Zodiac Pool Solutions S.à.r.l.

Période du 22 novembre 2016 au 30 juin 2017

Rapport d'examen limité de l'auditeur contractuel sur les comptes consolidés intermédiaires

ERNST & YOUNG Audit

Ernst & Young Audit
Tour First
TSA 14444
92037 Paris - La Défense cedex

Tél. : +33 (0) 1 46 93 60 00
www.ey.com/fr

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Au Gérant,

Conformément à la mission qui nous a été confiée par la direction et qui a fait l'objet de notre lettre en date du 12 septembre 2017, nous avons effectué un examen limité des comptes consolidés intermédiaires de la société Zodiac Pool Solutions S.à.r.l., relatifs à la période du 22 novembre 2016 au 30 juin 2017, tels qu'ils sont joints au présent rapport.

Ces comptes ont été préparés sous la responsabilité de la direction. Il nous appartient, sur la base de notre examen limité, d'exprimer notre conclusion sur ces comptes.

Nous avons effectué cet examen conformément aux dispositions de la norme professionnelle du conseil supérieur de l'ordre des experts-comptables applicable à la mission d'examen limité de comptes.

Cette norme requiert la mise en œuvre de diligences limitées conduisant à une assurance, moins élevée que celle résultant d'un audit, que les comptes consolidés intermédiaires ne comportent pas d'anomalies significatives.

Un examen de cette nature ne comprend pas tous les contrôles propres à un audit, mais se limite à mettre en œuvre des procédures analytiques et à obtenir de la direction les informations que nous avons estimé nécessaires.

Sur la base de notre examen limité, nous n'avons pas relevé d'éléments qui nous conduisent à considérer que les comptes ne sont pas établis, dans tous leurs aspects significatifs, conformément à la norme IAS 34 – norme du référentiel IFRS tel qu'adoptée dans l'Union européenne relative à l'information financière intermédiaire.

Ce rapport est établi à votre attention et ne doit pas être utilisé, diffusé, ou cité à d'autres fins. Nous n'acceptons aucune responsabilité vis-à-vis de tout tiers auquel ce rapport serait diffusé ou parviendrait.

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 17 janvier 2018

L'Auditeur Contractuel
ERNST & YOUNG Audit

Pierre Bourgeois

This is a free translation into English of the independent auditor's report on the interim consolidated financial statement issued in French and it is provided solely for the convenience of English-speaking users.
This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

Zodiac Pool Solutions s.à.r.l

Period from November 22, 2016 to June 30, 2017

Independent auditor's review report on the Condensed interim consolidated financial statements

ERNST & YOUNG Audit

Zodiac Pool Solutions s.à.r.l

Period from November 22, 2016 to June 30, 2017

Independent auditor's review report on the Condensed interim consolidated financial statements

To the Manager,

As agreed in the engagement letter signed on September 12, 2017, we have reviewed the accompanying condensed interim consolidated financial statements of Zodiac Pool Solutions s.àr.l for the period from November 22, 2016 to June 30, 2017.

Management is responsible for the preparation and fair presentation of these condensed interim consolidated financial statements. Our responsibility is to express a conclusion on the accompanying condensed interim consolidated financial statements based on our limited review.

We conducted our review in accordance with French professional standards on Review Engagements. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The auditor performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

Based on our review, nothing has come to our attention that causes us to believe that these condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

This report is addressed to the Manager of the company and is not to be used, circulated, quoted, or otherwise referred to for any other purpose. We assume or take no responsibility in respect of a third party which may use this report.

This report shall be governed by, and construed in accordance with French law. The courts of France shall have exclusive jurisdiction in relation to any claim or dispute concerning the engagement letter or this report, and any matter arising from them. Each party irrevocably waives any right it may have to object to an action being brought in any of those courts, and, to claim that the action has been brought in an inconvenient forum or that those courts do not have jurisdiction.

