

EBOS GROUP LIMITED  
INTERIM REPORT 2012



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## 4 EBOS GROUP LIMITED DIRECTORS' REPORT

### POSITIVE PROGRESS FOR EBOS

EBOS Group has achieved another excellent half year result, particularly against a background of ongoing reform and tight budgets in public healthcare and a difficult economic environment.

Reported numbers are just above last year with a net profit after tax from continuing operations of \$11.574 million, against \$11.451 million last year.

On a comparable basis our trading result is approximately 10% ahead of the previous half year, given that, the first half included over \$1.0m legal, due diligence and acquisition expenses.

### HEALTHCARE

The NZ trading operations has ongoing efficiency gains following the merger of Health Support back office and information systems into PRNZ, leading to an overall net increase in results.

In Australia our business continues to be influenced by the two speed Australian economy where the non resources, "real" economy, is finding the going tough. Capital spending also remains constrained. Against this background we still produced a credible result and continue to make solid progress with our "greenfields" new Perth based sales and distribution centre.

### MASTERPET ACQUISITION

The major news to conclude our first half year was the successful acquisition of the trans-tasman Masterpet group. The transaction was concluded in December.

Total consideration was \$105m in cash plus existing Masterpet debt. This exciting move into the Animal Health and Pet Care sector is a logical extension of the EBOS Group core competencies in sales, marketing and distribution. This market segment is growing internationally.

## OUTLOOK

The Masterpet acquisition will be a significant profit driver going forward. In healthcare we expect to see ongoing health sector reforms, however this macro driver will create opportunities for our group. We also see growth opportunities within the broader animal health and veterinary sector.

Whilst EBOS has just completed its largest acquisition to date, we continue to investigate a range of new acquisition possibilities in both Human and Animal Health sectors.

## DIVIDEND

Directors have declared a fully imputed interim dividend of 13.5 cents per share, payable on 20 April 2012 to shareholders on the register at close of business 5 April 2012.

The dividend reinvestment plan will not be operative for this dividend.



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Rick Christie  
Chairman



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Mark Waller  
Managing Director/CEO

21 February 2012

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the Six Months ended 31 December 2011 (unaudited)

	Notes	Six months 31 Dec 11 \$'000	Six months 31 Dec 10 \$'000	Year ended 30 Jun 11 \$'000
<b>Continuing operations</b>				
Revenue	2(a)	690,381	694,200	1,343,756
<b>Profit before depreciation, amortisation, finance costs and income tax expense</b>		<b>20,055</b>	<b>20,729</b>	<b>41,125</b>
Depreciation	2(b)	(1,655)	(1,650)	(3,231)
Amortisation of finite life intangibles	2(b)	(16)	(86)	(173)
<b>Profit before finance costs and tax</b>		<b>18,384</b>	<b>18,993</b>	<b>37,721</b>
Finance costs	2(b)	(2,352)	(2,622)	(5,148)
<b>Profit before income tax expense</b>	<b>2(b)</b>	<b>16,032</b>	<b>16,371</b>	<b>32,573</b>
Income tax expense		(4,458)	(4,920)	(9,173)
<b>Profit for the period from continuing operations</b>		<b>11,574</b>	<b>11,451</b>	<b>23,400</b>
<b>Discontinued operations</b>				
Profit for the period from discontinued activities	8	-	8,346	8,179
<b>Profit for the period</b>		<b>11,574</b>	<b>19,797</b>	<b>31,579</b>

**Earnings per share****From continuing and discontinued operations:**

Basic (cents per share)	22	39	61
Diluted (cents per share)	22	39	61

**From continuing operations:**

Basic (cents per share)	22	22	45
Diluted (cents per share)	22	22	45

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

**EBOS GROUP LIMITED****CONDENSED CONSOLIDATED STATEMENT  
OF COMPREHENSIVE INCOME**

For the Six Months ended 31 December 2011 (unaudited)

