THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your overseas listed foreign shares ("**H Shares**") in Weichai Power Co., Ltd., you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The circular is for information purpose only and does not constitute an invitation of offer to acquire, purchase or subscribe for any securities.

WEICHAI

濰柴動力股份有限公司
WEICHAI POWER CO., LTD.

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2338)

MAJOR TRANSACTION IN RELATION TO THE PURCHASE OF ALL ISSUED SHARES OF DH SERVICES LUXEMBOURG HOLDING S.À R.L. AND CERTAIN OF ITS SUBSIDIARIES

A letter from the Board is set out on pages 9 to 29 of this circular.

A notice convening the EGM to be held at the Company's conference room at 197, Section A, Fu Shou East Street, High Technology Industrial Development Zone, Weifang, Shandong Province, the PRC on 31 October 2016 at 2:30 p.m. has been issued by the Company on 15 September 2016.

A reply slip and form of proxy to be used at the EGM were despatched by the Company on 15 September 2016. If you are eligible and intend to attend the EGM, please complete and return such reply slip in accordance with the instructions printed thereon on or before 11 October 2016. Whether or not you intend to be present at the said meeting(s), you are requested to complete the accompanying forms of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (with respect to the holders of H Shares) or the registered office of the Company at Capital Operation Department, 197, Section A, Fu Shou East Street, High Technology Industrial Development Zone, Weifang, Shandong Province, the PRC (postal code: 261061) (with respect to the holders of A Shares), no later than 24 hours before the time fixed for holding the relevant meeting or any adjournment thereof. Completion and delivery of the form of proxy will not prevent you from attending, and voting at, the relevant meeting or any adjournment thereof if you so wish.

23 September 2016

CONTENTS

In this circular, unless the context requires otherwise, the following expressions have the following meanings:

"A Share(s)"	the A Share(s), being ordinary share(s) issued in the capital of the Company with a RMB denominated par value of RMB1.00 each and are listed on the Shenzhen Stock Exchange
"Acquisition"	the proposed acquisition of the Sale Securities by the Purchaser from the Sellers in accordance with the Sale and Purchase Agreement
"Aggregate Leakage Ticking Fee"	the aggregate amount of all Leakage Ticking Fees
"Aggregate Transaction Expense Ticking Fee"	the aggregate amount of all Transaction Expense Ticking Fees
"Articles of Association"	the articles of association of the Company
"Benchmark Consideration"	(i) US$3.25 billion; (ii) plus/minus net working capital of the DH Services Holding Group (on a consolidated basis) as of the Locked Box Date as compared to a target amount of net working capital of the DH Services Holding Group; (iii) plus cash and cash equivalents held by the DH Services Holding Group (on a consolidated basis) as of the Locked Box Date; (iv) minus indebtedness of the DH Services Holding Group (on a consolidated basis) as of the Locked Box Date; and (v) minus Pre-Locked Box Transaction Expenses
"Board"	the board of Directors
"Business Day"	any day that is not a Saturday or Sunday or a public holiday in London, England, Frankfurt, Germany, New York or Luxembourg
"CASBE"	China Accounting Standards for Business Enterprises

"CFIUS"	the Committee on Foreign Investment in the United States of America and each member agency thereof, acting in such capacity
"CFIUS Approval"	(i) CFIUS has issued a written notice that it has concluded a review or investigation of the notification voluntarily provided pursuant to section 721 of the U.S. Defense Production Act of 1950 and has determined that there are no unresolved national security concerns with respect to the Acquisition; or (ii) CFIUS has sent a report to the President of the United States of America requesting the President's decision and either (a) the President has announced a decision not to take any action to suspend or prohibit the Acquisition or (b) the President has not taken any action within 15 days from the date the President received such report from CFIUS
"close associate"	has the meaning ascribed thereto under the Listing Rules
"Company"	濰柴動力股份有限公司 (Weichai Power Co., Ltd.), a company established in the PRC with limited liability with its H Shares listed on the main board of the Hong Kong Stock Exchange and its A Shares listed on the Shenzhen Stock Exchange
"Completion"	completion of the sale and purchase of the Sale Securities in accordance with the Sale and Purchase Agreement
"Completion Date"	the date on which Completion takes place
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Consideration"	the cash consideration (expected to be around US$2.1 billion) payable by the Purchaser to the Sellers pursuant to the Sale and Purchase Agreement
"CPEC"	the convertible preferred equity certificates of par value US$1.00 issued by the DH Services Holding pursuant to the terms and conditions of convertible preferred equity certificates dated 23 April 2013, save for the Exit CPEC

"Dematic"	DH Services and its subsidiaries
"DH Services"	DH Services Luxembourg S.à r.l., a company incorporated and registered in Luxembourg
"DH Services Holding"	DH Services Luxembourg Holding S.à r.l., a company incorporated and registered in Luxembourg
"DH Services Holding Group"	DH Services Holding and its subsidiaries
"DH Services Holding Subsidiaries"	Dematic (Services) Limited, DH Services, Dematic Group Limited, Dematic Holding S.à r.l., Dematic Group S.à r.l., Mirror Bidco Limited and Mirror Bidco Corp.
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting to be convened on Monday, 31 October 2016
"Employee Trust"	DH Services Employee Benefit Trust, a trustee vehicle incorporated under the laws of England and Wales holding shares in the capital of DH Services Holding for certain employees of DH Services
"Enlarged Group"	the Group as enlarged by the completion of the Acquisition
"Exit CPEC"	the convertible preferred equity certificate of par value US$1.00 issued by DH Services Holding to Ontario Teachers' Pension Plan pursuant to the terms and conditions of convertible preferred equity certificates dated 28 December 2012
"Group"	the Company and its subsidiaries (as defined in the Listing Rules)
"H Share(s)"	the H Share(s), being the overseas listed foreign share(s) issued in the capital of the Company with a RMB denominated par value of RMB1.00 each and are listed on the main board of the Hong Kong Stock Exchange
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IFRS"	the International Financial Reporting Standards promulgated by the International Accounting Standards Board, which comprise the International Accounting Standards
"Latest Practicable Date"	15 September 2016 being the latest practicable date for the purpose of ascertaining certain information contained in this circular before its despatch
"Leakage"	(a) any dividend, bonus or other distribution of capital, income or profit declared, paid or made or any repurchase, redemption, repayment or return of share or loan capital (or other securities) by any company in the DH Services Holding Group to or for the benefit of any Seller or any related person of such Seller, including any payment of interest in cash prior to but not at Completion on the CPECs, the Exit CPEC or the Promissory Note; (b) any payment (including any management, monitoring, service or directors' fees, bonus or other compensation) made or agreed to be made by any company in the DH Services Holding Group to or for the benefit of, or any asset transferred or any liability assumed, indemnified or incurred by any company in the DH Services Holding Group for the benefit of, any Seller or any related person of such Seller (including with respect to any share or loan capital (or other securities) of any company in the DH Services Holding Group); (c) any waiver given or agreed to be given by any company in the DH Services Holding Group of any amount owed to such company in the DH Services Holding Group by any Seller or any related person of such Seller; and (d) any payment of any fees, costs or tax incurred or paid by any company in the DH Services Holding Group as a result of those matters set out in paragraphs (a) to (c) above, in each case, other than any Leakage permitted by the terms of the Sale and Purchase Agreement

"Leakage Amount"	the aggregate amount of all Leakage in the period from (and excluding) the Locked Box Date to (and including) the Completion Date
"Leakage Ticking Fee"	with respect to each instance of Leakage, an amount equal to 8% per annum of the amount of such Leakage in the period from (and excluding) the Trigger Date to (and including) the Completion Date
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Locked Box Accounts"	the audited balance sheet of the DH Services Holding Group as of the Locked Box Date
"Locked Box Date"	30 September 2016
"Long Stop Date"	15 February 2017
"Nominee"	RBC cees Nominees Limited, a private limited company incorporated under the laws of the Channel Islands holding shares in the capital of DH Services Holding as nominee for 40 members of management of DH Services
"Ontario Teachers' Pension Plan"	2348614 Ontario Limited, a private limited company incorporated under the laws of the Province of Ontario
"Post-Locked Box Transaction Expenses"	all Transaction Expenses other than Pre-Locked Box Transaction Expenses (whether or not a permitted leakage payment)
"PRC"	the People's Republic of China
"Pre-Locked Box Transaction Expenses"	means all Transaction Expenses to the extent accrued or provided for in the Locked Box Accounts
"Promissory Note"	means the promissory note between DH Services Holding and the Ontario Teachers' Pension Plan dated 28 December 2012
"Purchaser" or "KION"	KION Group AG, a 40.23% indirect non-wholly-owned subsidiary of the Company

"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement"	the sale and purchase agreement dated 20 June 2016 (New York time) and entered into among the Purchaser, DH Services Holding and the Sellers in relation to the sale and purchase of the Sale Securities
"Sale Securities"	the securities listed under the section headed "2. The Acquisition — I. The Sale and Purchase Agreement — Subject matter to be acquired" in the letter from the Board contained in this circular
"Sellers"	AEA Europe Fund II LP, Ontario Teachers' Pension Plan, AEA Investors Fund V LP, AEA Investors Fund V-A LP, AEA Investors Fund V-B LP, AEA Investors QP Participant Fund V LP, AEA Investors Participant Fund V LP, DH C-Holdings Ltd, the Nominee, the Employee Trust, and two independent directors of DH Services and certain related trust
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Share(s)"	share(s) of RMB1.00 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Ticking Fee"	an amount equal to 8% per annum of the Benchmark Consideration in the period from (and excluding) the Trigger Date to (and including) the Completion Date
"Transaction Expenses"	without duplication, the sum of: (a) all amounts that are payable by DH Services Holding Group to any transaction advisor engaged by DH Services Holding Group or any Seller (or its related persons), including counsel, financial advisors, investment bankers, brokers, accountants and data room administrators, in connection with the Sale and Purchase Agreement or the Acquisition;

(b) all amounts that are payable by DH Services Holding Group to any participant triggered as a result of (i) the execution of the Sale and Purchase Agreement or the consummation of the Acquisition, disregarding any continued service-based requirements, payable prior to, on or following Completion, (ii) a termination of employment as a result of any action by any Seller (or its related persons) or DH Services Holding Group entity on or prior to Completion or (iii) a resignation by any participant within six (6) months following Completion for "good reason" (or term of like import in a participant's employment arrangements that permits such participant to resign and trigger payments that are payable by DH Services Holding Group to such participant), with such "good reason" (or term of like import) triggered as a direct result of the execution of the Sale and Purchase Agreement or the consummation of the Acquisition (and not as a result of any action or event by KION or the DH Services Holding Group occurring after Completion), in each case, including the employer portion of any payroll, social security, unemployment or similar taxes, other than old-age, survivors and disability insurance in respect of any employee whose base compensation is in excess of US$118,500 (or the applicable annual limit for such insurance for the year of Completion); and

(c) all amounts that are payable to any Seller or its related persons (other than in his capacity as any participant) by DH Services Holding Group, which, for the avoidance of doubt, shall not include any amounts payable by the Purchaser pursuant to the Sale and Purchase Agreement for the Sale Securities or any payment made in the ordinary course in accordance with past practice and without the exercise of discretion in respect of the salary, bonus, pensions contributions, life assurance payments, medical insurance, car allowances, expenses and holiday pay accrued and due to any Seller in his capacity as an officer or employee of DH Services Holding Group under and in accordance with such person's contract of employment, service agreement or engagement letter;

	in each case, plus any amount of value-added tax (to the extent not recoverable by DH Services Holding Group) or other taxes payable by DH Services Holding Group in respect of any such amount
"Transaction Expense Ticking Fees"	with respect to each Post-Locked Box Transaction Expense, an amount equal to 8% per annum of the amount of such Post-Locked Box Transaction Expense in the period from (and excluding) the Trigger Date to (and including) the Completion Date
"Trigger Date"	the first date by which all of the following shall have occurred: (a) the second Business Day after (and excluding) the date on which each of the conditions (other than the condition to obtain CFIUS Approval) shall have been satisfied or waived (other than those conditions that by their nature are to be satisfied at Completion (but subject to the satisfaction or waiver of those conditions as if the Trigger Date were the Completion Date)); (b) the earlier of (i) the condition to obtain CFIUS Approval having been satisfied or waived or (ii) 18 October 2016, provided that if (and only if) (1) the CFIUS filing is being resubmitted at the request of CFIUS and (2) the reason for such resubmission is that information, which was not contained in the CFIUS filing and relates exclusively to the business of the DH Services Holding Group, has come to the attention of CFIUS, then this sub-paragraph (ii) shall not apply for purposes of determining the Trigger Date; and (c) the Sellers have fully complied with the obligation to provide an audit of the DH Services Holding Group to KION according to the terms of the Sales and Purchase Agreement
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent

This circular contains translations between US$ and HK$ at US$1.00 = HK$7.78. The translations are not representations that the US$ and HK$ amounts could actually be converted at such rate, if at all.

濰柴動力股份有限公司
WEICHAI POWER CO., LTD.
(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 2338)

Executive Directors:
Tan Xuguang *(Chairman and Chief Executive Officer)*
Zhang Quan
Xu Xinyu
Li Dakai
Sun Shaojun

Non-executive Directors:
Wang Yuepu
Jiang Kui
Gordon Riske

Independent Non-executive Directors:
Loh Yih
Zhang Zhenhua
Zhang Zhong
Wang Gongyong
Ning Xiangdong

Supervisors:
Lu Wenwu
Jiang Jianfang
Ma Changhai

Registered office:
197, Section A
Fu Shou East Street
High Technology Industrial
Development Zone
Weifang City
Shandong Province
The People's Republic of China

Principal place of business in Hong Kong:
Room 3407-3408
34/F, Gloucester Tower
Landmark
15 Queen's Road Central
Hong Kong

23 September 2016

To: Holders of H Shares
Holders of A Shares

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO THE PURCHASE OF ALL ISSUED SHARES OF DH SERVICES LUXEMBOURG HOLDING S.À R.L. AND CERTAIN OF ITS SUBSIDIARIES

1. INTRODUCTION

Reference is made to the announcement of the Company dated 21 June 2016 in relation to the Sale and Purchase Agreement dated 20 June 2016 (New York time) and entered into between the Purchaser, an indirect non-wholly owned subsidiary of the Company, and the Sellers. Pursuant to the Sale and Purchase Agreement, the Purchaser has agreed to purchase, and the Sellers have agreed to sell, the Sale Securities, being all the issued shares of DH Services Holding and certain issued shares of certain subsidiaries of DH Services Holding. The underlying business to be acquired is the advanced material handling automation solutions business operated by DH Services through its subsidiaries which operate mainly under the "Dematic" trade name. Further, reference is made to the notice convening the EGM issued by the Company on 15 September 2016.

The purpose of this circular is to provide you with, among other things, (i) further information on the Sale and Purchase Agreement and the Acquisition; (ii) the financial information of the Group; (iii) the accountants' report on DH Services Holding Group; and (iv) the unaudited pro forma financial information of the Enlarged Group.

2. THE ACQUISITION

I. THE SALE AND PURCHASE AGREEMENT

Date: 20 June 2016 (New York time)

Parties: (1) KION, as the Purchaser

(2) AEA Europe Fund II LP, Ontario Teachers' Pension Plan, AEA Investors Fund V LP, AEA Investors Fund V-A LP, AEA Investors Fund V-B LP, AEA Investors QP Participant Fund V LP, AEA Investors Participant Fund V LP, DH C-Holdings Ltd, the Nominee, the Employee Trust, and two independent directors of DH Services and certain related trust, together as the Sellers

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Sellers and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

Subject matter to be acquired

The Sale Securities, being:

(a) 1,541,557 class A ordinary shares of US$0.01 each in the capital of DH Services Holding and 281,425 class B ordinary shares of US$0.01 each in the capital of DH Services Holding, which together with the class C preferred shares of US$0.01 each in the capital of DH Services Holding described in paragraph (b) below represent all issued shares of DH Services Holding; and

(b) subject to and conditional upon the transfer of the class A ordinary and class B ordinary shares of DH Services Holding mentioned in paragraph (a) above,

(i) 1,407,500 class C preferred shares of par value US$0.01 each in DH Services Holding; and

(ii) such number of shares representing 45% equity interest in each of the DH Services Holding Subsidiaries*.

The Sale Securities represent holdings of all issued shares of DH Services Holding and each of the DH Services Holding Subsidiaries. Each of the DH Services Holding Subsidiaries is a holding company. Through the Acquisition of the Sale Securities, the Purchaser will acquire the advanced material handling automation solutions business operated by DH Services through its subsidiaries which operate mainly under the "Dematic" trade name.

**Note:* The remaining 55% equity interest in each of the DH Services Holding Subsidiaries is held directly or indirectly by DH Services Holding.

Consideration and basis of determination of Consideration

The Consideration for the purchase of the Sale Securities under the Sale and Purchase Agreement is expected to be US$2.1 billion (equivalent to approximately HK$16.338 billion). The final Consideration will be determined based on an agreed enterprise value of US$3.25 billion (equivalent to approximately HK$25.285 billion) after adjusting for the following:

(i) net working capital of the DH Services Holding Group (on a consolidated basis) as of the Locked Box Date as compared to a target amount of net working capital of the DH Services Holding Group of negative US$325.0 million, which was an amount negotiated and agreed between the Sellers and the Purchaser on the basis of the average monthly working capital of Dematic for the twelve months ended 31 March 2016;

(ii) cash and cash equivalents held by the DH Services Holding Group (on a consolidated basis) as of the Locked Box Date;

(iii) indebtedness of the DH Services Holding Group (on a consolidated basis) as of the Locked Box Date;

(iv) Pre-Locked Box Transaction Expenses;

(v) the Leakage Amount;

(vi) the Aggregate Leakage Ticking Fee;

(vii) Post-Locked Box Transaction Expenses; and

(viii) Aggregate Transaction Expenses Ticking Fee.

The Consideration is payable by the Purchaser in cash at Completion, subject to an adjustment after Completion to account for the difference between the Sellers' estimate of items (i) to (viii) calculated prior to Completion and the actual amount of items (i) to (viii) calculated after Completion. The payment will be funded with a bridge loan facility. On 4 July 2016, KION has entered into a syndicated multicurrency bridge and term loan facilities agreement with a group of banks with a total amount of loans of EUR 3.0 billion as a bridge loan facility to fund the Acquisition. The bridge loan facility consists of various tranches with different maturities, and the annual interest rates on these tranches are at variable rates. The maturities of the different tranches range from 6 months after the Completion Date to 60 months after the Completion Date. The variable interest rates on the different tranches are equal to EURIBOR or LIBOR, as applicable, plus a certain margin. The margins are variable during the term of the loans and range from 105 basis points to 225 basis points. The group of banks providing such facility comprises 13 relationship banks of KION, which also provide major corporate facility as well as other banking services to KION. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, other than the abovementioned business relationship with KION and a currency swap transaction in respect of an amount of US$150 million entered into between a wholly-owned subsidiary of the Company and one of the banks in 2015, each of these banks is a third party independent of KION and the Company. The Purchaser intends to permanently refinance the bridge loan through equity, long-term capital markets and bank debt. Going forward, KION is contemplating to obtain the approval of its shareholders in order to obtain a mandate to issue up to 10 per cent. of the issued share capital of KION. KION may consider seeking a capital increase, but any such plan is currently uncertain and will be monitored and decided by the management board and supervisory board of KION dependent on the market conditions, etc.. In addition to KION's possible equity fund raising exercise, KION's bridge loan facility which consists of different tranches with different maturities, is expected to be partially refinanced with capital market debt which will have a longer maturity than the refinanced tranches. The other tranches of the bridge loan facility already provide for long-term bank debt financing and KION does not contemplate to refinance these tranches in the short or medium term. Other than the relevant re-financing exercises proposed to be undertaken by KION as mentioned above, the Company currently does not have any intention to conduct any equity fund raising exercise nor to take steps in re-financing KION's bridge loan facility.

Based on the Purchaser's current estimates of movements in items (i) to (viii) above between now and the anticipated Completion Date, the Purchaser estimates the Consideration to be no more than US$2.2 billion (equivalent to approximately HK$17.116 billion) even after the above-mentioned adjustments. In the event that there is a material difference in the final Consideration with such expected adjustment amount, the Company will publish an announcement to inform the Shareholders of the amount of the final Consideration when it is determined after Completion.

