EBOS Group
Annual Report 2015

# strength through diversity

EBOS
GROUP LIMITED


# Australasia's largest provider of medical and healthcare products to the human and animal markets.

# Contents

# Foreword

**If you needed access to medicine in either Australia or New Zealand over the past year – whether through your pharmacy, in a hospital, an aged care facility or even for your pet through a veterinary service – it's likely EBOS played a role in getting that medicine to you.**

That's because, every year, EBOS moves millions of healthcare products and is involved in hundreds of thousands of interactions throughout the healthcare system, playing our part in improving the wellbeing of communities right across the length and breadth of both countries. That's a claim not many companies can make.

Throughout our long history, our business units and brands have always delivered products and services that consumers trust.

We can do all of this because of our diversity. We are committed to expanding our portfolio to ensure that we participate in emerging opportunities, evolving our Group to meet the ever-changing demands of the market. We are trusted partners to governments, businesses and consumers across our wide range of operations in healthcare and animal care.

**Because Life Matters.**

## We are trusted partners to governments, businesses and consumers across our wide range of operations in healthcare and animal care.

# Healthcare

## COMMUNITY PHARMACY

Dedicated to the long-term health of the community pharmacy industry, our full-line wholesale businesses manage the distribution of medicines and over-the-counter products to independent pharmacies, leading pharmacy franchises and banner groups. We further support pharmacies through our retail branded franchise systems, comprehensive support programs, and reporting and management software solutions, all of which are designed to help community pharmacies grow.

Our trans-Tasman Consumer Products division, Endeavour Consumer Health, brings high-quality, cost-effective products to the market and is the name behind some of the most trusted pharmacy brands, including the iconic Faulding range.

### PHARMACY WHOLESALE

- Symbion
- PWR Pharmacy Wholesalers Russells
- ProPharma

### PHARMACY RETAIL

- Chemmart Pharmacy
- Pharmacy Choice
- Good Price Pharmacy Warehouse
- minfos
- intellipharm
- Vantage Gold Club – Buy better. Sell more.
- healthSAVE pharmacy

### CONSUMER PRODUCTS

- Endeavour Consumer Health
- Faulding
- nature's kiss Anti-Flamme

Pharmacist Joseph Bollella at Henley Beach Chemmart.

## Healthcare

### INSTITUTIONAL HEALTHCARE

EBOS Group is an integral provider to the Australasian institutional healthcare markets. Our businesses support public and private hospitals, day surgeries, general practitioner clinics and aged care facilities with a comprehensive range of products and services. From large scale public hospital supply chain solutions, right through to individually tailored specialty product access solutions, we are constantly changing our business to help our customers prosper.

### CONTRACT LOGISTICS

Our Contract Logistics division provides distribution, warehousing and logistics support to pharmaceutical manufacturers and medical device suppliers across Australia and New Zealand. We pride ourselves on providing the highest quality standards to our customers and we know just how important this is to our shared success.

We also offer a range of specialised logistics services for the clinical research industry.

# Animal Care

## VETERINARY AND PET CARE

EBOS' Animal Care division provides sales, marketing, wholesale and distribution support to pet stores and vet clinics. We own a number of market leading pet food brands and have a retail presence in New Zealand through a 50% ownership in the Animates pet store chain.

Our Australian veterinary business, Lyppard, meets the diverse wholesale requirements of the veterinary industry.

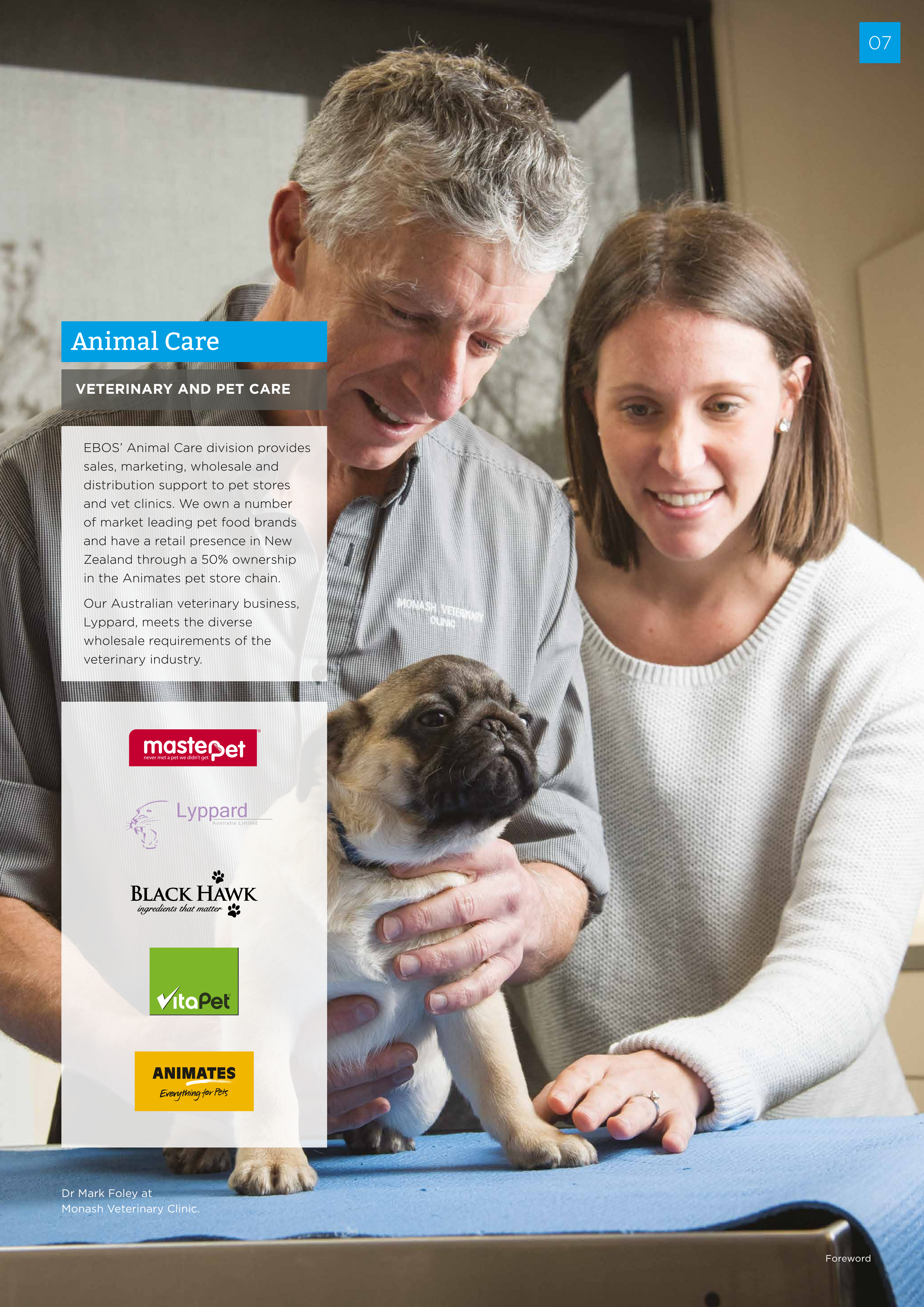
masterpet never met a pet we didn't get

Lyppard Australia Limited

BLACK HAWK ingredients that matter

VitaPet

ANIMATES Everything for Pets




Dr Mark Foley at Monash Veterinary Clinic.

# Our People

**Each and every day, EBOS employees make a tangible difference to the lives of others.**

We recognise that our people play an integral role in the delivery of health outcomes to the community and we are fortunate to have the very best in the industry. Our strong results are a reflection of the commitment and talent of our employees across each of our different business units.


Rhonda Colley at Symbion, Melbourne, Victoria. In 2015, Rhonda celebrated 30 years of service with Symbion.

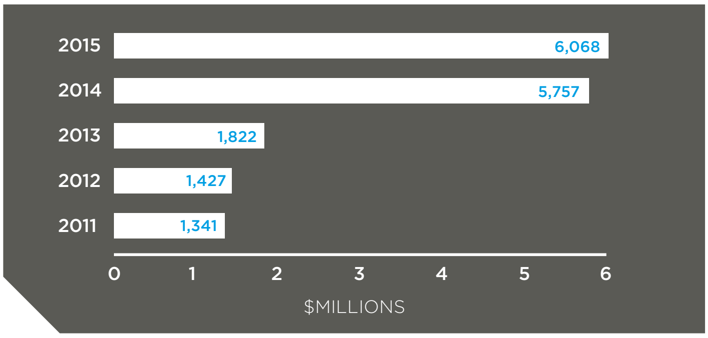
# Summary of Results

## HIGHLIGHTS

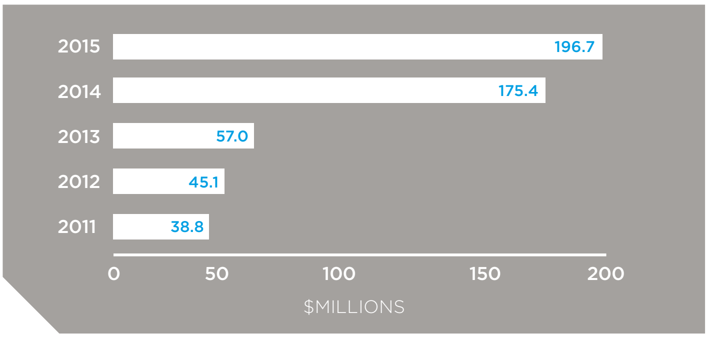
- $6.1 billion revenue **+5.4% increase**
- $196.7 million EBITDA **+12.1% increase**
- $105.9 million net profit after tax **+15.1% increase**
- $133.8 million operating cashflow **+17.2% increase**
- 70.8 cents earnings per share **+12.7% increase**
- 47.0 cents total dividends per share **+14.6% increase**