	Six months 31 Dec 11 \$'000	Six months 31 Dec 10 \$'000	Year ended 30 Jun 11 \$'000
<b>Profit for the period</b>	<b>11,574</b>	<b>19,797</b>	<b>31,579</b>
<b>Other comprehensive income</b>			
Cash flow hedges gains	358	496	855
Related income tax	(126)	(148)	(262)
Gains on translation of foreign operations	129	1,929	1,357
<b>Total comprehensive income net of tax</b>	<b>11,935</b>	<b>22,074</b>	<b>33,529</b>

**EBOS GROUP LIMITED****CONDENSED CONSOLIDATED STATEMENT  
OF CHANGES IN EQUITY**

For the Six Months ended 31 December 2011 (unaudited)

	Notes	Six months 31 Dec 11 \$'000	Six months 31 Dec 10 \$'000	Year ended 30 Jun 11 \$'000
Equity at start of period		198,796	182,790	182,790
Profit for the period		11,574	19,797	31,579
<b>Other comprehensive income:</b>				
Movements in cashflow hedge reserve		232	348	593
Movement in foreign currency translation reserve		129	1,929	1,357
Dividends paid to company shareholders	4	(9,379)	(12,498)	(19,493)
Shares issued	3	-	-	1,970
<b>Equity at end of period</b>		<b>201,352</b>	<b>192,366</b>	<b>198,796</b>

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**CONDENSED CONSOLIDATED BALANCE SHEET**  
As at 31 December 2011 (unaudited)

	Notes	31 Dec 11 \$'000	31 Dec 10 \$'000	30 Jun 11 \$'000
<b>Current assets</b>				
Cash and cash equivalents		45,020	76,549	99,678
Trade and other receivables		182,748	155,374	152,797
Prepayments		2,222	2,024	2,673
Inventories		164,937	126,124	121,807
Current tax refundable		1,202	1,186	1,045
Other financial assets - derivatives		128	-	-
Deferred sale proceeds	11	-	1,174	-
<b>Total current assets</b>		<b>396,257</b>	<b>362,431</b>	<b>378,000</b>
<b>Non-current assets</b>				
Property, plant and equipment		22,449	17,441	16,974
Capital work in progress		154	-	-
Prepayments		683	1,013	847
Investment in associates	10	18,247	-	-
Receivable from jointly controlled entity		1,263	-	-
Deferred tax assets		4,763	5,174	4,538
Goodwill	9	178,904	114,335	114,132
Indefinite life intangibles	9	30,928	23,818	23,796
Finite life intangibles		340	117	32
<b>Total non-current assets</b>		<b>257,731</b>	<b>161,898</b>	<b>160,319</b>
<b>Total assets</b>		<b>653,988</b>	<b>524,329</b>	<b>538,319</b>



## CONDENSED CONSOLIDATED BALANCE SHEET (continued)

As at 31 December 2011 (unaudited)

	Notes	31 Dec 11 \$'000	31 Dec 10 \$'000	30 Jun 11 \$'000
<b>Current liabilities</b>				
Bank overdraft		2,839	-	-
Trade and other payables		276,720	249,760	259,130
Finance leases		576	14	5
Bank loans	7	60,237	58,999	-
Current tax payable		4,942	2,776	3,422
Employee benefits		7,142	4,806	4,983
Other financial liabilities - derivatives		324	1,169	815
<b>Total current liabilities</b>		<b>352,780</b>	<b>317,524</b>	<b>268,355</b>
<b>Non-current liabilities</b>				
Bank loans	7	85,067	-	57,177
Trade and other payables		4,293	4,588	4,591
Deferred tax liabilities		8,109	9,119	8,706
Finance leases		1,271	6	6
Employee benefits		1,116	726	688
<b>Total non-current liabilities</b>		<b>99,856</b>	<b>14,439</b>	<b>71,168</b>
<b>Total liabilities</b>		<b>452,636</b>	<b>331,963</b>	<b>339,523</b>
<b>Net assets</b>		<b>201,352</b>	<b>192,366</b>	<b>198,796</b>
<b>Equity</b>				
Share capital	3	107,970	106,000	107,970
Foreign currency translation reserve		2,602	3,045	2,473
Retained earnings		91,019	84,037	88,824
Cash flow hedge reserve		(239)	(716)	(471)
<b>Total equity</b>		<b>201,352</b>	<b>192,366</b>	<b>198,796</b>