The Consideration shall be apportioned among the Sellers in proportion to the number and type of Sale Securities sold by the relevant Seller. Pursuant to the Sale and Purchase Agreement, out of the expected Consideration of approximately US$2.1 billion (equivalent to approximately HK$16.338 billion):

(a) approximately US$873.1 million (equivalent to approximately HK$6,793.1 million) shall be payable to the investment funds and a holding company managed by AEA Investors LP, namely AEA Europe Fund II LP, AEA Investors Fund V LP, AEA Investors Fund V-A LP, AEA Investors Fund V-B LP, AEA Investors QP Participant Fund V LP and AEA Investors Participant Fund V LP and DH C-Holdings Ltd;

(b) approximately US$873.1 million (equivalent to approximately HK$6,793.1 million) shall be payable to the Ontario Teachers' Pension Plan;

(c) approximately US$293.2 million (equivalent to approximately HK$2,281.1 million) shall be payable to the Nominee for and on behalf of 40 members of management;

(d) approximately US$50.8 million (equivalent to approximately HK$395.2 million) shall be payable to the Employee Trust for and on behalf of certain employees of DH Services; and

(e) approximately US$9.7 million (equivalent to approximately HK$75.5 million) shall be payable to two independent directors of DH Services and certain related trust.

The Consideration and in particular, the agreed enterprise value component, has been determined after arm's length negotiations among the parties to the Sale and Purchase Agreement. The agreed enterprise value was negotiated and determined with reference to the going concern value of Dematic that was established based on offers solicited by the Sellers from multiple potential buyers during a competitive bidding process. The agreed enterprise value also takes into account valuations of similar mergers and acquisitions transactions based on multiples of historical operating profits expressed as earnings before interest tax, depreciation and amortization (EBITDA) of comparable target companies in acquisitions within the same industry and after considering the business and financial profile of DH Services compared to these comparable target companies. Based on an Adjusted EBITDA of approximately US$230,560,000 for the twelve months ended 31 March 2016, the multiple of the agreed enterprise value to the Adjusted EBITDA for Dematic is approximately 14.1 times, which compares to similar EBITDA multiples in a range of approximately 9 to 18 times for comparable acquisitions of other automation and related technology companies in Europe and the United States of America during the last three years. The median of these transactions is around 12.5 times.

The table below contains an exhaustive list of all comparable target companies in the same industry which have been considered by the parties to the Sale and Purchase Agreement and relevant information relating to the target companies and their acquisitions:

Name of comparable target company	Listed or Unlisted	Principal business activity of the comparable target company	Principal products or solutions offered by the comparable target company	Principal location of their business operations	Name of acquirer and principal business activities of the acquirer	EBITDA (in millions)	EBITDA multiple applied in the relevant acquisition based on publicly available information
Broetje-Automation	Unlisted	Manufacturer and supplier of machines and systems for the aviation and aerospace industry	Automated assembly equipment, assembly systems as well as composite manufacturing solutions, such as handling and drape systems	Rastede, Germany	Shanghai Electric, a supplier of equipment manufacturing based in China	EUR5	Approximately 32.7 times
Intelligrated	Unlisted	Single source provider of intelligent automated material handling solutions that drive fulfilment productivity for retailers, manufacturer and logistics providers	Conveyors, sortation systems, palletizers, robotics and automated storage and retrieval systems	Mason, Ohio, United States of America	Honeywell, a service provider of material handling solutions	US$125	Approximately 12.0 times
KUKA AG	Listed on the Frankfurt Stock Exchange (stock code: KU23)	Supplier of robotics as well as of plant and system engineering	Industrial robotics, e.g. assembly robots and robots for handling and loading/unloading tasks, related software and controllers as well as robot systems	Augsburg, Germany	Midea, an electronic appliance manufacturer based in China	EUR248	Approximately 18.2 times

Name of comparable target company	Listed or Unlisted	Principal business activity of the comparable target company	Principal products or solutions offered by the comparable target company	Principal location of their business operations	Name of acquirer and principal business activities of the acquirer	EBITDA (in millions)	EBITDA multiple applied in the relevant acquisition based on publicly available information
EDAC Technologies Corporation	Previously listed on NASDAQ (stock code: EDAC) and delisted after acquisition by Greenbriar Equity Group LLC in 2013	Supplier of highly engineered products to a broad spectrum of worldwide customers, e.g. in machine tool and industrial markets	Precision aerospace components and assemblies for OEMs, e.g. hubs and low pressure turbine cases, and spindle products, such as drilling and high frequency spindles	Farmington, United States of America	Meggitt, a manufacturer of high performance components and sub-systems	US$27	Approximately 12.5 times
Swisslog Holding AG	Previously listed on the SIX Swiss Exchange (stock code: SLOG) and delisted in 2015 in relation to the acquisition by KUKA AG	Develops and produces intralogistics automation solutions	Material handling automation solutions, e.g. autonomous transport and supply chain management, and pharmacy automation, e.g. medication packaging and dispensing as well as automated medication storage and retrieval solutions	Buchs/Aarau, Switzerland	KUKA AG, a supplier of robotics as well as of plant and system engineering	US$29	Approximately 12.6 times
M+W Group	Unlisted	Design, engineering and construction of high tech facilities and major complex projects	Consulting and planning solutions, e.g. site evaluations, design and engineering, installation planning, pre-construction and project management, procurement, as well as maintenance and installation solutions	Stuttgart, Germany	ATS, a provider of custom automation solutions	EUR20	Approximately 12.8 times

Name of comparable target company	Listed or Unlisted	Principal business activity of the comparable target company	Principal products or solutions offered by the comparable target company	Principal location of their business operations	Name of acquirer and principal business activities of the acquirer	EBITDA (in millions)	EBITDA multiple applied in the relevant acquisition based on publicly available information
IWK Verpackungstechnik	Unlisted	Provider of packaging of pharmaceutical and cosmetic products, market leader in automatic tube filling machines	Automatic tube filling machines, cartooning machine program as well as high-speed solutions for collating, sorting and handling in precise manner	Stutensee, Germany	ATS, a provider of custom automation solutions	EUR11	Approximately 9.0 times
Invensys	Previously listed on the London Stock Exchange (stock code: ISYS) and delisted in 2014 after the acquisition by Schneider Electronics	Provider of advanced technologies	Industrial software, e.g. trading, planning and scheduling software and a software for real-time production management, as well as industrial automation solutions, including measurement and control systems	London, United Kingdom	Schneider Electronics, a company specialises in energy management and automation	GBP202	Approximately 11.9 times

The Purchaser considers that the EBITDA multiple applied in the above acquisitions serve as useful comparatives for the purpose of determining the EBITDA multiple for the Acquisition as the said comparable target companies are (i) operating within the automation solution industry, which is the same industry in which Dematic operates in, (ii) operating in the geographic regions in which Dematic has a presence, (iii) offering a similar range of product as Dematic and (iv) exposed to the same end-market drivers as well as macroeconomic trends as that of Dematic. The Company considers that it is reasonable to apply a multiple of approximately 14.1 times for Dematic in the Acquisition after taking into account its strong market leadership and technology position as well as its strong global market presence. The determination of the agreed enterprise value also took into account a wide range of other factors, including but not limited to the leading market position and global market presence of Dematic, its strength in customer relations, technology and products, the historic and expected growth prospects of the market, the strategic importance of the acquisition for KION, the cash profile of Dematic, the anticipated reaction of capital markets, the expected synergies and the competitive context of the sales process. The calculation of the Consideration is based on the agreed enterprise value and taking into account certain adjustments, including adjustments for certain non-recurring items agreed between the Sellers and the Purchaser and after deduction of certain debt and debt-like items.

In particular, when negotiating and determining the agreed enterprise value, the Purchaser has taken into consideration the historical performance of DH Services in light of the strong historical market growth of approximately 10 per cent. per annum over the past three years in the supply chain automation and material handling solutions industry in which Dematic operates. Dematic, being one of the leaders in its industry, has participated in this growth that is driven by long-term trends such as automation, e-commerce and an increasing complexity of supply chains. Such growth in installed base supply chain automation and material handling solutions and the increasing need of customers in upgrades and refurbishments of these installed solutions are expected to impose a positive drive on DH Services' services business and underpin its growth of revenues. Given Dematic's strong market product and technology position, it is expected that Dematic will continue to enjoy good growth based on the overall market growth, with additional growth opportunities expected to be derived from the expansion of Dematic's aftermarket services for its installed base and from software sales activities as well as upon the realisation of the revenue synergies from cross-selling between KION and Dematic given their complementary geographic presence and customer base and cost synergies from the integration of Dematic's business with KION's operations after Completion. Moreover, the market-driven growth is expected to translate into higher revenues and higher operating earnings of DH Services, which are also in turn expected to benefit from the effects of operating leverage from growing revenues and the benefits from adopting cost-efficiency measures, including but not limited to DH Services' plans to relocate certain of its manufacturing plants, and therefore further enhance profitability. In addition, earnings growth is also expected as a result of (i) anticipated cost synergies as a result of the integration of the businesses of DH Services and KION after Completion, and (ii) the fact that certain historic costs which have been related to, among others, changes in Dematic's production set-up, the development and simplification of the product range and the reorganization of its business processes are not expected to reoccur going forward.

Conditions Precedent

Completion shall be conditional on the following conditions being satisfied or waived in writing by the Sellers' representatives and the Purchaser:

(a) in the event that the purchase of the Sale Securities under the Sale and Purchase Agreement constitutes a concentration with a community dimension within the scope of Council Regulation (EC) 139/2004 (the "**Merger Regulation**"), the European Commission:

(i) shall have made a decision declaring the Acquisition compatible with the common market under Articles 6(1)(b), 6(2), 8(1) or 8(2) of the Merger Regulation; or

(ii) shall not have taken a decision in accordance with Articles 6(1)(b), 6(1)(c), 6(2), 8(1), 8(2) or 8(3) of the Merger Regulation within the time limits set out in Articles 10(1) and 10(3) and is deemed to have declared the Acquisition compatible with the common market pursuant to the presumption in Article 10(6) of the Merger Regulation;

(b) all applicable filings having been made and all or any applicable waiting periods (including any extensions thereof) under the United States Hart-Scott-Rodino Antitrust Improvements Act of 1976 and the regulations thereunder having expired, lapsed or been terminated as appropriate in each case in respect of the purchase of Sale Securities under the Sale and Purchase Agreement;

(c) all applicable filings having been made and all or any applicable waiting periods (including any extensions thereof) under the Brazilian Competition Act and the regulations thereunder having expired, lapsed or been terminated as appropriate in each case in respect of the purchase of Sale Securities under the Sale and Purchase Agreement;

(d) the parties to the Sale and Purchase Agreement having obtained CFIUS Approval; and

(e) none of the parties to the Sale and Purchase Agreement being subject to any order or injunction of a court of competent jurisdiction that prohibits consummation of the Acquisition, other than an injunction that arises out of or is related to any stock exchange rule or regulation.

Completion shall also be conditional on the following conditions being satisfied or waived in writing by the Purchaser:

(a) certain warranties of the Sellers set forth in the Sale and Purchase Agreement being true and correct as of the date of the Sale and Purchase Agreement and as of Completion disregarding de minimis exceptions with respect to certain provisions set forth in the Sale and Purchase Agreement;

(b) certain other warranties of the Sellers set forth in the Sale and Purchase Agreement (disregarding all qualifications and exceptions contained in the Warranties regarding "materiality" and "material adverse effect") being true and correct as of the date of the Sale and Purchase Agreement and as of the Trigger Date, except where the failure of any such warranty to be so true and correct, individually or in the aggregate, would not reasonably be expected to have a material adverse effect on the DH Services Holding Group;

(c) the Sellers and DH Services Holding having complied with in all material respects the covenants and obligations required to be complied with by each of the Sellers and DH Services Holding under the Sale and Purchase Agreement at or prior to Completion, provided that any failure by DH Services Holding to comply with its covenants and obligations in respect of provision of financial assistance shall not be taken into account in determining the satisfaction of this condition;

(d) from the date of the Sale and Purchase Agreement until the Trigger Date, there shall not have occurred a material adverse effect on the DH Services Holding Group and there shall not have been any fact, circumstance, occurrence, change or event that, individually or in the aggregate, would reasonably be expected to have a material adverse effect on the DH Services Holding Group;

(e) the Purchaser having received a certificate of the authorised officers of certain of the Sellers, certifying that the conditions set forth in paragraphs (a), (b), (c), (d) and (f) have been satisfied; and

(f) the Purchaser having received a notice and a certificate in an agreed form, certifying that Mirror Bidco Corp., being one of the DH Services Holding Subsidiaries, is not and has not been within the past five years, a "United States real property holding corporation" within the meaning of the U.S. Internal Revenue Code.

Completion shall also be conditional on the following conditions being satisfied or waived in writing by the Sellers' representatives:

(a) the warranties of the Purchaser set forth in the Sale and Purchase Agreement being true and correct as of the date of the Sale and Purchase Agreement and as of Completion, except where the failure of any such warranty to be so true and correct, individually or in the aggregate, would not materially impair or prevent the Purchaser from consummating the Acquisition or performing its obligations under the Sale and Purchase Agreement;

(b) the Purchaser having complied with in all material respects the covenants and obligations required to be complied with by the Purchaser under the Sale and Purchase Agreement at or prior to Completion; and

(c) the Sellers having received a certificate of the an authorised officer of the Purchaser (which certificate shall be given without any personal liability of such authorised officer), certifying that the conditions set forth in paragraphs (a) and (b) have been satisfied.

As confirmed by KION's German lawyers, under German law, the entering by KION into the Sale and Purchase Agreement as well as the consummation of the Acquisition by KION do not require the approval of KION's general meeting. Although, pursuant to the Sale and Purchase Agreement, Completion is not made conditional upon the Shareholder's approval, the Company will convene the EGM to obtain the approval from its Shareholders, and the terms of the Sale and Purchase Agreement was structured in a way that would give the Company enough time to convene the EGM for obtaining the Shareholders' approval.

As at the Latest Practicable Date, the conditions precedent set out in paragraphs (a), (b) and (c) relating to anti-trust approvals in the European Union, the United States and Brazil have been fulfilled but none of the other conditions precedent has been fulfilled. It is the Sellers' and the Purchaser's expectations to satisfy all the above-mentioned conditions precedent within the agreed upon the Long Stop Date, being 15 February 2017. Therefore, currently, it is not intended by the Sellers or the Purchaser to waive any of the conditions precedent.

Pre-completion undertakings

The Sale and Purchase Agreement contains pre-completion undertakings as are customary for a privately negotiated acquisition from the Sellers and DH Services Holding Group regarding the conduct of the business of DH Services Holding Group between the date of the Sale and Purchase Agreement and Completion. Pursuant to the Sale and Purchase Agreement, except as otherwise agreed with the Purchaser in advance in writing, between the time of the Sale and Purchase Agreement and Completion, the Sellers shall ensure that the business of DH Services Holding Group is carried on in all material respects only in the ordinary course and consistent with past practice and that no members of the DH Services Holding Group be engaged in certain types of transactions other than those in the ordinary course of business without the prior written agreement of the Purchaser, including, among others:

(a) acquire any share or other interest in any company, partnership or other venture, other than shares or interests in other members of the DH Services Holding Group (other than the Sale Securities);

(b) dispose of any share or other interest in any member of the DH Services Holding Group, other than to another member of the DH Services Holding Group (other than the Sale Securities);

(c) make or incur any commitment involving an aggregate amount of capital expenditures or research and development investments or expenses exceeding 5% of the total amount of capital expenditures or research or development investments or expenses, respectively, as set forth in the annual capital expenditure budget;

(d) incur or enter into, as the case may be, any additional borrowings (including for borrowed money), guarantees, indemnities or other financial liabilities, save for those permitted or not otherwise prohibited under the terms of existing senior credit agreement and senior notes;

(e) create any security interests, mortgages, charges, liens, pledges, options, equities, easements, claims or other third party rights (including rights of pre-emption, rights of first offer or rights of first refusal) of any nature whatsoever (including any agreement to grant or create any of them), but excluding non-exclusive licenses to use intellectual property granted in the ordinary course of trading and other permitted encumbrances, over any of its assets or properties unless such encumbrance will be discharged on or prior to Completion;

(f) save for the exercise of stock options in accordance with their terms as in effect on the date of the Sale and Purchase Agreement: (i) create, allot or issue any share capital or loan capital, or (ii) grant any right with respect to any share capital or loan capital; and

(g) declare, make or pay any dividend or other distribution to shareholders (including any return of capital).

Termination

The Sale and Purchase Agreement may be terminated at any time prior to Completion:

(a) by the Sellers (acting jointly) or the Purchaser if Completion has not occurred by the Long Stop Date, provided, however, that the right to terminate the Sale and Purchase Agreement shall not be available to the Sellers or the Purchaser if the failure of any Seller or the Purchase, as the case may be, to fulfil any obligation under the Sale and Purchase Agreement has been the cause of, or has resulted in, the failure of Completion to occur by the Long Stop Date;

(b) by the Purchaser if any Seller or DH Services Holding breach any warranty, and which breach (i) cannot be cured by the Long Stop Date and (ii) would, if not cured by the Long Stop Date, result in the conditions precedent relating to the true and correctness of certain warranties of the Sellers and DH Services Holding Group and the compliance with in all material respects the covenants and obligations required to be complied with by each of the Sellers and DH Services Holding under the Sale and Purchase Agreement not being satisfied;

(c) by the Sellers (acting jointly) if certain warranty or agreement or obligation of the Purchaser contained in the Sale and Purchase Agreement has been breached, which breach (i) cannot be cured by the Long Stop Date and (ii) would, if not cured by the Long Stop Date, result in conditions precedent relating to the true and correctness of certain warranties of the Purchaser and the compliance with in all material respects the covenants and obligations required to be complied with by the Purchaser under the Sale and Purchase Agreement not being satisfied; or

(d) by the mutual written consent of the Sellers (acting jointly) and the Purchaser.

Completion

Completion shall take place (a) on the later of (i) the date that is the second Business Day after (and excluding) the date on which each of the conditions shall have been satisfied or waived (other than those conditions that by their nature are to be satisfied at Completion (but subject to the satisfaction or waiver of those conditions)) and (ii) the date that is twelve weeks after the Sellers have provided the Purchaser with certain audited financial statements of the DH Services Holding Group, or (b) such other date and time as the parties to the Sale and Purchase Agreement may agree; provided that if Completion would otherwise take place during the month of March, June, September or December pursuant to the foregoing, the Completion, at the sole discretion of the Purchaser, shall instead take place on the first Business Day after (and excluding) the last day of such month. It is currently the intention of the Purchaser to agree with the Sellers on a date for Completion that is immediately after the Company's obtaining of the Shareholders' approval at the EGM, which is planned to be held on 31 October 2016. Accordingly, it is currently anticipated that Completion shall take place in early November 2016.

II. INFORMATION ON THE TARGETS

DH Services Holding

DH Services Holding is a holding company and its assets are its indirect ownership interests in DH Services through the DH Services Holding Subsidiaries.

DH Services Holding Subsidiaries

Each of the DH Services Holding Subsidiaries is a holding company and its assets are its direct or indirect ownership interests in DH Services.

