

EBOS GROUP LIMITED

**Financial Report for the Financial Year
Ended 30 June, 2014**

FINANCIAL STATEMENTS
Year Ended 30 June, 2014

Directors' Responsibility Statement	3
Independent Auditor's Report	4
Income Statement	5
Statement of Comprehensive Income	5
Balance Sheet	6
Statement of Changes in Equity	7
Cash Flow Statement	9
Notes to the Financial Statements	10
Additional Stock Exchange Information	51
Directory	52

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of EBOS Group Limited are pleased to present to shareholders the financial statements for EBOS Group and its controlled entities (together the "Group") for the year to 30 June 2014.

The Directors are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which give a true and fair view of the financial position of the Company and the Group as at 30 June 2014 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
Director

26 August 2014

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

Report on the Financial Statements

We have audited the financial statements of EBOS Group Limited and group on pages 5 to 50, which comprise the consolidated and separate balance sheets of EBOS Group Limited, as at 30 June 2014, the consolidated and separate income statements, statements of comprehensive income, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Board of Directors' Responsibility for the Financial Statements

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

Auditor's Responsibilities

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor, and the provision of information technology services, financial modelling assistance and assurance services for indirect tax compliance, we have no relationship with or interests in EBOS Group Limited or any of its subsidiaries. These services have not impaired our independence as auditors of the Company and Group.

Opinion

In our opinion, the financial statements on pages 5 to 50:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of EBOS Group Limited as at 30 June 2014, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with section 16 of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 30 June 2014:

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



Chartered Accountants

26 August 2014

Christchurch, New Zealand

This audit report relates to the financial statements of EBOS Group Limited and group for the year ended 30 June 2014 included on EBOS Group Limited website. EBOS Group Limited is responsible for the maintenance and integrity of the EBOS Group Limited website. We have not been engaged to report on the integrity of EBOS Group Limited website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 26 August 2014 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INCOME STATEMENT

For the Financial Year Ended 30 June, 2014	Notes	Group 2014 \$'000	2013 \$'000	Parent 2014 \$'000	2013 \$'000
Revenue	2 (a)	5,760,053	1,823,169	119,346	111,433
Income from Associates	2 (b)	1,567	585	-	-
Profit before depreciation, amortisation, finance costs and tax expense		178,241	58,243	49,023	40,558
Depreciation	2 (b)	(10,173)	(4,922)	(539)	(552)
Amortisation of finite life intangibles	2 (b)	(12,410)	(1,514)	-	-
Profit before finance costs and tax expense		155,658	51,807	48,484	40,006
Finance costs	2 (b)	(29,877)	(9,593)	(5,613)	(5,028)
Profit before tax expense	2 (b)	125,781	42,214	42,871	34,978
Tax expense	3	(33,712)	(14,007)	(264)	(118)
Profit for the year		92,069	28,207	42,607	34,860
Earnings per share:					
Basic (cents per share)	26	62.8	46.8		
Diluted (cents per share)	26	62.8	46.8		

STATEMENT OF COMPREHENSIVE INCOME

For the Financial Year Ended 30 June, 2014	Notes	Group 2014 \$'000	2013 \$'000	Parent 2014 \$'000	2013 \$'000
Profit for the year		92,069	28,207	42,607	34,860
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Cash flow hedges gains/(losses)	22	(2,423)	2,773	(618)	1,532
Related tax expense to cashflow hedges	22	701	(359)	173	(250)
Translation of foreign operations	22	(24,194)	(6,365)	-	-
Total comprehensive income net of tax expense		66,153	24,256	42,162	36,142

Notes to the financial statements are included on pages 10 to 50.

BALANCE SHEET

As at 30 June 2014	Notes	Group	2013	Parent	2013
		2014	\$'000	2014	\$'000
		\$'000	\$'000	\$'000	\$'000
Current assets					
Cash and cash equivalents		88,698	198,014	4,075	89,305
Trade and other receivables	6	699,276	736,429	8,217	10,399
Prepayments	7	6,748	7,837	941	838
Inventories	8	491,624	558,350	8,912	9,146
Current tax refundable	3	83	1,628	-	722
Other financial assets - derivatives	9	1,442	3,546	1,337	1,816
Advances to subsidiaries		-	-	31,671	34,468
Total current assets		1,287,871	1,505,804	55,153	146,694
Non-current assets					
Property, plant and equipment	10	84,854	95,131	4,764	4,668
Capital work in progress	11	20,872	787	-	-
Prepayments	7	54	16	-	-
Deferred tax assets	3	36,589	34,361	252	310
Goodwill	12	720,875	722,158	1,728	1,728
Indefinite life intangibles	13	56,576	59,324	4,960	4,960
Finite life intangibles	14	77,502	95,145	-	-
Shares in subsidiaries	15	-	-	949,324	1,080,686
Investment in associates	16	24,100	19,013	-	-
Total non-current assets		1,021,422	1,025,935	961,028	1,092,352
Total assets		2,309,293	2,531,739	1,016,181	1,239,046
Current liabilities					
Trade and other payables	18	821,391	892,645	6,356	9,172
Finance leases	17, 19	155	1,189	-	-
Bank loans	17	153,334	215,675	4,000	4,000
Current tax payable	3	14,219	6,378	-	-
Employee benefits		28,830	25,725	2,101	5,820
Other financial liabilities - derivatives	20	3,404	2,872	352	-
Advances from subsidiaries	17	-	-	29,319	29,319
Deferred purchase consideration	24	-	865,000	-	865,000
Total current liabilities		1,021,333	2,009,484	42,128	913,311
Non-current liabilities					
Bank loans	17	250,826	151,357	85,500	87,412
Trade and other payables	18	9,778	8,489	-	-
Deferred tax liabilities	3	43,407	48,365	2,279	2,220
Finance leases	17, 19	680	3,296	-	-
Employee benefits		4,230	5,871	-	-
Total non-current liabilities		308,921	217,378	87,779	89,632
Total liabilities		1,330,254	2,226,862	129,907	1,002,943
Net assets		979,039	304,877	886,274	236,103
Equity					
Share capital	21	861,549	201,288	861,549	201,288
Foreign currency translation reserve	22	(29,869)	(5,675)	-	-
Retained earnings	22	147,085	107,268	23,978	33,623
Cash flow hedge reserve	22	274	1,996	747	1,192
Total equity		979,039	304,877	886,274	236,103

Notes to the financial statements are included on pages 10 to 50.

STATEMENT OF CHANGES IN EQUITY

For the Financial Year ended
30 June, 2014

Group	Notes	Share Capital \$'000	Foreign Currency Translation Reserve \$'000	Retained Earnings \$'000	Hedge Reserve \$'000	Total \$'000
Balance at 1 July, 2012		107,970	690	100,359	(418)	208,601
Profit for the year		-	-	28,207	-	28,207
Other comprehensive income for the year, net of tax expense		-	(6,365)	-	2,414	(3,951)
Payment of dividends	23	-	-	(21,298)	-	(21,298)
Dividends re-invested	21	6,545	-	-	-	6,545
Shares issued under employee share ownership scheme	21	250	-	-	-	250
Institutional placement	21	90,026	-	-	-	90,026
Share issue costs	21	(3,503)	-	-	-	(3,503)
Balance at 30 June, 2013		201,288	(5,675)	107,268	1,996	304,877
Balance at 1 July, 2013		201,288	(5,675)	107,268	1,996	304,877
Profit for the year		-	-	92,069	-	92,069
Other comprehensive income for the year, net of tax expense		-	(24,194)	-	(1,722)	(25,916)
Payment of dividends	23	-	-	(52,252)	-	(52,252)
Dividends re-invested	21	20,496	-	-	-	20,496
Shares issued under rights issue	21	149,119	-	-	-	149,119
Share issue costs	21	(7,356)	-	-	-	(7,356)
Issue of consideration shares	21	498,147	-	-	-	498,147
Share issue costs	21	(145)	-	-	-	(145)
Balance at 30 June, 2014		861,549	(29,869)	147,085	274	979,039

Notes to the financial statements are included on pages 10 to 50.

STATEMENT OF CHANGES IN EQUITY CONTINUED

For the Financial Year ended
30 June, 2014

Parent	Notes	Share Capital \$'000	Retained Earnings \$'000	Hedge Reserve \$'000	Total \$'000
Balance at 1 July, 2012		107,970	20,061	(90)	127,941
Profit for the year		-	34,860	-	34,860
Other comprehensive income for the year, net of tax expense		-	-	1,282	1,282
Payment of dividends	23	-	(21,298)	-	(21,298)
Dividends re-invested	21	6,545	-	-	6,545
Shares issued under employee share ownership scheme	21	250	-	-	250
Institutional placement	21	90,026	-	-	90,026
Share issue costs	21	(3,503)	-	-	(3,503)
Balance at 30 June, 2013		201,288	33,623	1,192	236,103
Balance at 1 July, 2013		201,288	33,623	1,192	236,103
Profit for the year		-	42,607	-	42,607
Other comprehensive income for the year, net of tax expense		-	-	(445)	(445)
Payment of dividends	23	-	(52,252)	-	(52,252)
Dividends re-invested	21	20,496	-	-	20,496
Shares issues under rights issue	21	149,119	-	-	149,119
Share issue costs	21	(7,356)	-	-	(7,356)
Issue of consideration shares	21	498,147	-	-	498,147
Share issue costs	21	(145)	-	-	(145)
Balance at 30 June, 2014		861,549	23,978	747	886,274

Notes to the financial statements are included on pages 10 to 50.