10 **EBOS GROUP LIMITED****CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

For the Six Months ended 31 December 2011 (unaudited)

	Notes	Six months 31 Dec 11 \$'000	Six months 31 Dec 10 \$'000	Year ended 30 Jun 11 \$'000
<b>Cash flows from operating activities</b>				
Receipts from customers		689,518	692,653	1,342,560
Interest received		1,261	1,179	2,367
Payments to suppliers and employees		(680,075)	(690,702)	(1,306,387)
Taxes paid		(5,225)	(8,607)	(11,689)
Interest paid		(2,352)	(2,621)	(5,148)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>5</b>	<b>3,127</b>	<b>(8,098)</b>	<b>21,703</b>
<b>Cash flows from investing activities</b>				
Sale of property, plant & equipment		23	37	37
Proceeds from disposal of businesses	11	-	44,029	45,203
Purchase of property, plant & equipment		(1,295)	(2,715)	(3,887)
Payments for capital work in progress		(154)	-	-
Payments for intangible assets		(7)	-	-
Advanced to jointly controlled entity		(5)	-	-
Acquisition of associates	10	(18,200)	-	-
Acquisition of subsidiary	9	(90,415)	-	-
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(110,053)</b>	<b>41,351</b>	<b>41,353</b>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT(continued)**  
 For the Six Months ended 31 December 2011 (unaudited)

	Notes	Six months 31 Dec 11 \$'000	Six months 31 Dec 10 \$'000	Year ended 30 Jun 11 \$'000
<b>Cash flows from financing activities</b>				
Proceeds from issue of shares	3	-	-	1,970
Proceeds from borrowings		60,041	-	-
Repayment of borrowings		(1,500)	(1,500)	(3,000)
Dividends paid to equity holders of parent	4	(9,379)	(12,498)	(19,493)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>49,162</b>	<b>(13,998)</b>	<b>(20,523)</b>
Net (decrease)/increase in cash held		(57,764)	19,255	42,533
Effect of exchange rate fluctuations on cash held		267	810	661
Net cash and cash equivalents at beginning of period		99,678	56,484	56,484
<b>Net cash and cash equivalents at end of period</b>		<b>42,181</b>	<b>76,549</b>	<b>99,678</b>
Cash and cash equivalents		45,020	76,549	99,678
Bank overdrafts		(2,839)	-	-
		<b>42,181</b>	<b>76,549</b>	<b>99,678</b>

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
For the Six Months ended 31 December 2011 (unaudited)

**1. FINANCIAL STATEMENTS**

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

The same accounting policies and methods of computation are applied in the interim financial statements as were applied in the financial statements for the year ended 30 June 2011. These financial statements should be read in conjunction with the financial statements and related notes included in the Company’s Annual Report for the year ended 30 June 2011. The information is presented in thousands of New Zealand dollars.

**2. PROFIT FROM CONTINUING OPERATIONS**

	Six months 31 Dec 11 \$'000	Six months 31 Dec 10 \$'000	Year ended 30 Jun 11 \$'000
<b>(a) Revenue</b>			
Revenue from the sale of goods	687,632	691,187	1,337,454
Revenue from the rendering of services	1,327	1,499	3,523
Management fees	113	337	415
Interest revenue	1,262	1,177	2,364
Share of profits of associates	47	-	-
	690,381	694,200	1,343,756
<b>(b) Profit before income tax expense</b>			
Profit before income tax has been arrived at after crediting/(charging) the following gains and losses from operations:			
Gain/(loss) on sale of property, plant and equipment	4	(6)	(34)

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

For the Six Months ended 31 December 2011 (unaudited)

