



**Team attitudes and skills
assist a healthy outcome**

Annual Report 2008



Healthy outcomes

EBOS operate along the complete health care continuum. We follow the patient to assist with healthy outcomes. Our business focuses on preventative healthcare/scientific, the many healthcare treatment phases, prescription medicines to domiciliary care and selfcare.

Whilst continuing to achieve operational excellence we recognise that the sum of the parts of our business will be greater than the whole. Once we couple this with our team attitudes and skills we will perform at the highest possible level.

In support of our business streams our core centres of excellence are:

- sales/marketing
- warehousing/distribution
- information and technology
- finance/treasury

Our overall business aims must be to:

- satisfy customer needs
- lead industry change
- provide unique 'offerings' for suppliers
- maximise channel access for our key products to their respective markets.

We will always embrace change as a mechanism to become a strong, performance-based organisation.

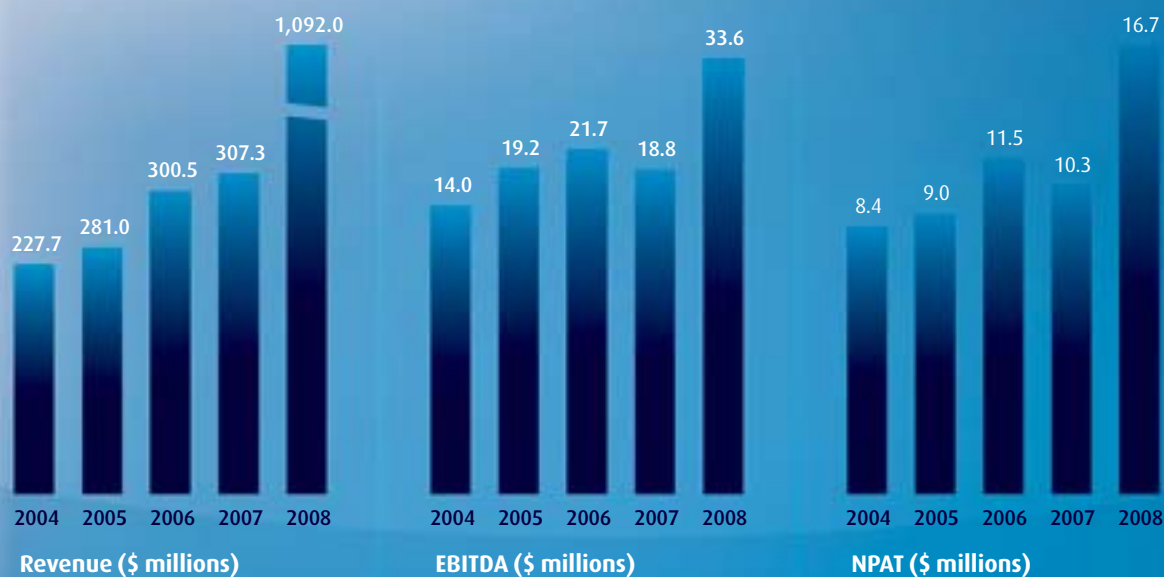
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Highlights of the year ended 30 June 2008

- Revenue exceeds one billion dollars for first time, at a record \$1,092m (+255%).
- Substantial increase in EBITDA (+79% to \$33.6m) and Net Profit after Tax (+61% to \$16.7m).
- Improved earnings by all major business units, with a particularly strong performance in Australia.
- Strong operational cash flows.
- Successful capital and debt programmes to fund acquisitions.
- Four acquisitions successfully concluded, including the large acquisition of PRNZ Ltd in August 2007.
- Implementation of SAP computer system for PRNZ.
- Year end distribution valued at 13.5 cents per share.
- Joining the Top 50 of listed companies on NZX.

Financial Performance and Trends



	2008	NZ IFRS			NZ GAAP
		2007	2006	2005	2004
Net cash inflow from operating activities (\$'000)	28,546	7,254	8,349	6,532	8,658
Shareholders' interest (\$'000)	147,304	92,195	55,763	49,512	46,901
Distributions cents per share	23.0c	22.5c	22.5c	21.5c	20.0c
Earnings per share	37.6c	31.7c	41.8c	32.5c	30.5c
Interest cover	3.7	7.8	6.9	7.7	10.1
Net interest bearing debt to net interest bearing debt plus equity	32.0%	8.1%	42.3%	40.2%	28.2%

Chairman's report

The EBOS Group Limited Board of Directors is very pleased to report that the company delivered on its growth promise in the year ended 30 June 2008 with another strong result.

EBOS has achieved record levels of revenue and profitability, assisted by both high quality performances across all of our traditional operations in the Healthcare and Scientific business sectors, and several successful acquisitions.

The acquisition of the pharmaceutical distribution and logistics group PRNZ Limited was the biggest step taken by EBOS in its history, with a significant cost of \$86.6m funded by a debt and equity programme in which all shareholders were able to participate. Investments on acquisitions during the year totalled \$105.77m.

EBOS has met the targets set out in the Explanatory Memorandum related to the purchase of PRNZ, including a 255% increase in revenue to \$1.09bn and a 61.5% increase in net profit after tax at \$16.66m, compared to \$10.32m in 2007.

The consolidation of EBOS and PRNZ has created a substantial business with total assets of \$486.19m (\$137.31m), and almost 1000 employees.

The challenges that exist in our primary markets of New Zealand and Australia include the degree of complexity of doing business in our core markets, rising costs of sales, slower economic growth, and margin pressure.

We can however confirm that the enlarged EBOS group is in robust good health and that we are in a strong financial position to meet present economic conditions.

Results

In the year ended 30 June, earnings before interest and tax were \$30.877m, which compares with \$17.13m in 2007. After finance costs of \$8.33m (\$2.19m) and income tax of \$5.88m (\$4.62m), profit for the period was \$16.66m (\$10.32m).

The trading results included contributions by PRNZ (acquired August 2007), Vital Medical Supplies Pty Ltd (July 2007), Tasmanian Medical Supplies Pty Ltd (October 2007) and Crown Scientific Pty Ltd (November 2007). Collectively, all acquisitions are performing to expectations.

More significantly, earnings per share increased from 31.7 cents to 37.6 cents on the enlarged capital base.

Balance sheet

EBOS has improved on its sound financial position with net assets increased to \$147.30m (\$92.19m). Current assets stand at \$299.72m (\$90.02m) and non-current assets of \$186.47m (\$47.28m), with current liabilities at \$323.64m (\$34.97m) and non-current liabilities at \$15.25m (\$10.14m).

Including the debt funding of about \$43m related to the acquisition of PRNZ, total borrowings increased to \$85.61m compared with \$9.91m, which was artificially low following a rights issue.

With global equity markets and the international banking sector enduring a turbulent period and banking liquidity a major topic of concern, the directors are pleased to report that the group reached agreement with ANZ Banking Group on new three-year banking arrangements.

The company also raised new equity capital by way of placement of shares with financial institutions and the issue of shares under the Share Purchase Plan with total equity now standing at \$147.30m compared with \$92.19m in 2007.

Net cash flow generation from operating activities has improved significantly at \$28.54m (\$7.25m).



Distribution and Bonus Shares

The directors have approved a bonus share distribution of 13.5 cents per share, to be issued on 10 October 2008. With the interim dividend of 9.5 cents per share, the total distribution for the year is 23 cents per share. Shareholders have the option to have the bonus shares bought back by the company for cash.

Post balance date

On 1 July 2008 EBOS completed the acquisition of MedBio Scientific, to add to our successful portfolio of Scientific companies.

Board

I wish to express my sincere thanks for the efforts and support of the board during a very dynamic period in the group's history. We welcomed Peter Merton to the board where we are seeing the benefits of his long experience in the pharmaceuticals industry.

Management and Employees

EBOS is now a very large family with employees in three countries. The 2008 result reflects their collective commitment to seeing that the business never falters whatever the challenge. We especially welcome the staff of the PRNZ companies, Vital Medical, TasMed, Crown and MedBio to the EBOS culture of excellence and thank them for their constructive and positive contribution.

My thanks especially to the top management team who have successfully integrated a significant acquisition load throughout the year.

Outlook

In very exacting markets, the group has again shown its resilience to economic volatility.

With the value of hindsight, our capital raising late last year was well timed. It has provided, with debt funding, strong trading profits, and excellent cash flow, an excellent base from which EBOS can continue to pursue new growth opportunities.

In the interim, we expect to see the benefits of our broadened operational base across three key revenue streams: Sales & Marketing, Wholesale and Logistics.

The expansion into pharmaceutical distribution in New Zealand provides an excellent balance to our accelerating growth in the exciting Australian healthcare and scientific market.

The board thanks shareholders, suppliers and customers for their ongoing confidence in EBOS Group.

A handwritten signature in black ink, appearing to read 'Rick Christie'.

Rick Christie
Chairman of Directors

Managing Director's review

The 2008 results of EBOS Group Ltd underscore our ability to achieve earnings reliability that transcends business cycles in the major countries where we operate our businesses in Healthcare, Scientific and Specialised Logistics.

The platform for this year's strong performance has two key planks:

- An intense focus on operational improvement and quality of customer service in our traditional core businesses.
- Substantial investment in diversification, notably in the acquisition of the privately owned PRNZ Ltd, operating as ProPharma and Healthcare Logistics.

For several years EBOS grew by making small incremental steps through acquisitions in the private healthcare marketing and distribution sector. This steady expansion in both New Zealand and Australia, has positioned EBOS with a more competitive business model better able to absorb market changes.

PRNZ acquisition

The acquisition of PRNZ Ltd is the biggest growth step in the history of EBOS and one that has added complementary scale in assets, revenue and group profitability. EBOS has adopted a light-handed approach to the integration of PRNZ, which operates on a relatively autonomous trading basis.

This stance has enabled PRNZ to undertake, without distraction, a significant improvement in Information Technology with a complete SAP upgrade. We expect this to benefit the wider group in future.

PRNZ's operating businesses of ProPharma and Healthcare Logistics have performed right up to expectations and EBOS has achieved in excess of our targeted rate of return on an EBITDA basis from the investment.

Our other recent acquisitions of Vital Medical, TasMed and Crown Scientific have all added to our market strength and geographic expansion during the period. Of equal importance they have each brought new talent and fresh ideas to EBOS.

The resulting diversity, by geographic location and business activity, provides strength in highly competitive markets populated by multinational companies.

Revenue streams

The business model driving sustainable growth in revenue and earnings operates in three key revenue streams:

- **Sales and Marketing of healthcare and scientific products** – EBOS New Zealand, EBOS Australia, Global Science & Technology Ltd, Quantum Scientific Pty Ltd, and Crown Scientific Pty Ltd.
- **Wholesale distribution of health sector consumables, pharmaceuticals and 'Over-the-Counter' products** – Health Support Ltd and ProPharma.
- **Speciality Healthcare Logistics** – Healthcare Logistics and Health Support Ltd.

Supporting these business streams are our 'Centres of Excellence': Warehousing; Information Technology, Finance and Treasury. The opening of a new group head office at Christchurch has increased efficiencies without any significant increase in staffing costs.

Challenging economic times are a sure test of the robustness of product quality, internal processes and business relationships. The current cycle has coincided with the biggest overhaul of internal systems and processes in twenty years and a major focus on cash management.



A year-long project to upgrade our business analysis capabilities has sharpened awareness of how service levels relate to sales revenue, costs and gross profit trends. A 'digital dashboard' of Key Performance Indicators is available in real-time to several levels of management.

The group-wide focus on improved supply chain performance continued with the successful implementation of new workflow processes at the EBOS Albany distribution centre, based on our experience at the well performing Point Chevalier distribution centre operated by Health Support. The supply chain model will be rolled out to EBOS Australia in due course.

A new NEC telephone system increased the capability of our centralised service call centre at Albany and the call yield. A similar system will be introduced into Australia.

Our divisional results included increased revenue and operating earnings in most sales channels with the highlights being:

- Another outstanding year for EBOS Australia, with a back-to-back record result, which was strengthened by excellent results from recently acquired Vital Medical and TasMed.
- An excellent year for Health Support, reflecting strong organic growth in an extremely tight environment for District Health Boards.
- Top performances by our Primary Care and Aged Care/ Rehabilitation business units within EBOS New Zealand.
- A strong performance by the Scientific division, notably through another growth year by Quantum Scientific and significant growth in profitability for Global Science.
- The commitment of our senior management team during 2008. It is both fitting and a pleasure that we highlight them throughout this report.

The future

Shareholders will be naturally concerned with the impact of the current economic cycle, commented upon by the chairman.

Our resilience is intact. It is based on having the right people in the right positions and better supported by robust processes.

EBOS is well diversified across the healthcare continuum with an exposure to demand across the sectors explained in pages 8 to 19 of this report.

Reinvention

We have transformed EBOS from a small 'agency' business to one with strong and influential positions in our chosen markets. This value position offers a unique platform in New Zealand and Australia in relation to our competitors.

We remain "bullish" about the future prospects and our resilience in the prevailing economic climate.

Mark Waller

Managing Director

Healthcare Continuum



PREVENTATIVE HEALTHCARE/ SCIENTIFIC

Research, Industry, Laboratory,
Environmental, Food Quality

- Quantum Scientific
AUSTRALIA
- Global Science
NEW ZEALAND
- Crown Scientific
AUSTRALIA
- EBOS International
PACIFIC ISLANDS/PNG



HEALTHCARE TREATMENT PHASES

Primary Care/private specialists

- EBOS Primary Care
AUSTRALIA & NEW ZEALAND
- Vital Medical
AUSTRALIA
- EBOS Dental
- EBOS International
PACIFIC ISLANDS/PNG

Acute Care/hospitals

- EBOS Hospital
AUSTRALIA & NEW ZEALAND
- Health Support Limited (HSL)
NEW ZEALAND
- EBOS International
PACIFIC ISLANDS/PNG

Customers



Universities, primary producers,
laboratories, manufacturers



General practitioners, medical
clinics, day surgery, hospitals



PRESCRIPTION MEDICINES

- ProPharma
 - Pharmaceuticals to retail pharmacy
- Healthcare Logistics
 - Pharmaceutical manufacturers
- Health Support
 - Hospital pharmaceuticals



DOMICILIARY CARE

Aged Care/Rehabilitation

EBOS

- Aged Care
AUSTRALIA & NEW ZEALAND
- ProPharma
 - ACC

SELF CARE

EBOS

- Consumer
AUSTRALIA & NEW ZEALAND
- ProPharma
 - Over the Counter
NEW ZEALAND



Pharmaceutical manufacturers, hospitals, pharmacy



ACC, rest homes, care providers, DHB's, pharmacy and other retailers, grocery

Sales and Marketing

EBOS New Zealand

Overall performance relating to Sales and Marketing activities improved strongly in 2007-08, notwithstanding competitive market conditions in the national sectors where we operate.

EBOS New Zealand led by General Manager Kelvin Hyland continued to hold strong market positions in the healthcare sector with operational improvements lifting our competitiveness.



Above, left to right: John McBride – National Sales Manager, Hospital; Kelvin Hyland – General Manager, Sales and Marketing, Healthcare; and John Matthews – National Sales Manager, Aged Care Rehabilitation.



Above, left to right: Veronica Aris – Manager, Primary Care; Brett Miller – Manager, Consumer; Paul Steele – Manager, Dental; and Vicki Wilson – Service Delivery Manager.

