

**Appendix 4E**  
**Final Report for the Year Ended 30 June 2015**

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**

The following information is presented in accordance with ASX listing rule 4.3A and should be read in conjunction with the attached EBOS Group Limited Financial Report for the Financial Year Ended 30 June 2015.

**1. Details of the reporting period and the previous corresponding period**

Current reporting period - the year ended 30 June 2015  
Previous corresponding reporting period - the year ended 30 June 2014

This report and the Consolidated Financial Report are presented in New Zealand dollars, the Group's presentation currency.

**2. Results for announcement to the market**

| <b>Group results (NZD000's)</b>                      | <b>30 June<br/>2015<br/>NZD\$000<br/>(Audited)</b> | <b>30 June<br/>2014<br/>NZD\$000<br/>(Audited)</b> | <b>Change<br/>%<br/>(actual FX<br/>rates)</b> | <b>Change<br/>%<br/>(constant<br/>FX rates)</b> |
|------------------------------------------------------|----------------------------------------------------|----------------------------------------------------|-----------------------------------------------|-------------------------------------------------|
| Revenue                                              | 6,068,080                                          | 5,757,234                                          | +5.4%                                         | +7.2%                                           |
| EBITDA                                               | 196,695                                            | 175,422                                            | +12.1%                                        | +14.2%                                          |
| Depreciation and amortisation                        | 24,118                                             | 22,583                                             | +6.8%                                         | +8.7%                                           |
| Earnings before interest and tax (EBIT)              | 172,577                                            | 152,839                                            | +12.9%                                        | +15.0%                                          |
| Profit before tax (PBT)                              | 150,668                                            | 125,781                                            | +19.8%                                        | +22.0%                                          |
| Net profit after tax (NPAT)                          | 105,941                                            | 92,069                                             | +15.1%                                        | +16.9%                                          |
| Basic EPS – (CPS)                                    | 70.8                                               | 62.8                                               | +12.7%                                        | +14.6%                                          |
| Net tangible asset backing per ordinary share – (\$) | \$0.60                                             | \$0.59                                             | +1.2%                                         |                                                 |

| <b>Dividends</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>Amount per security</b> | <b>Franked amount per security to 30% tax rate</b> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|----------------------------------------------------|
| Final dividend payable 16 October 2015                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 25.0c                      | -                                                  |
| Final dividend – previous corresponding period                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 20.5c                      | -                                                  |
| <b>Key dates for the 2015 Final Dividend:</b><br><br>Ex-dividend date 30 September 2015<br>Record date: 02 October 2015 [5:00pm NZ Time]<br>DRP participation election date: 05 October 2015<br>DRP pricing period: 05 October 2015 to 09 October 2015 (both inclusive)<br>Dividend payment date: 16 October 2015<br><br><b>Other comments:</b><br><br>The final dividend will be imputed to 25% for New Zealand tax resident shareholders, and a supplementary dividend paid to eligible non-resident shareholders. |                            |                                                    |

In a presentation change in the current year interest revenue of \$2,299,000 (June 2014: \$2,819,000) is now included within net finance costs rather than revenue. Comparative information has also been presented on a similar basis for consistency.

For supplementary comments on the Group's financial results refer to the Results Presentation and Media Release issued 26 August 2015.

3. **Consolidated Statement of Comprehensive Income**

Please refer to the Consolidated Statement of Comprehensive Income in the attached Consolidated Financial Report for the Financial Year Ended 30 June 2015.

4. **Consolidated Balance Sheet**

Please refer to the Consolidated Balance Sheet in the attached Consolidated Financial Report for the Financial Year Ended 30 June 2015.

5. **Consolidated Cash Flow Statement**

Please refer to Consolidated Cash Flow Statement in the attached Consolidated Financial Report for the Financial Year Ended 30 June 2015.

6. **Consolidated Statement of Changes in Equity**

Please refer to the Consolidated Statement of Changes in Equity in the attached Consolidated Financial Report for the Financial Year Ended 30 June 2015.

7. **Dividends Paid**

|                                        | Amount per<br>Share | Total<br>Amount | Date of<br>payment |
|----------------------------------------|---------------------|-----------------|--------------------|
| <b>Paid during the year ended</b>      |                     |                 |                    |
| <b>30 June 2014</b>                    |                     |                 |                    |
| Final June 2013                        | 15.0 cents          | \$21,992,000    | 22 October 2013    |
| Interim June 2014                      | 20.5 cents          | \$30,260,000    | 4 April 2014       |
| <hr/>                                  |                     |                 |                    |
| <b>Paid during the year ended</b>      |                     |                 |                    |
| <b>30 June 2015</b>                    |                     |                 |                    |
| Final June 2014                        | 20.5 cents          | \$30,490,000    | 17 October 2014    |
| Interim June 2015                      | 22.0 cents          | \$32,941,000    | 2 April 2015       |
| <hr/>                                  |                     |                 |                    |
| <b>Declared in respect of the year</b> |                     |                 |                    |
| <b>ended 30 June 2015</b>              |                     |                 |                    |
| Final June 2015                        | 25.0 cents          | \$37,672,000    | 16 October 2015    |
| <hr/>                                  |                     |                 |                    |

8. **Dividend Reinvestment Plan**

EBOS operates a dividend reinvestment plan ('DRP') for its shareholders. All shares issued under the DRP rank pari passu with existing issued shares. Details of the dividend reinvestment plan can be found on the company's website [www.ebosgroup.com](http://www.ebosgroup.com). The last date for the receipt of an election notice for participation in the DRP for the 2015 final dividend is 5 October 2015.

The price of each EBOS share to be issued under the DRP is the volume weighted average sale price ('VWAP') in NZD for a share calculated on all price setting trades of shares which take place through the NZSX Main Board over the 'DRP Pricing Period'.

If no sales of shares occur during the DRP Pricing Period then the VWAP will be deemed to be the sale price for a share on the first price setting trade of shares which takes place after the DRP pricing period. If in the opinion of the EBOS Board, any exceptional or unusual circumstances have artificially affected the VWAP, EBOS may make such adjustment to that price as it considers reasonable.

The EBOS Board has approved a discount of 2.5% to the VWAP for the shares to be issued under the DRP for the 2015 final dividend.

9. **Subsidiaries**

During the year, on 31 October 2014, the Group acquired 100% of the shares in Blackhawk Premium Pet Care Pty Limited for \$64,160,000. Refer to note 24 of the attached Consolidated Financial Report for the Financial Year Ended 30 June 2015 for further details of the acquisition.

The contribution of Blackhawk Premium Pet Care Pty Limited is not considered material in the understanding of the Consolidated Financial Report.

The Group did not lose control of any entities during the current year.

10. **Associates and Joint Ventures**

Refer to Note 16 of the attached Consolidated Financial Report for the Financial Year Ended 30 June 2015.

The contribution of the Group's Associates and Joint Ventures is not considered material in the understanding of the Consolidated Financial Report.

11. **Other significant information**

Refer to the attached Consolidated Financial Report for the Financial Year Ended 30 June 2015.

12. **Foreign Entities**

The Consolidated Financial Statements are presented in New Zealand dollars and comply with International Financial Reporting Standards ("IFRS").

13. **Commentary on the Results for the period**

13.1 The earnings per security and the nature of any dilution.

Please refer to Note 26 of the attached Consolidated Financial Report for the Financial Year Ended 30 June 2015.

13.2 Returns to shareholders including distributions and buy backs.

Please refer to Notes 21 and 23 of the attached Consolidated Financial Report for the Financial Year Ended 30 June 2015.

13.3 Significant features of operating performance.

Please refer to the attached Consolidated Financial Report for the Financial Year Ended 30 June 2015 and to the Results Presentation issued on 26 August 2015.

13.4 The results of segments that are significant to an understanding of the business as a whole.

Please refer to Note 29 of the attached Consolidated Financial Report for the Financial Year Ended 30 June 2015.

13.5 A discussion of trends in performance.

Please refer to the attached Consolidated Financial Report for the Financial Year Ended 30 June 2015 and to the Results Presentation issued on 26 August 2015.

13.6 Any other factors which have affected the results in the period or which are likely to affect results in the future, including those where the effect could not be quantified.

Please refer to the Results Announcement and Results Presentation issued on 26 August 2015.

14. **Independent Audit Opinion**

The Consolidated Financial Statements included in the Consolidated Financial Report have been audited and the Auditor has given an unmodified opinion.

15. **Annual Meeting**

The annual meeting will be held as follows:

Place:

'The Great Hall', Chateau on the Park, Cnr Deans Avenue &  
Kilmarnock Street, Riccarton, Christchurch, New Zealand

Date:

Tuesday, 27 October, 2015

Time:

2:00pm

Approximate date the annual  
report will be available:

Friday, 25 September 2015

16. **Audit Committee**

The entity has a formally constituted Audit and Risk Committee.

**EBOS GROUP LIMITED**

**FINANCIAL REPORT  
FOR THE FINANCIAL YEAR  
ENDED 30 JUNE 2015**

**EBOS GROUP LIMITED**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2015**

| <b>CONTENTS</b>                                | <b>Page</b> |
|------------------------------------------------|-------------|
| Directors' Responsibility Statement            | 3           |
| Independent Auditor's Report                   | 4           |
| Consolidated Income Statement                  | 5           |
| Consolidated Statement of Comprehensive Income | 5           |
| Consolidated Balance Sheet                     | 6           |
| Consolidated Statement of Changes in Equity    | 7           |
| Consolidated Cash Flow Statement               | 8           |
| Notes to the Consolidated Financial Statements | 9           |
| Additional Stock Exchange Information          | 48          |
| Directory                                      | 50          |

**EBOS GROUP LIMITED**  
**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 2015.

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 Group as at 30 June 2015 and the results of their operations and cash flows for the year ended on that date.

The Directors consider the financial statements of 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 Group and facilitate compliance of the financial statements with the Financial Reporting Act 2013.

The Directors consider that they have taken adequate steps to safeguard the assets of 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:



**Rick Christie**  
Chairman



**Mark Waller**  
Director

25 August 2015

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EBOS GROUP LIMITED

### *Report on the Consolidated Financial Statements*

We have audited the accompanying consolidated financial statements of EBOS Group Limited and its subsidiaries ('the Group') on pages 5 to 47, which comprise the consolidated balance sheet as at 30 June 2015, and the consolidated income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

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

The Board of Directors are responsible for the preparation and fair presentation of these consolidated financial statements, in accordance with New Zealand Equivalents to International Financial Reporting Standards, International Financial Reporting Standards and generally accepted accounting practice in New Zealand, and for such internal control as the Board of Directors determine is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 consolidated 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 due diligence, financial modelling and information technology advisory assistance, we have no relationship with or interests in EBOS Group Limited or any of its subsidiaries. These services have not impaired our independence as auditor of the Company and Group.

### *Opinion*

In our opinion, the consolidated financial statements on pages 5 to 47 present fairly, in all material respects, the financial position of EBOS Group Limited and its subsidiaries as at 30 June 2015, and their financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards, International Financial Reporting Standards and generally accepted accounting practice in New Zealand.



### **Chartered Accountants**

25 August 2015

Christchurch, New Zealand

This audit report relates to the consolidated financial statements of EBOS Group Limited for the year ended 30 June 2015 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 the EBOS Group Limited's website. We accept no responsibility for any changes that may have occurred to the consolidated financial statements since they were initially presented on the website. The audit report refers only to the consolidated financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these consolidated 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 consolidated financial statements and related audit report dated 25 August 2015 to confirm the information included in the audited consolidated 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.

**EBOS GROUP LIMITED**  
**CONSOLIDATED INCOME STATEMENT**

| For the Financial Year Ended 30 June, 2015                                             | Notes | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------------------------------------------------------------------|-------|----------------|----------------|
| <b>Revenue</b>                                                                         | 2 (a) | 6,068,080      | 5,757,234      |
| <b>Income from Associates</b>                                                          | 2 (b) | 2,861          | 1,567          |
| <b>Profit before depreciation, amortisation,<br/>net finance costs and tax expense</b> |       | 196,695        | 175,422        |
| Depreciation                                                                           | 2 (b) | (12,108)       | (10,173)       |
| Amortisation of finite life intangibles                                                | 2 (b) | (12,010)       | (12,410)       |
| <b>Profit before net finance costs and tax expense</b>                                 |       | 172,577        | 152,839        |
| Finance income                                                                         | 2 (b) | 2,299          | 2,819          |
| Finance costs                                                                          | 2 (b) | (24,208)       | (29,877)       |
| <b>Profit before tax expense</b>                                                       | 2 (b) | 150,668        | 125,781        |
| Tax expense                                                                            | 3     | (44,727)       | (33,712)       |
| <b>Profit for the year</b>                                                             |       | 105,941        | 92,069         |
| <b>Earnings per share:</b>                                                             |       |                |                |
| Basic (cents per share)                                                                | 26    | 70.8           | 62.8           |
| Diluted (cents per share)                                                              | 26    | 70.8           | 62.8           |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

| For the Financial Year Ended 30 June, 2015                     | Notes | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------------------------------------------|-------|----------------|----------------|
| <b>Profit for the year</b>                                     |       | 105,941        | 92,069         |
| <b>Other comprehensive income</b>                              |       |                |                |
| Items that may be reclassified subsequently to profit or loss: |       |                |                |
| Cash flow hedges movement (losses)                             | 22    | (2,224)        | (2,423)        |
| Related tax benefit to cash flow hedges                        | 22    | 631            | 701            |
| Translation of foreign operations                              | 22    | 11,993         | (24,194)       |
| <b>Total comprehensive income net of tax benefit</b>           |       | 116,341        | 66,153         |

Notes to the financial statements are included on pages 9 to 47.

