

*This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users.*

*The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.*

*This report also includes information relating to the specific verification of information given in the group's management report.*

*This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.*

## **Zodiac Pool Holding**

Year ended September 30, 2016

**Statutory auditor's report  
on the consolidated financial statements**

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Commissaire aux Comptes  
Membre de la compagnie  
régionale de Versailles

## **Zodiac Pool Holding**

Year ended September 30, 2016

### **Statutory auditor's report on the consolidated financial statements**

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meeting, we hereby report to you, for the year ended September 30, 2016, on:

- the audit of the accompanying consolidated financial statements of Zodiac Pool Holding;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the executive board. Our role is to express an opinion on these consolidated financial statements based on our audit.

#### **I. Opinion on the consolidated financial statements**

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the group as at September 30, 2016 and the result of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

## **II. Justification of our assessments**

In accordance with the requirements of article L. 823-9 of the French commercial code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matter:

- As indicated in note 4 to the consolidated financial statements, your group performed estimates and made assumptions regarding, namely, goodwill and intangible assets (notes 2.4, 2.5, 2.7 and 5), deferred taxes (notes 2.16, 16 and 22) and provisions and potential liabilities along with their presentation (notes 2.17, 2.18, 17, 18 and 20). Our work consisted in assessing the underlying data and assumptions on which those estimates are based, examining the procedure used by management to approve those estimates, reviewing the calculations made by your group and verifying that the notes to the consolidated financial statements provide appropriate information.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to our opinion we formed which is expressed in the first part of this report.

## **III. Specific verification**

As required by law we have also verified in accordance with professional standards applicable in France the information presented in the group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris-La Défense, November 18, 2016

The statutory auditors  
*French original signed by*

Fabrice ABTAN

ERNST & YOUNG et Autres

Pierre Bourgeois

# ZODIAC POOL HOLDING

## Consolidated financial statements for the years ended 30 September 2016 and 30 September 2015

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# Consolidated balance sheet

(in € thousands unless otherwise stated)

	Note	At 30 September	
		2016	2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	5	414,732	414,382
Other intangible assets	5	181,458	184,946
Property, plant and equipment	6	21,119	19,786
Investments in equity-accounted companies	7	-	-
Other non-current assets		861	2,588
Deferred taxes	16	14,137	13,004
		<b>632,307</b>	<b>634,705</b>
<b>Current assets</b>			
Inventories	11	71,724	63,223
Trade receivables	10	112,723	98,258
Other receivables	10	11,393	11,887
Current income tax receivables		3,499	3,284
Derivative financial instruments	9	-	-
Other current assets		150	228
Cash and cash equivalents	12	49,325	38,147
		<b>248,815</b>	<b>215,027</b>
<b>Total assets</b>		<b>881,123</b>	<b>849,733</b>
<b>EQUITY</b>			
Share capital and premium	13	160,363	160,363
Other reserves		(138,207)	(132,299)
Retained earnings (accumulated losses)		(426,770)	(407,212)
Equity attributable to owners of the Company		<b>(404,614)</b>	<b>(379,148)</b>
Non-controlling interests		629	610
<b>Total equity</b>		<b>(403,985)</b>	<b>(378,538)</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term borrowings and debt	15	204	1,004,008
Employee benefit obligations and similar benefits	17	1,346	1,070
Provisions	18	16,784	16,095
Other non-current liabilities	14	294	519
Deferred taxes	16	67,393	64,083
		<b>86,021</b>	<b>1,085,774</b>
<b>Current liabilities</b>			
Trade and other payables	14	106,907	92,137
Short-term borrowings and debt	15	1,052,862	15,420
Current provisions	18	20,503	5,724
Current income tax liabilities		1,289	1,318
Derivative financial instruments	9	17,526	27,897
		<b>1,199,087</b>	<b>142,496</b>
<b>Total liabilities</b>		<b>1,285,108</b>	<b>1,228,270</b>
<b>Total equity and liabilities</b>		<b>881,123</b>	<b>849,733</b>

Notes 1 to 28 are an integral part of these consolidated financial statements.

## Consolidated income statement

(in € thousands unless otherwise stated)

	Note	Year ended 30 Sept. 2016	Year ended 30 Sept. 2015
Sales		466,493	421,109
Cost of sales	19	(284,349)	(266,380)
<b>Gross profit</b>		<b>182,144</b>	<b>154,729</b>
Selling expenses	19	(42,935)	(39,826)
General and administrative expenses	19	(49,623)	(47,471)
Research and development costs	19	(11,986)	(11,088)
<b>Profit from recurring operations</b>		<b>77,600</b>	<b>56,344</b>
Other income and expenses, net	20	(27,674)	(9,760)
<b>Operating profit</b>		<b>49,926</b>	<b>46,583</b>
Financial income	21	21,977	6,871
Financial expense	21	(79,573)	(97,049)
Share of profit of equity-accounted companies	7	-	-
<b>Profit/(loss) before income taxes</b>		<b>(7,670)</b>	<b>(43,595)</b>
Income tax expense	22	(11,869)	(15,019)
<b>Profit/(loss) for the year</b>		<b>(19,539)</b>	<b>(58,613)</b>
▪ <i>o/w attributable to owners of the Company</i>		(19,558)	(58,542)
▪ <i>o/w attributable to non-controlling interests</i>		19	(72)

Notes 1 to 28 are an integral part of these consolidated financial statements.

## Consolidated statement of comprehensive income

(in € thousands unless otherwise stated)

	Year ended 30 Sept. 2016	Year ended 30 Sept. 2015
<b>Profit/(loss) for the year</b>	<b>(19,539)</b>	<b>(58,613)</b>
<b>Total gains and losses recognised directly in equity:</b>		
Asset revaluation	-	-
Actuarial gains/(losses) on post-employment benefit obligations	(187)	8
Tax on items that will not be reclassified subsequently to profit or loss	-	-
<b>Items that will not be reclassified subsequently to profit or loss</b>	<b>(187)</b>	<b>8</b>
Translation adjustments	(5,721)	(13,510)
Revaluation of available-for-sale financial assets	-	-
Tax on items that will be reclassified subsequently to profit or loss	-	-
<b>Items that will be reclassified subsequently to profit or loss</b>	<b>(5,721)</b>	<b>(13,510)</b>
<b>Total gains and losses recognised directly in equity</b>	<b>(5,908)</b>	<b>(13,502)</b>
<b>Other comprehensive income/(expense) for the year</b>	<b>(25,447)</b>	<b>(72,116)</b>
▪ <i>o/w attributable to owners of the Company</i>	(25,428)	(72,044)
▪ <i>o/w attributable to non-controlling interests</i>	19	(72)

Notes 1 to 28 are an integral part of these consolidated financial statements.



