

Zodiac Pool Solutions s.à.r.l.

Exercice clos le 30 septembre 2017

Rapport de l'auditeur contractuel sur les états financiers consolidés

ERNST & YOUNG Audit



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Au Gérant,

Nous avons effectué l'audit des états financiers ci-joints de la société Zodiac Pool Solutions s.à.r.l., comprenant le bilan consolidé au 30 septembre 2017, ainsi que le compte de résultat consolidé, l'état des variations des capitaux propres consolidés et l'état des flux de trésorerie consolidés pour l'exercice clos à cette date, et un résumé des principales méthodes comptables et d'autres informations explicatives.

Responsabilité de la direction relative aux états financiers consolidés

La direction est responsable de l'établissement et de la présentation sincère de ces états financiers consolidés conformément au référentiel IFRS tel qu'adopté dans l'Union européenne, ainsi que du contrôle interne qu'elle estime nécessaire à l'établissement d'états financiers consolidés ne comportant pas d'anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs.

Responsabilité de l'auditeur

Notre responsabilité est d'exprimer une opinion sur ces états financiers consolidés sur la base de notre audit. Nous avons effectué notre audit selon les Normes Internationales d'Audit telles que publiées par le Conseil supérieur de l'ordre des experts-comptables. Ces normes requièrent de notre part de nous conformer aux règles d'éthique et de planifier et de réaliser l'audit en vue d'obtenir une assurance raisonnable que les états financiers ne comportent pas d'anomalies significatives.

Un audit implique la mise en œuvre de procédures en vue de recueillir des éléments probants concernant les montants et les informations fournis dans les états financiers consolidés. Le choix des procédures mises en œuvre, y compris l'évaluation des risques que les états financiers consolidés comportent des anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs, relève du jugement de l'auditeur. En procédant à cette évaluation des risques, l'auditeur prend en compte le contrôle interne de l'entité relatif à l'établissement et à la présentation sincère des états financiers consolidés afin de définir des procédures d'audit appropriées en la circonstance, et non dans le but d'exprimer une opinion sur l'efficacité du contrôle interne de l'entité. Un audit consiste également à apprécier le caractère approprié des méthodes comptables retenues, le caractère raisonnable des estimations comptables faites par la direction et la présentation d'ensemble des états financiers consolidés.



Nous estimons que les éléments probants recueillis sont suffisants et appropriés pour fonder notre opinion.

Opinion

A notre avis, les états financiers consolidés présentent sincèrement, dans tous leurs aspects significatifs, la situation financière de la société Zodiac Pool Solutions s.à.r.l., ainsi que sa performance financière et ses flux de trésorerie pour l'exercice clos à cette date, conformément au référentiel IFRS tel qu'adopté dans l'Union européenne.

Ce rapport est régi par la loi française. Les juridictions françaises ont compétence exclusive pour connaître de tout litige, réclamation ou différend pouvant résulter de notre lettre de mission ou du présent rapport, ou de toute question s'y rapportant. Chaque partie renonce irrévocablement à ses droits de s'opposer à une action portée auprès de ces tribunaux, de prétendre que l'action a été intentée auprès d'un tribunal incompétent, ou que ces tribunaux n'ont pas compétence.

Paris-La Défense, le 26 janvier 2018

L'Auditeur Contractuel
ERNST & YOUNG Audit

A handwritten signature in blue ink, appearing to read 'P Bourgeois', is positioned below the text of the auditor's name.

Pierre Bourgeois

ZODIAC POOL SOLUTIONS

**Consolidated financial statements for the fiscal
year ended 30 September 2017**

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Consolidated balance sheet

(in USD thousands unless otherwise stated)

	Note	At 30 September 2017
ASSETS		
Non-current assets		
Goodwill	6	644,346
Intangible assets	6	610,336
Tangible assets	7	24,596
Other financial assets		862
Deferred tax assets	16	23,092
		<u>1,303,232</u>
Current assets		
Inventories	11	92,566
Trade and other receivables	10	85,051
Current income tax receivables	22	3,236
Derivative financial instruments	9	1,266
Cash and cash equivalents	12	51,711
		<u>233,830</u>
TOTAL ASSETS		<u>1,537,062</u>
EQUITY		
Share capital and premium	13	571,980
Other reserves		1,981
Retained earnings/(accumulated losses)		(17,098)
Equity attributable to owners of the Company		<u>556,863</u>
Non-controlling interests		821
Total equity		<u>557,684</u>
LIABILITIES		
Non-current liabilities		
Debt	15	632,778
Employee benefit obligations	17	1,633
Provisions	18	16,395
Deferred tax liabilities	16	205,948
		<u>856,754</u>
Current liabilities		
Debt	15	5,902
Provisions	18	1,258
Trade and other payables	14	114,234
Current income tax liabilities	22	661
Derivative financial instruments	9	569
		<u>122,624</u>
TOTAL LIABILITIES		<u>979,378</u>
TOTAL EQUITY AND LIABILITIES		<u>1,537,062</u>

Notes 1 to 29 are an integral part of these consolidated financial statements.

Consolidated income statement

(in USD thousands unless otherwise stated)

	Note	<u>Year ended 30 September 2017</u>
Sales of goods and finished products		417,852
Income from rendering of services		2,243
Net sales		<u>420,095</u>
Cost of sales		(282,440)
Gross profit		<u>137,654</u>
Selling expenses		(43,436)
General and administrative expenses		(87,188)
Research and development expenses		(10,111)
Other expenses	20	(1,322)
Operating profit		<u>(4,404)</u>
Finance expense	21	(29,225)
Profit/(loss) before income taxes		<u>(33,629)</u>
Income tax (expense)/benefit	22	16,580
Profit/(loss), attributable to:		<u>(17,050)</u>
Owners of the Company		(17,098)
Non-controlling interests		49

Notes 1 to 29 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

(in USD thousands unless otherwise stated)

Year ended 30
September 2017

Profit/(loss)	(17,050)
Actuarial gains/(losses) on post-employment benefit obligations	2,237
Translation adjustments	(254)
Other comprehensive income/(expense) recognised in equity	1,983
Total other comprehensive income/(expense)	(15,066)

Notes 1 to 29 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

(in USD thousands unless otherwise stated)

	Attributable to owners of the Company			Total equity	Non-controlling interests	Total equity
	Share capital and premium	Other reserves	Retained earnings/ (accum losses)			
At 22 November 2016	-	-	-	-	-	-
Capital contribution	571,980	-	-	571,980	-	571,980
Business combination	-	-	-	-	682	682
Profit/(loss)	-	-	(17,098)	(17,098)	49	(17,050)
Net change in fair value	-	20	-	20	-	20
Currency translation differences	-	(256)	-	(256)	90	(166)
Total profit/(loss) recognised in equity	571,980	(236)	(17,098)	554,646	821	555,467
Share-based payment expense	-	2,217	-	2,217	-	2,217
At 30 September 2017	571,980	1,981	(17,098)	556,863	821	557,684

Notes 1 to 29 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

(in USD thousands unless otherwise stated)