**EBOS GROUP LIMITED**  
**CONSOLIDATED BALANCE SHEET**

| As at 30 June, 2015                       | Notes  | 2015<br>\$'000   | 2014<br>\$'000   |
|-------------------------------------------|--------|------------------|------------------|
| <b>Current assets</b>                     |        |                  |                  |
| Cash and cash equivalents                 |        | 109,521          | 88,698           |
| Trade and other receivables               | 6      | 803,839          | 699,276          |
| Prepayments                               | 7      | 7,935            | 6,748            |
| Inventories                               | 8      | 518,272          | 491,624          |
| Current tax refundable                    | 3      | 88               | 83               |
| Other financial assets - derivatives      | 9      | 2,184            | 1,442            |
| <b>Total current assets</b>               |        | <b>1,441,839</b> | <b>1,287,871</b> |
| <b>Non-current assets</b>                 |        |                  |                  |
| Property, plant and equipment             | 10     | 111,599          | 84,854           |
| Capital work in progress                  | 11     | -                | 20,872           |
| Prepayments                               | 7      | 439              | 54               |
| Deferred tax assets                       | 3      | 48,284           | 36,589           |
| Goodwill                                  | 12     | 764,618          | 720,875          |
| Indefinite life intangibles               | 13     | 79,043           | 56,576           |
| Finite life intangibles                   | 14     | 69,325           | 77,502           |
| Investment in associates                  | 16     | 34,911           | 24,100           |
| <b>Total non-current assets</b>           |        | <b>1,108,219</b> | <b>1,021,422</b> |
| <b>Total assets</b>                       |        | <b>2,550,058</b> | <b>2,309,293</b> |
| <b>Current liabilities</b>                |        |                  |                  |
| Trade and other payables                  | 18     | 952,257          | 821,391          |
| Finance leases                            | 17, 19 | 153              | 155              |
| Bank loans                                | 17     | 153,245          | 153,334          |
| Current tax payable                       | 3      | 16,990           | 14,219           |
| Employee benefits                         |        | 33,573           | 28,830           |
| Other financial liabilities - derivatives | 20     | 6,047            | 3,404            |
| <b>Total current liabilities</b>          |        | <b>1,162,265</b> | <b>1,021,333</b> |
| <b>Non-current liabilities</b>            |        |                  |                  |
| Bank loans                                | 17     | 272,852          | 250,826          |
| Trade and other payables                  | 18     | 10,042           | 9,778            |
| Deferred tax liabilities                  | 3      | 48,853           | 43,407           |
| Finance leases                            | 17, 19 | 191              | 680              |
| Employee benefits                         |        | 4,827            | 4,230            |
| <b>Total non-current liabilities</b>      |        | <b>336,765</b>   | <b>308,921</b>   |
| <b>Total liabilities</b>                  |        | <b>1,499,030</b> | <b>1,330,254</b> |
| <b>Net assets</b>                         |        | <b>1,051,028</b> | <b>979,039</b>   |
| <b>Equity</b>                             |        |                  |                  |
| Share capital                             | 21     | 880,628          | 861,549          |
| Foreign currency translation reserve      | 22     | (17,876)         | (29,869)         |
| Retained earnings                         | 22     | 189,595          | 147,085          |
| Cash flow hedge reserve                   | 22     | (1,319)          | 274              |
| <b>Total equity</b>                       |        | <b>1,051,028</b> | <b>979,039</b>   |

Notes to the financial statements are included on pages 9 to 47.

**EBOS GROUP LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

| For the Financial Year Ended<br>30 June, 2015                  | Notes | Share<br>capital<br>\$'000 | Foreign<br>currency<br>translation<br>reserve<br>\$'000 | Retained<br>earnings<br>\$'000 | Cash flow<br>hedge<br>reserve<br>\$'000 | Total<br>\$'000  |
|----------------------------------------------------------------|-------|----------------------------|---------------------------------------------------------|--------------------------------|-----------------------------------------|------------------|
| Balance at 1 July, 2013                                        |       | 201,288                    | (5,675)                                                 | 107,268                        | 1,996                                   | 304,877          |
| Profit for the year                                            |       | -                          | -                                                       | 92,069                         | -                                       | 92,069           |
| Other comprehensive income for<br>the year, net of tax benefit |       | -                          | (24,194)                                                | -                              | (1,722)                                 | (25,916)         |
| Payment of dividends                                           | 23    | -                          | -                                                       | (52,252)                       | -                                       | (52,252)         |
| Dividends re-invested                                          | 21    | 20,496                     | -                                                       | -                              | -                                       | 20,496           |
| Shares issued under rights issue                               | 21    | 149,119                    | -                                                       | -                              | -                                       | 149,119          |
| Share issue costs                                              | 21    | (7,356)                    | -                                                       | -                              | -                                       | (7,356)          |
| Issue of consideration shares                                  | 21    | 498,147                    | -                                                       | -                              | -                                       | 498,147          |
| Share issue costs                                              | 21    | (145)                      | -                                                       | -                              | -                                       | (145)            |
| <b>Balance at 30 June 2014</b>                                 |       | <b>861,549</b>             | <b>(29,869)</b>                                         | <b>147,085</b>                 | <b>274</b>                              | <b>979,039</b>   |
| Balance at 1 July, 2014                                        |       | 861,549                    | (29,869)                                                | 147,085                        | 274                                     | 979,039          |
| Profit for the year                                            |       | -                          | -                                                       | 105,941                        | -                                       | 105,941          |
| Other comprehensive income for<br>the year, net of tax benefit |       | -                          | 11,993                                                  | -                              | (1,593)                                 | 10,400           |
| Payment of dividends                                           | 23    | -                          | -                                                       | (63,431)                       | -                                       | (63,431)         |
| Dividends re-invested                                          | 21    | 19,079                     | -                                                       | -                              | -                                       | 19,079           |
| <b>Balance at 30 June 2015</b>                                 |       | <b>880,628</b>             | <b>(17,876)</b>                                         | <b>189,595</b>                 | <b>(1,319)</b>                          | <b>1,051,028</b> |

Notes to the financial statements are included on pages 9 to 47.

**EBOS GROUP LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT**

|                                                             |       | 2015        | 2014        |
|-------------------------------------------------------------|-------|-------------|-------------|
| For the Financial Year Ended 30 June, 2015                  | Notes | \$'000      | \$'000      |
| <b>Cash flows from operating activities</b>                 |       |             |             |
| Receipts from customers                                     |       | 5,994,123   | 5,732,731   |
| Interest received                                           |       | 2,299       | 2,819       |
| Dividends received from associates                          |       | 301         | -           |
| Payments to suppliers and employees                         |       | (5,785,720) | (5,561,884) |
| Taxes paid                                                  |       | (53,006)    | (29,637)    |
| Interest paid                                               |       | (24,208)    | (29,877)    |
| <b>Net cash inflow from operating activities</b>            | 25(c) | 133,789     | 114,152     |
| <b>Cash flows from investing activities</b>                 |       |             |             |
| Sale of property, plant & equipment                         |       | 458         | 1,351       |
| Purchase of property, plant & equipment                     |       | (14,977)    | (11,725)    |
| Payments for capital work in progress                       |       | -           | (20,115)    |
| Payments for intangible assets                              |       | (464)       | (3,467)     |
| Acquisition of associates                                   | 16    | (6,710)     | (3,520)     |
| Acquisition of subsidiaries                                 | 25(a) | (57,414)    | (366,853)   |
| <b>Net cash (outflow) from investing activities</b>         |       | (79,107)    | (404,329)   |
| <b>Cash flows from financing activities</b>                 |       |             |             |
| Proceeds from issue of shares                               |       | 19,079      | 162,114     |
| Proceeds from borrowings                                    |       | 23,584      | 310,327     |
| Repayment of borrowings                                     |       | (15,161)    | (233,136)   |
| Dividends paid to equity holders of parent                  | 23    | (63,431)    | (52,252)    |
| <b>Net cash (outflow)/inflow from financing activities</b>  |       | (35,929)    | 187,053     |
| Net increase/(decrease) in cash held                        |       | 18,753      | (103,124)   |
| Effect of exchange rate fluctuations on cash held           |       | 2,070       | (6,192)     |
| Net cash and cash equivalents at the beginning of the year  |       | 88,698      | 198,014     |
| <b>Net cash and cash equivalents at the end of the year</b> |       | 109,521     | 88,698      |
| Cash and cash equivalents                                   |       | 109,521     | 88,698      |

Notes to the financial statements are included on pages 9 to 47.

## **EBOS GROUP LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Financial Year ended 30 June, 2015

#### **1. SUMMARY OF ACCOUNTING POLICIES**

##### **1.1 STATEMENT OF COMPLIANCE**

EBOS Group Limited ("the Company") is a profit-oriented company incorporated in New Zealand, registered under the Companies Act 1993 and listed on both the New Zealand and Australian Stock Exchanges.

The Company operates in two business segments, being Healthcare and Animal care. Healthcare incorporates the sale of healthcare products in a range of sectors, own brands, retail healthcare, wholesale activities, and logistics. Animal care incorporates the sale of animal care products in a range of sectors, own brands, retail and wholesale activities.

The Company is a FMA reporting entity for the purposes of the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013, and its financial statements comply with these Acts.

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").

The Group is a Tier 1 for-profit entity in terms of the External Reporting Board Standard A1: Accounting Standard Framework (For-profit Entities Update).

##### **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, 2015 and the comparative information presented in these financial statements for the year ended 30 June, 2014. In a presentation change in the current year, interest revenue is now included within net finance costs rather than revenue. Comparative information has also been presented on a similar basis for consistency.

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 and customer relationships 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 cash flows does not match the services provided.

For the Financial Year ended 30 June, 2015

#### **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.

An impairment assessment of goodwill has been conducted in the current year. Management have determined that there is no impairment of any of the cash generating units containing goodwill (refer Note 12).

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.

#### **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 IFRS-10 '*Consolidated 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 IFRSs. 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.

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 or joint operation. 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 Consolidated Balance Sheet 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.

## **EBOS GROUP LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED**

For the Financial Year ended 30 June, 2015

#### **a) Basis of Consolidation (continued)**

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 as a bargain purchase gain.

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 or groups of 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.

#### **c) Indefinite Life Intangible Assets**

Indefinite life intangible assets represent purchased brand names and trademarks 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 10 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 equipment; and
- Office equipment, furniture and fittings.

Property, plant and equipment is initially recorded at cost.

## EBOS GROUP LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2015

#### f) Property, Plant, and Equipment (continued)

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 Consolidated 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 equipment                      | 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 cannot 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 Consolidated 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 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.

## **EBOS GROUP LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED**

For the Financial Year ended 30 June, 2015

#### **h) Taxation (continued)**

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 tax 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 incidental 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 Consolidated 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 profit or loss 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 are 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 currency and the Group's presentation currency.

## EBOS GROUP LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2015

#### k) Foreign Currency Translation (continued)

##### 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 Consolidated Income Statement for the year.

##### 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):*

Derivative assets are classified as FVTPL unless hedge accounting is 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 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 method. Appropriate allowances for estimated irrecoverable amounts are recognised in the Consolidated 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.

## EBOS GROUP LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2015

#### m) Financial Instruments (continued)

##### 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 (FVTPL):*

Derivative liabilities are classified as FVTPL unless hedge accounting is 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 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 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.

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 cash flow hedges of highly probable forecast transactions.

##### Cash Flow Hedges

At the inception of the hedge relationship, the Group 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 cash flows of the hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow 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 or liability.

Hedge accounting is discontinued when the Group either revokes the hedging relationship or the hedging instrument expires or 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. Revenue is recognised when it is considered probable that the economic benefits of the transaction will be received. The following specific recognition criteria must be met before revenue is recognised:

## **EBOS GROUP LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** CONTINUED

For the Financial Year ended 30 June, 2015

#### **n) Revenue Recognition (continued)**

##### **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 (and related costs) can be measured reliably, when it is probable that the economic benefits associated with the transaction will flow to the entity 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 recognised in the income statement as it accrues, using the effective interest method.

##### **Effective Interest Method**

The effective interest 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.

##### **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 Group and those activities relating to the cost of servicing the Group's equity capital.

#### **p) Employee Entitlements**

A liability for annual leave and long service leave is accrued and recognised in the consolidated balance sheet. 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 are classified as non-current only if the Group has a legal entitlement not to make payment within a 12 month period, to the employee in which the obligation has been accrued.

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.

**EBOS GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** CONTINUED

For the Financial Year ended 30 June, 2015

**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) Adoption of New Revised Accounting Standards and Interpretations**

No new accounting standards or interpretations have been adopted during the year which has had a material impact on these financial statements.

The Group has not yet fully assessed the impact of NZ IFRS 15 '*Revenue from Contracts with Customers*' which will be effective from the 2019 financial year.