*All figures are in New Zealand Dollars, unless otherwise stated.*

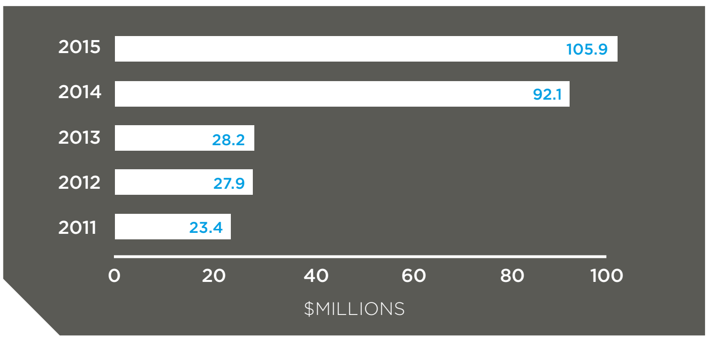
### FIVE YEAR REVENUE TREND

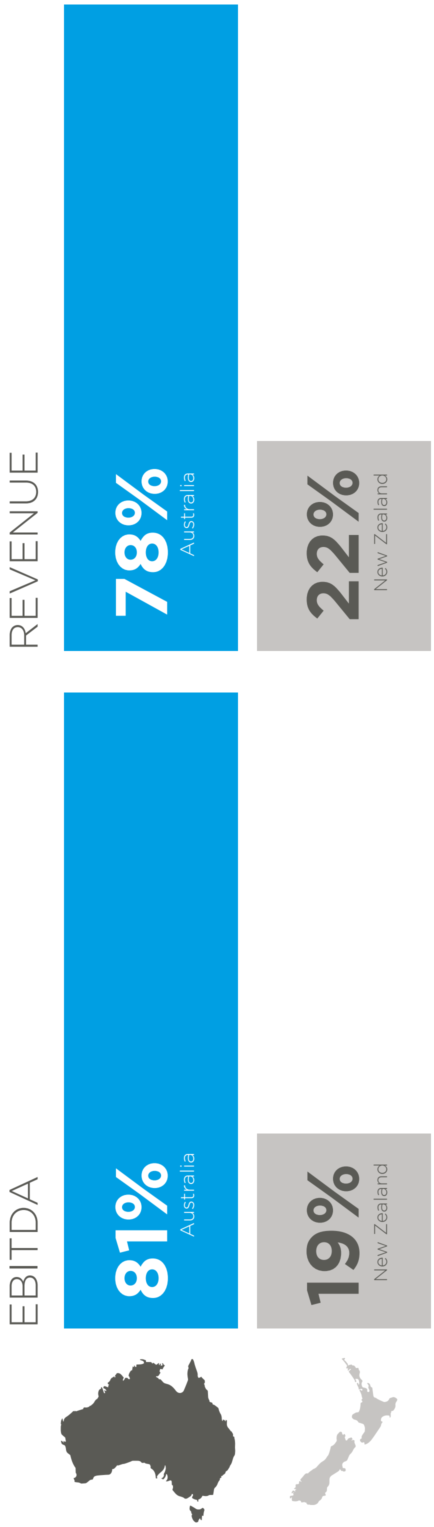



### FIVE YEAR EBITDA TREND



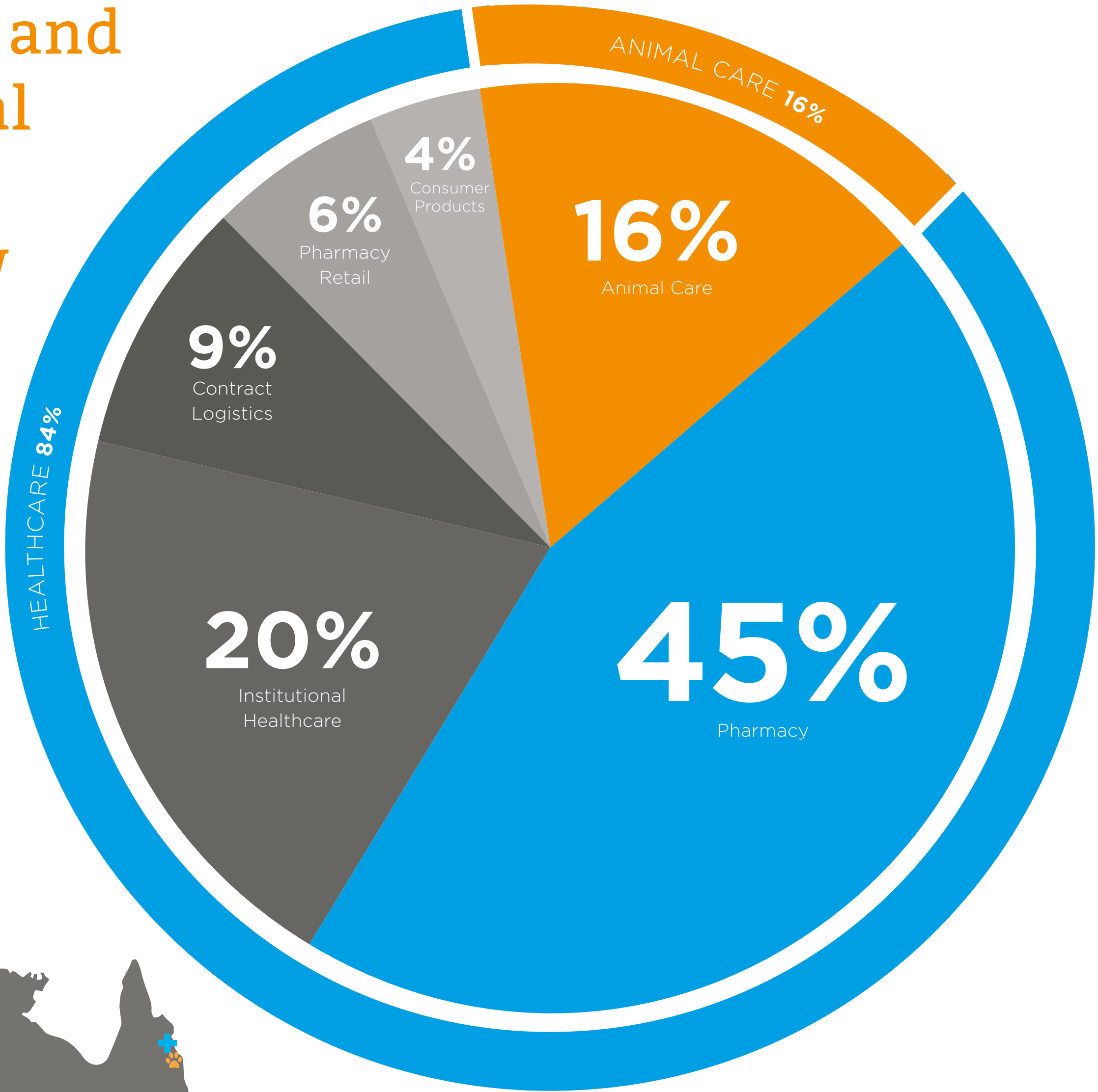

### FIVE YEAR CONTINUING OPERATIONS NPAT TREND



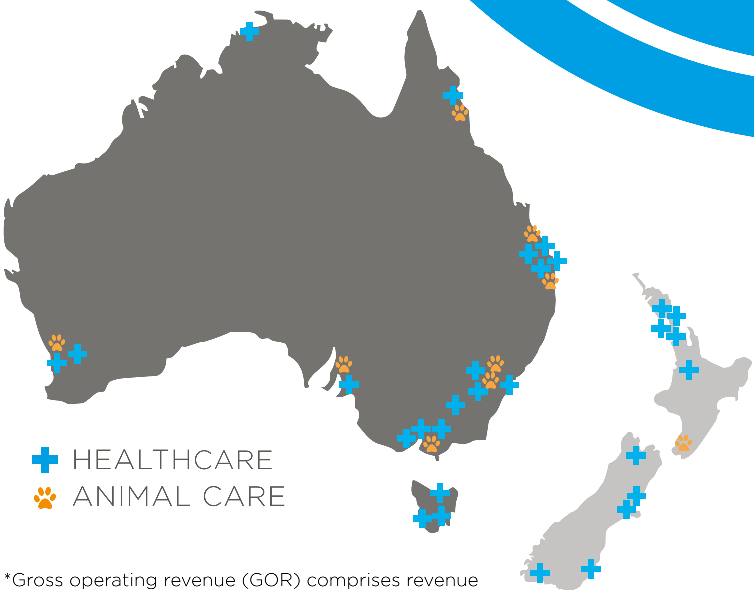



# Segment and Divisional Earnings Overview

DATA BASED ON GROSS OPERATING REVENUE*




**42 LOCATIONS IN AUSTRALIA AND NEW ZEALAND**




*Gross operating revenue (GOR) comprises revenue less cost of sales and write down of inventory.

# Our Customers

**Our business is in helping our customers prosper.**

We pride ourselves on the strong relationships we have built with our customers. The trust they instil in EBOS to support their growth and the health and wellbeing of their communities means a great deal to us. Moving forward, we are well equipped to handle their diverse, ever-changing requirements and will continue to deliver unmatched service, support and the best range of products.

**38,225**

CUSTOMERS ACROSS AUSTRALASIA

**27,725**
IN AUSTRALIA

**10,500**
IN NEW ZEALAND

**5,381,178**
TOTAL NUMBER OF ORDERS

**122,632**
**TOTAL** NUMBER OF PRODUCT LINES

EBOS Healthcare Account Manager Ravi Shankar with Rashika Devi from Manukau City Accident & Medical Clinic, Manukau, Auckland.

# CEO and Chairman's Report

01

02

01 **PATRICK DAVIES**
*Chief Executive Officer*

02 **RICK CHRISTIE**
*Chairman*

**The story of the 2014/15 financial year was one of continued strong growth for the EBOS Group across all areas of our business, further cementing our position as the leader in healthcare and animal care markets across Australasia.**

Our strategy of building a broad portfolio of businesses with leading positions in their markets continued to deliver across both New Zealand and Australia.

While the performance of recent acquisitions was an important contributor, we also recorded significant organic growth – an outcome that is testament to the quality of our businesses and the outstanding people behind them.

## FINANCIAL RESULTS

There were a number of pleasing indicators in our financial results. While these are dealt with in more detail further in this report, it is worth highlighting some key points.

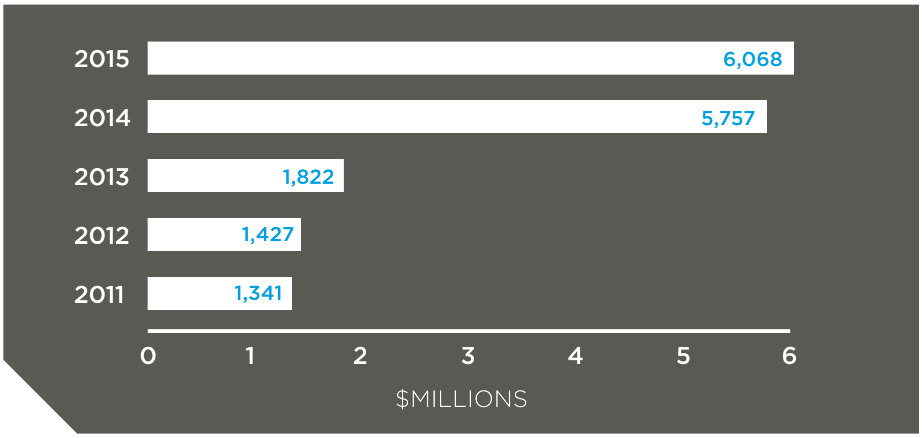
For the first time, revenues for the year exceeded NZ$6 billion, up 5.4% on the previous year. Healthcare revenues increased by 5.1% over the 2014/15 year, led by continuing growth in our Pharmacy and Institutional Healthcare divisions while the performance of our recently-acquired BlackHawk business assisted the 10.7% increase in Animal Care revenues.

