EBOS GROUP LIMITED

INTERIM REPORT
2011

EBOS
GROUP LIMITED

EBOS KEY REVENUE STREAMS

- Healthcare sales and marketing, where we drive demand for specific brands.
- Pharmaceutical and medical wholesaling.
- As a key service provider of pharmaceuticals and medical consumables to public and private hospitals.
- As a key service provider to multi-national healthcare manufacturers.

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SHAREHOLDER CALENDAR

Interim dividend payable	21 April 2011
Release of full year result	Late August 2011
Final dividend payable	Late October 2011
Annual General Meeting	20 October 2011

	Six months 31 Dec 10 $'000	Six months 31 Dec 09 $'000	Year ended 30 Jun 10 $'000
Revenue from continuing operations	694,200	668,013	1,317,481
EBITDA from continuing operations	20,729	18,902	40,392
Profit before income tax expense from continuing operations	16,371	14,283	31,055
Profit for the period from continuing operations	11,451	10,167	19,731
Profit attributable to members of the parent entity	19,797	11,722	23,437
Shareholders' interest	192,365	172,702	182,790
Earnings per share	38.6c	23.7c	47.0c
Earnings per share from continuing operations	22.3c	20.6c	39.6c
Interest cover from continuing operations	7.2	5.9	6.5
Net interest bearing debt to net interest bearing debt plus equity	-10.0%	14.6%	1.5%
Net asset backing per share	371c	346c	360c
Net tangible asset backing per share	104c	29c	49c

FIRST HALF HIGHLIGHTS

- Sale of our scientific business for approximately $46 million in cash resulting in a significant gain on sale.
- The payment of a special dividend (fully imputed) of 20 cents per share, in recognition of the gain on the scientific sale and strong balance sheet of the Group.
- Very good operational performance of our Healthcare businesses in a market place that remains highly competitive.
- Ongoing efficiency gains from investment in new technology and internal amalgamation of relevant parts of our business portfolios on both sides of the Tasman.
- Record sales and earnings by our Pacific Islands business was driven by major upgrade programmes for X-Ray and Ultrasound equipment.

CANTERBURY EARTHQUAKE

As a Christchurch based company we are acutely aware of the impact of the devastating earthquake on the city, its people and businesses. Our sympathy is extended to everyone at this sad and difficult time.

All Group staff based in Christchurch are safe.

As a key supplier of pharmaceuticals and medical supplies we can assure continuity of supply to the region. Local distribution capability is being supplemented by our major regional distribution centres. We have ample stockholding nationally to support Canterbury.

CONTINUATION OF STRONG RESULT FOR EBOS

The Directors of EBOS Group are pleased to report another excellent result for the half year to 31 December 2010.

EBITDA from continuing operations was up 9.7% to $20.7 million and net profit from continuing operations climbed 12.6% to $11.45m compared with the same period last year. Overall Group net profit after tax was $19.8m including a one off gain on the sale of the Company's scientific business.

OUTLOOK

The focus for the Group is now very much on growth opportunities.

We have two "greenfields" projects underway to drive generic growth. Major growth, however, will come from new acquisitions and, in this regard, the Board and senior executives have an evaluation programme underway on a broad range of opportunities.

DIVIDEND

Directors have declared a fully imputed interim dividend on 13.5 cents per share, payable on 21 April 2011. This is on top of the recent special dividend payment of 20 cents per share. The record date for the interim dividend is 8 April 2011.

The Bonus share distribution plan operated in recent years has been replaced with a dividend reinvestment plan. Shareholders opting into the plan will be allocated shares at a 2.5% discount.

Shareholders not opting into the plan will receive cash.

Rick Christie
Chairman

Mark Waller
Chief Executive & Managing Director

CONDENSED CONSOLIDATED INCOME STATEMENT

For the Six Months ended 31 December 2010 (unaudited)

	Notes	Six Months 31 Dec 10 $'000	Six Months 31 Dec 09 $'000	Year Ended 30 Jun 10 $'000
Continuing operations				
Revenue	2(a)	694,200	668,013	1,317,481
Profit before depreciation, amortisation, finance costs and income tax expense		20,729	18,902	40,392
Depreciation	2(b)	(1,650)	(1,445)	(3,151)
Amortisation of finite life intangibles	2(b)	(86)	(252)	(504)
Profit before finance costs and tax		18,993	17,205	36,737
Finance costs	2(b)	(2,622)	(2,922)	(5,682)
Profit before income tax expense	2(b)	16,371	14,283	31,055
Income tax expense		(4,920)	(4,116)	(11,324)
Profit for the period from continuing operations		11,451	10,167	19,731
Discontinued operations				
Profit for the period from discontinued activities	8	8,346	1,555	3,706
Profit for the period		19,797	11,722	23,437

Earnings per share			
From continuing and discontinued operations:			
Basic (cents per share)	38.6	23.7	47.0
Diluted (cents per share)	38.6	23.7	47.0
From continuing operations:			
Basic (cents per share)	22.3	20.6	39.6
Diluted (cents per share)	22.3	20.6	39.6

Calculated on a weighted average basis of the number of shares on issue.

