EBOS Group Annual Report

2016

EBOS
GROUP LIMITED

Life Matters is much more than an expression. It's a proposition that guides the way we conduct our business, **every day and across every market.**

Contents

It's about the things that **really matter.** They're the moments that **drive us to excel and exceed** expectations, never giving anything less than **our best.**

Foreword

Life Matters.

In life – and in business – it's sometimes easy to lose sight of what really matters.

We get caught in the moment; focused on the issue at hand. Our perspective shifts and the closer we get, the less we see.

That's why, for EBOS, Life Matters is much more than just an expression.

It's a proposition that guides the way we conduct our business, every day and across every market.

We use it to remind ourselves that people across Australia and New Zealand depend on the products and services we provide in full, on time, every time.

It ensures our focus is not on output but on outcomes. It's about the things that really matter – a patient who needs a critical medicine from their pharmacy in a remote location. A hospital that's counting on us to deliver the surgical equipment required to perform a life-saving operation. A parent relying on ready access to cold relief for their child. Or a vet who requires a specialist drug to treat someone's treasured companion.

They're never just numbers on a page or products on a shelf.

They're the moments that drive us to excel and exceed expectations, never giving anything less than our best for one critically important reason.

Because Life Matters.

EBOS Group Overview

Healthcare

COMMUNITY PHARMACY

EBOS' wholesale businesses are at the heart of healthcare in Australia and New Zealand, delivering pharmaceutical and over-the-counter medicines to thousands of pharmacies across both countries. The Company's commitment to the pharmacy industry also extends well beyond the supply chain. With branded franchise systems, retail support programs, medication management solutions and retail pharmacy management software solutions, EBOS provides the building blocks for community pharmacy.

CONSUMER PRODUCTS

Endeavour Consumer Health, EBOS' trans-Tasman consumer products division, is responsible for bringing high-quality, cost-effective products to market. It is the name behind some of the most trusted pharmacy and grocery brands, including the iconic Faulding and Red Seal ranges.

Healthcare

INSTITUTIONAL HEALTHCARE

EBOS plays a key role in the Australasian institutional healthcare market. Its businesses supply a range of products and services to public and private hospitals, doctors surgeries and aged care facilities. EBOS' institutional healthcare division is dedicated to fulfilling the diverse requirements of its clients.

CONTRACT LOGISTICS

EBOS' contract logistics businesses offer a wide variety of services to pharmaceutical manufacturers, medical device suppliers and consumer healthcare companies in Australia and New Zealand. These services include warehousing, distribution and logistics support. This division also offers a range of specialised logistics services for the clinical research industry.

Animal Care

VETERINARY AND PET CARE

The veterinary and pet care division provides sales, marketing, wholesale and distribution support to pet retailers, veterinarians and grocery stores. It also holds a retail presence in New Zealand and is responsible for some of the most trusted brands in pet care, including leading grocery and premium pet food brands like Black Hawk and VitaPet.

CEO and Chairman's Report

01 PATRICK DAVIES
Chief Executive Officer

02 MARK WALLER
Chairman

EBOS Group performed strongly in 2015/16. This is reflected in our annual results which demonstrate the positive impact of investment in our core businesses, strategic acquisitions undertaken and a steadfast commitment by each of our employees to deliver on the expectations of our customers.

Our Healthcare and Animal Care businesses in Australia and New Zealand have benefited from robust underlying economic and demographic fundamentals that continue to drive increased demand for the Group's products and services. The Group achieved a number of milestones in the year with revenue and profit at record high levels, which reflects our ability to capture the growth opportunities that continue to emerge within our key businesses.

The strength of our results is also reflected in both the excellent operating cash flow generated for the year and the increase in the final dividend for the year.

FINANCIAL RESULTS

EBOS Group's financial results saw higher revenues across both divisions, with Healthcare increasing revenue by 17.5% and Animal Care improving by 10.6%. Overall Group revenues for the year of $7.1 billion were up 17% on last year while earnings before net finance costs, tax, depreciation and amortisation (EBITDA) grew by 14.6% to $225.5 million, reflecting our ongoing focus on revenue growth and effective cost control.

Profit before Tax increased by 19.9% following strong growth in operating earnings and lower net finance costs, which were down 8.4%.

Net Profit after Tax was $127.0 million, representing an increase of 19.9% on last year, and earnings per share increased by 18.7% to 84.0 cents per share.

The Directors are pleased to deliver another increase in dividends and have declared a final dividend of 32.5 cents per share representing an increase of 30% on the prior corresponding period. This takes full year dividends to 58.5 cents per share, an increase of 24.5% on the prior year and represents a dividend payout ratio of 70% of Net Profit after Tax.

Each of our business units performed well in 2015/16, with a number of significant highlights and milestones achieved throughout the year.

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

HEALTHCARE

The Healthcare division delivered strong results in the financial year generating combined revenue of $6.7 billion and a 14.6% increase in EBITDA to $195 million.

The Australian healthcare businesses reported accelerated revenue growth in response to a number of factors including the Australian government's March 2016 PBS listing of specialty Hepatitis C medicines, while solid wholesale revenue growth and increased levels of activity in the non-prescription OTC channel resulted in a stronger profit performance from the Pharmacy business.

The New Zealand businesses delivered a strong performance over the year with revenue increasing by 10% and EBITDA increasing 21.8%, reflecting seven months' profit contribution from Red Seal and higher levels of activity for the Contract Logistics, Pharmacy Wholesale and the International businesses.

EBOS Group has maintained its market leading position in the institutional healthcare markets in both Australia and New Zealand, with a highlight being the Group's Onelink Australia business ramping up to full operations under the New South Wales Health medical consumables warehousing and distribution contract.

Onelink Australia's distribution facility at Yennora, New South Wales is now fully operational in delivering medical consumables to all NSW Health public hospitals. This achievement reflects the hard work of our employees in this business and is a demonstration to other state governments and principals of the operational capacity and expertise of our Onelink business.

EBOS Group and its employees are committed to achieving operational excellence at all of our sites and your Board recently approved the construction of a new state of the art distribution facility in Brisbane, Queensland, with an estimated investment of $58 million. This facility is expected to be operational by June 2018.

In addition, as part of our strategy to provide manufacturers with a trans-Tasman contract logistics solution, EBOS will expand its Australian model by building a new facility in Sydney, New South Wales at a cost of approximately $15.5 million. Construction of this facility is scheduled to commence later this year.

ANIMAL CARE

Animal Care generated higher revenues and profits which included a full 12 month contribution from the Black Hawk specialty pet food business. Pet specialty retailers in Australia continue to provide strong support for the Black Hawk brand and the business has responded with strong organic growth and new product innovation.

VitaPet's position in both the New Zealand and Australian markets continues to grow on the back of new product launches and marketing campaigns during the financial year.

The Group's 50% owned Animates business in New Zealand generated impressive double digit sales revenue growth and cemented its position as New Zealand's pre-eminent pet retailer. This growth has been supported through the acquisition of veterinary clinics with the business now operating eight veterinary clinics and 32 retail stores in New Zealand.

ACQUISITIONS

EBOS Group once again had a busy year further expanding its business via acquisition and in November 2015 we completed the acquisition of Red Seal, a leader in key natural health products in New Zealand markets including vitamins, minerals and supplements, specialty teas and functional foods. We are excited about the potential for this business and its ability to accelerate the growth of our Endeavour Consumer Health business in the New Zealand, Australian and Asian markets.

Red Seal is a leader in the specialty tea market in New Zealand and its broader product range, including molasses and non-fluoride toothpastes, has developed significant appeal to customers located in New Zealand and Asian markets.

As further evidence of our strategy to diversify our healthcare business, we also acquired a smaller Australian business, Zest, in October 2015. Zest plays an important role in supporting manufacturers in the delivery and administration of specialty pharmaceutical products and services.

POST BALANCE DATE ANNOUNCEMENT

In August 2016, EBOS announced an agreement to merge its Chemmart assets with the Terry White Group (TWG) which upon completion will be one of Australia's leading retail pharmacy networks.

This is a strategic opportunity that will create an enterprise of approximately 500 retail stores and a major presence in the Australian community pharmacy market with store retail turnover of approximately A$2 billion.

The transaction is subject to a number of conditions, including TWG shareholder approval.

We are fortunate to have over 2,700 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 thank them for their ongoing support.

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

Business Snapshot

BLACK HAWK

Black Hawk, acquired in late 2014, has experienced significant growth throughout this financial year.

The launch of Large Breed products and the addition of a grain free variant have driven incremental sales, while the core range continues to build momentum.

Increased distribution through our key trading partners, including Petbarn, has also contributed to Black Hawk's impressive progress.

Black Hawk's portfolio of natural dog and cat foods has seen excellent growth in the pet specialty retail environment with more new product launches planned for the future.

VITAPET

VitaPet has continued to drive share and value gains across Australia and New Zealand this year.

In New Zealand, it has an enviable presence in the grocery channel.

Backed by a television advertising campaign, VitaPet Evance flea treatment has seen increased sales and is enjoying a stronger presence in stores, consolidating our overall position in the channel.

Sales of VitaPet treats have grown, further strengthening its market leading position. This performance has been supported by the launch of the Dental Plus range and Chewz.

In Australia, VitaPet has witnessed steady growth, largely driven by its success in the treats segment. VitaPet dog treats sales have grown through baseline increases in the Tenders treat range, and new Chewz products, launched in September 2015.

RED SEAL

Red Seal launched its first ever range of fruit teas in 2014. Starting with just six flavours, the range quickly expanded to 13 and has positioned Red Seal as a leader in the specialty tea market in New Zealand.

The product's unique point of difference is that it can be brewed hot or cold, making it a welcome alternative to other cold beverages consumed in the home. Sold primarily in supermarkets, the teas contain zero sugar, zero calories and are gluten free. The majority are also caffeine free.

Of course, the Red Seal story is about much more than specialty teas. Every day its team is working to help people live their best lives.

Red Seal is a leader in the non-fluoride toothpaste market and has established a growing functional foods business. It enjoys further success thanks to a comprehensive vitamins and minerals range.

While Red Seal's domestic business continues to grow strongly, it has also benefited from strong export growth. Red Seal has become a noteworthy brand in the Chinese and Korean e-commerce sectors and is growing its presence in Australia and other export markets.

FAULDING

Faulding has more than 170 years of history in Australian healthcare and has experienced remarkable growth over that time.

With more than 100 products in its range Faulding has a strong reputation in the nutraceuticals, superfoods and wound care categories.

The brand was the first in Australia to launch fridge free probiotics and now has a compelling range and strong position in the probiotic market, offering multiple products specifically formulated for different conditions and customers.

More recently, Faulding released another innovative product – a clinically proven pre-meal drink for Type 2 diabetics, which helps reduce the blood sugar spike that occurs after a meal. It is hoped that this product will have a positive impact on people managing Type 2 diabetes in Australia.

Available only in pharmacies, Faulding is focused on healthcare for the whole family and has been keeping Australia healthy since 1845.

ZEST

The Australian healthcare landscape is constantly changing and ZEST is playing an important role in its evolution.

The dynamic health services business, acquired by EBOS Group in October 2015, helps pharmaceutical manufacturers bring innovative, potentially life-changing drugs to market. With the emergence of specialty pharmaceutical products increasing, ZEST is integral to the design and management of complex patient support programs, which helps patients adhere to complicated medicine regimes.

As an important part of EBOS' broad healthcare business, ZEST is able to bring new and innovative solutions to the healthcare industry for its clients and patients.

ONELINK

After winning the NSW Health contract to service all public hospitals with medical consumables, Onelink Australia opened a purpose-built distribution facility at Yennora, west of Sydney, in 2015.

The facility is now running at over 100% of expected volumes and all five NSW Health warehouses have transferred their operations to the 12,000m^2 site.

The project was completed in record time, with EBOS accessing project management and implementation skills from across the Group to ensure the tight deadlines were met. NSW Health's experienced centralised support team, Healthshare, also provided valuable insights to ensure the success of the new operation.

The distribution facility is now dispatching more than 25 trucks per day to hospitals across the state, adhering to the strict requirements of NSW Health.

The opportunity now, working in partnership with NSW Health, is to refine the process across the supply chain for the benefit of all concerned, which will reinforce Onelink Australia's position as a leading healthcare logistics supplier.

Community Snapshot

MULTIPLE SCLEROSIS SOCIETY OF NEW ZEALAND

For 17 years, PRNZL (trading as ProPharma, PWR, Healthcare Logistics and Onelink) has been supporting causes close to its staff members' hearts.

The business donates to three not-for-profit organisations in the healthcare field, nominated by members of its Advisory Board, each year.

Thirty-one groups in New Zealand have benefited from this initiative since 1999, including the Multiple Sclerosis Society of New Zealand (MSNZ) which provides ongoing support, education and advocacy for people with MS and their loved ones.

MSNZ National Manager, Amanda Keefe, called last year's cash contribution a "fantastic and greatly appreciated surprise" which helped fund the development of free educational resources for people newly diagnosed with MS.

"The donation we received from PRNZL has helped us ensure that people are informed about what their diagnosis means at a very difficult time," Ms Keefe said.

"We only receive around 10% of our funding from government, so assistance from private donors, regular donors, fundraisers and corporates is critical to ensuring the work we do can continue. Thank you PRNZL, for your vital support."

ms.
Multiple Sclerosis New Zealand

Clare Chemmart pharmacist Tim Siv, Ovarian Cancer Australia CEO Jane Hill and Casey Central Chemmart pharmacist Carolyn Wynen.

Ovarian Cancer Australia

OVARIAN CANCER AUSTRALIA

In Australia, four women are diagnosed with ovarian cancer every day. Chemmart has raised $1 million to support these women over the past decade.

The community pharmacy brand has a longstanding partnership with Ovarian Cancer Australia, an organisation that takes action for people affected by ovarian cancer in Australia.

From simple acts such as selling ribbons and pens in Chemmart pharmacies to becoming the Principal Partner of Ovarian Cancer Australia's Afternoon Teal campaign, to running a 44km marathon along the Great Ocean Road to raise funds – Chemmart staff, pharmacists and customers have wholeheartedly thrown their support behind the organisation.

"Chemmart's commitment to our work and values has been outstanding," said Jane Hill, Ovarian Cancer Australia CEO.

"The partnership with Chemmart enables Ovarian Cancer Australia to provide much-needed support to women living with ovarian cancer, their families and friends, as well as supporting our awareness, advocacy and research programs."