**EBOS GROUP LIMITED**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED**

For the Financial Year ended 30 June, 2015

**2. PROFIT FROM OPERATIONS**

|                                                                                                                          | Notes | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------------------------------------------------------------------------------------------------------|-------|----------------|----------------|
| <b>(a) Revenue</b>                                                                                                       |       |                |                |
| Revenue consisted of the following items:                                                                                |       |                |                |
| Revenue from the sale of goods                                                                                           |       | 5,979,980      | 5,671,996      |
| Revenue from the rendering of services                                                                                   |       | 88,100         | 85,238         |
|                                                                                                                          |       | 6,068,080      | 5,757,234      |
| <b>(b) Profit before tax expense</b>                                                                                     |       |                |                |
| Profit before tax expense has been arrived at after crediting/(charging) the following gains and losses from operations: |       |                |                |
| (Loss) on disposal of property, plant and equipment                                                                      |       | (88)           | (4)            |
| Change in fair value of derivative financial instruments                                                                 |       | 323            | (213)          |
| Share of equity accounted investments                                                                                    | 16    | 2,861          | 1,567          |
| Profit before tax expense has been arrived at after crediting/(charging) the following expenses by nature:               |       |                |                |
| Cost of sales                                                                                                            |       | (5,464,445)    | (5,187,151)    |
| Write-down of inventory                                                                                                  |       | (3,483)        | (3,771)        |
| Net finance costs:                                                                                                       |       |                |                |
| Finance income                                                                                                           |       | 2,299          | 2,819          |
| Finance costs                                                                                                            |       | (24,208)       | (29,877)       |
| Total net finance costs                                                                                                  |       | (21,909)       | (27,058)       |
| Impairment loss on trade & other receivables                                                                             |       | (1,869)        | (1,684)        |
| Depreciation of property, plant & equipment                                                                              | 10    | (12,108)       | (10,173)       |
| Amortisation of finite life intangibles                                                                                  | 14    | (12,010)       | (12,410)       |
| Operating lease rental expenses                                                                                          |       | (27,009)       | (25,563)       |
| Donations                                                                                                                |       | (124)          | (107)          |
| Employee benefit expense                                                                                                 |       | (198,695)      | (195,232)      |
| Defined contribution plan expense                                                                                        |       | (11,560)       | (11,141)       |
| Other expenses                                                                                                           |       | (167,296)      | (158,513)      |
| Total expenses                                                                                                           |       | (5,920,508)    | (5,632,803)    |
| <b>Profit before tax expense</b>                                                                                         |       | <b>150,668</b> | <b>125,781</b> |

**EBOS GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED**

For the Financial Year ended 30 June, 2015

**3. INCOME TAXES**

|                                                                                                                                                                                                                          | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| <b>(a) Tax expense recognised in income statement</b>                                                                                                                                                                    |                |                |
| Tax expense/(credit) comprises:                                                                                                                                                                                          |                |                |
| Current tax expense/(credit):                                                                                                                                                                                            |                |                |
| Current year                                                                                                                                                                                                             | 52,279         | 39,378         |
| Adjustments for prior years                                                                                                                                                                                              | 741            | 700            |
|                                                                                                                                                                                                                          | 53,020         | 40,078         |
| Deferred tax expense/(credit):                                                                                                                                                                                           |                |                |
| Origination and reversal of temporary differences                                                                                                                                                                        | (4,163)        | (6,133)        |
| Adjustments for prior years                                                                                                                                                                                              | (4,130)        | (233)          |
|                                                                                                                                                                                                                          | (8,293)        | (6,366)        |
| <b>Total tax expense</b>                                                                                                                                                                                                 | <b>44,727</b>  | <b>33,712</b>  |
| The prima facie tax expense on pre-tax accounting profit from operations reconciles to the tax expense in the financial statements as follows:                                                                           |                |                |
| Profit before tax expense                                                                                                                                                                                                | 150,668        | 125,781        |
| Tax expense calculated at 28% (2014: 28%)                                                                                                                                                                                | 42,187         | 35,219         |
| Non-deductible expenses/(non-assessable income)                                                                                                                                                                          | 3,310          | (4,031)        |
| Effect of different tax rates of subsidiaries operating in other jurisdictions                                                                                                                                           | 2,347          | 1,944          |
| (Over)/under provision of tax expense in previous year                                                                                                                                                                   | (3,389)        | 467            |
| Other adjustments                                                                                                                                                                                                        | 272            | 113            |
| <b>Total tax expense</b>                                                                                                                                                                                                 | <b>44,727</b>  | <b>33,712</b>  |
| The tax rates used are principally the corporate tax rates of 28% (2014: 28%) payable by New Zealand and 30% (2014: 30%) payable by Australian corporate entities on taxable profits under tax law in each jurisdiction. |                |                |
|                                                                                                                                                                                                                          | 2015<br>\$'000 | 2014<br>\$'000 |
| <b>(b) Current tax assets and liabilities</b>                                                                                                                                                                            |                |                |
| Current tax assets:                                                                                                                                                                                                      |                |                |
| Current tax refundable                                                                                                                                                                                                   | 88             | 83             |
| Current tax liabilities:                                                                                                                                                                                                 |                |                |
| Current tax payable                                                                                                                                                                                                      | 16,990         | 14,219         |
| <b>(c) Deferred tax balance</b>                                                                                                                                                                                          |                |                |
| Deferred tax assets comprise:                                                                                                                                                                                            |                |                |
| Temporary differences                                                                                                                                                                                                    | 48,284         | 36,589         |
| Deferred tax liabilities comprise:                                                                                                                                                                                       |                |                |
| Temporary differences                                                                                                                                                                                                    | (48,853)       | (43,407)       |
|                                                                                                                                                                                                                          | (569)          | (6,818)        |

**EBOS GROUP LIMITED**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED**

For the Financial Year ended 30 June, 2015

**3. INCOME TAXES CONTINUED**

Taxable and deductible temporary differences arise from the following:

|                                           | Opening<br>balance | Charged<br>to<br>income | Charged to<br>other<br>comprehensive<br>income | Acquisitions | Foreign<br>currency<br>movements | Closing<br>balance |
|-------------------------------------------|--------------------|-------------------------|------------------------------------------------|--------------|----------------------------------|--------------------|
|                                           | \$'000             | \$'000                  | \$'000                                         | \$'000       | \$'000                           | \$'000             |
| <b>2015</b>                               |                    |                         |                                                |              |                                  |                    |
| <b>Gross deferred tax liabilities:</b>    |                    |                         |                                                |              |                                  |                    |
| Property, plant and equipment             | (1,982)            | (2,093)                 | -                                              | -            | -                                | (4,075)            |
| Provisions                                | (37)               | (181)                   | -                                              | -            | (2)                              | (220)              |
| Other financial assets - derivatives      | (267)              | (373)                   | 358                                            | -            | -                                | (282)              |
| Intangible assets                         | (41,121)           | 4,116                   | -                                              | (6,380)      | (891)                            | (44,276)           |
|                                           | (43,407)           | 1,469                   | 358                                            | (6,380)      | (893)                            | (48,853)           |
| <b>Gross deferred tax assets:</b>         |                    |                         |                                                |              |                                  |                    |
| Property, plant and equipment             | 11,242             | (912)                   | -                                              | -            | 543                              | 10,873             |
| Provisions                                | 22,746             | 3,060                   | -                                              | -            | 894                              | 26,700             |
| Other financial liabilities – derivatives | 1,551              | 609                     | 273                                            | -            | 44                               | 2,477              |
| Intangible assets                         | -                  | 4,592                   | -                                              | 3,071        | -                                | 7,663              |
| Tax losses carried forward                | 1,050              | (525)                   | -                                              | -            | 46                               | 571                |
|                                           | 36,589             | 6,824                   | 273                                            | 3,071        | 1,527                            | 48,284             |
| Net movement in deferred tax              |                    | 8,293                   | 631                                            | (3,309)      |                                  |                    |
| <b>2014</b>                               |                    |                         |                                                |              |                                  |                    |
| <b>Gross deferred tax liabilities:</b>    |                    |                         |                                                |              |                                  |                    |
| Property, plant and equipment             | (1,773)            | (209)                   | -                                              | -            | -                                | (1,982)            |
| Provisions                                | (9)                | (12)                    | -                                              | -            | (16)                             | (37)               |
| Other financial assets - derivatives      | (290)              | (248)                   | 170                                            | -            | 101                              | (267)              |
| Intangible assets                         | (46,293)           | 1,897                   | -                                              | -            | 3,275                            | (41,121)           |
|                                           | (48,365)           | 1,428                   | 170                                            | -            | 3,360                            | (43,407)           |
| <b>Gross deferred tax assets:</b>         |                    |                         |                                                |              |                                  |                    |
| Property, plant and equipment             | 6,211              | 5,623                   | -                                              | -            | (592)                            | 11,242             |
| Provisions                                | 25,180             | (334)                   | -                                              | -            | (2,100)                          | 22,746             |
| Other financial liabilities – derivatives | 1,379              | -                       | 531                                            | -            | (359)                            | 1,551              |
| Tax losses carried forward                | 1,591              | (351)                   | -                                              | -            | (190)                            | 1,050              |
|                                           | 34,361             | 4,938                   | 531                                            | -            | (3,241)                          | 36,589             |
| Net movement in deferred tax              |                    | 6,366                   | 701                                            |              |                                  |                    |
|                                           | 2015               | 2014                    |                                                |              |                                  |                    |
|                                           | \$'000             | \$'000                  |                                                |              |                                  |                    |

**(d) Imputation credit account balances**

Imputation credits available directly and indirectly to shareholders of the parent company:

1,713 (660)

**EBOS GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED**

For the Financial Year ended 30 June, 2015

**4. KEY MANAGEMENT PERSONNEL COMPENSATION**

|                              | 2015<br>\$'000 | 2014<br>\$'000 |
|------------------------------|----------------|----------------|
| Short-term employee benefits | 12,249         | 12,137         |
|                              | 12,249         | 12,137         |

**5. REMUNERATION OF AUDITORS**

|                                                                                      |     |     |
|--------------------------------------------------------------------------------------|-----|-----|
| <b>Auditor of the Group</b>                                                          |     |     |
| Audit of the financial statements                                                    | 537 | 562 |
| Audit related services for review of interim financial statements not included above | 168 | 177 |
| Due diligence                                                                        | 105 | -   |
| Information technology services                                                      | 6   | 47  |
| Financial modelling assistance                                                       | 61  | 49  |
| Assurance services for indirect tax compliance                                       | 5   | 17  |
|                                                                                      | 882 | 852 |

All non-audit services provided by the Group's auditors require pre-approval by the Audit and Risk Committee. Before any non-audit services are approved, the Audit and Risk Committee must be satisfied that the provision of such services will not have any influence on the independence of the Group's auditors.

**6. TRADE AND OTHER RECEIVABLES**

|                               |          |          |
|-------------------------------|----------|----------|
| Trade receivables (i)         | 804,763  | 703,821  |
| Other receivables             | 15,948   | 11,971   |
| Allowance for impairment (ii) | (16,872) | (16,516) |
|                               | 803,839  | 699,276  |

(i) Trade receivables are non-interest bearing and generally on monthly terms. Interest may be charged on outstanding overdue balances in accordance with the terms and conditions under which goods are supplied.

**(ii) Allowance for Impairment**

|                                                 |          |          |
|-------------------------------------------------|----------|----------|
| Balance at the beginning of the year            | (16,516) | (17,048) |
| Impairment loss recognised on trade receivables | (1,869)  | (1,684)  |
| Amounts written off as uncollectible            | 2,186    | 719      |
| Effect of foreign currency exchange differences | (673)    | 1,497    |
|                                                 | (16,872) | (16,516) |

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 its fair value.

**EBOS GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED**

For the Financial Year ended 30 June, 2015

**6. TRADE & OTHER RECEIVABLES CONTINUED**

|                                                             | 2015<br>\$'000 | 2014<br>\$'000 |
|-------------------------------------------------------------|----------------|----------------|
| <b>(iii) Ageing of impaired trade and other receivables</b> |                |                |
| Current                                                     | 2,746          | 4,217          |
| 30 - 60 days                                                | 2,824          | 3,040          |
| 60 - 90 days                                                | 1,890          | 1,303          |
| 90 days+                                                    | 8,506          | 8,656          |
|                                                             | 15,966         | 17,216         |

**(iv) Ageing 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 \$65.681m (2014: \$62.918m) which are past due at the reporting date for which the Group has not provided any impairment as the amounts are still considered recoverable.

|              |        |        |
|--------------|--------|--------|
| 30 - 60 days | 50,105 | 45,952 |
| 60 - 90 days | 9,286  | 6,380  |
| 90 days+     | 6,290  | 10,586 |
|              | 65,681 | 62,918 |

**7. PREPAYMENTS**

|             |       |       |
|-------------|-------|-------|
| Current     | 7,935 | 6,748 |
| Non current | 439   | 54    |
|             | 8,374 | 6,802 |

**8. INVENTORIES**

|                       |         |         |
|-----------------------|---------|---------|
| <b>Finished Goods</b> |         |         |
| At cost               | 518,272 | 491,624 |
|                       | 518,272 | 491,624 |

**9. OTHER FINANCIAL ASSETS - DERIVATIVES****At Fair Value:**

|                                         |       |       |
|-----------------------------------------|-------|-------|
| Foreign currency forward contracts (i)  | 270   | 6     |
| Foreign currency forward contracts (ii) | 1,914 | 97    |
| Interest rate swaps (ii)                | -     | 1,339 |
|                                         | 2,184 | 1,442 |

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

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

The Group has categorised these derivatives, both financial assets (as above) and financial liabilities (refer to Note 20), as Level 2 under the fair value hierarchy contained within NZ IFRS 13.

