Trilogy International Limited

Financial Statements

For the year ended 31 March 2017

The Board of Directors have pleasure in presenting the annual report of Trilogy International Limited ('the Company') and its subsidiaries (together 'the Group'), incorporating the financial statements and the auditor's report, for the year ended 31 March 2017.

The directors are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which fairly present the financial position of the Group as at 31 March 2017 and the results of the Group's operations and cash flows for the year ended on that date.

The directors consider the financial statements of the Group have been prepared using accounting policies which have been consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

The directors confirm that proper accounting records have been kept which enable with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance with the Financial Markets Conduct Act 2013.

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

The Board of Directors of the Group authorised these financial statements presented for issue on 26 May 2017.

For and on behalf of the Board.

Grant Baker
Chairman
26 May 2017

Stephen Sinclair
Director
26 May 2017

Independent auditor's report

To the shareholders of Trilogy International Limited

Trilogy International Limited's consolidated financial statements comprise:

- the balance sheet as at 31 March 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements of Trilogy International Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 March 2017, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the area of due diligence and other assurance services connected to our role as auditors. The provision of these other services has not impaired our independence as auditor of the Group.

Our audit approach

Overview

An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

For the purpose of our audit, we applied a threshold for overall group materiality of $844,500, which represents 5% of Group profit before tax. We chose net profit as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during the audit above $40,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Our key audit matters are:

- Carrying value of goodwill and intangible assets
- Carrying value of investment in associate
- Contingent consideration for the acquisition of CS Company

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the consolidated financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

All audit work in respect of the consolidated financial statements was performed by the Group engagement team, with the exception of the work in relation to the Group's investment in the associate in Chile, Forestal Casino. In accordance with our instructions the auditors of the associate reported the results of their audit work to us. We undertook appropriate procedures to assess whether we could place reliance on their audit work.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	*How our audit addressed the key audit matter*
Carrying value of goodwill and intangible assets The Group has $51.7 million of intangible assets, including $47.8m of goodwill and $2.8m of indefinite life brands at 31 March 2017. These assets were recognised on the acquisition of a number of businesses, in particular the Trilogy natural products business and the CS Company distribution business. No impairment charge has been recorded by management against these balances in the current or previous financial years. Management utilised a value in use methodology to determine the value of the businesses using discounted cash flows and performed an impairment assessment of the goodwill and non-amortising intangible assets. The carrying values of goodwill and brands are contingent on future cash flows and there is risk that if these cash flows do not meet the Group's expectations that the assets will be impaired. The cash flow forecasts used in the Group's impairment reviews involve subjective estimates about future business performance. Certain assumptions made by management in the impairment review are key estimates, including revenue growth and profit margins, expected long-term growth rates and the weighted average cost of capital used as the discount rates.	Our audit procedures included the following: Assessed management's processes and controls over preparing the Group's valuation model used for impairment reviews in support of the carrying value of goodwill and intangibles. We also assessed the Group's ability to accurately forecast on the basis of forecasts prepared in recent years. Tested the calculation of the valuation model including the inputs and mathematical accuracy of the model in comparison to the net asset value of the relevant CGU. Assessed key estimates and assumptions made by management. Our procedures included the following: • Assessed the reasonableness of key assumptions in the cash flow forecasts, in particular revenue growth and profit margins. We considered these with reference to historical performance of the CGUs and in comparison with economic forecasts. For the distribution business we also considered the Group's strategy review for that CGU. • Engaged an auditor's expert to assess the weighted average cost of capital used as the discount rate in the models against available external data and determined that the rates used by management are within a reasonable range; and • Obtained and evaluated management's sensitivity analyses to ascertain the impact of reasonably possible changes and we performed our own independent sensitivity calculations to quantify the downside changes to management's models required to result in impairment, focusing in particular on the Distribution CGU.

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Key audit matter	*How our audit addressed the key audit matter*
Carrying value of goodwill and intangible assets (continued) Changes in these assumptions might lead to a change in the carrying value of intangible assets and goodwill. The risk is greater for the goodwill of $32.6million attributed to the Distribution cash generating unit ('CGU') that arose on the CS Company acquisition where the valuation headroom compared to carrying value is lower than for the Trilogy natural products business. Refer to Note 16 (Intangible Assets).	Reviewed the disclosure in the financial statements to ensure that this is compliant with the requirements of NZ accounting standards. No matters arose from performing these procedures.
Carrying value of investment in associate The Group acquired a 25% interest in Forestal Casino, the largest Chilean rosehip oil producer, in June 2016. The carrying value of the Group's investment in this associate at 31 March 2017 was $14.0 million, including goodwill of $12.0m. Management review the carrying value of the overall investment in the associate at each reporting date and perform a detailed impairment review if any indicators of impairment are identified. The carrying value is contingent on future cash flows and there is risk that if these cash flows do not meet the Group's expectations that the investment in associate will be impaired. Management utilised a fair value less costs of disposal methodology to determine the value of the business, based on Forestal Casino's five year business plan and using discounted cash flows. The model considers a number of alternative scenarios for the timing and extent of new capex and applies a probability weighting to each scenario.	We obtained management's fair value less cost to sell model used to value the investment in Forestal Casino. Our audit procedures included the following: Assessed management's processes and controls over preparing the valuation model used for their impairment review in support of the carrying value of the investment in associate. We considered the level of information available to Group management from the associate and extent of their involvement with the associate's process to review and approve the five year business plan. Tested the calculation of the valuation model including the inputs and mathematical accuracy of the model and comparison to the relevant net asset value of the Associate. Assessed key estimates and assumptions made by management. Our procedures included the following: • Agreed the future cash flows included in management's model to the 5 year business plan for Forestal Casino approved originally in June 2016 and reviewed and updated in May 2017.

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Key audit matter	*How our audit addressed the key audit matter*
Carrying value of investment in associate (continued) The cash flow forecasts used in the model involve subjective estimates about future business performance. Certain assumptions made by management in the impairment review are key estimates, including the cost and timing of planned capex in new processing equipment, the available supply of rosehips, yield from processing and market prices for rosehip oil, overall long-term growth rates and discount rates used. Changes in these assumptions might lead to a change in the carrying value of the investment in the associate. As a result of the impairment review, the Directors have identified that whilst there is no impairment in the carrying value of the associate at 31 March 2017, there are reasonably possible changes in key assumptions that could result in impairment, as disclosed in note 17.	• Compared the current 5 year plan for consistency with the plans outlined in the Board paper supporting the June 2016 acquisition. We found the 5-year plan used in the model is largely consistent with the plan used at acquisition, specifically the forecast capex plans, and expected yields from processing. We reviewed and considered the appropriateness of external evidence obtained by management to support the assumptions made on future yields expected from the new processing equipment. • Considered the reasonableness of assumptions in the cash flow forecasts for sales prices, profit margins and terminal growth rates with reference to recent performance of the associate, comparison with Consumer Price Index forecasts for Chile and the rosehip price increases. • We engaged an auditor's expert to recalculate the weighted average cost of capital used as the discount rate in the model, including those inputs that are specific to Chile, against available external data and determined that the rate used by management is within a reasonable range. • Reperformed management's calculations on possible changes in key assumptions that could result in an impairment. Reviewed the disclosures on impairment testing to ensure they were consistent with the accounting standards. As a result of these procedures above, no matters were noted.
Contingent consideration for the acquisition of CS Company As disclosed in note 22 (d), the purchase price for the acquisition of CS Company in August 2015 includes a contingent consideration arrangement that requires the Group to pay the former owners an earn out on the third anniversary of the acquisition.	Our audit procedures included the following: Obtained management's calculation of the provision for contingent consideration and assessed the key estimates and assumptions made by management and reviewed supporting correspondence.

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Key audit matter	*How our audit addressed the key audit matter*
Contingent consideration for the acquisition of CS Company (continued) The earnout has two tranches based on a multiple applied to CS Company's EBITDA for the years ending 31 March 2016 and 31 March 2017 respectively. The amount due under the first tranche has been agreed. The amount due under the second tranche is currently under negotiation. At 31 March 2017 estimated payments for the second tranche range from $2.6 million to $4.0 million. Applying probabilities against possible outcomes management have estimated the fair value of the second tranche to be $4 million. Management based the weighting on the most likely outcome of the negotiations and on the latest progress of these negotiations We consider the fair value of the contingent consideration at 31 March 2017 to be a key area of focus for our audit due to: • the magnitude of the balance and range of possible outcomes; and • the high level of subjectivity in calculating the contingent consideration.	Assessed the probabilities applied against the possible pay out amounts based on our knowledge of the transaction, the business relationship and discussions with management on progress with the negotiations. Evaluated the disclosures, in particular around the level of estimation risk and the range of possible outcomes. No material matters were noted as a result of these procedures.

Information other than the financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not, and will not, express any form of assurance conclusion on the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard, except that not all other information was available to us at the date of our signing.