EBOS New Zealand focused on business fundamentals and improved systems and processes across its multiple sales and marketing channels Primary Care, Hospitals, Consumer, Aged Care/Rehabilitation, and Dental.

An internal programme directed at improving cash flow, controlling inventory levels, and lifting customer service levels has led to better financial performance across the businesses.

This process began with the centralisation of marketing functions at EBOS New Zealand's Albany offices and has continued with:

- Improved managerial access to performance analysis, to help lift gross profit margin.
- Review of product procurement practices.
- An overhaul of distribution centre practices to increase speed and accuracy of processing customer orders.
- Appointment of a Service Delivery Manager.

With managers now able to better monitor the 'vital signs' for each business unit, including detailed measurement of sales, inventory levels, debtors and creditors, and cash flow, has come increased accountability and understanding of the key drivers with the ability to continuously improve profitability.

The new position of Service Delivery Manager, held by Vicki Wilson, is a response to customers' understandably low tolerance of errors in supply or service. EBOS has established robust systems supporting best practice delivery of service to customers. Having one person leading service delivery across all sales channels has reduced error rates to low levels, with errors, identified and quickly rectified.

A recent customer survey indicated that customers appreciate the EBOS call centre's objective to resolve problems at the first point of contact and on a personalised basis.

Business Units

Our sales and marketing success is driven by separate business units led by channel managers supported by direct sales teams and product specialists operating in five sectors.

The **Primary Care** business unit, managed by Veronica Aris, had an excellent year with increased profitability. This reflects the success of initiatives related to sales team development, including a solid induction programme for new sales staff.

The emphasis on cash management also saw the development of a sales programme to reduce slow moving or eliminate obsolete stock. The business sees growth in areas that parallel primary care, including the private sector.

A solid result was achieved by the **Hospital** business unit in a demanding year with margins reflecting the continuing pressure on health sector budgets. The business unit is meeting the expectation for cost effectiveness; however the move towards collective purchasing by District Health Boards has reduced margins especially for fast moving commoditised products.

We hold a strong position in the supply of essential products related to emergency departments, operating theatres, ICU and infection control through our representation of leading brands.

Recently heightened awareness of infection risk in the hospital system has increased interest in our infection control products

Sales and Marketing

and systems. Certain sectors within the general hospital market in New Zealand are still reliant on reusable devices in contrast to other OECD countries.

Our objectives for 2009 are to enhance our marketing capabilities, improve our stock-turn and profit margins, and create organic growth for our key brands, led by our new Hospital unit manager John McBride who has a wealth of industry experience.

The **Consumer** business unit faced a tightening retail sector with sector sales volumes and discretionary spending under pressure from consumer reaction to severe cost shocks arising from still high interest rates, soaring food price inflation and record petrol prices.

Pharmacy continues to be the core sales channel for the business unit. Close partnerships with the major buying groups Life Pharmacy, Pharmacy Brands and Radius Pharmacy saw solid sales achieved, particularly liniments and medicated skin care.

The appointment during the period of Brett Miller as manager for the business unit allows us to leverage off his considerable experience in the fast moving consumer goods market and is expected to improve our business opportunities in the current year in the important sales channels of pharmacy and grocery.

The **Dental** business unit, managed by Paul Steele, faced difficult market conditions as private sector dental practices delayed equipment purchasing in response to patients tightening their discretionary spending.

We placed emphasis on achieving margin in the premium segment of the equipment market, and control of inventory.

Our strong market position as a specialist supplier of high quality technology, notably the KaVo, Gendex and Scican brands, has resulted in the unit's successful participation in tenders for the New Zealand District Health Boards' contracts against strong international competition. The Ministry of Health will fund a significant oral healthcare programme targeted at provincial regions with purchasing by DHBs expected to be spread over the next few years.

Aged Care and Rehabilitation

An emphasis on providing services that add value for customers assisted the **Aged Care & Rehabilitation** business unit, managed by John Matthews, to produce another excellent performance in a very competitive sector

2008 saw the business unit produce its best year since it was formed as a start up four years ago.

The aged care industry is under pressure from rising costs during 2007-08 and major providers were at the forefront of ongoing changes in ownership and the pursuit of operational efficiencies. Our ability to provide accurate business reporting on customer expenditure including analysis of costs per resident per day has been well received by our customers.

Aged care is still a young industry and we see strong growth potential for this product sector. Demand for age care and rehabilitation services are underpinned by the age profile of the New Zealand population.

EBOS Australia

The exceptional performance of **EBOS Group Pty Ltd** reflects the success of the changes to how we do business in Australia, the strong contributions by recently acquired healthcare companies and the leadership of our General Manager for Australia Tony Norris.

The restructuring two years ago to a co-ordinated sales and marketing approach by each of our four business divisions, well supported by a centralised Customer Services team, has produced a well-oiled national organisation.

Sales were strongly ahead by in excess of 17% in the core business, before adding acquisitions.



Above, left to right: Gareth Hamill – National Sales Manager, Primary; Dean Harding – National Sales Manager, Hospital and Aged Care; Tony Norris – General Manager, Healthcare Australia; and Pieter Vriens – Group Manager, Primary Care.

EBOS Australia's Primary Care business unit reflected the efforts of national sales manager Primary Care Gareth Hamill and his team in continuing to provide almost half of Australian revenue. Steady organic growth in sales by this unit were also bolstered by the TasMed acquisition.

Together with Vital Medical Supplies, an incomparable market position is held in Primary Care. Vital enjoyed an outstanding year with its significant sales growth and strong EBIT contribution to EBOS Australia - a credit to the leadership of Pieter Vriens and his staff.

The values and customer loyalties that underpin Vital Medical Supplies have been protected by maintaining parallel brands in the marketplace. This separation has been very successful with both Vital and EBOS Primary Care growing in sales, margin and pre-tax profit.

An exceptional lift in sales for EBOS Australia's Hospital Division was a notable achievement for our national sales manager Hospital/Aged Care, Dean Harding, and his team. It also reflected the ongoing success of brand agencies exclusively held by EBOS Australia and the integration of TasMed.

The Vernacare agency for infection control equipment and disposable consumables is performing very well as demand grows for consistency in cleaning practices. The impact of the Vernacare

'Tuffey' cleansing wipe in winning several state tenders was a stand-out success. The Eschmann range of theatre equipment made a strong contribution, with our marketing team producing excellent results despite a steep learning curve in our first active year in this new area.

The Aged Care Division provided another highly successful result with considerable new business secured from retirement sector groups for consumables. It was a record year for sales of Vernacare waste disposal equipment.

A steady result was reported by the Consumer Healthcare business unit, led by manager Craig Lewis. This is despite an intensely competitive market, where our major focus is on the Allersearch brand (EBOS owned) of asthma products marketed through retail pharmacy.

Key supply chain management has been placed under a national manager, Greg Cowlshaw.

Recent acquisitions in Australia have resulted in the group operating from several distribution facilities and consolidation will be pursued where possible.

Sales and Marketing

International (Pacific Islands and Papua New Guinea)

Flat spending on healthcare by Pacific Island nations during the year, as some economies contracted, provided a cyclical challenge for the International division managed by Bernie Davies.

Fiji remains a significant market but one reflecting a reduced health budget. Increased opportunities were found in Papua New Guinea as it benefits from the rising world prices of oil, gold and minerals. This country has been a stable yet sometimes under performing market for the business over the last four to five years, however the achievement of a fiscal surplus has begun to stimulate the health sector.

Mining for minerals, oil and gas is also driving growth for our scientific product sales in the industrial laboratories market.

International is utilising the scale of the EBOS Group to provide a full range of products to our Pacific Island markets.

Our tailored after sales customer service programme continues to be an integral part of the business' ongoing relationship with our customers. The programme includes product expertise, post-purchase training, after-sales in-country technical support and equipment maintenance programmes from our New Zealand base and from the EBOS branch located in Port Moresby, PNG.

Aid agencies are pooling their funding for Pacific Island projects, such as the provision of clean drinking water to Pacific Island communities. EBOS is participating by providing technical equipment and expertise in the analysis and purification of the water supply.

The outlook for the 2009 fiscal year is for improved trading.



Above: Barry Higham – Information and Technology Manager; and Bernie Davies, International Manager.

Scientific

EBOS Group Ltd is well represented in the **Scientific** industry and life sciences markets for scientific equipment and consumables. Well led by Derek Brown, Managing Director – Scientific, the group businesses in this division comprise:

- Global Science & Technology Ltd, based in Auckland, is a leading supplier of scientific equipment, chemicals and consumables to a broad range of customers in New Zealand.
- Quantum Scientific Pty Ltd, based in Brisbane, is a supplier of high technology scientific equipment, consumables, reagents and associated support services to the life sciences sector with interstate offices throughout Australia.
- Crown Scientific Pty Ltd is an Australia wide distributor, of a broad range of scientific consumables and equipment, based in Sydney with branches in all states.



Above, from left, Quantum Scientific: Drew Dixon – General Manager; Gavin Williamson – Sales and Marketing Manager; and Derek Brown – Managing Director, Scientific.

Australia

The continued buoyancy of the Australian scientific industry has driven excellent results for EBOS Group's wholly owned Australian subsidiaries Quantum Scientific and Crown Scientific (acquired in late 2007).

The result was enhanced by positive market conditions in two important areas:

- Sustained government funding in Australia of research establishments at universities, medical research institutes and primary industries, along with significantly increased funding of medical research activity by private philanthropists.
- The resource boom which is generating increased demand from industrial laboratories for a range of scientific equipment and consumables.

Led by general manager Drew Dixon, **Quantum Scientific Pty Ltd** has had a very strong year, with a focus on consolidation of equipment lines and growth in the reagent lines. The longer term of institutional science programmes provides a buffer to the weaker national economic cycle. Recurrent funding is "a shock absorber" that has also insulated the life sciences industry from recessionary impacts. Quantum benefited from significant growth in the life sciences market for reagents.

Our strong market position in life sciences has produced solid sales levels in several states; however, Quantum Scientific has thrived as a supplier in the Queensland market where the state government aspires to establish "the smart state" in biotechnology.

Sales and Marketing

Significant new sales were made to the Glycomics Institute at Griffith University on the Gold Coast and the Centre for Clinical Research at Royal Brisbane Hospital. Quantum also placed the first 'CRI' fluorescent small animal imaging system at the Peter MacCallum Cancer Institute in Melbourne.

In 2007 EBOS Group acquired **Crown Scientific Pty Ltd**, the second largest general scientific supplier in Australia. The business has undergone subsequent consolidation and rationalisation, with installation of new information technology and software systems together with a new management structure led by John Shannahan.

Crown has a very strong reputation and excellent coverage across key industrial markets including mining, petrochemicals, food and pharmaceuticals. Based at Minto in southwest Sydney, Crown is the group's flagship in the general scientific supply markets. Crown has bases in all major states to support future growth.

It is benefiting from the very strong expansion of the resources sector, particularly in Western Australia.

Under the leadership of its general manager John Knowles, **Global Science & Technology Ltd**, has sustained a strong position as a supplier to the research, industrial and clinical markets across New Zealand and in support of the group's International business unit.

Market conditions remained challenging with the New Zealand economy flattening, with fewer new institutional opportunities and corporate clients tightening inventories.

Nevertheless, Global Science has substantially improved profitability with budgets exceeded for the year. This is a significant achievement in flat economic conditions for the team led by Global's sales and marketing manager Heather Milliken. Internally, effective management processes and a strong team spirit are a factor in this success.

The exchange rate was a favourable influence on purchasing costs and we have reduced stock levels with the rationalisation of non-performing product lines. An inventory sale has eliminated slower moving stock. This has reduced inventory carrying costs and released capital. Global Science has entered the current year with a cleaner stock position.

The focus is on achieving a product offer that achieves customer satisfaction and sustainable profitability through increased stock-turn. This will include new products that complement the existing range and add revenue.

- Since balance date, Med-Bio Ltd, a Christchurch-based supplier of clinical diagnostic equipment and consumables to public and private pathology laboratories, has been acquired and is now a division of Global Science.



Above left: John Shannahan – General Manager, Crown Scientific; above right, Global Science & Technology: John Knowles – General Manager, and Heather Milliken – Sales and Marketing Manager.

Logistics

Healthcare Logistics, led by Michael Broome as general manager, has shown solid performance in providing cost-effective logistics support to multinational healthcare manufacturers, mostly on a fee-for-service basis, as suppliers continue to pursue reduced operational costs.

The Healthcare Logistics business model provides a range of services from full agency representation to managed warehousing.

The year saw some positive churn in the distribution area with the pre-wholesale business winning a new agreement with Wyeth, one of the world's largest pharmaceutical and healthcare products companies. New premises, adjacent to our existing Mangere site, were added to cope with growth.

Health Support Ltd's business model for hospital supply provides 'just-in-time' logistics services for both the public and private sector.

The trial of Health Support services by private healthcare provider Southern Cross Healthcare in three Auckland region hospitals has gone very well and will lead to a progressive roll-out of this logistic partnership. This is a pleasing development with considerable growth potential across the Southern Cross national network of 14 hospitals.

Whereas Healthcare Logistics has specific expertise in the pharmaceutical market, Health Support provides these services as a 'virtual company' for leading medical device and consumable manufacturers.



Above, left to right: Peter Merton – Chief Executive Officer, PRNZ; Michael Broome – General Manager, Healthcare Logistics; and David Lewis – General Manager, ProPharma.

Wholesale

Activities in wholesale distribution by Health Support Ltd and PRNZ Ltd made a strong contribution to overall group revenue and profitability in the June 2008 year. The impact of the August 2007 acquisition of the privately owned PRNZ Ltd was a major feature of the consolidated result.

Since its acquisition PRNZ has operated as a self-managed complementary business led by its chief executive Peter Merton. PRNZ has maintained brand identity for its operating subsidiaries and independent pursuit of market share.

PRNZ has completed a major capital expenditure programme on a new SAP information technology platform. The upgrade provides new capabilities including better tracking of key business indicators and enhanced online trading capability. This is expected to result in cost efficiencies going forward.

PRNZ's operating subsidiary **ProPharma** has performed fully to expectations under the leadership of general manager David Lewis, despite the flat trading environment in New Zealand during the period since acquisition.

This trend of softer market conditions was marked by weakened consumer spend impacted by sharply higher household costs. However, underlying resilience is provided by long term supply agreements with major pharmacy groups (Unichem, DispensaryFirst and Radius), supply arrangements with the Vantage buying group for independent pharmacies and renewed supply contracts with non pharmacy customers.

Pharmacy Wholesalers Russells, the stand-alone member of the ProPharma organisation, continued to benefit from its loyal group of customers in the upper North Island.

ProPharma's supply contracts with Otago and Waikato District Health Boards provided continuity in the provision of supply to DHB customers. The supply contract with the Otago DHB was renegotiated for a further period and during the year ProPharma secured an initial supply agreement with the Southland DHB.

There was growth for ProPharma's hospital business unit in the contracted supply of 'OTC' products direct to patients for the Accident Compensation Board.

ProPharma sees continued growth prospects in healthcare distribution and following the commissioning of the new SAP system is becoming more externally focused on growth initiatives for the current year.



Above, from left, Health Support Ltd: Greg Managh – General Manager, and Barry Gray – Commercial Manager.

