

**EBOS GROUP LIMITED**

**INTERIM REPORT  
FOR THE SIX MONTHS ENDED  
31 DECEMBER 2015**

| <b>CONTENTS</b>  | <b>Page</b> |
|--|-------------|
| Summary of Consolidated Financial Highlights                     | 1           |
| Shareholder Calendar   | 1           |
| Auditor's Review Report  | 2           |
| Condensed Consolidated Income Statement                          | 3           |
| Condensed Consolidated Statement of Comprehensive Income         | 3           |
| Condensed Consolidated Statement of Changes in Equity            | 4           |
| Condensed Consolidated Balance Sheet                             | 5           |
| Condensed Consolidated Cash Flow Statement                       | 6           |
| Notes to the Condensed Consolidated Interim Financial Statements | 7           |
| Directory  | 16          |

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**EBOS GROUP LIMITED**  
**INTERIM REPORT 2016**  
**SUMMARY OF CONSOLIDATED FINANCIAL HIGHLIGHTS**

|   | Six months<br>31 Dec 15<br>\$'000<br>(Unaudited) | Six months<br>31 Dec 14<br>\$'000<br>(Unaudited) | Year ended<br>30 Jun 15<br>\$'000<br>(Audited) |
|---|--|--|--|
| Revenue   | 3,379,749  | 3,119,873  | 6,068,080                                      |
| Earnings before interest, tax expense, depreciation and amortisation (EBITDA) | 113,725  | 100,345  | 196,695  |
| Earnings before interest and tax expense (EBIT)                               | 101,419  | 88,479   | 172,577  |
| Profit before income tax expense  | 91,744   | 77,014   | 150,668  |
| Net profit for the period   | 64,170   | 53,949   | 105,941  |
| Shareholders' equity  | 1,070,247  | 1,002,286  | 1,051,028                                      |
| Earnings per share  | 42.5c  | 36.2c  | 70.8c  |
| Net interest cover  | 11.8x  | 8.8x   | 9.0x   |
| Net interest bearing debt to net interest bearing debt plus equity            | 26.2%  | 26.9%  | 23.2%  |
| Net asset backing per share   | \$7.07   | \$6.69   | \$6.97   |

**SHAREHOLDER CALENDAR**

|                              |                  |
|------------------------------|------------------|
| Release of half year result  | 24 February 2016 |
| Interim dividend record date | 11 March 2016    |
| Interim dividend payable     | 1 April 2016     |
| Release of full year result  | 25 August 2016   |
| Annual General Meeting       | 19 October 2016  |

## REVIEW REPORT TO THE SHAREHOLDERS OF EBOS GROUP LIMITED

### INDEPENDENT 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 2015, 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 3 to 15.

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 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 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 2015 and 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*.



23 February 2016  
Chartered Accountants, Christchurch, New Zealand

This review report relates to the unaudited condensed consolidated interim financial statements of EBOS Group Limited for the six months ended 31 December 2015 included on EBOS Group Limited's website. The Board of Directors are responsible for the maintenance and integrity of EBOS Group Limited's website. We have not been engaged to report on the integrity of EBOS Group Limited's website. We accept no responsibility for any changes that may have occurred to the unaudited condensed consolidated interim financial statements since they were initially presented on the website. The review report refers only to the unaudited condensed consolidated interim financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these unaudited condensed consolidated interim 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 unaudited condensed consolidated interim financial statements and related review report dated 23 February 2016 to confirm the information included in the unaudited condensed consolidated interim financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