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Responsibilities of the directors for the consolidated financial statements

The directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:
https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page1.aspx

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Indy Sena.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
26 May 2017

Auckland

	Notes	2017 $'000	2016 $'000
Revenue	5	103,686	83,128
Cost of sales		(50,572)	(38,352)
Gross profit		53,114	44,776
Other gains/(losses) – net	6	(131)	51
Expenses	7		
Distribution		(2,695)	(2,369)
Sales & marketing		(20,814)	(17,853)
Administration		(10,269)	(9,011)
Contingent consideration remeasurement	21	(408)	(402)
Contingent consideration adjustment	21	1,007	-
Acquisition and capital structure costs		(632)	(262)
Finance income	8	14	18
Finance costs	8	(1,487)	(1,840)
Share of net profit of associate	17	204	-
Profit before income tax		17,903	13,108
Income tax expense	9	(5,212)	(3,699)
Profit for the year		**12,691**	**9,409**
Other comprehensive income – items that may be reclassified subsequently to profit and loss			
Foreign currency translation, net of tax	24	61	733
Total comprehensive income for the year		**12,752**	**10,142**

		Dollars	Dollars
Earnings per share for profit attributable to the ordinary equity holders of the Company during the period:			
Basic earnings per share	29	0.18	0.15
Diluted earnings per share	29	0.18	0.15

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

	Notes	2017 $'000	2016 $'000
ASSETS			
Current assets			
Cash and cash equivalents	10	1,969	4,352
Trade and other receivables	11	18,004	14,443
Derivative financial instruments	20	348	68
Inventories	12	20,338	21,024
Total current assets		40,659	39,887
Non-current assets			
Plant and equipment	14	3,794	2,732
Intangible assets	16	51,665	51,174
Investment in associate	17	13,979	-
Total non-current assets		69,438	53,906
Total assets		**110,097**	**93,793**
Current liabilities			
Trade and other payables	18	11,907	12,089
Tax payable		2,094	1,195
Interest bearing liabilities	19	226	4,803
Derivative financial instruments	20	167	10
Deferred and contingent consideration	21	1,500	1,500
Total current liabilities		15,894	19,597
Non-current liabilities			
Interest bearing liabilities	19	7,550	30,350
Deferred tax liabilities	15	45	393
Deferred and contingent consideration	21	5,998	8,038
Total non-current liabilities		13,593	38,781
Total liabilities		**29,487**	**58,378**
Net assets		**80,610**	**35,415**
EQUITY			
Contributed equity	23	68,332	32,613
Reserves	24	(94)	(257)
Retained earnings		12,372	3,059
Equity attributable to equity holders of Trilogy International Limited		**80,610**	**35,415**

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The above statements of financial position should be read in conjunction with the accompanying notes.

		Attributable to equity holders of Trilogy International Limited				
	Note	Share capital $'000	Retained earnings/ (accumulated losses) $'000	Foreign currency translation reserve $'000	Share based payments reserve $'000	Total $'000
Balance as at 1 April 2015		32,448	(4,027)	(1,239)	56	27,238
Profit for the year		-	9,409	-	-	9,409
Foreign currency translation movement	24(a)	-	-	733	-	733
Total comprehensive income		-	9,409	733	-	10,142
Transactions with shareholders						
Issue of ordinary shares:	23					
shares in lieu of Directors' fees		92	-	-	-	92
employee options exercised		75	-	-	-	75
share issue costs		(2)	-	-	-	(2)
Dividends paid	30	-	(2,323)	-		(2,323)
Share based payments	24(b)	-	-	-	193	193
Balance as at 31 March 2016		32,613	3,059	(506)	249	35,415
Balance as at 1 April 2016		32,613	3,059	(506)	249	35,415
Profit for the year		-	12,691	-	-	12,691
Foreign currency translation movement	24(a)	-	-	61	-	61
Total comprehensive income		-	12,691	61	-	12,752
Transactions with shareholders						
Issue of ordinary shares:	23					
additional capital raise		25,193	-	-	-	25,193
investment in associate		10,775	-	-	-	10,775
shares in lieu of Directors' fees		84	-	-	-	84
employee share options exercised		297	-	-	-	297
share issue costs		(630)	-	-	-	(630)
Dividends paid	30	-	(3,378)	-	-	(3,378)
Share based payments	24(b)	-	-	-	102	102
Balance as at 31 March 2017		68,332	12,372	(445)	351	80,610

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The above statements of movements in equity should be read in conjunction with the accompanying notes.

	Notes	Year ended 2017 $'000	Year ended 2016 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		111,986	89,577
Payments to suppliers and employees (inclusive of goods and services tax)		(95,510)	(79,173)
Interest received		14	18
Interest paid		(1,432)	(1,819)
Taxation paid		(4,658)	(2,935)
Net cash inflow from operating activities	28	10,400	5,668
Cash flows from investing activities			
Payments for plant and equipment		(1,861)	(1,238)
Sales of plant and equipment		-	13
Payments for intangible assets		(603)	(294)
Investment in associate	17	(2,814)	-
Acquisition of subsidiary, net of cash acquired	22	(1,500)	(33,946)
Net cash outflow from investing activities		(6,778)	(35,465)
Cash flows from financing activities			
Proceeds from borrowings	19	-	40,910
Repayment of borrowings	19	(26,800)	(8,160)
Net proceeds from issue of shares	23	24,842	58
Dividends paid	30	(3,378)	(2,323)
Net cash inflow / (outflow) from financing activities		(5,336)	30,485
Net (decrease)/ increase in cash and cash equivalents		(1,714)	688
Cash and cash equivalents at the beginning of the period		3,549	2,674
Exchange gains/(losses) on cash and cash equivalents		(92)	187
Cash and cash equivalents at end of period		1,743	3,549

Composition of cash and cash equivalents:			
Cash and cash equivalents	10	1,969	4,352
Overdraft	19	(226)	(803)
		1,743	3,549

Non-cash investing activities – refer to note 17, investment in associate.

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The above statements of cash flows should be read in conjunction with the accompanying notes.

1 General information

Trilogy International Limited ('the Company') and its subsidiaries (together 'the Group') is a manufacturer and wholesaler of products in the home fragrance, bodycare and natural products categories and distributor of personal fragrance and beauty products. Its major markets are New Zealand and Australia. The Group has manufacturing operations in Australia and the head office is based in New Zealand.

Trilogy International Limited is a limited liability company incorporated and domiciled in New Zealand, is a company registered under the Companies Act 1993 and is an FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The registered office is Level 6, 85 Fort Street, Auckland.

These financial statements have been approved for issue by the Board of Directors on 26 May 2017.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied through the periods presented, unless otherwise stated.

(a) Basis of preparation

The Directors have prepared the financial statements on the basis that the Group is a going concern.

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ('NZ GAAP'). They comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS'), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. They comply with International Financial Reporting Standard ('IFRS').

The financial statements of the Group have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013, the NZX Main Board Listing Rules and the ASX Listing Rules. In accordance with the Financial Markets Conduct Act 2013, because group financial statements are prepared and presented for the Group, separate financial statements for Trilogy International Limited are no longer required.

The preparation of financial statements in accordance with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

New and amended standards adopted by the Group.

There are no new standards or amendments that have been adopted by the Group.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial instruments (including derivative financial instruments) at fair value through profit or loss.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Trilogy International Limited ('Company' or 'parent entity') as at 31 March 2017 and the results of all subsidiaries for the period then ended. Trilogy International Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries and businesses by the Group.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Associate

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment. When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity. Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates, 'the functional currency'. The consolidated financial statements are presented in New Zealand dollars, which is Trilogy International Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 profit and loss component of the statement of comprehensive income, except when recognised in other comprehensive income as qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the profit and loss component of the statement of comprehensive income within 'finance income or cost'. All other foreign exchange gains and losses are presented in the profit and loss component of the statement of comprehensive income within 'other gains/(losses) - net'.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position item presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are taken to other comprehensive income. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences are recognised in the profit and loss component of the statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of foreign entities are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(d) Revenue recognition

Revenue comprises the fair value for the sale of goods and services, net of value-added tax (including Goods and Services Tax), rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(i) Sales of goods
Sales of goods are recognised when a Group entity has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

(ii) Interest income
Interest income is recognised on a time-proportion basis using the effective interest method.

(e) Income tax

The income tax expense or revenue for the period is the total of the current period's taxable income based on the national income tax rate for each jurisdiction plus/minus any prior years' under/over provisions, plus/minus movements in the deferred tax balance except where the movement in deferred tax is attributable to a movement in reserves.

Movements in deferred tax are attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements and any unused tax losses or credits. Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or loss or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only to the extent that is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

The income tax expense or revenue attributable to amounts recognised in other comprehensive income or directly in equity are also recognised in other comprehensive income or directly in equity.

Current and deferred tax assets and liabilities of individual entities are reported separately in the consolidated financial statements unless the entities have a legally enforceable right to make or receive a single net payment of tax and the entities intend to make or receive such a net payment or to recover the current tax asset or settle the current tax liability simultaneously.

(f) Goods and Services Tax (GST)

The statement of comprehensive income has been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

(g) Leases

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

(h) Financial instruments

Financial instruments comprise cash and cash equivalents, trade and other receivables, trade and other payables, derivative financial instruments, borrowings and contingent consideration.

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

(i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within interest bearing liabilities in current liabilities on the statement of financial position.

(j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for doubtful debts. Trade receivables are due for settlement between 30-90 days from invoice date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

The loss is recognised in the profit and loss component of the statement of comprehensive income within 'sales & marketing expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'sales & marketing expense' in the statement of comprehensive income.

(k) Financial assets

The Group classifies its financial assets in the following categories: loans and receivables and financial assets at fair value through profit and loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial.

(i) 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 arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

(ii) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. For accounting purposes, derivatives are categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the end of the reporting period.

Purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Loans and receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

The Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, and discounted cash flow analysis.

(l) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value of cash and cash equivalents, receivables, payables and accruals and the current portion of borrowings are assumed to approximate their fair values due to the short-term maturity of these investments. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value of forward exchange contracts is determined using forward exchange market rates at the statement of financial position date.

Details of the techniques used to fair value contingent consideration are given in note 22(d).

(m) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange risks. The Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are re-measured at their fair value at subsequent reporting dates. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. Up to and including 31 March 2017, the Group has not designated the forward foreign exchange contracts used as hedging instruments, therefore the derivatives do not qualify for hedge accounting.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the profit and loss component of the statement of comprehensive income.

(n) Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(o) Plant and equipment

All plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the diminishing value method to expense the cost of the assets over their useful lives. The rates are as follows:

- Plant and equipment	5-67%
- Furniture and office equipment	13-67%
- Display equipment	13-46%
- Motor vehicles	30%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit and loss component of the statement of comprehensive income.

(p) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to the cash-generating units for the purpose of impairment testing and is monitored at the operating segment level.

(ii) Trademarks

Trademarks 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 of trademarks over their estimated useful lives of 10 years.

(iii) Software and website development costs

Software and website development costs have a finite useful life. Software and website development costs are capitalised and written off over the useful economic life of 3 to 4 years using the diminishing value method.

