EBOS GROUP LIMITED

2018 Annual Report

stronger together

We believe that by helping others we are stronger together, building better communities through our ongoing commitment to the provision of high quality healthcare and animal care products.

ProPharma Christchurch pharmaceutical distribution facility

foreword

Stronger together

At EBOS Group, community is central to everything we do – it's built into the values of every EBOS business and lived each day by our dedicated team across New Zealand and Australia.

We believe that by helping others we are stronger together, building better communities through our ongoing commitment to the provision of high quality healthcare and animal care products.

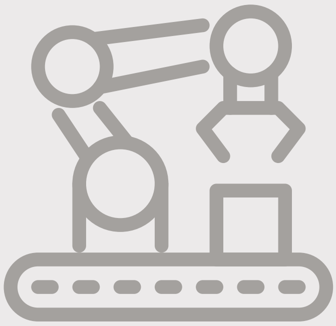
EBOS Group continues to pursue a robust strategic investment program designed to strengthen the core of our business, and target new opportunities that extend our capabilities and enable us to deliver more for our stakeholders.

The continued financial strength of EBOS Group is the key to our success. We remain steadfast in our commitment to our shareholders, employees, customers and the many New Zealanders and Australians that use our products and services each day.

We trust you will enjoy reading this year's Annual Report as we present what has been another successful period for the Group.

highlights

$7.6b
revenue



$63.2m
invested in **capital works**

our shareholders

6,959 shareholders*

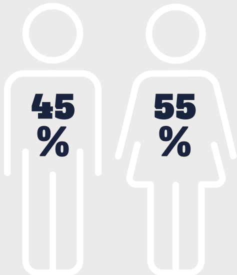
net profit after tax

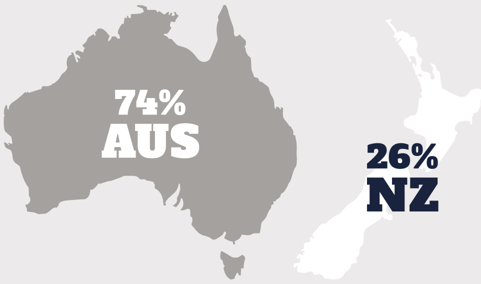
68.5c
total dividends **per share**

* As at 16 July 2018

our people

3,320
staff members





90% healthcare

10% animal care

ECHO program

environment, community, helping others

62 charities supported

trees planted to offset emissions **in FY18: 22,029**

52 Green Team members supporting environmental initiatives

summary of results

Financial Highlights

+ $7.6 billion revenue

+ $272.4 million EBITDA **+16.2% increase**

+ $149.6 million net profit after tax **+12.2% increase**

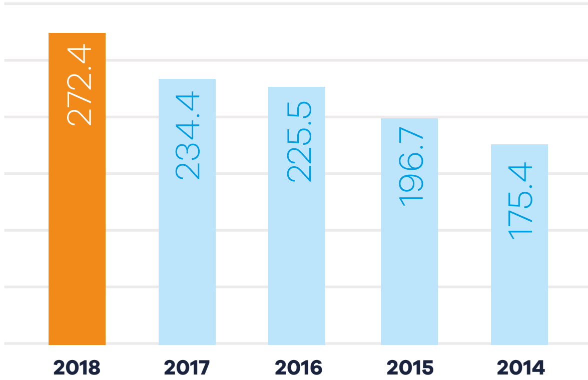
+ 98.5 cents earnings per share **+12.1% increase**

+ 68.5 cents dividend per share for the year **+8.7% increase**

All figures are in New Zealand dollars, unless otherwise stated.

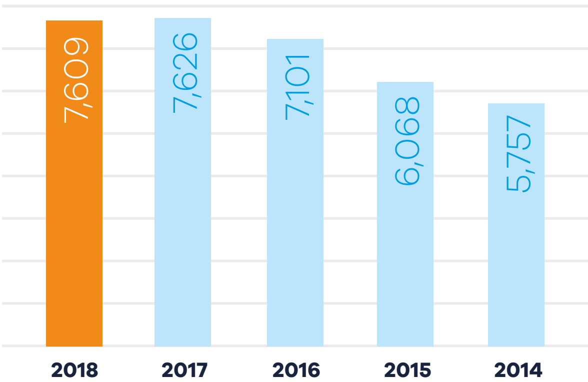
FIVE YEAR EBITDA TREND

For the year to 30 June ($millions)



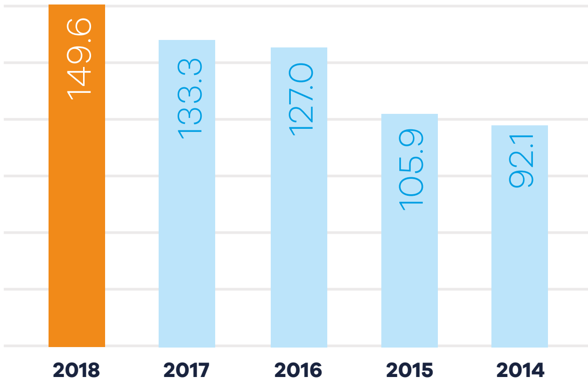
FIVE YEAR REVENUE TREND

For the year to 30 June ($millions)

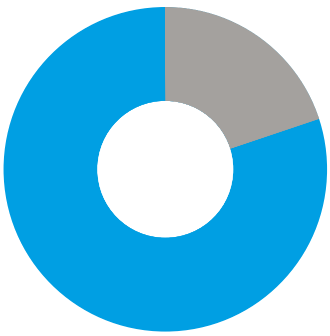


FIVE YEAR NPAT TREND

For the year to 30 June ($millions)



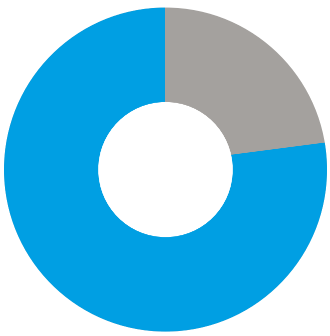
EBITDA



82% Australia

18% New Zealand

Revenue



79% Australia

21% New Zealand

Segment & Divisional Earnings Overview

Data based on gross operating revenue, which comprises revenue less cost of sales (including any adjustments to inventory).

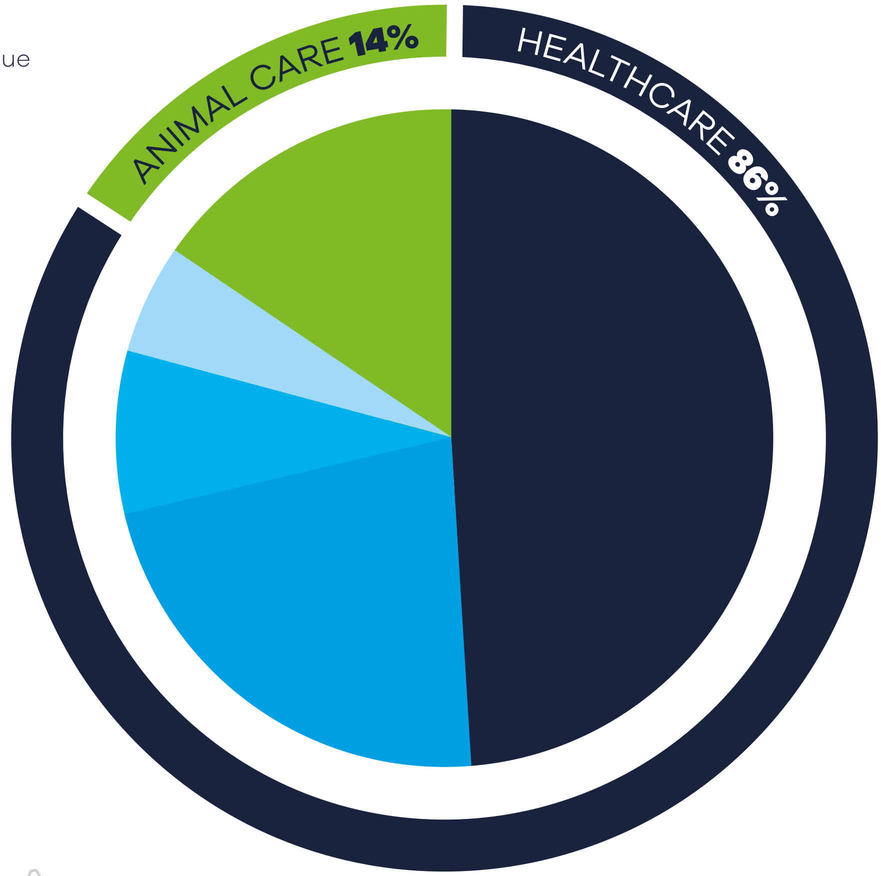
5% Consumer Products

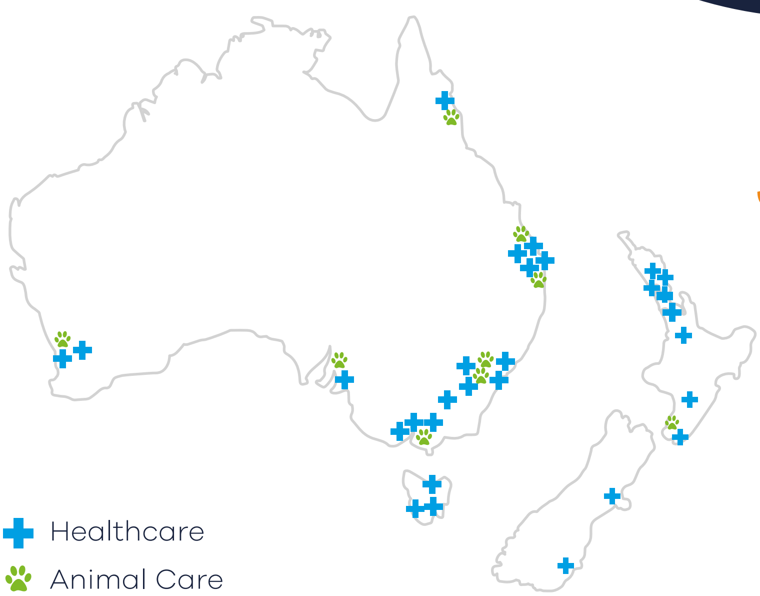
8% Contract Logistics

14% Animal Care

25% Institutional Healthcare

48% Pharmacy *(Wholesale and Retail)*





52 locations in Australia and New Zealand

EBOS Group overview

Healthcare

COMMUNITY PHARMACY

- Symbion
- ProPharma
- PWR Pharmacy Wholesalers Russells
- TerryWhite Chemmart
- Good Price Pharmacy Warehouse
- healthSAVE pharmacy
- Pharmacy Choice
- Ventura Health
- minfos
- DoseAid Medication Management Solutions
- intellipharm

INSTITUTIONAL HEALTHCARE

- EBOS Healthcare
- Symbion Hospital Services
- HPS
- Zest
- onelink
- Clinect

CONTRACT LOGISTICS

- Healthcare Logistics
- Healthcare Logistics | Clinical Trials

Symbion Keysborough pharmaceutical distribution facility

Animal Care

CONSUMER PRODUCTS

- Endeavour CONSUMER HEALTH
- red seal
- Faulding
- GRAN'S REMEDY
- Allersearch
- nature's kiss Anti-Flamme
- FLORADIX

ANIMAL CARE

- BlackHawk
- VitaPet
- Lyppard Australia Pty Ltd
- masterpet never met a pet we didn't get
- ANIMATES Everything for Pets
- aristopet ANIMAL HEALTH

CEO and Chairman's report

MARK WALLER
Chairman

JOHN CULLITY
Chief Executive Officer

The 2018 financial year was another successful period for EBOS Group and the results achieved reflect a year of strong organic growth combined with the benefit of the HPS business acquired in the prior year. The results further demonstrate the Board and management's focus on implementing our core strategy across our Healthcare and Animal Care businesses in both New Zealand and Australia.

In recent years, the Group has committed to a major capital investment program involving new distribution centres to cater for growth across our core businesses. In 2018, our major capital projects in both Australia and New Zealand have all seen excellent progress. The new Christchurch and Sydney contract logistics facilities are now operational and our new Brisbane distribution facility will go live before the end of the 2018 calendar year. These investments are a key part of our strategy to provide the most efficient warehousing and distribution facilities for our expanding portfolio of businesses.

We remain confident in the ability of our Group to expand and are always exploring new opportunities for growth in our key markets.

Financial results

EBOS Group's financial results saw strong earnings growth, with Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) increasing 16.2% on last year, assisted by the full-year contribution of HPS which was acquired in June 2017.

Headline revenue growth in the year was flat due to the impact of lower hepatitis C medicine sales in our Healthcare segment. This was driven by a decline in the number of patients taking these highly specialised medicines since the previous year.

Net Profit After Tax (NPAT) attributable to shareholders increased by 12.2% to $149.6 million. Underlying NPAT (excluding one-off costs incurred on completing acquisitions undertaken in FY17) increased by 7.9%, and underlying earnings per share grew by 7.8% to 98.5 cents per share.

Reported growth rates were positively impacted by a weaker NZD/AUD exchange rate for the financial year.

Our profit performance has allowed us to deliver another increase in our dividend to shareholders. The directors have declared a final dividend of 35.5 cents per share, taking our full year dividend to 68.5 cents per share, an increase of 8.7% on the prior year.

While these are just a few highlights from the full report, they demonstrate the ongoing performance across our healthcare and animal care segments.

Healthcare

Healthcare remains the core business of EBOS Group and once again performed strongly, generating a 13% increase in EBITDA to $235.9 million.

While Australian revenue declined 1.7% due to lower hepatitis C medicines sales, key investments including HPS and a full 12-month contribution from the Terry White Group, contributed to earnings growth and demonstrate the benefits of our diversified portfolio of healthcare businesses.

In the Community Pharmacy business, revenue growth (excluding sales of hepatitis C medicines and acquisitions) of 1.4% (constant currency) was moderate due to the ongoing impact of PBS reforms. Sales in the non-prescription over-the-counter (OTC) channel were marginally above last year, which reflects challenging retail environments. The business continues to generate efficiency savings from its previous capital investments and has a renewed focus on reducing operating costs in the current deflationary price environment.

Our New Zealand Healthcare business continues to deliver solid results, increasing revenue by 6.2% and EBITDA up 4.6%, driven by Red Seal's strong New Zealand performance in toothpastes, teas and supplements and the acquisition of Gran's Remedy in March 2018.

Animal Care

The Animal Care segment recorded 11.3% EBITDA growth for the period as the business continues to benefit from excellent growth in our branded products, with annual Black Hawk sales in Australia up 23% from last year. Black Hawk continues to be one of Australia's fastest growing premium pet food brands and is a market leader in the pet specialty retail channel.

In July 2017, the Group launched Black Hawk in New Zealand and sales have continued to grow over the course of the financial year. The brand's strong acceptance and support from both specialty retailers and veterinary clinics has resulted in a steady increase in market share.

Total Animal Care revenue declined 2.7% for the year, principally due to the business ceasing sales of low-margin wholesale products to a major Australian retail chain and discontinuing sales of other products upon the introduction of Black Hawk into New Zealand. The business has strategically realigned its focus on developing its own brands to drive greater margin and shareholder value.

EBOS Group's 50% owned Animates business also performed very well with our share of NPAT increasing 13% on last year.

Acquisitions

During the year we fully transitioned HPS into the Group, further expanding our leading position in the Institutional Healthcare market.

In October 2017, we acquired a strategic 14.1% shareholding in MedAdvisor Ltd, an Australian digital medication management company and in March 2018, we acquired one of New Zealand's leading iconic footcare consumer brands, Gran's Remedy.

Post Balance Date Announcement

In July 2018, EBOS announced it had won the tender to act as the exclusive third party distributor of pharmaceutical products to more than 400 Chemist Warehouse and My Chemist stores in Australia. EBOS expects to enter into a five-year supply agreement, to take effect from 1 July 2019, with the potential for an extension of a further three years. EBOS estimates that sales to the Chemist Warehouse Group stores will generate approximately AUD$1 billion in revenue in the first year of the agreement.