EBOS GROUP LIMITED
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Six Months ended 31 December 2010 (unaudited)

	Six Months 31 Dec 10 $'000	Six Months 31 Dec 09 $'000	Year Ended 30 Jun 10 $'000
Profit for the period	19,797	11,722	23,437
Other comprehensive income			
Cashflow hedges gains	496	1,016	1,285
Related income tax	(148)	(305)	(386)
Gains/(losses) on translation of foreign operations	1,929	82	(470)
Total comprehensive income net of tax	22,074	12,515	23,866

EBOS GROUP LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Six Months ended 31 December 2010 (unaudited)

	Notes	Six Months 31 Dec 10 $'000	Six Months 31 Dec 09 $'000	Year Ended 30 Jun 10 $'000
Equity at start of period		182,790	162,039	162,039
Total comprehensive income net of tax for the period		22,074	12,515	23,866
Dividends paid to company shareholders	4	(12,499)	(1,852)	(3,254)
Shares issued	3	-	-	139
Equity at end of period		192,365	172,702	182,790

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2010 (unaudited)

	Notes	Six Months 31 Dec 10 $'000	Six Months 31 Dec 09 $'000	Year Ended 30 Jun 10 $'000
Current assets				
Cash and cash equivalents		76,549	40,996	56,484
Trade and other receivables		155,374	150,566	148,178
Prepayments		2,024	1,601	2,581
Inventories		126,124	143,532	128,484
Current tax refundable		1,186	1,483	458
Other financial assets – derivatives		-	-	105
Deferred sale proceeds	9	1,174	-	-
Finance leases		-	102	102
Total current assets		362,431	338,280	336,392
Non-current assets				
Property, plant and equipment		17,441	18,656	17,570
Capital work in progress		-	30	245
Finance leases		-	29	-
Prepayments		1,013	691	1,179
Deferred tax assets		5,174	4,684	5,297
Goodwill		114,335	133,931	133,741
Indefinite life intangibles		23,818	23,732	23,714
Finite life intangibles		117	457	205
Total non-current assets		161,898	182,210	181,951
Total assets		524,329	520,490	518,343

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

As at 31 December 2010 (unaudited)

	Notes	Six Months 31 Dec 10 $'000	Six Months 31 Dec 09 $'000	Year Ended 30 Jun 10 $'000
Current liabilities				
Trade and other payables		249,760	253,227	248,855
Finance leases		14	359	176
Bank loans		58,999	-	-
Current tax payable		2,776	4,848	5,577
Employee benefits		4,806	5,618	5,578
Other financial liabilities – derivatives		1,169	1,886	1,512
Total current liabilities		317,524	265,938	261,698
Non-current liabilities				
Bank loans		-	70,022	59,017
Trade and other payables		4,588	4,748	4,770
Deferred tax liabilities		9,119	6,062	9,148
Finance leases		6	181	18
Employee benefits		727	837	902
Total non-current liabilities		14,440	81,850	73,855
Total liabilities		331,964	347,788	335,553
Net assets		192,365	172,702	182,790
Equity				
Share capital	3	106,000	105,861	106,000
Foreign currency translation reserve		3,045	1,668	1,116
Retained earnings		84,036	66,425	76,738
Cash flow hedge reserve		(716)	(1,252)	(1,064)
Total equity		192,365	172,702	182,790

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the Six Months ended 31 December 2010 (unaudited)

	Notes	Six Months 31 Dec 10 $'000	Six Months 31 Dec 09 $'000	Year Ended 30 Jun 10 $'000
Cash flows from operating activities				
Receipts from customers		692,653	696,985	1,373,841
Interest received		1,179	345	942
Payments to suppliers and employees		(690,702)	(677,159)	(1,319,253)
Taxes paid		(8,607)	(4,531)	(8,015)
Interest paid		(2,621)	(2,937)	(5,702)
Net cash (outflow)/inflow from operating activities	5	(8,098)	12,703	41,813
Cash flows from investing activities				
Sale of property, plant & equipment		44	81	257
Businesses sold	9	44,029	-	-
Purchase of property, plant & equipment		(2,722)	(1,229)	(2,656)
Payments for capital work in progress		-	-	(245)
Net cash inflow/(outflow) from investing activities		41,351	(1,148)	(2,644)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (continued)