CASH FLOW STATEMENT

For the Financial Year ended 30 June, 2014	Notes	Group		Parent	
		2014	2013	2014	2013
		\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities					
Receipts from customers		5,732,731	1,917,358	74,528	68,966
Interest received		2,819	1,198	1,221	1,388
Dividends received from subsidiaries		-	-	45,775	39,623
Payments to suppliers and employees		(5,561,884)	(1,869,090)	(75,741)	(61,062)
Taxes paid		(29,637)	(13,458)	-	-
Interest paid		(29,877)	(9,593)	(5,613)	(5,028)
Net cash inflow from operating activities	25(c)	114,152	26,415	40,170	43,887
Cash flows from investing activities					
Sale of property, plant & equipment		1,351	403	-	11
Purchase of property, plant & equipment		(11,725)	(2,943)	(657)	(236)
Payments for capital work in progress		(20,115)	(778)	-	-
Payments for intangible assets		(3,467)	(142)	-	-
Advances to subsidiaries		-	-	2,797	(7,959)
Acquisition of associates	16	(3,520)	-	-	-
Acquisition of subsidiaries	25(a)	(366,853)	49,263	(235,491)	-
Costs associated with acquisition of subsidiaries		-	(5,993)	-	(5,993)
Net cash (outflow)/inflow from investing activities		(404,329)	39,810	(233,351)	(14,177)
Cash flows from financing activities					
Proceeds from issue of shares		162,114	93,318	162,114	93,318
Proceeds from borrowings		310,327	30,009	93,500	-
Repayment of borrowings		(233,136)	(21,474)	(95,411)	(19,838)
Dividends paid to equity holders of parent	23	(52,252)	(21,298)	(52,252)	(21,298)
Net cash inflow from financing activities		187,053	80,555	107,951	52,182
Net (decrease)/increase in cash held		(103,124)	146,780	(85,230)	81,892
Effect of exchange rate fluctuations on cash held		(6,192)	(1,105)	-	-
Net cash and cash equivalents at beginning of the year		198,014	52,339	89,305	7,413
Net cash and cash equivalents at the end of the year		88,698	198,014	4,075	89,305
Cash and cash equivalents		88,698	198,014	4,075	89,305

Notes to the financial statements are included on pages 10 to 50.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 30 June, 2014

1. SUMMARY OF ACCOUNTING POLICIES

1.1 STATEMENT OF COMPLIANCE

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

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

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

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

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

1.2 BASIS OF PREPARATION

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June, 2014 and the comparative information presented in these financial statements for the year ended 30 June, 2013.

The information is presented in thousands of New Zealand dollars.

1.3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

1.4 KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

1.5 SPECIFIC ACCOUNTING POLICIES

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

a) Basis of Consolidation

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

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

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

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

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

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

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

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

Investments in associates are incorporated in the Group financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2014

a) Basis of Consolidation CONTINUED

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

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

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

b) Goodwill

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

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

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

c) Indefinite Life Intangible Assets

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

d) Finite Life Intangible Assets

Finite life intangible assets are recorded at cost less accumulated amortisation. Amortisation is charged on a straight line basis over their estimated useful life. The estimated useful life of finite life intangible assets is 1 to 10 years. The estimated useful life and amortisation period is reviewed at the end of each annual reporting period.

e) Intangible Assets Acquired in a Business Combination

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

f) Property, Plant, and Equipment

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

- Freehold land;
- Buildings;
- Leasehold improvements;
- Plant and 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2014

f) Property, Plant, and Equipment CONTINUED

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

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

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

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

- | | |
|--|-----------------|
| • Buildings | 20 to 100 years |
| • Leasehold improvements | 2 to 15 years |
| • Plant and vehicles | 2 to 20 years |
| • Office equipment, furniture and fittings | 2 to 10 years |

g) Impairment of Assets

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

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

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

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

h) Taxation

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2014

h) Taxation CONTINUED

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

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

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

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

i) Inventories

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

j) Leases

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

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

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

k) Foreign Currency Translation

Functional and Presentation Currency

The financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

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

Transactions and Balances

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2014

k) Foreign Currency Translation CONTINUED

Foreign Operations

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

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

l) Goods & Services Tax

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

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

m) Financial Instruments

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

Financial Assets

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

Cash & Cash Equivalents:

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

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

Derivative assets are classified as FVTPL unless hedge accounting is applied.

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

Loans and Receivables:

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

Loans and receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2014

m) Financial Instruments CONTINUED

Financial Liabilities

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

Financial Liabilities at Fair Value through Profit and Loss:

Derivative liabilities are classified as FVTPL unless hedge accounting is applied.

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

Other Financial Liabilities:

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

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

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

Derivative Financial Instruments

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

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

Cashflow Hedges

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year ended 30 June, 2014

n) Revenue Recognition

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

Sale of Goods

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

Rendering of Services

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

Interest Income

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

Effective Interest Method

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

Royalties

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

Dividend Income

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

o) Cash Flow Statement

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

Definition of terms used in the cash flow statement:

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

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

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

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 are classified as non-current only if the Group has a legal entitlement not to make payment within a 12 month period, to the employee in which the obligation has been accrued.

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year Ended 30 June, 2014

p) Employee Entitlements CONTINUED

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

q) Segment Reporting

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

r) Adoption of New Revised Standards and interpretations

The Group has applied NZ IFRS 13 'Fair Value Measurement' for the first time in the current year. NZ IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. NZ IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under NZ IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique.

Other than additional disclosures, the application of NZ IFRS 13 has not had any material impact on the amounts recognised in these financial statements. No other standards have been adopted during the year which has had a material impact on these financial statements.

The Group has not yet fully assessed the impact of NZ IFRS 15 'Revenue from Contracts with Customers' which will be effective from the 2018 financial year.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year Ended 30 June, 2014

2. PROFIT FROM OPERATIONS

	Notes	Group 2014 \$'000	2013 \$'000	Parent 2014 \$'000	2013 \$'000
(a) Revenue					
Revenue consisted of the following items:					
Revenue from the sale of goods - external		5,671,996	1,811,465	57,657	55,788
Revenue from the sale of goods - inter group		-	-	11,484	10,986
Revenue from the rendering of services		85,238	10,506	-	-
Management fees - inter group		-	-	440	440
Interest revenue - inter group		-	-	1,159	1,155
Interest revenue - external		2,819	1,198	62	233
Royalty income - inter group		-	-	2,769	3,208
Dividends - inter group		-	-	45,775	39,623
		5,760,053	1,823,169	119,346	111,433
(b) Profit before tax expense					
Profit before tax expense has been arrived at after crediting/(charging) the following gains and losses from operations:					
Gain/(loss) on disposal of property, plant and equipment		(4)	170	(21)	(2)
Change in fair value of derivative financial instruments		(213)	257	(213)	257
Income from associates	16	1,567	585	-	-
Profit before tax expense has been arrived at after (charging) the following expenses by nature:					
Cost of sales - external		(5,187,151)	(1,597,475)	(44,850)	(43,655)
Purchases inter group		-	-	(2,073)	(1,406)
Write-down of inventory		(3,771)	(2,227)	(199)	(192)
Finance costs:					
Bank interest		(29,335)	(8,979)	(5,613)	(5,019)
Other interest expense		(542)	(614)	-	(9)
Total finance costs		(29,877)	(9,593)	(5,613)	(5,028)
Net bad and doubtful debts arising from:					
Impairment loss on trade & other receivables		(1,684)	(14)	(59)	(20)
Depreciation of property, plant and equipment	10	(10,173)	(4,922)	(539)	(552)
Amortisation of finite life intangibles	14	(12,410)	(1,514)	-	-
Operating lease rental expenses:					
Minimum lease payments		(25,563)	(9,227)	(1,080)	(1,061)
Donations		(107)	(29)	(60)	(5)
Employee benefit expense		(195,232)	(76,213)	(12,487)	(10,967)
Defined contribution plan expenses		(11,141)	(2,927)	(398)	(107)
Costs associated with acquisition of subsidiaries		-	(5,993)	-	(5,993)
Other expenses		(158,513)	(71,833)	(8,883)	(7,724)
Total expenses		(5,635,622)	(1,781,967)	(76,241)	(76,710)
Profit before tax expense		125,781	42,214	42,871	34,978

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year Ended 30 June, 2014

3. INCOME TAXES

	Group		Parent	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
(a) Tax expense recognised in income statement				
Tax expense/(credit) comprises:				
Current tax expense/(credit):				
Current year	39,378	13,135	(318)	(460)
Adjustments for prior years	700	860	292	299
	40,078	13,995	(26)	(161)
Deferred tax expense/(credit):				
Origination and reversal of temporary differences	(6,133)	171	304	270
Adjustments for prior years	(233)	(159)	(14)	9
	(6,366)	12	290	279
Total tax expense	33,712	14,007	264	118

The prima facie tax expense on pre-tax accounting profit from operations reconciles to the tax expense in the financial statements as follows:

Profit before tax expense	125,781	42,214	42,871	34,978
Tax expense calculated at 28% (2013: 28%)	35,219	11,820	12,004	9,794
(Non-assessable income)/non-deductible expenses	(4,031)	998	(12,018)	(9,984)
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,944	441	-	-
Under/(over) provision of tax expense in previous year	467	701	278	308
Other adjustments	113	47	-	-
Total tax expense	33,712	14,007	264	118

The tax rates used are principally the corporate tax rates of 28% (2013: 28%) payable by New Zealand and 30% (2013: 30%) payable by Australian corporate entities on taxable profits under tax law in each jurisdiction.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year Ended 30 June, 2014