Paris-La Défense, January 10, 2018

The independent auditors
Ernst & Young Audit

Pierre Bourgeois

ZODIAC POOL SOLUTIONS

Condensed interim consolidated financial statements for the period from 22 November 2016 to 30 June 2017

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Condensed interim consolidated balance sheet

(in USD thousands unless otherwise stated)	Note	At 30 June 2017
ASSETS		
Non-current assets		
Goodwill	7	638,448
Intangible assets	7	614,586
Property, plant and equipment	8	21,914
Other financial assets		894
Deferred tax assets		19,579
		1,295,421
Current assets		
Inventories		85,574
Trade receivables		127,515
Other receivables		13,986
Current income tax receivables		2,011
Derivative financial instruments	10	-
Other financial assets		8
Cash and cash equivalents		31,606
		260,700
TOTAL ASSETS		**1,556,121**
EQUITY		
Ordinary shares	11	13
Other reserves		573,053
Retained earnings/(accumulated losses)	11	(13,209)
Equity attributable to owners of the Company		**559,857**
Non-controlling interests		863
Total equity		**560,720**
LIABILITIES		
Non-current liabilities		
Debt	5	632,768
Employee benefit obligations		1,533
Deferred tax liabilities	4	203,689
Provisions		16,788
		854,778
Current liabilities		
Trade and other payables		125,814
Debt	5	5,198
Provisions		1,379
Current income tax liabilities		7,736
Derivative financial instruments	10	495
		148,336
TOTAL LIABILITIES		**995,400**
TOTAL EQUITY AND LIABILITIES		**1,556,121**

Notes 1 to 20 are an integral part of these condensed interim consolidated financial statements.

Condensed interim consolidated income statement

(in USD thousands unless otherwise stated)	Note	Period ended 30 June 2017
Sales of goods and finished products		318,429
Income from rendering of services		1,569
Net sales		**319,998**
Cost of sales	4	(213,494)
Gross profit		**106,503**
Selling expenses		(29,641)
General and administrative expenses		(65,732)
Research and development costs		(7,025)
Other expenses	13	(932)
Operating profit		**3,174**
Finance expense	14	(21,201)
Profit/(loss) before income taxes		**(18,027)**
Income tax (expense)/benefit	15	4,932
Profit/(loss), attributable to:		**(13,095)**
Owners of the Company		(13,209)
Non-controlling interests		113

Notes 1 to 20 are an integral part of these condensed interim consolidated financial statements.

Condensed interim consolidated statement of comprehensive income

(in USD thousands unless otherwise stated)	**Period ended 30 June 2017**
Profit/(loss)	**(13,095)**
Translation adjustments	(357)
Other comprehensive income/(expense) recognised in equity	**(357)**
Total other comprehensive income/(expense)	**(13,452)**

Notes 1 to 20 are an integral part of these condensed interim consolidated financial statements.

Condensed interim consolidated statement of changes in equity

(in USD thousands unless otherwise stated)	Attributable to owners of the Company					
	Share capital and premium	Other reserves	Retained earnings/ (accum losses)	**Total equity**	Non-controlling interests	**Total equity**
At 22 November 2016	-	-	-	-	-	-
Capital increase – issue of shares	13	571,967				571,980
Business combination					682	682
Profit/(loss)	**-**	**-**	**(13,209)**	**(13,209)**	**113**	**(13,095)**
Currency translation differences	-	(424)	-	**(424)**	67	(357)
Total profit/(loss) recognised in equity	**-**	**(424)**	**(13,209)**	**(13,633)**	**180**	**(13,452)**
Share-based payment expense	-	1,507	-	**1,507**	-	**1,507**
At 30 June 2017	**13**	**573,050**	**(13,209)**	**559,857**	**863**	**560,720**

Notes 1 to 20 are an integral part of these condensed interim consolidated financial statements.

