



INTERIM REPORT

EBOS GROUP 2015

EBOS

strength
through
diversity

FOR

organic
growth

HOSPITAL

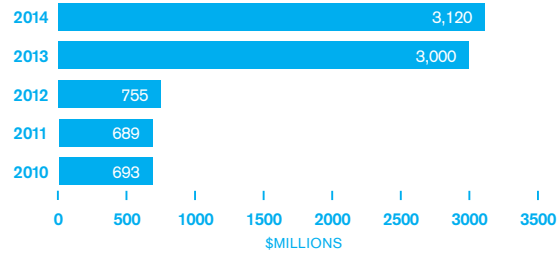
CONSUMER

PHARMACEUTICAL

EBOS IS THE LINK BETWEEN HEALTH
PRODUCT MANUFACTURERS AND
THE FRONT LINE. OUR SPECIFIC
CAPABILITIES IN PHARMACEUTICAL
WHOLESALING, MEDICAL
CONSUMABLES DISTRIBUTION,
THIRD PARTY LOGISTICS, AND
ANIMAL CARE, ARE SIGNIFICANT.

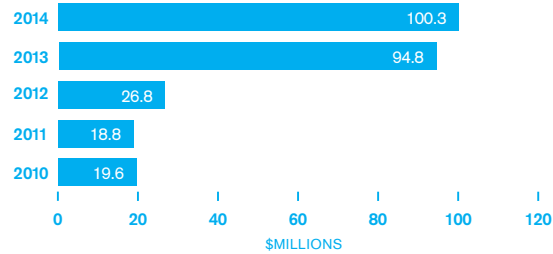
FIVE YEAR REVENUE TREND

For the six months to 31 December



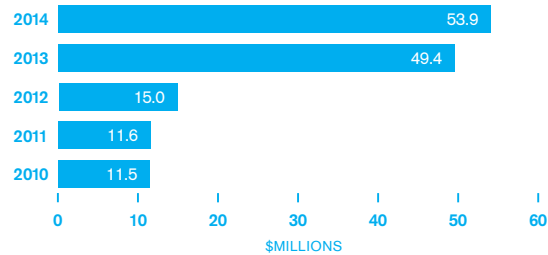
FIVE YEAR EBITDA TREND

For the six months to 31 December



FIVE YEAR CONTINUING OPERATIONS NPAT TREND

For the six months to 31 December



EBOS HIGHLIGHTS

- Total revenues of NZ\$3.1 billion up 4% on the prior year
- Net profit of NZ\$53.9 million up 9.2% on the prior year
- EBITDA of NZ\$100.3 million up 5.9% on the prior year
- 6.5% increase in Earnings per Share
- Acquisition of Blackhawk Premium Pet Care Pty Limited
- Strategic 25% investment in Good Price Pharmacy Warehouse
- Major new distribution centre opened in Melbourne
- Awarded the New South Wales Health Warehousing and Distribution Contract

Dear
SHAREHOLDER,

It is with great pleasure that we enclose our interim financial statements for the six month period ending 31 December 2014. We have started the financial year very strongly with sound performances across both our Healthcare and Animal care businesses which resulted in Net Profit after Tax growing by 9.2% to \$53.9 million.

The last six months has been a period of major activity for the Company with some highlights including:

- The acquisition of Blackhawk Premium Pet Care Pty Limited for \$57.4 million
- A strategic 25% investment in Good Price Pharmacy Warehouse
- The opening of a major new distribution centre in Melbourne, Australia
- The awarding of the New South Wales Health Warehousing and Distribution contract

The Company's diverse operations spanning both Healthcare and Animal care generated revenue in the six month period of \$3.1 billion representing growth of 4% on the same period last year.

Our earnings before net finance costs, tax, depreciation and amortisation (**EBITDA**) grew to \$100.3 million representing an increase of 5.9% or 8.1% in constant currency terms.

The Group now generates approximately 82% of its earnings in Australia and the continued appreciation of the New Zealand dollar during the period negatively impacted our EBITDA for the period by approximately \$2.2 million.

