               | (47)                     | –               |
| Disposal of Scientific businesses                                                                                           |       | –                       | –                  | –                        | (17,941)        |
| Change in fair value of derivative financial instruments                                                                    |       | 33                      | (236)              | 33                       | (236)           |
| Share of dividends from associates                                                                                          | 16    | 500                     | –                  | –                        | –               |
| Share of equity accounted investments (net of<br>dividends from associates)                                                 | 16    | 44                      | –                  | –                        | –               |
| Profit before income tax has been arrived at after (charging)<br>the following expenses by nature:                          |       |                         |                    |                          |                 |
| Cost of sales – external                                                                                                    |       | (1,263,234)             | (1,205,620)        | (44,103)                 | (45,525)        |
| Purchases inter group                                                                                                       |       | –                       | –                  | (1,252)                  | (1,426)         |
| Write-down of inventory                                                                                                     |       | (1,769)                 | (1,137)            | (205)                    | (248)           |
| Finance costs:                                                                                                              |       |                         |                    |                          |                 |
| Bank interest                                                                                                               |       | (6,572)                 | (4,511)            | (3,716)                  | (2,399)         |
| Other interest expense                                                                                                      |       | (415)                   | (637)              | (606)                    | (611)           |
| Total finance costs                                                                                                         |       | <u>(6,987)</u>          | <u>(5,148)</u>     | <u>(4,322)</u>           | <u>(3,010)</u>  |
| Net bad and doubtful debts arising from:                                                                                    |       |                         |                    |                          |                 |
| Impairment loss on trade & other receivables                                                                                |       | (293)                   | (330)              | (4)                      | (1)             |
| Depreciation of property, plant and equipment                                                                               | 10    | (3,674)                 | (3,231)            | (433)                    | (425)           |
| Amortisation of finite life intangibles                                                                                     | 14    | (94)                    | (173)              | –                        | –               |
| Operating lease rental expenses:                                                                                            |       |                         |                    |                          |                 |
| Minimum lease payments                                                                                                      |       | (7,614)                 | (5,741)            | (716)                    | (862)           |
| Donations                                                                                                                   |       | (34)                    | (69)               | (7)                      | (47)            |
| Employee benefit expense                                                                                                    |       | (60,511)                | (50,587)           | (11,213)                 | (10,805)        |
| Other expenses                                                                                                              |       | (48,817)                | (38,877)           | (8,235)                  | (8,498)         |
| Total expenses                                                                                                              |       | <u>(1,393,027)</u>      | <u>(1,310,913)</u> | <u>(70,490)</u>          | <u>(70,847)</u> |
| Profit before income tax expense                                                                                            |       | <u>36,101</u>           | <u>32,573</u>      | <u>24,684</u>            | <u>10,247</u>   |

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2012

### 3. INCOME TAXES

|                                                                                                                                                              | Group<br>2012<br>\$'000 | 2011<br>\$'000 | Parent<br>2012<br>\$'000 | 2011<br>\$'000 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|----------------|--------------------------|----------------|
| <b>(a) Income tax recognised in income statement</b>                                                                                                         |                         |                |                          |                |
| Tax expense/(credit) comprises:                                                                                                                              |                         |                |                          |                |
| <b>Current tax expense:</b>                                                                                                                                  |                         |                |                          |                |
| Current year                                                                                                                                                 | 10,108                  | 9,348          | 514                      | 929            |
| Adjustments for prior years                                                                                                                                  | (245)                   | (559)          | (419)                    | –              |
| Other adjustments                                                                                                                                            | –                       | 41             | –                        | –              |
|                                                                                                                                                              | 9,863                   | 8,830          | 95                       | 929            |
| <b>Deferred tax expense/(credit):</b>                                                                                                                        |                         |                |                          |                |
| Origination and reversal of temporary differences                                                                                                            | (2,026)                 | (650)          | (78)                     | (158)          |
| Adjustments for prior years                                                                                                                                  | 315                     | 563            | 19                       | 406            |
| Adjustments related to changes in tax rates or imposition of new taxes                                                                                       | –                       | 186            | –                        | (59)           |
| Other                                                                                                                                                        | –                       | (44)           | –                        | –              |
|                                                                                                                                                              | (1,711)                 | 55             | (59)                     | 189            |
| <b>Total income tax expense</b>                                                                                                                              | <b>8,152</b>            | <b>8,885</b>   | <b>36</b>                | <b>1,118</b>   |
| Attributable to:                                                                                                                                             |                         |                |                          |                |
| Continuing operations                                                                                                                                        | 8,152                   | 9,173          | 36                       | 1,118          |
| Discontinued operations                                                                                                                                      | –                       | (288)          | –                        | –              |
|                                                                                                                                                              | 8,152                   | 8,885          | 36                       | 1,118          |
| The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows: |                         |                |                          |                |
| Profit from continuing operations                                                                                                                            | 36,101                  | 32,573         | 24,684                   | 10,247         |
| Profit from discontinued operations                                                                                                                          | –                       | 7,891          | –                        | –              |
| Profit from operations                                                                                                                                       | 36,101                  | 40,464         | 24,684                   | 10,247         |
| Income tax expense calculated at 28% (2011: 30%)                                                                                                             | 10,108                  | 12,139         | 6,912                    | 3,074          |
| Non-deductible expenses/(non-assessable income)                                                                                                              | (11)                    | (2,361)        | (6,187)                  | (1,549)        |
| Effect of differences arising from investment interests in other jurisdictions                                                                               | (289)                   | (756)          | (289)                    | (754)          |
| Effect of different tax rates of subsidiaries operating in other jurisdictions                                                                               | (47)                    | –              | –                        | –              |
| Under/(over) provision of income tax in previous year                                                                                                        | 70                      | 4              | (400)                    | 406            |
| Adjustments related to changes in tax rates                                                                                                                  | –                       | 186            | –                        | (59)           |
| Other adjustments                                                                                                                                            | (1,679)                 | (327)          | –                        | –              |
| <b>Total income tax expense</b>                                                                                                                              | <b>8,152</b>            | <b>8,885</b>   | <b>36</b>                | <b>1,118</b>   |

The tax rates used are principally the corporate tax rates of 28% (2011: 30%) payable by New Zealand and 30% (2011: 30%) payable by Australian corporate entities on taxable profits under tax law in each jurisdiction.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2012

|                                               | Group<br>2012<br>\$'000 | 2011<br>\$'000 | Parent<br>2012<br>\$'000 | 2011<br>\$'000 |
|-----------------------------------------------|-------------------------|----------------|--------------------------|----------------|
| <b>(b) Current tax assets and liabilities</b> |                         |                |                          |                |
| <b>Current tax assets:</b>                    |                         |                |                          |                |
| Current tax refundable                        | 735                     | 1,045          | 333                      | –              |
| <b>Current tax liabilities:</b>               |                         |                |                          |                |
| Current tax payable                           | 6,988                   | 3,422          | –                        | 643            |
| <b>(c) Deferred tax balance</b>               |                         |                |                          |                |
| <b>Deferred tax assets comprise:</b>          |                         |                |                          |                |
| Temporary differences                         | 7,426                   | 4,538          | 645                      | 693            |
| <b>Deferred tax liabilities comprise:</b>     |                         |                |                          |                |
| Temporary differences                         | (10,880)                | (8,706)        | (2,026)                  | (2,038)        |
|                                               | (3,454)                 | (4,168)        | (1,381)                  | (1,345)        |

**Taxable and deductible temporary differences arise from the following:**

|                                           | Group<br>Opening<br>balance<br>\$'000 | Group<br>Charged<br>to income<br>\$'000 | Group<br>Charged to other<br>comprehensive<br>income<br>\$'000 | Group<br>Acquisitions<br>\$'000 | Group<br>Closing<br>balance<br>\$'000 |
|-------------------------------------------|---------------------------------------|-----------------------------------------|----------------------------------------------------------------|---------------------------------|---------------------------------------|
| <b>2012</b>                               |                                       |                                         |                                                                |                                 |                                       |
| <b>Gross deferred tax liabilities:</b>    |                                       |                                         |                                                                |                                 |                                       |
| Property, plant & equipment               | (1,609)                               | (327)                                   | –                                                              | –                               | (1,936)                               |
| Provisions                                | –                                     | (26)                                    | –                                                              | –                               | (26)                                  |
| Intangible assets                         | (7,097)                               | (1)                                     | –                                                              | (1,820)                         | (8,918)                               |
|                                           | (8,706)                               | (354)                                   | –                                                              | (1,820)                         | (10,880)                              |
| <b>Gross deferred tax assets:</b>         |                                       |                                         |                                                                |                                 |                                       |
| Provisions                                | 3,219                                 | 445                                     | –                                                              | 946                             | 4,610                                 |
| Doubtful debts & impairment losses        | 744                                   | 22                                      | –                                                              | –                               | 766                                   |
| Other financial liabilities – derivatives | 191                                   | 3                                       | (123)                                                          | –                               | 71                                    |
| Tax losses carried forward                | 384                                   | 1,595                                   | –                                                              | –                               | 1,979                                 |
|                                           | 4,538                                 | 2,065                                   | (123)                                                          | 946                             | 7,426                                 |
|                                           |                                       | 1,711                                   | (123)                                                          |                                 |                                       |
| <b>2011</b>                               |                                       |                                         |                                                                |                                 |                                       |
| <b>Gross deferred tax liabilities:</b>    |                                       |                                         |                                                                |                                 |                                       |
| Property, plant & equipment               | (1,893)                               | 284                                     | –                                                              | –                               | (1,609)                               |
| Intangible assets                         | (7,255)                               | 158                                     | –                                                              | –                               | (7,097)                               |
|                                           | (9,148)                               | 442                                     | –                                                              | –                               | (8,706)                               |
| <b>Gross deferred tax assets:</b>         |                                       |                                         |                                                                |                                 |                                       |
| Property, plant & equipment               | 333                                   | (333)                                   | –                                                              | –                               | –                                     |
| Provisions                                | 3,680                                 | (461)                                   | –                                                              | –                               | 3,219                                 |
| Doubtful debts & impairment losses        | 573                                   | 171                                     | –                                                              | –                               | 744                                   |
| Other financial liabilities – derivatives | 454                                   | (1)                                     | (262)                                                          | –                               | 191                                   |
| Tax losses carried forward                | 257                                   | 127                                     | –                                                              | –                               | 384                                   |
|                                           | 5,297                                 | (497)                                   | (262)                                                          | –                               | 4,538                                 |
|                                           |                                       | (55)                                    | (262)                                                          |                                 |                                       |

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2012

### 3. INCOME TAXES CONTINUED

|                                           | Parent<br>Opening<br>balance<br>\$'000 | Parent<br>Charged<br>to income<br>\$'000 | Parent<br>Charged to other<br>comprehensive<br>income<br>\$'000 | Parent<br>Closing<br>balance<br>\$'000 |
|-------------------------------------------|----------------------------------------|------------------------------------------|-----------------------------------------------------------------|----------------------------------------|
| <b>2012</b>                               |                                        |                                          |                                                                 |                                        |
| <b>Gross deferred tax liabilities:</b>    |                                        |                                          |                                                                 |                                        |
| Property, plant & equipment               | (650)                                  | 13                                       | –                                                               | (637)                                  |
| Intangible assets                         | (1,388)                                | (1)                                      | –                                                               | (1,389)                                |
|                                           | (2,038)                                | 12                                       | –                                                               | (2,026)                                |
| <b>Gross deferred tax assets:</b>         |                                        |                                          |                                                                 |                                        |
| Provisions                                | 524                                    | 47                                       | –                                                               | 571                                    |
| Doubtful debts & impairment losses        | 39                                     | –                                        | –                                                               | 39                                     |
| Other financial liabilities – derivatives | 130                                    | –                                        | (95)                                                            | 35                                     |
|                                           | 693                                    | 47                                       | (95)                                                            | 645                                    |
|                                           |                                        | 59                                       | (95)                                                            |                                        |
| <b>2011</b>                               |                                        |                                          |                                                                 |                                        |
| <b>Gross deferred tax liabilities:</b>    |                                        |                                          |                                                                 |                                        |
| Property, plant & equipment               | (663)                                  | 13                                       | –                                                               | (650)                                  |
| Intangible assets                         | (1,488)                                | 100                                      | –                                                               | (1,388)                                |
|                                           | (2,151)                                | 113                                      | –                                                               | (2,038)                                |
| <b>Gross deferred tax assets:</b>         |                                        |                                          |                                                                 |                                        |
| Provisions                                | 567                                    | (43)                                     | –                                                               | 524                                    |
| Doubtful debts & impairment losses        | 41                                     | (2)                                      | –                                                               | 39                                     |
| Other financial liabilities – derivatives | 325                                    | –                                        | (195)                                                           | 130                                    |
| Tax losses carried forward                | 257                                    | (257)                                    | –                                                               | –                                      |
|                                           | 1,190                                  | (302)                                    | (195)                                                           | 693                                    |
|                                           |                                        | (189)                                    | (195)                                                           |                                        |