## 2. PROFIT FROM CONTINUING OPERATIONS (continued)

	Six months 31 Dec 11 \$'000	Six months 31 Dec 10 \$'000	Year ended 30 Jun 11 \$'000
Change in fair value of derivative financial instruments	54	(226)	(236)
Profit before income tax has been arrived at after (charging) the following expenses by nature:			
Cost of sales	(620,719)	(624,822)	(1,205,620)
Write-down of inventory	-	-	(1,137)
Finance costs:			
Bank interest	(2,299)	(2,342)	(4,511)
Other interest expense	(53)	(280)	(637)
Total finance costs	(2,352)	(2,622)	(5,148)
Net bad and doubtful debts arising from:			
Impairment loss on trade & other receivables	(139)	(84)	(330)
Depreciation of property, plant & equipment	(1,655)	(1,650)	(3,231)
Amortisation of finite life intangibles	(16)	(86)	(173)
Operating lease rental expenses:			
Minimum lease payments	(3,197)	(3,130)	(5,741)
Donations	(25)	(47)	(69)
Employee benefit expense	(25,435)	(24,608)	(50,587)
Other expenses	(20,869)	(20,548)	(38,877)
Total expenses	(674,407)	(677,597)	(1,310,913)
<b>Profit before income tax expense</b>	<b>16,032</b>	<b>16,371</b>	<b>32,573</b>

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)**  
 For the Six Months ended 31 December 2011 (unaudited)

**3. SHARE CAPITAL**

The number of shares on issue at 31 December 2011 is 52,107,487 (December 2010: 51,811,236, June 2011: 52,107,487).

**4. DIVIDENDS**

	Six months 31 Dec 11		Six months 31 Dec 10		Year ended 30 Jun 11	
	Cents per share	Total \$'000	Cents per share	Total \$'000	Cents per share	Total \$'000
<b>Recognised amounts</b>						
Fully paid ordinary shares						
- Final – prior year	18.0	9,379	17.5	2,136	17.5	2,136
- Special – current year	-	-	20.0	10,362	20.0	10,362
- Interim – current year	-	-	-	-	13.5	6,995
	18.0	9,379	37.5	12,498	51.0	19,493
<b>Unrecognised amounts</b>						
Final dividend	-	-	-	-	18.0	9,379
Interim dividend	13.5	7,035	13.5	6,995	-	-
	13.5	7,035	13.5	6,995	18.0	9,379

The interim dividend will be paid on 20 April 2012.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

For the Six Months ended 31 December 2011 (unaudited)

## 5. NOTES TO THE CASH FLOW STATEMENT

	Six months 31 Dec 11 \$'000	Six months 31 Dec 10 \$'000	Year ended 30 Jun 11 \$'000
<b>Reconciliation of profit for the period with cash flows from operating activities</b>			
Profit for the period	11,574	19,797	31,579
Add/(less) non-cash items:			
Depreciation	1,655	1,719	3,300
(Gain)/loss on sale of property, plant & equipment	(4)	6	34
(Gain) on sale of businesses	-	(8,859)	(8,853)
Share of profit of associates	(47)	-	-
Amortisation of finite life intangibles	16	86	173
(Gain)/loss on derivatives/ financial instruments	(54)	226	236
Deferred tax	(54)	(46)	55
Provision for doubtful debts	139	84	277
	1,651	(6,784)	(4,778)

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)**  
 For the Six Months ended 31 December 2011 (unaudited)

**5. NOTES TO THE CASH FLOW STATEMENT (continued)**

	Six months 31 Dec 11 \$'000	Six months 31 Dec 10 \$'000	Year ended 30 Jun 11 \$'000
Movements in working capital:			
Trade and other receivables	(30,090)	(7,280)	(4,896)
Finance lease receivables	-	102	102
Prepayments	615	723	240
Inventories	(43,130)	2,360	6,677
Current tax refundable/payable	1,363	(3,529)	(2,742)
Trade and other payables	17,292	723	10,096
Employee benefits	2,587	(947)	(809)
Foreign currency (gain)/loss on translation of opening working capital balances	(36)	1,417	919
	(51,399)	(6,431)	9,587
Movements in items treated as investing activities	41,301	(14,680)	(14,685)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>3,127</b>	<b>(8,098)</b>	<b>21,703</b>



**NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)**  
 For the Six Months ended 31 December 2011 (unaudited)

## 6. SEGMENT INFORMATION

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

The Group's reportable segments are:

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

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

The Scientific segment which incorporated the sale of laboratory consumables, life sciences equipment and technical support to industry and research laboratories was discontinued on 1 September 2010.