To be selected as a trusted partner by Chemist Warehouse Group reinforces our capital investment strategy and reflects the efficiencies we have made over a number of years to our operations. It also reflects the high level of expertise and service standards that we offer the industry.

Our Future

We are very fortunate to have over 3,300 employees who are committed to our business and to servicing our customers' needs every day. We could not deliver such growth across our Group without the efforts of our staff and we sincerely thank them for their ongoing commitment. We remain confident in the ability of our Group to expand and are always exploring new opportunities for growth in our key markets.

business highlights

Finish in sight for Symbion's new $55m Brisbane home

Symbion's new wholesale facility in Acacia Ridge, Brisbane is nearing completion and is due to open towards the end of 2018.

The $55 million investment underlines EBOS' ongoing commitment to, and confidence in, the future of Australia's pharmacy industry.

Incorporating some of the latest automation technology, the Acacia Ridge facility is expected to operate with industry-leading accuracy and efficiency, ensuring that EBOS can continue to support the delivery of healthcare by our customers.

Building on the success of the Keysborough facility in Melbourne, the Acacia Ridge development represents a long-term commitment by EBOS to the health and wellbeing of communities across Queensland.

The facility features some of the latest security and storage arrangements for fridge lines, dangerous goods and specialty medicines, as well as being built to withstand and continue operations during adverse weather conditions and floods.

The facility features LED lighting, energy-efficient air-conditioning and solar panels that are expected to supply 20-25% of the site's energy requirements.

New Symbion Acacia Ridge pharmaceutical distribution facility

Black Hawk leading the real pet food charge

Black Hawk continued its rapid growth trajectory in FY18, delivering record financial results and further strengthening both its Australian and international market presence.

The range of Original and Grain Free dog and cat food varieties achieved record sales in Australia, maintaining Black Hawk's position as one of the leading real pet food brands in Australia. Following its launch into New Zealand in July 2017, Black Hawk has achieved swift sales uptake and built the foundations to establish itself as a leading animal care brand, with its Working Dog and Large Breed Original recipes gaining a strong foothold in the market.

The Black Hawk brand reflects broader health food trends that have permeated the animal care sector as discerning consumers increasingly seek premium quality products for their pets. In line with these trends and as part of its commitment to long-term value creation, Black Hawk recently launched DogCheck - an innovative online tool designed to educate dog owners about animal health and nutrition. Already, 139,000 Australians have signed up to use DogCheck and the launch event in Sydney generated more than one million social media views.

Black Hawk continues to leverage targeted campaigns through breeders, kennels and catteries to connect its products with more people and create a community that shares the brand organically through a shared belief in the benefits of premium quality animal care products.

Red Seal grows global footprint

The past financial year has been another successful period for Red Seal with the business expanding into new retail markets and further reinforcing its position as a consumer brand of choice in New Zealand.

Red Seal continues to increase its presence in Australia with its fruit tea range made available through leading supermarket retailer Woolworths from January 2018. Woolworths is currently stocking Red Seal fruit tea in more than 950 stores across the country and the launch was supported by a large promotional campaign across TV, social media and digital, public relations and in-store marketing.

Toothpaste remains a strong driver of growth for Red Seal in Asian markets, with the business introducing two new products into South Korea. Red Seal products are now stocked in Costco stores across South Korea and Japan. China remains a key market for Red Seal with the business introducing updated packaging for its Raspberry Leaf Tea and partnering to relaunch its TMall store – an ecommerce platform in China that has more than 500 million monthly active users.

Despite increased competition in the New Zealand market, Red Seal remains a leader in the Specialty Tea category. Red Seal launched three new tea variants in April 2018 and has also partnered with the Breast Cancer Foundation to offer Pink Ribbon teas, with $1 from every product sold donated to the foundation. Toothpaste has also been a strong contributor for Red Seal in New Zealand with the business continuing to grow its market share in this category.

Red Seal is well resourced to maintain its strong position in the New Zealand market, where it continues to be a leading natural consumer health brand. Combined with a strong emerging presence in Australia and several key Asian countries, Red Seal is now well positioned to target further opportunities in these exciting markets as consumers gravitate towards the natural product portfolio.

HPS' pharmacy, St Vincent's Private Hospital, Werribee, Victoria

HPS moves ahead adding new sites and i.Pharmacy technology

HPS has enjoyed a successful first full financial year as part of EBOS Group following its acquisition in June 2017. It has been a period of evolution for HPS that has seen the business build upon its position as a leading provider of outsourced pharmacy services to hospitals and further leverage its relationship with EBOS' network of businesses to target new opportunities.

HPS has continued to maintain its focus on growth with the opening of five new HPS approved pharmacies on-site at hospitals in Victoria, the Australian Capital Territory and the Northern Territory. With the addition of the new pharmacy in Darwin, there is now a HPS approved pharmacy in every Australian state and territory.

Over the past financial year, HPS has successfully completed the Australia-wide integration of DXC Technology's leading inventory management software, i.Pharmacy. The completion of the rollout helps the HPS approved pharmacy network with seamless stock management and integrated business operations. Combined with HPS' proprietary systems ClinPod and MACI, i.Pharmacy provides HPS' network of approved pharmacies with best in class software systems, while the launch of a new website has improved the online ordering functionality for compounded medication clients.

With an Australia-wide presence, HPS is well positioned to target further business opportunities. The business is focussed on accelerating growth and realising market opportunities which continue to capitalise on being a part of EBOS Group to increase supply chain efficiencies and realise better service delivery.

Healthcare Logistics takes up residence in new flagship Sydney distribution centre

At the end of FY18, Healthcare Logistics (HCL) moved its Australian operations from Rydalmere, Sydney to a new purpose-built distribution centre in Pemulwuy, Sydney.

The $15 million development represents a significant investment by EBOS Group and at 25,000m² it is the largest facility in the Group.

HCL's new temperature controlled distribution centre features modern warehousing technology with ample storage for up to 30,000 pallets, as well as innovative security measures for controlled medicines, management of cold chain products and storage of dangerous goods. Additionally, the facility's extensive roof infrastructure includes solar power and water recycling.

The new HCL facility has been developed in consultation with international experts in supply chain logistics and in response to market demand.

At nearly double the size of the previous facility, HCL's new home allows for substantial growth in the business and capacity to better serve the needs of a larger range of principal partners.

The distribution centre will also house specially designed Clinical Trials storage and Secondary Packaging areas.

HEALTHCARE LOGISTICS

Healthcare Logistics' facility, Pemulwuy, Sydney

our community

The health and welfare of communities across New Zealand and Australia is central to everything we do at EBOS Group. We take our commitment to helping others seriously and we believe in going above and beyond to support people and communities in need.

This past financial year, EBOS Group has contributed money and goods to 62 charitable organisations through a wide variety of initiatives. Members of the EBOS family are also active organisers and participants in fundraising events, contributing monetary donations and clocking up countless hours volunteering to help those in need.

Together we can make a real difference to the lives of New Zealanders and Australians in need and use our position as a healthcare and animal care leader for good – because at EBOS Group we believe that Life Matters.

EBOS Match Funding

EBOS staff show a strong connection to their community and causes.

The company has seen this through consistent fundraising and charitable activities over the years.

To recognise and support staff fundraising efforts, in February 2018, EBOS Group launched Match Funding.

Match Funding is an initiative to support employees who organise or take part in charitable events or activities, by matching the donations made by EBOS employees.

To align with EBOS' mission and activities, eligible charities include registered health and animal welfare charities.

500
hygiene bags donated to MALPA Young Doctors

Up to
129
lives saved through blood donations

2,000
dental kits donated to Clontarf Foundation

Masterpet helping young Aussies get back on track

Masterpet is a firm believer in the role pets can play in helping people achieve their full potential. The bond we share with our pets is one of the purest examples of unconditional love and is built into our core values as a leading animal care company.

As part of its commitment to living these values, Masterpet has partnered with Australian youth organisation BackTrack, to help fund its life-changing Paws Up program.

BackTrack was founded by inspirational youth worker Bernie Shakeshaft in 2006 and delivers programs designed to help at-risk youth make meaningful connections, build job pathways and lead happier and healthier lives.

Based at Bernie's farm in the regional city of Armidale in northern New South Wales, The Paws Up program sees youth handlers partnered with dogs to teach them high jump and learn many other valuable life skills in the process. Paws Up has developed into a highly successful dog high jumping team that travels to shows and invitational events throughout New South Wales and interstate.

Masterpet believes it's important to give back to rural Australia, the home of our ingredients and where our food is made, and has donated $40,000 to give Paws Up dogs access to the range of Black Hawk real food and Masterpet pet necessities, plus an additional $10,000 towards veterinary costs for dogs involved in the program.

Thanks to Masterpet, the Paws Up team is now also outfitted with official team wear and the dogs are healthier and happier than ever.

BackTrack's Paws Up team at DogCheck Day

2017 biographers with HPS staff

HPS – a decade of empowering the terminally ill

Everyone has a fascinating story to tell. For people who have been diagnosed with a terminal illness, telling their story can be a really meaningful and rewarding experience in their final months and weeks of life.

Since 2008, with the support of HPS, The Mary Potter Foundation has been empowering people in palliative care to record their remarkable life stories for themselves and their families through the Calvary Biography Service.

The Mary Potter Foundation supports the Mary Potter Hospice and Calvary Cancer Services located at Calvary Hospital, North Adelaide, South Australia. With the help of trained volunteers, the Biography Service records patients' stories and presents the narrative in a bound booklet that patients can leave to their families and friends – the everlasting gift of a life story told.

"One of the main aims of the biography service is to give positive affirmation of a life lived by a patient, a sense of who they are and to achieve a healing, peaceful state of being," said Cathy Murphy, Executive Director of The Mary Potter Foundation.

"It is what happens to a patient through the telling of the story that makes creating a biography such a valued process."

HPS has supported The Mary Potter Foundation's Calvary Biography Service as the sole sponsor since its inception ten years ago. The company makes an annual donation to fund the purchase of equipment and booklet supplies and training courses for volunteers.

As an Australian healthcare leader, HPS recognises the importance of supporting community initiatives such as the Calvary Biography Service.

Symbion supports Foodbank

Waste management is becoming an increasingly pertinent issue in our society. As cities grow and the demand for goods increases, it is important we take steps to better manage and prevent unnecessary waste.

Symbion takes this responsibility seriously and is committed to minimising preventable waste through quality stock management processes. While some stock write-offs are inevitable, as part of our commitment to reducing waste, we have partnered with Foodbank to donate damaged and discontinued over-the-counter (OTC) products from our South Australian, Victorian and Queensland sites.

Foodbank is a not-for-profit organisation that provides essential food, grocery and health products to people in need. The organisation collects, sorts, stores and distributes donated food and other items through more than 2,600 community partners across Australia, and is supported by volunteers, fundraisers, state governments and philanthropic partners.

Symbion donates over 100 pallets of goods to Foodbank each year, helping to support Australians who cannot afford food and basic supplies.

Partnering with Foodbank extends Symbion's support for the health and wellbeing of Australian communities and forms part of our commitment to minimise our environmental footprint.

Symbion wants to ensure that quality products aren't being wasted simply due to minor imperfections that render them unfit for sale when they can help make a real difference in the lives of Australians who need them.

Foodbank SA CEO Greg Pattinson said that the support of organisations such as Symbion enables Foodbank to make a real impact in the lives of disadvantaged Australians.

"Poverty doesn't discriminate and Foodbank believes that all Australians should have access to fresh food and basic healthcare supplies, which is only possible with the support of generous partners such as Symbion."

100+
pallets of stock donated each year

2,500+
ice packs donated **to Foodbank**

3,293
cans **collected and recycled** at Onelink Yennora, NSW

1000+ warehouse lights changed to LED globes at Symbion, Greystanes, NSW

our board

1. Mark Waller

Independent Chairman
BCOM, FACA, FNZIM, CMInstD

Mark Waller was appointed as Chairman of the Board in October 2015 and was formerly the Chief Executive and Managing Director of EBOS Group Limited from 1987 to 30 June 2014. He is a member of the Audit and Risk Committee and Chairman of the Remuneration Committee. He is also a director of EBOS Group Limited subsidiaries. Mark was the recipient of the Leadership Award at the INFINZ Industry Awards in May 2014 and the Chief Executive of the Year Award at the Deloitte 200 Awards in 2011.

2. Elizabeth Coutts

Independent Director
ONZM, BMS, FCA

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

3. Peter Williams

Peter Williams was appointed to the EBOS Group Limited Board in July 2013. Peter has been an executive of The Zuellig Group since 2000. Peter is a director of Pharma Industries Limited, Green Cross Health Limited and CB Norwood Pty Ltd. He is also a director of Cambert, a company marketing health and personal care products in South East Asia.

4. Stuart McGregor

BCOM, LLB, MBA

Stuart McGregor was appointed to the EBOS Group Limited Board in July 2013. He is a member of the Audit and Risk Committee. Stuart was educated at the University of Melbourne and the London School of Business Administration, gaining degrees in Commerce and Law. He also completed a Masters of Business Administration at the University of Melbourne.

Currently Stuart is Chairman of Donaco International Limited, an ASX listed company. He is also director of Symbion Pty Ltd and other EBOS Group subsidiaries.

Over the last 30 years, Stuart has been Company Secretary of Carlton United Breweries, Managing Director of Cascade Brewery Company Limited in Tasmania and Managing Director of San Miguel Brewery Hong Kong Limited. In the public sector, he served as Chief of Staff to a Minister for Industry and Commerce in the Federal Government and as Chief Executive of the Tasmanian Government's Economic Development Agency. He was formerly a director of Primelife Limited from 2001 to 2004.

5. Sarah Ottrey

Independent Director
BCOM

Sarah Ottrey was appointed to the EBOS Group Limited Board in September 2006. She is a member of the Remuneration Committee. She is a director of Whitestone Cheese Limited, Skyline Enterprises Limited, Mount Cook Alpine Salmon Limited and Sarah Ottrey Marketing Limited. She is a past board member of the Public Trust and the Smiths City Group. Sarah has held senior marketing management positions with Unilever and Heineken.

financial summary

EBOS Group has delivered another year of strong financial results, with record profit achieved.

Group revenue was broadly in line with last year at $7.6 billion, negatively impacted by a $338 million reduction in hepatitis C medicine sales, offset by growth in our core businesses.

During the year we fully transitioned HPS into the Group, further expanding our position in the Institutional Healthcare market. In October 2017, we acquired a strategic 14.1% shareholding in MedAdvisor Ltd, an Australian digital medication management company, and in March 2018, we acquired one of New Zealand's leading footcare consumer brands, Gran's Remedy.

In FY17, the business incurred $7 million of transaction costs incurred on acquisitions. The business did not incur these costs in FY18. For clarity, the comparative results below are shown on both a reported and an underlying basis.

Earnings Before Net Finance Costs, Tax, Depreciation and Amortisation (EBITDA) grew by $38 million to $272.4 million representing an increase of 16.2%. Underlying EBITDA growth for the year was 12.8%.

Net Profit After Tax (NPAT) attributable to shareholders increased by 12.2% to $149.6 million. Underlying NPAT increased by $11 million or 7.9% due to solid growth in operating earnings.

Healthcare

The Healthcare segment generated a 13% increase in EBITDA on flat sales revenue to last year.

The Australian business recorded a decline of 1.7% in revenue, although EBITDA grew 15.2%. The revenue decline was driven by a $338 million reduction in hepatitis C medicine sales. EBITDA growth was assisted by the full-year contribution of HPS which is performing solidly and in line with expectations.

The New Zealand Healthcare operations again delivered a solid performance over the period with revenue increasing 6.2% and EBITDA increasing 4.6% with growth across all New Zealand business units.

Animal Care

The Animal Care segment recorded 11.3% EBITDA growth for the year as the business continues to benefit from excellent growth in our branded products, with annual Black Hawk sales in Australia up 23% on the prior year. Black Hawk continues to be one of Australia's fastest growing premium pet food brands with a leading market position in the pet specialty retail channel and in July 2017, we successfully launched Black Hawk into the New Zealand market.

Total Animal Care revenue declined for the year principally due to the business ceasing sales of low-margin wholesale products to a major Australian retail chain and discontinuing sales of other products upon the introduction of Black Hawk into New Zealand. The business has strategically realigned its focus on developing its own brands to drive greater margin and shareholder value.