For the Six Months ended 31 December 2010 (unaudited)

	Notes	Six Months 31 Dec 10 $'000	Six Months 31 Dec 09 $'000	Year Ended 30 Jun 10 $'000
Cash flows from financing activities				
Proceeds from issue of shares	3	-	-	139
Repayment of borrowings		(1,500)	(2,250)	(13,000)
Dividends paid to equity holders of parent	4	(12,499)	(1,852)	(3,254)
Net cash (outflow) from financing activities		(13,999)	(4,102)	(16,115)
Net increase in cash held		19,254	7,453	23,054
Effect of exchange rate fluctuations on cash held		811	(63)	(176)
Net cash and cash equivalents at beginning of period		56,484	33,606	33,606
Net cash and cash equivalents at end of period		76,549	40,996	56,484
Cash and cash equivalents		76,549	40,996	56,484
Bank overdrafts		-	-	-
		76,549	40,996	56,484

1. FINANCIAL STATEMENTS

The unaudited interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with New Zealand Equivalent to International Accounting Standard 34 (NZ IAS 34) "Interim Financial Reporting" and other applicable reporting standards appropriate for profit oriented entities.

The same accounting policies and methods of computation are applied in the interim financial statements as were applied in the financial statements for the year ended 30 June 2010. These financial statements should be read in conjunction with the financial statements and related notes included in the Company's Annual Report for the year ended 30 June 2010. The information is presented in thousands of New Zealand dollars.

2. PROFIT FROM CONTINUING OPERATIONS

	Six Months 31 Dec 10 $'000	Six Months 31 Dec 09 $'000	Year Ended 30 Jun 10 $'000
(a) Revenue			
Revenue from the sale of goods	691,187	665,409	1,312,247
Revenue from the rendering of services	1,499	1,432	2,804
Management fees	337	828	1,495
Interest revenue	1,177	344	935
	694,200	668,013	1,317,481
(b) Profit before income tax expense			
Profit before income tax has been arrived at after (charging)/crediting the following gains and losses from operations:			
(Loss)/gain on sale of property, plant and equipment	(6)	11	3
Change in fair value of derivative financial instruments	(226)	646	848

	Six Months 31 Dec 10 $'000	Six Months 31 Dec 09 $'000	Year Ended 30 Jun 10 $'000
Profit before income tax has been arrived at after (charging) the following expenses by nature:			
Cost of sales	(624,822)	(600,448)	(1,184,000)
Write-down of inventory	-	-	(1,129)
Finance costs:			
Bank interest	(2,342)	(2,608)	(5,057)
Other interest expense	(280)	(314)	(625)
Total finance costs	(2,622)	(2,922)	(5,682)
N et bad and doubtful debts arising from:			
Impairment loss on trade & other receivables	(84)	(223)	(443)
Depreciation of property, plant & equipment	(1,650)	(1,445)	(3,151)
Amortisation of finite life intangibles	(86)	(252)	(504)
Operating lease rental expenses:			
Minimum lease payments	(3,130)	(3,009)	(5,554)
Donations	(47)	(36)	(40)
Employee benefit expense	(24,608)	(22,846)	(48,189)
Other expenses	(20,548)	(23,206)	(38,585)
Total expenses	(677,597)	(654,387)	(1,287,277)
Profit before income tax expense	16,371	14,283	31,055

3. SHARE CAPITAL

On 8 October 2010 the Company issued 1,015,485 bonus shares under a Profit Distribution Plan bringing the number of shares on issue at 31 December 2010 to 51,811,236 (2009 49,881,347).

4. DIVIDENDS

	Six Months 31 Dec 10		Six Months 31 Dec 09		Year Ended 30 Jun 10	
	Cents per share	Total $'000	Cents per share	Total $'000	Cents per share	Total $'000
Recognised amounts						
Fully paid ordinary shares						
- Final – prior year	17.5	2,137	14.5	1,852	14.5	1,852
- Special – current year	20.0	10,362	-	-	-	-
- Interim – current year	-	-	-	-	13.5	1,402
	37.5	12,499	14.5	1,852	28.0	3,254
Unrecognised amounts						
Final dividend	-	-	-	-	17.5	2,137
Interim dividend	13.5	6,995	13.5	1,402	-	-
	13.5	6,995	13.5	1,402	17.5	2,137

The interim dividend will be paid on 21 April 2011.