No liability has been recognised in respect of the amount of temporary differences including foreign currency translation reserves associated with undistributed earnings of off-shore subsidiaries because the group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

|                                                                                                     | Group<br>2012<br>\$'000 | 2011<br>\$'000 | Parent<br>2012<br>\$'000 | 2011<br>\$'000 |
|-----------------------------------------------------------------------------------------------------|-------------------------|----------------|--------------------------|----------------|
| <b>(d) Imputation credit account balances</b>                                                       |                         |                |                          |                |
| Balance at beginning of the year                                                                    | 5,762                   | 6,845          | (4,887)                  | 250            |
| Attached to dividends received                                                                      | –                       | –              | 5,739                    | 3,000          |
| Taxation paid                                                                                       | 5,359                   | 6,991          | 1,071                    | 234            |
| Attached to dividends paid                                                                          | (6,860)                 | (8,137)        | (6,860)                  | (8,137)        |
| Other credits                                                                                       | 367                     | 242            | 5,176                    | –              |
| Other debits                                                                                        | (1,073)                 | (179)          | (239)                    | (234)          |
| <b>Balance at end of the year</b>                                                                   | <b>3,555</b>            | <b>5,762</b>   | <b>–</b>                 | <b>(4,887)</b> |
| Imputation credits available directly and indirectly to shareholders of the parent company, through |                         |                |                          |                |
| Parent company                                                                                      | –                       | (4,887)        |                          |                |
| Subsidiaries                                                                                        | 3,555                   | 10,649         |                          |                |
|                                                                                                     | 3,555                   | 5,762          |                          |                |

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2012

### 4. KEY MANAGEMENT PERSONNEL COMPENSATION

|                              | Group<br>2012<br>\$'000 | 2011<br>\$'000 | Parent<br>2012<br>\$'000 | 2011<br>\$'000 |
|------------------------------|-------------------------|----------------|--------------------------|----------------|
| Short-term employee benefits | 7,092                   | 6,838          | 4,727                    | 5,076          |
| Post-employment benefits     | –                       | 297            | –                        | 297            |
|                              | 7,092                   | 7,135          | 4,727                    | 5,373          |

### 5. REMUNERATION OF AUDITORS

|                                                                              |     |     |     |     |
|------------------------------------------------------------------------------|-----|-----|-----|-----|
| Auditor of the parent entity (Deloitte):                                     |     |     |     |     |
| Audit of the financial statements                                            | 364 | 379 | 70  | 76  |
| Audit related services for review of financial statements not included above | 50  | 18  | 26  | 18  |
| Review of group finance function                                             | –   | 42  | –   | 42  |
| Assurance assistance                                                         | –   | 83  | –   | –   |
| Due diligence                                                                | 121 | 37  | 121 | 37  |
| Information technology services                                              | 140 | 40  | 140 | 40  |
| Internal control assurance services                                          | 18  | 139 | –   | –   |
|                                                                              | 693 | 738 | 357 | 213 |

### 6. TRADE & OTHER RECEIVABLES

|                               |         |         |       |        |
|-------------------------------|---------|---------|-------|--------|
| Trade receivables (i)         | 176,476 | 153,365 | 8,937 | 9,863  |
| Other receivables             | 1,395   | 1,057   | 144   | 458    |
| Allowance for impairment (ii) | (2,159) | (1,625) | (138) | (138)  |
|                               | 175,712 | 152,797 | 8,943 | 10,183 |

(i) Trade receivables are non-interest bearing and generally on monthly terms. No interest is charged on the trade receivables for the first 60 days from the date of the invoice. Thereafter, interest may be charged at 3% per annum on the outstanding balance. The Group's ProPharma Pharmacy business unit generally holds collateral over its trade receivables balances.

#### (ii) Allowance for Impairment

|                                                 |         |         |       |       |
|-------------------------------------------------|---------|---------|-------|-------|
| Balance at the beginning of the year            | (1,625) | (1,348) | (138) | (138) |
| Arising from businesses acquired                | (631)   | –       | –     | –     |
| Impairment loss recognised on trade receivables | (296)   | (594)   | (4)   | (1)   |
| Amounts written off as uncollectible            | 395     | 235     | 4     | 1     |
| Amounts recovered during year                   | (5)     | –       | –     | –     |
| Impairment losses reversed                      | 3       | 82      | –     | –     |
|                                                 | (2,159) | (1,625) | (138) | (138) |

In determining the recoverability of trade and other receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected liquidation proceeds. The Group does not hold any collateral over these balances. The net carrying amount is considered to approximate their fair value.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2012

### 6. TRADE & OTHER RECEIVABLES CONTINUED

|                                                            | Group<br>2012<br>\$'000 | 2011<br>\$'000 | Parent<br>2012<br>\$'000 | 2011<br>\$'000 |
|------------------------------------------------------------|-------------------------|----------------|--------------------------|----------------|
| <b>(iii) Aging of impaired trade and other receivables</b> |                         |                |                          |                |
| Current                                                    | 43                      | —              | —                        | —              |
| 30 - 60 days                                               | 50                      | —              | —                        | —              |
| 60 - 90 days                                               | 32                      | —              | —                        | —              |
| 90 days+                                                   | 3,413                   | 2,907          | 138                      | 138            |
|                                                            | 3,538                   | 2,907          | 138                      | 138            |

#### (iv) Aging of past due but not impaired trade and other receivables

Included in the trade and other receivables balance are debtors with a carrying amount of Group \$23,740,000 (2011: \$13,008,000) and Parent \$1,510,000 (2011: \$2,177,000) which are past due at the reporting date for which the Group and/or Parent has not provided any impairment as the amounts are still considered recoverable.

|              |        |        |       |       |
|--------------|--------|--------|-------|-------|
| 30 - 60 days | 17,692 | 9,672  | 821   | 1,144 |
| 60 - 90 days | 3,128  | 1,716  | 113   | 264   |
| 90 days+     | 2,920  | 1,620  | 576   | 769   |
|              | 23,740 | 13,008 | 1,510 | 2,177 |

### 7. PREPAYMENTS

|                 |       |       |       |     |
|-----------------|-------|-------|-------|-----|
| Current portion | 4,540 | 2,673 | 1,577 | 944 |
| Term portion    | 195   | 847   | —     | —   |
|                 | 4,735 | 3,520 | 1,577 | 944 |

### 8. INVENTORIES

#### Finished Goods

|                         |         |         |       |       |
|-------------------------|---------|---------|-------|-------|
| At cost                 | 162,705 | 121,807 | 9,114 | 8,347 |
| At net realisable value | 292     | —       | —     | —     |
|                         | 162,997 | 121,807 | 9,114 | 8,347 |

### 9. OTHER FINANCIAL ASSETS - DERIVATIVES

#### At fair value:

|                                        |     |   |   |   |
|----------------------------------------|-----|---|---|---|
| Foreign currency forward contracts (i) | 109 | — | — | — |
|                                        | 109 | — | — | — |

(i) Designated and effective as cashflow hedging instrument carried at fair value.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2012

### 10. PROPERTY, PLANT AND EQUIPMENT

|                                           | Group                              |                                |                                               |                                            |                                                                  |                 |
|-------------------------------------------|------------------------------------|--------------------------------|-----------------------------------------------|--------------------------------------------|------------------------------------------------------------------|-----------------|
|                                           | Freehold land<br>at cost<br>\$'000 | Buildings<br>at cost<br>\$'000 | Leasehold<br>improvement<br>at cost<br>\$'000 | Plant and<br>vehicles<br>at cost<br>\$'000 | Office<br>equipment<br>furniture &<br>fittings at cost<br>\$'000 | Total<br>\$'000 |
| <b>Gross carrying amount</b>              |                                    |                                |                                               |                                            |                                                                  |                 |
| Balance at 1 July, 2010                   | 1,895                              | 9,033                          | 2,042                                         | 7,752                                      | 12,326                                                           | 33,048          |
| Additions                                 | –                                  | 10                             | 276                                           | 1,039                                      | 2,407                                                            | 3,732           |
| Disposals                                 | –                                  | –                              | (296)                                         | (1,428)                                    | (2,385)                                                          | (4,109)         |
| Net foreign currency exchange differences | –                                  | –                              | 36                                            | 103                                        | 90                                                               | 229             |
| <b>Balance at 30 June, 2011</b>           | <b>1,895</b>                       | <b>9,043</b>                   | <b>2,058</b>                                  | <b>7,466</b>                               | <b>12,438</b>                                                    | <b>32,900</b>   |
| Additions                                 | –                                  | –                              | 273                                           | 1,773                                      | 1,825                                                            | 3,871           |
| Disposals                                 | –                                  | –                              | (370)                                         | (476)                                      | (648)                                                            | (1,494)         |
| Acquisition through business combinations | 187                                | 238                            | 1,071                                         | 4,311                                      | 882                                                              | 6,689           |
| Net foreign currency exchange differences | (6)                                | (8)                            | (31)                                          | (111)                                      | (42)                                                             | (198)           |
| <b>Balance at 30 June, 2012</b>           | <b>2,076</b>                       | <b>9,273</b>                   | <b>3,001</b>                                  | <b>12,963</b>                              | <b>14,455</b>                                                    | <b>41,768</b>   |
| <b>Accumulated depreciation</b>           |                                    |                                |                                               |                                            |                                                                  |                 |
| Balance at 1 July, 2010                   | –                                  | (1,774)                        | (948)                                         | (3,932)                                    | (8,824)                                                          | (15,478)        |
| Disposals                                 | –                                  | –                              | 162                                           | 831                                        | 2,000                                                            | 2,993           |
| Depreciation expense                      | –                                  | (277)                          | (369)                                         | (1,056)                                    | (1,598)                                                          | (3,300)         |
| Net foreign currency exchange differences | –                                  | –                              | (27)                                          | (62)                                       | (52)                                                             | (141)           |
| <b>Balance at 30 June, 2011</b>           | <b>–</b>                           | <b>(2,051)</b>                 | <b>(1,182)</b>                                | <b>(4,219)</b>                             | <b>(8,474)</b>                                                   | <b>(15,926)</b> |
| Disposals                                 | –                                  | –                              | 289                                           | 5                                          | 969                                                              | 1,263           |
| Depreciation expense                      | –                                  | (273)                          | (376)                                         | (1,214)                                    | (1,811)                                                          | (3,674)         |
| Net foreign currency exchange differences | –                                  | 3                              | 13                                            | 27                                         | 15                                                               | 58              |
| <b>Balance at 30 June, 2012</b>           | <b>–</b>                           | <b>(2,321)</b>                 | <b>(1,256)</b>                                | <b>(5,401)</b>                             | <b>(9,301)</b>                                                   | <b>(18,279)</b> |
| <b>Net book value</b>                     |                                    |                                |                                               |                                            |                                                                  |                 |
| As at 30 June, 2011                       | 1,895                              | 6,992                          | 876                                           | 3,247                                      | 3,964                                                            | 16,974          |
| As at 30 June, 2012                       | 2,076                              | 6,952                          | 1,745                                         | 7,562                                      | 5,154                                                            | 23,489          |

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2012

### 10. PROPERTY, PLANT AND EQUIPMENT CONTINUED

|                                 | Parent                             |                                |                                               |                                            |                                                                  |                 |
|---------------------------------|------------------------------------|--------------------------------|-----------------------------------------------|--------------------------------------------|------------------------------------------------------------------|-----------------|
|                                 | Freehold land<br>at cost<br>\$'000 | Buildings<br>at cost<br>\$'000 | Leasehold<br>improvement<br>at cost<br>\$'000 | Plant and<br>vehicles<br>at cost<br>\$'000 | Office<br>equipment<br>furniture &<br>fittings at cost<br>\$'000 | Total<br>\$'000 |
| <b>Gross carrying amount</b>    |                                    |                                |                                               |                                            |                                                                  |                 |
| Balance at 1 July, 2010         | 694                                | 2,913                          | 197                                           | 691                                        | 1,357                                                            | 5,852           |
| Additions                       | –                                  | 7                              | 1                                             | 134                                        | 55                                                               | 197             |
| Disposals                       | –                                  | –                              | –                                             | (2)                                        | –                                                                | (2)             |
| <b>Balance at 30 June, 2011</b> | 694                                | 2,920                          | 198                                           | 823                                        | 1,412                                                            | 6,047           |
| Additions                       | –                                  | –                              | 117                                           | 795                                        | 545                                                              | 1,457           |
| Disposals                       | –                                  | –                              | (198)                                         | (224)                                      | (588)                                                            | (1,010)         |
| <b>Balance at 30 June, 2012</b> | 694                                | 2,920                          | 117                                           | 1,394                                      | 1,369                                                            | 6,494           |
| <b>Accumulated depreciation</b> |                                    |                                |                                               |                                            |                                                                  |                 |
| Balance at 1 July, 2010         | –                                  | (207)                          | (130)                                         | (427)                                      | (821)                                                            | (1,585)         |
| Disposals                       | –                                  | –                              | –                                             | –                                          | –                                                                | –               |
| Depreciation expense            | –                                  | (91)                           | (18)                                          | (132)                                      | (184)                                                            | (425)           |
| <b>Balance at 30 June, 2011</b> | –                                  | (298)                          | (148)                                         | (559)                                      | (1,005)                                                          | (2,010)         |
| Disposals                       | –                                  | –                              | 159                                           | 206                                        | 583                                                              | 948             |
| Depreciation expense            | –                                  | (83)                           | (11)                                          | (139)                                      | (200)                                                            | (433)           |
| <b>Balance at 30 June, 2012</b> | –                                  | (381)                          | –                                             | (492)                                      | (622)                                                            | (1,495)         |
| <b>Net book value</b>           |                                    |                                |                                               |                                            |                                                                  |                 |
| As at 30 June, 2011             | 694                                | 2,622                          | 50                                            | 264                                        | 407                                                              | 4,037           |
| As at 30 June, 2012             | 694                                | 2,539                          | 117                                           | 902                                        | 747                                                              | 4,999           |

Group plant includes finance leases capitalised with a cost of \$304,000 (2011: \$162,000) and book value of \$222,000 (2011: \$19,000). Parent plant includes finance leases capitalised with a cost of \$Nil (2011: \$134,000) and book value of \$Nil (2011: \$Nil).