Direct costs associated with the development of business software for internal use are capitalised where it is probable that the asset will generate future economic benefits. Capitalised costs include external direct costs of materials and services consumed and direct payroll-related costs for employees (including contractors) directly associated with the project and interest costs incurred during the development stage of a project. Additions in the current year to software include $135,000 of accumulated capitalised labour costs, $135,000 of which were incurred in the current year (31 March 2016: $nil).

(iv) Brands

Acquired brands are recorded under the heading Intangible Assets in the statement of financial position at fair value on acquisition of the brands. Where the brands have a substantial and long term sustainable value and continued investment is made in the brand e.g. through advertising expenditure, the brand is deemed to have an indefinite life and is therefore not amortised.

Brands are reviewed annually for impairment or whenever events or changes in circumstances indicate the carrying value of the brand may be impaired. In light of the IFRS Interpretations Committee (IFRS IC) agenda decision regarding the determination of the expected manner of recovery of intangible assets with indefinite useful life, we have assessed that brands are consumed through use and therefore deferred tax is recognised at acquisition. Refer to note 2 (aa) for details of the restatement.

(q) Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment irrespective of whether any circumstances identifying a possible impairment have been identified. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(r) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 and 60 days of recognition.

(s) Interest bearing liabilities

Interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred. Interest bearing liabilities are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit and loss component of the statement of comprehensive income over the period of the borrowings using the effective interest method. Arrangement fees are amortised over the term of the loan facility. Borrowing costs directly attributable to acquisition, construction or production of an asset that takes a substantial period of time to prepare for its intended use are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurs with the borrowing of funds.

Interest bearing liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

(t) Employee benefits

(i) Wages and salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Retirement benefit obligations
Contributions to defined contribution superannuation schemes are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Directors' fees
Directors can elect to take their fees in shares at average market prices for the period instead of cash (note 23). The fair value of shares issued is recognised as an expense.

(u) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares for the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

(v) Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing:
• the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
• by the weighted average number of ordinary shares outstanding during the financial year

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(w) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

(x) Share schemes

The fair value of share schemes, under which the Company receives services from directors and employees as consideration for equity instruments of the Company, is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, including any equity market performance conditions and excluding the impact of any service and non-market performance vesting conditions.

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

The Company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity over the remaining vesting period. When the options are exercised the Company issues new ordinary shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

(y) Standards, amendments and interpretations to existing standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory and of relevance for the Group's accounting periods beginning on or after 1 April 2017 or later periods.

(i) Standard and Interpretations early adopted by the Group

The Group has not early adopted any new accounting standard and IFRIC interpretations in the current financial period.

(ii) Standards, amendments and interpretations to existing standards that are relevant to the Group, not yet effective and have not been early adopted by the Group

NZ IFRS 9: 'Financial Instruments' (Effective date: periods beginning on or after 1 January 2018)

NZ IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of NZ IFRS 9 was issued in September 2014. It replaces the guidance in NZ IAS 39 that relates to the classification and measurement of financial instruments. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. NZ IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under NZ IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group intends to adopt NZ IFRS

9 on its effective date and has yet to assess its full impact.

NZ IFRS 15: 'Revenue from contracts with customers' (Effective date: periods beginning on or after 1 January 2018)

NZ IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group intends to adopt NZ IFRS 15 on its effective date and there is a project plan in place to assess the full impact of the standard.

NZ IFRS 16: Leases (Effective date: periods beginning on or after 1 January 2019)

NZ IFRS 16, 'Leases', replaces the current guidance in NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted but only in conjunction with NZ IFRS 15, 'Revenue from Contracts with Customers. The Group intends to adopt NZ IFRS 16 on its effective date and there is a project plan in place to assess the full impact of the standard.

(z) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker and the Board. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, in the prior period was identified as the Chief Executive Officer, Chief Financial Officer and the Board of Directors. In the current period the Group's management structure has been updated and the chief operating decision maker is now defined as the Board.

(aa) Restatement of prior year

In September 2010, on acquisition of the Trilogy business, the Group recognised an indefinite life brand with a fair value of $2.83 million. No deferred tax was recognised in relation to this asset at the time of the acquisition. This was based on the assumption that the carrying amount of a non-depreciable indefinite life brand is not expected to be consumed, rather, its carrying amount is expected to be recovered entirely through sale.

In November 2016, the IFRS Interpretations Committee (IFRS IC) issued an agenda decision regarding the determination of the expected manner of recovery of intangible assets with indefinite useful life for the purposes of measuring deferred tax, in accordance with IAS 12 Income Taxes. This provided additional guidance on how an entity recovers the carrying value of such assets and the consequences for the measurement and recognition of deferred tax.

Following this additional guidance, the Group has reviewed the expected recovery of the carrying amount of the indefinite life Trilogy brand and concluded that its carrying amount is expected to be recovered through use of the brand within its business. As a result, the Group has recognised a deferred tax liability of $792,400 on the brand, with a corresponding increase in the carrying amount of the Trilogy goodwill. There has been no impairment of the Trilogy goodwill or brand since the acquisition. Comparatives for goodwill and deferred tax liability at 31 March 2016 and 1 April 2015 have been restated and both increased by $792,400. This adjustment has no impact on profit or net assets in the reported periods.

As the restatement amount only affects two line-items in the balance sheet as described above, a full third balance-sheet has not been presented.

3 Financial risk management

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 financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risks and aging analysis for credit risk.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control risk exposures within acceptable parameters while optimising the return on risk.

(i) Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Group's entities, being NZ dollars (NZD) and Australian dollars (AUD). The currency risk arises primarily with respect to purchases of materials in US dollars (USD) and NZ dollars by the Australian subsidiary, product purchases in US dollars (USD) and AU dollars (AUD) by the New Zealand subsidiary and sales to international customers in US dollars (USD), GB pounds (GBP) Euros (EUR), and Japanese Yen (JPY) by the New Zealand subsidiaries.

After allowing for natural hedges, the Group uses forward foreign exchange contracts to manage its estimated foreign currency exposure in respect of forecast revenue received from international customers, and in respect of forecast raw material and product purchases.

The Group has certain investments in foreign operations whose net assets are exposed to foreign currency translation risk.

The table below summarises the Group's exposure at the reporting date to foreign currency risk on the net monetary assets/(liabilities) of each Group entity against its respective functional currency, expressed in NZ dollars.

	31 March 2017					
	NZD $'000	**USD $'000**	**AUD $'000**	**GBP $'000**	**EUR $'000**	**JPY $'000**
Trilogy International Limited	-	-	8,432	-	-	-
Ecoya NZ Limited	-	172	8	38	59	-
Ecoya Pty Limited	5,539	684	-	-	-	-
Trilogy Natural Products Limited	-	919	2,014	544	321	167
CS Company	-	(290)	(1,701)	-	-	-
Trilogy International Limited Group	5,539	1,485	8,753	582	380	167

	31 March 2016					
	NZD $'000	**USD $'000**	**AUD $'000**	**GBP $'000**	**EUR $'000**	**JPY $'000**
Trilogy International Limited	-	-	8,578	-	-	-
Ecoya NZ Limited	-	486	6	32	21	-
Ecoya Pty Limited	1,213	707	-	-	-	-
Trilogy Natural Products Limited	-	880	1,942	201	510	123
CS Company	-	(291)	(1,631)	-	-	-
Trilogy International Limited Group	1,213	1,782	8,895	233	531	123

The following significant exchange rates applied during the year:

	Average Rate 2017	**Average Rate 2016**	**Closing Rate 2017**	**Closing Rate 2016**
NZD/AUD	0.945	0.920	0.917	0.902
NZD/USD	0.709	0.677	0.701	0.691
NZD/GBP	0.546	0.451	0.559	0.480
NZD/EUR	0.649	0.614	0.656	0.611
NZD/JPY	76.945	81.261	78.060	77.751

Sensitivity analysis – underlying exposures

A 10% weakening of the NZ dollar against the Australian dollar at 31 March 2017 would have increased/(decreased) equity and the net result for the period by the amounts shown below. Based on historical movements a 10% increase or decrease in the NZ dollar is considered to be a reasonable estimate. This analysis assumes that all other variables remain constant.

Australian dollar

The Group's net result and equity for the period would have been $405,000 lower and $357,000 higher respectively (2016: $162,000 higher and $854,000 higher respectively).

A 10% strengthening of the NZ dollar against the Australian dollar at 31 March 2017 and 31 March 2016 would have an approximately equal and opposite effect on the above currencies to the amounts set out above on the basis that all other variables remain constant.

The Group's exposure to other foreign exchange movements, excluding forward foreign exchange contracts, is not material.

Sensitivity analysis – forward foreign exchange contracts

The Group is exposed to currency risk on derivative financial instruments denominated in foreign currencies.

A 10% weakening of the NZ dollar at 31 March 2017 in relation to these forward foreign exchange contracts would have increased the Group's equity and the net result for the period by $971,000 (2016: increase $1,901,000).

A 10% strengthening of the NZ dollar at 31 March 2017 and 31 March 2016 would have an equal and opposite effect on the basis that all other variables remain constant.

(ii) Interest rate risk

The Group's fair value interest rate risk at 31 March 2017 arises from bank borrowings where the interest rate is set using the customised average rate loan facility rate (CARL rate). The Group's cash flow interest rate risk arises from bank borrowings at floating rates (floating portion of CARL). A detailed summary of the Group's interest rate risk is given in note 19.

Sensitivity analysis

If interest rates on borrowings had been 100 basis points higher during the year, the Group's net result and equity for the period would have been $141,000 lower (2016: $262,000 lower). Based on historical movements, a 100 basis points movement is considered to be a reasonable estimate.

A 100 basis points decrease in interest rates would have an approximately equal and opposite effect.

(iii) Price risk

The Group does not enter into commodity contracts other than to meet the Group's expected usage and sale requirements; such contracts are not settled net.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as from the Group's receivables due from customers. Only major banks are accepted for cash and deposit balances.

The Group has a large number of customers with only two individual customers each accounting for more than 10% of the Group's revenue. Credit risk is concentrated predominantly within Australia and New Zealand and the market for consumer products. The Group has established credit policies under which each new customer is analysed for creditworthiness before payment and delivery terms and conditions are agreed.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised in note 11.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, including interest payments in respect of financial liabilities. The maturity analysis of the interest-bearing liabilities at 31 March 2017 assumes that no principal will be repaid until the expiration date of 19 August 2020.