## Consolidated statement of changes in equity

(in € thousands unless otherwise stated)

	Attributable to owners of the Company				Non-controlling interests	Total equity
	Share capital and premium	Other reserves	Retained earnings (accumulated losses)	Equity attributable to owners of the Company		
<b>At 30 September 2014</b>	<b>160,363</b>	<b>(118,797)</b>	<b>(348,670)</b>	<b>(307,104)</b>	<b>682</b>	<b>(306,422)</b>
<b>Profit/(loss) for the year</b>	-	-	<b>(58,542)</b>	<b>(58,542)</b>	<b>(72)</b>	<b>(58,613)</b>
Currency translation differences	-	(13,510)	-	(13,510)	-	(13,510)
Net change in fair value		8	-	8	-	8
<b>Total gains and losses recognised directly in equity</b>	-	<b>(13,502)</b>	-	<b>(13,502)</b>	-	<b>(13,502)</b>
<b>Total profit/(loss) recognised in equity</b>	-	<b>(13,502)</b>	<b>(58,542)</b>	<b>(72,044)</b>	<b>(72)</b>	<b>(72,116)</b>
<b>At 30 September 2015</b>	<b>160,363</b>	<b>(132,299)</b>	<b>(407,212)</b>	<b>(379,148)</b>	<b>610</b>	<b>(378,538)</b>
<b>Profit/(loss) for the year</b>	-	-	<b>(19,558)</b>	<b>(19,558)</b>	<b>19</b>	<b>(19,539)</b>
Currency translation differences	-	(5,721)	-	(5,721)	-	(5,721)
Net change in fair value		(187)	-	(187)	-	(187)
<b>Total gains and losses recognised directly in equity</b>	-	<b>(5,908)</b>	-	<b>(5,908)</b>	-	<b>(5,908)</b>
<b>Total profit/(loss) recognised in equity</b>	-	<b>(5,908)</b>	<b>(19,558)</b>	<b>(25,466)</b>	<b>19</b>	<b>(25,447)</b>
<b>At 30 September 2016</b>	<b>160,363</b>	<b>(138,207)</b>	<b>(426,770)</b>	<b>(404,614)</b>	<b>629</b>	<b>(403,985)</b>

Notes 1 to 28 are an integral part of these consolidated financial statements.

## Consolidated statement of cash flows

(in € thousands unless otherwise stated)

	Note	Year ended 30 Sept. 2016	Year ended 30 Sept. 2015
<b><u>Cash flows from operating activities</u></b>			
<b>Profit/(loss) for the year</b>		<b>(19,539)</b>	<b>(58,613)</b>
<i>Adjustments for:</i>			
Income tax expense		11,869	15,019
Depreciation and amortisation of non-current assets, net		16,435	17,372
Impairment of non-current assets, net		235	3,150
Share of profit of equity-accounted companies		-	-
Capital gains and losses on disposals of property, plant and equipment and intangible assets		(1,391)	(925)
Gains and losses arising from changes in fair value of derivative financial instruments		(10,541)	7,983
Finance costs, net		68,137	82,197
Foreign exchange losses on operating activities		12	372
<i>Changes in working capital:</i>			
Inventories		(7,088)	1,487
Trade and other receivables		(13,007)	(6,995)
Trade and other payables		14,220	5,662
Other working capital assets and liabilities		15,382	(8,692)
<b>Cash generated from operating activities</b>		<b>74,724</b>	<b>58,017</b>
Income tax paid		(9,833)	(9,215)
<b>Net cash generated from operating activities</b>		<b>64,891</b>	<b>48,803</b>
<b><u>Cash flows from investing activities</u></b>			
Acquisitions of subsidiaries, net of cash acquired		-	-
Purchases of property, plant and equipment and intangible assets		(14,130)	(14,206)
Disposals of subsidiaries, net of cash transferred		-	-
Disposals of property, plant, equipment and intangible assets		1,153	2,899
Disposals of financial assets		167	(411)
Dividends received from equity-accounted companies		-	-
<b>Net cash used in investing activities</b>		<b>(12,809)</b>	<b>(11,718)</b>
<b><u>Cash flows from financing activities</u></b>			
Payments and receipts arising from borrowings		2,439	(16,141)
Interest paid		(43,031)	(22,195)
Payments and receipts arising from finance leases and other		(311)	(310)
<b>Net cash used in financing activities</b>		<b>(40,903)</b>	<b>(38,647)</b>
<b>Change in net cash and cash equivalents</b>		<b>11,178</b>	<b>(1,562)</b>
Net cash and cash equivalents at beginning of year		37,261	37,915
Foreign exchange gains/(losses) on net cash and cash equivalents		236	909
<b>Net cash and cash equivalents at end of year</b>	<b>12</b>	<b>48,675</b>	<b>37,261</b>

Notes 1 to 28 are an integral part of these consolidated financial statements.

## 1. General information

Zodiac Pool Holding SA (“ZPH” or “the Company”) and its subsidiaries (together “Zodiac Pool Solutions” or “the Group”) design, manufacture and sell products, equipment and solutions for pools and spas (the “Pool Care” business).

The Company is a joint-stock company (*société anonyme*) incorporated in France. Its registered office is located at 32 bis, boulevard Haussmann, 75009 Paris, France.

The Group's consolidated financial statements were authorised for issue by the Supervisory Board on 18 November 2016.

## 2. Summary of significant accounting policies

The accounting policies used to prepare the consolidated financial statements comply with International Financial Reporting Standards as adopted by the European Union at 30 September 2016. They are available on the website [http://ec.europa.eu/finance/accounting/ias/index\\_en.htm](http://ec.europa.eu/finance/accounting/ias/index_en.htm). These include International Financial Reporting Standards (“IFRS”) and the related interpretations issued by the International Accounting Standards Board (IASB), the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC), effective at 30 September 2016 and adopted by the European Union.

These accounting policies are consistent with those applied in the preparation of the consolidated financial statements for the year ended 30 September 2015, except for the new standards and interpretations adopted for the year ended 30 September 2016 (see Note 2.1, “Basis of preparation of the consolidated financial statements”).

### 2.1. Basis of preparation of the consolidated financial statements

(a) The new standards, interpretations and amendments to existing standards effective for the first time for accounting periods beginning on or after 1 October 2015 and applied by the Group are as follows:

- Amendments to IAS 19, Employment Benefits – Defined Benefit Plans: Employee Contributions, effective in the European Union for reporting periods beginning on or after 1 January 2015;
- Improvements to IFRSs (2011-2013 cycle), effective in the European Union for reporting periods beginning on or after 1 January 2015;
- Improvements to IFRSs (2010-2012 cycle), effective in the European Union for reporting periods beginning on or after 1 February 2015.

The application of these standards, interpretations and amendments does not have a material impact on the Group's consolidated financial statements.

(b) Standards, interpretations and amendments to existing standards effective for reporting periods beginning after 1 October 2015 and not early adopted by the Group or not applicable are as follows:

- Improvements to IFRSs (2012-2014 cycle), effective in the European Union for reporting periods beginning on or after 1 January 2015;

## Notes to the consolidated financial statements

(in € thousands unless otherwise stated)

- Amendments to IAS 16, Property, Plant and Equipment, and IAS 38, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation, effective in the European Union for reporting periods beginning on or after 1 January 2016;
- Amendments to IAS 1, Presentation of Financial Statements – Disclosure Initiative, effective for reporting periods beginning on or after 1 January 2016;
- Amendments to IAS 12, Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses, effective for reporting periods beginning on or after 1 January 2017;
- IFRS 9, Financial Instruments, effective for reporting periods beginning on or after 1 January 2018;
- IFRS 15, Revenue from Contracts with Customers, and the Clarifications amendment, effective for reporting periods beginning on or after 1 January 2018;
- IFRS 16, Leases, effective for reporting periods beginning on or after 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.

### 2.2. Consolidation

The consolidated financial statements include the financial statements of Zodiac Pool Holding SA and its subsidiaries at 30 September 2016. The financial statements of subsidiaries cover the same reporting period as the parent company.