Land and buildings in Auckland with a carrying value of \$5,381,000 (2011: \$5,750,000) were last valued on 30 June 2011 and determined by Telfer Young (Auckland) Limited, in accordance with NZ IAS16, to have a fair value of \$9,600,000.

Land and buildings in Christchurch with a carrying value of \$3,233,000 (2011: \$3,316,000) were acquired during the last five years and are stated at cost less accumulated depreciation and impairment.

|                                                                  | Group<br>2012<br>\$'000 | 2011<br>\$'000 | Parent<br>2012<br>\$'000 | 2011<br>\$'000 |
|------------------------------------------------------------------|-------------------------|----------------|--------------------------|----------------|
| Aggregate depreciation recognised as an expense during the year: |                         |                |                          |                |
| Buildings                                                        | 273                     | 277            | 83                       | 91             |
| Leasehold improvements                                           | 376                     | 369            | 11                       | 18             |
| Plant and vehicles                                               | 1,214                   | 1,056          | 139                      | 132            |
| Office equipment, furniture & fittings                           | 1,811                   | 1,598          | 200                      | 184            |
|                                                                  | 3,674                   | 3,300          | 433                      | 425            |

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2012

### 11. CAPITAL WORK IN PROGRESS

|                          | Group<br>2012<br>\$'000 | 2011<br>\$'000 | Parent<br>2012<br>\$'000 | 2011<br>\$'000 |
|--------------------------|-------------------------|----------------|--------------------------|----------------|
| Capital work in progress | 9                       | –              | –                        | –              |

The capital work in progress relates to software development. The total cost to complete the project is \$48,000 (2011: \$Nil).

### 12. GOODWILL

|                                                  | Group<br>2012<br>\$'000 | 2011<br>\$'000 | Parent<br>2012<br>\$'000 | 2011<br>\$'000 |
|--------------------------------------------------|-------------------------|----------------|--------------------------|----------------|
| <b>Gross carrying amount</b>                     |                         |                |                          |                |
| Balance at beginning of financial year           | 114,132                 | 133,741        | 1,728                    | 1,728          |
| Recognised on acquisition during the year        | 66,669                  | –              | –                        | –              |
| De-recognised on disposal of businesses          | –                       | (20,410)       | –                        | –              |
| Effects of foreign currency exchange differences | (248)                   | 801            | –                        | –              |
| <b>Net book value</b>                            | <b>180,553</b>          | <b>114,132</b> | <b>1,728</b>             | <b>1,728</b>   |

#### Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to the following cash-generating units representing the lowest level at which management monitor goodwill:

- Australian Hospital and Primary Healthcare sector (EBOS Group Pty Limited) – Healthcare Australia.
- New Zealand Consumer, Hospital, Primary Healthcare, Aged Care and International Product Supplies (EBOS Group Limited) – Healthcare NZ.
- New Zealand Hospital Procurement and Logistic Services (formerly Health Support Limited) – Logistics NZ – amalgamated with PRNZ Limited November 2010.
- Australasia Scientific Supplies (Global Science & Technology Limited) – Scientific – disposed September 2010.
- New Zealand Pharmacy Wholesaler and Logistic Services (PRNZ Limited) – Pharmacy/Logistics NZ.
- New Zealand Animal care sector (MasterPet New Zealand) - Animal care – NZ.
- Australian Animal care sector (MasterPet Australia) – Animal care – Australia.

The carrying amount of goodwill allocated to cash-generating units is as follows:

|                                    | Group<br>2012<br>\$'000 | 2011<br>\$'000 | Parent<br>2012<br>\$'000 | 2011<br>\$'000 |
|------------------------------------|-------------------------|----------------|--------------------------|----------------|
| Healthcare Australia               | 17,137                  | 17,361         | –                        | –              |
| Healthcare NZ (Parent)             | 1,728                   | 1,728          | 1,728                    | 1,728          |
| Healthcare – Pharmacy/Logistics NZ | 95,043                  | 95,043         | –                        | –              |
| Animal care – NZ                   | 66,375                  | –              | –                        | –              |
| Animal care – Australia            | 270                     | –              | –                        | –              |
|                                    | <b>180,553</b>          | <b>114,132</b> | <b>1,728</b>             | <b>1,728</b>   |

During the year ended 30 June 2012, management have determined that there is no impairment of any of the cash generating units containing goodwill (2011: Nil).

The recoverable amounts (i.e. higher of value in use and fair value less costs to sell) of those units are determined on the basis of value in use calculations. Management has determined that the recoverable amount calculations are most sensitive to changes in the following assumptions:

Healthcare Australia, Healthcare NZ, Animal care NZ and Animal care Australia – Maintaining market share and gross margin being maintained during a period of high volatility in foreign currency during the budget period.

Logistics NZ and Pharmacy/Logistics NZ – Maintaining market share and controlling operational costs during the assessment period.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2012

### 12. GOODWILL CONTINUED

Gross margins during the period for Healthcare Australia, Healthcare NZ, Logistics NZ, Pharmacy/Logistics NZ, Animal care NZ and Animal care Australia are estimated by management based on average gross margins achieved before the start of the assessment period. Market shares during the assessment period are assessed by management based on average market shares achieved in the period immediately before the start of the budget period, adjusted each year for any anticipated growth.

The value in use calculation uses cash flow projections based on financial forecasts approved by management covering a five year period and management's past experience.

Annual growth rates of 2.5% to 4% (2011: 0% to 5.1%), which is below current historical growth rates; an allowance of 2% to 3% (2011: 2% to 3%) for inflation to expenses, and pre tax discount rates of 12.9% to 17.4% (2011: 12.5% to 14%) have been applied to these projections. Cash flows beyond the five year period have been extrapolated using a steady 2% (2011: 2%) growth rate. Management also believes that any reasonably possible change in the key assumptions would not cause the carrying amount of any of the cash generating units to exceed their recoverable amount.

### 13. INDEFINITE LIFE INTANGIBLES

|                                           | Group<br>Other<br>Pharmacy<br>Brands<br>\$'000 | Group<br>Masterpet<br>Brand &<br>Intangibles<br>\$'000 | Group<br>Trademarks<br>\$'000 | Group<br>Total<br>\$'000 |
|-------------------------------------------|------------------------------------------------|--------------------------------------------------------|-------------------------------|--------------------------|
| <b>Gross carrying amount</b>              |                                                |                                                        |                               |                          |
| <b>Balance at 1 July, 2010</b>            | 6,474                                          | —                                                      | 17,240                        | 23,714                   |
| Net foreign currency exchange differences | 82                                             | —                                                      | —                             | 82                       |
| <b>Balance at 30 June, 2011</b>           | 6,556                                          | —                                                      | 17,240                        | 23,796                   |
| Recognised on acquisition during the year | —                                              | 7,110                                                  | —                             | 7,110                    |
| Net foreign currency exchange differences | (25)                                           | —                                                      | —                             | (25)                     |
| <b>Balance at 30 June, 2012</b>           | 6,531                                          | 7,110                                                  | 17,240                        | 30,881                   |
| <b>Net book value</b>                     |                                                |                                                        |                               |                          |
| As at 30 June, 2011                       | 6,556                                          | —                                                      | 17,240                        | 23,796                   |
| As at 30 June, 2012                       | 6,531                                          | 7,110                                                  | 17,240                        | 30,881                   |

|                                 | Parent<br>Other<br>Pharmacy<br>Brands<br>\$'000 | Parent<br>Total<br>\$'000 |
|---------------------------------|-------------------------------------------------|---------------------------|
| <b>Gross carrying amount</b>    |                                                 |                           |
| <b>Balance at 1 July, 2010</b>  | 4,960                                           | 4,960                     |
| <b>Balance at 30 June, 2011</b> | 4,960                                           | 4,960                     |
| <b>Balance at 30 June, 2012</b> | 4,960                                           | 4,960                     |
| <b>Net book value</b>           |                                                 |                           |
| As at 30 June, 2011             | 4,960                                           | 4,960                     |
| As at 30 June, 2012             | 4,960                                           | 4,960                     |

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2012

The carrying amount of brands (indefinite life intangibles) has been allocated to the cash generating units as follows:

|                        | Group<br>2012<br>\$'000 | 2011<br>\$'000 |
|------------------------|-------------------------|----------------|
| Healthcare Australia   | 4,141                   | 4,166          |
| Healthcare NZ (Parent) | 2,390                   | 2,390          |
| Pharmacy/Logistics NZ  | 17,240                  | 17,240         |
| Animal care NZ         | 7,110                   | –              |
|                        | <b>30,881</b>           | <b>23,796</b>  |

Management have assessed these as having an indefinite useful life. In coming to this conclusion management considered expected expansion of the usage of the brands across other products and markets, the typical product life cycle of these assets, the stability of the industry in which the brands are operating, the level of maintenance expenditure required and the period of legal control over the brands.

During the year ended 30 June 2012, management have determined that there is no impairment of any of the brands.

The value in use calculation uses cash flow projections based on financial forecasts approved by management covering a five year period and management's past experience.

The calculation of the recoverable amounts for Other Pharmacy Brands and Pharmacy/Logistics NZ and Animal care NZ Trademarks have been determined based on a value in use calculation that uses cash flow projections based on financial budgets approved by management covering a five-year period. Management has determined that the recoverable amount calculations are most sensitive to change in the following assumptions. Annual growth rates of 2% to 5% (2011: 0% to 5.8%), and an allowance of 2% to 4% (2011: 2% to 3%) for inflation to expenses, and pre-tax discount rates of 13.2% to 19.2% (2011: 12.4% to 14.1%) have been applied to these projections. Cash flows beyond the five-year period have been extrapolated using a steady 2% (2011: 2%) growth rate. Management also believes that any reasonably possible change in the key assumptions would not cause the carrying amount of the brands to exceed their recoverable amount.

### 14. FINITE LIFE INTANGIBLES

|                                                  | Group<br>Supply Contracts<br>\$'000 | Group<br>Software<br>\$'000 | Group<br>Total<br>\$'000 |
|--------------------------------------------------|-------------------------------------|-----------------------------|--------------------------|
| <b>Gross carrying amount of supply contracts</b> |                                     |                             |                          |
| <b>Balance at 30 June 2011</b>                   | 1,490                               | –                           | 1,490                    |
| Recognised on acquisition during the year        | –                                   | 318                         | 318                      |
| Other additions                                  | –                                   | 30                          | 30                       |
| Net foreign exchange differences                 | –                                   | (18)                        | (18)                     |
| <b>Balance at 30 June 2012</b>                   | 1,490                               | 330                         | 1,820                    |
| <b>Accumulated amortisation &amp; impairment</b> |                                     |                             |                          |
| <b>Balance at 30 June 2011</b>                   | (1,458)                             | –                           | (1,458)                  |
| Amortisation expense                             | –                                   | (94)                        | (94)                     |
| Net foreign exchange differences                 | –                                   | 11                          | 11                       |
| <b>Balance at 30 June 2012</b>                   | (1,458)                             | (83)                        | (1,541)                  |
| <b>Net book value</b>                            |                                     |                             |                          |
| As at 30 June 2011                               | 32                                  | –                           | 32                       |
| As at 30 June 2012                               | 32                                  | 247                         | 279                      |

Allocated to cash generating units as follows:

|                         | 2012<br>\$'000 | 2011<br>\$'000 |
|-------------------------|----------------|----------------|
| Pharmacy/Logistics NZ   | 32             | 32             |
| Animal care – NZ        | 81             | –              |
| Animal care – Australia | 166            | –              |
|                         | <b>279</b>     | <b>32</b>      |

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2012

### 15. SUBSIDIARIES

#### Parent and Head Entity

Ebos Group Limited

| Subsidiaries (all balance dates 30 June)                                              | Country of Incorporation | Ownership Interests and Voting Rights |      |
|---------------------------------------------------------------------------------------|--------------------------|---------------------------------------|------|
|                                                                                       |                          | 2012                                  | 2011 |
| Ebos Healthcare (Australia) Pty Limited (formerly Ebos Group Pty Limited)             | Australia                | 100%                                  | 100% |
| Ebos Group Pty Limited (formerly Vital Medical Supplies (Australia) Pty Limited)      | Australia                | 100%                                  | 100% |
| Ebos Health & Science Pty Limited                                                     | Australia                | 100%                                  | 100% |
| Ebos Shelf Company New Zealand Limited (formerly Global Science & Technology Limited) | New Zealand              | 100%                                  | 100% |
| Ebos Shelf Company Australia Pty Limited (formerly Quantum Scientific Pty Limited)    | Australia                | 100%                                  | 100% |
| PRNZ Limited                                                                          | New Zealand              | 100%                                  | 100% |
| EBOS Limited Partnership                                                              | Australia                | 100%                                  | 100% |
| Healthcare Distributors Pty Limited                                                   | Australia                | 100%                                  | 100% |
| MasterPet Corporation Limited                                                         | New Zealand              | 100%                                  | 0%   |
| Natures Recipe Pet Foods Limited                                                      | New Zealand              | 100%                                  | 0%   |
| MasterPet Australia Pty Limited                                                       | Australia                | 100%                                  | 0%   |
| Botany Bay Imports and Exports Pty Limited                                            | Australia                | 100%                                  | 0%   |
| Beaphar Australia Pty Limited                                                         | Australia                | 100%                                  | 0%   |

### 16. INVESTMENT IN ASSOCIATES

| Name of business acquired    | Principal activities | Date of acquisition | Proportion of shares and voting rights acquired | Cost of acquisition \$'000 |
|------------------------------|----------------------|---------------------|-------------------------------------------------|----------------------------|
| <b>2012</b>                  |                      |                     |                                                 |                            |
| Animates NZ Holdings Limited | Animal care supplies | December 2011       | 50%                                             | 18,150                     |

The reporting date for Animates NZ Holdings Limited is 30 June. Animates NZ Holdings Limited is incorporated in New Zealand.