Condensed interim consolidated statement of cash flows

(in USD thousands unless otherwise stated)

	Period ended 30 June 2017
Profit/(loss)	**(13,095)**
Adjustments for:	
Income tax expense	(4,932)
Share-based payment expense	1,507
Depreciation and amortisation	18,595
Impairment of non-current assets	596
Loss on disposals of non-current assets	293
Finance expense	21,201
Changes in working capital:	
Inventories	21,489
Trade and other receivables	29,318
Trade and other payables	26,220
Other assets and liabilities	(42,449)
Cash generated from operations	**58,743**
Income tax paid	(11,222)
Net cash generated from operating activities	**47,521**
Cash flows from investing activities	
Purchases of property, plant and equipment	(7,370)
Acquisition of businesses, net of cash & cash equivalent acquired	(1,192,731)
Financial assets, non-current	(158)
Net cash from/(used in) investing activities	**(1,200,260)**
Cash flows from financing activities	
Capital contribution	572,002
Proceeds from/(repayments of) debt	635,692
Interest paid	(24,147)
Net cash from/(used in) financing activities	**1,183,548**
Net increase/(decrease) in cash and cash equivalents	**30,810**
Cash and cash equivalents at beginning of period	-
Foreign exchange gains/(losses) on cash and cash equivalents	796
Cash and cash equivalents at end of period	**31,606**

Notes 1 to 20 are an integral part of these condensed interim consolidated financial statements.

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 20. 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 Zodiac Pool Holding S.A. (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 period

The financial position and performance of the Group was particularly affected by the following events and transactions during the period between 22 November 2016 and 30 June 2017:

- the Acquisition (see note 4);
- the new credit facilities of USD 800,000 in connection with the Acquisition (see note 5);
- the utilisation of provisions (see note 6).

3 Basis of preparation of condensed interim consolidated financial statements for the period ended 30 June 2017

3.1 General principles

The condensed interim consolidated financial statements as of 30 June 2017 is the Company's first interim financial report and as the Company was incorporated on 22 November 2016, there is no previous annual report. As a consequence, a complete disclosure of significant accounting policies is provided in Note 3.2.

The condensed interim consolidated financial statements as of 30 June 2017 have been prepared in compliance with IAS 34 "Interim financial reporting".

The condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements.

The condensed interim consolidated financial statements include the consolidated financial statements of the Group at 30 June 2017 and for the period from 22 November 2016 to 30 June

2017. The financial statements of the Company's subsidiaries cover the same reporting period as the Company.

Critical accounting estimates and judgements

The measurement procedures used for the condensed interim consolidated financial statements are as follows:

- The Group tests goodwill for impairment each year and has not performed impairment tests on the goodwill for the period ended 30 June 2017 given that it has not identified any indication that the goodwill should be impaired;
- Interim period income tax expense resulted from the estimated annual Group effective income tax rate applied to the pre-tax result;
- Pension plan actuarial valuation is performed each year and the Group has not performed actuarial valuation as of 30 June 2017;
- Provisions for restructuring plans concerns (i) a restructuring plan involving the closure of the Belberaud site in France and (ii) a restructuring plan to shut down 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.

3.2 Summary of significant accounting policies

3.2.1 Consolidation

At 30 June 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 20.

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 3.2.3).

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 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 interest in the entities concerned.

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.

(in USD thousands unless otherwise stated)

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.

3.2.2 Foreign currency translation

3.2.2.1 Functional and presentation currency

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

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

	30 June 2017		22 November 2016
	Closing rate	Average rate	Closing rate
EUR	0.8763	0.9248	0.9546
CAD	1.2956	1.3343	1.3313
AUD	1.3013	1.3286	1.3699
ZAR	13.0740	13.4474	14.0025

3.2.2.2 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 financial income or 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.

3.2.2.3 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 the 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 profit or loss.

3.2.3 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 remeasured 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 3.2.6), 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.

3.2.4 Other 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 3.2.4.4).

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

- 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 3.2.6). The useful life and amortisation method for an intangible asset with a finite useful life are reviewed at least each year.
- 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 3.2.6). 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.