Health Support Ltd produced another strong performance operating as a brand neutral wholesaler of medical consumables, surgical products and pharmaceuticals from its Auckland distribution centre. This wholly owned subsidiary is led by general manager Greg Managh, a very experienced EBOS group executive.

Steady organic growth in DHB procurement demand throughout the year was proof of the effectiveness of our business model that rewards customers for increased volume.

The primary business of servicing supply contracts held with public and private hospitals has cushioned Health Support from the prevailing economic conditions. During the current calendar year the company will complete the fourth year of supply contracts with the three Auckland District Health Boards (Auckland, Counties-Manakau and Waitemata) and we are focused on achieving a successful first extension of three years in the course of 2009.

With an emphasis on high quality services as our 'point of difference', Health Support has set high targets for accuracy in deliveries and timely execution of orders. A concentrated effort to improve customer satisfaction in these areas as the volume of turnover rises has led to a significantly reduced error rate in deliveries and increased timeliness.

The expansion of the Point Chevalier distribution complex that began in the previous year was completed with resulting better use of space.

Health Support maintained its position as a leading e-commerce business, with an upgrade of its server room in January 2008, featuring an advanced fire protection system, and group disaster recovery site.

Health Support's leadership of group supply chain activities saw changes introduced in group distribution that contributed to improved service performances. A policy of committed use of radio-frequency technology for stock picking has brought greater efficiencies at the EBOS Albany complex and more robust replenishment and packing processes.

Both Health Support and EBOS New Zealand are achieving more efficient procurement and, with the resolution of scalability issues, the entire supply chain is now more robust and better able to support sales efforts.

The company actively manages environmentally sound operating practices with bins employed in the despatch of customers' orders to public and private hospitals returned for re-use.



EBOS Group Head Office

Our move to a new head office was timely during the year under review and we are seeing the benefits of the new building as the nerve centre for our group activities which stretch across Australia, Papua New Guinea, the South Pacific and New Zealand.

The new corporate headquarters provides a Centre of Excellence for our Information Technology and the Finance & Treasury functions of the group. The offices also provide the New Zealand base for our Hospital, Aged Care & Rehabilitation management, International business unit, and regional sales of base for EBOS Healthcare and Global Science.

Our purpose-built headquarters at 108 Wrights Road, Addington, Christchurch is a technologically smart building with several environmental advantages. EBOS senior manager Angus Cooper included this relocation as one of his many projects undertaken as General Manager Business Development.

The group was pleased to invite the Hon Bill English M.P., a former Finance Minister and Health Minister, to open the new head office (pictured below with Mark Waller and Rick Christie).



Board of Directors

RICK CHRISTIE MSC (HONS), FNZID, FNZIM (66) **(Chairman)**

Joined the EBOS Group Ltd Board in June 2000, and appointed chairman in April 2003. Member of the Audit and Risk Committee, the Remuneration Committee and the Nomination Committee. Mr Rick Christie is a professional director with a breadth of governance and management experience in the oil and petrol-chemical industries. Former chief executive of the diversified investment company Rangatira Ltd, a former managing director of Cable Price Downer and former chief executive of Trade New Zealand. He is the chairman of Argenta Ltd, Provenco Group Ltd, Vcomms Ltd and Health Support Ltd and a director of the Growth & Innovation Advisory Board, Tourism Holdings Ltd, Wakefield Health Ltd and the NZ Pork Industry Board. Previously chairman of AgResearch Ltd, deputy chairman of the Foundation for Research, Science & Technology and chairman of the Victoria University Foundation Board of Trustees. He is also a Fellow of the Royal Society of Arts, Manufacturers and Commerce in London. He is a former director of Television New Zealand and the New Zealand Symphony Orchestra and a past president of Chamber Music New Zealand.

MARK WALLER BCOM, ACA, FNZIM (54) **(Chief Executive and Managing Director)**

Mark Waller has been chief executive officer and managing director of EBOS Group Ltd since 1987. He is a member of the Remuneration Committee. He is a director of Global Science & Technology Ltd, Health Support Ltd, Health Support Properties Ltd, EBOS Group Pty Ltd, EBOS Health & Science Pty Ltd, Healthcare Distributors Pty Ltd, PRNZ Ltd and its associated companies, Quantum Scientific Pty Ltd, Vital Medical Supplies (Australia) Pty Ltd and Scott Technology Ltd.

PETER KRAUS MA(HONS), DIP ENG (57) **(Deputy Chairman)**

Peter Kraus is an Auckland businessman who has been a director of EBOS Group Ltd since 1990. He is a member of the Nomination Committee. He is a director of Whyte Adder No.3 Ltd, Strand Holdings Ltd, Strand Management Ltd, Herpa Properties Ltd, Health Support Ltd, Ecostore Company Ltd, Oceania Attractions Ltd, ISL International Ltd, Hapimana Properties Ltd, Huckleberry Farms Ltd and Trustee of the Perpanida Trust and The Annalise Trust.

ELIZABETH COUTTS BMS, CA (49)

Appointed to the EBOS Group Ltd Board July 2003. She is a member of the Audit and Risk Committee and the Nomination Committee. Elizabeth Coutts is a professional director. She is former Chairman of Meritec Group, Chairman of Industrial Research, director of Air New Zealand Ltd, the Health Funding Authority and Trust Bank New Zealand, former deputy chairman of Public Trust, board member of Sport and Recreation NZ, member of the Pharmaceutical Management Agency (Pharmac), commissioner for both the Commerce and Earthquake Commissions and chief executive of the Caxton Group

of Companies and Carter building supply group. Her current directorships include chairman of Life Pharmacy Ltd, chairman of the Audit, Finance and Risk Committee of the Ministry of Health, director of Skellerup Industries Ltd and external monetary policy adviser to the Governor of the Reserve Bank of New Zealand and member of New Zealand Rugby League Review Committee.

SARAH OTTREY BCOM (43)

Appointed to the EBOS Group Ltd Board 18 September 2006. Sarah is a marketing specialist advising various high profile clients. She is a past board member of the Public Trust. Sarah has held senior marketing management positions with Unilever and DB Breweries.

BARRY WALLACE MCOM (HONS), CA (55)

Appointed to the EBOS Group Ltd Board October 2001. He is chairman of the Audit and Risk Committee and member of the Remuneration Committee. Barry Wallace is a chartered accountant with a background in financial management with companies such as Rank Xerox New Zealand Ltd and David Reid Electronics. He is a former chief executive of Health Support Ltd. He is the financial manager for a private group of companies. He is a director of Whyte Adder No.3 Ltd, Strand Holdings Ltd, Strand Management Ltd, Herpa Properties Ltd, Health Support Ltd, Health Support Properties Ltd, Global Science & Technology Ltd, PRNZ Ltd and its associated companies, Ecostore Company Ltd, Eco Tech Solutions Ltd, Oceania Attractions Ltd, ISL International Ltd, Hapimana Properties Ltd, Huckleberry Farms Ltd and Allum Management Services Ltd and a Trustee of The Perpanida Trust and The Annalise Trust.

PETER MERTON BPharm (46)

Appointed to the EBOS Group Ltd Board 12 September 2007. Peter has worked in the retail, manufacturing, distribution and wholesale areas of the pharmacy industry in New Zealand, Asia and Africa since the early eighties. In 1987 he joined Zuellig Pharma in New Zealand where he worked for the Zuellig group and then API until 2005. His current role as chief executive officer (PRNZ Ltd) commenced in 1997. He is a director of Pharmacy Brands Ltd, Cape Healthcare Ltd, Pharmacy Events Ltd, PRNZ Ltd and its associated companies, Pharmacy Retailing (NZ) Ltd and Trustee of Pentz Trust.

The above named Directors held office during the year and since the end of the financial year except for Peter Merton who was appointed on 12 September 2007.

Corporate Governance Statement

The Board and management of EBOS Group Ltd 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. These are set out in the Company's Corporate Governance Code, the full content of which can be found on the Company's website (www.ebos.co.nz). The Board considers that the Company's Corporate Governance policies, practices and procedures substantially comply with the New Zealand Exchange Corporate Governance Best Practice Code.

Code of Ethics

The EBOS 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.

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/Managing Director and his management team.

Board composition

The Board is elected by the shareholders of EBOS Group Ltd. At each annual meeting at least one third of the directors retire by rotation. The Board currently comprises the following non-executive directors: Chairman, Rick Christie; Peter Kraus; Elizabeth Coutts; Sarah Ottrey and Barry Wallace. It has the following executive directors Mark Waller, Chief Executive Officer/Managing Director and Peter Merton, Chief Executive of PRNZ Ltd. Rick Christie, Elizabeth Coutts and Sarah Ottrey have been determined as Independent Directors, (as defined under the NZSX Listing Rules and the EBOS Group Ltd Corporate Governance Code).

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.

Audit and Risk Committee

The Audit and Risk Committee provides the Board with assistance in fulfilling their responsibility 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. Members of the Audit and Risk Committee are Barry Wallace (Chairman), Rick Christie and Elizabeth Coutts.

Remuneration Committee

The Remuneration Committee provides the Board with assistance in establishing relevant remuneration policies and practices for directors, executives and employees. Members of the Remuneration Committee are Rick Christie (Chairman), Barry Wallace and Mark Waller.

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 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 Rick Christie (Chairman), Elizabeth Coutts and Peter Kraus. The majority of the members of the Nomination Committee are independent.

Board processes

Messrs B. Wallace and M. Waller are also directors and attend board meetings of Global Science & Technology Ltd, a wholly owned subsidiary of EBOS Group Ltd. The table on page 24 shows attendances at the board and committee meetings during the year ended 30 June 2008.

Share trading by Directors and Officers

The Company has formal procedures that directors and officers must follow when trading EBOS shares. They must notify and obtain the consent of the Board prior to any trading. All trading must be conducted within two prescribed trading windows. These periods commence from the date on which the annual result and half-yearly results are announced and conclude on the following 30 November and 30 April respectively.

Shareholder participation

The Board aims to ensure that shareholders are informed of all major developments affecting the Group's state of affairs. Information is communicated to shareholders in the Annual Report and the Interim Report. The Board has adopted a policy of Continuous Disclosures that complies with the NZSX Listing Rules. The Board encourages full participation of shareholders at the Annual Meeting to ensure a high level of accountability and identification with the Group's strategies and goals. Investors can obtain information on the company from its website (www.ebos.co.nz). The site contains recent NZX announcements and reports.

Directors' Report

Your Directors are pleased to submit to shareholders their report and financial statements for the year ended 30 June 2008.

Principal activities

EBOS Group Limited (the Company) is listed on the NZSX board of the New Zealand Exchange (NZX) under the securities code EBO. EBOS Group is the largest New Zealand owned independent national distributor and marketer of medical, dental, and scientific supplies in New Zealand. Significant business operations are also conducted in Australia, Papua New Guinea and the Pacific. The company markets world class healthcare and scientific brands sourced from leading international manufacturers.

EBOS operates in two key business segments being Healthcare and Scientific:

- Healthcare incorporates the sales and marketing of healthcare products to a wide range of sectors and the provision of wholesale distribution services of health sector consumables, pharmaceuticals and 'over-the-counter' products, and
- Scientific incorporates the sale and marketing of laboratory consumables, life sciences equipment and the provision of technical support to industry and research laboratories.

Issued capital

As at 30 June 2008 the Company had on issue 47,021,841 ordinary fully paid shares, with 10,177,878 shares issued during the year.

Group results

Annual group operating revenue was NZ\$1,092m in the year ended 30 June 2008 (2007 \$307m). Operating profit before finance costs and tax of NZ\$30.88m (2007 \$17.13m) was earned for the year ended 30 June 2008. The net profit for the period after interest and tax was NZ\$16.66m (2007 \$10.32m). Earnings per share were 37.6 cents (2007 31.7 cents).

The trading results included contributions from PRNZ Ltd, acquired August 2007 and other acquisitions completed during the year.

Distribution

The Directors approved a final distribution of 13.5 cents per share making a total of 23 cents per share for the year (2007 22.5 cents per share). Bonus shares under the Distribution Plan will be issued on 10 October 2008.

Directors

Rick Christie and Elizabeth Coutts retire by rotation in accordance with the Company's constitution and being eligible offer themselves for re-election.

Directors' interests

Share dealings by Directors

The Directors tabled on page 21 have disclosed to the Board under section 148(2) of the Companies Act 1993 particulars of acquisitions and dispositions of relevant interests in ordinary shares during the year – refer table on page 24.

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:

R.G.M. Christie: Chairman of Argenta Ltd, Provenco Group Ltd, Vcomms Ltd, Health Support Ltd, and Director of Growth & Innovation Advisory Board, Tourism Holdings Ltd, Wakefield Health Ltd and NZ Pork Industry Board.

P.F. Kraus: Director of Whyte Adder No.3 Ltd, Strand Holdings Ltd, Strand Management Ltd, Herpa Properties Ltd, Health Support Ltd, Ecostore Company Ltd, Oceania Attractions Ltd, ISL International Ltd, Hapimana Properties Ltd and Huckleberry Farms Ltd and Trustee of the Perpanida Trust and the Annalise Trust.

E.M. Coutts: Chairman of Life Pharmacy Ltd, Chairman Audit, Finance and Risk Committee of the Ministry of Health, Director of Skellerup Industries Ltd, External monetary policy adviser to the Governor of the Reserve Bank of New Zealand and Member of NZ Rugby League Review Committee.

P.M. Merton: Director of Pharmacy Brands Ltd, Cape Healthcare Ltd, Pharmacy Events Ltd, PRNZ Ltd and its associated companies, Pharmacy Retailing (NZ) Ltd and Trustee of Pentz Trust.

S.C. Ottrey – Strategic Marketing Consultant to DB Dominion Breweries Ltd.

B.J. Wallace: Director of Allum Management Services Ltd, Global Science and Technology Ltd, Health Support Ltd, Health Support Properties Ltd, PRNZ Ltd and its associated companies, Whyte Adder No.3 Ltd, Strand Holdings Ltd, Strand Management Ltd, Herpa Properties Ltd, Ecostore Company Ltd, Eco Tech Solutions Ltd, Oceania Attractions Ltd, ISL International Ltd, Hapimana Properties Ltd and Huckleberry Farms Ltd and Trustee of the Perpanida Trust and The Annalise Trust.

M.B. Waller: Director of Global Science and Technology Ltd, Health Support Ltd, Health Support Properties Ltd, EBOS Health & Science Pty Ltd, EBOS Group Pty Ltd, Healthcare Distributors Pty Ltd, PRNZ Ltd and its associated companies, Quantum Scientific Pty Ltd, Scott Technology Ltd, and Vital Medical Supplies (Australia) Pt Ltd.

