Our final customer must come first: our goal is to provide a professional and efficient interface between the brands or services we supply and end-users; we concentrate on service and quality, interacting across multiple market sectors – by delivering this we will be successful

EBOS GROUP LIMITED

Annual Report 2007

Contents

Highlights of the year

Excellent market penetration for our suppliers through the EBOS business model offering one route to multiple sales and marketing channels.

Strong performance by group businesses in New Zealand and Australia.

A successful rights issue in late 2006 that was well supported by shareholders.

A quantum step forward with the post-balance date acquisition of PRNZ Ltd.

Financial highlights

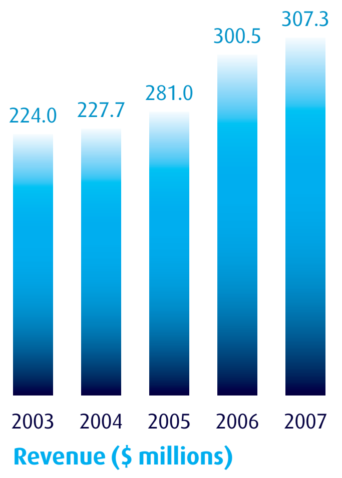
Solid 2007 results, despite demanding market conditions and rising costs, with revenue at another record mark of $307 million.

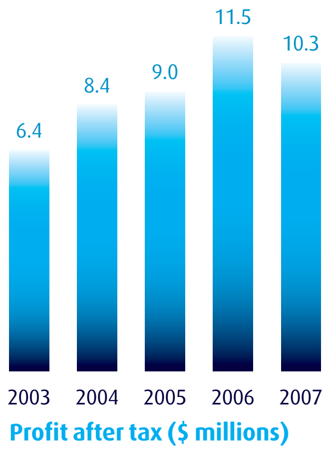
Earnings per share at a weighted 31.7 cents per share on higher capital.

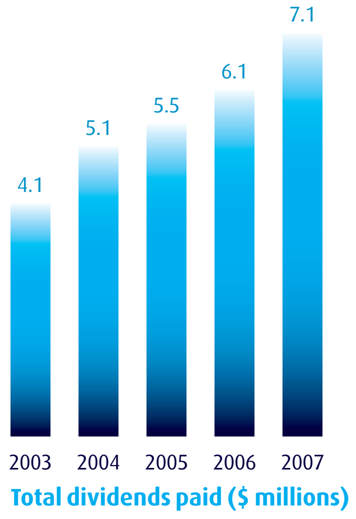
Strong Total Shareholder Return, with annual declared dividend maintained at 22.5 cents per share on the increased capital.

Substantial reduction in debt as at 30 June 2007, as a precursor for the strategic purchase of PRNZ Ltd subsequently achieved within conservative debt/equity ratios.

Financial Performance







Financial Performance Trends

	NZ IFRS		NZ GAAP		
	2007	2006	2005	2004	2003
Revenue ($'000)	307,276	300,486	280,983	227,657	224,017
Profit before tax expense ($'000)	14,942	17,111	14,666	12,366	9,625
Profit attributable to members of the parent entity ($'000)	10,319	11,548	8,960	8,403	6,416
Shareholders' interest ($'000)	94,150	55,763	49,512	46,901	43,286
Dividends paid ($'000)	7,092	6,074	5,516	5,069	4,125
Dividends paid cents per share	22.5c	22c	20c	18.4c	15c
Earnings per share	31.7c	41.8c	32.5c	30.5c	23c
Interest cover	7.8	6.9	7.7	10.1	7.0
Net interest bearing debt to net interest bearing debt plus equity	9.5%	42.3%	40.2%	28.2%	31.0%
Equity to total assets	68.6%	41.4%	45.2%	52.2%	48.1%
Current ratio	2.6 to 1	1.4 to 1	1.6 to 1	1.8 to 1	1.6 to 1
Asset backing per share	256c	202c	179c	170c	158c

Customer First

The success of EBOS Group is founded on our passion for excellence of customer service.

Our commitment to customers is to provide the right product in the right place at the right time. Based on this steadfast obligation we seek to build lasting business partnerships across:

- Procurement of Healthcare and Scientific products from our suppliers.
- Sales and marketing into multiple sales channels on behalf of brand agencies and product partners.
- Supply chain logistics on a national basis in New Zealand, Australia and the Pacific Islands.

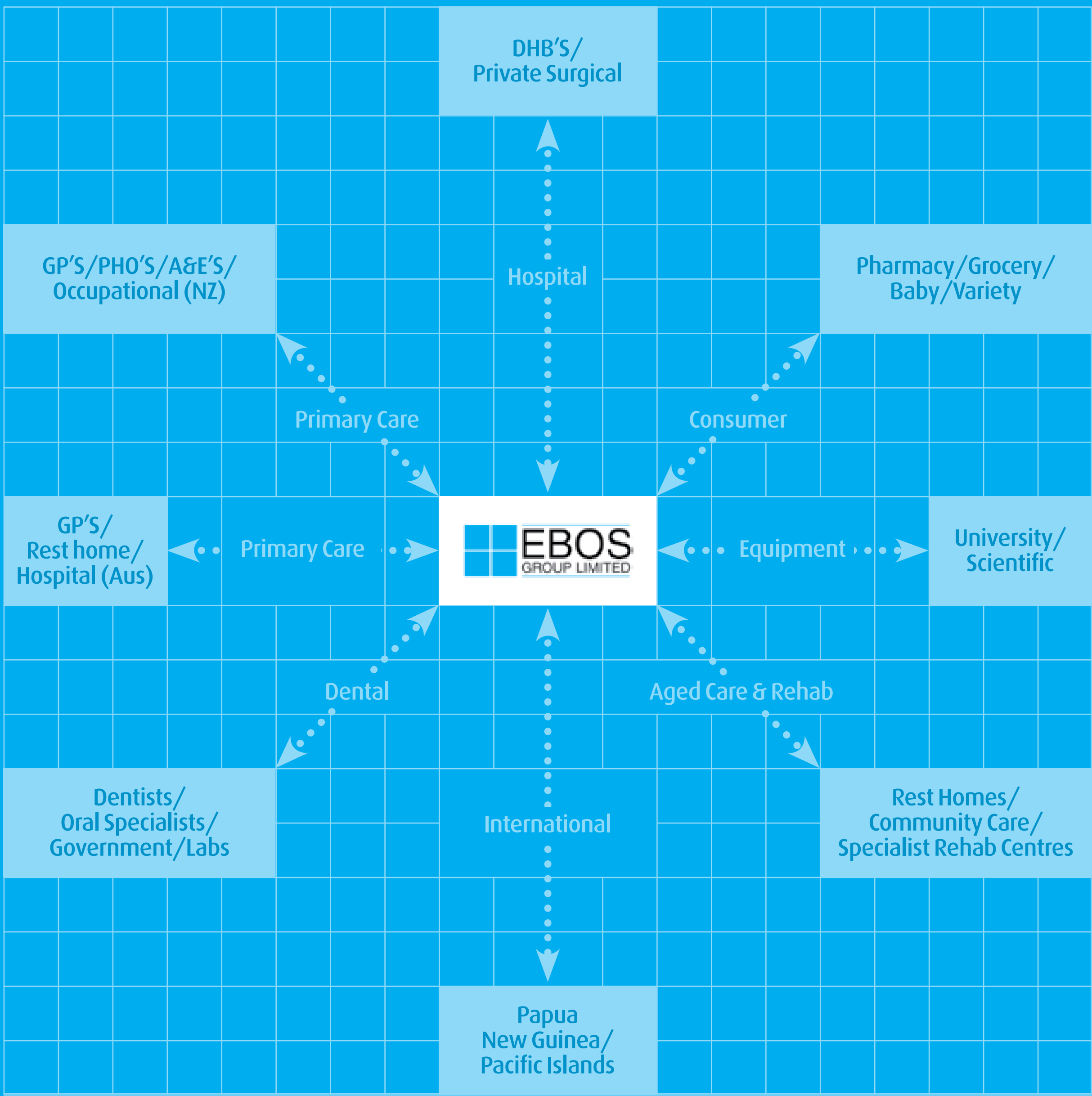
We again achieved excellent performance by our in-house customer service team based at Albany, Auckland, where the answer rate by our customer services team exceeded baseline benchmarks. EBOS believes that customers welcome the ability to be answered by a real person with a real understanding of the business.

Dedicated and specialised customer service teams focused on specific EBOS New Zealand markets provide a critical interface between sales and operations, with teams devoted to channels in Hospital, Primary Care, Dental, Consumer, Aged Care and Rehabilitation. Health Support Ltd and EBOS Australia operate a similar personalised service for its business activities.

EBOS New Zealand is pursuing ongoing improvement by developing a wider perspective on service delivery. Initiatives include the proactive provision of information to customers on estimated-time-of-arrivals for overseas shipments, which will enable our customers to more effectively plan restocking schedules, along with alignment between internal operational processes and EBOS' external service offering.

Ongoing reassessment and improvement to our internal systems and processes is continuing as we offer enhancements to our existing services.

Our pivotal position: connecting brands with buyers in multiple market channels



As at 31 March 2007

Chairman's report

2007 will be a historically significant year for the EBOS Group. Not just because the revenues and underlying profitability for the last financial year continued to set a new record, but rather more so because of the $86.25m acquisition of PRNZ Ltd.

PRNZ is a group comprising Propharma and Healthcare Logistics and is a successful New Zealand private organisation with proven excellence in pharmaceutical distribution and logistics that are complementary to existing activities by EBOS.

Despite a demanding business environment, EBOS Group' revenue for the 2006/2007 year was $307.27m, a 2.25% increase on last year's record $300m mark. This growth was driven by the strong performance of our transtasman healthcare and scientific operations and the benefits of operating on a common business model for both Australia and New Zealand.

The post-balance date acquisition of PRNZ will catapult group annual revenues to approximately $1.1billion and the activities of operating companies Propharma and Healthcare Logistics across both the retail pharmacy and healthcare will take the enlarged EBOS Group to the forefront of the New Zealand healthcare supplies market.

The EBOS board is confident that the combined company's strength will deliver substantial benefits for shareholders and customers alike, delivering significant revenue and earnings momentum and improving the risk profile of the group.

Results

In the year under review, our results have shown up the volatility expected as a result of our adoption last year of the New Zealand Equivalents to International Financial Reporting Standards (IFRS). This potential for earnings volatility arises largely from the treatment of adjustments for derivatives and the translation to New Zealand dollars of the results of our Australian operations.

In the year ended 30 June 2007, profit before interest and tax was $17.13m, which compares with $20.03m in 2006. Net profit for the period was $10.32m compared with $11.55m, a decline of 10.6% and influenced by the significantly higher NZD/AUD exchange rate, which was approximately AUD$0.91 at balance date 2007 versus approximately AUD$0.82 a year earlier.

However, after adjusting for the aforementioned variables, the 2007 result adjusts to $11.69m, which is 9.4% higher than the adjusted 2006 result.

Earnings per share this year was a weighted 31.7 cents on increased capital.

Balance sheet

A sound financial position has been maintained by EBOS, with a solid increase in net assets a feature of this year's balance sheet.

Total group assets increased to $137.23m from $134.73m, based on current assets of $90.02m ($86.25m) and non-current assets of $47.20m ($48.48m). Current liabilities declined significantly to $34.97m from $62.03m largely due to the substantial reduction in bank loans to $1.1m from $22.2m following repayments made possible by the success of the rights issue made in December 2006. For the same reason non-current liabilities were lower at $8.10m ($16.94m), reflecting a reduction of $8.81m in longer term bank loans.

Net assets increased to $94.15m from $55.76m in the previous year.

Total borrowings stood at $9.91m at year end compared with $42.73m in 2006. Net interest-bearing debt, to net interest-bearing debt plus equity, was reduced to 9.5% from 42.3% in 2006.

Operating net cash flow was $7.25m compared with $8.35m last year.

Post balance date

PRNZ Ltd became a priority project in the second half, resulting in the biggest acquisition in EBOS Group history taking place, post-balance date. The consolidation of EBOS and PRNZ will result in a substantially larger group and bring an increase in total group debt to approximately $70m.

The total $86.85m acquisition is being funded by a mixture of debt and equity:

- Debt funding of approximately $43m from ANZ Institutional Bank; and equity of approximately $43m, arising from the issue of an estimated 9.4 million new EBOS shares to a number of investors. These transactions comprise:
  - $14.25m by the issue of 3.0m shares at $4.75 to the vendors of PRNZ.
  - $11.75m by the issue of 2,526,594 EBOS shares to financial institutions and habitual investors at a price of $4.65 per share.
  - $17.5m by the issue of 3.77m shares to existing EBOS shareholders through their participation in the Share Purchase Plan mailed to shareholders in early September. Holders of EBOS shares as at 5.00 pm on 4 September 2007 are entitled to participate in the SPP and shareholders are reminded that the closing date for participation in this capital raising is 5.00 pm 28 September 2007. Shares issued under the SPP will be allotted no later than 4 October 2007. Brokerage costs related to the SPP are being met by the company.

The increase in debt to almost $70m, from the very low level of $9.1m pre-acquisition, is significant, however the overall leverage and interest cover will remain well within prudent

levels. Total interest bearing debt to interest bearing debt plus equity will increase to 33% which is comfortably lower than the corresponding ratio before the 2006 rights issue. Total debt to enterprise value will be approximately 25%. Projected interest cover is approximately 5 times.