5. NOTES TO THE CASH FLOW STATEMENT

	Six Months 31 Dec 10 $'000	Six Months 31 Dec 09 $'000	Year Ended 30 Jun 10 $'000
Reconciliation of profit for the period with cash flows from operating activities			
Profit for the period	19,797	11,722	23,437
Add/(less) non-cash items:			
Depreciation	1,719	1,721	3,688
Loss/(gain) on sale of property, plant & equipment	6	(13)	16
(Gain) on sale of businesses	(8,858)	-	-
Amortisation of finite life intangibles	86	252	504
Loss/(gain) on derivatives/financial instruments	226	(646)	(848)
Deferred tax	(46)	(3)	2,391
Provision for doubtful debts	84	262	214
	(6,783)	1,573	5,965
Movements in working capital:			
Trade and other receivables	(7,280)	(108)	2,328
Finance lease receivables	102	34	63
Prepayments	723	767	(701)
Inventories	2,360	(16,152)	(1,104)
Current tax refundable/payable	(3,529)	249	2,003
Trade and other payables	723	13,582	9,232
Employee benefits	(947)	884	909
Foreign currency effect on translation of opening working capital balances	1,417	152	(319)
	(6,431)	(592)	12,411
Movements in items treated as investing activities	(14,681)	-	-
Net cash (outflow)/inflow from operating activities	(8,098)	12,703	41,813

6. SEGMENT INFORMATION

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

The Group's reportable segments are:

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

Scientific: Incorporates the sale of laboratory consumables, life sciences, equipment and technical support to industry and research laboratories.

The Scientific operations were discontinued on 1 September 2010.

Information regarding the Group's reportable segments is presented below.

(b) Segment revenues and results

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

	Six Months 31 Dec 10 $'000	Six Months 31 Dec 09 $'000	Year Ended 30 Jun 10 $'000
Continuing operations			
Revenue from external customers			
Healthcare	694,200	668,013	1,317,481
Segment result			
Healthcare	20,729	18,902	40,392
Depreciation	(1,650)	(1,445)	(3,151)
Amortisation of finite life intangibles	(86)	(252)	(504)
Finance costs	(2,622)	(2,922)	(5,682)
Income tax expense	(4,920)	(4,116)	(11,324)
Profit for the period	11,451	10,167	19,731

(b) Segment revenues and results (continued)

	Six Months 31 Dec 10 $'000	Six Months 31 Dec 09 $'000	Year Ended 30 Jun 10 $'000
Discontinued operations			
Revenue from external customers			
Scientific	8,379	29,218	55,886
Segment result			
Scientific	(664)	2,505	5,352
Depreciation	(69)	(276)	(537)
Finance costs	-	(13)	(20)
Income tax expense	220	(661)	(1,089)
Gain on disposal of operations	8,859	-	-
Profit for the period	8,346	1,555	3,706

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

(c) Segment assets			
Healthcare	524,329	479,719	478,953
Scientific	-	40,771	39,390
	524,329	520,490	518,343

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments. Assets used jointly by reportable segments are allocated on the basis of revenues earned by individual reportable segments.

6. SEGMENT INFORMATION (continued)

(d) Revenues from major products and services

The Group's major products and services are the same as the reportable segments i.e. healthcare and scientific.

(e) Geographical information

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

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

	Six Months 31 Dec 10 $'000	Six Months 31 Dec 09 $'000	Year Ended 30 Jun 10 $'000
Continuing and discontinued operations			
Revenue from external customers			
New Zealand	635,671	614,837	1,200,974
Australia	66,908	82,394	172,393
	702,579	697,231	1,373,367
Non-current assets			
New Zealand	136,246	148,884	148,702
Australia	20,478	28,613	27,952
	156,724	177,497	176,654

(f) Information about major customers

No revenues from transactions with a single customer amount to 10% or more of the Group's revenues (December 2009: Nil, June 2010: Nil).

7. BANK FACILITY

As at 31 December 2010 EBOS Group had in place a $106,000,000 (December 2009: $113,000,000, June 2010: $106,000,000) facility on an unsecured negative pledge basis maturing August 2011 with ANZ National Bank Limited. EBOS Group fully complies with and operates within the financial covenants under the negative pledge arrangements with its banker.