For the six months ended 31 December 2015

|   | Notes | Six months<br>31 Dec 15<br>\$'000<br>(Unaudited) | Six months<br>31 Dec 14<br>\$'000<br>(Unaudited) | Year ended<br>30 Jun 15<br>\$'000<br>(Audited) |
|---|-------|--|--|--|
| <b>Revenue</b>  | 2(a)  | 3,379,749  | 3,119,873  | 6,068,080                                      |
| <b>Income from associates</b>   | 2(b)  | 1,852  | 933  | 2,861  |
| <b>Profit before depreciation, amortisation, net finance costs and income tax expense</b> |       | 113,725  | 100,345  | 196,695  |
| Depreciation  | 2(b)  | (6,416)  | (5,649)  | (12,108)                                       |
| Amortisation of finite life intangibles   | 2(b)  | (5,890)  | (6,217)  | (12,010)                                       |
| <b>Profit before net finance costs and income tax expense</b>                             |       | 101,419  | 88,479   | 172,577  |
| Finance income  | 2(b)  | 1,404  | 1,192  | 2,299  |
| Finance costs   | 2(b)  | (11,079)   | (12,657)   | (24,208)                                       |
| Net finance costs   | 2(b)  | (9,675)  | (11,465)   | (21,909)                                       |
| <b>Profit before income tax expense</b>   | 2(b)  | 91,744   | 77,014   | 150,668  |
| Income tax expense  |       | (27,574)   | (23,065)   | (44,727)                                       |
| <b>Profit for the period</b>  |       | 64,170   | 53,949   | 105,941  |
| <b>Earnings per share</b>   |       |  |  |  |
| Basic (cents per share)   |       | 42.5   | 36.2   | 70.8   |
| Diluted (cents per share)   |       | 42.5   | 36.2   | 70.8   |

**EBOS GROUP LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the six months ended 31 December 2015

|  | Six months<br>31 Dec 15<br>\$'000<br>(Unaudited) | Six months<br>31 Dec 14<br>\$'000<br>(Unaudited) | Year ended<br>30 Jun 15<br>\$'000<br>(Audited) |
|--|--|--|--|
| <b>Profit for the period</b>                                   | 64,170   | 53,949   | 105,941  |
| <b>Other comprehensive income</b>                              |  |  |  |
| Items that may be reclassified subsequently to profit or loss: |  |  |  |
| Cash flow hedge (losses)                                       | (1,615)  | (811)  | (2,224)  |
| Related income tax   | 452  | 223  | 631  |
| Translation of foreign operations                              | (14,000)   | (8,528)  | 11,993   |
| <b>Total comprehensive income net of tax</b>                   | 49,007   | 44,833   | 116,341  |

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

For the six months ended 31 December 2015

| Notes  | Share<br>capital<br>\$'000 | Foreign<br>currency<br>translation<br>reserve<br>\$'000 | Retained<br>earnings<br>\$'000 | Cash flow<br>hedge<br>reserve<br>\$'000 | Total<br>\$'000  |
|--|----------------------------|---|--------------------------------|---|------------------|
| <b>Six months ended</b>                                  |                            |   |                                |   |                  |
| <b>31 December 2014 (unaudited):</b>                     |                            |   |                                |   |                  |
| Opening balance  | 861,549                    | (29,869)  | 147,085                        | 274                                     | 979,039          |
| Profit for the period                                    | -                          | -   | 53,949                         | -                                       | 53,949           |
| Other comprehensive income for<br>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            |
| <b>Balance at 31 December 2014</b>                       | <b>870,453</b>             | <b>(38,397)</b>   | <b>170,544</b>                 | <b>(314)</b>                            | <b>1,002,286</b> |
| <b>Year ended</b>  |                            |   |                                |   |                  |
| <b>30 June 2015 (audited):</b>                           |                            |   |                                |   |                  |
| Opening balance  | 861,549                    | (29,869)  | 147,085                        | 274                                     | 979,039          |
| Profit for the year                                      | -                          | -   | 105,941                        | -                                       | 105,941          |
| Other comprehensive income for<br>the year, net of tax   | -                          | 11,993  | -                              | (1,593)                                 | 10,400           |
| Payment of dividends                                     | 4                          | -   | (63,431)                       | -                                       | (63,431)         |
| Dividends re-invested                                    | 3                          | 19,079  | -                              | -                                       | 19,079           |
| <b>Balance at 30 June 2015</b>                           | <b>880,628</b>             | <b>(17,876)</b>   | <b>189,595</b>                 | <b>(1,319)</b>                          | <b>1,051,028</b> |
| <b>Six months ended</b>                                  |                            |   |                                |   |                  |
| <b>31 December 2015 (unaudited):</b>                     |                            |   |                                |   |                  |
| Opening balance  | 880,628                    | (17,876)  | 189,595                        | (1,319)                                 | 1,051,028        |
| Profit for the period                                    | -                          | -   | 64,170                         | -                                       | 64,170           |
| Other comprehensive income for<br>the period, net of tax | -                          | (14,000)  | -                              | (1,163)                                 | (15,163)         |
| Payment of dividends                                     | 4                          | -   | (37,673)                       | -                                       | (37,673)         |
| Dividends re-invested                                    | 3                          | 7,885   | -                              | -                                       | 7,885            |
| <b>Balance at 31 December 2015</b>                       | <b>888,513</b>             | <b>(31,876)</b>   | <b>216,092</b>                 | <b>(2,482)</b>                          | <b>1,070,247</b> |