Although the company holds 50% of the shares and voting power this entity is not deemed to be a subsidiary as the other 50% shareholder has the ability to cast a casting vote at shareholder meetings.

In December 2011 the Group acquired a 50% shareholding in Beaphar Australia Pty Limited for \$50,000. In June 2012 the remaining 50% shareholding was also acquired by the Group and therefore Beaphar Australia Pty Limited is now a subsidiary of the Group.

The summary financial information in respect of the Group's associate is set out below:

| Statement of financial position        | 30 June 2012 |
|----------------------------------------|--------------|
| Total assets                           | 28,965       |
| Total liabilities                      | (23,107)     |
| Net assets                             | 5,858        |
| Group's share of net assets            | 2,929        |
| <b>Income Statement</b>                |              |
| Total revenue                          | 35,157       |
| Total profit for the period            | 1,046        |
| Group's share of profits of associates | 544          |

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2012

Movement in the carrying amount of the Group's investment in associates:

|                                                                                  | Group<br>2012<br>\$'000 |
|----------------------------------------------------------------------------------|-------------------------|
| Balance at 1 July, 2011                                                          | –                       |
| New Investments                                                                  | 18,200                  |
| Share of equity accounted investments (before dividends)                         | 544                     |
| Share of dividends                                                               | (500)                   |
| Disposal of associate                                                            | 184                     |
| Balance at end of financial year                                                 | 18,428                  |
| Goodwill included in the carrying amount of the Group's investment in associates | 15,945                  |
| The Group's share of the contingent liabilities of associates                    | –                       |
| The Group's share of capital commitments of associates                           | 1,736                   |

As the above associates were purchased during the current financial year there is no comparative information to disclose.

### 17. BORROWINGS

|                                            | Group<br>2012<br>\$'000 | 2011<br>\$'000 | Parent<br>2012<br>\$'000 | 2011<br>\$'000 |
|--------------------------------------------|-------------------------|----------------|--------------------------|----------------|
| <b>Current</b>                             |                         |                |                          |                |
| Bank loans (i)                             | 10,156                  | –              | 4,000                    | –              |
| Finance lease liabilities (ii)             | 534                     | 5              | –                        | –              |
| Advances from Subsidiaries (at call) (iii) | –                       | –              | 29,576                   | 54,464         |
|                                            | 10,690                  | 5              | 33,576                   | 54,464         |
| <b>Non-current</b>                         |                         |                |                          |                |
| Bank loans (i)                             | 129,684                 | 57,177         | 107,250                  | 28,000         |
| Finance lease liabilities (ii)             | 1,064                   | 6              | –                        | –              |
|                                            | 130,748                 | 57,183         | 107,250                  | 28,000         |
| Total borrowings                           | 141,438                 | 57,188         | 140,826                  | 82,464         |

- (i) Bank term loans and revolving cash advance facilities operate under a negative pledge deed provided to ANZ National Bank Limited and Bank of New Zealand Limited by the parent company and its subsidiaries. There have been no breaches of the banking covenants provided under the negative pledge deed.
- (ii) Secured by the assets leased.
- (iii) Unsecured.

The fair value of non current borrowings is approximately equal to their carrying amount.

### 18. TRADE & OTHER PAYABLES

|                              | Group<br>2012<br>\$'000 | 2011<br>\$'000 | Parent<br>2012<br>\$'000 | 2011<br>\$'000 |
|------------------------------|-------------------------|----------------|--------------------------|----------------|
| <b>Current</b>               |                         |                |                          |                |
| Trade payables               | 258,209                 | 244,621        | 5,045                    | 5,609          |
| Other payables               | 17,339                  | 14,509         | 3,086                    | 3,217          |
|                              | 275,548                 | 259,130        | 8,131                    | 8,826          |
| <b>Non-current</b>           |                         |                |                          |                |
| Other payables               | 3,943                   | 4,591          | –                        | –              |
| Total trade & other payables | 279,491                 | 263,721        | 8,131                    | 8,826          |

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2012

### 19. LEASES

#### Finance leases

##### Minimum future lease payments

Finance leases relate to office equipment, plant and motor vehicles. The Group has options to purchase the equipment for a nominal amount at the conclusion of the lease agreements.

##### Finance lease liabilities

|                                              | Minimum Future Lease Payments |                |                          |                | Present Value of Minimum Future Lease Payments |                |                          |                |
|----------------------------------------------|-------------------------------|----------------|--------------------------|----------------|------------------------------------------------|----------------|--------------------------|----------------|
|                                              | Group<br>2012<br>\$'000       | 2011<br>\$'000 | Parent<br>2012<br>\$'000 | 2011<br>\$'000 | Group<br>2012<br>\$'000                        | 2011<br>\$'000 | Parent<br>2012<br>\$'000 | 2011<br>\$'000 |
| Not later than 1 year                        | 665                           | 7              | –                        | –              | 534                                            | 5              | –                        | –              |
| Later than 1 year and not later than 5 years | 1,199                         | 6              | –                        | –              | 1,064                                          | 6              | –                        | –              |
| Minimum lease payments*                      | 1,864                         | 13             | –                        | –              | 1,598                                          | 11             | –                        | –              |
| Less future finance charges                  | (266)                         | (2)            | –                        | –              | –                                              | –              | –                        | –              |
| Present value of minimum lease payments      | 1,598                         | 11             | –                        | –              | 1,598                                          | 11             | –                        | –              |
| Included in the financial statements as:     |                               |                |                          |                |                                                |                |                          |                |
| Finance leases – current portion             |                               |                |                          |                | 534                                            | 5              | –                        | –              |
| Finance leases – non current portion         |                               |                |                          |                | 1,064                                          | 6              | –                        | –              |
|                                              |                               |                |                          |                | 1,598                                          | 11             | –                        | –              |

\*Minimum future lease payments includes the aggregate of all lease payments and any guaranteed residual.

The fair value of the finance lease liabilities is approximately equal to their carrying value.

#### Operating leases

##### Leasing arrangements

Operating leases relate to certain property and equipment, with lease terms of between one to ten years with options to extend for a further one to ten years. All operating lease contracts contain market review clauses in the event that the Company/Group exercises its option to renew. The Company/Group does not have an option to purchase the leased asset at the expiry of the lease period.

|                                                 | Group<br>2012<br>\$'000 | 2011<br>\$'000 | Parent<br>2012<br>\$'000 | 2011<br>\$'000 |
|-------------------------------------------------|-------------------------|----------------|--------------------------|----------------|
| <b>Operating leases</b>                         |                         |                |                          |                |
| <b>Non-cancellable operating lease payments</b> |                         |                |                          |                |
| Not longer than 1 year                          | 8,680                   | 5,266          | 1,015                    | 691            |
| Longer than 1 year and not longer than 5 years  | 22,706                  | 13,661         | 3,096                    | 3,143          |
| Longer than 5 years                             | 11,697                  | 5,451          | 3,192                    | 3,665          |
|                                                 | 43,083                  | 24,378         | 7,303                    | 7,499          |

### 20. OTHER FINANCIAL LIABILITIES – DERIVATIVES

|                                        | Group<br>2012<br>\$'000 | 2011<br>\$'000 | Parent<br>2012<br>\$'000 | 2011<br>\$'000 |
|----------------------------------------|-------------------------|----------------|--------------------------|----------------|
| <b>At fair value:</b>                  |                         |                |                          |                |
| Foreign currency forward contracts (i) | 100                     | 130            | 98                       | 130            |
| Interest rate swaps (ii)               | 430                     | 685            | 124                      | 468            |
|                                        | 530                     | 815            | 222                      | 598            |

(i) Financial liability carried at fair value through profit or loss ("FVTPL").

(ii) Designated and effective as cashflow hedging instrument carried at fair value.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2012

### 21. SHARE CAPITAL

|                                                                               | 2012<br>No.<br>'000 | 2012<br>\$'000 | 2011<br>No.<br>'000 | 2011<br>\$'000 |
|-------------------------------------------------------------------------------|---------------------|----------------|---------------------|----------------|
| <b>Fully paid ordinary shares</b>                                             |                     |                |                     |                |
| Balance at beginning of financial year                                        | 52,107              | 107,970        | 50,796              | 106,000        |
| Issue of shares to executives and staff under employee share ownership scheme | –                   | –              | 50                  | 174            |
| Bonus shares issued under Profit Distribution Plan – October 2010             | –                   | –              | 1,015               | –              |
| Dividend reinvested – April 2011                                              | –                   | –              | 246                 | 1,796          |
|                                                                               | 52,107              | 107,970        | 52,107              | 107,970        |

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Changes to the Companies Act in 1993 abolished the authorised capital and par value concept in relation to share capital from 1 July, 1994. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

Given the immateriality of the amounts involved, the issue of shares to executives and staff under the employee ownership scheme have not been accounted for pursuant to NZ IFRS-2: Share Based Payment. Since the inception of the employee ownership scheme in December 1994 389,500 (2011: 389,500) shares have been issued raising \$721,505 (2011: \$721,505).

### 22. RESERVES

|                                             | <b>Group</b><br>2012<br>\$'000 | 2011<br>\$'000 |
|---------------------------------------------|--------------------------------|----------------|
| <b>Foreign currency translation reserve</b> |                                |                |
| Balance at beginning of the year            | 2,473                          | 1,116          |
| Translation of foreign operations           | (1,783)                        | 1,357          |
| Balance at end of the year                  | 690                            | 2,473          |

Exchange differences, principally relating to the translation from Australian dollars, being the functional currency of the Group's foreign controlled entities in Australia, into New Zealand dollars, are brought to account by entries made directly to the foreign currency translation reserve.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2012

### 22. RESERVES CONTINUED

|                                          | Group<br>2012<br>\$'000 | 2011<br>\$'000 | Parent<br>2012<br>\$'000 | 2011<br>\$'000 |
|------------------------------------------|-------------------------|----------------|--------------------------|----------------|
| <b>Retained Earnings</b>                 |                         |                |                          |                |
| Balance at beginning of the year         | 88,824                  | 76,738         | 11,827                   | 22,191         |
| Profit for the year                      | 27,949                  | 31,579         | 24,648                   | 9,129          |
| Dividends provided for or paid (note 23) | (16,414)                | (19,493)       | (16,414)                 | (19,493)       |
| Balance at end of the year               | 100,359                 | 88,824         | 20,061                   | 11,827         |
| <b>Cash Flow Hedge Reserve</b>           |                         |                |                          |                |
| Balance at beginning of the year         | (471)                   | (1,064)        | (338)                    | (758)          |
| Gain recognised on cash flow hedges      | 176                     | 855            | 343                      | 615            |
| Related income tax                       | (123)                   | (262)          | (95)                     | (195)          |
| Balance at end of the year               | (418)                   | (471)          | (90)                     | (338)          |

The hedging reserve represents gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts profit or loss.