8. DISCONTINUED OPERATIONS

On 1 September 2010 the Group's Scientific businesses were disposed of. The disposal of the Scientific businesses is consistent with the Group's long-term policy to focus it's activities in the healthcare market. Details of the assets and liabilities disposed of are disclosed in note 9.

The results of the discontinued operations included in the income statement and statement of comprehensive income are set out below. Comparative profit and cash flows from discontinued operations have been re-presented.

	Six Months 31 Dec 10 $'000	Six Months 31 Dec 09 $'000	Year Ended 30 Jun 10 $'000
(a) Revenue			
Revenue from the sale of goods	7,810	27,631	53,170
Revenue from the rendering of services	568	1,472	2,678
Interest revenue	1	1	7
Other revenue	-	114	31
	8,379	29,218	55,886

8. DISCONTINUED OPERATIONS (continued)

	Six Months 31 Dec 10 $'000	Six Months 31 Dec 09 $'000	Year Ended 30 Jun 10 $'000
(b) Profit before income tax expense			
Profit before income tax has been arrived at after (charging)/crediting the following gains and losses from operations:			
Gain/(loss) on sale of property, plant and equipment	-	2	(19)
Profit before income tax has been arrived at after (charging) the following expenses by nature:			
Cost of sales	(5,002)	(17,889)	(33,913)
Write-down of inventory	(254)	-	(382)
Finance costs:			
Bank interest	-	(1)	(2)
Other interest expense	-	(12)	(18)
Total finance costs	-	(13)	(20)
Net bad and doubtful debts arising from:			
Impairment loss on trade & other receivables	-	(39)	(2)
Depreciation of property, plant & equipment	(69)	(276)	(537)
Operating lease rental expenses:			
Minimum lease payments	(268)	(814)	(1,611)
Donations	-	(2)	(6)
Employee benefit expense	(2,495)	(5,252)	(10,342)
Other expenses	(1,024)	(2,719)	(4,259)
Total expenses	(9,112)	(27,004)	(51,072)
(Loss)/profit before income tax expense	(733)	2,216	4,795

8. DISCONTINUED OPERATIONS (continued)

	Six Months 31 Dec 10 $'000	Six Months 31 Dec 09 $'000	Year Ended 30 Jun 10 $'000
Income tax credit/(expense)	220	(661)	(1,089)
	(513)	1,555	3,706
Gain on disposal of operations	8,859	-	-
Profit for the period from discontinued operations	8,346	1,555	3,706
Cash flows from discontinued activities			
Net cash flows from operating activities	3,017	1,685	6,611
Net cash flows from investing activities	43,864	(334)	(44)
Net cash flows from financing activities	-	-	-
Net cash flows	46,881	1,351	6,567

9. DISPOSAL OF BUSINESSES

On 1 September 2010, the Group disposed of its scientific operations. Details of the disposal are as follows:

	Six Months 31 Dec 10 $'000	Six Months 31 Dec 09 $'000	Year Ended 30 Jun 10 $'000
Current assets			
Trade and other receivables	6,493	-	-
Prepayments	114	-	-
Inventories	10,017	-	-
Non-current assets			
Property, plant and equipment	1,255	-	-
Goodwill	20,410	-	-
Current liabilities			
Trade and other payables	(1,192)	-	-
Employee benefits	(753)	-	-
Net assets disposed of	36,344	-	-
Gain on disposal	8,859	-	-
	45,203	-	-
Consideration			
Consideration paid in cash and cash equivalents	44,029	-	-
Deferred sale proceeds	1,174	-	-
	45,203	-	-
Net cash inflow on disposal			
Consideration paid in cash and cash equivalents	44,029	-	-
Less cash or cash equivalent balances	-	-	-
	44,029	-	-

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ANZ National Bank Limited Auckland

SOLICITOR

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Chairman
Mark Waller
Chief Executive and
Managing Director
Elizabeth Coutts
Peter Kraus
Peter Merton
Sarah Ottrey
Mark Stewart
Barry Wallace

EXECUTIVES

Mark Waller
Chief Executive
Michael Broome
General Manager –
Healthcare Logistics
Angus Cooper
General Manager –
Business Development
Dennis Doherty
Chief Financial Officer
Kelvin Hyland
General Manager –
Sales & Marketing Healthcare
David Lewis
General Manager –
ProPharma
Greg Managh
General Manager –
Health Support
Anthony Norris
General Manager –
EBOS Group Pty Ltd

MANAGING YOUR SHAREHOLDING ONLINE:

To change your address, update your payment instructions and to view your investment portfolio including transactions, please visit: www.computershare.co.nz/investorcentre.

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