3.2.4.1 Customer relationships

Acquired customer relationships are initially recognised at fair value determined in connection with the related business combination (see Note 4). 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.

3.2.4.2 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 (see Note 4).

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.

3.2.4.3 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.

(in USD thousands unless otherwise stated)

3.2.4.4 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.

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

3.2.5 <u>Property, plant and equipment</u>

Property, plant and equipment 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. 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 each year.

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 3.2.6).

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.

3.2.6 <u>Impairment of non-financial assets</u>

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. Property, plant, equipment 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). Non-financial assets other than goodwill which have incurred an impairment loss are tested at each year to determine whether the impairment loss should be reversed.

3.2.7 Financial assets

3.2.7.1 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.

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.

3.2.7.2 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.

3.2.7.3 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 3.2.10), except for loans and receivables maturing more than 12 months after the reporting date, which are classified as non-current assets.

3.2.7.4 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 income and expenses, net", except for changes in the fair value of derivatives, which are recognised in net financial income or 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 3.2.10.

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.

3.2.8 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. However, the Group does not respect the strict criteria of IAS 39 concerning hedge accounting.

Derivatives are initially recognised at fair value and are subsequently remeasured 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 income and expenses, net" or in net financial income or 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.

3.2.9 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.

3.2.10 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.

3.2.11 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.

3.2.12 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.

3.2.13 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. 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.

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 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.

3.2.14 Income tax

Annual current income tax assets and liabilities 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.
Interim income tax expense resulted from the estimated annual Group effective income tax rate applied to the pre-tax result.

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 each year 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 year 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 each year.

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.

3.2.15 Employee benefit obligations and similar benefits

3.2.15.1 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 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.

3.2.15.2 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.

3.2.15.3 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.

3.2.16 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.

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.

3.2.17 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.

3.2.18 Leases (Group as lessee)

3.2.18.1 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.

3.2.18.2 Finance leases

The Group leases certain property, plant and equipment. Leases of property, plant and equipment 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 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. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

3.3 Standard applied

The accounting policies adopted in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements.

The following new accounting standards, interpretations and amendments to existing standards have been published and are mandatory for the accounting period beginning on 1 January 2017 or later. The Group has not adopted them early:

- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative: mandatory from 1 January 2017;
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses: mandatory from 1 January 2017;
- Annual Improvements Cycle - 2014-2016: mandatory from 1 January 2018;
- IFRS 15 "Revenue from Contracts with Customers": mandatory from 1 January 2018;
- IFRS 9 "Financial Instruments": mandatory from 1 January 2018;
- IFRS 16 "Leases": mandatory from 1 January 2019.

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

4 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
Property, plant and equipment	22,146
Inventories	104,151
Trade and other receivables	163,247
Cash and cash equivalents	24,050
Deferred tax liabilities, net	(195,747)
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	(578,333)
Goodwill	**638,448**

As shown further in Note 7, 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 reflief 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.

Inventories: USD 104,151. For raw materials the fair value was estimated with the cost to replace each category based on net book values and for finished products, the estimates of 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 Included in the fair value of inventories is a 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 independant 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.

5 Debt

(in USD thousands)	At 30 June 2017
Asset-based revolving credit facility	-
First lien credit facility	517,400
Second lien credit facility	150,000
Other debt	210
Total debt	**667,610**
Unamortised financing costs	(29,645)
Debt, current and non-current	**637,966**
Current portion of first lien credit facility	5,187
Current portion of other debt	11
Debt, current	**5,198**
Debt, non-current	**632,768**

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 utilization. At 30 June 2017, the ABL was undrawn, with approximately USD 1,800 of letters of credit issued against it. 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% utilized. At 30 June 2017, the Group was in compliance with its applicable covenants.