	Year ended 30 September 2017
Profit/(loss)	(17,050)
<i>Adjustments for:</i>	
Income tax expense	(16,580)
Share-based payment expense	2,217
Depreciation and amortisation	27,662
Impairment of fixed assets	872
Gain on disposals of fixed assets	(118)
Finance expense	29,225
<i>Changes in working capital:</i>	
Inventories	15,190
Trade and other receivables	86,049
Trade and other payables	13,622
Other assets and liabilities	(42,776)
Cash generated from operations	98,314
Income tax paid	(14,479)
Net cash generated from operating activities	83,835
Cash flows from investing activities	
Investments in fixed assets, net of disposals	(14,218)
Business combination, net of cash and cash equivalents acquired	(1,192,731)
Other financial assets	(113)
Net cash from/(used in) investing activities	(1,207,062)
Cash flows from financing activities	
Capital contribution	571,980
Proceeds from/(repayments of) debt	635,692
Interest paid	(35,083)
Net cash from/(used in) financing activities	1,172,590
Net increase/(decrease) in cash and cash equivalents	49,362
Cash and cash equivalents at beginning of year	-
Foreign exchange gains/(losses) on cash and cash equivalents	1,779
Net cash and cash equivalents at end of year	51,141
13	

Notes 1 to 29 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

(in USD thousands unless otherwise stated)

1. General information

Zodiac Pool Solutions S.à r.l. (“ZPS” or “the Company”) and its subsidiaries (together the “Group”) are a global manufacturer of residential pool equipment and connected pool solutions. ZPS is the parent company of the Group, comprising the consolidated subsidiaries detailed in Note 29. The Group operates on fiscal year ending September 30.

ZPS is a private limited liability company (*société à responsabilité limitée*), organised for an unlimited duration, and existing from 22 November 2016 under the laws of Luxembourg, with registered office at 14, rue Edward Steichen, L-2540 Luxembourg, Grand Duchy of Luxembourg, and registered with the Luxembourg Register of Commerce and Companies (*R.C.S. Luxembourg*) under number B210786. The Company’s corporate purpose is the acquisition of participations, in Luxembourg or abroad, in any company or enterprise, and the management of such participations.

On 20 December 2016, affiliates of Rhône Capital L.L.C. (the “Shareholder”) acquired all of the shares of ZPES Holding S.A.S. (formerly known as Zodiac Pool Holding S.A. or the “Predecessor Company”), from ZM Luxembourg SCA, a company affiliated with The Carlyle Group (the “Acquisition”). The Predecessor Company, together with its subsidiaries, are referred to as the Predecessor Group.

From 20 December 2016, the Shareholder controls ZPS and the Group through several affiliated holding companies.

2. Significant changes in the current reporting year

The financial position and performance of the Group was particularly affected by the following events and transactions during the year ended 30 September 2017:

- the Acquisition (see note 23);
- the drawing of USD 800,000 of new credit facilities in connection with the Acquisition (see note 15);
- the utilisation of provisions (see note 18).

3. Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the group consisting of the Company and its subsidiaries. The financial statements of the subsidiaries cover the same reporting period as the Company.

3.1. Basis of preparation of the consolidated financial statements

These consolidated financial statements as of 30 September 2017 are the Company’s first annual financial report, with operations beginning from the Company’s formation on 22 November 2016.

(a) Compliance with IFRS

The Group’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated financial statements comply with IFRS as issued by the Accounting Standard Board (IASB).

(b) New standards and amendments that are effective for the first time for periods commencing 22 November 2016

Notes to the consolidated financial statements

(in USD thousands unless otherwise stated)

The following standards and interpretations apply for the first time to financial reporting periods commencing 22 November 2016:

- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11;
- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38;
- Annual Improvements to IFRS 2012-2014 cycle;
- Disclosure Initiative – Amendments to IAS 1.

The adoption of these amendments did not have any impact on the amounts recognised in the opening balance sheet and it does not have a material impact on the Group's consolidated financial statements.

(c) New standards and interpretations that had been issued but were not mandatory for annual reporting periods ending 30 September 2017

The following standards and interpretations had been issued but were not mandatory for annual reporting periods ending 30 September 2017 and have not been early adopted by the group:

- IFRS 9 "Financial Instruments": mandatory from 1 January 2018;
- IFRS 15 "Revenue from Contracts with Customers": mandatory from 1 January 2018;
- IFRS 16 "Leases": mandatory from 1 January 2019;
- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12: mandatory from 1 January 2017;
- Disclosure Initiative – Amendments to IAS 7: mandatory from 1 January 2017;
- Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28;
- Classifications and Measurement of Share-based payment transactions – Amendments to IFRS 2: mandatory: mandatory from 1 January 2018;
- Revenue from Contracts with Customers – Clarifications to IFRS 15: mandatory from 1 January 2018.

The Group is currently assessing the impact that the application of these new standards, interpretations and amendments may have on future accounting periods.

3.2. Consolidation

At 30 September 2017, there were no investments in equity-accounted companies or associates in the Group's scope of consolidation. A list of companies included in the scope of consolidation is provided in Note 29.

Controlled entities – Subsidiaries

Group subsidiaries (including structured entities) are all the entities that the Company controls. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect the amount of those returns through its power over the entity. Controlled entities are fully consolidated as from the date on which control is transferred to the Group and are deconsolidated as from the date that control ceases.

When the Group acquires the control of an entity or of a business, it applies the acquisition method of accounting as prescribed by IFRS 3, Business Combinations (see Note 3.4).

Intragroup transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses on assets disposed are also eliminated and considered as evidence of impairment. Local accounting policies have been adjusted where necessary to ensure that they are consistent with the policies adopted by the Group.

Non-controlling interests, i.e, those that are not attributable to shareholders of the Group's parent company, represent the share of profit or loss and the net assets not owned by the Group. They are presented on a separate line of the consolidated income statement, the statement of comprehensive income, equity in the consolidated balance sheet and the consolidated statement of changes in equity. Profits and losses are allocated to the Company and to non-controlling interests based on their respective ownership interests in the entities concerned.

Notes to the consolidated financial statements

(in USD thousands unless otherwise stated)

Changes to percentage ownership interests that do not result in the loss of control of a subsidiary are accounted for as equity transactions. The difference between the fair value of the consideration paid or received and the carrying amount of the share in the subsidiary's net assets acquired or sold is recognised directly in equity. Profits and losses arising from the sale of non-controlling interests are also recognised in equity.

When the Group ceases to control a subsidiary, it derecognises the assets and liabilities of the subsidiaries at their carrying amounts at the date of loss of control. It also recognises the consideration received and any investment retained in the former subsidiary revalued at fair value. Any profit or loss resulting from the revaluation is taken to income. The fair value in any investment retained in the former subsidiary is regarded as the cost on initial recognition of an investment in an associate, jointly controlled entity or financial asset.

3.3. Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the economic environment in which the subsidiary operates ("the functional currency"). The consolidated financial statements are presented in US dollars (USD), which is both the functional and presentation currency of the Group.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency of an entity using the exchange rates prevailing at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

In the income statement, exchange differences arising from debt and cash and cash equivalents are included in finance expense. All other exchange differences are included in operating profit or loss.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equity instruments held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

(c) Translation of the financial statements of Group entities

The results and financial position of all Group entities (none of which operates in a hyperinflationary economy) with a functional currency other than USD are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at each reporting date;
- income and expenses for each income statement and statement of comprehensive income item are translated at average exchange rates (unless this is not representative of the cumulative impact of the rates prevailing at the transaction dates, in which case income and expenses are translated at the rate on the transaction date); and
- all resulting translation differences are included in gains and losses recognised directly in equity.