Our Animates business, in which we hold a 50% equity interest, continues to perform strongly with our share of NPAT increasing 13% on last year.

Acquisitions and investments completed

In October 2017, we acquired a 14.1% shareholding in MedAdvisor Ltd, an Australian digital medication management company. This is was a strategic investment and during the year, EBOS' subsidiaries Zest and TerryWhite Group Limited have worked closely with MedAdvisor to formalise commercial agreements.

In March 2018, we acquired one of New Zealand's leading footcare consumer brands, Gran's Remedy. The acquisition of this iconic New Zealand brand further strengthens our Consumer Products business. Gran's Remedy is manufactured and sold in New Zealand and is exported worldwide to many international markets, including China and South Korea.

Operating Cash Flow and Capital Expenditure

The Group achieved very strong operating cashflow (before capex) of $176.2 million, representing a $32.2 million increase on the prior year.

Capital expenditure for the period was $63.2 million, with $24.6 million spent on the new highly automated distribution facility in Brisbane, Queensland, and $14.6 million on the new contract logistics facility in Sydney, New South Wales. The contract logistics facility became operational in June 2018, and the new Brisbane distribution facility is expected to commence operations in the second quarter of FY19.

Net Debt and Return On Capital Employed

The Group's net debt was $471 million at 30 June 2018, an increase of $36.4 million on the prior year, with a net debt to EBITDA ratio of 1.74x, down from 1.79x as at June 2017. The increase in net debt for the year was primarily attributable to investments made, including the capital expenditure program.

The business generated a return on capital employed of 15.8%. This is slightly lower than last year (16.4%), due to a higher investment in net working capital and the cost of the recently acquired HPS business. The Group's strategy continues to include a strong focus on mergers and acquisitions for both its Healthcare and Animal Care businesses and recognises that the initial returns from acquisitions may not exceed the Group's threshold ROCE target in the first year post acquisition.

Currency and Change in Presentation Currency for 2019

The Group generates approximately 82% of its earnings in Australia and the lower average exchange rate (-2.7 cents to last year) used to translate our Australian dollar earnings during the year, positively impacted reported EBITDA by approximately $5.4 million.

In order to reduce this volatility for future periods, the Board has decided to change the Group's presentation currency from New Zealand dollars to Australian dollars, effective 1 July 2018.

Dividends

The directors are pleased to announce a final dividend of 35.5 cents per share, which takes full year dividends to 68.5 cents per share, an increase of 8.7% on the prior year.

The record date for the final dividend will be 28 September 2018 and the dividend will be paid on 12 October 2018. The final dividend will again be imputed to 25% for New Zealand tax-resident shareholders and fully franked for Australian tax-resident shareholders.

Outlook

EBOS Group has recorded a strong financial performance in FY18, and the Group is confident of further profit growth into FY19 on an underlying, constant currency basis.

A performance update will be provided to shareholders at the Annual Meeting on 16 October 2018.

financial report

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Directors' Responsibility Statement

The directors of EBOS Group Limited are pleased to present to shareholders the financial statements for EBOS Group Limited and its controlled entities (together the 'Group') for the year to 30 June 2018.

The directors are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which give a true and fair view of the financial position of the Group as at 30 June 2018 and the results of their operations and cash flows for the year ended on that date.

The directors consider the financial statements of the Group have been prepared using accounting policies 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 Group and facilitate compliance of the financial statements with the Financial Markets Conduct Act 2013.

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

The financial statements are signed on behalf of the Board by:

MARK WALLER
Chairman

ELIZABETH COUTTS
Director

22 August 2018

independent auditor's report to the shareholders

Deloitte.

Report on the Audit of the Consolidated Financial Statements

Opinion	We have audited the consolidated financial statements of EBOS Group Limited and its subsidiaries (the 'Group'), which comprise the consolidated balance sheet as at 30 June 2018, and the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. In our opinion, the accompanying consolidated financial statements, on pages 30 to 74, present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2018, and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').
Basis for Opinion	We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Other than in our capacity as auditor and the provision of advisory services and taxation services, we have no relationship with or interests in the Company or any of its subsidiaries. These services have not impaired our independence as auditor of the Company and Group.
Audit Materiality	We consider materiality primarily in terms of the magnitude of misstatement in the financial statements of the Group that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work. We determined materiality for the Group financial statements as a whole to be $10.5m.
Key Audit Matters	Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Goodwill and Indefinite Life Intangible Asset Impairment Assessment	
The Group has $1,021m of goodwill and $133m of indefinite life intangible assets, including brands and a franchise network, on the balance sheet at 30 June 2018 as detailed in note B1 to the financial statements. The carrying values of goodwill and indefinite life intangible assets are dependent on the future cash flows expected to be generated by the underlying businesses, and there is a risk if these cash flows do not meet the Group's expectations that the assets may be impaired. The Group tests goodwill and indefinite life intangible assets at least annually by determining the recoverable amount (the higher of value-in-use or fair value less costs to sell) of the individual assets where possible, or otherwise the cash-generating units to which the assets belong and comparing the recoverable amounts of the assets to their carrying values. The impairment assessment models prepared by the Group contain a number of significant assumptions. Changes in these assumptions might lead to a change in the carrying value of indefinite life intangible assets and goodwill. The Group has assessed the recoverable amount of brands based on fair value using the relief from royalty method and the recoverable amount of franchise assets based on fair value using the multiple-period excess earnings method. The key assumptions applied in the above models are: • annual revenue and expense growth rates for the 5 year forecast period; • pre-tax discount rates; • royalty rates; • contributory asset charge (franchise network assets); and • terminal growth rates. The Group has assessed the recoverable amount of each cash-generating unit ("CGU") or group of CGU's to which goodwill has been allocated based on value-in-use models. The key assumptions applied in the value-in-use models are: • annual revenue and expense growth rates for the 5 year forecast period; • pre-tax discount rates; and • terminal growth rates. We have included the impairment assessments of goodwill and indefinite life intangible assets as a key audit matter due to the significance of the balances to the financial statements and the level of judgement applied by the Group in determining the key assumptions used to determine the recoverable amounts.	We considered whether the Group's methodology for assessing impairment is compliant with NZ IAS 36: Impairment of Assets. We focused on testing and challenging the suitability of the models and reasonableness of the assumptions used by the Group in conducting their impairment reviews. Our procedures included: • agreeing a sample of future cash flows to Board approved forecasts; • challenging the reliability of the Group's revenue and expense growth rates by comparing the forecasts underlying the growth rates to historical forecasts and actual results of the underlying businesses (where applicable); and • assessing the reasonableness of key assumptions and changes to them from previous years. We used our internal valuation specialists to assist with evaluating the models and challenging the Group's key assumptions. The procedures of the specialist included: • evaluating the appropriateness of the valuation methodology; • testing the mathematical integrity of the models; • evaluating the Group's determination of the pre-tax discount rates and royalty rates used in the models through consideration of the relevant risk factors for each CGU, the cost of capital for the Group, and market data on comparable businesses; and • comparing the terminal growth rates to market data for the industry sectors. We evaluated the sensitivity analysis performed by management to consider the extent to which a change in one or more of the key assumptions could give rise to impairment in the goodwill and indefinite life intangible assets.

Key audit matter	How our audit addressed the key audit matter
Acquisition Accounting	
New Zealand accounting standards require the purchaser to identify the assets and liabilities acquired in a business combination, including identifiable intangible assets, and to measure them at fair value at the date of acquisition. Goodwill arising (excess of consideration paid over the fair value of the assets and liabilities acquired) is required to be allocated to the cash-generating unit ("CGU") or groups of CGU's benefiting from the acquisition. As detailed in note B2, EBOS Group acquired 100% of Alchemy Holdings Pty Ltd ("Alchemy") for a total consideration of NZD $163m in June 2017, and due to the timing of the acquisition the acquisition balance sheet was determined on a provisional basis as at 30 June 2017. During the current year the Group finalised the acquisition accounting of Alchemy. The finalisation of the acquisition accounting resulted in the recognition of indefinite life intangible assets, comprising brands of $9.5m, and finite life intangible assets, comprising customer contracts of $8.8m, and $127.0m of goodwill. The Alchemy brand has been valued using the relief from royalty method. The key assumptions applied in the model were: • forecast sales volumes; • pre-tax discount rate; • royalty rate; and • terminal growth rate. The customer relationships have been valued using the multiple-period excess earnings method. The key assumptions applied in the model were: • forecast sales; • pre-tax discount rate; • contract useful lives; and • contributory asset charge. We included the identification and valuation of intangible assets and the allocation of goodwill to CGU's for the Alchemy acquisition as a key audit matter because the Group's acquisitions are considered a key area of interest for investors and because of the size of this acquisition and the level of intangible assets. There is also significant judgement involved in identifying the intangible assets acquired and determining the appropriate methodology and key assumptions to calculate their fair value.	Our procedures included: • utilising industry knowledge to assess the Group's identification of intangible assets and consider what is represented by residual goodwill; • challenging the rationale for allocation of goodwill to CGU's or group's of CGU's; • comparing the forecast sales to Board approved forecasts; and • challenging the reliability of the revenue and expense growth rates by comparing the forecasts underlying the growth rates to historical forecasts and actual results of the underlying business. We used our internal valuation specialists to assess the appropriateness of the nature and valuation of the intangible assets identified by the Group. This assessment included: • evaluating the appropriateness of the valuation methodology and testing the mathematical integrity of the model; • evaluating the pre-tax discount rate applied in the model through comparison to the cost of capital for the business and to external market data; and • comparing the Group's assumed royalty rate and contributory asset charge to market data for similar intangible assets.

Other Information	The directors are responsible on behalf of the Group for the other information. The other information comprises the information in the Annual Report that accompanies the consolidated financial statements and the audit report. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and consider whether it is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.
Board of Directors' Responsibilities for the Consolidated Financial Statements	The directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, the directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.
Auditor's Responsibilities for the Audit of the Consolidated Financial Statements	Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. A further description of our responsibilities for the audit of the consolidated financial statements is located on the External Reporting Board's website at: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1 This description forms part of our auditor's report.
Restriction on Use	This report is made solely to the Company's shareholders, as a body. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

PAUL BRYDEN, PARTNER
FOR DELOITTE LIMITED
Christchurch, New Zealand

22 August 2018

financial statements

Consolidated Income Statement

The Consolidated Income Statement presents income earned and expenditure incurred by EBOS Group during the financial year in determining profit.

For the financial year ended 30 June 2018	Notes	2018 $'000	2017 $'000
Revenue	A1(a)	7,609,488	7,625,854
Income from associates	F2	4,501	4,062
Acquisition costs		-	(7,021)
Profit before depreciation, amortisation, net finance costs and tax expense (EBITDA)		272,383	234,427
Depreciation	A1(b)	(17,651)	(13,616)
Amortisation	A1(b)	(17,084)	(12,218)
Profit before net finance costs and tax expense		237,648	208,593
Finance income		1,780	2,079
Finance costs		(24,501)	(21,104)
Profit before tax expense	A1(b)	214,927	189,568
Tax expense	A3	(63,207)	(56,722)
Profit for the year		151,720	132,846
Profit for the year attributable to:			
Owners of the Company		149,564	133,279
Non-controlling interests		2,156	(433)
		151,720	132,846
Earnings per share:			
Basic (cents per share)	A4	98.5	87.8
Diluted (cents per share)	A4	98.5	87.8

Notes to the financial statements are included on pages 36 to 74.

Consolidated Statement of Comprehensive Income

The Consolidated Statement of Comprehensive Income presents profit for the year, plus gains and losses that are not recognised in the Consolidated Income Statement and instead are required to be taken directly to reserves within equity.

For the financial year ended 30 June 2018	2018 $'000	2017 $'000
Profit for the year	151,720	132,846
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Net fair value movement on available-for-sale assets	(1,552)	-
Cashflow hedge gains	2,242	5,675
Related income tax	(640)	(1,653)
Translation of foreign operations	10,123	1,947
Total comprehensive income net of tax	161,893	138,815
Total comprehensive income for the year is attributable to:		
Owners of the Company	159,737	139,248
Non-controlling interests	2,156	(433)
	161,893	138,815

Notes to the financial statements are included on pages 36 to 74.

Consolidated Balance Sheet

The Consolidated Balance Sheet presents a summary of the EBOS Group assets, liabilities and equity at the end of the financial year.

As at 30 June 2018	Notes	2018 $'000	2017 $'000
Current assets			
Cash and cash equivalents		163,256	162,181
Trade and other receivables	C1	998,760	1,041,849
Prepayments		9,854	7,834
Inventories	C2	582,877	572,001
Current tax refundable		65	168
Other financial assets - derivatives	G2	1,423	19
Total current assets		1,756,235	1,784,052
Non-current assets			
Property, plant and equipment	D1	122,186	115,876
Capital work in progress	D2	63,540	22,923
Prepayments		-	9
Deferred tax assets	A3(b)	53,030	49,263
Goodwill	B1(a)	1,021,170	1,000,050
Indefinite life intangibles	B1(b)	132,589	115,940
Finite life intangibles	B1(d)	64,136	80,084
Investment in associates	F2	40,315	36,455
Other financial assets		10,097	922
Total non-current assets		1,507,063	1,421,522
Total assets		3,263,298	3,205,574
Current liabilities			
Trade and other payables	C3	1,274,624	1,327,757
Finance leases		25	72
Bank loans	E3	160,293	155,857
Current tax payable		12,452	14,209
Employee benefits		44,362	40,971
Other financial liabilities - derivatives	G2	2,157	2,995
Total current liabilities		1,493,913	1,541,861

Notes to the financial statements are included on pages 36 to 74.

Consolidated Balance Sheet (continued)

As at 30 June 2018	Notes	2018 $'000	2017 $'000
Non-current liabilities			
Bank loans	E3	473,988	440,847
Trade and other payables	C3	14,607	13,837
Deferred tax liabilities	A3(b)	58,015	50,783
Finance leases		82	103
Employee benefits		6,475	5,745
Total non-current liabilities		553,167	511,315
Total liabilities		2,047,080	2,053,176
Net assets		1,216,218	1,152,398
Equity			
Share capital	E1	888,513	888,513
Share based payments reserve		2,318	490
Foreign currency translation reserve		(24,691)	(34,814)
Retained earnings		326,800	277,912
Available-for-sale revaluation reserve		(1,552)	-
Cashflow hedge reserve		1,571	(31)
Equity attributable to owners of the Company		1,192,959	1,132,070
Non-controlling interests		23,259	20,328
Total equity		1,216,218	1,152,398

Notes to the financial statements are included on pages 36 to 74.

Consolidated Statement of Changes in Equity

The Consolidated Statement of Changes in Equity presents the components of capital and reserves of EBOS Group and explains the movements in each component during the financial year.

For the financial year ended June 2018	Notes	Share capital $'000	Share based payments $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Available -for-sale revaluation reserve $'000	Cashflow hedge reserve $'000	Non-controlling interests $'000	Total $'000
Balance at 1 July 2016		888,513	-	(36,761)	239,578	-	(4,053)	-	1,087,277
Profit for the year		-	-	-	133,279	-	-	(433)	132,846
Other comprehensive income for the year, net of tax		-	-	1,947	-	-	4,022	-	5,969
Payment of dividends	E2	-	-	-	(94,945)	-	-	-	(94,945)
Arising on acquisition of subsidiaries		-	-	-	-	-	-	20,936	20,936
Share based payments		-	490	-	-	-	-	-	490
Effect of exchange rate fluctuations		-	-	-	-	-	-	(175)	(175)
Balance at 30 June 2017		888,513	490	(34,814)	277,912	-	(31)	20,328	1,152,398
Balance at 1 July 2017		888,513	490	(34,814)	277,912	-	(31)	20,328	1,152,398
Profit for the year		-	-	-	149,564	-	-	2,156	151,720
Other comprehensive income for the year, net of tax		-	-	10,123	-	(1,552)	1,602	-	10,173
Payment of dividends	E2	-	-	-	(100,676)	-	-	-	(100,676)
Share based payments		-	1,828	-	-	-	-	-	1,828
Effect of exchange rate fluctuations		-	-	-	-	-	-	775	775
Balance at 30 June 2018		888,513	2,318	(24,691)	326,800	(1,552)	1,571	23,259	1,216,218

Notes to the financial statements are included on pages 36 to 74.