Good revenue growth and careful cost control helped drive EBITDA up more than 12% to $196.7 million, while our Net Profit after Tax increased by 15.1% to $105.9 million. Our focus on tight working capital management resulted in an increase in Operating Cash Flow of 17.2% to $133.8 million.

All our business units performed well, with a number of significant highlights and milestones achieved throughout the year.

## We are confident that our businesses are strong and well positioned for the future.

## FIVE YEAR REVENUE TREND




### COMMUNITY PHARMACY

In a year of significant developments for our Community Pharmacy division, there was arguably none more important than negotiations with the Australian Federal Government around the Sixth Community Pharmacy Agreement (6CPA).

The 6CPA provides funding parameters for the Australian pharmacy industry over five years commencing 1 July 2015.

After lengthy discussions, an outcome was reached which provides further certainty for all areas of the industry, underpinning the timely and equitable provision of Pharmaceutical Benefits Scheme medicines for all Australians.

The agreement has delivered a good outcome for our customers in pharmacy who have secured an increase in their incomes.

In an important demonstration of EBOS' commitment to Australia's pharmacy industry, we opened Symbion's new pharmaceutical distribution facility in November.

The 12,000m$^2$ facility in Keysborough (in Melbourne's south-east) features the latest in global warehousing and distribution technology with the ability to move more than 10,000 units of medicine every hour.

The facility is strategically located to further enhance our ability to service our pharmacy and hospital customers across Victoria every day.

Shortly after the commencement of the new financial year, the Company formalised a strategic investment in Good Price Pharmacy Warehouse.

The agreement paved the way for the supply of pharmaceuticals through our Symbion Wholesale division to all Good Price Pharmacy Warehouse stores and brought further opportunity for development of the brand's franchise network.

Our market leading Chemmart Pharmacy offering continued to perform strongly with 37 new stores opening throughout the year and an additional 33 stores signing up to join the Chemmart brand.

Further supporting our retail operations was the important decision taken to amalgamate Symbion Consumer Products in Australia and the Consumer division of EBOS Healthcare in New Zealand and Australia, to create Endeavour Consumer Health.

Endeavour Consumer Health is a trans-Tasman business dedicated to providing our retail partners and their customers with affordable, high quality health and personal care products.

### INSTITUTIONAL HEALTHCARE/ CONTRACT LOGISTICS

Our Onelink business enjoys a strong reputation in New Zealand, built on providing specialist solutions to the country's public and private hospital sector for more than 20 years, but is less well-known in Australia.

It was therefore particularly pleasing to win a competitive Government of New South Wales tender in January for the warehousing and distribution of medical consumables to all public hospitals across the state.

We are well advanced in the establishment of a new purpose-built distribution facility in Western Sydney that will provide dedicated services to NSW Health as part of this contract. The new facility will be operational by late 2015.

### ANIMAL CARE

In October, EBOS made an important move as part of our expansion into the fast-growing premium pet food sector with the acquisition of the BlackHawk range of premium pet foods, sold exclusively through Australian pet stores and veterinary clinics. This move was strategically important for our Animal Care division as it represented a significant direct investment in the premium pet food category in Australia. Masterpet and Vitapet continued to expand their market positions and Lyppard delivered good growth in the veterinary wholesale sector.

We are confident that our businesses are well positioned for the future. None of our achievements in the past year would have been possible without our outstanding employees across all areas of EBOS. They understand and are proud of the essential role they play in health, and they embody our organisation's promise of 'Life Matters'. We are excited by the opportunities to expand our businesses on both sides of the Tasman in the years ahead. We believe the diversity of EBOS provides the benefits of a broad-based foundation and we have the agility to predict and respond quickly to opportunities as they arise.

**PATRICK DAVIES**
*Chief Executive Officer*

**RICK CHRISTIE**
*Chairman*

# Farewell Rick Christie

## At the forthcoming Annual Meeting in October, EBOS will officially farewell Chairman Rick Christie, who retires after 12 years leading the EBOS Group Board of Directors.

As Chairman, Rick has exercised steadfast leadership on matters of corporate governance, fiscal discipline and building the foundation and scope for growth in key sectors and markets. This dedication to ensuring the fundamentals will come as no surprise to those who know Rick or have served alongside him during his 15 years as a member of the EBOS Group Board. His leadership and insight have been pivotal throughout a period of sustained growth for our company, which has included a long list of acquisitions and expansionary investments. On behalf of everyone at EBOS, I would like to congratulate Rick on his contribution to the Group, extend sincere thanks for his commitment to the Company and wish him well for his future beyond the EBOS Group family.

**MARK WALLER**
*Chairman Designate*

# Board of Directors

**01 RICK CHRISTIE** MSC (Hons), FNZIoD
*Independent Chairman of Directors*

Joined the EBOS Group Limited Board in June 2000 and was appointed Chairman in April 2003. He is a member of the Audit and Risk Committee, and Chairman of the Remuneration Committee and the Nomination Committee. Rick Christie is a professional director with a breadth of governance and international management experience in a number of industries. He is the Chairman of ikeGPS Group Ltd, National e-Science Infrastructure – NeSI, and Service IQ and a director of South Port New Zealand Limited, Solnet Solutions Limited, and Powerhouse Ventures Limited. He is also a Companion of The Royal Society of New Zealand, a former director of Television New Zealand and the New Zealand Symphony Orchestra and a past president of Chamber Music New Zealand. He was previously Chairman of AgResearch Limited, Deputy Chairman of the Foundation for Research, Science & Technology and Chairman of the Victoria University Foundation Board of Trustees and a former Chief Executive of the diversified investment company Rangatira Limited, a former Managing Director of Cable Price Downer and former Chief Executive of Trade New Zealand.

**02 MARK WALLER** BCOM, FACA, FNZIM
*Executive Director*

Mark Waller was the Chief Executive and Managing Director of EBOS Group Limited from 1987 to 30 June 2014. He is a member of the Remuneration Committee. He is also a director of all the EBOS Group Limited subsidiaries, as well as being a director of Scott Technology Limited and HTS-110 Limited (alternate director). He was the recipient of the Leadership Award in May 2014, INFINZ Industry Awards.

**03 STUART MCGREGOR** BCOM, LLB, MBA

Stuart McGregor was appointed to the EBOS Group Limited Board in July 2013. Stuart was educated at Melbourne University and the London School of Business Administration, gaining degrees in Commerce and Law. He also completed a Masters of Business Administration. Currently Stuart is Chairman of Donaco International Ltd, an ASX listed company. He is also Chairman of Powerlift Australia Pty Ltd, and C B Norwood Pty Ltd and director of Symbion Pty Ltd. Over the last 30 years, Stuart has been Company Secretary of Carlton United Breweries, Managing Director of Cascade Brewery Company Limited in Tasmania and Managing Director of San Miguel Brewery Hong Kong Limited. In the public sector, he served as Chief of Staff to a Minister for Industry and Commerce in the Federal Government and as Chief Executive of the Tasmanian Government's Economic Development Agency. He was formerly a director of Primelife Limited from 2001 to 2004.

**04 SARAH OTTREY** BCOM
*Independent Director*

Appointed to the EBOS Group Limited Board in September 2006. Sarah Ottrey is a director of Comvita Limited, Whitestone Cheese Limited and Sarah Ottrey Marketing Limited, and is a member of the Inland Revenue Risk and Assurance Committee. She is a past board member of the Public Trust and the Smiths City Group. Sarah has also held senior marketing management positions with Unilever and Heineken.

**05 BARRY WALLACE** MCOM (HONS), CA

Barry Wallace was appointed to the EBOS Group Limited Board in October 2001. He is Chairman of the Audit and Risk Committee and member of the Remuneration Committee. Barry is a chartered accountant with a background in financial management. He is a director of Allum Management Services Ltd, Whyte Adder No 3 Limited, Herpa Properties Limited, Ecostore Company Limited and Peton Villas Limited. He is a former Chief Executive of Health Support Limited and is the Finance Director of a private group of companies and trusts.

**06 PETER KRAUS** MA (HONS), DIP ENG.

Peter Kraus has been a Director of EBOS Group Limited since 1990. He is a member of the Nomination Committee. He is a director of Whyte Adder No 3 Limited, Herpa Properties Limited, Ecostore Company Limited and Peton Villas Limited.

**07 ELIZABETH COUTTS** BMS, CA
*Independent Director*

Elizabeth Coutts was appointed to the EBOS Group Limited Board in July 2003. She is a member of the Audit and Risk Committee and the Nomination Committee. She is Chair of Urwin & Co Limited and Oceania Healthcare Ltd, and Director of Yellow Pages group of companies, Ports of Auckland Limited, Sanford Limited, Skellerup Holdings Limited and Tennis Auckland Region Incorporated, and member, Marsh New Zealand Advisory Board. She is Chair of the Inland Revenue Risk and Assurance Committee and Vice President of the Institute of Directors Inc. Elizabeth is a former Chairman of Meritec Group, Industrial Research, and Life Pharmacy Limited, former director of Air New Zealand Limited and the Health Funding Authority, former Deputy Chairman of Public Trust, former board member of Sport NZ, former member of the Pharmaceutical Management Agency (Pharmac), former Commissioner for both the Commerce and Earthquake Commissions, former external monetary policy adviser to the Governor of the Reserve Bank of New Zealand and former Chief Executive of the Caxton Group of Companies.

**08 PETER WILLIAMS**

Peter Williams was appointed to the EBOS Group Limited Board in July 2013. Peter has been an executive of the Zuellig Group since 2000. Peter is a director of Interpharma Investments Limited, Asia's leading distributor of healthcare products, and of Pharma Industries Limited. He is also a director of Cambert, a company marketing health and personal care products in South East Asia.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# Financial Summary

**EBOS Group recorded strong financial results for the year ended 30 June 2015 with Net Profit after Tax increasing by 15.1% to $105.9 million.**

The Group's Healthcare businesses are benefitting from sound underlying economic fundamentals with solid increases in demand for services across the sector while our Animal Care businesses continue to benefit from ongoing growth in consumer pet spending.