Goodwill and asset and liability fair value adjustments arising on the acquisition of an entity or a foreign operation are recognised as assets and liabilities in the functional currency of the entity or foreign operation and translated at the closing rate. The resulting exchange differences are included in gains and losses recognised directly in equity. When control or significant influence over a foreign entity ceases, the related cumulative exchange differences recognised in equity are reclassified in full to the income statement.

The principal exchange rates used for the translation of the financial statements of the Group's main subsidiaries are as follows:

	30 September 2017		22 November 2016
	Closing rate	Average rate	Closing rate
EUR	0.8470	0.9053	0.9546
CAD	1.2440	1.3129	1.3313
AUD	1.2769	1.3122	1.3699
ZAR	13.5050	13.3768	14.0025

Notes to the consolidated financial statements

(in USD thousands unless otherwise stated)

3.4. Business combinations and goodwill

Business combinations are accounted for using the acquisition method of accounting. The consideration transferred during the acquisition of an entity corresponds to the fair value of the assets transferred, the liabilities incurred by the Group to former owners of the acquired entity and equity interests issued by the Group in exchange for control of the acquired entity. The consideration includes the fair value of all assets and liabilities transferred as a result of a contingent consideration arrangement.

Acquisition-related costs incurred to effect a business combination are recognised as expenses in the period in which they are incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their acquisition-date fair value. Non-controlling interests are measured at the acquisition date on a case-by-case basis for each business combination, either at fair value, or based on the share of the net recognised, identifiable assets of the acquired entity.

Any contingent consideration transferred as part of a business combination is initially recognised at fair value at the acquisition date. Changes in the fair value of the contingent consideration are regarded as measurement period adjustments when they arise from new information obtained by the acquirer during the measurement period (12 months from the acquisition date) about facts and circumstances that existed at the acquisition date. The measurement period adjustments are recognised retrospectively with corresponding adjustments made to goodwill.

Changes resulting from events after the acquisition date are not measurement period adjustments. The subsequent recognition of changes in the fair value of contingent consideration that are not measurement period adjustments depends on the type of contingent consideration:

- if it is classified as equity, it is not re-measured at later reporting dates and its subsequent settlement is recognised in equity;
- if it is classified as an asset or a liability that is a financial instrument, subsequent changes in fair value are recognised in accordance with IAS 39, either in profit or loss or in other comprehensive income;
- if it is classified as an asset or a liability that is not a financial instrument, subsequent changes in fair value are recognised in accordance with IAS 37 or other IFRSs appropriate to the item concerned.

Goodwill is the excess of the consideration transferred, the amount of non-controlling interests in the acquired entity and the fair value at acquisition date of any equity interest previously held by the acquirer in the acquired entity over the fair value of the Group's share in the net identifiable assets of the acquired entity at the acquisition date. Goodwill relating to the acquisition of subsidiaries is included in intangible assets. Negative goodwill is recognised directly in the income statement.

Goodwill is included on a separate line in the balance sheet. It is tested annually for impairment or more regularly if events or changes in circumstances indicate that it may be impaired (see Note 3.7), and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

3.5. Intangible assets

Intangible assets acquired separately are initially stated at historical cost. The cost of intangible assets acquired in a business combination is their fair value at the acquisition date. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses.

Internally generated intangible assets are not capitalised (with the exception of development costs) and expenditure is reflected in the income statement in the period in which it is incurred (see Note 3.5 (d)).

The Group assesses whether the useful lives of intangible assets are finite or indefinite.

Notes to the consolidated financial statements

(in USD thousands unless otherwise stated)

- Intangible assets with finite useful lives are amortised over their useful life and tested for impairment whenever there is evidence that they may be impaired (see Note 3.7). The useful life and amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date.
- Intangible assets with an indefinite useful life are tested for impairment annually or more regularly if events or changes in circumstances indicate that they may be impaired, either individually or at the level of the cash-generating unit to which it relates (see Note 3.7). Indefinite-lived intangible assets are not amortised. The useful life of intangible assets with indefinite useful lives is reviewed annually to determine whether the indefinite life assessment remains appropriate.

(a) Customer relationships

Acquired customer relationships are initially recognised at fair value determined in connection with the related business combination. Customer relationships have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost over the estimated useful lives of the corresponding asset.

(b) Trademarks and licences

Separately acquired trademarks and licences are initially recognised at cost whereas those acquired in a business combination are initially recognised at fair value determined during the purchase price allocation process.

Trademarks and licences with a finite useful life are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost over the estimated useful lives of the corresponding asset.

Trademarks considered to have an indefinite useful life are not amortised but tested for impairment each year, in accordance with IAS 36. The main criteria used by the Group to determine whether a trademark has an indefinite useful life are its market positioning in terms of business volumes, its international presence and standing, and its long-term profitability.

(c) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring the specific software into use. These costs are amortised over the estimated useful lives of the assets to which they relate. Computer software maintenance costs are expensed as incurred.

(d) Research and development costs

In accordance with IAS 38, research expenditure is expensed as incurred and costs incurred on development projects (relating to the design and testing of new or improved products) are capitalised when the Group can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalised development costs are recorded as intangible assets and amortised as soon as the asset is ready for use on a straight line basis over the estimated useful lives of the projects to which they relate. Capitalised development costs not yet amortised are tested for impairment annually in accordance with IAS 36.

Other development costs that do not meet these criteria are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Notes to the consolidated financial statements

(in USD thousands unless otherwise stated)

The estimated useful lives of the main categories of intangible assets are as follows:

- Customer relationships: 18 to 28 years
- Trademarks: Indefinite
- Technology: 7 years
- Other intangible assets: 1 to 3 years

3.6. Tangible assets

Tangible assets are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of any replaced parts is derecognised. All other repair and maintenance costs are expensed as incurred.

Land is not depreciated. The other assets are depreciated using the straight-line method to bring the cost of each asset (or revalued amount) to its residual value over its estimated useful life, as follows:

- Buildings: 20 to 45 years
- Equipment: 5 to 18 years
- Plastic injection moulds: 3 to 10 years
- Furniture, fittings and equipment: 3 to 10 years
- Hardware: 3 to 5 years

The assets' residual values and useful lives are reviewed and adjusted where appropriate at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than the estimated recoverable amount (see Note 3.7).

Capital gains and losses on disposals are calculated by comparing the proceeds from the disposal with the carrying amount of the asset sold, and are recognised in the income statement.

3.7. Impairment of non-financial assets

Goodwill and intangible assets with indefinite useful lives are not amortised but are tested annually for impairment. An impairment test is also required when an event or change in circumstances indicates that the carrying amount of the asset may not be recoverable. Tangible and intangible assets that are depreciated or amortised are also tested for impairment when an event or change in circumstances indicates that the carrying amount of the asset may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. For the purposes of assessing impairment, non-financial assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). Non-financial assets other than goodwill which have incurred an impairment loss are tested at each reporting date to determine whether the impairment loss should be reversed.

3.8. Financial assets

(a) Classification

The Group classifies financial assets at the time of their initial recognition according to the following categories:

- Financial assets at fair value through profit or loss;
- Loans and receivables;
- Held-to-maturity investments;
- Available-for-sale financial assets.