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

As at 31 December 2015

| Notes                                     | 31 Dec 15<br>\$'000<br>(Unaudited) | 31 Dec 14<br>\$'000<br>(Unaudited) | 30 Jun 15<br>\$'000<br>(Audited) |
|---|------------------------------------|------------------------------------|----------------------------------|
| <b>Current assets</b>                     |                                    |                                    |                                  |
| Cash and cash equivalents                 | 115,810                            | 68,836                             | 109,521                          |
| Trade and other receivables               | 869,559                            | 785,018                            | 803,839                          |
| Prepayments                               | 6,671                              | 5,533                              | 7,935                            |
| Inventories                               | 548,776                            | 515,397                            | 518,272                          |
| Current tax refundable                    | 88                                 | 82                                 | 88                               |
| Other financial assets – derivatives      | 468                                | 1,761                              | 2,184                            |
| <b>Total current assets</b>               | <b>1,541,372</b>                   | <b>1,376,627</b>                   | <b>1,441,839</b>                 |
| <b>Non-current assets</b>                 |                                    |                                    |                                  |
| Property, plant and equipment             | 102,884                            | 108,250                            | 111,599                          |
| Capital work in progress                  | -                                  | 731                                | -                                |
| Prepayments                               | 330                                | 34                                 | 439                              |
| Deferred tax assets                       | 44,547                             | 35,421                             | 48,284                           |
| Goodwill                                  | 828,922                            | 763,461                            | 764,618                          |
| Indefinite life intangibles               | 92,058                             | 75,708                             | 79,043                           |
| Finite life intangibles                   | 61,779                             | 69,694                             | 69,325                           |
| Investment in associates                  | 35,576                             | 32,344                             | 34,911                           |
| <b>Total non-current assets</b>           | <b>1,166,096</b>                   | <b>1,085,643</b>                   | <b>1,108,219</b>                 |
| <b>Total assets</b>                       | <b>2,707,468</b>                   | <b>2,462,270</b>                   | <b>2,550,058</b>                 |
| <b>Current liabilities</b>                |                                    |                                    |                                  |
| Trade and other payables                  | 1,028,647                          | 914,690                            | 952,257                          |
| Finance leases                            | 540                                | 163                                | 153                              |
| Bank loans                                | 307,970                            | 176,021                            | 153,245                          |
| Current tax payable                       | 13,577                             | 12,238                             | 16,990                           |
| Employee benefits                         | 29,368                             | 26,099                             | 33,573                           |
| Other financial liabilities – derivatives | 6,638                              | 4,540                              | 6,047                            |
| <b>Total current liabilities</b>          | <b>1,386,740</b>                   | <b>1,133,751</b>                   | <b>1,162,265</b>                 |
| <b>Non-current liabilities</b>            |                                    |                                    |                                  |
| Bank loans                                | 186,458                            | 260,492                            | 272,852                          |
| Trade and other payables                  | 10,324                             | 14,630                             | 10,042                           |
| Deferred tax liabilities                  | 48,936                             | 46,545                             | 48,853                           |
| Finance leases                            | 109                                | 250                                | 191                              |
| Employee benefits                         | 4,654                              | 4,316                              | 4,827                            |
| <b>Total non-current liabilities</b>      | <b>250,481</b>                     | <b>326,233</b>                     | <b>336,765</b>                   |
| <b>Total liabilities</b>                  | <b>1,637,221</b>                   | <b>1,459,984</b>                   | <b>1,499,030</b>                 |
| <b>Net assets</b>                         | <b>1,070,247</b>                   | <b>1,002,286</b>                   | <b>1,051,028</b>                 |
| <b>Equity</b>                             |                                    |                                    |                                  |
| Share capital                             | 888,513                            | 870,453                            | 880,628                          |
| Foreign currency translation reserve      | (31,876)                           | (38,397)                           | (17,876)                         |
| Retained earnings                         | 216,092                            | 170,544                            | 189,595                          |
| Cash flow hedge reserve                   | (2,482)                            | (314)                              | (1,319)                          |
| <b>Total equity</b>                       | <b>1,070,247</b>                   | <b>1,002,286</b>                   | <b>1,051,028</b>                 |

