

**Trilogy International Limited**

**Unaudited Financial Statements**

**For the 6 Months Ended 30 September 2016**

**Trilogy International Limited**  
**Unaudited Consolidated Interim Statement of Comprehensive Income**  
**For the 6 months ended 30 September 2016**

	<b>Notes</b>	<b>Unaudited 6 months ended 30 September 2016 \$000</b>	<b>Unaudited 6 months ended 30 September 2015 \$000</b>	<b>Audited year ended 31 March 2016 \$000</b>
Revenue	5	47,755	29,324	83,128
Cost of sales		(23,560)	(12,276)	(38,352)
Gross profit		24,195	17,048	44,776
Other gains/(losses) – net		(590)	495	51
Expenses				
Distribution		(1,159)	(1,017)	(2,369)
Sales and marketing		(10,708)	(7,329)	(17,853)
Administration		(5,450)	(3,762)	(9,011)
Acquisition and capital structure costs		(247)	(234)	(262)
Finance income		11	12	18
Finance costs		(918)	(478)	(1,840)
Contingent consideration remeasurement	14(iv)	(253)	(101)	(402)
Share of net profit of associate		183	-	-
Profit before income tax		5,064	4,634	13,108
Income tax expense	11	(1,538)	(1,425)	(3,699)
Profit for the period		3,526	3,209	9,409
Other comprehensive income: Items that may be reclassified subsequently to the Profit and Loss				
Foreign currency translation, net of tax		(575)	648	733
Total comprehensive income for the period		2,951	3,857	10,142
Earnings per share attributable to the ordinary equity holders of the Company during the period:		Dollars	Dollars	Dollars
Basic earnings per share		0.05	0.05	0.15
Diluted earnings per share		0.05	0.05	0.15

The above Interim Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

**Trilogy International Limited**  
**Unaudited Consolidated Interim Statement of Financial Position**  
**As at 30 September 2016**

	<b>Notes</b>	<b>Unaudited 30 September 2016 \$000</b>	<b>Unaudited 30 September 2015 \$000</b>	<b>Audited 31 March 2016 \$000</b>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	8	1,764	2,534	4,352
Trade and other receivables	8	19,840	17,078	14,443
Derivative financial instruments	8	-	627	68
Inventories		24,314	20,696	21,024
Total Current Assets		45,918	40,935	39,887
<b>Non-Current Assets</b>				
Plant and equipment	6	3,686	2,025	2,732
Intangible assets	7	50,283	50,186	50,382
Deferred tax asset		574	602	399
Investment in associate	15	13,772	-	-
Total Non-Current Assets		68,315	52,813	53,513
<b>Total Assets</b>		114,233	93,748	93,400
<b>Current Liabilities</b>				
Trade and other payables	8	13,262	13,193	12,089
Tax payable		162	1,221	1,195
Interest bearing liabilities	8,9	4,500	3,653	4,803
Derivative financial instruments	8	544	-	10
Deferred and contingent consideration	10	1,426	4,556	1,500
Total Current Liabilities		19,894	22,623	19,597
<b>Non-Current Liabilities</b>				
Interest bearing liabilities	8,9	16,850	37,500	30,350
Deferred and contingent consideration	10	6,876	4,680	8,038
Total Non-Current Liabilities		23,726	42,180	38,388
<b>Total Liabilities</b>		43,620	64,803	57,985
<b>Net Assets</b>		70,613	28,945	35,415
<b>Equity</b>				
Contributed equity	12	68,280	32,498	32,613
Reserves		(775)	(411)	(257)
Retained earnings/(accumulated losses)		3,108	(3,142)	3,059
Equity Attributable to Equity Holders of Trilogy International Limited		70,613	28,945	35,415

The above Interim Statement of Financial Position should be read in conjunction with the accompanying notes.