At 30 September 2016, 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 28, "Scope of consolidation".

#### 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 2.4).

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 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

# Notes to the consolidated financial statements

(in € thousands unless otherwise stated)

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.

## 2.3. Foreign currency translation

### (a) 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 consolidated financial statements are presented in euros, which is both the functional and presentation currency of the Company.

### (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 borrowings and debt and cash and cash equivalents are included in net 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.

### (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 the euro 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.

## Notes to the consolidated financial statements

(in € thousands unless otherwise stated)

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

	Year ended 30 Sept. 2016		Year ended 30 Sept. 2015	
	Closing rate	Average rate	Closing rate	Average rate
USD	1.1161	1.1106	1.1203	1.1482
GBP	0.8610	0.7821	0.7385	0.7428
CAD	1.4690	1.4719	1.5034	1.407
AUD	1.4657	1.5090	1.5939	1.4614

### 2.4. 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 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 2.7), 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.

## Notes to the consolidated financial statements

(in € thousands unless otherwise stated)

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.

### 2.5. 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 2.5 (d)).

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 2.7). 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 2.7). 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;

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- 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	3 to 11 years
– Trademarks	5 to 15 years or indefinite
– Technology	5 to 14 years
– Other intangible assets	1 to 3 years

### 2.6. Property, plant and equipment

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. 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 2.7).

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.

### 2.7. 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. 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.



## Notes to the consolidated financial statements

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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 reporting date to determine whether the impairment loss should be reversed.

### 2.8. 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.

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

## **Notes to the consolidated financial statements**

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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 2.11.

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.

### **2.9. 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. 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.

### **2.10. 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.

### **2.11. 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.

# Notes to the consolidated financial statements

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## 2.12. Cash and cash equivalents

Cash and cash equivalents under assets in the consolidated balance sheet 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” in the consolidated statement of cash flows includes all the items in “Cash and cash equivalents”, net of bank overdrafts that are not used in financing transactions (which are included in liabilities in the balance sheet).

## 2.13. 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.

## 2.14. 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.

## 2.15. Borrowings and debt

Borrowings and debt are recognised initially at fair value, calculated as proceeds of their issue (fair value of the consideration received) net of transaction costs incurred. They are 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 borrowing will be redeemed, costs directly attributable to the arrangement of borrowings are recognised as transaction costs and debt issue costs are deferred until redemption. Where it is unlikely that all or part of the borrowing will be redeemed, debt issue costs are capitalised and amortised over the term of the borrowing concerned.

Borrowings and debt are classified as non-current liabilities if the Group has an unconditional right to defer settlement for at least 12 months after the reporting date. Otherwise they are classified as current liabilities.

# Notes to the consolidated financial statements

(in € thousands unless otherwise stated)

## 2.16. 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.

## 2.17. Employee benefit obligations and similar benefits

### (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.

## Notes to the consolidated financial statements

(in € thousands unless otherwise stated)

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.

## 2.18. 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 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.

# Notes to the consolidated financial statements

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## *Warranty provisions*

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

## **2.19. 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.

## **2.20. 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 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 borrowings and 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. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

## **2.21. Share-based payments**

The Group has set up a performance-based long-term incentive plan for certain employees. 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.

### **3. Financial risk management**

#### **3.1. 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 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 (e.g., most products sold in the United States are manufactured primarily in USD regions).

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 USD. 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 (cost basis in USD to mitigate the risk of sales denominated in USD) 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 outside the eurozone whose functional currency is not the euro. The Group is therefore exposed to a revaluation risk regarding the assets and liabilities of these entities.

At 30 September 2016, 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 €3,934 thousand as a result of losses/gains on cross currency swaps (30 September 2015: €4,138 thousand).

###### *(ii) Interest rate risk*

The Group's interest rate risk arises from long-term borrowings and debt. Borrowings and debt issued at floating rates expose the Group to cash flow interest rate risk.

At 30 September 2016, if interest rates on euro-denominated borrowings had been 1.0% higher/lower with all other variables held constant, post-tax profit for the year would have increased/decreased by €1,100 thousand, mainly as a result of the impact of interest rate swaps (30 September 2015: €1,100 thousand).

##### **(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

## Notes to the consolidated financial statements

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small proportion of revenue is hedged in this way. Overall, the Group is not exposed to any client concentration risk (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 a revolving credit line. This credit line has a nominal value of €93 million, none of which had been drawn down at 30 September 2016 (see Note 15).

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 borrowings and debt and derivative financial instruments shown on the balance sheet.

(in € thousands)

At 30 September 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Borrowings and debt	1,154,508	-	-	-	1,154,508
Derivative financial instruments	17,526	-	-	-	17,526
Trade and other payables	106,907	294	-	-	107,200

  

At 30 September 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Borrowings and debt	34,412	24,706	1,134,162	-	1,193,380
Derivative financial instruments	27,897	-	-	-	27,897
Trade and other payables	92,137	519	-	-	92,655

### 3.2. Capital risk management

The Group's financial structure and the terms and conditions of the credit agreements used to purchase the Group (formerly Zodiac Marine) do not allow for flexibility. In the short term, the Group therefore does not intend to pay any dividends. The Group has not fixed a target leverage ratio.

### 3.3. 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.



## Notes to the consolidated financial statements

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

### 4. 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 2.7. 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 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 Group company concerned.

#### (c) Provision for restructuring costs

The Group has set aside provisions for its restructuring plans:

- a restructuring plan involving the closure of the Belberaud site in France was announced on 4 July 2014; and
- employees were informed of a restructuring plan to shut down several production lines at the Vista site in the United States on 6 December 2014.

The restructuring provisions were calculated based on estimates of indemnities to be paid to employees affected by these plans. These provisions continued to be utilised during the 2016 financial year.

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**5. Intangible assets**

(in € thousands)	Goodwill	Trademarks	Customer relationships	Development costs	Other	Total
<b>Year ended 30 Sept. 2016</b>						
<b>Carrying amount at beginning of year</b>	<b>414,382</b>	<b>151,503</b>	<b>1,494</b>	<b>25,679</b>	<b>6,270</b>	<b>599,327</b>
Increases	-	39	-	6,508	1,788	8,335
Other	-	-	-	-	-	(126)
Disposals	-	-	-	1	-	1
Exchange differences	350	39	9	342	32	898
Amortisation	-	(706)	(967)	(5,201)	(2,834)	(9,708)
Impairment	-	-	-	(2,538)	-	(2,538)
<b>Carrying amount at end of year</b>	<b>414,732</b>	<b>150,875</b>	<b>536</b>	<b>24,791</b>	<b>5,256</b>	<b>596,189</b>
<b>At 30 September 2016</b>						
Cost	682,890	264,046	118,619	89,239	27,384	1,182,178
Accumulated amortisation and impairment	(268,158)	(113,171)	(118,083)	(64,448)	(22,128)	(585,988)
<b>Carrying amount</b>	<b>414,732</b>	<b>150,875</b>	<b>536</b>	<b>24,791</b>	<b>5,256</b>	<b>596,189</b>