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

For the six months ended 31 December 2015

| Notes   | Six months<br>31 Dec 15<br>\$'000<br>(Unaudited) | Six months<br>31 Dec 14<br>\$'000<br>(Unaudited) | Year ended<br>30 Jun 15<br>\$'000<br>(Audited) |
|---|--|--|--|
| <b>Cash flows from operating activities</b>                         |  |  |  |
| Receipts from customers   | 3,280,499  | 3,021,876  | 5,994,123                                      |
| Interest received   | 1,404  | 1,192  | 2,299  |
| Dividends received from associates                                  | 590  | -  | 301  |
| Payments to suppliers and employees                                 | (3,195,047)                                      | (2,952,414)                                      | (5,785,720)                                    |
| Taxes paid  | (29,812)   | (27,494)   | (53,006)                                       |
| Interest paid   | (11,079)   | (12,657)   | (24,208)                                       |
| <b>Net cash inflow from operating activities</b>                    | <b>46,555</b>                                    | <b>30,503</b>                                    | <b>133,789</b>                                 |
|   | 5  |  |  |
| <b>Cash flows from investing activities</b>                         |  |  |  |
| Sale of property, plant & equipment                                 | 5,046  | 637  | 458  |
| Purchase of property, plant & equipment                             | (5,853)  | (9,920)  | (14,977)                                       |
| Payments for intangible assets                                      | (958)  | (102)  | (464)  |
| Acquisition of associates   | (1,107)  | (5,581)  | (6,710)  |
| Acquisition of subsidiaries   | (89,457)   | (57,414)   | (57,414)                                       |
| <b>Net cash (outflow) from investing activities</b>                 | <b>(92,329)</b>                                  | <b>(72,380)</b>                                  | <b>(79,107)</b>                                |
| <b>Cash flows from financing activities</b>                         |  |  |  |
| Proceeds from issue of shares                                       | 7,885  | 8,904  | 19,079   |
| Proceeds from borrowings  | 84,430   | 53,433   | 23,584   |
| Repayment of borrowings   | -  | (8,667)  | (15,161)                                       |
| Dividends paid to equity holders of parent                          | (37,673)   | (30,490)   | (63,431)                                       |
| <b>Net cash inflow/(outflow) from financing activities</b>          | <b>54,642</b>                                    | <b>23,180</b>                                    | <b>(35,929)</b>                                |
|   |  |  |  |
| Net increase/(decrease) in cash held                                | 8,868  | (18,697)   | 18,753   |
| Effect of exchange rate fluctuations on cash held during the period | (2,579)  | (1,165)  | 2,070  |
| Net cash and cash equivalents at beginning of period                | 109,521  | 88,698   | 88,698   |
| <b>Net cash and cash equivalents at end of period</b>               | <b>115,810</b>                                   | <b>68,836</b>                                    | <b>109,521</b>                                 |



**EBOS GROUP LIMITED****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the six months ended 31 December 2015

**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.

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 2015. These financial statements should be read in conjunction with the financial statements and related notes included in the Group's Annual Report for the year ended 30 June 2015. The information is presented in thousands of New Zealand dollars unless otherwise stated.