Summary of Results

Financial highlights

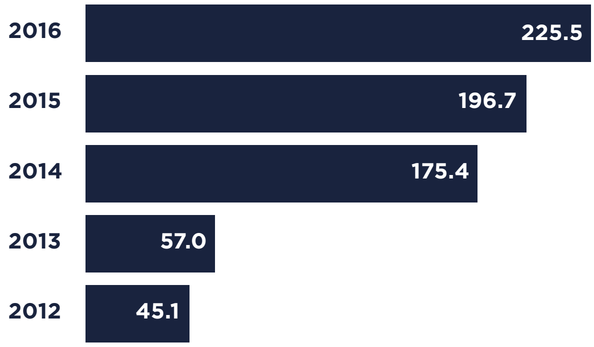
- $7.1 billion revenue **+17% increase**
- $225.5 million EBITDA **+14.6% increase**
- $127 million net profit after tax **+19.9% increase**
- $224.1 million operating cashflow **+67.5% increase**
- 84.0 cents earning per share **+18.7%**
- 58.5 cents total dividend per share **+24.5% increase**

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

Full year 2016 at a glance

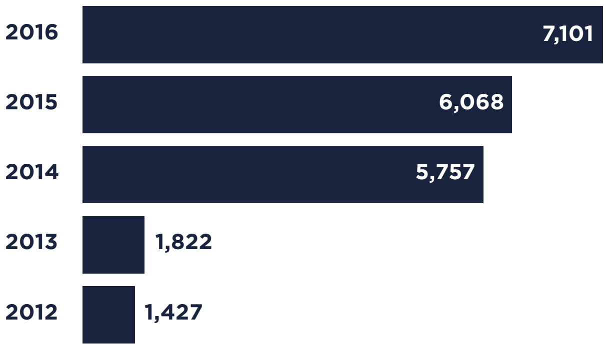
FIVE YEAR EBITDA TREND

For the year ended 30 June 2016 ($millions)



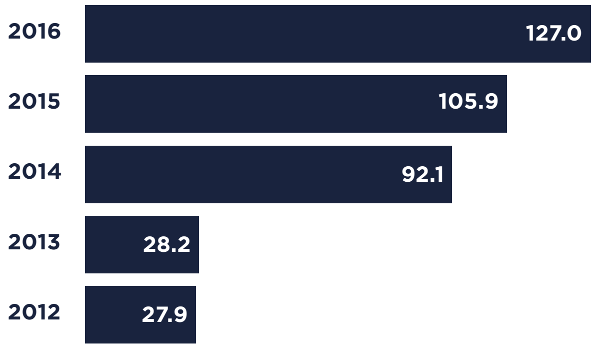
FIVE YEAR REVENUE TREND

For the year ended 30 June 2016 ($millions)



FIVE YEAR CONTINUING OPERATIONS NPAT TREND

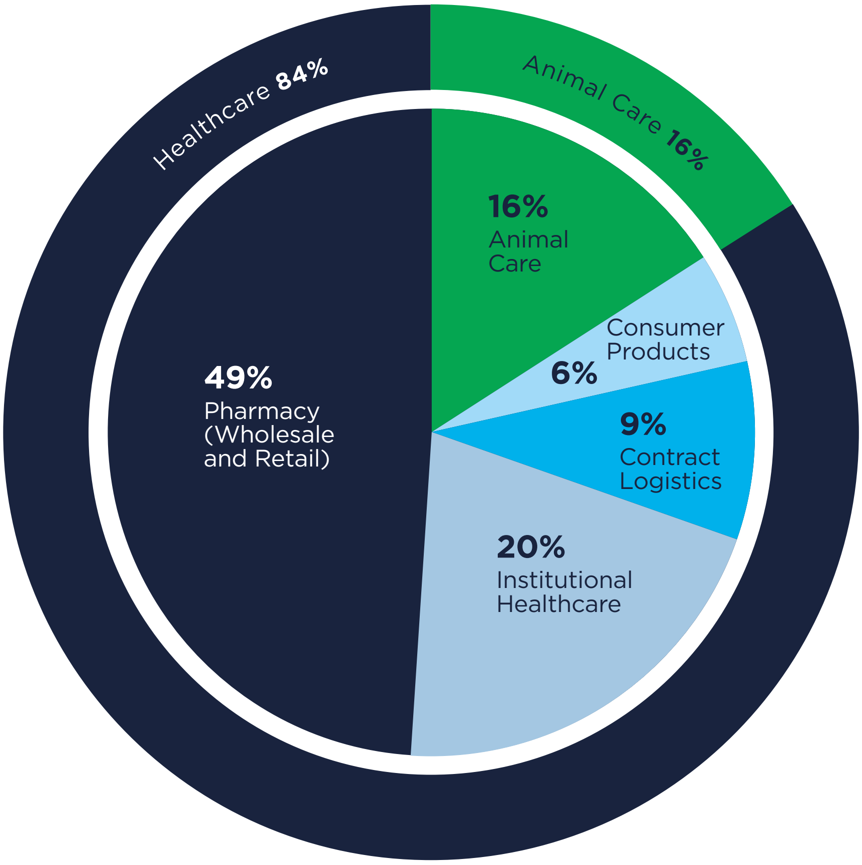
For the year ended 30 June 2016 ($millions)

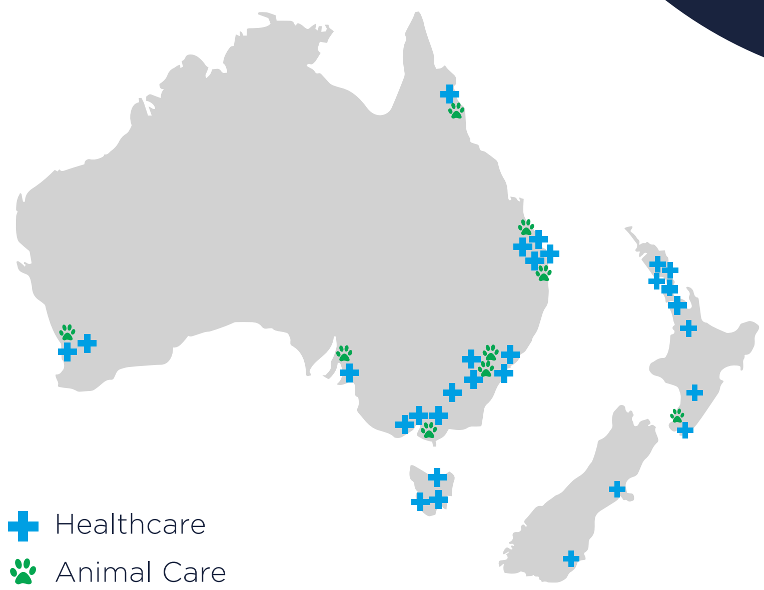


Revenue

EBITDA

Business Overview





42 locations in Australia and New Zealand

Data based on gross operating revenue, which comprises revenue less cost of sales and write down of inventory.

Board of Directors

01 MARK WALLER BCOM, FACA, FNZIM
Independent Chairman of Directors

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 and the Nomination Committee. He is also a director of all the EBOS Group Limited subsidiaries, as well as being a director of Scott Technology Limited and HTS-110 Limited (alternate director). He 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.

02 ELIZABETH COUTTS ONZM, BMS, CA
Independent Director

Elizabeth Coutts was appointed to the EBOS Group Limited Board in July 2003. She is a member of the Audit and Risk Committee, the Remuneration Committee and the Nomination Committee. She is Chair of Ports of Auckland Ltd, Urwin & Co Limited and Oceania Healthcare Ltd, and Director of Yellow Pages group of companies, Sanford Limited, Skellerup Holdings Limited and Tennis Auckland Region Incorporated and Member, Marsh New Zealand Advisory Board. She is Vice 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 and the Health Funding Authority, 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.

03 PETER KRAUS MA (HONS), DIP ENG.

Peter Kraus has been a director of EBOS Group Limited since 1990.

He is a director of Whyte Adder No 3 Limited, Herpa Properties Limited, Ecostore Company Limited and Peton Villas Limited.

04 STUART McGREGOR BCOM, LLB, MBA

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

Currently, Stuart is Chairman of Donaco International Ltd, an ASX listed company. He is also Chairman of Powerlift Australia Pty Ltd, and C B Norwood Pty Ltd and director of Symbion Pty Ltd.

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.

05 SARAH OTTREY BCOM
Independent Director

Appointed to the EBOS Group Limited Board in September 2006. Sarah Ottrey is a director of Comvita Limited, Whitestone Cheese Limited and Sarah Ottrey Marketing Limited, and is a Member of the Inland Revenue Risk and Assurance Committee. 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.

06 BARRY WALLACE MCOM (HONS), CA

Barry Wallace was appointed to the EBOS Group Limited Board in October 2001. He is Chairman of the Audit and Risk Committee and a member of the Remuneration Committee.

Barry is a chartered accountant with a background in financial management. He is a director of Allum Management Services Ltd, Whyte Adder No 3 Limited, Herpa Properties Limited, Ecostore Company Limited, Peton Villas Limited and BeGroup New Zealand Limited. He is a former Chief Executive of Health Support Limited and is the Finance Director of a private group of companies and trusts.

07 PETER WILLIAMS

Peter Williams was appointed to the EBOS Group Limited Board in July 2013. He is a member of the Nomination Committee. Peter has been an executive of The Zuellig Group since 2000. Peter is a director of Pharma Industries Limited. He is also a director of Cambert, a company marketing health and personal care products in South-East Asia. Peter is a former director of Interpharma Investments Limited.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Financial Summary

EBOS Group recorded strong financial results for the financial year ended 30 June 2016 with Net Profit after Tax increasing by 19.9% to $127 million.

Revenues exceeded the $7 billion mark for the first time, increasing by 17% on the prior year.

During the year the Australian Healthcare business commenced contract logistics and wholesale distribution of high value Hepatitis C medicines and these activities contributed a significant proportion of the Group's revenue growth.

Earnings before net finance costs, tax, depreciation and amortisation (EBITDA) grew by $28.8 million to $225.5 million representing an increase of 14.6%.

Profit before tax increased by $30.0 million or 19.9% due to the solid growth in operating earnings and lower net finance costs. Net finance costs were lower by $1.8 million or 8.4% primarily as a result of lower interest rates.

Earnings per share increased by 18.7% to 84.0 cents per share.

DIVISIONAL OVERVIEW

The strength of the Group's trans-Tasman approach to Healthcare and Animal Care has led to another year of strong performance across both divisions.

Healthcare

The Healthcare businesses generated a 14.6% increase in EBITDA on the back of a 17.5% increase in revenue.

The Australian business recorded a 19.6% increase in revenue and a 12.9% increase in EBITDA. In the Australian pharmacy market solid wholesale revenue growth was also assisted by increased levels of activity, particularly in the non-prescription over-the-counter (OTC) channel. In the institutional market, EBOS maintained its market leading position and delivered further revenue and earnings growth. In another milestone for the Group, we commenced full operations under the New South Wales Health medical consumables contract.

The New Zealand operations delivered a strong performance over the year with revenue increasing 10% and EBITDA increasing 21.8%.

Animal Care

The Animal Care businesses generated a 10.6% increase in revenue and a 14% increase in EBITDA. The revenue and profit growth included a full 12 months contribution from the BlackHawk pet food business.

Our Animates business, in which we hold a 50% equity interest, continues to perform strongly with annual sales growth above 20%.

Operating Cash Flow, and Net Debt

Operating cash flow for the period was a record $224.1 million up $90.3 million on the prior year.

The Group maintained its strong focus on working capital management as evidenced by a significant reduction in net working capital, which allowed for the record cash result. As a result of the strong cash flows the Group reduced its net debt by $69.3 million to $247.6 million further reducing its gearing ratio to 18.5% (23.2% in 2015).

The Group's Net Debt/EBITDA ratio also reduced to 1.1x at 30 June 2016 from 1.6x in the prior year.

The Group recently refinanced $162.3 million of its term debt and working capital facilities taking the opportunity to further extend the maturity dates on its bank debt facilities. As at 30 June 2016, the Group has a weighted average maturity of 32 months on its core debt facilities.

Capital expenditure for the year was $17.6 million which included an initial spend of $6.5 million on the new Brisbane, Queensland distribution centre and $3.9 million on equipment for the new warehouse specifically commissioned to operate the New South Wales Health medical consumables contract.

Return on Capital Employed

Return on capital employed increased by 2.6% to 16.3% reflecting the increased operating profit and cash performance of the Group. It was pleasing to see the sustained improvement in our return on capital employed and this remains a focus for the Group.

Currency

The Group generates approximately 80% of its earnings in Australia and the lower average exchange rate used to translate our Australian dollar earnings during the year positively impacted reported EBITDA by approximately $1.1 million.

Dividends

The Board declared a final dividend of 32.5 cents per share representing an increase of 30% on the prior corresponding period. This takes full year dividends to 58.5 cents per share, an increase of 24.5% on the prior year and represents a dividend payout ratio of 70% of net profit after tax.

The record date for the dividend will be 30 September 2016 and the dividend will be paid on 14 October 2016. The final dividend will be imputed to 25% for New Zealand tax resident shareholders and will be fully franked for Australian tax resident shareholders. The dividend reinvestment plan remains suspended for this final dividend.

Outlook

The Group has for many years now delivered strong financial results and we are confident of continued growth in our business across both Healthcare and Animal Care into FY17 on a constant currency basis.

A performance update will be provided to shareholders at the Annual Meeting on 19 October 2016.

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 and its controlled entities (together the "Group") for the year to 30 June 2016.

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 2016 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

BARRY WALLACE
Director

24 August 2016

Deloitte.

Independent Auditor's Report

TO THE SHAREHOLDERS OF EBOS GROUP LIMITED

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of EBOS Group Limited and its subsidiaries ('the Group') on pages 21–59, which comprise the consolidated balance sheet as at 30 June 2016, and the consolidated income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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.