At 31 March 2017

	Notes	Less than 3 months	3 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amounts liabilities
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Non-derivative financial liabilities								
Trade and other payables	18	11,907	-	-	-	-	11,907	11,907
Interest bearing liabilities	19	103	309	412	8,132	-	8,956	7,776
Deferred and contingent consideration	21	-	1,500	6,417	-	-	7,917	7,498
Total		12,010	1,809	6,829	8,132	-	28,780	27,181

At 31 March 2016

	Notes	Less than 3 months	3 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amounts liabilities
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Non-derivative financial liabilities								
Trade and other payables	18	12,089	-	-	-	-	12,089	12,089
Interest bearing liabilities	19	1,440	4,170	6,310	28,713	-	40,633	35,153
Deferred and contingent consideration	21	-	1,500	1,500	7,050	-	10,050	9,538
Total		13,529	5,670	7,810	35,763	-	62,772	56,780

The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. They are expected to occur and affect profit or loss at various dates between statement of financial position date and the following 12 months.

31 March 2017

	Less than 3 months $'000	3-12 months $'000
Forward foreign exchange contracts		
Inflow	7,193	23,362
Outflow	(6,066)	(24,308)

31 March 2016

	Less than 3 Months $'000	3-12 Months $'000
Forward foreign exchange contracts		
Inflow	3,870	13,249
Outflow	(3,857)	(13,204)

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(d) Financial instruments by category

Assets as per balance sheet

	Notes	Loans and receivables At 31 March 2017 $'000	Measured at fair value through the profit and loss At 31 March 2017 $'000	Loans and receivables At 31 March 2016 $'000	Measured at fair value through the profit and loss At 31 March 2016 $'000
Trade and other receivables (net)	11	16,458	-	12,741	-
Derivative financial instruments	20	-	348	-	68
Cash and cash equivalents	10	1,969	-	4,352	-
		18,427	348	17,093	68

Prepayments and GST receivable do not meet the definition of a financial asset and have been excluded from the tables above.

Liabilities as per balance sheet

	Notes	Measured at amortised cost At 31 March 2017 $'000	Measured at fair value through the profit and loss At 31 March 2017 $'000	Measured at amortised cost At 31 March 2016 $'000	Measured at fair value through the profit and loss At 31 March 2016 $'000
Trade payables and accrued expenses	18	10,307	-	11,010	-
Derivative financial instruments	20	-	167	-	10
Interest bearing liabilities	19	7,776	-	35,153	-
Deferred and contingent consideration	21	1,470	6,028	2,851	6,687
		19,553	6,195	49,014	6,697

Employee entitlements, GST payable and deferred lease incentive do not meet the definition of a financial liability and have been excluded from the table above.

(e) Fair value estimation

The following table represents the Group's assets and liabilities that are measured at fair value:

	Notes	Level 2 2017 $'000	Level 2 2016 $'000
Derivative financial instruments - assets	20	348	68
Derivative financial instruments - liabilities	20	(167)	(10)
		181	58

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. These instruments are included in level 1. The Group did not have any level 1 financial instruments at 31 March 2017 (2016: nil).

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The Group's forward foreign exchange contracts are level 2 financial instruments at 31 March 2017 and 31 March 2016.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. At 31 March 2017, the contingent consideration is classified as level 3 (2016: contingent consideration).

Specific valuation techniques used to fair value instruments include:
The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

(f) Capital adequacy

The Board's aim is to maintain a strong capital base to sustain future development of the business and to maintain investor and creditor confidence. The combination of shareholder funds raised to date and the funding provided from the Bank of New Zealand gives the Group sufficient capital base to continue to grow the business.

The Group has been subject to externally imposed capital requirements since 10 September 2010 in relation to the facility with Bank of New Zealand as described in Note 19. The Group has complied with all tested requirements for the entire period reported.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and the judgements applied are discussed below.

(i) Estimated impairment of goodwill and brands

The Group tests annually whether goodwill and brands have suffered any impairment, in accordance with the accounting policy stated in note 2p(i) and 2p(iv). The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 16 for details of these assumptions.

(ii) Business combinations – fair values

Judgement is exercised in determining the fair value of assets and liabilities acquired and liabilities arising from contingent consideration arrangements in business combinations. The fair value of the contingent consideration is required to be reassessed at subsequent reporting dates until it is settled. Refer to note 22 for details of these assumptions.

(iii) Investment in associate – carrying value

Judgement is exercised in reviewing the carrying value of the investment and assessing whether there is any impairment. The Group have used the fair value less cost of sale method in assessing the recoverable amount of the investment in associate, including goodwill, at balance date. Refer to note 17 for details of these assumptions.

5 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker and the Board. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer, Chief Financial Officer and the Board of Directors. The Group's operating segments are 'Home Fragrance, Bodycare', (the Ecoya brand), 'Natural Products' (the Trilogy and Goodness brands) and 'Distribution' (CS Company). There are no changes to the Groups operating segments from the previous year.

Management also consider the business from a geographical perspective within these segments and have provided geographical information below.

The chief operating decision maker assesses the performance of the operating segments based on a measure of earnings before interest, tax, depreciation and amortisation (EBITDA). This measurement basis excludes fair value gains and losses on derivative financial instruments, the share of the associate's profits and the effects of non-recurring expenditure from operating segments. Interest income and costs are not allocated to segments as this type of activity is driven by the Group's head office function which manages the cash position of the Group. Head office costs are allocated to segments in line with their sales.

The segment information provided to the chief operating decision maker for the reportable segments, as supplemented with information by geography, is as follows:

	Year Ended 31 March 2017						
	Australia $'000	New Zealand $'000	US $'000	UK & Ireland $'000	Rest of World $'000	Other $'000	Total $'000
HOME FRAGRANCE, BODYCARE							
Sales to external customers	14,033	5,782	27	226	905	463	21,436
Inter-segment sales	-	-	-	-	-	-	-
Total segment revenue	14,033	5,782	27	226	905	463	21,436
EBITDA	879	1,064	(15)	(11)	(43)	(63)	1,811
Depreciation and amortisation	(139)	(97)	-	-	-	(18)	(254)
Income tax (expense)/credit	(676)	-	-	-	-	-	(676)
Capital expenditure	214	667	-	-	-	18	899

	Year Ended 31 March 2017						
	Australia $'000	New Zealand $'000	US $'000	UK & Ireland $'000	Rest of World $'000	Other $'000	Total $'000
NATURAL PRODUCTS							
Sales to external customers	15,154	2,594	1,993	3,102	5,437	548	28,828
Inter-segment sales	-	9,968	-	-	-	-	9,968
Total segment revenue	15,154	12,562	1,993	3,102	5,437	548	38,796
EBITDA	4,560	4,868	(129)	469	1,990	49	11,807
Depreciation and amortisation	-	(198)	-	-	-	(62)	(260)
Share of net profit of associate	-	-	-	-	204	-	204
Income tax (expense)/credit	-	(2,122)	-	(10)	-	-	(2,132)
Capital expenditure	-	1,298	-	-	-	12	1,310

	Year Ended 31 March 2017						
	Australia $'000	New Zealand $'000	US $'000	UK & Ireland $'000	Rest of World $'000	Other $'000	Total $'000
DISTRIBUTION							
Sales to external customers	-	53,422	-	-	-	-	53,422
Inter-segment sales	-	-	-	-	-	-	-
Total segment revenue	-	53,422	-	-	-	-	53,422
EBITDA	-	8,495	-	-	-	-	8,495
Depreciation and amortisation	-	(279)	-	-	-	-	(279)
Income tax (expense)/credit	-	(2,404)	-	-	-	-	(2,404)
Capital expenditure	-	255	-	-	-	-	255
Contingent consideration adjustment	-	1,007	-	-	-	-	1,007

	Year Ended 31 March 2017						
	Australia $'000	New Zealand $'000	US $'000	UK & Ireland $'000	Rest of World $'000	Other $'000	Total $'000
INTERCOMPANY ELIMINATION							
Sales to external customers	-	-	-	-	-	-	-
Inter-segment sales	-	(9,968)	-	-	-	-	(9,968)
Total segment revenue	-	(9,968)	-	-	-	-	(9,968)
EBITDA	-	-	-	-	-	-	-
Total revenue by geography	29,187	61,798	2,020	3,328	6,342	1,011	103,686

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	Year Ended 31 March 2016						
	Australia $'000	New Zealand $'000	US $'000	UK & Ireland $'000	Rest of World $'000	Other $'000	Total $'000
HOME FRAGRANCE, BODYCARE							
Sales to external customers	12,678	5,034	112	601	1,074	616	20,115
Total segment revenue	12,678	5,034	112	601	1,074	616	20,115
EBITDA	1,172	1,089	(19)	78	139	47	2,506
Depreciation and amortisation	(118)	(42)	-	-	-	(23)	(183)
Income tax (expense)/credit	(676)	-	(3)	-	-	-	(679)
Capital expenditure	204	63	-	-	-	10	277

	Year Ended 31 March 2016						
	Australia $'000	New Zealand $'000	US $'000	UK & Ireland $'000	Rest of World $'000	Other $'000	Total $'000
NATURAL PRODUCTS							
Sales to external customers	10,530	13,307	2,451	3,140	4,039	983	34,450
Total segment revenue	10,530	13,307	2,451	3,140	4,039	983	34,450
EBITDA	2,714	6,385	311	523	1,495	106	11,534
Depreciation and amortisation	-	(70)	-	-	-	(34)	(104)
Income tax (expense)/credit	-	(1,877)	-	(4)	-	-	(1,881)
Capital expenditure	-	319	-	-	-	255	574

	Year Ended 31 March 2016						
	Australia $'000	New Zealand $'000	US $'000	UK & Ireland $'000	Rest of World $'000	Other $'000	Total $'000
DISTRIBUTION							
Sales to external customers	-	28,563	-	-	-	-	28,563
Total segment revenue	-	28,563	-	-	-	-	28,563
EBITDA	-	4,763	-	-	-	-	4,763
Depreciation and amortisation	-	(152)	-	-	-	-	(152)
Income tax (expense)/credit	-	(1,139)	-	-	-	-	(1,139)
Capital expenditure	-	386	-	-	-	-	386
Total revenue by geography	23,208	46,904	2,563	3,741	5,113	1,599	83,128

The "Other" category displayed above refers to retail and online revenue and expenses that relate to transactions within the retail markets.
A reconciliation of EBITDA to the Group's profit before tax for the period is provided as follows:

	Year ended 31 March 2017 $'000	Year ended 31 March 2016 $'000
EBITDA for reportable segments	22,113	18,803
Listed company costs	(2,242)	(2,193)
Share of net profit of associate	204	-
Acquisition and capital structure costs	(632)	(262)
Group EBITDA	19,443	16,348
Gains/(losses) on derivative financial instruments	128	(577)
Depreciation and amortisation	(793)	(439)
Net finance cost	(1,474)	(1,822)
Contingent consideration adjustment	1,007	-
Contingent consideration remeasurement	(408)	(402)
Profit before tax	17,903	13,108

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Revenues from external customers are derived from sale of goods in the home fragrance, bodycare, natural products and distribution categories.