Consolidated Cash Flow Statement

The Consolidated Cash Flow Statement presents the cash generated and used by EBOS Group during the financial year.

For the financial year ended 30 June 2018	Notes	2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers		7,684,830	7,922,392
Interest received		1,780	2,079
Dividends received from associates	F2	932	913
Payments to suppliers and employees		(7,421,615)	(7,694,957)
Taxes paid		(65,255)	(65,380)
Interest paid		(24,501)	(21,104)
Net cash inflow from operating activities	E5	176,171	143,943
Cash flows from investing activities			
Sale of property, plant and equipment		187	150
Purchase of property, plant and equipment		(17,119)	(13,507)
Payments for capital work in progress		(43,516)	(22,923)
Payments for intangible assets		(2,709)	(1,164)
Acquisition of subsidiaries	B2	(22,816)	(183,228)
Investment in other financial assets		(10,923)	(879)
Net cash (outflow) from investing activities		(96,896)	(221,551)
Cash flows from financing activities			
Proceeds from borrowings	E5	26,483	224,456
Repayment of borrowings	E5	(10,000)	(10,357)
Dividends paid to equity holders of parent	E2	(100,676)	(94,945)
Net cash (outflow)/inflow from financing activities		(84,193)	119,154
Net (decrease)/increase in cash held		(4,918)	41,546
Effect of exchange rate fluctuations on cash held		5,993	384
Net cash and cash equivalents at the beginning of the year		162,181	120,251
Net cash and cash equivalents at the end of the year		163,256	162,181

Notes to the financial statements are included on pages 36 to 74.

Notes to the consolidated financial statements

For the Financial Year Ended 30 June 2018

Introducing this report

The notes to the financial statements include information that is considered relevant and material to assist the reader in the understanding of the financial performance and financial position of EBOS Group.

Information is considered relevant and material if:

- the amount is significant because of its size and nature;
- it is important to assist the readers understanding of the results of EBOS;
- it helps to explain to the reader the changes in the business and/or operations of EBOS; or
- it relates to an aspect of operations that is important to the future performance of EBOS.

EBOS Group Limited (the Company) is a profit-oriented company incorporated in New Zealand, registered under the Companies Act 1993 and dual listed on both the New Zealand Stock Exchange and the Australian Securities Exchange.

Basis of preparation

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

The financial statements comply with International Financial Reporting Standards.

EBOS is a Tier 1 for-profit entity in terms of the New Zealand External Reporting Board Standard A1.

The Company is a FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013, and its financial statements comply with this Act.

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.

The information is presented in thousands of New Zealand dollars, unless otherwise stated.

Critical accounting estimates and judgements

In the process of applying the Group's accounting policies and the application of accounting standards, EBOS has made a number of judgements and estimates. The estimates and underlying assumptions are based on historic experience and various other factors that are considered to be appropriate under the circumstances. Therefore, there is an inherent risk that actual results may subsequently differ from the estimates made.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements and estimates that are considered material to understanding the performance of EBOS are found in the relevant notes to the financial statements. Key judgements have been made in regard to assumptions that support the impairment assessment for goodwill and indefinite life intangibles (note B1) and the identification and valuation of intangibles recognised on acquisitions (note B2).

Basis of consolidation

The EBOS Group financial statements comprise the financial statements of EBOS Group Limited, the parent company, combined with all the entities that comprise the Group, being its subsidiaries (listed in note F1) and its share of associate investments (listed in note F2). The financial statements of the members of the Group, including associates, are prepared for the same reporting period as the parent company, using consistent accounting policies.

Subsidiaries are consolidated on the date on which control is obtained to the date on which control is lost.

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.

INTRODUCING THIS REPORT continued

Foreign currency

Functional currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate on the date of the transaction. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated 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 translation of monetary items, are included in the Consolidated Income Statement for the period.

Foreign operations

On consolidation, the assets and liabilities of EBOS' overseas operations are translated at the exchange rate at the reporting date. Income and expense items are translated at the average rates for the period. Exchange differences arising are recognised in the foreign currency translation reserve (in equity), 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 the exchange rate at the reporting date.

Other accounting policies

Other accounting policies that are relevant to the reader's understanding of the financial statements are included throughout the following notes to the financial statements.

Section A: EBOS Performance

SECTION OVERVIEW

This section explains the financial performance of EBOS by:

a) displaying additional information about individual items in the Consolidated Income Statement;

b) presenting further analysis of EBOS' operating segments by revenue and expenses; and

c) providing an analysis of the components of EBOS' tax balances for the year and the current imputation credit account balance.

A1. REVENUE AND EXPENSES

(a) Revenue

Revenue consisted of the following items:

	2018 $'000	2017 $'000
Revenue from the sale of goods	7,379,765	7,471,918
Revenue from the rendering of services	229,723	153,936
	7,609,488	7,625,854

RECOGNITION AND MEASUREMENT

Revenue is measured at the fair value of the consideration received or receivable and represents amounts net of any returns and discounts. Revenue is recognised when it is considered probable that the economic benefits of the transaction will be received by EBOS. The following specific recognition criteria must be met before revenue is recognised:

Sale of Goods	*Rendering of Services*
Revenue from the sale of goods is recognised when significant risks and rewards of owning the goods are transferred to the buyer.	Revenue from services is recognised on the basis of the value of services performed to date as a percentage of the total services to be performed.

A1. REVENUE AND EXPENSES continued

(b) Expenses

Profit before tax expense has been arrived at after charging the following expenses by nature:

	2018 $'000	2017 $'000
Cost of sales	(6,748,844)	(6,872,190)
Write-down of inventory	(4,036)	(8,387)
Impairment loss on trade and other receivables	(1,901)	(2,758)
Depreciation of property, plant and equipment	(17,651)	(13,616)
Amortisation of finite life intangibles	(17,084)	(12,218)
Operating lease rental expenses	(43,203)	(35,125)
Donations	(265)	(49)
Employee benefit expense	(297,028)	(245,813)
Defined contribution plan expense	(16,299)	(14,653)
Acquisition costs	-	(7,021)
Share based payments	(840)	(490)
Other expenses	(229,190)	(209,003)
Total expenses	(7,376,341)	(7,421,323)

RECOGNITION AND MEASUREMENT

Impairment
EBOS reviews the recoverable amount of its tangible and intangible assets, including goodwill, at each balance date. If the carrying value of an asset exceeds the recoverable amount, an impairment expense is recognised in the income statement.

Tangible assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of future cash flows expected to be generated by the asset (value in use).

Depreciation and amortisation
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. Refer to note D1 for the useful lives used in the calculation of depreciation.

Amortisation is charged on a straight-line basis over the estimated useful life of finite life intangibles. Refer to note B1 for the useful lives used in the calculation of amortisation.

Operating lease expenses
EBOS leases certain land, buildings, plant and equipment. Operating leases are where the lessor rather than EBOS have effectively retained the substantial risk and benefit of ownership of a leased item. Operating lease payments are included in the determination of profit or loss in equal instalments over the period of the lease. Lease incentives received are recognised on a straight-line basis over the lease period.

A1. REVENUE AND EXPENSES continued

Employee expenses
Provision is made for benefits owing to employees in respect of wages and salaries, annual leave, long service leave and employee incentives for services rendered. Provisions are recognised when it is probable they will be settled and can be measured reliably. They are carried at the remuneration rate expected to apply at the time of settlement and discounted to the present value of the expected payment to the employee at balance date.

Net finance costs
Finance costs include bank interest and amortisation of costs incurred in connection with borrowing facilities. Finance costs are expensed immediately as incurred, using the effective interest method, unless they relate to acquisition and development of qualifying assets, in which case they are capitalised.

Interest income is recognised on a time-proportionate basis using the effective interest method.

A2. SEGMENT INFORMATION

(a) Reportable segments

EBOS GROUP LIMITED

HEALTHCARE SEGMENT
Sale of healthcare products in a range of sectors, own brands, retail healthcare, pharmacy services and wholesale activities.

ANIMAL CARE SEGMENT
Sale of animal care products in a range of sectors, own brands, retail and wholesale activities.

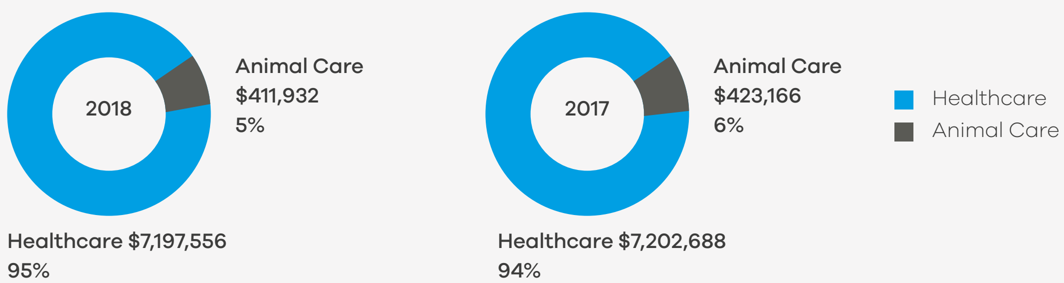
CORPORATE SEGMENT
Includes net funding costs and central administration expenses that have not been allocated to the healthcare or animal care segments.

EBOS' major products and services are the same as the reportable segments, i.e. Healthcare and Animal Care, with no major products and services allocated to corporate.

(b) Segment revenues and results

The following is an analysis of EBOS' revenue and results by reportable segment:

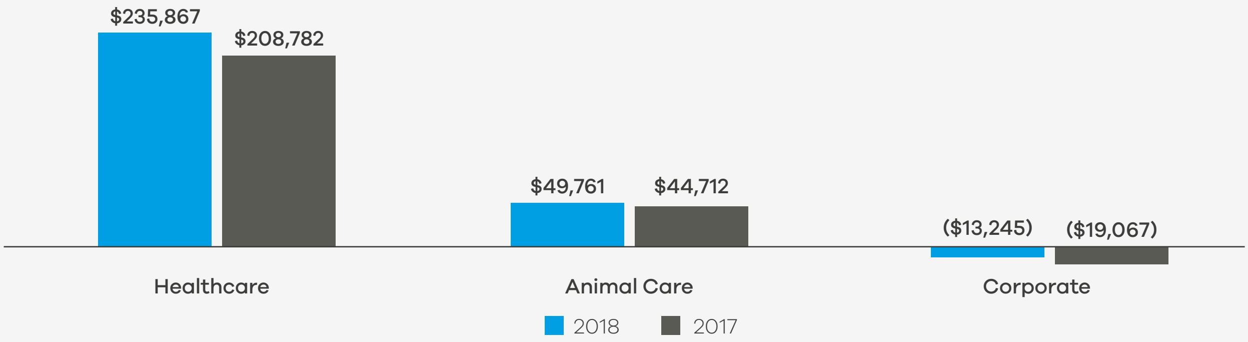
Revenue from external customers ($'000)



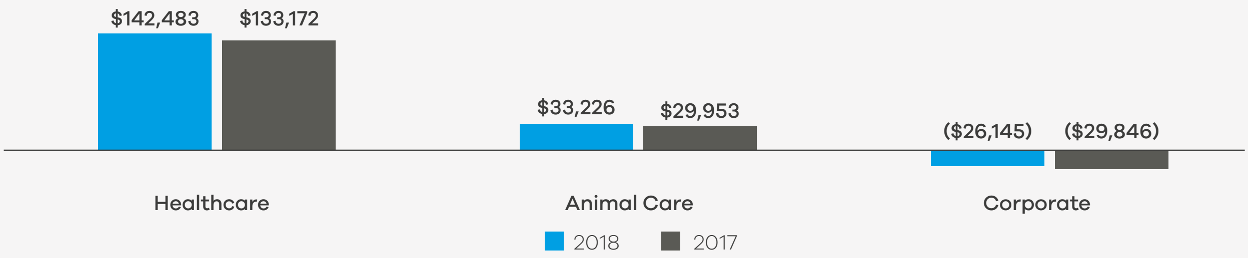
A2. SEGMENT INFORMATION continued

(b) Segment revenues and results (continued)

EBITDA ($'000)



Net profit/(loss) after tax for the year attributable to owners of the company ($'000)



Associate information:

	2018 $'000	2017 $'000
Included in the segment results above is income from associates:		
Animal Care	3,554	3,141
Healthcare	947	921
Total income from associates	4,501	4,062

A2. SEGMENT INFORMATION continued

(b) Segment revenues and results (continued)

The following is an analysis of other financial information by reportable segment:

	Healthcare		Animal Care		Corporate	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Depreciation	(16,687)	(12,562)	(964)	(1,054)	-	-
Amortisation of finite life intangibles	(14,454)	(9,719)	(2,630)	(2,499)	-	-
Net finance costs	-	-	-	-	(22,721)	(19,025)
Tax (expense)/benefit	(60,087)	(53,762)	(12,941)	(11,206)	9,821	8,246

(c) Geographical information

EBOS operates in two principal geographical areas: New Zealand and Australia.

EBOS' revenue from external customers by geographical location and information about its segment assets (non-current assets), excluding financial instruments and deferred tax assets, are detailed below:

	Australia		New Zealand		Group	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Continuing operations						
Revenue from external customers	6,022,031	6,116,760	1,587,457	1,509,094	7,609,488	7,625,854
Non-current assets	1,107,893	1,048,967	305,825	286,837	1,413,718	1,335,804

(d) Information about major customers

No revenues from transactions that are with a single customer amount to 10% or more of EBOS' revenues (2017: Nil).

RECOGNITION AND MEASUREMENT

The reportable segments of EBOS have been identified in accordance with NZ IFRS 8 '*Operating Segments*'.

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 in order to allocate resources to the segment and to assess its performance.

The accounting policies of EBOS have been consistently applied to the operating segments. Profit before depreciation, amortisation, net finance costs and tax expense (EBITDA) is the measure reported to the chief operating decision-maker for the purposes of resource allocation and assessment of segment performance.

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

A3. TAXATION

(a) Tax expense recognised in Consolidated Income Statement

	2018 $'000	2017 $'000
Tax expense comprises:		
Current tax expense/(credit):		
Current year	64,115	59,303
Adjustments for prior years	(1,897)	(119)
	62,218	59,184
Deferred tax (credit):	(646)	(2,832)
Adjustments for prior years	1,635	370
	989	(2,462)
Total tax expense	63,207	56,722
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:		
Profit before tax expense	214,927	189,568
Tax expense calculated at 28% (2017: 28%)	60,180	53,079
Non-deductible expenses	1,445	1,762
Effect of different tax rates of subsidiaries operating in overseas jurisdictions	3,555	2,503
(Over)/under provision of tax expense in prior years	(262)	251
Other adjustments	(1,711)	(873)
Total tax expense	63,207	56,722

The tax rates used are principally the corporate tax rates of 28% (2017: 28%) payable by New Zealand and 30% (2017: 30%) payable by Australian corporate entities on taxable profits under tax law in each jurisdiction.

A3. TAXATION continued

(b) Deferred tax assets and liabilities

Taxable and deductible temporary differences arise from the following:

	2018 $'000	2017 $'000
Gross deferred tax liabilities:		
Property, plant and equipment	(3,505)	(1,437)
Provisions	(201)	(221)
Other financial assets – derivatives	(166)	(28)
Intangible assets	(54,143)	(49,097)
	(58,015)	(50,783)
Gross deferred tax assets:		
Property, plant and equipment	9,460	9,541
Provisions	37,778	35,159
Other financial liabilities – derivatives	18	802
Intangible assets	5,408	3,499
Tax losses carried forward	366	262
	53,030	49,263

(c) Imputation credit account balances

	2018 $'000	2017 $'000
Imputation credit account balances Imputation credits available directly and indirectly to shareholders of the parent company:	7,610	5,885

Imputation credits allow EBOS to pass on to its shareholders the benefit of the New Zealand income tax it has paid by attaching imputation credits to the dividends it distributes, reducing shareholders' net tax obligations.