**Trilogy International Limited**  
**Unaudited Consolidated Interim Statement of Movements in Equity**  
**For the 6 months ended 30 September 2016**

Attributable to equity holders of Trilogy International Limited					
Notes	Share Capital	Accumulated Losses	Foreign Currency Translation Reserve	Share Based Payment Reserve	Total Equity
	\$000	\$000	\$000	\$000	\$000
<b>Balance at 1 April 2015</b>	32,448	(4,027)	(1,239)	56	27,238
Net profit for the half year ended 30 September 2015	-	3,209	-	-	3,209
Foreign currency translation	-	-	648	-	648
Total comprehensive income	-	3,209	648	-	3,857
Transactions with owners	12				
Issue of ordinary shares:					
Shares in lieu of directors' fees	51	-	-	-	51
Share issue costs	(1)	-	-	-	(1)
Share based payments	12	-	-	124	124
Dividends paid	-	(2,324)	-	-	(2,324)
<b>Balance at 30 September 2015</b>	<b>32,498</b>	<b>(3,142)</b>	<b>(591)</b>	<b>180</b>	<b>28,945</b>
Net profit for the half year ended 31 March 2016	-	6,201	-	-	6,201
Foreign currency translation	-	-	85	-	85
Total comprehensive income	-	6,201	85	-	6,286
Transactions with owners	12				
Issue of ordinary shares:					
Shares in lieu of directors' fees	41	-	-	-	41
Share issue costs	(1)	-	-	-	(1)
Employee share options exercised	75	-	-	-	75
Share based payments	12	-	-	69	69
<b>Balance at 31 March 2016</b>	<b>32,613</b>	<b>3,059</b>	<b>(506)</b>	<b>249</b>	<b>35,415</b>
Net profit for the half year ended 30 September 2016	-	3,526	-	-	3,526
Foreign currency translation	-	-	(575)	-	(575)
Total comprehensive income	-	3,526	(575)	-	2,951
Issue of ordinary shares:					
Additional capital raise	25,193	-	-	-	25,193
Share issue costs	12 (630)	-	-	-	(630)
Investment in associate	10,775	-	-	-	10,775
Shares in lieu of directors' fees	12(b) 42	-	-	-	42
Exercise of share options	287	-	-	-	287
Share based payments	-	-	-	57	57
Dividends paid	-	(3,477)	-	-	(3,477)
<b>Balance at 30 September 2016</b>	<b>68,280</b>	<b>3,108</b>	<b>(1,081)</b>	<b>306</b>	<b>70,613</b>

The above Interim Statement of Movements in Equity should be read in conjunction with the accompanying notes.

**Trilogy International Limited**  
**Unaudited Consolidated Interim Statement of Cash Flows**  
**For the 6 months ended 30 September 2016**

	Notes	Unaudited 6 months ended 30 September 2016 \$000	Unaudited 6 months ended 30 September 2015 \$000	Audited year ended 31 March 2016 \$000
<b>Cash Flows From Operating Activities</b>				
Receipts from customers (inclusive of GST)		49,032	27,477	89,577
Payments to suppliers and employees (inclusive of GST)		(49,740)	(29,335)	(79,173)
Interest received		11	12	18
Interest paid		(857)	(413)	(1,819)
Taxation paid		(2,743)	(1,122)	(2,935)
<b>Net Cash Inflow / (Outflow) From Operating Activities</b>	18	(4,297)	(3,381)	5,668
<b>Cash Flows From Investing Activities</b>				
Payments for plant and equipment		(1,327)	(239)	(1,238)
Sales of plant and equipment			-	13
Payments for intangible assets		(11)	(16)	(294)
Investment in associate	15	(2,816)	-	-
Acquisition of subsidiary, net of cash acquired	14	(1,500)	(33,946)	(33,946)
<b>Net Cash Outflow From Investing Activities</b>		(5,654)	(34,201)	(35,465)
<b>Cash Flows From Financing Activities</b>				
Repayments on bank borrowings	9	(13,000)	(1,000)	(8,160)
Proceeds from bank borrowings	9	-	38,900	40,910
Net proceeds from issue of shares	12	24,850	(2)	58
Dividends paid	13	(3,477)	(2,323)	(2,323)
<b>Net Cash Inflow / (Outflow) From Financing Activities</b>		8,373	35,575	30,485
Net increase/(decrease) in cash and cash equivalents		(1,578)	(2,007)	688
Cash and cash equivalents at the beginning of the period		3,549	2,674	2,674
Exchange gains/(losses) on cash and cash equivalents		(207)	214	187
<b>Cash and Cash Equivalents at End of Period</b>		1,764	881	3,549
<b>Composition of Cash and Cash Equivalents</b>				
Cash and cash equivalents		1,764	2,534	4,352
Bank overdraft	9	-	(1,653)	(803)
		1,764	881	3,549