The fair value of forward foreign exchange contracts is determined using a discounted cash flow valuation. Key inputs include observable forward exchange rates, at the measurement date, with the resulting value discounted back to present values.

Interest rate swaps are valued using a discounted cash flow valuation. Key inputs for the valuation of interest rate swaps are the estimated future cash flows based on observable yield curves at the end of the reporting period, discounted at a rate that reflects the credit risk of the various counterparties.

There have been no changes in valuation techniques used for either forward foreign exchange contracts or interest rate swaps during the current reporting period.

There were no transfers between fair value hierarchy levels during the current or prior periods.

**EBOS GROUP LIMITED**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED**

For the Financial Year ended 30 June, 2015

**10. PROPERTY, PLANT AND EQUIPMENT**

|                                                                  | Freehold<br>land<br>at<br>cost<br>\$'000 | Buildings<br>at<br>cost<br>\$'000 | Leasehold<br>improvements<br>at<br>cost<br>\$'000 | Plant and<br>equipment<br>at<br>cost<br>\$'000 | Office<br>equipment<br>furniture &<br>fittings at<br>cost<br>\$'000 | Total<br>\$'000 |
|------------------------------------------------------------------|------------------------------------------|-----------------------------------|---------------------------------------------------|------------------------------------------------|---------------------------------------------------------------------|-----------------|
| <b>Gross carrying amount</b>                                     |                                          |                                   |                                                   |                                                |                                                                     |                 |
| <b>Balance at 1 July 2013</b>                                    | 30,240                                   | 19,294                            | 10,063                                            | 34,910                                         | 21,708                                                              | 116,215         |
| Additions                                                        | -                                        | 56                                | 555                                               | 5,171                                          | 2,611                                                               | 8,393           |
| Disposals                                                        | -                                        | -                                 | (13)                                              | (2,863)                                        | (5,399)                                                             | (8,275)         |
| Net foreign currency exchange differences                        | (2,595)                                  | (950)                             | (783)                                             | (2,489)                                        | (936)                                                               | (7,753)         |
| <b>Balance at 30 June 2014</b>                                   | 27,645                                   | 18,400                            | 9,822                                             | 34,729                                         | 17,984                                                              | 108,580         |
| Additions                                                        | -                                        | 7                                 | 7,381                                             | 24,270                                         | 4,401                                                               | 36,059          |
| Disposals                                                        | -                                        | (52)                              | (977)                                             | (2,921)                                        | (703)                                                               | (4,653)         |
| Acquisitions through business combinations                       | -                                        | -                                 | -                                                 | 345                                            | 67                                                                  | 412             |
| Reclassification                                                 | -                                        | 1,004                             | -                                                 | -                                              | (1,004)                                                             | -               |
| Net foreign currency exchange differences                        | 1,131                                    | 415                               | 362                                               | 1,225                                          | 743                                                                 | 3,876           |
| <b>Balance at 30 June 2015</b>                                   | 28,776                                   | 19,774                            | 16,588                                            | 57,648                                         | 21,488                                                              | 144,274         |
| <b>Accumulated depreciation</b>                                  |                                          |                                   |                                                   |                                                |                                                                     |                 |
| <b>Balance at 1 July 2013</b>                                    | -                                        | (2,637)                           | (1,573)                                           | (6,681)                                        | (10,193)                                                            | (21,084)        |
| Disposals                                                        | -                                        | -                                 | 13                                                | 2,458                                          | 4,357                                                               | 6,828           |
| Depreciation expense                                             | -                                        | (944)                             | (1,124)                                           | (4,833)                                        | (3,272)                                                             | (10,173)        |
| Net foreign currency exchange differences                        | -                                        | 25                                | 95                                                | 397                                            | 186                                                                 | 703             |
| <b>Balance at 30 June 2014</b>                                   | -                                        | (3,556)                           | (2,589)                                           | (8,659)                                        | (8,922)                                                             | (23,726)        |
| Disposals                                                        | -                                        | 52                                | 766                                               | 2,586                                          | 703                                                                 | 4,107           |
| Depreciation expense                                             | -                                        | (774)                             | (1,358)                                           | (6,853)                                        | (3,123)                                                             | (12,108)        |
| Reclassification                                                 | -                                        | (871)                             | -                                                 | -                                              | 871                                                                 | -               |
| Net foreign currency exchange differences                        | -                                        | (57)                              | (120)                                             | (507)                                          | (264)                                                               | (948)           |
| <b>Balance at 30 June 2015</b>                                   | -                                        | (5,206)                           | (3,301)                                           | (13,433)                                       | (10,735)                                                            | (32,675)        |
| <b>Net book value</b>                                            |                                          |                                   |                                                   |                                                |                                                                     |                 |
| As at 30 June 2014                                               | 27,645                                   | 14,844                            | 7,233                                             | 26,070                                         | 9,062                                                               | 84,854          |
| As at 30 June 2015                                               | 28,776                                   | 14,568                            | 13,287                                            | 44,215                                         | 10,753                                                              | 111,599         |
|                                                                  |                                          |                                   |                                                   |                                                |                                                                     |                 |
|                                                                  |                                          |                                   |                                                   |                                                | 2015                                                                | 2014            |
|                                                                  |                                          |                                   |                                                   |                                                | \$'000                                                              | \$'000          |
| Aggregate depreciation recognised as an expense during the year: |                                          |                                   |                                                   |                                                |                                                                     |                 |
| Buildings                                                        |                                          |                                   |                                                   |                                                | 774                                                                 | 944             |
| Leasehold improvements                                           |                                          |                                   |                                                   |                                                | 1,358                                                               | 1,124           |
| Plant and equipment                                              |                                          |                                   |                                                   |                                                | 6,853                                                               | 4,833           |
| Office equipment, furniture & fittings                           |                                          |                                   |                                                   |                                                | 3,123                                                               | 3,272           |
|                                                                  |                                          |                                   |                                                   |                                                | 12,108                                                              | 10,173          |

**EBOS GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED**

For the Financial Year ended 30 June, 2015

**11. CAPITAL WORK IN PROGRESS**

|                          | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------|----------------|----------------|
| Capital work in progress | -              | 20,872         |

The 2014 capital work in progress related to both a custom built warehouse (\$20,058,000) – the cost to complete the project was \$4,384,000, and software development (\$814,000) – the cost to complete the project was \$138,000.

**12. GOODWILL**

|                                                      | Notes | 2015<br>\$'000 | 2014<br>\$'000 |
|------------------------------------------------------|-------|----------------|----------------|
| <b>Gross carrying amount</b>                         |       |                |                |
| Balance at beginning of financial year               |       | 720,875        | 722,158        |
| Recognised from business acquisition during the year | 24    | 43,152         | -              |
| Effects of foreign currency exchange differences     |       | 591            | (1,283)        |
| <b>Net book value</b>                                |       | <b>764,618</b> | <b>720,875</b> |

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

Goodwill has been allocated for impairment testing purposes to the following cash generating units or groups of cash generating units, representing the lowest level at which management monitors goodwill:

- Australian Hospital, Pharmacy and Primary Healthcare sectors: Healthcare Australia.
- New Zealand Consumer, Hospital, Primary Healthcare, Aged Care and International Product Supplies: Healthcare NZ.
- New Zealand Pharmacy Wholesaler and Logistic Services: Healthcare - Pharmacy/Logistics NZ.
- New Zealand and Australia Animal care sectors: Animal care.

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

|                                    | 2015<br>\$'000 | 2014<br>\$'000 |
|------------------------------------|----------------|----------------|
| Healthcare Australia               | 503,513        | 502,627        |
| Healthcare NZ                      | 1,728          | 1,728          |
| Healthcare – Pharmacy/Logistics NZ | 95,043         | 95,043         |
| Animal care                        | 164,334        | 121,477        |
|                                    | <b>764,618</b> | <b>720,875</b> |

During the year ended 30 June, 2015 management has determined that there is no impairment of any of the cash generating units containing goodwill (2014: Nil).

During the year the Group undertook a reorganisation of its internal reporting structure, combining its Animal care operations acquired from previous acquisitions. As a consequence Goodwill that was previously allocated to its Animal care New Zealand and Australian operations has now been allocated to a combined cash generating unit on a consistent basis with this new structure. Comparative figures have also been restated for comparability purposes.

For the Financial Year ended 30 June, 2015

## 12. GOODWILL CONTINUED

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:

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.

Gross margins during the assessment period are estimated by management based on average gross margins achieved before the start of the assessment period, adjusted for expected changes in the business or sector in which the business operates.

Operating costs during the assessment period are estimated by management based on current trends at the start of the assessment period, adjusted for expected changes in the business or sector in which the business operates.

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

Annual growth rates of 1.7% to 7.0% (2014: 0.9% to 4.6%), an allowance of 1.8% to 7.0% (2014: 1.0% to 4.5%) for increases in expenses, and pre-tax discount rates of 12.6% to 13.7% (2014: 12.7% to 13.7%) have been applied to these projections. Cash flows beyond the five year period have been extrapolated using a 2.5% (2014: 2.0% to 2.5%) growth rate. Management also believes that any reasonable 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

|                                            | Symbion<br>Brands<br>\$'000 | Other<br>Pharmacy<br>Brands<br>\$'000 | Animal care<br>Brands<br>\$'000 | Trademarks<br>\$'000 | Total<br>\$'000 |
|--------------------------------------------|-----------------------------|---------------------------------------|---------------------------------|----------------------|-----------------|
| <b>Gross carrying amount</b>               |                             |                                       |                                 |                      |                 |
| Balance at 1 July 2013                     | 28,561                      | 6,413                                 | 7,110                           | 17,240               | 59,324          |
| Net foreign currency exchange differences  | (2,615)                     | (133)                                 | -                               | -                    | (2,748)         |
| <b>Balance at 30 June 2014</b>             | <b>25,946</b>               | <b>6,280</b>                          | <b>7,110</b>                    | <b>17,240</b>        | <b>56,576</b>   |
| Acquisitions through business combinations | -                           | -                                     | 21,387                          | -                    | 21,387          |
| Net foreign currency exchange differences  | 1,142                       | 58                                    | (120)                           | -                    | 1,080           |
| <b>Balance at 30 June 2015</b>             | <b>27,088</b>               | <b>6,338</b>                          | <b>28,377</b>                   | <b>17,240</b>        | <b>79,043</b>   |
| <b>Net book value</b>                      |                             |                                       |                                 |                      |                 |
| As at 30 June 2014                         | 25,946                      | 6,280                                 | 7,110                           | 17,240               | 56,576          |
| As at 30 June 2015                         | 27,088                      | 6,338                                 | 28,377                          | 17,240               | 79,043          |

## EBOS GROUP LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2015

#### 13. INDEFINITE LIFE INTANGIBLES CONTINUED

The carrying amount of indefinite life intangibles (brands and trademarks) has been allocated to cash generating units, or groups of cash generating units, as follows:

|                                    | 2015<br>\$'000 | 2014<br>\$'000 |
|------------------------------------|----------------|----------------|
| Healthcare Australia               | 31,036         | 29,836         |
| Healthcare NZ                      | 2,390          | 2,390          |
| Healthcare - Pharmacy/Logistics NZ | 17,240         | 17,240         |
| Animal care                        | 28,377         | 7,110          |
|                                    | 79,043         | 56,576         |

Management has assessed these assets 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 and trademarks.

During the current year management has determined that there is no impairment of any of the brands and trademarks (2014: Nil).