Dividend

The directors are pleased to report that dividend payments will be maintained at the higher level set in 2006 and will also include shares issued to expand the capital base including recent placements and the SPP. The final dividend of 13 cents per share is payable on 26 October 2007 and, with the interim dividend of 9.5 cents per share, comprises a total of 22.5 cents per share for the year. This year's total dividend payment is $9.51m ($6.22m for the 2006 year).

Board

Harry Vollemaere retired from the Board at the 2006 Annual Meeting held on 9 November 2006 having made a significant contribution during 12 years service as a Director.

Sarah Ottrey B.Com was appointed as an independent director on 18 September 2006. Sarah has a strong background in marketing and we are already seeing the benefits of her experience around the Board table.

Peter Merton, Chief Executive of PRNZ Ltd, has accepted an invitation to join the Board and will bring his considerable knowledge of the pharmaceutical distribution and logistics industries gained over several years.

Employees

This year's results once again reflect the strong commitment made by our management and staff in New Zealand, Australia and Papua New Guinea. Their ability to maintain traction in changing economic conditions and achieve positive go-forward is an underlying driver of the company's success and the Board thanks them most sincerely for their efforts. I would particularly note the efforts made by Mark Waller our CEO, and Dennis Doherty, Chief Financial Officer, in bringing the PRNZ acquisition to a successful conclusion. Whilst EBOS is no stranger to acquisitions, the scale and complexity of this one far exceeded anything we have tackled before.

Outlook

In the coming year, EBOS will do much more than sustain its growth path in the core healthcare markets. The PRNZ transaction will introduce a significant broadening of the group's business base, with PRNZ's market leading position in wholesale pharmaceutical supplies and pre-wholesale logistics complementing the existing EBOS businesses.

Based on the results for the year ended 30 June 2007, the consolidation of PRNZ is projected to increase EBOS turnover by approximately 270% on an annualised basis to NZ$1.1bn and pre-tax earnings by almost 50%.

The acquisition follows the most disruptive period in foreign exchange markets since the float of the New Zealand dollar. We have seen the excellent June year improvement in transtasman earnings partly "lost in translation". Whilst we continue to see our future in the dynamic Australian market as particularly bright, we also consider that the integration of PRNZ, an entirely domestic New Zealand business, should help to mitigate currency risk.

A continuation of the improved financial performance of EBOS Australia under the guidance of Tony Norris was a very pleasing feature of our 2007 performance. We anticipate further business development, and are close to bringing two other deals to a conclusion which will further bolster earnings.

The Board thanks shareholders for their positive support of recent capital initiatives. Shareholders can be assured that increasing total shareholder value remains a key objective of your Directors on your behalf.

Rick Christie
Chairman of Directors

Managing Director's review

For many years by way of growth and strategic acquisitions, EBOS Group Ltd has been moving to offset the reality of being based in a relatively small national market.

Our first step outside of the New Zealand economy was achieved when EBOS purchased an initial interest in a healthcare distribution business operating in eastern Australia. From that starting position, the group has evolved into a robust transtasman structure operating multiple Healthcare and Scientific businesses on a group wide financial reporting system based in Christchurch, New Zealand.

The Group is now reaping the benefits of the significant investment made into the Australian operations over several years, with the recent 2005-06 reorganisation of Australian healthcare activities into EBOS Australia producing stronger earnings growth.

Through incremental steps, EBOS has continued to grow revenue and earnings in each of the last seven years.

A fundamental goal is to increase shareholder value in alignment with this trend.

The key to the company's consistency in financial performance and reliability of dividends for its investors has been to achieve operational excellence – itself based on the highest possible levels of customer satisfaction – in the ongoing businesses, whilst newly acquired businesses must be earnings accretive from day one.

Supply chain initiatives

At the heart of our operations is our known ability to cost-effectively move suppliers' products through a distribution supply chain and into multiple business channels.

EBOS undertook several initiatives to meet customer needs, including:

- Relocation of the New Zealand procurement team to Auckland to align with sales and marketing.
- Opening of new warehousing facilities.
- Out-sourcing of a planned expansion of supply chain logistics in the South Island.
- Investment in new forecasting and inventory monitoring software.

Platform for growth

The EBOS acquisition strategy is founded on the principle of investing only in businesses that are already proven performers in their field and capable of future growth.

EBOS Group was further positioned in the June 2007 year to provide a platform for significant expansion. In December $36.8m was raised by way of a rights issue with the net proceeds used to reduce bank borrowings. This placed the Group in a strong position to fund further growth initiatives:

- The purchase of a successful Australian-based healthcare distribution business, Vital Medical Supplies (Australia) Pty Ltd, which is a nationwide supplier focusing on primary care.
- The quantum step in operational size taken in August 2007 with the acquisition of PRNZ Ltd.
- Further potential acquisitions in healthcare and scientific product distribution are under consideration.

Performance 2006-07

The year's underlying net profit for the group exceeded growth in revenue. Overall cost increases flowed through as higher labour and transport costs.

The benefit of measures to improve supply chain efficiencies will be more evident in the current year.

Healthcare

EBOS New Zealand has sustained a growth path in Healthcare sector sales with revenue of $273.9m from our combined New Zealand, Australia and Pacific Islands operations.

EBOS New Zealand, led by Kelvin Hyland, General Manager, sustained robust operating results in a very competitive market. This was despite lower margins for the division's Hospital business unit. The Primary Care business unit maintained its pre-eminent market position and along with the Dental business enjoyed another year of growth. The Consumer and Aged Care/Rehabilitation units both performed well.

EBOS Australia has again performed strongly with excellent gains in earnings before interest and tax under the leadership of Tony Norris, the general manager of EBOS Group Pty Ltd. The successful restructuring of the business model along the lines proven in New Zealand has been one of the keys to its success.

During the course of 2006-07, the group acquired Vital Medical Supplies, a first-rate family-owned business in the Australian medical supplies market. It will continue to operate under its own successful brand.

International returned to a more normal trading cycle after a year or two of spectacular growth.

Health Support Ltd, led by its general manager Greg Managh, is performing consistently well in the early years of a long term supply contract with Auckland regional district health boards and took a leadership role in EBOS Group supply chain logistics management. We forecast further growth for Health Support.

Scientific

Under Derek Brown, overall Scientific group managing director, Australia-based Quantum Scientific achieved excellent sales and earnings growth. The vibrancy of the Australian life science sector is an important generator of demand for scientific equipment. However, the last year was a transition period for the New Zealand subsidiary Global Science and Technology Ltd which led to lower revenue and profit overall for the Scientific group.

Angus Cooper has made a significant contribution in support of all Business Units and on a range of exciting projects as General Manager Business Development.

The future

EBOS has much to look forward to as we step up in both business size and future opportunity. We see the New Zealand and Australian economies as likely to emerge from the present cycle of uncertainty in good shape. Investors will become more aware of value and asset risk whilst for our part we expect to see more realistically priced assets.

We are focussed on our immediate and core values:

- Building on our acquisition of PRNZ as we seek to add value to this exciting enterprise within EBOS Group.
- The completion of further Healthcare and Scientific sector investments that further enhance our market position and expand our offerings to customers.
- The revitalisation of the New Zealand scientific business.
- Start to consolidate the multiple IT platforms currently at use in the group.
- Embracing change in demanding times.

In summary we have an excellent team that is capable of satisfying the multiple goals of shareholders, customers, suppliers and staff.

We relish the challenge and opportunities available to EBOS Group over the next three to four years.

Mark Waller
Managing Director and Chief Executive Officer

Healthcare

Group activities in Healthcare produced increased revenue and earnings and contributed positively to the overall group result for 2007.

The strong market position of EBOS in the Australasian healthcare sector is founded on the purchasing power of a unified business model. The same strength provides international suppliers and manufacturers with ready access to key markets.

EBOS New Zealand

Achieving incremental revenue growth depends on our ability to efficiently meet the supply needs of medical professionals and their customers across several business channels.

The EBOS product range of healthcare products is huge and exceeds 50,000 stock units. Meeting the diverse needs of medical professionals working across a wide healthcare spectrum creates a complex market place with expectations of high levels of service.

Accordingly, we are moving to improve systems and processes that at times came under pressure from the exceptional growth of the recent years. A new initiative is the appointment of a Service Delivery Manager.

Our proven marketing solution to multiple sales channels is to adopt a specialist approach to different markets. Separate business units led by individual managers, each supported by dedicated sales teams and product specialists, operate in five core markets.

- **Hospitals** – This year lacked the avian flu related sales of 2006 and there was softer demand for medical equipment. Health budgets remain under considerable pressure and we expect the centrally led drive for cost effectiveness among District Health Boards to continue. Demanding market conditions have sustained margin compression. EBOS is adapting to the market conditions of DHBs wanting "more from less". The focus on achieving a strong position in theatre, ED, ICU and infection control products has resulted in solid sales of our core brands. Future growth will include a focus on niche electromedical equipment.

- **Primary Care** –The devolution of first-phase healthcare to private sector Primary Health Organisations is now at an advanced stage. EBOS is working to establish strategic alliances with larger buying groups of GPs and wellness centres. EBOS offers a wide range of products spanning woundcare and allergy products through to clinical diagnostic equipment. Excellent sales growth in the 2007 year reflected the strong market presence of this business unit. Our success in Primary Care is based on a strong partnership with leading brands including Welch Allyn diagnostics and Smith & Nephew woundcare.

- **Consumer** – Our retail healthcare business unit operates in a highly dynamic and exciting market place and again demonstrated a high level of commitment in achieving very good results in an increasingly competitive and tightening market. During the year, consumer spending was again impacted by higher interest rates, food price inflation and petrol price surges yet EBOS Consumer products performed well. Our market relationships are assisting the strong growth by Mentholatum and the EBOS-owned Antiflamme brand.

  Baby products such as the popular retail brand AVENT performed strongly with our product knowledge supporting excellent sales growth.

  The unit's biggest market for retail products is Pharmacy, where EBOS account managers continue to build strong partnerships with large buying groups such as Pharmacy Brands, Life Pharmacy and Radius Pharmacy.

  There is strong growth in Variety stores, such as the FTC department store group. In the Grocery channel EBOS is performing well in the 'fast moving consumer goods' market where we are supplying retail supermarket chains operated by the Foodstuffs and Progressive Enterprises groups.

- **Dental** – The dental business unit had a very strong year and is benefiting from industry consolidation trends and a drive for high quality brands and leading edge technology that complement the brand position of the practice. The market promotion of the SciCan range of high speed sterilisation units, with promotional partner BMW, was a huge success. The KaVo and Gendex ranges continued to be brand winners and our strategic focus on premium quality equipment sales differentiates EBOS in the market. Major institutional refurbishment projects will be key priorities in the current year.

- **Aged Care/Rehabilitation** – Driven by demographic changes this unit enjoyed exceptional revenue growth. Margin compression was intense and influenced partly by static levels of funding. The trend towards sector consolidation in retirement villages under corporate ownership has led to opportunities for increased business based on our complete supply solution across consumables and equipment. Village operators are seeking quality products that complement their own brand.

  Our seating and mobility products represented in the rehabilitation portfolio continued to perform exceptionally well led by the Quickie and Jay brands.


EXIT

Healthcare

EBOS Australia

EBOS Group Pty produced an excellent result following its first full financial year following the major restructure of the business activities that took place in the second half of the 2005-06 year.

Sales grew organically in excess of 9% and gross margin was improved. With a 10% reduction in operating expenses this resulted in an increase in pre-tax profit of 47%.

The restructure resulted in improved customer focus in the respective healthcare sectors. This allowed a clearer direction for the Company in its sales and marketing strategies. The national Customer Service team was restructured and sales management teams were aligned accordingly to their respective divisions.

The Primary Division remained the backbone of the business accounting for approximately 50% of the Company's sales. Customer relationships were strengthened and strategic new business located and secured. Meeting the customer needs with product focus was also a highlight for the year.

The Hospital Division produced an excellent result due mainly to the continuing success and growth of its major exclusive agency representations. This is expected to continue with the recent addition of the Eschmann range of operating theatre equipment.

Likewise the Aged Care Division saw tremendous growth with a complementary mix of both consumable and capital equipment sales. Becoming a true "partner" with many of the larger aged care providers has been a key to our success. This has involved solution finding in respect of product selection and service provision. This strategy has been complemented by strategic association with certain major suppliers to the industry.

The Consumer Division produced a steady result with little to compare against historically due to the prior operational structure. The EBOS owned Allersearch brand continued to lead in the market in Asthma management whilst new products are currently being sourced and launched.

Operational consolidation also took place during the third quarter with a move to a new office and warehouse complex in Brisbane in conjunction with our fellow group company Quantum Scientific.

The pure essence of a family business

In July 2007, EBOS Group acquired an exciting Australian healthcare company, Vital Medical Supplies (Australia) Pty Ltd, with a business culture that we admire.

"It's about people together," is the way Pieter and Marijke Vriens, the brother and sister management team behind the exceptional success of Vital Medical Supplies, describe their business philosophy.

Cooperation, creativity and a good dose of fun has propelled the growth of this family business. Vital has built strong and motivated teams in:

- **Sales** – Operating in Sydney, New South Wales, South Coast, Mid North Coast, Melbourne and the Gold Coast.
- **Customer Service**
- **Warehouse** with a total range of 50,000 items ranging from equipment and accessories, surgical instruments, medical consumables, pharmaceuticals.