The above Interim Statement of Cash Flows should be read in conjunction with the accompanying notes.

**Trilogy International Limited**  
**Notes to the Unaudited Consolidated Interim Financial Statements**  
**For the 6 months ended 30 September 2016**

**1. General Information**

Trilogy International Limited (the "Company") together with its subsidiaries (the "Group") is a manufacturer and wholesaler of products in the home fragrance, body care and natural products categories and distributor of personal fragrance and beauty products.

The Company is a limited liability company domiciled in New Zealand.

These consolidated interim financial statements were approved by the Board of Directors on 28th November 2016.

**2. Basis of Preparation of Half Year Report**

This condensed consolidated interim financial information for the six months ended 30 September 2016 has been prepared in accordance with NZ GAAP. These interim financial statements comply with NZ IAS 34 'Interim Financial Statements' and with International Accounting Standard 34 (IAS 34). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2016, which have been prepared in accordance with NZ IFRS, and IFRS.

**3. Summary of Significant Accounting Policies**

The accounting policies used in the preparation of these interim financial statements are consistent with those used in the previously published interim financial statements as at and for the six months ended 30 September 2015 and the audited financial statements as at and for the year ended 31 March 2016 except for accounting for investment in associates which is detailed below.

*Accounting for investment in associates.*

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.

**4. Seasonality of Operations**

Due to the seasonal nature of the Home Fragrance & Body Care and Distribution segments, higher revenues and operating profits in these segments are usually expected in the second half of the year than the first six months. Natural Products revenues and operating profits are more evenly spread between the two half years.

## 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. In the current period the Group's management structure has been updated and the chief operating decision maker is now defined as the Board. The Group's operating segments are 'Home Fragrance, Bodycare', (the Ecoya brand), 'Natural Products' (the Trilogy and Goodness brands) and 'Distribution' (CS Company).

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

The chief operating decision maker assesses the performance of the operating segments based on a measure of EBITDA. This measurement basis excludes fair value gains and losses on derivative financial instruments 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:

### Unaudited 6 months ended 30 September 2016

	<b>New Zealand \$000</b>	<b>Australia \$000</b>	<b>US \$000</b>	<b>UK &amp; Ireland \$000</b>	<b>Rest of World \$000</b>	<b>Other \$000</b>	<b>Total \$000</b>
<b>Home Fragrance, Body Care</b>							
Sales to external customers	2,021	6,075	(3)	168	531	189	8,981
Inter-segment sales	-	-	-	-	-	-	-
Total segment revenue	2,021	6,075	(3)	168	531	189	8,981
EBITDA	169	280	(6)	(4)	(11)	(89)	339
<b>Natural Products</b>							
Sales to external customers	2,355	7,407	1,047	1,475	2,287	208	14,779
Inter-segment sales	3,043	-	-	-	-	-	3,043
Total segment revenue	5,398	7,407	1,047	1,475	2,287	208	17,822
EBITDA	1,790	1,856	22	96	790	(46)	4,508
<b>Distribution</b>							
Sales to external customers	23,995	-	-	-	-	-	23,995
Inter-segment sales	-	-	-	-	-	-	-
Total segment revenue	23,995	-	-	-	-	-	23,995
EBITDA	3,585	-	-	-	-	-	3,585
<b>Intercompany Elimination</b>							
Sales to external customers	-	-	-	-	-	-	-
Inter-segment sales	(3,043)	-	-	-	-	-	(3,043)
Total segment revenue	(3,043)	-	-	-	-	-	(3,043)
EBITDA	-	-	-	-	-	-	-
<b>Total Segment Revenue</b>	<b>28,371</b>	<b>13,482</b>	<b>1,044</b>	<b>1,643</b>	<b>2,818</b>	<b>397</b>	<b>47,755</b>
<b>Total Segment EBITDA</b>	<b>5,544</b>	<b>2,136</b>	<b>16</b>	<b>92</b>	<b>779</b>	<b>(135)</b>	<b>8,432</b>