Notes to the consolidated financial statements (in USD thousands unless otherwise stated)

The classification depends on the purpose for which the financial assets were acquired. The Group does not have any held-to-maturity or available-for-sale financial assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified in this category if acquired principally to be resold in the near term. Derivatives, including separately recognised embedded derivatives, are classified in this category, with the exception of designated, effective hedging derivatives and financial guarantee contracts.

Financial assets at fair value through profit or loss are recognised in current assets if they are expected to be sold within 12 months of the reporting date. Otherwise, they are recognised in non-current assets. Gains and losses on these assets are taken directly to income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets within trade and other receivables (see Note 3.11), except for loans and receivables maturing more than 12 months after the reporting date, which are classified as non-current assets.

(b) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, which is the date on which the Group commits to purchasing or selling the asset.

For all financial assets not carried at fair value through profit or loss, investments are initially recognised at fair value plus transaction costs. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method less any impairment losses. Amortised cost is calculated taking into account all fees and transaction costs that are an integral part of the effective interest rate, as well as any other premiums or discounts.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are recognised immediately in the income statement within other expenses, except for changes in the fair value of derivatives, which are recognised in finance expense.

At each reporting date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in Note 3.11.

Financial assets are derecognised when the rights to receive the associated cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

3.9. Derivative financial instruments and hedging activities

The Group uses derivative financial instruments to manage the impact of foreign currencies and interest rates on the Group's financial performance. The Group's risk management policies prohibit the use of derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value and are subsequently re-measured to fair value at each reporting date. Recognition of the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item hedged.

Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement within other expenses or in finance expense, depending on the nature of the underlying risk. The fair values of derivative instruments are disclosed in Note 9.

Derivatives are classified as current assets or liabilities.

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3.10. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out ("FIFO") method.

The cost of raw materials and other purchased inventories is calculated based on the purchase price plus non-refundable taxes, transport costs and other direct acquisition costs and less any trade discounts and rebates. The cost of finished goods and work-in-progress comprises design costs, the cost of raw materials and direct labour, and other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs necessary to make the sale. A provision is recorded for excess or obsolete inventories based on the lower of cost and net realisable value.

3.11. Trade and other receivables

Trade and other receivables are initially stated at fair value, which generally corresponds to the nominal value unless the effect of discounting is material. They are subsequently stated at amortised cost using the effective interest method, less any impairment losses.

An allowance for impairment of trade and other receivables is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Evidence of impairment includes significant financial difficulties encountered by the debtor, the probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The allowance is recognised in the income statement against selling expenses. When a trade receivable is considered uncollectible, it is written off.

3.12. Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits, and other short-term highly liquid investments with original maturities of three months or less.

Net cash and cash equivalents include cash and cash equivalents and bank overdrafts.

3.13. Share capital and premium

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or the acquisition of equity instruments are shown net of tax in equity as a deduction from the proceeds of the issue.

3.14. Trade and other payables

Trade and other payables are recognised initially at nominal value except if payment terms exceed standard terms, in which case they are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

3.15. Debt

Debt is recognised initially at fair value, calculated as proceeds of its issue (fair value of the consideration received), net of transaction costs incurred to issue the debt. Debt is subsequently stated at amortised cost using the effective interest method. Any difference between the initial fair value and the redemption amount is recognised in the income statement over the term of the borrowing using the effective interest method.

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The effective interest rate is the rate that exactly discounts estimated future cash flows (including transaction costs) over the expected life of the financial liability or, where appropriate, a shorter period, to the net carrying amount at initial recognition.

Where it is probable that all or a part of the debt will be redeemed, costs directly attributable to the arrangement of debt are recognised as transaction costs, and debt issue costs are deferred until redemption. Where it is unlikely that all or part of the debt will be redeemed, debt issue costs are capitalised as a reduction to the debt balance, and amortised over the term of the borrowing concerned.

Debt is classified as a non-current liability if the Group has an unconditional right to defer settlement for at least 12 months after the reporting date. Otherwise it is classified as a current liability.

3.16. Income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. These amounts are based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises on the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences and carryforwards of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax credits and unused tax losses carried forward can be utilised, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised directly in equity is also recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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3.17. Employee benefit obligations

(a) Employee benefit obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or other administered funds, determined by periodic actuarial calculations. The Group also operates defined benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from differences between the actuarial assumptions used and actual experience, and any changes in assumptions at the period end are recognised directly in equity.

Past service costs (resulting from a change to an existing scheme or from the creation of a new scheme) are recognised immediately in income.

For long-term benefits other than post-employment benefits, actuarial gains and losses and past service costs are recognised immediately in income.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The event triggering an obligation for the Group in respect of termination benefits is not the employee's active service but the end of this service. In the event of an early retirement plan, the Group's liabilities are assessed based on the number of people expected to take up the offer.

(c) Profit-sharing and incentive plans

The Group recognises a liability and an expense for profit-sharing and incentive plans based on a formula that takes into consideration the Group's performance.

3.18. Provisions

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount can be reliably estimated.

Restructuring provisions

Restructuring provisions include employee termination benefits. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required to settle these obligations is determined by considering the class of obligations as a whole. A provision is recognised if it is probable that an outflow of resources will be required to settle the category of obligations, even if the likelihood of an outflow with respect to any one item may be remote.

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Provisions reflect the best estimate of the costs expected to be required to settle the obligation, discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

Warranty provisions

The Group recognises a provision for its commitments under warranty agreements on products sold. The provision is calculated each year using the cost of the replacement, based on historical experience.

3.19. Revenue recognition

Revenue is recognised to the extent that it is probable that the related future economic benefits will flow to the Group and can be reliably measured. Revenue represents the fair value of the consideration received or receivable, excluding rebates, discounts, other sales taxes and customs duties, and any intragroup transactions. In accordance with IFRIC 13, discounts granted under customer loyalty programmes are deducted from revenue based on their estimated value.

Revenue is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer, which is usually on delivery of the goods, provided that the Group has no other sales-related commitments. For most of the Group's businesses, revenue is recognised when products are shipped. Income from rendering of services is recognised on completion of services.

3.20. Leases (Group as lessee)

(a) Operating leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified by the Group as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(b) Finance leases

The Group leases certain tangible assets. Leases of tangible assets which transfer to the Group substantially all of the risks and rewards of ownership are recognised in the balance sheet on inception of the lease term at the lower of the fair value of the leased asset and the present value of minimum lease payments, which are determined at the lease agreement date. Lease obligations, net of finance costs, are included within debt in liabilities in the balance sheet.

Each lease payment is apportioned between a finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance costs are recognised directly in the income statement. Assets leased under finance leases are depreciated over the shorter of their useful life and the lease term, if the Group is not reasonably certain that it will become the owner of the assets upon expiry of the lease.

3.21. Share-based payments

The Group has set up a performance-based long-term incentive plan for certain employees (see Note 27). The cost of the cash-settled plan is recorded in employee benefits expense over the incentive vesting period, with a liability recognised for the same amount.

4. Financial risk management

4.1. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance, whilst taking into

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consideration the complexity in implementing hedging instruments and the materiality of the potential risks faced.

The Group measures its exposure to market risks after taking into account existing hedges arising naturally from its business structure.

Derivative financial instruments are used to hedge against certain market risk exposures. The Group uses derivative financial instruments to manage the impact of foreign currencies and interest rates on its financial performance. The Group's policies prohibit the use of derivative financial instruments for speculative transactions.