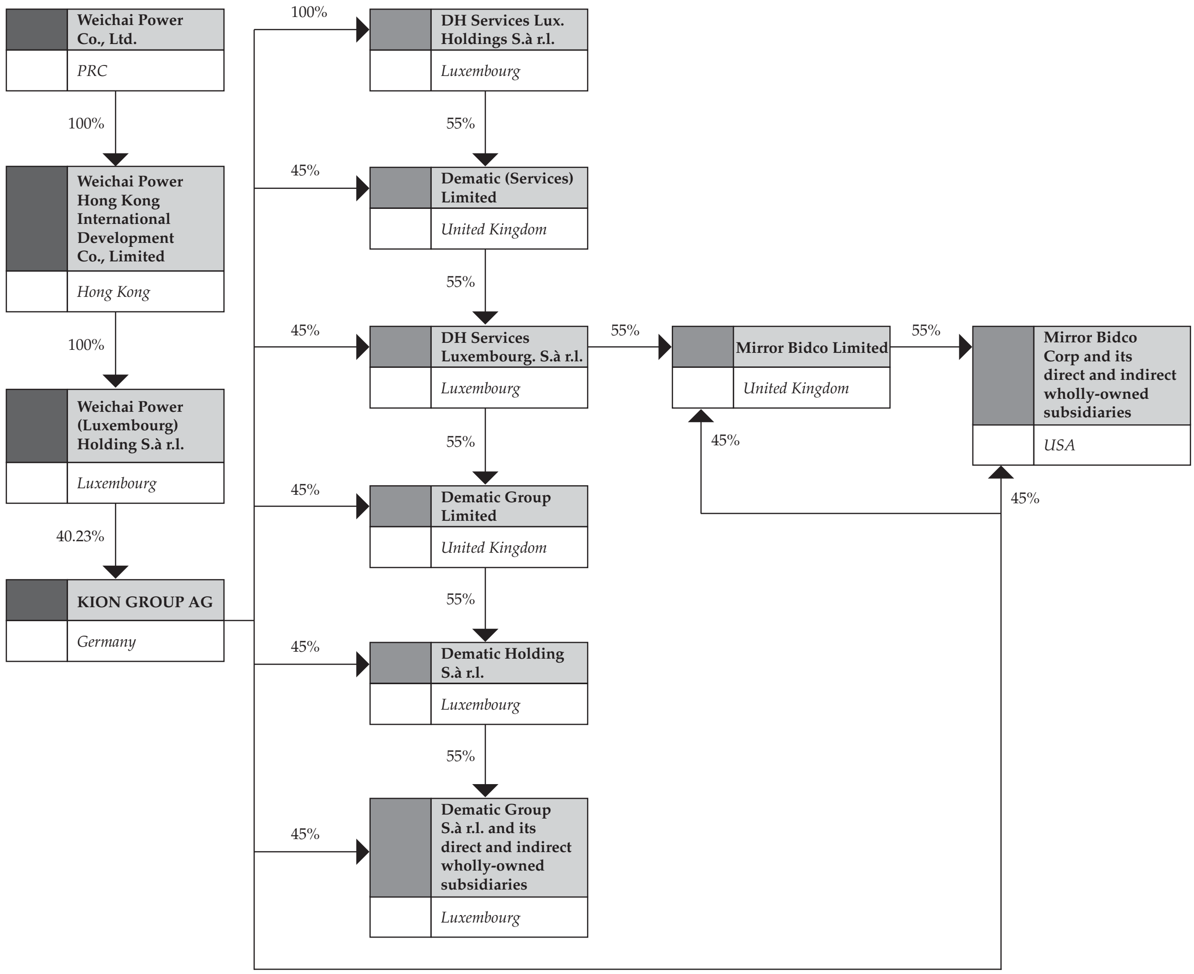
DH Services

DH Services is registered in Luxembourg. It is a holding company that, together with its subsidiaries, operate mainly under the "Dematic" trade name. Insofar as the Company is aware, Dematic is a leading global supplier of advanced integrated automation technology, software and services to optimise supply chains and to meet the material handling automation needs of its customers. The product and systems portfolio of Dematic ranges from Automatic Guided Vehicles (AGVs), palletizers, storage and picking equipment including automated storage and retrieval systems, sorters and conveyors to a leading integrated software platform and automation technologies. Dematic has been growing by more than 10% annually since 2013. Dematic employs almost 6,000 skilled logistics professionals — including engineers in engineering, software development, research and development, project management and customer service — to support its customers globally, with engineering centers and manufacturing facilities located around the globe. With more than 100 locations Dematic is present in 21 countries. Dematic is a leading player in the United States, Europe and worldwide. Dematic has implemented more than 4,500 integrated systems for small, medium and large companies with business in a broad variety of industries around the globe, including the fastest-growing e-commerce businesses.

Set out below is the consolidated financial information of DH Services Holding Group for the two financial years ended 30 September 2015 and 30 September 2014 prepared in accordance with IFRS:

	For the year ended 30 September 2015		**For the year ended 30 September 2014**	
		Approximate HK$ equivalent		*Approximate HK$ equivalent*
	US$'000	*'000*	*US$'000*	*'000*
Total Assets	1,905,635	14,825,840	1,803,015	14,027,457
Total Liabilities	2,091,849	16,274,585	1,934,258	15,048,527
Net Liabilities	(186,214)	(1,448,745)	(131,243)	(1,021,071)
Trade and Other Receivables	180,434	1,403,777	163,339	1,270,777
Revenue	1,679,431	13,065,973	1,564,931	12,175,163
Results from Operating Activities	106,864	831,402	72,941	567,481
Profit before income tax	(12,957)	(100,805)	(9,334)	(72,619)
Loss for the period	(39,456)	(306,968)	(43,675)	(339,792)
Net Cash Provided by Operating Activities	146,552	1,140,175	98,165	763,724

Set out below is a group chart of DH Services Holding Group upon Completion:



III. INFORMATION ON THE COMPANY AND THE PURCHASER

The Company

The Company is principally engaged in the research and development, manufacture and sale of high-speed heavy-duty diesel engines and engines parts.

The Purchaser

As at the Latest Practicable Date, KION is a 40.23% indirect non-wholly-owned subsidiary of the Company. KION is the largest manufacturer of industrial forklift trucks in Europe and globally operates its business in more than 100 countries under seven brands, namely, Linde, STILL, Fenwick, OM STILL, Egemin Automation, Baoli and Voltas. KION's shares have been listed on the Frankfurt Stock Exchange since June 2013.

IV. INFORMATION ON THE SELLERS

The Sellers include (i) various investment funds and a holding company managed by AEA Investors LP, (ii) Ontario Teachers' Pension Plan, which is a private investment company managed by Ontario Teachers' Pension Plan Board, (iii) the Employee Trust, (iv) the Nominee and (v) two independent directors of DH Services and certain related trust.

Insofar as the Company is aware, AEA Investors LP is a leading global private investment firm focused on private equity and debt investments in the middle market.

Insofar as the Company is aware, Ontario Teachers' Pension Plan Board is the largest single-profession pension plan in Canada. It manages investments and administers pension benefits on behalf of its members.

V. REASONS FOR AND BENEFITS OF THE ACQUISITION

In the supply chain and logistics industry, the automated interaction of various processes in production and warehousing is increasingly important. Solutions range from realtime inventory software reconciling orders and available stock, to effective storage for optimal use of available warehouse space by means of Automated Storage and Retrieval Systems (ASRS), to diverse picking solutions such as case and pallet picking to reduce cost-intensive labor input, and Automated Guided Vehicles (AGVs). Integrating DH Services as part of KION will create a global leader not only in automotive and equipment manufacturing, but also in advanced material handling. Thereby, essential know-how and market expertise within a future-oriented industry will be bundled to create a leading edge for the Company in industrial automation and digitalisation. DH Services will also substantially improve KION's position in North America and internationally. The Company also expects synergies both with regards to revenues and costs from a combination of KION and DH Services, through mutual leverage of customer channels and sales networks as well as technological capabilities. These synergies are expected to be realised over the course of the coming years as a result of the integration of the two businesses. In particular, the synergies resulting from the complementary market positions and business models will allow KION to offer seamlessly integrated material handling solutions to its customers. For example, the following business opportunities are expected to give rise to potential revenue synergies:

- In North America, KION's relatively small industrial truck business can benefit from market access and customer relations of Dematic that allow the industrial trucks to be integrated into the supply chain solutions offered by Dematic to its customers.

- In Western Europe, KION's market leading position in industrial trucks allows to offer its customers automation solutions based on Dematic's products and technology.

- In developing markets like China, Dematic and KION can combine their existing operations to offer customers integrated material handling solutions.

KION's strength in service offerings is also a basis for expanding the service offering of Dematic. It is further expected that the combination will realise cost synergies, which are derived in wide range of areas that include joint procurement for raw materials and components, elimination of duplication in research and development expenses for automation and reduction of overhead costs.

The fact that DH Services Holding was loss-making and at a net current liabilities and a net liabilities position for the three financial years ended 30 September 2015 and the period ended 31 March 2016 is primarily attributable to DH Services Holding's capital structure which is a typical capital structure of a portfolio company held by private equity investors. As a consequence of this capital structure, DH Services Holding Group has historically borne substantial liabilities resulting from corporate and tax structures tailored for institutional and financial investors. These liabilities resulted not only in a net liability position but also in relatively high amounts of financing costs of approximately RMB67.4 million, RMB83.4 million, RMB93.3 million and RMB45.7 million for the three financial years ended 30 September 2015 and the period ended 31 March 2016, respectively for DH Services Holding Group, which mainly attributed to the loss incurred over the past years. In particular, DH Services Holding is currently being financed by (i) a term loan with outstanding principal of US$572 million as of 31 March 2016 and an applicable interest rate of 4.25% and (ii) a bond of US$265 million with a coupon of 7.75% per annum, which financing costs are substantially above the expected costs of a comparable borrowing or bond that KION might obtain or issue to refinance the Acquisition. The high interest and coupon rate led to correspondingly high net finance costs which exceeded the results from operations for each of the three financial years ended 30 September 2015 and the period ended 31 March 2016, which is not expected to continue in the future as financing costs would be reduced as a result of KION repaying the existing bank and bond debt of DH Services Holding utilising the committed bridge loan facility of EUR3.0 billion (equivalent to approximately US$3.3 billion) bearing significantly lower variable interest rates per annum which rates shall equal to EURIBOR or LIBOR, as applicable, plus a margin ranging from 105 basis points to 225 basis points during the term of the loan. Taking into consideration the expected interest rate of approximately 1.05% to 3.0% per annum under the bridge loan facility (which is estimated in light of current EURIBOR and LIBOR interest rates and the specified margin ranging from 105 basis points to 225 basis points pursuant to the bridge loan facility), the effective interest rate of the borrowings may decrease by approximately 1.25% to up to approximately 6.7% per annum upon the refinancing of the existing term loan bearing an interest rate of 4.25% per annum and the bond debt with a coupon rate of 7.75% per annum by utilising the committed bridge loan facility, and which in turn would lead to a considerable decrease in total financing costs. Furthermore, DH Services Holding has issued a hybrid instrument, namely the Convertible Preferred Equity Certificates, to its current shareholders, which is being recorded in DH Services Holding's balance sheet as a liability ranking junior to all other present and future obligations of DH Services Holding in an amount of USD402 million as of 31 March 2016, and which carries an annual yield of 10%. Such hybrid instruments are a regularly used financing structure for private equity investors to implement their investments. After Completion, DH Services Holding Group will no longer be held by private equity investors and the intention is to cancel the Convertible Preferred Equity Certificates. As and when the Convertible Preferred Equity Certificates are cancelled, the liabilities of DH Services Holding is expected to decrease considerably. Going forward, the business of DH Services Holding Group is expected to be funded by a combination of cashflow generated by either DH Services Holding Group or KION as well as drawings under KION's corporate facility. The determination of the agreed enterprise value, and in turn the Consideration, is based on the operating performance and earnings of DH Services Holding Group as is relevant for KION as an industrial purchaser and does not consider the current specific capital and financing structure of DH Services Holding with its comparatively high historical financing costs. The Directors believe that the terms of the Sale and Purchase Agreement, including the Consideration, are fair and reasonable and in the interests of the Shareholders as a whole.

VI. FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, DH Services Holdings and its subsidiaries will become wholly-owned subsidiaries of KION, and in turn, subsidiaries of the Company and the results, assets and liabilities of the DH Services Holding Group will be consolidated into the accounts of the Group.

Set out in Appendix IV to this circular is the unaudited pro forma financial information of the Enlarged Group which illustrates the financial effects of the Acquisition on the assets and liabilities of the Group upon completion of the Acquisition.

Based on the unaudited pro forma financial information of the Enlarged Group in Appendix IV to this circular, assuming that Completion had taken place on 30 June 2016, the total assets of the Enlarged Group as at 30 June 2016 would increase from approximately RMB125,329 million to approximately RMB152,903 million and its total liabilities as at 30 June 2016 would increase from approximately RMB83,874 million to approximately RMB110,155 million. According to the accountants' report of DH Services Holding Group as set out in Appendix II to this circular, DH Services Holding Group recorded a net loss for each of the three financial years ended 30 September 2013, 2014 and 2015 and the six months ended 31 March 2016. Based on the reasons set out in the section headed "V. Reasons for and Benefits of the Acquisition" above, the Directors believe that the results of the operations of DH Services Holding Group will improve after the Acquisitions. In particular, the Directors expect an increase of the revenues of KION which is in line with historic growth rates as well as improvements in earnings that would result in an increase of the profit margin as a result of the revenues and costs synergies from a combination of KION and DH Services. Similarly, the Company also expects an increase of its revenues since the results of KION, being a subsidiary of the Company, shall be accounted for and consolidated into the consolidated financial statement of the Company. In addition, under Accounting Standards for Business Enterprises No. 20 Business Combinations issued by the Ministry of Finance of the People's Republic of China, the Group applies the purchase method to account for the acquisition of Dematic in the consolidated financial statements of the Group. Accordingly, a goodwill arising from the Acquisition of approximately RMB19.5 billion has been taken into consideration by the Board when considering the Acquisition. Based on the historical operational performance and strong revenue growth of Dematic, its ability to grasp market growth opportunities and the effects and benefits of an improved financing structure after the Acquisition, the Board is confident that the risk of an impairment of the goodwill is low.

VII. LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios calculated in accordance with the Listing Rules in relation to the Acquisition exceeds 25% but all of which are less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules.

3. EGM

A notice convening the EGM to be held at the Company's conference room at 197, Section A, Fu Shou East Street, High Technology Industrial Development Zone, Weifang, Shandong Province, the PRC on 31 October 2016 at 2:30 p.m. was despatched by the Company on 15 September 2016. At the EGM, an ordinary resolution will be proposed to approve the Acquisition.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholder or any of their respective close associates has any material interest in the Acquisition. As such, no Shareholder is required to abstain from voting in respect of the ordinary resolution to be proposed at the EGM to approve the Acquisition.

If you intend to attend the EGM, please complete and return the reply slip despatched by the Company on 15 September 2016 in accordance with the instructions printed thereon as soon as possible and in any event by no later than 11 October 2016.

The form of proxy for use at the EGM was also despatched by the Company on 15 September 2016. Holders of A Shares may use the forms of proxy published by the Company on the website of the Shenzhen Stock Exchange instead. Whether or not you intend to be present at such meetings, you are requested to complete the forms of proxy in accordance with the instructions printed thereon and return the same to Computershare Hong Kong Investor Services Limited at 17M floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (with respect to the holders of H Shares) or the Company's registered office at Capital Operation Department, 197, Section A, Fu Shou East Street, High Technology Industrial Development Zone, Weifang, Shandong Province, the PRC (postal code: 261061) (with respect to the holders of A shares), no later than 24 hours before the time fixed for holding the EGM or any adjournment thereof.

Completion and delivery of the form of proxy will not prevent you from attending and voting at the relevant meeting or any adjournment thereof if you so wish.

4. CLOSURE OF REGISTER OF HOLDERS OF H SHARES

The register of holders of H Shares of the Company will be closed from 1 October 2016 to 31 October 2016, both days inclusive, during which period no transfer of H Shares will be effected. In order to qualify for attending the EGM, all transfer documents of H Shares accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on 30 September 2016.

5. RECOMMENDATION

The Directors, including the independent non-executive Directors, are of the view that the terms of the Acquisition are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend all Shareholders to vote in favour of the ordinary resolution to approve the Acquisition at the EGM.

6. FURTHER INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of
the Board of Directors
Tan Xuguang
Chairman and CEO

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2013, 2014 and 2015 are disclosed in the following documents which have been published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.weichaipower.com):

- the Company's annual report for the year ended 31 December 2013 published on 29 April 2014 (pages 79 to 356);
- the Company's annual report for the year ended 31 December 2014 published on 23 April 2015 (pages 89 to 348); and
- the Company's annual report for the year ended 31 December 2015 published on 21 April 2016 (pages 94 to 352).

2. INDEBTEDNESS

Borrowings

As at the close of business on 31 July 2016, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding interest-bearing bank borrowings of approximately RMB18,802 million as follows:

	RMB'million
Current bank borrowings	3,313
Non-current bank borrowings due within one year	359
Non-current bank borrowings	15,130
	18,802

Details of such bank borrowings and other borrowings which are secured or unsecured are set out below:

	RMB'million
Secured	738
Guaranteed	3,886
Unsecured	14,178
	18,802

As at 31 July 2016, the Enlarged Group had total available bank credit facilities of approximately RMB77,232 million of which approximately RMB54,423 million had not been utilised.

Collateral

As at 31 July 2016, certain bank loans of the Enlarged Group were secured by the pledge of the following:

	RMB' million
Land use right	53

Liabilities under acceptance

As at 31 July 2016, the Enlarged Group had liabilities under acceptance of approximately RMB5,721 million.

Company bonds issued

As at 31 July 2016, the Enlarged Group issued company bonds of approximately RMB4,404 million.

Convertible Preferred Equity Certificates

As at 31 July 2016, the Enlarged Group issued yield bearing Convertible Preferred Equity Certificates with a carrying amount of approximately RMB1,956 million classified as current liabilities.

Contingent liabilities

(1) Exposure to Confirmation Risks

Shaanxi Heavy-duty Motor Co., Ltd., a subsidiary of the Company, entered into a tri-party cooperation agreement with distributors and endorsing banks. Distributors will deposit guarantee money of not lower than 30% to the bank and apply for the establishment of bank acceptance bill according to the amount of credit facility provided by the bank. Shaanxi Heavy-duty Motor Co., Ltd. assumes security obligation in favour of the distributors for the difference between amount of notes and guarantee money. As at 31 July 2016, open position of outstanding acceptance bill was RMB1,757 million.

(2) Finance lease business

Shaanxi Heavy-duty Motor Co., Ltd., a subsidiary of the Company, entered into a cooperation agreement with Shanzhong Finance Leasing Co., Ltd. It is agreed by and between the two parties that Shanzhong Finance Leasing Co., Ltd. shall provide finance lease service to Shaanxi Heavy-duty Motor Co., Ltd. or its distributors. Shaanxi

Heavy-duty Motor Co., Ltd. shall guarantee repurchase of physical assets upon presentation in respect of the leasee's failure to pay the instalment payments and interests under the finance lease. As at 31 July 2016, the rental balance of repurchase of physical assets upon presentation was RMB732 million.

(3) Guarantee

As at 31 July 2016, an overseas subsidiary of the Company had guaranteed for borrowings or otherwise in the amount of approximately RMB529 million.

The Directors confirm that there are no material changes in the indebtedness or contingent liabilities of the Enlarged Group since 31 July 2016.

Save as disclosed herein and apart from intra-group liabilities, the Enlarged Group did not have, as at the close of business on 31 July 2016, any material outstanding loan capital or debt securities or non-convertible notes issued or authorised or otherwise created but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchases or finance lease commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that, taking into account of the Enlarged Group's available financial resources, including internally generated cash flows, credit facilities and cash on hand and also the effect of the Acquisition, the Enlarged Group has sufficient working capital for its present requirements, that is for at least 12 months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

Into 2016, the global economy is expected to enter a stage of low growth. The heavy-duty truck market is anticipated to resume growth in sales volume. The construction machinery sector will benefit from the "One Belt and One Road" strategy and government investment, infrastructure construction such as urbanization construction and the national express rail, and a rebound is anticipated. Leveraging upon the synergy presented by its global development, advanced technology in smart manufacturing, product and service diversity and a strong base of loyal customers, the Company will demonstrate increasing competitive strengths in its products.

5. MATERIAL ADVERSE CHANGE

The Directors confirmed that, as at the Latest Practicable Date, they are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Company were made up.

The following is the text of a report, prepared for the purpose of incorporation in this Circular, received from Weichai Power Co., Ltd.'s reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

23 September 2016

The Directors
Weichai Power Co., Ltd.

Dear Sirs,

INTRODUCTION

We set out below our report on the consolidated financial information relating to DH Services Luxembourg Holding S.à r.l. (the "**DH Services Holding**") and its subsidiaries (hereinafter collectively referred to as the "**Company**") comprising the consolidated statements of financial position of the Company as at 30 September 2013, 2014 and 2015 and 31 March 2016 and the consolidated statements of profit or loss and other comprehensive loss, the consolidated statements of changes in equity and the consolidated cash flow statements, for the period from 28 December 2012 to 30 September 2013, each of the years ended 30 September 2014 and 2015 and the six months ended 31 March 2016 (the "**Relevant Periods**"), and a summary of significant accounting policies and other explanatory information (the "**Financial Information**"), for inclusion in the circular of Weichai Power Co., Ltd. (the "**Weichai**") dated 23 September 2016 (the "**Circular**") in connection with the proposed acquisition of the Company by the Weichai (the "**Proposed Acquisition**").