### 23. DIVIDENDS

|                             | 2012<br>Cents per<br>share | Total<br>\$'000 | 2011<br>Cents per<br>share | Total<br>\$'000 |
|-----------------------------|----------------------------|-----------------|----------------------------|-----------------|
| <b>Recognised amounts</b>   |                            |                 |                            |                 |
| Fully paid ordinary shares  |                            |                 |                            |                 |
| – Final – prior year        | 18.0                       | 9,379           | 17.5                       | 2,136           |
| – Special – current year    | –                          | –               | 20.0                       | 10,362          |
| – Interim – current year    | 13.5                       | 7,035           | 13.5                       | 6,995           |
|                             | 31.5                       | 16,414          | 51.0                       | 19,493          |
| <b>Unrecognised amounts</b> |                            |                 |                            |                 |
| Final dividend              | 20.5                       | 10,682          | 18.0                       | 9,379           |

A dividend of 20.5 cents per share was declared on 21 August 2012 with the dividend being paid on 5 October 2012. The cash impact of the dividend will be \$10,682,000 (2011: \$9,379,000)

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2012

### 24. ACQUISITION OF SUBSIDIARIES

| Name of business acquired           | Principal activities | Date of acquisition | Proportion of shares acquired | Cost of acquisition \$'000 |
|-------------------------------------|----------------------|---------------------|-------------------------------|----------------------------|
| <b>2012</b>                         |                      |                     |                               |                            |
| Masterpet Corporation Limited (MCL) | Animal care supplies | December 2011       | 100%                          | 86,800                     |
| Beaphar Australia Pty Ltd (BAPL)    | Animal care supplies | June 2012           | 100%                          | 265                        |
|                                     |                      |                     |                               | <u>87,065</u>              |

#### Assets and liabilities acquired 2012:

|                                           | MCL<br>\$'000 | Fair value<br>adjustment<br>\$'000 | Fair<br>value on<br>acquisition<br>\$'000 | BAPL<br>\$'000 | Fair value<br>adjustment<br>\$'000 | Fair<br>value on<br>acquisition<br>\$'000 | Total fair<br>value on<br>acquisition<br>\$'000 |
|-------------------------------------------|---------------|------------------------------------|-------------------------------------------|----------------|------------------------------------|-------------------------------------------|-------------------------------------------------|
| <b>Current assets</b>                     |               |                                    |                                           |                |                                    |                                           |                                                 |
| Cash and cash equivalents                 | 342           | –                                  | 342                                       | 765            | –                                  | 765                                       | 1,107                                           |
| Trade and other receivables               | 29,985        | –                                  | 29,985                                    | 850            | –                                  | 850                                       | 30,835                                          |
| Provision for doubtful debts              | (631)         | –                                  | (631)                                     | –              | –                                  | –                                         | (631)                                           |
| Prepayments                               | 981           | –                                  | 981                                       | 109            | –                                  | 109                                       | 1,090                                           |
| Inventories                               | 28,057        | –                                  | 28,057                                    | 1,435          | –                                  | 1,435                                     | 29,492                                          |
| Other financial assets – derivatives      | 214           | –                                  | 214                                       | –              | –                                  | –                                         | 214                                             |
| <b>Non-current assets</b>                 |               |                                    |                                           |                |                                    |                                           |                                                 |
| Property, plant and equipment             | 5,587         | –                                  | 5,587                                     | 1,102          | –                                  | 1,102                                     | 6,689                                           |
| Receivable from jointly controlled entity | 1,258         | –                                  | 1,258                                     | (2,315)        | –                                  | (2,315)                                   | (1,057)                                         |
| Deferred tax assets                       | 946           | –                                  | 946                                       | –              | –                                  | –                                         | 946                                             |
| Indefinite life intangibles               | 610           | 6,500*                             | 7,110                                     | –              | –                                  | –                                         | 7,110                                           |
| Finite life intangibles                   | 318           | –                                  | 318                                       | –              | –                                  | –                                         | 318                                             |
| <b>Current liabilities</b>                |               |                                    |                                           |                |                                    |                                           |                                                 |
| Bank overdraft                            | (3,957)       | –                                  | (3,957)                                   | –              | –                                  | –                                         | (3,957)                                         |
| Trade and other payables                  | (12,444)      | –                                  | (12,444)                                  | (1,528)        | –                                  | (1,528)                                   | (13,972)                                        |
| Finance leases                            | (536)         | –                                  | (536)                                     | –              | –                                  | –                                         | (536)                                           |
| Bank loans                                | (224)         | –                                  | (224)                                     | –              | –                                  | –                                         | (224)                                           |
| Current tax payable                       | (2,066)       | –                                  | (2,066)                                   | –              | –                                  | –                                         | (2,066)                                         |
| Employee benefits                         | (2,133)       | –                                  | (2,133)                                   | (188)          | –                                  | (188)                                     | (2,321)                                         |
| Other financial liabilities – derivatives | (31)          | –                                  | (31)                                      | –              | –                                  | –                                         | (31)                                            |
| <b>Non-current liabilities</b>            |               |                                    |                                           |                |                                    |                                           |                                                 |
| Bank loans                                | (29,046)      | –                                  | (29,046)                                  | –              | –                                  | –                                         | (29,046)                                        |
| Finance leases                            | (1,054)       | –                                  | (1,054)                                   | –              | –                                  | –                                         | (1,054)                                         |
| Employee benefits                         | (448)         | –                                  | (448)                                     | –              | –                                  | –                                         | (448)                                           |
| Deferred tax liabilities                  | –             | (1,820)                            | (1,820)                                   | –              | –                                  | –                                         | (1,820)                                         |
| Net assets acquired                       | 15,728        | 4,680                              | 20,408                                    | 230            | –                                  | 230                                       | 20,638                                          |
| Goodwill on acquisition                   |               |                                    | 66,392                                    |                |                                    | 277                                       | 66,669                                          |
| Gain on disposal of associate             |               |                                    | –                                         |                |                                    | (242)                                     | (242)                                           |
| Consideration                             |               |                                    | 86,800                                    |                |                                    | 265                                       | 87,065                                          |
| Less cash and cash equivalents acquired   |               |                                    | (342)                                     |                |                                    | (765)                                     | (1,107)                                         |
| Plus bank overdraft acquired              |               |                                    | 3,957                                     |                |                                    | –                                         | 3,957                                           |
| Net cash outflow on acquisition           |               |                                    | 90,415                                    |                |                                    | (500)                                     | 89,915                                          |

\* As part of the assessment in identifying the assets and liabilities acquired on the acquisition of Masterpet Corporation Limited a \$6.5m brand value was identified and recognised at acquisition.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2012

### 24. ACQUISITION OF SUBSIDIARIES CONTINUED

#### Goodwill arising on acquisition

Goodwill arose in the acquisition of Masterpet Corporation Limited because the cost included a control premium paid. In addition, the consideration paid for the benefit of future expected cashflows above the current fair value of the assets acquired and the expected synergies and future market benefit expected to be obtained. These benefits are not recognised separately from goodwill as the future economic benefits arising from that cannot be reliably measured and they do not meet the definition of identifiable intangible assets.

The Masterpet Group was acquired as it shares, with EBOS, many of the core competencies required to be successful in a market focused on health professionals, whether that's doctors or veterinarians. After thorough consideration of Masterpet's performance and market position, it was considered to be a significant growth opportunity for the Group and also provides an ability to spread income streams away from government funding sources.

#### Impact of acquisition on the results of the Group

Included in the Group profit for the year is \$8,232,000 attributable to the additional business generated by the acquisition of Masterpet Corporation Limited and Group.

Had this business combination been effected at 1 July 2011 the revenue of the Group from continuing operations would have been \$1,490,480,000 and the profit for the year from continuing operations would have been \$29,599,000.

### 25. DISPOSAL OF BUSINESSES

On 1 September 2010, the Group disposed of its scientific operations. Details of the disposal are as follows:

|                                                 | Group<br>2012<br>\$'000 | 2011<br>\$'000 | Parent<br>2012<br>\$'000 | 2011<br>\$'000 |
|-------------------------------------------------|-------------------------|----------------|--------------------------|----------------|
| <b>Book value of net assets sold</b>            |                         |                |                          |                |
| <b>Current assets</b>                           |                         |                |                          |                |
| Trade and other receivables                     | –                       | 6,493          | –                        | –              |
| Prepayments                                     | –                       | 114            | –                        | –              |
| Inventories                                     | –                       | 10,017         | –                        | –              |
| <b>Non-current assets</b>                       |                         |                |                          |                |
| Property, plant and equipment                   | –                       | 1,255          | –                        | –              |
| Goodwill                                        | –                       | 20,410         | –                        | –              |
| <b>Current liabilities</b>                      |                         |                |                          |                |
| Trade and other payables                        | –                       | (1,186)        | –                        | –              |
| Employee benefits                               | –                       | (753)          | –                        | –              |
| Net assets disposed of                          | –                       | 36,350         | –                        | –              |
| Gain on disposal                                | –                       | 8,853          | –                        | –              |
|                                                 | –                       | 45,203         | –                        | –              |
| <b>Consideration</b>                            |                         |                |                          |                |
| Consideration paid in cash and cash equivalents | –                       | 45,203         | –                        | –              |
| <b>Net cash inflow on disposal</b>              |                         |                |                          |                |
| Consideration paid in cash and cash equivalents | –                       | 45,203         | –                        | –              |
| Less cash and cash equivalent balances          | –                       | –              | –                        | –              |
|                                                 | –                       | 45,203         | –                        | –              |

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2012

### 26. NOTES TO THE CASH FLOW STATEMENT

|                                                                                                       | Group<br>2012<br>\$'000 | 2011<br>\$'000 | Parent<br>2012<br>\$'000 | 2011<br>\$'000 |
|-------------------------------------------------------------------------------------------------------|-------------------------|----------------|--------------------------|----------------|
| <b>(a) Subsidiaries acquired</b>                                                                      |                         |                |                          |                |
| Note 24 sets out details of the subsidiaries acquired.<br>Details of the acquisitions are as follows. |                         |                |                          |                |
| <b>Consideration</b>                                                                                  |                         |                |                          |                |
| Cash and cash equivalents                                                                             | 87,065                  | –              | 105,000                  | –              |
|                                                                                                       | 87,065                  | –              | 105,000                  | –              |
| Represented by:                                                                                       |                         |                |                          |                |
| Net assets acquired (Note 24)                                                                         | 20,638                  | –              | –                        | –              |
| Investment in subsidiaries                                                                            | –                       | –              | 105,000                  | –              |
| Goodwill on acquisition                                                                               | 66,669                  | –              | –                        | –              |
| Gain on disposal of associate                                                                         | (242)                   | –              | –                        | –              |
| Consideration                                                                                         | 87,065                  | –              | 105,000                  | –              |
| <b>Net cash outflow on acquisition</b>                                                                |                         |                |                          |                |
| Cash and cash equivalents consideration                                                               | 87,065                  | –              | 105,000                  | –              |
| Less cash and cash equivalents acquired                                                               | (1,107)                 | –              | –                        | –              |
| Plus bank overdraft acquired                                                                          | 3,957                   | –              | –                        | –              |
|                                                                                                       | 89,915                  | –              | 105,000                  | –              |
| <b>(b) Businesses disposed</b>                                                                        |                         |                |                          |                |
| Note 25 sets out details of the businesses disposed.<br>Details of the disposals are as follows.      |                         |                |                          |                |
| <b>Consideration</b>                                                                                  |                         |                |                          |                |
| Cash and cash equivalents                                                                             | –                       | 45,203         | –                        | –              |
|                                                                                                       | –                       | 45,203         | –                        | –              |
| Represented by:                                                                                       |                         |                |                          |                |
| Book value of net assets sold (Note 25)                                                               | –                       | 36,350         | –                        | –              |
| Gain on disposal                                                                                      | –                       | 8,853          | –                        | –              |
| Consideration                                                                                         | –                       | 45,203         | –                        | –              |
| <b>Net cash inflow on disposal</b>                                                                    |                         |                |                          |                |
| Cash and cash equivalents consideration                                                               | –                       | 45,203         | –                        | –              |
|                                                                                                       | –                       | 45,203         | –                        | –              |
| <b>(c) Financing facilities</b>                                                                       |                         |                |                          |                |
| Bank overdraft facility, reviewed annually and payable at call:                                       |                         |                |                          |                |
| Amount used                                                                                           | 307                     | –              | –                        | –              |
| Amount unused                                                                                         | 1,398                   | 2,857          | 1,250                    | 1,250          |
|                                                                                                       | 1,705                   | 2,857          | 1,250                    | 1,250          |
| Bank loan facilities with various maturity dates through to August 2016<br>(2011: August 2014):       |                         |                |                          |                |
| Amount used                                                                                           | 139,840                 | 57,177         | 111,250                  | 28,000         |
| Amount unused                                                                                         | 64,383                  | 42,000         | 64,750                   | 22,000         |
|                                                                                                       | 204,223                 | 99,177         | 176,000                  | 50,000         |

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2012

### 26. NOTES TO THE CASH FLOW STATEMENT CONTINUED

|                                                                                                | Group<br>2012<br>\$'000 | 2011<br>\$'000 | Parent<br>2012<br>\$'000 | 2011<br>\$'000 |
|------------------------------------------------------------------------------------------------|-------------------------|----------------|--------------------------|----------------|
| <b>(d) Reconciliation of profit for the year<br/>with cash flows from operating activities</b> |                         |                |                          |                |
| <b>Profit for the year</b>                                                                     | 27,949                  | 31,579         | 24,648                   | 9,129          |
| Add/(less) non-cash items:                                                                     |                         |                |                          |                |
| Depreciation                                                                                   | 3,674                   | 3,300          | 433                      | 425            |
| Loss on sale of property, plant and equipment                                                  | 128                     | 34             | 47                       | –              |
| (Gain) on disposal of associate                                                                | (242)                   | –              | –                        | –              |
| (Gain) on disposal of businesses                                                               | –                       | (8,853)        | –                        | –              |
| Write-off of investment in businesses disposed                                                 | –                       | –              | –                        | 17,941         |
| Amortisation of finite life intangible assets                                                  | 94                      | 173            | –                        | –              |
| Non-cash movement in investment in associate                                                   | (228)                   | –              | –                        | –              |
| (Gain)/loss on derivatives/financial instruments                                               | (33)                    | 236            | (33)                     | 236            |
| Deferred tax                                                                                   | (1,711)                 | 55             | (59)                     | 188            |
| Provision for doubtful debts                                                                   | (97)                    | 277            | –                        | –              |
|                                                                                                | 1,585                   | (4,778)        | 388                      | 18,790         |
| Movement in working capital:                                                                   |                         |                |                          |                |
| Trade and other receivables                                                                    | (22,818)                | (4,896)        | 1,240                    | (1,465)        |
| Finance lease receivables                                                                      | –                       | 102            | –                        | 102            |
| Prepayments                                                                                    | (1,215)                 | 240            | (633)                    | 172            |
| Inventories                                                                                    | (41,190)                | 6,677          | (767)                    | (392)          |
| Current tax refundable/payable                                                                 | 3,876                   | (2,742)        | (976)                    | 696            |
| Trade and other payables                                                                       | 15,770                  | 10,096         | (695)                    | 1,047          |
| Employee benefits                                                                              | 4,093                   | (809)          | 800                      | (121)          |
| Foreign currency (gain)/loss on translation of working capital balances                        | (1,918)                 | 919            | –                        | –              |
|                                                                                                | (43,402)                | 9,587          | (1,031)                  | 39             |
| Working capital items acquired/(disposed)                                                      | 41,980                  | (14,685)       | –                        | –              |
| <b>Net cash inflow from operating activities</b>                                               | 28,112                  | 21,703         | 24,005                   | 27,958         |