**2. PROFIT FROM OPERATIONS**

|   | Six months<br>31 Dec 15<br>\$'000<br>(Unaudited) | Six months<br>31 Dec 14<br>\$'000<br>(Unaudited) | Year ended<br>30 Jun 15<br>\$'000<br>(Audited) |
|---|--|--|--|
| <b>(a) Revenue</b>  |  |  |  |
| Revenue from the sale of goods  | 3,326,984  | 3,074,892  | 5,979,980                                      |
| Revenue from the rendering of services  | 52,765   | 44,981   | 88,100   |
|   | <u>3,379,749</u>                                 | <u>3,119,873</u>                                 | <u>6,068,080</u>                               |
| <b>(b) Profit before income tax expense</b>   |  |  |  |
| Profit before income tax has been arrived at after crediting/(charging) the following gains and losses from operations: |  |  |  |
| (Loss)/gain on sale of property, plant and equipment  | (191)  | 6  | (88)   |
| Change in fair value of derivative financial instruments  | (770)  | (6)  | 323  |
| Share of profits of associates  | 1,852  | 933  | 2,861  |
| Profit before income tax has been arrived at after (charging) the following expenses by nature:                         |  |  |  |
| Cost of sales   | (3,044,051)                                      | (2,813,355)                                      | (5,464,445)                                    |
| Write-down of inventory   | (2,012)  | (1,134)  | (3,483)  |
| Net finance costs:  |  |  |  |
| Finance income  | 1,404  | 1,192  | 2,299  |
| Finance costs   | (11,079)   | (12,657)   | (24,208)                                       |
| Total net finance costs   | (9,675)  | (11,465)   | (21,909)                                       |
| Impairment on trade & other receivables   | (861)  | (765)  | (1,869)  |
| Depreciation of property, plant & equipment   | (6,416)  | (5,649)  | (12,108)                                       |
| Amortisation of finite life intangibles   | (5,890)  | (6,217)  | (12,010)                                       |
| Operating lease rental expenses   | (14,766)   | (12,800)   | (27,009)                                       |
| Donations   | (81)   | (82)   | (124)  |
| Employee benefit expense  | (106,251)  | (100,404)  | (198,695)                                      |
| Defined contribution plan expense   | (6,299)  | (5,892)  | (11,560)                                       |
| Other expenses  | (92,594)   | (86,029)   | (167,296)                                      |
| Total expenses, net of interest revenue   | <u>(3,288,896)</u>                               | <u>(3,043,792)</u>                               | <u>(5,920,508)</u>                             |
| <b>Profit before income tax expense</b>   | <u>91,744</u>                                    | <u>77,014</u>                                    | <u>150,668</u>                                 |

**EBOS GROUP LIMITED**
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)**

For the six months ended 31 December 2015

**3. SHARE CAPITAL**

|                                   | No.<br>'000 | Six months<br>31 Dec 15<br>Total<br>\$'000<br>(Unaudited) | No.<br>'000 | Six months<br>31 Dec 14<br>Total<br>\$'000<br>(Unaudited) | No.<br>'000 | Year ended<br>30 Jun 15<br>Total<br>\$'000<br>(Audited) |
|-----------------------------------|-------------|---|-------------|---|-------------|---|
| <b>Fully paid ordinary shares</b> |             |   |             |   |             |   |
| Balance at beginning of period    | 150,687     | 880,628   | 148,720     | 861,549   | 148,720     | 861,549   |
| Dividend reinvested –             |             |   |             |   |             |   |
| October 2014                      | -           | -   | 1,019       | 8,904   | 1,019       | 8,904   |
| April 2015                        | -           | -   | -           | -   | 948         | 10,175  |
| October 2015                      | 627         | 7,885   | -           | -   | -           | -   |
|                                   | 151,314     | 888,513   | 149,739     | 870,453   | 150,687     | 880,628   |

**4. DIVIDENDS**

|                             | Cents per<br>share | Six months<br>31 Dec 15<br>Total<br>\$'000<br>(Unaudited) | Cents per<br>share | Six months<br>31 Dec 14<br>Total<br>\$'000<br>(Unaudited) | Cents per<br>share | Year ended<br>30 Jun 15<br>Total<br>\$'000<br>(Audited) |
|-----------------------------|--------------------|---|--------------------|---|--------------------|---|
| <b>Recognised amounts</b>   |                    |   |                    |   |                    |   |
| Fully paid ordinary shares  |                    |   |                    |   |                    |   |
| Final – prior year          | 25.0               | 37,673  | 20.5               | 30,490  | 20.5               | 30,490  |
| Interim – current year      | -                  | -   | -                  | -   | 22.0               | 32,941  |
|                             | 25.0               | 37,673  | 20.5               | 30,490  | 42.5               | 63,431  |
| <b>Unrecognised amounts</b> |                    |   |                    |   |                    |   |
| Final dividend              | -                  | -   | -                  | -   | 25.0               | 37,673  |
| Interim dividend            | 26.0               | 39,342  | 22.0               | 32,941  | -                  | -   |
|                             | 26.0               | 39,342  | 22.0               | 32,941  | 25.0               | 37,673  |

The Board approved an interim dividend of 26.0 cents per share on 23 February 2016. The record date for the dividend is 11 March 2016 and the dividend will be paid on 1 April 2016.