DH Services Holding was incorporated on 27 December 2011 and began operations on 28 December 2012 with the acquisition of its subsidiaries (refer to Note 1.3 for further details). DH Services Holding has not carried on any business since the date of its incorporation saved for the acquisition of the acquisitions of its subsidiaries on 28 December 2012. Details of DH Services Holding's subsidiaries as at 31 March 2016, including the names of the respective entities statutory auditors, are set out in note 1.3 of Section B below.

The statutory financial statements of these subsidiaries were prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**") or the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated and/or established.

The directors of DH Services Holding have prepared the consolidated financial statements for the Relevant Periods (the "**Underlying Financial Statements**") in accordance with IFRS issued by the IASB. The Underlying Financial Statements for the Relevant Periods were audited by KPMG LLP in accordance with International Standards of Auditing issued by the International Auditing and Assurance Standards Board (the "**IAASB**").

The Financial Information has been prepared by the directors of Weichai for inclusion in the Circular in connection with the Proposed Acquisition based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of Weichai are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of Weichai determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of DH Services Luxembourg, its subsidiaries or the Company in respect of any period subsequent to 31 March 2016.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Company as at 30 September 2013, 2014 and 2015 and 31 March 2016 and of the Company's financial performance and cash flows for the Relevant Periods then ended.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Company comprising the consolidated statement of profit or loss and other comprehensive loss, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months ended 31 March 2015, together with the notes thereon (the "**Corresponding Financial Information**"), for which the directors of Weichai are responsible, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the IAASB.

The directors of Weichai are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A. CONSOLIDATED FINANCIAL INFORMATION OF THE COMPANY

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE LOSS

	Note	Six-month period ended 31 March 2016	(Unaudited) Six-month period ended 31 March 2015	1 October 2014– 30 September 2015	1 October 2013– 30 September 2014	28 December 2012– 30 September 2013
				US$ in thousands		
Revenue	*7*	871,195	672,259	1,679,431	1,564,931	1,120,536
Cost of goods sold and services rendered		(694,440)	(489,207)	(1,260,785)	(1,169,709)	(883,216)
Gross profit		176,755	183,052	418,646	395,222	237,320
Research and development expenses		(27,352)	(23,173)	(50,688)	(49,866)	(28,821)
Marketing and selling expenses		(63,515)	(63,129)	(123,386)	(126,941)	(92,331)
General administration expenses		(78,354)	(60,236)	(137,776)	(91,844)	(125,109)
Impairment losses	*17*	–	–	–	(53,844)	–
Other income		103	88	106	256	72
Other expenses		(6)	(12)	(38)	(42)	(73)
Results from operating activities		7,631	36,590	106,864	72,941	(8,942)
Financial income		233	152	431	9,893	7,794
Financial costs		(51,398)	(64,257)	(120,252)	(92,168)	(71,223)
Net finance costs	*8*	(51,165)	(64,105)	(119,821)	(82,275)	(63,429)
Loss before income tax		(43,534)	(27,515)	(12,957)	(9,334)	(72,371)
Tax benefit (expense)	*9*	5,426	(9,548)	(26,499)	(34,341)	(17,345)
Loss for the period		(38,108)	(37,063)	(39,456)	(43,675)	(89,716)
Attributable to:						
Owners of the Company		(38,108)	(37,063)	(39,456)	(43,675)	(89,716)
Noncontrolling interests		–	–	–	–	–

	Note	Six-month period ended 31 March 2016	(Unaudited) Six-month period ended 31 March 2015	1 October 2014– 30 September 2015	1 October 2013– 30 September 2014	28 December 2012– 30 September 2013
				US$ in thousands		
Other comprehensive loss						
Loss for the period		(38,108)	(37,063)	(39,456)	(43,675)	(89,716)
Items that are or may be reclassified into profit or loss						
Change in currency translation adjustment		5,053	(5,739)	(5,802)	(12,918)	(9,040)
		5,053	(5,739)	(5,802)	(12,918)	(9,040)
Items that are not reclassified into profit or loss						
Remeasurement (loss) gain related to employee benefits	23	(11,856)	(7,742)	(14,935)	(31,902)	41,738
Tax on other comprehensive income (loss)	9	2,713	577	5,533	9,209	(13,255)
		(9,143)	(7,165)	(9,402)	(22,693)	28,483
Other comprehensive (loss) income, net of tax		(4,090)	(12,904)	(15,204)	(35,611)	19,443
Total comprehensive loss		(42,198)	(49,967)	(54,660)	(79,286)	(70,273)
Attributable to:						
Owners of the Company		(42,198)	(49,967)	(54,660)	(79,286)	(70,273)
Noncontrolling interest		–	–	–	–	–

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	31 March 2016	30 September 2015	30 September 2014	30 September 2013
		US$ in thousands			
Assets					
Noncurrent assets					
Intangible assets	*15*	501,730	493,606	491,000	520,191
Property, plant, and equipment	*16*	134,684	132,730	133,138	131,405
Goodwill	*17*	692,538	649,036	646,292	710,322
Other financial assets	*18*	28,654	28,002	32,388	32,101
Deferred tax assets	*9*	20,307	14,620	11,033	10,489
Other assets		3,852	3,230	3,150	946
Total noncurrent assets		1,381,765	1,321,224	1,317,001	1,405,454
Current assets					
Cash and cash equivalents	*10*	212,982	264,506	215,051	127,222
Restricted cash	*10*	13,048	13,556	8,736	6,647
Trade and other receivables	*11*	204,364	180,434	163,339	166,344
Other current financial assets	*12*	4,885	6,767	7,289	6,167
Inventories	*13*	92,952	69,617	43,712	44,982
Income tax receivables		13,602	5,132	7,450	1,328
Other current assets	*14*	42,859	44,399	40,437	34,816
Total current assets		584,692	584,411	486,014	387,506
Total assets		1,966,457	1,905,635	1,803,015	1,792,960
Equity and liabilities					
Equity					
Share capital	*26*	32	32	32	32
Share premium	*26*	17,959	17,959	18,270	18,248
Accumulated deficit		(210,955)	(172,847)	(133,391)	(89,716)
Accumulated other comprehensive (loss) income		(35,462)	(31,372)	(16,168)	19,443
Equity attributable to owners of the Company		(228,426)	(186,228)	(131,257)	(51,993)
Noncontrolling interest	*26*	14	14	14	14
Total equity		(228,412)	(186,214)	(131,243)	(51,979)

	Note	**31 March 2016**	**30 September 2015**	**30 September 2014**	**30 September 2013**
		US$ in thousands			
Noncurrent liabilities					
Loans and borrowings	*19*	808,570	808,676	801,531	756,914
Finance lease liabilities	*20*	1,339	1,196	10,054	11,432
Employee benefit obligations	*23*	117,018	103,037	106,338	91,060
Deferred tax liabilities	*9*	92,530	94,100	105,476	134,276
Provisions	*24*	20,608	18,747	22,129	25,489
Other noncurrent liabilities		3,174	4,285	7,713	38
Total noncurrent liabilities		1,043,239	1,030,041	1,053,241	1,019,209
Current liabilities					
Loans and borrowings	*19*	13,353	13,328	13,583	12,945
Convertible preferred equity certificates and accrued yield	*19*	401,682	382,554	347,752	315,882
Finance lease liabilities	*20*	1,518	1,488	3,140	3,015
Trade payables due to third parties		208,024	241,798	182,230	179,694
Other current financial liabilities	*21*	25,270	16,502	13,834	15,223
Current provisions	*24*	78,779	97,691	98,851	105,424
Income taxes payable		3,470	5,216	5,652	1,233
Unearned revenue	*11*	354,906	236,641	150,296	125,160
Other current liabilities	*22*	64,628	66,590	65,679	67,154
Total current liabilities		1,151,630	1,061,808	881,017	825,730
Total liabilities		2,194,869	2,091,849	1,934,258	1,844,939
Total equity and liabilities		1,966,457	1,905,635	1,803,015	1,792,960

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Share capital	Share premium	Accumulated deficit	Currency translation adjustment	Remeasure-ment of employee benefit obligations	Total equity attributable to owners	Non controlling interest	Total equity
					US$ in thousands				
Opening balance as of 1 October 2015		32	17,959	(172,847)	(27,760)	(3,612)	(186,228)	14	(186,214)
Share-based payment arrangements	*25*	–	–	–	–	–	–	–	–
Transactions with owners of the Company, recognized directly in equity		–	–	–	–	–	–	–	–
Change in currency translation adjustment		–	–	–	5,053	–	5,053	–	5,053
Remeasurement losses on employee benefit obligations, net of tax	*23*	–	–	–	–	(9,143)	(9,143)	–	(9,143)
Other comprehensive income (loss)		–	–	–	5,053	(9,143)	(4,090)	–	(4,090)
Loss for the period		–	–	(38,108)	–	–	(38,108)	–	(38,108)
Total comprehensive (loss) income for the period		–	–	(38,108)	5,053	(9,143)	(42,198)	–	(42,198)
Closing balance as of six-month period ended 31 March 2016		32	17,959	(210,955)	(22,707)	(12,755)	(228,426)	14	(228,412)

The accompanying notes are an integral part of these consolidated financial statements.

	Note	Share capital	Share premium	Accumulated deficit	Currency translation adjustment	Remeasure-ment of employee benefit obligations	Total equity attributable to owners	Non controlling interest	Total equity
					US$ in thousands				
Opening balance as of 1 October 2014		32	18,270	(133,391)	(21,958)	5,790	(131,257)	14	(131,243)
Share-based payment arrangements	25	–	(340)	–	–	–	(340)	–	(340)
Transactions with owners of the Company, recognized directly in equity		–	(340)	–	–	–	(340)	–	(340)
Change in currency translation adjustment		–	–	–	(5,739)	–	(5,739)	–	(5,739)
Remeasurement losses on employee benefit obligations, net of tax	23	–	–	–	–	(7,165)	(7,165)	–	(7,165)
Other comprehensive loss		–	–	–	(5,739)	(7,165)	(12,904)	–	(12,904)
Loss for the period		–	–	(37,063)	–	–	(37,063)	–	(37,063)
Total comprehensive loss for the period		–	–	(37,063)	(5,739)	(7,165)	(49,967)	–	(49,967)
Closing balance as of six-month period ended 31 March 2015 (unaudited)		32	17,930	(170,454)	(27,697)	(1,375)	(181,564)	14	(181,550)

The accompanying notes are an integral part of these consolidated financial statements.

	Note	Share capital	Share premium	Accumulated deficit	Currency translation adjustment	Remeasure-ment of employee benefit obligations	Total equity attributable to owners	Non controlling interest	Total equity
					US$ in thousands				
Opening balance as of 1 October 2014		32	18,270	(133,391)	(21,958)	5,790	(131,257)	14	(131,243)
Share-based payment arrangements	25	–	(311)	–	–	–	(311)	–	(311)
Transactions with owners of the Company, recognized directly in equity		–	(311)	–	–	–	(311)	–	(311)
Change in currency translation adjustment		–	–	–	(5,802)	–	(5,802)	–	(5,802)
Remeasurement losses on employee benefit obligations, net of tax	23	–	–	–	–	(9,402)	(9,402)	–	(9,402)
Other comprehensive loss		–	–	–	(5,802)	(9,402)	(15,204)	–	(15,204)
Loss for the period		–	–	(39,456)	–	–	(39,456)	–	(39,456)
Total comprehensive loss for the year		–	–	(39,456)	(5,802)	(9,402)	(54,660)	–	(54,660)
Closing balance as of 30 September 2015		32	17,959	(172,847)	(27,760)	(3,612)	(186,228)	14	(186,214)

The accompanying notes are an integral part of these consolidated financial statements.

	Note	Share capital	Share premium	Accumulated deficit	Currency translation adjustment	Remeasure-ment of employee benefit obligations	Total equity attributable to owners	Non controlling interest	Total equity
					US$ in thousands				
Opening balance as of 1 October 2013		32	18,248	(89,716)	(9,040)	28,483	(51,993)	14	(51,979)
Share-based payment arrangements	25	–	22	–	–	–	22	–	22
Transactions with owners of the Company, recognized directly in equity		–	22	–	–	–	22	–	22
Change in currency translation adjustment		–	–	–	(12,918)	–	(12,918)	–	(12,918)
Remeasurement losses on employee benefit obligations, net of tax	23	–	–	–	–	(22,693)	(22,693)	–	(22,693)
Other comprehensive loss		–	–	–	(12,918)	(22,693)	(35,611)	–	(35,611)
Loss for the period		–	–	(43,675)	–	–	(43,675)	–	(43,675)
Total comprehensive loss for the year		–	–	(43,675)	(12,918)	(22,693)	(79,286)	–	(79,286)
Closing balance as of 30 September 2014		32	18,270	(133,391)	(21,958)	5,790	(131,257)	14	(131,243)

The accompanying notes are an integral part of these consolidated financial statements.

	Note	Share capital	Share premium	Accumulated deficit	Currency translation adjustment	Remeasurement of losses on employee benefit obligations	Total equity attributable to owners	Non-controlling interest	Total equity
					US$ in thousands				
Opening balance as of 28 December 2012		31	17,063	–	–	–	17,094	14	17,108
Share-based payment arrangements	25	1	1,185	–	–	–	1,186	–	1,186
Transactions with owners of the Company, recognized directly in equity		1	1,185	–	–	–	1,186	–	1,186
Change in currency translation adjustment		–	–	–	(9,040)	–	(9,040)	–	(9,040)
Remeasurement gain on employee benefit obligations, net of tax	23	–	–	–	–	28,483	28,483	–	28,483
Other comprehensive (loss) income		–	–	–	(9,040)	28,483	19,443	–	19,443
Loss for the period		–	–	(89,716)	–	–	(89,716)	–	(89,716)
Total comprehensive (loss) income for the year		–	–	(89,716)	(9,040)	28,483	(70,273)	–	(70,273)
Closing balance as of 30 September 2013		32	18,248	(89,716)	(9,040)	28,483	(51,993)	14	(51,979)

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Six-month period ended 31 March 2016	(Unaudited) Six-month period ended 31 March 2015	1 October 2014– 30 September 2015	1 October 2013– 30 September 2014	28 December 2012– 30 September 2013
				US$ in thousands		
CASH FLOWS FROM OPERATING ACTIVITIES						
Loss for the period		(38,108)	(37,063)	(39,456)	(43,675)	(89,716)
Adjustments for:						
Amortization and depreciation	15, 16	33,495	29,561	63,407	63,134	90,328
Equity-based compensation	25	8,300	405	2,210	4,931	–
Losses on sales of tangible and intangible assets	15, 16	213	1	414	858	984
Change in fair value of embedded and other derivatives	8	700	240	2,711	(9,479)	(6,215)
Financial result (interest and unrealized foreign exchange)	8	48,824	63,123	96,842	91,716	69,717
Past service credit and curtailment gain	23	–	(10,468)	(10,468)	(9,948)	–
Impairment losses on goodwill	17	–	–	–	53,844	–
Impairment losses on trade receivables and inventories	13, 27	536	4	1,177	2,677	3,197
Tax (benefit) expense	9	(5,426)	9,548	26,499	34,341	17,345
		48,534	55,351	143,336	188,399	85,640
Changes in:						
Restricted cash	10	508	(205)	(4,820)	(2,089)	(6,647)
Inventories	13	(22,132)	(15,766)	(25,158)	(91)	(5,229)
Trade and other receivables	11	(16,923)	14,646	(5,307)	(11,673)	(32,688)
Trade payables		(35,460)	(15,948)	58,501	5,800	93,516
Provisions, pension plans, and similar commitments	23, 24	(27,333)	(34,389)	(12,238)	12,040	(24,000)
Other assets	14, 18	1,532	6,538	(5,223)	(9,767)	10,907
Other liabilities and unearned revenue	21, 22	105,857	92,544	81,012	23,123	4,882
CASH GENERATED FROM OPERATING ACTIVITIES		54,583	102,771	230,103	205,742	126,381
Interest received		–	–	230	1,717	233
Interest paid	19	(22,793)	(22,729)	(47,412)	(53,514)	(32,661)
Income taxes paid	9	(8,923)	(8,420)	(36,369)	(55,780)	(42,724)
NET CASH PROVIDED BY OPERATING ACTIVITIES		22,867	71,622	146,552	98,165	51,229

	Note	Six-month period ended 31 March 2016	(Unaudited) Six-month period ended 31 March 2015	1 October 2014– 30 September 2015	1 October 2013– 30 September 2014	28 December 2012– 30 September 2013
				US$ in thousands		
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisition of intangible and tangible fixed assets	*15, 16*	(22,836)	(21,867)	(51,737)	(42,934)	(34,158)
Acquisition of subsidiaries net of cash acquired	*6*	(53,180)	(29,397)	(29,397)	(3,848)	(349,048)
NET CASH USED IN INVESTING ACTIVITIES		(76,016)	(51,264)	(81,134)	(46,782)	(383,206)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from outstanding stock	*26*	–	–	–	22	18,294
Repurchase of outstanding stock	*26*	–	(340)	(311)	–	–
Payments of CPECs	*19*	–	(502)	–	–	–
Proceeds from CPECs	*19*	–	–	92	414	293,566
Proceeds from loans and finance leases	*19*	205	653	1,880	51,870	805,283
Payment of transaction cost related to loans and borrowings	*19*	–	–	–	(1,393)	(32,067)
Payment of finance lease liabilities	*20*	(202)	(690)	(3,032)	(3,759)	(1,549)
Payment of external bank loans	*19*	(3,600)	(3,781)	(7,688)	(6,016)	(622,765)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES		(3,597)	(4,660)	(9,059)	41,138	460,762
NET CHANGE IN CASH AND CASH EQUIVALENTS		(56,746)	15,698	56,359	92,521	128,785
Cash and cash equivalents as of beginning of period		264,506	215,051	215,051	127,222	16
Effect of exchange rates on cash and cash equivalents		5,222	(3,858)	(6,904)	(4,692)	(1,579)
Cash and cash equivalents as of end of period		212,982	226,891	264,506	215,051	127,222

The accompanying notes are an integral part of these consolidated financial statements.

B. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. REPORTING ENTITY

1.1. General information

DH Services Holding is registered under registration number B166250 in the "Registre de Commerce et des Sociétés," Luxembourg. The Company has its registered office at 6D, route de Trèves, L-2633 Senningerberg, Grand Duchy of Luxembourg. DH Services Holding was incorporated on 27 December 2011 and began operations on 28 December 2012 with the acquisitions of its subsidiaries. DH Services Holding has not carried on any business since the date of its incorporation saved for the acquisition of the acquisitions of its subsidiaries on 28 December 2012. The purpose of DH Services Holding is the acquisition, holding, and disposal of interests in Luxembourg and/or foreign companies and undertakings as well as the administration, development, and management of such interests.

The Company is owned by 2348614 Ontario Limited and AEA Investors Fund V L.P., AEA Investors Participant Fund V L.P., AEA Investors QP Participant Fund V L.P., AEA Investors Fund V–A L.P., AEA Investors Fund V–B L.P., AEA Europe Fund II L.P., DH C-Holdings Limited, RBC cees Nominees Limited, DH Services Employee Benefit Trust represented by RBC cees Trustee Limited, and certain members of management of the Company.

1.2. Description of the business

The Company is a global leader in automation solution including technology, software, and services that optimize the supply chain for the fulfillment and warehouse management sectors. The Company has approximately 6,000 employees throughout the United States, Europe, and Asia. The Company is focused on end markets that benefit from the change in global consumption patterns driven by e-commerce that requires shorter delivery time, increased complexity in orders, and cost efficiency. These markets include consumer, business-to-consumer, parcel, apparel, general merchandise retail, manufacturing, wholesale, food, beverage, and grocery. The Company employs the broadest product set in the industry, including automated retrieval and storage systems, palletizing, automated self-guided vehicles, goods-to-person workstations, sorters and conveyers, and automated mixed case palletizers to deliver end-market-specific solutions.

The Company's main production facilities are in the United States, Germany, Australia, China, and Mexico.