Interim Dividend Increases

The Board has declared an interim dividend of 22 cents per share payable on the 2nd of April 2015 and imputed to 30%. This represents an increase of 7.3% and the dividend reinvestment plan is available to shareholders who wish to participate. The record date for the interim dividend is 13 March 2015.

Healthcare

Our Healthcare business EBITDA increased by 8.1% on the back of a 3.7% increase in revenue. The Company's wide range of businesses all demonstrated sound growth with the Institutional Healthcare, Consumer Products, Contract Logistics



and Pharmacy businesses all providing strong contributions to the results.

During the period we made a strategic investment in an Australian pharmacy retailer, Good Price Pharmacy Warehouse (GPPW). GPPW is an expanding business with approximately 46 stores and we are now their preferred wholesaler.

In November 2014, we opened our newest major pharmacy distribution facility in Keysborough, Melbourne, representing a capital investment of A\$31million. This facility can move more than 10,000 units of medicine every hour and features the latest global warehousing and distribution technology. We are very proud of our investment in this facility as it reflects our ongoing commitment to providing our customers with an industry leading service as well as providing future cost efficiencies for our Company.

In January 2015 we announced that our Onelink division was awarded a contract by the New South Wales Government for the warehousing and distribution of medical consumables to all public hospitals in that State. The awarding of this contract to EBOS is particularly encouraging as it recognises our capability and experience in undertaking an expanded range of premium healthcare logistics services to our customers.

Animal care

The Animal care business generated a 7.1% increase in EBITDA on the back of an 8% increase in revenue.

The revenue growth reflects our continued focus on developing our own brands, with the Vitapet brand now representing approximately 35% of this segment's retail revenues. Substantial investments in operations, advertising and marketing were made during the period to reinforce the focus on growth of this segment for the long term.

On the 31st of October 2014, we announced the acquisition of Blackhawk Premium Pet Care Pty Limited for a net cash outlay of \$57.4 million as part of our expansion into the fast-growing premium pet food sector. BlackHawk is a rapidly growing pet food brand sold exclusively through Australian pet stores and veterinary clinics. The acquisition, which is immediately earnings per share accretive, has performed in line with our expectations.

Debt Refinancing

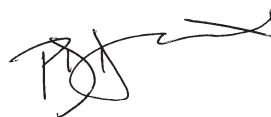
In August 2014, the Company took advantage of favourable credit markets and successfully refinanced its banking facilities incorporating both an extension of term and reduced margins. The benefits of this refinancing are already being realised with net finance costs decreasing by 18.6% on the prior corresponding period.

Outlook

We hold market leading positions in many segments of the Healthcare and Animal Care industries in New Zealand and Australia. Your Board and Management are always looking to invest in new activities that will continue the long history of growth of the EBOS Group.

We have made a strong start to the financial year with solid growth across both our Healthcare and Animal care businesses and management expects the second half constant currency profit growth to be at approximately the same rate as recorded in the first half.

We look forward to writing to you again at the end of the financial year on the performance of the Company and we appreciate your continued support.



PATRICK DAVIES
Chief Executive Officer



RICK CHRISTIE
Chairman of Directors



FINANCIAL STATEMENTS

Six months ended 31 December 2014

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SUMMARY OF CONSOLIDATED FINANCIAL HIGHLIGHTS

	Six months 31 Dec 14 \$'000 (Unaudited)	Six months 31 Dec 13 \$'000 (Unaudited)	Year ended 30 Jun 14 \$'000 (Audited)
Revenue	3,119,873	3,000,051	5,757,234
EBITDA	100,345	94,786	175,422
EBIT	88,479	83,437	152,839
Profit before income tax expense	77,014	69,347	125,781
Net profit for the period	53,949	49,409	92,069
Shareholders' equity	1,002,286	961,131	979,039
Earnings per share	36.2c	34.0c	62.8c
Net interest cover	8.8x	6.7x	6.5x
Net interest bearing debt to net interest bearing debt plus equity	26.9%	26.7%	24.4%
Net asset backing per share	669c	651c	658c