For the six months ended 31 December 2015

5. NOTES TO THE CASH FLOW STATEMENT

|  | Six months<br>31 Dec 15<br>\$'000<br>(Unaudited) | Six months<br>31 Dec 14<br>\$'000<br>(Unaudited) | Year ended<br>30 Jun 15<br>\$'000<br>(Audited) |
|--|--|--|--|
| <b>Reconciliation of profit for the period with cash flows from operating activities</b> |  |  |  |
| <b>Profit for the period</b>   | 64,170   | 53,949   | 105,941  |
| Add/(less) non-cash items:   |  |  |  |
| Depreciation of property, plant and equipment  | 6,416  | 5,649  | 12,108   |
| Amortisation of finite life intangibles  | 5,890  | 6,217  | 12,010   |
| Loss/(gain) on sale of property, plant & equipment                                       | 191  | (6)  | 88   |
| Share of profits of associates, net of dividends received                                | (1,262)  | (933)  | (2,861)  |
| Loss/(gain) on derivative financial instruments  | 770  | 6  | (323)  |
| Deferred tax   | 212  | (1,821)  | (8,293)  |
| Provision for doubtful debts   | 132  | 349  | 355  |
|  | <u>12,349</u>                                    | <u>9,461</u>                                     | <u>13,084</u>                                  |
| Movements in working capital:  |  |  |  |
| Trade and other receivables  | (65,852)   | (86,091)   | (104,918)                                      |
| Prepayments  | 1,373  | 1,235  | (1,572)  |
| Inventories  | (30,504)   | (23,773)   | (26,648)                                       |
| Current tax refundable/(payable)   | (3,413)  | (1,980)  | 2,766  |
| Trade and other payables   | 76,672   | 98,151   | 131,130  |
| Provision for employee benefits  | (4,378)  | (2,645)  | 5,340  |
| Foreign currency translation of opening working capital balances                         | (14,249)   | (9,496)  | 13,973   |
|  | <u>(40,351)</u>                                  | <u>(24,599)</u>                                  | <u>20,071</u>                                  |
| Working capital items relating to investing activities                                   | 1,111  | (9,707)  | (6,706)  |
| Working capital items acquired on acquisition  | 9,276  | 1,399  | 1,399  |
| <b>Net cash inflow from operating activities</b>   | <u>46,555</u>                                    | <u>30,503</u>                                    | <u>133,789</u>                                 |

**EBOS GROUP LIMITED**
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)**

For the six months ended 31 December 2015

**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<br>31 Dec 15<br>\$'000<br>(Unaudited) | Six months<br>31 Dec 14<br>\$'000<br>(Unaudited) | Year ended<br>30 Jun 15<br>\$'000<br>(Audited) |
|---|--|--|--|
| <b>Revenue from external customers</b>        |  |  |  |
| Healthcare                                    | 3,169,276  | 2,928,736  | 5,692,888                                      |
| Animal care                                   | 210,473  | 191,137  | 375,192  |
|   | <u>3,379,749</u>                                 | <u>3,119,873</u>                                 | <u>6,068,080</u>                               |
| <b>Segment result (EBITDA)</b>                |  |  |  |
| Healthcare                                    | 99,755   | 88,541   | 170,167  |
| Animal care                                   | 19,587   | 16,843   | 37,118   |
| Corporate                                     | (5,617)  | (5,039)  | (10,590)                                       |
|   | <u>113,725</u>                                   | <u>100,345</u>                                   | <u>196,695</u>                                 |
| <b>Segment expenses</b>                       |  |  |  |
| Healthcare:                                   |  |  |  |
| Depreciation of property, plant and equipment | (5,766)  | (4,973)  | (10,762)                                       |
| Amortisation of finite life intangibles       | (4,683)  | (5,039)  | (9,695)  |
| Income tax expense                            | (26,855)   | (23,880)   | (41,655)                                       |
|   | <u>(37,304)</u>                                  | <u>(33,892)</u>                                  | <u>(62,112)</u>                                |
| Animal care:                                  |  |  |  |
| Depreciation of property, plant and equipment | (650)  | (676)  | (1,346)  |
| Amortisation of finite life intangibles       | (1,207)  | (1,178)  | (2,315)  |
| Income tax expense                            | (4,958)  | (3,782)  | (11,616)                                       |
|   | <u>(6,815)</u>                                   | <u>(5,636)</u>                                   | <u>(15,277)</u>                                |
| Corporate:                                    |  |  |  |
| Net finance costs                             | (9,675)  | (11,465)   | (21,909)                                       |
| Income tax credit                             | 4,239  | 4,597  | 8,544  |
|   | <u>(5,436)</u>                                   | <u>(6,868)</u>                                   | <u>(13,365)</u>                                |
| <b>Profit for the period</b>                  |  |  |  |
| Healthcare                                    | 62,451   | 54,649   | 108,055  |
| Animal care                                   | 12,772   | 11,207   | 21,841   |
| Corporate                                     | (11,053)   | (11,907)   | (23,955)                                       |
|   | <u>64,170</u>                                    | <u>53,949</u>                                    | <u>105,941</u>                                 |