The Group's debt has the following maturities:

(in USD thousands)	**At 30 June 2017**
Within 1 year	5,198
Within 1 to 5 years	22,244
More than 5 years	640,168
	667,610

6 Provisions

(in USD thousands)	**Restructuring**	**Warranties**	**Other**	**Total**
At 22 November 2016	**-**	**-**	**-**	**-**
Acquisitions of businesses	692	17,093	42,146	59,931
Additions	370	910	22,040	23,320
Utilisation	(165)	(1,392)	(63,898)	(65,454)
Exchange differences	53	177	141	371
At 30 June 2017	**950**	**16,788**	**430**	**18,168**

During the period between 22 November 2016 and 30 June 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.

7 Intangible assets

(in USD thousands)	Goodwill	Trademarks	Customer relationships	Development costs	Other	Total
Period ended 30 June 2017						
Carrying amount at beginning of period	-	-	-	-	-	-
Acquisitions of businesses	638,448	140,000	414,000	67,185	3,136	1,262,769
Increases	-	-	-	3,774	875	4,648
Exchange differences	-	-	(163)	834	409	1,080
Amortisation	-	-	(8,139)	(5,754)	(864)	(14,757)
Impairment	-	-	-	(707)	-	(707)
Carrying amount at end of period	**638,448**	**140,000**	**405,698**	**65,331**	**3,556**	**1,253,033**
At 30 June 2017						
Cost	638,448	140,000	414,000	107,436	16,836	1,316,720
Accumulated amortisation and impairment	-	-	(8,302)	(42,105)	(13,281)	(63,687)
Carrying amount	**638,448**	**140,000**	**405,698**	**65,331**	**3,556**	**1,253,033**

For the period ended 30 June 2017, the intangible assets held by the Group decreased primarily as a result of amortisation of intangibles recognised in connection with the Acquisition.

8 Property, plant and equipment

(in USD thousands) **Period ended 30 June 2017**	**Land and buildings**	**Machinery and equipment**	**Other property, plant and equipment**	**Total**
Carrying amount at beginning of year	-	-	-	-
Acquisitions of businesses	7,898	8,757	5,490	22,146
Increases	106	579	2,764	3,448
Transfer	-	1,236	(1,958)	(722)
Disposals	-	-	(6)	(6)
Exchange differences	365	305	105	775
Depreciation	(588)	(2,181)	(1,068)	(3,837)
Impairment	-	110	-	110
Carrying amount at end of year	**7,781**	**8,806**	**5,327**	**21,914**
At 30 June 2017				
Cost	21,992	68,838	21,399	112,229
Accumulated depreciation and impairment	(14,211)	(60,033)	(16,072)	(90,315)
Carrying amount	**7,781**	**8,806**	**5,327**	**21,914**

9 Financial instruments by category

To provide an indication about the reliability of the inputs used in determining fair value, the group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

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 following table presents the group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2017:

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

	At 30 June 2017			
(in USD thousands)	**Trade 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 receivables	127,516	-	-	-
Derivative financial liabilities	-	-	(495)	-
Cash and cash equivalents	-	31,606	-	-
Trade and other payables	-	-	-	(125,814)
Debt	-	-	-	(637,966)
Total	**127,516**	**31,606**	**(495)**	**(763,780)**

The assets and liabilities measured at fair value are summarised in the table below:

	At 30 June 2017		
(in USD thousands)	**Quoted prices on an active market (level 1)**	**Significant observable valuation inputs (level 2)**	**Other (level 3)**
Trade receivables	127,516	-	-
Derivative financial liabilities	-	(495)	-
Cash and cash equivalents	31,606	-	-
Trade and other payables	(125,814)	-	-
Debt	(667,610)	-	-
Total	**(634,302)**	**(495)**	**-**

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.

