



2019 Interim Report

31 December 2018

**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.



Symbion Brisbane pharmaceutical distribution facility

4 Stronger together

Symbion Brisbane pharmaceutical
distribution facility



half year 2019 at a glance

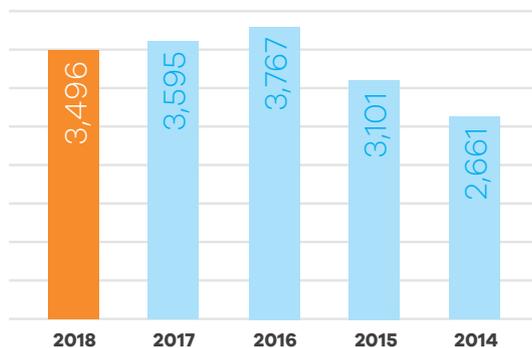
Financial Highlights

- + \$3.5 billion revenue
- + \$122.6 million EBITDA
- + \$67.0 million net profit after tax
- + 44.1 cents earnings per share
- + 34.5 NZ cents dividend per share for the period

All figures are in Australian dollars, unless otherwise stated.

FIVE YEAR REVENUE TREND

For the six months ended 31 December (\$millions)



Business Highlights



State-of-the-art

\$57m

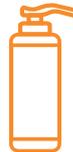
Symbion
distribution
centre opened
in **Brisbane,**
Queensland.



Acquisition of
veterinary supplies
business **Therapon.**



Moved to 100%
ownership of
TerryWhite Group.



Acquisition of
head lice remedy
Quitnits.



Acquisition of
medical equipment
supplier **Warner
& Webster.**

New \$15 million facility

for **Healthcare Logistics** in Sydney,
New South Wales servicing the
pre-wholesale market.



dear shareholder

We are pleased to present the interim report for the six months to 31 December 2018, after what has been a very active first half as we continue to grow the Group.

Key highlights of the first half included:

- Opening our new world-class, highly automated Distribution Centre in Brisbane and commencing operations at our major new Contract Logistics facility in Sydney.
- Signing a contract with Chemist Warehouse Group (CWG) for the exclusive wholesale distribution of pharmaceutical products to more than 450 Chemist Warehouse and My Chemist stores in Australia from July 2019.
- Several strategic acquisitions for a total investment of \$92.5 million being:
 - Our move to 100% ownership of the Terry White Group;
 - The acquisition of Warner & Webster, a medical and surgical supplies wholesaler servicing Victoria and South Australia;
 - The acquisition of Therapon, a Victorian based veterinary distribution business; and
 - The acquisition of Quitnits, a leading, trusted head lice products brand in Australia.

Our investment in the new Brisbane and Sydney facilities will lead to further gains in productivity and helps position the business to benefit from the extra volumes generated by the CWG contract,

which will materially add to earnings from FY20. Furthermore, our move to 100% ownership of the Terry White Group ensures that our strong relationship and heritage with this brand and its member partners will continue into the future.

The Group generated revenue for the half year of \$3.5 billion, down 2.7% primarily due to a reduction in hepatitis C medicine sales and the impact of the Pharmaceutical Benefits Scheme (PBS) price reforms in Australia. Revenue excluding hepatitis C medicine sales and the impact of PBS price reforms grew by \$153 million or 4.6%.

Our underlying earnings, excluding one off costs, before net finance costs, tax, depreciation and amortisation (EBITDA) increased by \$5.1 million or 4.0% to \$131.4 million with Animal Care recording growth of 9.6% and Healthcare improving by 3.0%.

Underlying Net Profit after Tax (NPAT) increased by 4.0% on the previous half year to \$72.7 million, with underlying earnings per share growth of 4.0% to 47.8 cents.

Interim Dividend Increase

Your Directors declared an interim dividend of NZ 34.5 cents per share, an increase of 4.5% on the prior corresponding period.

The Dividend Reinvestment Plan (DRP) will be reinstated for the upcoming interim dividend. Shareholders can elect to take shares in lieu of a dividend at a discount of 2.5% to the volume weighted average price (VWAP).

The record date for the dividend is 15 March 2019 and the dividend will be paid on 5 April 2019. The interim dividend will again be imputed to 25% for New Zealand tax resident shareholders and will be fully franked for Australian tax resident shareholders.

Healthcare

The Healthcare segment generated total revenue for the first half of \$3.3 billion and generated a 3.0% increase in underlying EBITDA for the period, underpinned by solid growth from both our Australian and New Zealand business units.

In Australia, Healthcare revenue declined by \$161 million or 5.9% primarily due to the reduction in hepatitis C medicine sales, the impact of PBS price reforms and general market dynamics. Adjusting for hepatitis C medicine sales and the impact of PBS price reforms, core revenue grew by 3.8%. Our New Zealand business delivered a solid performance over the period with revenue increasing 8.4% to \$758.9 million and underlying EBITDA increasing by 2.9% to \$21.7 million.

EBOS maintained its position in both the Australian and New Zealand Institutional Healthcare markets, delivering further earnings growth. The Group's recent acquisition of Warner & Webster further improves our position in the medical consumables market.