## EBOS GROUP LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2015

#### 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<br>31 Dec 15<br>\$'000<br>(Unaudited) | Six months<br>31 Dec 14<br>\$'000<br>(Unaudited) | Year ended<br>30 Jun 15<br>\$'000<br>(Audited) |
|--|--|--|--|
| <b>Revenue from external customers</b> |  |  |  |
| New Zealand                            | 737,225  | 672,285  | 1,343,884                                      |
| Australia                              | 2,642,524  | 2,447,588  | 4,724,196                                      |
|  | <u>3,379,749</u>                                 | <u>3,119,873</u>                                 | <u>6,068,080</u>                               |
| <b>Non-current assets</b>              |  |  |  |
| New Zealand                            | 286,558  | 208,455  | 206,410  |
| Australia                              | 799,415  | 809,423  | 818,614  |
|  | <u>1,085,973</u>                                 | <u>1,017,878</u>                                 | <u>1,025,024</u>                               |

**(f) Information about major customers**

No revenues from transactions with a single customer amount to 10% or more of the Group's revenues (December 2014: Nil, June 2015: Nil).

#### 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 2015 the Group had unutilised term and revolving cash advance facilities of \$87.7m (December 2014: \$89.6m, June 2015: \$91.7m).

The Group also has a trade debtor securitisation facility of which \$182.7m was unutilised at 31 December 2015 (December 2014: \$226.3m, June 2015: \$277.7m).

**EBOS GROUP LIMITED****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)**

For the six months ended 31 December 2015

**7. BANK FACILITY AND BORROWINGS (Continued)**

As at 31 December 2015 the maturity profile of the Group's term debt, working capital and securitisation facilities was:

| <b>Facility</b>            | <b>Amount</b> | <b>Maturity</b> |
|----------------------------|---------------|-----------------|
| Working capital facilities | \$90.4m       | July 2016       |
| Term debt facilities       | \$77.6m       | August 2016     |
| Term debt facilities       | \$93.0m       | August 2018     |
| Term debt facilities       | \$93.5m       | August 2019     |
| Securitisation facility    | \$410.4m      | July 2017       |

Subsequent to 31 December 2015 the Group has entered into an agreement to extend the maturity date of the Securitisation facility to September 2018 and increase the facility limit by \$42.6m to \$453m.

**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.

|   | <b>Six months<br/>31 Dec 15<br/>\$'000<br/>(Unaudited)</b> | <b>Six months<br/>31 Dec 14<br/>\$'000<br/>(Unaudited)</b> | <b>Year ended<br/>30 Jun 15<br/>\$'000<br/>(Audited)</b> |
|---|--|--|--|
| <b>Fair value of derivative financial instruments</b> |  |  |  |
| Other financial assets – derivatives:                 |  |  |  |
| Foreign currency forward exchange contracts           | 468  | 1,761  | 2,184  |
|   | <u>468</u>   | <u>1,761</u>   | <u>2,184</u>   |
| Other financial liabilities – derivatives:            |  |  |  |
| Foreign currency forward exchange contracts           | (1,103)  | (30)   | -  |
| Interest rate swaps                                   | (5,535)  | (4,510)  | (6,047)  |
|   | <u>(6,638)</u>   | <u>(4,540)</u>   | <u>(6,047)</u>   |

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.

For the six months ended 31 December 2015

**8. FINANCIAL INSTRUMENTS (Continued)**

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 2015 no balances were owing to or from related parties of EBOS Group Limited (December 2014: Nil, June 2015: 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 2015, the Board approved an interim dividend to shareholders. For further details please refer to Note 4.