3. INCOME TAXES CONTINUED

	Group 2014 \$'000	2013 \$'000	Parent 2014 \$'000	2013 \$'000
(b) Current tax assets and liabilities				
Current tax assets:				
Current tax refundable	83	1,628	-	722
Current tax liabilities:				
Current tax payable	14,219	6,378	-	-
(c) Deferred tax balance				
Deferred tax assets comprise:				
Temporary differences	36,589	34,361	252	310
Deferred tax liabilities comprise:				
Temporary differences	(43,407)	(48,365)	(2,279)	(2,220)
	(6,818)	(14,004)	(2,027)	(1,910)

Taxable and deductible temporary differences arise from the following:

	Group Opening balance \$'000	Group Charged to income \$'000	Group Charged to other comprehensive income \$'000	Group Acquisitions \$'000	Group Foreign currency movements \$'000	Group Closing balance \$'000
2014						
Gross deferred tax liabilities:						
Property, plant & equipment	(1,773)	(209)	-	-	-	(1,982)
Provisions	(9)	(12)	-	-	(16)	(37)
Other financial assets - derivatives	(290)	(248)	170	-	101	(267)
Intangible assets	(46,293)	1,897	-	-	3,275	(41,121)
	(48,365)	1,428	170	-	3,360	(43,407)
Gross deferred tax assets:						
Property, plant and equipment	6,211	5,623	-	-	(592)	11,242
Provisions	25,180	(334)	-	-	(2,100)	22,746
Other financial liabilities – derivatives	1,379	-	531	-	(359)	1,551
Tax losses carried forward	1,591	(351)	-	-	(190)	1,050
	34,361	4,938	531	-	(3,241)	36,589
Net movement in deferred tax		6,366	701			
2013						
Gross deferred tax liabilities:						
Property, plant & equipment	(1,936)	163	-	-	-	(1,773)
Provisions	(26)	17	-	-	-	(9)
Other financial assets - derivatives	-	26	(316)	-	-	(290)
Intangible assets	(8,918)	164	-	(37,926)	387	(46,293)
	(10,880)	370	(316)	(37,926)	387	(48,365)
Gross deferred tax assets:						
Property, plant and equipment	-	(30)	-	6,309	(68)	6,211
Provisions	4,610	148	-	20,768	(346)	25,180
Other financial liabilities – derivatives	837	(215)	(43)	762	38	1,379
Tax losses carried forward	1,979	(285)	-	-	(103)	1,591
	7,426	(382)	(43)	27,839	(479)	34,361
Net movement in deferred tax		(12)	(359)			

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year Ended 30 June 2014

3. INCOME TAXES CONTINUED

	Parent	Parent	Parent	Parent
	Opening balance \$'000	Charged to income \$'000	Charged to other comprehensive income \$'000	Closing balance \$'000
2014				
Gross deferred tax liabilities:				
Property, plant & equipment	(616)	16	-	(600)
Intangible assets	(1,389)	-	-	(1,389)
Other financial assets – derivatives	(215)	(248)	173	(290)
	(2,220)	(232)	173	(2,279)
Gross deferred tax assets:				
Provisions	271	(59)	-	212
Doubtful debts & impairment losses	39	1	-	40
	310	(58)	-	252
Net movement in deferred tax		(290)	173	
2013				
Gross deferred tax liabilities:				
Property, plant & equipment	(637)	21	-	(616)
Intangible assets	(1,389)	-	-	(1,389)
Other financial assets - derivatives	-	-	(215)	(215)
	(2,026)	21	(215)	(2,220)
Gross deferred tax assets:				
Provisions	571	(300)	-	271
Doubtful debts & impairment losses	39	-	-	39
Other financial liabilities – derivatives	35	-	(35)	-
	645	(300)	(35)	310
Net movement in deferred tax		(279)	(250)	
	Group	Group		
	2014	2013		
	\$'000	\$'000		
(d) Imputation credit account balances				
Imputation credits available directly and indirectly to shareholders of the parent company:	(660)	1,399		

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year Ended 30 June, 2014

4. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group 2014 \$'000	2013 \$'000	Parent 2014 \$'000	2013 \$'000
Short-term employee benefits	12,137	9,625	6,329	6,942
	12,137	9,625	6,329	6,942

5. REMUNERATION OF AUDITORS

Auditor of the parent entity (Deloitte)

Audit of the financial statements	562	432	51	64
Audit related services for review of interim financial statements not included above	177	6	15	-
Investigating accountants report*	-	105	-	105
Due diligence	-	278	-	258
Information technology services	47	10	47	10
Financial modelling assistance	49	92	-	-
Assurance services for indirect tax compliance	17	12	-	-
	852	935	113	437

* These costs have been netted off against share capital.

Other auditors of entities in the group

Audit of financial statements	-	224	-	-
Other non-audit services	-	9	-	-
	-	233	-	-

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

6. TRADE & OTHER RECEIVABLES

Trade receivables (i)	703,821	742,028	8,253	9,678
Other receivables	11,971	11,449	107	859
Allowance for impairment (ii)	(16,516)	(17,048)	(143)	(138)
	699,276	736,429	8,217	10,399

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

(ii) Allowance for Impairment

Balance at the beginning of the year	(17,048)	(2,159)	(138)	(138)
Arising from businesses acquired	-	(15,329)	-	-
Impairment loss recognised on trade receivables	(1,684)	(222)	(59)	(20)
Amounts written off as uncollectible	792	280	54	20
Amounts recovered during year	(73)	(7)	-	-
Impairment losses reversed	-	208	-	-
Effect of foreign currency exchange differences	1,497	181	-	-
	(16,516)	(17,048)	(143)	(138)

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year Ended 30 June, 2014

6. TRADE & OTHER RECEIVABLES CONTINUED

	Group 2014 \$'000	2013 \$'000	Parent 2014 \$'000	2013 \$'000
(iii) Ageing of impaired trade and other receivables				
Current	4,217	4,334	-	-
30 - 60 days	3,040	2,387	-	-
60 - 90 days	1,303	961	-	-
90 days+	8,656	12,888	143	138
	17,216	20,570	143	138

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

Included in the trade and other receivables balance are debtors with a carrying amount of Group \$62.918m (2013: \$82.36m) and Parent \$1.527m (2013: \$2.217m) which are past due at the reporting date for which the Group and/or Parent has not provided any impairment as the amounts are still considered recoverable.

30 - 60 days	45,952	65,760	576	1,806
60 - 90 days	6,380	8,785	74	198
90 days+	10,586	7,815	877	213
	62,918	82,360	1,527	2,217

7. PREPAYMENTS

Current portion	6,748	7,837	941	838
Term portion	54	16	-	-
	6,802	7,853	941	838

8. INVENTORIES

Finished Goods

At cost	491,624	558,350	8,912	9,146
	491,624	558,350	8,912	9,146

9. OTHER FINANCIAL ASSETS - DERIVATIVES

At Fair Value:

Foreign currency forward contracts (i)	6	160	6	160
Foreign currency forward contracts (ii)	97	2,615	-	885
Interest rate swaps (ii)	1,339	771	1,331	771
	1,442	3,546	1,337	1,816

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year Ended 30 June, 2014

10. PROPERTY, PLANT AND EQUIPMENT

	Group					
	Freehold land at cost \$'000	Buildings at cost \$'000	Leasehold improvement at cost \$'000	Plant and vehicles at cost \$'000	Office equipment furniture & fittings at cost \$'000	Total \$'000
Gross carrying amount						
Balance at 1 July, 2012	2,076	9,273	3,001	12,963	14,455	41,768
Additions	-	4	120	1,569	792	2,485
Disposals	(49)	(90)	(128)	(667)	(1,083)	(2,017)
Acquisition through business combinations	28,529	10,238	7,252	21,675	7,810	75,504
Net foreign currency exchange differences	(316)	(131)	(182)	(630)	(266)	(1,525)
Balance at 30 June, 2013	30,240	19,294	10,063	34,910	21,708	116,215
Additions	-	56	555	5,171	2,611	8,393
Disposals	-	-	(13)	(2,863)	(5,399)	(8,275)
Net foreign currency exchange differences	(2,595)	(950)	(783)	(2,489)	(936)	(7,753)
Balance at 30 June, 2014	27,645	18,400	9,822	34,729	17,984	108,580
Accumulated depreciation						
Balance at 1 July, 2012	-	(2,321)	(1,256)	(5,401)	(9,301)	(18,279)
Disposals	-	42	95	562	1,067	1,766
Depreciation expense	-	(367)	(476)	(2,016)	(2,063)	(4,922)
Net foreign currency exchange differences	-	9	64	174	104	351
Balance at 30 June, 2013	-	(2,637)	(1,573)	(6,681)	(10,193)	(21,084)
Disposals	-	-	13	2,458	4,357	6,828
Depreciation expense	-	(944)	(1,124)	(4,833)	(3,272)	(10,173)
Net foreign currency exchange differences	-	25	95	397	186	703
Balance at 30 June, 2014	-	(3,556)	(2,589)	(8,659)	(8,922)	(23,726)
Net book value						
As at 30 June, 2013	30,240	16,657	8,490	28,229	11,515	95,131
As at 30 June, 2014	27,645	14,844	7,233	26,070	9,062	84,854