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2012

### 27. EARNINGS PER SHARE CALCULATION

|                                                                                                                                     | Group<br>2012<br>Cents | 2011<br>Cents |
|-------------------------------------------------------------------------------------------------------------------------------------|------------------------|---------------|
| <b>Basic earnings per share (refer Income Statement and Note 21)</b>                                                                |                        |               |
| From continuing operations                                                                                                          | 53.6                   | 45.4          |
| From discontinued operations                                                                                                        | –                      | 15.8          |
| Total basic earnings per share                                                                                                      | 53.6                   | 61.2          |
|                                                                                                                                     | \$'000                 | \$'000        |
| Earnings used in the calculation of total basic earnings per share                                                                  | 27,949                 | 31,579        |
| Profit for the year from discontinued activities used in the calculation of basic earnings per share from discontinued operations   | –                      | (8,179)       |
| Earnings used in the calculation of basic earnings per share from continuing operations                                             | 27,949                 | 23,400        |
| Weighted average number of ordinary shares for the purposes of basic earnings per share                                             | 52,107                 | 51,585        |
| <b>Diluted earnings per share (refer Income Statement and Note 21)</b>                                                              | Cents                  | Cents         |
| From continuing operations                                                                                                          | 53.6                   | 45.4          |
| From discontinued operations                                                                                                        | –                      | 15.8          |
| Total diluted earnings per share                                                                                                    | 53.6                   | 61.2          |
|                                                                                                                                     | \$'000                 | \$'000        |
| Earnings used in the calculation of total diluted earnings per share                                                                | 27,949                 | 31,579        |
| Profit for the year from discontinued activities used in the calculation of diluted earnings per share from discontinued operations | –                      | (8,179)       |
| Earnings used in the calculation of diluted earnings per share from continuing operations                                           | 27,949                 | 23,400        |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share                                           | 52,107                 | 51,585        |

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2012

### 28. COMMITMENTS FOR EXPENDITURE

|                                            | Group<br>2012<br>\$'000 | 2011<br>\$'000 | Parent<br>2012<br>\$'000 | 2011<br>\$'000 |
|--------------------------------------------|-------------------------|----------------|--------------------------|----------------|
| <b>(a) Capital expenditure commitments</b> | –                       | –              | –                        | –              |

#### (b) Lease commitments

Finance lease liabilities and non-cancellable operating lease commitments are disclosed in note 19 to the financial statements.

### 29. CONTINGENT LIABILITIES & CONTINGENT ASSETS

|                                                                                                   | Group<br>2012<br>\$'000 | 2011<br>\$'000 | Parent<br>2012<br>\$'000 | 2011<br>\$'000 |
|---------------------------------------------------------------------------------------------------|-------------------------|----------------|--------------------------|----------------|
| <b>Contingent liabilities</b>                                                                     |                         |                |                          |                |
| Guarantees given to third parties                                                                 | 10,062                  | 6,872          | 600                      | 599            |
| Guarantees arising from the deed of cross guarantee with other entities in the wholly-owned group | –                       | –              | 28,590                   | 29,177         |

In May 2012 the Company renegotiated its bank facilities and entered into a banking syndication agreement with ANZ National Bank Limited and Bank of New Zealand Limited. Bank term loans and revolving cash advance facilities operate under a negative pledge deed provided to the syndicated banks by the Company and its subsidiaries. Previously the Company has entered into a deed of guarantee for certain wholly-owned subsidiaries. The amount disclosed as a contingent liability represents total liabilities of the Group of companies party to that, less the liabilities recognised by the Group. This amount disclosed also represents the maximum credit risk exposure to the Group and Parent.

A subsidiary company (PRNZ Limited) is guarantor for certain loans made to pharmacies by the ANZ National Bank Limited amounting to \$7,635,000 (2011: \$5,273,000). The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

A performance bond of up to \$1,000,000 (2011: \$1,000,000) is also held by the bank on behalf of a supplier.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2012

### 30. SEGMENT INFORMATION

#### (a) Products and services from which reportable segments derive their revenues

The Group's reportable segments under NZ IFRS 8 are as follows:

Healthcare: Incorporates the sale of healthcare products in a range of sectors, own brands, retail healthcare and wholesale activities.

Scientific: Incorporates the sale of laboratory consumables, life sciences equipment and technical support to industry and research laboratories. The Scientific operations were discontinued in September 2010.

Animal care: Incorporates the sale of animal care products in a range of sectors, own brands, retail and wholesale activities. The Animal care operations were acquired in December 2011.

#### (b) Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment:

|                                                                               | Group<br>2012<br>\$'000 | 2011<br>\$'000 |
|-------------------------------------------------------------------------------|-------------------------|----------------|
| <b>Continuing operations</b>                                                  |                         |                |
| <b>Revenue from external customers</b>                                        |                         |                |
| Healthcare                                                                    | 1,342,307               | 1,343,756      |
| Animal care                                                                   | 86,372                  | –              |
| <b>Profit before depreciation, amortisation, finance costs and income tax</b> |                         |                |
| Healthcare                                                                    | 36,719                  | 41,125         |
| Animal care                                                                   | 10,137                  | –              |
| <b>Segment expenses</b>                                                       |                         |                |
| Healthcare:                                                                   |                         |                |
| Depreciation                                                                  | (3,142)                 | (3,231)        |
| Amortisation of finite life intangibles                                       | –                       | (173)          |
| Finance costs                                                                 | (4,675)                 | (5,148)        |
| Income tax expense                                                            | (7,799)                 | (9,173)        |
| Animal care:                                                                  |                         |                |
| Depreciation                                                                  | (532)                   | –              |
| Amortisation of finite life intangibles                                       | (94)                    | –              |
| Finance costs                                                                 | (2,312)                 | –              |
| Income tax expense                                                            | (353)                   | –              |
| <b>Profit for the year</b>                                                    |                         |                |
| Healthcare                                                                    | 21,103                  | 23,400         |
| Animal care                                                                   | 6,846                   | –              |
| <b>Discontinued operations</b>                                                |                         |                |
| <b>Revenue from external customers</b>                                        |                         |                |
| Scientific                                                                    | –                       | 8,386          |
| <b>(Loss) before depreciation, income tax and gain on sale of operations</b>  |                         |                |
| Scientific                                                                    | –                       | (893)          |
| Depreciation                                                                  | –                       | (69)           |
| Income tax credit                                                             | –                       | 288            |
| <b>(Loss) for the year from trading operations</b>                            | –                       | (674)          |
| Gain on sale of operations                                                    | –                       | 8,853          |
| Profit for the year                                                           | –                       | 8,179          |

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2012

### 30. SEGMENT INFORMATION CONTINUED

The accounting policies of the reportable segments are consistent with the Group's accounting policies. Segment result represents profit before depreciation, amortisation, finance costs and tax. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

|                           | Group<br>2012<br>\$'000 | 2011<br>\$'000 |
|---------------------------|-------------------------|----------------|
| <b>(c) Segment assets</b> |                         |                |
| Healthcare                | 496,310                 | 538,319        |
| Animal care               | 161,689                 | —              |
|                           | 657,999                 | 538,319        |

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the tangible, intangible and financial assets attributable to each segment. Assets used jointly by reportable segments are allocated on the basis of revenues earned by individual reportable segments.

#### (d) Revenues from major products and services

The Group's major products and services are the same as the reportable segments i.e. healthcare, animal care and scientific. Revenues are reported above under (b) Segment revenues and results.

#### (e) Geographical information

The Group operates in two principal geographical areas; New Zealand (country of domicile) and Australia.

The Group's revenue from external customers by geographical location (of the reportable segment) and information about its segment assets (non-current assets) excluding financial instruments and deferred tax assets are detailed below:

|                                               | Group<br>2012<br>\$'000 | 2011<br>\$'000 |
|-----------------------------------------------|-------------------------|----------------|
| <b>Continuing and discontinued operations</b> |                         |                |
| <b>Revenue from external customers</b>        |                         |                |
| New Zealand                                   | 1,252,123               | 1,215,417      |
| Australia                                     | 176,556                 | 136,725        |
|                                               | 1,428,679               | 1,352,142      |
| <b>Non-current assets</b>                     |                         |                |
| New Zealand                                   | 210,465                 | 135,625        |
| Australia                                     | 24,941                  | 20,156         |
|                                               | 235,406                 | 155,781        |

#### (f) Information about major customers

No revenues from transactions with a single customer amount to 10% or more of the Group's revenues (June 2011: Nil).

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2012

### 31. RELATED PARTY DISCLOSURES

#### (a) Parent Entities

The Parent entity in the Group is EBOS Group Limited.

#### (b) Equity interests in Related Parties

##### Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 15 to the financial statements.

#### (c) Transactions with Related Parties

##### Transactions involving the parent entity

Amounts receivable from and payable to related parties at balance date are:

|                                        | 2012<br>\$'000 | 2011<br>\$'000 |
|----------------------------------------|----------------|----------------|
| PRNZ Limited                           | 3,570          | (12,315)       |
| EBOS Group Pty Limited                 | 1,925          | (12,846)       |
| EBOS Shelf Company New Zealand Limited | (29,576)       | (29,303)       |
| Healthcare Distributors Limited        | 348            | 348            |
| EBOS Health and Science Pty Limited    | 1,087          | 1,190          |
| Masterpet Corporation Limited          | 19,836         | —              |
|                                        | (2,810)        | (52,926)       |

During the financial year, EBOS Group Limited received dividends of \$22,677,000 (2011: \$23,305,000) from its subsidiaries.

During the financial year, EBOS Group Limited provided accounting and administration services to its subsidiaries for a consideration of \$440,000 (2011: \$456,000) and charged royalties for the use of intellectual property, brand names and patents totalling \$4,700,000 (2011: \$3,960,000).

During the financial year, EBOS Group Limited rented warehouse space and contracted labour from its subsidiaries for a total cost of \$90,000 (2011: \$94,000).

##### Terms/price under which related party transactions were entered into

All loans advanced to and payable by subsidiaries are unsecured, subordinate to other liabilities and are at call. Interest rates determined by the directors were 0% - 5% (2011: 0% - 6.45%). During the financial year, EBOS Group Limited received interest of \$128,000 (2011: \$233,000) from loans to subsidiaries, and paid interest of \$606,000 (2011: \$606,000) to subsidiaries.

No amounts were provided for doubtful debts relating to debts due from related parties at reporting date (2011: Nil).

##### Guarantees provided or received

As detailed in note 29, EBOS Group Limited has entered into a deed of cross guarantee with certain wholly-owned subsidiaries.

#### (d) Key Management Personnel Remuneration

Details of key management personnel remuneration are disclosed in note 4 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2012

### 32. FINANCIAL INSTRUMENTS

#### (a) Financial risk management objectives

The Group's corporate treasury function provides services to the Group's entities, co-ordinates access to domestic and international financial markets, and manages the financial risks relating to the operation of the Group.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives. Compliance with policies and exposure limits is reviewed on a regular basis.

#### (b) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- forward foreign exchange contracts to hedge the exchange rate risk arising on imports of product;
- interest rate swaps to mitigate the risk of rising interest rates.

#### (c) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

#### Forward foreign exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts within 60% to 100% of the exposure generated. The Group also enters into forward foreign exchange contracts to manage the risk associated with anticipated sales and purchase transactions out to 12 months within 20% to 75% of the exposure generated.

The fair value of forward exchange contracts is derived using inputs supplied by third parties that are observable either directly (i.e. prices) or indirectly (i.e. derived from prices). Therefore the Group has categorised these derivatives as Level 2 under the fair value hierarchy contained within the amendment to NZ IFRS 7.

| Outstanding Contracts         | Average exchange rate |       | Foreign currency |                | Contract value |                | Fair value     |                |
|-------------------------------|-----------------------|-------|------------------|----------------|----------------|----------------|----------------|----------------|
|                               | 2012                  | 2011  | 2012<br>FC'000   | 2011<br>FC'000 | 2012<br>\$'000 | 2011<br>\$'000 | 2012<br>\$'000 | 2011<br>\$'000 |
| <b>Buy Australian Dollars</b> |                       |       |                  |                |                |                |                |                |
| Less than 3 months            | 0.779                 | 0.765 | 1,131            | 800            | 1,452          | 1,045          | (12)           | (14)           |
| <b>Buy Euro</b>               |                       |       |                  |                |                |                |                |                |
| Less than 3 months            | 0.618                 | 0.544 | 1,604            | 200            | 2,597          | 367            | (48)           | (8)            |
| 3 to 6 months                 | 0.620                 | –     | 900              | –              | 1,453          | –              | (13)           | –              |
| 6 to 9 months                 | 0.626                 | –     | 300              | –              | 479            | –              | 3              | –              |
| <b>Buy Pounds</b>             |                       |       |                  |                |                |                |                |                |
| Less than 3 months            | 0.490                 | 0.490 | 510              | 535            | 1,042          | 1,091          | (35)           | (46)           |
| <b>Buy US Dollars</b>         |                       |       |                  |                |                |                |                |                |
| Less than 3 months            | 0.797                 | 0.794 | 4,043            | 1,400          | 5,073          | 1,763          | 40             | (62)           |
| 3 to 6 months                 | 0.807                 | –     | 1,500            | –              | 1,859          | –              | 44             | –              |
| 6 to 9 months                 | 0.825                 | –     | 500              | –              | 606            | –              | 30             | –              |
|                               |                       |       |                  |                | 14,561         | 4,266          | 9              | (130)          |

The above financial instruments relate to the Group and Parent entity. The fair value of forward foreign exchange contracts outstanding are recognised as other financial assets/liabilities. Hedge accounting is applied for certain forward foreign exchange contracts. Typically these contracts that have hedge accounting applied are for periods greater than 3 months.