Directors' Report

Directors' Report & Disclosures

Use of Company information

During the year the Board received 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	- Held by associated persons	1,075	\$5,000	October 2007
P F Kraus	- Held by associated persons	153,627	\$714,370	September 2007
		671,082	\$3,120,532	October 2007
		614,133	\$3,009,250	March 2008
		79,604	\$366,849	May 2008
P M Merton		30,922	\$142,502	May 2008
M B Waller		(10,000)	Nil	August 2007
		1,075	\$5,000	October 2007
		8,180	\$37,697	May 2008
M B Waller	- Held by associated persons	10,000	Nil	August 2007
		3,225	\$15,000	October 2007
		371	\$1,707	May 2008
B J Wallace	- Held by associated persons - Director of Whyte Adder No.3 Ltd / Director of Herpa Properties Ltd	153,627	\$714,370	September 2007
		671,082	\$3,120,532	October 2007
		66,944	\$308,507	May 2008
		614,133	\$3,009,250	March 2008
		12,660	\$58,342	May 2008

Directors' shareholdings

Number of fully paid shares held as at	30 June 2008	30 June 2007
E M Coutts	3,000	3,000
- Held by associated persons	14,408	13,333
R G M Christie	150,230	116,650
- Non beneficially held - Staff share purchase scheme		
P F Kraus	3,941,132	2,422,686
- Held by associated persons		
P M Merton	1,530,922	-
- Held by associated persons		
H J Vollemaere	123,571	120,000
(Resigned 9 November 2006)		
B J Wallace	3,941,132	2,422,686
- Held by associated persons - Director of Whyte Adder No.3 Ltd / Director of Herpa Properties Ltd		
M B Waller	404,957	405,702
- Held by associated persons	18,262	4,666
- Non beneficially held - Staff share purchase scheme	150,230	116,650

Attendance

	Board*		Audit & Risk Committee		Remuneration Committee		Nomination Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
R Christie	12	12	3	3	1	1	1	1
P Kraus	12	8	-	-	-	-	1	1
E Coutts	12	11	3	3	-	-	1	1
P Merton	10	8	-	-	-	-	-	-
S Ottrey	12	10	-	-	-	-	-	-
B Wallace	15	15	3	3	1	1	-	-
M Waller	15	15	-	-	1	1	-	-

* Includes attendance by directors at subsidiary company board meetings.

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 which 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 2008 were as follows:

EBOS Group Limited

	2008	2007
R.G.M. Christie	\$104,800	\$85,000
P.F. Kraus	\$74,100	\$60,000
E.M. Coutts	\$52,400	\$45,000
P. Merton	Salary & Other Benefits	-
S.C. Ottrey	\$49,400	\$31,505
H.J. Vollemaere	-	\$14,465
B.J. Wallace	\$55,000	\$45,000
M.B. Waller		
(Chief Executive Officer and Managing Director)	Salary	\$218,200
	* Other benefits	\$829,000
		\$581,724

*Includes performance bonus and other emoluments

Global Science & Technology Limited

	2008	2007
B.J. Wallace	\$10,000	\$10,000

Health Support Limited

	2008	2007
R.G.M. Christie	\$8,750	\$17,500
P.F. Kraus	\$5,000	\$10,000
B.J. Wallace	\$5,000	\$10,000

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.

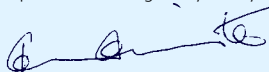
Employee Remuneration

Remuneration (NZ\$)	Number of Employees	
	2008	2007
100,000 – 110,000	13	2
110,000 – 120,000	10	3
120,000 – 130,000	6	3
130,000 – 140,000	8	6
140,000 – 150,000	4	1
160,000 – 170,000	4	-
180,000 – 190,000	4	1
200,000 – 210,000	-	2
220,000 – 240,000	4	-
240,000 – 250,000	1	-
270,000 – 280,000	1	-
300,000 – 310,000	-	1
400,000 – 410,000	1	-

Auditors

The Company's Auditors, 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 auditors are outlined in note 5 to the financial statements.



R.G.M. Christie

Chairman

22 August 2008



M.B. Waller

Managing Director

EBOS Group Limited Financial Report

For the financial year ended 30 June, 2008

EBOS Group Limited 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 2008.

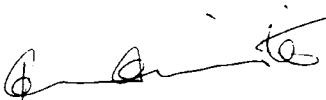
The Directors are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which give a true and fair view of the financial position of company and the group as at 30 June 2008 and the results of their operations and cash flows for the year ended on that date.

The Directors consider the financial statements of the company and the group have been prepared using accounting policies which have been consistently applied and supported by reasonable judgement 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 company and group and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

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

The Financial Statements are signed on behalf of the Board by:



Rick Christie
Chairman



Mark Waller
Chief Executive Officer and Managing Director

22 August 2008

Deloitte.

AUDIT REPORT TO THE SHAREHOLDERS OF EBOS GROUP LIMITED

We have audited the financial statements on pages 28 to 70. The financial statements provide information about the past financial performance and financial position of EBOS Group Limited and group as at 30 June 2008. This information is stated in accordance with the accounting policies set out on pages 32 to 40.

Board of Directors' Responsibilities

The Board of Directors is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of EBOS Group Limited and group as at 30 June 2008 and of the results of operations and cash flows for the year ended on that date.

Auditors' Responsibilities

It is our responsibility to express to you an independent opinion on the financial statements presented by the Board of Directors.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Board of Directors in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the company and group circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor, the provision of taxation advice and the provision of due diligence advisory services, we have no relationship with or interests in EBOS Group Limited or any of its subsidiaries.

Unqualified Opinion

We have obtained all the information and explanations we have required.
In our opinion:

- proper accounting records have been kept by EBOS Group Limited as far as appears from our examination of those records; and
- the financial statements on pages 28 to 70:
 - comply with generally accepted accounting practice in New Zealand;
 - comply with International Financial Reporting Standards; and
 - give a true and fair view of the financial position of EBOS Group Limited and group as at 30 June 2008 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 22 August 2008 and our unqualified opinion is expressed as at that date.



Chartered Accountants
CHRISTCHURCH, NEW ZEALAND.

EBOS Group Limited
Income Statement

For the Financial Year ended 30 June, 2008

	Notes	Group 2008 \$'000	Group 2007 \$'000	Parent 2008 \$'000	Parent 2007 \$'000
Revenue	2 (a)	1,092,020	307,276	69,851	67,010
Profit before depreciation, amortisation, finance costs and income tax expense		33,634	18,842	8,171	8,561
Depreciation	2 (b)	(2,620)	(1,711)	(316)	(408)
Amortisation of finite life intangibles	2 (b)	(137)	-	-	-
Profit before finance costs and tax		30,877	17,131	7,855	8,153
Finance costs	2 (b)	(8,334)	(2,189)	(4,591)	(1,181)
Profit before income tax expense	2 (b)	22,543	14,942	3,264	6,972
Income tax (expense)/credit	3	(5,880)	(4,623)	31	(1,161)
Profit for the period		16,663	10,319	3,295	5,811
Earnings per share:					
Basic (cents per share)	25	37.6	31.7		
Diluted (cents per share)	25	37.6	31.7		

Balance Sheet

As at 30 June, 2008

	Notes	Group 2008 \$'000	Group 2007 \$'000	Parent 2008 \$'000	Parent 2007 \$'000
Current assets					
Cash and cash equivalents		16,136	1,772	121	200
Trade and other receivables	6	150,426	41,230	8,572	9,786
Prepayments	7	2,789	1,090	47	101
Inventories	8	126,704	45,211	14,131	15,008
Current tax refundable	3	3,428	624	1,316	441
Other financial assets - derivatives	9	130	12	-	-
Advances to subsidiaries		-	-	12,298	10,118
Finance leases		108	86	108	86
Total current assets		299,721	90,025	36,593	35,740
Non-current assets					
Property, plant and equipment	10	22,103	10,525	4,352	757
Capital work in progress	11	916	240	-	240
Finance leases		115	172	115	172
Prepayments	7	1,176	1,432	-	-
Deferred tax assets	3	3,992	1,209	527	386
Goodwill	12	133,062	27,387	1,728	1,728
Indefinite life intangibles	13	23,756	6,316	4,960	4,960
Finite life intangibles	14	1,353	-	-	-
Shares in subsidiaries	15	-	-	128,630	39,801
Total non-current assets		186,473	47,281	140,312	48,044
Total assets		486,194	137,306	176,905	83,784
Current liabilities					
Bank overdraft	16	277	635	16	349
Trade and other payables	17	233,039	29,679	6,907	5,261
Finance leases	16, 18	225	74	27	27
Bank loans	16	82,971	1,101	48,100	-
Current tax payable	3	1,886	1,082	-	-
Employee benefits		4,851	2,305	1,383	980
Other financial liabilities - derivatives	19	387	95	384	95
Advances from subsidiaries	16	-	-	5,512	1,546
Total current liabilities		323,636	34,971	62,329	8,258
Non-current liabilities					
Bank loans	16	1,250	7,985	-	-
Trade and other payables	17	5,318	-	-	-
Deferred tax liabilities	3	7,796	2,035	1,488	1,495
Finance leases	16, 18	890	120	47	74
Total non-current liabilities		15,254	10,140	1,535	1,569
Total liabilities		338,890	45,111	63,864	9,827
Net assets		147,304	92,195	113,041	73,957
Equity					
Share capital	20	105,752	63,150	105,752	63,150
Foreign currency translation reserve	21	2,044	(485)	-	-
Retained earnings	21	39,645	29,530	7,554	10,807
Cash flow hedge reserve	21	(137)	-	(265)	-
Total equity		147,304	92,195	113,041	73,957

EBOS Group Limited
Statement of Changes in Equity

For the Financial Year ended 30 June, 2008

	Notes	Group 2008 \$'000	Group 2007 \$'000	Parent 2008 \$'000	Parent 2007 \$'000
Equity at start of period as previously reported		92,195	55,763	73,957	40,413
Effect of change in accounting policy for deferred tax on intangible assets	1.6	-	(1,955)	-	(1,488)
Equity at start of period – as restated		92,195	53,808	73,957	38,925
Profit for period attributable to:					
Members of the parent entity		16,663	10,319	3,295	5,811
Movement in foreign currency translation reserve	21	2,529	(1,153)	-	-
Cash flow hedges (loss) taken to equity	21	(250)	-	(378)	-
Related income tax		113	-	113	-
Total recognised income and expenses		19,055	9,166	3,030	5,811
Dividends paid to company shareholders	22	(6,548)	(7,092)	(6,548)	(7,092)
Shares issued	20	42,602	36,313	42,602	36,313
Equity at end of period		147,304	92,195	113,041	73,957

EBOS Group Limited
Cash Flow Statement
For the Financial Year ended 30 June, 2008

	Notes	Group 2008 \$'000	Group 2007 \$'000	Parent 2008 \$'000	Parent 2007 \$'000
Cash flows from operating activities					
Receipts from customers		1,086,298	302,802	65,532	63,762
Interest received		234	102	1,069	665
Dividends received from subsidiaries		-	-	-	2,724
Subvention income from subsidiaries		-	-	4,501	-
Payments to suppliers and employees		(1,041,501)	(289,258)	(58,783)	(60,713)
Taxes paid		(8,151)	(4,203)	(879)	(1,187)
Interest paid		(8,334)	(2,189)	(4,591)	(1,181)
Net cash inflow from operating activities	24c	28,546	7,254	6,849	4,070
Cash flows from investing activities					
Sale of property, plant & equipment		295	1,388	4	1,360
Receipt of deferred sale proceeds		-	691	-	-
Advances from subsidiaries		-	-	8,185	6,521
Purchase of property, plant & equipment		(6,315)	(2,183)	(3,710)	(450)
Payments for capital work in progress		(150)	(240)	-	(240)
Advances to subsidiaries		-	-	(6,398)	(16,817)
Businesses acquired	24a	(86,968)	(4,500)	(72,315)	(4,500)
Investment in subsidiary company		-	-	(2,264)	-
Net cash (outflow) from investing activities		(93,138)	(4,844)	(76,498)	(14,126)
Cash flows from financing activities					
Proceeds from issue of shares		28,351	36,313	28,351	36,313
Proceeds from borrowings		59,793	6,500	48,100	6,500
Repayment of borrowings		(2,500)	(35,319)	-	(25,704)
Dividends paid to equity holders of parent	22	(6,548)	(7,092)	(6,548)	(7,092)
Net cash inflow from financing activities		79,096	402	69,903	10,017
Net increase/(decrease) in cash held		14,504	2,812	254	(39)
Effect of exchange rate fluctuations on cash held		218	(105)	-	-
Net cash and cash equivalents at beginning of the year		1,137	(1,570)	(149)	(110)
Net cash and cash equivalents at the end of the year		15,859	1,137	105	(149)
Cash and cash equivalents		16,136	1,772	121	200
Bank overdrafts		(277)	(635)	(16)	(349)
		15,859	1,137	105	(149)

1. SUMMARY OF ACCOUNTING POLICIES

1.1 Statement of Compliance

EBOS Group Ltd (“the Company”) is a profit-oriented company incorporated in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Exchange.

The company operates in two business segments, being Healthcare and Scientific – Healthcare incorporates the sale of healthcare products in a range of sectors, own brands, retail healthcare and wholesale activities, and Scientific incorporates the sale of laboratory consumables, life sciences equipment and technical support to industry and research laboratories.

The Company is a reporting entity and issuer for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that 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”).

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, 2008 and the comparative information presented in these financial statements for the year ended 30 June, 2007.

The information is presented in thousands of New Zealand dollars.

1.3 Critical Judgements in applying accounting policies

In the process of applying the accounting policies, management has made the following judgements that have had the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

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 arising on acquisition of a business or subsidiaries and the recognition of revenue on significant contracts subject to renewal.

1. SUMMARY OF ACCOUNTING POLICIES contd.

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.

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 – purchase method

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 IAS-27 'Consolidated and Separate 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.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

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.

In the Company's financial statements, investments in subsidiaries are recognised at their cost, less any adjustment for impairment.

b) Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of the identifiable tangible and identifiable intangible assets, liabilities and contingent liabilities of the subsidiary recognised at the time of acquisition of a business or subsidiary. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the groups 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. 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. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

c) Indefinite life intangible assets

Indefinite life intangible assets represent purchased brand names 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 and amortisation period is reviewed at the end of each annual reporting period.

1. SUMMARY OF ACCOUNTING POLICIES contd.

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 Vehicles, 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 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.

Major depreciation periods are:

- | | |
|--|-----------------|
| • Buildings | 20 to 100 years |
| • Leasehold improvements | 2 to 15 years |
| • Plant | 2 to 20 years |
| • Office equipment, furniture and fittings | 2 to 10 years |
| • Motor vehicles | 4 to 5 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 can not be reversed for Goodwill and indefinite life intangible assets.

h) Taxation

The income tax expense charged to the income statement includes both the current year's provision and the income tax effect of:

- Taxable temporary differences, except those arising from initial recognition of goodwill; and
- Deductible temporary differences to the extent that it is probable that they will be utilised.

1. SUMMARY OF ACCOUNTING POLICIES contd.

Temporary differences arising from transactions, other than business combinations, affecting neither accounting profit nor taxable profit are ignored.

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 not recognised on temporary differences associated with investments in subsidiaries, because:

- The parent company is able to control the timing of the reversal of the differences; and
- They are not 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.

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 incident 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 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 the net surplus 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 also 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 and 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 Income Statement for the period.

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 on or after the date of transition to NZ IFRS are treated as assets and liabilities of the foreign entity and translated at exchange rates prevailing at the reporting date.

1. SUMMARY OF ACCOUNTING POLICIES contd.

l) Goods & Services Tax

Revenues, expenses 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 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 balance sheet when the group becomes a party to the contractual provisions of the instrument.

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.