The calculation of the recoverable amounts for indefinite life intangibles have been determined based on a value in use calculation that uses cash flow projections based on financial forecasts 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 1.7% to 5.9% (2014: 1.4% to 3%), and an allowance of 1.8% to 5.9% (2014: 1.4% to 3%) for increases in expenses, and pre-tax discount rates of 13.1% to 17.9% (2014: 13.1% to 19.2%) have been applied to these projections. Cash flows beyond the five-year period have been extrapolated using a 2.5% (2014: 2% to 2.5%) 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

|                                  | Supply<br>Contracts<br>\$'000 | Software<br>\$'000 | Customer<br>Relationships/<br>Contracts<br>\$'000 | Total<br>\$'000 |
|----------------------------------|-------------------------------|--------------------|---------------------------------------------------|-----------------|
| <b>Gross carrying amount</b>     |                               |                    |                                                   |                 |
| Balance at 1 July 2013           | 1,490                         | 2,258              | 94,417                                            | 98,165          |
| Additions                        | -                             | 3,148              | -                                                 | 3,148           |
| Net foreign exchange differences | -                             | (228)              | (8,646)                                           | (8,874)         |
| <b>Balance at 30 June 2014</b>   | 1,490                         | 5,178              | 85,771                                            | 92,439          |
| Additions                        | -                             | 464                | -                                                 | 464             |
| Disposals                        | -                             | (262)              | -                                                 | (262)           |
| Reclassification                 | -                             | (203)              | (908)                                             | (1,111)         |
| Net foreign exchange differences | -                             | 583                | 3,622                                             | 4,205           |
| <b>Balance at 30 June 2015</b>   | 1,490                         | 5,760              | 88,485                                            | 95,735          |

**EBOS GROUP LIMITED**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED**

For the Financial Year ended 30 June, 2015

**14. FINITE LIFE INTANGIBLES CONTINUED**

|                                                  | Supply<br>Contracts<br>\$'000 | Software<br>\$'000 | Customer<br>Relationships/<br>Contracts<br>\$'000 | Total<br>\$'000 |
|--------------------------------------------------|-------------------------------|--------------------|---------------------------------------------------|-----------------|
| <b>Accumulated amortisation &amp; impairment</b> |                               |                    |                                                   |                 |
| Balance at 1 July 2013                           | (1,490)                       | (415)              | (1,115)                                           | (3,020)         |
| Amortisation expense                             | -                             | (1,818)            | (10,592)                                          | (12,410)        |
| Net foreign exchange differences                 | -                             | 93                 | 400                                               | 493             |
| <b>Balance at 30 June 2014</b>                   | <b>(1,490)</b>                | <b>(2,140)</b>     | <b>(11,307)</b>                                   | <b>(14,937)</b> |
| Disposals                                        | -                             | 262                | -                                                 | 262             |
| Amortisation expense                             | -                             | (1,260)            | (10,750)                                          | (12,010)        |
| Reclassification                                 | -                             | 203                | 908                                               | 1,111           |
| Net foreign exchange differences                 | -                             | (101)              | (735)                                             | (836)           |
| <b>Balance at 30 June 2015</b>                   | <b>(1,490)</b>                | <b>(3,036)</b>     | <b>(21,884)</b>                                   | <b>(26,410)</b> |
| <b>Net book value</b>                            |                               |                    |                                                   |                 |
| As at 30 June 2014                               | -                             | 3,038              | 74,464                                            | 77,502          |
| As at 30 June 2015                               | -                             | 2,724              | 66,601                                            | 69,325          |

**EBOS GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED**

For the Financial Year ended 30 June, 2015

**15. SUBSIDIARIES****Parent and Head Entity**

EBOS Group Limited

**The following entities comprise the trading and holding companies of the Group:**

| Subsidiaries (all balance dates 30 June unless otherwise noted) | Country of Incorporation | Ownership Interests and Voting Rights |      |
|-----------------------------------------------------------------|--------------------------|---------------------------------------|------|
|                                                                 |                          | 2015                                  | 2014 |
| Pet Care Holdings Australia Pty Limited                         |                          |                                       |      |
| (formerly EBOS Healthcare (Australia) Pty Limited)              | Australia                | 100%                                  | 100% |
| EBOS Group Australia Pty Limited                                | Australia                | 100%                                  | 100% |
| EBOS Health & Science Pty Limited                               | Australia                | 100%                                  | 100% |
| PRNZ Limited                                                    | New Zealand              | 100%                                  | 100% |
| Pharmacy Retailing NZ Limited                                   | New Zealand              | 100%                                  | 100% |
| EBOS Limited Partnership                                        | Australia                | 100%                                  | 100% |
| Pet Care Distributors Pty Limited                               |                          |                                       |      |
| (formerly Healthcare Distributors Pty Limited)                  | Australia                | 100%                                  | 100% |
| Masterpet Corporation Limited                                   | New Zealand              | 100%                                  | 100% |
| Nature's Recipe Pet Foods Limited                               | New Zealand              | 100%                                  | 100% |
| Masterpet Australia Pty Limited                                 | Australia                | 100%                                  | 100% |
| Botany Bay Imports and Exports Pty Limited                      | Australia                | 100%                                  | 100% |
| Aristopet Pty Ltd                                               | Australia                | 100%                                  | 100% |
| EAHPL Pty Limited                                               |                          |                                       |      |
| (formerly EBOS Australia Holdings Pty Limited) <sup>1</sup>     | Australia                | 100%                                  | 100% |
| ZHHA Pty Ltd                                                    | Australia                | 100%                                  | 100% |
| ZAP Services Pty Ltd                                            | Australia                | 100%                                  | 100% |
| Symbion Pty Ltd                                                 | Australia                | 100%                                  | 100% |
| Intellipharma Pty Ltd                                           | Australia                | 100%                                  | 100% |
| Clinect Pty Ltd                                                 | Australia                | 100%                                  | 100% |
| Lyppard Australia Pty Ltd                                       | Australia                | 100%                                  | 100% |
| DoseAid Pty Limited                                             |                          |                                       |      |
| (formerly APHS Packaging Pty Ltd)                               | Australia                | 100%                                  | 100% |
| Symbion Pharmacy Services Trade Receivables Trust <sup>2</sup>  | Australia                | 100%                                  | 100% |
| Blackhawk Premium Pet Care Pty Limited                          | Australia                | 100%                                  | 0%   |

1. The EBOS Limited Partnership was dissolved subsequent to 30 June 2015.

2. Balance date is 31 December; the results of the Trust have been included in the Group results for the year to 30 June 2015.

**EBOS GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED**

For the Financial Year ended 30 June, 2015

**16. INVESTMENT IN ASSOCIATES**

| Name of business acquired                   | Principal activities | Date of acquisition | Proportion of shares and voting rights acquired | Cost of acquisition \$'000 |
|---------------------------------------------|----------------------|---------------------|-------------------------------------------------|----------------------------|
| Animates NZ Holdings Limited                | Animal care supplies | December 2011       | 50%                                             | 18,150                     |
| VIM Health Pty Limited                      | Healthcare supplies  | December 2013       | 50%                                             | 3,520                      |
| Good Price Pharmacy Franchising Pty Limited | Healthcare supplies  | October 2014        | 25%                                             | 3,918                      |
| Good Price Pharmacy Management Pty Limited  | Healthcare supplies  | October 2014        | 25%                                             | 3,918                      |

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

The reporting date for VIM Health Pty Limited, Good Price Pharmacy Franchising Pty Limited and Good Price Pharmacy Management Pty Limited is 30 June. They are incorporated in Australia.

Although the company holds 50% of the shares and voting power in both Animates NZ Holdings Limited and VIM Health Pty Limited these entities are not deemed to be a subsidiary as the other 50% is held by other single shareholders in both cases, therefore the Group is unable to exercise control over these entities.

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

|                                                                                  |                |                |
|----------------------------------------------------------------------------------|----------------|----------------|
| <b>Statement of financial position</b>                                           |                |                |
|                                                                                  | 2015<br>\$'000 | 2014<br>\$'000 |
| Total assets                                                                     | 47,424         | 41,620         |
| Total liabilities                                                                | (26,887)       | (24,480)       |
| Net assets                                                                       | 20,537         | 17,140         |
| Group's share of net assets                                                      | 9,691          | 8,570          |
| <b>Income Statement</b>                                                          |                |                |
| Total revenue                                                                    | 94,868         | 68,522         |
| Total profit for the year                                                        | 7,597          | 3,134          |
| Group's share of profits of associates                                           | 2,861          | 1,567          |
| <b>Movement in the carrying amount of the Group's investment in associates:</b>  |                |                |
|                                                                                  | 2015<br>\$'000 | 2014<br>\$'000 |
| Balance at the beginning of the financial year                                   | 24,100         | 19,013         |
| New investments <sup>1</sup>                                                     | 7,829          | 3,520          |
| Share of profits of associates                                                   | 2,861          | 1,567          |
| Share of dividends                                                               | (301)          | -              |
| Net foreign currency exchange differences                                        | 422            | -              |
| Balance at the end of the financial year                                         | 34,911         | 24,100         |
| Goodwill included in the carrying amount of the Group's investment in associates | 21,749         | 15,945         |
| The Group's share of the contingent liabilities of associates                    | -              | -              |
| The Group's share of capital commitments of associates                           | -              | -              |
| <sup>1</sup> Consideration for new investments comprises:                        |                |                |
| Cash                                                                             | 6,710          | 3,520          |
| Deferred purchase consideration                                                  | 1,119          | -              |
|                                                                                  | 7,829          | 3,520          |

**EBOS GROUP LIMITED**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED**

For the Financial Year ended 30 June, 2015

**17. BORROWINGS**

|                                           | 2015           | 2014           |
|-------------------------------------------|----------------|----------------|
|                                           | \$'000         | \$'000         |
| <b>Current</b>                            |                |                |
| Bank loans (i)                            | -              | 22,755         |
| Bank loans – securitisation facility (ii) | 153,245        | 130,579        |
| Finance lease liabilities (iii)           | 153            | 155            |
|                                           | 153,398        | 153,489        |
| <b>Non-current</b>                        |                |                |
| Bank loans (i)                            | 272,852        | 250,826        |
| Finance lease liabilities (iii)           | 191            | 680            |
|                                           | 273,043        | 251,506        |
| <b>Total borrowings</b>                   | <b>426,441</b> | <b>404,995</b> |

- (i) The Group has bank term loans and revolving cash advance facilities of \$364.5m (2014: \$361.2m), of which \$91.7m was unutilised at 30 June 2015 (2014: \$87.6m). The Group was released from a negative pledge deed in favour of the Group's syndicated banks on 31 October 2014 when the significant provisions of the negative pledge deed, including the guarantee over the Group's assets, were incorporated in an updated facilities agreement.

There have been no breaches of the banking covenants.

- (ii) The Group, through a subsidiary company, has a trade debtor securitisation facility of \$430.9m (2014: \$450.3m) of which \$277.7m was unutilised at 30 June 2015 (2014: \$319.7m). The securitisation facility involves Symbion Pty Limited providing security over the future cash flows of specific trade receivables of Symbion Pty Limited, which meet certain criteria, in return for cash finance on a contracted percentage of the security provided. As recourse, in the event of default by a trade debtor, remains with Symbion Pty Limited the trade receivables provided as security and the funding provided are recognised on the Group's Consolidated Balance Sheet.

At 30 June 2015, the value of trade receivables provided as security under this securitisation facility was \$197.9m (2014: \$180.3m). The net cash flows associated with the securitisation programme are disclosed in the cash flow statement as cash flows from financing activities.

The Symbion Pharmacy Services Trade Receivables Trust ("SPS Trust"), which is consolidated, was established solely for the purpose of purchasing qualifying trade receivables from Symbion Pty Limited and funding the same from lenders. The SPS Trust has directly provided funding to Symbion Pty Limited to acquire the rights to the cash flows of the securitised receivables. The SPS Trust is consolidated as the Group has the exposure, or rights, to variable returns from its involvement with the Trust and the Group considers that it has existing rights that give it the current ability to direct the relevant activities of the Trust.

- (iii) Secured by the assets leased.

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

As at 30 June 2015 the Group maintains the following lines of credit:

| Facility                   | Amount (NZD) | Maturity               |
|----------------------------|--------------|------------------------|
|                            | \$ millions  |                        |
| Term debt facilities       | \$79.3m      | August 2016            |
| Term debt facilities       | \$95.4m      | August 2018            |
| Term debt facilities       | \$98.2m      | August 2019            |
| Working capital facilities | \$91.7m      | July 2015 <sup>1</sup> |
| Securitisation facility    | \$430.9m     | August 2017            |

<sup>1</sup> Subsequent to year end the term of the Group's working capital facilities was extended by one year from July 2015 to July 2016.

**EBOS GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED**

For the Financial Year ended 30 June, 2015

**18. TRADE AND OTHER PAYABLES**

|                                 | 2015<br>\$'000 | 2014<br>\$'000 |
|---------------------------------|----------------|----------------|
| <b>Current</b>                  |                |                |
| Trade payables                  | 865,482        | 775,774        |
| Other payables                  | 80,069         | 45,617         |
| Deferred purchase consideration | 6,706          | -              |
|                                 | 952,257        | 821,391        |
| <b>Non-current</b>              |                |                |
| Other payables                  | 10,042         | 9,778          |
| Total trade and other payables  | 962,299        | 831,169        |

**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<br>Lease Payments |                | Present Value of Minimum<br>Future Lease Payments |                |
|----------------------------------------------|----------------------------------|----------------|---------------------------------------------------|----------------|
|                                              | 2015<br>\$'000                   | 2014<br>\$'000 | 2015<br>\$'000                                    | 2014<br>\$'000 |
| Not later than 1 year                        | 167                              | 167            | 153                                               | 155            |
| Later than 1 year and not later than 5 years | 208                              | 701            | 191                                               | 680            |
| Minimum lease payments*                      | 375                              | 868            | 344                                               | 835            |
| Less future finance charges                  | (31)                             | (33)           | -                                                 | -              |
| Present value of minimum lease payments      | 344                              | 835            | 344                                               | 835            |
| Included in the financial statements as:     |                                  |                |                                                   |                |
| Finance leases - current portion             |                                  |                | 153                                               | 155            |
| Finance leases - non current portion         |                                  |                | 191                                               | 680            |
|                                              |                                  |                | 344                                               | 835            |

\*Minimum future lease payments include 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 fifteen years with options to extend for a further one to twenty years. All operating lease contracts contain market review clauses in the event that the Group exercises its option to renew. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

|                                                 | 2015<br>\$'000 | 2014<br>\$'000 |
|-------------------------------------------------|----------------|----------------|
| <b>Operating leases</b>                         |                |                |
| <b>Non-cancellable operating lease payments</b> |                |                |
| Not longer than 1 year                          | 22,734         | 22,422         |
| Longer than 1 year and not longer than 5 years  | 60,296         | 67,408         |
| Longer than 5 years                             | 47,440         | 54,631         |
|                                                 | 130,470        | 144,461        |

**EBOS GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED**

For the Financial Year ended 30 June, 2015

**20. OTHER FINANCIAL LIABILITIES - DERIVATIVES**

|                                         | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------------------|----------------|----------------|
| <b>At fair value:</b>                   |                |                |
| Foreign currency forward contracts (i)  | -              | 59             |
| Foreign currency forward contracts (ii) | -              | 894            |
| Interest rate swaps (ii)                | 6,047          | 2,451          |
|                                         | 6,047          | 3,404          |

- (i) Financial liability carried at fair value through profit or loss ("FVTPL").
- (ii) Designated and effective as cash flow hedging instrument carried at fair value.