**Unaudited 6 months ended 30 September 2015**

	<b>New Zealand \$000</b>	<b>Australia \$000</b>	<b>US \$000</b>	<b>UK &amp; Ireland \$000</b>	<b>Rest of World \$000</b>	<b>Other \$000</b>	<b>Total \$000</b>
<b>Home Fragrance, Body Care</b>							
Sales to external customers	1,877	5,529	8	296	640	258	8,608
Total segment revenue	1,877	5,529	8	296	640	258	8,608
EBITDA	237	(17)	1	40	85	(43)	303
<b>Natural Products</b>							
Sales to external customers	5,508	5,381	864	1,419	1,902	479	15,553
Total segment revenue	5,508	5,381	864	1,419	1,902	479	15,553
EBITDA	2,632	1,873	(100)	288	689	114	5,496
<b>Distribution</b>							
Sales to external customers	5,163	-	-	-	-	-	5,163
Total segment revenue	5,163	-	-	-	-	-	5,163
EBITDA	658	-	-	-	-	-	658
<b>Total Segment Revenue</b>	<b>12,548</b>	<b>10,910</b>	<b>872</b>	<b>1,715</b>	<b>2,542</b>	<b>737</b>	<b>29,324</b>
<b>Total Segment EBITDA</b>	<b>3,527</b>	<b>1,856</b>	<b>(99)</b>	<b>328</b>	<b>774</b>	<b>71</b>	<b>6,457</b>

**Audited year ended 31 March 2016**

	<b>New Zealand \$000</b>	<b>Australia \$000</b>	<b>US \$000</b>	<b>UK &amp; Ireland \$000</b>	<b>Rest of World \$000</b>	<b>Other \$000</b>	<b>Total \$000</b>
<b>Home Fragrance, Body Care</b>							
Sales to external customers	5,034	12,678	112	601	1,074	616	20,115
Total segment revenue	5,034	12,678	112	601	1,074	616	20,115
EBITDA	1,089	1,172	(19)	78	139	47	2,506
<b>Natural Products</b>							
Sales to external customers	13,307	10,530	2,451	3,140	4,039	983	34,450
Total segment revenue	13,307	10,530	2,451	3,140	4,039	983	34,450
EBITDA	6,385	2,714	311	523	1,495	106	11,534
<b>Distribution</b>							
Sales to external customers	28,563	-	-	-	-	-	28,563
Total segment revenue	28,563	-	-	-	-	-	28,563
EBITDA	4,763	-	-	-	-	-	4,763
<b>Total Segment Revenue</b>	<b>46,904</b>	<b>23,208</b>	<b>2,563</b>	<b>3,741</b>	<b>5,113</b>	<b>1,599</b>	<b>83,128</b>
<b>Total Segment EBITDA</b>	<b>12,237</b>	<b>3,886</b>	<b>292</b>	<b>601</b>	<b>1,634</b>	<b>153</b>	<b>18,803</b>

The "Other" segment displayed above refers to retail and online revenue and expenses that relate to transactions within these markets.