SHAREHOLDER CALENDAR

Release of half year result	25 February 2015
Interim dividend record date	13 March 2015
Interim dividend payable	2 April 2015
Release of full year result	Late August 2015
Final dividend payable	Late October 2015
Annual General Meeting	27 October 2015

REVIEW REPORT TO THE SHAREHOLDERS OF EBOS GROUP LIMITED

We have reviewed the condensed consolidated interim financial statements of EBOS Group Limited and its subsidiaries ("the Group") which comprise the condensed consolidated balance sheet as at 31 December 2014, and the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months ended on that date, and a summary of significant accounting policies and other explanatory information on pages 7 to 24.

This report is made solely to the Group's shareholders, as a body. Our review has been undertaken so that we might state to the Group's shareholders those matters we are required to state to them in a review 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 Group's shareholders as a body, for our engagement, for this report, or for the opinions we have formed.

Board of Directors' Responsibilities

The Board of Directors are responsible for the preparation and fair presentation of the condensed consolidated interim financial statements, in accordance with NZ IAS 34 Interim Financial Reporting and IAS 34 Interim Financial Reporting and for such internal control as the Board of Directors determine is necessary to enable the preparation and fair presentation of the condensed consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

Our Responsibilities

Our responsibility is to express a conclusion on the condensed consolidated interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 Review of Financial Statements Performed by the Independent Auditor of the Entity (NZ SRE 2410). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the condensed consolidated interim financial statements, taken as a whole, are not prepared, in all material respects, in accordance with NZ IAS 34 Interim Financial Reporting and IAS 34 Interim Financial Reporting. As the auditor of EBOS Group Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of the condensed consolidated interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on those financial statements.

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 December 2014 its financial performance and cash flows for the six months ended on that date in accordance with NZ IAS 34 Interim Financial Reporting and IAS 34 Interim Financial Reporting.



24 February 2015

Chartered Accountants, Christchurch, New Zealand

CONDENSED CONSOLIDATED INCOME STATEMENT

For the Six Months ended 31 December 2014

	NOTES	Six months 31 Dec 14 \$'000 (Unaudited)	Six months 31 Dec 13 \$'000 (Unaudited)	Year ended 30 Jun 14 \$'000 (Audited)
Revenue	2(a)	3,119,873	3,000,051	5,757,234
Income from associates	2(b)	933	619	1,567
Profit before depreciation, amortisation, net finance costs and income tax expense		100,345	94,786	175,422
Depreciation	2(b)	(5,649)	(5,187)	(10,173)
Amortisation of finite life intangibles	2(b)	(6,217)	(6,162)	(12,410)
Profit before net finance costs and income tax expense		88,479	83,437	152,839
Finance income	2(b)	1,192	1,461	2,819
Finance expense	2(b)	(12,657)	(15,551)	(29,877)
Net finance costs	2(b)	(11,465)	(14,090)	(27,058)
Profit before income tax expense	2(b)	77,014	69,347	125,781
Income tax expense		(23,065)	(19,938)	(33,712)
Profit for the period		53,949	49,409	92,069
Earnings per share				
Basic (cents per share)		36.2	34.0	62.8
Diluted (cents per share)		36.2	34.0	62.8

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Six Months ended 31 December 2014

	Six months 31 Dec 14 \$'000 (Unaudited)	Six months 31 Dec 13 \$'000 (Unaudited)	Year ended 30 Jun 14 \$'000 (Audited)
Profit for the period	53,949	49,409	92,069
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedge (losses)/gains	(811)	404	(2,423)
Related income tax	223	(137)	701
Translation of foreign operations	(8,528)	(20,695)	(24,194)
Total comprehensive income net of tax	44,833	28,981	66,153

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six Months ended 31 December 2014