BOARD OF DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors are responsible on behalf of the company for the preparation and fair presentation of these consolidated financial statements, in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the Board of Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITIES

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, as well as the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

OPINION

In our opinion, the consolidated financial statements on pages 21 to 59 present fairly, in all material respects, the financial position of EBOS Group Limited and its subsidiaries as at 30 June 2016, and their financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Deloitte

Chartered Accountants
24 August 2016
Christchurch, New Zealand

CONSOLIDATED INCOME STATEMENT

For the Financial Year ended 30 June, 2016	Notes	2016 $'000	2015 $'000
Revenue	2 (a)	7,101,455	6,068,080
Income from associates	2 (b)	3,823	2,861
Profit before depreciation, amortisation, net finance costs and tax expense		225,475	196,695
Depreciation	2 (b)	(12,933)	(12,108)
Amortisation of finite life intangibles	2 (b)	(11,757)	(12,010)
Profit before net finance costs and tax expense		200,785	172,577
Finance income	2 (b)	2,503	2,299
Finance costs	2 (b)	(22,573)	(24,208)
Profit before tax expense	2 (b)	180,715	150,668
Tax expense	3	(53,718)	(44,727)
Profit for the year		126,997	105,941
Earnings per share:			
Basic (cents per share)	26	84.0	70.8
Diluted (cents per share)	26	84.0	70.8

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Financial Year ended 30 June, 2016	Notes	2016 $'000	2015 $'000
Profit for the year		126,997	105,941
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges movement (losses)	22	(4,017)	(2,224)
Related tax benefit to cash flow hedges	22	1,283	631
Translation of foreign operations	22	(18,885)	11,993
Total comprehensive income net of tax benefit		105,378	116,341

Notes to the financial statements are included on pages 25 to 59.

CONSOLIDATED BALANCE SHEET

As at 30 June, 2016	Notes	2016 $'000	2015 $'000
Current assets			
Cash and cash equivalents		120,251	109,521
Trade and other receivables	6	1,320,387	803,839
Prepayments	7	8,234	7,935
Inventories	8	578,513	518,272
Current tax refundable	3	83	88
Other financial assets - derivatives	9	-	2,184
Total current assets		2,027,468	1,441,839
Non-current assets			
Property, plant and equipment	10	97,973	111,599
Capital work in progress	11	6,494	-
Prepayments	7	234	439
Deferred tax assets	3	47,043	48,284
Goodwill	12	829,163	764,618
Indefinite life intangibles	13	91,147	79,043
Finite life intangibles	14	55,341	69,325
Investment in associates	16	36,778	34,911
Other financial assets		1,255	-
Total non-current assets		1,165,428	1,108,219
Total assets		3,192,896	2,550,058
Current liabilities			
Trade and other payables	18	1,611,611	952,257
Finance leases	17, 19	143	153
Bank loans	17	106,976	153,245
Current tax payable	3	18,203	16,990
Employee benefits		35,598	33,573
Other financial liabilities - derivatives	20	8,652	6,047
Total current liabilities		1,781,183	1,162,265
Non-current liabilities			
Bank loans	17	260,672	272,852
Trade and other payables	18	12,926	10,042
Deferred tax liabilities	3	46,120	48,853
Finance leases	17, 19	36	191
Employee benefits		4,682	4,827
Total non-current liabilities		324,436	336,765
Total liabilities		2,105,619	1,499,030
Net assets		1,087,277	1,051,028
Equity			
Share capital	21	888,513	880,628
Foreign currency translation reserve	22	(36,761)	(17,876)
Retained earnings	22	239,578	189,595
Cash flow hedge reserve	22	(4,053)	(1,319)
Total equity		1,087,277	1,051,028

Notes to the financial statements are included on pages 25 to 59.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year ended 30 June, 2016	Notes	Share capital $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Cash flow hedge reserve $'000	Total $'000
Balance at 1 July, 2014		861,549	(29,869)	147,085	274	979,039
Profit for the year		-	-	105,941	-	105,941
Other comprehensive income for the year, net of tax benefit		-	11,993	-	(1,593)	10,400
Payment of dividends	23	-	-	(63,431)	-	(63,431)
Dividends re-invested	21	19,079	-	-	-	19,079
Balance at 30 June 2015		880,628	(17,876)	189,595	(1,319)	1,051,028
Balance at 1 July, 2015		880,628	(17,876)	189,595	(1,319)	1,051,028
Profit for the year		-	-	126,997	-	126,997
Other comprehensive income for the year, net of tax benefit		-	(18,885)	-	(2,734)	(21,619)
Payment of dividends	23	-	-	(77,014)	-	(77,014)
Dividends re-invested	21	7,885	-	-	-	7,885
Balance at 30 June 2016		888,513	(36,761)	239,578	(4,053)	1,087,277

Notes to the financial statements are included on pages 25 to 59.

CONSOLIDATED CASH FLOW STATEMENT

For the Financial Year ended 30 June, 2016	Notes	2016 $'000	2015 $'000
Cash flows from operating activities			
Receipts from customers		6,536,472	5,994,123
Interest received		2,503	2,299
Dividends received from associates		1,113	301
Payments to suppliers and employees		(6,238,864)	(5,785,720)
Taxes paid		(54,529)	(53,006)
Interest paid		(22,573)	(24,208)
Net cash inflow from operating activities	25(c)	224,122	133,789
Cash flows from investing activities			
Sale of property, plant & equipment		5,209	458
Purchase of property, plant & equipment		(9,771)	(14,977)
Payments for capital work in progress		(6,494)	-
Payments for intangible assets		(1,354)	(464)
Acquisition of associates	16	(1,107)	(6,710)
Acquisition of subsidiaries	25(a)	(89,724)	(57,414)
Investment in other financial assets		(1,255)	-
Net cash (outflow) from investing activities		(104,496)	(79,107)
Cash flows from financing activities			
Proceeds from issue of shares		7,885	19,079
Proceeds from borrowings		-	23,584
Repayment of borrowings		(36,061)	(15,161)
Dividends paid to equity holders of parent	23	(77,014)	(63,431)
Net cash (outflow) from financing activities		(105,190)	(35,929)
Net increase in cash held		14,436	18,753
Effect of exchange rate fluctuations on cash held		(3,706)	2,070
Net cash and cash equivalents at the beginning of the year		109,521	88,698
Net cash and cash equivalents at the end of the year		120,251	109,521
Cash and cash equivalents		120,251	109,521

Notes to the financial statements are included on pages 25 to 59.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year ended 30 June, 2016

1. SUMMARY OF ACCOUNTING POLICIES

1.1 STATEMENT OF COMPLIANCE

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

The Company operates in two business segments, being Healthcare and Animal Care. Healthcare incorporates the sale of healthcare products in a range of sectors, own brands, retail healthcare, wholesale activities, and logistics. Animal Care incorporates the sale of animal care products in a range of sectors, own brands, retail and wholesale activities.

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 in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable reporting standards as appropriate for profit oriented entities.

The financial statements comply with International Financial Reporting Standards ("IFRS").

The Group is a Tier 1 for-profit entity in terms of the External Reporting Board Standard A1.

1.2 BASIS OF PREPARATION

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.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June, 2016 and the comparative information presented in these financial statements for the year ended 30 June, 2015.

The information is presented in thousands of New Zealand dollars.

1.3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In the application of NZ IFRS, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates. The 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 made by management in the application of NZ IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Critical judgements made by management principally relate to the identification of intangible assets such as brands and customer relationships separately from goodwill, arising on acquisition of a business or subsidiaries.

1.4 KEY SOURCES OF ESTIMATION UNCERTAINTY

Key sources of estimation uncertainty relate to assessment of impairment of goodwill and indefinite life intangibles.

The Group determines whether goodwill and indefinite life intangibles are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and indefinite life intangibles are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and indefinite life intangibles are discussed in Notes 12 and 13. It is assumed that significant contracts will be rolled over for each period of renewal.

An impairment assessment of goodwill and indefinite life intangible assets has been conducted in the current year. Management has determined that there is no impairment of any of the cash-generating units containing goodwill (refer Note 12), or indefinite life intangible assets (refer Note 13).

Determining the recoverable amounts of goodwill and intangible assets requires the estimation of the effects of uncertain future events at balance date. These estimates involve assumptions about risk assessment to cash flows or discount rates used, future changes in salaries and future changes in price affecting other costs.

1.5 SPECIFIC ACCOUNTING POLICIES

The following specific accounting policies have been adopted in the preparation and presentation of the financial statements.

a) Basis of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Group, being the Company (the Parent entity) and its subsidiaries as defined in NZ IFRS-10 *'Consolidated Financial Statements'.* A list of subsidiaries appears in Note 15 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

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

The cost of the 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 the Group 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.

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.

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

Investments in associates are incorporated in the 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 as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Where necessary, adjustments are made to bring the associates accounting policies into line with those of the Group.

Any excess of the cost of acquisition over the Group's 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.

The Group's goodwill accounting policy is set out below. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

b) Goodwill

Goodwill arising on the acquisition of the 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.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously-held equity interests (if any) in the acquiree, the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised, but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's 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 the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss is recognised immediately in profit or loss and is not subsequently reversed.

c) Indefinite Life Intangible Assets

Indefinite life intangible assets represent purchased brand names and trademarks and are initially recognised at cost. Such intangible assets are regarded as having indefinite useful lives and they are tested annually for impairment on the same basis as for goodwill.

d) Finite Life Intangible Assets

Finite life intangible assets are recorded at cost less accumulated amortisation. Amortisation is charged on a straight line basis over their estimated useful life. The estimated useful life of finite life intangible assets is 1 to 10 years. The estimated useful life and amortisation period is reviewed at the end of each annual reporting period.

e) Intangible Assets Acquired in a Business Combination

All potential intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

f) Property, Plant and Equipment

The Group has five classes of property, plant and equipment:

- Freehold land;
- Buildings;
- Leasehold improvements;
- Plant and equipment; and
- Office equipment, furniture and fittings.

Property, plant and equipment is initially recorded at cost.

Cost includes the original purchase consideration and those costs directly attributable to bring 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.

When an item of property, plant and equipment is disposed of, any gain or loss is recognised in the Consolidated Income Statement and is calculated as the difference between the sale price and the carrying value of the item.

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.

Leased assets are depreciated over the shorter of the unexpired period of the lease and the estimated useful life of the assets.

The following useful lives are used in the calculation of depreciation:

- 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.

g) Impairment of Assets

At each balance sheet date, the Group 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, the Group 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 and indefinite life intangible assets, 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 and indefinite life intangible assets.

h) Taxation

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Consolidated Income Statement because it excludes items of income and expense that are taxable or deductible in other years and further excludes items that are never taxable or deductible.

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items recognised in other comprehensive income or directly in equity, in which case the tax is also recognised in other comprehensive income or directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

i) Inventories

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.

j) Leases

The Group leases certain plant and equipment and land and buildings.

Finance leases, which effectively transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the present value of the minimum lease payments. The leased assets and corresponding liabilities are recognised and the leased assets are depreciated over the period the Group is expected to benefit from their use. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the Consolidated Income Statement.

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the lease items, are included in the determination of profit or loss in equal instalments over the period of the lease. Lease incentives received are recognised as an integral part of the total lease payments made and are spread on a basis representative of the pattern of benefits expected to be derived from the leased asset.

k) Foreign Currency Translation

Functional and Presentation Currency

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

The consolidated financial statements are presented in New Zealand dollars, which is the Company's functional currency and the Group's presentation currency.

Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated 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 retranslation of monetary items, are included in the Consolidated Income Statement for the year.

Foreign Operations

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average rates for the period. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, 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 exchange rates prevailing at the reporting date.

l) Goods & Services Tax

Revenues, expenses, liabilities and assets are recognised net of the amount of goods and services tax (GST), except for receivables and payables which are recognised inclusive of GST.

Cash flows are included in the Consolidated Cash Flow Statement on a net basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

m) Financial Instruments

Financial assets and financial liabilities are recognised on the Group's Consolidated Balance Sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial Assets

Financial assets are classified into the following specific categories: "financial assets at fair value through profit or loss" (FVTPL), "held to maturity" investments, "available for sale" (AFS) financial assets and "loans and receivables". The category depends on the nature and purpose of the financial assets and is determined at initial recognition. The categories used are set out below:

Cash & Cash Equivalents:

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial Assets at Fair Value through Profit and Loss (FVTPL):

Derivative assets are classified as FVTPL unless hedge accounting is applied.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Loans and Receivables:

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in the Consolidated Income Statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Equity Instruments

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

Financial Liabilities

Financial liabilities are classified as either financial liabilities at "fair value through profit or loss" (FVTPL) or "other financial liabilities" measured at amortised cost. The classifications used are set out below:

Financial Liabilities at Fair Value through Profit and Loss (FVTPL):

Derivative liabilities are classified as FVTPL unless hedge accounting is applied.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest paid on the financial liability.

Other Financial Liabilities:

Trade and other payables, including advances from subsidiaries and bank loans, are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

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.

Amortised cost is calculated taking into account any issue costs, and any discount or premium on drawdown.

Bank loans are classified as current liabilities (either advances or current portion of term debt) unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Derivative Financial Instruments

The Group enters into foreign currency forward exchange contracts to hedge trading transactions, including anticipated transactions, denominated in foreign currencies and from time to time 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 cash flow hedges of highly probable forecast transactions.

Cash Flow Hedges

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated as a separate component of equity in the hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. 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 the Group either revokes the hedging relationship or the hedging instrument expires or is terminated, exercised or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately 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.

n) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of returns, discounts, allowances and GST. Revenue is recognised when it is considered probable that the economic benefits of the transaction will be received. The following specific recognition criteria must be met before revenue is recognised:

Sale of Goods

Sales of goods are recognised when significant risks and rewards of owning the goods are transferred to the buyer, when the revenue (and related costs) can be measured reliably, when it is probable that the economic benefits associated with the transaction will flow to the entity and when management effectively ceases involvement or control.

Rendering of Services

Revenue from services rendered is recognised when it is probable that the economic benefits associated with the transaction will flow to the entity. The stage of completion at balance date is assessed based on the value of services performed to date as a percentage of the total services to be performed.

Interest Income

Interest income is recognised in the income statement as it accrues, using the effective interest method.

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the carrying amount of the financial asset.

Dividend Income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

o) Cash Flow Statement

The Consolidated Cash Flow Statement is prepared exclusive of GST, which is consistent with the method used in the income statement.

Definition of terms used in the Cash Flow 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 the Group's equity capital.

p) Employee Entitlements

A liability for annual leave and long service leave is accrued and recognised in the Consolidated Balance Sheet. The liability is equal to the present value of the estimated future cash outflows as a result of employee services provided at balance date. Provisions are classified as non-current only if the Group has a legal entitlement not to make payment within a 12-month period, to the employee in which the obligation has been accrued.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided up to the reporting date.

q) Segment Reporting

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 (Chief Executive Officer) in order to allocate resources to the segment and to assess its performance.

r) Adoption of New Revised Accounting Standards and Interpretations

No new accounting standards or interpretations have been adopted during the year which has had a material impact on these financial statements.

The Group has not yet fully assessed the impact of NZ IFRS 15 'Revenue from Contracts with Customers' which will be effective from the 2019 financial year, or NZ IFRS 16 'Leases' which will be effective from the 2020 financial year.