Revenues exceeded the $6 billion mark for the first time, increasing by 5.4% on the previous year.

Earnings before net finance costs, tax, depreciation and amortisation (EBITDA) grew by $21.3 million to $196.7 million representing an increase of 12.1%, reflecting the considerable growth in sales revenue at an improved margin.

Profit before tax increased by $24.9 million or 19.8% due to the growth in operating earnings and lower net finance costs. Net finance costs were lower by $5.1 million or 19% primarily as a result of savings generated from the renegotiation of our debt facilities in August 2014.

The Group's earnings per share increased by 12.7% to 70.8 cents per share.

## DIVISIONAL OVERVIEW

The strength of the Group's trans-Tasman approach to Healthcare and Animal Care has led to impressive performance across both segments.

### Healthcare

The Healthcare businesses generated an 11.2% increase in EBITDA on the back of a 5.1% increase in revenue.

The Australian business recorded a 5.1% increase in revenue and an 11.9% increase in EBITDA. The Group's wide range of Healthcare businesses all demonstrated stable growth with the Institutional Healthcare and Pharmacy businesses in particular providing good contributions to the results.

The performance of the Australian Pharmacy business was enhanced by the revenues and profit generated from the Group's strategic investment in Good Price Pharmacy Warehouse (GPPW) undertaken in October 2014.

### Animal Care

The Animal Care businesses generated a 10.7% increase in revenue and a 26.1% increase in EBITDA. The revenue and profit growth includes eight months' contribution from the recently acquired BlackHawk business.

We continue our focus on the growth and development of our brands. The early returns on our investment in BlackHawk is exceeding expectations and we have also been encouraged by the performance of the Vitapet brand which recorded revenue growth of 8% on the prior year.

### Currency

The Group generates approximately 81% of its earnings in Australia and the appreciation of the New Zealand dollar during the year negatively impacted reported EBITDA by approximately $3.9 million.

### Operating Cash Flow and Return on Capital Employed

Operating cash flow for the year was a record $133.8 million and the Group's Net Debt/EBITDA ratio reduced to 1.6x from 1.8x at 30 June 2014. Gearing or net interest bearing debt to net interest bearing debt plus equity was 23.2% (24.4% in 2014).

Return on capital employed increased by 0.9% to 13.7% reflecting the increased operating profit and cash performance of the Group, including the benefits of strategic investments in BlackHawk and GPPW undertaken throughout the year.

### Dividends

The Board declared a final dividend of 25 cents payable on 16 October 2015 and imputed to 25%. This follows an interim dividend of 22 cents paid in April 2015 and takes full year dividends to 47 cents representing an increase of 14.6% on the prior year.

While the dividend reinvestment plan (DRP) will operate for the final dividend, enabling shareholders to elect to take shares in lieu of a dividend at a discount of 2.5% to the volume weighted average price, it is the Board's intention to review the operation of the DRP for future dividends. It is also the Board's intention to fully frank subsequent dividends (starting with the 30 June 2016 interim dividend) for Australian tax resident shareholders.

The record date for the final dividend will be 2 October 2015.

### Outlook

Over many years we have shown our ability to successfully adapt to changes in the regulatory environments and EBOS has once again delivered strong financial results. We are confident of continued growth in our business across both Healthcare and Animal Care into 2016 on a constant currency basis.

A performance update will be provided to shareholders at the Annual Meeting on 27 October 2015.

# Financial Report

## CONTENTS



## 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 that 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 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

Deloitte.

# 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 23-59, 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 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 23-59 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.

Deloitte

**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 that 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.

## CONSOLIDATED INCOME STATEMENT

| For the Financial Year ended 30 June, 2015 | Notes | 2015 $'000 | 2014 $'000 |
|---|---|---|---|
| **Revenue** | 2 (a) | 6,068,080 | 5,757,234 |
| Income from Associates | 2 (b) | 2,861 | 1,567 |
| **Profit before depreciation, amortisation, net finance costs and tax expense** | | 196,695 | 175,422 |
| Depreciation | 2 (b) | (12,108) | (10,173) |
| Amortisation of finite life intangibles | 2 (b) | (12,010) | (12,410) |
| **Profit before net finance costs and tax expense** | | 172,577 | 152,839 |
| Finance income | 2 (b) | 2,299 | 2,819 |
| Finance costs | 2 (b) | (24,208) | (29,877) |
| **Profit before tax expense** | 2 (b) | 150,668 | 125,781 |
| Tax expense | 3 | (44,727) | (33,712) |
| **Profit for the year** | | 105,941 | 92,069 |
| | | | |
| **Earnings per share:** | | | |
| 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 $'000 | 2014 $'000 |
|---|---|---|---|
| **Profit for the year** | | 105,941 | 92,069 |
| **Other comprehensive income** | | | |
| 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) |
| **Total comprehensive income net of tax benefit** | | 116,341 | 66,153 |

Notes to the financial statements are included on pages 27 to 59.

## CONSOLIDATED BALANCE SHEET

| As at 30 June, 2015 | Notes | 2015 $'000 | 2014 $'000 |
|---|---|---|---|
| **Current assets** | | | |
| 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 |
| **Total current assets** | | 1,441,839 | 1,287,871 |
| | | | |
| **Non-current assets** | | | |
| 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 |
| **Total non-current assets** | | 1,108,219 | 1,021,422 |
| **Total assets** | | 2,550,058 | 2,309,293 |
| | | | |
| **Current liabilities** | | | |
| 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 |
| **Total current liabilities** | | 1,162,265 | 1,021,333 |
| | | | |
| **Non-current liabilities** | | | |
| 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 |
| **Total non-current liabilities** | | 336,765 | 308,921 |
| **Total liabilities** | | 1,499,030 | 1,330,254 |
| **Net assets** | | 1,051,028 | 979,039 |
| | | | |
| **Equity** | | | |
| 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 |
| **Total equity** | | 1,051,028 | 979,039 |

Notes to the financial statements are included on pages 27 to 59.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| For the Financial Year ended 30 June, 2015 | Notes | Share capital $'000 | Foreign currency translation reserve $'000 | Retained earnings $'000 | Cash flow hedge reserve $'000 | Total $'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 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) |
| **Balance at 30 June 2014** | | 861,549 | (29,869) | 147,085 | 274 | 979,039 |
| 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 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 |
| **Balance at 30 June 2015** | | 880,628 | (17,876) | 189,595 | (1,319) | 1,051,028 |

Notes to the financial statements are included on pages 27 to 59.

## CONSOLIDATED CASH FLOW STATEMENT

| For the Financial Year ended 30 June, 2015 | Notes | 2015 $'000 | 2014 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| 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) |
| **Net cash inflow from operating activities** | 25(c) | 133,789 | 114,152 |
| | | | |
| **Cash flows from investing activities** | | | |
| 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) |
| **Net cash (outflow) from investing activities** | | (79,107) | (404,329) |
| | | | |
| **Cash flows from financing activities** | | | |
| 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) |
| **Net cash (outflow)/inflow from financing activities** | | (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 |
| **Net cash and cash equivalents at the end of the year** | | 109,521 | 88,698 |
| Cash and cash equivalents | | 109,521 | 88,698 |

Notes to the financial statements are included on pages 27 to 59.

# 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 an 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 are 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.

### 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 in line with those of the Group.

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

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

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

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

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

#### 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 the 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 that 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.

### 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:

#### 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 to whom 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 that 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 the reporting date.

### q) Segment Reporting

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

### r) Adoption of New Revised Accounting Standards and Interpretations

No new accounting standards or interpretations have been adopted during the year that have 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.

## 2. PROFIT FROM OPERATIONS

| | Notes | 2015 $'000 | 2014 $'000 |
|---|---|---|---|
| **(a) Revenue** | | | |
| 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) Profit before tax expense** | | | |
| 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) |
| **Profit before tax expense** | | 150,668 | 125,781 |

## 3. INCOME TAXES

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| **(a) Tax expense recognised in income statement** | | |
| 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) |
| **Total tax expense** | 44,727 | 33,712 |
| 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 |
| **Total tax expense** | 44,727 | 33,712 |

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 $'000 | 2014 $'000 |
|---|---|---|
| **(b) Current tax assets and liabilities** | | |
| Current tax assets: | | |
| Current tax refundable | 88 | 83 |
| Current tax liabilities: | | |
| Current tax payable | (16,990) | (14,219) |
| | (16,902) | (14,136) |
| **(c) Deferred tax balance** | | |
| Deferred tax assets comprise: | | |
| Temporary differences | 48,284 | 36,589 |
| Deferred tax liabilities comprise: | | |
| Temporary differences | (48,853) | (43,407) |
| | (569) | (6,818) |

## 3. INCOME TAXES continued

Taxable and deductible temporary differences arise from the following:

| 2015 | Opening balance $'000 | Charged to income $'000 | Charged to other comprehensive income $'000 | Acquisitions $'000 | Foreign currency movements $'000 | Closing balance $'000 |
|---|---|---|---|---|---|---|
| **Gross deferred tax liabilities:** | | | | | | |
| 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) |
| **Gross deferred tax assets:** | | | | | | |
| 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) | | |

| 2014 | Opening balance $'000 | Charged to income $'000 | Charged to other comprehensive income $'000 | Acquisitions $'000 | Foreign currency movements $'000 | Closing balance $'000 |
|---|---|---|---|---|---|---|
| **Gross deferred tax liabilities:** | | | | | | |
| 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) |
| **Gross deferred tax assets:** | | | | | | |
| 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 $'000 | 2014 $'000 |
|---|---|---|
| **(d) Imputation credit account balances** | | |
| Imputation credits available directly and indirectly to shareholders of the parent company: | 1,713 | (660) |

## 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

| | 2015<br>$'000 | 2014<br>$'000 |
|---|---|---|
| **Auditor of the Group** | | |
| 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

| | 2015<br>$'000 | 2014<br>$'000 |
|---|---|---|
| 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 the 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.

## 6. TRADE AND OTHER RECEIVABLES continued

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| **(iii) Ageing of impaired trade and other receivables** | | |
| 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

| | | |
|---|---|---|
| **Finished Goods** | | |
| 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.