	NOTES	Share capital \$'000	Foreign currency translation reserve \$'000	Retained earnings \$'000	Hedge reserve \$'000	Total \$'000
Six months ended						
31 December 2013 (unaudited):						
Opening balance		201,288	(5,675)	107,268	1,996	304,877
Profit for the period		–	–	49,409	–	49,409
Other comprehensive income for the period, net of tax		–	(20,695)	–	267	(20,428)
Payment of dividends	4	–	–	(21,992)	–	(21,992)
Dividends re-invested	3	9,500	–	–	–	9,500
Shares issued – rights issue	3	149,119	–	–	–	149,119
Share issue costs		(7,356)	–	–	–	(7,356)
Issue of consideration shares	3	498,147	–	–	–	498,147
Share issue costs		(145)	–	–	–	(145)
Balance at 31 December 2013		850,553	(26,370)	134,685	2,263	961,131
Year ended						
30 June 2014 (audited):						
Opening balance		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		–	(24,194)	–	(1,722)	(25,916)
Payment of dividends	4	–	–	(52,252)	–	(52,252)
Dividends re-invested	3	20,496	–	–	–	20,496
Shares issued – rights issue	3	149,119	–	–	–	149,119
Share issue costs		(7,356)	–	–	–	(7,356)
Issue of consideration shares	3	498,147	–	–	–	498,147
Share issue costs		(145)	–	–	–	(145)
Balance at 30 June 2014		861,549	(29,869)	147,085	274	979,039

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CONTINUED

For the Six Months ended 31 December 2014

	NOTES	Share capital \$'000	Foreign currency translation reserve \$'000	Retained earnings \$'000	Hedge reserve \$'000	Total \$'000
Six months ended						
31 December 2014 (unaudited):						
Opening balance		861,549	(29,869)	147,085	274	979,039
Profit for the period		–	–	53,949	–	53,949
Other comprehensive income for the period, net of tax		–	(8,528)	–	(588)	(9,116)
Payment of dividends	4	–	–	(30,490)	–	(30,490)
Dividends re-invested	3	8,904	–	–	–	8,904
Balance at 31 December 2014		870,453	(38,397)	170,544	(314)	1,002,286

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2014

	NOTES	31 Dec 14 \$'000 (Unaudited)	31 Dec 13 \$'000 (Unaudited)	30 Jun 14 \$'000 (Audited)
Current assets				
Cash and cash equivalents		68,836	92,580	88,698
Trade and other receivables		785,018	755,396	699,276
Prepayments		5,533	7,269	6,748
Inventories		515,397	505,835	491,624
Current tax refundable		82	1,401	83
Other financial assets – derivatives	8	1,761	2,630	1,442
Total current assets		1,376,627	1,365,111	1,287,871
Non-current assets				
Property, plant and equipment		108,250	98,437	84,854
Capital work in progress		731	693	20,872
Prepayments		34	–	54
Deferred tax assets		35,421	28,936	36,589
Goodwill		763,461	721,046	720,875
Indefinite life intangibles		75,708	56,941	56,576
Finite life intangibles		69,694	82,067	77,502
Investment in associates		32,344	22,620	24,100
Total non-current assets		1,085,643	1,010,740	1,021,422
Total assets		2,462,270	2,375,851	2,309,293
Current liabilities				
Trade and other payables		914,690	874,358	821,391
Finance leases		163	968	155
Bank loans	7	176,021	176,560	153,334
Current tax payable		12,238	19,615	14,219
Employee benefits		26,099	22,460	28,830
Other financial liabilities – derivatives	8	4,540	1,668	3,404
Total current liabilities		1,133,751	1,095,629	1,021,333

CONDENSED CONSOLIDATED BALANCE SHEET CONTINUED

As at 31 December 2014

	NOTES	31 Dec 14 \$'000 (Unaudited)	31 Dec 13 \$'000 (Unaudited)	30 Jun 14 \$'000 (Audited)
Non-current liabilities				
Bank loans	7	260,492	262,641	250,826
Trade and other payables		14,630	9,605	9,778
Deferred tax liabilities		46,545	40,073	43,407
Finance leases		250	2,566	680
Employee benefits		4,316	4,206	4,230
Total non-current liabilities		326,233	319,091	308,921
Total liabilities		1,459,984	1,414,720	1,330,254
Net assets		1,002,286	961,131	979,039
Equity				
Share capital	3	870,453	850,553	861,549
Foreign currency translation reserve		(38,397)	(26,370)	(29,869)
Retained earnings		170,544	134,685	147,085
Cash flow hedge reserve		(314)	2,263	274
Total equity		1,002,286	961,131	979,039