2. PROFIT FROM OPERATIONS

	Notes	2016 $'000	2015 $'000
(a) Revenue			
Revenue consisted of the following items:			
Revenue from the sale of goods		6,989,949	5,979,980
Revenue from the rendering of services		111,506	88,100
		7,101,455	6,068,080
(b) Profit before tax expense			
Profit before tax expense has been arrived at after crediting/(charging) the following gains and losses from operations:			
(Loss) on disposal of property, plant and equipment		(274)	(88)
Change in fair value of derivative financial instruments		(770)	323
Income from associates	16	3,823	2,861
Profit before tax expense has been arrived			
at after crediting/(charging) the following expenses by nature:			
Cost of sales		(6,418,523)	(5,464,445)
Write-down of inventory		(6,392)	(3,483)
Net finance costs:			
Finance income		2,503	2,299
Finance costs		(22,573)	(24,208)
Total net finance costs		(20,070)	(21,909)
Impairment loss on trade & other receivables		(2,423)	(1,869)
Depreciation of property, plant & equipment	10	(12,933)	(12,108)
Amortisation of finite life intangibles	14	(11,757)	(12,010)
Operating lease rental expenses		(30,352)	(27,009)
Donations		(101)	(124)
Employee benefit expense		(220,960)	(198,695)
Defined contribution plan expense		(12,635)	(11,560)
Other expenses		(187,373)	(167,296)
Total expenses		(6,923,519)	(5,920,508)
Profit before tax expense		180,715	150,668

3. INCOME TAXES

	2016 $'000	2015 $'000
(a) Tax expense recognised in income statement		
Tax expense/(credit) comprises:		
Current tax expense/(credit):		
Current year	59,135	52,279
Adjustments for prior years	(598)	741
	58,537	53,020
Deferred tax expense/(credit):		
Origination and reversal of temporary differences	(4,923)	(4,163)
Adjustments for prior years	104	(4,130)
	(4,819)	(8,293)
Total tax expense	53,718	44,727
The prima facie tax expense on pre-tax accounting profit from operations reconciles to the tax expense in the financial statements as follows:		
Profit before tax expense	180,715	150,668
Tax expense calculated at 28% (2015: 28%)	50,600	42,187
Non-deductible expenses	225	3,310
Effect of different tax rates of subsidiaries operating in other jurisdictions	3,332	2,347
(Over) provision of tax expense in previous year	(494)	(3,389)
Other adjustments	55	272
Total tax expense	53,718	44,727

The tax rates used are principally the corporate tax rates of 28% (2015: 28%) payable by New Zealand and 30% (2015: 30%) payable by Australian corporate entities on taxable profits under tax law in each jurisdiction.

	2016 $'000	2015 $'000
(b) Current tax assets and liabilities		
Current tax assets:		
Current tax refundable	83	88
Current tax liabilities:		
Current tax payable	(18,203)	(16,990)
	(18,120)	(16,902)
(c) Deferred tax balance		
Deferred tax assets comprise:		
Temporary differences	47,043	48,284
Deferred tax liabilities comprise:		
Temporary differences	(46,120)	(48,853)
	923	(569)

3. INCOME TAXES continued

Taxable and deductible temporary differences arise from the following:

2016	Opening balance $'000	Charged to income $'000	Charged to other comprehensive income $'000	Acquisitions $'000	Foreign currency movements $'000	Closing balance $'000
Gross deferred tax liabilities:						
Property, plant and equipment	(4,075)	765	-	198	-	(3,112)
Provisions	(220)	(1,011)	-	51	-	(1,180)
Other financial assets - derivatives	(282)	-	308	-	(26)	-
Intangible assets	(44,276)	6,508	-	(4,480)	420	(41,828)
	(48,853)	6,262	308	(4,231)	394	(46,120)
Gross deferred tax assets:						
Property, plant and equipment	10,873	(3,129)	-	-	(251)	7,493
Provisions	26,700	4,095	-	-	(74)	30,721
Other financial liabilities – derivatives	2,477	(729)	549	-	26	2,323
Intangible assets	7,663	(1,031)	-	-	(307)	6,325
Tax losses carried forward	571	(649)	-	272	(13)	181
	48,284	(1,443)	549	272	(619)	47,043
Net movement in deferred tax		4,819	857	(3,959)	(225)	

2015	Opening balance $'000	Charged to income $'000	Charged to other comprehensive income $'000	Acquisitions $'000	Foreign currency movements $'000	Closing balance $'000
Gross deferred tax liabilities:						
Property, plant and equipment	(1,982)	(2,093)	-	-	-	(4,075)
Provisions	(37)	(181)	-	-	(2)	(220)
Other financial assets - derivatives	(267)	(373)	358	-	-	(282)
Intangible assets	(41,121)	4,116	-	(6,380)	(891)	(44,276)
	(43,407)	1,469	358	(6,380)	(893)	(48,853)
Gross deferred tax assets:						
Property, plant and equipment	11,242	(912)	-	-	543	10,873
Provisions	22,746	3,060	-	-	894	26,700
Other financial liabilities – derivatives	1,551	609	273	-	44	2,477
Intangible assets	-	4,592	-	3,071	-	7,663
Tax losses carried forward	1,050	(525)	-	-	46	571
	36,589	6,824	273	3,071	1,527	48,284
Net movement in deferred tax		8,293	631	(3,309)	634	

	2016 $'000	2015 $'000
(d) Imputation credit account balances		
Imputation credits available directly and indirectly to shareholders of the parent company:	3,542	1,713

4. KEY MANAGEMENT PERSONNEL COMPENSATION

	2016 $'000	2015 $'000
Short-term employee benefits	11,674	12,249
	11,674	12,249

5. REMUNERATION OF AUDITORS

	2016 $'000	2015 $'000
Auditor of the Group (Deloitte)		
Audit of the financial statements	571	537
Audit related services for review of interim financial statements	163	168
Due diligence	177	105
Information technology services	248	6
Advisory services	21	-
Financial modelling assistance	-	61
Assurance services for indirect tax compliance	-	5
	1,180	882

All non-audit services provided by the Group's auditors 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 Group's auditors.

6. TRADE AND OTHER RECEIVABLES

	2016 $'000	2015 $'000
Trade receivables (i)	1,320,068	804,763
Other receivables	17,593	15,948
Allowance for impairment (ii)	(17,274)	(16,872)
	1,320,387	803,839

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

(ii) Allowance for Impairment		
Balance at the beginning of the year	(16,872)	(16,516)
Impairment loss recognised on trade receivables	(2,423)	(1,869)
Amounts written off as uncollectable	1,169	2,186
Amounts recovered during year	(8)	-
Acquired on acquisition	(30)	-
Effect of foreign currency exchange differences	890	(673)
	(17,274)	(16,872)

In determining the recoverability of trade and other receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected liquidation proceeds. The Group does not hold any collateral over these balances. The net carrying amount is considered to approximate its fair value.

6. TRADE AND OTHER RECEIVABLES continued

	2016 $'000	2015 $'000
(iii) Ageing of impaired trade and other receivables		
Current	3,343	2,746
30 - 60 days	2,520	2,824
60 - 90 days	1,968	1,890
90 days+	8,778	8,506
	16,609	15,966

(iv) 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 $83.090m (2015: $65.681m) which are past due at the reporting date for which the Group has not provided any impairment as the amounts are still considered recoverable.

	2016	2015
30 - 60 days	60,257	50,105
60 - 90 days	4,443	9,286
90 days+	18,390	6,290
	83,090	65,681

7. PREPAYMENTS

	2016 $'000	2015 $'000
Current	8,234	7,935
Non-current	234	439
	8,468	8,374

8. INVENTORIES

	2016 $'000	2015 $'000
Raw Materials		
At cost	2,852	-
Finished Goods		
At cost	575,661	518,272
	578,513	518,272

9. OTHER FINANCIAL ASSETS - DERIVATIVES

	2016 $'000	2015 $'000
At Fair Value:		
Foreign currency forward contracts (i)	-	270
Foreign currency forward contracts (ii)	-	1,914
	-	2,184

(i) Financial asset carried at fair value through profit or loss ("FVTPL").

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

The Group has categorised these derivatives, both financial assets (as above) and financial liabilities (refer to Note 20), as Level 2 under the fair value hierarchy contained within NZ IFRS 13.

The fair value of forward foreign exchange contracts is determined using a discounted cash flow 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 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. There have been no changes in valuation techniques used for either forward foreign exchange contracts or interest rate swaps during the current reporting period. There were no transfers between fair value hierarchy levels during the current or prior periods.

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold land at cost $'000	Buildings at cost $'000	Leasehold improvements at cost $'000	Plant and equipment at cost $'000	Office equipment furniture and fittings at cost $'000	Total $'000
Gross carrying amount						
Balance at 1 July 2014	27,645	18,400	9,822	34,729	17,984	108,580
Additions	-	7	7,381	24,270	4,401	36,059
Disposals	-	(52)	(977)	(2,921)	(703)	(4,653)
Acquisitions through business combinations	-	-	-	345	67	412
Reclassification	-	1,004	-	-	(1,004)	-
Net foreign currency exchange differences	1,131	415	362	1,225	743	3,876
Balance at 30 June 2015	28,776	19,774	16,588	57,648	21,488	144,274
Additions	-	472	371	5,940	2,450	9,233
Disposals	(3,294)	(2,870)	(2)	(8,504)	(405)	(15,075)
Acquisitions through business combinations	-	-	6	1,624	105	1,735
Net foreign currency exchange differences	(1,725)	(624)	(1,040)	(3,367)	(1,068)	(7,824)
Balance at 30 June 2016	23,757	16,752	15,923	53,341	22,570	132,343
Accumulated depreciation						
Balance at 1 July 2014	-	(3,556)	(2,589)	(8,659)	(8,922)	(23,726)
Disposals	-	52	766	2,586	703	4,107
Depreciation expense	-	(774)	(1,358)	(6,853)	(3,123)	(12,108)
Reclassification	-	(871)	-	-	871	-
Net foreign currency exchange differences	-	(57)	(120)	(507)	(264)	(948)
Balance at 30 June 2015	-	(5,206)	(3,301)	(13,433)	(10,735)	(32,675)
Disposals	-	1,192	2	8,351	351	9,896
Depreciation expense	-	(861)	(1,597)	(7,164)	(3,311)	(12,933)
Net foreign currency exchange differences	-	58	253	544	487	1,342
Balance at 30 June 2016	-	(4,817)	(4,643)	(11,702)	(13,208)	(34,370)
Net book value						
As at 30 June 2015	28,776	14,568	13,287	44,215	10,753	111,599
As at 30 June 2016	23,757	11,935	11,280	41,639	9,362	97,973

	2016 $'000	2015 $'000
Aggregate depreciation recognised as an expense during the year:		
Buildings	861	774
Leasehold improvements	1,597	1,358
Plant and equipment	7,164	6,853
Office equipment, furniture and fittings	3,311	3,123
	12,933	12,108

11. CAPITAL WORK IN PROGRESS

	2016 $'000	2015 $'000
Capital work in progress	6,494	-

Capital work in progress relates to automation equipment required for a new distribution centre. The additional cost to complete the project is estimated at $54,033,000.

12. GOODWILL

	2016 $'000	2015 $'000
Gross carrying amount		
Balance at beginning of financial year	764,618	720,875
Recognised from business acquisition during the year	68,346	43,152
Effects of foreign currency exchange differences	(3,801)	591
Net book value	829,163	764,618

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to the following cash-generating units or groups of cash-generating units, representing the lowest level at which management monitors goodwill:

- Australian Hospital, Pharmacy and Primary Healthcare sectors: Healthcare Australia.
- New Zealand Consumer, Hospital, Primary Healthcare, Aged Care and International Product Supplies: Healthcare NZ.
- New Zealand Pharmacy Wholesaler and Logistic Services: Healthcare - Pharmacy/Logistics NZ.
- New Zealand and Australia Animal Care sectors: Animal Care.

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

	2016 $'000	2015 $'000
Healthcare Australia	507,979	503,513
Healthcare NZ	64,701	1,728
Healthcare – Pharmacy/Logistics NZ	95,043	95,043
Animal Care	161,440	164,334
	829,163	764,618

During the year ended 30 June 2016 management has determined that there is no impairment of any of the cash-generating units containing goodwill (2015: Nil).

The recoverable amounts (i.e. higher of value in use and fair value less costs to sell) of those units are determined on the basis of value in use calculations. Management has determined that the recoverable amount calculations are most sensitive to changes in the following assumptions:

- Revenue during the assessment period is estimated by management based on revenue achieved in the period immediately before the start of the assessment period, adjusted each year for any anticipated growth.
- Gross margins during the assessment period are estimated by management based on average gross margins achieved before the start of the assessment period, adjusted for expected changes in the business or sector in which the business operates.
- Operating costs during the assessment period are estimated by management based on current trends at the start of the assessment period, adjusted for expected changes in the business or sector in which the business operates.

The value in use calculation uses cash flow projections based on financial forecasts approved by management covering a five year period and managements past experience.

Annual growth rates of 1.9% to 7.0% (2015: 1.7% to 7.0%), an allowance of 2.8% to 7.0% (2015: 1.8% to 7.0%) for increases in expenses, and pre-tax discount rates of 12.7% to 14.3% (2015: 12.6% to 13.7%) have been applied to these projections. Cash flows beyond the five year period have been extrapolated using a 2.5% (2015: 2.5%) growth rate. Management also believes that any reasonably possible change in the key assumptions would not cause the carrying amount of any of the cash-generating units, or groups of cash-generating units to exceed their recoverable amount.

13. INDEFINITE LIFE INTANGIBLES

	Symbion Brands $'000	Other Pharmacy Brands $'000	Animal Care Brands $'000	Trademarks $'000	Total $'000
Gross carrying amount					
Balance at 1 July 2014	25,946	6,280	7,110	17,240	56,576
Acquisitions through business combinations	-	-	21,387	-	21,387
Net foreign currency exchange differences	1,142	58	(120)	-	1,080
Balance at 30 June 2015	27,088	6,338	28,377	17,240	79,043
Acquisitions through business combinations	-	16,000	-	-	16,000
Reclassification	-	-	(610)	-	(610)
Net foreign currency exchange differences	(1,790)	(91)	(1,405)	-	(3,286)
Balance at 30 June 2016	25,298	22,247	26,362	17,240	91,147
Net book value					
As at 30 June 2015	27,088	6,338	28,377	17,240	79,043
As at 30 June 2016	25,298	22,247	26,362	17,240	91,147

The carrying amount of indefinite life intangibles (brands and trademarks) has been allocated to cash-generating units, or groups of cash-generating units, as follows:

	2016 $'000	2015 $'000
Healthcare Australia	29,155	31,036
Healthcare NZ	18,390	2,390
Healthcare - Pharmacy/Logistics NZ	17,240	17,240
Animal Care	26,362	28,377
	91,147	79,043

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

During the current year, management has determined that there is no impairment of any of the brands and trademarks (2015: Nil).