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year Ended 30 June, 2014

10. PROPERTY, PLANT & EQUIPMENT CONTINUED

	Parent					
	Freehold land at cost \$'000	Buildings at cost \$'000	Leasehold improvement at cost \$'000	Plant and Vehicles at cost \$'000	Office equipment furniture & fittings at cost \$'000	Total \$'000
Gross carrying amount						
Balance at 1 July, 2012	694	2,920	117	1,394	1,369	6,494
Additions	-	-	14	113	107	234
Disposals	-	-	-	(300)	(267)	(567)
Balance at 30 June, 2013	694	2,920	131	1,207	1,209	6,161
Additions	-	-	6	103	548	657
Disposals	-	-	-	(52)	(9)	(61)
Balance at 30 June, 2014	694	2,920	137	1,258	1,748	6,757
Accumulated depreciation						
Balance at 1 July, 2012	-	(381)	-	(492)	(622)	(1,495)
Disposals	-	-	-	287	267	554
Depreciation expense	-	(80)	(13)	(205)	(254)	(552)
Balance at 30 June, 2013	-	(461)	(13)	(410)	(609)	(1,493)
Disposals	-	-	-	35	4	39
Depreciation expense	-	(77)	(13)	(202)	(247)	(539)
Balance at 30 June, 2014	-	(538)	(26)	(577)	(852)	(1,993)
Net book value						
As at 30 June, 2013	694	2,459	118	797	600	4,668
As at 30 June, 2014	694	2,382	111	681	896	4,764

	Group		Parent	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Aggregate depreciation recognised as an expense during the year:				
Buildings	944	367	77	80
Leasehold improvements	1,124	476	13	13
Plant and vehicles	4,833	2,016	202	205
Office equipment, furniture & fittings	3,272	2,063	247	254
	10,173	4,922	539	552

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year Ended 30 June, 2014

11. CAPITAL WORK IN PROGRESS

	Group		Parent	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Capital work in progress	20,872	787	-	-

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

The 2013 capital work in progress related to software development (\$469,000) – there were no further costs to complete the project, and a refrigeration system (\$318,000) – the cost to complete the project was \$138,000.

12. GOODWILL

	Group		Parent	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Gross carrying amount				
Balance at beginning of financial year	722,158	180,553	1,728	1,728
Recognised on acquisition during the year	-	542,736	-	-
Effects of foreign currency exchange differences	(1,283)	(1,131)	-	-
Net book value	720,875	722,158	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, Pharmacy and Primary Healthcare sector: Healthcare Australia.
- New Zealand Consumer, Hospital, Primary Healthcare, Aged Care and International Product Supplies: Healthcare NZ.
- New Zealand Pharmacy Wholesaler and Logistic Services: Healthcare - Pharmacy/Logistics NZ.
- New Zealand Animal care sector: Animal care – NZ.
- Australian Animal care sector: Animal care – Australia.

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

	Group		Parent	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Healthcare Australia	502,627	503,910	-	-
Healthcare NZ (Parent)	1,728	1,728	1,728	1,728
Healthcare – Pharmacy/Logistics NZ	95,043	95,043	-	-
Animal care – NZ	66,375	66,375	-	-
Animal care – Australia	55,102	55,102	-	-
	720,875	722,158	1,728	1,728

During the year ended 30 June 2014, management have determined that there is no impairment of any of the cash generating units containing goodwill (2013: Nil).

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year Ended 30 June, 2014

12. GOODWILL CONTINUED

Market shares during the assessment period are assessed by management based on average market shares achieved in the period immediately before the start of the budget period, adjusted each year for any anticipated growth.

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

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

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

Annual growth rates of 0.9% to 4.6% (2013: 1.4% to 5%), an allowance of 1.0% to 4.5% (2013: 1.4% to 5%) for increase in expenses, and pre tax discount rates of 12.7% to 17.4% (2013: 13.1% to 17.4%) have been applied to these projections. Cash flows beyond the five year period have been extrapolated using a 2% to 2.5% (2013: 2% to 2.5%) growth rate. Management also believes that any reasonable possible change in the key assumptions would not cause the carrying amount of any of the cash generating units to exceed their recoverable amount.

13. INDEFINITE LIFE INTANGIBLES

	Group Symbion Brands \$'000	Group Other Pharmacy Brands \$'000	Group Masterpet Brand & Intangibles \$'000	Group Trademarks \$'000	Group Total \$'000
Gross carrying amount					
Balance at 1 July, 2012	-	6,531	7,110	17,240	30,881
Recognised on acquisition during the year	28,871	-	-	-	28,871
Net foreign currency exchange differences	(310)	(118)	-	-	(428)
Balance at 30 June, 2013	28,561	6,413	7,110	17,240	59,324
Net foreign currency exchange differences	(2,615)	(133)	-	-	(2,748)
Balance at 30 June, 2014	25,946	6,280	7,110	17,240	56,576
Net book value					
As at 30 June, 2013	28,561	6,413	7,110	17,240	59,324
As at 30 June, 2014	25,946	6,280	7,110	17,240	56,576

	Parent Other Pharmacy Brands \$'000	Parent Total \$'000
Gross carrying amount		
Balance at 1 July, 2012	4,960	4,960
Balance at 30 June, 2013	4,960	4,960
Balance at 30 June, 2014	4,960	4,960
Net book value		
As at 30 June, 2013	4,960	4,960
As at 30 June, 2014	4,960	4,960

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year Ended 30 June, 2014

13. INDEFINITE LIFE INTANGIBLES CONTINUED

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

	Group	
	2014	2013
	\$'000	\$'000
Healthcare Australia	29,836	32,584
Healthcare NZ	2,390	2,390
Healthcare - Pharmacy/Logistics NZ	17,240	17,240
Animal care NZ	7,110	7,110
	56,576	59,324

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 current year management have determined that there is no impairment of any of the brands (2013: Nil).

The calculation of the recoverable amounts for indefinite life intangibles have been determined based on a value in use calculation that uses cash flow projections based on financial forecasts approved by management covering a five-year period.

Management has determined that the recoverable amount calculations are most sensitive to change in the following assumptions. Annual growth rates of 1.4% to 3% (2013: 1.4% to 3%), and an allowance of 1.4% to 3% (2013: 1.4% to 3%) for increases to expenses, and pre-tax discount rates of 13.1% to 19.2% (2013: 12.9% to 19.2%) have been applied to these projections. Cash flows beyond the five-year period have been extrapolated using a 2% to 2.5% (2013: 2% to 2.5%) growth rate. Management also believes that any reasonably possible change in the key assumptions would not cause the carrying amount of the brands to exceed their recoverable amount.

14. FINITE LIFE INTANGIBLES

	Group Supply Contracts \$'000	Group Software \$'000	Group Customer Relationships/ Contracts \$'000	Total \$'000
Gross carrying amount				
Balance at 1 July 2012	1,490	330	-	1,820
Recognised on acquisition during the year	-	1,853	95,443	97,296
Other additions	-	142	-	142
Net foreign exchange differences	-	(67)	(1,026)	(1,093)
Balance at 30 June 2013	1,490	2,258	94,417	98,165
Balance at 30 June 2013	1,490	2,258	94,417	98,165
Other additions	-	3,148	-	3,148
Net foreign exchange differences	-	(228)	(8,646)	(8,874)
Balance at 30 June 2014	1,490	5,178	85,771	92,439

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year Ended 30 June, 2014

14. FINITE LIFE INTANGIBLES CONTINUED

	Group Supply Contracts \$'000	Group Software \$'000	Group Customer Relationships/ Contracts \$'000	Total \$'000
Accumulated amortisation & impairment				
Balance at 1 July 2012	(1,458)	(83)	-	(1,541)
Amortisation expense	(32)	(367)	(1,115)	(1,514)
Net foreign exchange differences	-	35	-	35
Balance at 30 June 2013	(1,490)	(415)	(1,115)	(3,020)
Balance at 30 June 2013	(1,490)	(415)	(1,115)	(3,020)
Amortisation expense	-	(1,818)	(10,592)	(12,410)
Net foreign exchange differences	-	93	400	493
Balance at 30 June 2014	(1,490)	(2,140)	(11,307)	(14,937)
Net book value				
As at 30 June 2013	-	1,843	93,302	95,145
As at 30 June 2014	-	3,038	74,464	77,502

Allocated to cash generating units as follows:

	2014 \$'000	2013 \$'000
Animal care - NZ	251	127
Animal care - Australia	11,191	13,976
Healthcare Australia	65,373	81,042
Pharmacy/Logistics NZ	687	-
	77,502	95,145

15. SUBSIDIARIES

Parent and Head Entity

Ebos Group Limited

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

Subsidiaries (all balance dates 30 June)	Country of Incorporation	Ownership Interests and Voting Rights	
		2014	2013
Ebos Healthcare (Australia) Pty Limited	Australia	100%	100%
Ebos Group Australia Pty Limited	Australia	100%	100%
Ebos Health & Science Pty Limited	Australia	100%	100%
PRNZ Limited	New Zealand	100%	100%
Pharmacy Retailing NZ Limited	New Zealand	100%	100%
EBOS Limited Partnership	Australia	100%	100%
Healthcare Distributors Pty Limited	Australia	100%	100%
Masterpet Corporation Limited	New Zealand	100%	100%
Natures Recipe Pet Foods Limited	New Zealand	100%	100%
Masterpet Australia Pty Limited	Australia	100%	100%
Botany Bay Imports and Exports Pty Limited	Australia	100%	100%
Aristopet Pty Ltd (formerly Beaphar Australia Pty Limited)	Australia	100%	100%
EBOS Australia Holdings Pty Limited	Australia	100%	100%
ZHHA Pty Ltd	Australia	100%	100%
ZAP Services Pty Ltd	Australia	100%	100%
Symbion Pty Ltd	Australia	100%	100%
Intellipharm Pty Ltd	Australia	100%	100%
Clinect Pty Ltd	Australia	100%	100%
Lyppard Australia Pty Ltd	Australia	100%	100%
APHS Packaging Pty Ltd	Australia	100%	100%
Symbion Pharmacy Services Trade Receivables Trust	Australia	100%	100%

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year Ended 30 June, 2014

16. INVESTMENT IN ASSOCIATES

Name of business acquired	Principal activities	Date of acquisition	Proportion of shares and voting rights acquired	Cost of acquisition \$'000
Animates NZ Holdings Limited	Animal care supplies	December 2011	50%	18,150
VIM Health Pty Limited	Healthcare supplies	December 2013	50%	3,520

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

The reporting date for VIM Health Pty Limited is 30 June. VIM Health Pty Limited is incorporated in Australia.