**21. SHARE CAPITAL**

|                                           | 2015<br>No.<br>000's | 2015<br>\$'000 | 2014<br>No.<br>000's | 2014<br>\$'000 |
|-------------------------------------------|----------------------|----------------|----------------------|----------------|
| <b>Fully paid ordinary shares</b>         |                      |                |                      |                |
| Balance at beginning of financial year    | 148,720              | 861,549        | 65,546               | 201,288        |
| Dividend reinvested                       |                      |                |                      |                |
| - October 2013                            | -                    | -              | 996                  | 9,500          |
| - April 2014                              | -                    | -              | 1,110                | 10,996         |
| - October 2014                            | 1,019                | 8,904          | -                    | -              |
| - April 2015                              | 948                  | 10,175         | -                    | -              |
| Rights issue – July 2013                  | -                    | -              | 22,941               | 149,119        |
| Share issue costs                         | -                    | -              | -                    | (7,356)        |
| Issue of consideration shares – July 2013 | -                    | -              | 58,127               | 498,147        |
| Share issue costs                         | -                    | -              | -                    | (145)          |
|                                           | 150,687              | 880,628        | 148,720              | 861,549        |

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.

**EBOS GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED**

For the Financial Year ended 30 June, 2015

**22. RESERVES**

|                                             | 2015<br>\$'000 | 2014<br>\$'000 |
|---------------------------------------------|----------------|----------------|
| <b>Foreign currency translation reserve</b> |                |                |
| Balance at beginning of the year            | (29,869)       | (5,675)        |
| Translation of foreign operations           | 11,993         | (24,194)       |
| Balance at end of the year                  | (17,876)       | (29,869)       |

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 being the Group's presentation currency, are brought to account by entries made directly in other comprehensive income and accumulated in the foreign currency translation reserve.

|                                  | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------------|----------------|----------------|
| <b>Retained Earnings</b>         |                |                |
| Balance at beginning of the year | 147,085        | 107,268        |
| Profit for the year              | 105,941        | 92,069         |
| Dividends (note 23)              | (63,431)       | (52,252)       |
| Balance at end of the year       | 189,595        | 147,085        |

|                                       |         |         |
|---------------------------------------|---------|---------|
| <b>Cash Flow Hedge Reserve</b>        |         |         |
| Balance at beginning of the year      | 274     | 1,996   |
| (Loss) recognised on cash flow hedges | (2,224) | (2,423) |
| Related income tax                    | 631     | 701     |
| Balance at end of the year            | (1,319) | 274     |

The cash flow hedge 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**

|                             | 2015<br>Cents per<br>share | Total<br>\$'000 | 2014<br>Cents per<br>share | Total<br>\$'000 |
|-----------------------------|----------------------------|-----------------|----------------------------|-----------------|
| <b>Recognised amounts</b>   |                            |                 |                            |                 |
| Fully paid ordinary shares  |                            |                 |                            |                 |
| - Final - prior year        | 20.5                       | 30,490          | 15.0                       | 21,992          |
| - Interim - current year    | 22.0                       | 32,941          | 20.5                       | 30,260          |
|                             | 42.5                       | 63,431          | 35.5                       | 52,252          |
| <b>Unrecognised amounts</b> |                            |                 |                            |                 |
| Final dividend              | 25.0                       | 37,672          | 20.5                       | 30,490          |

A dividend of 25.0 cents per share was declared on 25 August 2015 with the dividend being payable on 16 October 2015. As the dividend reinvestment plan will be in operation for this dividend shareholders may elect to reinvest part or all of their dividends in the Company. The anticipated cash impact of the dividend is approximately \$26.4m (2014: \$19.5m).

**EBOS GROUP LIMITED**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED**

For the Financial Year ended 30 June, 2015

**24. ACQUISITION OF SUBSIDIARIES**

| Name of business acquired              | Principal activities | Date of acquisition | Proportion of shares acquired | Cost of acquisition \$'000 |
|----------------------------------------|----------------------|---------------------|-------------------------------|----------------------------|
| <b>2015:</b>                           |                      |                     |                               |                            |
| Blackhawk Premium Pet Care Pty Limited | Animal care supplies | October 2014        | 100%                          | 64,160                     |

**Assets and liabilities acquired 2015:**

|                                          | Blackhawk Group \$'000 | Fair value adjustment \$'000 | Fair value on acquisition \$'000 |
|------------------------------------------|------------------------|------------------------------|----------------------------------|
| <b>Current assets</b>                    |                        |                              |                                  |
| Cash and cash equivalents                | 1,119                  | -                            | 1,119                            |
| Trade and other receivables              | 4,297                  | -                            | 4,297                            |
| Prepayments                              | 6                      | -                            | 6                                |
| Inventories                              | 305                    | -                            | 305                              |
| <b>Non-current assets</b>                |                        |                              |                                  |
| Property, plant and equipment            | 412                    | -                            | 412                              |
| Indefinite life intangibles              | -                      | 21,387 <sup>1</sup>          | 21,387                           |
| Deferred tax assets                      | -                      | 3,071 <sup>2</sup>           | 3,071                            |
| <b>Current liabilities</b>               |                        |                              |                                  |
| Trade and other payables                 | (1,310)                | (361) <sup>3</sup>           | (1,671)                          |
| Employee benefits                        | (53)                   | -                            | (53)                             |
| Current tax payable                      | (1,485)                | -                            | (1,485)                          |
| <b>Non-current liabilities</b>           |                        |                              |                                  |
| Deferred tax liabilities                 | -                      | (6,380) <sup>2</sup>         | (6,380)                          |
| <b>Net assets acquired</b>               | <b>3,291</b>           | <b>17,717</b>                | <b>21,008</b>                    |
| Goodwill on acquisition                  |                        |                              | 43,152                           |
| Total consideration                      |                        |                              | 64,160                           |
| Less cash and cash equivalents acquired  |                        |                              | (1,119)                          |
| Deferred purchase consideration          |                        |                              | (5,627)                          |
| <b>Net cash (outflow) on acquisition</b> |                        |                              | <b>(57,414)</b>                  |

1. To recognise the 'BlackHawk' brand as a result of a valuation performed at acquisition.
2. To recognise additional deferred tax assets and liabilities incurred.
3. To recognise additional liabilities identified as part of the acquisition.

**EBOS GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED**

For the Financial Year ended 30 June, 2015

**24. ACQUISITION OF SUBSIDIARIES CONTINUED****Goodwill arising on acquisition**

Goodwill arose on the acquisition of Blackhawk Premium Pet Care Pty Limited ('Blackhawk') because the cost of acquisition included a control premium paid. In addition, the consideration paid for the benefit of future expected cash flows above the current fair value of the assets acquired and the expected synergies and future market benefits expected to be obtained. These benefits are not recognised separately from goodwill as the expected future economic benefits arising cannot be reliably measured and they do not meet the definition of identifiable intangible assets.

Blackhawk was acquired as it is a profitable premium animal food business which the Group believes fits strategically with its Animal care business assets.

**Impact of the acquisition on the results of the Group**

Blackhawk contributed \$3,200,000 to the Group profit for the year. Group revenue for the year includes \$17,732,000 in respect of Blackhawk. Had the Blackhawk acquisition been effective at 1 July 2014, the revenue of the Group from continuing operations would have been \$6,077,013,000, and the Group profit for the year from continuing operations would have been \$107,404,000.

**25. NOTES TO THE CASH FLOW STATEMENT**

|                                                        | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------------------------------------|----------------|----------------|
| <b>(a) Subsidiaries acquired</b>                       |                |                |
| Note 24 sets out details of the subsidiaries acquired. |                |                |
| Details of the acquisitions are as follows:            |                |                |
| <b>Consideration</b>                                   |                |                |
| Cash and cash equivalents                              | 58,533         | 366,853        |
| Shares issued                                          | -              | 498,147        |
| Deferred purchase consideration                        | 5,627          | (865,000)      |
| Total consideration                                    | 64,160         | -              |
| Represented by:                                        |                |                |
| Net assets acquired (Note 24)                          | 21,008         | -              |
| Goodwill on acquisition                                | 43,152         | -              |
| Total consideration                                    | 64,160         | -              |
| <b>Net cash outflow on acquisition</b>                 |                |                |
| Cash and cash equivalents consideration                | 58,533         | 366,853        |
| Less Cash and cash equivalents acquired                | (1,119)        | -              |
| Net cash consideration paid                            | 57,414         | 366,853        |

On 5 July 2013, in accordance with the sale and purchase agreement to purchase the Symbion Group, the full deferred consideration payable balance of \$865m was settled in favour of the previous owners of the Symbion Group, the Zuellig Group. This consideration was made through an issue of EBOS Group Limited shares to the Zuellig Group of \$498m and cash consideration of \$367m. The cash consideration paid was funded by additional debt funding of \$134m and cash reserves.

**EBOS GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** CONTINUED

For the Financial Year ended 30 June, 2015

**25. NOTES TO THE CASH FLOW STATEMENT** CONTINUED

|                                                                                            | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------------------------------------------------------------------------|----------------|----------------|
| <b>(b) Financing facilities</b>                                                            |                |                |
| Bank overdraft facility, reviewed annually and payable at call:                            |                |                |
| Amount unused                                                                              | 1,674          | 1,664          |
|                                                                                            | 1,674          | 1,664          |
| Bank loan facilities with various maturity dates through to August 2019 (2014: July 2017)  |                |                |
| Amount used                                                                                | 426,097        | 404,162        |
| Amount unused                                                                              | 369,357        | 407,370        |
|                                                                                            | 795,454        | 811,532        |
| <b>(c) Reconciliation of profit for the year with cash flows from operating activities</b> |                |                |
| <b>Profit for the year</b>                                                                 | 105,941        | 92,069         |
| Add/(less) non-cash items:                                                                 |                |                |
| Depreciation                                                                               | 12,108         | 10,173         |
| Loss on sale of property, plant and equipment                                              | 88             | 4              |
| Amortisation of finite life intangible assets                                              | 12,010         | 12,410         |
| Share of profits from associates                                                           | (2,861)        | (1,567)        |
| (Gain)/loss on derivative financial instruments                                            | (323)          | 213            |
| Deferred tax                                                                               | (8,293)        | (6,366)        |
| Provision for doubtful debts                                                               | 355            | (531)          |
|                                                                                            | 13,084         | 14,336         |
| Movement in working capital:                                                               |                |                |
| Trade and other receivables                                                                | (104,918)      | 37,684         |
| Prepayments                                                                                | (1,572)        | 1,051          |
| Inventories                                                                                | (26,648)       | 66,726         |
| Current tax refundable/payable                                                             | 2,766          | 9,386          |
| Trade and other payables                                                                   | 131,130        | (69,965)       |
| Employee benefits                                                                          | 5,340          | 1,464          |
| Foreign currency translation of working capital balances                                   | 13,973         | (38,599)       |
|                                                                                            | 20,071         | 7,747          |
| Cash costs classified as investing activities:                                             |                |                |
| Working capital items relating to investing activities                                     | (6,706)        | -              |
| Working capital items acquired                                                             | 1,399          | -              |
| <b>Net cash inflow from operating activities</b>                                           | 133,789        | 114,152        |

**EBOS GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** CONTINUED

For the Financial Year ended 30 June, 2015

**26. EARNINGS PER SHARE CALCULATION**

|                                                                                                          | 2015          | 2014          |
|----------------------------------------------------------------------------------------------------------|---------------|---------------|
| <b>Basic earnings per share (refer Income Statement and Note 21)</b>                                     | <u>Cents</u>  | <u>Cents</u>  |
| Basic earnings per share                                                                                 | 70.8          | 62.8          |
|                                                                                                          | <u>\$'000</u> | <u>\$'000</u> |
| Earnings used in the calculation of total basic earnings per share                                       | 105,941       | 92,069        |
| Weighted average number of ordinary shares<br>for the purposes of calculating basic earnings per share   | 149,671       | 146,681       |
| <b>Diluted earnings per share (refer Income Statement and Note 21)</b>                                   | <u>Cents</u>  | <u>Cents</u>  |
| Diluted earnings per share                                                                               | 70.8          | 62.8          |
|                                                                                                          | <u>\$'000</u> | <u>\$'000</u> |
| Earnings used in the calculation of total diluted earnings per share                                     | 105,941       | 92,069        |
| Weighted average number of ordinary shares<br>for the purposes of calculating diluted earnings per share | 149,671       | 146,681       |

**EBOS GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED**

For the Financial Year ended 30 June, 2015

**27. COMMITMENTS FOR EXPENDITURE**

|                                          | 2015<br>\$'000 | 2014<br>\$'000 |
|------------------------------------------|----------------|----------------|
| <b>Capital expenditure commitments</b>   |                |                |
| Plant                                    | -              | 4,384          |
| Software development                     | 340            | 138            |
|                                          | 340            | 4,522          |
| <b>Operating expenditure commitments</b> |                |                |
| Purchase and distribution of products    | 2,086          | -              |

**28. CONTINGENT LIABILITIES & CONTINGENT ASSETS**

|                                   | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------------|----------------|----------------|
| <b>Contingent liabilities</b>     |                |                |
| Guarantees given to third parties | 12,520         | 16,613         |

A subsidiary company (PRNZ Limited) is guarantor for certain loans made to pharmacies by the ANZ National Bank Limited amounting to \$3.691m (2014: \$5.273m). 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.