(in € thousands)	Goodwill	Trademarks	Customer relationships	Development costs	Other	Total
<b>Year ended 30 Sept. 2015</b>						
<b>Carrying amount at beginning of year</b>	<b>400,492</b>	<b>152,089</b>	<b>2,909</b>	<b>25,805</b>	<b>7,030</b>	<b>588,326</b>
Increases	-	12	-	7,176	1,127	8,315
Transfers	-	-	-	-	874	874
Disposals	-	-	-	-	6	6
Exchange differences	13,889	200	286	1,344	291	16,010
Amortisation	-	(798)	(1,702)	(5,175)	(3,059)	(10,735)
Impairment	-	-	-	(3,470)	-	(3,470)
<b>Carrying amount at end of year</b>	<b>414,382</b>	<b>151,503</b>	<b>1,494</b>	<b>25,679</b>	<b>6,270</b>	<b>599,327</b>
<b>At 30 September 2015</b>						
Cost	682,369	263,527	118,444	83,452	25,690	1,173,482
Accumulated amortisation and impairment	(267,987)	(112,024)	(116,950)	(57,773)	(19,420)	(574,155)
<b>Carrying amount</b>	<b>414,382</b>	<b>151,503</b>	<b>1,494</b>	<b>25,679</b>	<b>6,270</b>	<b>599,327</b>

**5.1. Impairment tests on goodwill**

Goodwill at 30 September 2016 corresponds entirely to the Group's single activity, the Pool Care business. The Pool Care business 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.

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

Goodwill breaks down as follows by CGU:

(in € thousands)	At 30 Sept. 2016	At 30 Sept. 2015
Americas	323,837	323,487
Europe	90,895	90,895
Southern Hemisphere	-	-
<b>Total</b>	<b>414,732</b>	<b>414,382</b>

The recoverable amount of each CGU is determined based on value-in-use calculations. These calculations use post-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. Growth rates do not exceed the long-term average growth rate for the business in which each CGU operates.

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

	At 30 Sept. 2016	At 30 Sept. 2015
Long-term growth rate	1.5%-2.5%	3%
Discount rate (weighted average cost of capital before tax)	7.6%-9.5%	9.5%-10.5%

The discount rates used are pre-tax rates and reflect specific risks relating to the relevant segments. No goodwill impairment loss was recorded at 30 September 2016, as at 30 September 2015.

If the estimated EBITDA margin were reduced (or increased) by 100 basis points over the entire projection period (and for the calculation of terminal values), with all other variables held constant, the impairment loss to be recognised in the income statement would be €879 thousand higher (or lower).

At 30 September 2016,

- if the discount rate (weighted average cost of capital) used to discount cash flows were 0.5% higher than management's estimates, no additional impairment loss would be recognised;
- if the long-term growth assumptions were 0.5% lower than the values used, no additional impairment loss would be recognised.

The recent conclusions related to the sale of all the shares of Zodiac Pool Holding has resulted in an enterprise value for the Group that confirms the calculations and conclusions of the impairment test.

## 5.2. Impairment tests on trademarks

The trademarks acquired in business combinations have been allocated to the appropriate CGUs. The material trademarks held by the Group are the Zodiac trademark (with a carrying amount of €107,693 thousand at 30 September 2016) and Polaris (carrying amount at 30 September 2016 of €41,608 thousand).

The trademarks have been allocated to cash-generating units (Americas, Europe and the Southern Hemisphere) based on their respective contributions to sales. A goodwill impairment test is performed 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.

No impairment loss was recorded at 30 September 2016, as at 30 September 2015.

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

**6. Property, plant and equipment**

(in € thousands)	Land and buildings	Machinery and equipment	Other property, plant and equipment	Total
<b>Year ended 30 Sept. 2016</b>				
<b>Carrying amount at beginning of year</b>	<b>6,858</b>	<b>7,255</b>	<b>5,672</b>	<b>19,786</b>
Increases	416	3,970	1,409	5,795
Disposals	(109)	(127)	(26)	(262)
Exchange differences	56	95	70	220
Depreciation	(1,072)	(3,965)	(1,686)	(6,724)
Impairment	1,742	263	298	2,303
<b>Carrying amount at end of year</b>	<b>7,891</b>	<b>7,491</b>	<b>5,737</b>	<b>21,119</b>

<b>At 30 September 2016</b>				
Cost	20,577	59,102	18,855	98,534
Accumulated depreciation and impairment	(12,685)	(51,612)	(13,118)	(77,414)
<b>Carrying amount</b>	<b>7,891</b>	<b>7,491</b>	<b>5,737</b>	<b>21,119</b>

(in € thousands)	Land and buildings	Machinery and equipment	Other property, plant and equipment	Total
<b>Year ended 30 Sept. 2015</b>				
<b>Carrying amount at beginning of year</b>	<b>9,239</b>	<b>7,717</b>	<b>4,998</b>	<b>21,955</b>
Increases	152	-	5,090	5,242
Transfers	45	1,978	(2,885)	(862)
Disposals	(1,985)	205	(188)	(1,968)
Exchange differences	395	437	271	1,102
Depreciation	(988)	(3,402)	(1,613)	(6,003)
Impairment	-	320	-	320
<b>Carrying amount at end of year</b>	<b>6,858</b>	<b>7,255</b>	<b>5,672</b>	<b>19,786</b>

<b>At 30 September 2015</b>				
Cost	20,971	57,056	18,664	96,691
Accumulated depreciation and impairment	(14,113)	(49,801)	(12,991)	(76,905)
<b>Carrying amount</b>	<b>6,858</b>	<b>7,255</b>	<b>5,672</b>	<b>19,786</b>

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

## 7. Investments in equity-accounted companies

(in € thousands)	Year ended 30 Sept. 2016	Year ended 30 Sept. 2015
<b>Opening balance</b>	-	378
Impairment	-	378
<b>Closing balance</b>	-	-

On 20 January 2013, the Group paid €380 thousand for an option to purchase all of the shares in Fusion, a Canadian manufacturer of LED lighting. The Group decided not to exercise this option and it was written down in full in August 2015.

As from August 2015, the Group has no investments in equity-accounted companies.

## 8. Financial instruments by category

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

At 30 September 2016					
(in € 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	112,723	-	-	-	
Derivative financial assets	-	-	-	-	
Derivative financial liabilities	-	-	(17,526)	-	
Cash and cash equivalents	-	49,325	-	-	
Trade and other payables	-	-	-	(106,907)	
Borrowings and debt	-	-	-	(1,053,067)	
<b>Total</b>	<b>112,723</b>	<b>49,325</b>	<b>(17,526)</b>	<b>(1,159,973)</b>	

  

At 30 September 2015					
(in € 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	98,258	-	-	-	
Derivative financial assets	-	-	-	-	
Derivative financial liabilities	-	-	(27,897)	-	
Cash and cash equivalents	-	38,147	-	-	
Trade and other payables	-	-	-	(92,137)	
Borrowings and debt	-	-	-	(1,019,428)	
<b>Total</b>	<b>98,258</b>	<b>38,147</b>	<b>(27,897)</b>	<b>(1,111,564)</b>	

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

The assets and liabilities measured at fair value are summarised in the table below (see Note 3.3):

(in € thousands)	At 30 September 2016		
	Quoted prices on an active market (level 1)	Significant observable valuation inputs (level 2)	Other (level 3)
Trade receivables	-	-	112,723
Derivative financial assets	-	-	-
Derivative financial liabilities	-	(17,526)	-
Cash and cash equivalents	-	-	49,325
Trade and other payables	-	-	(106,907)
Borrowings and debt	-	-	(1,053,067)
<b>Total</b>	-	<b>(17,526)</b>	<b>(997,925)</b>

(in € thousands)	At 30 September 2015		
	Quoted prices on an active market (level 1)	Significant observable valuation inputs (level 2)	Other (level 3)
Trade receivables	-	-	98,258
Derivative financial assets	-	-	-
Derivative financial liabilities	-	(27,897)	-
Cash and cash equivalents	-	-	38,147
Trade and other payables	-	-	(92,137)
Borrowings and debt	-	-	(1,019,428)
<b>Total</b>	-	<b>(27,897)</b>	<b>(975,160)</b>

## 9. Derivative financial instruments

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

(in € thousands)	At 30 September 2016		At 30 September 2015	
	Assets	Liabilities	Assets	Liabilities
Cross currency swaps	-	(17,526)	-	(27,897)
Interest rate swaps	-	-	-	-
<b>Total</b>	-	<b>(17,526)</b>	-	<b>(27,897)</b>

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) Cross currency swaps

At 30 September 2016 and 2015, the Group held cross currency swaps for a notional amount of €141,825 thousand. The swaps are due to expire on 27 March 2018.