The Vriens are proud of their committed and dedicated staff and what they have achieved based on family values, staff loyalty and customer satisfaction. EBOS is proud that this great team has joined our Australia group, sharing a common work ethic and a positive vision of the future. Our combined strength in the Primary Care marketplace is unequalled.

International

EBOS International made another valuable contribution to revenue and earnings, although below the exceptionally strong results from past years when we booked the completion of several major contracts.

Pacific Islands' economic activity generally reached a plateau; this impacted on national health budgets, and resulted in steady rather than strong demand for health products.

Despite quieter trading conditions, each national market has its own characteristics. EBOS International maintains an excellent business profile as an exporter of medical consumables and a wide range of equipment across the hospital, primary care, dental and scientific markets.

The business unit's Customer Service programme "Total Service and Support" includes product expertise, post-purchase training, after-sales in-country technical support and equipment maintenance programmes from our New Zealand base plus the EBOS Health & Science (PNG) Ltd branch, based in Port Moresby, Papua New Guinea.

During the year the business unit has positioned a full-time Scientific sales representative as a member of the Pacific Islands team, with the objective of establishing a stronger presence for products from EBOS Group members Quantum Scientific and Global Science & Technology.

Our business relationship with major international aid agencies remains important and whilst the refocusing of aid programmes can alter the level of sales opportunities, we continue to be seen as a knowledgeable, reliable, supportive and ethical company.

Key achievements during the year included:

- Participation in European Union aid projects in the Cook Islands, leading to the installation of portable dental equipment to increase the coverage of dental treatment to the greater population
- Provision of general medical equipment for the main hospital on Rarotonga under a contract from the Cook Islands Government.
- Supplying a number of World Health Organisation projects with medical equipment including medical laboratory refrigerator and freezers, ECG machines and biochemistry analysers.
- AusAID contracts for the supply of consumables to the Solomon Islands and specialist operating theatre equipment for supply to hospitals in Papua New Guinea.
- Further contracts for the installation of Shimadzu/Konica-Minolta X-Ray equipment in Papua New Guinea and Fiji where they are now the standard used by the Ministry of Health.
- A complete laboratory set up for Ramu Sugar (PNG's largest sugar supplier) as part of their expansion programme

The second half of the year saw further development of programmes and systems for our International business. These are not expected to have a great influence on current sales but we are expecting favourable results as we move forward in to the third quarter for next year.

Healthcare

Health Support Ltd

Our wholly-owned subsidiary Health Support Ltd had another strong year with increased revenue. Operating as a brand neutral wholesaler and logistics business distributing medical consumables, surgical products and pharmaceuticals, Health Support is successfully managing contracts held with both public and private hospitals.

The company's Point Chevalier, Auckland distribution complex had a very active year and it became essential to construct additional capacity, with 880 sqm of storage space opened in January 2007, taking the total capacity to approximately 8,000 sqm. This additional space has been quickly utilised.

The EBOS Group decision to out-source distribution in Christchurch, rather than include new capacity as part of the parent company's group investment in a new group head office, will enable EBOS and Health Support to flexibly respond to volumes generated by the existing business. The change will also support the pursuit of new business opportunities in regions such as Canterbury and Otago.

Health Support took a leadership role in EBOS group procurement during the year having re-engineered existing software systems. The EBOS Group's procurement team was repositioned to Auckland. The group supply chain is being restructured to handle volume expansion, in particular bulkier products lines. Initiatives undertaken include consolidation of purchasing with the purchasing team relocated to Auckland, new warehousing space commissioned and outsourcing of some warehouse and distribution activities.

The company is in the third year of its supply contracts with the three Auckland Region District Health Boards (Auckland, Counties-Manakau and Waitemata) and has adapted well to the new lower margin business model where Health Support is rewarded on a fee for service basis.

Auckland District health Board is the biggest healthcare customer in New Zealand and its end user is the clinical professional delivering patient care. The Health Support service aggregates demand from many suppliers into one delivery channel, with orders packed for each individual end user on at hospital wards, theatres or in dispensing pharmacies

Health Support operates a single source supply chain for all consumables used on a hospital ward by end users, with many separate consumable items packaged in to a single just-in-time delivery ready for use. In the case of the Auckland DHB, orders proceed to some 500 delivery points. The key value for the customer is the way the Health Support supply chain minimises hospital investment in inventory and storage space.

Another important attribute, however, is service excellence. Re-ordering from the ward level is fully electronic, direct into Health Support systems, and orders are delivered over the subsequent 24 hours. Health Support provides convenience, reliability and consistency in a cycle completed over 2 million times a year. The economics of the Health Support service are compelling; our emphasis on high-quality services is the additional point of difference.

The same business model applied to the DHB contract also supports supply to the Ascot and Mercy private hospitals in Auckland and is under current trial by the Southern Cross Healthcare group in three of that organisation's Auckland hospitals. This is an exciting development with potential for a national roll-out across the 14 hospitals within the Southern Cross network.

Health Support continues to develop third party logistics business with new contracts, thereby offering our service expertise to suppliers.

In addition to hospital pharmacy, the company continues to supply the retail pharmacy channel, accident & emergency clinics, ambulatory services and medical clinics.

Scientific

Global Science and Technology Ltd

The fiscal year 2007 saw some significant changes within the Global Science organisation with the consolidation of product portfolios and the re-allocation of sales territories in order to provide more efficiency in our business in what continues to be a challenging market.

We continue to be a premier supplier of an extensive range of leading brands of instrumentation and laboratory consumables to research, industrial and clinical organisations nationwide. A further strength of Global Science is our ability to provide customers with a high level of support both in terms of product information from a team of tertiary qualified scientific representatives and product specialists. Technical service is provided by an in-house team of highly qualified technical support engineers.

The development of strong business relationships with our customers continues to be a focus. Our success in this regard is evidenced by Global Science holding a preferred supplier status with key industrial customers including Fonterra Co-operative Group Ltd and Tegel Foods Ltd.

Global Science is committed to continuing the development and refining of systems and processes along with the identification of products that complement our current portfolio to ensure customer satisfaction.

Quantum Scientific Pty Ltd

Quantum Scientific is one of Australia's premier suppliers of Life Science products. With a full range of equipment and consumables on offer Quantum Scientific can satisfy the most demanding needs of the Australian based researcher and is renowned for offering more than just a product but a total solution to help the research scientist obtain the best from their research.

Developing partnerships with researchers has always been the foundation of our success and has helped form long term professional relationships in the Australian marketplace.

An excellent example of this approach is the way the Quantum Scientific team helped the Queensland Brain Institute become established in Brisbane, Australia. To set up a new institute from the very beginning is a significant task requiring considerable resources and planning.

The Quantum team were there from the outset acting as a resource for sourcing of equipment, relocation of existing equipment from interstate and providing relocation advice for some of their existing staff.

The Quantum team went the extra mile right through the whole process including project meetings with architects to ensure that power requirements, heat loads and physical space requirements were planned well in advance. This process assisted laboratory staff to avoid costly delays. The relationship with the Queensland Brain Institute is more than just supplier / customer; it is one of trust and partnership and reflects the philosophy underlying Quantum Scientific's success.

We will look to expand our activities beyond the confines of the Life Science market to achieve further growth.

PRNZ adds a new pillar to EBOS

EBOS Group took a major step forward in the New Zealand healthcare market in August 2007 when it acquired the previously unlisted PRNZ Ltd, the parent company for ProPharma and Healthcare Logistics.

PRNZ Ltd is complementary to the EBOS group in that PRNZ operates in the pharmaceutical distribution industry, whilst EBOS New Zealand is focused on the distribution of medical supplies and equipment, and retail healthcare, dental and aged care products.

Propharma

The main operating subsidiary is Pharmacy Retailing (NZ) Ltd, which manages ProPharma, a wholesale supplier of pharmaceuticals to retail pharmacy stores from eight locations nationally. This business unit has long term supply relationships with leading pharmacy groups under the Pharmacybrands trading umbrella, including Unichem, DispensaryFirst and Amcal. Pharmacybrands itself was excluded from the deal.

Further supply relationships exist with Radius Pharmacy, Life Pharmacy and independent pharmacies supplied through the Vantage buying and marketing group.

In total approximately 550 pharmacies use ProPharma as their primary supplier.

Other business includes supply contracts with the Otago and Waikato District Health Boards and a contract to supply 'OTC' products directly to clients of the Accident Compensation Commission.

PRNZ had invested heavily in IT infrastructure over the past two years and will implement a significant upgrade of its SAP system over the final quarter of the 2007 calendar year.

Healthcare Logistics

This business unit is a pre-wholesale business providing distribution and logistics support to multinational pharmaceutical manufacturers.

Services are provided to more than 40 multinational companies typically under fee-for-service supply contracts. Demand for this service is increasing as suppliers seek to reduce operational costs by streamlining their New Zealand operations or reviewing the rationale for this type of business in New Zealand. Healthcare Logistics has a solid long-term record of high quality customer service and an efficient IT infrastructure and logistics' expertise allows the company to profitably operate in a normally low margin industry.

The Healthcare Logistics service model ranges from fully agency services to out-sourced warehousing operating from a purpose built location in the Auckland Airport logistics precinct. Negotiations continue in respect to securing further space in the Auckland area.

Healthcare Logistics operates a state-of-the art warehouse providing cold chain distribution and temperature and humidity controlled storage.

Financial impact of the expansion

The acquisition of PRNZ satisfies the EBOS criteria of requiring at least a 15% rate of return on an EBITDA basis from new investment and is expected to deliver:

- Projected revenue from PRNZ will take combined group revenue to $1.15bn on an annualised basis.
- A significant pre-tax earnings contribution lifting projected combined EBOS group EBITDA to approximately $35m.
- An increase in total assets of the combined group to more than $400m.

The enhanced scale of the group will further consolidate EBOS's position as an NZX 50 company on the New Zealand Exchange and increase the trading liquidity of the company's shares.

Other benefits

Information Technology – Post-acquisition all EBOS group IT functions will be centralised on the PRINZ system, resulting in operational efficiencies in EBOS business units and overtaking the need for a parallel upgrade.

Distribution – Healthcare Logistics has a proven distribution model that provides a cost-effective solution for multinational pharmaceutical suppliers. PRNZ has proven expertise in pharmaceutical distribution that may be relevant to other aspect of the combined business.

Business Diversification – PRNZ provides EBOS with an exposure to pharmaceuticals wholesaling and distribution that it did not previously have.

Growth Prospects – Developments in supply chain management arising in New Zealand may have potential for introduction to the group's Australian businesses.

Board of Directors

RICK CHRISTIE MSC (HONS), FNZID, FNZIM (65)
(Chairman)
Joined the EBOS Group Ltd Board in June 2000, and appointed chairman in April 2003. Member of the Audit and Risk Committee, the Remuneration Committee and the Nomination Committee. Mr Rick Christie is a professional director with a breadth of governance and management experience in the oil and petrol-chemical industries. Former chief executive of the diversified investment company Rangatira Ltd, a former managing director of Cable Price Downer and former chief executive of Trade New Zealand. He is the chairman of AgResearch Ltd, Vcomms Ltd and Health Support Ltd and a director of the Growth & Innovation Advisory Board, Provenco Group Ltd, Tourism Holdings Ltd, Wakefield Health Ltd and the NZ Pork Industry Board. Previously, deputy chairman of the Foundation for Research, Science & Technology and chairman of the Victoria University Foundation Board of Trustees. He is also a Fellow of the Royal Society of Arts, Manufacturers and Commerce in London. He is a former director of Television New Zealand and the New Zealand Symphony Orchestra and a past president of Chamber Music New Zealand.

MARK WALLER BCOM, ACA, FNZIM (53)
(Chief Executive and Managing Director)
Mark Waller has been chief executive officer and managing director of EBOS Group Ltd since 1987. He is a member of the Remuneration Committee. He is a director of Global Science & Technology Ltd, Health Support Ltd, Health Support Properties Ltd, EBOS Group Pty Ltd, EBOS Health & Science Pty Ltd, EBOS Investments Pty Ltd, Vital Medical Supplies (Australia) Pty Ltd and Scott Technology Ltd.

PETER KRAUS MA(HONS), DIP ENG (56)
(Deputy Chairman)
Peter Kraus is an Auckland businessman who has been a director of EBOS Group Ltd since 1990. He is a member of the Nomination Committee. He is a director of Whyte Adder No.3 Ltd, Strand Holdings Ltd, Strand Management Ltd, Herpa Properties Ltd, Health Support Ltd, Ecostore Company Ltd, Oceania Attractions Ltd, ISL International Ltd, Hapimana Properties Ltd and Huckleberry Farms Ltd.

ELIZABETH COUTTS BMS, CA (48)
Appointed to the EBOS Group Ltd Board July 2003. She is a member of the Audit and Risk Committee and the Nomination Committee. Elizabeth Coutts is a professional director. She is a past director of Air New Zealand Ltd, the Health Funding Authority and Trust Bank New Zealand, member of the Pharmaceutical Management Agency (Pharmac), commissioner for both the Commerce and Earthquake Commissions and chief executive of the Caxton Group of Companies and Carter building supply group. Her current directorships include chairman of Life Pharmacy Ltd, consultant and former deputy chairman of Public Trust, chairman to the Audit, Finance and Risk Committee of the Ministry of Health, director of Skellerup Industries Ltd and board member of Sport & Recreation NZ and external monetary policy adviser to the Governor of the Reserve Bank of New Zealand.

SARAH OTTREY BCOM (42)
Appointed to the EBOS Group Ltd Board 18 September 2006. Sarah is a marketing specialist advising various high profile clients. She is a board member of Wellesley College in Wellington, past board member of the Public Trust. Sarah has held senior marketing management positions with Unilever and DB Breweries.