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

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

Statement of financial position

	2014 \$'000	2013 \$'000
Total assets	41,620	28,461
Total liabilities	(24,480)	(21,512)
Net assets	17,140	6,949
Group's share of net assets	8,570	3,475

Income Statement

Total revenue	68,522	56,061
Total profit for the period	3,134	1,170
Group's share of profits of associates	1,567	585

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

	2014 \$'000	2013 \$'000
Balance at beginning of financial year	19,013	18,428
New investments	3,520	-
Share of equity accounted investments	1,567	585
Balance at end of financial year	24,100	19,013

Goodwill included in the carrying amount of the Group's investment in associates	15,945	15,945
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The Group's share of the contingent liabilities of associates	-	-
The Group's share of capital commitments of associates	-	-

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year Ended 30 June, 2014

17. BORROWINGS

	Group 2014 \$'000	2013 \$'000	Parent 2014 \$'000	2013 \$'000
Current				
Bank loans (i)	22,755	21,798	4,000	4,000
Bank loans – securitisation facility (ii)	130,579	193,877	-	-
Finance lease liabilities (iii)	155	1,189	-	-
Advances from Subsidiaries (at call) (iv)	-	-	29,319	29,319
	153,489	216,864	33,319	33,319
Non-current				
Bank loans (i)	250,826	151,357	85,500	87,412
Finance lease liabilities (iii)	680	3,296	-	-
	251,506	154,653	85,500	87,412
Total borrowings	404,995	371,517	118,819	120,731

- (i) The Group has bank term loans and revolving cash advance facilities of \$361.2m (2013: \$196.3m), of which \$87.6m was unutilised at 30 June 2014 (2013: \$69.5m), which operate under a negative pledge deed provided to ANZ National Bank Limited, Bank of New Zealand Limited and National Australia Bank Limited by the parent company and its subsidiaries.
There have been no breaches of the banking covenants.
- (ii) The Group, through a subsidiary company, has a trade debtor securitisation facility of \$450.3m (2013: \$496.7m) of which \$319.7m was unutilised at 30 June 2014 (2013: \$302.8m). The securitisation facility involves Symbion Pty Limited providing security over the future cash flows of specific trade receivables of Symbion Pty Limited, which meet certain criteria, in return for cash finance on a contracted percentage of the security provided. As recourse, in the event of default by a trade debtor, remains with Symbion Pty Limited the trade receivables provided as security and the funding provided are recognised on the Group's balance sheet.
Interest is charged on the average daily balance of the funding provided under the securitisation facility. At 30 June 2014, the value of trade receivables as security under this securitisation facility was \$180.3m (2013: \$283.8m). The net cash flows associated with the securitisation programme are disclosed in the cash flow statement as cash flows from financing activities.
The Symbion Pharmacy Services Trade Receivables Trust ("SPS Trust"), which is consolidated, was established solely for the purpose of purchasing qualifying trade receivables from Symbion Pty Limited and funding the same from lenders. The SPS Trust has directly provided funding to Symbion Pty Limited to acquire the rights to the cashflows of the securitised receivables. SPS Trust is consolidated as the Group has the exposure, or rights, to variable returns from its involvement with the Trust and the Group considers that it has existing rights that give it the current ability to direct the relevant activities of the Trust.
- (iii) Secured by the assets leased.
- (iv) Unsecured.

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

Subsequent to year end, in August 2014, the Group renegotiated some of the terms and conditions of its securitisation and term debt facilities:

- This renegotiation included an extension of the expiry date of the securitisation facility to August 2017, previously September 2015, and a voluntary reduction in the available facility limit from NZ\$450.3m (A\$420m) to \$NZ\$412.8m (A\$385m).
- The term of the Group's existing bank debt facilities have also been extended as part of these renegotiations. As a result the maturity profile of the Group's term debt, working capital and securitisation facilities are now:

<u>Facility</u>	<u>Amount (NZD)</u>	<u>Maturity</u>
Term debt facilities	\$82.5m	August 2016
Term debt facilities	\$93.3m	August 2018
Term debt facilities	\$94.0m	August 2019
Working capital facilities	\$90.5m	July 2015
Securitisation facility	\$412.8m	August 2017

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year Ended 30 June, 2014

18. TRADE & OTHER PAYABLES

	Group		Parent	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Current				
Trade payables	775,774	824,704	3,809	4,344
Other payables	45,617	67,941	2,547	4,828
	821,391	892,645	6,356	9,172
Non-current				
Other payables	9,778	8,489	-	-
Total trade & other payables	831,169	901,134	6,356	9,172

19. LEASES

Finance leases

Minimum future lease payments

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

Finance lease liabilities

	Minimum Future Lease Payments				Present Value of Minimum Future Lease Payments			
	Group		Parent		Group		Parent	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Not later than 1 year	167	1,504	-	-	155	1,189	-	-
Later than 1 year and not later than 5 years	701	3,590	-	-	680	3,296	-	-
Minimum lease payments*	868	5,094	-	-	835	4,485	-	-
Less future finance charges	(33)	(609)	-	-	-	-	-	-
Present value of minimum lease payments	835	4,485	-	-	835	4,485	-	-
Included in the financial statements as:								
Finance leases - current portion					155	1,189	-	-
Finance leases - non current portion					680	3,296	-	-
					835	4,485	-	-

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

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

Operating leases

Leasing arrangements

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

	Group		Parent	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Operating leases				
Non-cancellable operating lease payments				
Not longer than 1 year	22,422	23,701	966	1,021
Longer than 1 year and not longer than 5 years	67,408	72,114	3,101	2,943
Longer than 5 years	54,631	48,209	1,848	2,520
	144,461	144,024	5,915	6,484

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year Ended 30 June, 2014

20. OTHER FINANCIAL LIABILITIES - DERIVATIVES

	Group 2014 \$'000	2013 \$'000	Parent 2014 \$'000	2013 \$'000
At fair value:				
Foreign currency forward contracts (i)	59	-	59	-
Foreign currency forward contracts (ii)	894	-	-	-
Interest rate swaps (ii)	2,451	2,872	293	-
	3,404	2,872	352	-

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

21. SHARE CAPITAL

	2014 No '000	2014 \$'000	2013 No. '000	2013 \$'000
Fully paid ordinary shares				
Balance at beginning of financial year	65,546	201,288	52,107	107,970
Issue of shares to executives and staff under employee share ownership scheme	-	-	63	250
Dividend reinvested				
- October 2012	-	-	429	3,445
- April 2013	-	-	357	3,100
- October 2013	996	9,500	-	-
- April 2014	1,110	10,996	-	-
Bonus issue – June 2013	-	-	1,999	-
Institutional placement – June 2013	-	-	10,591	90,026
Share issue costs	-	-	-	(3,503)
Rights issue – July 2013	22,941	149,119	-	-
Share issue costs	-	(7,356)	-	-
Issue of consideration shares – July 2013	58,127	498,147	-	-
Share issue costs	-	(145)	-	-
	148,720	861,549	65,546	201,288

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year Ended 30 June, 2014

22. RESERVES

	Group 2014 \$'000	2013 \$'000
Foreign currency translation reserve		
Balance at beginning of the year	(5,675)	690
Translation of foreign operations	(24,194)	(6,365)
Balance at end of the year	(29,869)	(5,675)

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

	Group 2014 \$'000	2013 \$'000	Parent 2014 \$'000	2013 \$'000
Retained Earnings				
Balance at beginning of the year	107,268	100,359	33,623	20,061
Profit for the year	92,069	28,207	42,607	34,860
Dividends (note 23)	(52,252)	(21,298)	(52,252)	(21,298)
Balance at end of the year	147,085	107,268	23,978	33,623
Cash Flow Hedge Reserve				
Balance at beginning of the year	1,996	(418)	1,192	(90)
(Loss)/gain recognised on cash flow hedges	(2,423)	2,773	(618)	1,532
Related income tax	701	(359)	173	(250)
Balance at end of the year	274	1,996	747	1,192

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

23. DIVIDENDS

	2014 Cents per share	Total \$'000	2013 Cents per share	Total \$'000
Recognised amounts				
Fully paid ordinary shares				
- Final - prior year	15.0	21,992	20.5	10,682
- Taxable bonus issue – prior year	-	-	-	1,411
- Interim - current year	20.5	30,260	17.5	9,205
	35.5	52,252	38.0	21,298
Unrecognised amounts				
Final dividend	20.5	30,490	15.0	21,992

A dividend of 20.5 cents per share was declared on 26 August 2014 with the dividend being payable on 17 October 2014. As the dividend reinvestment plan will be in operation for this dividend shareholders may elect to reinvest part or all of their dividends in the Company. The anticipated cash impact of the dividend is approximately \$19.5m (2013: \$15.0m).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year Ended 30 June, 2014

24. ACQUISITION OF SUBSIDIARIES

Name of business acquired	Principal activities	Date of acquisition	Proportion of shares acquired	Cost of acquisition \$'000
2013:				
ZHHA Pty Limited (Symbion Group)	Healthcare and animal care supplies	June 2013	100%	865,000
				<u>865,000</u>

Assets and liabilities acquired 2013:

	Symbion Group \$'000	Fair value adjustment \$'000	Fair value on acquisition \$'000
Current assets			
Cash and cash equivalents	49,263	-	49,263
Trade and other receivables	682,961	-	682,961
Provision for doubtful debts	(15,329)	-	(15,329)
Prepayments	4,067	-	4,067
Inventories	375,709	-	375,709
Other financial assets			
- derivatives	338	-	338
- investment – subordinated notes	59,541	(59,541) ¹	-
Non-current assets			
Property, plant and equipment	96,543	(21,039) ²	75,504
Deferred tax assets	27,839	-	27,839
Indefinite life intangibles	-	28,871 ³	28,871
Finite life intangibles	27,774	69,522 ³	97,296
Current liabilities			
Trade and other payables	(705,340)	(7,446) ⁴	(712,786)
Finance leases	(199)	-	(199)
Bank loans	(249,097)	59,541 ¹	(189,556)
Employee benefits	(15,215)	-	(15,215)
Other financial liabilities - derivatives	(2,879)	-	(2,879)
Non-current liabilities			
Bank loans	(33,405)	-	(33,405)
Trade and other payables	(4,460)	-	(4,460)
Finance leases	(3,298)	-	(3,298)
Employee benefits	(4,531)	-	(4,531)
Deferred tax liabilities	(4,914)	(33,012) ⁵	(37,926)
Net assets acquired	285,368	36,896	322,264
Goodwill on acquisition			542,736
Consideration			865,000
Less cash and cash equivalents acquired			(49,263)
Deferred purchase consideration			(865,000)
Net cash (inflow) on acquisition			(49,263)

- To offset investment in subordinated notes against borrowings, as a result of a difference in accounting policies, resulting in the actual amount owing to the National Australia Bank Limited being recognised as bank loans.
- Decrease to the value of plant and equipment by \$10.1m and a reduction in land and buildings acquired by \$10.9m as a result of an independent valuation performed at acquisition.
- To recognise customer relationships and brands as a result of independent valuations performed at acquisition.
- Provision to recognise required maintenance and land duty on property acquired as part of the acquisition.
- Deferred tax resulting from the above fair value adjustments recognised and also to recognise deferred tax on the intangibles of the Symbion Group which were not previously recognised as a result of a difference in accounting policies.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year Ended 30 June, 2014

24. ACQUISITION OF SUBSIDIARIES CONTINUED

Goodwill arising on acquisition

Goodwill arose in the acquisition of ZHHA Pty Limited (Symbion Group) in 2013 because the cost included a control premium paid. In addition, the consideration paid for the benefit of future expected cashflows above the current fair value of the assets acquired and the expected synergies and future market benefit expected to be obtained. These benefits are not recognised separately from goodwill as the future economic benefits arising from that cannot be reliably measured and they do not meet the definition of identifiable intangible assets.

The Symbion Group was acquired as it shares, with EBOS, many of the core competencies required to be successful in a market focused on health professionals, whether that's pharmacists, doctors or veterinarians. The Symbion Group provides the Group with a significant presence in the Australian healthcare and animal care sectors, which may also provide a beachhead for further growth opportunities in these sectors.

Impact of acquisition on the results of the Group for 2013

Included in the Group profit for the prior year was \$4.687m attributable to the Symbion Group. Had this business combination been effected at 1 July 2012 the revenue of the Group from continuing operations in 2013, inclusive of costs associated with acquisition of subsidiaries, would have been \$6,240m and the Group profit for the period from continuing operations would have been \$90.0m.

25. NOTES TO THE CASH FLOW STATEMENT

	Group 2014 \$'000	2013 \$'000	Parent 2014 \$'000	2013 \$'000
(a) Subsidiaries acquired				
Note 24 sets out details of the subsidiaries acquired.				
Details of the acquisitions are as follows.				
Consideration				
Cash and cash equivalents	366,853	-	235,491	-
Shares issued	498,147	-	498,147	-
Deferred purchase consideration	(865,000)	865,000	(865,000)	865,000
	-	865,000	(131,362)	865,000
Represented by:				
Net assets acquired (Note 24)	-	322,264	-	-
Investment in subsidiaries	-	-	(131,362)	865,000
Goodwill on acquisition	-	542,736	-	-
Consideration	-	865,000	(131,362)	865,000
Net cash outflow/(inflow) on acquisition				
Cash and cash equivalents consideration	366,853	-	235,491	-
Less cash and cash equivalents acquired	-	(49,263)	-	-
	366,853	(49,263)	235,491	-

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

The decrease in Investment in subsidiaries by the Parent company, and the associated consideration, is as a result of the ownership of the subsidiary and related purchase consideration being transferred to another holding company within the Group.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year Ended 30 June, 2014

25. NOTES TO THE CASH FLOW STATEMENT CONTINUED

	Group 2014 \$'000	2013 \$'000	Parent 2014 \$'000	2013 \$'000
(b) Financing facilities				
Bank overdraft facility, reviewed annually and payable at call:				
Amount unused	1,664	2,186	1,250	1,250
	1,664	2,186	1,250	1,250
Bank loan facilities with various maturity dates through to July 2017 (2013: August 2016):				
Amount used	404,162	367,032	89,500	91,412
Amount unused	407,370	371,975	64,800	64,750
	811,532	739,007	154,300	156,162
(c) Reconciliation of profit for the year with cash flows from operating activities				
Profit for the year	92,069	28,207	42,607	34,860
Add/(less) non-cash items:				
Depreciation	10,173	4,922	539	552
Loss/(gain) on sale of property, plant and equipment	4	(170)	21	2
Amortisation of finite life intangible assets	12,410	1,514	-	-
Share of profits from associates	(1,567)	(585)	-	-
Loss/(gain) on derivatives/financial instruments	213	(257)	213	(257)
Deferred tax	(6,366)	12	290	279
Provision for doubtful debts	(531)	(441)	5	-
	14,336	4,995	1,068	576
Movement in working capital:				
Trade and other receivables	37,684	(560,276)	2,177	(1,456)
Prepayments	1,051	(3,118)	(103)	739
Inventories	66,726	(395,353)	234	(32)
Current tax refundable/payable	9,386	(1,503)	722	(389)
Trade and other payables	(69,965)	621,643	(2,816)	6,787
Employee benefits	1,464	21,832	(3,719)	2,802
Foreign currency translation of working capital balances	(38,599)	(6,421)	-	-
	7,747	(323,196)	(3,505)	8,451
Cash costs classified as investing activities:				
Costs associated with acquisition of subsidiaries	-	5,993	-	-
Working capital items acquired	-	310,416	-	-
Net cash inflow from operating activities	114,152	26,415	40,170	43,887

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year Ended 30 June, 2014

26. EARNINGS PER SHARE CALCULATION

	Group 2014 Cents	2013 Cents
Basic earnings per share (refer Income Statement and Note 21)		
Basic earnings per share*	62.8	46.8
	<u>\$'000</u>	<u>\$'000</u>
Earnings used in the calculation of total basic earnings per share	92,069	28,207
Weighted average number of ordinary shares for the purposes of basic earnings per share	146,681	60,261
Diluted earnings per share (refer Income Statement and Note 21)	<u>Cents</u>	<u>Cents</u>
Diluted earnings per shares*	62.8	46.8
	<u>\$'000</u>	<u>\$'000</u>
Earnings used in the calculation of total diluted earnings per share	92,069	28,207
Weighted average number of ordinary shares for the purposes of diluted earnings per share	146,681	60,261

* Earnings per share for the comparative period has been adjusted for the bonus share element included in the rights issue of 5 July 2013, as required by International Financial Reporting Standards. This is to allow a direct like for like comparison of the current period earnings per share with comparative periods.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year Ended 30 June, 2014

27. COMMITMENTS FOR EXPENDITURE

	Group 2014 \$'000	2013 \$'000	Parent 2014 \$'000	2013 \$'000
Capital expenditure commitments				
Plant	4,384	18,046	-	-
Software development	138	802	-	-

28. CONTINGENT LIABILITIES & CONTINGENT ASSETS

	Group 2014 \$'000	2013 \$'000	Parent 2014 \$'000	2013 \$'000
Contingent liabilities				
Guarantees given to third parties	16,613	16,908	529	458
Guarantees arising from the deed of cross guarantee with other entities in the wholly-owned group	-	-	314,660	35,420

On 5 July 2013 all Group debt and securitisation facilities became subject to a new single negative pledge deed to the syndicated banks by the Company and its subsidiaries. The Group's syndicated bankers from 5 July 2013 to the present are ANZ National Bank Limited, Bank of New Zealand Limited and the National Australia Bank Limited.

A subsidiary company (PRNZ Limited) is guarantor for certain loans made to pharmacies by the ANZ National Bank Limited amounting to \$5.273m (2013: \$5.283m). The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required.

A performance bond of up to \$1m (2013: \$1m) is also held by the bank on behalf of a supplier.

Property lease guarantees of \$8.428m (2013: \$9.278m) are held by the bank on behalf of landlords of the Group.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year Ended 30 June, 2014

29. SEGMENT INFORMATION

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

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

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

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

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

(b) Segment revenues and results

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

	Group	
	2014	2013
	\$'000	\$'000
Revenue from external customers		
Healthcare	5,418,356	1,652,450
Animal care	338,878	169,521
Corporate	2,819	1,198
	<u>5,760,053</u>	<u>1,823,169</u>
Profit/(loss) before depreciation, amortisation, finance costs and tax expense		
Healthcare	153,055	49,068
Animal care	29,431	18,670
Corporate	(4,245)	(9,495)*
	<u>178,241</u>	<u>58,243</u>
Segment expenses		
Healthcare:		
Depreciation	(8,693)	(3,785)
Amortisation of finite life intangibles	(10,401)	(1,194)
Tax expense	(34,644)	(13,146)
Animal care:		
Depreciation	(1,480)	(1,137)
Amortisation of finite life intangibles	(2,009)	(320)
Tax expense	(7,701)	(4,588)
Corporate:		
Finance costs	(29,877)	(9,593)
Tax credit	8,633	3,727
Profit/(loss) for the year		
Healthcare	99,317	30,943
Animal care	18,241	12,625
Corporate	(25,489)	(15,361)*
	<u>92,069</u>	<u>28,207</u>

* Includes costs associated with the acquisition of subsidiaries of \$5.993m.