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

### (b) Segment revenues and results

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

	Six months 31 Dec 11 \$'000	Six months 31 Dec 10 \$'000	Year ended 30 Jun 11 \$'000
<b>Continuing operations</b>			
<b>Revenue from external customers</b>			
Healthcare	690,381	694,200	1,343,756
<b>Segment result</b>			
Healthcare	20,055	20,729	41,125
Depreciation	(1,655)	(1,650)	(3,231)
Amortisation of finite life intangibles	(16)	(86)	(173)
Finance costs	(2,352)	(2,622)	(5,148)
Income tax expense	(4,458)	(4,920)	(9,173)
<b>Profit for the period</b>	<b>11,574</b>	<b>11,451</b>	<b>23,400</b>

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)**  
 For the Six Months ended 31 December 2011 (unaudited)

**(b) Segment revenues and results (continued)**

	Six months 31 Dec 11 \$'000	Six months 31 Dec 10 \$'000	Year ended 30 Jun 11 \$'000
<b>Discontinued operations</b>			
<b>Revenue from external customers</b>			
Scientific	-	8,379	8,386
<b>Segment result</b>			
Scientific	-	(664)	(893)
Depreciation	-	(69)	(69)
Income tax credit	-	220	288
<b>(Loss) for the period</b>		<b>(513)</b>	<b>(674)</b>
Gain on disposal of operations	-	8,859	8,853
	-	8,346	8,179

In December 2011 the Group acquired MasterPet Corporation Limited (100%), Animates NZ Holdings Limited (50%) and Beaphar Australia Pty Limited (50%). These entities now comprise of the Groups animal care segment. Due to the timing of their acquisition their segment revenues and results are considered to be immaterial to separately disclose for the six months ended 31 December 2011.

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

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

For the Six Months ended 31 December 2011 (unaudited)

**(c) Segment assets**

	31 Dec 11 \$'000	31 Dec 10 \$'000	30 Jun 11 \$'000
Healthcare	497,002	524,329	538,319

For the disclosure of segment assets of the newly acquired animal care segment please refer to note 9 and note 10 of these interim financial statements.

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

**(d) Revenues from major products and services**

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)**  
 For the Six Months ended 31 December 2011 (unaudited)

**(e) Geographical information**

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

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

	Six months 31 Dec 11 \$'000	Six months 31 Dec 10 \$'000	Year ended 30 Jun 11 \$'000
<b>Continuing and discontinued operations</b>			
<b>Revenue from external customers</b>			
New Zealand	623,676	635,671	1,215,417
Australia	66,705	66,908	136,725
	690,381	702,579	1,352,142
<b>Non-current assets</b>			
New Zealand	228,683	136,246	135,625
Australia	24,285	20,478	20,156
	252,968	156,724	155,781

**(f) Information about major customers**

No revenues from transactions with a single customer amount to 10% or more of the Group's revenues (December 2010: Nil, June 2011: Nil).

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)**  
 For the Six Months ended 31 December 2011 (unaudited)

## 7. BANK FACILITY AND BORROWINGS

The Group fully complies with and operates within the financial covenants under the arrangements with its bankers.

In December 2011 the Group entered into a new \$60m bridging finance facility with the ANZ National Bank Limited ('the ANZ') to partially fund the acquisition of Masterpet Corporation Limited (refer note 9) and associates (refer note 10). This bridging finance facility has an expiry date of 30 April 2012. The Group is currently in the process of negotiating with the ANZ to replace this bridging finance facility with a term loan.

Once this new term loan facility is in place the Group will have approximately \$145m of non-current borrowings with additional unutilised borrowing facilities of \$45m in place until August 2014.

## 8. DISCONTINUED OPERATIONS

On 1 September 2010 the Group's Scientific businesses were disposed of. Details of the assets and liabilities disposed of are disclosed in note 11.