(a) Market risk

(i) *Foreign exchange risk*

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the euro. Foreign exchange risk arises from future commercial transactions and from its assets and liabilities in foreign currency.

To manage its foreign exchange risk arising from future commercial transactions, the Group makes use of hedges arising naturally from its business structure (e.g., cost basis in euro to mitigate the risk of sales denominated in euro) as well as forward currency contracts. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group has subsidiaries in countries whose functional currency is not the USD. The Group is therefore exposed to a revaluation risk regarding the assets and liabilities of these entities.

At 30 September 2017, if the USD had weakened/strengthened by 5% against the euro with all other variables held constant, post-tax profit or loss for the year would have increased/decreased by approximately USD 500 as a result of losses/gains on cross currency swaps. If the USD had weakened/strengthened by 5% against the AUD with all other variables held constant, post-tax profit or loss for the year would have increased/decreased by approximately USD 100 as a result of losses/gains on cross currency swaps.

(ii) *Interest rate risk*

The Group's interest rate risk arises from debt. Debt issued at floating rates exposes the Group to cash flow interest rate risk.

At 30 September 2017, if interest rates on USD-denominated debt had been 1.0% higher/lower with all other variables held constant, post-tax profit for the year would have increased/decreased by approximately USD 2,500, mainly as a result of increased/decreased interest expense.

(b) Credit risk

The Group's credit risk is primarily attributable to its trade receivables. Management assesses the credit quality of customers taking into account their financial position, past experience and other factors. In a few cases, the Group seeks to minimise credit risk through insurance. However, only a small proportion of trade receivables are hedged in this way. Apart from a significant client in the United States, there is no concentration of credit risk with respect to trade receivables (see Note 10).

(c) Liquidity risk

The objective of liquidity risk management is to ensure that the Group has enough funding facilities available to meet its current and future obligations.

Management prepares short-term cash flow forecasts and annual operational cash flow forecasts for budgetary purposes. Forecasts are generally prepared at local level and consolidated at Group level. The Group's business activities, in which seasonality can have a significant impact on working capital, are funded by cash surpluses and at certain times of the year through drawdowns under an asset-based revolving credit facility (see Note 15).

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The table below analyses the Group's financial liabilities and net derivative financial liabilities using relevant maturity bands based on remaining contractual maturity at the reporting date. As the amounts included in the table represent contractual undiscounted cash flows, they will not reconcile to debt and derivative financial instruments shown on the balance sheet.

(in USD thousands)

At 30 September 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Debt	5,902	5,236	15,561	640,171	666,870
Derivative financial instruments	569	-	-	-	569
Trade and other payables	114,234	-	-	-	114,234

4.2. Fair value estimates

The fair value of derivative instruments is determined using valuation models incorporating observable market data or based on prices obtained from banks or independent experts.

According to IFRS 13, the fair value hierarchy for the valuation of financial instruments is as follows:

- Level 1: fair value is based on unadjusted quoted prices in active markets for identical assets and liabilities;
- Level 2: fair value is based on inputs other than the quoted market prices included within Level 1 that are observable for the asset or liability, either directly (price) or indirectly (price-derived);
- Level 3: fair value is based on unobservable inputs for the asset or liability.

The valuation of financial assets and liabilities based on the fair value hierarchy is summarised in Note 8.

5. Critical accounting estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to:

- apply its judgement in selecting appropriate assumptions for calculating financial estimates, which inherently contain some degree of uncertainty; and
- make certain estimates and assumptions that affect the reported amounts of assets and liabilities, and income and expenses, as well as the related disclosures of the reporting period.

Estimates and assumptions are revised on an ongoing basis and are based on historical experience and other factors such as expected future events deemed reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates usually differ from actual results. Estimates and assumptions that may require a material adjustment to the carrying amounts of assets and liabilities in the subsequent reporting period are outlined below.

(a) Estimated impairment of assets

The Group tests goodwill for impairment each year, in accordance with the accounting policy stated in Note 3.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(b) Income taxes

Estimates are involved in calculating provisions for taxes. Estimates are also necessary to determine whether write-downs should be booked against deferred tax assets. These involve assessing the probability that deferred tax assets resulting from deductible temporary differences and tax losses can be utilised to offset taxable income. Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could require significant

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adjustments to tax income and expense in future periods. The Group calculates reasonable provisions to cover the potential consequences of audits by the tax authorities in each of its respective countries. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the jurisdiction of the subsidiary concerned.

(c) Provision for restructuring costs

The Group has set aside provisions for its restructuring plans involving (i) the closure of the Belberaud site in France and (ii) the closure of a production line in the United States. Provisions for restructuring plans were calculated based on estimates of indemnities to be paid to employees affected by these plans. These provisions continued to be utilised during the year ended 2017.

6. Intangible assets

(in USD thousands)	Goodwill	Trademarks	Customer relationships	Development costs	Other	Total
Year ended 30 September 2017						
Carrying amount at beginning of year	-	-	-	-	-	-
Business combination	638,448	140,000	414,000	67,185	3,136	1,262,769
Additions	-	-	-	6,731	300	7,030
Exchange differences	-	-	(157)	1,313	632	1,788
Amortisation	-	-	(12,067)	(8,619)	(1,132)	(21,818)
Impairment	-	-	-	(985)	-	(985)
Carrying amount at end of year	638,448	140,000	401,775	65,625	2,936	1,248,784
At 30 September 2017						
Cost	638,448	140,000	414,000	106,798	16,951	1,316,199
Accumulated amortisation and impairment	-	-	(12,225)	(41,173)	(14,015)	(67,416)
Carrying amount	638,448	140,000	401,775	65,625	2,936	1,248,784

6.1. Goodwill

Goodwill at 30 September 2017 corresponds entirely to the Group's single activity, the manufacture and sale of residential equipment and connected pool solutions. The Group is divided into three geographical areas (Americas, Europe and the Southern Hemisphere), each of which represents a separate CGU for the purpose of testing non-financial assets, including goodwill, for impairment.

Goodwill breaks down as follows by CGU:

(in USD thousands)	At 30 September 2017
Americas	390,817
Europe	228,837
Southern Hemisphere	24,692
Total	644,346

In the context of the recent estimation of the fair value of the net identifiable assets acquired and since no triggering event has been identified, goodwill is not tested for impairment at 30 September 2017. The group confirms to the absence of changes in circumstances comparing to the date of the acquisition (see Note 23).

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The key assumptions used to calculate the value in use of each CGU are as follows:

	<u>At 30 Sept. 2017</u>
Long-term growth rate	(0.7)%-3.2%
Discount rate (weighted average cost of capital before tax)	10%-13%

The discount rates used are pre-tax rates and reflect specific risks relating to the relevant segments.

6.2. Trademarks

The trademarks have been allocated to the cash-generating units (Americas, Europe and the Southern Hemisphere) based on their respective contributions to sales. A goodwill impairment test is performed annually at the level of each cash-generating unit and an impairment loss is recognised on trademarks if the test shows that an impairment loss should be recorded for an amount in excess of the goodwill carrying amount.

In the context of the recent estimation of the fair value of the trademarks of the Predecessor Group following the Acquisition, trademarks have not been tested for impairment at 30 September 2017 due to the absence of changes in circumstances comparing to the date of the acquisition (see Note 23).