The Group's Consumer Products division recorded revenue growth of 9.6% principally driven by Red Seal's continued strong performance in both

domestic and international markets. Also contributing to this growth were sales from the recently acquired Gran's Remedy brand. We look forward to the future contribution of another recent acquisition, Quitnits, a leading and trusted natural head lice brand within the Australian grocery market.

Animal Care

Animal Care recorded very strong EBITDA growth reflecting the strength of our key Black Hawk and Vitapet brands. Black Hawk in particular continues to benefit from an increased market presence and brand acceptance, recording double digit revenue growth in both the Australian and New Zealand markets. Black Hawk remains one of Australia and New Zealand's fastest growing premium pet food brands with a leading market position in the pet speciality retail channel.

Black Hawk sales increased by 23% in the first half and this contributed to Animal Care's EBITDA increasing by 9.6% to \$24.3 million.

External Environment

Many of our businesses operate in highly regulated markets across both New Zealand and Australia and the effect of PBS price reforms on our distribution margins, rising operational costs across the industry and a failure to fully resolve the issue of equal access for the distribution of PBS medicines have had an impact on our performance.

EBOS, together with other members of the National Pharmaceutical Services Association (NPSA), will continue to actively engage with the Federal Government and Minister for Health with respect to addressing these matters. Having said that we have proven our ability over many years to deliver growth in this environment and we trust you will see in this Interim Report the measures we have taken, as highlighted above, to drive long term growth for the benefit of our shareholders.

One-off Costs

The Group's statutory results were negatively impacted by \$8.8 million relating to costs associated with M&A, rationalising warehousing facilities and employee redundancy costs, partially offset by the gain on sale of surplus property.

Operating Cash Flow, Net Debt and Return on Capital Employed

First half operating cash flow before capital expenditure was solid at \$40.3 million. The first half cash performance reflects the seasonality of the Group's investment in net working capital at 31 December and a further reduction in the cash benefit of the Group's hepatitis C medicine sales.

Capital expenditure for the period was \$16.9 million and primarily comprised final payments on the new distribution facility in Brisbane.

During the period, the Group outlaid \$92.5 million on the acquisitions of Terry White Group, Warner & Webster, Therapon and Quitnits. As a result of these investments the Group's Net Debt/EBITDA ratio at 31 December 2018 increased to 2.16 times.

Return on Capital Employed (ROCE) of 16.1% declined marginally from June 2018 due to the higher investment in net working capital.

Outlook

EBOS Group has recorded a positive start for the first half of the financial year, with strong growth in Animal Care and subdued growth in Healthcare attributable to the general market environment and the impact of PBS reforms.

On the basis of our current trading performance, we expect the Group to generate full year underlying earnings growth for FY19 with further growth forecast into FY20 as we commence servicing the Chemist Warehouse contract volumes.

Thank you again for your ongoing support.



John Cullity
Chief Executive Officer

Mark Waller
Chairman of Directors

financial statements

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summary of consolidated financial highlights

	Six months 31 Dec 18 A\$'000 (Unaudited)	Six months 31 Dec 17 A\$'000 (Unaudited)	Year ended 30 Jun 18 A\$'000 (Unaudited)
Revenue	3,496,498	3,595,243	6,986,731
Profit before net finance costs, tax expense, depreciation and amortisation (EBITDA)	122,566	126,288	250,052
Earnings before interest and tax expense (EBIT)	107,318	110,529	218,153
Profit before income tax expense	94,962	100,741	197,282
Profit for the period	67,238	70,609	139,269
Profit for the period attributable to owners of the Company	67,045	69,891	137,274
Equity attributable to owners of the Company	1,053,285	1,026,420	1,051,492
Earnings per share	44.1c	46.0c	90.4c
Interim dividend per share (New Zealand Dollars)	34.5c	33.0c	33.0c

shareholder calendar

Interim dividend record date	15 March 2019
Interim dividend payable	5 April 2019
Release of 2019 full year results	22 August 2019
Annual General Meeting	15 October 2019

Condensed consolidated income statement

For the six months ended 31 December 2018

	Notes	Six months 31 Dec 18 A\$'000 (Unaudited)	Six months 31 Dec 17 A\$'000 (Unaudited)	Year ended 30 Jun 18 A\$'000 (Unaudited)
Revenue	2(a)	3,496,498	3,595,243	6,986,731
Income from associates		1,814	1,912	4,140
Profit before depreciation, amortisation, net finance costs and income tax expense		122,566	126,288	250,052
Depreciation	2(b)	(7,490)	(8,124)	(16,210)
Amortisation of finite life intangibles	2(b)	(7,758)	(7,635)	(15,689)
Profit before net finance costs and income tax expense		107,318	110,529	218,153
Finance income		942	945	1,631
Finance costs		(13,298)	(10,733)	(22,502)
Profit before income tax expense		94,962	100,741	197,282
Income tax expense		(27,724)	(30,132)	(58,013)
Profit for the period		67,238	70,609	139,269
Profit for the period attributable to:				
Owners of the Company		67,045	69,891	137,274
Non-controlling interests		193	718	1,995
		67,238	70,609	139,269
Earnings per share				
Basic (cents per share)		44.1	46.0	90.4
Diluted (cents per share)		44.1	46.0	90.4