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

	Six months 31 Dec 11 \$'000	Six months 31 Dec 10 \$'000	Year ended 30 Jun 11 \$'000
<b>(a) Revenue</b>			
Revenue from the sale of goods	-	7,810	7,814
Revenue from the rendering of services	-	568	569
Interest revenue	-	1	3
	-	8,379	8,386

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)  
For the Six Months ended 31 December 2011 (unaudited)

## 8. DISCONTINUED OPERATIONS (continued)

	Six months 31 Dec 11 \$'000	Six months 31 Dec 10 \$'000	Year ended 30 Jun 11 \$'000
<b>(b) (Loss) before income tax expense</b>			
(Loss) before income tax has been arrived at after (charging) the following expenses by nature:			
Cost of sales	-	(5,002)	(5,190)
Write-down of inventory	-	(251)	(251)
Depreciation of property, plant & equipment	-	(69)	(69)
Operating lease rental expenses:			
Minimum lease payments	-	(267)	(267)
Employee benefit expense	-	(2,476)	(2,476)
Other expenses	-	(1,047)	(1,095)
Total expenses	-	(9,112)	(9,348)
<b>(Loss) before income tax expense</b>	-	<b>(733)</b>	<b>(962)</b>
Income tax credit	-	220	288
Gain on disposal of operations	-	(513)	(674)
	-	8,859	8,853
<b>Profit for the period from discontinued operations</b>	-	<b>8,346</b>	<b>8,179</b>
<b>Cash flows from discontinued activities</b>			
Net cash flows from operating activities	-	3,017	3,017
Net cash flows from investing activities	-	43,864	43,864
Net cash flows from financing activities	-	-	-
Net cash flows	-	46,881	46,881

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

For the Six Months ended 31 December 2011 (unaudited)

## 9. ACQUISITION OF SUBSIDIARY

Name of business acquired	Principal activities	Date of acquisition	Proportion of shares acquired	Cost of acquisition \$'000
<b>2012:</b>				
Masterpet Corporation Limited (MCL)	Animal care supplies	December 2011	100%	86,800
				86,800
<b>Assets and liabilities acquired December 2011:</b>		<b>MCL \$'000</b>	<b>Fair value adjustment \$'000</b>	<b>Fair value on acquisition \$'000</b>
<b>Current assets</b>				
Cash and cash equivalents		342	-	342
Trade and other receivables		29,985	-	29,985
Provision for doubtful debts		(631)	-	(631)
Prepayments		981	-	981
Inventories		28,057	-	28,057
Other financial assets - derivatives		214	-	214
<b>Non-current assets</b>				
Property, plant and equipment		5,587	-	5,587
Receivable from jointly controlled entity		1,258	-	1,258
Deferred tax assets		946	-	946
Indefinite life intangibles		610	6,500	7,110
Finite life intangibles		318	-	318

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)**  
 For the Six Months ended 31 December 2011 (unaudited)

**9. ACQUISITION OF SUBSIDIARY (continued)**

Assets and liabilities acquired December 2011:	MCL \$'000	Fair value adjustment \$'000	Fair value on aquisition \$'000
<b>Current liabilities</b>			
Bank overdraft	(3,957)	-	(3,957)
Trade and other payables	(12,444)	-	(12,444)
Finance leases	(536)	-	(536)
Bank loans	(224)	-	(224)
Current tax payable	(2,066)	-	(2,066)
Employee benefits	(2,133)	-	(2,133)
Other financial liabilities - derivatives	(31)	-	(31)
<b>Non-current liabilities</b>			
Bank loans	(29,046)	-	(29,046)
Finance leases	(1,054)	-	(1,054)
Employee benefits	(448)	-	(448)
Net assets acquired	15,728	6,500	22,228
Goodwill on acquisition			64,572
Consideration			86,800
Less cash and cash equivalents acquired			(342)
Plus bank overdraft acquired			3,957
Net cash outflow on acquisition			90,415

The acquisition of Masterpet Corporation Limited and associates (note 10) was funded through the Group's cash reserves of \$45m and external borrowings of \$60m (refer note 7).