Loans and Receivables

Trade receivables, loans 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 rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the 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:

Other Financial Liabilities

Trade payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest rate 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 rate 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 cashflow hedges of highly probable forecast transactions.

1. SUMMARY OF ACCOUNTING POLICIES contd.

Cashflow Hedges

At the inception of the hedge relationship, the entity 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 cashflows of the hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cashflow hedges are deferred in equity. 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 and liability.

Hedge accounting is discontinued when the group revokes the hedging relationship, the hedging instrument expires, 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. 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 can be measured reliably 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 accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend Income

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

o) Cash Flow Statement

The 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 company and group and those activities relating to the cost of servicing the company's and the group's equity capital.

1. SUMMARY OF ACCOUNTING POLICIES contd.

p) Employee entitlements

A liability for annual leave and long service leave is accrued and recognised in the statement of financial position. 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 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 reporting date.

q) Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

A geographical segment is engaged in providing products or services in a particular economic environment, where the risks and returns are different from those of segments operating in other economic environments.

The group's primary reporting format is business segments and its secondary format is geographical.

r) Non-current assets held for sale and discontinued operations

Non-current assets (and disposal groups – being a group of assets to be disposed of by sale or otherwise) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. The sale of the asset (or disposal group) is expected to be completed within one year from the date of classification.

A discontinued operation is a component of the group's business that represents a separate major line of business or geographical area of operations. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

s) New standards and Interpretations

Standards and interpretations that have been issued or amended but are not yet effective that have not been adopted by the Group and Company for the annual reporting period ended 30 June 2008 and which are relevant are as follows:

Reference	Title	Summary	Application date of standard	Impact on Company financial report	Application date for Company
NZ IFRS 8	Operating segments.	Specifies how an entity should report information about its operating segments in annual financial reports.	1 January 2009	NZ IFRS 8 is a disclosure standard so will have no impact on the amounts included in the Company's financial statements. However, the amendments will result in changes to the Operating Segments disclosures included in the Company's financial report.	30 June 2010

1. SUMMARY OF ACCOUNTING POLICIES contd.

Reference	Title	Summary	Application date of standard	Impact on Company financial report	Application date for Company
NZ IAS-1	Presentation of Financial Statements' – Revised Standard	The revised NZ IAS 1 requires the presentation of all recognised income and expenses in one statement (a statement of comprehensive income) or in two statements (an income statement and a statement of comprehensive income), separately from owner changes in equity.	1 January 2009	The revised NZ IAS 1 is a disclosure standard so will have no impact on the amounts included in the Company's financial statements. However, the amendments will result in changes to presentation of the Income Statement and Statement of changes in Equity included in the Company's financial report.	30 June 2010

Initial application of the following Standards and Interpretations is not expected to have any material impact to the financial report of the company and group:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Amendments to NZ IFRS-4 'Insurance Contracts – The Scope of Insurance Activities and Differential Reporting Concessions'	1 January 2009	30 June 2010
NZ IFRIC-12 'Service Concession Arrangements'	1 January 2008	30 June 2009
NZ IFRIC-13 'Customer Loyalty Programmes'	1 July 2008	30 June 2009
NZ IFRIC-14 'NZ IAS-19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'	1 January 2008	30 June 2009
IFRIC-15 'Agreements for the Construction of Real Estate'	1 January 2009	30 June 2010
IFRIC-16 'Hedges of a Net Investment in a Foreign Operation'	1 October 2008	30 June 2010
NZ IAS-23 'Borrowing Costs' – revised 2007	1 January 2009	30 June 2010
Amendments to NZ IFRS-2 'Share-Based Payment' – Vesting Conditions and Cancellations	1 January 2009	30 June 2010
NZ IFRS-3 'Business Combinations' – revised 2008	1 July 2009	30 June 2010
NZ IAS-27 'Consolidated and Separate Financial Statements' – revised 2008	1 July 2009	30 June 2010
Revised Amendments to NZ IAS 32 'Financial Instruments: Presentation' and NZ IAS 1 'Presentation of Financial Statements' – Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009	30 June 2010
Improvements to New Zealand Equivalents to International Financial Reporting Standards 2008	Various*	30 June 2010
Amendments to NZ IFRS 1 'First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards' and NZ IAS 27 'Consolidated and Separate Financial Statements' – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 July 2009	30 June 2010
Omnibus Amendments	1 January 2008	30 June 2009

* The effective date and transitional provisions vary by Standard. Most of the improvements are effective for annual periods beginning on or after 1 January 2009, with earlier adoption permitted, and they are to be applied retrospectively.

1. SUMMARY OF ACCOUNTING POLICIES contd.

1.6 Change in Accounting Policy

During the period the group changed its accounting policy to recognise deferred tax on indefinite life intangible assets.

The change in policy follows reassessment of the group's interpretation of NZ IAS-12 *Income Taxes* that indefinite life intangible assets values are recovered through use in the form of economic benefits that will flow to the group, creating a deferred tax temporary difference. Previously the group had assessed that indefinite life intangible asset values are recovered ultimately through sale.

The change in accounting policy does not affect the recognition of reported profit or earnings per share.

Pursuant to *NZ IAS-8 Accounting Policies, Changes in Accounting Estimates and Errors*, the change has been recognised by retrospective application to the opening equity in the comparative period as follows:

	Group 2008 \$'000	Group 2007 \$'000	Parent 2008 \$'000	Parent 2007 \$'000
Equity at start of period as previously reported	94,150	55,763	75,445	40,413
Recognition of deferred tax liability on indefinite life intangible assets	(1,955)	(1,955)	(1,488)	(1,488)
Restated equity at start of period	92,195	53,808	73,957	38,925

2. PROFIT FROM OPERATIONS

	Notes	Group 2008 \$'000	Group 2007 \$'000	Parent 2008 \$'000	Parent 2007 \$'000
(a) Revenue					
Revenue consisted of the following items:					
Revenue from the sale of goods - external		1,083,068	305,002	55,432	59,830
Revenue from the sale of goods - inter group		-	-	7,923	3,335
Revenue from the rendering of services		6,101	1,996	-	-
Management fees - external		2,232	-	-	-
Management fees - inter group		-	-	631	456
Interest revenue - inter group		-	-	920	634
Interest revenue - other		234	102	148	31
Royalty income - inter group		-	-	296	-
Dividends - inter group		-	-	-	2,724
Subvention income - inter group		-	-	4,501	-
Other revenue		385	176	-	-
		1,092,020	307,276	69,851	67,010
(b) Profit before income tax expense					
Profit/(loss) before income tax has been arrived at after crediting/(charging) the following gains and losses from operations:					
(Loss)/gain on disposal of property, plant and equipment		(63)	541	(8)	598
Change in fair value of derivative financial instruments		75	(1,123)	88	(773)
Profit/(loss) before income tax has been arrived at after charging the following expenses by nature:					
Cost of sales - external		(962,491)	(235,428)	(41,068)	(40,540)
Purchases inter group		-	-	(1,891)	(1,680)
Write-down of inventory		(878)	(851)	(444)	(258)
Finance costs:					
Bank interest		(7,667)	(2,189)	(4,584)	(1,018)
Other interest expense		(667)	-	(7)	(163)
Total finance costs		(8,334)	(2,189)	(4,591)	(1,181)
Net bad and doubtful debts arising from:					
Impairment loss on trade & other receivables		(40)	(23)	(2)	(13)
Depreciation of property, plant and equipment	10	(2,620)	(1,711)	(316)	(408)
Amortisation of finite life intangibles	14	(137)	-	-	-
Operating lease rental expenses:					
Minimum lease payments		(6,176)	(3,045)	(890)	(992)
Donations		(50)	(12)	(5)	(11)
Employee benefit expense		(52,548)	(25,802)	(8,964)	(7,592)
Other expenses		(36,215)	(22,691)	(8,496)	(7,188)
Total expenses		(1,069,489)	(291,752)	(66,667)	(59,863)

EBOS Group Limited
Notes to the Financial Statements (continued)
For the Financial Year ended 30 June, 2008

3. INCOME TAXES

	Group 2008 \$'000	Group 2007 \$'000	Parent 2008 \$'000	Parent 2007 \$'000
(a) Income tax recognised in income statement				
Tax expense/(credit) comprises:				
Current tax expense/(credit):				
Current year	5,891	4,681	-	1,259
Adjustments for prior years	21	(40)	(26)	(124)
Other adjustments	30	9	30	-
	5,942	4,650	4	1,135
Deferred tax (credit)/expense:				
Origination and reversal of temporary differences	(25)	(80)	(96)	8
Adjustments for prior years	2	53	20	18
Adjustments related to changes in tax rates or imposition of new taxes	(39)	-	41	-
	(62)	(27)	(35)	26
Total income tax expense/(credit)	5,880	4,623	(31)	1,161

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

Profit before income tax expense	22,543	14,942	3,264	6,972
Income tax expense calculated at 33%	7,439	4,930	1,077	2,301
Non-deductible expenses/(non-assessable income)	(81)	(224)	18	(128)
Effect of differences arising from investment interests in other jurisdictions	(1,203)	-	(1,203)	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	(349)	(177)	-	-
Domestic dividends received	-	-	-	(899)
(Over)/under provision of income tax in previous year	7	99	6	(106)
Adjustments related to changes in tax rates	(40)	-	41	-
Other adjustments	107	(5)	30	(7)
Total income tax expense/(credit)	5,880	4,623	(31)	1,161

The tax rates used in the above reconciliation are principally the corporate tax rates of 33% and 30% payable respectively by New Zealand and Australian corporate entities on taxable profits under tax law in each jurisdiction. The effect of the change in the New Zealand tax rates from 33% to 30% with effect from 1 July 2008 is \$39,000 (Parent \$41,000).

3. INCOME TAXES contd.

	Group 2008 \$'000	Group 2007 \$'000	Parent 2008 \$'000	Parent 2007 \$'000
(b) Current tax assets and liabilities				
Current tax assets:				
Current tax refundable	3,428	624	1,316	441
Current tax liabilities:				
Current tax payable	1,886	1,082	-	-
(c) Deferred tax balance				
Deferred tax assets comprise:				
Temporary differences	3,992	1,209	527	386
Deferred tax liabilities comprise:				
Temporary differences	(7,796)	(2,035)	(1,488)	(1,495)
	(3,804)	(826)	(961)	(1,109)

Taxable and deductible temporary differences arise from the following:

2008	Opening balance \$'000	Charged to income \$'000	Group charged to equity \$'000	Acquisitions \$'000	Closing balance \$'000
Gross deferred tax liabilities:					
Property, plant & equipment	(72)	8	-	(180)	(244)
Provisions	-	(18)	-	-	(18)
Other financial liabilities – derivatives	(8)	8	-	-	-
Intangible assets (i)	(1,955)	-	-	(5,579)	(7,534)
	(2,035)	(2)	-	(5,759)	(7,796)
Gross deferred tax assets:					
Property, plant & equipment	75	(30)	-	-	45
Provisions	663	128	-	2,162	2,953
Doubtful debts & impairment losses	270	(79)	-	444	635
Other financial liabilities – derivatives	-	-	113	-	113
Other	201	45	-	-	246
	1,209	64	113	2,606	3,992

(i) Refer note 1.6.

3. INCOME TAXES contd.

2007	Opening balance \$'000	Charged to income \$'000	Group Charged to equity \$'000	Closing balance \$'000
Gross deferred tax liabilities:				
Property, plant & equipment	(29)	(43)	-	(72)
Other financial liabilities - derivatives	-	(8)	-	(8)
Intangible assets (i)	(1,955)	-	-	(1,955)
	(1,984)	(51)	-	(2,035)
Gross deferred tax assets:				
Property, plant & equipment	68	7	-	75
Provisions	666	(3)	-	663
Doubtful debts & impairment losses	179	91	-	270
Other financial liabilities - derivatives	40	(40)	-	-
Other	163	38	-	201
	1,116	93	-	1,209

2008	Opening balance \$'000	Charged to income \$'000	Parent Charged to equity \$'000	Closing balance \$'000
Gross deferred tax liabilities:				
Intangible assets (i)	(1,488)	-	-	(1,488)
Other financial liabilities - derivatives	(7)	7	-	-
	(1,495)	7	-	(1,488)
Gross deferred tax assets:				
Property, plant & equipment	45	(24)	-	21
Provisions	210	8	-	218
Doubtful debts & impairment losses	131	44	-	175
Other financial liabilities - derivatives	-	-	113	113
	386	28	113	527

3. INCOME TAXES contd.

2007	Opening balance \$'000	Charged to income \$'000	Parent Charged to equity \$'000	Closing balance \$'000
Gross deferred tax liabilities:				
Property, plant & equipment	(15)	15	-	-
Intangible assets (i)	(1,488)	-	-	(1,488)
Other financial liabilities - derivatives	-	(7)	-	(7)
	(1,503)	8	-	(1,495)
Gross deferred tax assets:				
Property, plant & equipment	37	8	-	45
Provisions	258	(48)	-	210
Doubtful debts & impairment losses	101	30	-	131
Other financial liabilities - derivatives	23	(23)	-	-
	419	(33)	-	386

(i) Refer note 1.6.

No liability has been recognised in respect of the amount of temporary differences including foreign currency translation reserves associated with undistributed earnings of off-shore subsidiaries because the group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

	Group 2008 \$'000	Group 2007 \$'000	Parent 2008 \$'000	Parent 2007 \$'000
(d) Imputation credit account balances				
Balance at beginning of the period	4,183	5,335	(252)	1,848
Attached to dividends received	-	-	-	246
Taxation paid	3,987	2,236	930	1,086
Attached to dividends paid	(3,144)	(3,407)	(3,144)	(3,407)
Other credits	72	50	-	-
Other debits	(290)	(31)	(162)	(25)
Balance at end of the period	4,808	4,183	(2,628)	(252)
Imputation credits available directly and indirectly to shareholders of the parent company, through				
Parent company	(2,628)	(252)		
Subsidiaries	7,436	4,435		
	4,808	4,183		

4. KEY MANAGEMENT PERSONNEL COMPENSATION

Compensation

	Group 2008 \$'000	Group 2007 \$'000	Parent 2008 \$'000	Parent 2007 \$'000
Short-term employee benefits	3,732	2,925	2,424	1,776
Post-employment benefits	178	188	178	188
	3,910	3,113	2,602	1,964

5. REMUNERATION OF AUDITORS

Auditor of the parent entity (Deloitte)

Audit of the financial statements	287	164	100	74
Audit related services from adoption of NZ IFRS	15	96	-	96
Taxation services	12	4	-	-
Due diligence	141	-	141	-
	455	264	241	170

Other Auditors of entities in the group

Audit of the financial statements	91	54	-	-
	91	54	-	-

6. TRADE & OTHER RECEIVABLES

Trade receivables (i)	149,546	39,700	8,647	9,860
Allowance for impairment (ii)	(718)	(235)	(138)	(138)
Other receivables	1,598	1,765	63	64
	150,426	41,230	8,572	9,786

(i) Trade receivables are non-interest bearing and generally on monthly terms. No interest is charged on the trade receivables for the first 60 days from the date of the invoice. Thereafter, interest may be charged at 3% per annum on the outstanding balance. The Group does not hold any collateral over trade receivables balances.