#### (d) Interest rate risk management

The Group is exposed to interest rate risk as it borrows funds at floating interest rates. The risk is managed by the use of interest rate swap contracts.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2012

### Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on debt held. The fair value of interest rate swaps are based on market values of equivalent instruments at the reporting date.

| Outstanding Contracts                         | Average contracted fixed interest rate |           | Group                     |                |                | Fair value<br>2011<br>\$'000 |
|-----------------------------------------------|----------------------------------------|-----------|---------------------------|----------------|----------------|------------------------------|
|                                               | 2012<br>%                              | 2011<br>% | Notional principal amount |                | 2012           |                              |
|                                               |                                        |           | 2012<br>\$'000            | 2011<br>\$'000 | 2012<br>\$'000 |                              |
| Outstanding variable rate for fixed contracts |                                        |           |                           |                |                |                              |
| Less than 1 year                              | 5.13                                   | 7.47      | 2,500                     | 22,257         | (16)           | (616)                        |
| 1 to 3 years                                  | 4.03                                   | 5.13      | 5,102                     | 2,500          | (82)           | (69)                         |
| 3 to 5 years                                  | 3.28                                   | –         | 74,082                    | –              | (332)          | –                            |
|                                               |                                        |           | 81,684                    | 24,757         | (430)          | (685)                        |

| Outstanding Contracts                         | Average contracted fixed interest rate |           | Parent                    |                |                | Fair value<br>2011<br>\$'000 |
|-----------------------------------------------|----------------------------------------|-----------|---------------------------|----------------|----------------|------------------------------|
|                                               | 2012<br>%                              | 2011<br>% | Notional principal amount |                | 2012           |                              |
|                                               |                                        |           | 2012<br>\$'000            | 2011<br>\$'000 | 2012<br>\$'000 |                              |
| Outstanding variable rate for fixed contracts |                                        |           |                           |                |                |                              |
| Less than 1 year                              | –                                      | 7.39      | –                         | 15,000         | –              | (468)                        |
| 3 to 5 years                                  | 3.16                                   | –         | 57,500                    | –              | (124)          | –                            |
|                                               |                                        |           | 57,500                    | 15,000         | (124)          | (468)                        |

The fair value of interest rate swaps outstanding are recognised as other financial assets/liabilities. Hedge accounting has been adopted. The fair value of interest rate swaps is derived using inputs supplied by third parties that are observable either directly (i.e. prices) or indirectly (i.e. derived from prices). Therefore the Group has categorised these derivatives as Level 2 under the fair value hierarchy contained within the amendment to NZ IFRS 7.

### (e) Liquidity

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve banking facilities by continuously monitoring forecast and actual cashflows and matching maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its financial assets and financial liabilities. The tables have been drawn up based on the undiscounted cash flows of the financial assets and liabilities. The table includes both interest and principal cash flows.

| Group – 2012                  | Weighted average<br>effective interest rate<br>% | Maturity Dates      |                               |                     |                     |                     |                     |                    | Total<br>\$'000 |
|-------------------------------|--------------------------------------------------|---------------------|-------------------------------|---------------------|---------------------|---------------------|---------------------|--------------------|-----------------|
|                               |                                                  | On Demand<br>\$'000 | Less than<br>1 year<br>\$'000 | 1-2 Years<br>\$'000 | 2-3 Years<br>\$'000 | 3-4 Years<br>\$'000 | 4-5 Years<br>\$'000 | 5+ Years<br>\$'000 |                 |
| <b>Financial assets:</b>      |                                                  |                     |                               |                     |                     |                     |                     |                    |                 |
| Cash and cash equivalents     | 2.5                                              | 52,646              | –                             | –                   | –                   | –                   | –                   | –                  | 52,646          |
| Trade and other receivables   | –                                                | 175,712             | –                             | –                   | –                   | –                   | –                   | –                  | 175,712         |
| Other financial assets        | –                                                | –                   | 109                           | –                   | –                   | –                   | –                   | –                  | 109             |
|                               |                                                  | 228,358             | 109                           | –                   | –                   | –                   | –                   | –                  | 228,467         |
| <b>Financial liabilities:</b> |                                                  |                     |                               |                     |                     |                     |                     |                    |                 |
| Bank overdraft                | 5.4                                              | 307                 | –                             | –                   | –                   | –                   | –                   | –                  | 307             |
| Trade and other payables      | –                                                | 275,027             | 521                           | 521                 | 521                 | 521                 | 521                 | 4,687              | 282,319         |
| Finance leases                | 8.6                                              | –                   | 665                           | 495                 | 704                 | –                   | –                   | –                  | 1,864           |
| Bank loans                    | 4.6                                              | –                   | 15,676                        | 9,931               | 61,307              | 7,080               | 65,315              | –                  | 159,309         |
| Other financial liabilities   | –                                                | –                   | 530                           | –                   | –                   | –                   | –                   | –                  | 530             |
|                               |                                                  | 275,334             | 17,392                        | 10,947              | 62,532              | 7,601               | 65,836              | 4,687              | 444,329         |

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2012

### 32. FINANCIAL INSTRUMENTS CONTINUED

| Group – 2011                  | Weighted average<br>effective interest rate<br>% | On Demand<br>\$'000 | Less than<br>1 year<br>\$'000 | 1-2 Years<br>\$'000 | Maturity Dates      |                     |                     |                    |   | Total<br>\$'000 |
|-------------------------------|--------------------------------------------------|---------------------|-------------------------------|---------------------|---------------------|---------------------|---------------------|--------------------|---|-----------------|
|                               |                                                  |                     |                               |                     | 2-3 Years<br>\$'000 | 3-4 Years<br>\$'000 | 4-5 Years<br>\$'000 | 5+ Years<br>\$'000 |   |                 |
| <b>Financial assets:</b>      |                                                  |                     |                               |                     |                     |                     |                     |                    |   |                 |
| Cash and cash equivalents     | 2.5                                              | 99,678              | –                             | –                   | –                   | –                   | –                   | –                  | – | 99,678          |
| Trade and other receivables   | –                                                | 152,797             | –                             | –                   | –                   | –                   | –                   | –                  | – | 152,797         |
|                               |                                                  | 252,475             | –                             | –                   | –                   | –                   | –                   | –                  | – | 252,475         |
| <b>Financial liabilities:</b> |                                                  |                     |                               |                     |                     |                     |                     |                    |   |                 |
| Trade and other payables      | –                                                | 258,951             | 535                           | 536                 | 536                 | 536                 | 536                 | 5,357              | – | 266,987         |
| Finance leases                | 14.6                                             | –                   | 7                             | 6                   | –                   | –                   | –                   | –                  | – | 13              |
| Bank loans                    | 4.2                                              | –                   | 2,401                         | 2,401               | 2,401               | 57,177              | –                   | –                  | – | 64,380          |
| Other financial liabilities   | –                                                | –                   | 815                           | –                   | –                   | –                   | –                   | –                  | – | 815             |
|                               |                                                  | 258,951             | 3,758                         | 2,943               | 2,937               | 57,713              | 536                 | 5,357              | – | 332,195         |

| Parent – 2012                 | Weighted average<br>effective interest rate<br>% | On Demand<br>\$'000 | Less than<br>1 year<br>\$'000 | 1-2 Years<br>\$'000 | Maturity Dates      |                     |                     |                    |   | Total<br>\$'000 |
|-------------------------------|--------------------------------------------------|---------------------|-------------------------------|---------------------|---------------------|---------------------|---------------------|--------------------|---|-----------------|
|                               |                                                  |                     |                               |                     | 2-3 Years<br>\$'000 | 3-4 Years<br>\$'000 | 4-5 Years<br>\$'000 | 5+ Years<br>\$'000 |   |                 |
| <b>Financial assets:</b>      |                                                  |                     |                               |                     |                     |                     |                     |                    |   |                 |
| Cash and cash equivalents     | 2.5                                              | 7,413               | –                             | –                   | –                   | –                   | –                   | –                  | – | 7,413           |
| Trade and other receivables   | –                                                | 8,943               | –                             | –                   | –                   | –                   | –                   | –                  | – | 8,943           |
| Advances to subsidiaries      | 5.0                                              | –                   | 28,104                        | –                   | –                   | –                   | –                   | –                  | – | 28,104          |
|                               |                                                  | 16,356              | 28,104                        | –                   | –                   | –                   | –                   | –                  | – | 44,460          |
| <b>Financial liabilities:</b> |                                                  |                     |                               |                     |                     |                     |                     |                    |   |                 |
| Trade and other payables      | –                                                | 8,131               | –                             | –                   | –                   | –                   | –                   | –                  | – | 8,131           |
| Bank loans                    | 4.5                                              | –                   | 23,045                        | 8,027               | 59,481              | 5,265               | 26,855              | –                  | – | 122,673         |
| Other financial liabilities   | –                                                | –                   | 222                           | –                   | –                   | –                   | –                   | –                  | – | 222             |
| Advances from subsidiaries    | –                                                | –                   | 29,576                        | –                   | –                   | –                   | –                   | –                  | – | 29,576          |
|                               |                                                  | 8,131               | 52,843                        | 8,027               | 59,481              | 5,265               | 26,855              | –                  | – | 160,602         |

| Parent – 2011                 | Weighted average<br>effective interest rate<br>% | On Demand<br>\$'000 | Less than<br>1 year<br>\$'000 | 1-2 Years<br>\$'000 | Maturity Dates      |                     |                     |                    |   | Total<br>\$'000 |
|-------------------------------|--------------------------------------------------|---------------------|-------------------------------|---------------------|---------------------|---------------------|---------------------|--------------------|---|-----------------|
|                               |                                                  |                     |                               |                     | 2-3 Years<br>\$'000 | 3-4 Years<br>\$'000 | 4-5 Years<br>\$'000 | 5+ Years<br>\$'000 |   |                 |
| <b>Financial assets:</b>      |                                                  |                     |                               |                     |                     |                     |                     |                    |   |                 |
| Cash and cash equivalents     | 2.5                                              | 73,130              | –                             | –                   | –                   | –                   | –                   | –                  | – | 73,130          |
| Trade and other receivables   | –                                                | 10,183              | –                             | –                   | –                   | –                   | –                   | –                  | – | 10,183          |
| Advances to subsidiaries      | 5.0                                              | –                   | 1,615                         | –                   | –                   | –                   | –                   | –                  | – | 1,615           |
|                               |                                                  | 83,313              | 1,615                         | –                   | –                   | –                   | –                   | –                  | – | 84,928          |
| <b>Financial liabilities:</b> |                                                  |                     |                               |                     |                     |                     |                     |                    |   |                 |
| Trade and other payables      | –                                                | 8,826               | –                             | –                   | –                   | –                   | –                   | –                  | – | 8,826           |
| Bank loans                    | 3.3                                              | –                   | 921                           | 921                 | 921                 | 28,154              | –                   | –                  | – | 30,917          |
| Other financial liabilities   | –                                                | –                   | 598                           | –                   | –                   | –                   | –                   | –                  | – | 598             |
| Advances from subsidiaries    | 3.3                                              | –                   | 56,241                        | –                   | –                   | –                   | –                   | –                  | – | 56,241          |
|                               |                                                  | 8,826               | 57,760                        | 921                 | 921                 | 28,154              | –                   | –                  | – | 96,582          |

In May 2012 the Group secured banking facilities up to August 2016.

The Group maintains the following lines of credit:

\$1.7 million (2011: \$2.9 million) overdraft facilities and term loan facilities of \$124 million maturing in August 2014 and of \$80 million maturing in August 2016 (2011: \$99m million maturing in August 2014).

Interest is payable at a base rate plus specified margin.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2012

### (f) Sensitivity Analysis

#### (i) Interest Rate Sensitivity Analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments at the balance date. The analysis is prepared assuming the amount of the financial instrument outstanding at the balance sheet date was outstanding for the whole year.