1.3. Consolidated entities

The following direct and indirect subsidiaries are included in the consolidated financial statements:

Name of the entity	Country of incorporation and business	Share of direct or indirect investment
DH Services Luxembourg Holding S.à r.l. (Parent)(2)(5)	Luxembourg	
Dematic Services Limited(1)	United Kingdom	55%*
DH Services Luxembourg S.à r.l.(2)(5)	Luxembourg	55%*
Dematic Holding S.à r.l.(1)	Luxembourg	55%*
Mirror Bidco Limited(1)	United Kingdom	55%*
Mirror Bidco Corp.(1)	U.S.A.	55%*
Dematic Group S.à r.l.(1)	Luxembourg	55%*
Dematic Group Limited(1)	United Kingdom	55%*
Dematic GmbH(2)(5)	Germany	100%**
Dematic Services GmbH(2)(5)	Germany	100%
Dematic Corp.(1)	U.S.A.	100%**
Dematic Limited(1)	Canada	100%**
Dematic Logistics Systems S.A.(2)(5)	Spain	100%**
Dematic S.A.S.(2)(5)	France	100%**
Dematic Srl(2)(5)	Italy	100%**

Name of the entity	Country of incorporation and business	Share of direct or indirect investment
Dematic Sistemas e Equipamentos de Movimentacão de Materiais Ltda.(1)	Brazil	100%**
Dematic Logistics de Chile Limitada(1)	Chile	100%**
Dematic Limited(2)(4)	United Kingdom	100%**
Dematic Holdings Pty. Ltd.(2)(4)	Australia	100%**
Dematic Pty. Ltd.(2)(4)	Australia	100%
Dematic S.E.A. Pte. Ltd.(2)(4)	Singapore	100%**
Dematic (M) Sdn. Bhd.(3)(4)	Malaysia	100%
Dematic Logistics de Mexico S. de R.L. de C.V.(1)	Mexico	100%
Dematic Trading de Mexico S. de. R.L. de C.V.(1)	Mexico	100%
DMTC Technology Services, S. de. R.L. de C.V.(1)	Mexico	100%
Dematic Logistics Systems Ltd.(2)(5)	China	100%**
Dematic International Trading Ltd.(2)(5)	China	100%**
HISCO Systems of Canada Limited(1)	Canada	100%
Dematic Systems GmbH (Formerly, Dematic Europe GmbH)(1)	Germany	100%**
FSU Investments Limited(1)	United Kingdom	100%**
Dematic Suisse Sagl(1)	Switzerland	100%
SDI Group Poland Sp.z.o.o.(3)(5)	Poland	100%
SDI Group Limited(2)(5)	United Kingdom	100%
SDI Group France S.A.S(3)(5)	France	100%
SDI Industries France S.A.S(3)(5)	France	100%
SDI Group UK Limited(2)(5)	United Kingdom	100%
SDI Group India Limited(1)	United Kingdom	100%
SDI Group Support Limited(2)(5)	United Kingdom	100%
SDI Group Germany Software & Controls GmbH & Co. KG(3)(5)	Germany	100%
SDI Group Germany Software & Controls Verwaltungsgesellschaft GmbH(3)(5)	Germany	100%
SDI Promech BV(1)	Netherlands	100%
SDI Group Germany Holding GmbH(1)	Germany	100%
Dematic Logistics GmbH(1)	Germany	100%
Dematic Reddwerks Corporation(1)	U.S.A.	100%
Reddwerks Inc.(1)	Canada	100%
Reddwerks Limited(1)	United Kingdom	100%
NDC Automation Pty. Ltd.(1)	Australia	100%
NDC Manage Pty. Ltd.(1)	Australia	100%

* *DH C-Holding Ltd., Cayman Islands holds 45% of the share capital of subsidiaries. The shareholding represents 45% of the voting power but little to no participation in the economic results of the Company. Further information is set out in Note 26.*

** *100% held by Dematic Group S.à r.l. or Mirror Bidco Corp.*

(1) There is no local auditing acquirement.

(2) These subsidiaries are audited by KPMG member firms.

(3) These subsidiaries are audited by local Certified Public Accountants firms.

(4) The statutory financial statements of these subsidiaries are prepared in accordance with IFRS.

(5) The statutory financial statements of these subsidiaries are prepared in accordance with the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated and/or established.

The information on share capital set forth in the table below is based on documents maintained by the below-listed local entities, or, where possible, from public records. In certain instances, the Company has relied on credit agreements, which have been footnoted below:

Name of the entity	**Particulars of issued and paid-up capital and debt securities**
DH Services Luxembourg Holding S.à r.l. (Parent)	1,541,557 Class A Ordinary Shares of US$0.01 nominal value 281,425 Class B Ordinary Shares of US$0.01 nominal value 1,407,500 Class C Preferred Shares of US$0.01 nominal value
Dematic (Services) Limited	550 Ordinary Shares of US$1 nominal value (fully paid) 449 Class C Ordinary Shares of US$1 nominal value (fully paid) 1 Ordinary Share of US$1 nominal value (fully paid)
*DH Services Luxembourg S.à r.l.	11,000 Class A Ordinary Shares of US$1 nominal value 9,000 Class C Preference Shares of US$1 nominal value
*Dematic Holding S.à r.l.	40,002 Class A Ordinary Shares without nominal value 39,999 Class B Ordinary Shares without nominal value 39,999 Class C Ordinary Shares without nominal value 40,000 Class D Ordinary Shares without nominal value 40,000 Class E Ordinary Shares without nominal value 40,000 Class F Ordinary Shares without nominal value 40,000 Class G Ordinary Shares without nominal value 40,000 Class H Ordinary Shares without nominal value 261,819 Class I Ordinary Shares without nominal value
*Mirror Bidco Limited	550 Class A Ordinary shares of £0.01 nominal value (fully paid) 450 Class C Ordinary shares of £0.01 nominal value (fully paid)
*Mirror Bidco Corp.	550 Class A Common Stock, par value US$0.01 450 Class C Common Stock, par value US$0.01
*Dematic Group S.à r.l.	3,483,512 Class A Ordinary Shares of US$0.01 nominal value 2,850,146 Class C Preference Shares of US$0.01 nominal value
Dematic Group Limited	495 Ordinary Shares of US$1 nominal value (fully paid) 55 Ordinary Shares of US$1 nominal value (fully paid) 449 Class C Ordinary Shares of US$1 nominal value (fully paid) 1 Class C Ordinary Share of US$1 nominal value (fully paid)
*Dematic GmbH	1 share (Geschäftsanteil) with the nominal value of EUR 500,000
*Dematic Services GmbH	1 share (Geschäftsanteil) with the nominal value of EUR 24,750 1 share (Geschäftsanteil) with the nominal value of EUR 250 1 share (Geschäftsanteil) with the nominal value of EUR 1,000 1 share (Geschäftsanteil) with the nominal value of EUR 1,000
*Dematic Corp.	100 shares of common stock, no par value
*Dematic Limited	2,400,100 Common Shares, no par value

*Dematic Logistics Systems S.A.	6,020 Nominative Shares, EUR 10 par value
*Dematic S.A.S.	4,200,001 Common Shares, EUR 2.50 par value
*Dematic Srl	1,000,000 shares, EUR 1 par value
*Dematic Sistemas e Equipamentos de Movimentacão de Materiais Ltda.	42,128,423 shares, BRL 1 par value
Dematic Logistics de Chile Limitada	1 share with CLP $990,000 par value 1 share with CLP $10,000 par value
*Dematic Limited	6,111,485 Ordinary Shares of £1 nominal value (fully paid)
*Dematic Holdings Pty. Ltd.	7,747,227 Ordinary Shares, nominal value US$1
*Dematic Pty. Ltd.	28,509,039 Ordinary Shares, nominal value US$1
*Dematic S.E.A. Pte. Ltd.	3 Ordinary Shares, S$1 par value
*Dematic (M) Sdn. Bhd.	50,000 Ordinary Shares, RM 1.0 par value
Dematic Logistics de Mexico S. de R.L. de C.V.	1 share with MXN $6,437,970 par value (consisting of (a) a fix capital of US$2,970 and (b) a variable capital of US$6,435,000) 1 share with MXN $65,030 par value (consisting of (a) a fix capital of US$30 and (b) a variable capital of US$65,000)
Dematic Trading de Mexico S. de. R.L. de C.V.	1 share with MXN $6,437,970 par value (consisting of (a) a fix capital of US$2,970 and (b) a variable capital of US$6,435,000) 1 share with MXN $65,030 par value (consisting of (a) a fix capital of US$30 and (b) a variable capital of US$65,000)
DMTC Technology Services, S. de. R.L. de C.V.	1 share with MXN $2,970 par value (fixed capital) 1 share with MXN $30 par value (fixed capital)
*Dematic Logistics Systems Ltd.	3,500,000 paid in shares, EUR 1 par value
*Dematic International Trading Ltd.	1,000,000 paid in shares, EUR 1 par value
*HISCO Systems of Canada Limited	100 shares of common stock, no par value
*Dematic Systems GmbH (Formerly, Dematic Europe GmbH)	25,000 shares *(Geschäftsanteil)* with the nominal value of EUR 1
FSU Investments Limited	21,449,842 Ordinary Shares of £0.1 nominal value (fully paid)
Dematic Suisse Sagl	30 shares
SDI Group Poland Sp.z.o.o.	102 shares, 50,001.42 PLN total value
SDI Group Limited	109,273,078 Ordinary Shares of £0.01 nominal value (fully paid) 7,100,000 B Ordinary Shares of £0.01 nominal value (fully paid)
SDI Group France S.A.S	100 Common Shares, EUR 1 par value
SDI Industries France S.A.S	1,000 Common Shares, EUR 37 par value

SDI Group UK Limited	206 Ordinary Shares of £1 each (fully paid)
SDI Group India Limited	1 Ordinary Share of £1 nominal value (fully paid)
SDI Group Support Limited	100 Ordinary Shares of £1 nominal value (fully paid)
SDI Group Germany Software & Controls GmbH & Co. KG	1 limited partnership interest (Kommanditanteil) with the nominal value of EUR 458,000
SDI Group Germany Software & Controls Verwaltungsgeselleschaft GmbH	1 share *(Geschäftsanteil)* with the nominal value of EUR 25,800
SDI Promech BV	1 share
SDI Group Germany Holding GmbH	1 share *(Geschäftsanteil)* with the nominal value of EUR 25,000
Dematic Logistics GmbH	1 share *(Geschäftsanteil)* with the nominal value of EUR 26,000 1 share *(Geschäftsanteil)* with the nominal value of EUR 26,000 1 share *(Geschäftsanteil)* with the nominal value of EUR 1,000 1 share *(Geschäftsanteil)* with the nominal value of EUR 1,000 1 share *(Geschäftsanteil)* with the nominal value of EUR 1,000
Dematic Reddwerks Corporation	1,000 shares of common stock, par value US$0.0001
Reddwerks Inc.	100 Common Shares
Reddwerks Limited	2,932,039 Ordinary Shares of £0.03 per share (fully paid)
NDC Automation Pty. Ltd.	20 Ordinary Shares, nominal value US$1
NDC Manage Pty. Ltd.	1 Ordinary Share, nominal value US$1

* The subsidiaries were acquired by DH Services Holding on 28 December 2012.

Acquisition of subsidiaries

In March of fiscal year 2016, the Company acquired, for cash, 100% of the shares of NDC Automation, consisting of two entities, NDC Automation Pty Ltd. and NDC Manage Pty Ltd. During December 2015, the Company acquired, for cash, 100% of the shares of Reddwerks Corporation, consisting of three entities, Reddwerks Corporation, Reddwerks Inc., and Reddwerks Limited.

In January of fiscal year 2015, the Company acquired, for cash, 100% of the shares of FSU Investments Limited, the holding company parent of SDI Europe. In July 2015, the Company acquired, for cash, 100% of the shares in DMTC Technology Services.

In December of fiscal year 2014, the Company acquired 100% of the shares of Upturn Solutions, Inc., (Upturn).

Further details of the acquisitions of the NDC Automation, Reddwerks, SDI Europe, DMTC, and Upturn businesses are included in Note 6.

Formation of new subsidiaries

On 23 June 2015, the Company incorporated Dematic Group Limited (Group Limited). 55% of the shares were held by DH Services Luxembourg S.à r.l.; Group Limited was created as a holding company to aid the redomiciliation of the Company to the United Kingdom.

On 19 December 2014, the Company incorporated Dematic Services Limited. 55% of the shares were held by DH Services Luxembourg Holding S.à r.l.; Dematic Services Limited was created as a holding company to aid the redomiciliation of the Company to the United Kingdom.

In fiscal year 2014, on 24 June 2014, the Company incorporated Dematic Logistics de Mexico S. de R.L. de C.V., Mexico (Dematic Logistics Mexico) with a share capital of MXN $6,503 thousand (US$500,000) and Dematic Trading de Mexico S. de. R.L. de C.V. (Dematic Trading Mexico) with a share capital of MXN $6,503 thousand (US$500,000); 99% of the shares in both companies are held by Dematic Limited, United Kingdom and the remaining 1% were held by Dematic Logistics Systems S.A., Spain. The purpose of Dematic Logistics Mexico is to assemble and manufacture material handling solutions for other companies worldwide. The purpose of Dematic Trading Mexico is to provide material handling solutions to customers in Mexico.

Furthermore, the Company incorporated Dematic Logistics de Chile Limitada (Dematic Chile) by duly notarized deed dated 7 July 2014 with a share capital of CLP 1,000,000 (US$2,000); 99% of the shares are held by Dematic Limited, United Kingdom and the remaining 1% are held by Dematic Logistics Systems S.A., Spain. The 99% shareholding of Dematic Chile was initially held by a third party as proxy and was transferred to Dematic Limited by duly notarized deed dated 25 August 2014.

Merger of entities

During March 2016, the Company merged entities, Mirror PIK S.A. and Dematic S.à r.l., subsidiaries into Dematic Group S.à r.l.. SDI Group Italy S.r.l. merged into Dematic S.r.l. (Italy) and SDI Greenstone Iberia SL merged into Dematic Logistics Systems SA (Spain) during January 2016.

Dematic Accounting Services GmbH, Germany was merged into Dematic Systems GmbH on 30 May 2014. HKL SPE LLC was merged into HK Logistics LLC on 30 September 2013. Subsequently, HK Logistics LLC and HK Holdings, Inc. were merged into Dematic Corp. on 30 September 2013. The purpose of the aforesaid mergers was to streamline the legal structure of the Company.

The Company's fiscal year ends 30 September. All direct and indirect subsidiaries as listed above, with the exception of the Chinese, Brazilian, and Mexican entities, have the same period for their statutory fiscal year. The Chinese, Brazilian, and Mexican entities' statutory fiscal year-end is 31 December.

2. BASIS OF PREPARATION

2.1. Statement of compliance

The consolidated financial statements for the six-month periods ended 31 March 2016 and 2015, the fiscal years ended 30 September 2015 and 2014, and the period from 28 December 2012 to 30 September 2013 include the consolidated statements of financial position, consolidated statements of profit or loss and other comprehensive loss, consolidated statements of changes in equity, consolidated statements of cash flows, and notes to the consolidated financial statements.

The accompanying consolidated financial statements present the financial position and results of operations of the Company and have been prepared in accordance with International Financial Reporting Standards and its Interpretations (IFRICs/SICs) issued by the International Accounting Standards Board (IASB) (collectively, IFRS). The Company has consistently applied all standards and interpretations issued by the IASB that were effective as of the six-month period ended 31 March 2016 in all subsidiaries of the Company.

2.2. Basis of accounting and measurement

The consolidated financial statements have been prepared primarily on the historical cost basis, except for the following items in the consolidated statements of financial position:

- Derivative financial instruments are measured at fair value.
- The net defined-benefit pension plan asset (liability) is recognized as the fair value of plan assets less the present value of the defined-benefit obligation, limited as explained in Note 3.9.2.
- Acquired net assets from business combinations as explained in Note 6.

The financial information has been prepared assuming the Company will continue as a going concern notwithstanding its negative net working capital and equity at 31 March 2016. The directors are of the opinion that, based on a detailed review of the working capital forecast of the Company for the eighteen-month period ending 31 December 2017, the Company will have necessary liquid funds to finance its working capital and capital expenditure requirements for a reasonable period of time.

2.3. Functional and presentation currency

The consolidated financial statements are presented in United States Dollars (USD), which is the Company's functional currency.

2.4. Use of estimates and judgments

The preparation of the consolidated financial statements is in conformity with IFRS requiring management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Revenue recognition on construction contracts

The Company conducts a significant portion of its business under construction contracts with customers. The Company generally accounts for construction projects using the percentage-of-completion method, recognizing revenue as performance on a contract progresses. This method places considerable importance on accurate estimates of the extent of progress toward completion. Depending on the methodology to determine contract progress, the significant estimates include total contract costs, remaining costs to completion, total contract revenue, contract risks, and other judgments. Company management continually reviews all estimates involved in such construction contracts and adjusts them as necessary.

Impairment of nonfinancial assets

The Company assesses at every reporting date whether there are indications that its nonfinancial assets may be impaired. Goodwill is tested annually for impairment. Further tests are carried out if there are indications of impairment. Other nonfinancial assets are tested for impairment if there are indications that the carrying amount may not be recoverable (measured at the higher of fair value less costs to sell or value in use). If the value in use is calculated, management must estimate the expected future cash flows from the asset or the cash-generating unit (CGU) and select an appropriate discount rate in order to determine the present value of the cash flows. Please refer to Notes 5 and 17 for further details.

Trade and other receivables

The allowance for doubtful accounts involves significant management judgment and review of individual receivables based on individual customer creditworthiness, current economic trends, and analysis of historical losses for the determination of the country-specific component of the individual allowance. Management also applies country-specific credit ratings based on information from external rating agencies. Please refer to Note 11 for further details.

Deferred taxes

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

A deferred tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The determination of whether tax benefits will be realized involves management's estimates of future taxable profits in jurisdictions with unused tax losses, credits, and deductible temporary differences.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made. Please refer to Note 9 for further details.

Provisions

Significant estimates are involved in the determination of provisions related to contract losses, warranty costs, and legal proceedings. A major portion of the Company's business is performed on the basis of long-term contracts, often for large projects, awarded on a competitive bidding basis. The Company records a provision for onerous sales contracts when current estimates of total contract costs exceed contract revenue. Such estimates are subject to change based on new information as projects progress toward completion.

Onerous sales contracts are identified by monitoring the progress of the project and updating the estimate of total contract costs, which also requires significant judgment relating to achieving certain performance standards and estimates involving warranty costs.

Warranty provisions include both specific and general risks. Specific warranty provisions are based on individual customer complaints, valued by the engineer knowledge, and the risk and probability of conformity. General warranty risk is covered by an overall provision and measured by using the experience of the past as an indicator, engineer knowledge, and management judgment.

Due to their inherent nature, the outcome of legal proceedings is often difficult to predict.

For further information on all provisions, please see Notes 24 and 29.4.

Employee benefits

Pension costs and liabilities are actuarially determined based on certain assumptions, including the discount rate used to compute future benefit obligations. The Company verifies the reasonableness of the discount rates by comparing its rates to AA credit-rated corporate bonds approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid. In the Germany plans, assumptions related to future increases in salaries and benefits are based on annual estimates taking into account inflation and anticipated economic situations. The North America plans have been frozen and no benefits are accruing to participants. Future mortality assumptions are based on recent published statistics and mortality tables. Please see Note 23 for further details.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

3.1. Basis of consolidation

3.1.1. Business combinations

Business combinations are accounted for using the acquisition method as of the acquisition date, i.e., when control is transferred to the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from involvement with the entity and has the ability to affect these returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The Company measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognized amount of any noncontrolling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the preexisting equity interest in the acquiree; less
- The net recognized amount (fair value) of the identifiable assets acquired and liabilities assumed.

The consideration transferred does not include amounts related to the settlement of preexisting relationships. Such amounts are generally recognized in profit or loss.

Transaction costs, other than those associated with the issuance of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not to be remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill.

3.1.2. Noncontrolling interest

For each business combination, the Company elects to measure any noncontrolling interests in the acquiree either at fair value or at their proportionate share of the acquiree's identifiable net assets. Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to noncontrolling interests are based on a proportionate amount of the net assets of the subsidiary.

3.1.3. Subsidiaries

Subsidiaries are entities controlled by the Company. The results and financial position of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

3.1.4. Transactions eliminated upon consolidation

Intercompany balances and transactions and any unrealized income and expenses arising from intercompany transactions are eliminated.

3.2. Foreign currency

3.2.1. Foreign currency transactions and translations

Transactions in foreign currencies are recorded at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Nonmonetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Nonmonetary items that are measured based on historical cost in a foreign currency are translated at historical rates at the time of translation. Foreign currency differences are generally recognized in profit or loss.