## Notes to the consolidated financial statements

(in € thousands unless otherwise stated)

### (b) Interest rate swaps

At 30 September 2016 and 2015, the Group held interest rate swap agreements for a notional amount of €319,990 thousand, under which it received a floating interest rate of 3-month Euribor and paid a fixed rate. For the agreement subscribed by Zodiac Pool Solutions for a notional amount of €89,221 thousand expiring on 4 April 2018, the fixed rate is 0.165%, and 0.179% for the agreements subscribed by Zodiac European Pool and Zodiac International for a notional amount of €80,991 thousand expiring on 4 April 2018.

The fixed rate of the agreements subscribed by Zodiac Pool Solutions North America and Zodiac Pool Systems Inc. for a notional amount of €149,778 thousand is 3.533%. The agreements expire on 27 March 2018 (see Note 15).

## 10. Trade and other receivables

(in € thousands)	At 30 Sept. 2016	At 30 Sept. 2015
Trade receivables – gross	115,479	101,348
Less: provision for impairment	(2,756)	(3,090)
<b>Trade receivables – net</b>	<b>112,723</b>	<b>98,258</b>
Other receivables – current	11,393	11,887
	<b>124,117</b>	<b>110,145</b>

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 gross trade receivables at the reporting date:

(in € thousands)	At 30 Sept. 2016	At 30 Sept. 2015
Up to 3 months	111,992	96,938
3 to 6 months	580	1,116
6 to 12 months	982	445
Beyond 12 months	1,925	2,850
	<b>115,479</b>	<b>101,348</b>

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

(in € thousands)	Year ended 30 Sept. 2016	Year ended 30 Sept. 2015
Opening balance	(3,090)	(4,563)
Allowance for impairment of trade receivables	(340)	(1,056)
Unused amounts reversed	680	2,603
Exchange differences	(6)	(75)
	<b>(2,756)</b>	<b>(3,090)</b>

Movements in allowances for impairment of trade receivables are included within “Selling expenses” in the 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.

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

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

(in € thousands)	At 30 Sept. 2016	At 30 Sept. 2015
EUR	18,656	19,184
USD	83,460	72,948
AUD	16,754	12,193
CAD	2,297	2,762
ZAR	2,302	2,681
Other	647	377
	<b>124,117</b>	<b>110,145</b>

## 11. Inventories

(in € thousands)	At 30 Sept. 2016	At 30 Sept. 2015
Raw materials	17,714	22,409
Work-in-progress	21	25
Finished goods	53,989	40,789
	<b>71,724</b>	<b>63,223</b>

Allowances for impairment of inventories recognised during the year ended 30 September 2016 amounted to €1,141 thousand (30 September 2015: an allowance of €768 thousand).

## 12. Cash and cash equivalents

(in € thousands)	At 30 Sept. 2016	At 30 Sept. 2015
Cash at bank and on hand	49,325	38,147
Short-term bank deposits	-	-
<b>Cash and cash equivalents (see consolidated balance sheet)</b>	<b>49,325</b>	<b>38,147</b>

In the statement of cash flows, net cash and cash equivalents break down as follows:

	At 30 Sept. 2016	At 30 Sept. 2015
Cash and cash equivalents	49,325	38,147
Bank overdrafts (Note 15)	(650)	(885)
<b>Net cash and cash equivalents at end of year (see statement of cash flows)</b>	<b>48,675</b>	<b>37,261</b>

## 13. Share capital

	Number of shares	Share capital
<b>At 30 September 2016</b>	<b>400,907,856</b>	<b>€160,363,142.40</b>
<b>At 30 September 2015</b>	<b>400,907,856</b>	<b>€160,363,142.40</b>



## Notes to the consolidated financial statements

(in € thousands unless otherwise stated)

At 30 September 2016 and 2015, total subscribed and fully paid capital amounted to €160,363 thousand, divided into 400,907,856 shares with a par value of €0.40 each, as follows:

- 23,287,455 ordinary shares (A shares); and
- 377,620,401 preference shares (B shares).

Both A and B shares carry voting rights. With respect to dividend distribution, reserves and premiums, amounts shall first be allocated to the holders of B shares.

No dividends have been recommended or declared for the year ended 30 September 2016.

### 14. Trade and other payables

(in € thousands)	At 30 Sept. 2016	At 30 Sept. 2015
Trade payables	55,961	43,910
Other payables	51,240	48,746
	<b>107,200</b>	<b>92,655</b>

### 15. Borrowings and debt

(in € thousands)	At 30 Sept. 2016	At 30 Sept. 2015
<b>Non-current</b>		
Bank borrowings		995,952
Accrued interest		7,571
Other	205	484
	<b>205</b>	<b>1,004,008</b>
<b>Current</b>		
Accrued interest	16,976	14,540
Bank overdrafts (Note 12)	650	885
Bank borrowings	1,035,280	-
Other	(43)	(6)
	<b>1,052,862</b>	<b>15,420</b>
<b>Total borrowings and debt</b>	<b>1,053,068</b>	<b>1,019,428</b>

#### Group credit facilities

On 27 September 2007, the Group entered into a loan agreement with the following structure:

- Facility B – a multi-currency term loan facility (USD and EUR) for a euro-equivalent value of €680,000 thousand, with a maturity of eight years and a floating interest rate per annum based on 3-month Euribor/Libor plus a margin of 2.75%, and any mandatory costs as defined by the banks.
- Facility D – a multi-currency term loan facility (USD and EUR) for a euro-equivalent value of €150,000 thousand, with a maturity of nine years and six months and a floating interest rate per annum based on 3-month Euribor/Libor plus a margin of 4.00%, and any mandatory costs as defined by the banks.
- Facility E – a multi-currency floating interest facility for an initial euro-equivalent value of €150,000 thousand, with a committed tranche for €80,000 thousand and an uncommitted tranche for €70,000 thousand. The uncommitted tranche has never been used. The committed tranche was drawn down in full between 2008 and 2012. The outstanding principal has not changed since 17 September 2014 and is not subject to principal repayments. At 30 September 2016, the outstanding principal stood at €16,375 thousand. The loan pays interest at 3-month Euribor/Libor plus a margin ranging from 3.25% to 4.50% according to the sub-tranche.