Revenues of approximately $15,185,000 and $15,154,000 are derived from two single external customers (2016: $12,346,000, $10,792,000 and $9,697,000 from three single external customers). These revenues are attributable to all the categories in Australia and New Zealand.

The total of non-current assets other than deferred tax assets located in New Zealand is $53,662,000 (2016: $51,363,000), including the intangibles arising on the Trilogy acquisition in September 2010 and the CS Company acquisition in August 2015, and the total of non-current assets located in other countries is $15,777,000 (2016: $1,751,000), of which $13,979,000 is in Chile (2016: $nil) and $1,797,000 is in Australia (2016: $1,751,000).

Segment assets and liabilities are not included within the reporting to the chief operating decision maker and hence have not been included within the segment information tables above.

6 Other Gains/(Losses) - Net

	2017 $'000	2016 $'000
Foreign exchange gains/(losses) – net	(259)	628
Gains/(losses) on derivative financial instruments	128	(577)
	(131)	51

7 Expenses

	2017 $'000	2016 $'000
Profit/loss before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	143	139
Furniture and office equipment	354	121
Motor vehicle	1	1
Display equipment	193	100
Total depreciation	691	361
Amortisation		
Trademarks	22	21
Software and website development	80	57
Total amortisation	102	78
Total depreciation and amortisation	793	439
Rental expense relating to operating leases		
Minimum lease payments	638	554
Total rental expense relating to operating leases	638	554
Sundry expenses		
Donations	41	46
Loss on disposal of property, plant & equipment	170	130
	211	176
Employee benefit expense		
Salaries and wages	12,289	9,836
Pension costs – defined contribution superannuation scheme	466	378
	12,755	10,214

The employee benefit expense disclosed above does not include the consultancy fees payable to key management (refer note 27).

Auditors' Fees

During the year the following fees were paid or payable for services provided by the auditor.

	2017 $'000	2016 $'000
(a) Assurance services		
Audit of financial statements	177	166
Agreed upon procedures on interim report	5	4
	182	170
(b) Other services		
ASX listing assurance	11	-
Due diligence	83	61
	94	61
Total fees	276	231

8 Finance income and expenses

	2017 $'000	2016 $'000
Finance income		
Interest received on bank balances	14	18
Total finance income	14	18
Finance costs		
Foreign exchange (losses)/gains on related party loan	(13)	(8)
Borrowings	(1,474)	(1,832)
Total finance costs	(1,487)	(1,840)
Net finance cost	(1,473)	(1,822)

9 Income tax expense

	2017 $'000	2016 $'000
(a) Income tax expense		
Current tax	(5,560)	(3,147)
Deferred tax (note 15)	348	(552)
Income tax expense	(5,212)	(3,699)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	17,903	13,108
Tax expense calculated at applicable domestic tax rates	(5,013)	(3,698)
Foreign tax expense	-	-
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses/non-assessable income	(146)	(205)
Utilisation of tax losses not previously recognised	-	211
Adjustments in respect of prior years	(53)	(7)
Income tax expense	(5,212)	(3,699)

The applicable tax rate was 28% (2016: 28%)

	2017 $'000	2016 $'000
(c) Imputation credits available directly and indirectly to shareholders of the parent company, through:		
Parent company	-	-
Subsidiaries	5,260	2,580
	5,260	2,580

The above amounts represent the balance of the imputation account as at the end of the reporting period, adjusted for:
(a) Imputation credits that will arise from the payment of the amount of the provision for income tax
(b) Imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date, and
(c) Imputation credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

10 Cash and cash equivalents

	2017 $'000	2016 $'000
Cash at bank and in hand	1,969	4,352
	1,969	4,352

As at 31 March 2017 cash at bank includes a bank guarantee of $65,000 (AUD $60,000) required under the terms of the Taren Point premises' lease agreements (2016: $67,000, AUD $60,000). The deposit with the bank will be held for the period of the lease agreement, see note 26.

11 Trade and other receivables

	2017 $'000	2016 $'000
Trade receivables	16,474	12,786
Provision for doubtful receivables	(16)	(45)
	16,458	12,741
Prepayments	1,546	1,334
GST receivable	-	368
	18,004	14,443

As at 31 March 2017, trade receivables of the Group of $13,990,000 (2016: $10,827,000) were fully performing.

(a) Impaired receivables

As at 31 March 2017 current trade receivables with a nominal value of $16,000 (2016: $45,000) were impaired and provided for. The amount of the provision was $16,000 (2016: $45,000) the individually impaired receivables mainly relate to customers who are in financial difficulty or dispute.

The ageing of these receivables is as follows:

	2017 $'000	2016 $'000
31 – 60 days overdue	-	-
90+ days overdue	16	45
	16	45

(b) Past due but not impaired receivables

As at 31 March 2017, trade receivables of $2,468,000 (2016: $1,914,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2017 $'000	2016 $'000
1 – 30 days overdue	1,446	1,144
31 – 60 days overdue	255	254
61+ days overdue	767	516
	2,468	1,914

(c) Provision for impairment of receivables

Movements in the provision for impairment of receivables are as follows:

	2017 $'000	2016 $'000
Opening balance	45	51
Exchange differences	-	2
Provision for impairment recognised during the year	1	1
Receivables written off during the year as uncollectable	(30)	(9)
As at 31 March	16	45

The creation and release of the provision for impaired receivables has been included in 'sales and marketing expenses' in the statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other balances within total trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

(d) Foreign exchange and interest rate risk

Refer to note 3(a)(i) for an analysis of Group's exposure to foreign currency risk in relation to trade and other receivables.

(e) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Group does not hold any collateral as security. Refer to note 3 for more information on the risk management policy of the Group.

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12 Inventories

	2017 $'000	2016 $'000
Raw materials	3,221	4,586
Finished goods	17,117	16,438
	20,338	21,024

Inventory expense

There was a write-down of inventories due to obsolete stock during the year with $148,000 charged to 'cost of sales' (2016: $164,000) in the statement of comprehensive income.

13 Shares in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2 (b):

Name of entity	Business	Country of Incorporation	Class of shares	Equity holding 2017 %	Equity Holding 2016 %
Ecoya NZ Limited	Trading	NZ	Ordinary	100	100
Ecoya Pty Limited	Trading	Australia	Ordinary	100	100
Ecoya USA Incorporated	Non-Trading	USA	Ordinary	100	100
Goodness Skincare Limited	Non-Trading	NZ	Ordinary	100	100
Kanara Holdings Limited	Investment	NZ	Ordinary	100	100
Trilogy Natural Products (Aust) Pty Limited	Non-trading	Australia	Ordinary	100	100
Trilogy Natural Products (UK) Limited	Trading	UK	Ordinary	100	100
Trilogy Natural Products Limited	Trading	NZ	Ordinary	100	100
Kakara Limited	Investment	NZ	Ordinary	100	100
C S Company Limited	Trading	NZ	Ordinary	100	100

14 Plant and equipment

	Assets under construction $'000	Plant and equipment $'000	Furniture and office equipment $'000	Display equipment $'000	Motor vehicle $'000	Total $'000
Year ended 31 March 2016						
Opening net book amount	-	746	168	76	-	990
Exchange differences	-	65	(7)	1	-	59
Additions	295	157	406	380	-	1,238
Additions through acquisitions	-	135	190	620	4	949
Disposals	-	(99)	(44)	-	-	(143)
Depreciation charge	-	(139)	(121)	(100)	(1)	(361)
Closing net book amount	295	865	592	977	3	2,732
At 31 March 2016						
Cost	295	1,479	920	1,119	4	3,817
Accumulated depreciation	-	(614)	(328)	(142)	(1)	(1,085)
Net book amount	295	865	592	977	3	2,732

	Assets under construction $'000	Plant and equipment $'000	Furniture and office equipment $'000	Display equipment $'000	Motor vehicle $'000	Total $'000
Year ended 31 March 2017						
Opening net book amount	295	865	592	977	3	2,732
Exchange differences	-	(12)	(1)	(1)	-	(14)
Additions	-	97	1,454	310	-	1,861
Transfer to furniture and office equipment	(265)	-	265	-	-	-
Transfer to intangibles	(30)	-	-	-	-	(30)
Disposals	-	-	(7)	(57)	-	(64)
Depreciation charge	-	(143)	(354)	(193)	(1)	(691)
Closing net book amount	-	807	1,949	1,036	2	3,794
At 31 March 2017						
Cost	-	1,485	2,441	1,370	4	5,300
Accumulated depreciation	-	(678)	(492)	(334)	(2)	(1,506)
Net book amount	-	807	1,949	1,036	2	3,794

15 Deferred tax

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The Group has recognised deferred tax assets and liabilities as set out in the tables below.