RECOGNITION AND MEASUREMENT

Income tax expense is the income tax assessed on taxable profit for the year.

Taxable profit differs from profit before tax reported in the Consolidated Income Statement as it excludes items of income and expense that are taxable or deductible in other years (temporary differences) and also excludes items that will never be taxable or deductible (permanent differences).

Income tax expense components are current income tax and deferred tax.

A3. TAXATION continued

Deferred tax is income tax that is expected to be payable or recoverable in the future as a result of the unwinding of temporary differences. These arise from differences in the recognition of assets and liabilities for financial reporting and for the filing of income tax returns.

Deferred tax is recognised on all temporary differences, other than those arising:

- from goodwill;
- from the initial recognition of assets and liabilities in a transaction (other than in a business combination) that affects neither the accounting nor taxable profit or loss; and
- investments in associates and subsidiaries where EBOS is able to control the reversal of the temporary differences and such differences are not expected to reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the year when a liability is settled or an asset realised, based on tax rates and tax laws that have been enacted or substantively enacted at balance date.

A deferred tax asset is recognised to the extent it is probable that future taxable profits will be available to use the asset. This is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available in the future to utilise the deferred tax asset.

A4. EARNINGS PER SHARE

		Basic earnings per share		Diluted earnings per share	
		2018	2017	2018	2017
Earnings used in the calculation of total earnings per share	($'000)	149,564	133,279	149,564	133,279
Weighted average number of ordinary shares for the purposes of calculating earnings per share	No. (000's)	151,914	151,768	151,914	151,768
Earnings per share	Cents	98.5	87.8	98.5	87.8

Basic earnings per share is calculated by dividing the profit attributable to the shareholders of the company by the weighted average number of ordinary shares on issue during the year excluding shares held as treasury stock. Diluted earnings per share assumes conversion of all diluted potential ordinary shares in determining the denominator.

Section B: Key judgements made

SECTION OVERVIEW

This section identifies the balances and transactions to which key judgements have been made by EBOS in the preparation of these financial statements. Key judgements have been made with regard to the estimates for future cash flows for goodwill impairment assessment purposes, and the identification of intangible assets and recognition of goodwill for business acquisitions.

B1. GOODWILL AND INTANGIBLES

(a) Goodwill

	2018 $'000	2017 $'000
Gross carrying amount		
Balance at beginning of financial year	1,000,050	829,163
Recognised from business acquisition during the year (note B2)	16,062	171,107
Adjustment due to finalisation of acquisition in the prior year (note B2)	(3,242)	-
Effects of foreign currency exchange differences	8,300	(220)
Net book value	1,021,170	1,000,050

RECOGNITION AND MEASUREMENT

Goodwill arising on the acquisition of a 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.

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

B1. GOODWILL AND INTANGIBLES continued

(b) Indefinite life intangibles

	TerryWhite Chemmart Brands $'000	Other Healthcare Brands $'000	Franchise Network $'000	Animal Care Brands $'000	Healthcare Trademarks $'000	Total $'000
Gross carrying amount						
Balance at 1 July 2016	25,298	22,247	-	26,362	17,240	91,147
Acquisitions through business combinations	13,034	-	11,613	-	-	24,647
Effects of foreign currency exchange differences	109	8	(92)	121	-	146
Balance at 30 June 2017	38,441	22,255	11,521	26,483	17,240	115,940
Acquisitions through business combinations	-	13,777	-	-	-	13,777
Effects of foreign currency exchange differences	1,358	388	412	714	-	2,872
Balance at 30 June 2018	39,799	36,420	11,933	27,197	17,240	132,589

RECOGNITION AND MEASUREMENT

Indefinite life intangible assets represent purchased brands, trademarks and a franchise network asset that are initially recognised at fair value. These intangible assets are tested annually for impairment on the same basis as for goodwill.

JUDGEMENT: USEFUL LIVES OF INDEFINITE LIFE INTANGIBLE ASSETS

The directors have assessed these brands, trademarks and a franchise network asset as having an indefinite useful life. In coming to this conclusion the expected expansion of these assets across other products and markets, the typical product life cycle of these assets, the stability of the industry in which the assets are operating, the level of maintenance expenditure required and the period of legal control over these assets has been considered.

B1. GOODWILL AND INTANGIBLES continued

(c) Cash-generating units

The carrying amount of goodwill and indefinite life intangibles allocated to cash-generating units or groups of cash-generating units is as follows:

	Goodwill		Indefinite life intangibles	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Healthcare Australia[1]	651,148	643,267	13,781	3,865
Healthcare New Zealand[2]	73,197	65,683	22,640	18,390
Healthcare: Pharmacy/Logistics NZ[3]	95,043	95,043	17,240	17,240
Healthcare: Terry White Group[4]	38,621	34,367	51,732	49,962
Animal Care[5]	163,161	161,690	27,196	26,483
	1,021,170	1,000,050	132,589	115,940

[1] Australian Consumer, Hospital, Pharmacy, Primary Healthcare sectors.

[2] New Zealand Consumer, Hospital, Primary Healthcare, Aged Care and International Product Supplies.

[3] New Zealand Pharmacy Wholesaler and Logistic Services.

[4] Australia - Terry White Group.

[5] New Zealand and Australia Animal Care.

For the year ended 30 June 2018, the directors have determined that there is no impairment of any of the cash-generating units containing goodwill, brands, trademarks and franchise network asset (2017: Nil).

KEY JUDGEMENT: IMPAIRMENT ASSESSMENT ASSUMPTION

The recoverable amounts of cash-generating units is determined on the basis of value in use calculations. The recoverable amount calculations are most sensitive to changes in the following assumptions:

Revenue	Estimated by management based on revenue achieved in the period immediately before the start of the assessment period and adjusted each year for any anticipated growth.
Operating costs	Estimated by management based on current trends at the start of the assessment period and adjusted for expected changes in the business or sector in which the business operates.
Discount rates	Estimated by management based on a current market assessment of the time value of money, cost of capital and risks specific to the asset to which the cash flows generated by that asset are being assessed.

B1. GOODWILL AND INTANGIBLES continued

KEY ESTIMATE: VALUE IN USE CALCULATION

The value in use calculation uses cash flow projections based on financial forecasts approved by the Board and management covering a five year period, including terminal value, and management's past experience.
The following estimates were used in the value in use calculation:

	2018 $'000	2017 $'000
Goodwill		
Annual revenue growth rates	3.5% - 7.1%	1.6% - 5.0%
Allowance for increases in expenses	3.0% - 6.7%	2.7% - 5.0%
Pre-tax discount rates	12.3% - 14.1%	12.3% - 14.3%
Terminal growth rate	2.5%	2.5%

KEY ESTIMATE: VALUE IN USE CALCULATION

The in use value of indefinite life intangibles has been calculated using the relief from royalty method.
The following estimates were used:

Indefinite life intangibles		
Annual revenue growth rates	3.8% - 7.0%	2.7% - 7.0%
Allowance for increases in expenses	3.0% - 7.0%	2.4% - 4.7%
Royalty rate	3.0% - 8.3%	3.0% - 8.3%
Pre-tax discount rates	13.2% - 17.9%	12.7% - 17.9%
Terminal growth rate	2.5%	2.5%

Management has carried out a sensitivity analysis and believe that any reasonably possible change in the key assumptions would not cause the book value of any of the cash-generating units, or groups of cash-generating units to exceed their recoverable amount.

B1. GOODWILL AND INTANGIBLES continued

(d) Finite life intangibles

	Other $'000	Customer relationships/ contracts $'000	Total $'000
Gross carrying amount	14,215	114,403	128,618
Accumulated amortisation and impairment	(6,971)	(41,563)	(48,534)
Balance at 30 June 2017	7,244	72,840	80,084
Gross carrying amount	16,942	116,666	133,608
Accumulated amortisation and impairment	(11,316)	(58,156)	(69,472)
Balance at 30 June 2018	5,626	58,510	64,136

Aggregate amortisation recognised as an expense during the year:

	2018 $'000	2017 $'000
Customer relationships and contracts	14,737	10,641
Other	2,347	1,577
	17,084	12,218

RECOGNITION AND MEASUREMENT

Finite life intangible assets are recorded at cost less accumulated amortisation. Amortisation is charged on a straight-line basis over their estimated useful life.

JUDGEMENT: USEFUL LIVES OF FINITE LIFE INTANGIBLE ASSETS

In determining the estimated useful life of finite life intangible assets (of a period of between 1 to 12 years) the following characteristics have been assessed: (i) expected expansion of the usage of the assets, (ii) the typical product life cycle of these assets, (iii) the stability of the industry in which the assets are operating, and (iv) the level of maintenance expenditure required. The estimated useful life and amortisation period is reviewed at the end of each annual reporting period.

B1. GOODWILL AND INTANGIBLES continued

(e) Goodwill and intangibles accounting policies

ACCOUNTING POLICIES

At each balance sheet date, EBOS 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, EBOS 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, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.Impairment losses cannot be reversed for goodwill.

B2. ACQUISITION INFORMATION

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

Name of business acquired	Principal activities	Date of acquisition
2018:		
100% of the business assets of Gran's Remedies Limited	Healthcare	March 2018
100% of the business assets of Ventura Health Pty Limited	Healthcare	April 2018
100% of the business assets of Beagle Pharmacy Group Pty Limited	Healthcare	June 2018
100% of the business assets of BFCMC Pty Limited	Healthcare	June 2018

B2. ACQUISITION INFORMATION continued

Combined details of acquisitions undertaken during the current year are as follows:

	Carrying value $'000	Fair value adjustment $'000	Fair value on acquisition $'000
Current assets			
Cash and cash equivalents	896	-	896
Trade and other receivables	1,888	(484) [2]	1,404
Prepayments	91	-	91
Inventories	1,468	(250) [3]	1,218
Non-current assets			
Property, plant and equipment	675	(144) [4]	531
Deferred tax assets	183	228 [5]	411
Indefinite life intangibles	2,898	1,352 [1]	4,250
Finite life intangibles	274	(274) [6]	-
Current liabilities			
Trade and other payables	(903)	(334) [7]	(1,237)
Current tax payable	(23)	-	(23)
Employee benefits	(346)	-	(346)
Non-current liabilities			
Deferred tax liabilities	-	(1,190) [5]	(1,190)
Employee benefits	(42)	-	(42)
Net assets acquired	**7,059**	**(1,096)**	**5,963**

B2. ACQUISITION INFORMATION continued

	Carrying value $'000	Fair value adjustment $'000	Fair value on acquisition $'000
Goodwill on acquisition			16,062
Total consideration			22,025
Less cash and cash equivalents acquired			(896)
Deferred purchase consideration			(813)
Net cash outflow from acquisition			**20,316**

JUDGEMENTS MADE:

1. To recognise the fair value of a brand as a result of a valuation performed at acquisition. The brand was valued using the relief from royalty method. Key assumptions used in the valuation of the brand were: royalty rate of (11.8%), annual revenue growth rate (5.0%), pre-tax discount rate (21.4%) and terminal growth rate of (2.5%).
2. To recognise the fair value of trade and other receivables on acquisition.
3. To recognise the fair value of inventory on acquisition.
4. To recognise the fair value of property, plant and equipment on acquisition.
5. To recognise additional deferred tax asset and liability balances on acquisition.
6. To recognise the fair value of finite life intangibles on acquisition.
7. To recognise the fair value of trade and other payables on acquisition.

RECOGNITION AND MEASUREMENT

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

The cost of 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 EBOS 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.

Goodwill arising on acquisition

Goodwill arose on the acquisition of business operations because the costs of acquisition included control premiums paid. In addition, goodwill resulted from the consideration paid for the benefit of future expected cash flows above the current fair value of the assets acquired and due to 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.

The businesses were acquired because they are profitable healthcare businesses which the Group believes fit strategically with its existing Australasian healthcare business assets.

B2. ACQUISITION INFORMATION continued

Impact of the acquisitions on the results of the Group

The acquired businesses contributed profit of $1.5m to the Group profit for the year. Group revenue for the year includes $6.0m in respect of the businesses acquired. Had the acquisitions been effective at 1 July 2017, the revenue of the Group from continuing operations would have been $7.630b and the profit for the period from continuing operations would have been $152.960m.

KEY JUDGEMENT: FAIR VALUE ADJUSTMENT

2017:
The Group acquired a 100% equity interest in Alchemy Holdings Pty Ltd in June 2017 for $162.8m. Due to the timing of the acquisition, the acquisition accounting fair value adjustments were identified as being on a provisional basis in the Group's 30 June 2017 financial statements.

During the current period, the acquisition accounting adjustments have been updated to reflect independent valuations performed on the net assets recognised as part of the acquisition. As a result, the following adjustments have been recognised in the current period: the recognition of a brand indefinite life intangible asset ($9.5m), a decrease in finite life intangible assets ($4.8m to $8.8m) and an increase in deferred tax liabilities ($1.5m to $5.8m). Consequently the goodwill recognised on the acquisition has decreased by $3.2m to $127.0m.

Prior year balances also include the acquisition of Terry White Group.

Impact on the Consolidated Cash Flow Statement of all acquisitions and fair value adjustments during the year:

	2018 $'000	2017 $'000
Subsidiaries acquired		
Consideration		
Cash and cash equivalents	23,712	188,767
Disposal of associate	-	3,710
Non-controlling interest	-	20,936
Deferred purchase consideration	(1,687)	(9,769)
Total consideration	22,025	203,644
Represented by		
Net assets acquired	9,205	32,537
Goodwill on acquisition	12,820	171,107
Total consideration	22,025	203,644
Net cash outflow on acquisition		
Cash and cash equivalents consideration	23,712	188,767
Less cash and cash equivalents acquired	(896)	(5,539)
Net cash consideration paid	22,816	183,228

Section C: Operating assets and liabilities used by EBOS

SECTION OVERVIEW

This section provides further analysis on the significant operating assets and liabilities of EBOS. These balances comprise the material net working capital balances used by EBOS to run its day to day operating activities.

C1. TRADE AND OTHER RECEIVABLES

	2018 $'000	2017 $'000
Trade receivables (i)	991,182	1,035,971
Other receivables	26,915	26,746
Allowance for impairment	(19,337)	(20,868)
	998,760	1,041,849

RECOGNITION AND MEASUREMENT

Trade and other receivables are measured on initial recognition at fair value, and are subsequently carried at amortised cost. Allowances are made for estimated unrecoverable amounts (provision for doubtful debts), and these are recognised in the Consolidated Income Statement. The provision for doubtful debts is measured as the difference between the trade receivables carrying amount and expected present value of future cash flows, which has considered customer credit history and historical recovery performance and trends.

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

(ii) **Ageing of impaired trade and other receivables**

	2018 $'000	2017 $'000
Current	5,038	2,894
30 - 60 days	1,205	1,075
60 - 90 days	734	835
90 days+	13,572	15,169
	20,549	19,973

C1. TRADE AND OTHER RECEIVABLES continued

(iii) **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 $68.437m (2017: $71.610m) which are past due at the reporting date for which EBOS has not provided any impairment as the amounts are still considered recoverable.

	2018 $'000	2017 $'000
30 - 60 days	56,000	55,396
60 - 90 days	8,356	9,608
90 days+	4,081	6,606
	68,437	71,610

C2. INVENTORIES

	2018 $'000	2017 $'000
Raw materials – at cost	782	1,860
Finished goods – at cost	582,095	570,141
	582,877	572,001

RECOGNITION AND MEASUREMENT

Inventories consist of raw materials (for the manufacturing operations of EBOS) and finished goods. 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.