## 10. PROPERTY, PLANT AND EQUIPMENT

| | Freehold land at cost $'000 | Buildings at cost $'000 | Leasehold improvements at cost $'000 | Plant and equipment at cost $'000 | Office equipment furniture and fittings at cost $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Gross carrying amount** | | | | | | |
| Balance at 1 July 2013 | 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) |
| **Balance at 30 June 2014** | 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 |
| **Balance at 30 June 2015** | 28,776 | 19,774 | 16,588 | 57,648 | 21,488 | 144,274 |
| **Accumulated depreciation** | | | | | | |
| **Balance at 1 July 2013** | - | (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 |
| **Balance at 30 June 2014** | - | (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) |
| **Balance at 30 June 2015** | - | (5,206) | (3,301) | (13,433) | (10,735) | (32,675) |
| **Net book value** | | | | | | |
| 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 $'000 | 2014 $'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 |

## 11. CAPITAL WORK IN PROGRESS

| | 2015 $'000 | 2014 $'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 $'000 | 2014 $'000 |
|---|---|---|---|
| **Gross carrying amount** | | | |
| 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) |
| **Net book value** | | 764,618 | 720,875 |

**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 $'000 | 2014 $'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 |
| | 764,618 | 720,875 |

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. Consequently, 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.

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 management's 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 Brands $'000 | Other Pharmacy Brands $'000 | Animal Care Brands $'000 | Trademarks $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Gross carrying amount** | | | | | |
| 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) |
| **Balance at 30 June 2014** | 25,946 | 6,280 | 7,110 | 17,240 | 56,576 |
| Acquisitions through business combinations | - | - | 21,387 | - | 21,387 |
| Net foreign currency exchange differences | 1,142 | 58 | (120) | - | 1,080 |
| **Balance at 30 June 2015** | 27,088 | 6,338 | 28,377 | 17,240 | 79,043 |
| **Net book value** | | | | | |
| 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 |

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 $'000 | 2014 $'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 Contracts $'000 | Software $'000 | Customer Relationships/ Contracts $'000 | Total $'000 |
|---|---|---|---|---|
| **Gross carrying amount** | | | | |
| 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) |
| **Balance at 30 June 2014** | 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 |
| **Balance at 30 June 2015** | 1,490 | 5,760 | 88,485 | 95,735 |
| **Accumulated amortisation & impairment** | | | | |
| 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 |
| **Balance at 30 June 2014** | (1,490) | (2,140) | (11,307) | (14,937) |
| Disposals | - | 262 | - | 262 |
| Amortisation expense | - | (1,260) | (10,750) | (12,010) |
| Reclassification | - | 203 | 908 | 1,111 |
| Net foreign exchange differences | - | (101) | (735) | (836) |
| **Balance at 30 June 2015** | (1,490) | (3,036) | (21,884) | (26,410) |
| **Net book value** | | | | |
| As at 30 June 2014 | - | 3,038 | 74,464 | 77,502 |
| As at 30 June 2015 | - | 2,724 | 66,601 | 69,325 |

## 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[1] | 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) | Australia | 100% | 100% |
| ZHHA Pty Ltd | Australia | 100% | 100% |
| ZAP Services Pty Ltd | Australia | 100% | 100% |
| Symbion Pty Ltd | Australia | 100% | 100% |
| Intellipharm 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 [2] | 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.

## 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:

| **Statement of financial position** | 2015 $'000 | 2014 $'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 |
| **Income Statement** | | |
| 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 |

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

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Balance at the beginning of the financial year | 24,100 | 19,013 |
| New investments [1] | 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 | - | - |
| [1] Consideration for new investments comprises: | | |
| Cash | 6,710 | 3,520 |
| Deferred purchase consideration | 1,119 | - |
| | 7,829 | 3,520 |

## 17. BORROWINGS

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

(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) $ millions** | **Maturity** |
|---|---|---|
| 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[1] |
| Securitisation facility | $430.9m | August 2017 |

[1] Subsequent to year end, the maturity date of the Group's working capital facilities were extended by one year from July 2015 to July 2016.

## 18. TRADE AND OTHER PAYABLES

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| **Current** | | |
| Trade payables | 865,482 | 775,774 |
| Other payables | 80,069 | 45,617 |
| Deferred purchase consideration | 6,706 | - |
| | 952,257 | 821,391 |
| **Non-current** | | |
| 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.

| | Minimum Future Lease Payments | | Present Value of Minimum Future Lease Payments | |
|---|---|---|---|---|
| **Finance lease liabilities** | 2015 $'000 | 2014 $'000 | 2015 $'000 | 2014 $'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 $'000 | 2014 $'000 |
|---|---|---|
| **Operating leases** | | |
| **Non-cancellable operating lease payments** | | |
| 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 |

## 20. OTHER FINANCIAL LIABILITIES - DERIVATIVES

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| **At fair value:** | | |
| 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 No. 000's | 2015 $'000 | 2014 No. 000's | 2014 $'000 |
|---|---|---|---|---|
| **Fully paid ordinary shares** | | | | |
| 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.

## 22. RESERVES

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| **Foreign currency translation reserve** | | |
| 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 $'000 | 2014 $'000 |
|---|---|---|
| **Retained Earnings** | | |
| 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 |
| **Cash Flow Hedge Reserve** | | |
| 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 Cents per share | Total $'000 | 2014 Cents per share | Total $'000 |
|---|---|---|---|---|
| **Recognised amounts** | | | | |
| 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 |
| **Unrecognised amounts** | | | | |
| 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).

## 24. ACQUISITION OF SUBSIDIARIES

| Name of business acquired | Principal activities | Date of acquisition | Proportion of shares acquired | Cost of acquisition $'000 |
|---|---|---|---|---|
| **2015:** | | | | |
| 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 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 1,119 | - | 1,119 |
| Trade and other receivables | 4,297 | - | 4,297 |
| Prepayments | 6 | - | 6 |
| Inventories | 305 | - | 305 |
| **Non-current assets** | | | |
| Property, plant and equipment | 412 | - | 412 |
| Indefinite life intangibles | - | 21,387 [1] | 21,387 |
| Deferred tax assets | - | 3,071 [2] | 3,071 |
| **Current liabilities** | | | |
| Trade and other payables | (1,310) | (361) [3] | (1,671) |
| Employee benefits | (53) | - | (53) |
| Current tax payable | (1,485) | - | (1,485) |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | - | (6,380) [2] | (6,380) |
| **Net assets acquired** | 3,291 | 17,717 | 21,008 |
| Goodwill on acquisition | | | 43,152 |
| Total consideration | | | 64,160 |
| Less cash and cash equivalents acquired | | | (1,119) |
| Deferred purchase consideration | | | (5,627) |
| **Net cash (outflow) on acquisition** | | | (57,414) |

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.

**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 was 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 $'000 | 2014 $'000 |
|---|---|---|
| **(a) Subsidiaries acquired** | | |
| Note 24 sets out details of the subsidiaries acquired. | | |
| Details of the acquisitions are as follows: | | |
| **Consideration** | | |
| 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 | - |
| **Net cash outflow on acquisition** | | |
| 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.

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| **(b) Financing facilities** | | |
| 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 |

## 25. NOTES TO THE CASH FLOW STATEMENT continued

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| **(c) Reconciliation of profit for the year with cash flows from operating activities** | | |
| **Profit for the year** | 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 | - |
| **Net cash inflow from operating activities** | 133,789 | 114,152 |

## 26. EARNINGS PER SHARE CALCULATION

| | 2015 | 2014 |
|---|---|---|
| **Basic earnings per share (refer Income Statement and Note 21)** | Cents | Cents |
| Basic earnings per share | 70.8 | 62.8 |
| | $'000 | $'000 |
| Earnings used in the calculation of total basic earnings per share | 105,941 | 92,069 |
| | No. 000's | No. 000's |
| Weighted average number of ordinary shares for the purposes of calculating basic earnings per share | 149,671 | 146,681 |
| **Diluted earnings per share (refer Income Statement and Note 21)** | Cents | Cents |
| Diluted earnings per share | 70.8 | 62.8 |
| | $'000 | $'000 |
| Earnings used in the calculation of total diluted earnings per share | 105,941 | 92,069 |
| | No. 000's | No. 000's |
| Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share | 149,671 | 146,681 |

## 27. COMMITMENTS FOR EXPENDITURE

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| **Capital expenditure commitments** | | |
| Plant | - | 4,384 |
| Software development | 340 | 138 |
| | 340 | 4,522 |
| **Operating expenditure commitments** | | |
| Purchase and distribution of products | 2,086 | - |

## 28. CONTINGENT LIABILITIES & CONTINGENT ASSETS

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| **Contingent liabilities** | | |
| 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.

## 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 |
|---|---|---|
| **Revenue from external customers** | | |
| Healthcare | 5,692,888 | 5,418,356 |
| Animal Care | 375,192 | 338,878 |
| | 6,068,080 | 5,757,234 |
| **Profit/(loss) before depreciation, amortisation, net finance costs and tax expense** | | |
| Healthcare | 170,167 | 153,055 |
| Animal Care | 37,118 | 29,431 |
| Corporate | (10,590) | (7,064) |
| | 196,695 | 175,422 |
| **Segment expenses** | | |
| 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) |
| **Profit/(loss) for the year** | | |
| Healthcare | 108,055 | 99,317 |
| Animal Care | 21,841 | 18,241 |
| Corporate | (23,955) | (25,489) |
| | 105,941 | 92,069 |
| **Associate Information:** | | |
| Included in the segment results above is Income from associates of: | | |
| Animal Care | 2,066 | 1,433 |
| Healthcare | 795 | 134 |

## 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 |
|---|---|---|
| **Continuing and discontinued operations** | | |
| **Revenue from external customers** | | |
| New Zealand | 1,343,884 | 1,278,650 |
| Australia | 4,724,196 | 4,478,584 |
| | 6,068,080 | 5,757,234 |
| **Non-current assets** | | |
| 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).

## 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.

## 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.

## 31. FINANCIAL INSTRUMENTS continued

| Outstanding Contracts | Average Exchange rate 2015 | Average Exchange rate 2014 | Foreign currency 2015 FC'000 | Foreign currency 2014 FC'000 | Contract value 2015 $'000 | Contract value 2014 $'000 | Fair value 2015 $'000 | Fair value 2014 $'000 |
|---|---|---|---|---|---|---|---|---|
| **Buy Australian Dollars** | | | | | | | | |
| 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 | - |
| **Buy Euro** | | | | | | | | |
| 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 |
| **Buy Pounds** | | | | | | | | |
| 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 | - |
| **Buy THB** | | | | | | | | |
| 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 | - |
| **Buy US Dollars** | | | | | | | | |
| 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.