The calculation of the recoverable amounts for indefinite life intangibles have been determined based on a value in use calculation that uses cash flow projections based on financial forecasts approved by management covering a five-year period.

Management has determined that the recoverable amount calculations are most sensitive to change in the following assumptions. Annual growth rates of 2.2% to 7.0% (2015: 1.7% to 5.9%), an allowance of 2.8% to 7.0% (2015: 1.8% to 5.9%) for increases in expenses, and pre-tax discount rates of 13.3% to 17.9% (2015: 13.1% to 17.9%) have been applied to these projections. Cash flows beyond the five-year period have been extrapolated using a 2.5% (2015: 2.5%) growth rate. Management also believes that any reasonably possible change in the key assumptions would not cause the carrying amount of the brands to exceed their recoverable amount.

14. FINITE LIFE INTANGIBLES

	Supply Contracts $'000	Software $'000	Brand $'000	Customer Relationships/ Contracts $'000	Total $'000
Gross carrying amount					
Balance at 1 July 2014	1,490	5,178	-	85,771	92,439
Additions	-	464	-	-	464
Disposals	-	(262)	-	-	(262)
Reclassification	-	(203)	-	(908)	(1,111)
Net foreign exchange differences	-	583	-	3,622	4,205
Balance at 30 June 2015	1,490	5,760	-	88,485	95,735
Additions	-	1,354	-	-	1,354
Disposals	-	(273)	-	-	(273)
Reclassification	-	(227)	610	227	610
Net foreign exchange differences	-	(305)	-	(5,843)	(6,148)
Balance at 30 June 2016	1,490	6,309	610	82,869	91,278
Accumulated amortisation & impairment					
Balance at 1 July 2014	(1,490)	(2,140)	-	(11,307)	(14,937)
Disposals	-	262	-	-	262
Amortisation expense	-	(1,260)	-	(10,750)	(12,010)
Reclassification	-	203	-	908	1,111
Net foreign exchange differences	-	(101)	-	(735)	(836)
Balance at 30 June 2015	(1,490)	(3,036)	-	(21,884)	(26,410)
Disposals	-	218	-	-	218
Amortisation expense	-	(1,057)	(122)	(10,578)	(11,757)
Net foreign exchange differences	-	165	-	1,847	2,012
Balance at 30 June 2016	(1,490)	(3,710)	(122)	(30,615)	(35,937)
Net book value					
As at 30 June 2015	-	2,724	-	66,601	69,325
As at 30 June 2016	-	2,599	488	52,254	55,341

15. SUBSIDIARIES

Parent and Head Entity
EBOS Group Limited

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

Subsidiaries (all balance dates 30 June unless otherwise noted)	Country of Incorporation	Ownership Interests and Voting Rights 2016	2015
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%
EBOS Limited Partnership	Australia	0%	100%
Pet Care Distributors Pty Limited (formerly Healthcare 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 (formerly EBOS Australia Holdings 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 (formerly APHS Packaging Pty Ltd)	Australia	100%	100%
Symbion Pharmacy Services Trade Receivables Trust[1]	Australia	100%	100%
Blackhawk Premium Pet Care Pty Limited	Australia	100%	100%
Endeavour Consumer Health Limited (formerly Healthcare Distributors Limited)	New Zealand	100%	100%
Nexus Australasia Pty Limited	Australia	100%	0%

[1] *Balance date is 31 December; the results of the Trust have been included in the Group results for the year to 30 June 2016.*

16. 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
VIM Health Pty Limited	Healthcare supplies	December 2013	50%	3,520
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 VIM Health Pty Limited, 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 both Animates NZ Holdings Limited and VIM Health Pty Limited these entities are not deemed to be a subsidiary as the other 50% is held by other single shareholders in both cases, therefore the Group is unable to exercise control over these entities.

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

Statement of financial position	2016 $'000	2015 $'000
Total assets	67,829	55,805
Total liabilities	(37,829)	(31,090)
Net assets	30,000	24,715
Group's share of net assets	14,171	11,780
Income Statement		
Total revenue	113,512	94,868
Total profit for the year	9,454	7,597
Group's share of profits of associates	3,823	2,861

Movement in the carrying amount of the Group's investment in associates:

	2016 $'000	2015 $'000
Balance at the beginning of the financial year	34,911	24,100
New investments [1]	-	7,829
Share of profits of associates	3,823	2,861
Share of dividends	(1,113)	(301)
Net foreign currency exchange differences	(843)	422
Balance at the end of the financial year	36,778	34,911

Goodwill included in the carrying amount of the Group's investment in associates	21,365	21,749
The Group's share of the contingent liabilities of associates	-	-
The Group's share of capital commitments of associates	-	-
[1] Consideration for new investments comprises:		
Cash	-	6,710
Deferred purchase consideration	-	1,119
	-	7,829

17. BORROWINGS

	2016 $'000	2015 $'000
Current		
Bank loans – securitisation facility (ii)	106,976	153,245
Finance lease liabilities (iii)	143	153
	107,119	153,398
Non-current		
Bank loans (i)	260,672	272,852
Finance lease liabilities (iii)	36	191
	260,708	273,043
Total borrowings	367,827	426,441

(i) The Group has bank term loans and revolving cash advance facilities of $346.0m (2015: $364.5m), of which $85.3m was unutilised at 30 June 2016 (2015: $91.7m). The Group was released from a negative pledge deed in favour of the Group's syndicated banks on 31 October 2014 when the significant provisions of the negative pledge deed, including the guarantee over the Group's assets, were incorporated in an updated facilities agreement.

There have been no breaches of the banking covenants.

(ii) The Group, through a subsidiary company, has a trade debtor securitisation facility of $444.3m (2015: $430.9m) of which $337.3m was unutilised at 30 June 2016 (2015: $277.7m). The securitisation facility involves Symbion Pty Limited providing security over the future cash flows of specific trade receivables of Symbion Pty Limited, 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 Symbion Pty Limited the trade receivables provided as security and the funding provided are recognised on the Group's Consolidated Balance Sheet.

At 30 June 2016, the value of trade receivables provided as security under this securitisation facility was $148.4m (2015: $197.9m). The net cash flows associated with the securitisation programme are disclosed in the Consolidated Cash Flow Statement as cash flows from financing activities.

The Symbion Pharmacy Services Trade Receivables Trust ("SPS Trust"), which is consolidated, was established solely for the purpose of purchasing qualifying trade receivables from Symbion Pty Limited and funding the same from lenders. The SPS Trust has directly provided funding to Symbion Pty Limited to acquire the rights to the cash flows of the securitised receivables. The SPS Trust is consolidated as the Group 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.

(iii) Secured by the assets leased.

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

As at 30 June 2016 the Group maintains the following lines of credit:

Facility	**Amount (NZD) $ millions**	**Maturity**
Term debt facilities	$92.1m	August 2018
Term debt facilities	$91.7m	August 2019
Term debt facilities	$25.0m	July 2020
Term debt facilities	$52.3m	July 2021
Working capital facilities	$85.0m	July 2018
Securitisation facility	$444.3m	September 2018

18. TRADE AND OTHER PAYABLES

	2016 $'000	2015 $'000
Current		
Trade payables	1,539,855	865,482
Other payables	71,756	80,069
Deferred purchase consideration	-	6,706
	1,611,611	952,257
Non-current		
Other payables	12,926	10,042
Total trade and other payables	1,624,537	962,299

19. LEASES

Finance leases

Minimum future lease payments
Finance leases relate to office equipment, plant and motor vehicles. The Group has options to purchase the equipment for a nominal amount at the conclusion of the lease agreements.

Finance lease liabilities	Minimum Future Lease Payments		Present Value of Minimum Future Lease Payments	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Not later than 1 year	156	167	143	153
Later than 1 year and not later than 5 years	39	208	36	191
Minimum lease payments*	195	375	179	344
Less future finance charges	(16)	(31)	-	-
Present value of minimum lease payments	179	344	179	344
Included in the financial statements as:				
Finance leases - current portion			143	153
Finance leases - non-current portion			36	191
			179	344

*Minimum future lease payments include the aggregate of all lease payments and any guaranteed residual.

The fair value of the finance lease liabilities is approximately equal to their carrying value.

Operating leases

Leasing arrangements
Operating leases relate to certain property and equipment, with lease terms of between one to thirteen years with options to extend for a further one to twenty years. All operating lease contracts contain market review clauses in the event that the Group exercises its option to renew. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

	2016 $'000	2015 $'000
Operating leases		
Non-cancellable operating lease payments		
Not longer than 1 year	24,074	22,734
Longer than 1 year and not longer than 5 years	62,618	60,296
Longer than 5 years	50,381	47,440
	137,073	130,470

20. OTHER FINANCIAL LIABILITIES - DERIVATIVES

	2016 $'000	2015 $'000
At fair value:		
Foreign currency forward contracts (i)	1,475	-
Interest rate swaps (i)	7,177	6,047
	8,652	6,047

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

Refer to Note 9 for valuation techniques and classifications.

21. SHARE CAPITAL

	2016 No. 000's	2016 $'000	2015 No. 000's	2015 $'000
Fully paid ordinary shares				
Balance at beginning of financial year	150,687	880,628	148,720	861,549
Dividend reinvested				
- October 2014	-	-	1,019	8,904
- April 2015	-	-	948	10,175
- October 2015	627	7,885	-	-
	151,314	888,513	150,687	880,628

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

22. RESERVES

	2016 $'000	2015 $'000
Foreign currency translation reserve		
Balance at beginning of the year	(17,876)	(29,869)
Translation of foreign operations	(18,885)	11,993
Balance at end of the year	(36,761)	(17,876)

Exchange differences, principally relating to the translation from Australian dollars, being the functional currency of the Group's foreign controlled entities in Australia, into New Zealand dollars being the Group's presentation currency, are brought to account by entries made directly in other comprehensive income and accumulated in the foreign currency translation reserve.

	2016 $'000	2015 $'000
Retained Earnings		
Balance at beginning of the year	189,595	147,085
Profit for the year	126,997	105,941
Dividends (Note 23)	(77,014)	(63,431)
Balance at end of the year	239,578	189,595
Cash Flow Hedge Reserve		
Balance at beginning of the year	(1,319)	274
Cash flow hedges movement (losses)	(4,017)	(2,224)
Related income tax	1,283	631
Balance at end of the year	(4,053)	(1,319)

The cash flow hedge reserve represents gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts profit or loss.

23. DIVIDENDS

	2016 Cents per share	Total $'000	2015 Cents per share	Total $'000
Recognised amounts				
Fully paid ordinary shares				
- Final - prior year	25.0	37,672	20.5	30,490
- Interim - current year	26.0	39,342	22.0	32,941
	51.0	77,014	42.5	63,431
Unrecognised amounts				
Final dividend	32.5	49,177	25.0	37,672

A dividend of 32.5 cents per share was declared on 24 August 2016 with the dividend being payable on 14 October 2016. The anticipated cash impact of the dividend is approximately $49.2m (2015: $26.4m).

24. ACQUISITION OF SUBSIDIARIES

Name of business acquired	Principal activities	Date of acquisition	Cost of acquisition $'000
2016:			
100% of the business assets of Red Seal Natural Health Limited	Healthcare supplies	November 2015	80,267

Assets and liabilities acquired 2016:

	Carrying value $'000	Fair value adjustment $'000	Fair value on acquisition $'000
Current assets			
Trade and other receivables	4,033	(136) [1]	3,897
Inventories	6,333	(400) [2]	5,933
Non-current assets			
Property, plant and equipment	1,492	216 [3]	1,708
Indefinite life intangibles	-	16,000 [4]	16,000
Current liabilities			
Trade and other payables	(3,929)	(1,104) [5]	(5,033)
Finance leases	-	(394) [6]	(394)
Employee benefits	(316)	-	(316)
Non-current liabilities			
Deferred tax liabilities	-	(4,231) [7]	(4,231)
Net assets acquired	7,613	9,951	17,564
Goodwill on acquisition			62,703
Total consideration			80,267
Net cash (outflow) on acquisition			(80,267)

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

Goodwill arising on acquisition

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

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

Impact of the acquisition on the results of the Group

Red Seal contributed $1,431,000 to the Group profit for the period. Group revenue for the period includes $24,101,000 in respect of Red Seal. Had the Red Seal acquisition been effective at 1 July 2015, the revenue of the Group from continuing operations would have been $7,119,485,000 and the profit for the period from continuing operations would have been $128,556,000.

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

24. ACQUISITION OF SUBSIDIARIES continued

Name of business acquired	Principal activities	Date of acquisition	Proportion of shares acquired	Cost of acquisition $'000
2015:				
Blackhawk Premium Pet Care Pty Limited	Animal care supplies	October 2014	100%	64,160

Assets and liabilities acquired 2015:

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

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

Goodwill arising on acquisition

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

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

Impact of the acquisition on the results of the Group for the year ended June 30 2015

Blackhawk contributed $3,200,000 to the Group profit for the year. Group revenue for the year includes $17,732,000 in respect of Blackhawk. Had the Blackhawk acquisition been effective at 1 July 2014, the revenue of the Group from continuing operations would have been $6,077,013,000, and the Group profit for the year from continuing operations would have been $107,404,000.