C3. TRADE AND OTHER PAYABLES

	2018 $'000	2017 $'000
Current		
Trade payables	1,174,453	1,229,981
Other payables	97,661	94,397
Deferred purchase consideration	2,510	3,379
	1,274,624	1,327,757
Non-current		
Other payables	14,607	13,837
	14,607	13,837

RECOGNITION AND MEASUREMENT

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Section D: Capital assets used by EBOS to operate our business

SECTION OVERVIEW

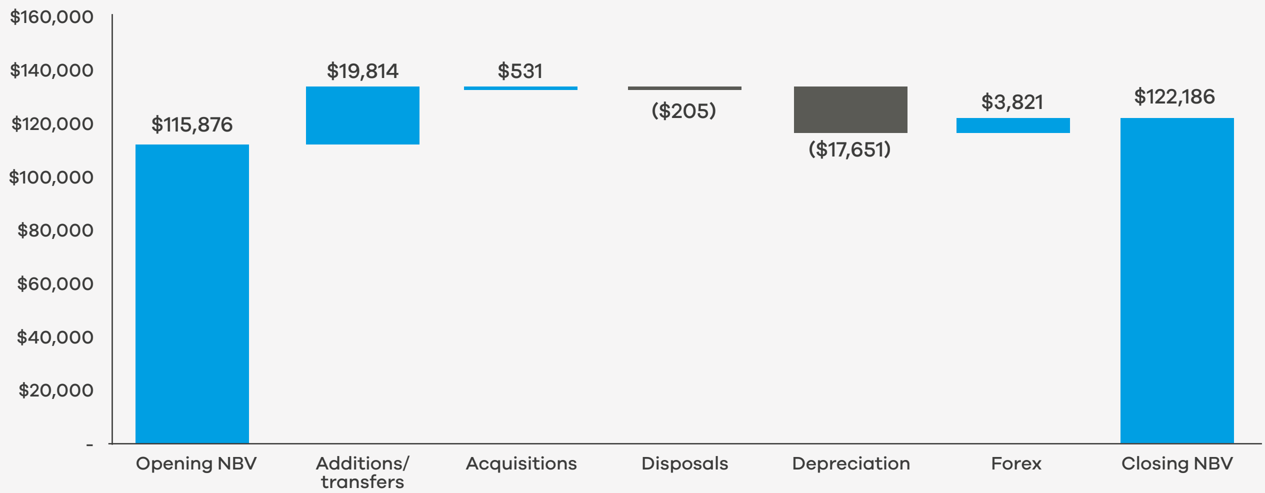
This section explains what capital assets, such as property, plant and equipment that EBOS uses to operate its business activities. This section also describes the material movements in capital assets during the year.

D1. PROPERTY, PLANT AND EQUIPMENT

	Freehold land $'000	Buildings $'000	Leasehold improvements $'000	Plant and equipment $'000	Office equipment, furniture and fittings $'000	Total $'000
Cost	34,834	17,481	20,620	61,942	24,804	159,681
Accumulated depreciation	-	(5,468)	(5,953)	(19,454)	(12,930)	(43,805)
Balance at 30 June 2017	34,834	12,013	14,667	42,488	11,874	115,876
Cost	36,010	18,514	23,055	68,063	23,928	169,570
Accumulated depreciation	-	(6,025)	(7,992)	(25,334)	(8,033)	(47,384)
Balance at 30 June 2018	36,010	12,489	15,063	42,729	15,895	122,186

D1. PROPERTY, PLANT AND EQUIPMENT continued

Reconciliation of the carrying amount from the beginning to the end of the year ($'000)



RECOGNITION AND MEASUREMENT

Property, plant and equipment is initially recorded at cost. Cost includes the original purchase consideration and those costs directly attributable to bringing 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.

Depreciation of property, plant and equipment assets, other than freehold land, is calculated on a straight-line basis. This allocates the cost or fair value amount of an asset, less any residual value, over its estimated useful life.

JUDGEMENTS AND ESTIMATES – USEFUL LIVES

EBOS estimates the remaining useful life of assets as follows:

- Buildings: 20 to 50 years
- Leasehold improvements: 2 to 15 years
- Plant and equipment: 2 to 20 years
- Office equipment, furniture and fittings: 2 to 10 years

The residual value and useful lives are reviewed and if appropriate adjusted at each reporting date.

D2. CAPITAL WORK IN PROGRESS

	2018 $'000	2017 $'000
Capital work in progress	63,540	22,923
	63,540	22,923

Capital work in progress relates to buildings under construction. The additional cost to complete the projects is estimated at $13.055m (2017: $42.891m).

Section E: How we fund the business

SECTION OVERVIEW

This section explains how EBOS funds its operations and shows the sources of other available facilities that it may call upon if required to fund its operational or future investing activities.

Capital management

EBOS manages its capital, meaning total shareholders' funds and debt facilities, to provide appropriate returns to shareholders whilst maintaining a capital structure that safeguards its ability to remain a going concern and optimises the cost of capital.

E1. SHARE CAPITAL

	Notes	2018 No. 000's	2018 Total $'000	2017 No. 000's	2017 Total $'000
Fully paid ordinary shares					
Balance at beginning of financial year		151,914	888,513	151,314	888,513
Shares issued under the long-term executive incentive scheme	H4				
- September 2017		625	-	-	-
- September 2016		-	-	600	-
		152,539	888,513	151,914	888,513

	2018 No. 000's	2017 No. 000's
Treasury stock		
Opening stock	600	-
Shares scheme - shares issued	625	600
	1,225	600

RECOGNITION AND MEASUREMENT

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

E2. DIVIDENDS

	2018		2017	
	Cents per share	Total $'000	Cents per share	Total $'000
Recognised amounts				
Fully paid ordinary shares:				
Final - prior year	33.0	50,338	32.5	49,371
Interim - current year	33.0	50,338	30.0	45,574
Dividends per share	66.0	100,676	62.5	94,945
Unrecognised amounts				
Final dividend	35.5	54,151	33.0	50,132

SUBSEQUENT EVENT

A dividend of 35.5 cents per share was declared on 22 August 2018 with the dividend being payable on 12 October 2018. The anticipated cash impact of the dividend is approximately $54.2m (2017: $50.1m).

E3. BORROWINGS

	2018 $'000	2017 $'000
Current		
Bank loans - securitisation facility (i)	160,293	154,962
Bank loans (ii)	-	895
	160,293	155,857
Non-current		
Bank loans (ii)	473,988	440,847

(i) EBOS, through a subsidiary company, has a trade debtor securitisation facility of $435.7m (2017: $447.0m) of which $275.4m was unutilised at 30 June 2018 (2017: $292.0m). The securitisation facility involves providing security over the future cash flows of specific trade receivables, 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 EBOS, the trade receivables provided as security and the funding provided are recognised on the EBOS Consolidated Balance Sheet.

At 30 June 2018, the value of trade receivables provided as security under this securitisation facility was $207.4m (2017: $198.9m). The net cash flows associated with the securitisation programme are disclosed in the Consolidated Cash Flow Statement as cash flows from financing activities.

E3. BORROWINGS continued

(ii) EBOS has bank term loans and working capital facilities of $606.5m (2017: $450.4m), of which $132.5m was unutilised at 30 June 2018 (2017: $8.7m).

EBOS is in full compliance with its debt facility financial covenants. Bank loans are secured over the assets of EBOS.

RECOGNITION AND MEASUREMENT

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

Bank loans are classified as current liabilities unless EBOS has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

E4. BORROWINGS FACILITY MATURITY PROFILE

As at 30 June 2018 EBOS had unrestricted access to the following lines of available credit:

Facility	Amount (NZD) $ millions	Maturity
Term debt facilities	$132.9m	2-3 years
Term debt facilities	$54.5m	3-4 years
Term debt facilities	$319.1m	4-5 years
Working capital facilities	$100.0m	1-2 years
Securitisation facility	$435.7m	2-3 years

The following table shows the remaining contractual maturity for EBOS' borrowings at balance date. The table includes both interest and principal (undiscounted) cash flows, with total bank loans of $707.5m (2017: $604.0m):

	Less than 1 year $'000	1-2 years $'000	2-3 years $'000	3-4 years $'000	4-5 years $'000	Total $'000
Bank loans						
2018	22,775	22,492	277,864	64,434	320,657	708,222
2017	18,182	402,310	98,611	34,358	50,515	603,976

E4. BORROWINGS FACILITY MATURITY PROFILE continued

Financing activities

	2018 $'000	2017 $'000
Bank overdraft facility, reviewed annually and payable at call:		
Amount unused	1,468	4,290
	1,468	4,290
Bank loan facilities with various maturity dates through to May 2023 (2017: July 2021)		
Amount used	634,281	596,704
Amount unused	407,964	300,704
	1,042,245	897,408

E5. OPERATING CASH FLOWS

Reconciliation of profit for the year with cash from operating activities:

For the financial year ended 30 June 2018	2018 $'000	2017 $'000
Profit for the year	151,720	132,846
Add/(less) non-cash items:		
Depreciation	17,651	13,616
Loss on sale of property, plant and equipment	16	497
Amortisation of finite life intangible assets	17,084	12,218
Share of profit from associates	(4,501)	(4,062)
Expense recognised in respect of share based payments	840	490
Deferred tax	989	(2,462)
	32,079	20,297

E5. OPERATING CASH FLOWS continued

For the financial year ended 30 June 2018	2018 $'000	2017 $'000
Movement in working capital:		
Trade and other receivables	43,089	278,538
Prepayments	(2,011)	626
Inventories	(10,876)	6,512
Current tax refundable/payable	(1,654)	(4,079)
Trade and other payables	(52,363)	(282,943)
Employee benefits	4,121	6,436
Foreign currency translation of working capital balances	9,200	608
	(10,494)	5,698
Balances classified as investing activities	1,801	(2,466)
Working capital items acquired	1,065	(12,432)
Net cash inflow from operating activities	176,171	143,943

Reconciliation of movement in debt facilities:

	1 July 2017 $'000	Net drawings $'000	Foreign currency movement $'000	30 June 2018 $'000
Bank loans	596,704	16,483	21,094	634,281
Finance leases	175	(75)	7	107

ACCOUNTING POLICIES

Cash and cash equivalents comprise cash on hand and deposits readily convertible to cash and which are not subject to a significant risk of change in value.

The Consolidated Cash Flow Statement is prepared exclusive of Goods and Services Tax (GST), which is consistent with the method used in the Consolidated Income Statement.

- Operating activities include all transactions and other events that are not investing or financing activities.
- Investing activities are those activities relating to the acquisition and disposal of current and non-current investments and any other non-current assets.
- Financing activities are those activities relating to changes in the equity and debt capital structure of the Group and those activities relating to the cost of servicing EBOS' equity capital.

Section F: EBOS Group structure

SECTION OVERVIEW

This section provides information to assist in understanding the EBOS Group legal structure and how it affects the financial position and performance of the Group. Details of businesses acquired are presented in **Section B.**

F1. SUBSIDIARIES

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

Parent and head entity: EBOS Group Limited

		Ownership Interests and Voting Rights	
Subsidiaries (all balance dates 30 June unless otherwise noted)	Country of Incorporation	2018	2017
Pet Care Holdings Australia Pty Limited *(formerly EBOS Healthcare [Australia] Pty Limited)*	Australia	100%	100%
EBOS Group Australia Pty Limited	Australia	100%	100%
EBOS Health & Science Pty Limited	Australia	100%	100%
PRNZ Limited	New Zealand	100%	100%
Pharmacy Retailing NZ Limited	New Zealand	100%	100%
Pet Care Distributors Pty Limited	Australia	100%	100%
Masterpet Corporation Limited	New Zealand	100%	100%
Masterpet Australia Pty Limited	Australia	100%	100%
Botany Bay Imports and Exports Pty Limited	Australia	100%	100%
Aristopet Pty Ltd	Australia	100%	100%
EAHPL Pty Limited	Australia	100%	100%
ZHHA Pty Ltd	Australia	100%	100%
ZAP Services Pty Ltd	Australia	100%	100%
Symbion Pty Ltd	Australia	100%	100%
Intellipharm Pty Ltd	Australia	100%	100%
Clinect Pty Ltd	Australia	100%	100%
Lyppard Australia Pty Ltd	Australia	100%	100%
DoseAid Pty Limited	Australia	100%	100%
Symbion Trade Receivables Trust *(formerly Symbion Pharmacy Services Trade Receivables Trust)*[1]	Australia	100%	100%
Blackhawk Premium Pet Care Pty Limited	Australia	100%	100%
Endeavour Consumer Health Limited	New Zealand	100%	100%

F1. SUBSIDIARIES continued

Nexus Australasia Pty Limited	Australia	100%	100%
EBOS PH Pty Limited	Australia	100%	100%
Terry White Group Limited	Australia	50%	50%
Chemmart Holdings Pty Ltd	Australia	50%	50%
TW&CM Pty Ltd	Australia	50%	50%
TWC IP Pty Ltd	Australia	50%	50%
PBA Wholesale Pty Ltd	Australia	50%	50%
VIM Health Pty Ltd	Australia	50%	50%
Old LL Pty Ltd	Australia	50%	50%
PBA Finance Pty Ltd	Australia	50%	50%
Chem Plus Pty Ltd	Australia	50%	50%
Pharmacy Brands Australia Pty Ltd	Australia	50%	50%
VIM Health IP Pty Ltd	Australia	50%	50%
Tony Ferguson Weight Management Pty Ltd	Australia	50%	50%
Lite Living Pty Ltd	Australia	50%	50%
Alchemy Holdings Pty Limited	Australia	100%	100%
Alchemy Sub-Holdings Pty Ltd	Australia	100%	100%
HPS Holdings Group (Aust) Pty Ltd	Australia	100%	100%
HPS Hospitals Pty Ltd	Australia	100%	100%
HPS Corrections Pty Ltd	Australia	100%	100%
HPS Services Pty Ltd	Australia	100%	100%
Hospharm Pty Ltd	Australia	100%	100%
HPS IVF Pty Ltd	Australia	100%	100%
HPS Finance Pty Ltd	Australia	100%	100%
HPS Brands Pty Ltd	Australia	100%	100%
Natures Synergy Pty Ltd	Australia	100%	100%
Ventura Health Pty Limited	Australia	100%	-
You Save Management Pty Limited	Australia	100%	-
Mega Save Management Pty Limited	Australia	100%	-
Cincotta Holding Company Pty Limited	Australia	100%	-
CC Pharmacy Investments Pty Limited	Australia	100%	-
CC Pharmacy Promotions Pty Limited	Australia	100%	-
CC Pharmacy Management Pty Limited	Australia	100%	-

[1] The balance date of all subsidiaries is 30 June aside from the Symbion Trade Receivables Trust which has a balance date of 31 December. The results of the Symbion Trade Receivables Trust ('the Trust') have been included in the Group results for the year to 30 June 2018. The Trust is consolidated as EBOS 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.

F2. INVESTMENT IN ASSOCIATES

Name of associate company	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
Good Price Pharmacy Franchising Pty Limited	Healthcare supplies	October 2014	25.77%	3,918
Good Price Pharmacy Management Pty Limited	Healthcare supplies	October 2014	25.77%	3,918

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

The reporting date for Good Price Pharmacy Franchising Pty Limited and Good Price Pharmacy Management Pty Limited is 30 June. They are incorporated in Australia.

Although the company holds 50% of the shares and voting power in Animates NZ Holdings Limited this entity is not deemed to be a subsidiary as the other 50% is held by a single shareholder, therefore EBOS is unable to exercise control over this entity.

F2. INVESTMENT IN ASSOCIATES continued

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

	2018 $'000	2017 $'000
Statement of Financial Position		
Total assets	74,140	72,344
Total liabilities	(37,976)	(43,051)
Net assets	36,164	29,293
Group's share of net assets	17,162	13,741
Income Statement		
Total revenue	130,879	119,032
Total profit for the year	10,784	9,880
Group's share of profits of associates	4,501	4,062
Movement in the carrying amount of the Group's investment in associates:		
Balance at the beginning of the financial year	36,455	36,778
Disposals	-	(3,710)
Share of profits of associates	4,501	4,062
Share of dividends	(932)	(913)
Net foreign currency exchange differences	291	238
Balance at the end of the financial year	40,315	36,455
Goodwill included in the carrying amount of the Group's investment in associates	21,593	21,398
The Group's share of the contingent liabilities of associates	-	-
The Group's share of capital commitments of associates	-	-

F2. INVESTMENT IN ASSOCIATES continued

RECOGNITION AND MEASUREMENT

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

Investments in associates are incorporated in the EBOS Group financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the Consolidated Balance Sheet at cost and adjusted for post-acquisition changes in EBOS' share of the net assets of the associate, less any impairment in the value of individual investments and less any dividends. Losses of an associate in excess of EBOS' interest in that associate are recognised only to the extent that EBOS has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over EBOS' 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.