HARRY VOLLEMAERE LLB (65)
Appointed to the EBOS Group Ltd Board April 1994, Harry Vollemaere is senior partner of a law firm in Auckland. Mr Vollemaere resigned as a director on 9 November 2006.

BARRY WALLACE MCOM (HONS), CA (54)
Appointed to the EBOS Group Ltd Board October 2001. He is chairman of the Audit and Risk Committee and member of the Remuneration Committee. Barry Wallace is a chartered accountant with a background in financial management with companies such as Rank Xerox New Zealand Ltd and David Reid Electronics. He is a former chief executive of Health Support Ltd. He is the financial manager for a private group of companies. He is a director of Whyte Adder No.3 Ltd, Strand Holdings Ltd, Strand Management Ltd, Herpa Properties Ltd, Health Support Ltd, Health Support Properties Ltd, Global Science & Technology Ltd, Ecostore Company Ltd, Eco Tech Solutions Ltd, Oceania Attractions Ltd, ISL International Ltd, Hapimana Properties Ltd, Huckleberry Farms Ltd and Allum Management Services Ltd.

The above named Directors held office during the year and since the end of the financial year except for Mr Harry Vollemaere who resigned 9 November 2006 and Sarah Ottrey who was appointed on 18 September 2006.

Corporate Governance Statement

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

Code of Ethics

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

Role of the Board and Management

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

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

Board composition

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

Board Committees

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

Audit and Risk Committee

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

Remuneration Committee

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

Nomination Committee

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

Board processes

Messrs R. Christie, P. Kraus, B. Wallace and M. Waller are also directors and attend board meetings of Health Support Ltd, a wholly owned subsidiary of EOBS Group Ltd. Messrs B. Wallace and M. Waller are also directors and attend board meetings of Global Science & Technology Ltd, a wholly owned subsidiary of EBOS Group Ltd. The table on page 23 shows attendances at the board and committee meetings during the year ended 30 June 2007.

Share trading by Directors and Officers

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

Shareholder participation

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

Directors' Report

Your Directors are pleased to submit to shareholders their report and financial statements for the year ended 30 June 2007.

Principal activities

EBOS Group Limited (the Company) is listed on the NZSX board of the New Zealand Exchange (NZX) under the securities code EBO. EBOS Group is the largest New Zealand owned independent national distributor and marketer of medical, dental, and scientific supplies in New Zealand. Significant business operations are also conducted in Australia, Papua New Guinea and the Pacific. The Company markets world class healthcare and scientific brands sourced from leading international manufacturers.

EBOS operates in two key areas:

- **Healthcare** – which incorporates a range of sectors, own brands, retail healthcare and wholesale activities servicing public and private hospitals, primary care providers, dentists, rehabilitation facilities and retirement villages and aged care facilities through dedicated business units and pharmacy, grocery, variety/baby and industrial safety, and to physiotherapy clinics.

  Through EBOS Group Ltd based in Auckland, Wellington and Christchurch we service the total New Zealand healthcare market.

  EBOS Australia, based in Sydney, Brisbane and Melbourne, services the Eastern Australia primary care market, national hospitals and aged care markets and the national retail pharmacy market with a range of healthcare consumables, medical equipment and retail consumer products.

  Health Support Ltd is a wholly owned logistics specialist moving medical supplies, pharmaceuticals and consumables to public and private hospitals and pharmacy in New Zealand.

- **Scientific** – Global Science & Technology Ltd in New Zealand and with its wholly owned subsidiary Quantum Scientific Pty Ltd, is an Australasian wide provider of laboratory consumables, life sciences equipment and technical support to industry and research laboratories.

Issued capital

As at 30 June 2007 the Company had on issue 36,843,963 ordinary fully paid shares, with 9,210,035 shares issued during the year.

Group results

Annual group operating revenue was NZ$307m in the year ended 30 June 2007 (2006 $300m). Operating profit before finance costs and tax of NZ$17.13m (2006 $20.03m) was earned for the year ended 30 June 2007. The net profit for the period after interest and tax was NZ$10.32m (2006 $11.55m). Earnings per share were 31.7 cents (2006 41.8 cents).

Dividend

The directors approved a final dividend of 13 cents per share to be paid on 26 October 2007, requiring $6m, and making a total of 22.5 cents per share for the year (2006 22.5 cents per share). Both the interim and final dividends carry full imputation credits.

Directors

Peter Krauss and Barry Wallace retire by rotation in accordance with the Company's constitution and being eligible offer themselves for re-election.

Directors' interests

Share dealings by Directors

The Directors tabled on page 19 have disclosed to the Board under section 148(2) of the Companies Act 1993 particulars of acquisitions or dispositions of relevant interests in ordinary shares during the year – refer table on page 23.

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 AgResearch Ltd, Vcomms Ltd, Health Support Ltd, and Director of Growth & Innovation Advisory Board, Provenco Group Ltd, Tourism Holdings Ltd, Wakefield Health Ltd and NZ Pork Industry Board.

P.F. Kraus: Director of Whyte Adder No.3 Ltd, Strand Holdings Ltd, Strand Management Ltd, Herpa Properties Ltd, Health Support Ltd, Ecostore Company Ltd, Oceania Attractions Ltd, ISL International Ltd, Hapimana Properties Ltd and Huckleberry Farms Ltd.

E.M. Coutts: Chairman of Life Pharmacy Limited, Consultant and former Deputy Chairman of Public Trust, Chairman Audit, Finance and Risk Committee of the Ministry of Health, Director of Skellerup Industries Ltd, board member of Sport & Recreation NZ and External monetary policy adviser to the Governor of the Reserve Bank of New Zealand.

B.J. Wallace: Director of Allum Management Services Ltd, Global Science and Technology Ltd, Health Support Ltd, Health Support Properties Ltd, Whyte Adder No.3 Ltd, Strand Holdings Ltd, Strand Management Ltd, Herpa Properties Ltd, Ecostore Company Ltd, Eco Tech Solutions Ltd, Oceania Attractions Ltd, ISL International Ltd, Hapimana Properties Ltd and Huckleberry Farms Ltd.

M.B. Waller: Director of Global Science and Technology Ltd, Health Support Ltd, Health Support Properties Ltd, EBOS Health & Science Pty Ltd, EBOS Group Pty Ltd, EBOS Investments Pty Ltd, Vital Medical Supplies (Australia) Pty Ltd and Scott Technology Ltd.

Directors' Report & Disclosures

Use of Company information

During the year the Board received 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
E M Coutts	– Held by associated persons	3,333	13,332	December 2006
P F Kraus	– Held by associated persons	637,925	2,551,700	December 2006
M B Waller		50,000	200,000	December 2006
M B Waller	– Held by associated persons	1,166	4,664	December 2006

Directors' shareholdings

Number of fully paid shares held as at		30 June 2007	30 June 2006
E M Coutts		3,000	3,000
	– Held by associated persons	13,333	10,000
R G M Christie	– Non beneficially held – Staff share purchase scheme	116,650	98,850
P F Kraus	– Held by associated persons	2,422,686	1,784,761
H J Vollemaere		120,000	120,000
M B Waller		405,702	355,702
	– Held by associated persons	4,666	3,500
	– Non beneficially held – Staff share purchase scheme	116,650	98,850

Attendance

	Board*		Audit & Risk Committee		Remuneration Committee		Nomination Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
R Christie	11	11	3	3	1	1	1	1
P Kraus	11	7	-	-	-	-	1	1
E Coutts	8	8	3	3	-	-	1	1
S Ottrey	6	6	-	-	-	-	-	-
H Vollemaere	4	4	-	-	-	-	-	-
B Wallace	13	13	3	3	1	1	-	-
M Waller	13	13	-	-	1	1	-	-

* Includes attendance by directors at subsidiary company board meetings.

Indemnity and insurance

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

Directors' Report

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 2007 were as follows:

EBOS Group Limited

		2007	2006
R.G.M. Christie		$85,000	$75,000
P.F. Kraus		$60,000	$52,500
E.M. Coutts		$45,000	$40,000
S.C. Ottrey		$31,505	-
H.J. Vollemaere		$14,465	$35,000
B.J. Wallace		$45,000	$40,000
M.B. Waller			
(Chief Executive Officer and Managing Director)	Salary	$218,200	$210,850
	*Other benefits	$581,724	$712,127

*Includes performance bonus and other emoluments

Global Science & Technology Limited

	2007	2006
B.J. Wallace	$10,000	$10,000

Health Support Limited

	2007	2006
R.G.M. Christie	$17,500	$17,500
P.F. Kraus	$10,000	$10,000
B.J. Wallace	$10,000	$10,000

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

Remuneration (NZ$)	Number of Employees 2007	2006
100,000 – 110,000	2	7
110,000 – 120,000	3	6
120,000 – 130,000	3	5
130,000 – 140,000	6	3
140,000 – 150,000	1	2
150,000 – 160,000	-	2
180,000 – 190,000	1	1
190,000 – 200,000	-	1
200,000 – 210,000	2	2
220,000 – 230,000	-	1
300,000 – 310,000	1	-
330,000 – 340,000	-	1

Auditors

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

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

R.G.M. Christie
Chairman

M.B. Waller
Managing Director

28 August 2007

EBOS Group Limited
Financial Report
For the financial year ended 30 June, 2007

EBOS Group Limited
Directors' Responsibility Statement
As at 30 June, 2007

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 2007.

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 company and the group as at 30 June 2007 and the results of their operations and cash flows for the year ended on that date.

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

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

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

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

Rick Christie
Chairman

Mark Waller
Chief Executive Officer and Managing Director

28 August 2007

Deloitte.

AUDIT REPORT
TO THE SHAREHOLDERS OF EBOS GROUP LIMITED

We have audited the financial statements on pages 28 to 66. The financial statements provide information about the past financial performance and financial position of EBOS Group Limited and group as at 30 June 2007. This information is stated in accordance with the accounting policies set out on pages 32 to 39.

Board of Directors' Responsibilities
The Board of Directors is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of EBOS Group Limited and group as at 30 June 2007 and of the results of operations and cash flows for the year ended on that date.

Auditors' Responsibilities
It is our responsibility to express to you an independent opinion on the financial statements presented by the Board of Directors.

Basis of Opinion
An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing;

- the significant estimates and judgements made by the Board of Directors in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the company and group circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand auditing standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor and the provision of financial advisory services, we have no relationship with or interests in EBOS Group Limited or any of its subsidiaries.

Unqualified Opinion
We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by EBOS Group Limited as far as appears from our examination of those records; and
- the financial statements on pages 28 to 66.
  - comply with generally accepted accounting practice in New Zealand;
  - comply with International Financial Reporting Standards; and
  - give a true and fair view of the financial position of EBOS Group Limited and group as at 30 June 2007 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 28 August 2007 and our unqualified opinion is expressed as at that date.

Chartered Accountants
Christchurch, New Zealand.

EBOS Group Limited

Income Statement

For the Financial Year ended 30 June, 2007

	Notes	Group 2007 $'000	Group 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Revenue	2	307,276	300,486	67,010	65,670
Profit before depreciation, finance costs and income tax expense		18,842	21,697	8,561	8,460
Depreciation	2	(1,711)	(1,662)	(408)	(379)
Profit before finance costs and tax		17,131	20,035	8,153	8,081
Finance costs	2	(2,189)	(2,924)	(1,181)	(1,239)
Profit before income tax expense	2	14,942	17,111	6,972	6,842
Income tax expense	3	(4,623)	(5,563)	(1,161)	(1,827)
Profit for the period		10,319	11,548	5,811	5,015
Earnings per share:					
Basic (cents per share)	27	31.7	41.8		
Diluted (cents per share)	27	31.7	41.8		

 Notes to the financial statements are included on pages 32 to 66.

EBOS Group Limited
Balance Sheet
As at 30 June, 2007

	Notes	Group 2007 $'000	Group 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Current assets					
Cash and cash equivalents		1,772	1,938	200	13
Trade and other receivables	6	41,230	38,202	9,786	9,911
Prepayments	7	1,090	865	101	114
Inventories	8	45,211	43,470	15,008	13,638
Current tax refundable	3	624	539	441	390
Other financial assets - derivatives	9	12	1,049	-	678
Advances to subsidiaries		-	-	10,118	141
Finance leases		86	57	86	57
Deferred sale proceeds	10	-	133	-	-
Total current assets		90,025	86,253	35,740	24,942
Non-current assets					
Property, plant and equipment	11	10,525	11,054	757	1,504
Deferred tax assets	3	1,129	1,086	379	404
Goodwill	12	27,387	27,869	1,728	1,728
Indefinite life intangibles	13	6,316	6,463	4,960	4,960
Capital work in progress	14	240	-	240	-
Prepayments	7	1,432	1,223	-	-
Finance leases		172	229	172	229
Deferred sale proceeds	10	-	558	-	-
Shares in subsidiaries	15	-	-	39,801	39,801
Total non-current assets		47,201	48,482	48,037	48,626
Total assets		137,226	134,735	83,777	73,568
Current liabilities					
Bank overdraft	16	635	3,508	349	123
Trade and other payables	17	29,679	28,852	5,261	6,253
Finance leases	16, 18	74	66	27	27
Bank loans	16	1,101	22,209	-	14,696
Current tax payable	3	1,082	543	-	-
Employee benefits		2,305	2,351	980	1,083
Other financial liabilities - derivatives	19	95	-	95	
Advances from subsidiaries	16	-	-	1,546	1,864
Deferred purchase consideration	20	-	4,500	-	4,500
Total current liabilities		34,971	62,029	8,258	28,546
Non-current liabilities					
Bank loans	16	7,985	16,796	-	4,508
Finance leases	16, 18	120	147	74	101
Total non-current liabilities		8,105	16,943	74	4,609
Total liabilities		43,076	78,972	8,332	33,155
Net assets		94,150	55,763	75,445	40,413
Equity					
Share capital	21	63,150	26,837	63,150	26,837
Foreign currency translation reserve	22	(485)	668	-	-
Retained earnings	22	31,485	28,258	12,295	13,576
Total equity		94,150	55,763	75,445	40,413

Notes to the financial statements are included on pages 32 to 66.