Associate Information:

Included in the Segment results above is Income from Associates of :

Animal care	1,433	585
Healthcare	134	-

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year Ended 30 June, 2014

29. SEGMENT INFORMATION CONTINUED

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

(c) Segment Assets

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

(d) Revenues from major products and services

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

(e) Geographical information

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

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

	Group 2014 \$'000	2013 \$'000
Continuing and discontinued operations		
Revenue from external customers		
New Zealand	1,279,465	1,257,302
Australia	4,480,588	565,867
	5,760,053	1,823,169
Non-current assets		
New Zealand	207,395	206,945
Australia	753,338	765,616
	960,733	972,561

(f) Information about major customers

No revenues from transactions with a single customer amount to 10% or more of the Group's revenues (June 2013: Nil).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year Ended 30 June, 2014

30. RELATED PARTY DISCLOSURES

(a) Parent Entities

The Parent entity in the Group is EBOS Group Limited.

(b) Equity interests in Related Parties

Equity interests in subsidiaries

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

(c) Transactions with Related Parties

Transactions involving the parent entity

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

	2014 \$'000	2013 \$'000
PRNZ Limited	1,174	-
EBOS Group Pty Limited	5,302	4,073
EBOS Shelf Company New Zealand Limited	(29,319)	(29,319)
Healthcare Distributors Limited	348	348
EBOS Health and Science Pty Limited	805	1,364
Masterpet Corporation Limited	24,042	28,683
Zuellig Group Incorporated	-	(865,000)
	2,352	(859,851)

At 30 June 2013 ZHHA Pty Limited owed CB Norwood Pty Limited, a subsidiary of the Zuellig Group, \$7.230m and Zuellig Group Incorporated \$1.856m. EBOS Group Limited also owed Zuellig Group Incorporated \$865m in settlement for the acquisition of the Symbion Group. These balances were repaid during the period.

As at 30 June 2014 no balances were owing to related parties of EBOS Group.

During the financial year, EBOS Group Limited received dividends of \$45.775m (2013: \$39.623m) from its subsidiaries.

During the financial year, EBOS Group Limited provided accounting and administration services to its subsidiaries for a consideration of \$0.44m (2013: \$0.44m) and charged royalties for the use of intellectual property, brand names and patents totalling \$2.769m (2013: \$3.208m).

Terms/price under which related party transactions were entered into

All loans advanced to and payable by subsidiaries are unsecured, subordinate to other liabilities and are at call. Interest rates determined by the directors were 0% - 5.6% (2013: 0% - 5%). During the financial year, EBOS Group Limited received interest of \$1.159m (2013: \$1.155m) from loans to subsidiaries.

No amounts were provided for doubtful debts relating to debts due from related parties at reporting date (2013: Nil).

Guarantees provided or received

As detailed in note 28, EBOS Group Limited has entered into a deed of cross guarantee with certain wholly-owned subsidiaries.

(d) Key Management Personnel Remuneration

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year Ended 30 June, 2014

31. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives

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

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

(b) Market Risk

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

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

(c) Foreign currency risk management

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

Forward foreign exchange contracts

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year Ended 30 June, 2014

31. FINANCIAL INSTRUMENTS CONTINUED

	Average exchange rate		Group Foreign currency		Contract value		Fair value	
	2014	2013	2014 FC'000	2013 FC'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Outstanding Contracts								
Buy Australian Dollars								
Less than 3 months	0.940	0.821	703	1,214	748	1,478	9	(46)
3 to 6 months	-	0.823	-	525	-	638	-	(19)
6 to 9 months	-	0.837	-	525	-	627	-	(8)
Buy Euro								
Less than 3 months	0.650	0.632	2,138	1,496	3,291	2,368	62	150
3 to 6 months	0.632	0.638	648	4,020	1,025	6,301	1	523
6 to 9 months	0.628	0.631	648	1,410	1,032	2,233	5	176
9 to 12 months	-	0.624	-	2,349	-	3,763	-	287
Buy Pounds								
Less than 3 months	-	0.557	-	450	-	808	-	77
Buy THB								
Less than 3 months	28.355	-	60,000	-	2,116	-	(5)	-
3 to 6 months	28.269	-	24,000	-	849	-	1	-
6 to 9 months	28.202	-	24,000	-	851	-	4	-
Buy US Dollars								
Less than 3 months	0.832	0.824	6,415	2,356	7,709	2,860	(373)	188
3 to 6 months	0.819	0.856	4,875	3,657	5,949	4,270	(331)	474
6 to 9 months	0.837	0.833	4,000	800	4,781	960	(140)	87
9 to 12 months	0.836	-	2,500	-	2,990	-	(68)	-
12 to 15 months	0.832	-	1,350	-	1,622	-	(14)	-
Sell Australian Dollars								
Less than 3 months	-	0.839	-	105,000	-	125,147	-	885
					32,963	151,453	(849)	2,774
	Average exchange rate		Parent Foreign currency		Contract value		Fair value	
	2014	2013	2014 FC'000	2013 FC'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Buy Australian Dollars								
Less than 3 months	0.941	0.832	400	600	425	721	6	(14)
Buy Euro								
Less than 3 months	0.613	0.631	250	250	408	396	(17)	25
Buy Pounds								
Less than 3 months	-	0.557	-	450	-	808	-	77
Buy US Dollars								
Less than 3 months	0.842	0.827	1,000	850	1,188	1,028	(42)	72
Sell Australian Dollars								
Less than 3 months	-	0.839	-	105,000	-	125,147	-	885
					2,021	128,100	(53)	1,045

The fair value of forward foreign exchange contracts outstanding are recognised as other financial assets/liabilities. Hedge accounting is applied for certain forward foreign exchange contracts. Typically these contracts that have hedge accounting applied are for period's greater than 3 months.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year Ended 30 June, 2014

31. FINANCIAL INSTRUMENTS CONTINUED

(d) Interest rate risk management

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

Interest rate swap contracts

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

	Average contracted		Notional principal		Fair value	
	fixed interest rate		amount			
	2014	2013	2014	2013	2014	2013
Outstanding Contracts	%	%	\$'000	\$'000	\$'000	\$'000
Outstanding variable rate for fixed contracts						
Less than 1 year	3.38	5.17	50,391	90,877	(54)	(2,168)
1 to 3 years	3.24	4.68	113,252	22,424	632	(555)
3 to 5 years	3.77	3.24	80,402	70,482	(1,472)	621
Greater than 5 years	5.14	-	15,000	-	(219)	-
			259,045	183,783	(1,113)	(2,102)

	Average contracted		Notional principal		Fair value	
	fixed interest rate		amount			
	2014	2013	2014	2013	2014	2013
Outstanding Contracts	%	%	\$'000	\$'000	\$'000	\$'000
Outstanding floating for fixed contracts						
1 to 3 years	3.16	-	57,500	-	1,332	-
3 to 5 years	4.64	3.16	15,000	57,500	(74)	771
Greater than 5 years	5.14	-	15,000	-	(219)	-
			87,500	57,500	1,039	771

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year Ended 30 June, 2014

31. FINANCIAL INSTRUMENTS CONTINUED

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

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

(e) Liquidity

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

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

	Weighted average effective interest rate %	Maturity Dates							
		On Demand \$'000	Less than 1 year \$'000	1-2 Years \$'000	2-3 Years \$'000	3-4Years \$'000	4-5 Years \$'000	5+ Years \$'000	Total \$'000
Group - 2014									
Financial assets:									
Cash and cash equivalents	2.4	88,698	-	-	-	-	-	-	88,698
Trade and other receivables	-	699,276	-	-	-	-	-	-	699,276
Other financial assets - derivatives	-	-	1,442	-	-	-	-	-	1,442
		787,974	1,442	-	-	-	-	-	789,416
Financial liabilities:									
Trade and other payables	-	808,338	13,053	4,349	521	521	521	3,646	830,949
Finance leases	8.6	-	167	701	-	-	-	-	868
Bank loans	4.6	-	37,328	219,825	98,651	81,198	-	-	437,002
Other financial liabilities - derivatives	-	-	3,404	-	-	-	-	-	3,404
		808,338	53,952	224,875	99,172	81,719	521	3,646	1,272,223

	Weighted average effective interest rate %	Maturity Dates							
		On Demand \$'000	Less than 1 year \$'000	1-2 Years \$'000	2-3 Years \$'000	3-4Years \$'000	4-5 Years \$'000	5+ Years \$'000	Total \$'000
Group - 2013									
Financial assets:									
Cash and cash equivalents	2.5	198,014	-	-	-	-	-	-	198,014
Trade and other receivables	-	736,429	-	-	-	-	-	-	736,429
Other financial assets - derivatives	-	-	3,546	-	-	-	-	-	3,546
		934,443	3,546	-	-	-	-	-	937,989
Financial liabilities:									
Trade and other payables	-	892,124	521	5,255	521	521	521	4,167	903,630
Finance leases	8.6	-	1,504	2,841	749	-	-	-	5,094
Bank loans	4.6	-	232,078	79,859	18,068	61,436	-	-	391,441
Other financial liabilities - derivatives	-	-	2,872	-	-	-	-	-	2,872
		892,124	236,975	87,955	19,338	61,957	521	4,167	1,303,037