	Brands	Provisions	Tax Losses	Total
Deferred tax assets				
At 31 March 2015	-	365	513	878
Credited/(charged) to the income statement	-	(39)	(513)	(552)
Acquisition of subsidiary	-	73	-	73
At 31 March 2016	-	399	-	399

	Brands	Provisions	Tax Losses	Total
Deferred tax liabilities				
At 31 March 2015	-	-	-	-
Credited/(charged) to the income statement	-	-	-	-
Prior period goodwill adjustment (note 2)	(792)	-	-	(792)
At 31 March 2016	(792)	-	-	(792)
Total deferred tax asset/(liabilities) at 31 March 2016	**(792)**	**399**	**-**	**(393)**

	Brands	Provisions	Tax Losses	Total
Deferred tax assets				
At 31 March 2016	-	399	-	399
Credited/(charged) to the income statement	-	348	-	348
At 31 March 2017	-	747	-	747

	Brands	Provisions	Tax Losses	Total
Deferred tax liabilities				
At 31 March 2016	(792)	-	-	(792)
Credited/(charged) to the income statement	-	-	-	-
At 31 March 2017	(792)	-	-	(792)
Total deferred tax asset/(liabilities) at 31 March 2017	**(792)**	**747**	**-**	**(45)**

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	2017	2016
Deferred tax reversing within 12 months	747	399
Deferred tax reversing after more than 12 months	(792)	(792)
	(45)	(393)

16 Intangible assets

	Goodwill	Brand	Trademarks	Software and website development	Total
	$'000	$'000	$'000	$'000	$'000
Year ended 31 March 2016					
Opening net book amount	14,465	2,830	124	110	17,529
Exchange differences	73	-	-	-	73
Disposals	-	-	-	(1)	(1)
Additions	-	-	29	265	294
Additions through acquisitions (note 22)	32,565	-	-	-	32,565
Prior period deferred tax adjustment (note 2)	792	-	-	-	792
Amortisation charge	-	-	(21)	(57)	(78)
Closing net book amount	47,895	2,830	132	317	51,174
At 31 March 2016					
Cost	47,895	2,830	201	493	51,419
Accumulated amortisation	-	-	(69)	(176)	(245)
Net book amount	47,895	2,830	132	317	51,174

	Goodwill	Brand	Trademarks	Software and website development	Total
	$'000	$'000	$'000	$'000	$'000
Year ended 31 March 2017					
Opening net book amount	47,895	2,830	132	317	51,174
Exchange differences	(14)	-	-	-	(14)
Disposals	-	-	-	(26)	(26)
Additions	-	-	8	595	603
Transfer from Plant and Equipment	-	-	-	30	30
Amortisation charge	-	-	(22)	(80)	(102)
Closing net book amount	47,881	2,830	118	836	51,665
At 31 March 2017					
Cost	47,881	2,830	209	960	51,880
Accumulated amortisation	-	-	(91)	(124)	(215)
Net book amount	47,881	2,830	118	836	51,665

Additions to software and website development costs includes $135,000 relating to salaries for the ERP system implementation staff.

Impairment tests for indefinite life intangible assets

Indefinite life intangible assets (goodwill and brand) are allocated to the Group's cash generating units by operating segment as set out below.

	2017 $'000	2016 $'000
Home fragrance and bodycare	868	882
Natural products	17,278	17,278
Distribution	32,565	32,565
	50,711	50,725

Home fragrance and bodycare

Goodwill arose on the acquisition of a controlling interest in Ecoya Pty Limited in March 2008 and is allocated to the Group's cash-generating unit (CGU) of Ecoya Pty Limited's trading in the Australian domestic market in the Home Fragrance and Bodycare Category.

Natural products

Goodwill and brand value arose on the acquisition of 100% of Trilogy Natural Products Limited in September 2010 and is allocated to the CGU natural products.

Distribution

Goodwill arose on the acquisition of 100% of C S Company Limited in August 2015 and is allocated to the Group's cash-generating unit (CGU) distribution.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on forecast performance for the year ending 31 March 2018 and financial budgets and models approved by management covering a further 4 year period.

The key assumptions for the value-in-use calculation are those regarding growth rates, discount rate and gross margins.

In preparing the forecasts, management have assumed revenue growth as follows:

Home fragrance and bodycare

Starting at 10% revenue growth in the first year and reducing over time, down to 5% in the fifth year. The growth rates through the 5 year model reflect the investment the business has made, and will make, in sales and marketing, product packaging and branding.

Natural products

Starting at 15% revenue growth in the first year and reducing over time, down to 5% in the fifth year. The growth rates through the 5 year model reflect the investment the business will make in sales and marketing and growth in new markets.

Distribution

Starting at 5% revenue growth in the first year and reducing over time, down to 2.5% in the fifth year. The growth rates through the 5 year model reflect the investment the business will make in sales and marketing.

For all CGUs, cash flows beyond the 5 year period are extrapolated using a 2.5% long term revenue growth rate which is based on a combination of historic and forecast compound annual growth rates for the home fragrance, bodycare and skincare categories and distribution.

Management estimates discount rates using rates that reflect current market assessments of the time value of money and the risks specific to the business. The following pre-tax discount rates have been adopted; home fragrance and bodycare – 17% (2016: 17%), natural products – 13% (2016: 17%), distribution – 13% (2016: 17%).

Forecast margins are kept consistent with current year actual margins. Management have performed sensitivities over the key assumptions within the impairment model. Based on the sensitivity analysis carried out, the directors believe that no reasonable change in any of the key assumptions would cause the carrying value of goodwill to exceed its recoverable amount.

17 Investment in Associate

On 30 June 2016 the Group acquired a 25% interest in Sociedad Agricola Y Forestal Casino SpA ("Forestal Casino"), the largest Chilean based rosehip producer.

The acquisition delivers future supply certainty of certified organic rosehip oil for the Group while enabling Forestal Casino to expand at a faster rate to meet growing demand.

The following table shows the reconciliation of the movement in investment balance from acquisition date to the balance at year end.

	2017 $000
Opening balance	-
Initial acquisition	13,589
Share of profit	204
Exchange differences	186
Closing balance	13,979

Initial consideration was US$2 million payable in cash and NZ$10.8 million funded through the issue of 2,615,181 new ordinary shares.

The provisional amount shown above for the initial acquisition of the 25% interest in Forestal Casino reflects only the accounting for the agreed purchase price of this investment. The exercise to review the fair value of the net assets and identifiable assets acquired and the goodwill arising, including the assessment of the carrying value of goodwill, on the transaction has not been completed at this time. The goodwill forms part of the total cost of the investment in the associate. The carrying value of the investment, including the goodwill, will be assessed for impairment as part of this fair value exercise and at subsequent reporting dates.

The NZD equivalent of this initial consideration is detailed in the table below:

	2017 $000
Cash consideration	2,814
Share capital issued	10,775
Initial consideration	13,589

The results of the unlisted associate for the period, and its aggregated assets (excluding goodwill) and liabilities are as follows:

Name	Country of incorporation	Current assets ($000s)	Non-current assets ($000s)	Current liabilities ($000s)	Non-current liabilities ($000s)	Revenues ($000s)	Profit ($000s)	Interest held %
Forestal Casino	Chile	17,799	15,770	16,253	10,177	18,424	818	25%

	2017 $000
Total Forestal Casino net assets	7,139
Group's share in %	25%
Group's share of net assets	1,785
Exchange differences	154
Goodwill	12,040
Closing balance	13,979

Profit contribution

The associate contributed profit to the Group of $204,000 from 1 July 2016 to 31 March 2017. If the investment had occurred on 1 April 2016 the profit contributed from the associate would have been $13,000 higher.

Impairment test of investment in associate

The investment in associate at 31 March 2017 includes provisional goodwill of $12,040,000.

The recoverable amount of the investment in associate is determined based on fair value less cost of disposal calculations. These calculations use post-tax cash flow projections based on forecast performance for the year ending 31 December 2017 and financial models approved by management covering a further 5 year period.

The key assumptions for the fair value less cost of disposal calculation are those regarding growth rates, discount rate and gross margins.

Forestal Casino is planning an investment programme into plant and equipment that will significantly improve the yields achieved in rosehip oil extraction process. The valuation model incorporates several different investment scenarios and applies a probability to each scenario to produce an overall weighted average enterprise value. Initial growth is forecast to start at 5% and peak at 22% in the year following completion of the plant and equipment investment. Gross margin is forecast to improve as increased yields are achieved with minimal additional operating cost.

Cash flows beyond the 5 year period are extrapolated using a 3.5% long term revenue growth rate which is based on a combination of historic and forecast compound annual growth rates for the rosehip sector.

Management estimates discount rates using rates that reflect current market assessments of the time value of money and the risks specific to the business. A post-tax discount rate of 10.5% has been adopted.

Management have performed sensitivities over the key assumptions within the impairment model. The 5 year business plan and planned investment programme that forms the basis for the year-end impairment model are consistent with the plans at the time of making the acquisition in June 2016 and as were reflected in the price paid for the shares. The fair value less costs of disposal is materially the same as the carrying amount of the investment in associate using the base assumptions. Any reduction in the sales growth, and gross margin or an increase in the discount rate assumptions would give a fair value less costs of disposal below the carrying amount of the investment in associate.

Contingencies

There are no contingent liabilities relating to the Group's interest in the associate, and no contingent liabilities of the associate itself.

18 Trade and other payables

	2017 $'000	2016 $'000
Trade payables	6,100	7,114
Amount due to related parties (see note 27)	125	174
Accrued expenses	4,082	3,722
GST payable	255	-
Deferred lease incentive	190	27
Employee entitlement	1,155	1,052
	11,907	12,089

Foreign currency risk

	2017 $'000	2016 $'000
Australian dollars	2,736	2,739
United States dollars	341	468
New Zealand dollars	3,098	3,943
Euros	5	8
Great British pounds	34	130
Hong Kong dollars	11	-
	6,225	7,288

For an analysis of the sensitivity of trade and other payables to foreign currency risk refer to note 3(a)(i).