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the Six Months ended 31 December 2014

	NOTES	Six months 31 Dec 14 \$'000 (Unaudited)	Six months 31 Dec 13 \$'000 (Unaudited)	Year ended 30 Jun 14 \$'000 (Audited)
Cash flows from operating activities				
Receipts from customers		3,021,876	2,927,400	5,732,731
Interest received		1,192	1,461	2,819
Payments to suppliers and employees		(2,952,414)	(2,855,278)	(5,561,884)
Taxes paid		(27,494)	(8,460)	(29,637)
Interest paid		(12,657)	(15,551)	(29,877)
Net cash inflow from operating activities	5	30,503	49,572	114,152
Cash flows from investing activities				
Sale of property, plant & equipment		637	476	1,351
Purchase of property, plant & equipment		(9,920)	(15,485)	(11,725)
Payments for capital work in progress		–	–	(20,115)
Payments for intangible assets		(102)	(631)	(3,467)
Acquisition of associates		(5,581)	(2,988)	(3,520)
Acquisition of subsidiaries	11	(57,414)	(366,853)	(366,853)
Net cash (outflow) from investing activities		(72,380)	(385,481)	(404,329)
Cash flows from financing activities				
Proceeds from issue of shares	3	8,904	151,118	162,114
Proceeds from borrowings		53,433	317,717	310,327
Repayment of borrowings		(8,667)	(211,011)	(233,136)
Dividends paid to equity holders of parent	4	(30,490)	(21,992)	(52,252)
Net cash inflow from financing activities		23,180	235,832	187,053
Net (decrease) in cash held		(18,697)	(100,077)	(103,124)
Effect of exchange rate fluctuations on cash held during the period		(1,165)	(5,357)	(6,192)
Net cash and cash equivalents at beginning of period		88,698	198,014	198,014
Net cash and cash equivalents at end of period		68,836	92,580	88,698

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Six Months ended 31 December 2014

1. FINANCIAL STATEMENTS

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with the New Zealand Equivalent to International Accounting Standard 34 (NZ IAS 34) "Interim Financial Reporting" and International Accounting Standard IAS 34, as applicable for profit orientated entities.

In a presentation change in the current period, interest revenue is now included within net finance costs rather than revenue. Comparative information has also been presented on a similar basis for consistency. Aside from this change in presentation the same accounting policies and methods of computation are applied in the interim financial statements as were applied in the financial statements for the year ended 30 June 2014. These financial statements should be read in conjunction with the financial statements and related notes included in the Company's Annual Report for the year ended 30 June 2014. The information is presented in thousands of New Zealand dollars unless otherwise stated.

2. PROFIT FROM OPERATIONS

	Six months 31 Dec 14 \$'000 (Unaudited)	Six months 31 Dec 13 \$'000 (Unaudited)	Year ended 30 Jun 14 \$'000 (Audited)
(a) Revenue			
Revenue from the sale of goods	3,074,892	2,955,281	5,671,996
Revenue from the rendering of services	44,981	44,770	85,238
	<u>3,119,873</u>	<u>3,000,051</u>	<u>5,757,234</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