3.2.2. Foreign operations

The assets and liabilities of foreign subsidiaries, including goodwill, with functional currencies other than USD, are translated into USD by using closing exchange rates (period-end rates), while the income and expenses of foreign operations are translated using average exchange rates during the period. Differences arising from such translations are recognized in other comprehensive income (OCI) and reported in the section "currency translation adjustment" on the consolidated statements of changes in equity.

The exchange rates of the significant currencies of non-USD countries used in the preparation of the consolidated financial statements were as follows:

		Closing rate for 1 USD quoted into currency				
Currency	**ISO Code**	**31 March 2016**	**31 March 2015**	**30 September 2015**	**30 September 2014**	**30 September 2013**
Euro	EUR	0.878	0.929	0.893	0.795	0.741
Pound Sterling	GBP	0.696	0.676	0.659	0.618	0.619
Australian Dollar	AUD	1.305	1.316	1.423	1.148	1.073
Chinese Yuan Renminbi	CNY	6.456	6.200	6.356	6.140	6.120
Canadian Dollar	CAD	1.297	1.277	1.342	1.117	1.030
Singapore Dollar	SGD	1.348	1.373	1.421	1.277	1.256
Brazilian Real	BRL	3.593	3.249	4.000	2.449	2.251
Malaysian Ringgit	MYR	3.904	3.706	4.395	3.283	3.266
Mexican Peso	MXN	17.332	15.348	16.939	13.509	13.167

		Average rate for 1 USD quoted into currency				
Currency	**ISO Code**	**31 March 2016**	**31 March 2015**	**30 September 2015**	**30 September 2014**	**30 September 2013**
Euro	EUR	0.910	0.854	0.877	0.739	0.760
Pound Sterling	GBP	0.679	0.649	0.648	0.602	0.641
Australian Dollar	AUD	1.387	1.235	1.291	1.096	1.015
Chinese Yuan Renminbi	CNY	6.458	6.197	6.228	6.130	6.180
Canadian Dollar	CAD	1.354	1.202	1.239	1.086	1.020
Singapore Dollar	SGD	1.405	1.333	1.352	1.255	1.245
Brazilian Real	BRL	3.871	2.744	3.056	2.302	2.114
Malaysian Riggit	MYR	4.238	3.522	3.712	3.238	3.128
Mexican Peso	MXN	17.390	14.546	15.294	13.115	16.511

3.3. Financial instruments

The Company classifies nonderivative financial assets into the following categories: financial assets at fair value through profit or loss and loans and receivables.

Financial liabilities are initially recognized at fair value, net of any transaction cost, and subsequently in accordance with the effective-interest method at amortized cost.

3.3.1. Nonderivative financial assets and liabilities – recognition, initial measurement, and derecognition

The Company initially recognizes loans and receivables at fair value on the date they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company derecognizes a financial liability when its contractual obligations are discharged, canceled, or expired.

Financial assets and liabilities are offset and the net amount presented in the consolidated statements of financial position only when the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

3.3.2. Nonderivative financial assets – measurement

Financial assets recognized at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognized in profit or loss.

Loans and receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payment dates, which are not listed on an active market. Examples include trade receivables and issued and acquired loans. After the initial recognition at fair value, loans and receivables are valued at their amortized costs applying the effective-interest-method less bad debt allowances. Profits and losses are recognized in the consolidated statements of profit or loss and other comprehensive loss if loan receivables are written off, if bad debt allowances are recognized, or if write-offs and allowances are reversed. The interest effects arising from the application of the effective-interest method are treated as income or expense in the consolidated statements of profit or loss and other comprehensive loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Company in the management of its short-term commitments.

3.3.3. Nonderivative financial liabilities – measurement

Nonderivative financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective-interest method.

Other financial liabilities comprise loans and borrowings, convertible preferred equity financial instruments, and trade and other payables.

3.3.4. Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if:

- The economic characteristics and risks of the host contract and the embedded derivative are not closely related.
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.
- The combined instrument is not measured at fair value through profit or loss.

Derivatives, including embedded derivatives, are recognized initially at fair value; any other related transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized immediately in profit or loss as such items are designated as at fair value through profit or loss.

The Company is not using any of its derivative financial instruments for hedge accounting designation purposes.

3.3.5. Hybrid financial instruments

The Company issues certain hybrid financial liability instruments, which may contain certain embedded derivative financial instruments including equity conversion options which are evaluated for separation and potentially represent separate accounting units in accordance with *IAS 32 Financial Instruments: Presentation* and *IAS 39 Financial Instruments: Recognition and Measurement*.

In case a hybrid financial instrument requires separation into two or multiple separate accounting units, the Company first determines the fair market value of the host financial liability instrument as well as the fair market value of the embedded derivatives that require bifurcation and separate accounting. The residual amount representing the difference between the initial proceeds and the fair market value of the host financial liability instruments and the fair market value attributed to the separately accounted derivatives, if any, is recognized within equity in case there is an equity conversion feature embedded.

Subsequent to initial recognition, the host financial liability instrument is measured at amortized cost and the separately accounted for financial derivatives are accounted for as a financial asset or liability at fair market value with changes being recognized in profit or loss.

3.4. Property, plant, and equipment

3.4.1. Recognition and measurement

Items of property, plant, and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

When parts of an item of property, plant, and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant, and equipment. Any gain or loss on disposal of an item of property, plant, and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss.

3.4.2. Subsequent costs

Subsequent expenditures are capitalized only when it is probable that the future economic benefits associated with the expenditure will be realized by the Company. Ongoing repairs and maintenance are expensed as incurred.

3.4.3. Depreciation

Items of property, plant, and equipment are depreciated from the date they are available for use. Depreciation is calculated to write-off the cost of items of property, plant, and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognized in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for property, plant, and equipment are as follows:

Factory and office buildings, including building improvements	10 to 40 years
Technical machinery and equipment	2 to 10 years
Furniture and office equipment	3 to 5 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted on a prospective basis if appropriate.

3.5. Intangible assets

3.5.1. Goodwill

Goodwill acquired in a business combination is initially measured as the excess of purchase price in cash plus any other consideration of the business combination over the Company's interest in the fair value of the identifiable assets, liabilities, and contingent liabilities of the acquired entity. Following initial recognition, goodwill is measured less any accumulated impairment losses. Goodwill is tested once a year for impairment or when facts or changes in the circumstances indicate that the carrying amount could be impaired.

3.5.2. Research and development costs

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labor, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalized borrowing costs. Capitalization ends at the date that the developed product is commercially available. Other development expenditures are recognized in profit or loss as incurred.

Capitalized development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses. Amortization is recorded on a straight-line basis over three years.

3.5.3. Other intangible assets

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

3.5.4. Subsequent expenditure

Subsequent expenditure costs are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures, including expenditures on internally generated goodwill and brands, are recognized in profit or loss as incurred.

3.5.5. Amortization

Except for goodwill, intangible assets are amortized on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

The estimated useful lives are as follows:

Trademark from business combinations	25 years
Technology from business combinations	7 to 17 years
Software, patents, licenses, and similar rights	1 to 5 years
Internally generated intangible assets	3 to 5 years
Customer base/list/relationships/backlog	1 to 17 years
Software from business combinations	3 to 4 years

Amortization methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

3.6. Inventories

Inventory is valued at the lower of acquisition or production cost or net realizable value; with costs being determined using standard costs that are updated as of the reporting date to the basis of first-in, first-out or average method. Production costs comprise direct material and labor and applicable manufacturing overheads, including depreciation charges. Net realizable value is the estim-ated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Valuation allowances are recognized for quantity, technical, and price risks. Quantity risk allowances are calculated by reviewing the movements of goods during a period. Allowances for technical and price risks are recognized immediately after the risk is incurred.

3.7. Construction contracts in progress

Construction contracts in progress represent the gross amount expected to be collected from customers for contract work performed to date. It is measured at costs incurred plus profits recognized to date less progress billings and recognized losses. Costs include all expenditures related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

Construction contracts in progress is presented as part of trade and other receivables in the consolidated statements of financial position for all contracts in which costs incurred plus recognized profits exceed progress billings and recognized losses. If progress billings and recognized losses exceed costs incurred plus recognized profits, then the difference is presented as unearned revenue in the consolidated statements of financial position. Customer advances are also presented as unearned revenue in the consolidated statements of financial position.

3.8. Impairment

3.8.1. Nonderivative financial assets

A financial asset not recorded at fair value is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security.

Financial assets measured at amortized cost

The Company considers evidence of impairment for financial assets measured at amortized cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognized. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3.8.2. Nonfinancial assets

The carrying amounts of the Company's nonfinancial assets (other than inventories and deferred tax assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets (defined as cash-generating units or CGUs). For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Company's CGUs, or groups of CGUs that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Company are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Company at which the goodwill is monitored for internal management purposes.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of a CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.9. Employee benefits

3.9.1. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be reasonably estimated.

3.9.2. Defined-benefit plans

A defined-benefit plan is a postemployment benefit plan other than a defined-contribution plan. The Company's net obligation in respect of defined-benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted.

The discount rate is the yield at the reporting date based on AA credit-rated corporate bonds, which approximate the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected-unit-credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

Remeasurements of the net defined-benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest), and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI and subsequently never reclassified into profit or loss. The Company determines the net interest expense (income) on the net defined-benefit liability or asset for the period by applying the discount rate used to measure the defined-benefit obligation at the beginning of the annual period to the net defined-benefit liability or asset, taking into account any changes in the net defined-benefit liability or asset during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined-benefit plans are recognized in profit or loss within finance income or cost (or if allocated to the functions presented).

When benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on settlement of a defined-benefit plan when the settlement occurs.

3.9.3. Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The discount rate is the yield at the reporting date based on AA credit-rated corporate bonds approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid. The calculation is performed using the projected unit-credit-method. Remeasurements are recognized in profit or loss in the period in which they arise.

3.9.4. Termination benefits

Termination benefits are recognized as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

3.9.5. Share-based payment transactions

Share-based payment transactions are accounted for in accordance with IFRS 2, *Share-Based Payment*. The grant-date fair value of equity-settled share-based payment awards granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and nonmarket performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and nonmarket performance conditions at the vesting date. For share-based payment awards with nonvesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

3.9.6. Defined-contribution plans

Obligations for contributions to defined-contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

3.10. Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The amortization of the discount is recognized as finance cost.

3.10.1. Warranties

Provisions for estimated costs related to product warranties are recorded in cost of goods sold and services rendered in the consolidated statements of profit or loss and other comprehensive loss at the date the related sale is recognized and are determined on an individual basis. The estimates reflect historical trends of warranty costs, as well as information regarding product failure experienced during construction, installation, or testing of products. In the case of new products, expert opinions and industry data are also taken into consideration in estimating product warranty provisions.

3.10.2. Restructuring

A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

3.10.3. Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

3.11. Revenue

The Company's primary source of revenue is from contractual arrangements involving the development and modernization of integrated logistics equipment and systems. These contracts are accounted for in accordance with IAS 11, *Construction Contracts*, as they involve the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology, and function. Revenue from these contracts is recognized under the percentage-of-completion method, based on the percentage of costs incurred compared to the total estimated contract costs (i.e., cost-to-cost method).

Variations (change orders) are instructions by the customer for a change in the scope of the work to be performed under the contract. A variation may lead to an increase or a decrease in contract revenue. Examples of variations are changes in the specifications or design of the asset and changes in the duration of the contract. The Company includes a variation in contract revenue when it is probable the customer will approve the variation and the amount of revenue can be reliably measured.

A claim is an amount that the Company seeks to collect from the customer or another party as reimbursement for costs not included in the contract price. A claim may arise from, for example, customer-caused delays, errors in specifications or design, and disputed variations in contract work. The measurement of the amounts of revenue arising from claims is subject to a high level of uncertainty and often depends on the outcome of negotiations. Therefore, claims are included in contract revenue only when probable the customer will accept a claim and the amount can be measured reliably.

The Company provides aftermarket services for installed solutions in the form of maintenance contracts. These services include on-site preventative maintenance and off-site monitoring and diagnostic services. For long-term contracts, revenue is recognized on a straight-line basis over the term of the contract. For all other services, revenue is recognized at the date the services' performance obligation has been completed.

As part of its aftermarket solutions, the Company also sells spare parts for installed solutions. Revenue on spare parts is recognized when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts, and volume rebates.

Revenue from routine maintenance, unspecified upgrades or enhancements, and technical support is allocated using the residual-value method and is recognized straight line over the period such items are delivered.

Sales of goods and services sometimes involve the contribution of multiple elements. In these cases, the Company determines whether the contract or arrangement contains more than one unit of accounting. An arrangement is separated if (1) the delivered element(s) has value to the customer on a stand-alone basis, (2) there is objective and reliable evidence of the fair value of the undelivered element(s), and (3) if the arrangement includes a general right of return relative to the delivered element(s), delivery or performance of the undelivered element(s) is considered probable and substantially in the control of the Company. If all three criteria are fulfilled, the appropriate revenue recognition convention is then applied to each separate unit of accounting. Generally, the total arrangement consideration is allocated to the separate units of accounting based on their relative fair values. In cases where there is objective and reliable fair value evidence of the undelivered elements but not for one or more of the delivered elements, the residual method is used, that is, the amount allocated to delivered elements equals the total arrangement consideration less the aggregate fair value of the undelivered elements.

Objective and reliable fair values are sales prices for the component when it is regularly sold on a stand-alone basis or third-party prices for similar components. If the three criteria are not met, revenue is deferred until such criteria are met or until the period in which the last undelivered element is delivered.

3.12. Leases

The Company has entered into lease transactions as a lessee. As a lessee, the Company entered into contracts, which qualify as operating or finance leases.

Expenses on operating lease agreements are recognized on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

Assets leased under finance lease arrangements are capitalized and liabilities are recognized at amounts equal to the fair value or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments on finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3.13. Finance income and finance costs

Finance income and finance costs recognized in profit or loss include interest income and expenses including interest on finance leases, realized and unrealized gains and losses from the currency translation of loans and cash pooling, valuation impacts from currency hedging instruments used to mitigate the exchange rate risk in loans in foreign currencies, valuation impacts from separable embedded derivatives, amortized transaction costs, and net interest costs on defined-benefit plans.

3.14. Tax

Tax expense comprises current and deferred tax. Current and deferred tax is recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in OCI.

3.14.1. Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

3.14.2. Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.
- Temporary differences related to investments in subsidiaries, associates, and jointly controlled entities to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.
- Taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.14.3. Tax exposures

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes, penalties, and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

4. NEW STANDARDS AND INTERPRETATIONS

New standards and interpretations of IAS/IFRS implemented by the Company:

One new amendment to standards is effective for the annual periods starting after the fiscal year ended on 30 September 2014, and has been applied in preparing these consolidated financial statements.

Standard/Interpretation	Title	Effective date	Summary
Amendments to IAS 19	Defined-Benefit Plans: Employee Contributions	7.1.2014	IASB has amended the requirements in IAS 19 for contributions from employees or third parties that are linked to service.

New standards and interpretations of IAS/IFRS, which have not yet been adopted by the Company:

The Company is currently evaluating the impact on the consolidated financial statements of the below listed new standards and interpretations or changes to existing standards and interpretations, which are applicable for the fiscal year ended 30 September 2016 or thereafter:

Standard/ Interpretation	Title	Effective date	Potential impact
IFRS 14	Regulatory Deferral Accounts	1.1.2016	No impact expected
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1.1.2016	No impact expected
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants	1.1.2016	No impact expected
Amendments to IAS 27	Equity Method in Separate Financial Statements	1.1.2016	No impact expected
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1.1.2016	No impact expected
Amendments to IFRS 10, IFRS 12, and IAS 28	Investment Entities: Applying the Consolidation Exception	1.1.2016	No impact expected
Amendments to IAS 1	Disclosure Initiative	1.1.2016	Impact currently under evaluation
IFRS 15	Revenue from Contracts with Customers	1.1.2018	Impact currently under evaluation
IFRS 9	Financial Instruments	1.1.2018	Impact currently under evaluation
IFRS 16	Leases	1.1.2019	Impact currently under evaluation

5. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair value for both financial and nonfinancial assets and liabilities. The Company has an established control framework with respect to the measurement of fair values. Management has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values (see below for description of fair value hierarchy). Management regularly reviews significant unobservable inputs and valuation adjustments. If third-party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses observable market data to the extent possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest-level input that is significant to the entire measurement. The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

5.1. Property, plant, and equipment

The fair value of property, plant, and equipment recognized as a result of a business combination is the estimated amount for which property could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of items of plant, equipment, fixtures, and fittings is based on the market approach or cost approach using quoted market prices for similar items when available and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

5.2. Intangible assets

The fair value of patents, trademarks, trade names, licenses, and technology acquired in a business combination is based on the discounted estimated royalty payments that are expected to be avoided as a result of such items being owned. The fair value of customer relationships and backlog acquired in a business combination is determined using the multiperiod excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

5.3. Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

5.4. Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, is estimated at the present value of future cash flows, discounted at the market rate of interest at the measurement date. Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. Fair value is determined at initial recognition and, for disclosure purposes, at each reporting date.

5.5. Other nonderivative financial liabilities

Other nonderivative financial liabilities are measured at fair value, at initial recognition. Fair value is determined based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date. For finance leases, the market rate of interest is determined with reference to similar lease agreements.

6. ACQUISITION OF SUBSIDIARIES

6.1. Acquisition of Reddwerks

On 11 December 2015, the Company acquired, for cash, 100% of the capital stock of Reddwerks Corporation, a leading provider of Warehouse Execution Software that provides customers with real-time decision engines to optimize material and information flow in the supply chain. The total consideration for the investment was US$48,709,000, inclusive of contingent consideration of US$4,100,000. The acquisition was accounted for as a business combination using the acquisition method. Assets acquired and liabilities assumed were recorded at their preliminary estimated fair values as of 11 December 2015. Separately identifiable intangible assets of US$19,300,000 were recognized consisting of technology, customer relationships, and sales backlog. The following table summarizes the consideration transferred to acquire Reddwerks and the preliminary fair value amounts of identified assets acquired and liabilities assumed as of 11 December 2015. The Company expects to substantially complete the allocation of the purchase consideration for Reddwerks within one year of the acquisition date, including the finalization of deferred taxes and other matters:

Recognized amount of identifiable assets acquired and liabilities assumed	**11 December 2015 net assets acquired (prepurchase IFRS)**	**Purchase price accounting valuation adjustments**	**Total**
		(US$ in thousands)	
Cash and cash equivalents	2,199	–	2,199
Trade and other receivables due from third parties	4,905	–	4,905
Inventories	390	–	390
Other current assets	266	–	266
Intangible assets	–	19,300	19,300
Property, plant, and equipment	140	–	140
Total assets	**7,900**	**19,300**	**27,200**
Trade payables due to third parties	955	–	955
Current and noncurrent provisions	3,070	297	3,367
Unearned revenue	5,776	–	5,776
Deferred taxes	–	51	51
Total liabilities	**9,801**	**348**	**10,149**
Total net assets acquired	**(1,901)**	**18,952**	**17,051**
Purchase price paid			**44,609**
Fair value of contingent consideration			**4,100**
Total goodwill			**31,658**

In the three months and twenty days ended 31 March 2016, Reddwerks's revenue was US$4,368,000 and net loss was US$(2,014,000). If the acquisition had occurred on 1 October 2015, management estimates that Reddwerks's revenue would have been US$7,148,000 and net loss would have been US$(3,296,000), and the Company's consolidated revenue would have been US$873,975,000, and net loss would have been US$(39,390,000) for the six-month period ended 31 March 2016. In determining these amounts, management assumed that the preliminary fair value adjustments that arose on the acquisition date would have been the same if the acquisition had occurred on 1 October 2015.

The fair value of the identifiable intangible assets was based on valuations using the income approach based on management estimates. The excess of purchase price over the net tangible assets and identifiable intangible assets was recorded as goodwill. The goodwill is attributable to Reddwerks' workforce and growth expectations. The developed technologies, customer relationships, and backlog have useful lives of 15 years, 15 years, and 1 year, respectively, and are amortized on a straight-line basis over their useful lives. The goodwill recognized is deductible for tax purposes.

The contingent consideration arrangement is a cash earn-out to be paid in fiscal years 2016 and 2017 based on management estimates of the acquiree's future sales and gross profits.