## 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 fixed interest rate | | Notional principal amount | | Fair value | |
|---|---|---|---|---|---|---|
| **Outstanding Contracts** | 2015 % | 2014 % | 2015 $'000 | 2014 $'000 | 2015 $'000 | 2014 $'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.

## 31. FINANCIAL INSTRUMENTS continued

| | | | Maturity Dates | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Group - 2015** | Weighted average effective interest rate % | On Demand $'000 | Less than 1 year $'000 | 1-2 Years $'000 | 2-3 Years $'000 | 3-4 Years $'000 | 4-5 Years $'000 | 5+ Years $'000 | Total $'000 |
| **Financial assets:** | | | | | | | | | |
| 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 |
| **Financial liabilities:** | | | | | | | | | |
| 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 |

| | | | Maturity Dates | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Group - 2014** | Weighted average effective interest rate % | On Demand $'000 | Less than 1 year $'000 | 1-2 Years $'000 | 2-3 Years $'000 | 3-4 Years $'000 | 4-5 Years $'000 | 5+ Years $'000 | Total $'000 |
| **Financial assets:** | | | | | | | | | |
| 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 |
| **Financial liabilities:** | | | | | | | | | |
| 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 |

## 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 year end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and equity where the functional currency weakens 10% against the relevant currency.

| | 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 |

## 31. FINANCIAL INSTRUMENTS continued

**(g) Credit risk management**

Credit risk refers to the risk that a counterparty 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 counterparties 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. Ongoing credit evaluation is performed on the financial condition of the trade receivables.

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

The maximum credit risk associated with guarantees provided by the Group is disclosed in Note 28.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties 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 |
|---|---|---|
| **Twenty Largest Shareholders** | | |
| 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 30 June 2015, the following persons were deemed to be substantial security holders.

| | 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 ongoing 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.

# Corporate Governance

The Board and management of EBOS Group Limited are committed to ensuring that the Company adheres to best practice and governance principles and maintains high ethical standards.

**The Board and management of EBOS Group Limited are committed to ensuring that the Company adheres to best practice and governance principles and maintains high ethical standards. The Board has agreed to regularly review and assess the Company's governance structures to ensure they are consistent, both in form and in substance, with best practice. The Board considers that the Company's Corporate Governance policies, practices and procedures substantially comply with the New Zealand Stock Exchange Corporate Governance Best Practice Code. The Company supports the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("ASX Principles") and acknowledges that at present it does not meet all of ASX's recommendations. Where the Company does not meet the ASX Principles these have been outlined below. Further information on the Company's corporate governance policies and practices can be found in the Company's Corporate Governance Code ("Corporate Governance Code"), the full content of which can be found on the Company's website at http://www.ebosgroup.com/investor-centre/corporate-governance/.**

## PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

### Role of the Board and Management

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

Responsibility for the day-to-day management of the Company has been delegated to the Chief Executive Officer (CEO) and his management team.

The Board is responsible for directing the Company and enhancing its value for shareholders. It has adopted a formal Corporate Governance Code that details the Board's responsibilities, membership and operation. A copy of the Code is available on the Company's website at http://ebosgroup.com/investor-centre/corporate-governance/.

As part of the Board's oversight of senior management, all Company executives are subject to annual performance review and goal planning. In addition, the Board monitors the performance of the CEO against the Board's requirements and expectations. In the 12-month period ended 30 June 2015, a review of each member of the Company's senior management was completed, and this was discussed with the executive concerned as part of the annual review process for that executive.

The Corporate Governance Code sets out an annual process for evaluating the performance of the Board, its committees and individual directors. Such process is led by the Chairman. Due to changes to the membership of the Board in 2014 and the future change to the role of Chairman in October 2015, the 2014 and 2015 assessments were deferred and will be scheduled once the new Chairman is in place so that a more meaningful review can take place. An internal assessment is scheduled for 2016.

The Company's policy is to undertake appropriate checks before putting forward a person to shareholders for election or appointing a person to fulfil a casual vacancy. Where the Company determines that a person is an appropriate candidate, security holders are provided with all material information in the Company's possession that is relevant to their decision on whether or not to elect or re-elect a director through a number of channels, including through the Notice of Meeting and other information contained in the Annual Report.

Upon appointment, each Director (and senior executive) receives a letter of appointment, which sets out the formal terms of their appointment, along with a deed of indemnity, insurance and access.

Directors also attend formal induction sessions where they are briefed on the Company's vision and values, strategy, financial performance, and governance and risk management frameworks. Directors are also provided with ongoing professional development and training opportunities and programmes to enable them to develop and maintain the skills and knowledge needed to perform their role effectively.

As a New Zealand listed entity, the EBOS Group does not have a company secretary. The General Counsel provides company secretarial services. The General Counsel is accountable to the Board through the Chairman.

The NZX Main Board Listing Rules, until recently, have not required companies to have diversity policies and, as a result, the Company has yet to adopt a formal policy concerning diversity.

However, the Board is committed to the establishment and maintenance of appropriate ethical standards and in its recruitment practices is committed to recruiting individuals with the appropriate skills and qualifications required for the role.

The Company's gender representation is as follows:

| | Female % | Male % |
|---|---|---|
| Board | 25 | 75 |
| Executive | 8 | 92 |
| Group | 54 | 46 |

## PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

### Board Composition

The Board is structured to bring to its deliberations a range of experience relevant to the Company's operations.

| Expertise | Experience |
|---|---|
| • Strategy<br>• Commercial acumen<br>• Financial knowledge and experience<br>• Risk management<br>• Corporate governance<br>• International trade | **Industry**<br>• Healthcare<br>• Marketing<br>• Logistics<br>• Technology<br>• Government<br>**Geographic regions**<br>• Oceania<br>• South-East Asia |

Page 18 sets out the qualifications, expertise, experience and length of service of each Director in office as at the date of this report. The Board is elected by the shareholders of EBOS Group Limited. At each annual meeting, at least one third of the Directors retire by rotation.

The Board currently comprises eight directors, three of whom are considered to be independent as that term is defined in the NZX Main Board Listing Rules, the ASX Listing Rules and the ASX Principles. The following are non-executive directors: Chairman, Rick Christie; Elizabeth Coutts; Peter Kraus; Stuart McGregor; Sarah Ottrey; Barry Wallace and Peter Williams. The Company has one executive director Mark Waller. Rick Christie, Elizabeth Coutts and Sarah Ottrey have been determined as Independent Directors.

At the October 2015 Annual Meeting, Rick Christie intends to resign as Chairman and as a director of the Board. It is proposed that Mark Waller be appointed as Chairman.

The Board believes that its current structure is appropriate. Peter Kraus has had a long and substantial involvement with the Company with interests associated with him having significant equity interests in the Company. The involvement of Peter Williams and Stuart McGregor reflects the confidence of Sybos Holdings Pte Limited as a 40% shareholder in the Company. A further enlargement of the Board for the sole purpose of complying with the ASX Principles is not justified at this time given the calibre of the current Board. The Board considers Mark Waller will, on taking the role of Chairman, be independent for the purposes of the NZX Main Board Listing Rules. Mark Waller will not satisfy every ASX Corporate Governance Council recommendation as to the factors relevant to assessing the independence of a director, but the Board members unanimously believe that he will nevertheless act independently as Chairman, based on the experiences of those of them who have worked with him as a director of EBOS over many years, and in particular having regard to the high degree of professionalism he has at all times displayed as an EBOS director. In addition, the Board notes that Mark Waller has no affiliation with any shareholder of the Company, and has not had any such affiliation during his tenure as the EBOS Managing Director/Chief Executive Officer.

The Board's assessment of the independence of each current Director is set out below.

| Name | Status | Appointment Date |
|---|---|---|
| Rick Christie | Independent | June 2000 |
| Elizabeth Coutts | Independent | July 2003 |
| Peter Kraus | Non-independent | 1990 |
| Stuart McGregor | Non-independent | July 2013 |
| Sarah Ottrey | Independent | September 2006 |
| Barry Wallace | Non-independent | October 2001 |
| Mark Waller | Non-independent* | 1987 |
| Peter Williams | Non-independent | July 2013 |

**For the purposes of the NZX Listing Rules and the ASX Principles in his current role as Executive Director.*

## Senior Executives

EBOS Group's senior executives are appointed by the CEO and their key performance indicators contain specific financial and other objectives. These KPIs are reviewed annually by the CEO and noted by the Remuneration Committee. The performance of the EBOS Group senior executives against these objectives is evaluated annually.

## Board Committees

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

## Board Processes

The table within the Directors' Disclosures shows attendances at the Board and Committee meetings during the year ended 30 June 2015.

Under the Company's Corporate Governance Code, the Chairperson is responsible for the processes for evaluating the performance of the Board, Board Committees and individual directors.

The Company's Corporate Governance Code provides for directors of the Company to obtain independent professional advice at the expense of the Company subject to obtaining the prior approval of the Audit and Risk Committee.

## Share Trading by Directors and Officers

The Company has formal procedures that directors and officers must follow when trading EBOS shares. The Share Trading Policy is available on the EBOS Group website.

## Remuneration Committee

The Remuneration Committee provides the Board with assistance in establishing relevant remuneration policies and practices for directors, executives and employees including ensuring appropriate background checks are undertaken. Members of the Remuneration Committee are Rick Christie (Chairman), Barry Wallace and Mark Waller. The majority of the members are not independent for the purposes of the ASX Listing Rules, but the Board consider them appropriate based on their individual skills.

## Nomination Committee

The procedure for the appointment and removal of directors is ultimately governed by the Company's Constitution. A director is appointed by ordinary resolution of the shareholders, although the Board may fill a casual vacancy. The Board has delegated to the Nomination Committee the responsibility for recommending candidates to be nominated as a director on the Board and candidates for the committees. When recommending candidates to act as a director, the Nomination Committee takes into account such factors as it deems appropriate, including the experience and qualifications of the candidate. The current members of the Nomination Committee are Rick Christie (Chairman), Elizabeth Coutts and Peter Kraus. The majority of the members of the Nomination Committee are independent. There were no Nominations Committee meetings held during the year.

The Nomination Committee Charter which outlines the Committee's authority, duties, responsibility and relationship with the Board is set out as Appendix D to the Corporate Governance Code and is available on the Company's website at http://www.ebosgroup.com/investor-centre/corporate-governance/.