(ii) Allowance for Impairment

Balance at the beginning of the year	(235)	(301)	(138)	(125)
Arising from businesses acquired	(520)	-	-	-
Impairment loss recognised on trade receivables	(40)	(23)	(2)	(13)
Amounts written off as uncollectible	8	-	-	-
Impairment losses reversed	69	89	2	-
	(718)	(235)	(138)	(138)

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to 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.

6. TRADE & OTHER RECEIVABLES contd.

	Group 2008 \$'000	Group 2007 \$'000	Parent 2008 \$'000	Parent 2007 \$'000
(iii) Aging of impaired trade receivables				
90 days+	(718)	(235)	(138)	(138)
	(718)	(235)	(138)	(138)

(iv) Aging of past due but not impaired

Included in the trade receivables balance are debtors with a carrying amount of group \$34,429,000 (2007: \$10,016,000) and parent \$2,952,000 (2007: \$3,491,000) which are past due at the reporting date for which the Group and/or parent has not provided any impairment as the amounts are still considered recoverable.

30 - 60 days	27,743	7,381	1,815	2,207
60 - 90 days	3,067	714	292	187
90 days+	3,619	1,921	845	1,097
	34,429	10,016	2,952	3,491

7. PREPAYMENTS

Current portion	2,789	1,090	47	101
Term portion	1,176	1,432	-	-
	3,965	2,522	47	101

8. INVENTORIES

Raw Materials

At cost	-	161	-	37
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Finished Goods

At cost	126,204	44,558	13,631	14,501
At net realisable value	500	492	500	470
	126,704	45,211	14,131	15,008

9. OTHER FINANCIAL ASSETS - DERIVATIVES

At fair value:

Interest rate swaps (i)	130	12	-	-
	130	12	-	-

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

10. PROPERTY, PLANT AND EQUIPMENT

	Group					
	Freehold land at cost \$'000	Buildings at cost \$'000	Leasehold improv. at cost \$'000	Plant and vehicles at cost \$'000	Office equip. furniture & fittings at cost \$'000	Total \$'000
Gross carrying amount						
Balance at 1 July, 2006	1,417	6,076	939	3,913	9,211	21,556
Additions	-	771	83	762	549	2,165
Disposals	(217)	(669)	(3)	(100)	(337)	(1,326)
Net foreign currency exchange differences	-	-	(52)	(121)	(162)	(335)
Balance at 30 June, 2007	1,200	6,178	967	4,454	9,261	22,060
Additions	698	2,757	48	1,007	1,698	6,208
Disposals	-	-	(158)	(587)	(1,196)	(1,941)
Acquisitions through business combinations	1,353	1,091	1,701	2,947	1,047	8,139
Net foreign currency exchange differences	-	-	82	195	229	506
Balance at 30 June, 2008	3,251	10,026	2,640	8,016	11,039	34,972
Accumulated depreciation						
Balance at 1 July, 2006	-	(1,082)	(308)	(2,220)	(6,892)	(10,502)
Disposals	-	146	-	33	298	477
Depreciation expense	-	(179)	(106)	(524)	(902)	(1,711)
Net foreign currency exchange differences	-	-	22	62	117	201
Balance at 30 June, 2007	-	(1,115)	(392)	(2,649)	(7,379)	(11,535)
Disposals	-	-	103	279	1,233	1,615
Depreciation expense	-	(218)	(366)	(887)	(1,149)	(2,620)
Net foreign currency exchange differences	-	-	(41)	(111)	(177)	(329)
Balance at 30 June, 2008	-	(1,333)	(696)	(3,368)	(7,472)	(12,869)
Net book value						
As at 30 June, 2007	1,200	5,063	575	1,805	1,882	10,525
As at 30 June, 2008	3,251	8,693	1,944	4,648	3,567	22,103

10. PROPERTY, PLANT AND EQUIPMENT contd.

	Parent					
	Freehold land at cost \$'000	Buildings at cost \$'000	Leasehold improv. at cost \$'000	Plant and vehicles at cost \$'000	Office equip. furniture & fittings at cost \$'000	Total \$'000
Gross carrying amount						
Balance at 1 July, 2006	217	669	202	760	2,517	4,365
Additions	-	-	4	322	97	423
Disposals	(217)	(669)	-	(21)	(199)	(1,106)
Balance at 30 June, 2007	-	-	206	1,061	2,415	3,682
Additions	698	2,711	3	88	424	3,924
Disposals	-	-	-	(34)	(1,138)	(1,172)
Balance at 30 June, 2008	698	2,711	209	1,115	1,701	6,434
Accumulated depreciation						
Balance at 1 July, 2006	-	(143)	(74)	(521)	(2,123)	(2,861)
Disposals	-	146	-	-	198	344
Depreciation expense	-	(3)	(20)	(163)	(222)	(408)
Balance at 30 June, 2007	-	-	(94)	(684)	(2,147)	(2,925)
Disposals	-	-	-	24	1,135	1,159
Depreciation expense	-	(15)	(21)	(137)	(143)	(316)
Balance at 30 June, 2008	-	(15)	(115)	(797)	(1,155)	(2,082)
Net book value						
As at 30 June, 2007	-	-	112	377	268	757
As at 30 June, 2008	698	2,696	94	318	546	4,352

Group plant includes finance leases capitalised with a cost of \$1,612,000 (2007 \$332,000) and book value of \$1,157,000 (2007 \$235,000). Parent plant includes finance leases capitalised with a cost of \$134,000 (2007 \$134,000) and book value of \$59,000 (2007 \$92,000).

Land and buildings in Wellington with a carrying value of \$2,427,000 were last valued on 11 September 2007 and determined by DTZ New Zealand Limited, in accordance with NZIAS16, to have a fair value of \$2,550,000.

Land and buildings in Auckland with a carrying value of \$6,100,000 were last valued on 30 June 2007 and determined by Telfer Young (Auckland) Limited, in accordance with NZ IAS16, to have a fair value of \$10,900,000.

Land and buildings in Christchurch with a carrying value of \$3,394,000 were acquired during the year and are stated at cost less depreciation.

	Group 2008 \$'000	Group 2007 \$'000	Parent 2008 \$'000	Parent 2007 \$'000
Aggregate depreciation recognised as an expense during the year:				
Buildings	218	179	15	3
Leasehold improvements	366	106	21	20
Plant and vehicles	887	524	137	163
Office equipment, furniture & fittings	1,149	902	143	222
	2,620	1,711	316	408

11. CAPITAL WORK IN PROGRESS

	Group 2008 \$'000	Group 2007 \$'000	Parent 2008 \$'000	Parent 2007 \$'000
Capital work in progress	916	240	-	240

The capital work in progress relates to software development. The total cost to complete the project is \$968,000. Last year the capital work in progress related to construction of an office building. The total cost to complete the project was \$3.6 million including building fit-out.

12. GOODWILL

	Group 2008 \$'000	Group 2007 \$'000	Parent 2008 \$'000	Parent 2007 \$'000
Gross carrying amount				
Balance at beginning of financial year	27,387	27,869	1,728	1,728
Additional amounts recognised from business combinations occurring during the period	105,015	-	-	-
Effects of foreign currency exchange differences	660	(482)	-	-
Net book value	133,062	27,387	1,728	1,728

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to the following cash-generating units representing the lowest level at which management monitor goodwill:

- Australian Hospital and Primary Healthcare sector (EBOS Group Pty Limited) – Healthcare Australia.
- New Zealand Dental, Consumer, Hospital, Primary Healthcare, Aged Care and International Product Supplies (EBOS Group Limited) – Healthcare NZ.
- New Zealand Hospital Procurement and logistic services (Health Support Limited) – Logistics NZ.
- Australasia Scientific Supplies (Global Science & Technology Limited) – Scientific.
- New Zealand Pharmacy Wholesaler and Logistic Services (PRNZ Limited) – Pharmacy/Logistics NZ

The carrying amount of goodwill allocated to the Healthcare Australia cash-generating unit, Scientific cash-generating unit and the Pharmacy/Logistics NZ cash generating unit is significant in comparison with the total carrying amount of goodwill. The carrying amount of goodwill allocated to the Healthcare NZ and Logistics NZ cash-generating units is not. However, the recoverable amounts of the operations in New Zealand and Australia are based on some of the same key assumptions. The carrying amount of goodwill allocated to cash-generating units is as follows:

	Group 2008 \$'000	Group 2007 \$'000
Healthcare Australia	17,010	7,502
Healthcare NZ (Parent)	1,728	1,728
Logistics NZ	1,468	1,468
Scientific	19,281	16,689
Pharmacy/Logistics NZ	93,575	-
	133,062	27,387

12. GOODWILL contd.

During the year ended 30 June 2008, management have determined that there is no impairment of any of the cash generating units containing goodwill (2007: 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:

Healthcare Australia, Healthcare NZ and Scientific – Gross margin being maintained during a period of cost increases driven by movements in foreign currency and cost inflation pressures, and maintaining market share during the budget period.

Logistics NZ and Pharmacy/Logistics NZ – controlling cost inflation pressures and maintenance of/replacement of major contracts during the budget period.

Gross margins during the period for Healthcare Australia, Healthcare NZ, Logistics NZ, Scientific and Pharmacy/Logistics NZ are estimated by management based on average gross margins achieved before the start of the budget period. Market shares during the budget period are assessed by management based on average market shares achieved in the period immediately before the start of the budget period, adjusted each year for any anticipated growth.

The value in use calculation uses cash flow projections based on financial budgets approved by management covering a five year period.

Annual growth rates of 2% (2007: 2%), which is below current historical growth rates; an allowance of 4% (2007: 4%) for inflation to expenses, and pre tax discount rates of 15.1% (2007: 14.7% to 15.4%) have been applied to these projections. Cash flows beyond the five year period have been extrapolated using a steady 2% (2007: 2%) 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 to exceed their recoverable amount.

13. INDEFINITE LIFE INTANGIBLES

	Natures Kiss \$'000	Allersearch \$'000	Group Liceblaster \$'000	Trademarks \$'000	Total \$'000
Gross carrying amount					
Balance at 1 July, 2006	2,390	2,570	1,503	-	6,463
Net foreign currency exchange differences	-	-	(147)	-	(147)
Balance at 30 June, 2007	2,390	2,570	1,356	-	6,316
Acquisitions through business combinations	-	-	-	17,240	17,240
Net foreign currency exchange differences	-	-	200	-	200
Balance at 30 June, 2008	2,390	2,570	1,556	17,240	23,756
Net book value					
As at 30 June, 2007	2,390	2,570	1,356	-	6,316
As at 30 June, 2008	2,390	2,570	1,556	17,240	23,756
	Natures Kiss \$'000		Parent Allersearch \$'000		Total \$'000
Gross carrying amount					
Balance at 1 July, 2006	2,390		2,570		4,960
Balance at 30 June, 2007	2,390		2,570		4,960
Balance at 30 June, 2008	2,390		2,570		4,960
Net book value					
As at 30 June, 2007	2,390		2,570		4,960
As at 30 June, 2008	2,390		2,570		4,960

13. INDEFINITE LIFE INTANGIBLE ASSETS contd.

The carrying amount of brands (indefinite life intangibles) has been allocated to the cash generating units as follows:

	Group	
	2008 \$'000	2007 \$'000
Healthcare Australia	4,126	3,926
Healthcare NZ (Parent)	2,390	2,390
Pharmacy/Logistics NZ	17,240	-
	23,756	6,316

Management have assessed these 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.

During the year ended 30 June 2008, management have determined that there is no impairment of any of the brands.

The calculation of the recoverable amounts for Natures Kiss and Pharmacy/Logistics NZ Trademarks have been determined based on a value in use calculation that uses cash flow projections based on financial budgets approved by management covering a five-year period. The calculation of recoverable amounts for the Allersearch and Liceblaster brands have been determined based on fair value less costs to sell based on an offer received for these brands. Management has determined that the recoverable amount calculations are most sensitive to change in the following assumptions. Annual growth rates of 2% (2007: 2%), and an allowance of 4% (2007: 4%) for inflation to expenses, and pre-tax discount rates of 15.1% (2007: 14.7% to 15.4%) have been applied to these projections. Cash flows beyond the five-year period have been extrapolated using a steady 2% (2007: 2%) 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

	Group	
	Supply contracts \$'000	Total \$'000
Gross carrying amount		
Balance at 30 June 2007	-	-
Acquisitions through business combinations	1,490	1,490
Balance at 30 June, 2008	1,490	1,490
Accumulated amortisation & impairment		
Balance at 30 June 2007	-	-
Disposals	-	-
Amortisation expense	(137)	(137)
Balance at 30 June 2008	(137)	(137)
Net book value		
As at 30 June 2007	-	-
As at 30 June 2008	1,353	1,353

Allocated to cash generating units as follows:

	Group	
	2008 \$'000	2007 \$'000
Pharmacy/Logistics NZ	1,353	-

EBOS Group Limited
Notes to the Financial Statements (continued)

For the Financial Year ended 30 June, 2008

15. SUBSIDIARIES

Parent and Head Entity

Ebos Group Limited

Subsidiaries (all balance dates 30 June)

	Country of Incorporation	Ownership Interests and Voting Rights	
		2008	2007
Ebos Group Pty Limited	Australia	100%	100%
Vital Medical Supplies (Australia) Pty Limited	Australia	100%	-
Ebos Health & Science Pty Limited	Australia	100%	100%
Health Support Limited	New Zealand	100%	100%
- Health Support Properties Limited	New Zealand	100%	100%
Global Science & Technology Limited	New Zealand	100%	100%
- Quantum Scientific Pty Limited	Australia	100%	100%
PRNZ Limited	New Zealand	100%	-
EBOS Limited Partnership	Australia	100%	-
- EBOS Investments Pty Limited	Australia	100%	-

16. BORROWINGS

	Group 2008 \$'000	Group 2007 \$'000	Parent 2008 \$'000	Parent 2007 \$'000
Current				
Bank overdrafts (i)	277	635	16	349
Bank loans (i)	82,971	1,101	48,100	-
Finance lease liabilities (ii)	225	74	27	27
Advances from Subsidiaries (at call) (iii)	-	-	5,512	1,546
	83,473	1,810	53,655	1,922
Non-current				
Bank loans (i)	1,250	7,985	-	-
Finance lease liabilities (ii)	890	120	47	74
Total borrowings	85,613	9,915	53,702	1,996

(i) Secured by a floating charge over the group's assets.

(ii) Secured by the assets leased.

(iii) Unsecured.

17. TRADE & OTHER PAYABLES

Current

Trade payables	220,473	24,957	5,242	3,853
Other payables	12,566	4,722	1,665	1,408
	233,039	29,679	6,907	5,261

Non-current

Other payables	5,318	-	-	-
Total trade & other payables	238,357	29,679	6,907	5,261

18. 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			
	Group	Group	Parent	Parent	Group	Group	Parent	Parent
	2008	2007	2008	2007	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Not later than 1 year	494	93	34	34	225	74	27	27
Later than 1 year and not later than 5 years	773	151	60	94	890	120	47	74
Minimum lease payments*	1,267	244	94	128	1,115	194	74	101
Less future finance charges	(152)	(50)	(20)	(27)	-	-	-	-
Present value of minimum lease payments	1,115	194	74	101	1,115	194	74	101
Included in the financial statements as:								
Finance leases - current portion					225	74	27	27
Finance leases - non current portion					890	120	47	74
					1,115	194	74	101

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

Operating leases

Leasing arrangements

Operating leases relate to certain property and equipment. All operating lease contracts contain market review clauses in the event that the company/group exercises its option to renew. The company/group does not have an option to purchase the leased asset at the expiry of the lease period.