For the Six Months ended 31 December 2014

2. PROFIT FROM OPERATIONS (CONTINUED)

	Six months 31 Dec 14 \$'000 (Unaudited)	Six months 31 Dec 13 \$'000 (Unaudited)	Year ended 30 Jun 14 \$'000 (Audited)
(b) Profit before income tax expense			
Profit before income tax has been arrived at after crediting/(charging) the following gains and losses from operations:			
Gain on sale of property, plant and equipment	6	286	(4)
Change in fair value of derivative financial instruments	(6)	(115)	(213)
Share of profits of associates	933	619	1,567
Profit before income tax has been arrived at after (charging) the following expenses by nature:			
Cost of sales	(2,813,355)	(2,701,778)	(5,187,151)
Write-down of inventory	(1,134)	(1,550)	(3,771)
Net finance costs:			
Interest revenue	1,192	1,461	2,819
Interest expense	(12,657)	(15,551)	(29,877)
Total net finance costs	(11,465)	(14,090)	(27,058)
Impairment on trade & other receivables	(765)	(1,249)	(1,684)
Depreciation of property, plant & equipment	(5,649)	(5,187)	(10,173)
Amortisation of finite life intangibles	(6,217)	(6,162)	(12,410)
Operating lease rental expenses	(12,800)	(12,993)	(25,563)
Donations	(82)	(41)	(107)
Employee benefit expense	(100,404)	(97,585)	(195,232)
Defined contribution plan expense	(5,892)	(5,576)	(11,141)
Other expenses	(86,029)	(85,283)	(158,513)
Total expenses, net of interest revenue	(3,043,792)	(2,931,494)	(5,632,803)
Profit before income tax expense	77,014	69,347	125,781

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

For the Six Months ended 31 December 2014

3. SHARE CAPITAL

	No. '000	Six months 31 Dec 14 Total \$'000 (Unaudited)	No. '000	Six months 31 Dec 13 Total \$'000 (Unaudited)	No. '000	Year ended 30 Jun 14 Total \$'000 (Audited)
Fully paid ordinary shares						
Balance at beginning of period	148,720	861,549	65,546	201,288	65,546	201,288
Dividend reinvested –						
October 2013	–	–	996	9,500	996	9,500
April 2014	–	–	–	–	1,110	10,996
October 2014	1,019	8,904	–	–	–	–
Rights issue – July 2013	–	–	22,941	149,119	22,941	149,119
Share issue costs	–	–	–	(7,356)	–	(7,356)
Issue of consideration shares – July 2013	–	–	58,127	498,147	58,127	498,147
Share issue costs	–	–	–	(145)	–	(145)
	149,739	870,453	147,610	850,553	148,720	861,549

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

For the Six Months ended 31 December 2014

4. DIVIDENDS

	Cents per share	Six months 31 Dec 14 Total \$'000 (Unaudited)	Cents per share	Six months 31 Dec 13 Total \$'000 (Unaudited)	Cents per share	Year ended 30 Jun 14 Total \$'000 (Audited)
Recognised amounts						
Fully paid ordinary shares						
Final – prior year	20.5	30,490	15.0	21,992	15.0	21,992
Interim – current year	–	–	–	–	20.5	30,260
	20.5	30,490	15.0	21,992	35.5	52,252
Unrecognised amounts						
Final dividend	–	–	–	–	20.5	30,490
Interim dividend	22.0	32,943	20.5	30,260	–	–
	22.0	32,943	20.5	30,260	20.5	30,490

The Board approved an interim dividend of 22.0 cents per share on 24 February 2015. The record date for the dividend is 13 March 2015 and the dividend will be paid on 2 April 2015. The Group's dividend reinvestment plan will be operable for this interim dividend.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