Condensed consolidated statement of comprehensive income

For the six months ended 31 December 2018

	Six months 31 Dec 18 A\$'000 (Unaudited)	Six months 31 Dec 17 A\$'000 (Unaudited)	Year ended 30 Jun 18 A\$'000 (Unaudited)
Profit for the period	67,238	70,609	139,269
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedge (losses)/gains	(2,158)	882	2,060
Related income tax	714	(251)	(588)
Movement on equity instruments fair valued through other comprehensive income	(2,593)	(1,610)	(1,424)
Movement in foreign currency translation reserve	10,517	(11,437)	(9,297)
Total comprehensive income net of tax	73,718	58,193	130,020
Total comprehensive income for the period is attributable to:			
Owners of the Company	73,525	57,475	128,025
Non-controlling interests	193	718	1,995
	73,718	58,193	130,020

Condensed consolidated statement of changes in equity

For the six months ended 31 December 2018

	Notes	Share capital A\$'000	Share based payments reserve A\$'000	Foreign currency translation reserve A\$'000	Retained earnings A\$'000	Cash flow hedge reserve A\$'000	Equity instruments fair valued through other comprehensive income reserve A\$'000	Non-controlling interests A\$'000	Total A\$'000
Six months ended									
31 December 2017 (unaudited):									
Opening balance		763,636	466	(13,508)	264,239	(30)	-	19,357	1,034,160
Profit for the period		-	-	-	69,891	-	-	718	70,609
Other comprehensive income for the period, net of tax		-	-	(11,437)	-	631	(1,610)	-	(12,416)
Dividends	4	-	-	-	(46,185)	-	-	-	(46,185)
Share based payments		-	327	-	-	-	-	-	327
Balance at 31 December 2017		763,636	793	(24,945)	287,945	601	(1,610)	20,075	1,046,495
Year ended 30 June 2018 (unaudited):									
Opening balance		763,636	466	(13,508)	264,239	(30)	-	19,357	1,034,160
Profit for the year		-	-	-	137,274	-	-	1,995	139,269
Other comprehensive income for the year, net of tax		-	-	(9,297)	-	1,472	(1,424)	-	(9,249)
Dividends	4	-	-	-	(93,014)	-	-	-	(93,014)
Share based payments		-	1,678	-	-	-	-	-	1,678
Balance at 30 June 2018		763,636	2,144	(22,805)	308,499	1,442	(1,424)	21,352	1,072,844

	Notes	Share capital A\$'000	Share based payments reserve A\$'000	Foreign currency translation reserve A\$'000	Retained earnings A\$'000	Cash flow hedge reserve A\$'000	Equity instruments fair valued through other comprehensive income reserve A\$'000	Non-controlling interests A\$'000	Total A\$'000
Six months ended									
31 December 2018 (unaudited):									
Opening balance		763,636	2,144	(22,805)	308,499	1,442	(1,424)	21,352	1,072,844
Profit for the period		-	-	-	67,045	-	-	193	67,238
Other comprehensive income for the period, net of tax		-	-	10,517	-	(1,444)	(2,593)	-	6,480
Dividends	4	-	-	-	(49,386)	-	-	-	(49,386)
Arising on acquisition of remaining non-controlling interest	9	-	-	-	-	-	-	(46,678)	(46,678)
Share based payments		-	882	-	-	-	-	-	882
Transfer of non-controlling interest		-	-	-	(23,228)	-	-	23,228	-
Balance at 31 December 2018		763,636	3,026	(12,288)	302,930	(2)	(4,017)	(1,905)	1,051,380

Condensed consolidated balance sheet

As at 31 December 2018

	Notes	31 Dec 18 A\$'000 (Unaudited)	31 Dec 17 A\$'000 (Unaudited)	30 Jun 18 A\$'000 (Unaudited)
Current assets				
Cash and cash equivalents		152,144	129,934	149,869
Trade and other receivables		910,318	958,354	916,861
Prepayments		9,532	8,584	9,041
Inventories		564,602	565,147	535,082
Current tax refundable		1,229	3,607	59
Other financial assets – derivatives	8	807	230	1,306
Total current assets		1,638,632	1,665,856	1,612,218
Non-current assets				
Property, plant and equipment		120,934	109,446	112,166
Capital work in progress		54,452	41,137	58,329
Prepayments		68	3	-
Deferred tax assets		46,398	43,749	48,682
Goodwill		945,698	878,377	893,796
Indefinite life intangibles		123,382	117,561	121,717
Finite life intangibles		51,923	65,086	58,877
Investment in associates		38,979	34,754	37,009
Other financial assets		6,747	9,681	9,269
Total non-current assets		1,388,581	1,299,794	1,339,845
Total assets		3,027,213	2,965,650	2,952,063