## Notes to the consolidated financial statements

(in € thousands unless otherwise stated)

- A revolving credit facility for an equivalent of €120,000 thousand.
- A mezzanine loan facility for a euro-equivalent value of €150,000 thousand, with a maturity of 10 years and a floating interest rate per annum based on 12-month Euribor/Libor plus a margin of 4.00%, and any mandatory costs as defined by the banks.

The financing resulted in transaction costs totalling €23,656 thousand.

In April 2010, the Group partially restructured tranche D of the loans it had taken out in September 2007 and which had been drawn down in EUR and USD. Since April 2010, interest that was previously payable quarterly is now capitalised and due on maturity of the loan.

The cost of the refinancing measures amounted to €8,709 thousand and was amortised in full in the effective interest rate calculation.

As all of the Group's borrowings and debt are at floating rates, the carrying amount can be considered to approximate the fair value (adjusting for amortisation of issuance costs and the discounting of the credit spread).

Following the disposal of the Milpro and Evac businesses, on 31 January 2013 a portion of the debt previously held by funds managed by the Oaktree Capital Management fund was transferred to a Group entity, in the amounts of €110,300 thousand for Facility B, and €241 thousand for Facility E. These amounts are deducted from consolidated debt.

On 10 September 2014, the Group signed an agreement with its lenders extending its senior debt (tranches B and E), mezzanine debt, tranche D facility and revolving credit facility, as follows:

Facility	Original repayment date	New repayment date
Senior B	26 September 2015	3 April 2018
Senior E (capex)	26 September 2014	5 January 2018
Revolving facility	26 September 2014	5 January 2018
Mezzanine	26 September 2017	3 April 2019
Tranche D	26 March 2017	3 October 2018

In exchange for these extensions, the Group accepted a significant increase in the interest spread on its existing facilities.

However, the Group benefited from a payment moratorium on the incremental interest until 6 October 2015. The Group paid the incremental interest of €7,200 thousand and USD 3,000 thousand for the first year to 6 October 2015. Since that date, incremental interest has been included in the interest spread and paid quarterly.

The Group also made one-off repayments on the Senior B and E tranches, for €101,230 thousand and USD 30,722 thousand. These repayments were financed using the cash proceeds from the 2013 business divestments that had not previously been used to pay down debt.

Drawing rights for the revolving credit facility have been reduced from €120,000 thousand to €92,800 thousand, a level that is still sufficient to cover peaks in the Group's working capital financing needs. The reduction in drawing rights has had the effect of lowering the commitment fees due on undrawn amounts.

The bank arrangements contain covenants regarding financial ratios to be tested on a quarterly basis. There are three ratios: net debt/EBITDA, EBITDA/interest expense and cash flow/debt service, all of which are calculated based on contractually defined financial indicators and are adjusted in line with financial data derived from the accounting system. The annual authorised investment amount is also limited.

## Notes to the consolidated financial statements

(in € thousands unless otherwise stated)

When the debt extension agreement was signed in September 2014, the ratios were adjusted to reflect the Group's new financial profile.

In the event that these covenants are breached and under certain conditions, lenders are entitled to declare the Company in default, demand early repayment of the loans and call any sureties and guarantees pledged.

The ratios calculated based on the consolidated financial statements for the year ended 30 September 2016 and the associated contractual amounts are summarised in the following table:

<b>Net debt/EBITDA (leverage ratio)</b>	Ratio as calculated	4.87
	Maximum	8.92
<b>EBITDA/interest expense (interest cover ratio)</b>	Ratio as calculated	2.21
	Minimum	1.75
<b>Cash flow/debt service (cash cover ratio)</b>	Ratio as calculated	1.55
	Minimum	1.33
<b>Investments (in € millions)</b>	Amount	12.81
	Maximum	21.0

Based on estimates of these ratios over the 12 months after the end of the reporting period, the Group is expected to comply with its covenants.

At 30 September 2016 and 30 September 2015, the carrying amounts of borrowings and debt approximate their fair value.

The table below shows the exposure of the Group's borrowings and debt to changes in interest rates along with contractual repricing dates at the reporting date:

(in € thousands)	At 30 Sept. 2016	At 30 Sept. 2015
Less than 6 months	1,052,862	15,418
6 to 12 months	-	-
1 to 5 years	205	1,004,008
	<b>1,053,068</b>	<b>1,019,428</b>

At 30 September 2016, the effective interest rates on senior loans were:

- Facility B: 5.25% for EUR; 5.85% for USD.
- Facility D: 4.44% for EUR; 5.4% for USD.
- Mezzanine facility: 8.88% for EUR; 9.96% for USD.

The carrying amounts of the Group's borrowings and debt (including the mezzanine facility and the B and D facilities) are denominated in the following currencies (before currency swaps):

(in € thousands)	At 30 Sept. 2016	At 30 Sept. 2015
EUR	715,572	701,818
USD	328,207	316,219
	<b>1,043,779</b>	<b>1,018,037</b>

The amounts used to calculate the interest due on these bank borrowings before transaction fees and after currency swaps are shown below for the following currencies:

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

(in € thousands)	At 30 Sept. 2016	At 30 Sept. 2015
EUR	543,747	559,992
USD	470,706	458,184
	<b>1,044,453</b>	<b>1,018,176</b>

In January 2015, the Group protected itself against adverse changes in interest rates by hedging all of its senior debt denominated in euros.

Nominal amount covered	Fixed rate paid by the borrower	Floating rate received by the borrower
€89,221 thousand	0.1650%	3-month Euribor
€80,991 thousand	0.1790%	3-month Euribor
€149,778 thousand	3.533%	3-month Euribor

The Group also unwound the cross currency swaps arranged in 2007 and due to expire on 26 September 2015, and put in place new cross currency swaps expiring on 27 March 2018. As the market value of the derivative instruments arranged in 2007 was negative (USD 42,000 thousand), the Group agreed to make a balancing payment of USD 10,000 thousand and to reimburse the outstanding amount by increasing the future interest rate to be applied to the derivative instruments.

The cross currency swaps arranged in 2015 amounted to €141,825 thousand, converted to USD 159,000 thousand.

A cross currency swap is a financial derivative that allows two parties to exchange financial flows in two different currencies. The interest on senior debt denominated in euros subscribed by American companies can therefore be transformed into interest payable in USD, limiting exposure to adverse foreign exchange fluctuations and allowing the companies to use the dollars generated by their American operating activities to pay interest each quarter.

In addition to limiting foreign exchange risk, it also allows the Company to protect itself against adverse changes in interest rates by transforming existing floating rate debt into fixed-rate debt.

When the cross currency swap expires, the derivative is unwound and can result in a gain or a loss. The original debt is unchanged. It is repaid in the original currency as it would normally have been had no derivative been put in place.

Nominal amount of cross currency swap	USD counterpart	Quarterly interest received	Quarterly interest paid
€141,825 thousand	USD 159,000 thousand	3-month Euribor +3%	7.8890%

Due to the change of shareholder, this transaction requires the early repayment of all of the tranches during the 2017 financial year. At 30 September 2016, the Group's borrowings were classified as current debt.

# Notes to the consolidated financial statements

(in € thousands unless otherwise stated)

## 16. Deferred taxes

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to taxes levied by the same tax authority.