A performance bond of up to \$Nil (2014: \$1m) was also held by the bank on behalf of a supplier, as was a performance guarantee of \$0.585m (2014: \$0.529M)

Property lease guarantees of \$8.155m (2014: \$8.428m) are held by the bank on behalf of landlords of the Group.

Also refer to note 17 for details of the Group's borrowing facilities.

**EBOS GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED**

For the Financial Year ended 30 June, 2015

**29. 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.

Animal care: Incorporates the sale of animal care products in a range of sectors, own brands, retail and wholesale activities.

Corporate: Includes net funding costs and central administration expenses that have not been allocated to the healthcare or animal care segments.

**(b) Segment revenues and results**

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

|                                                                                       | 2015<br>\$'000 | 2014<br>\$'000 |
|---------------------------------------------------------------------------------------|----------------|----------------|
| <b>Revenue from external customers</b>                                                |                |                |
| Healthcare                                                                            | 5,692,888      | 5,418,356      |
| Animal care                                                                           | 375,192        | 338,878        |
|                                                                                       | 6,068,080      | 5,757,234      |
| <b>Profit/(loss) before depreciation, amortisation, finance costs and tax expense</b> |                |                |
| Healthcare                                                                            | 170,167        | 153,055        |
| Animal care                                                                           | 37,118         | 29,431         |
| Corporate                                                                             | (10,590)       | (7,064)        |
|                                                                                       | 196,695        | 175,422        |
| <b>Segment expenses</b>                                                               |                |                |
| Healthcare:                                                                           |                |                |
| Depreciation                                                                          | (10,762)       | (8,693)        |
| Amortisation of finite life intangibles                                               | (9,695)        | (10,401)       |
| Tax expense                                                                           | (41,655)       | (34,644)       |
|                                                                                       | (62,112)       | (53,738)       |
| Animal care:                                                                          |                |                |
| Depreciation                                                                          | (1,346)        | (1,480)        |
| Amortisation of finite life intangibles                                               | (2,315)        | (2,009)        |
| Tax expense                                                                           | (11,616)       | (7,701)        |
|                                                                                       | (15,277)       | (11,190)       |
| Corporate:                                                                            |                |                |
| Net finance costs                                                                     | (21,909)       | (27,058)       |
| Tax credit                                                                            | 8,544          | 8,633          |
|                                                                                       | (13,365)       | (18,425)       |
| <b>Profit/(loss) for the year</b>                                                     |                |                |
| Healthcare                                                                            | 108,055        | 99,317         |
| Animal Care                                                                           | 21,841         | 18,241         |
| Corporate                                                                             | (23,955)       | (25,489)       |
|                                                                                       | 105,941        | 92,069         |
| <b>Associate Information:</b>                                                         |                |                |
| Included in the segment results above is Income from associates of:                   |                |                |
| Animal care                                                                           | 2,066          | 1,433          |
| Healthcare                                                                            | 795            | 134            |

For the Financial Year ended 30 June, 2015

## 29. 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, net finance costs and tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

### (c) Segment assets

Assets are not allocated to segments as they are not reported to the chief operating decision maker at a segment level.

### (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 corporate. Revenues are reported above under (b) Segment revenues and results.

### (e) Geographical information

The Group operates in two principal geographical areas; New Zealand 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:

|                                               | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------------------------|----------------|----------------|
| <b>Continuing and discontinued operations</b> |                |                |
| <b>Revenue from external customers</b>        |                |                |
| New Zealand                                   | 1,343,884      | 1,278,650      |
| Australia                                     | 4,724,196      | 4,478,584      |
|                                               | 6,068,080      | 5,757,234      |
| <b>Non-current assets</b>                     |                |                |
| New Zealand                                   | 206,410        | 207,395        |
| Australia                                     | 818,614        | 753,338        |
|                                               | 1,025,024      | 960,733        |

### (f) Information about major customers

No revenues from transactions with a single customer amount to 10% or more of the Group's revenues (June 2014: Nil).

For the Financial Year ended 30 June, 2015

### **30. 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**

As at 30 June 2015 no balances were owing to or from related parties of EBOS Group (2014:nil)

**(d) Key Management Personnel Remuneration**

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

For the Financial Year ended 30 June, 2015

### **31. FINANCIAL INSTRUMENTS**

---

#### **(a) Financial risk management objectives**

The Group's corporate treasury function provides services to the Group's entities, co-ordinates access to 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; and
- 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**

The Group enters into forward foreign exchange contracts to manage the risk associated with anticipated future sales and purchase transactions denominated in foreign currencies in accordance with the Group's Board approved treasury policy.

The fair value of forward foreign exchange contracts is determined using a discounted cash flow valuation. Key inputs include the forward exchange rates at the measurement date, with the resulting value discounted back to present values.

Therefore the Group has categorised these derivatives as Level 2 under the fair value hierarchy contained within NZ IFRS 13.

There were no transfers between fair value hierarchy levels during the current or prior periods.

**EBOS GROUP LIMITED**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED**

For the Financial Year ended 30 June, 2015

**31. FINANCIAL INSTRUMENTS CONTINUED**

|                               | Average<br>Exchange rate |        | Foreign currency |                | Contract value |                | Fair value     |                |
|-------------------------------|--------------------------|--------|------------------|----------------|----------------|----------------|----------------|----------------|
|                               | 2015                     | 2014   | 2015<br>FC'000   | 2014<br>FC'000 | 2015<br>\$'000 | 2014<br>\$'000 | 2015<br>\$'000 | 2014<br>\$'000 |
| <b>Outstanding Contracts</b>  |                          |        |                  |                |                |                |                |                |
| <b>Buy Australian Dollars</b> |                          |        |                  |                |                |                |                |                |
| Less than 3 months            | 0.932                    | 0.940  | 800              | 703            | 858            | 748            | 54             | 9              |
| 3 to 6 months                 | 0.906                    | -      | 500              | -              | 552            | -              | 20             | -              |
| 6 to 9 months                 | 0.903                    | -      | 250              | -              | 277            | -              | 10             | -              |
| <b>Buy Euro</b>               |                          |        |                  |                |                |                |                |                |
| Less than 3 months            | 0.636                    | 0.650  | 758              | 2,138          | 1,192          | 3,291          | 63             | 62             |
| 3 to 6 months                 | 0.652                    | 0.632  | 1,024            | 648            | 1,570          | 1,025          | 136            | 1              |
| 6 to 9 months                 | 0.656                    | 0.628  | 512              | 648            | 781            | 1,032          | 78             | 5              |
| <b>Buy Pounds</b>             |                          |        |                  |                |                |                |                |                |
| Less than 3 months            | 0.460                    | -      | 250              | -              | 544            | -              | 29             | -              |
| 6 to 9 months                 | 0.443                    | -      | 385              | -              | 869            | -              | 18             | -              |
| 9 to 12 months                | 0.441                    | -      | 200              | -              | 454            | -              | 9              | -              |
| <b>Buy THB</b>                |                          |        |                  |                |                |                |                |                |
| Less than 3 months            | 23.688                   | 28.355 | 40,270           | 60,000         | 1,700          | 2,116          | 36             | (5)            |
| 3 to 6 months                 | 22.592                   | 28.269 | 44,800           | 24,000         | 1,983          | 849            | (42)           | 1              |
| 6 to 9 months                 | 23.019                   | 28.202 | 30,500           | 24,000         | 1,325          | 851            | 2              | 4              |
| 9 to 12 months                | 23.077                   | -      | 18,000           | -              | 780            | -              | 5              | -              |
| <b>Buy US Dollars</b>         |                          |        |                  |                |                |                |                |                |
| Less than 3 months            | 0.768                    | 0.832  | 5,396            | 6,415          | 7,026          | 7,709          | 888            | (373)          |
| 3 to 6 months                 | 0.717                    | 0.819  | 5,029            | 4,875          | 7,014          | 5,949          | 402            | (331)          |
| 6 to 9 months                 | 0.737                    | 0.837  | 4,065            | 4,000          | 5,518          | 4,781          | 476            | (140)          |
| 9 to 12 months                | -                        | 0.836  | -                | 2,500          | -              | 2,990          | -              | (68)           |
| 12 to 15 months               | -                        | 0.832  | -                | 1,350          | -              | 1,622          | -              | (14)           |
|                               |                          |        |                  |                | 32,443         | 32,963         | 2,184          | (849)          |

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.

For the Financial Year ended 30 June, 2015

**31. FINANCIAL INSTRUMENTS** CONTINUED**(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.

**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.

|                                               | Average contracted<br>fixed interest rate |      | Notional principal<br>amount |         | Fair value |         |
|-----------------------------------------------|-------------------------------------------|------|------------------------------|---------|------------|---------|
|                                               | 2015                                      | 2014 | 2015                         | 2014    | 2015       | 2014    |
| <b>Outstanding Contracts</b>                  | %                                         | %    | \$'000                       | \$'000  | \$'000     | \$'000  |
| Outstanding variable rate for fixed contracts |                                           |      |                              |         |            |         |
| Less than 1 year                              | 4.22                                      | 3.38 | 2,239                        | 50,391  | (16)       | (54)    |
| 1 to 3 years                                  | 3.42                                      | 3.24 | 146,858                      | 113,252 | (2,924)    | 632     |
| 3 to 5 years                                  | 3.54                                      | 3.77 | 60,369                       | 80,402  | (2,215)    | (1,472) |
| Greater than 5 years                          | 5.18                                      | 5.14 | 10,000                       | 15,000  | (892)      | (219)   |
|                                               |                                           |      | 219,466                      | 259,045 | (6,047)    | (1,113) |

The fair value of interest rate swaps outstanding are recognised as other financial assets/liabilities. Hedge accounting has been adopted. Interest rate swaps are valued using a discounted cash flow valuation. Key inputs for the valuation of interest rate swaps are the estimated future cash flows based on observable yield curves at the end of the reporting period, discounted at a rate that reflects the credit risk of the various counterparties.

Therefore the Group has categorised these derivatives as Level 2 under the fair value hierarchy contained within NZ IFRS 13. There were no transfers between fair value hierarchy levels during the current or prior periods.

**(e) Liquidity**

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve banking facilities by continuously monitoring forecast and actual cash flows 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 at balance date. 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.

**EBOS GROUP LIMITED**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED**

For the Financial Year ended 30 June, 2015

**31. FINANCIAL INSTRUMENTS CONTINUED**

| Group - 2015                  | Weighted<br>average<br>effective<br>interest<br>rate % | Maturity Dates         |                               |                     |                     |                     |                     |                       | Total<br>\$'000 |
|-------------------------------|--------------------------------------------------------|------------------------|-------------------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|-----------------|
|                               |                                                        | On<br>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+<br>Years<br>\$'000 |                 |
|                               |                                                        |                        |                               |                     |                     |                     |                     |                       |                 |
| <b>Financial assets:</b>      |                                                        |                        |                               |                     |                     |                     |                     |                       |                 |
| Cash and cash equivalents     | 2.1                                                    | 109,521                | -                             | -                   | -                   | -                   | -                   | -                     | 109,521         |
| Trade and other receivables   | -                                                      | 803,839                | -                             | -                   | -                   | -                   | -                   | -                     | 803,839         |
| Other financial assets        |                                                        |                        |                               |                     |                     |                     |                     |                       |                 |
| - derivatives                 | -                                                      | -                      | 2,184                         | -                   | -                   | -                   | -                   | -                     | 2,184           |
|                               |                                                        | 913,360                | 2,184                         | -                   | -                   | -                   | -                   | -                     | 915,544         |
| <b>Financial liabilities:</b> |                                                        |                        |                               |                     |                     |                     |                     |                       |                 |
| Trade and other payables      | -                                                      | 941,203                | 11,054                        | 521                 | 521                 | 521                 | 521                 | 3,125                 | 957,466         |
| Finance leases                | 8.6                                                    | -                      | 167                           | 208                 | -                   | -                   | -                   | -                     | 375             |
| Bank loans                    | 4.0                                                    | -                      | 16,979                        | 93,579              | 161,454             | 99,923              | 98,806              | -                     | 470,741         |
| Other financial liabilities   |                                                        |                        |                               |                     |                     |                     |                     |                       |                 |
| - derivatives                 | -                                                      | -                      | 6,047                         | -                   | -                   | -                   | -                   | -                     | 6,047           |
|                               |                                                        | 941,203                | 34,247                        | 94,308              | 161,975             | 100,444             | 99,327              | 3,125                 | 1,434,629       |

| Group - 2014                  | Weighted<br>average<br>effective<br>interest<br>rate<br>% | Maturity Dates         |                               |                     |                     |                     |                     |                       | Total<br>\$'000 |
|-------------------------------|-----------------------------------------------------------|------------------------|-------------------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|-----------------|
|                               |                                                           | On<br>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+<br>Years<br>\$'000 |                 |
|                               |                                                           |                        |                               |                     |                     |                     |                     |                       |                 |
| <b>Financial assets:</b>      |                                                           |                        |                               |                     |                     |                     |                     |                       |                 |
| Cash and cash equivalents     | 2.4                                                       | 88,698                 | -                             | -                   | -                   | -                   | -                   | -                     | 88,698          |
| Trade and other receivables   | -                                                         | 699,276                | -                             | -                   | -                   | -                   | -                   | -                     | 699,276         |
| Other financial assets        |                                                           |                        |                               |                     |                     |                     |                     |                       |                 |
| - derivatives                 | -                                                         | -                      | 1,442                         | -                   | -                   | -                   | -                   | -                     | 1,442           |
|                               |                                                           | 787,974                | 1,442                         | -                   | -                   | -                   | -                   | -                     | 789,416         |
| <b>Financial liabilities:</b> |                                                           |                        |                               |                     |                     |                     |                     |                       |                 |
| Trade and other payables      | -                                                         | 808,338                | 13,053                        | 4,349               | 521                 | 521                 | 521                 | 3,646                 | 830,949         |
| Finance leases                | 8.6                                                       | -                      | 167                           | 701                 | -                   | -                   | -                   | -                     | 868             |
| Bank loans                    | 4.6                                                       | -                      | 37,328                        | 219,825             | 98,651              | 81,198              | -                   | -                     | 437,002         |
| Other financial liabilities   |                                                           |                        |                               |                     |                     |                     |                     |                       |                 |
| - derivatives                 | -                                                         | -                      | 3,404                         | -                   | -                   | -                   | -                   | -                     | 3,404           |
|                               |                                                           | 808,338                | 53,952                        | 224,875             | 99,172              | 81,719              | 521                 | 3,646                 | 1,272,223       |