EBOS Group Limited
Statement of Recognised Income & Expense
For the Financial Year ended 30 June, 2007

	Notes	Group 2007 $'000	Group 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Translation of foreign operations:					
Exchange differences taken to equity	22	(1,153)	698	-	-
		(1,153)	698	-	-
Net income recognised directly in equity					
Profit for the period		10,319	11,548	5,811	5,015
Total recognised income and expense for the period		9,166	12,246	5,811	5,015

EBOS Group Limited
Statement of Changes in Equity
For the Financial Year ended 30 June, 2007

Equity at start of period		55,763	53,516	40,413	41,393
Profit for period attributable to members of the parent entity		10,319	11,548	5,811	5,015
Movement in foreign currency translation reserve	22	(1,153)	698	-	-
Total recognised income and expenses		9,166	12,246	5,811	5,015
Dividends paid to company shareholders	24	(7,092)	(6,074)	(7,092)	(6,074)
Shares issued	21	36,313	79	36,313	79
Minority interests on acquisition of subsidiary	23	-	(4,004)	-	-
Equity at end of period		94,150	55,763	75,445	40,413

 Notes to the financial statements are included on pages 32 to 66.

EBOS Group Limited

Cash Flow Statement

For the Financial Year ended 30 June, 2007

	Notes	Group 2007 $'000	Group 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Cash flows from operating activities					
Receipts from customers		302,802	300,250	63,762	62,677
Interest received		102	186	665	37
Dividends received from subsidiaries		-	-	2,724	1,644
Payments to suppliers and employees		(289,258)	(283,554)	(60,713)	(60,050)
Taxes paid		(4,203)	(5,609)	(1,187)	(1,802)
Interest paid		(2,189)	(2,924)	(1,181)	(1,240)
Net cash inflow from operating activities	26	7,254	8,349	4,070	1,266
Cash flows from investing activities					
Sale of property, plant & equipment		1,388	66	1,360	3
Receipt of deferred sale proceeds		691	133	-	-
Advances from subsidiaries		-	-	6,521	2,736
Purchase of property, plant & equipment		(2,183)	(1,455)	(450)	(221)
Payments for capital work in progress		(240)	-	(240)	-
Purchase of intangible assets		-	(34)	-	-
Advances to subsidiaries		-	-	(16,817)	-
Acquisition of subsidiary company	26	(4,500)	(7,505)	(4,500)	(4,500)
Net cash (outflow) from investing activities		(4,844)	(8,795)	(14,126)	(1,982)
Cash flows from financing activities					
Proceeds from issue of shares		36,313	80	36,313	80
Proceeds from borrowings		6,500	10,685	6,500	7,800
Repayment of borrowings		(35,319)	(3,428)	(25,704)	(1,096)
Dividends paid to equity holders of parent		(7,092)	(6,074)	(7,092)	(6,074)
Net cash inflow from financing activities		402	1,263	10,017	710
Net increase/(decrease) in cash held		2,812	817	(39)	(6)
Effect of exchange rate fluctuations on cash held		(105)	188	-	-
Net cash and cash equivalents at beginning of the year		(1,570)	(2,575)	(110)	(104)
Net cash and cash equivalents at the end of the year		1,137	(1,570)	(149)	(110)
Cash and cash equivalents		1,772	1,938	200	13
Bank overdrafts		(635)	(3,508)	(349)	(123)
		1,137	(1,570)	(149)	(110)

Notes to the financial statements are included on pages 32 to 66.

1. SUMMARY OF ACCOUNTING POLICIES

Statement of Compliance

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

The company operates in two business segments, being Healthcare and Scientific – Healthcare incorporates the sale of healthcare products in a range of sectors, own brands, retail healthcare and wholesale activities, and Scientific incorporates the sale of laboratory consumables, life sciences equipment and technical support to industry and research laboratories.

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

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

Compliance with NZ IFRS ensures that the consolidated financial statements comply with International Financial Reporting Standards ("IFRS"). The parent entity financial statements also comply with IFRS.

Basis of Preparation

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June, 2007 and the comparative information presented in these financial statements for the year ended 30 June, 2006.

The information is presented in thousands of New Zealand dollars.

Critical Judgements in applying accounting policies

In the process of applying the accounting policies, management has made the following judgements that have had the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

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 ongoing 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.

1. SUMMARY OF ACCOUNTING POLICIES contd.

Key Sources of Estimation Uncertainty

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 assessment of impairment of goodwill, indefinite life intangibles and the recognition of revenue on significant contracts subject to renewal. 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 for significant contracts that they will be rolled over for each period of renewal.

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.

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

a) Basis of consolidation – purchase method
The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the group, being the company (the parent entity) and its subsidiaries as defined in NZ IAS-27 'Consolidated and Separate Financial Statements'. A list of subsidiaries appears in note 15 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

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

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

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

b) Goodwill
Goodwill represents the excess of the purchase consideration over the fair value of the identifiable tangible and identifiable intangible assets, liabilities and contingent liabilities of the subsidiary recognised at the time of acquisition of a business or subsidiary. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the groups 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. 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. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

1. SUMMARY OF ACCOUNTING POLICIES contd.

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

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

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

f) Property, plant, and equipment
The group has five classes of property, plant and equipment:
- Freehold land;
- Buildings;
- Leasehold improvements;
- Plant and Vehicles, and
- Office equipment, furniture and fittings.

Property, Plant and Equipment is initially recorded at cost.

Cost includes the original purchase consideration and those costs directly attributable to bring the item of Property, Plant and Equipment to the location and condition for its intended use.

After recognition as an asset Property, Plant and Equipment is carried at cost less accumulated depreciation and impairment losses.

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

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

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

Major depreciation periods are:

• Buildings	33 to 100 years
• Leasehold improvements	5 to 15 years
• Plant	5 to 20 years
• Office equipment, furniture and fittings	5 to 8 years
• Motor vehicles	4 to 5 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.

1. SUMMARY OF ACCOUNTING POLICIES contd.

Where an impairment loss subsequently reverses, 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.

h) Taxation
The income tax expense charged to the income statement includes both the current year's provision and the income tax effect of:

- Taxable temporary differences, except those arising from initial recognition of goodwill; and
- Deductible temporary differences to the extent that it is probable that they will be utilised.

Temporary differences arising from transactions, other than business combinations, affecting neither accounting profit nor taxable profit are ignored.

The group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is not recognised on temporary differences associated with investments in subsidiaries, because:

- The parent company is able to control the timing of the reversal of the differences; and
- They are not 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.

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

j) Leases
The group leases certain plant and equipment and land and buildings.

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

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

k) Foreign Currency Translation

<u>Functional and Presentation Currency</u>
The financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The consolidated financial statements are presented in New Zealand dollars, which is the Company's functional and presentation currency.

1. SUMMARY OF ACCOUNTING POLICIES contd.

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

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

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 on or after the date of transition to NZ IFRS 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 and assets are recognised net of the amount of goods and services tax (GST), except for receivables and payables which are recognised inclusive of GST.

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

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

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.

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

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

Trade & Other Payables
Trade payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest rate method.

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

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

1. SUMMARY OF ACCOUNTING POLICIES contd.

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. Derivative instruments entered into by the group do not qualify for hedge accounting. Changes in the fair value of any derivative financial instrument that does not qualify for hedge accounting are recognised in the Income Statement.

Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The nominal value less estimated credit risk adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

n) Revenue Recognition

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

Sale of Goods

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

Rendering of Services

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

Interest Income

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

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:

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

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

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

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

1. SUMMARY OF ACCOUNTING POLICIES contd.

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

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

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

q) Segment Reporting
A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

A geographical segment is engaged in providing products or services in a particular economic environment, where the risks and returns are different from those of segments operating in other economic environments.

The group's primary reporting format is business segments and its secondary format is geographical.

r) Non-current assets held for sale and discontinued operations
Non-current assets (and disposal groups – being a group of assets to be disposed of by sale or otherwise) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. The sale of the asset (or disposal group) is expected to be completed within one year from the date of classification.

A discontinued operation is a component of the group's business that represents a separate major line of business or geographical area of operations. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

s) New standards and Interpretations
Standards and interpretations that have been issued or amended but are not yet effective that have not been adopted by the Group and Company for the annual reporting period ending 30 June 2007 and which are relevant are as follows:

Reference	Title	Summary	Application date of standard	Impact on Company financial report	Application date for Company
NZ IFRS 7	Financial Instruments: Disclosures	Introduces new requirements to improve the information on financial instruments that is given in entities' financial statements. It replaces some of the requirements in NZ IAS32 Financial Instruments: Disclosure and Presentation.	1 January 2007	NZ IFRS 7 is a disclosure standard so will have no impact on the amounts included in the Company's financial statements.	30 June 2008

1. **SUMMARY OF ACCOUNTING POLICIES contd.**

Reference	Title	Summary	Application date of standard	Impact on Company financial report	Application date for Company
NZ IFRS 8	Operating segments.	Specifies how an entity should report information about its operating segments in annual financial reports.	1 January 2009	NZ IFRS 8 is a disclosure standard so will have no impact on the amounts included in the Company's financial statements. However, the amendments will result in changes to the Operating Segments disclosures included in the Company's financial report.	30 June 2010

2. PROFIT FROM OPERATIONS

	Note	Group 2007 $'000	Group 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
(a) Revenue					
Revenue consisted of the following items:					
Revenue from the sale of goods		305,002	298,744	59,830	59,516
Revenue from the sale of goods to subsidiaries		-	-	3,335	3,968
Revenue from the rendering of services		1,996	1,556	-	-
Management fees - external		-	-	-	-
Management fees – inter group		-	-	456	456
Interest revenue - inter group		-	-	634	49
Interest revenue - other		102	186	31	37
Dividends from subsidiaries		-	-	2,724	1,644
Other revenue		176	-	-	-
		307,276	300,486	67,010	65,670
(b) Profit before income tax expense					
Profit/(loss) before income tax has been arrived at after crediting/(charging) the following gains and losses from operations:					
Gain/(loss) on disposal of property, plant and equipment		541	(28)	598	(2)
Change in fair value of derivative financial instruments		(1,123)	1,269	(773)	762
Profit/(loss) before income tax has been arrived at after charging the following expenses by nature:					
Cost of sales		(235,428)	(232,456)	(40,540)	(41,557)
Purchases from subsidiaries		-	-	(1,680)	(1,230)
Write-down of inventory		(851)	(720)	(258)	(292)
Finance costs:					
Bank interest		(2,189)	(2,907)	(1,018)	(1,237)
Other interest expense		-	(17)	(163)	(2)
Total finance costs		(2,189)	(2,924)	(1,181)	(1,239)
Net bad and doubtful debts arising from:					
Parent entity		(13)	(3)	(13)	(3)
Subsidiaries		(10)	(37)	-	-
Depreciation of property, plant and equipment	11	(1,711)	(1,662)	(408)	(379)
Operating lease rental expenses:					
Minimum lease payments		(3,045)	(3,035)	(992)	(926)
Donations		(12)	(7)	(11)	(5)
Employee benefit expense		(25,802)	(25,077)	(7,592)	(7,330)
Other expenses		(22,691)	(18,695)	(7,188)	(6,627)
Total expenses		(291,752)	(284,616)	(59,863)	(59,588)

3. INCOME TAXES

	Group 2007 $'000	Group 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
(a) Income tax recognised in income statement				
Tax expense/(credit) comprises:				
Current tax expense/(credit):				
Current year	4,681	5,857	1,259	1,889
Adjustments for prior years	(40)	-	(124)	-
Other adjustments	9	134	-	106
	4,650	5,991	1,135	1,995
Deferred tax (credit)/expense:				
Origination and reversal of temporary differences	(80)	(336)	8	(190)
Adjustments for prior years	53	(92)	18	22
	(27)	(428)	26	(168)
Total tax expense	4,623	5,563	1,161	1,827
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:				
Profit before income tax expense	14,942	17,111	6,972	6,842
Income tax expense calculated at 33%	4,930	5,647	2,301	2,258
Non-deductible expenses/(non-assessable income)	(224)	37	(128)	(17)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(177)	-	-	-
Domestic dividends received	-	-	(899)	(542)
Unused tax losses	-	(163)	-	-
(Over)/under provision of income tax in previous year	99	(92)	(106)	22
Other adjustments	(5)	134	(7)	106
Total tax expense/(income)	4,623	5,563	1,161	1,827

The tax rates used in the above reconciliation are principally the corporate tax rates of 33% and 30% payable respectively by New Zealand and Australian corporate entities on taxable profits under tax law in each jurisdiction. The effect of the change in the New Zealand tax rates from 33% to 30% with effect from 1 July 2008 is not material.