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year Ended 30 June, 2014

31. FINANCIAL INSTRUMENTS CONTINUED

	Weighted average effective interest rate %	Maturity Dates							
		On Demand \$'000	Less than 1 year \$'000	1-2 Years \$'000	2-3 Years \$'000	3-4Years \$'000	4-5 Years \$'000	5+ Years \$'000	Total \$'000
Parent - 2014									
Financial assets:									
Cash and cash equivalents	3.3	4,075	-	-	-	-	-	-	4,075
Trade and other receivables	-	8,217	-	-	-	-	-	-	8,217
Other financial assets	-	-	1,337	-	-	-	-	-	1,337
Advances to subsidiaries	3.8	-	32,860	-	-	-	-	-	32,860
		12,292	34,197	-	-	-	-	-	46,489
Financial liabilities:									
Trade and other payables	-	6,356	-	-	-	-	-	-	6,356
Bank loans	5.2	-	8,597	29,254	31,684	29,508	-	-	99,043
Other financial liabilities	-	-	352	-	-	-	-	-	352
Advances from subsidiaries	-	-	29,319	-	-	-	-	-	29,319
		6,356	38,268	29,254	31,684	29,508	-	-	135,070

	Weighted average effective interest rate %	Maturity Dates							Total \$'000
		On Demand \$'000	Less than 1 year \$'000	1-2 Years \$'000	2-3 Years \$'000	3-4Years \$'000	4-5 Years \$'000	5+ Years \$'000	
Parent - 2013									
Financial assets:									
Cash and cash equivalents	2.5	89,305	-	-	-	-	-	-	89,305
Trade and other receivables	-	10,399	-	-	-	-	-	-	10,399
Other financial assets	-	-	1,816	-	-	-	-	-	1,816
Advances to subsidiaries	3.8	-	35,769	-	-	-	-	-	35,769
		99,704	37,585	-	-	-	-	-	137,289
Financial liabilities:									
Trade and other payables	-	9,172	-	-	-	-	-	-	9,172
Bank loans	4.5	-	8,045	58,155	5,316	27,155	-	-	98,671
Advances from subsidiaries	-	-	29,319	-	-	-	-	-	29,319
	-	9,172	37,364	58,155	5,316	27,155	-	-	137,162

As at 30 June 2014 the Group maintains the following lines of credit:

<u>Facility</u>	<u>Amount (NZD)</u>	<u>Maturity</u>
Term debt facilities	\$75.3m	July 2015
Term debt facilities	\$94.3m	July 2016
Term debt facilities	\$100.2m	July 2017
Working capital facilities	\$90.5m	July 2015
Securitisation facility	\$450.3m	September 2015

At 30 June 2013 the Group's lines of credit included \$2.2m overdraft facilities and term loan facilities of \$123 million maturing in August 2014 and of \$119 million maturing in August 2016. Please refer to note 17 for details of the Group's securitisation, working capital and term debt facilities subsequent to 30 June 2014.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year Ended 30 June, 2014

31. FINANCIAL INSTRUMENTS CONTINUED**(f) Sensitivity Analysis****(i) Interest Rate Sensitivity Analysis**

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

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

	Group		Parent	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
+ 100 basis point shift up in yield curve				
Impact on Profit	-	-	-	-
Impact on Total Equity	5,620	3,142	2,231	1,626
- 100 basis point shift down in yield curve				
Impact on Profit	-	-	-	-
Impact on Total Equity	(5,863)	(3,249)	(2,326)	(1,692)

(ii) Foreign Currency Sensitivity Analysis

The following table details the Group's sensitivity to a 10% increase or decrease in the foreign currency rate against the functional currency of the Company or a subsidiary of the Group. The sensitivity analysis below is determined on exposure to outstanding foreign currency contracts and foreign currency monetary items, and adjusts their translation at the year end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and equity where the functional currency weakens 10% against the relevant currency.

	Group		Parent	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
+ 10% shift in NZD rate				
Impact on Profit for the Year	(196)	(283)	(196)	(283)
Impact on Total Equity	(3,138)	8,733	(196)	11,010
- 10% shift in NZD rate				
Impact on Profit for the Year	196	346	196	346
Impact on Total Equity	3,173	(10,668)	196	(13,457)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the Financial Year Ended 30 June, 2014

31. FINANCIAL INSTRUMENTS CONTINUED

(g) Credit Risk Management

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

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

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

The maximum credit risk associated with guarantees provided by the Group and Parent are disclosed in note 28.

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

(h) Fair value of financial instruments

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

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; 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.

(i) Liquidity risk management

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

(j) Capital Risk Management

The Group manages its capital, meaning Total Shareholders' Funds, to ensure that each entity within the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity. The Group has certain capital risk management covenants under its negative pledge agreement with its bankers, such as retaining minimum shareholder funds. None of its banking covenants were breached during the year. The Group's overall strategy remains unchanged from 2013.

32. EVENTS AFTER BALANCE DATE

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

Subsequent to year end the Group has renegotiated some of the terms and conditions of its term debt and securitisation facilities, please refer to note 17.

ADDITIONAL STOCK EXCHANGE INFORMATION

As at 31 July 2014

	Fully paid shares	Percentage of paid capital
Twenty Largest Shareholders		
Sybos Holdings Pte Limited	54,820,491	36.86%
HSBC Nominees (New Zealand) Limited – NZCSD <HKBN90>	8,780,963	5.90%
Whyte Adder No 3 Limited	6,993,234	4.70%
JP Morgan Chase Bank – NZCSD <CHAM24>	4,966,896	3.34%
Sybos Holdings Pte Limited <EBOS LIEN A/C>*	4,667,445	3.14%
Tea Custodians Limited – NZCSD <TEAC40>	3,784,862	2.54%
Accident Compensation Corporation – NZCSD <ACCI40>	2,754,994	1.85%
Custodial Services Limited <A/C 3>	2,745,360	1.85%
Forsyth Barr Custodians Limited <1-33>	2,139,731	1.44%
National Nominees New Zealand Limited – NZCSD <NNLZ90>	2,069,144	1.39%
Citibank Nominees (New Zealand) Limited – NZCSD <CNOM90>	1,961,258	1.32%
FNZ Custodians Limited	1,813,771	1.22%
HSBC Nominees (New Zealand) Limited – NZCSD <HKBN45>	1,678,674	1.13%
New Zealand Superannuation Fund Nominees Limited – NZCSD <SUPR40>	1,435,068	0.97%
Herpa Properties Limited	1,324,551	0.89%
BNP Paribas Nominees (NZ) Limited – NZCSD <COGN40>	1,185,874	0.80%
Custodial Services Limited <A/C 2>	997,344	0.67%
Custodial Services Limited <A/C 18>	891,244	0.60%
Forsyth Barr Custodians Limited <1-17.5>	820,242	0.55%
Custodial Services Limited <A/C 4>	772,063	0.52%
	106,603,209	71.68%

* 4,667,445 shares are held in escrow until 5 January 2015.

Substantial Security Holders

As at 31 July 2014 the following persons are deemed to be substantial security holders in accordance with Section 26 of the Securities Markets Amendment Act 1988.

	Fully paid shares	Percentage of paid capital
Sybos Holdings Pte Limited**	59,487,936	40.00%
Fidelity Holdings	14,046,855	9.45%
Whyte Adder No 3 Limited & Herpa Properties Limited	8,317,785	5.59%
	81,852,576	55.04%

** 58,126,842 shares are held in escrow until 26 August 2014.

	Holders	Fully paid shares	Percentage of paid capital
Distribution of Shareholders and Shareholdings			
Size of Holding			
1 to 999	322	14,712	0.01%
1,000 to 4,999	4,508	8,360,414	5.62%
5,000 to 9,999	944	6,485,820	4.36%
10,000 to 49,999	775	14,230,290	9.57%
50,000 to 99,999	52	3,414,996	2.30%
100,000 to 499,999	25	4,689,593	3.15%
500,000 to 999,999	12	8,401,698	5.65%
1,000,000 and over	16	103,122,316	69.34%
Total	6,654	148,719,839	100.00%
Registered Address of Shareholders			
New Zealand	6,360	84,222,039	56.63%
Overseas	294	64,497,800	43.37%
Total	6,654	148,719,839	100.00%

DIRECTORY

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DIRECTORS

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

SENIOR EXECUTIVES

Patrick Davies	Chief Executive Officer
Brett Barons	General Manager, Symbion Pharmacy
Michael Broome	Group General Manager, ProPharma & HCL
Simon Bunde	General Manager, Group Operations & Strategy
Angus Cooper	General Manager, Group Projects, Mergers & Acquisitions
John Cullity	Chief Financial Officer
Sean Duggan	Chief Executive Officer, Animal Care
Tim Goldenberg	Group Human Resources Manager
Kelvin Hyland	General Manager, EBOS Healthcare
David Lewis	General Manager, EBOS Healthcare Australia
Greg Managh	Group Chief Information Officer
Stuart Spencer	General Manager, Group Business Development
Sarah Turner	General Counsel
Andrew Vidler	General Manager, Retail Services

AUDITOR

Deloitte
Christchurch

BANKERS

ANZ New Zealand Limited
Auckland

Bank of New Zealand
Christchurch

Australia and New Zealand Banking Group Limited
Melbourne

SOLICITOR

Chapman Tripp
Christchurch

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Managing Your Shareholding Online:

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

www.computershare.com/investorcentre

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