	Notes	31 Dec 18 A\$'000 (Unaudited)	31 Dec 17 A\$'000 (Unaudited)	30 Jun 18 A\$'000 (Unaudited)
Current liabilities				
Trade and other payables		1,145,003	1,259,055	1,170,128
Bank loans	7	213,762	208,591	147,149
Current tax payable		14,995	19,338	11,431
Employee benefits		35,890	36,385	40,724
Other financial liabilities – derivatives	8	3,639	2,058	1,980
Total current liabilities		1,413,289	1,525,427	1,371,412
Non-current liabilities				
Bank loans	7	490,370	328,258	435,121
Trade and other payables		14,406	11,944	13,484
Deferred tax liabilities		51,276	47,806	53,258
Employee benefits		6,492	5,720	5,944
Total non-current liabilities		562,544	393,728	507,807
Total liabilities		1,975,833	1,919,155	1,879,219
Net assets		1,051,380	1,046,495	1,072,844
Equity				
Share capital	3	763,636	763,636	763,636
Share based payments reserve		3,026	793	2,144
Foreign currency translation reserve		(12,288)	(24,945)	(22,805)
Retained earnings		302,930	287,945	308,499
Cash flow hedge reserve		(2)	601	1,442
Equity instruments fair valued through OCI		(4,017)	(1,610)	(1,424)
Equity attributable to owners of the company		1,053,285	1,026,420	1,051,492
Non-controlling interests		(1,905)	20,075	21,352
Total equity		1,051,380	1,046,495	1,072,844

Condensed consolidated cash flow statement

For the six months ended 31 December 2018

	Notes	Six months 31 Dec 18 A\$'000 (Unaudited)	Six months 31 Dec 17 A\$'000 (Unaudited)	Year ended 30 Jun 18 A\$'000 (Unaudited)
Cash flows from operating activities				
Receipts from customers		3,556,358	3,654,783	7,055,426
Interest received		942	945	1,631
Dividends received from associates		959	645	859
Payments to suppliers and employees		(3,479,059)	(3,525,717)	(6,813,234)
Taxes paid		(25,647)	(28,007)	(60,044)
Interest paid		(13,298)	(10,733)	(22,502)
Net cash inflow from operating activities	5	40,255	91,916	162,136
Cash flows from investing activities				
Sale of property, plant and equipment		98	78	155
Purchase of property, plant and equipment		(11,189)	(8,658)	(15,838)
Payments for capital work in progress		(5,013)	(19,549)	(39,750)
Payments for intangible assets		(795)	(568)	(2,492)
Acquisition of subsidiaries		(92,389)	(1,304)	(21,207)
Investment in other financial assets		(110)	(10,535)	(9,717)
Net cash (outflow) from investing activities		(109,398)	(40,536)	(88,849)
Cash flows from financing activities				
Proceeds from borrowings		128,361	-	27,077
Repayment of borrowings		(9,169)	(26,791)	(9,003)
Dividends paid to equity holders of parent	4	(50,138)	(44,947)	(91,993)
Net cash inflow/(outflow) from financing activities		69,054	(71,738)	(73,919)
Net (decrease) in cash held		(89)	(20,358)	(632)
Effect of exchange rate fluctuations on cash held during the period		2,364	(3,910)	(3,701)
Net cash and cash equivalents at beginning of period		149,869	154,202	154,202
Net cash and cash equivalents at end of period		152,144	129,934	149,869

Notes to the condensed consolidated interim financial statements

For the six months ended 31 December 2018

1. Financial Statements

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice ("GAAP"). They comply with the New Zealand Equivalent to International Accounting Standard 34 (NZ IAS 34) "Interim Financial Reporting" and International Accounting Standard IAS 34, as applicable for profit orientated entities. These financial statements should be read in conjunction with the financial statements and related notes included in the Group's Annual Report for the year ended 30 June 2018. The numbers presented for 30 June 2018 have been audited in New Zealand dollars however no audit opinion on the Australian dollar presentation for this period has yet been issued, this will occur when the 30 June 2019 financial statements are audited. Hence these numbers have been referred to as 'unaudited' in these financial statements. Apart from the changes noted below, the accounting policies adopted are consistent with those of the previous year.

Presentation currency – change in accounting policy:

The Group's revenues, profits and cash flows are primarily generated in Australian Dollars (AUD) and are expected to remain principally denominated in AUD in the future. Effective from 1 July 2017, the Group changed the currency in which it presents its financial statements from New Zealand Dollars (NZD) to AUD in order to better reflect the underlying performance of the Group. A change in presentation currency is a change in accounting policy which is accounted for retrospectively.

Statutory financial information included in the Group's interim financial statements for the six months ended 31 December 2017 and year ended 30 June 2018, previously reported in NZD, has been restated into AUD using the procedures outlined below:

- Assets and liabilities denominated in currencies other than AUD were translated into AUD at the closing rates of exchange on the last day of the relevant accounting period;
- Revenues and expenses in currencies other than AUD were translated into AUD at the transaction date rate;
- Share capital and reserves were translated at the historic rates prevailing at the transaction dates; and
- In each case, the rates of exchange were consistent with those used by the Group in the relevant accounting period.