For the Six Months ended 31 December 2014

5. NOTES TO THE CASH FLOW STATEMENT

	Six months 31 Dec 14 \$'000 (Unaudited)	Six months 31 Dec 13 \$'000 (Unaudited)	Year ended 30 Jun 14 \$'000 (Audited)
Reconciliation of profit for the period with cash flows from operating activities			
Profit for the period	53,949	49,409	92,069
Add/(less) non-cash items:			
Depreciation of property, plant and equipment	5,649	5,187	10,173
Amortisation of finite life intangibles	6,217	6,162	12,410
Gain on sale of property, plant & equipment	(6)	(286)	4
Share of profits of associates	(933)	(619)	(1,567)
Loss on derivative financial instruments	6	115	213
Deferred tax	(1,821)	(2,901)	(6,366)
	9,112	7,658	14,867
Movements in working capital:			
Trade and other receivables	(85,742)	(18,967)	37,153
Prepayments	1,235	584	1,051
Inventories	(23,773)	52,515	66,726
Current tax refundable/(payable)	(1,980)	13,464	9,386
Trade and other payables	98,151	(17,171)	(69,965)
Provision for employee benefits	(2,645)	(4,930)	1,464
Foreign currency translation of opening working capital balances	(9,496)	(32,990)	(38,599)
	(24,250)	(7,495)	7,216
Working capital items relating to investing activities	(9,709)	–	–
Working capital items acquired on acquisition	1,401	–	–
Net cash inflow from operating activities	30,503	49,572	114,152

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

For the Six Months ended 31 December 2014

6. 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 human 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 financing costs and central administration expenses that have not been allocated to the healthcare or animal care segments.

(b) Segment revenues and results

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

	Six months 31 Dec 14 \$'000 (Unaudited)	Six months 31 Dec 13 \$'000 (Unaudited)	Year ended 30 Jun 14 \$'000 (Audited)
Revenue from external customers			
Healthcare	2,928,736	2,823,018	5,418,356
Animal care	191,137	177,033	338,878
	3,119,873	3,000,051	5,757,234
Segment result (EBITDA)			
Healthcare	88,541	81,922	153,055
Animal care	16,843	15,720	29,431
Corporate	(5,039)	(2,856)	(7,064)
	100,345	94,786	175,422
Segment expenses			
Healthcare:			
Depreciation of property, plant and equipment	(4,973)	(4,439)	(8,693)
Amortisation of finite life intangibles	(5,039)	(5,139)	(10,401)
Income tax expense	(23,880)	(20,133)	(34,644)
	(33,892)	(29,711)	(53,738)
Animal care:			
Depreciation of property, plant and equipment	(676)	(748)	(1,480)
Amortisation of finite life intangibles	(1,178)	(1,023)	(2,009)
Income tax expense	(3,782)	(4,402)	(7,701)
	(5,636)	(6,173)	(11,190)
Corporate:			
Net finance costs	(11,465)	(14,090)	(27,058)
Income tax credit	4,597	4,597	8,633
	(6,868)	(9,493)	(18,425)
Profit for the period			
Healthcare	54,649	52,211	99,317
Animal care	11,207	9,547	18,241
Corporate	(11,907)	(12,349)	(25,489)
	53,949	49,409	92,069

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

For the Six Months ended 31 December 2014

6. SEGMENT INFORMATION (CONTINUED)

The accounting policies of the reportable segments are consistent with the Group's accounting policies. Segment result represents profit before depreciation, amortisation, net finance costs and tax. 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

The following balance sheet and cash flow items are not allocated to operating segments as they are not reported to the chief operating decision maker at a segment level:

- Assets
- Liabilities
- Capital expenditure

(d) Revenues from major products and services

The Group's major products and services are transacted the same as its reportable segments i.e. healthcare, animal care and corporate.

(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:

	Six months 31 Dec 14 \$'000 (Unaudited)	Six months 31 Dec 13 \$'000 (Unaudited)	Year ended 30 Jun 14 \$'000 (Audited)
Revenue from external customers			
New Zealand	672,285	649,619	1,278,650
Australia	2,447,588	2,350,432	4,478,584
	3,119,873	3,000,051	5,757,234
Non-current assets			
New Zealand	208,455	207,002	207,395
Australia	809,423	752,182	753,338
	1,017,878	959,184	960,733

(f) Information about major customers

No revenues from transactions with a single customer amount to 10% or more of the Group's revenues (December 2013: Nil, June 2014: Nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

For the Six Months ended 31 December 2014

7. BANK FACILITY AND BORROWINGS

The Group fully complies with and operates within the financial covenants under the arrangements with its bankers. At 31 December 2014 the Group had unutilised term and revolving cash advance facilities of \$89.6m (December 2013: \$79.8m, June 2014: \$87.6m).