The amounts offset are as follows:

(in € thousands)	At 30 Sept. 2016	At 30 Sept. 2015
Deferred tax assets	14,137	13,004
Deferred tax liabilities	(67,393)	(64,083)
<b>Deferred tax liabilities, net</b>	<b>(53,256)</b>	<b>(51,079)</b>

Gross changes in deferred taxes are as follows:

(in € thousands)	At 30 Sept. 2016	At 30 Sept. 2015
<b>Opening balance</b>	<b>(51,079)</b>	<b>(45,569)</b>
Income statement income/(expense)	(2,227)	(6,828)
Exchange differences	50	1,316
<b>Closing balance</b>	<b>(53,256)</b>	<b>(51,079)</b>

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 € thousands)	Depreciation, amortisation and impairment	Intangible assets	Provisions	Inventories	Other	Total
<b>At 30 September 2014</b>	<b>(1,749)</b>	<b>(59,146)</b>	<b>206</b>	<b>(879)</b>	<b>(13,404)</b>	<b>(74,972)</b>
Income statement (debit)/credit	41	3,717	768	38	8,428	12,993
Exchange differences	(215)	(552)	19	(106)	(1,251)	(2,105)
<b>At 30 September 2015</b>	<b>(1,922)</b>	<b>(55,981)</b>	<b>993</b>	<b>(946)</b>	<b>(6,226)</b>	<b>(64,083)</b>
Income statement (debit)/credit	(44)	427	(834)	(44)	(2,801)	(3,296)
Exchange differences	(7)	(10)	7	(3)	(3)	(15)
<b>At 30 September 2016</b>	<b>(1,972)</b>	<b>(55,564)</b>	<b>166</b>	<b>(994)</b>	<b>(9,030)</b>	<b>(67,393)</b>

### Deferred tax assets

(in € thousands)	Accrued liabilities	Inventories	Net operating losses	Local assets	Other	Total
<b>At 30 September 2014</b>	<b>9,058</b>	<b>2,523</b>	<b>1,775</b>	<b>4,202</b>	<b>11,845</b>	<b>29,403</b>
Income statement (debit)/credit	(1,890)	(1,067)	(1,142)	(3,181)	(12,541)	(19,820)
Exchange differences	957	274	191	418	1,582	3,421
<b>At 30 September 2015</b>	<b>8,125</b>	<b>1,730</b>	<b>824</b>	<b>1,440</b>	<b>885</b>	<b>13,004</b>
Income statement (debit)/credit	1,663	178	(870)	(204)	301	1,069
Exchange differences	17	5	7	6	30	65
<b>At 30 September 2016</b>	<b>9,805</b>	<b>1,914</b>	<b>(39)</b>	<b>1,241</b>	<b>1,216</b>	<b>14,137</b>

The "Other" column in the Deferred tax assets table essentially consists of deferred tax assets related to the restatement of financial instruments and the amortised cost of debt.

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Deferred tax assets are recognised on tax loss carryforwards to the extent that it is probable that future taxable profits will be available (based on budgets and forecasts approved by management), against which the tax loss carryforwards can be utilised. The year-on-year change in deferred tax assets results chiefly from temporary differences arising on provisions recognised mostly by North American entities.

**17. Employee benefit obligations and similar benefits**

(in € thousands)	At 30 Sept. 2016	At 30 Sept. 2015
Obligations under defined benefit plans	1,346	1,070
<b>Liability in the balance sheet</b>	<b>1,346</b>	<b>1,070</b>

The Group has defined benefit plans primarily in Europe and defined contribution plans in the United States.

The Group has a range of obligations in respect of pensions and similar benefits governed by collective agreements or company agreements. It also has obligations regarding long-service awards and other benefits for employees in France and Italy.

Changes in the defined benefit obligation over the year were as follows:

(in € thousands)	At 30 Sept. 2016	At 30 Sept. 2015
<b>Opening balance</b>	<b>1,070</b>	<b>1,234</b>
Service cost	134	182
Interest cost	15	12
Contribution by plan participants	(60)	(91)
Change in actuarial differences	186	(11)
Plan settlements	-	(256)
<b>Closing balance</b>	<b>1,346</b>	<b>1,070</b>

The amounts recognised in the income statement are as follows:

(in € thousands)	Year ended 30 Sept. 2016	Year ended 30 Sept. 2015
Service cost	134	182
Interest cost	15	12
Plan settlements	-	(256)
<b>Income statement impact</b>	<b>150</b>	<b>(62)</b>

The main actuarial assumptions used were as follows:

	At 30 Sept. 2016	At 30 Sept. 2015
Discount rate	2.25%	2.25%
Future salary inflation rate	2.50%	2.50%

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 € thousands unless otherwise stated)

**18. Provisions**

(in € thousands)	Restructuring	Warranties	Other	Total
<b>At 1 October 2014</b>	<b>7,440</b>	<b>9,814</b>	<b>11,237</b>	<b>28,490</b>
Income statement debit/(credit):				
Additions during the year	-	3,668	1,614	5,282
Utilisation of provisions	(4,331)	(216)	(9,198)	(13,746)
Exchange differences	(45)	1,026	811	1,792
<b>At 1 October 2015</b>	<b>3,064</b>	<b>14,292</b>	<b>4,464</b>	<b>21,819</b>
Income statement debit/(credit):				
Additions during the year	-	2,490	17,353	19,843
Utilisation of provisions	(2,278)	(117)	(2,148)	(4,543)
Exchange differences	-	119	49	168
<b>At 30 September 2016</b>	<b>786</b>	<b>16,784</b>	<b>19,717</b>	<b>37,288</b>

**(a) Warranties**

The provision for warranty costs is calculated at the time of sale and expensed through cost of sales in the income statement. Additions during the 2016 financial year are mainly attributable to increased revenues in the United States.

**(b) Restructuring**

During the 2014 financial year, the Group implemented a restructuring plan in Europe announced on 4 July 2014, involving the closure of the Belberaud plant for which a restructuring provision amounting to €7,598 thousand was recorded in the financial statements for the year ended 30 September 2014. Of this amount, €2,278 thousand was utilised during the year ended 30 September 2016.

A provision of €715 thousand for the restructuring plan in the United States announced on 6 December 2013, involving the closure of several production lines at the Vista site, was recognised in the financial statements for the year ended 30 September 2014. The restructuring plan was completed in the 2016 financial year.

**(c) Other**

Additions during the year of €17,353 thousand to other provisions consisted mainly of a provision of €17,100 thousand for employee share-based payment plan costs (see also Note 20, "Other income and expenses, net").

At 30 September 2016, other provisions consisted mainly of the provision for share-based payment plan costs (€18,800 thousand).

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

**19. Expenses by nature**

(in € thousands)	Year ended 30 Sept. 2016	Year ended 30 Sept. 2015
Raw materials and semi-finished products used	(215,745)	(201,720)
Employee benefit expense:		
- Wages, salaries and social security costs	(82,712)	(76,219)
- Service cost	(134)	(182)
Depreciation and amortisation charges (Notes 5 and 6)	(16,435)	(17,372)
Operating lease payments (Note 25)	(3,384)	(3,120)
Other expenses	(70,482)	(66,140)
<b>Total cost of sales, marketing and administrative expenses and R&amp;D costs</b>	<b>(388,893)</b>	<b>(364,765)</b>

**20. Other income and expenses, net**

(in € thousands)	Year ended 30 Sept. 2016	Year ended 30 Sept. 2015
Impairment of intangible assets (Note 5)	(2,538)	(3,470)
Impairment of property, plant and equipment (Note 6)	2,303	320
Restructuring expenses	(269)	(1,199)
Other income/(expenses)	(27,169)	(5,410)
	<b>(27,673)</b>	<b>(9,760)</b>

Restructuring expenses and other income/(expenses) correspond to income and expense items that are material taken individually, arising from non-recurring events such as restructuring plans and related costs, disposals of assets (excluding business combinations) or releases of provisions for litigation.