19 Interest bearing liabilities

	2017 $'000	2016 $'000
Interest bearing liability – overdraft	226	803
Interest bearing liability - term loan	-	4,000
Total current interest bearing liabilities	226	4,803
Interest bearing liability - term loan	7,550	30,350
Total non-current interest bearing liabilities	7,550	30,350
Total interest bearing liabilities	7,776	35,153

On 17 August 2015, the Group entered into a multi-option facility with the Bank of New Zealand. This facility was put into place to fund the C S Company acquisition and originally had an overall limit of $58,000,000 which reduced to $51,000,000 on 31 December 2016. As at 31 March 2017, the facility comprised a customised average rate loan facility ('CARL') of $21,500,000, a revolving cash advance facility ('CCAF') of $18,000,000, a standby letter of credit $10,000,000, and an overdraft limit of $1,500,000.

The CARL facility expires on 19 August 2020. Total amortisation amounts of $15,000,000 are scheduled prior to the facility expiry date. At 31 March 2017 $7,550,000 (2016: $25,500,000) was drawn against this facility at an interest rate of 5.30% (2016: 5.14%).

The CCAF facility is interest only and expires on 19 August 2020. At 31 March 2017, the facility balance was $nil (2016: $8,850,000 with interest rate of 4.63%).

The standby letter of credit facility has not been used to date, and expires on 30 November 2018.

At 31 March 2017 the overdraft facility balance was $226,000 (2016: $803,000) with interest payable on overdrawn balances of 5.92% (2016: 5.93%).

The facility is secured by a first registered and unrestricted general security agreement over the assets and undertakings of Trilogy International Limited, and its subsidiaries.

The financial covenants entered into require the TIL Group to meet specified liquidity ratios, and EBITDA metrics, on a quarterly basis, as specified in the bank facility agreement date 17 August 2015.

(a) Fair value

The fair value of current borrowings equals their carrying amount as the impact of discounting is not significant.

(b) Risk exposures

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance dates are as follows:

	2017 $'000	2016 $'000
Interest bearing liabilities		
3 months or less	7,550	35,153
3 – 12 months	-	-
1 – 2 years	-	-
2 – 5 years	-	-
	7,550	35,153

The carrying amounts of the Group's borrowings expressed in NZ dollars are denominated in the following currencies:

	2017 $'000	2016 $'000
NZ dollars	7,550	35,153
	7,550	35,153

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20 Derivative financial instruments

	2017 Assets $'000	2017 Liabilities $'000	2016 Assets $'000	2016 Liabilities $'000
Forward foreign exchange contracts- Held for trading	348	167	68	10
	348	167	68	10

Trading derivatives are classified as a current asset or liability.

Forward foreign exchange contracts

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 March 2017 were $30,127,000 (2016: $17,061,000).

The maximum exposure to credit risk at the reporting date is the value of the derivative assets' receivable portion for the Group of $30,558,000 (2016: $17,118,000).

21 Deferred and contingent consideration

	2017 $'000	2016 $'000
Opening balance	9,538	-
CS Company deferred consideration (note 22)	-	3,000
CS Company contingent consideration (note 22)	-	7,050
Fair value discount	-	(914)
Consideration settlement	(1,500)	-
Interest payable on consideration outstanding	59	-
Contingent consideration adjustment	(1,007)	-
Contingent consideration remeasurement	408	402
Balance 31 March	7,498	9,538

	2017 $'000	2016 $'000
Current liabilities	1,500	1,500
Non-current liabilities	5,998	8,038
	7,498	9,538

The liability to the previous owners of C S Company relates to the deferred payment and earn out component under the acquisition described in note 22.

22 Business combinations

Prior period

On 17 August 2015 the Group acquired 100% of the issued share capital of CS Company Limited ("CS Company"). The fair value of the net assets and liabilities in CS Company amounted to $10,396,000 with goodwill arising from the acquisition of $32,565,000. None of the goodwill is expected to be deductible for tax purposes.

At the date of acquisition, the acquired entity is involved in the importation and distribution of products in the personal fragrance and beauty categories. The CS Company business fits well with the existing Trilogy International business. Over time synergies will be realised through distribution, sales and marketing.

The goodwill is attributable to CS Company's strong position, well-established distribution network and workforce and profitable trading in the personal fragrance and beauty categories in New Zealand. Synergies are expected to arise predominantly after the earn out period is complete.

(a) Purchase consideration

Details of the fair value of the assets and liabilities acquired and goodwill arising are as follows:

	2016 $000
Purchase consideration	
Cash paid	34,000
Deferred and contingent consideration	9,136
Working capital adjustment	(175)
Total purchase consideration	42,961
Fair value of net identifiable assets acquired (refer below)	(10,396)
Goodwill	32,565

(b) Assets and liabilities acquired

The identifiable assets and liabilities recognised as a result of the acquisition are as follows:

	Fair Value $000
Cash	54
Trade and other receivables	4,962
Inventories	9,429
Plant and equipment	949
Derivative financial instruments	446
Deferred tax asset	73
Trade and other payables	(4,958)
Tax payable	(559)
Net assets	10,396

(c) Acquisition-related costs

The acquisition costs incurred by the Group were $262,000 in completing the transaction. These costs were expensed to the Statement of Comprehensive Income in the prior financial year.

(d) Deferred and contingent consideration

The purchase consideration includes elements of deferred consideration and contingent consideration, in addition to the initial cash payment of $34m at the time of the acquisition.

Deferred consideration
The Group committed to pay the former owners of CS Company two further amounts of $1.5m (before discounting) on each of the first two anniversaries of the acquisition. The first payment was made during this period. The second payment is due in August 2017. A discount rate of 6.5% has been applied to give a fair value of $1.5m.

Contingent consideration
The contingent consideration arrangement requires the Group to pay the former owners of CS Company in cash on the third anniversary of the acquisition, a multiple of CS Company's EBITDA as calculated in CS Company's management accounts, in excess of a threshold for the years ending 31 March 2016 and 31 March 2017 of $6.4m and $7.0m respectively under an earn-out arrangement. The potential amount of undiscounted payments is not capped.

The undiscounted estimated fair value of the contingent consideration arrangement at acquisition date was based on historical earnings of CS Company, being an income approach to a level 3 fair value measurement. The estimated value has been updated at subsequent reporting dates for actual results and expected payments. The amount of the second earn-out tranche is based on EBITDA contributions from both the core CS Company business and the contribution from the distribution of Trilogy/Goodness products for the year ended 31 March 2017 and varies depending on the relative contributions from these business streams.

The earnout calculation for the second tranche is currently under negotiation. At 31 March 2017 estimated payments for the second tranche range from $2.6m to $4.0m (estimated as $2.0m to $6.9m at 31 March 2016), with a release of $1.0m reported in the statement of comprehensive income reflecting lower cumulative EBITDA of CS Company than previously estimated. In establishing the amount to be provided as at 31 March 2017, a range of probabilities have been assigned to each likely payment and a discount rate of 6.5% applied to calculate the fair value of the total contingent consideration amount (including $2.0m agreed for the first tranche) of $6.0m (31 March 2016: $7.0m).

The final earnout amount will be agreed and any resulting adjustments to the payment amount will be recognised in the September 2017 interim accounts.

(e) Acquired receivables

The fair value of trade and other receivables is $4,962,000 and includes trade receivables with gross contractual cash flows and a fair value of $4,639,000, none of which is expected to be uncollectable.

(f) Revenue and profit contribution

The acquired business contributed revenues of $53,422,000 and EBITDA of $8,495,000 to the Group for the year ended 31 March 2017 (revenue of $28,563,000 and EBITDA of $4,763,000 from 17 August 2015 to 31 March 2016). If the acquisition had occurred on 1 April 2015, consolidated revenue and consolidated earnings before interest and tax for the year ended 31 March 2016 would have been $13,594,000 and $1,843,000 higher respectively.

23 Contributed equity

	2017 Shares	2017 $'000	2016 Shares	2016 $'000
Share Capital				
Ordinary shares	72,383,947	68,332	61,874,508	31,892
Unlisted non-voting shares			720,653	721
Issued (no par value)	72,383,947	68,332	62,595,161	32,613
Treasury shares (note 25a)	(129,500)	-	(135,000)	-
Net Issued	**72,254,447**	**68,332**	**62,460,161**	**32,613**

The total authorised number of ordinary shares is 72,383,947 shares (2016: 61,874,508 shares) and the total authorised number of unlisted non-voting shares is nil (2016: 720,653).

	Number of Ordinary Shares	Number of Unlisted Non-Voting Shares	$'000
At 31 March 2015	**61,673,762**	**720,653**	**32,448**
Shares in lieu of directors' fees	100,746	-	92
Shares issued to employee share scheme	100,000	-	75
Share issue costs	-	-	(2)
At 31 March 2016	**61,874,508**	**720,653**	**32,613**
Additional capital raise (June 2016)	6,809,192	-	25,193
Share issue costs	-	-	(630)
Investment in associate (note 17)	2,615,181	-	10,775
Shares in lieu of directors' fees	24,413	-	84
Exercise of share options	340,000	-	297
Reclassification of non-voting shares	720,653	(720,653)	-
At 31 March 2017	**72,383,947**	**-**	**68,332**

Directors' Remuneration

Under the terms of the Company's constitution directors can elect to take director fees in shares at average market prices for the period instead of cash. Mandy Sigaloff and Jack Matthews have elected to take director fees in shares.

On 11 April 2015, 31,729 shares were issued to Mandy Sigaloff and 31,729 shares were issued to Jack Matthews in satisfaction of director fees for the quarters ended 31 December 2014 and 31 March 2015 net of applicable withholding taxes.

On 19 November 2015, 22,328 shares were issued to Mandy Sigaloff and 14,960 shares were issued to Jack Matthews in satisfaction of director fees for the quarters ended 30 June 2015 and 30 September 2015 net of applicable withholding taxes.

On 10 June 2016, 8,595 shares were issued to Mandy Sigaloff and 5,759 shares were issued to Jack Matthews in satisfaction of director fees for the quarters ended 31 December 2015 and 31 March 2016 net of applicable withholding taxes.

On 02 December 2016, 6,023 shares were issued to Mandy Sigaloff and 4,036 shares were issued to Jack Matthews in satisfaction of director fees for the quarters ended 30 June 2016 and 30 September 2016 net of applicable withholding taxes.