A reconciliation of EBITDA to the Group's profit before tax for the period is provided as follows:

	<b>Unaudited 6 months ended 30 September 2016 \$000</b>	<b>Unaudited 6 months ended 30 September 2015 \$000</b>	<b>Audited year ended 31 March 2016 \$000</b>
EBITDA for reportable segments	8,432	6,457	18,803
Listed Company costs	(1,188)	(879)	(2,193)
Share of net profit of associates	183	-	-
Acquisition and capital structure costs	(247)	(234)	(262)
Group EBITDA	7,180	5,344	16,348
Gains/(losses) on derivative financial instruments	(600)	12	(577)
Depreciation and amortisation	(356)	(155)	(439)
Net finance cost	(907)	(466)	(1,822)
Contingent consideration remeasurement	(253)	(101)	(402)
Profit Before Tax	5,064	4,634	13,108

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

Revenues of approximately \$7,407,000 and \$6,897,000 are derived from two single external customers (31 March 2016: \$12,346,000, \$10,792,000 and \$9,697,000 from three single external customers, 30 September 2015: \$5,381,000 and \$4,755,000). These revenues are attributable to the natural products segment in Australia and New Zealand.

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. Plant and Equipment**

	<b>Unaudited 6 months ended 30 September 2016 \$000</b>	<b>Unaudited 6 months ended 30 September 2015 \$000</b>	<b>Audited year ended 31 March 2016 \$000</b>
Opening net book amount	2,732	990	990
Additions	1,327	239	1,238
Additions through acquisitions (note 14)	-	949	949
Disposals	(16)	(100)	(143)
Depreciation	(315)	(117)	(361)
Exchange differences	(42)	64	59
Closing net book amount	3,686	2,025	2,732

## 7. Intangibles

	Goodwill	Brand	Trademarks	Software & Website Development	Total
	\$000	\$000	\$000	\$000	\$000
<b>Six Months Ended 30 September 2016</b>					
Opening net book amount	47,103	2,830	132	317	50,382
Exchange differences	(43)	-	-	-	(43)
Additions	-	-	6	5	11
Disposals	-	-	-	(26)	(26)
Amortisation charge	-	-	(11)	(30)	(41)
Closing net book amount at 30 September 2016	47,060	2,830	127	266	50,283
Cost	47,060	2,830	207	340	50,437
Accumulated amortisation	-	-	(80)	(74)	(154)
Net book amount	47,060	2,830	127	266	50,283
<b>Six Months Ended 30 September 2015</b>					
Opening net book amount	14,465	2,830	124	109	17,528
Exchange differences	67	-	-	-	67
Additions	-	-	9	7	16
Additions through acquisition	32,613	-	-	-	32,613
Amortisation charge	-	-	(10)	(28)	(38)
Closing net book amount at 30 September 2015	47,145	2,830	123	88	50,186
Cost	47,145	2,830	180	235	50,390
Accumulated amortisation	-	-	(57)	(147)	(204)
Net book amount	47,145	2,830	123	88	50,186
<b>Year Ended 31 March 2016</b>					
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 acquisition	32,565	-	-	-	32,565
Amortisation charge	-	-	(21)	(57)	(78)
Closing net book amount at 31 March 2016	47,103	2,830	132	317	50,382
Cost	47,103	2,830	201	493	50,627
Accumulated amortisation	-	-	(69)	(176)	(245)
Net book amount	47,103	2,830	132	317	50,382

The cash generating unit-level summary of the indefinite lived intangibles' (goodwill and brand) allocation is presented below:

	<b>Unaudited 6 months ended 30 September 2016 \$000</b>	<b>Unaudited 6 months ended 30 September 2015 \$000</b>	<b>Audited year ended 31 March 2016 \$000</b>
Home fragrance, body care	871	912	882
Natural products	16,454	16,450	16,486
Distribution	32,565	32,613	32,565
	<u>49,890</u>	<u>49,975</u>	<u>49,933</u>

## **8. Financial Instruments**

All financial assets other than derivatives are classified as loans and receivables. All financial liabilities other than derivatives are classified as measured at amortised cost. The fair value of financial assets and liabilities approximates their carrying value.