The impact on Profit for the Year and Total Equity as a result of a 100 basis point movement in interest rates is as follows:

|                                             | Group<br>2012<br>\$'000 | 2011<br>\$'000 | Parent<br>2012<br>\$'000 | 2011<br>\$'000 |
|---------------------------------------------|-------------------------|----------------|--------------------------|----------------|
| + 100 basis point shift up in yield curve   |                         |                |                          |                |
| Impact on Profit                            | –                       | –              | –                        | –              |
| Impact on Total Equity                      | 2,939                   | 150            | 2,144                    | 89             |
| – 100 basis point shift down in yield curve |                         |                |                          |                |
| Impact on Profit                            | –                       | –              | –                        | –              |
| Impact on Total Equity                      | (3,083)                 | (151)          | (2,251)                  | (90)           |

#### (ii) Foreign Currency Sensitivity Analysis

The following table details the Group's sensitivity to a 10% increase or decrease in foreign currencies against the Group's functional currency (New Zealand dollars). The sensitivity analysis includes any outstanding foreign currency contracts and adjusts their translation at the year end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and equity where the functional currency weakens 10% against the relevant currency.

|                               | Group<br>2012<br>\$'000 | 2011<br>\$'000 | Parent<br>2012<br>\$'000 | 2011<br>\$'000 |
|-------------------------------|-------------------------|----------------|--------------------------|----------------|
| + 10% shift in NZD rate       |                         |                |                          |                |
| Impact on Profit for the Year | (353)                   | (373)          | (353)                    | (373)          |
| Impact on Total Equity        | (1,323)                 | (373)          | (353)                    | (373)          |
| – 10% shift in NZD rate       |                         |                |                          |                |
| Impact on Profit for the Year | 432                     | 456            | 432                      | 456            |
| Impact on Total Equity        | 1,619                   | 456            | 432                      | 456            |

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2012

### 32. FINANCIAL INSTRUMENTS CONTINUED

#### (g) Credit Risk Management

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with credit worthy counter parties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of the trade receivables.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The maximum credit risk associated with guarantees provided by the Group and Parent are disclosed in note 29.

The Group does not have any significant credit risk exposure to any single counter party or any Group of counter parties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counter parties are banks with high credit ratings assigned by international credit rating agencies.

#### (h) Fair Value of Financial Instruments

The Directors consider that the carrying amount of both financial assets and financial liabilities recorded in the financial statements approximates their fair values.

The fair values and net fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments.

Transaction costs are included in the determination of net fair value.

#### (i) Liquidity Risk Management

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

#### (j) Capital Risk Management

The Group manages its capital to ensure that each entity within the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity. The Group's overall strategy remains unchanged from 2011.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2012

### 33. DISCONTINUED OPERATIONS

On 1 September 2010 the Group's Scientific businesses were disposed of. The disposal of the Scientific businesses is consistent with the Group's long-term policy to focus its activities in the healthcare market.

Details of the assets and liabilities disposed of are disclosed in note 25.

The results of the discontinued operations included in the income statement and statement of comprehensive income are set out below.

Comparative profit and cash flows from discontinued operations have been re-presented.

|                                                                                                                       | Group<br>2012<br>\$'000 | 2011<br>\$'000<br>(2 months) |
|-----------------------------------------------------------------------------------------------------------------------|-------------------------|------------------------------|
| <b>Revenue</b>                                                                                                        |                         |                              |
| Revenue from the sale of goods                                                                                        | –                       | 7,814                        |
| Revenue from the rendering of services                                                                                | –                       | 569                          |
| Interest revenue                                                                                                      | –                       | 3                            |
| Other revenue                                                                                                         | –                       | –                            |
|                                                                                                                       | –                       | 8,386                        |
| <b>(Loss)/profit before income tax expense</b>                                                                        |                         |                              |
| Profit before income tax expense has been arrived at after (charging) the following gains and losses from operations: |                         |                              |
| Gain on sale of property, plant and equipment                                                                         | –                       | –                            |
| (Loss)/profit before income tax has been arrived at after (charging) the following expenses by nature:                |                         |                              |
| Cost of sales                                                                                                         | –                       | (5,190)                      |
| Write-down of inventory                                                                                               | –                       | (251)                        |
| Finance costs:                                                                                                        |                         |                              |
| Bank interest                                                                                                         | –                       | –                            |
| Other interest expense                                                                                                | –                       | –                            |
| Total finance costs                                                                                                   | –                       | –                            |
| Net bad and doubtful debts arising from:                                                                              |                         |                              |
| Impairment loss on trade & other receivables                                                                          | –                       | –                            |
| Depreciation of property, plant and equipment                                                                         | –                       | (69)                         |
| Operating lease rental expenses:                                                                                      |                         |                              |
| Minimum lease payments                                                                                                | –                       | (267)                        |
| Donations                                                                                                             | –                       | –                            |
| Employee benefit expense                                                                                              | –                       | (2,476)                      |
| Other expenses                                                                                                        | –                       | (1,095)                      |
| Total expenses                                                                                                        | –                       | (9,348)                      |
| <b>(Loss)/profit before income tax expense</b>                                                                        | –                       | (962)                        |
| Income tax credit/(expense)                                                                                           | –                       | 288                          |
|                                                                                                                       | –                       | (674)                        |
| Gain on disposal of operations                                                                                        | –                       | 8,853                        |
| Profit for the year from discontinued operations                                                                      | –                       | 8,179                        |
| Cash flows from discontinued activities                                                                               |                         |                              |
| Net cash flows from operating activities                                                                              | –                       | 3,017                        |
| Net cash flows from investing activities                                                                              | –                       | 43,864                       |
| Net cash flows from financing activities                                                                              | –                       | –                            |
| Net cash flows                                                                                                        | –                       | 46,881                       |

### 34. EVENTS AFTER BALANCE DATE

Subsequent to year end the Board have approved a final dividend to shareholders. For further details please refer to note 23.

## ADDITIONAL STOCK EXCHANGE INFORMATION

As at 31 July 2012

|                                                  | Fully paid shares | Percentage of paid capital |
|--------------------------------------------------|-------------------|----------------------------|
| <b>Twenty Largest Shareholders</b>               |                   |                            |
| Accident Compensation Corporation                | 4,730,855         | 9.08%                      |
| Whyte Adder No.3 Limited                         | 3,754,868         | 7.21%                      |
| Tea Custodians Limited                           | 2,740,633         | 5.26%                      |
| New Zealand Superannuation Fund Nominees Limited | 1,926,066         | 3.70%                      |
| Custodial Services Limited <A/C 3>               | 1,572,250         | 3.02%                      |
| Forsyth Barr Custodians Limited <1-33>           | 1,186,689         | 2.28%                      |
| Herpa Properties Limited                         | 710,106           | 1.36%                      |
| Custodial Services Limited <A/C 18>              | 675,298           | 1.29%                      |
| Citibank Nominees (New Zealand) Limited          | 649,079           | 1.25%                      |
| Superlife Trustee Nominees Limited               | 630,168           | 1.21%                      |
| Custodial Services Limited <A/C 2>               | 613,230           | 1.18%                      |
| Forsyth Barr Custodians Limited <1-17.5>         | 526,922           | 1.01%                      |
| Peter Miles Merton & CWM Trustee Company Limited | 521,277           | 1.00%                      |
| Elite Investment Holdings Limited                | 500,000           | 0.96%                      |
| Forsyth Barr Custodians Limited <1-30>           | 457,727           | 0.88%                      |
| Mark Brendon Waller & Angela Laura Waller        | 424,703           | 0.82%                      |
| Custodial Services Limited <A/C 4>               | 408,035           | 0.78%                      |
| Philip Gardiner-Garden                           | 385,589           | 0.74%                      |
| Custodial Services Limited <A/C 1>               | 376,995           | 0.72%                      |
| Investment Custodial Services Limited <A/C R>    | 360,915           | 0.69%                      |
|                                                  | 23,151,405        | 44.44%                     |

### Substantial Security Holders

As at 31 July 2012 the following persons are deemed to be substantial security holders in accordance with Section 26 of the Securities Amendment Act 1988.

|                                                       | Fully paid shares | Percentage of paid capital |
|-------------------------------------------------------|-------------------|----------------------------|
| Accident Compensation Corporation                     | 4,730,855         | 9.08%                      |
| Whyte Adder No.3 Limited and Herpa Properties Limited | 4,464,974         | 8.57%                      |
| Tea Custodians Ltd                                    | 2,740,633         | 5.26%                      |
|                                                       | 11,936,462        | 22.91%                     |

| Distribution of Shareholders and Shareholdings | Holders | Fully paid shares | Percentage of paid capital |
|------------------------------------------------|---------|-------------------|----------------------------|
| Size of Holding                                |         |                   |                            |
| 1 to 999                                       | 1,198   | 513,098           | 0.98%                      |
| 1,000 to 4,999                                 | 2,604   | 6,297,138         | 12.08%                     |
| 5,000 to 9,999                                 | 795     | 5,370,145         | 10.31%                     |
| 10,000 to 49,999                               | 578     | 10,452,865        | 20.06%                     |
| 50,000 to 99,999                               | 38      | 2,429,704         | 4.66%                      |
| 100,000 to 499,999                             | 28      | 6,307,096         | 12.10%                     |
| 500,000 to 999,999                             | 8       | 4,826,080         | 9.26%                      |
| 1,000,000 and over                             | 6       | 15,911,361        | 30.55%                     |
| Total                                          | 5,255   | 52,107,487        | 100.00%                    |

### Registered Address of Shareholders

|             |       |            |         |
|-------------|-------|------------|---------|
| New Zealand | 5,028 | 50,172,585 | 95.70%  |
| Overseas    | 227   | 1,934,902  | 4.30%   |
| Total       | 5,255 | 52,107,487 | 100.00% |

## DIRECTORY

### CORPORATE HEAD OFFICE

108 Wrights Road  
PO Box 411  
Christchurch 8024  
Telephone +64 3 338 0999  
Fax +64 3 339 5111  
E-mail: [ebos@ebos.co.nz](mailto:ebos@ebos.co.nz)  
Internet: [www.ebos.co.nz](http://www.ebos.co.nz)

### DIRECTORS

|                  |                                     |
|------------------|-------------------------------------|
| Rick Christie    | Chairman                            |
| Mark Waller      | Chief Executive & Managing Director |
| Elizabeth Coutts |                                     |
| Peter Kraus      |                                     |
| Sarah Ottrey     |                                     |
| Barry Wallace    |                                     |

### SENIOR EXECUTIVES

|                |                                                         |
|----------------|---------------------------------------------------------|
| Mark Waller    | Chief Executive                                         |
| Michael Broome | Group General Manager – Healthcare Logistics/ProPharma  |
| Angus Cooper   | General Manager – Group Projects/Mergers & Acquisitions |
| Dennis Doherty | Chief Financial Officer                                 |
| Kelvin Hyland  | General Manager – EBOS Healthcare New Zealand           |
| David Lewis    | General Manager – EBOS Healthcare Australia             |
| Greg Managh    | Group General Manager – Health Support/MIS              |
| Sean Duggan    | Chief Executive – Masterpet                             |

### AUDITOR

Deloitte  
Christchurch

### BANKERS

ANZ National Bank Limited  
Auckland

Bank of New Zealand  
Christchurch

### SOLICITOR

Chapman Tripp  
Christchurch

### SHARE REGISTER

Computershare Investor Services Ltd  
Private Bag 92119  
Auckland 1142  
159 Hurstmere Road  
Takapuna, North Shore City 0622  
New Zealand  
Telephone: (09) 488 8777

#### Managing Your Shareholding Online:

To change your address, update your payment instructions and to view your investment portfolio including transactions, please visit:

[www.computershare.co.nz/investorcentre](http://www.computershare.co.nz/investorcentre)

General enquiries can be directed to:

- [enquiry@computershare.co.nz](mailto:enquiry@computershare.co.nz)
- Private Bag 92119, Auckland 1142, New Zealand
- Telephone +64 9 488 8777 Facsimile +64 9 488 8787

Please assist our registrar by quoting your CSN or shareholder number.

## TRADING ENTITIES

### EBOS HEALTHCARE – NEW ZEALAND

14-18 Lovell Court  
Rosedale  
PO Box 302-161  
North Harbour Postal  
Centre  
Auckland  
New Zealand  
Phone: +64 9 415 3267  
Fax: +64 9 415 4004  
ebos@ebos.co.nz

### EBOS HEALTHCARE – AUSTRALIA

Unit 2, 109 Vanessa Street  
PO Box 100  
Kingsgrove, NSW 2208  
Australia  
Phone: +61 2 9502 8410  
Fax: +61 2 9502 8411  
ebos@ebosgroup.com.au

### PROPHARMA

PO Box 62-027  
Sylvia Park  
Auckland 1644  
New Zealand  
Phone: +64 9 570 1080  
Fax: +64 9 915 9581  
info@propharma.co.nz

### PHARMACY WHOLESALER RUSSELLS

PO Box 71149  
Rosebank 1348  
Auckland  
New Zealand  
Phone: +64 9 968 6750  
Fax: +64 9 968 6754

### HEALTHCARE LOGISTICS

58 Richard Pearse Drive  
Mangere  
Auckland 2022  
New Zealand  
Phone: +64 9 918 5100  
Fax: +64 9 918 5101

### HEALTH SUPPORT

56 Carrington Road  
P O Box 44027  
Pt Chevalier  
Auckland 1246  
New Zealand  
Phone: +64 9 815 2600  
Fax: +64 9 815 1911  
sales@healthsupport.co.nz

### MASTERPET NEW ZEALAND

1-9 Bell Road South  
Lower Hutt 5010  
New Zealand  
Phone: +64 4 570 3232  
Fax: +64 4 570 3229

### MASTERPET AUSTRALIA

Lot 2, 31 Topham Road  
Smeaton Grange  
NSW 2567  
Australia  
Phone: +61 2 1300 651 111  
Fax: +61 2 1300 652 222

### VITAL MEDICAL SUPPLIES

PO Box 100  
Kingsgrove, NSW  
Phone: +61 2 1300 557 651  
Fax: +61 2 1300 557 631

One of the leading independent  
distributors of healthcare and animal  
care products in New Zealand,  
Australia and the Pacific Islands.  
[www.ebos.co.nz](http://www.ebos.co.nz)