Section G: How we manage risk

SECTION OVERVIEW

This section describes the financial risks that EBOS has identified and how it manages these risks, to protect its financial position and financial performance. Management of these risks includes the use of financial instruments to hedge against unfavourable interest rate and foreign currency movements.

G1. FINANCIAL RISK MANAGEMENT

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

EBOS does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by Group 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 by the Board of Directors on a regular basis.

FOREIGN CURRENCY RISK

EBOS is exposed to foreign currency risk arising primarily from the procurement of goods denominated in foreign currencies (US dollar, Australian dollar, Thai baht, Euro and British pound).

Foreign exchange rate exposures are managed utilising forward foreign exchange contracts.

EBOS enters into forward foreign exchange contracts to manage the risk associated with anticipated future purchase transactions denominated in foreign currencies in accordance with the Board approved treasury policy.

INTEREST RATE RISK

EBOS is exposed to interest rate risk as it borrows funds in both New Zealand dollars and Australian dollars at floating interest rates.

G1. FINANCIAL RISK MANAGEMENT continued

The risk is assessed and managed by the use of interest rate swap contracts.

Under interest rate swap contracts, EBOS agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable EBOS to mitigate the risk of changing interest rates on debt held.

Interest rate swap contracts are only entered into in accordance with the Group's Board approved treasury policy.

LIQUIDITY RISK

EBOS is exposed to liquidity risk as it must invest in significant levels of working capital such as inventory and accounts receivable which can impact liquidity unless they are converted to cash.

EBOS manages liquidity risk by maintaining adequate reserves, banking facilities and reserve banking facilities by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities. Refer to note E4 for information on EBOS' borrowings facility maturity profile.

CREDIT RISK

EBOS is exposed to the risk of default in relation to receivables owing from its Healthcare and Animal Care customers, hedging instruments and guarantees and deposits held with banks and other financial institutions.

EBOS has adopted a policy of only dealing with credit worthy counter parties 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 maximum exposure to EBOS of any credit risk.

EBOS does not have any significant credit risk exposure to any single counter party. 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.

EBOS has not changed its overall strategy regarding the management of risk from 2017.

G2. FINANCIAL INSTRUMENTS

Derivatives	2018 $'000	2017 $'000
Other financial assets – derivatives (at fair value)		
Forward foreign exchange contracts (i)	1,404	19
Interest rate swaps (i)	19	-
	1,423	19
Other financial liabilities – derivatives (at fair value)		
Forward foreign exchange contracts (i)	-	428
Interest rate swaps (i)	2,157	2,567
	2,157	2,995

(i) Designated and effective as a cash flow hedging instrument carried at fair value.

G2. FINANCIAL INSTRUMENTS continued

EBOS has categorised these derivatives, both financial assets and financial liabilities, 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.

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

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

Outstanding forward foreign currency contracts: nominal value

	2018 $'000	2017 $'000
Buy Australian dollars	8,625	5,566
Buy Euro	8,902	3,694
Buy British pounds	3,300	3,584
Buy Thai bhat	5,236	5,283
Buy USD	28,640	24,766
	54,703	42,893

Outstanding interest rate swap contracts: nominal value

	2018 $'000	2017 $'000
Less than 1 year	81,806	53,122
1 to 3 years	83,020	107,140
3 to 5 years	173,845	127,433
Greater than 5 years	-	57,846
	338,671	345,541

G2. FINANCIAL INSTRUMENTS continued

RECOGNITION AND MEASUREMENT

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. EBOS designates these derivatives as cash flow hedges of highly probable forecast transactions.

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

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments.

CASH FLOW HEDGES

Changes in fair value of hedges that are designated and qualify as cash flow hedges and are considered effective for accounting purposes are recognised in the cash flow hedge reserve (in equity) and in other comprehensive income. The gain or loss relating to any ineffective element is recognised immediately in the income statement. Amounts accumulated in other comprehensive income are recycled in the income statement in the periods when the forecast transactions (hedged item) take place.

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 EBOS either revokes the hedging relationship or the hedging instrument expires or is terminated, exercised or no longer qualifies for hedge accounting. Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is 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.

Section H: Other disclosures

SECTION OVERVIEW

This section includes the remaining information relating to EBOS that is required to be presented so as to comply with its financial reporting requirements.

H1. CONTINGENT LIABILITIES

	2018 $'000	2017 $'000
Contingent liabilities		
Guarantees given to third parties	16,222	9,640
	16,222	9,640

Guarantees principally comprise property lease guarantees on behalf of landlords of EBOS.

H2. COMMITMENTS FOR EXPENDITURE

	2018 $'000	2017 $'000
Capital expenditure commitments:		
Plant	10,078	27,697
Software development	1,466	628
	11,544	28,325
Operating expenditure commitments:		
Non-cancellable operating lease payments:		
Less than one year	35,831	32,024
More than one year and less than five years	106,264	81,043
More than five years	63,958	42,295
	206,053	155,362

Lease arrangements

Operating leases relate to certain land, buildings, plant and equipment, with lease terms of between one to twelve years with options to extend for a further one to nineteen years. Operating lease contracts contain market review clauses in the event that EBOS exercises its option to renew. EBOS does not have an option to purchase the leased asset at the expiry of the lease period.

H3. SUBSEQUENT EVENTS

SUBSEQUENT EVENT

Subsequent to year end the Board has approved a final dividend to shareholders. For further details please refer to note E2.

H4. RELATED PARTY DISCLOSURES

Key management personnel compensation

	2018 $'000	2017 $'000
Short-term employee benefits	12,292	10,564
	12,292	10,564

EBOS operates a long term incentive share plan whereby EBOS provides an interest free, non-recourse loan to participating senior executives in order for those executives to purchase shares in the company. While the shares are issued and held in the executive's name the shares will not vest unless and until performance conditions are met. The executive cannot deal in the shares unless and until those shares vest. All net dividends received in respect of the shares must be applied to the repayment of the interest free loan.

A total of 625,000 (2017: 600,000) shares were issued during the year with an issue price of $17.35 (2017: $18.15). The performance conditions in relation to these shares will be tested after the end of the performance period, being 1 July 2017 to 30 June 2020 (FY17 tranche: 1 July 2016 to 30 June 2019).

H5. REMUNERATION OF AUDITORS

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

	2018 $'000	2017 $'000
Auditor of the Group (Deloitte)		
Audit of the financial statements	606	683
Audit related services for review of interim financial statements	177	164
Due diligence	-	25
Information technology services	-	162
Advisory services	78	9
	861	1,043
Other Auditors (Ernst & Young)		
Audit of subsidary financial statements	203	147
Audit related services for review of interim financial statements	54	37
Advisory services	-	47
	257	231

H6. CHANGES IN FINANCIAL REPORTING STANDARDS

No new accounting standards or interpretations have been adopted during the year which have had a material impact on these financial statements. The following new standards have been approved but are not yet effective which may have a future impact on the Group financial statements:

NZ IFRS 16 *Leases*

NZ IFRS 16 will supersede the current lease guidance including NZ IAS 17 Leases and the related interpretations when it becomes effective for EBOS in the 2020 financial year.

NZ IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and are replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e., all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Furthermore, the classification of cash flows will also be affected as operating lease payments under NZ IAS 17 are presented as operating cash flows; whereas under the NZ IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively. As a result reported EBITDA will be higher upon the adoption of IFRS 16.

The new requirement to recognise a right-of use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements and the directors are currently assessing its potential impact. The Group has begun to assess the impact of the new standard and prepare for its implementation from 1 July 2019, however it is not considered practicable to provide a reasonable estimate of the financial effect at this time until the directors complete their review.

NZ IFRS 9 *Financial instruments*

NZ IFRS 9 establishes the principles for hedge accounting, measurement, classifications and impairment of financial assets. Under NZ IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective testing assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced. In relation to the impairment of financial assets NZ IFRS 9 requires an expected credit loss model to be applied, as opposed to an incurred credit loss model under NZ IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in counter party risk. This standard will be effective for EBOS in the 2019 financial year. The Group has reviewed NZ IFRS 9 and has concluded that applying the standard is not expected to have a material impact on the Group's financial statements.

NZ IFRS 15 *Revenue from Contracts*

NZ IFRS 15 provides a single, comprehensive principles-based five-step model to be applied to all contracts with customers. This standard will be effective for EBOS in the 2019 financial year. The five steps in the model are: identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contract; and, recognise revenue when (or as) the entity satisfies a performance obligation. The Group has reviewed NZ IFRS 15 and has concluded that applying the standard will have an immaterial impact on profit and will not materially impact revenue recognised in the Group's financial statements.

Additional stock exchange information

As at 16 July 2018

Twenty largest shareholders	Fully paid shares	Percentage of paid capital
Sybos Holdings Pte Limited	60,525,721	39.68%
HSBC Nominees (New Zealand) Limited – NZCSD HKBN90	9,396,808	6.16%
JP Morgan Chase Bank NA NZ Branch-Segregated Clients Acct – NZCSD CHAM24	8,088,531	5.30%
Citibank Nominees (New Zealand) Limited – NZCSD CNOM90	5,120,961	3.36%
Forsyth Barr Custodians Limited 1-CUSTODY	4,239,568	2.78%
Whyte Adder No 3 Limited	3,596,425	2.36%
FNZ Custodians Limited	3,173,934	2.08%
HSBC Nominees (New Zealand) Limited A/C State Street – NZCSD HKBN45	3,087,292	2.02%
Accident Compensation Corporation – NZCSD ACCI40	2,509,909	1.65%
Custodial Services Limited A/C 3	2,119,985	1.39%
JP Morgan Nominees Australia Limited	1,800,779	1.18%
Custodial Services Limited A/C 4	1,482,048	0.97%
Citicorp Nominees Pty Limited	1,473,979	0.97%
BNP Paribas Nominees (NZ) Limited – NZCSD COGN40	1,413,241	0.93%
National Nominees New Zealand Limited – NZCSD NNLZ90	1,238,267	0.81%
HSBC Nominees A/C New Zealand Superannuation Fund Nominees-NZCSD SUPR40	1,125,314	0.74%
Custodial Services Limited A/C 2	998,685	0.65%
HSBC Custody Nominees (Australia) Limited	919,798	0.60%
BNP Paribas Nominees Pty Ltd Agency Lending DRP A/C	903,905	0.59%
Custodial Services Limited A/C 18	838,481	0.55%
	114,053,631	74.77%

Substantial Product Holders

The following information is provided in compliance with section 293 of the Financial Markets Conduct Act 2013 and is stated as at 30 June 2018. The total number of ordinary shares in EBOS as at that date was 152,539,304.

	Fully paid shares	Percentage of paid capital
Sybos Holdings Pte Limited	60,525,721	39.68%
FMR LLC	15,457,115	10.13%
	75,982,836	49.81%

Additional stock exchange information continued

Distribution of Shareholders and Shareholdings	Holders	Fully paid shares	Percentage of paid capital
Size of Holding			
1 to 1,000	2,674	1,281,358	0.84%
1,001 to 5,000	2,895	7,082,392	4.64%
5,001 to 10,000	762	5,420,912	3.55%
10,001 to 100,000	572	12,747,403	8.36%
100,001 and over	56	126,007,239	82.61%
Total	6,959	152,539,304	100.00%

Unmarketable Parcels as at 16 July 2018

As at 16 July 2018, there were 111 shareholders (with a total of 1,366 shares) holding less than a marketable parcel of shares, based on the closing price of the Company's shares on the ASX of A$18.90. The ASX Listing Rules define a marketable parcel of shares as a parcel of shares of not less than A$500.

Waivers from the NZX and ASX Listing Rules

Waivers granted from the application of NZX and ASX Listing Rules are published on the Company's website.

The terms of the Company's admission to the ASX and on-going listing requires the following disclosures:

1. The Company is not subject to Chapters 6, 6A, 6B and 6C of the Australian Corporations Act dealing with the acquisition of shares (including substantial holdings and takeovers).
2. Limitations on the acquisition of securities imposed under New Zealand law are as follows:
   (a) In general, securities in the Company are freely transferable and the only significant restrictions or limitations in relation to the acquisition of securities are those imposed by New Zealand laws relating to takeovers, overseas investment and competition.

   (b) The New Zealand Takeovers Code creates a general rule under which the acquisition of 20% or more of the voting rights in the Company or the increase of an existing holding of 20% or more of the voting rights of the Company can only occur in certain permitted ways. These include a full takeover offer in accordance with the Takeovers Code, a partial takeover in accordance with the Takeovers Code, an acquisition approved by an ordinary resolution, an allotment approved by an ordinary resolution, a creeping acquisition (in certain circumstances), or compulsory acquisition of a shareholder holding 90% or more of the shares.

   (c) The New Zealand Overseas Investment Act 2005 and Overseas Investment Regulations 2005 (New Zealand) regulate certain investments in New Zealand by overseas interests. In general terms, the consent of the New Zealand Overseas Investment Office is likely to be required where an 'overseas person' acquires shares in the Company that amount to 25% or more of the shares issued by the Company, or if the overseas person already holds 25% or more, the acquisition increases that holding.

   (d) The New Zealand Commerce Act 1986 is likely to prevent a person from acquiring shares in the Company if the acquisition would have, or would be likely to have, the effect of substantially lessening competition in the market.

Voting Rights

Shareholders may vote at a meeting of shareholders either in person or by proxy, attorney, or representative. Where voting is by show of hands or by voice every shareholder present in person or representative has one vote.

In a poll every shareholder present in person or by proxy, attorney or representative has one vote for each share.

corporate governance

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

The Group's Corporate Governance Statement can be found at: https://ebosgroup.gcs-web.com/corporate-governance. The Corporate Governance Statement refers to a number of codes, policies and charters of the Group. These documents (or a summary of them) can also be found at https://ebosgroup.gcs-web.com/corporate-governance.

For the purposes of compliance with the New Zealand Companies Act, NZX Listing Rules and NZX Corporate Governance Code 2017, the following disclosures are included in the Annual Report.

DIVERSITY

The Board adopted a Diversity Policy in July 2017, which is set out as Appendix F of the Corporate Governance Code. Under the policy, the Board is responsible for setting measurable objectives for achieving diversity. Set out below is the Board's assessment of the objectives for the 2017/18 year:

Objective	Progress during 2017/18
Aim to increase the proportion of women on the Board as vacancies arise, having regard to the circumstances (including skill requirements) relating to the vacancies	No Board vacancies arose during the year ended 30 June 2018
Aim to increase the proportion of women in executive and senior management roles as vacancies arise, having regard to the circumstances (including skill requirements) relating to the vacancies	During the year ended 30 June 2018, the number of females that were Officers (being the CEO and his direct reports) increased. As at 30 June 2018, 25% of Officers were female (up from 9% in the previous financial year)
Continue to ensure that the remuneration of females in salaried roles is objectively reviewed against the remuneration of males in comparable roles in order to eliminate inequity based on gender (with such review taking into account relevant experience, qualifications and performance)	A detailed gender pay equity analysis was undertaken, comparing like-for-like roles held by males and females. The conclusion from that analysis was that any variances were based on tenure in the role or experience at the time of appointment.
Continue to promote family friendly and flexible work place practices including but not limited to parental leave, flexible return to work arrangements, flexible work arrangements and employee assistance programs	EBOS continued to promote these policies throughout the year. It is recognised that such policies contribute to retaining talent and reducing staff turnover

GENDER REPRESENTATION

The Company's gender representation as at 30 June 2018 was as follows:

Board	Female %	Female (no.)	Male %	Male (no.)
2016/17	40	2	60	3
2017/18	40	2	60	3

Officer	Female %	Female (no.)	Male %	Male (no.)
2016/17	9	1	91	9
2017/18	25	2	75	6

Officer means the CEO and his direct reports

Group	Female %	Male %
2016/17	57	43
2017/18	55	45

DIRECTOR INDEPENDENCE

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

Name	Status*	Appointment Date
Mark Waller	Independent	1987
Elizabeth Coutts	Independent	July 2003
Stuart McGregor	Non-independent	July 2013
Sarah Ottrey	Independent	September 2006
Peter Williams	Non-independent	July 2013

*Independent means that the director is considered to be an Independent Director as defined under the NZX Listing Rules.