	<b>Unaudited 6 months ended 30 September 2016 \$000</b>	<b>Unaudited 6 months ended 30 September 2015 \$000</b>	<b>Audited year ended 31 March 2016 \$000</b>
Trade and other receivables (net)	17,668	15,113	12,741
Cash and cash equivalents	1,764	2,534	4,352
Total loans and receivables	<u>19,432</u>	<u>17,647</u>	<u>17,093</u>

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

	<b>Unaudited 6 months ended 30 September 2016 \$000</b>	<b>Unaudited 6 months ended 30 September 2015 \$000</b>	<b>Audited year ended 31 March 2016 \$000</b>
Trade payables and accrued expenses	12,373	12,241	11,010
Interest bearing liabilities	21,350	41,153	35,153
Deferred and contingent consideration	8,302	9,236	9,538
Total financial liabilities at amortised cost	<u>42,025</u>	<u>62,630</u>	<u>55,701</u>

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

	Unaudited 6 months ended 30 September 2016 \$000	Unaudited 6 months ended 30 September 2015 \$000	Audited year ended 31 March 2016 \$000
Derivative financial instruments - assets	-	627	68
Derivative financial instruments - liabilities	(544)	-	(10)
Total derivative financial instruments	(544)	627	58

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

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 30 September 2016 (31 March 2016 and 30 September 2015: none).

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 30 September 2016, 31 March 2016 and 30 September 2015.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. At 30 September 2016, the contingent consideration is classified as level 3. The Group did not have any level 3 financial instruments at 31 March 2016 or 30 September 2015.

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.

Details of the techniques used to fair value contingent consideration are given in note 14(iv).

## 9. *Interest Bearing Liabilities*

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 has since reduced to \$53,000,000. As at 30 September 2016, the facility comprised a customised average rate loan facility ('CARL') of \$23,500,000, 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. Scheduled repayments totalling \$19,000,000 are due prior to the facility expiry date. At 30 September 2016 \$21,350,000 was drawn against this facility (31 March 2016: \$25,500,000; 30 September 2015: \$27,500,000) at an interest rate of 5.33% (31 March 2016: 5.14%; 30 September 2015: 6.19%).

The CCAF facility is interest only and expires on 19 August 2020. At 30 September 2016 the balance drawn down on this facility was \$nil (31 March 2016: \$8,850,000; 30 September 2015: \$12,000,000) under a rolling multi option facility at an interest rate of 5.14% at 31 March 2016 and 6.19% at 30 September 2015.

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

At 30 September 2016 the overdraft facility balance was \$nil (31 March 2016: \$803,000; 30 September 2015: \$1,100,000) with interest payable on overdrawn balances of 5.72% (31 March 2016: 5.93%; 30 September 2015: 6.91%).

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 borrowings approximates their carrying amount as the impact of discounting is not significant.

## 10. Deferred and Contingent Consideration Payable

	Unaudited 30 September 2016 \$000	Unaudited 30 September 2015 \$000	Audited 31 March 2016 \$000
Opening balance	9,538	-	-
CS Company deferred consideration (note 14)	(1,500)	3,000	3,000
CS Company contingent consideration (note 14)	-	7,050	7,050
Fair value discount	-	(915)	(914)
Contingent consideration remeasurement	253	101	402
Interest payable on contingent consideration	11	-	-
Closing balance	8,302	9,236	9,538

	Unaudited 30 September 2016 \$000	Unaudited 30 September 2015 \$000	Audited 31 March 2016 \$000
Current liabilities	1,426	4,556	1,500
Non-current liabilities	6,876	4,680	8,038
	8,302	9,236	9,538

The liability to the previous owners of CS Company relates to the deferred payment and earn out component under the acquisition described in note 14.

## 11. Income Taxes

Income tax expenses or credits are recognised based on management's estimate of the income tax liability expected for the full financial year.