As part of the acquisition, certain key employees were offered stay retention bonuses payable if still employed as of 31 December 2017. For the six-month period ended 31 March 2016, the Company recorded US$336,000 for these bonuses. The expenses are included in general administration expenses in the consolidated statements of profit or loss and other comprehensive loss and within operating activities in the consolidated statements of cash flows.

The Company incurred acquisition-related costs of approximately US$498,000 related to external legal and consulting fees and due diligence costs. These costs are included in general administration expenses in the consolidated statements of profit or loss and other comprehensive loss and within operating activities in the consolidated statements of cash flows.

6.2. Acquisition of NDC Automation

On 21 March 2016, the Company acquired, for cash, 100% of the capital stock of NDC Automation, a leading provider of Automated Guided Vehicles (AGVs) and software in Australia and New Zealand. The total consideration for the investment was US$10,837,000 in cash and US$383,000 of contingent consideration. This acquisition expands the Company's existing portfolio and will optimize the movement of raw materials or finished goods as they move throughout a facility, including software that provides real-time information addressing material flow metrics. Net assets acquired were recorded at their carrying value of US$291,000 as the Company is still in the process of completing the allocation of the purchase consideration, including the determination of the fair value of these net assets. The Company expects that the most significant purchase price adjustment will be the valuation of certain acquired intangible assets. The excess of the purchase price over the carrying value of the net assets acquired was US$10,928,000 and recorded to goodwill as of 31 March 2016. The Company expects to substantially complete the allocation of the purchase consideration for NDC Automation within one year of the acquisition date.

6.3. Acquisition of SDI Europe

On 17 January 2015, the Company acquired, for cash, 100% of the capital stock of FSU Investments Limited, the holding company parent of SDI Europe, a supplier of apparel automation technologies. The total consideration for the investment was US$34,719,000 inclusive of contingent consideration of US$2,649,000. This acquisition expanded the Company's global order fulfillment offerings in apparel, retail, and e-commerce markets. The acquisition was accounted for as a business combination using the acquisition method. Assets acquired and liabilities assumed were recorded at their preliminary estimated fair values as of 17 January 2015. Separately identifiable intangible assets of US$27,013,000 were recognized consisting of technology, customer relationships, and sales backlog. The following table summarizes the consideration transferred to acquire SDI Europe and fair value amounts of identified assets acquired and liabilities assumed as of 17 January 2015. The amounts include additional provisions of US$1,934,000 recorded in the six-month period ended 31 March 2016 (within the measurement period), which were pushed back to the resulting goodwill balance as of 30 September 2015:

Recognized amount of identifiable assets acquired and liabilities assumed	**17 January 2015 net assets acquired (prepurchase IFRS)**	**Purchase price accounting valuation adjustments**	**Total**
		US$ in thousands	
Cash and cash equivalents	2,673	–	2,673
Trade and other receivables due from third parties	18,117	–	18,117
Inventories	3,156	–	3,156
Other current assets	1,698	–	1,698
Deferred tax assets	–	–	–
Intangible assets	–	27,013	27,013
Property, plant, and equipment	1,096	285	1,381
Goodwill	924	(924)	–
Other noncurrent assets	495	–	495
Total assets	**28,159**	**26,374**	**54,533**
Trade payables due to third parties	8,137	–	8,137
Current and noncurrent provisions	21,478	–	21,478
Deferred tax liabilities	–	4,956	4,956
Total liabilities	**29,615**	**4,956**	**34,571**
Total net assets acquired	**(1,456)**	**21,418**	**19,962**
Purchase price paid			**32,070**
Fair value of contingent consideration			**2,649**
Total goodwill			**14,757**

In the eight months and fourteen days ended 30 September 2015, SDI Europe's revenue was US$31,996,000 and net loss was US$(14,393,000). If the acquisition had occurred on 1 October 2014, management estimates that SDI Europe's revenue would have been US$46,160,000 and net loss would have been US$(20,765,000), and the Company's consolidated revenue would have been US$1,693,595,000, and net loss for the year would have been US$(45,828,000). In determining these amounts, management assumed that the fair value adjustments that arose on the acquisition date would have been the same if the acquisition had occurred on 1 October 2014.

In the two months and fourteen days ended 31 March 2015, SDI Europe's revenue was US$3,784,000 and net loss was US$(696,000). If the acquisition had occurred on 1 October 2014, management estimates that SDI Europe's revenue would have been US$17,948,000 and net loss would have been US$(7,068,000), and the Company's consolidated revenue would have been US$686,423,000 and net loss for the six-month period ended 31 March 2015 would have been US$(43,435,000). In determining these amounts, management assumed that the fair value adjustments that arose on the acquisition date would have been the same if the acquisition had occurred on 1 October 2014.

The fair value of the identifiable intangible assets was based on valuations using the income approach based on management estimates. The excess of purchase price over the net tangible assets and identifiable intangible assets was recorded as goodwill. The goodwill is attributable to SDI Europe's workforce and growth expectations. The developed technologies, customer relationships, and backlog have useful lives of 15 years, 15 years, and 1 year, respectively, and are amortized on a straight-line basis over their useful lives. The goodwill recognized is deductible for tax purposes.

The trade receivables represented gross contractual amounts due of US$17,082,000, of which US$208,000 was expected to be uncollectible at the acquisition date.

The contingent consideration arrangement is a cash earn-out to be paid in fiscal year 2016 and 2017 based on management estimates of the acquiree's future sales and gross profits.

The Company incurred acquisition-related costs of approximately US$1,619,000 related to external legal and consulting fees and due diligence costs. These costs have been included in general administration expenses in the consolidated statements of profit or loss and other comprehensive loss and within operating activities in the consolidated statements of cash flows.

6.4. Acquisition of DMTC

On 19 July 2015, the Company acquired 100% of the shares in DMTC, a maquiladora services manufacturing company for one U.S. dollar in cash. DMTC was acquired for its technical manufacturing capabilities to support the Company's expansion of supply chain operations in Mexico. The acquisition was accounted for as a business combination using the acquisition method. Assets acquired and liabilities assumed were recorded at their estimated fair values as of 19 July 2015. Goodwill of US$1,038,000 was recognized as a result of the acquisition.

The acquisition did not result in the recognition of any identifiable intangible assets as of the acquisition date. The excess of purchase price over the net tangible assets and liabilities was recorded as goodwill. The goodwill is attributable to DMTC's workforce and manufacturing capabilities. The goodwill will be deductible for tax purposes.

If the acquisition had occurred on 1 October 2014, management estimates revenue and profit for the year ended 30 September 2015 would not have been materially different.

6.5. Acquisition of Upturn Solutions

On 20 December 2013, the Company acquired 100% of the common stock of Upturn, a leading provider of computerized maintenance management systems designed for distribution, manufacturing, and warehouse environments, for US$3,848,000 in cash. The acquisition was accounted for as a business combination using the acquisition method. Assets acquired and liabilities assumed were recorded at their estimated fair values as of 20 December 2013. Goodwill of US$1,727,000 was recognized as a result of the acquisition.

The fair value of the identifiable intangible assets was based on valuations using the income approach based on management estimates. The excess of purchase price over the net tangible assets and identifiable intangible assets was recorded as goodwill. The goodwill is attributable to Upturn's workforce and growth expectations. The trademark, customer relationships, and software have useful lives of 15 years, 15 years, and 3 years, respectively, and are amortized on a straight-line basis over their useful lives. The goodwill will be deductible for tax purposes.

If the acquisition had occurred on 1 October 2013, management estimates revenue and profit for the year ended 30 September 2014 would not have been materially different.

6.6. Acquisition of Dematic Holding S.à r.l.

On 28 December 2012, the Company obtained control of Dematic Holding S.à r.l. and its subsidiaries (the Dematic business or Dematic Holding Group) by acquiring 55% of shares in Dematic Holding S.à r.l.. The consideration transferred represents the purchase price for the shares in Dematic Holding Group that was transferred in cash to the previous owners. The following table summarizes the consideration transferred to acquire the Dematic Holding Group and amounts of identified assets acquired and liabilities assumed as of 28 December 2012 (in thousands):

Balance sheet (Dematic Holding Group) – 28 December 2012	**IFRS before PPA**	**PPA valuation – Fair value adjustment**	**IFRS after PPA**
		US$ in thousands	
Cash and cash equivalents	110,630	–	110,630
Trade and other receivables due from third parties	153,136	–	153,136
Inventories	43,817	(1,244)	42,573
Other current assets	28,791	–	28,791
Other current financial assets	9,335	–	9,335
Income tax receivables	1,463	–	1,463
Goodwill	85,537	(85,537)	–
Intangible assets	76,267	509,713	585,980
Property, plant, and equipment	109,147	17,460	126,607
Other noncurrent assets	4,160	–	4,160
Other noncurrent financial assets	21,018	–	21,018
Deferred tax assets	30,726	13,453	44,179
Total assets	**674,027**	**453,845**	**1,127,872**
Short-term debts and current maturities of long-term debts	4,149	–	4,149
Trade payables due to third parties	85,477	–	85,477
Other current financial liabilities due to third parties	3,830	(1,629)	2,201
Loan liabilities	574,533	43,055	617,588
Finance lease liabilities	15,899	–	15,899
Current and noncurrent provisions	88,663	43,762	132,425
Pension plans and similar commitments	61,150	71,183	132,333
Income tax payables	5,918	–	5,918
Other current liabilities	187,016	23,727	210,743
Deferred tax liabilities	6,406	165,363	171,769
Total liabilities	**1,033,041**	**345,461**	**1,378,502**
Total net assets acquired	**(359,014)**	**108,384**	**(250,630)**
Fair value of other noncontrolling interest	**14**	**–**	**14**
Purchase price paid			**459,678**
Total goodwill			**710,322**

In the nine months and four days ended 30 September 2013, the Company's revenue was US$1,120,536,000 and net loss was US$(97,274,000). If the acquisition had occurred on 1 October 2012, management estimates that consolidated revenue would have been US$1,382,000,000, and consolidated loss for the year would have been US$(90,274,000). In determining these amounts, management assumed that the fair value adjustments that arose on the acquisition date would have been the same if the acquisition had occurred on 1 October 2012.

After considering the impacts of adjustments made during the measurement period, goodwill of US$710,322,000 was recognized as a result of the acquisition. The goodwill is attributable to its established workforce and the ability to win new customers and generate further profits in the future. None of the goodwill recognized is expected to be deductible for tax purposes.

The trade receivables (including CIE) comprise gross contractual amounts due of US$158,918,000, of which US$5,782,000 (including US$408,000 related to CIE) was expected to be uncollectible at the acquisition date.

The Group incurred acquisition-related costs of approximately US$24,000,000 related to external legal and consulting fees, and due diligence costs. These costs have been included in general administration expenses in the consolidated statements of profit or loss and other comprehensive loss and within operating activities in the consolidated statements of cash flows.

Other noncontrolling interest of US$14,000 represents the participation of DH-C Holding Ltd., Cayman Islands of 45% of the share-capital of certain entities of the Group (details are set out in Note 1.3). These shareholders represent 45% of the voting power but little to no participation in the economic results of the respective company. Other noncontrolling interest was valued using a discounted cash flow model, which suggests a fair value equal to the book value of the participation in the share capital.

7. REVENUE

	Six-month period ended 31 March 2016	(Unaudited) Six-month period ended 31 March 2015	1 October 2014– 30 September 2015	1 October 2013– 30 September 2014	28 December 2012– 30 September 2013
			US$ in thousands		
Construction contract revenue (project related)	644,837	470,031	1,265,525	1,148,890	840,417
Revenue from services rendered	226,358	202,228	413,906	416,041	280,119
Total revenue	**871,195**	**672,259**	**1,679,431**	**1,564,931**	**1,120,536**

Revenue from one customer of the Company represented approximately 11%, 10%, 13%, 20%, and 24% of total revenue for the six-month periods ended 31 March 2016 and 2015, the fiscal years ended 30 September 2015 and 2014, and the period from 28 December 2012 to 30 September 2013, respectively.

8. NET FINANCE COSTS

	Six-month period ended 31 March 2016	(Unaudited) Six-month period ended 31 March 2015	1 October 2014– 30 September 2015	1 October 2013– 30 September 2014	28 December 2012– 30 September 2013
			US$ in thousands		
Finance income:					
Interest income on loans and receivables	233	152	431	414	232
Net change in the fair value of held-for-trading financial assets	–	–	–	9,479	6,215
Realized and unrealized gains from foreign exchange transactions	–	–	–	–	1,347
Total finance income	233	152	431	9,893	7,794
Finance costs:					
Interest expense on financial liabilities measured at amortized cost	(45,722)	(47,680)	(93,270)	(83,394)	(67,380)
Net interest expense on employee benefit obligations	(2,591)	(1,409)	(4,063)	(3,821)	(3,843)
Realized and unrealized losses from foreign exchange transactions	(3,085)	(12,317)	(20,208)	(4,953)	–
Net change in the fair value of held-for-trading financial assets	–	(2,851)	(2,711)	–	–
Total finance costs	(51,398)	(64,257)	(120,252)	(92,168)	(71,223)
Net financial result	(51,165)	(64,105)	(119,821)	(82,275)	(63,429)

9. INCOME TAXES

9.1. Reconciliation of effective tax rate

The determination of expected income tax expense (benefit) for the six-month periods ended 31 March 2016 and 2015, the fiscal years ended 30 September 2015 and 2014, and the period from 28 December 2012 to 30 September 2013 are based on the weighted average statutory tax rates applicable to the Company in those periods. The expected tax rate is 33.21%, 33.38%, 33.50%, 33.74%, and 33.76% for six-month periods ended 31 March 2016 and 2015, the fiscal years ended 30 September 2015 and 2014, and the period from 28 December 2012 to 30 September 2013, respectively.

The statutory tax rates applicable to the Company in the six-month periods ended 31 March 2016 and 2015, the fiscal years ended 30 September 2015 and 2014, and the period from 28 December 2012 to 30 September 2013 are between 12.5% and 39.0%, depending upon the fiscal period.

The following tables reconcile the expected income tax expense (benefit) based on the loss before taxes of US$(43,534,000), US$(27,515,000), US$(12,957,000), US$(9,334,000) and US$(72,371,000) for the six-month periods ended 31 March 2016 and 2015, the fiscal years ended 30 September 2015 and 2014, and the period from 28 December, 2012 to 30 September 2013, respectively, with the actual income tax expense (benefit) for the period and/or year:

	Six-month period ended 31 March 2016	(Unaudited) Six-month period ended 31 March 2015
	US$ in thousands	
Loss before income tax	**(43,534)**	**(27,515)**
Tax effect of using the Company's statutory tax rate	(14,458)	(9,185)
Effect of tax rates in foreign jurisdictions	2,504	4,005
Change in tax rate	225	226
Nondeductible impairment losses	–	–
Nondeductible expenses	1,958	1,065
Tax-exempt income	(5,078)	(570)
Tax incentives	(3,543)	(2,315)
Recognition of tax effect of previously unrecognized tax losses	(225)	–
Current year losses, which no deferred tax asset is recognized	11,798	15,366
Change in recognized deductible temporary differences	271	(1,213)
Change in estimates related to prior years	(709)	–
Foreign tax effects (e.g., withholding taxes)	639	874
Amounts due to state taxes	631	1,346
Others	561	(51)
Total income tax (benefit) expense	**(5,426)**	**9,548**
Tax effect of using the Company's statutory tax rate	**33.21%**	**33.38%**
Tax effect of using the Company's effective tax rate	**12.46%**	**(34.70%)**

	1 October 2014– 30 September 2015	1 October 2013– 30 September 2014
	US$ in thousands	
Loss before income tax	**(12,957)**	**(9,334)**
Tax effect of using the Company's statutory tax rate	(4,341)	(3,149)
Effect of tax rates in foreign jurisdictions	5,884	16,821
Change in tax rate	208	(2)
Nondeductible impairment losses	–	15,733
Nondeductible expenses	2,408	3,335
Tax-exempt income	(1,343)	(4,081)
Tax incentives	(4,268)	(3,019)
Recognition of tax effect of previously unrecognized tax losses	–	(9,726)
Current year losses, which no deferred tax asset is recognized	31,896	28,568
Change in recognized deductible temporary differences	(557)	(7,272)
Change in estimates related to prior years	(9,827)	(6,975)
Foreign tax effects (e.g., withholding taxes)	1,204	8,514
Amounts due to state taxes	4,201	1,399
Others	1,034	(5,805)
Total income tax expense	**26,499**	**34,341**
Tax effect of using the Company's statutory tax rate	**33.50%**	**33.74%**
Tax effect of using the Company's effective tax rate	**(204.51%)**	**(367.91%)**

	28 December 2012 – 30 September 2013
	US$ in thousands
Loss before income tax	**(72,371)**
Tax effect of using the Company's statutory tax rate	(24,432)
Effect of tax rates in foreign jurisdictions	8,034
Change in tax rate	–
Nondeductible impairment losses	–
Nondeductible expenses	6,620
Tax-exempt income	(3,905)
Tax incentives	(6,482)
Recognition of tax effect of previously unrecognized tax losses	–
Current year losses, which no deferred tax asset is recognized	37,654
Change in recognized deductible temporary differences	–
Change in estimates related to prior years	(510)
Foreign tax effects (e.g., withholding taxes)	1,453
Amounts due to state taxes	878
Others	(1,965)
Total income tax expense	**17,345**
Tax effect of using the Company's statutory tax rate	**33.76%**
Tax effect of using the Company's effective tax rate	**(23.97%)**

The income tax expense (benefit) in the six-month period ended 31 March 2016 and 2015, the fiscal years ended 30 September 2015 and 2014, and the period from 28 December 2012 to 30 September 2013 is mainly driven by the profit before tax in the United States.

In the fiscal year ended 30 September 2014, the Company recorded a nondeductible impairment charge of US$53,844,000. The tax effect of this charge was US$15,733,000, which impacted the reconciliation of the statutory tax rate to the effective tax rate. A similar nondeductible impairment charge did not occur in the other periods presented.

For the six-month period ended 31 March 2016, the Company recognized previously unrecognized tax benefits for losses incurred by Brazil, which resulted in a reduction of the total expected tax expense for US$225,000. Similarly, for the year ended 30 September 2014, the Company recognized previously unrecognized tax benefits for losses incurred by Germany Services and Dematic Accounting Services, which resulted in a reduction of the total expected tax expense of US$9,726,000. No similar previously unrecognized tax benefits for losses were recognized for the other periods presented.

The tax expense (benefit) for the six-month period ended 31 March 2016 of US$(5,426,000) was lower than the expected tax benefit of US$(14,458,000) determined utilizing the Company's statutory rate of 33.21%, largely as a result of losses in jurisdictions where the Company is currently unable to record a deferred tax benefit (e.g., Spain, France, and Luxembourg), as well as nondeductible expenses in various tax-paying jurisdictions. Among the largest contributors to this factor was DH Services Luxembourg Holding S.à r.l., which generated US$(28,337,000) of losses for the six-month period ended 31 March 2016, US$(18,553,000) of losses for the six-month period ended 31 March 2015, US$(38,460,000) of losses for the fiscal year ended 30 September 2015, losses of US$(28,901,000) for the fiscal year to 30 September 2014, and losses of US$(37,307,000) for the period from 28 December 2012 to 30 September 2013, primarily related to accrued interest, for which no deferred tax asset could be recognized. In total, for the six-month period ended 31 March 2016, the losses for which no deferred tax asset was recognized increased the total expected tax expense by US$11,798,000 compared to US$15,366,000 for the same item for the six-month period ended 31 March 2015.