## **PRINCIPLE 3:** ACT ETHICALLY AND RESPONSIBLY

The Board has a code of conduct for its directors, senior executives and employees, in the form of its Code of Ethics. The Code of Ethics is set out as Appendix A to the Corporate Governance Code and is available on the Company's website at http://www.ebosgroup.com/investor-centre/corporate-governance/. The Code of Ethics is the framework of standards by which the directors and employees of EBOS, and its related companies, are expected to conduct their professional lives, and covers conflicts of interest, receipt of gifts, confidentiality, expected behaviour, delegated authority and compliance with laws and policies.

## **PRINCIPLE 4:** SAFEGUARD INTEGRITY IN CORPORATE REPORTING

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

Members of the Audit and Risk Committee are Barry Wallace (Chairman), Rick Christie and Elizabeth Coutts. Despite not being an independent director, the Board considers Barry Wallace to be an appropriate director to chair the Audit and Risk Committee given his qualifications as a chartered accountant and his background in financial management. Further information about the relevant qualifications and experience of the members of the committee is set out on page 18 of this report.

The Audit and Risk Committee Charter, which outlines the Committee's authority, duties, responsibilities and relationship with the Board, is set out as Appendix B to the Corporate Governance Code and is available on the Company's website. Information on the procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners, is set out in section 9 of the Corporate Governance Code.

There were three Audit and Risk Committee Meetings held during the year and all members attended each meeting.

For the annual and half-year accounts released publicly, the Board has received assurances from the Chief Executive Officer and the Chief Financial Officer that, in their opinion, the financial records of the Company have been properly maintained; the financial statements and notes required by accounting standards for external reporting give a true and fair view of the financial position and performance of the Company and the consolidated group, and comply with the accounting standards and any further legislative requirements and the representations are based on a sound system of risk management and internal control and the system is operating effectively in all material respects in relation to financial reporting risks.

Deloitte acts as the Company's external auditor, attends the Company's Annual Meeting and is available to answer questions from shareholders relevant to the audit.

## **PRINCIPLE 5:** MAKE TIMELY AND BALANCED DISCLOSURE

The Company has a written policy that is designed to ensure compliance with the NZX Main Board Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance. The General Counsel is responsible for the Company's compliance with statutory and NZX and ASX continuous disclosure requirements and the Board is advised of, and considers, continuous disclosure issues at each Board meeting.

The Company intends to amend the Corporate Governance Code in due course to include a written policy that satisfies the ASX Principles regarding compliance by the Company with the ASX Listing Rules. The Corporate Governance Code is available on the Company's website at http://www.ebosgroup.com/investor-centre/corporate-governance/.

## **PRINCIPLE 6:** RESPECT THE RIGHTS OF SECURITY HOLDERS

Respecting the rights of shareholders is of fundamental importance to the Company and a key element of this is how the Company communicates to its shareholders. To this end, the Company recognises that shareholders must receive relevant information in a timely manner in order to properly and effectively exercise their rights as shareholders.

Information is communicated to shareholders in the Annual Report and the Interim Report. The Board has adopted a policy of continuous disclosure to ensure that it complies with the NZSX and ASX Listing Rules. The Board encourages full participation of shareholders at the company meetings to ensure a high level of accountability and identification with the Group's strategies and goals, including by encouraging shareholders to attend meetings, giving advanced notice of the dates of all scheduled meetings, inviting shareholders to submit questions in advance and allowing time at meetings for shareholders to speak on any resolutions and ask questions of the Board. Investors are provided with information on the Company from its website (http://www.ebosgroup.com). The site contains recent NZSX and ASX announcements and reports. Shareholders are also given the option to receive communication from, and send communications to, the Company and its security registry electronically.

The Company has an investor relations program, which aims to provide information that will allow existing shareholders, potential shareholders and financial analysts to make informed decisions about the Company. This program is governed by a set of shareholder participation principles that are designed to promote effective communication with shareholders and encourage shareholder participation at general meetings. These principles are set out in section 12 of the Corporate Governance Code which is available on the Company's website at http://www.ebosgroup.com/investor-centre/corporate-governance/.

## PRINCIPLE 7: RECOGNISE AND MANAGE RISK

The Company has established an Audit and Risk Committee whose purpose is to, among other things, assist the Board in discharging its responsibility to exercise due care, diligence and skill in relation to identifying and monitoring material business risks. A summary of the functions of the Audit and Risk Committee is set out in the Audit and Risk Committee Charter which is set out as Appendix B to the Corporate Governance Code and available on the Company's website at http://www.ebosgroup.com/investor-centre/corporate-governance/.

The members of the Audit and Risk Committee, their independence and the number of times they meet is noted on pages 64 and 71 of this report.

The management team reports to the Board and/or the Audit and Risk Committee on whether the Company's material business risks are being managed effectively.

The Audit and Risk Committee is required to review the Company's risk management framework annually to satisfy itself that it continues to be sound. A review of the risk management framework was last carried out on 24 August 2015.

The Company does not have an internal audit function other than the oversight undertaken by the Audit and Risk Committee. However, the Company has appointed KPMG to act as the Company's internal auditor by reviewing specific areas of the business each year under a three-year program approved by the Audit & Risk Committee to provide the Company with an independent and objective evaluation of the Company's management of risk.

The EBOS Group external auditor, Deloitte, was reappointed on 31 October 2014. Deloitte is invited to all Audit and Risk Committee meetings and all Audit and Risk Committee papers are made available to Deloitte.

Deloitte attends the Company's Annual Meeting and a representative is available to answer questions from shareholders relevant to that audit at, or ahead of, the Annual Meeting.

EBOS Group defines risk management as the identification, assessment and treatment of risks that have the potential to materially impact the Group's operations, people, and reputation, the environment and communities in which the Group works, and the financial prospects of the Group.

EBOS Group's risk management framework is tailored to its business, embedded largely within existing processes and aligned to the Company's objectives, both short and longer term. Given the diversity of the Group's operations, a wide range of risk factors has the potential to affect the achievement of business objectives. Key risks are set out below, together with the Group's approach to managing those risks.

Competition risk: EBOS Group operates in a competitive environment and, as such, may experience increased competition that could adversely affect EBOS Group's sales, operating margins and market share.

**Risk Management:** The risk of increased competition in the markets that EBOS operates in is ever present and to a large extent outside the control of management. The Group has a continued focus on its operating performance to ensure that it continues to service the needs of its customers, whilst at the same time delivering acceptable returns to shareholders.

Reliance on key suppliers: A material proportion of EBOS Group's inbound supplies is derived from key suppliers in several of its markets. If any key suppliers ceased supplying to EBOS Group or materially reduced the amount of these supplies, the result could be a negative impact on the financial performance of EBOS Group.

**Risk Management:** There is the possibility of competition for supply of wholesale services with suppliers choosing to bypass the existing wholesale network. This happened in Australia when Pfizer decided to distribute their retail pharmacy products directly in 2011. The Group is focussed on maintaining its critical supplier relationships by active engagement programs.

Price regulatory risk: The commercial success of EBOS is partly dependent on the achievement of acceptable pricing and margins for the goods and services it provides. EBOS Group operates in a number of highly regulated industry segments, relating to the distribution and supply of pharmaceutical and medical products and as such, EBOS Group is continually exposed to the risk of new government policies, regulations and legislation that may impact on both the pricing of products and its resulting profitability.

Risk Management: The pharmaceutical distribution industry is subject to significant regulation and government reform. The Australian government's reforms to the Pharmaceutical Benefits Scheme (PBS) over many years has had, and continues to have, the effect of lowering the prices paid for medicines that have been genericised, and thereby lowering the distribution margin earned by the Group. The Group has no control over these price adjustments and to date has offset the impact of lower distribution margin by reducing operating costs and customer discounts. As the regulated adjustment to medicine prices continues, the Group is focussed on adjusting its business model that best meets its objectives however, there is no guarantee that it will always be in a position to offset the lost margin from these reforms.

Industry regulatory risk: The financial performance of EBOS may be materially affected by changes in government regulations with respect to the pharmacy industry in Australia and New Zealand, including the Community Service Obligations (CSO) funding in Australia. Any material adverse change in the basis of the CSO funding, the performance criteria, the achievement of performance criteria, or the termination of Symbion's CSO Agreement, would have a material negative impact on the financial performance of EBOS Group.

Risk Management: Symbion is a signatory to the CSO deed which governs the basis under which the Group distributes medicines around Australia in return for access to a pool of funding that subsidises the distribution of pharmaceuticals to rural and remote parts of Australia. Failure to meet the obligations under this deed, or other state-based legislation, may result in fines or loss of licence to distribute pharmaceuticals. The Group reports and reviews its compliance to regulations to ensure all obligations are met. The Group's operations are also subject to separate external audit by the CSO Agency. If at any point in the future the government decided to reduce the amount of funding provided under the CSO deed then the Group may need to reconsider its business model and determine whether being a signatory to the CSO continues to be commercially viable.

Risk of changes to industry structure: Future potential changes to the structure of the pharmaceutical industry in Australia or New Zealand may have a material impact on EBOS Group's margins and financial performance.

Risk Management: Retail pharmacy in Australia and New Zealand is subject to significant government regulation. This regulation governs the rules on both pharmacy ownership and location rules. If the government were to change either the ownership or location rules, then this could have a significant impact on the company's operations and financial position. The Group has no control over the government's approach to regulation of these matters, but does actively engage with government on the benefits of the current model.

Currency risk: EBOS Group's operations are primarily in New Zealand and Australia. Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the primary currency for the Group's operations. The Group makes purchases in foreign currencies, such as the US dollar and the Euro, and is therefore exposed to foreign exchange risk arising from movements in exchange rates.

EBOS Group's functional currency is New Zealand dollars. EBOS Group is exposed to currency translation risk on conversion of earnings in Australian dollars to New Zealand dollars. This may have the impact of either increasing or decreasing the expected earnings from EBOS Group.

Risk Management: To manage the currency risk in respect of both revenue and expenses, EBOS Group may hedge a percentage of its net foreign currency exposures using forward foreign exchange contracts and/or foreign exchange options to reduce the variability from changes in EBOS Group's net operating income and cash flows to acceptable parameters. Such hedging does not, however, guarantee a more favourable outcome than that achieved by not hedging.

The Group does not hedge the translation risk that arises upon conversion of its overseas-based operations into New Zealand dollars.

Impairment risk: EBOS Group carries significant goodwill and intangible assets on its balance sheet. Accounting policies require that these assets be regularly tested for impairment and that the underlying assumptions supporting their carrying value be confirmed. There is a risk that the carrying balances for goodwill and/or intangibles may become impaired in the future, which would have an adverse effect on EBOS Group's financial position.