## 12. Equity

	Number of ordinary shares	Number of unlisted non- voting shares	\$000
<b>As at 1 April 2015</b>	61,673,762	720,653	32,448
Shares in lieu of directors' fees	63,458	-	51
Share issue costs	-	-	(1)
<b>At 30 September 2015</b>	61,737,220	720,653	32,498
Shares in lieu of directors' fees	37,288	-	41
Employee share options exercised	100,000	-	75
Share issue costs	-	-	(1)
<b>At 31 March 2016</b>	61,874,508	720,653	32,613
Additional capital raise (June 2016)	6,809,192	-	25,193
Share issue costs	-	-	(630)
Investment in associate	2,615,181	-	10,775
Shares in lieu of directors' fees	14,354	-	42
Exercise of share options	327,500	-	287
Reclassification of non-voting shares	720,653	(720,653)	-
<b>At 30 September 2016</b>	72,361,388	-	68,280

### (a) 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.

#### i) 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 33,000 lapsed due to staff resignations. On 8 May 2016 a further 7,800 shares were awarded to employees thereafter a total of 85,400 allocated shares are unvested at 30 September 2016.

## **ii) 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.

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 30 September 2016, 100,000 of these options had been exercised.

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, 300,000 of those options have lapsed and 127,500 have been exercised.

The total number of unlisted share options issued to employees and outstanding under the Trilogy International Limited Share Option at 30 September 2016 was 1,042,500 (31 March 2016: 1,170,000; 30 September 2015: 1,320,000) with a further 200,000 (31 March 2016: 400,000; 30 September 2015: 400,000) outstanding unlisted share options issued to directors. The weighted average exercise price of the total allocated and outstanding unlisted share options at 30 September 2016 was 78 cents (31 March 2016: 70 cents; 30 September 2015: 78 cents).

## **(b) Directors' Remuneration**

Under the terms of the Company's constitution, directors can elect to take director fees in shares 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.

## **13. Dividends**

A dividend of 5.5c per share, totaling \$3,477,337 (31 March 2016: \$nil; 30 September 2015: \$2,324,000) that relates to the period to 31 March 2016 was paid in June 2016.

## **14. 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.

### **(i) Purchase consideration**

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

	<b>2016</b>
	<b>\$000</b>
Purchase consideration	
Cash paid	34,000
Deferred and contingent consideration	9,136
Working capital adjustment	(175)
Total purchase consideration	<u>42,961</u>
Share of fair value of net identifiable assets acquired (note 14(ii))	<u>(10,396)</u>
Goodwill	<u>32,565</u>

### **(ii) Assets and liabilities acquired**

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

	<b>Fair Value</b>
	<b>\$000</b>
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	<u>10,396</u>



### **(iii) Acquisition-related costs**

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

### **(iv) 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 \$1.4m.

#### **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 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 of \$7.05m was based on both historical earnings and forecast earnings of CS Company, being an income approach to a level 3 fair value measurement. The fair value of \$6.9m was based on a discount rate of 6.5% and assumed EBITDA of CS Company, being the key unobservable input, in the range of \$7.35m - \$8.75m for the year ending 31 March 2017. Assuming all other variables are held constant and the EBITDA threshold is met, an increase or decrease in EBITDA by \$100,000 would increase or decrease the undiscounted amount of the earn-out by \$300,000.

### **(v) 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.

### **(vi) Revenue and profit contribution**

The acquired business contributed revenues of \$23,995,000 and EBITDA of \$3,585,000 to the Group during the period. In the prior year it contributed revenue of \$5,163,000 and EBITDA of \$658,000 to the Group from 17 August 2015 to 30 September 2015. If the acquisition had occurred on 1 April 2015, consolidated revenue and consolidated earnings before interest and tax for the half-year ended 30 September 2015 would have been \$13,594,000 and \$1,964,000 higher respectively.