Subsequent to 31 December 2015, the Group renegotiated the maturity date and facility limit of the Securitisation facility. For further details please refer to Note 7.

**EBOS GROUP LIMITED****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)**

For the six months ended 31 December 2015

**11. ACQUISITION OF SUBSIDIARIES**

The following material acquisitions of subsidiaries took place during the period.

On 30 November 2015 the Group acquired the business operations of Red Seal Natural Health Limited ('Red Seal'). Details of the acquisition are as follows:

**Assets and liabilities acquired:**

|  | Carrying Value<br>\$'000<br>(Unaudited) | Fair value<br>adjustment<br>\$'000<br>(Unaudited) | Fair value on<br>acquisition<br>\$'000<br>(Unaudited) |
|--|---|---|---|
| <b>Current assets</b>                    |   |   |   |
| Trade and other receivables              | 4,033                                   | (136) <sup>1</sup>                                | 3,897   |
| Inventories                              | 6,333                                   | (400) <sup>2</sup>                                | 5,933   |
| <b>Non-current assets</b>                |   |   |   |
| Property, plant and equipment            | 1,492                                   | 216 <sup>3</sup>                                  | 1,708   |
| Indefinite life intangibles              | -                                       | 16,000 <sup>4</sup>                               | 16,000  |
| <b>Current liabilities</b>               |   |   |   |
| Trade and other payables                 | (3,929)                                 | (738) <sup>5</sup>                                | (4,667)   |
| Employee benefits                        | (316)                                   | -   | (316)   |
| Finance lease                            | -                                       | (394) <sup>6</sup>                                | (394)   |
| <b>Non-current liabilities</b>           |   |   |   |
| Deferred tax liabilities                 | -                                       | (4,231) <sup>7</sup>                              | (4,231)   |
| <b>Net assets acquired</b>               | <b>7,613</b>                            | <b>10,317</b>                                     | <b>17,930</b>   |
| Goodwill on acquisition                  |   |   | 62,337  |
| Total consideration                      |   |   | 80,267  |
| Deferred purchase consideration          |   |   | (267)   |
| <b>Net cash (outflow) on acquisition</b> |   |   | <b>(80,000)</b>                                       |

1. To recognise the fair value of trade and other receivables expected to be received on acquisition.
2. To recognise the fair value of inventory acquired on acquisition.
3. To recognise additional net property, plant and equipment assets identified on acquisition.
4. To recognise the 'Red Seal' brand as a result of a valuation performed at acquisition.
5. To recognise additional liabilities identified on acquisition.
6. To recognise a finance lease arrangement in place on acquisition.
7. To recognise additional deferred tax liability balances incurred on acquisition.

**Goodwill arising on acquisition**

Goodwill arose on the acquisition of the business operations of Red Seal 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.

Red Seal was acquired as it is a profitable healthcare business which the Group believes fits strategically with its Australasian Retail Services business assets.

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

Red Seal contributed \$248,000 to the Group profit for the period. Group revenue for the period includes \$3,314,000 in respect of Red Seal. Had the Red Seal acquisition been effective at 1 July 2015, the revenue of the Group from continuing operations would have been \$3,397,779,000 and the profit for the period from continuing operations would have been \$65,704,000.



**EBOS GROUP LIMITED****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)**

For the six months ended 31 December 2015

**11. ACQUISITION OF SUBSIDIARIES (Continued)**

During the current period the Group also acquired 100% control over the issued capital of Nexus Australasia Pty Ltd for \$5.4m. The financial impact of this acquisition is considered to be immaterial for financial reporting purposes.

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:

**Assets and liabilities acquired:**

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

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

**Goodwill arising on acquisition**

Goodwill arose on the acquisition of Blackhawk Premium Pet Care Pty Limited ('Blackhawk') because the cost of acquisition included a control premium paid. In addition, the consideration paid for the benefit of future expected cash flows 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 for the period ended 31 December 2014**

Blackhawk contributed \$874,000 to the Group profit for the period. Group revenue for that period included \$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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**DIRECTORY**

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|------------------|----------------------|
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| Elizabeth Coutts | Independent Director |
| Peter Kraus      |                      |
| Stuart McGregor  |                      |
| Sarah Ottrey     | Independent Director |
| Barry Wallace    |                      |
| Peter Williams   |                      |

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