Risk Management: Whether the Group experiences a write-down in the carrying value of its intangibles will largely depend on the operating performance of the business with which those intangibles are associated. The Group conducts an annual test for impairment on the value of all goodwill and intangible assets, including the underlying assumptions using a discounted cash flow analysis.

## PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

The Company has established a Remuneration Committee, the current members of which are Rick Christie, Barry Wallace and Mark Waller. Rick Christie is the Chair of the Remuneration Committee. The Remuneration Committee's Charter, which outlines the Committee's authority, duties, responsibility and relationship with the Board is set out as Appendix C to the Corporate Governance Code and is available on the Company's website at http://www.ebosgroup.com/investor-centre/corporate-governance/.

There was one Remuneration Committee meeting held during the year, which was attended by Rick Christie and Mark Waller.

The Committee does not comprise a majority of independent directors. Membership of the Committee includes Barry Wallace and Mark Waller, who are not independent Directors.

The Company's policies and approach to remuneration issues are outlined in section 10 of the Corporate Governance Code (and is available on the Company's website at http://www.ebosgroup.com/investor-centre/corporate-governance/).

## ANNUAL MEETING

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

# Directors' Interests

## SHARE DEALINGS BY DIRECTORS

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

## DISCLOSURE OF INTERESTS BY DIRECTORS

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

R.G.M. Christie: Chairman of ikeGPS Group Ltd, National e-Science Infrastructure – NeSI, and Service IQ. Director of South Port New Zealand Ltd, Solnet Solutions Ltd, and Powerhouse Ventures Ltd.

E.M. Coutts: Chair of Urwin & Co Ltd and Oceania Healthcare Ltd and Director of Yellow Pages group of companies, Ports of Auckland Ltd, Sanford Ltd, Skellerup Holdings Ltd and Tennis Auckland Region Incorporated, and Member, Marsh New Zealand Advisory Board and Chair of Inland Revenue, Risk and Assurance Committee and Vice-President, Institute of Directors Inc.

P.F. Kraus: Director of Whyte Adder No.3 Ltd, Herpa Properties Ltd, Ecostore Company Ltd, and Peton Villas Ltd.

S.J. McGregor: Chairman of Donaco International Ltd, Powerlift Australia Pty Ltd, C.B. Norwood Pty Ltd and director of Symbion Pty Ltd.

S.C. Ottrey: Director of Comvita Ltd, Whitestone Cheese Ltd, and Sarah Ottrey Marketing Ltd and Member of the Inland Revenue Risk and Assurance Committee.

B.J. Wallace: Director of Allum Management Services Ltd, Whyte Adder No 3 Ltd, Herpa Properties Ltd, Ecostore Company Ltd and Peton Villas Ltd.

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

P.J. Williams: Executive of the Zuellig Group and associated companies, a director of Interpharma Investments Ltd, Pharma Industries Ltd and Cambert.

# Directors' Disclosures

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

## SHARE DEALINGS BY DIRECTORS

| Director | Ordinary Shares Purchased/(Sold) | Consideration Paid/(Received) | Date of Transaction |
|---|---|---|---|
| R G M Christie – Non-beneficially held | (1,800) | – | June 2015 |
| E M Coutts – Held by associated persons | 324 | $3,090 | October 2013 |
| | 431 | $4,276 | April 2014 |
| S C Ottrey – Held by associated persons | 94 | $895 | October 2013 |
| | 125 | $1,244 | April 2014 |
| P F Kraus | 101,815 | $969,982 | October 2013 |
| Held by associated persons | 135,589 | $1,342,346 | April 2014 |
| | 148,705 | $1,298,194 | October 2014 |
| | 129,935 | $1,393,996 | April 2015 |
| B J Wallace – Non-beneficially held | 101,815 | $969,982 | October 2013 |
| | 135,689 | $1,342,346 | April 2014 |
| | 148,705 | $1,298,194 | October 2014 |
| | 129,935 | $1,393,996 | April 2015 |
| M B Waller – Held by associated persons | 14 | $144 | April 2014 |
| Non-beneficially held | 9,311 | $81,285 | October 2014 |
| | 8,137 | $87,229 | April 2015 |
| M B Waller – Non-beneficially held | (1,800) | – | June 2015 |

## DIRECTORS' SHAREHOLDINGS

| Number of fully paid shares held as at | | 30 June 2015 | 30 June 2014 |
|---|---|---|---|
| E M Coutts | – Held by associated persons | 26,903 | 26,497 |
| R G M Christie | – Non-beneficially held – Staff share purchase scheme | 129,492 | 125,092 |
| P F Kraus | | 1,535 | 1,535 |
| | – Held by associated persons | 8,596,425 | 8,317,785 |
| S C Ottrey | – Held by associated persons | 7,962 | 7,705 |
| B J Wallace | – Non-beneficially held – Director of Whyte Adder No.3 Ltd/Herpa Properties Ltd | 8,596,425 | 8,317,785 |
| M B Waller | – Held by associated persons | 547,639 | 530,191 |
| | – Non-beneficially held – Staff share purchase scheme | 129,492 | 125,092 |

## ATTENDANCE

| | Board | | Audit & Risk | | Remuneration | |
|---|---|---|---|---|---|---|
| | Eligible to Attend | Attended | Eligible to Attend | Attended | Eligible to Attend | Attended |
| R Christie | 10 | 10 | 3 | 3 | 1 | 1 |
| P Kraus | 10 | 9 | - | - | - | - |
| E Coutts | 10 | 10 | 3 | 3 | - | - |
| S Ottrey | 10 | 10 | - | - | - | - |
| S McGregor | 10 | 10 | - | - | - | - |
| B Wallace | 10 | 9 | 3 | 3 | 1 | - |
| M Waller | 10 | 9 | - | - | 1 | 1 |
| P Williams | 10 | 10 | - | - | - | - |

## INDEMNITY AND INSURANCE

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

## DIRECTORS' REMUNERATION AND OTHER BENEFITS

Directors' remuneration and other benefits required to be disclosed pursuant to section 211(1) of the *Companies Act 1993* for the year ended 30 June 2015 were as follows:

| | | 30 June 2015 | 30 June 2014 |
|---|---|---|---|
| R.G.M. Christie | | $215,000 | $215,000 |
| E.M. Coutts | | $110,000 | $110,000 |
| P.F. Kraus | | $100,000 | $100,000 |
| S J McGregor | | $100,000 | $100,000 |
| S.C. Ottrey | | $100,000 | $100,000 |
| B.J. Wallace | | $118,000 | $118,000 |
| P.J. Williams | | $100,000 | $100,000 |
| M.B. Waller<br>(Executive Director) | Salary<br>* Other benefits | $1,349,330<br>$391,500 | $1,773,000<br>$1,702,720 |

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

## GENERAL COMPOSITION

As at 30 June 2015, two of the directors of the Company are female (2014: 2 females) and one management position is held by a female (2014: 1 female).

## EMPLOYEE REMUNERATION

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

| **Employee Remuneration (NZ$)** | **30 June 2015** Number of Employees | **30 June 2014** Number of Employees |
|---|---|---|
| 100,000 – 110,000 | 94 | 41 |
| 110,000 – 120,000 | 60 | 54 |
| 120,000 – 130,000 | 52 | 38 |
| 130,000 – 140,000 | 32 | 14 |
| 140,000 – 150,000 | 25 | 27 |
| 150,000 – 160,000 | 29 | 21 |
| 160,000 – 170,000 | 12 | 20 |
| 170,000 – 180,000 | 16 | 15 |
| 180,000 – 190,000 | 20 | 1 |
| 190,000 – 200,000 | 12 | 9 |
| 200,000 – 210,000 | 12 | 5 |
| 210,000 – 220,000 | 7 | 9 |
| 220,000 – 230,000 | 4 | 3 |
| 230,000 – 240,000 | 3 | 4 |
| 240,000 – 250,000 | 6 | 1 |
| 250,000 – 260,000 | 4 | 2 |
| 260,000 – 270,000 | 2 | 3 |
| 270,000 – 280,000 | 3 | 1 |
| 280,000 – 290,000 | 2 | 3 |
| 290,000 – 300,000 | 1 | 4 |
| 300,000 – 310,000 | 5 | 2 |
| 310,000 – 320,000 | 2 | 1 |
| 320,000 – 330,000 | 1 | 2 |
| 330,000 – 340,000 | 2 | 1 |
| 340,000 – 350,000 | - | 1 |
| 350,000 – 360,000 | 1 | 1 |
| 360,000 – 370,000 | - | 1 |
| 370,000 – 380,000 | 1 | 1 |
| 380,000 – 390,000 | - | 1 |
| 410,000 – 420,000 | 2 | 1 |
| 420,000 – 430,000 | 2 | - |
| 440,000 – 450,000 | 1 | - |
| 450,000 – 460,000 | - | 1 |
| 520,000 – 530,000 | - | 1 |
| 550,000 – 560,000 | 1 | - |
| 560,000 – 570,000 | 1 | - |

| Employee Remuneration (NZ$) | 30 June 2015 Number of Employees | 30 June 2014 Number of Employees |
|---|---|---|
| 590,000 - 600,000 | 1 | - |
| 600,000 - 610,000 | - | 1 |
| 610,000 - 620,000 | 1 | 1 |
| 620,000 - 630,000 | 2 | - |
| 630,000 - 640,000 | - | 1 |
| 680,000 - 690,000 | 1 | 1 |
| 700,000 - 710,000 | 1 | - |
| 720,000 - 730,000 | - | 1 |
| 780,000 - 790,000 | - | 1 |
| 820,000 - 830,000 | - | 1 |
| 830,000 - 840,000 | - | 2 |
| 920,000 - 930,000 | - | 1 |
| 1,040,000 - 1,050,000 | 1 | - |
| 1,110,000 - 1,120,000 | 1 | - |
| 1,430,000 - 1,440,000 | - | 1 |
| 1,740,000 - 1,750,000 | 1 | - |
| 2,160,000 - 2,170,000 | 1 | - |

## AUDITOR

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

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

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

**M.B. Waller**
*Executive Director*

# Directory

## REGISTERED OFFICES

108 Wrights Road
PO Box 411
Christchurch 8024
New Zealand
Telephone: +64 3 338 0999
Email: ebos@ebos.co.nz

Level 3, 484 St Kilda Road
Melbourne 3004
PO Box 7300
Melbourne 8004
Australia
Telephone: +61 3 9918 5555
Email: ebos@ebosgroup.com

## WEBSITE ADDRESS

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, Pharmacy*

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*

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.investorcentre.com/nz**

General enquiries can be directed to:

- 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.