3. INCOME TAXES contd.

	Group 2007 $'000	Group 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
(b) Current tax assets and liabilities				
Current tax assets:				
Current tax refundable	624	539	441	390
Current tax liabilities:				
Current tax payable	1,082	543	-	-

	Group 2007 $'000	Group 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
(c) Deferred tax balance				
Deferred tax assets comprise:				
Temporary differences	1,209	1,116	386	419
Deferred tax liabilities comprise:				
Temporary differences	(80)	(30)	(7)	(15)
	1,129	1,086	379	404

Taxable and deductible temporary differences arise from the following:

2007	Opening balance $'000	Group Charged to income $'000	Closing balance $'000
Gross deferred tax liabilities:			
Property, plant & equipment	(30)	(43)	(73)
Provisions	-	(7)	(7)
	(30)	(50)	(80)
Gross deferred tax assets:			
Property, plant & equipment	68	7	75
Provisions	666	(3)	663
Doubtful debts & impairment losses	179	91	270
Other financial liabilities - derivatives	40	(40)	-
Other	163	38	201
	1,116	93	1,209

3. INCOME TAXES contd.

2006	Opening balance $'000	Group Charged to income $'000	Closing balance $'000
Gross deferred tax liabilities:			
Property, plant & equipment	(3)	(27)	(30)
	(3)	(27)	(30)
Gross deferred tax assets:			
Property, plant & equipment	21	47	68
Provisions	490	176	666
Doubtful debts & impairment losses	136	43	179
Other financial liabilities - derivatives	14	26	40
Other	-	163	163
	661	455	1,116

2007	Opening balance $'000	Parent Charged to income $'000	Closing balance $'000
Gross deferred tax liabilities:			
Property, plant & equipment	(15)	15	-
Other financial liabilities - derivatives	-	(7)	(7)
	(15)	8	(7)
Gross deferred tax assets:			
Property, plant & equipment	37	8	45
Provisions	258	(48)	210
Doubtful debts & impairment losses	101	30	131
Other financial liabilities - derivatives	23	(23)	-
	419	(33)	386

3. INCOME TAXES contd.

2006	Opening balance $'000	Parent Charged to income $'000	Closing balance $'000
Gross deferred tax liabilities:			
Property, plant & equipment	(3)	(12)	(15)
Other financial liabilities - derivatives	(32)	32	-
	(35)	20	(15)
Gross deferred tax assets:			
Property, plant & equipment	-	37	37
Provisions	175	83	258
Doubtful debts & impairment losses	91	10	101
Other financial liabilities - derivatives	5	18	23
	271	148	419

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

	Group 2007 $'000	Group 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
(d) Imputation credit account balances				
Balance at beginning of the period	5,335	4,603	1,848	2,190
Attached to dividends received	-	-	246	810
Taxation paid	2,236	3,639	1,086	1,755
Attached to dividends paid	(3,407)	(2,907)	(3,407)	(2,907)
Other	19	-	(25)	-
Balance at end of the period	4,183	5,335	(252)	1,848
Imputation credits available directly and indirectly to shareholders of the parent company, through				
Parent company	(252)	1,848		
Subsidiaries	4,435	3,487		
	4,183	5,335		

4. KEY MANAGEMENT PERSONNEL COMPENSATION

Compensation

	Group 2007 $'000	Group 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Short-term employee benefits	2,925	3,056	1,776	1,940
Post-employment benefits	188	146	188	146
	3,113	3,202	1,964	2,086

5. REMUNERATION OF AUDITORS

	Group 2007 $'000	Group 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Auditor of the parent entity (Deloitte)				
Audit of the financial statements	164	152	74	79
Audit related services from adoption of NZ IFRS	96	31	96	21
Taxation services	4	20	-	13
	264	203	170	113
Other Auditors of entities in the group				
Audit of the financial statements	54	48	-	-
	54	48	-	-

6. TRADE & OTHER RECEIVABLES

	Group 2007 $'000	Group 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Trade receivables (i)	39,700	37,469	9,860	9,995
Allowance for doubtful debts	(235)	(301)	(138)	(125)
Other receivables	1,765	1,034	64	41
	41,230	38,202	9,786	9,911

(i) Trade receivables are non-interest bearing and generally on monthly terms. No interest is charged on the trade receivables for the first 60 days from the date of the invoice. Thereafter, interest may be charged at 3% per annum on the outstanding balance. An allowance has been made for estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience. The movement in the allowance of $66,000 in the group and $13,000 in the parent was recognised in the Income Statement for the current financial year.

	Group 2007 $'000	Group 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
7. PREPAYMENTS				
Current portion	1,090	865	101	114
Term portion	1,432	1,223	-	-
	2,522	2,088	101	114
8. INVENTORIES				
Raw Materials				
At cost	161	132	37	-
Finished Goods				
At cost	44,558	43,158	14,501	13,458
At net realisable value	492	180	470	180
	45,211	43,470	15,008	13,638
9. OTHER FINANCIAL ASSETS - DERIVATIVES				
At fair value:				
Foreign currency forward contracts	-	981	-	621
Interest rate swaps	12	68	-	57
	12	1,049	-	678
10. DEFERRED SALE PROCEEDS				
Current	-	133	-	-
Non current	-	558	-	-
	-	691	-	-

The deferred sale proceeds relate to the sale of the residual 51% shareholding in Biomed Limited on 1 July, 2004 and were repayable over five years at the bank base rate for five year fixed rate term loans plus 2%. The deferred sales proceeds were repaid in full during the financial year.

11. PROPERTY, PLANT AND EQUIPMENT

	Group					
	Freehold land at cost $'000	Buildings at cost $'000	Leasehold improv. at cost $'000	Plant and vehicles at cost $'000	Office equip. furniture & fittings at cost $'000	Total $'000
Gross carrying amount						
Balance at 1 July, 2005	1,417	6,031	788	3,546	8,174	19,956
Additions	-	46	97	640	1,102	1,885
Disposals	-	(1)	-	(414)	(204)	(619)
Net foreign currency exchange differences	-	-	54	141	139	334
Balance at 30 June, 2006	1,417	6,076	939	3,913	9,211	21,556
Additions	-	771	83	762	549	2,165
Disposals	(217)	(669)	(3)	(100)	(337)	(1,326)
Net foreign currency exchange differences	-	-	(52)	(121)	(162)	(335)
Balance at 30 June, 2007	1,200	6,178	967	4,454	9,261	22,060
Accumulated depreciation						
Balance at 1 July, 2005	-	(915)	(224)	(1,859)	(5,966)	(8,964)
Disposals	-	1	40	191	81	313
Depreciation expense	-	(168)	(107)	(481)	(906)	(1,662)
Net foreign currency exchange differences	-	-	(17)	(71)	(101)	(189)
Balance at 30 June, 2006	-	(1,082)	(308)	(2,220)	(6,892)	(10,502)
Disposals	-	146	-	33	298	477
Depreciation expense	-	(179)	(106)	(524)	(902)	(1,711)
Net foreign currency exchange differences	-	-	22	62	117	201
Balance at 30 June, 2007	-	(1,115)	(392)	(2,649)	(7,379)	(11,535)
Net book value						
As at 30 June, 2006	1,417	4,994	631	1,693	2,319	11,054
As at 30 June, 2007	1,200	5,063	575	1,805	1,882	10,525

11. PROPERTY, PLANT AND EQUIPMENT contd.

	Parent					
	Freehold land at cost $'000	Buildings at cost $'000	Leasehold improv. at cost $'000	Plant and vehicles at cost $'000	Office equip. furniture & fittings at cost $'000	Total $'000
Gross carrying amount						
Balance at 1 July, 2005	217	670	179	666	2,470	4,202
Additions	-	-	23	124	202	349
Disposals	-	(1)	-	(30)	(155)	(186)
Balance at 30 June, 2006	217	669	202	760	2,517	4,365
Additions	-	-	4	322	97	423
Disposals	(217)	(669)	-	(21)	(199)	(1,106)
Balance at 30 June, 2007	-	-	206	1,061	2,415	3,682
Accumulated depreciation						
Balance at 1 July, 2005	-	(136)	(54)	(433)	(2,039)	(2,662)
Disposals	-	-	-	27	153	180
Depreciation expense	-	(7)	(20)	(115)	(237)	(379)
Balance at 30 June, 2006	-	(143)	(74)	(521)	(2,123)	(2,861)
Disposals	-	146	-	-	198	344
Depreciation expense	-	(3)	(20)	(163)	(222)	(408)
Balance at 30 June, 2007	-	-	(94)	(684)	(2,147)	(2,925)
Net book value						
As at 30 June, 2006	217	526	128	239	394	1,504
As at 30 June, 2007	-	-	112	377	268	757

Group Plant includes finance leases capitalised with a cost of $332,000 (2006 $294,000) and book value of $235,000 (2006 $239,000). Parent plant includes finance leases capitalised with a cost of $134,000 (2006 $134,000) and book value of $92,000 (2006 $126,000).

At 30 June, 2007 land and buildings with a carrying value of $6.2million has been determined by Telfer Young (Auckland) Limited, in accordance with NZ IAS16, to have a fair value of $10.9 million.

	Group 2007 $'000	Group 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Aggregate depreciation recognised as an expense during the year:				
Buildings	179	168	3	7
Leasehold improvements	106	107	20	20
Plant and vehicles	524	481	163	115
Office equipment, furniture & fittings	902	906	222	237
	1,711	1,662	408	379

12. GOODWILL

	Group 2007 $'000	Group 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Gross carrying amount				
Balance at beginning of financial year	27,869	19,887	1,728	1,728
Additional amounts recognised from business combinations occurring during the period	-	7,436	-	-
Effects of foreign currency exchange differences	(482)	546	-	-
Net book value	27,387	27,869	1,728	1,728

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

- Australian Hospital and Primary Healthcare sector (EBOS Group Pty Limited) – Healthcare Australia.
- New Zealand Dental, Consumer, Hospital, Primary Healthcare, Aged Care and International Product Supplies (EBOS Group Limited) – Healthcare NZ.
- New Zealand Hospital Procurement and logistic services (Health Support Limited) – Logistics NZ.
- Australasia Scientific Supplies (Global Science & Technology Limited) – Scientific.

The carrying amount of goodwill allocated to the Healthcare Australia cash-generating unit, and to the Scientific cash-generating unit is significant in comparison with the total carrying amount of goodwill. The carrying amount of goodwill allocated to the Healthcare NZ and Logistics NZ cash-generating units is not. However, the recoverable amounts of the operations in New Zealand and Australia are based on some of the same key assumptions. The carrying amount of goodwill allocated to cash-generating units is as follows:

	Group 2007 $'000	Group 2006 $'000
Healthcare Australia	7,502	7,984
Healthcare NZ (Parent)	1,728	1,728
Logistics NZ	1,468	1,468
Scientific	16,689	16,689
	27,387	27,869

During the year ended 30 June 2007, management have determined that there is no impairment of any of the cash generating units containing goodwill.

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

Healthcare Australia, Healthcare NZ and Scientific – Gross margin being maintained during a period of cost increases driven by movements in foreign currency and cost inflation pressures, and maintaining market share during the budget period.

12. GOODWILL contd.

Logistics NZ – controlling cost inflation pressures and maintenance of/replacement of major contracts during the budget period.

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

The value in use calculation uses cash flow projections based on financial budgets approved by management covering a five year period.

Annual growth rates of 2%, which is below current historical growth rates; an allowance of 4% for inflation to expenses, and pre tax discount rates of 14.7% to 15.4% have been applied to these projections. Cash flows beyond the five year period have been extrapolated using a steady 2% growth rate. Management also believes that any reasonably possible change in the key assumptions would not cause the carrying amount of any of the cash generating units to exceed their recoverable amount.

13. INDEFINITE LIFE INTANGIBLE ASSETS

	Group			
	Natures Kiss $'000	**Allersearch $'000**	**Liceblaster $'000**	**Total $'000**
Gross carrying amount				
Balance at 1 July, 2005	2,390	2,570	1,359	6,319
Net foreign currency exchange differences	-	-	144	144
Balance at 30 June, 2006	2,390	2,570	1,503	6,463
Net foreign currency exchange differences	-	-	(147)	(147)
Balance at 30 June, 2007	2,390	2,570	1,356	6,316
Net book value				
As at 30 June, 2006	2,390	2,570	1,503	6,463
As at 30 June, 2007	2,390	2,570	1,356	6,316

	Parent		
	Natures Kiss $'000	**Allersearch $'000**	**Total $'000**
Gross carrying amount			
Balance at 1 July, 2005	2,390	2,570	4,960
Balance at 30 June, 2006	2,390	2,570	4,960
Balance at 30 June, 2007	2,390	2,570	4,960
Net book value			
As at 30 June, 2006	2,390	2,570	4,960
As at 30 June, 2007	2,390	2,570	4,960

13. INDEFINITE LIFE INTANGIBLE ASSETS contd.

The carrying amount of brands (indefinite life intangibles) has been allocated to the cash generating units referred to in Note 12 as follows:

	2007 $000	2006 $000
Healthcare Australia	3,926	4,073
Healthcare NZ (Parent)	2,390	2,390
	6,316	6,463

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

During the year ended 30 June 2007, management have determined that there is no impairment of any of the brands. The recoverable amounts are determined on the basis of value in use calculations. Management has determined that the recoverable amount calculations are most sensitive to change in the following assumptions.