	Group	Group	Parent	Parent
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Operating leases				
Non-cancellable operating lease payments				
Not longer than 1 year	6,366	2,775	717	842
Longer than 1 year and not longer than 5 years	15,809	5,963	590	196
Longer than 5 years	8,160	484	529	61
	30,335	9,222	1,836	1,099

19. OTHER FINANCIAL LIABILITIES - DERIVATIVES

	Group 2008 \$'000	Group 2007 \$'000	Parent 2008 \$'000	Parent 2007 \$'000
At fair value:				
Foreign currency forward contracts (i)	7	95	7	95
Interest rate swaps (ii)	380	-	377	-
	387	95	384	95

- (i) Financial liability carried at fair value through profit or loss ("FVTPL")
(ii) Designated and effective as cashflow hedging instrument carried at fair value

20. SHARE CAPITAL

	2008 No. '000	2008 \$'000	2007 No. '000	2007 \$'000
Fully paid ordinary shares				
Balance at beginning of financial year	36,844	63,150	27,634	26,837
Issue of shares to executives and staff under employee share ownership scheme	54	134	-	-
Rights issue 20 December 2007	-	-	9,210	36,840
	36,898	63,284	36,844	63,677
Shares issued to vendors of PRNZ Ltd – August 2007	3,000	14,250	-	-
Institutional placement of shares to partially fund PRNZ Ltd acquisition – September 2007	2,527	11,749	-	-
Shares issued under Share Purchase Plan to partially Fund PRNZ Ltd acquisition – October 2007	3,763	17,500	-	-
	9,290	43,499	-	-
Bonus shares issued under Profit Distribution Plan - May 2008	834	-	-	-
Share issue costs	-	(1,031)	-	(527)
	47,022	105,752	36,844	63,150

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

Changes to the Companies Act in 1993 abolished the authorised capital and par value concept in relation to share capital from 1 July, 1994. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

Given the immateriality of the amounts involved the issue of shares to executives and staff under the employee ownership scheme have not been accounted for pursuant to NZ IFRS-2: *Share Based Payment*. Since the inception of the employee ownership scheme in December 1994 293,350 shares have been issued raising \$408,130.

21. RESERVES

	Group 2008 \$'000	Group 2007 \$'000
Foreign currency translation reserve		
Balance at beginning of financial year	(485)	668
Translation of foreign operations	2,529	(1,153)
Balance at end of financial year	2,044	(485)

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, are brought to account by entries made directly to the foreign currency translation reserve.

	Group 2008 \$'000	Group 2007 \$'000	Parent 2008 \$'000	Parent 2007 \$'000
Retained Earnings				
Balance at beginning of financial year	29,530	26,303	10,807	12,088
Net profit attributable to members of the parent entity	16,663	10,319	3,295	5,811
Dividends provided for or paid (note 22)	(6,548)	(7,092)	(6,548)	(7,092)
Balance at end of financial year	39,645	29,530	7,554	10,807
Cash Flow Hedge Reserve				
Balance at beginning of financial year	-	-	-	-
(Loss) recognised on cash flow hedges	(250)	-	(378)	-
Transferred to profit or loss	-	-	-	-
Related income tax	113	-	113	-
Balance at end of financial year	(137)	-	(265)	-

The hedging 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.

22. DIVIDENDS

	2008 Cents per share	2008 Total \$'000	2007 Cents per share	2007 Total \$'000
Recognised amounts				
Fully paid ordinary shares				
- Final – prior year	13.0	5,998	13.0	3,592
- Interim – current year	9.5	550	9.5	3,500
	22.5	6,548	22.5	7,092
Unrecognised amounts				
Final dividend	13.5	6,348	13.0	5,998

23. ACQUISITION OF BUSINESSES

Name of Business Acquired	Principal activity	Date of acquisition	Cost of acquisition \$'000
2008:			
100% of business assets of Vital Medical Supplies Pty Limited (Vital)	Medical Supplies	1 July 2007	6,739
100% PRNZ Limited	Medical Supplies	29 August, 2007	86,565
100% of business assets of Tasmanian Medical Supplies Pty Limited (TasMed)	Medical Supplies	1 October, 2007	3,931
100% of business assets of Crown Scientific Pty Limited (Crown)	Scientific Supplies	1 November, 2007	8,538
			105,773

Description of Acquisition Activity

2008

	Book value	Vital and Tasmed		Book value	Crown		Total fair value on acquisition
		Fair value adjustments	Fair value on acquisition		Fair value adjustments	Fair value on acquisition	
Net Assets Acquired	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current assets:							
Trade and other receivables	4,495	-	4,495	3,743	-	3,743	8,238
Provision for doubtful debts	-	-	-	(19)	-	(19)	(19)
Prepayments	82	-	82	29	-	29	111
Inventories	2,545	-	2,545	6,577	-	6,577	9,122
Non-current assets:							
Property, plant and equipment	499	-	499	1,092	-	1,092	1,591
Current liabilities:							
Trade and other payables	(5,669)	-	(5,669)	(4,258)	-	(4,258)	(9,927)
Finance leases	-	-	-	(617)	-	(617)	(617)
Employee benefits	(131)	-	(131)	(447)	-	(447)	(578)
Non-current liabilities:							
Finance leases	-	-	-	(154)	-	(154)	(154)
Net assets acquired	1,821	-	1,821	5,946	-	5,946	7,767
Goodwill on acquisition			8,848			2,593	11,441
Consideration			10,669			8,539	19,208

23. ACQUISITION OF BUSINESSES cont.

Net Assets Acquired	Book Value \$'000	PRNZ		SUMMARY Fair value on acquisition \$'000
		Fair value adjustments \$'000	Fair value on acquisition \$'000	
Current assets:				
Cash and cash equivalents	4,555	-	4,555	4,555
Trade and other receivables	93,815	-	93,815	102,053
Provision for doubtful debts	(501)	-	(501)	(520)
Prepayments	245	-	245	356
Inventories	58,651	-	58,651	67,773
Non-current assets:				
Property, plant and equipment	5,454	1,094	6,548	8,139
Capital work in progress	769	-	769	769
Deferred tax assets	2,431	-	2,431	2,431
Goodwill	20,181	(18,730)	1,451	1,451
Indefinite life intangibles	-	17,240	17,240	17,240
Finite life intangibles	-	1,490	1,490	1,490
Current liabilities:				
Trade and other payables	(162,852)	-	(162,852)	(172,779)
Finance leases	(146)	-	(146)	(763)
Bank loans	(2,500)	-	(2,500)	(2,500)
Current tax payable	(115)	-	(115)	(115)
Employee benefits	(1,167)	-	(1,167)	(1,745)
Non-current liabilities				
Bank loans	(14,000)	-	(14,000)	(14,000)
Deferred tax liabilities	-	(5,619)	(5,619)	(5,619)
Finance leases	(318)	-	(318)	(472)
Trade and other payables	(5,536)	-	(5,536)	(5,536)
Net assets acquired	(1,034)	(4,525)	(5,559)	2,208
Goodwill on acquisition			92,124	103,565
Consideration			86,565	105,773
Less shares issued			(14,250)	(14,250)
Less cash & cash equivalents acquired			(4,555)	(4,555)
Net cash outflow on acquisition			67,760	86,968

The contribution to net surplus for the year attributable to the purchase of the net assets of Vital and TasMed was \$1,640,000, to the purchase of Crown was \$ Nil and to the purchase of PRNZ Limited was \$5,500,000. Had these business combinations all been effected 1 July, 2007 the revenue of the consolidated entity would have been approximately \$1,250,000,000, and the net profit after tax approximately \$17,700,000.

Further details of the businesses acquired are disclosed in note 24.

24. NOTES TO THE CASH FLOW STATEMENT

	Group 2008 \$'000	Group 2007 \$'000	Parent 2008 \$'000	Parent 2007 \$'000
(a) Businesses acquired				
Note 23 sets out details of the businesses acquired.				
Details of the acquisitions are as follows.				
Consideration				
Cash and cash equivalents	91,523	-	72,315	-
Shares issued at market price of \$4.75 per share	14,250	-	14,250	-
	105,773	-	86,565	-
Represented by:				
Net assets acquired (Note 23)	2,208	-	-	-
Investment in subsidiaries	-	-	86,565	-
Goodwill on acquisition	103,565	-	-	-
Consideration	105,773	-	86,565	-
Net cash outflow on acquisition				
Cash and cash equivalents consideration	91,523	4,500	72,315	4,500
Less cash and cash equivalents acquired	(4,555)	-	-	-
	86,968	4,500	72,315	4,500
(b) Financing facilities				
Financing facilities				
Bank overdraft facility, reviewed annually and payable at call:				
Amount used	277	635	16	349
Amount unused	3,308	2,361	1,234	901
	3,585	2,996	1,250	1,250
Secured bank loan facilities with various maturity dates through to December 2009:				
Amount used	84,221	9,086	48,100	-
Amount unused	32,900	20,000	16,900	20,000
	117,121	29,086	65,000	20,000

Post balance date the group has extended the term of its financing facilities and credit lines with its bankers to three years.

24. NOTES TO THE CASH FLOW STATEMENT contd.

	Group 2008 \$'000	Group 2007 \$'000	Parent 2008 \$'000	Parent 2007 \$'000
(c) Reconciliation of profit for the period with cash flows from operating activities				
Profit for the period	16,663	10,319	3,295	5,811
Add/(less) non-cash items:				
Depreciation	2,620	1,711	316	408
Loss/(gain) on sale of property, plant and equipment	63	(541)	8	(598)
Amortisation of finite life intangible assets	137	-	-	-
(Gain)/loss on derivatives/financial instruments	(75)	1,123	(88)	773
Deferred tax	(97)	(43)	(36)	25
Provision for doubtful debts	(37)	(66)	-	12
	2,611	2,184	200	620
Movement in working capital:				
Trade and other receivables	(109,159)	(2,962)	1,214	113
Finance lease receivables	35	28	35	29
Prepayments	(1,443)	(434)	54	13
Inventories	(81,493)	(1,741)	877	(1,370)
Current tax refundable/payable	(2,000)	454	(875)	(51)
Trade and other payables	208,678	827	1,646	(992)
Employee benefits	2,546	(46)	403	(103)
Foreign currency loss/(gain) on translation of working capital balances	2,619	(1,375)	-	-
	19,783	(5,249)	3,354	(2,361)
Movements in items treated as investing activities	(10,511)	-	-	-
Net cash inflow from operating activities	28,546	7,254	6,849	4,070

25. EARNINGS PER SHARE CALCULATION

Basic earnings per share (refer Income Statement and note 20)

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	Group 2008 \$'000	Group 2007 \$'000
Earnings	16,663	10,319
Weighted average number of ordinary shares for the purposes of basic earnings per share	44,348	32,504

Diluted earnings per share (refer Income Statement and note 20)

The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:

	Group 2008 \$'000	Group 2007 \$'000
Earnings	16,663	10,319
Weighted average number of ordinary shares for the purpose of diluted earnings per share	44,348	32,504

26. COMMITMENTS FOR EXPENDITURE

	Group 2008 \$'000	Group 2007 \$'000	Parent 2008 \$'000	Parent 2007 \$'000
(a) Capital expenditure commitments				
Property, Plant and Equipment	736	3,343	736	3,119
Intangible assets	1,740	6,031	1,740	-

A significant portion of the expenditure relates to the purchase of MedBio Ltd – refer note 30.

(b) Lease commitments

Finance lease liabilities and non-cancellable operating lease commitments are disclosed in note 18 to the financial statements.

27. CONTINGENT LIABILITIES & CONTINGENT ASSETS

	Group 2008 \$'000	Group 2007 \$'000	Parent 2008 \$'000	Parent 2007 \$'000
Contingent liabilities				
Guarantees given to third parties	7,162	75	150	75
Guarantees arising from the deed of cross guarantee with other entities in the wholly-owned group	-	-	28,549	15,088

The company has entered into a deed of guarantee for certain wholly-owned subsidiaries. The amount disclosed as a contingent liability represents total liabilities of the group of companies party to that, less the liabilities recognised by the group. The extent of which an outflow of funds will be required is dependent on the future operations of the entities that are party to the deed of guarantee being more or less favourable than currently expected. The deed of guarantee may continue to operate indefinitely.

A subsidiary company (PRNZ Limited) is guarantor for certain loans made to pharmacies by the ANZ National Bank Limited amounting to \$6,012,000. The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

A performance bond of up to \$1,000,000 is also held by the bank on behalf of a supplier.

28. SEGMENT INFORMATION

Information on business segments (primary reporting format)

	Group 2008 \$'000	Group 2007 \$'000
Revenue		
Healthcare	1,075,945	273,936
Scientific	61,719	39,009
Inter-segment (i)	(45,644)	(5,669)
	1,092,020	307,276
Profit before finance costs and tax		
Healthcare	26,482	13,462
Scientific	4,395	3,669
	30,877	17,131
Profit for the period		
Healthcare	13,488	8,549
Scientific	3,175	1,770
	16,663	10,319
Segment assets		
Healthcare	442,525	105,727
Scientific	43,669	31,579
	486,194	137,306

(i) Inter-segment sales are recorded at amounts equal to competitive market prices charged to external customers for similar goods.

28. SEGMENT INFORMATION contd.

			Group 2008 \$'000	Group 2007 \$'000
Information on business segments (contd.)				
Segment liabilities				
Healthcare			328,732	40,386
Scientific			10,158	4,725
			338,890	45,111
<hr/>				
	Healthcare 2008 \$'000	Healthcare 2007 \$'000	Scientific 2008 \$'000	Scientific 2007 \$'000
Acquisition of non-current segment assets	26,217	1,805	172	361
Depreciation and amortisation of segment assets	2,355	1,325	402	386

Products and services within each business segment

For management purposes, the group is organised into two major operating divisions - Healthcare and Scientific. These divisions are the basis on which the group reports its primary segment information. The principal products and services of each of these divisions are as follows:

- Healthcare: Incorporates the sale of healthcare products in a range of sectors, own brands, retail healthcare and wholesale activities.
- Scientific: Incorporates the sale of laboratory consumables, life sciences equipment and technical support to industry and research laboratories.

Information on geographical segments (secondary reporting format)

			Group 2008 \$'000	Group 2007 \$'000
Revenue				
New Zealand			986,001	232,922
Australia			151,663	80,023
Eliminations			(45,644)	(5,669)
			1,092,020	307,276
Profit before finance costs and tax				
New Zealand			18,702	8,997
Australia			12,175	8,134
			30,877	17,131
Profit for the period				
New Zealand			9,073	5,550
Australia			7,590	4,769
			16,663	10,319
Segment assets				
New Zealand			411,491	98,582
Australia			74,703	38,724
			486,194	137,306
<hr/>				
	New Zealand 2008 \$'000	New Zealand 2007 \$'000	Australia 2008 \$'000	Australia 2007 \$'000
Acquisition of non-current segment assets	25,780	1,785	609	381

The group's two divisions operate in two principal geographical areas – New Zealand and Australia.

29. 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

Transactions involving the parent entity

Amounts receivable from and payable to related parties at balance date are disclosed on the parent company balance sheet, and Note 16 of these financial statements.