10 Derivative financial instruments

(in USD thousands)	**At 30 June 2017**
Foreign exchange contracts	-
Interest rate swap	-
Derivative financial instruments, assets	**-**
Foreign exchange contracts	495
Interest rate swap	-
Derivative financial instruments, liabilities	**495**

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 initial period beginning 30 June 2017, the interest rate swap contract will have a notional amount of USD 533,900, and a fixed rate of 1.3425%. At 30 June 2017, there was no asset or liability recognised for the interest rate swap.

11 Equity

At 30 June 2017, the Company's total subscribed and fully paid capital amounted to USD 13, divided into 1,200,000 shares with a par value of USD 0.0105 per share.

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

The Company has paid no dividends for the period ended 30 June 2017.

12 Expenses by nature

(in USD thousands)	**30 June 2017**
Raw materials and semi-finished products used	(172,805)
Wages, salaries and social security costs	(49,999)
Share-based payment expense	(1,507)
Employee benefit expense	(51,506)
Depreciation and amortisation (Notes 7 and 8)	(18,595)
Operating lease payments	(2,413)
Other expenses	(70,573)
Total cost of sales, marketing and administrative expenses and R&D costs	**(315,892)**

The other expenses incurred in the period ended 30 June 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 3,774 expense reversal of capitalisation of development costs;
- USD 383 expense reversal of French research and development tax credits.

13 Other expenses

(in USD thousands)	**30 June 2017**
Impairment of non-current assets, net	(596)
Restructuring expenses	(336)
	(932)

14 Finance expense

(in USD thousands)	**30 June 2017**
Finance costs:	
Interest expense for debt	(23,650)
Change in fair value of derivatives, net	(1,041)
Other financial costs	(2,919)
	(27,609)
Finance income:	
Other financial income	98
Exchange differences, net	6,310
	6,408
Finance expense	**(21,201)**

15 Income tax expense

(in USD thousands)	**30 June 2017**
Current income tax	(6,660)
Deferred tax	11,592
Income tax (expense)/benefit	**4,932**

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

16 Commitments

As described in note 4, 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 June 2017, the Group was the beneficiary of USD 2,267 in the form of guarantees received under letters of credit issued by several banks.

17 Seasonality of operations

Due to the seasonal nature of the Group's operations, higher sales and operating profits are usually expected during the April to August period, mainly attributable to the increased demand for residential pool products during the peak spring and summer seasons in the Northern hemisphere.

18 Share-based payment expense

During the period ended 30 June 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 period ended 30 June 2017, share-based payment expense of USD 1,507 was recognised in employee benefit expenses.

19 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.

In connection with the definitive merger agreement, the Group obtained commitments from several banks for EUR 400 million (USD 456 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.

(in USD thousands unless otherwise stated)

20 Scope of consolidation

At 30 June 2017, all Group companies are fully consolidated subsidiaries.

Subsidiaries at 30 June 2017 are presented below:

Entity	Country	% Interest at 30 June 2017[(1)]
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, Inc.	U.S.A.	100.0
Jandy, Inc.	U.S.A.	100.0
Zodiac Pool Systems, Inc.	U.S.A.	100.0
Cover-Pools Incorporated	U.S.A.	100.0
iON Business Solutions, Inc.	U.S.A.	100.0
Zodiac Pool Systems Canada, Inc.	Canada	100.0
Zodiac Pool Holding S.A.	France	100.0
Zodiac Pool Solutions SASU	France	100.0
Zodiac European Pools SASU	France	100.0
Zodiac Pool Care Portugal Lda.	Portugal	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 Systems Italia S.r.l.	Italy	89.49
Zodiac Pool Deutschland GmbH	Germany	100.0
SET Energietechnik GmbH	Germany	100.0
Zodiac International SASU	France	100.0
Zodiac Marine Investment France SASU	France	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
Dormant entities:		
AquaMar Wasserbehandlung, Chemikalien und Geräte GmbH	Germany	100.0
Marine Investment Finland Oy	Finland	100.0
Pool Resources Pty Ltd	Australia	100.0

(1) Percentage interests are identical to the percentage of control.