In undertaking the translation of financial statements into an Australian dollar presentation currency it was determined that goodwill associated with the Symbion acquisition in Australia in 2013, previously denominated in New Zealand dollars, should be denominated in Australian dollars as it aligns with the functional currency of the underlying operations of the acquired entity. Comparative periods have been also adjusted to allow comparability between periods. This adjustment (1 July 2017: \$61.6m, 31 December 2017: \$39.0m and 30 June 2018: \$43.6m) impacted the balance sheet only, with decreases to goodwill and equity balances, with no impact on the income statement or cash flow statement in the comparative periods.

The Directors have not included the original amounts and the adjustment as we consider this would not be meaningful to users of the financial statements as these financial statements are now presented in Australian dollars.

NZ IFRS 9 (2014) Financial Instruments:

Application of NZ IFRS 9 (2014) Financial Instruments, which became effective for the Group on 1 July 2018, requires an expected credit loss model, 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 credit risk since initial recognition. It is no longer necessary for a credit event to have occurred before credit losses are recognised.

Under NZ IFRS 9 (2014), greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required.

Impairment - Financial assets measured at amortised cost being cash and cash equivalents and trade receivables are subject to the impairment provisions of NZ IFRS 9 (2014).

The Group applies the simplified approach to recognise lifetime expected credit losses for financial assets as required or permitted by NZ IFRS 9 (2014). In general, the application of the expected credit loss model of NZ IFRS 9 (2014) results in earlier recognition of credit losses and increases the amount of loss allowance recognised for those items.

Notes to the condensed consolidated interim financial statements (continued)

For the six months ended 31 December 2018

1. Financial Statements (continued)

Hedge Accounting - As the new hedge accounting requirements align more closely with the Group's risk management policies, with generally more qualifying hedging instruments and hedged items, an assessment of the Group's current hedging relationships indicated that they qualified as continuing hedging relationships upon application of NZ IFRS 9 (2014). Similar to the Group's current hedge accounting policy, the directors do not intend to exclude the forward element of foreign currency forward contracts from designated hedging relationships.

No material impact on these financial statements has been recognised as a result of adopting this standard, other than the Group's equity investment in MedAdvisor Pty Ltd has been designated by the Directors as an equity instrument to be fair valued through Other Comprehensive Income (OCI) as allowable under the standard, for both the current and comparable periods presented.

2. Profit from Operations

NZ IFRS 15 Revenue from Contracts with Customers:

NZ IFRS 15 Revenue from Contracts with Customers also became effective for the Group on 1 July 2018.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. The Group has applied the modified approach on transitioning to NZ IFRS 15 and has applied the standard on initial application being 1 July 2018. No material impact on these financial statements has been recognised as a result of adopting this standard.

The information is presented in thousands of Australian dollars unless otherwise stated.

	Six months 31 Dec 18 A\$'000 (Unaudited)	Six months 31 Dec 17 A\$'000 (Unaudited)	Year ended 30 Jun 18 A\$'000 (Unaudited)
(a) Revenue			
Community Pharmacy	1,892,192	2,018,612	3,871,426
Institutional Healthcare	1,154,850	1,148,205	2,239,592
Contract Logistics Services	234,779	217,016	454,210
Consumer Products	59,618	54,396	108,616
Interdivisional eliminations	(37,247)	(32,545)	(65,272)
Healthcare	3,304,192	3,405,684	6,608,572
Animal Care	192,306	189,559	378,159
	3,496,498	3,595,243	6,986,731

Community Pharmacy

Revenue is derived from the supply of human healthcare products to pharmacies in Australia and New Zealand. Following delivery, the customer obtains control as it has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of loss in relation to the goods. A receivable is recognised by the Group when it loses control which is when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is made.

Institutional Healthcare

Revenue is derived from the supply of human healthcare products to public and private hospitals, medical centres, GP clinics and aged care facilities in Australia and New Zealand. Following delivery, the customer obtains control as it has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of loss in relation to the goods. A receivable is recognised by the Group when it loses control which is when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is made.

Contract Logistics

Sales: Sales consist of the sale of human healthcare products to a wide range of healthcare customers (wholesalers, pharmacies and medical centres). A receivable is recognised by the Group when it loses control which is when the goods are confirmed to be on sold by the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is made.

Service fees: Revenue is derived from the provision of logistical services for a fee to overseas based healthcare manufacturers for their operating activities in Australia and New Zealand. The performance obligation is satisfied either at a point in time or over time, as applicable, at which point the right to consideration becomes unconditional, as only the passage of time is required before payment is made.

Consumer Products

Revenue is derived from the supply of EBOS' own branded human healthcare products, such as Red Seal, Faulding, Natures Kiss, Quicknits and Floradix, to pharmacies and supermarkets in Australia and New Zealand and overseas distributors for export markets. Following delivery, the customer obtains control as it has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of loss in relation to the goods. A receivable is recognised by the Group when it loses control which is when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is made.