This acquisition has also resulted in the recognition of an additional \$65m in goodwill with the Group's goodwill at 31 December 2011 increasing from \$114m to \$179m.



**NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)**  
 For the Six Months ended 31 December 2011 (unaudited)

**10. ACQUISITION OF ASSOCIATES**

Name of business acquired	Principal activities	Date of acquisition	Proportion of shares acquired	Cost of acquisition \$'000
<b>2012:</b>				
Animates NZ Holdings Limited	Animal care supplies	December 2011	50%	18,150
Beaphar Australia Pty Limited	Animal care supplies	December 2011	50%	50
				18,200

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

<b>Statement of financial position</b>	<b>31 Dec 11</b>
Total assets	30,156
Total liabilities	24,653
Net assets	5,503
Groups share of net assets	2,752

As the above associates were purchased during December 2011 their financial information in relation to total revenues and profit for the period is considered to be immaterial.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)**  
 For the Six Months ended 31 December 2011 (unaudited)

**11. DISPOSAL OF BUSINESSES**

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

	31 Dec 11 \$'000	31 Dec 10 \$'000	30 Jun 11 \$'000
<b>Current assets</b>			
Trade and other receivables	-	6,493	6,493
Prepayments	-	114	114
Inventories	-	10,017	10,017
<b>Non-current assets</b>			
Property, plant and equipment	-	1,255	1,255
Goodwill	-	20,410	20,410
<b>Current liabilities</b>			
Trade and other payables	-	(1,192)	(1,186)
Employee benefits	-	(753)	(753)
Net assets disposed of	-	36,344	36,350
Gain on disposal	-	8,859	8,853
	-	45,203	45,203
<b>Consideration</b>			
Consideration paid in cash and cash equivalents	-	44,029	45,203
Deferred sale proceeds	-	1,174	-
	-	45,203	45,203

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)  
For the Six Months ended 31 December 2011 (unaudited)

## 11. DISPOSAL OF BUSINESSES (continued)

	31 Dec 11 \$'000	31 Dec 10 \$'000	30 Jun 11 \$'000
<b>Net cash inflow on disposal</b>			
Consideration paid in cash and cash equivalents	-	44,029	45,203
Less cash and cash equivalent balances	-	-	-
	-	44,029	45,203

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**INTERIM REPORT 2012**  
**SUMMARY OF FINANCIAL HIGHLIGHTS**

	Six months 31 Dec 11 \$'000	Six months 31 Dec 10 \$'000	Year ended 30 Jun 11 \$'000
Revenue from continuing operations	690,381	694,200	1,343,756
EBITDA from continuing operations	20,055	20,729	41,125
Profit before income tax expense from continuing operations	16,032	16,371	32,573
Profit for the period from continuing operations	11,574	11,451	23,400
Profit attributable to members of the parent entity	11,574	19,797	31,579
Shareholders' interest	201,352	192,366	198,796
Earnings per share	22c	39c	61c
Earnings per share from continuing operations	22c	22c	45c
Interest cover from continuing operations	7.8	7.2	7.3
Net interest bearing debt to net interest bearing debt plus equity	34.3%	-10.0%	-27.2%
Net asset backing per share	386c	371c	382c

## SHAREHOLDER CALENDAR

Interim dividend payable	20 April 2012
Release of full year result	Late August 2012
Final dividend payable	Late October 2012
Annual General Meeting	25 October 2012

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**AUDITOR**

Deloitte Christchurch

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**SOLICITOR**

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**BANKERS**

ANZ National Bank Limited

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**DIRECTORS**

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

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**EXECUTIVES**

Mark Waller  
**Chief Executive**  
Michael Broome  
**General Manager - Healthcare Logistics**  
Angus Cooper  
**General Manager - Special Projects**  
Dennis Doherty  
**Chief Financial Officer**  
Kelvin Hyland  
**General Manager - EBOS Healthcare NZ**  
David Lewis  
**General Manager - ProPharma**  
Greg Managh  
**General Manager - Health Support**  
Anthony Norris  
**General Manager - EBOS Healthcare AU**  
Sean Duggan  
**Chief Executive - MasterPet**

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