CEO REMUNERATION

During the year ended 30 June 2018, the following persons held the office of Chief Executive Officer:

- Mr Patrick Davies – until 31 March 2018; and
- Mr John Cullity – from 1 April 2018.

The following disclosures set out the remuneration received by Mr Davies and Mr Cullity during the periods in which they held the office of Chief Executive Officer.

In the year ended 30 June 2018 and during the period in which he held the office of Chief Executive Officer:

- Mr Patrick Davies, received fixed remuneration, a short term incentive payment and was provided a loan as part of a long-term incentive;
- Mr John Cullity received fixed remuneration, as described below.[1]

The Group's policy in relation to the remuneration of the CEO (and other executives) is set out in its Remuneration Policy. A copy of this policy can be found in the Group's Corporate Governance Code which is published on its website: www.ebosgroup.com.

The remuneration described in this section relates to fixed remuneration and short term incentives paid during the year and long term incentive grants made during the year.

These amounts may differ from the amounts included in Note H4 to the Financial Report and the table of employee remuneration included on pages 85 and 86 which are reported according to accounting standards. The accounting values of remuneration reported in accordance with the accounting standards may not always reflect what the person was actually paid whilst he was CEO during the financial year, particularly due to the valuation of share based payments and accrual of short term incentives.

Fixed remuneration

In the financial year ended 30 June 2018 and during the periods in which they respectively held the office of Chief Executive Officer:

- Mr Davies received fixed remuneration of $1,981,110; and
- Mr Cullity received fixed remuneration of $313,194.

Short Term Incentive (STI) payment

An STI payment is a performance based payment and the targets in relation to the STI payment are set by the Board. The maximum amount that the Chief Executive Officer may be entitled to as an STI payment is a fixed dollar amount (in Australian dollars).

Mr Davies

In the financial year ended 30 June 2018, Mr Davies received an STI payment of $893,246. This payment was based on the financial performance of the Group for the prior year (that is, the year ended 30 June 2017) (2017 STI).

With regard to the 2017 STI, a target was set by reference to the Group's 2017 Profit Before Tax results (Target). The calculation of Mr Davies' 2017 STI was based on the following criteria:

- if the Group's Profit Before Tax (PBT) results were less than 80% of the Target, no STI was payable;
- if the Group's PBT results were between 80% of the Target and the Target, an STI between 35% and 75% of Mr Davies' maximum STI entitlement was payable;
- if the Group's PBT results met certain stretch targets above the Target, an STI between 75% to 100% of Mr Davies' maximum STI entitlement was payable.

Mr Davies received his maximum STI entitlement under the 2017 STI.

Mr Cullity

Mr Cullity did not receive an STI payment during the period in which he held the office of Chief Executive Officer.

2018 STI

In relation to the STI for the year ended 30 June 2018, a similar structure for the STI was adopted and it is anticipated that the payment of an STI amount to both Mr Davies and Mr Cullity will be made during the 2019 financial year.

[1] Mr Davies received his fixed remuneration and short term incentive payment in Australian dollars. Mr Cullity received his fixed remuneration in Australian dollars. For the purposes of this disclosure the following exchange rate has been used to convert these amounts to NZ dollars: 0.9180:1 (AUD/NZD).

Long Term Incentive (LTI) plan

EBOS operates a long term incentive share plan whereby EBOS provides an interest free, non-recourse loan to participating senior executives, including Messrs Davies and Cullity, in order for those executives to purchase shares in the company. While the shares are issued and held in the executive's name, the shares will not vest unless and until performance conditions are met. The executive cannot deal in the shares unless and until those shares vest. All dividends received in respect of the shares must be applied to the repayment of the loan.

In the financial year ended 30 June 2018, the Group provided to Mr Davies a loan of $3,644,865 as part of an LTI plan with a performance period from 1 July 2017 to 30 June 2020 (LTI 2017/20). A total of 210,000 shares were issued to Mr Davies on 22 September 2017 with an issue price of $17.3565 as part of LTI 2017/20.

Mr Cullity did not receive a long term incentive during the period in which he held the office of Chief Executive Officer.

The performance conditions for the LTI 2017/20 are:

- continuous employment with the Group during the performance period (although noting that the Board has retained discretion relating to this condition); and
- compound annual growth in the Company's earnings per share over the performance period must equal or exceed a specific percentage target.

The performance conditions in relation to these shares will be tested after the end of the performance period being 1 July 2017 to 30 June 2020.

directors' interests and disclosures

DISCLOSURE OF INTERESTS

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

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

S.J. McGregor: Chairman of Donaco International Ltd and director of Symbion Pty Ltd and other EBOS Group subsidiaries.

S.C. Ottrey: Director of Whitestone Cheese Ltd, Sarah Ottrey Marketing Ltd, Skyline Enterprises Limited and Mount Cook Alpine Salmon Limited.

M.B. Waller: Director of EBOS Group Ltd and subsidiaries.

P.J. Williams: Executive of The Zuellig Group and director of associated companies, a director of Pharma Industries Ltd, CB Norwood Pty Ltd, Cambert and Green Cross Health Limited.

INDEMNITY AND INSURANCE

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

USE OF INFORMATION

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

SHARE DEALINGS BY DIRECTORS

The directors have disclosed to the Board under section 148(2) of the Companies Act 1993 particulars of acquisitions or disposals of a relevant interest in the Company's shares.

Director	Ordinary Shares Purchased/(Sold)	Consideration Paid/(Received)	Date of Transaction
E M Coutts	1,704	$29,734.80	18 and 19 October 2017

DIRECTORS' SHAREHOLDINGS

Number of fully paid shares held as at		30 June 2018	30 June 2017
E M Coutts	- Indirect beneficial interest	30,000	28,296
S C Ottrey	- Directly held together with another	8,079	8,079
	- Indirect beneficial interest	3,050	3,050
M B Waller	- Directly held together with others	535,265	535,265
	- Direct non-beneficial interest/trustee of EBOS Staff Share Plan	71,592	71,592

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

	Board		Audit & Risk		Remuneration	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
E M Coutts	6	6	3	3	3	3
S C Ottrey	6	6			3	3
S J McGregor	6	6	3	3		
M B Waller	6	6	3	3	3	3
P J Williams	6	6				

DIRECTORS' REMUNERATION AND OTHER BENEFITS

Directors' remuneration and other benefits required to be disclosed pursuant to section 211(1) of the Companies Act 1993 for the year ended 30 June 2018 were as follows:

	30 June 2018	30 June 2017
E M Coutts	$161,750	$125,500
S J McGregor	$151,875	$110,833
S C Ottrey	$143,000	$110,250
M B Waller	$296,875	$235,000
P J Williams	$140,000	$110,000

DISCLOSURES RELATING TO SUBSIDIARIES

Subsidiary	Current Directors
ACN 618 208 969 Pty Ltd #	J Cullity
Alchemy Holdings Pty Ltd#	J Cullity
Alchemy Sub-Holdings Pty Ltd#	J Cullity
Aristopet Pty Ltd#	J Cullity S Duggan M Waller
Beaphar Pty Ltd#	J Cullity S Duggan M Waller
BFCMC Pty Ltd	A White
Premium Pet Care Pty Ltd#	J Cullity
Botany Bay Imports Exports Pty Ltd#	J Cullity S Duggan M Waller
CC Pharmacy Investments Pty Ltd	J Cullity
CC Pharmacy Management Pty Ltd	J Cullity
CC Pharmacy Promotions Pty Ltd	J Cullity
Chem Plus Pty Ltd#	R Higham J McKellar K Sclavos T White J Cullity D Lewis^
Chemmart Holdings Pty Ltd#	R Higham J McKellar K Sclavos T White J Cullity D Lewis^
Cincotta Holding Company Pty Ltd#	J Cullity
Clinect Pty Ltd#	J Cullity S McGregor M Waller
Clinect NZ Pty Limited#	J Cullity M Waller

Subsidiary	Current Directors
Collaboration Medical Clinics Pty Ltd#	R Higham J McKellar K Sclavos T White J Cullity D Lewis^
Developing People Pty Ltd#	R Higham J McKellar K Sclavos T White J Cullity D Lewis^
DoseAid Pty Ltd#	J Cullity S McGregor M Waller
EAHPL Pty Ltd#	J Cullity M Waller
EBOS Group Australia Pty Ltd#	J Cullity M Waller
EBOS Health & Science Pty Ltd#	J Cullity M Waller
EBOS PH Pty Ltd#	J Cullity
Endeavour Consumer Health Limited#	J Cullity M Waller
Hospharm Pty Ltd#	J Cullity
HPS Brands Pty Ltd#	J Cullity
HPS Corrections Pty Ltd#	J Cullity
HPS Finance Pty Ltd#	J Cullity
HPS Holdings Group (Aust) Pty Ltd#	J Cullity
HPS Hospitals Pty Ltd#	J Cullity
HPS IVF Pty Ltd#	J Cullity
HPS Services Pty Ltd#	J Cullity
Intellipharm Pty Ltd#	J Cullity S McGregor M Waller

Subsidiary	Current Directors
Lite Living Pty Ltd#	R Higham J McKellar K Sclavos T White J Cullity D Lewis^
Lyppard Australia Pty Ltd#	J Cullity S McGregor M Waller
Masterpet Australia Pty Limited#	J Cullity S Duggan M Waller
Masterpet Corporation Limited#*	J Cullity S Duggan M Waller
Masterpet Logistics Pty Ltd#	J Cullity S Duggan M Waller
Mega Save Management Pty Ltd	J Cullity
Nature's Synergy Pty Ltd#	J Cullity
Nexus Australasia Pty Limited#	J Cullity
PBA Finance No. 1 Pty Ltd#	R Higham J McKellar K Sclavos T White J Cullity D Lewis^
PBA Finance No. 2 Pty Ltd#	R Higham J McKellar K Sclavos T White J Cullity D Lewis^
PBA Wholesale Pty Ltd#	R Higham J McKellar K Sclavos T White J Cullity D Lewis^
Pet Care Distributors Pty Ltd#	J Cullity M Waller

Subsidiary	Current Directors
Pet Care Holdings Australia Pty Ltd#	J Cullity M Waller
Pets International Pty Ltd#	J Cullity S Duggan M Waller
Pharmacy Brands Australia Pty Ltd#	A White
Pharmacy Retailing (NZ) Limited#	J Cullity M Waller
PRNZ Limited#	J Cullity M Waller
Richard Thomson Pty Limited#	J Cullity M Waller
Symbion Pty Ltd#	J Cullity S McGregor M Waller
Terry White Group Limited#	R Higham J McKellar K Sclavos T White J Cullity D Lewis^
Tony Ferguson Weight Management Pty Ltd#	R Higham J McKellar K Sclavos T White J Cullity D Lewis^
TW&CM Pty Ltd#	R Higham J McKellar K Sclavos T White J Cullity D Lewis^
TWC IP Pty Ltd#	R Higham J McKellar K Sclavos T White J Cullity D Lewis^
Ventura Health Pty Ltd	J Cullity

Subsidiary	Current Directors
VIM Health Pty Ltd#	R Higham J McKellar K Sclavos T White J Cullity D Lewis^
VIM Health IP Pty Ltd#	R Higham J McKellar K Sclavos T White J Cullity D Lewis^
Vitapet Corporation Pty Limited#	J Cullity S Duggan M Waller
You Save Management Pty Ltd	J Cullity
ZAP Services Pty Ltd#	J Cullity S McGregor M Waller
ZHHA Pty Ltd#	J Cullity S McGregor M Waller

P Davies retired as a director of these entities during the year ended 30 June 2018. *Nature's Recipe Pet Foods (NZ) Limited amalgamated with Masterpet Corporation Limited on 31 May 2018. The directors of Nature's Recipe were M Waller and J Cullity. ^D Lewis is an alternate director for J Cullity.

No employee of the Group appointed as a director of the Company or its subsidiaries receives remuneration or other benefits in their role as a director. The remuneration and other benefits of such employees, received as employees, are included in the relevant bandings for remuneration disclosed under the employee remuneration range below.

EMPLOYEE REMUNERATION

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

Employee Remuneration (NZ$)	30 June 2018 Number of Employees
100,000 – 110,000	123
110,000 – 120,000	81
120,000 – 130,000	67
130,000 – 140,000	66
140,000 – 150,000	32
150,000 – 160,000	29
160,000 – 170,000	38
170,000 – 180,000	23
180,000 – 190,000	17
190,000 – 200,000	16
200,000 – 210,000	12
210,000 – 220,000	11
220,000 – 230,000	13
230,000 – 240,000	5
240,000 – 250,000	9
250,000 – 260,000	3
260,000 – 270,000	7
270,000 – 280,000	3
280,000 – 290,000	3
290,000 – 300,000	2
310,000 – 320,000	4
320,000 – 330,000	4
330,000 – 340,000	2
340,000 – 350,000	2
350,000 – 360,000	2
360,000 – 370,000	1
370,000 – 380,000	2
380,000 – 390,000	3
400,000 – 410,000	3
410,000 – 420,000	1
430,000 – 440,000	1
440,000 – 450,000	1
460,000 – 470,000	1

Employee Remuneration (NZ$)	30 June 2018 Number of Employees
490,000 – 500,000	1
530,000 – 540,000	1
560,000 – 570,000	1
570,000 – 580,000	1
660,000 – 670,000	1
680,000 – 690,000	1
730,000 – 740,000	1
810,000 – 820,000	1
840,000 – 850,000	1
870,000 – 880,000	1
990,000 – 1,000,000	1
1,130,000 – 1,140,000	1
1,150,000 – 1,160,000	1
1,570,000 – 1,580,000	1
3,160,000 – 3,170,000	1

AUDITOR

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

The directors are satisfied that the provision of non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Companies Act 1993. Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note [H5] of the financial statements.

M B Waller
Chairman of Directors

E M Coutts
Director

directory

REGISTERED OFFICES

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

Level 7, 737 Bourke Street
Docklands 3008
PO Box 7300
Melbourne 8004
Australia
Telephone +61 3 9918 5555
Email: ebos@ebosgroup.com

WEBSITE ADDRESS

www.ebosgroup.com

DIRECTORS

Mark Waller
Chairman

Elizabeth Coutts
Independent Director

Stuart McGregor

Sarah Ottrey
Independent Director

Peter Williams

SENIOR EXECUTIVES

John Cullity
Chief Executive Officer

Brett Barons
CEO Symbion

Andrea Bell
Chief Information Officer

Janelle Cain
General Counsel

Sean Duggan
CEO Animal Care and Consumer Brands

Tim Goldenberg
Chief Human Resources Officer

Shaun Hughes
Chief Financial Officer

David Lewis
EGM Strategy

AUDITOR

Deloitte Limited
Christchurch

SECURITIES EXCHANGE

EBOS Group Limited shares are quoted on the New Zealand Securities Exchange and the Australian Securities Exchange (NZX/ASX code: EBO).

SHARE REGISTER

Computershare Investor Services Ltd
Private Bag 92119
Auckland 1142
New Zealand
Telephone: +64 9 488 8777

Computershare Investor Services Pty Ltd
GPO Box 3329
Melbourne, Victoria 3001
Australia
Telephone: 1800 501 366

MANAGING YOUR SHAREHOLDING ONLINE:

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

www.computershare.com/investorcentre

General enquiries can be directed to:

- enquiry@computershare.co.nz
- Private Bag 92119, Auckland 1142, New Zealand or GPO Box 3329, Melbourne, Victoria 3001, Australia
- Telephone (NZ) +64 9 488 8777 or (Aust) 1800 501 366
- Facsimile (NZ) +64 9 488 8787 or (Aust) +61 3 9473 2500

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

NOTICE OF ANNUAL MEETING

The Annual Meeting of EBOS Group Limited will be held on Tuesday, 16 October 2018 at 2.00pm, at Addington Raceway & Events Centre, 75 Jack Hinton Drive, Addington, Christchurch, New Zealand.

www.ebosgroup.com

EBOS GROUP LIMITED