25. NOTES TO THE CASH FLOW STATEMENT

	2016 $'000	2015 $'000
(a) Subsidiaries acquired		
Note 24 sets out details of the subsidiaries acquired.		
Details of the acquisitions are as follows:		
Consideration		
Cash and cash equivalents	90,363	58,533
Deferred purchase consideration	(4,681)	5,627
Total consideration	85,682	64,160
Represented by:		
Net assets acquired	17,336	21,008
Goodwill on acquisition	68,346	43,152
Total consideration	85,682	64,160
Net cash outflow on acquisition		
Cash and cash equivalents consideration	90,363	58,533
Less Cash and cash equivalents acquired	(639)	(1,119)
Net cash consideration paid	89,724	57,414
(b) Financing facilities		
Bank overdraft facility, reviewed annually and payable at call:		
Amount unused	1,659	1,674
	1,659	1,674
Bank loan facilities with various maturity dates through to July 2021 (2015: August 2019)		
Amount used	367,648	426,097
Amount unused	422,634	369,357
	790,282	795,454

25. NOTES TO THE CASH FLOW STATEMENT continued

	2016 $'000	2015 $'000
(c) Reconciliation of profit for the year with cash flows from operating activities		
Profit for the year	126,997	105,941
Add/(less) non-cash items:		
Depreciation	12,933	12,108
Loss on sale of property, plant and equipment	274	88
Amortisation of finite life intangible assets	11,757	12,010
Share of profits from associates	(3,823)	(2,861)
Loss/(gain) on derivative financial instruments	770	(323)
Deferred tax	(4,819)	(8,293)
	17,092	12,729
Movement in working capital:		
Trade and other receivables	(516,548)	(104,563)
Prepayments	(94)	(1,572)
Inventories	(60,241)	(26,648)
Current tax refundable/payable	1,218	2,766
Trade and other payables	662,238	131,130
Employee benefits	1,880	5,340
Foreign currency translation of working capital balances	(18,400)	13,973
	70,053	20,426
Cash costs classified as investing activities:		
Working capital items relating to investing activities	6,706	(6,706)
Working capital items acquired	3,274	1,399
Net cash inflow from operating activities	224,122	133,789

26. EARNINGS PER SHARE CALCULATION

	2016	2015
Basic earnings per share (refer Consolidated Income Statement and Note 21)	Cents	Cents
Basic earnings per share	84.0	70.8
	$'000	$'000
Earnings used in the calculation of total basic earnings per share	126,997	105,941
	No. 000's	No. 000's
Weighted average number of ordinary shares		
for the purposes of calculating basic earnings per share	151,131	149,671
Diluted earnings per share (refer Consolidated Income Statement and Note 21)	Cents	Cents
Diluted earnings per share	84.0	70.8
	$'000	$'000
Earnings used in the calculation of total diluted earnings per share	126,997	105,941
	No. 000's	No. 000's
Weighted average number of ordinary shares		
for the purposes of calculating diluted earnings per share	151,131	149,671

27. COMMITMENTS FOR EXPENDITURE

	2016 $'000	2015 $'000
Capital expenditure commitments		
Plant	11,361	-
Software development	449	340
	11,810	340

28. CONTINGENT LIABILITIES & CONTINGENT ASSETS

	2016 $'000	2015 $'000
Contingent liabilities		
Guarantees given to third parties	10,311	12,520

Guarantees given to third parties comprise of guarantees for certain loans made to pharmacies by the ANZ National Bank Limited, performance guarantees held by the Group's bankers on behalf of customers and suppliers and property lease guarantees on behalf of landlords of the Group.

29. 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 healthcare products in a range of sectors, own brands, retail healthcare and wholesale activities.

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

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

(b) Segment revenues and results

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

	2016 $'000	2015 $'000
Revenue from external customers		
Healthcare	6,686,415	5,692,888
Animal Care	415,040	375,192
	7,101,455	6,068,080
Profit/(loss) before depreciation, amortisation, net finance costs and tax expense		
Healthcare	195,028	170,167
Animal Care	42,308	37,118
Corporate	(11,861)	(10,590)
	225,475	196,695
Segment expenses		
Healthcare:		
Depreciation	(11,691)	(10,762)
Amortisation of finite life intangibles	(9,283)	(9,695)
Tax expense	(52,607)	(41,655)
	(73,581)	(62,112)
Animal Care:		
Depreciation	(1,242)	(1,346)
Amortisation of finite life intangibles	(2,474)	(2,315)
Tax expense	(10,803)	(11,616)
	(14,519)	(15,277)
Corporate:		
Net finance costs	(20,070)	(21,909)
Tax credit	9,692	8,544
	(10,378)	(13,365)
Profit/(loss) for the year		
Healthcare	121,447	108,055
Animal Care	27,789	21,841
Corporate	(22,239)	(23,955)
	126,997	105,941
Associate Information:		
Included in the segment results above is Income from associates of:		
Animal Care	2,554	2,066
Healthcare	1,269	795

29. SEGMENT INFORMATION continued

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

(c) Segment assets

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

(d) Revenues from major products and services

The Group's major products and services are the same as the reportable segments i.e. Healthcare, Animal Care and Corporate. Revenues are reported above under (b) Segment revenues and results.

(e) Geographical information

The Group operates in two principal geographical areas; New Zealand 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:

	2016 $'000	2015 $'000
Continuing and discontinued operations		
Revenue from external customers		
New Zealand	1,468,037	1,343,884
Australia	5,633,418	4,724,196
	7,101,455	6,068,080
Non-current assets		
New Zealand	286,171	206,410
Australia	794,181	818,614
	1,080,352	1,025,024

(f) Information about major customers

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

30. RELATED PARTY DISCLOSURES

(a) Parent entities

The Parent entity in the Group is EBOS Group Limited.

(b) Equity interests in Related Parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 15 to the financial statements.

(c) Transactions with Related Parties

As at 30 June 2016 no balances were owing to or from related parties of EBOS Group (2015:Nil).

(d) Key Management Personnel Remuneration

Details of key management personnel remuneration are disclosed in Note 4 to the financial statements.

31. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives

The Group's 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.

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

(b) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- forward foreign exchange contracts to hedge the exchange rate risk arising on imports of product; and

- interest rate swaps to mitigate the risk of rising interest rates.

(c) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

Forward foreign exchange contracts

The Group enters into forward foreign exchange contracts to manage the risk associated with anticipated future sales and purchase transactions denominated in foreign currencies in accordance with the Group's Board approved treasury policy.

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

Therefore, the Group has categorised these derivatives 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.

31. FINANCIAL INSTRUMENTS continued

Outstanding Contracts	Average Exchange rate 2016	Average Exchange rate 2015	Foreign currency 2016 FC'000	Foreign currency 2015 FC'000	Contract value 2016 $'000	Contract value 2015 $'000	Fair value 2016 $'000	Fair value 2015 $'000
Buy Australian Dollars								
Less than 3 months	0.928	0.932	1,100	800	1,185	858	(35)	54
3 to 6 months	0.910	0.906	925	500	1,016	552	(48)	20
6 to 9 months	0.923	0.903	1,000	250	1,083	277	(35)	10
9 to 12 months	0.951	-	800	-	841	-	(2)	-
12 to 15 months	0.946	-	900	-	951	-	(6)	-
Buy Euro								
Less than 3 months	0.605	0.636	1,269	758	2,098	1,192	(112)	63
3 to 6 months	0.604	0.652	718	1,024	1,189	1,570	(58)	136
6 to 9 months	0.616	0.656	245	512	398	781	(9)	78
Buy Pounds								
Less than 3 months	0.466	0.460	700	250	1,502	544	(191)	29
3 to 6 months	0.484	-	610	-	1,260	-	(112)	-
6 to 9 months	0.496	0.443	350	385	706	869	(45)	18
9 to 12 months	-	0.441	-	200	-	454	-	9
Buy THB								
Less than 3 months	24.495	23.688	51,758	40,270	2,113	1,700	(42)	36
3 to 6 months	24.844	22.592	55,800	44,800	2,246	1,983	(10)	(42)
6 to 9 months	25.263	23.019	24,000	30,500	950	1,325	12	2
9 to 12 months	-	23.077	-	18,000	-	780	-	5
Buy US Dollars								
Less than 3 months	0.672	0.768	7,030	5,396	10,461	7,026	(585)	888
3 to 6 months	0.696	0.717	7,158	5,029	10,284	7,014	(185)	402
6 to 9 months	0.705	0.737	5,600	4,065	7,943	5,518	(12)	476
					46,226	32,443	(1,475)	2,184

The fair value of forward foreign exchange contracts outstanding are recognised as other financial assets/liabilities. Hedge accounting is applied for certain forward foreign exchange contracts.

31. FINANCIAL INSTRUMENTS continued

(d) Interest rate risk management

The Group is exposed to interest rate risk as it borrows funds at floating interest rates. The risk is managed by the use of interest rate swap contracts.

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on debt held. The fair value of interest rate swaps is based on market values of equivalent instruments at the reporting date.

	Average contracted fixed interest rate		Notional principal amount		Fair value	
Outstanding Contracts	2016 %	2015 %	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Outstanding variable rate for fixed contracts						
Less than 1 year	3.23	4.22	87,268	2,239	(742)	(16)
1 to 3 years	3.31	3.42	131,809	146,858	(3,723)	(2,924)
3 to 5 years	2.87	3.54	60,588	60,369	(1,970)	(2,215)
Greater than 5 years	5.23	5.18	5,000	10,000	(742)	(892)
			284,665	219,466	(7,177)	(6,047)

The fair value of interest rate swaps outstanding is recognised as other financial assets/liabilities. Hedge accounting has been adopted. 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.

Therefore, the Group has categorised these derivatives 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.

(e) Liquidity

The Group 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.

The following tables detail the Group's remaining contractual maturity for its financial assets and financial liabilities at balance date. The tables have been drawn up based on the undiscounted cash flows of the financial assets and liabilities. The table includes both interest and principal cash flows.

31. FINANCIAL INSTRUMENTS continued

Group - 2016	Weighted average effective interest rate %	On Demand $'000	Less than 1 year $'000	1-2 Years $'000	2-3 Years $'000	3-4 Years $'000	4-5 Years $'000	5+ Years $'000	Total $'000
				Maturity Dates					
Financial assets:									
Cash and cash equivalents	1.6	120,251	-	-	-	-	-	-	120,251
Trade and other receivables	-	1,320,387	-	-	-	-	-	-	1,320,387
Other financial assets									
- investment	-	-	-	1,255	-	-	-	-	1,255
		1,440,638	-	1,255	-	-	-	-	1,441,893
Financial liabilities:									
Trade and other payables	-	1,600,415	11,196	521	521	521	521	2,604	1,616,299
Finance leases	8.6	-	156	39	-	-	-	-	195
Bank loans	3.8	-	14,053	14,053	206,905	95,186	26,999	51,957	409,153
Other financial liabilities									
- derivatives	-	-	8,652	-	-	-	-	-	8,652
		1,600,415	34,057	14,613	207,426	95,707	27,520	54,561	2,034,299

Group - 2015	Weighted average effective interest rate %	On Demand $'000	Less than 1 year $'000	1-2 Years $'000	2-3 Years $'000	3-4 Years $'000	4-5 Years $'000	5+ Years $'000	Total $'000
				Maturity Dates					
Financial assets:									
Cash and cash equivalents	2.1	109,521	-	-	-	-	-	-	109,521
Trade and other receivables	-	803,839	-	-	-	-	-	-	803,839
Other financial assets									
- derivatives	-	-	2,184	-	-	-	-	-	2,184
		913,360	2,184	-	-	-	-	-	915,544
Financial liabilities:									
Trade and other payables	-	941,203	11,054	521	521	521	521	3,125	957,466
Finance leases	8.6	-	167	208	-	-	-	-	375
Bank loans	4.0	-	16,979	93,579	161,454	99,923	98,806	-	470,741
Other financial liabilities									
- derivatives	-	-	6,047	-	-	-	-	-	6,047
		941,203	34,247	94,308	161,975	100,444	99,327	3,125	1,434,629

31. FINANCIAL INSTRUMENTS continued

(f) Sensitivity analysis

(i) Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments at the balance date. The analysis is prepared assuming the amount of the financial instrument outstanding at the balance sheet date was outstanding for the whole year.

The impact to Profit for the Year and Total Equity as a result of a 100 basis point movement in interest rates is as follows:

	2016 $'000	2015 $'000
+ 100 basis point shift up in yield curve		
Impact on Profit	-	-
Impact on Total Equity	5,006	4,971
- 100 basis point shift down in yield curve		
Impact on Profit	-	-
Impact on Total Equity	(5,211)	(5,142)

(ii) Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% increase or decrease in the foreign currency rate against the presentation currency of the Group. The sensitivity analysis below is determined on exposure to outstanding foreign currency contracts and foreign currency monetary items, and adjusts their translation at the year end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and equity where the functional currency weakens 10% against the relevant currency.

	2016 $'000	2015 $'000
+ 10% shift in NZD rate		
Impact on Profit for the Year	-	(709)
Impact on Total Equity	(4,036)	(3,436)
- 10% shift in NZD rate		
Impact on Profit for the Year	-	709
Impact on Total Equity	4,930	3,436

31. FINANCIAL INSTRUMENTS continued

(g) Credit risk management

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with credit-worthy counter parties and obtaining sufficient collateral where appropriate, 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 Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The maximum credit risk associated with guarantees provided by the Group are disclosed in Note 28.

The Group does not have any significant credit risk exposure to any single counter party or any Group of counter parties having similar characteristics. 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.

(h) Fair value of financial instruments

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

The fair values and net 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.

(i) Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

(j) Capital risk management

The Group manages its capital, meaning Total Shareholders' Funds, to ensure that each entity within the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity. The Group has certain capital risk management covenants under its negative pledge agreement with its bankers, such as retaining minimum shareholder funds. None of its banking covenants were breached during the year. The Group's overall strategy remains unchanged from 2015.

32. EVENTS AFTER BALANCE DATE

Subsequent to year end, the Board has approved a final dividend to shareholders. For further details, please refer to Note 23.

On 4 August 2016 EBOS Group Limited announced it had entered into an agreement to merge its Chemmart business with the Terry White Group businesses to create one of Australia's largest retail pharmacy networks.

EBOS Group will sell the Chemmart business assets and subscribe for shares in Terry White Group Limited (TWG), which will result in EBOS Group consolidating TWG in its financial statements from completion. The expected earnings impact is not material to EBOS Group.

Completion of the transaction is subject to a number of conditions, including TWG shareholder approval. Subject to the satisfaction or waiver of those conditions, the transaction is expected to complete in late October 2016.