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7. Tangible assets

(in USD thousands)

	Land and buildings	Machinery and equipment	Other tangible assets	Total
Year ended 30 September 2017				
Carrying amount at beginning of year	-	-	-	-
Business combination	7,898	8,757	5,490	22,146
Increases	55	1,155	5,978	7,189
Transfer	70	2,865	(3,083)	(152)
Disposals	-	-	(14)	(10)
Exchange differences	510	415	197	1,122
Depreciation	(904)	(3,272)	(1,522)	(5,698)
Carrying amount at end of year	7,630	9,920	7,047	24,596
At 30 September 2017				
Cost	22,340	71,245	23,107	116,693
Accumulated depreciation and impairment	(14,710)	(61,326)	(16,061)	(92,097)
Carrying amount	7,630	9,920	7,047	24,596

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8. Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

(in USD thousands)	At 30 September 2017			
	Trade and other receivables	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost
Trade and other receivables	85,051	-	-	-
Derivative financial assets	-	1,266	-	-
Derivative financial liabilities	-	-	(569)	-
Cash and cash equivalents	-	51,711	-	-
Trade and other payables	-	-	-	(114,234)
Debt	-	-	-	(638,680)
Total	85,051	52,977	(569)	(752,914)

The assets and liabilities measured at fair value are summarised in the table below (see Note 4.3):

(in USD thousands)	At 30 September 2017		
	Quoted prices on an active market (level 1)	Significant observable valuation inputs (level 2)	Other (level 3)
Trade and other receivables	85,051	-	-
Derivative financial assets	-	1,266	-
Derivative financial liabilities	-	(569)	-
Cash and cash equivalents	51,711	-	-
Trade and other payables	(114,234)	-	-
Debt	(638,680)	-	-
Total	(616,152)	697	-

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9. Derivative financial instruments

The fair values of financial instruments are summarised in the table below:

(in USD thousands)	<u>At 30 September 2017</u>
Foreign exchange contracts	-
Interest rate swap	1,266
Derivative financial instruments, assets	1,266
Foreign exchange contracts	569
Interest rate swap	-
Derivative financial instruments, liabilities	569

As the derivative financial instruments are not eligible for hedge accounting and are part of the trading book, they are classified as current assets and liabilities.

(a) Foreign exchange contracts

At 30 September 2017, the Group held foreign exchange contracts for a notional amount of USD 27,281. The contracts are due to expire during April 2018 and September 2018.

(b) Interest rate swaps

On 6 June 2017, the Group entered into an interest rate swap transaction that effectively converts a portion of the Group's floating rate first and second lien terms loan into fixed rate obligations. The interest rate swap begins on 30 June 2017 and will mature on 31 December 2021, with a quarterly payment required to settle the net difference between the prevailing 3-month USD LIBOR rate, and the fixed rates set per the interest rate swap contract. For the period beginning 30 September 2017, the interest rate swap contract has a notional amount of USD 532,880, and a fixed rate of 1.3425%. At 30 September 2017, the mark to market value of the interest rate swap amount to USD 1,266.

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10. Trade and other receivables

(in USD thousands)	<u>At 30 September 2017</u>
Trade receivables, gross	74,053
Less: provision for impairment	<u>(3,509)</u>
Trade receivables, net	70,544
Other receivables	14,507
Trade and other receivables	<u>85,051</u>

The fair values of trade and other receivables approximate their carrying amounts.

Apart from a major client in the United States, there is no concentration of credit risk with respect to trade receivables.

The following table shows an aged analysis of net trade receivables at 30 September 2017:

(in USD thousands)	<u>At 30 September 2017</u>
Up to 3 months	69,307
3 to 6 months	417
6 to 12 months	617
Beyond 12 months	203
	<u>70,544</u>

Movements in allowances for impairment of trade receivables are as follows:

(in USD thousands)	<u>30 September 2017</u>
Opening balance	-
Acquisitions of businesses	(2,616)
Allowance for impairment of trade receivables	(806)
Unused amounts reversed	187
Exchange differences	(274)
	<u>(3,509)</u>

Movements in allowances for impairment of trade receivables are included within selling expenses in the consolidated income statement. Provisions are generally recognised when the receivable is not expected to be recovered. Reversals of allowances for impairment of trade receivables mainly concern the write-off of uncollectible receivables.

The USD-equivalent values of the carrying amounts of the Group's foreign currency trade and other receivables are shown below:

(in USD thousands)	<u>At 30 September 2017</u>
USD	34,617
EUR	26,634
AUD	19,171
CAD	1,469
ZAR	2,337
Other	822
	<u>85,051</u>

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11. Inventories

(in USD thousands)	At 30 September 2017
Raw materials	19,686
Work-in-progress	33
Finished goods	72,848
Inventories	92,566

Allowances for impairment of inventories recognised during the year ended 30 September 2017 amounted to USD 299 and reversals amounted to USD 1,382.

12. Cash and cash equivalents

Net cash and cash equivalents break down as follows:

	At 30 September 2017
Cash and cash equivalents	51,711
Bank overdrafts	(570)
Net cash and cash equivalents	51,141

13. Share capital and share premium

At 30 September 2017, total subscribed and fully paid capital amounted to USD 13, divided into 1,200,000 shares with a par value of USD 0.0105 each.

	Number of shares	Share capital
At 30 September 2017	1,200,000	13

The Company paid no dividends for the year ended 30 September 2017.

14. Trade and other payables

(in USD thousands)	At 30 September 2017
Trade payables	60,280
Other payables	53,954
Trade and other payables	114,234

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15. Debt

(in USD thousands)	At 30 September 2017
Asset-based revolving credit facility	-
First lien credit facility	516,107
Second lien credit facility	150,000
Other debt	763
Total debt	666,870
Unamortised debt issuance costs	(28,190)
Debt, current and non-current	638,680
Current portion of first lien credit facility	5,187
Current portion of other debt	715
Debt, current	5,902
Debt, non-current	632,778

On 20 December 2016, in connection with the Acquisition, the Group entered into credit agreements for an asset-based revolving credit facility ("ABL"), a first lien term loan, and a second lien term loan. On 21 June 2017, the Group entered into an amendment to its first lien credit facility, which repriced its first lien term loan, resulting in a favourable reduction in margin from 4.5% to 4.0%.

The ABL includes a five-year commitment for total borrowings of up to USD 130,000, and allows several Group companies to borrow US Dollars, Canadian Dollars, Euros, and Australian Dollars based on a borrowing base calculation for eligible trade receivables and inventories. Borrowings under the ABL bear interest based on the applicable reference rate and a margin varying from 1.5% to 2.0% (or 0.5% to 1.0% for base rate loans denominated in US Dollars), calculated based on the utilization of the ABL. The unused portion of the ABL bears a commitment fee that varies from 0.25% to 0.375% based on utilisation. At 30 September 2017, the ABL was undrawn. The ABL is secured by a first priority security interest in the trade receivables and inventories of relevant Group company borrowers, and a third priority security interest in substantially all other assets of the Group.

The first lien credit facility includes a USD 520,000 seven-year term loan. Borrowings under the first lien credit facility bear interest based on either the adjusted Eurodollar rate (the greater of 1.0% or LIBOR) plus 4.0%, or a base rate plus 3.0%. Interest on the first lien credit facility is payable quarterly in cash, and USD 1,297 of principal repayments are payable each quarter. Additionally, the Group is required to make additional annual pre-payments, based on consolidated excess cash flow calculations, commencing with respect to the fiscal year ending 30 September 2018. The first lien credit facility is secured by a first priority security interest in substantially all of the Group's assets other than trade receivables and inventories, and a second priority security interest in trade receivables and inventories.