Changes in the provision for employee share-based payment plan costs (€17,100 thousand) are included within "Other income/(expenses)". In light of the disposal of the group and the enterprise value used for the purpose of this transaction, this is considered to be a non-recurring expense.



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

## 21. Financial income and expense

(in € thousands)	Year ended 30 Sept. 2016	Year ended 30 Sept. 2015
<b>Financial expense:</b>		
- Interest expense on bank borrowings	(79,483)	(75,157)
- Change in fair value of derivatives (net)	-	(7,983)
- Exchange differences (loss)	-	(11,717)
- Other finance costs	(90)	(2,193)
	<u>(79,573)</u>	<u>(97,049)</u>
<b>Financial income:</b>		
- Dividends	-	-
- Other financial income	4,692	3,995
- Change in fair value of derivatives (net)	10,541	-
- Exchange differences (gain)	6,744	2,875
	<u>21,977</u>	<u>6,871</u>
<b>Net financial expense</b>	<u>(57,596)</u>	<u>(90,178)</u>

## 22. Income tax expense

(in € thousands)	Year ended 30 Sept. 2016	Year ended 30 Sept. 2015
Current tax	9,642	8,190
Deferred tax (Note 16)	2,227	6,828
<b>Income tax (benefit)/expense</b>	<u>11,869</u>	<u>15,019</u>

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 € thousands)	Year ended 30 Sept. 2016	Year ended 30 Sept. 2015
<b>Profit/(loss) before income taxes</b>	<u>(7,670)</u>	<u>(43,595)</u>
Theoretical income tax	(2,641)	(15,010)
Local income taxes	567	1,171
Non-deductible charges	7,103	2,326
Unrecognised deferred tax assets	7,740	25,883
Recognition of deferred tax assets	(1,733)	(105)
Impairment of deferred tax assets	-	-
Difference in tax rates	882	255
Other	(50)	498
<b>Effective income tax (benefit)/expense</b>	<u>11,869</u>	<u>15,019</u>

With effect from the year ended 30 September 2011, the Group has opted to classify within income tax social security charges payable by French entities on the Company value-added contribution (CVAE). These charges are recorded under "Local income taxes".

## 23. Business combinations

In the years ended 30 September 2016 and 30 September 2015, the Group did not carry out any acquisitions falling within the scope of IFRS 3 on business combinations.

## 24. Contingent assets and liabilities

At 30 September 2016, the Group has identified €1,621 thousand of commitments given relating to bank guarantees.

## 25. Commitments

### (a) Commitments under borrowing agreements

At 30 September 2016, all shares owned by the Company and its subsidiaries have been pledged to secure the Group's loans described in Note 15. Several assets owned by the Group, particularly trademarks, patents and intragroup receivables, have been pledged to lending banks, along with the main bank accounts used by the Group.

### (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 € thousands)	At 30 Sept. 2016	At 30 Sept. 2015
Less than 1 year	1,253	2,257
More than 1 year and less than 5 years	5,457	2,954
More than 5 years	128	333
	<b>6,839</b>	<b>5,543</b>

The operating leases recognised as an expense in the year ended 30 September 2016 amounted to €3,384 thousand (year ended 30 September 2015: €3,120 thousand).

## 26. Related-party transactions

At 30 September 2016, all shares are held by ZM Luxembourg SCA, a company under the control of Carlyle. Carlyle refers to funds managed by The Carlyle Group and companies controlled by these funds.

### (a) Purchases of services

(in € thousands)	Year ended 30 Sept. 2016	Year ended 30 Sept. 2015
Services rendered by Coast Holding Sarl (general partner of Coast Investment SCA, which indirectly controls ZM Luxembourg SCA)	36	286
	<b>36</b>	<b>286</b>

## Notes to the consolidated financial statements

(in € thousands unless otherwise stated)

### (b) Senior management compensation

(in € thousands)	Year ended 30 Sept. 2016	Year ended 30 Sept. 2015
Wages and salaries	3,824	3,340
Pension benefits	97	78
Termination benefits	150	205
Other benefits in kind	122	200
	<b>4,193</b>	<b>3,823</b>

The figures for the year ended 30 September 2016 include compensation for 8 senior executives (compared to 9 for the year ended 30 September 2015).

### (c) Long Term Incentive Plan

During the year ended 30 September 2014, the Group put in place a share grant and compensation plan in favour of certain employees. The Group set aside an additional provision in the amount of €17,100 thousand in the 2016 financial year (€1,000 thousand in 2015) in respect of this plan, included within "Other income and expenses, net" in the income statement.

### (d) Other transactions

As a Company supplier, the former director (whose term of office was not renewed during the year ended 30 September 2012) and non-controlling shareholder of the subsidiary Zodiac Pool Solutions Italia (formerly Europool Italia) holds interests either as a shareholder or as an agent. Purchases from this supplier amounted to €136 thousand for the year ended 30 September 2016 (30 September 2015: €104 thousand).

## 27. Events after the reporting date

On the 22<sup>nd</sup> of October, ZM Luxembourg has signed an agreement for the sale of 100% of the shares of Zodiac Pool Holding.

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

## 28. Scope of consolidation

At 30 September 2016, all Group companies are fully consolidated subsidiaries.

Subsidiaries at 30 September 2016 and 2015 are presented below:

Entity	Country of incorporation	% interest 30 September 2016 <sup>(1)</sup>	% interest 30 September 2015 <sup>(1)</sup>
Aquamar	Germany	100%	100%
Avon Inflatable	United Kingdom	-	100%
Avon Marine	United Kingdom	-	100%
Zodiac Pool Solutions Italia (formerly Europool Italia)	Italy	89.49%	89.49%
Zodiac Pool Care S. Africa	South Africa	100%	100%
Zodiac Pool Care Europe	France	100%	100%
Zodiac Group Australia	Australia	100%	100%
Zodiac European Pools	France	100%	100%
Zodiac Pool Deutschland	Germany	100%	100%
Zodiac Pool Iberica	Spain	100%	100%
Zodiac International	France	100%	100%
Zodiac Pool Holding	France	100%	100%
Zodiac Pool Care China	China	100%	100%
Zodiac Marine Investment France	France	100%	100%
Zodiac Pool Solutions	France	100%	100%
Marine Investment Finland	Finland	100%	100%
Zodiac Marine & Pool Australie	Australia	100%	100%
Zodiac Marine & Pool North America (formerly Marine Investment US)	United States	100%	100%
Zodiac Pool Systems Canada (formerly Waterpik Tech Inc Canada)	Canada	100%	100%
Zodiac Pool Systems Inc (formerly Jandy Pool Products Inc)	United States	100%	100%
Jandy Inc (formerly Waterpik Tech Inc)	United States	100%	100%
Cover Pools	United States	100%	100%
ION Business Solutions	United States	100%	100%
Zodiac New Zealand	New Zealand	100%	100%
Zodiac Pool Care Portugal	Portugal	100%	100%
SET Schmidt Energietechnik	Germany	100%	100%

<sup>(1)</sup> Percentage interests are identical to the percentage of control.