> The calculation of the recoverable amount for each of the brands in the group and the parent has been determined based on a value in use calculation that uses cash flow projections based on financial budgets approved by management covering a five-year period. Annual growth rates of 2%, and an allowance of 4% for inflation to expenses, and pre-tax discount rates of 14.7% to 15.4% has been applied to these projections. Cash flows beyond the five-year period have been extrapolated using a steady 2% growth rate. Management also believes that any reasonably possible change in the key assumptions would not cause the carrying amount of the brands to exceed their recoverable amount.

14. CAPITAL WORK IN PROGRESS

	Group 2007 $'000	Group 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Capital work in progress	240	-	240	-

The capital work in progress relates to the construction of an office building in Christchurch. The total cost to complete the project is approximately $3.2 million.

15. SUBSIDIARIES

Parent and Head Entity
Ebos Group Limited

Subsidiaries (all balance dates 30 June)

	Country of Incorporation	2007	2006
Ebos Group Pty Limited	Australia	100%	100%
Ebos Health & Science Pty Limited	Australia	100%	100%
Health Support Limited	New Zealand	100%	100%
- Health Support Properties Limited	New Zealand	100%	100%
Global Science & Technology Limited	New Zealand	100%	100%
- Quantum Scientific Pty Limited	Australia	100%	100%

16. BORROWINGS

	Group 2007 $'000	Group 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Current				
Bank overdrafts (i)	635	3,508	349	123
Bank loans (i)	1,101	22,209	-	14,696
Finance lease liabilities (ii)	74	66	27	27
Advances from Subsidiaries (at call) (iii)	-	-	1,546	1,864
	1,810	25,783	1,922	16,710
Non-current				
Bank loans (i)	7,985	16,796	-	4,508
Finance lease liabilities (ii)	120	147	74	101
Total borrowings	9,915	42,726	1,996	21,319

(i) Secured by a floating charge over the group's assets.
(ii) Secured by the assets leased.
(iii) Unsecured

17. TRADE & OTHER PAYABLES

Trade payables	24,957	23,945	3,853	3,719
Other payables	4,722	4,907	1,408	2,534
	29,679	28,852	5,261	6,253

18. LEASES

Finance leases
Minimum future lease payments
Finance leases relate to office equipment and warehouse racking with lease terms of 4 years. The group has options to purchase the equipment for a nominal amount at the conclusion of the lease agreements.

Finance lease liabilities

	Minimum Future Lease Payments				Present Value of Minimum Future Lease Payments			
	Group 2007 $'000	Group 2006 $'000	Parent 2007 $'000	Parent 2006 $'000	Group 2007 $'000	Group 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Not later than 1 year	93	84	34	34	74	66	27	27
Later than 1 year and not later than 5 years	151	185	94	128	120	147	74	101
Minimum lease payments*	244	269	128	162	194	213	101	128
Less future finance charges	(50)	(56)	(27)	(34)	-	-	-	-
Present value of minimum lease payments	194	213	101	128	194	213	101	128
Included in the financial statements as:								
Finance leases - current portion					74	66	27	27
Finance leases - non current portion					120	147	74	101
					194	213	101	128

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

Operating leases
Leasing arrangements
Operating leases relate to certain property and equipment. All operating lease contracts contain market review clauses in the event that the company/group exercises its option to renew. The company/group does not have an option to purchase the leased asset at the expiry of the lease period.

	Group 2007 $'000	Group 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Operating leases				
Non-cancellable operating lease payments				
Not longer than 1 year	2,775	2,610	842	758
Longer than 1 year and not longer than 5 years	5,963	5,167	196	770
Longer than 5 years	484	815	61	-
	9,222	8,592	1,099	1,528

19. OTHER FINANCIAL LIABILITIES - DERIVATIVES

	Group 2007 $'000	Group 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
At fair value:				
Foreign currency forward contracts	95	-	95	-
	95	-	95	-

20. DEFERRED PURCHASE CONSIDERATION

	Group 2007 $'000	Group 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Deferred purchase consideration	-	4,500	-	4,500
	-	4,500	-	4,500

The deferred purchase consideration arose on the acquisition of the remaining 33% interest in Global Science and Technology Limited:

	Group 2007 $'000	Group 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Total deferred purchase consideration	4,500	9,000	4,500	9,000
Less paid during the year	(4,500)	(4,500)	(4,500)	(4,500)
Balance at end of financial year	-	4,500	-	4,500

21. SHARE CAPITAL

	2007 No. '000	2007 $'000	2006 No. '000	2006 $'000
Fully paid ordinary shares				
Balance at beginning of financial year	27,634	26,837	27,594	26,758
Issue of shares to executives and staff under employee share ownership scheme	-	-	40	79
Rights issue 20 December 2006	9,210	36,840	-	-
Share issue costs	-	(527)	-	-
	36,844	63,150	27,634	26,837

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

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

Given the immateriality of the amounts involved the issue of shares to executives and staff under the employee ownership scheme have not been accounted for pursuant to NZ IFRS-2: Share Based Payment.

22. RESERVES

	Group 2007 $'000	Group 2006 $'000
Foreign currency translation reserve		
Balance at beginning of financial year	668	(30)
Translation of foreign operations	(1,153)	729
Acquisition of foreign subsidiary	-	(31)
Balance at end of financial year	(485)	668

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

22. RESERVES contd.

	Group 2007 $'000	Group 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Retained Earnings				
Balance at beginning of financial year	28,258	22,784	13,576	14,635
Net profit attributable to members of the parent entity	10,319	11,548	5,811	5,015
Dividends provided for or paid (note 24)	(7,092)	(6,074)	(7,092)	(6,074)
Balance at end of financial year	31,485	28,258	12,295	13,576

23. MINORITY INTERESTS

	Group 2007 $'000	Group 2006 $'000
Balance at beginning of financial year	-	4,004
(Acquisition) of minority interests	-	(4,004)
Balance at the end of financial year	-	-

24. DIVIDENDS

	2007 Cents per share	2007 Total $'000	2006 Cents per share	2006 Total $'000
Recognised amounts				
Fully paid ordinary shares				
- Final – prior year	13.0	3,592	12.5	3,449
- Interim – current year	9.5	3,500	9.5	2,625
	22.5	7,092	22.0	6,074
Unrecognised amounts				
Final dividend	13.0	6,015	13.0	3,592

25. ACQUISITION OF BUSINESSES

Name of Business Acquired	Principal activity	Date of acquisition	Cost of acquisition $'000
2006:			
Additional 33% of Global Science & Technology Limited			
(increasing shareholding to 100%)	Scientific Supplies	1 July, 2005	9,440
100% of business assets of Scientific Supplies Limited	Scientific Supplies	1 December, 2005	2,565
			12,005

Description of Acquisition Activity

2006

Net Assets Acquired	33% of Global Book value $'000	Fair value adjustments $'000	Fair value on acquisition $'000	Business assets of Scientific Supplies Limited Book value $'000	Fair value adjustments $'000	Fair value on acquisition $'000	Total fair value on acquisition $'000
Current assets:							
Inventories	-	-	-	537	-	537	537
Non-current assets:							
Property, plant and equipment	-	-	-	163	-	163	163
Current liabilities:							
Trade and other payables	-	-	-	(135)	-	(135)	(135)
Net assets acquired	-	-	-	565	-	565	565
Minority interest			4,004			-	4,004
			4,004			565	4,569
Goodwill on acquisition			5,436			2,000	7,436
Consideration			9,440			2,565	12,005

Further details of the businesses acquired are disclosed in note 26.

At 1 July 2005 on acquisition of the remaining minority interest in Global Science & Technology Limited the fair value of the net assets was equal to the book value.

26. NOTES TO THE CASH FLOW STATEMENT

	Group 2007 $'000	Group 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
(a) Businesses acquired				
Note 25 sets out details of the businesses acquired.				
Details of the acquisitions are as follows.				
Consideration				
Cash and cash equivalents	-	7,505	-	4,500
Deferred purchase consideration (Note 20)	-	4,500	-	4,500
	-	12,005	-	9,000
Represented by:				
Net assets acquired (Note 25)	-	565	-	-
Investment in subsidiaries	-	-	-	9,000
Minority interest	-	4,004	-	-
Goodwill on acquisition	-	7,436	-	-
Consideration	-	12,005	-	9,000
Net cash outflow on acquisition				
Cash and cash equivalents consideration	4,500	7,505	4,500	4,500
(b) Financing facilities				
Financing facilities				
Bank overdraft facility, reviewed annually and payable at call:				
Amount used	635	3,508	349	123
Amount unused	2,361	5,125	901	627
	2,996	8,633	1,250	750
Secured bank loan facilities with various maturity dates through to December 2009:				
Amount used	9,086	39,005	-	19,204
Amount unused	20,000	2,184	20,000	2,200
	29,086	41,189	20,000	21,404

26. NOTES TO THE CASH FLOW STATEMENT contd.

	Group 2007 $'000	Group 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
(c) Reconciliation of profit for the period with cash flows from operating activities				
Profit for the period	10,319	11,548	5,811	5,015
Add/(less) non-cash items:				
Depreciation	1,711	1,662	408	379
(Gain)/loss on sale of property, plant and equipment	(541)	28	(598)	2
Loss/(gain) on derivatives/financial instruments	1,123	(1,269)	773	(762)
Deferred tax	(43)	(428)	25	(169)
Provision for doubtful debts	(66)	(126)	12	-
Foreign currency (gain)/loss on translation of working capital balances	(1,375)	1,057	-	-
	809	924	620	(550)
Movement in working capital:				
Trade and other receivables	(2,962)	(1,652)	113	(805)
Finance lease receivables	28	-	29	-
Prepayments	(434)	657	13	(34)
Inventories	(1,741)	(6,397)	(1,370)	(3,028)
Current tax refundable/payable	454	378	(51)	193
Trade and other payables	827	2,425	(992)	362
Employee benefits	(46)	64	(103)	113
	(3,874)	(4,525)	(2,361)	(3,199)
Movements in items treated as investing activities	-	402	-	-
Net cash inflow from operating activities	7,254	8,349	4,070	1,266

27. EARNINGS PER SHARE CALCULATION

Basic earnings per share (refer Income Statement and note 21)

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	Group 2007 $'000	Group 2006 $'000
Earnings	10,319	11,548
Weighted average number of ordinary shares for the purposes of basic earnings per share	32,504	27,634

Diluted earnings per share (refer Income Statement and note 21)

The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:

	Group 2007 $'000	Group 2006 $'000
Earnings	10,319	11,548
Weighted average number of ordinary shares for the purpose of diluted earnings per share	32,504	27,634

28. COMMITMENTS FOR EXPENDITURE

	Group 2007 $'000	Group 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
(a) Capital expenditure commitments				
Property, Plant and Equipment	3,343	717	3,119	-
Intangible assets	6,031	-	-	-

A significant portion of the expenditure relates to the purchase of Vital Medical Supplies (Australia) Ltd – refer note 32.

(b) Lease commitments
Finance lease liabilities and non-cancellable operating lease commitments are disclosed in note 18 to the financial statements.

29. CONTINGENT LIABILITIES & CONTINGENT ASSETS

	Group 2007 $'000	Group 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Contingent liabilities				
Guarantees given to third parties	75	75	75	75
Guarantees arising from the deed of cross guarantee with other entities in the wholly-owned group	-	-	15,088	15,991

The company has entered into a deed of guarantee for certain wholly-owned subsidiaries. The amount disclosed as a contingent liability represents total liabilities of the group of companies party to that, less the liabilities recognised by the group. The extent of which an outflow of funds will be required is dependent on the future operations of the entities that are party to the deed of guarantee being more or less favourable than currently expected. The deed of guarantee may continue to operate indefinitely.

30. SEGMENT INFORMATION

Information on business segments (primary reporting format)

Segment Revenue	Group 2007 $'000	Group 2006 $'000
Revenue		
Healthcare	273,936	263,684
Scientific	39,009	42,817
Inter-segment (i)	(5,669)	(6,015)
	307,276	300,486

(i) Inter-segment sales are recorded at amounts equal to competitive market prices charged to external customers for similar goods.

	Group 2007 $'000	Group 2006 $'000
Profit before finance costs and tax		
Healthcare	13,462	14,124
Scientific	3,669	5,911
	17,131	20,035
Profit for the period		
Healthcare	8,549	7,829
Scientific	1,770	3,719
	10,319	11,548
Segment assets		
Healthcare	105,647	102,628
Scientific	31,579	32,107
	137,226	134,735
Segment liabilities		
Healthcare	38,351	67,653
Scientific	4,725	11,319
	43,076	78,972

30. SEGMENT INFORMATION contd.

	Healthcare 2007 $'000	Healthcare 2006 $'000	Scientific 2007 $'000	Scientific 2006 $'000
Acquisition of segment assets	1,805	1,110	361	563
Depreciation and amortisation of segment assets	1,325	1,252	386	410

Products and services within each business segment

For management purposes, the group is organised into two major operating divisions - Healthcare and Scientific. These divisions are the basis on which the group reports its primary segment information. The principal products and services of each of these divisions are as follows:

- Healthcare: Incorporates the sale of healthcare products in a range of sectors, own brands, retail healthcare and wholesale activities.
- Scientific: Incorporates the sale of laboratory consumables, life sciences equipment and technical support to industry and research laboratories.