The second lien credit facility includes a USD 150,000 eight-year term loan. Borrowings under the second lien credit facility bear interest based on either the adjusted Eurodollar rate (the greater of 1% or LIBOR) plus 9.0%, or a base rate plus 8.0%. Interest on the second lien credit facility is payable quarterly in cash, and there are no periodic principal repayments. The second lien term loan is secured by a second priority security interest in substantially all of the Group's assets other than trade receivables and inventories, and a third priority security interest in trade receivable and inventories.

Each of the Group's credit facilities contain customary affirmative covenants and customary negative covenants that place restraints on the corporate activity of the Group, except as permitted by the credit agreements. The first lien and second lien credit facilities have no financial maintenance covenants, and the ABL contains a springing fixed charge coverage maintenance covenant, tested quarterly only when the ABL is more than 90% utilised. At 30 September 2017, the Group was in compliance with its applicable covenants. As of 30 September 2017, other debt included USD 570 of bank overdrafts.

Notes to the consolidated financial statements

(in USD thousands unless otherwise stated)

The Group's debt has the following maturities:

(in USD thousands)	<u>At 30 September 2017</u>
Within 1 year	5,902
Within 1 to 5 years	20,795
More than 5 years	640,171
	<u>666,870</u>

Notes to the consolidated financial statements

(in USD thousands unless otherwise stated)

16. Deferred taxes

The deferred tax amounts are as follows:

(in USD thousands)	At 30 September 2017
Deferred tax assets	23,092
Deferred tax liabilities	(205,948)
Deferred tax liabilities, net	(182,856)

Changes in deferred tax liabilities, net are as follows:

(in USD thousands)	At 30 September 2017
Opening balance	-
Business combination	(201,646)
Income statement income/(expense)	18,700
Exchange differences	90
Closing balance	(182,856)

The movement in deferred tax assets and liabilities during the year, without taking into consideration balances offset within the same tax jurisdiction, is as follows:

Deferred tax liabilities

(in USD thousands)	Purchase accounting adjustments				Total
	Intangible assets	Inventory	Other PA	Other	
At 22 November 2016	-	-	-	-	-
Business combination	(212,587)	(7,124)	-	(1,204)	(220,915)
Income statement income/(expense)	-	7,124	7,874	114	15,112
Exchange differences	-	-	-	(145)	(145)
At 30 September 2017	(212,587)	-	7,874	(1,235)	(205,948)

Deferred tax assets

(in USD thousands)	Accrued liabilities	Inventories	Tax loss carryforwards	Other	Total
At 22 November 2016	-	-	-	-	-
Business combination	13,941	1,027	4,291	9	19,268
Income statement income/(expense)	(11,229)	(345)	15,163	(5)	3,584
Exchange differences	128	29	82	1	240
At 30 September 2017	2,839	711	19,536	6	23,092

Notes to the consolidated financial statements

(in USD thousands unless otherwise stated)

17. Employee benefit obligations

The Group has a range of obligations in respect of pensions and similar benefits governed by collective agreements or company agreements. The Group generally has defined benefit plans primarily in Europe and defined contribution plans in the Americas. It also has obligations regarding long-service awards and other benefits for employees in France and Italy.

Changes in the employee benefit obligation recognised in the balance sheet over the year were as follows:

(in USD thousands)	At 30 September 2017
Opening balance	1,427
Service cost	196
Interest cost	14
Contribution by plan participants	(106)
Change in actuarial differences	15
Exchange difference	178
Plan settlements	(91)
Closing balance	1,633

The amounts recognised in the income statement are as follows:

(in USD thousands)	30 September 2017
Service cost	196
Interest cost	14
Plan settlements	(91)
Employee benefit obligation expense	119

The main actuarial assumptions used were as follows:

	At 30 September 2017
Discount rate	1.55%
Future salary inflation rate	1.80%

Assumptions regarding future mortality rates are based on data derived from published statistics and historical data for each country.

Notes to the consolidated financial statements

(in USD thousands unless otherwise stated)

18. Provisions

(in USD thousands)	Restructuring	Warranties	Other	Total
At 22 November 2016	-	-	-	-
Businesses combination	692	17,093	42,146	59,931
Additions during the year	358	27	22,571	22,956
Utilisation of provisions	(223)	(1,673)	(63,918)	(65,814)
Exchange differences	73	272	235	580
At 30 September 2017	900	15,719	1,035	17,653

(a) Warranties

The provision for warranty costs is calculated at the time of sale and expensed through cost of sales in the income statement.

(b) Restructuring

During the 2014 fiscal year, the Predecessor Group implemented a restructuring plan in Europe involving the closure of the Belberaud manufacturing facility, for which a restructuring provision was recorded in the Predecessor Group's consolidated financial statements for the year ended 30 September 2014, of which USD 223 was utilised during the year ended 30 September 2017. At 30 September 2017, the restructuring provision regarding Belberaud amounted to USD 358.

(c) Other

During the period between 22 November 2016 and 30 September 2017, the utilisation of provisions consisted mainly of:

- USD 35,561 of transaction costs related to the Acquisition;
- USD 28,211 of long-term incentive plan costs and bonuses paid to employees in connection with the Acquisition.

Notes to the consolidated financial statements

(in USD thousands unless otherwise stated)

19. Expenses by nature

(in USD thousands)	30 September 2017
Raw materials and semi-finished products used	(225,303)
Wages, salaries and social security costs	(73,935)
Share-based payment expense	(2,217)
Employee benefit expense	(76,152)
Depreciation and amortisation (Notes 7 and 8)	(27,662)
Operating lease payments	(3,192)
Other expenses	(90,867)
Total cost of sales, selling, general and administrative expenses and R&D expenses	(423,176)

The other expenses incurred in the year ended 30 September 2017 include:

- USD 23,835 of transaction costs related to the Acquisition;
- USD 2,123 of long term incentive plan costs and bonuses paid to employees in connection with the Acquisition;
- USD 6,730 expense reversal of capitalisation of development costs;
- USD 707 expense reversal of French research and development tax credits.

20. Other expenses

(in USD thousands)	30 September 2017
Impairment of non-current assets	(872)
Restructuring expenses	(451)
	(1,322)

Notes to the consolidated financial statements

(in USD thousands unless otherwise stated)

21. Financial income and expense

(in USD thousands)

30 September 2017

Financial expense:	
Interest expense on debt	(35,411)
Other finance costs	(3,802)
	<u>(39,212)</u>
Financial income:	
Other financial income	207
Change in fair value of derivatives	145
Exchange differences	9,635
	<u>9,987</u>
Finance expense	<u>(29,225)</u>

22. Income tax expense

(in USD thousands)

30 September 2017

Current tax	(2,120)
Deferred tax (Note 16)	18,700
Income tax (benefit)/expense	<u>16,580</u>

Deferred tax is mainly related to amortisation of intangible assets recognised as a result of the Acquisition.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of consolidated entities as follows:

(in USD thousands)

30 September 2017

Profit/(loss) before income taxes	<u>(33,629)</u>
Theoretical income tax	(9,107)
Local income taxes	1,651
Non-deductible charges	(66,538)
Unrecognised deferred tax assets	61,065
Recognition of deferred tax assets	(364)
Difference in tax rates	(3,287)
Effective income tax (benefit)/expense	<u>(16,580)</u>

The Group has opted to classify within income tax social security charges payable by French companies on the company value-added contribution (CVAE). These charges are recorded under Local income taxes.