The Group also has a trade debtor securitisation facility of which \$226.3m was unutilised at 31 December 2014 (December 2013: \$310m, June 2014: \$319.7m).

During the current period 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\$438.6m (A\$420m) to \$NZ402.0m (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:

Facility	Amount	Maturity
Term debt facilities	\$76.9m	August 2016
Term debt facilities	\$92.0m	August 2018
Term debt facilities	\$91.6m	August 2019
Working capital facilities	\$89.9m	July 2015
Securitisation facility	\$402.0m	August 2017

8. FINANCIAL INSTRUMENTS

The Group enters into foreign currency forward exchange contracts to hedge trading transactions, including anticipated transactions, denominated in foreign currencies and 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

For the Six Months ended 31 December 2014

8. FINANCIAL INSTRUMENTS (CONTINUED)

	Six months 31 Dec 14 \$'000 (Unaudited)	Six months 31 Dec 13 \$'000 (Unaudited)	Year ended 30 Jun 14 \$'000 (Audited)
Fair value of derivative financial instruments			
Other financial assets – derivatives:			
Foreign currency forward exchange contracts	1,761	1,077	103
Interest rate swaps	–	1,553	1,339
	1,761	2,630	1,442
Other financial liabilities – derivatives:			
Foreign currency forward exchange contracts	(30)	–	(953)
Interest rate swaps	(4,510)	(1,668)	(2,451)
	(4,540)	(1,668)	(3,404)

The Group has categorised these derivatives, both financial assets and financial liabilities, as Level 2 under the fair value hierarchy contained within NZ IFRS 13.

The fair value of foreign currency forward 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 foreign currency forward exchange contracts or interest rate swaps during the current reporting period.

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

9. RELATED PARTY DISCLOSURES

EBOS Group Limited is the immediate parent, ultimate parent and controlling party.

As at 31 December 2014 no balances were owing to or from related parties of EBOS Group Limited (December 2013: Nil, June 2014: Nil).

No amounts owed to related parties have been written off or forgiven during the period.

10. EVENTS AFTER BALANCE DATE

Subsequent to 31 December 2014, the Board approved an interim dividend to shareholders. For further details please refer to Note 4.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

For the Six Months ended 31 December 2014

11. ACQUISITION OF SUBSIDIARIES

On 31 October 2014 the Group acquired 100% control over the issued capital of Blackhawk Premium Pet Care Pty Limited. Details of the acquisition are as follows:

	Carrying Value \$'000 (Unaudited)	Fair value adjustment \$'000 (Unaudited)	Fair value on acquisition \$'000 (Unaudited)
Assets and liabilities acquired:			
Current assets			
Cash and cash equivalents	1,119	–	1,119
Trade and other receivables	4,298	–	4,298
Prepayments	6	–	6
Inventories	305	–	305
Non-current assets			
Property, plant and equipment	412	–	412
Indefinite life intangibles	–	21,387 ¹	21,387
Current liabilities			
Trade and other payables	(1,309)	(361) ²	(1,670)
Employee benefits	(53)	–	(53)
Taxation payable	(1,485)	–	(1,485)
Non-current liabilities			
Deferred tax liabilities	–	(6,416) ³	(6,416)
Net assets acquired	3,293	14,610	17,903
Goodwill on acquisition			46,257
Total consideration			64,160
Less cash and cash equivalents acquired			(1,119)
Deferred purchase consideration			(5,627)
Net cash (outflow) on acquisition			(57,414)

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

For the Six Months ended 31 December 2014

11. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Goodwill arising on acquisition

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

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

Impact of the acquisition on the results of the Group

Blackhawk contributed \$874,000 to the Group profit for the period. Group revenue for the period includes \$4,362,000 in respect of Blackhawk. Had the Blackhawk acquisition been effective at 1 July 2014, the revenue of the Group from continuing operations would have been \$3,129,000,000 and the profit for the period from continuing operations would have been \$55,400,000.

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