During the financial year, EBOS Group Limited received dividends of Nil (2007: \$2,724,000) from its subsidiaries.

During the financial year, EBOS Group Limited received subvention income of \$4,501,002 (2007: Nil) from its subsidiaries.

During the financial year, EBOS Group Limited provided accounting and administration services to its subsidiaries for a consideration of \$631,000 (2007: \$456,000) and charged royalties for the use of brand names and patents totalling \$296,000 (2007: \$269,000).

During the financial year, EBOS Group Limited rented warehouse space and contracted labour from its subsidiaries for a total cost of \$322,000 (2007 \$349,000).

Terms/price under which related party transactions were entered into

All loans advanced to and payable by subsidiaries are unsecured, subordinate to other liabilities and are at call. Interest rates determined by the directors were 9.3% - 9.7% (2007: 8.3% - 9.1%). During the financial year, EBOS Group Limited received interest of \$920,000 (2007: \$634,000) from loans to subsidiaries, and paid interest of Nil (2007: \$163,000) to subsidiaries.

No amounts were provided for doubtful debts relating to debts due from related parties at reporting date (2007: Nil).

Guarantees provided or received

As detailed in note 27, EBOS Group Limited has entered into a deed of cross guarantee with certain wholly-owned subsidiaries.

(d) Key Management Personnel Remuneration

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

(e) Other Transactions Involving Related Parties

During the financial year Global Science & Technology Ltd and Quantum Scientific Pty Ltd leased premises from interests associated with key management personnel, P Balchin, F Spurway and D Brown. Rents of \$394,000 (2007: \$614,000) were paid.

During the financial year Global Science & Technology Ltd and Quantum Scientific Pty Ltd paid amounts totalling \$425,000 (2007: \$332,000) to interests associated with the same key management personnel for the provision of management services.

Peter Merton a Director of the parent company and a key manager of the group, received remuneration of \$367,000 for services provided as Chief Executive of PRNZ Ltd. Mr Peter Merton does not receive directors fees in his capacity as a director of the parent company.

30. SUBSEQUENT EVENTS

On 1 July 2008 the group acquired the business assets of MedBio Limited a supplier of scientific goods to the New Zealand market for approximately NZ\$2 million.

31. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives

The group's corporate treasury function provides services to the two segments, co-ordinates access to domestic and international 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;
- 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

It is the policy of the group to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts within 60 to 100% of the exposure generated. The group also enters into forward foreign exchange contracts to manage the risk associated with anticipated sales and purchase transactions out to 12 months within 20% to 75% of the exposure generated.

31. FINANCIAL INSTRUMENTS contd.

Outstanding Contracts	Average exchange rate		Foreign currency		Contract value		Fair value	
	2008	2007	2008 FC'000	2007 FC'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Buy Australian Dollars								
Less than 3 months	0.803	0.883	4,100	880	5,107	996	49	(24)
3 to 6 months	0.869	0.905	200	100	230	110	21	-
Buy Euro								
Less than 3 months	0.495	0.540	1,710	200	3,457	370	(24)	(19)
Buy Pounds								
Less than 3 months	0.396	0.400	400	50	1,010	125	(25)	(7)
Buy US Dollars								
Less than 3 months	0.771	0.742	2,100	500	2,722	674	(8)	(22)
3 to 6 months	0.770	0.736	250	100	325	136	9	(4)
Buy Swiss Francs								
Less than 3 months	-	0.792	-	80	-	101	-	(15)
Buy Japanese Yen								
Less than 3 months	80.464	86.864	25,000	3,000	311	35	(29)	(4)
3 to 6 months	-	-	-	-	-	-	-	-
							(7)	(95)

The above financial instruments relate to the group and parent entity. The fair value of forward foreign exchange contracts outstanding are recognised as other financial assets/liabilities. Hedge accounting has not been adopted for the forward foreign exchange contracts.

(d) Interest rate risk management

The group is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts and forward interest rate 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 are based on market values of equivalent instruments at the reporting date.

Outstanding Contracts	Group					
	Average contracted fixed interest rate		Notional principal amount		Fair value	
	2008 %	2007 %	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Outstanding variable rate for fixed contracts						
Less than 1 year	-	5.79	-	2,203	-	12
3 to 5 years	7.70	-	66,299	-	(250)	-
			66,299	2,203	(250)	12
Outstanding Contracts	Parent					
	Average contracted fixed interest rate		Notional principal amount		Fair value	
	2008 %	2007 %	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Outstanding variable rate for fixed contracts 3 to 5 years	7.80	-	45,000	-	(377)	-
			45,000	-	(377)	-

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

33. FINANCIAL INSTRUMENTS contd.

(e) Liquidity

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve banking facilities by continuously monitoring forecast and actual cashflows 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. 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.

Group - 2008	Weighted average effective interest rate %	On Demand \$'000	Less than 1 year \$'000	Maturity Dates					Total \$'000
				1-2 Years \$'000	2-3 Years \$'000	3-4 Years \$'000	4-5 Years \$'000	5+ Years \$'000	
Financial assets:									
Cash and cash equivalents	7.3	16,136							16,136
Trade and other receivables		150,426							150,426
Other financial assets			130						130
Finance leases	9.0		118	67	67				252
		166,562	248	67	67	-	-	-	166,944
Financial liabilities:									
Bank overdraft	13.3	277							277
Trade and other payables		232,889	560	560	560	560	560	7,275	242,964
Finance leases	9.1		494	494	279				1,267
Bank loans	9.5		90,853	1,369					92,222
Other financial liabilities			387						387
		233,166	92,294	2,423	839	560	560	7,275	337,117

Group - 2007	Weighted average effective interest rate %	On Demand \$'000	Less than 1 year \$'000	Maturity Dates					Total \$'000
				1-2 Years \$'000	2-3 Years \$'000	3-4 Years \$'000	4-5 Years \$'000	5+ Years \$'000	
Financial assets:									
Cash and cash equivalents	7.4	1,772							1,772
Trade and other receivables		41,230							41,230
Other financial assets			12						12
Finance leases	9.0		96	67	67	68			298
		43,002	108	67	67	68	-	-	43,312
Financial liabilities:									
Bank overdraft	12.3	635							635
Trade and other payables		29,679							29,679
Finance leases	10.0		93	93	58				244
Bank loans	7.3		1,181	1,181	7,387				9,749
Other financial liabilities			95						95
		30,314	1,369	1,274	7,445	-	-	-	40,402

EBOS Group Limited
Notes to the Financial Statements (continued)
For the Financial Year ended 30 June, 2008

31. FINANCIAL INSTRUMENTS contd.

	Weighted average effective interest rate %	On Demand \$'000	Less than 1 year \$'000	Maturity Dates					Total \$'000
				1-2 Years \$'000	2-3 Years \$'000	3-4 Years \$'000	4-5 Years \$'000	5+ Years \$'000	
Parent - 2008									
Financial assets:									
Cash and cash equivalents	7.3	121							121
Trade and other receivables		8,572							8,572
Advances to subsidiaries	9.5		13,466						13,466
Finance leases	9.0		118	67	67				252
		8,693	13,584	67	67	-	-	-	22,411
Financial liabilities:									
Bank overdraft	13.3	16							16
Trade and other payables		6,907							6,907
Finance leases	9.1		34	34	26				94
Bank loans	9.6		52,727						52,727
Other financial liabilities			384						384
Advances from subsidiaries	9.5		6,036						6,036
		6,923	59,181	34	26	-	-	-	66,164

	Weighted average effective interest rate %	On Demand \$'000	Less than 1 year \$'000	Maturity Dates					Total \$'000
				1-2 Years \$'000	2-3 Years \$'000	3-4 Years \$'000	4-5 Years \$'000	5+ Years \$'000	
Parent - 2007									
Financial assets:									
Cash and cash equivalents	7.4	200							200
Trade and other receivables		9,786							9,786
Advances to subsidiaries	8.6		10,988						10,988
Finance leases	9.0		96	67	67	68			298
		9,986	11,084	67	67	68	-	-	21,272
Financial liabilities:									
Bank overdraft	12.3	349							349
Trade and other payables		5,261							5,261
Finance leases	9.1		34	34	34	26			128
Other financial liabilities			95						95
Advances to subsidiaries	8.6		1,679						1,679
		5,610	1,808	34	34	26	-	-	7,512

The group maintains the following lines of credit:

\$2.0 million (2007: \$1.75 million) overdraft facility that is secured. Interest is payable at the base rate plus specified margin. A loan facility of \$121 million (2007: \$97 million) of which \$117 million (\$Nil) is for 3 years.

The group renews its facilities on an annual basis to ensure an appropriate portion matures on a rolling basis.

31. FINANCIAL INSTRUMENTS contd.

(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 Period and Total Equity as a result of a 100 basis point movement in interest rates is as follows:

	Group 2008	Group 2007	Parent 2008	Parent 2007
	\$'000	\$'000	\$'000	\$'000
+ 100 basis point shift up in yield curve				
Impact on Profit for the Period	-	-	-	-
Impact on Total Equity	952	11	650	-
- 100 basis point shift down in yield curve				
Impact on Profit for the Period	-	-	-	-
Impact on Total Equity	(985)	(11)	(673)	-

(ii) Foreign Currency Sensitivity Analysis

The following table details the Group's sensitivity to a 10% increase or decrease in foreign currencies against the Group's functional currency (New Zealand dollars). The sensitivity analysis includes any outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and equity where the functional currency strengthens 10% against the relevant currency. For a 10% weakening against the relevant currency there would be an equal and opposite impact on the profit and equity.

	Group 2008	Group 2007	Parent 2008	Parent 2007
	\$'000	\$'000	\$'000	\$'000
+ 10% shift in NZD rate				
Impact on Profit for the Period	(1,215)	(222)	(1,215)	(222)
Impact on Total Equity	1,215	222	1,215	222
- 10% shift in NZD rate				
Impact on Profit for the Period	1,486	271	1,486	271
Impact on Total Equity	(1,486)	(271)	(1,486)	(271)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

31. FINANCIAL INSTRUMENTS contd.

(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 industries 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 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; and
- 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.
- 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.

Transaction costs are included in the determination of net fair value.

(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 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's overall strategy remains unchanged from 2007.

EBOS Group Limited
Additional Stock Exchange Information

As at 31 July, 2008

	Fully paid shares	Percentage of paid capital
Twenty Largest Shareholders		
Python Portfolios Ltd	4,684,877	9.96%
Whyte Adder No.3 Ltd	3,314,339	7.05%
Accident Compensation Corporation	3,282,781	6.98%
Elite Investment Holdings Ltd	1,530,922	3.26%
P.M. Merton & CWM Trustee Company Ltd	1,530,922	3.26%
Forsyth Barr Custodians Ltd	1,334,678	2.83%
Custodial Services Ltd	793,868	1.69%
Herpa Properties Ltd	626,793	1.33%
Forsyth Barr Custodians Ltd	603,387	1.28%
Forsyth Barr Custodians Ltd	509,269	1.08%
Tea Custodians Ltd	491,717	1.05%
New Zealand Superannuation Fund Nominees Ltd	433,448	0.92%
Superlife Trustee Ltd	426,181	0.91%
M.B. & A.L. Waller	404,957	0.86%
P. Gardiner-Garden	385,189	0.82%
Citibank Nominees (New Zealand) Ltd	377,258	0.80%
Hubbard Churcher Trust Management Ltd	375,573	0.80%
HSBC Nominees (New Zealand) Ltd	375,319	0.80%
New Zealand Equity Nominee Pool	374,997	0.79%
NZ Guardian Trust Investment Nominees	366,971	0.79%
	22,223,446	47.26%

Substantial Security Holders

As at 31 July 2008 the following persons are deemed to be substantial security holders in accordance with Section 26 of the Securities Amendment Act 1988.

	Fully paid shares	Percentage of paid capital
Python Portfolios Ltd	4,684,877	9.96%
Whyte Adder No.3 Ltd and Herpa Properties Ltd	3,941,132	8.38%
Accident Compensation Corporation	3,282,781	6.98%
	11,908,790	25.32%

Distribution of Shareholders and Shareholdings

	Holders	Fully paid shares	Percentage of paid capital
Size of Holding			
1 to 999	710	237,926	0.50%
1,000 to 4,999	1,821	4,758,946	10.12%
5,000 to 9,999	747	5,094,925	10.84%
10,000 to 49,999	548	9,791,123	20.82%
50,000 to 99,999	32	2,171,449	4.62%
100,000 to 499,999	27	6,755,636	14.37%
500,000 to 999,999	4	2,533,317	5.39%
1,000,000 and over	6	15,678,519	33.34%
Total	3,895	47,021,841	100.00%

Registered Address of Shareholders

	Holders	Fully paid shares	Percentage of paid capital
New Zealand	3,717	44,456,152	94.54%
Overseas	178	2,565,689	5.46%
Total	3,895	47,021,841	100.00%

Corporate Office

108 Wrights Road
P O Box 411
CHRISTCHURCH
Telephone (03) 338-0999
Fax (03) 339-5111
E-mail: ebos@ebos.co.nz
Internet: www.ebos.co.nz

Other Locations

Auckland Office
243-249 Bush Road
P O Box 302-161
Albany, Auckland
NEW ZEALAND

Wellington Office
498 Hutt Road
Lower Hutt
NEW ZEALAND

Subsidiaries

PRNZ Limited
54 Carbine Road
Mt Wellington
Auckland
NEW ZEALAND

Health Support Limited
56 Carrington Road, Pt Chevalier
Auckland
NEW ZEALAND

EBOS Group Pty Limited &
EBOS Health & Science Pty Limited
Unit 2, 109 Vanessa Street
Kingsgrove, NSW 2208
AUSTRALIA

EBOS Health & Science (PNG) Limited
GB House, Kunai Street
Hohola, Waigani NCD
PAPUA NEW GUINEA

Global Science & Technology Limited
241 Bush Road, Albany
Auckland
NEW ZEALAND

Quantum Scientific Pty Limited
31 Archimedes Place
Murarrie, Queensland
AUSTRALIA

Vital Medical Supplies (Australia) Pty Ltd
Unit 29-31, 276-278 Newline Road
Dural, NSW 2158
AUSTRALIA

Directors

R.G.M. Christie	Chairman
M.B. Waller	Chief Executive and Managing Director
P.F. Kraus	Deputy Chairman
E.M. Coutts	
S.C. Ottrey	
B.J. Wallace	
P. Merton	

Executives

M.B. Waller	Chief Executive
D. Brown	Managing Director - Scientific
A.J. Cooper	General Manager - Business Development
D.C. Doherty	Chief Financial Officer
K.R. Hyland	General Manager - Sales & Marketing Healthcare
G. Managh	General Manager - Health Support Ltd
P. Merton	Executive Director - PRNZ Ltd
A. Norris	General Manger - EBOS Group Pty Ltd

Auditor

Deloitte
Christchurch

Bankers

ANZ National Bank Limited
Christchurch

Solicitor

Chapman Tripp
Christchurch

Share Register

Computershare Investor Services Ltd
Private Bag 92119
Auckland
NEW ZEALAND
Telephone: (09) 488-8777

Shareholder Enquiries

Shareholders with enquiries about share transactions, change of address or dividend payments should contact the Share Registrar - Computershare Investor Services Ltd.