Animal Care

Revenue is derived from the supply of animal care products to pet retail and vet clinics across Australia and New Zealand. Following delivery, the customer obtains control as it has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of loss in relation to the goods. A receivable is recognised by the Group when it loses control which is when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is made.

Notes to the condensed consolidated interim financial statements (continued)

For the six months ended 31 December 2018

2. Profit from Operations (continued)

	Six months 31 Dec 18 A\$'000 (Unaudited)	Six months 31 Dec 17 A\$'000 (Unaudited)	Year ended 30 Jun 18 A\$'000 (Unaudited)
(b) Profit before income tax expense			
Profit before income tax has been arrived at after charging the following expenses by nature:			
One-off items ⁽¹⁾	(8,820)	-	-
Cost of sales	(3,090,157)	(3,198,066)	(6,196,382)
Write-down of inventory	(1,512)	(645)	(3,711)
Impairment on trade and other receivables	671	(523)	(1,753)
Depreciation of property, plant and equipment	(7,490)	(8,124)	(16,210)
Amortisation of finite life intangibles	(7,758)	(7,635)	(15,689)
Operating lease rental expenses	(21,513)	(19,059)	(39,685)
Donations	(15)	(22)	(243)
Employee benefit expense	(139,397)	(136,737)	(272,771)
Defined contribution plan expense	(8,026)	(7,434)	(14,967)
Other expenses	(106,977)	(108,381)	(211,307)
Total expenses	(3,390,994)	(3,486,626)	(6,772,718)

⁽¹⁾ One-off items comprise of merger and acquisition, warehouse transition and restructuring costs incurred, \$11.7m, net of a gain on sale of excess land held, \$2.9m, during the period.

3. Share Capital

	No. '000	Six months 31 Dec 18 A\$'000 (Unaudited)	No. '000	Six months 31 Dec 17 A\$'000 (Unaudited)	No. '000	Year ended 30 Jun 18 A\$'000 (Unaudited)
Fully paid ordinary shares						
Balance at beginning of period	152,539	763,636	151,914	763,636	151,914	763,636
Shares issued – September 2017	-	-	625	-	625	-
	152,539	763,636	152,539	763,636	152,539	763,636

4. Dividends

	AUD Cents per share	Six months 31 Dec 18 A\$'000 (Unaudited)	AUD Cents per share	Six months 31 Dec 17 A\$'000 (Unaudited)	AUD Cents per share	Year ended 30 Jun 18 A\$'000 (Unaudited)
Recognised amounts						
Fully paid ordinary shares						
Final – prior year	32.4	49,386	30.3	46,185	30.3	46,185
Interim – current year	-	-	-	-	30.7	46,829
	32.4	49,386	30.3	46,185	61.0	93,014
Unrecognised amounts						
Final dividend	-	-	-	-	32.6	49,711
Interim dividend	32.8	50,100	30.0	45,787	-	-
	32.8	50,100	30.0	45,787	32.6	49,711

Dividends are approved by the Board in New Zealand dollars. Dividends recognised in the Statement of Changes in Equity are converted from New Zealand dollars to Australian Dollars at the exchange rate applicable on the date the dividend was approved. Unrecognised dividends are converted at the exchange rate applicable on the reporting date. The Board approved an interim dividend of 34.5 New Zealand cents per share on 19 February 2019. The record date for the dividend is 15 March 2019, and the dividend will be paid on 5 April 2019.

The following table shows dividends approved in New Zealand dollars:

	NZD Cents per share	NZD Cents per share	NZD Cents per share
Recognised amounts			
Fully paid ordinary shares			
Final – prior year	35.5	33.0	33.0
Interim – current year	-	-	33.0
	35.5	33.0	66.0
Unrecognised amounts			
Final dividend	-	-	35.5
Interim dividend	34.5	33.0	-
	34.5	33.0	35.5

New Zealand dollar dividends paid to equity holders of the parent are translated into Australian dollars and disclosed in the cash flow statement at the foreign currency exchange rate applicable on the date they are paid.

Notes to the condensed consolidated interim financial statements (continued)

For the six months ended 31 December 2018

5. Notes to the Cash Flow Statement

	Six months 31 Dec 18 A\$'000 (Unaudited)	Six months 31 Dec 17 A\$'000 (Unaudited)	Year ended 30 Jun 18 A\$'000 (Unaudited)
Reconciliation of profit for the period with cash flows from operating activities			
Profit for the period	67,238	70,609	139,269
Add/(less) non-cash items:			
Depreciation of property, plant and equipment	7,490	8,124	16,210
Amortisation of finite life intangibles	7,758	7,635	15,689
(Gain)/loss on sale of property, plant and equipment	(2,856)	(14)	15
Income from associates	(1,814)	(1,912)	(4,140)
Expense recognised in respect of share based payments	585	327	772
Deferred tax	955	(149)	908
	12,118	14,011	29,454
Movements in working capital:			
Trade and other receivables	6,543	32,235	73,728
Prepayments	(559)	(1,130)	(1,590)
Inventories	(29,520)	(21,288)	8,777
Current tax refundable/(payable)	2,394	2,380	(1,979)
Trade and other payables	(24,192)	(4,699)	(92,073)
Provision for employee benefits	(4,286)	(2,312)	2,251
Foreign currency translation of opening working capital balances	555	2,783	1,663
	(49,065)	7,969	(9,223)
Working capital items relating to investing activities	4,152	(673)	1,652
Working capital items acquired on acquisition	5,812	-	984
Net cash inflow from operating activities	40,255	91,916	162,136

6. Segment Information

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

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

Healthcare: Incorporates the sale of human healthcare products to Consumer Pharmacy, Institutional Healthcare, Contract Logistics and Consumer Products customers.