Employee Share Options Exercised

During the year to 31 March 2016 100,000 employee share options were exercised at $0.60 per share (refer to note 25 for details).

During the year to 31 March 2017 140,000 employee share options were exercised at $0.85 per share (refer to note 25 for details).

Director Share Options Exercised

During the year to 31 March 2017 200,000 director share options were exercised at $0.80 per share (refer to note 25 for details).

24 Reserves

	2017 $'000	2016 $'000
Reserves		
Foreign currency translation reserve	(445)	(506)
Share based payment reserve	351	249
	(94)	(257)

(a) Foreign currency translation reserve

Opening balance	(506)	(1,239)
Currency translation gains/(losses)	61	733
Balance 31 March	(445)	(506)

There was no tax impact of the movement in the foreign currency translation reserve.

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations into New Zealand dollars and foreign exchange differences arising on the re-translation of qualifying net investment hedges (note 2(c)).

(b) Share based payment reserve

	2017 $'000	2016 $'000
Opening balance	249	56
Fair value of options granted (refer to note 25 for details)	121	208
Fair value of options exercised	(19)	(15)
Balance 31 March	351	249

25 Share based payments

The company operates equity-settled share-based compensation plans, under which directors and employees render services in exchange for non-transferable share options or shares. The value of these services rendered for the grant of non-transferable share options and shares is recognised over the vesting period and the amount is determined by reference to the fair value of the options and shares granted.

The expense recognised in the Statement of Comprehensive Income arising from share based payment plans for employee and director services performed was as follows:

	2017 $'000	2016 $'000
Directors	-	-
Employees	121	208
Total share based payments	121	208

(a) Employee share purchase plan

The Trilogy International Ltd Employee Share Purchase Plan ("ESPP") was established to assist employees to become equity holders in the company. The ESPP is open to all full time and part time employees at an offer date. Consideration payable for the shares is determined by the Board.

The company issued 157,000 shares on 31 March 2015 to a group company as trustee for the ESPP at a price of 85c, being the average market selling price over the 20 trading days ending 31 March 2015.

The shares allocated under the ESPP are held in trust for the employees during the restrictive period. The restrictive period of the plan is three years but can be less should certain events occur (as detailed specifically within the plan).

On 8 May 2015 138,100 shares were awarded to employees, of which 27,500 subsequently vested and a further 41,250 lapsed due to staff resignations. On 8 May 2016 a further 7,800 shares were awarded to employees, subsequently there were a total of 77,150 allocated shares, these are unvested at 31 March 2017.

	2017 '000	2016 '000
Unallocated shares held by the ESPP		
Balance of unallocated shares from 31 March 2015 share allocation	52	39
Total unallocated shares held by the ESPP	52	39
Shares held on behalf of employees	78	96
Total ordinary shares held at 31 March by the ESPP	130	135

Shares held by the ESPP represent 0.25% of the total company's shares on issue.

(b) Share options scheme

Share options are granted to selected employees and directors. The exercise price of the granted options is determined by the Board with reference to the market price of shares at the time of the grant.

For employees, the options are conditional on the completion of the necessary years' service (the vesting period) as appropriate to that tranche. The option tranches vest in equal numbers annually over one to four years from the grant date. No options can be exercised later than the second anniversary of each vesting date.

For directors, the options vest immediately on the grant date and expire on the third anniversary of the original grant date.

Each ordinary share option will be converted to one ordinary share on exercise.

i) Share options granted

On 31 March 2015 the Company approved the issue of 1,170,000 unlisted share options exercisable at 85 cents per option. On 8 May 2015 the Company allocated and issued all of those options to selected employees. Since then due to resignation or redundancy of employees, 435,000 of these options have lapsed and 140,000 have been exercised.

On 22 November 2013 the Company issued 200,000 options, with an exercise price of $0.80 per share to Club QT Australia Pty Ltd (an entity associated with Mandy Sigaloff, an independent director of Trilogy International Limited). These options were exercised on 29 September 2016.

On 7 August 2014 the Company allocated and issued 200,000 options, with an exercise price of $0.80 per share to Jack Matthews (an independent director of Trilogy International Limited). These options vested immediately and expire on 30 July 2017. As at 31 March 2017, these options had not been exercised.

On 10 March 2015 the Company issued 400,000 options, with an exercise price of $0.60 per share to Angela Buglass (then Managing Director of Trilogy Natural Products Limited). These options vest in equal tranches over 4 years on each anniversary of the issue date and each tranche expires two years after the vesting date. As at 31 March 2017, 100,000 of these options had been exercised.

Movement in allocated outstanding share options	2017 Weighted Average Exercise Price	2017 '000 Options	2016 Weighted Average Exercise Price	2016 '000 Options
Outstanding at 1 April	0.79	1,570	0.70	800
Granted during the period	-	-	0.85	1,170
Lapsed during the period	0.85	(135)	0.85	(300)
Exercised during the period	0.82	(340)	0.60	(100)
Outstanding at 31 March	**0.77**	**1,095**	**0.79**	**1,570**
Exercisable at 31 March	**0.76**	**378**	**0.80**	**400**

Share options outstanding at the end of the year have the following dates and exercise prices:

Grant	Vest	Expiry Date	Exercise Price	2017 '000	2016 '000
2013/14	Immediately	2016-2017	0.80	-	200
2014/15	Immediately	2017-2018	0.80	200	200
2014/15	4 equal tranches on 10 March 2016-2019	4 equal tranches on 10 March 2018-2021	0.60	300	300
2015/16	4 equal tranches on 8 May 2016-2019	4 equal tranches on 8 May 2018-2021	0.85	595	870
				1,095	1,570

The weighted average fair value of the options granted during the period, determined using the Black-Scholes valuation model was $nil (2016 $0.272). The significant inputs into the model were the market price at grant date, the exercise price, a volatility of between 38% and 42%, an option life of 3-4 years, no expected dividends and a risk free rate of 3%. The volatility was measured based on a statistical analysis of daily share prices over periods of up to 4 years.

26 Contingencies & commitments

As at 31 March 2017 the Group had no contingent liabilities or assets (2016: nil).

The Group had capital commitments of $338,000 at 31 March 2017 in relation to the implementation of a new software system (2016: $828,000 in relation to property, plant and equipment).

(i) Operating leases

The Group leases various premises and machinery under non-cancellable operating lease agreements. The lease terms are between one and ten years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The Group also leases machinery under cancellable operating lease agreements. The Group is required to give one month's notice for termination.

	2017 $'000	2016 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	1,249	1,229
Later than one but not later than five years	2,494	2,850
Later than five years	1,326	1,819
	5,069	5,898

27 Related party transactions

(a) Directors

The Directors during the period were:

		Date of appointment
Stephen Sinclair	Executive Director	31 January 2008
Grant Baker	Executive Director	31 January 2008
Geoff Ross	Chairman	23 November 2009
Mandy Sigaloff	Independent Director	06 September 2013
Jack Mathews	Independent Director	15 August 2014

(b) Key management personnel compensation

Independent Director Fees for the period were payable to Mandy Sigaloff and Jack Matthews. Refer to note 23 for details of shares issued in lieu of fees. Under the management services agreement between Trilogy International Limited and The Business Bakery dated 25 March 2010 Grant Baker, Stephen Sinclair and Geoff Ross provided directors and management services to the Company during the period. The Business Bakery held 31.4% of the Company's shares at 31 March 2017 (2016: 49.2%).

	2017 $'000	2016 $'000
Short term benefits:		
Directors' fees (note 23)	326	256
Share based payments (note 25)	16	28
Management services	330	455
Salaries and wages	847	621
	1,519	1,360

(c) Other transactions

(i) with other related parties

During the year The Business Bakery provided rental and operational services to the Group totalling $1,000 (2016: $281,000). The Business Bakery also incurred consultancy expenses on behalf of the Group during the year of $57,000 (2016: $61,000).

Mandy Sigaloff made purchases on behalf of the Group during the year of $3,000 through her associated company, ClubQT Australia Pty Limited (2016: $1,000).

Jack Matthews made purchases on behalf of the Group during the year of $2,000 (2016: $1,000).

	2017 $'000	2016 $'000
Payables to related parties:		
The Business Bakery LP	53	124
Independent Directors	72	50
Non-Executive Directors	-	-
	125	174

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28 Reconciliation of profit after income tax to net cash flow inflow from operating activities

	2017 $'000	2016 $'000
Profit for the period	12,691	9,409
Depreciation and amortisation	793	439
Loss on disposal of assets	90	130
Unrealised (gains)/losses on derivative financial instruments	(128)	577
Foreign exchange (gains)/losses	164	239
Shares in lieu of director's fees	84	92
Movement in fair value of share based payments	121	208
Deferred tax	(351)	603
Interest payable on contingent consideration	59	-
Share of net profit of associate	(204)	-
Contingent consideration remeasurement	408	402
Contingent consideration adjustment	(1,007)	-
Movements in working capital:		
(Increase)/decrease in inventories	606	(5,318)
(Increase)/decrease in trade and other receivables	(3,450)	(3,402)
(Increase)/decrease in tax provisions	903	161
Increase/(decrease) in trade and other payables	(379)	2,128
Net cash inflow from operating activities	10,400	5,668

29 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares on issue during the period.

	2017	2016
Profit after tax ($000)	12,691	9,409
Weighted average number of ordinary shares on issue	70,219,184	62,348,788
Basic earnings per share (dollars)	0.18	0.15
Weighted average number of ordinary shares		
Issued ordinary shares at the beginning of the period	62,460,161	62,237,415
Issued ordinary shares at end of period	72,383,947	62,460,161
Weighted average number of ordinary shares	70,219,184	62,348,788

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. At 31 March 2017 the director's and employees share options are dilutive potential ordinary shares (2016: the directors and employee share options). Diluted earnings per share at 31 March 2017 was unchanged from basic earnings per share of $0.18 (2016: unchanged from basic earnings per share at $0.15).

30 Dividends

A dividend of 5.45c per share, totalling $3,377,663 (31 March 2016: $2,323,000) that relates to the year to 31 March 2016 was paid in June 2016.

31 Events occurring after the balance date

There were no material events subsequent to balance date.