## **15. 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.

	<b>Unaudited 30 September 2016 \$000</b>
Initial acquisition	13,589
Share of profit	183
Exchange differences	0
Closing balance	<u>13,772</u>

Consideration was \$8 million USD with US\$2 million payable in cash and US\$6 million funded through the issue of 2,615,181 new ordinary shares. The number of ordinary shares issued was determined by the share price and foreign exchange rates applicable on the date the Memorandum of Understanding was signed (\$3.37 and \$0.6808 respectively). For IFRS purposes the value of the initial investment above is determined on the share price and foreign exchange rate applicable on the completion date (\$4.12 and \$0.7105 respectively).

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.

## **16. Contingencies**

There are no contingent liabilities at 30 September 2016.

## **17. Related Party Transactions**

### **(a) Directors**

The directors during the period were:

Stephen Sinclair  
Grant Baker  
Geoff Ross  
Mandy Sigaloff  
Jack Matthews

### **(b) Key Management and Personnel Compensation**

Independent director fees for the period were payable to Mandy Sigaloff and Jack Matthews. Refer to note 12 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 services to the Company during the period.

	<b>Unaudited 6 months ended 30 September 2016 \$000</b>	<b>Unaudited 6 months ended 30 September 2015 \$000</b>	<b>Audited year ended 31 March 2016 \$000</b>
Directors' fees	169	128	256
Share based payments	8	-	28
Management services	165	228	455
Salaries and wages	384	75	621
	<u>726</u>	<u>431</u>	<u>1,360</u>

### **(c) Other Transactions**

#### *(i) with other related parties*

During the period, The Business Bakery LP provided rental and operational services to the Group totaling \$45,600 (31 March 2016: \$281,000; 30 September 2015:\$118,000).

Mandy Sigaloff made purchases on behalf of the Group during the period of \$1,000 through her associated company, ClubQT Australia Pty Limited (31 March 2016: \$1,000; 30 September 2015: \$1,000).

Jack Matthews made purchases on behalf of the Group during the period of \$1,000 (31 March 2016: \$1,000).

	<b>Unaudited 30 September 2016 \$000</b>	<b>Unaudited 30 September 2015 \$000</b>	<b>Audited 31 March 2016 \$000</b>
Payables to related parties:			
The Business Bakery LP	53	184	124
Independent Directors	67	61	50
Non-Executive Directors	-	1	-
	<u>120</u>	<u>246</u>	<u>174</u>

**18. Reconciliation of Profit After Income Tax to Net Cash Flow Inflow From Operating Activities**

	Unaudited 6 months ended 30 September 2016 \$000	Unaudited 6 months ended 30 September 2015 \$000	Audited year ended 31 March 2016 \$000
Profit for the period	3,526	3,209	9,409
Depreciation and amortisation	356	155	439
Loss on disposal of assets	42	100	130
(Gains)/losses on derivative financial instruments	602	(12)	577
Foreign exchange losses/(gains)	120	(262)	239
Shares in lieu of directors' fees	42	51	92
Deferred tax	(175)	396	603
Fair value of share based payments	57	124	208
Contingent consideration remeasurement	253	101	402
Share of net profit of associate	(183)	-	-
Movements in working capital:			
(Increase)/decrease in inventories	(3,523)	(5,012)	(5,318)
(Increase)/decrease in trade and other receivables	(5,674)	(5,368)	(3,402)
Increase/(decrease) in tax provisions	(1,032)	(92)	161
Increase/(decrease) in trade and other payables	1,292	3,229	2,128
<b>Net Cash Inflow/(Outflow) From Operating Activities</b>	<b>(4,297)</b>	<b>(3,381)</b>	<b>5,668</b>

**19. Events Occurring After the Balance Date**

**ASX Dual Listing**

On 12 October 2016 the Group confirmed that its ASX Foreign Exemption Listing application had been accepted and quotation on the ASX began on 21 October 2016. The initial listing fee was A\$218,000 which has been expensed in October to the acquisition and capital structure costs line of the statement of comprehensive income.