Notes to the consolidated financial statements

(in USD thousands unless otherwise stated)

23. Business combinations

The Acquisition included a total purchase consideration of USD 1,216,781 for the Predecessor Company.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

(In USD thousands)

Share purchase price	598,617
Debt retirement	618,164
Total purchase consideration	1,216,781
Intangible assets	624,321
Tangible assets	22,146
Inventories	104,151
Trade and other receivables	163,247
Cash and cash equivalents	24,050
Deferred tax liabilities, net	(201,646)
Other assets and liabilities, net	(61,392)
Current income tax liabilities, net	(9,827)
Trade and other payables	(92,615)
Net assets acquired	578,333
Total purchase consideration	1,216,781
Net assets acquired	(572,437)
Goodwill	644,346

The intangible assets recognised as a result of the Acquisition include:

- Customer relationships of USD 414,000, assessed using the multi-period excess earning model, a form of the income approach;
- Trademarks: USD 140,000 assessed using the royalty method, a form of the income approach;
- Development costs: USD 67,185 assessed using the relief royalty method, a form of the income approach.

The fair value of inventories recognised as a result of the Acquisition is USD 104,151. For raw materials, the fair value was estimated with the cost to replace each category based on net book values. For finished products, the estimates of fair value were assessed using the comparative sales method, which estimated the expected sales price of the subject inventory, reduced for all costs expected to be incurred in its completion/disposition, and a profit on those costs. As such, included in the fair value of inventories at the date of the Acquisition was a purchase accounting step-up of USD 20,010.

As of 5 October 2017, the purchase price allocation analysis of intangibles was completed, based on the report of an independent expert, and there have been no variations with what is registered as of 30 June 2017. Except for the fair value of the intangibles, other fair values are provisional, pending final purchase price allocation analysis.

Notes to the consolidated financial statements

(in USD thousands unless otherwise stated)

24. Contingent assets and liabilities

At 30 September 2017, the Group has not identified any contingent liabilities or assets.

25. Commitments

(a) Commitments under the credit facilities

As described in note 15, substantially all material assets of the Group have been pledged to secure the Group's ABL, first lien credit facility, and second lien credit facility.

At 30 September 2017, the Group was the beneficiary of USD 2,371 in the form of guarantees received under letters of credit issued by several banks.

(b) Commitments under operating leases

The Group leases various buildings and warehouses under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

Future aggregate minimum lease payments under non-cancellable operating leases are as follows:

(in USD thousands)

At 30 September 2017

Less than 1 year	1,393
More than 1 year and less than 3 years	2,532
More than 3 years	1,139
	5,064

The operating lease expenses for the year ended 30 September 2017 amounted to USD 3,192.

Notes to the consolidated financial statements

(in USD thousands unless otherwise stated)

26. Related-party transactions

(a) Transactions with affiliates of the Shareholder

During the year ending 30 September 2017, the Group paid monitoring and transaction fees, and reimbursed expenses totalling USD 13,646 to affiliates of the Shareholder. Any transactions with related parties are conducted at an arm's length basis.

(b) Senior management compensation

(in USD thousands)

30 September 2017

Wages and salaries	2,011
Bonus	1,503
Pension benefits	42
Bonuses in connection with the Acquisition	20,080
Other benefits in kind	160
	23,796

The figures for the year ended 30 September 2017 include compensation for 7 senior executives.

The senior executives are all participants of the equity plan as detailed in the note 27 related to share based payments.

(c) Other transactions

At 30 September 2017, the Group has not identified any other transactions.

27. Share-based payment expense

During the year ended 30 September 2017, the Group implemented an equity plan in which certain employees of the Group invested in 1,000 thousand shares of an affiliated Group holding company. Such shares are subject to customary conditions for a plan of this nature, and include non-transferability, non-voting, drag-along rights, tag-along rights, and leaver provisions. In the event an equity plan investor's employment with a Group company terminates, the equity plan allows affiliates of the Group to acquire the shares. Approximately 62% of the equity plan shares vest ratably over five years from date of the Acquisition, while approximately 38% vest subject to certain performance conditions.

The equity plan is accounted for as an equity-settled share-based payment plan. Based on option pricing models (Monte-Carlo and binomial approaches), the fair value of each of the shares has been estimated as of the grant date at \$17.80 per share. This fair value is based on several assumptions, such as the expected volatility of the shares (derived from the historical volatility of peer companies), probabilities related to the Shareholder's sale of its shares in the Group, employee turnover, and on the risk-free return rate level.

In relation to the equity plan, for the year ended 30 September 2017, share-based payment expense of USD 2,217 was recognised in employee benefit expenses.

28. Events after the reporting date

On 3 November 2017, Piscine Luxembourg Holdings 2 S.à r.l., an affiliated holding company of the Group, entered into a definitive merger agreement with Fluidra, S.A. ("Fluidra"), a Spanish-listed pool equipment company. The transaction is subject to customary closing conditions, and is expected to close in the first half of 2018, at which point the Company will become an indirect wholly owned subsidiary of Fluidra.

Notes to the consolidated financial statements

(in USD thousands unless otherwise stated)

In connection with the definitive merger agreement, the Group obtained commitments from several banks for EUR 400 million (USD 472 million) of incremental term loan and credit facilities, to be issued under the Group's existing credit agreements, in order to refinance the debt of Fluidra at closing of the merger.

29. Scope of consolidation

As at 30 September 2017, all Group companies are fully consolidated subsidiaries.

Entity	Country	% Interest at 30 September 2017
Zodiac Pool Solutions S.à r.l.	Luxembourg	100.0
ZPNA Holdings SAS	France	100.0
Zodiac Pool Solutions LLC	U.S.A.	100.0
Zodiac Pool Solutions North America LLC	U.S.A.	100.0
Jandy LLC	U.S.A.	100.0
Zodiac Pool Systems LLC	U.S.A.	100.0
Cover-Pools Incorporated	U.S.A.	100.0
Zodiac Pool Systems Canada, Inc.	Canada	100.0
ZPES Holdings SAS	France	100.0
Zodiac Pool Solutions SASU	France	100.0
Zodiac International SASU	France	100.0
Zodiac Pool Care Europe SASU	France	100.0
Zodiac Swimming Pool Equipment (Shenzhen) Co.	China	100.0
Zodiac Pool Ibérica, S.L.U.	Spain	100.0
Zodiac Pool Care South Africa Pty Ltd	South Africa	100.0
Zodiac Pool Care Portugal, Unipessoal, Lda.	Portugal	100.0
Zodiac Pool Systems Italia S.r.l.	Italy	89.49
Zodiac Pool Deutschland GmbH	Germany	100.0
SET Energietechnik GmbH	Germany	100.0
Zodiac Pool Solutions Pty Ltd	Australia	100.0
Zodiac Group Australia Pty Ltd	Australia	100.0
Zodiac Group (N.Z.) Limited	New Zealand	100.0
<u>Dormant entities:</u>		
AquaMar Wasserbehandlung, Chemikalien und Geräte GmbH	Germany	100.0
Marine Investment Finland Oy	Finland	100.0
Pool Resources Pty Ltd	Australia	100.0