For the Financial Year ended 30 June, 2015

**31. FINANCIAL INSTRUMENTS** CONTINUED**(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 to Profit for the Year and Total Equity as a result of a 100 basis point movement in interest rates is as follows:

|                                             | 2015<br>\$'000 | 2014<br>\$'000 |
|---------------------------------------------|----------------|----------------|
| + 100 basis point shift up in yield curve   |                |                |
| Impact on Profit                            | -              | -              |
| Impact on Total Equity                      | 4,971          | 5,620          |
| - 100 basis point shift down in yield curve |                |                |
| Impact on Profit                            | -              | -              |
| Impact on Total Equity                      | (5,142)        | (5,863)        |

**(ii) Foreign currency sensitivity analysis**

The following table details the Group's sensitivity to a 10% increase or decrease in the foreign currency rate against the presentation currency of the Group. The sensitivity analysis below is determined on exposure to outstanding foreign currency contracts and foreign currency monetary items, and adjusts their translation at the yearend 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.

|                               | 2015<br>\$'000 | 2014<br>\$'000 |
|-------------------------------|----------------|----------------|
| + 10% shift in NZD rate       |                |                |
| Impact on Profit for the Year | (709)          | (196)          |
| Impact on Total Equity        | (3,436)        | (3,138)        |
| - 10% shift in NZD rate       |                |                |
| Impact on Profit for the Year | 709            | 196            |
| Impact on Total Equity        | 3,436          | 3,173          |

For the Financial Year ended 30 June, 2015

**31. 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 sectors and geographical areas. On-going 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 are disclosed in note 28.

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 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 are determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair value of derivative instruments are 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.

**(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, meaning Total Shareholders' Funds, 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 has certain capital risk management covenants under its negative pledge agreement with its bankers, such as retaining minimum shareholder funds. None of its banking covenants were breached during the year. The Group's overall strategy remains unchanged from 2014.

**32. EVENTS AFTER BALANCE DATE**

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

## ADDITIONAL STOCK EXCHANGE INFORMATION

As at 31 July, 2015

|                                                        | Fully paid shares | Percentage of paid capital |
|--------------------------------------------------------|-------------------|----------------------------|
| <b>Twenty Largest Shareholders</b>                     |                   |                            |
| Sybos Holdings Pte Limited                             | 60,275,458        | 40.00%                     |
| HSBC Nominees (New Zealand) Limited – NZCSD HKBN90     | 9,027,232         | 5.99%                      |
| Whyte Adder No 3 Limited                               | 7,227,503         | 4.80%                      |
| JP Morgan Chase Bank – NZCSD CHAM24                    | 7,126,096         | 4.73%                      |
| Accident Compensation Corporation – NZCSD ACCI40       | 4,067,738         | 2.70%                      |
| Citibank Nominees (New Zealand) Limited – NZCSD CNOM90 | 2,827,233         | 1.88%                      |
| Tea Custodians Limited – NZCSD TEAC40                  | 2,763,661         | 1.83%                      |
| FNZ Custodians Limited                                 | 2,619,585         | 1.74%                      |
| Forsyth Barr Custodians Limited 1-33                   | 2,331,606         | 1.55%                      |
| Custodial Services Limited A/C 3                       | 2,145,929         | 1.42%                      |
| National Nominees New Zealand Limited – NZCSD>NNLZ90   | 2,125,504         | 1.41%                      |
| HSBC Nominees (New Zealand) Limited – NZCSD HKBN45     | 1,609,097         | 1.07%                      |
| Herpa Properties Limited                               | 1,368,922         | 0.91%                      |
| Forsyth Barr Custodians Limited 1-17.5                 | 850,289           | 0.56%                      |
| Investment Custodial Services Limited A/C C            | 827,112           | 0.55%                      |
| Custodial Services Limited A/C 2                       | 797,629           | 0.53%                      |
| BNP Paribas Nominees (NZ) Limited – NZCSD COGN40       | 783,599           | 0.52%                      |
| Custodial Services Limited A/C 18                      | 779,902           | 0.52%                      |
| UBS Nominees Pty Limited                               | 746,170           | 0.50%                      |
| Forsyth Barr Custodians Limited 1-30                   | 679,974           | 0.45%                      |
|                                                        | 110,980,239       | 73.66%                     |

### Substantial Security Holders

As at 31 July 2015 the following persons are deemed to be substantial security holders in accordance with Section 26 of the Securities Markets Amendment Act 1988.

|                                                     | Fully paid shares | Percentage of paid capital |
|-----------------------------------------------------|-------------------|----------------------------|
| Sybos Holdings Pte Limited                          | 60,275,458        | 40.00%                     |
| Fidelity Holdings                                   | 15,038,999        | 9.98%                      |
| Whyte Adder No 3 Limited & Herpa Properties Limited | 8,596,425         | 5.71%                      |
|                                                     | 83,910,882        | 55.69%                     |

| Distribution of Shareholders and Shareholdings | Holders | Fully paid shares | Percentage of paid capital |
|------------------------------------------------|---------|-------------------|----------------------------|
| Size of Holding                                |         |                   |                            |
| 1 to 1,000                                     | 1,845   | 890,517           | 0.59%                      |
| 1,001 to 5,000                                 | 3,076   | 7,682,266         | 5.10%                      |
| 5,001 to 10,000                                | 879     | 6,202,453         | 4.12%                      |
| 10,001 to 100,000                              | 750     | 16,667,446        | 11.06%                     |
| 100,001 and over                               | 48      | 119,244,429       | 79.13%                     |
| Total                                          | 6,598   | 150,687,111       | 100.00%                    |

### Unmarketable parcel as at 31 July 2015

As at 31 July 2015, there were 212 shareholders (with a total of 4,591 shares) holding less than a marketable parcel of shares under the ASX Listing Rules, based on the closing share price of A\$8.95. The ASX Listing Rules define a marketable parcel of shares as a parcel of shares of not less than A\$500.

## ADDITIONAL STOCK EXCHANGE INFORMATION CONTINUED

### Waivers from the NZX and ASX Listing Rules

Waivers granted from the application of NZX and ASX Listing Rules are published on the Company's website.

The terms of the Company's admission to the ASX and on-going listing requires the following disclosures:

1. The Company is not subject to Chapters 6, 6A, 6B and 6C of the Australian Corporations Act dealing with the acquisition of shares (including substantial holdings and takeovers).
2. Limitations on the acquisition of securities imposed under New Zealand law are as follows:
  - (a) In general, securities in the Company are freely transferable and the only significant restrictions or limitations in relation to the acquisition of securities are those imposed by New Zealand laws relating to takeovers, overseas investment and competition.
  - (b) The New Zealand Takeovers Code creates a general rule under which the acquisition of 20% or more of the voting rights in the Company or the increase of an existing holding of 20% or more of the voting rights of the Company can only occur in certain permitted ways. These include a full takeover offer in accordance with the Takeovers Code, an acquisition approved by an ordinary resolution, an allotment approved by an ordinary resolution, a creeping acquisition (in certain circumstances), or compulsory acquisition of a shareholder holding 90% or more of the shares.
  - (c) The New Zealand Overseas Investment Act 2005 and Overseas Investment Regulations 2005 (New Zealand) regulate certain investments in New Zealand by overseas interests. In general terms, the consent of the New Zealand Overseas Investment Office is likely to be required where an 'overseas person' acquires shares in the Company that amount to 25% or more of the shares issued by the Company, or if the overseas person already holds 25% or more, the acquisition increases that holding.
  - (d) The New Zealand Commerce Act 1986 is likely to prevent a person from acquiring shares in the Company if the acquisition would have, or would be likely to have, the effect of substantially lessening competition in the market.

### Voting Rights

Shareholders may vote at a meeting of shareholders either in person or by Proxy, Attorney, or Representative. Where voting is by show of hands or by voice every shareholder present in person or representative has one vote.

In a poll every shareholder present in person or by representative has one vote for each share.

### Use of Cash and Cash Equivalents

In accordance with ASX Listing Rule 4.10.19 the Board has determined that the Company has used cash and cash equivalents that it had at the time of its admission to the ASX in a way consistent with its business objectives from the period of its admission to the ASX on 3 December 2013 to 30 June 2015.

## DIRECTORY

---

### REGISTERED OFFICES

108 Wrights Road  
P O Box 411  
Christchurch 8024  
New Zealand  
Telephone +64 3 338 0999  
E-mail: [ebos@ebos.co.nz](mailto:ebos@ebos.co.nz)

Level 3, 484 St Kilda Road  
Melbourne 3004  
PO Box 7300  
Melbourne 8004  
Australia  
Telephone +61 3 9918 5555  
E-mail: [ebos@ebosgroup.com](mailto:ebos@ebosgroup.com)

### WEBSITE ADDRESS

Internet: [www.ebosgroup.com](http://www.ebosgroup.com)

### DIRECTORS

|                  |                      |
|------------------|----------------------|
| Rick Christie    | Independent Chairman |
| Mark Waller      | Executive Director   |
| Elizabeth Coutts | Independent Director |
| Peter Kraus      |                      |
| Stuart McGregor  |                      |
| Sarah Ottrey     | Independent Director |
| Barry Wallace    |                      |
| Peter Williams   |                      |

### SENIOR EXECUTIVES

|                |                                                           |
|----------------|-----------------------------------------------------------|
| Patrick Davies | Chief Executive Officer                                   |
| Brett Barons   | General Manager, Symbion Pharmacy and ProPharma           |
| Michael Broome | Group General Manager, HCL and Symbion Contract Logistics |
| Simon Bunde    | General Manager, Group Operations & Strategy              |
| Janelle Cain   | General Counsel                                           |
| John Cullity   | Chief Financial Officer and Company Secretary             |
| Sean Duggan    | Chief Executive Officer, Animal Care                      |
| Tim Goldenberg | Group Human Resources Manager                             |
| Kelvin Hyland  | General Manager, EBOS Healthcare                          |
| David Lewis    | General Manager, Onelink Australia                        |
| Stuart Spencer | General Manager, Group Business Development               |
| Andrew Vidler  | General Manager, Retail Services                          |

### AUDITOR

Deloitte  
Christchurch

### SECURITIES EXCHANGE

EBOS Group Limited shares are quoted on the New Zealand Securities Exchange and the Australian Securities Exchange (NZ/ASX code: EBO).

### SHARE REGISTER

Computershare Investor Services Ltd  
Private Bag 92119  
Auckland 1142  
New Zealand  
Telephone: +64 9 488 8777

Computershare Investor Services Pty Ltd  
GPO Box 3329  
Melbourne, Victoria 3001  
Australia  
Telephone: 1800 501 366

### Managing Your Shareholding Online:

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

[www.computershare.com/investorcentre](http://www.computershare.com/investorcentre)

General enquiries can be directed to:

- [enquiry@computershare.co.nz](mailto:enquiry@computershare.co.nz)
- Private Bag 92119, Auckland 1142, New Zealand or GPO Box 3329, Melbourne, Victoria 3001, Australia
- Telephone (NZ) +64 9 488 8777 or (Aust) 1800 501 366
- Facsimile (NZ) +64 9 488 8787 or (Aust) +61 3 9473 2500

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

### NOTICE OF ANNUAL MEETING

The Annual Meeting of EBOS Group Limited will be held on Tuesday, 27 October 2015 at the Chateau on the Park, Cnr Deans Avenue and Kilmarnock Street, Christchurch, New Zealand, at 2.00pm.