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

Corporate: Includes net financing costs and central administration expenses that have not been allocated to either the Healthcare or Animal Care segments.

(b) Segment revenues and results

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

	Six months 31 Dec 18 A\$'000 (Unaudited)	Six months 31 Dec 17 A\$'000 (Unaudited)	Year ended 30 Jun 18 A\$'000 (Unaudited)
Revenue from external customers			
Healthcare	3,304,192	3,405,684	6,608,572
Animal Care	192,306	189,559	378,159
	3,496,498	3,595,243	6,986,731
Segment result (EBITDA)			
Healthcare ⁽¹⁾	104,270	109,419	216,579
Animal Care	24,319	22,183	45,655
Corporate ⁽¹⁾	(6,023)	(5,314)	(12,182)
	122,566	126,288	250,052
Segment expenses			
<i>Healthcare:</i>			
Depreciation of property, plant and equipment	(7,111)	(7,652)	(15,326)
Amortisation of finite life intangibles	(6,679)	(6,428)	(13,273)
Income tax expense	(26,541)	(28,834)	(55,163)
	(40,331)	(42,914)	(83,762)

Notes to the condensed consolidated interim financial statements (continued)

For the six months ended 31 December 2018

6. Segment Information (continued)

	Six months 31 Dec 18 A\$'000 (Unaudited)	Six months 31 Dec 17 A\$'000 (Unaudited)	Year ended 30 Jun 18 A\$'000 (Unaudited)
<i>Animal Care:</i>			
Depreciation of property, plant and equipment	(379)	(472)	(884)
Amortisation of finite life intangibles	(1,079)	(1,207)	(2,416)
Income tax expense	(6,408)	(5,735)	(11,870)
	(7,866)	(7,414)	(15,170)
<i>Corporate:</i>			
Net finance costs	(12,356)	(9,788)	(20,871)
Income tax credit	5,225	4,437	9,020
	(7,131)	(5,351)	(11,851)
Profit for the period			
Healthcare ⁽¹⁾	63,939	66,505	132,817
Animal Care	16,453	14,769	30,485
Corporate ⁽¹⁾	(13,154)	(10,665)	(24,033)
	67,238	70,609	139,269

⁽¹⁾ Includes one-off (net) costs of \$8.8m for the six months to 31 December 2018, the after tax impact of these costs was \$6.2m for the period (December 2017: nil, June 2018: nil).

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

(c) Segment assets

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

- Asset
- Liabilities
- Capital expenditure

(d) Revenues from major products and services

The Group's major products and services are transacted the same as its reportable segments i.e. Healthcare, Animal Care and Corporate.

(e) Geographical information

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

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

	Six months 31 Dec 18 A\$'000 (Unaudited)	Six months 31 Dec 17 A\$'000 (Unaudited)	Year ended 30 Jun 18 A\$'000 (Unaudited)
Revenue from external customers			
New Zealand	784,418	722,118	1,458,141
Australia	2,712,080	2,873,125	5,528,590
	3,496,498	3,595,243	6,986,731
Non-current assets			
New Zealand	290,966	264,292	280,746
Australia	1,012,238	956,999	973,408
	1,303,204	1,221,291	1,254,154

(f) Information about major customers

No revenues from transactions with a single customer amount to 10% or more of the Group's revenues (December 2017: Nil, June 2018: Nil).

Notes to the condensed consolidated interim financial statements (continued)

For the six months ended 31 December 2018

7. Bank Facility and Borrowings

The Group fully complies with and operates within the financial covenants under the arrangements with its bankers. At 31 December 2018 the Group had unutilised term and working capital facilities of \$143.6m (December 2017: \$12.1m, June 2018: \$121.6m).

The Group also has a trade debtor securitisation facility of which \$186.2m was unutilised at 31 December 2018 (December 2017: \$294.1m, June 2018: \$252.8m).