ADDITIONAL STOCK EXCHANGE INFORMATION

As at 15 July 2016

	Fully paid shares	Percentage of paid capital
Twenty Largest Shareholders		
Sybos Holdings Pte Limited	60,525,721	40.00%
HSBC Nominees (New Zealand) Limited – NZCSD HKBN90	8,931,470	5.90%
JP Morgan Chase Bank NA NZ Branch-Segregated Clients Acct – NZCSD CHAM24	7,713,751	5.10%
Citibank Nominees (New Zealand) Limited – NZCSD CNOM90	3,697,333	2.44%
Forsyth Barr Custodians Limited 1-CUSTODY	3,667,787	2.42%
Whyte Adder No 3 Limited	3,596,425	2.38%
Tea Custodians Limited Client Property Trust Account – NZCSD TEAC40	3,014,055	1.99%
FNZ Custodians Limited	2,791,574	1.85%
Accident Compensation Corporation – NZCSD ACCI40	2,605,853	1.72%
JP Morgan Nominees Australia Limited	2,530,519	1.67%
HSBC Nominees (New Zealand) Limited A/C State Street – NZCSD HKBN45	2,425,153	1.60%
Custodial Services Limited A/C 3	2,206,791	1.46%
National Nominees New Zealand Limited – NZCSD NNLZ90	2,192,705	1.45%
BNP Paribas Nominees Pty Ltd Agency Lending DRP A/C	935,821	0.62%
Custodial Services Limited A/C 2	892,994	0.59%
Custodial Services Limited A/C 4	826,343	0.55%
Citicorp Nominees Pty Limited	815,850	0.54%
New Zealand Permanent Trustees Limited – NZCSD NZPT43	810,123	0.54%
Custodial Services Limited A/C 18	791,526	0.52%
Investment Custodial Services Limited A/C C	773,157	0.51%
	111,744,951	73.85%

Substantial Security Holders

As at 15 July 2016, the following persons are deemed to be substantial security holders in accordance with Section 26 of the *Securities Markets Amendment Act 1988.*

	Fully paid shares	Percentage of paid capital
Sybos Holdings Pte Limited	60,525,721	40.00%
Fidelity Holdings	15,032,018	9.93%
	75,557,739	49.93%

Distribution of Shareholders and Shareholdings	Holders	Fully paid shares	Percentage of paid capital
Size of Holding			
1 to 1,000	2,112	1,061,181	0.70%
1,001 to 5,000	3,044	7,553,140	5.00%
5,001 to 10,000	837	5,949,863	3.93%
10,001 to 100,000	696	15,300,275	10.11%
100,001 and over	52	121,449,845	80.26%
Total	6,741	151,314,304	100.00%

Unmarketable parcel as at 15 July 2016

As at 15 July 2016, there were 114 shareholders (with a total of 1,558 shares) holding less than a marketable parcel of shares under the ASX Listing Rules, based on the closing share price of A$15.31. The ASX Listing Rules define a marketable parcel of shares as a parcel of shares of not less than A$500.

ADDITIONAL STOCK EXCHANGE INFORMATION continued

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 ongoing 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, 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 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 Board has agreed to regularly review and assess the Company's governance structures to ensure they are consistent, both in form and in substance, with best practice. The Board considers that the Company's Corporate Governance policies, practices and procedures substantially comply with the New Zealand Stock Exchange Corporate Governance Best Practice Code. The Company supports the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("ASX Principles") and acknowledges that at present it does not meet all of ASX's recommendations. Where the Company does not meet the ASX Principles these have been outlined below.

Further information on the Company's Corporate Governance policies and practices can be found in the Company's Corporate Governance Code ("Corporate Governance Code"), the full content of which can be found on the Company's website at http://www.ebosgroup.com/investor-centre/corporate-governance. The Corporate Governance Code includes the Charters of the Board and its committees, the Code of Ethics and the Continuous Disclosure Policy referred to in this Corporate Governance Statement. This Corporate Governance Statement was approved by the Board of EBOS Group Limited and is current as at 24 August 2016.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Role of the Board and Management

The Board is responsible for the direction and supervision of the business and affairs of the Company and the monitoring of the performance of the Company on behalf of shareholders. The Board also places emphasis on regulatory compliance.

Responsibility for the day-to-day management of the Company has been delegated to the Chief Executive Officer (CEO) and his management team.

The Board is responsible for directing the Company and enhancing its value for shareholders. It has adopted a formal Corporate Governance Code that details the Board's responsibilities, membership and operation. A copy of the Code is available on the Company's website at http://www.ebosgroup.com/investor-centre/corporate-governance.

As part of the Board's oversight of senior management, all Company executives are subject to annual performance review and goal planning. In addition, the Board monitors the performance of the CEO against the Board's requirements and expectations. In the 12-month period ended 30 June 2016, a review of each member of the Company's senior management was completed, and this was discussed with the executive concerned as part of the annual review process for that executive.

The Corporate Governance Code sets out an annual process for evaluating the performance of the Board, its committees and individual directors. Such process is led by the Chairman. An internal assessment is scheduled for 2016.

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 Company's policy is to undertake appropriate checks before putting forward a person to shareholders for election or appointing a person to fulfill a casual vacancy. Where the Company determines that a person is an appropriate candidate, shareholders are notified of that and are provided with all material information in the Company's possession that is relevant to their decision on whether or not to elect or re-elect a director through a number of channels, including through the Notice of Meeting and other information contained in the Annual Report.

Upon appointment, each director (and senior executive) receives a letter of appointment which sets out the formal terms of their appointment, along with a deed of indemnity, insurance and access.

Directors also attend formal induction sessions where they are briefed on the Company's vision and values, strategy, financial performance, and governance and risk management frameworks. Directors are also provided with ongoing professional development and training opportunities and programs to enable them to develop and maintain the skills and knowledge needed to perform their role effectively.

As a New Zealand listed entity, the Company does not have a company secretary. The General Counsel provides company secretarial services. The General Counsel is accountable to the Board through the Chairman.

The NZX Main Board Listing Rules do not require companies to adopt diversity policies and, as a result, the Company has yet to adopt a formal policy concerning diversity.

However, the Board is committed to the establishment and maintenance of appropriate ethical standards and in its recruitment practices is committed to recruiting individuals with the appropriate skills and qualifications required for the role.

The Company's gender representation as at 30 June 2016 was as follows:

	Female %	Male %
Board	29	71
Executive	8	92
Group	55	45

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Board Composition

The Board is structured to bring to its deliberations a range of experience relevant to the Company's operations.

Expertise	Experience
• Strategy • Commercial acumen • Financial knowledge and experience • Risk management • Corporate governance • International trade	**Industry** • Healthcare • Marketing • Logistics • Technology • Government **Geographic regions** • Oceania • South-East Asia

Page 16 sets out the qualifications, expertise, experience and length of service of each director in office as at the date of this report.

The Board is elected by the shareholders of EBOS Group Limited. At each annual meeting at least one third of the directors retire by rotation.

The Board currently comprises seven directors. All of the directors are non-executive directors. Mark Waller, Elizabeth Coutts and Sarah Ottrey have been determined as Independent Directors. Each of these directors are considered to be independent as that term is defined in the NZX Main Board Listing Rules. Elizabeth Coutts and Sarah Ottrey are considered to be independent as that term is defined in the ASX Principles. Mark Waller does not satisfy every ASX Corporate Governance Council recommendation as to the factors relevant to assessing the independence of a director, but the Board members unanimously believe that he acts independently as a director and as Chairman, based on the experiences of those who have worked with him, and in particular having regard to the high degree of professionalism he has at all times displayed as an EBOS director and as Chairman. In addition, the Board notes that Mark Waller has no affiliation with any major shareholder of the Company, and did not have any such affiliation during his tenure as the EBOS Managing Director/Chief Executive Officer.

The Board believes that its current structure is appropriate. Peter Kraus has had a long and substantial involvement with the Company. The involvement of Peter Williams and Stuart McGregor reflects the confidence of Sybos Holdings Pte Limited as a 40% shareholder in the Company. A further enlargement of the Board for the sole purpose of complying with the ASX Principles is not justified at this time given the calibre of the current Board.

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
Peter Kraus	Non-independent	1990
Stuart McGregor	Non-independent	July 2013
Sarah Ottrey	Independent	September 2006
Barry Wallace	Non-independent	October 2001
Peter Williams	Non-independent	July 2013

Senior Executives

EBOS Group's senior executives are appointed by the CEO and their key performance indicators contain specific financial and other objectives. These KPIs are reviewed annually by the CEO and noted by the Remuneration Committee. The performance of the EBOS Group senior executives against these objectives is evaluated annually.

Board Committees

Specific responsibilities are delegated to the Audit and Risk Committee, the Remuneration Committee and the Nomination Committee. Each of these committees has a charter setting out the committee's objectives, procedures, composition and responsibilities. Copies of these charters are available on the Company's website.

Board Processes

The table within the Directors' Disclosures shows attendances at the Board and committee meetings during the year ended 30 June 2016.

Under the Company's Corporate Governance Code, the Chairperson is responsible for the processes for evaluating the performance of the Board, Board committees and individual directors.

The Company's Corporate Governance Code provides for directors of the Company to obtain independent professional advice at the expense of the Company subject to obtaining the prior approval of the Audit and Risk Committee.

Share Trading by Directors and Officers

The Company has formal procedures that directors and officers must follow when trading EBOS shares. The Share Trading Policy is available on the EBOS Group website.

Remuneration Committee

The Remuneration Committee provides the Board with assistance in establishing relevant remuneration policies and practices for directors, executives and employees including ensuring appropriate background checks are undertaken. The current members of the Remuneration Committee are Mark Waller (Chairman), Barry Wallace and Elizabeth Coutts. The majority of the members are not independent for the purposes of the ASX Principles, but the Board considers them appropriate based on their individual skills.

Nomination Committee

The procedure for the appointment and removal of directors is ultimately governed by the Company's Constitution. A director is appointed by ordinary resolution of the shareholders although the Board may fill a casual vacancy. The Board has delegated to the Nomination Committee the responsibility for recommending candidates to be nominated as a director on the Board and candidates for the committees. When recommending candidates to act as a director, the Nomination Committee takes into account such factors as it deems appropriate, including the experience and qualifications of the candidate. The current members of the Nomination Committee are Mark Waller (Chairman), Elizabeth Coutts and Peter Williams. The majority of the members are not independent for the purposes of the ASX Principles, but the Board consider them appropriate based on their individual skills. There were no Nomination Committee meetings held during the year.

The Nomination Committee Charter which outlines the committee's authority, duties, responsibility and relationship with the Board is set out as Appendix D to the Corporate Governance Code and is available on the Company's website.

PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

The Board has a code of conduct for its directors, senior executives and employees, in the form of its Code of Ethics. The Code of Ethics is set out as Appendix A to the Corporate Governance Code and is available on the Company's website. The Code of Ethics is the framework of standards by which the directors and employees of EBOS and its related companies are expected to conduct their professional lives, and covers conflicts of interest, receipt of gifts, confidentiality, expected behaviour, delegated authority and compliance with laws and policies.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

The Audit and Risk Committee provides the Board with assistance in fulfilling its responsibilities to shareholders, the investment community and others for overseeing the Company's financial statements, financial reporting processes, internal accounting systems, financial controls, and annual external financial audit and EBOS's relationship with its external auditor. In addition, the Audit and Risk Committee is responsible for the establishment of policies and procedures relating to risk oversight, identification, management and control.

The current members of the Audit and Risk Committee are Barry Wallace (Chairman), Mark Waller and Elizabeth Coutts. Despite not being an independent director, the Board considers Barry Wallace to be an appropriate director to chair the Audit and Risk Committee given his qualifications as a chartered accountant and his background in financial management. Further information about the relevant qualifications and experience of the members of the committee is set out above.

The Audit and Risk Committee Charter which outlines the committee's authority, duties, responsibilities and relationship with the Board is set out as Appendix B to the Corporate Governance Code and is available on the Company's website. Information on the procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners, is set out in section 9 of the Corporate Governance Code.

There were three Audit and Risk Committee meetings held during the year which were attended by all then-current members of the committee.

For the annual and half-year accounts released publicly, the Board has received assurances from the Chief Executive Officer and the Chief Financial Officer that, in their opinion, the financial records of the Group have been properly maintained; the financial statements and notes required by accounting standards for external reporting give a true and fair view of the financial position and performance of the Company and the consolidated group, and comply with the accounting standards and any further legislative requirements and the representations are based on a sound system of risk management and internal control and the system is operating effectively in all material respects in relation to financial reporting risks.

Deloitte acts as the Company's external auditor, attends the Company's Annual Meeting and is available to answer questions from shareholders relevant to the audit.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

The Company has a written policy that is designed to ensure compliance with the NZX Main Board Listing Rule and ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance. The General Counsel is responsible for the Company's compliance with statutory and NZX and ASX continuous disclosure requirements and the Board is advised of, and considers, continuous disclosure issues at each Board meeting.

The Company's Continuous Disclosure Policy is set out as Appendix F to the Corporate Governance Code and is available on the Company's website.

PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

Respecting the rights of shareholders is of fundamental importance to the Company and a key element of this is how the Company communicates to its shareholders. To this end, the Company recognises that shareholders must receive relevant information in a timely manner in order to properly and effectively exercise their rights as shareholders.

Information is communicated to shareholders in the Annual Report and the Interim Report. The Board has adopted a policy of continuous disclosure to ensure that it complies with the NZSX and ASX Listing Rules. The Board encourages full participation of shareholders at the Company meetings to ensure a high level of accountability and identification with the Group's strategies and goals, including by encouraging shareholders to attend meetings, giving advanced notice of the dates of all scheduled meetings, inviting shareholders to submit questions in advance and allowing time at meetings for shareholders to speak on any resolutions and ask questions of the Board. Investors are provided with information on the Company from its website (http://www.ebosgroup.com). The site contains recent NZSX and ASX announcements and reports. Shareholders are also given the option to receive communication from, and send communications to, the Company and its security registry electronically.

The Company has an investor relations program, which aims to provide information that will allow existing shareholders, potential shareholders and financial analysts to make informed decisions about the Company. This program is governed by a set of shareholder participation principles that are designed to promote effective communication with shareholders and encourage shareholder participation at general meetings. These principles are set out in section 12 of the Corporate Governance Code which is available on the Company's website.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

The Company has established an Audit and Risk Committee whose purpose is to, among other things, assist the Board in discharging its responsibility to exercise due care, diligence and skill in relation to identifying and monitoring material business risks. A summary of the functions of the Audit and Risk Committee is set out in the Audit and Risk Committee Charter which is set out as Appendix B to the Corporate Governance Code and available on the Company's website.

The members of the Audit and Risk Committee and their independence is noted above and the number of times they met is noted below.

The management team reports to the Board and/or the Audit and Risk Committee on whether the Company's material business risks are being managed effectively.

The Audit and Risk Committee is required to review the Company's risk management framework annually to satisfy itself that it continues to be sound. A review of the risk management framework was carried out in August 2016.

The Company does not have an internal audit function other than the oversight undertaken by the Audit and Risk Committee. However, the Company has appointed KPMG to act as the Company's internal auditor by reviewing specific areas of the business each year under a program approved by the Audit & Risk Committee to provide the Company with an independent and objective evaluation of the Company's management of risk.

The EBOS Group external auditor, Deloitte, was reappointed on 27 October 2015. Deloitte is invited to all Audit and Risk Committee meetings and all Audit and Risk Committee papers are made available to Deloitte.