Information on geographical segments (secondary reporting format)

	Group 2007 $'000	Group 2006 $'000
Revenue		
New Zealand	232,922	227,384
Australia	80,023	79,117
Eliminations	(5,669)	(6,015)
	307,276	300,486
Profit before finance costs and tax		
New Zealand	8,997	13,051
Australia	8,134	6,984
	17,131	20,035
Profit for the period		
New Zealand	5,550	7,266
Australia	4,769	4,282
	10,319	11,548
Segment assets		
New Zealand	98,502	96,568
Australia	38,724	38,167
	137,226	134,735

	New Zealand 2007 $'000	New Zealand 2006 $'000	Australia 2007 $'000	Australia 2006 $'000
Acquisition of segment assets	1,785	1,256	381	417

The group's two divisions operate in two principal geographical areas - New Zealand and Australia.

31. RELATED PARTY DISCLOSURES

(a) Parent Entities

The parent entity in the group is EBOS Group Limited.

(b) Equity interests in Related Parties

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

(c) Transactions with Related Parties

Transactions involving the parent entity
Amounts receivable from and payable to related parties at balance date are disclosed on the parent company balance sheet, and Note 16 of these financial statements.

During the financial year, EBOS Group Limited received dividends of $2,724,000 (2006: $1,644,000) from its subsidiaries.

During the financial year, EBOS Group Limited provided accounting and administration services to its subsidiaries for a consideration of $456,000 (2006: $456,000) and charged royalties for the use of brand names and patents totalling $269,322 (2006: $221,316).

During the financial year, EBOS Group Limited rented warehouse space and contracted labour from its subsidiaries for a total cost of $349,494 (2006 $319,705).

Terms/price under which related party transactions were entered into
All loans advanced to and payable by subsidiaries are unsecured, subordinate to other liabilities and are at call. Interest rates determined by the directors were 8.3% - 9.1%. During the financial year, EBOS Group Limited received interest of $634,000 (2006: $49,000) from loans to subsidiaries, and paid interest of $163,000 (2006: $185,654) to subsidiaries.

No amounts were provided for doubtful debts relating to debts due from related parties at reporting date (2006: Nil).

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

(d) Key Management Personnel Remuneration

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

(e) Other Transactions Involving Related Parties
During the financial year Global Science & Technology Ltd and Quantum Scientific Pty Ltd rented premises from interests associated with key management personnel, P Balchin, F Spurway and D Brown. Rents of $614,178 (2006: $643,083) were paid.

During the financial year Global Science & Technology Ltd and Quantum Scientific Pty Ltd paid amounts totalling $331,641 (2006: $705,015) to interests associated with the same key management personnel for the provision of management services.

32. SUBSEQUENT EVENTS

On 1 July 2007 the group acquired all of the business assets of Vital Medical Supplies (Australia) Ltd a Sydney based supplier of medical goods to the health industry for approximately NZ$6.2 million.

33. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives

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

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

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

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

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, and the basis of measurement applied in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

The group also mitigates the risk of rising interest rates by entering into fixed interest rate bank loans.

(c) Foreign currency risk management

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

Forward foreign exchange contracts

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

33. FINANCIAL INSTRUMENTS contd.

Outstanding Contracts	Average exchange rate 2007	Average exchange rate 2006	Foreign currency 2007 FC'000	Foreign currency 2006 FC'000	Contract value 2007 $'000	Contract value 2006 $'000	Fair value 2007 $'000	Fair value 2006 $'000
Buy Australian Dollars								
Less than 3 months	0.883	0.865	880	1,200	996	1,387	(24)	79
3 to 6 months	0.905	0.865	100	1,326	110	1,533	-	91
6 to 12 months	-	0.829	-	1,000	-	1,207	-	24
Buy Euro								
Less than 3 months	0.540	0.515	200	1,150	370	2,232	(19)	185
3 to 6 months	-	0.502	-	1,050	-	2,090	-	131
6 to 12 months	-	0.481	-	900	-	1,871	-	56
Buy Pounds								
Less than 3 months	0.400	0.354	50	280	125	791	(7)	56
3 to 6 months	-	0.348	-	255	-	733	-	41
6 to 12 months	-	0.329	-	220	-	670	-	2
Buy US Dollars								
Less than 3 months	0.742	0.658	500	1,000	674	1,521	(22)	129
3 to 6 months	0.736	0.653	100	850	136	1,301	(4)	105
6 to 12 months	-	0.613	-	700	-	1,141	-	25
Buy Swiss Francs								
Less than 3 months	0.792	0.850	80	150	101	176	(15)	24
3 to 6 months	-	0.838	-	150	-	179	-	21
Buy Japanese Yen								
Less than 3 months	86.864	75.968	3,000	6,000	35	79	(4)	7
3 to 6 months	-	74.598	-	6,000	-	80	-	5
							(95)	981

The vast majority of the above financial instruments relate to the parent entity. The fair value of forward foreign exchange contracts outstanding are recognised as other financial assets/liabilities. Hedge accounting has not been adopted.

(d) Interest rate risk management

The group is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts and forward interest rate 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.

Outstanding Contracts	Average contracted fixed interest rate 2007 %	Average contracted fixed interest rate 2006 %	Notional principal amount 2007 $'000	Notional principal amount 2006 $'000	Fair value 2007 $'000	Fair value 2006 $'000
Outstanding variable rate for fixed contracts						
Less than 1 year	5.79	6.51	2,203	6,741	12	17
1 to 2 years	-	6.10	-	5,661	-	51
			2,203	12,402	12	68

In the current year the above financial instruments relate to a subsidiary entity. In the prior year the vast majority of the above financial instruments related to the parent entity. The fair value of interest rate swaps outstanding are recognised as other financial assets/liabilities. Hedge accounting has not been adopted.

33. FINANCIAL INSTRUMENTS contd.

Maturity profile

The following table details the group's exposure to interest rate risk:

Group - 2007	Weighted average effective interest rate %	Variable interest rate $'000	Fixed Maturity Dates Less than 1 year $'000	1-2 Years $'000	2-3 Years $'000	3-4 Years $'000	4-5 Years $'000	5+ Years $'000	Non interest bearing $'000	Total $'000
Financial assets:										
Cash and cash equivalents	7.4	1,772								1,772
Trade and other receivables									41,230	41,230
Current tax refundable									624	624
Other financial assets									12	12
Finance leases	9.0		86	57	57	58				258
		1,772	86	57	57	58			41,866	43,896
Financial liabilities:										
Bank overdraft	12.3	635								635
Trade and other payables									29,679	29,679
Finance leases	10.0		74	74	46					194
Bank loans	7.3		1,101	1,101	6,884					9,086
Current tax payable									1,082	1,082
Employee benefits									2,305	2,305
Other financial liabilities									95	95
		635	1,175	1,175	6,930				33,161	43,076

Group - 2006	Weighted average effective interest rate %	Variable interest rate $'000	Fixed Maturity Dates Less than 1 year $'000	1-2 Years $'000	2-3 Years $'000	3-4 Years $'000	4-5 Years $'000	5+ Years $'000	Non interest bearing $'000	Total $'000
Financial assets:										
Cash and cash equivalents	0.0	1,938								1,938
Trade and other receivables									38,202	38,202
Current tax refundable									539	539
Other financial assets									1,049	1,049
Finance leases	9.0		57	57	57	57	58			286
Deferred sale proceeds	11.3		133	133	425					691
		1,938	190	190	482	57	58		39,790	42,705
Financial liabilities:										
Bank overdraft	9.5	3,508								3,508
Trade and other payables									28,852	28,852
Finance leases	10.0		66	60	40	27	20			213
Bank loans	7.7		28,631	10,374						39,005
Current tax payable									543	543
Employee benefits									2,351	2,351
Deferred purchase consideration									4,500	4,500
		3,508	28,697	10,434	40	27	20		36,246	78,972

33. FINANCIAL INSTRUMENTS contd.

Parent - 2007	Weighted average effective interest rate %	Variable interest rate $'000	Fixed Maturity Dates Less than 1 year $'000	1-2 Years $'000	2-3 Years $'000	3-4 Years $'000	4-5 Years $'000	5+ Years $'000	Non interest bearing $'000	Total $'000
Financial assets:										
Cash and cash equivalents	7.4	200								200
Trade and other receivables									9,786	9,786
Current tax refundable									441	441
Advances to subsidiaries	8.6		10,118							10,118
Finance leases	9.0		86	57	57	58				258
		200	10,204	57	57	58			10,227	20,803
Financial liabilities:										
Bank overdraft	12.3	349								349
Trade and other payables									5,261	5,261
Finance leases	9.1		27	27	27	20				101
Employee benefits									980	980
Other financial liabilities									95	95
Advances from subsidiaries	8.6		1,546							1,546
		349	1,573	27	27	20			6,336	8,332

Parent - 2006	Weighted average effective interest rate %	Variable interest rate $'000	Fixed Maturity Dates Less than 1 year $'000	1-2 Years $'000	2-3 Years $'000	3-4 Years $'000	4-5 Years $'000	5+ Years $'000	Non interest bearing $'000	Total $'000
Financial assets:										
Cash and cash equivalents	0.0	13								13
Trade and other receivables									9,911	9,911
Current tax refundable									390	390
Other financial assets									678	678
Advances to subsidiaries	8.4		140							140
Finance leases	9.0		58	57	57	57	58			287
		13	198	57	57	57	58		10,979	11,419
Financial liabilities:										
Bank overdraft	11.8	123								123
Trade and other payables									6,253	6,253
Finance leases	9.1		27	27	27	27	20			128
Bank loans	8.0		14,696	4,508						19,204
Employee benefits									1,083	1,083
Advances to subsidiaries	8.4		1,864							1,864
Deferred purchase consideration									4,500	4,500
		123	16,587	4,535	27	27	20		11,836	33,155

33. FINANCIAL INSTRUMENTS contd.

(e) Credit Risk Management

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

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of the trade receivables and, where appropriate, credit guarantee insurance cover is purchased (refer note 29).

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

(f) 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; and
- 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.
- 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.

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

(g) 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.

Additional Stock Exchange Information

As at 31 July, 2007

	Fully paid shares	Percentage of paid capital
Twenty Largest Shareholders		
First NZ Capital Custodians Ltd (Python Portfolios Ltd)	3,678,521	9.98%
Accident Compensation Corporation	2,489,479	6.76%
Whyte Adder No.3 Ltd	2,422,686	6.58%
Forsyth Barr Custodians Ltd	774,518	2.10%
National Nominees New Zealand Ltd	753,082	2.04%
HSBC Nominees (New Zealand) Ltd	729,605	1.98%
Custodial Services Ltd	581,327	1.58%
M.B. Waller & A.L. Waller	405,702	1.10%
P. Gardiner-Garden	377,200	1.02%
Forsyth Barr Custodians Ltd	371,861	1.01%
Tea Custodians Ltd	333,333	0.90%
Forsyth Barr Custodians Ltd	329,349	0.89%
Asset Custodian Nomineees Ltd	312,094	0.85%
New Plymouth District Council	296,491	0.80%
Hubbard Churcher Trust Management Ltd	201,912	0.55%
Investment Custodial Services Ltd	181,245	0.49%
Citibank Nominees (New Zealand) Ltd	177,309	0.48%
Custodial Services Ltd	176,440	0.48%
Forsyth Barr Custodians Ltd	171,324	0.47%
Custodial Services Ltd	167,953	0.46%
	14,931,431	40.52%

Substantial Security Holders

As at 31 July 2007 the following persons are deemed to be substantial security holders in accordance with Section 26 of the Securities Amendment Act 1988.

	Fully paid shares	Percentage of paid capital
Python Portfolios Ltd	3,678,521	9.98%
Accident Compensation Corporation	2,489,479	6.76%
Whyte Adder No.3 Limited	2,422,686	6.58%
	8,590,686	23.32%

Distribution of Shareholders and Shareholdings	Holders	Fully paid shares	Percentage of paid capital
Size of Holding			
1 to 999	519	265,468	0.72%
1,000 to 4,999	1,863	4,510,074	12.24%
5,000 to 9,999	644	4,385,369	11.90%
10,000 to 49,999	506	9,034,215	24.52%
50,000 to 99,999	34	2,292,212	6.22%
100,000 to 499,999	23	4,927,407	13.38%
500,000 to 999,999	4	2,838,532	7.70%
1,000,000 and over	3	8,590,686	23.32%
Total	3,596	36,843,963	100.00%
Registered Address of Shareholders			
New Zealand	3,508	36,020,791	97.77%
Overseas	88	823,172	2.23%
Total	3,596	36,843,963	100.00%

Waivers Granted by the NZX

The company applied a waiver during the year from the NZX in respect of Listing Rule 9.2.1, so that Whyte Adder No.3 Limited could sub-underwrite the December 2006 Renounceable Rights Issue, on terms substantially the same as those agreed with all other sub-underwriting parties, without the requirement to seek and obtain shareholder approval by way of ordinary resolution.

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Quantum Scientific Pty Limited
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AUSTRALIA

Directors
R.G.M. Christie	Chairman
M.B. Waller	Chief Executive and Managing Director
P.F. Kraus	Deputy Chairman
E.M. Coutts	
S.C. Ottrey	
B.J. Wallace	
D.C. Doherty	Corporate Secretary

Executives
M.B. Waller	Chief Executive
D. Brown	Managing Director - Scientific
A.J. Cooper	General Manager – Business Development
D.C. Doherty	Chief Financial Officer
K.R. Hyland	General Manager – EBOS Healthcare NZ
G. Managh	General Manager – Health Support Ltd
A. Norris	General Manger – EBOS Group Pty Ltd

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Bankers
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Shareholder Enquiries
Shareholders with enquiries about share transactions, change of address or dividend payments should contact the Share Registrar – Computershare Investor Services Ltd.