As at 31 December 2018, the maturity profile of the Group's term debt and securitisation facilities was:

Facility	Amount	Maturity
Term debt and working capital facilities	\$190.4m	1-2 years
Term debt facilities	\$150.6m	2-3 years
Term debt facilities	\$293.0m	4-5 years
Securitisation facility	\$400.0m	2-3 years

8. Financial Instruments

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

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

	Six months 31 Dec 18 A\$'000 (Unaudited)	Six months 31 Dec 17 A\$'000 (Unaudited)	Year ended 30 Jun 18 A\$'000 (Unaudited)
Fair value of derivative financial instruments			
Other financial assets – derivatives:			
Foreign currency forward exchange contracts	807	199	1,289
Interest rate swaps	-	31	17
	807	230	1,306
Other financial liabilities – derivatives:			
Foreign currency forward exchange contracts	(182)	(175)	-
Interest rate swaps	(3,457)	(1,883)	(1,980)
	(3,639)	(2,058)	(1,980)

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

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

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

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

On 24 October 2017, the Group acquired a 14.1% equity interest in MedAdvisor Ltd (ASX:MDR) for \$112m. This investment has been classified as an equity instrument fair valued through Other Comprehensive Income and has been valued using Level 1 under the fair value hierarchy, therefore using the listed share price to determine fair value at the reporting date. This investment was previously classified as an Available for Sale financial instrument in accordance with NZ IAS 39.

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

9. Acquisition of Subsidiaries

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

On 31 August 2018, the Group acquired the 100% equity interest in Warner & Webster Pty Limited ('WW'). Details of the acquisition are as follows:

Asset and liabilities acquired

	Carrying Value A\$'000 (Unaudited)	Fair Value adjustment A\$'000 (Unaudited)	Fair Value on acquisition A\$'000 (Unaudited)
Current assets			
Cash and cash equivalents	1,588	-	1,588
Trade and other receivables	5,807	(200) ¹	5,607
Prepayments	144	(50) ²	94
Inventories	2,992	(500) ³	2,492
Non-current assets			
Property, plant and equipment	347	-	347
Deferred tax assets	-	493 ⁴	493

Notes to the condensed consolidated interim financial statements (continued)

For the six months ended 31 December 2018

9. Acquisition of Subsidiaries (continued)

	Carrying Value A\$'000 (Unaudited)	Fair Value adjustment A\$'000 (Unaudited)	Fair Value on acquisition A\$'000 (Unaudited)
Current liabilities			
Trade and other payables	(5,685)	(673) ⁵	(6,358)
Current tax payable	(43)	-	(43)
Employee benefits	(537)	(51) ⁶	(588)
Non-current liabilities			
Employee benefits	(235)	(167) ⁶	(402)
Net assets acquired	4,378	(1,148)	3,230
Goodwill on acquisition			30,373
Total consideration			33,603
Less cash and cash equivalents acquired			(1,588)
Net cash outflow from acquisition			32,015

¹ To recognise the fair value of trade and other receivables on acquisition.

² To recognise the fair value of prepayments on acquisition.

³ To recognise the fair value of inventories on acquisition.

⁴ To recognise deferred tax assets on acquisition.

⁵ To recognise the fair value of trade and other payables on acquisition.

⁶ To recognise the fair value of employee benefits on acquisition.

Due to the timing of the acquisition the above figures have not yet been finalised and are currently considered provisional.

9. Acquisition of Subsidiaries (continued)

Goodwill arising on acquisition

Goodwill arose on the acquisition of WW because the cost of acquisition included a control premium 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 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.

WW was acquired as it is a profitable Australian healthcare distribution business which the Group believes fits strategically with its Australian healthcare business assets.

Impact of the acquisition on the results of the Group for the period ended 31 December 2018

WW contributed \$642,000 to the Group profit for the period. Group revenue for the period includes \$14,314,000 in respect of WW. Had the WW acquisition been effective at 1 July 2018, the revenue of the Group from continuing operations would have been \$3,504,576,000 and the profit for the period would have been \$67,436,000.

During the period, the Group also acquired the remaining equity interest in Terry White Chemmart Pty Ltd (TWC) for \$46.7m. As the Group held a greater than 50% equity share in TWC, it was already considered to be a subsidiary of the Group.

10. Events after balance date

Subsequent to 31 December 2018, the Board approved an interim dividend to shareholders. For further details please refer to Note 4.



Independent review report to the shareholders of EBOS Group Limited

We have reviewed the condensed consolidated interim financial statements of EBOS Group Limited and its subsidiaries ('the Group') which comprise the condensed consolidated balance sheet as at 31 December 2018, and condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months ended on that date, and a summary of significant accounting policies and other explanatory information on pages 10 to 29.

This report is made solely to the Group's shareholders, as a body. Our review has been undertaken so that we might state to the Group's shareholders those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group's shareholders as a body, for our engagement, for this report, or for the opinions we have formed.

Board of Directors' Responsibilities

The Board of Directors are responsible for the preparation and fair presentation of the condensed consolidated interim financial statements, in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*

and for such internal control as the Board of Directors determine is necessary to enable the preparation and fair presentation of the condensed consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

Our Responsibilities

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

A review of the condensed consolidated interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons

responsible for financial and accounting matters, and applying analytical and other review procedures.

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

Other than in our capacity as auditor we have no relationship with or interests in the Company or its subsidiaries.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 December 2018, and its financial performance and cash flows for the six months ended on that date in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*.

Deloitte Limited

Chartered Accountants,
19 February 2019
Christchurch, New Zealand

directory

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