Deloitte attends the Company's Annual Meeting and a representative is available to answer questions from shareholders relevant to that audit at, or ahead of, the Annual Meeting.

EBOS Group defines risk management as the identification, assessment and treatment of risks that have the potential to materially impact the Group's operations, people, and reputation, the environment and communities in which the Group works, and the financial prospects of the Group.

EBOS Group's risk management framework is tailored to its business, embedded largely within existing processes and aligned to the Company's objectives, both short and longer term. Given the diversity of the Group's operations a wide range of risk factors have the potential to affect the achievement of business objectives. Key risks are set out below, together with the Group's approach to managing those risks.

Competition risk: EBOS Group operates in a competitive environment and, as such, may experience increased competition that could adversely affect EBOS Group's sales, operating margins and market share.

Risk management: The risk of increased competition in the markets that EBOS operates in is ever present and to a large extent outside the control of management. The Group has a continued focus on its operating performance to ensure that it continues to service the needs of its customers whilst at the same time delivering acceptable returns to shareholders.

Reliance on key suppliers: A material proportion of EBOS Group's inbound supplies is derived from key suppliers in several of its markets. If any key suppliers ceased supplying to EBOS Group or materially reduced the amount of these supplies, the result could be a negative impact on the financial performance of EBOS Group.

Risk management: There is the possibility of competition for supply of wholesale services with suppliers choosing to bypass the existing wholesale network. This happened in Australia when Pfizer decided to distribute their retail pharmacy products directly in 2011. The Group is focussed on maintaining its critical supplier relationships by active engagement programs.

Price regulatory risk: The commercial success of EBOS is partly dependent on the achievement of acceptable pricing and margins for the goods and services it provides. EBOS Group operates in a number of highly regulated industry segments, relating to the distribution and supply of pharmaceutical and medical products and as such, EBOS Group is continually exposed to the risk of new government policies, regulations and legislation that may impact on both the pricing of products and its resulting profitability.

Risk management: The pharmaceutical distribution industry is subject to significant regulation and government reform. The Australian government's reforms to the Pharmaceutical Benefits Scheme (PBS) over many years has had and continues to have the effect of lowering the prices paid for medicines that have been genericised, thereby lowering the distribution margin earned by the Group. The Group has no control over these price adjustments and to date has offset the impact of lower distribution margin by reducing operating costs and customer discounts. As the regulated adjustment to medicine prices continues, the Group is focussed on adjusting its business model that best meets its objectives however, there is no guarantee that it will always be in a position to offset the lost margin from these reforms.

Industry regulatory risk: The financial performance of EBOS may be materially affected by changes in government regulations with respect to the pharmacy industry in Australia and New Zealand, including the Community Service Obligations (CSO) funding in Australia. Any material adverse change in the basis of the CSO funding, the performance criteria, the achievement of performance criteria, or the termination of Symbion's CSO deed, would have a material negative impact on the financial performance of EBOS Group.

Risk management: Symbion Pty Ltd, a wholly owned subsidiary of EBOS, is a signatory to the CSO deed which governs the arrangements under which the Group distributes medicines around Australia in return for access to a pool of funding that subsidises the distribution of pharmaceuticals to rural and remote parts of Australia. Failure to meet the obligations under this deed or other state-based legislation, may result in restricted or no access to the CSO pool of funding, fines or loss of licence to distribute pharmaceuticals.

The Group reports and reviews its compliance with regulations to ensure all obligations are met. The Group's operations are also subject to separate external audit by the CSO Agency. If at any point in the future the government decided to reduce the amount of funding provided under the CSO deed then the Group may need to reconsider its business model and determine whether being a signatory to the CSO continues to be commercially viable.

Risk of change to industry structure: Future potential changes to the structure of the pharmaceutical industry in Australia or New Zealand may have a material impact on EBOS Group's margins and financial performance.

Risk management: Retail pharmacy in Australia and New Zealand is subject to significant government regulation. This regulation governs the rules on both pharmacy ownership and location rules. If the government were to change either the ownership or location rules, then this could have a significant impact on the Group's operations and financial position. The Group has no control over the government's approach to regulation of these matters but does actively engage with government on the benefits of the current model.

Currency risk: EBOS Group's operations are primarily in New Zealand and Australia. Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the primary currency for the Group's operations. The Group makes purchases in foreign currencies such as the US dollar and the Euro and is therefore exposed to foreign exchange risk arising from movements in exchange rates.

EBOS Group's presentation currency is New Zealand dollars. EBOS Group is exposed to currency translation risk on conversion of earnings in Australian dollars to New Zealand dollars. This may have the impact of either increasing or decreasing the expected earnings from EBOS Group.

Risk management: To manage the currency risk in respect of both revenue and expenses, EBOS Group may hedge a percentage of its net foreign currency exposures using forward foreign exchange contracts and/or foreign exchange options to reduce the variability from changes in EBOS Group's net operating income and cash flows to acceptable parameters. Such hedging does not, however, guarantee a more favourable outcome than that achieved by not hedging.

The Group does not hedge the translation risk that arises upon conversion of its overseas based operations into New Zealand dollars.

Impairment risk: EBOS Group carries significant goodwill and intangible assets on its balance sheet. Accounting policies require that these assets be regularly tested for impairment and that the underlying assumptions supporting their carrying value be confirmed. There is a risk that the carrying balances for goodwill and/or intangibles may become impaired in the future which would have an adverse effect on EBOS Group's financial position.

Risk management: Whether the Group experiences a write down in the carrying value of its intangibles will largely depend on the operating performance of the business with which those intangibles are associated. The Group conducts an annual test for impairment on the value of all goodwill and indefinite life intangible assets, including the underlying assumptions using a discounted cash flow analysis.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

The Company has established a Remuneration Committee, the current members of which are Mark Waller, Barry Wallace and Elizabeth Coutts. Mark Waller is the Chair of the Remuneration Committee. The Remuneration Committee's Charter which outlines the Committee's authority, duties, responsibility and relationship with the Board is set out as Appendix C to the Corporate Governance Code and is available on the Company's website.

There were three Remuneration Committee meetings held during the year which were attended by all then-current members of the Committee.

As Mark Waller and Barry Wallace are members of the Committee, the Committee does not comprise a majority of directors that are considered independent for the purposes of the ASX Principles.

The Company's policies and approach to remuneration issues are outlined in section 10 of the Corporate Governance Code.

ANNUAL MEETING

The Annual Meeting of Shareholders will be held at the Great Hall, Chateau on the Park, Cnr Deans Avenue and Kilmarnock Street, Riccarton, Christchurch, New Zealand at 2.00pm on Wednesday, 19 October 2016.

Directors' Interests

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.

DISCLOSURE OF INTERESTS BY DIRECTORS

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 interest register, as follows:

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

P.F. Kraus: Director of Whyte Adder No.3 Ltd, Herpa Properties Ltd, Ecostore Company Ltd and Peton Villas Ltd.

S.J. McGregor: Chairman of Donaco International Ltd, Powerlift Australia Pty Ltd, C.B. Norwood Pty Ltd and director of Symbion Pty Ltd.

S.C. Ottrey: Director of Comvita Ltd, Whitestone Cheese Ltd and Sarah Ottrey Marketing Ltd and Member of the Inland Revenue Risk and Assurance Committee.

B.J. Wallace: Director of Allum Management Services Ltd, Whyte Adder No 3 Ltd, Herpa Properties Ltd, Ecostore Company Ltd, Peton Villas Ltd and BeGroup New Zealand Limited.

M.B. Waller: Director of EBOS Group Ltd subsidiaries, Scott Technology Ltd, and HTS-110 Ltd (Alternate Director).

P.J. Williams: Executive of The Zuellig Group and associated companies, a director of Pharma Industries Ltd and Cambert.

Directors' Disclosures

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

Director	Ordinary Shares Purchased/(Sold)	Consideration Paid/(Received)	Date of Transaction
E M Coutts – Indirect interest	393	$4,938	16 October 2015
P F Kraus – Held by associated persons	(5,000,000)	($66,500,000)	28 October 2015
S C Ottrey – Direct interest held with another	117	$1,470	21 October 2015
B J Wallace – Non beneficially held	(5,000,000)	($66,500,000)	28 October 2015
M B Waller – Direct interest held with another	7,860 (10,000)	$98,765 Nil	16 October 2015 29 April 2016
M B Waller – Direct interest held with others	(5,196)	($70,146)	3 November 2015
M B Waller – Direct non-beneficial interest/trustee of EBOS Staff Share Plan	(51,100)	Nil	16 November 2015
R G M Christie – Direct non-beneficial interest/trustee of EBOS Staff Share Plan*	(122,692)	Nil	27 October 2015

*Mr Christie was previously the registered holder of ordinary shares as a trustee of the EBOS Staff Share Plan. On 27 October 2015, Mr Christie ceased to be a director of EBOS Group Limited and a trustee of the EBOS Staff Share Plan.

DIRECTORS' SHAREHOLDINGS

Number of fully paid shares held as at		30 June 2016	30 June 2015
E M Coutts	- Indirect beneficial interest	27,296	26,903
P F Kraus	- Directly held	1,535	1,535
	- Held by associated persons	3,596,425	8,596,425
S C Ottrey	- Directly held together with another	8,079	7,962
	- Indirect beneficial interest	3,050	3,050
B J Wallace	- Non beneficially held – Director of Whyte Adder No.3 Ltd/Herpa Properties Ltd	3,596,425	8,596,425
M B Waller	- Directly held together with others	535,265	542,601
	- Direct non-beneficial interest/trustee of EBOS Staff Share Plan	71,592	123,292
R G M Christie*	- Direct non-beneficial interest/trustee of EBOS Staff Share Plan	-	123,292

*Mr Christie was previously the registered holder of ordinary shares as a trustee of the EBOS Staff Share Plan. On 27 October 2015, Mr Christie ceased to be a director of EBOS Group Limited and a trustee of the EBOS Staff Share Plan.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

	Board		Audit & Risk		Remuneration	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
E Coutts	9	9	3	3	1	1
P Kraus	9	8				
S Ottrey	9	8				
S McGregor	9	9				
B Wallace	9	9	3	3	3	3
M Waller	9	9	2	2	3	3
P Williams	9	9				
R Christie*	4	4	1	1	2	2

*Mr Rick Christie retired as a director of EBOS Group Limited on 27 October 2015.
There were no meetings held of the Nomination Committee during the year ended 30 June 2016.

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.

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 2016 were as follows:

	30 June 2016	30 June 2015
E.M. Coutts	$120,000	$110,000
P.F. Kraus	$110,000	$100,000
S J McGregor	$110,000	$100,000
S.C. Ottrey	$110,000	$100,000
B.J. Wallace	$128,000	$118,000
P J Williams	$110,000	$100,000
M.B. Waller*	$599,798	$1,740,830
R.G.M Christie#	$78,333	$215,000

*Mr Waller was an executive director during the year ended 30 June 2015. The amount for the year ended 30 June 2015 included salary, a one off long-term incentive, performance bonus and other emoluments. Mr Waller ceased to be an executive director in October 2015. The amount for the year ended 30 June 2016 includes salary paid to Mr Waller as an executive and director's fees paid to Mr Waller after he ceased to be an executive.
#Mr Rick Christie retired as a director of EBOS Group Limited on 27 October 2015.

GENDER COMPOSITION

As at 30 June 2016:

- two of the directors of the Company were female (2015:2) and five of the directors were male (2015:6); and
- one senior management position was held by a female (2015:1) and eleven senior management positions were held by males (2015:11).

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 2016** Number of Employees
100,000 – 110,000	89
110,000 – 120,000	64
120,000 – 130,000	53
130,000 – 140,000	38
140,000 – 150,000	25
150,000 – 160,000	30
160,000 – 170,000	21
170,000 – 180,000	14
180,000 – 190,000	11
190,000 – 200,000	11
200,000 – 210,000	9
210,000 – 220,000	10
220,000 – 230,000	10
230,000 – 240,000	7
240,000 – 250,000	3
250,000 – 260,000	1
260,000 – 270,000	3
270,000 – 280,000	3
280,000 – 290,000	5
290,000 – 300,000	2
300,000 – 310,000	2
310,000 – 320,000	2
320,000 – 330,000	3
330,000 – 340,000	2
340,000 – 350,000	2
350,000 – 360,000	3
360,000 – 370,000	1
380,000 – 390,000	1
390,000 – 400,000	1
400,000 – 410,000	1
410,000 – 420,000	1
440,000 – 450,000	1
480,000 – 490,000	1
630,000 – 640,000	1
720,000 – 730,000	1

Employee Remuneration (NZ$)	**30 June 2016** Number of Employees
730,000 – 740,000	1
800,000 - 810,000	1
880,000 – 890,000	1
930,000 – 940,000	1
1,010,000 – 1,020,000	1
1,060,000 – 1,070,000	1
1,400,000 – 1,410,000	1
2,670,000 – 2,680,000	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 5 to the financial statements.

M.B. Waller
Chairman of Directors

B. Wallace
Non-Executive Director

Directory

REGISTERED OFFICES

108 Wrights Road
P O Box 411
Christchurch 8024
New Zealand
Telephone: +64 3 338 0999
E-mail: ebos@ebos.co.nz

Level 3, 484 St Kilda Road
Melbourne 3004
PO Box 7300
Melbourne 8004
Australia
Telephone: +61 3 9918 5555
E-mail: ebos@ebosgroup.com

WEBSITE ADDRESS

www.ebosgroup.com

DIRECTORS

Mark Waller
Chairman

Elizabeth Coutts
Independent Director

Peter Kraus

Stuart McGregor

Sarah Ottrey
Independent Director

Barry Wallace

Peter Williams

SENIOR EXECUTIVES

Patrick Davies
Chief Executive Officer

Brett Barons
Executive General Manager, Pharmacy

Andrea Bell
Chief Information Officer

Michael Broome
Group General Manager, HCL and Symbion Contract Logistics

Simon Bunde
General Manager, Group Operations & Strategy

John Cullity
Chief Financial Officer

Sean Duggan
Chief Executive Officer, Animal Care

Tim Goldenberg
Chief Human Resources Officer

David Lewis
General Manager, Onelink Australia

Stuart Spencer
Executive General Manager, Institutional Healthcare

Andrew Vidler
General Manager, Retail Services

AUDITOR

Deloitte
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 Wednesday, 19 October 2016 at the Chateau on the Park, Cnr Deans Avenue and Kilmarnock Street, Christchurch, New Zealand, at 2.00pm.

www.ebosgroup.com