9.2. Amounts recognized in profit or loss

The current year income tax expense (benefit) relates to the following geographic regions:

	Six-month period ended 31 March 2016			(Unaudited) Six-month period ended 31 March 2015		
	USA	Other countries	Total	USA	Other countries	Total
			US$ in thousands			
Current tax	(831)	(150)	(981)	9,296	(1,059)	8,237
Deferred tax	7,902	(12,347)	(4,445)	5,951	(4,640)	1,311
Total tax expense (benefit)	**7,071**	**(12,497)**	**(5,426)**	**15,247**	**(5,699)**	**9,548**

	1 October 2014– 30 September 2015			1 October 2013– 30 September 2014		
	USA	Other countries	Total	USA	Other countries	Total
			US$ in thousands			
Current tax	39,936	(355)	39,581	36,894	16,307	53,201
Deferred tax	(491)	(12,591)	(13,082)	417	(19,277)	(18,860)
Total tax expense (benefit)	**39,445**	**(12,946)**	**26,499**	**37,311**	**(2,970)**	**34,341**

	28 December 2012–30 September 2013		
	USA	Other countries	Total
		US$ in thousands	
Current tax	33,517	(131)	33,386
Deferred tax	(14,912)	(1,129)	(16,041)
Total tax expense (benefit)	**18,605**	**(1,260)**	**17,345**

9.3. Amounts recognized in OCI

Tax impacts of amounts recognized in OCI are as follows:

	Six-month period ended 31 March 2016		
	Before tax	Tax (expense) benefit	Net of tax
		US$ in thousands	
Remeasurements of employee benefit obligations	(11,856)	2,713	(9,143)
Foreign operations – foreign currency translation differences	5,053	–	5,053
Total	**(6,803)**	**2,713**	**(4,090)**

	(Unaudited) Six-month period ended 31 March 2015		
	Before tax	Tax (expense) benefit	Net of tax
		US$ in thousands	
Remeasurements of employee benefit obligations	(7,742)	577	(7,165)
Foreign operations – foreign currency translation differences	(5,739)	–	(5,739)
Total	**(13,481)**	**577**	**(12,904)**

	1 October 2014–30 September 2015		
	Before tax	Tax (expense) benefit	Net of tax
		US$ in thousands	
Remeasurements of employee benefit obligations	(14,935)	5,533	(9,402)
Foreign operations – foreign currency translation differences	(5,802)	–	(5,802)
Total	**(20,737)**	**5,533**	**(15,204)**

	1 October 2013–30 September 2014		
	Before tax	Tax (expense) benefit	Net of tax
		US$ in thousands	
Remeasurements of employee benefit obligations	(31,902)	9,209	(22,693)
Foreign operations – foreign currency translation differences	(12,918)	–	(12,918)
Total	**(44,820)**	**9,209**	**(35,611)**

	28 December 2012–30 September 2013		
	Before tax	Tax (expense) benefit	Net of tax
		US$ in thousands	
Remeasurements of employee benefit obligations	41,738	(13,255)	28,483
Foreign operations – foreign currency translation differences	(9,040)	–	(9,040)
Total	**32,698**	**(13,255)**	**19,443**

9.4. Recognized deferred tax assets and liabilities

According to *IAS 12.74 Income Taxes*, deferred tax assets and liabilities related to income taxes levied by the same tax authority on the same taxable entity shall be offset in the consolidated statements of financial position if the respective entity has a legally enforceable right to set off current tax assets against current tax liabilities. The deferred taxes are developed as listed:

	Opening balance at 1 October 2015	Additions from business combinations	Recognized in profit or loss	Recognized in OCI	Balance at 31 March 2016		
					Net	Deferred tax assets	Deferred tax liabilities
				US$ in thousands			
Property, plant, and equipment	(4,412)	(10)	(3,906)	(112)	(8,440)	186	(8,626)
Intangible assets	(158,132)	(6,987)	9,077	(336)	(156,378)	3,443	(159,821)
Current assets	4,881	–	333	8	5,222	5,308	(86)
Noncurrent assets	–	–	–	–	–	–	–
Current liabilities	33,002	112	4,037	375	37,526	43,202	(5,676)
Provisions and noncurrent liabilities	29,857	30	(173)	2,736	32,450	36,894	(4,444)
Tax losses and credits carried forward	15,324	7,398	(4,923)	(402)	17,397	17,397	–
Total	**(79,480)**	**543**	**4,445**	**2,269**	**(72,223)**	**106,430**	**(178,653)**
Offset					–	(86,123)	86,123
Net deferred tax assets (liabilities)					**(72,223)**	**20,307**	**(92,530)**

	Opening balance at 1 October 2014	Additions from business combinations	Recognized in profit or loss	Recognized in OCI	Balance at 30 September 2015 Net	Deferred tax assets	Deferred tax liabilities
				US$ in thousands			
Property, plant, and equipment	(9,402)	–	4,712	278	(4,412)	210	(4,622)
Intangible assets	(160,481)	(4,929)	4,031	3,247	(158,132)	4,253	(162,385)
Current assets	11,001	–	(5,810)	(310)	4,881	5,060	(179)
Noncurrent assets	1,198	–	(1,189)	(9)	–	–	–
Current liabilities	18,091	–	15,556	(645)	33,002	38,822	(5,820)
Provisions and noncurrent liabilities	31,581	(588)	(6,535)	5,399	29,857	35,044	(5,187)
Tax losses and credits carried forward	13,569	–	2,317	(562)	15,324	15,324	–
Total	**(94,443)**	**(5,517)**	**13,082**	**7,398**	**(79,480)**	**98,713**	**(178,193)**
Offset					–	(84,093)	84,093
Net deferred tax assets (liabilities)					**(79,480)**	**14,620**	**(94,100)**

	Opening balance at 1 October 2013	Additions from business combinations	Recognized in profit or loss	Recognized in OCI	Balance at 30 September 2014 Net	Deferred tax assets	Deferred tax liabilities
				US$ in thousands			
Property, plant, and equipment	(12,903)	–	3,409	92	(9,402)	409	(9,811)
Intangible assets	(185,134)	–	23,100	1,553	(160,481)	7,219	(167,700)
Current assets	(1,688)	–	13,304	(615)	11,001	15,007	(4,006)
Noncurrent assets	(1,052)	–	2,247	3	1,198	1,295	(97)
Current liabilities	31,435	–	(13,824)	480	18,091	35,160	(17,069)
Provisions and noncurrent liabilities	27,182	–	(4,577)	8,976	31,581	40,305	(8,724)
Tax losses and credits carried forward	18,373	–	(4,799)	(5)	13,569	13,569	–
Total	**(123,787)**	**–**	**18,860**	**10,484**	**(94,443)**	**112,964**	**(207,407)**
Offset					–	(101,931)	101,931
Net deferred tax assets (liabilities)					**(94,443)**	**11,033**	**(105,476)**

	Opening balance at 28 December 2012	Additions from business combinations	Recognized in profit or loss	Recognized in OCI	Balance at 30 September 2013 Net	Deferred tax assets	Deferred tax liabilities
				US$ in thousands			
Property, plant, and equipment	–	(11,104)	(1,942)	143	(12,903)	205	(13,108)
Intangible assets	–	(203,946)	17,724	1,088	(185,134)	1,767	(186,901)
Current assets	–	(5,051)	3,474	(111)	(1,688)	3,524	(5,212)
Noncurrent assets	–	(1,024)	(4)	(24)	(1,052)	–	(1,052)
Current liabilities	–	31,553	140	(258)	31,435	33,423	(1,988)
Provisions and noncurrent liabilities	–	52,341	(11,819)	(13,340)	27,182	27,182	–
Tax losses and credits carried forward	–	9,641	8,468	264	18,373	18,373	–
Total	**–**	**(127,590)**	**16,041**	**(12,238)**	**(123,787)**	**84,474**	**(208,261)**
Offset					–	(73,985)	73,985
Net deferred tax assets (liabilities)					**(123,787)**	**10,489**	**(134,276)**

9.5. Unrecognized deferred tax assets

Deferred tax assets are not recognized if the realization of expected benefits on future deductible differences is not probable. Deferred tax assets are, therefore, only recognized to the extent it is considered probable that such benefits will be realized in future years. The Company has reviewed medium-term forecasts of the subsidiary (or group of subsidiaries if consolidated in the same tax reporting) to determine if the deferred tax assets will result in future benefits.

Deferred tax assets have not been recognized in respect of the following items, because it is not probable that future taxable profit will be available against which the Company can use the benefits:

	31 March 2016	30 September 2015	30 September 2014	30 September 2013
		US$ in thousands		
Deductible temporary differences	3,146	1,941	10,190	2,709
Tax losses	92,008	66,302	35,348	33,698
Total	**95,154**	**68,243**	**45,538**	**36,407**

Deductible temporary differences do not have an expiration date. Most of the tax losses are in jurisdictions where there is not a defined expiration period. The annual limitation on use of tax losses in these jurisdictions may be limited by other factors.

10. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	31 March 2016	30 September 2015	30 September 2014	30 September 2013
		US$ in thousands		
Bank balances	212,934	263,984	214,367	125,101
Outstanding checks	19	495	643	2,079
Petty cash	29	27	41	42
Total cash and cash equivalents	**212,982**	**264,506**	**215,051**	**127,222**
Restricted cash	13,048	13,556	8,736	6,647
Total cash and cash equivalents and restricted cash	**226,030**	**278,062**	**223,787**	**133,869**

The restricted cash relates to pledge deposits held with Commerzbank AG, Deutsche Bank AG, and JP Morgan Frankfurt to support guarantees issued by Commerzbank, Deutsche Bank, and Zurich Insurance plc. Further information is provided in Note 29.3.

11. TRADE AND OTHER RECEIVABLES

	31 March 2016	31 September 2015	30 September 2014	30 September 2013
		US$ in thousands		
Trade receivables from sale of goods and services	113,451	105,605	117,096	109,821
Cost and earnings in excess of billing on uncompleted contracts	90,913	74,829	46,243	56,523
Total	**204,364**	**180,434**	**163,339**	**166,344**

Costs and earnings in excess of billings on uncompleted contracts relate to the nature of accounting for construction contracts and include the net asset balances calculated by contract costs plus recognized profits less recognized losses to the extent they exceed progress billings. Liabilities from contracts for which progress billings exceed costs and recognized profits less recognized losses are recognized in other current liabilities.

As of 31 March 2016, and 30 September 2015, 2014, and 2013, the Company had the following balances related to construction contracts in progress:

	31 March 2016	30 September 2015	30 September 2014	30 September 2013
		US$ in thousands		
Aggregate costs incurred	1,292,034	1,153,784	1,114,126	913,573
Recognized profits less recognized losses	296,104	270,423	283,060	210,340
Advances received	603,760	434,055	306,947	268,489
Retentions included in trade and other receivables	–	1,049	1,387	631

As of 31 March 2016, and 30 September 2015, 2014, and 2013, unearned revenue under construction contracts was US$354,906,000, US$236,641,000, US$150,296,000, and US$125,160,000, respectively.

12. OTHER CURRENT FINANCIAL ASSETS

	31 March 2016	30 September 2015	30 September 2014	30 September 2013
		US$ in thousands		
Embedded derivative financial instruments	4,082	5,047	6,248	4,482
Foreign exchange forward contracts	803	1,720	1,041	1,685
Total	**4,885**	**6,767**	**7,289**	**6,167**

13. INVENTORIES

	31 March 2016			30 September 2015		
	Gross	Allowance	Net	Gross	Allowance	Net
			US$ in thousands			
Raw materials and supplies	66,693	(10,777)	55,916	55,495	(9,751)	45,744
Work in progress	27,850	(180)	27,670	18,497	(156)	18,341
Finished goods and products held for sale	11,218	(1,852)	9,366	7,139	(1,607)	5,532
Total	**105,761**	**(12,809)**	**92,952**	**81,131**	**(11,514)**	**69,617**

	30 September 2014			30 September 2013		
	Gross	Allowance	Net	Gross	Allowance	Net
			US$ in thousands			
Raw materials and supplies	32,513	(9,821)	22,692	35,412	(9,338)	26,074
Work in progress	11,407	(181)	11,226	12,338	(242)	12,096
Finished goods and products held for sale	11,542	(1,748)	9,794	8,984	(2,172)	6,812
Total	**55,462**	**(11,750)**	**43,712**	**56,734**	**(11,752)**	**44,982**

The carrying amount of inventories valued at net realizable value less cost to sell was US$56,217,000, US$16,857,000, US$17,902,000, and US$16,272,000, as of 31 March 2016, and 30 September 2015, 2014, and 2013, respectively. Changes in the valuation allowances are included in cost of goods sold and services rendered.

During the years ended 30 September 2015 and 2014, and the period from 28 December 2012 to 30 September 2013, the valuation allowances did not change significantly, as the Company's business conditions were similar to the prior year.

Inventories recognized as an expense in cost of goods sold and services rendered were US$72,365,000, US$75,576,000, US$179,449,000, US$166,169,000, and US$126,292,000 at the six-month periods ended 31 March 2016 and 2015, the fiscal years ended 30 September 2015 and 2014, and the period from 28 December 2012 to 30 September 2013, respectively. Inventory provisions recognized as an expense in cost of goods sold and services rendered were US$2,040,000, US$447,000, US$2,450,000, US$1,332,000, and US$327,000 for the six-month periods ended 31 March 2016 and 2015, the fiscal years ended 30 September 2015 and 2014, and the period from 28 December 2012 to 30 September 2013, respectively.

14. OTHER CURRENT ASSETS

	31 March 2016	30 September 2015	30 September 2014	30 September 2013
		US$ in thousands		
Sales, VAT, and similar taxes	17,611	24,905	12,106	12,519
Prepaid expenses	12,953	12,630	18,758	9,216
Prepayments and deposits	4,869	753	3,601	5,992
Other	7,426	6,111	5,972	7,089
Total	**42,859**	**44,399**	**40,437**	**34,816**

15. INTANGIBLE ASSETS

	Software and other internally generated intangible assets	Patents, licenses, and similar rights; customer base, software, backlog, technology, and IT from business combinations	Total
		US$ in thousands	
Total cost as of 28 December 2012	**–**	**–**	**–**
Additions from business combinations	–	585,980	585,980
Currency translation changes	1,574	(4,394)	(2,820)
Additions	10,850	112	10,962
Retirements/Disposals	(176)	–	(176)
Total cost as of 30 September 2013	**12,248**	**581,698**	**593,946**
Currency translation changes	(1,343)	(4,883)	(6,226)
Additions	18,346	–	18,346
Additions from business combinations	–	2,709	2,709
Reclassifications	386	(386)	–
Retirements/Disposals	(382)	(17)	(399)
Total cost as of 30 September 2014	**29,255**	**579,121**	**608,376**
Currency translation changes	(1,808)	(11,906)	(13,714)
Additions	24,801	1,249	26,050
Additions from business combinations	–	27,013	27,013
Retirements/Disposals	–	–	–
Total cost as of 30 September 2015	**52,248**	**595,477**	**647,725**
Currency translation changes	392	261	653
Additions	9,923	167	10,090
Additions from business combinations	–	19,300	19,300
Retirements/Disposals	–	–	–
Total cost as of 31 March 2016	**62,563**	**615,205**	**677,768**

	Software and other internally generated intangible assets	Patents, licenses, and similar rights; customer base, software, backlog, technology, and IT from business combinations	Total
		US$ in thousands	
Accumulated amortization			
Total accumulated amortization as of 28 December 2012	**–**	**–**	**–**
Currency translation changes	(59)	48	(11)
Additions	2,025	71,910	73,935
Retirements/Disposals	(169)	–	(169)
Total accumulated amortization as of 30 September 2013	**1,797**	**71,958**	**73,755**
Currency translation changes	–	1,639	1,639
Additions	3,270	39,116	42,386
Retirements/Disposals	(387)	(17)	(404)
Total accumulated amortization as of 30 September 2014	**4,680**	**112,696**	**117,376**
Currency translation changes	(2,034)	(3,039)	(5,073)
Additions	19,066	22,750	41,816
Retirements/Disposals	–	–	–
Total accumulated amortization as of 30 September 2015	**21,712**	**132,407**	**154,119**
Currency translation changes	801	540	1,341
Additions	11,500	9,078	20,578
Retirements/Disposals	–	–	–
Total accumulated amortization as of 31 March 2016	**34,013**	**142,025**	**176,038**
Net book value as of 30 September 2013	**10,451**	**509,740**	**520,191**
Net book value as of 30 September 2014	**24,575**	**466,425**	**491,000**
Net book value as of 30 September 2015	**30,536**	**463,070**	**493,606**
Net book value as of 31 March 2016	**28,550**	**473,180**	**501,730**

Amortization expenses on intangible assets are included in the consolidated statements of profit or loss and other comprehensive loss within the categories cost of goods sold and services rendered, research and development expenses, marketing and selling expenses, or general administration expenses, depending on how the asset is utilized.

16. PROPERTY, PLANT, AND EQUIPMENT

	Land and building	Technical machinery and equipment	Furniture and office equipment	Construction in progress	Total
			US$ in thousands		
Total cost as of 28 December 2012	–	–	–	–	–
Additions from business combinations	69,676	42,752	12,166	2,013	126,607
Currency translation changes	(3,576)	645	(172)	(20)	(3,123)
Additions	838	6,896	4,097	12,646	24,477
Retirements/Disposals	–	(1,019)	(1,615)	–	(2,634)
Reclassifications	115	132	–	(247)	–
Total cost as of 30 September 2013	**67,053**	**49,406**	**14,476**	**14,392**	**145,327**
Currency translation changes	(1,826)	(2,469)	(486)	(29)	(4,810)
Additions	3,210	18,517	4,314	(1,453)	24,588
Additions from business combinations	–	11	23	–	34
Retirements/Disposals	–	(4,712)	(1,208)	–	(5,920)
Total cost as of 30 September 2014	**68,437**	**60,753**	**17,119**	**12,910**	**159,219**
Currency translation changes	(4,895)	(4,748)	(1,383)	(443)	(11,469)
Additions	1,406	6,710	4,070	13,292	25,478
Additions from business combinations	–	2,334	–	–	2,334
Retirements/Disposals	(1,204)	(2,664)	(1,023)	–	(4,891)
Reclassifications	2,810	2,597	1,419	(6,826)	–
Total cost as of 30 September 2015	**66,554**	**64,982**	**20,202**	**18,933**	**170,671**
Currency translation changes	1,728	917	250	65	2,960
Additions	468	2,764	1,948	7,566	12,746
Additions from business combinations	–	269	61	–	330
Retirements/Disposals	(101)	(135)	(163)	(16)	(415)
Reclassifications	1,597	1,005	1,234	(3,836)	–
Total cost as of 31 March 2016	**70,246**	**69,802**	**23,532**	**22,712**	**186,292**

	Land and building	Technical machinery and equipment	Furniture and office equipment	Construction in progress	Total
			US$ in thousands		
Accumulated depreciation					
Total accumulated depreciation as of 28 December 2012	–	–	–	–	–
Currency translation changes	(294)	(350)	(182)	–	(826)
Additions	1,701	10,078	4,614	–	16,393
Retirements/Disposals	–	(428)	(1,217)	–	(1,645)
Total accumulated depreciation as of 30 September 2013	**1,407**	**9,300**	**3,215**	**–**	**13,922**
Currency translation changes	(317)	(1,802)	(1,413)	–	(3,532)
Reclassifications	–	9,350	(9,350)	–	–
Retirements/Disposals	(46)	(4,285)	(726)	–	(5,057)
Additions	3,001	4,552	13,195	–	20,748
Total accumulated depreciation as of 30 September 2014	**4,045**	**17,115**	**4,921**	**–**	**26,081**
Currency translation changes	(829)	(3,475)	(1,090)	–	(5,394)
Reclassifications	–	–	–	–	–
Retirements/Disposals	(1,105)	(2,277)	(955)	–	(4,337)
Additions	2,842	14,989	3,760	–	21,591
Total accumulated depreciation as of 30 September 2015	**4,953**	**26,352**	**6,636**	**–**	**37,941**
Currency translation changes	262	744	201	–	1,207
Reclassifications	–	–	–	–	–
Retirements/Disposals	(170)	(130)	(157)	–	(457)
Additions	1,648	8,514	2,755	–	12,917
Total accumulated depreciation as of 31 March 2016	**6,693**	**35,480**	**9,435**	**–**	**51,608**
Net book value as of 30 September 2013	**65,646**	**40,106**	**11,261**	**14,392**	**131,405**
Net book value as of 30 September 2014	**64,392**	**43,638**	**12,198**	**12,910**	**133,138**
Net book value as of 30 September 2015	**61,601**	**38,630**	**13,566**	**18,933**	**132,730**
Net book value as of 31 March 2016	**63,553**	**34,322**	**14,097**	**22,712**	**134,684**

Depreciation expenses on tangible assets are included in the consolidated statements of profit or loss and other comprehensive loss within the categories cost of goods sold and services rendered, research and development expenses, marketing and selling expenses, or general administration, depending on how the asset is utilized.

During the six-month period ended 31 March 2016 and 2015, the fiscal years ended 30 September 2015 and 2014, and the period from 28 December 2012 to 30 September 2013, the Company acquired US$1,051,000, US$653,000, US$2,115,000, US$2,483,000, and US$1,221,000 of property, plant, and equipment via finance leases. During the year ended 30 September 2015, certain leased assets were purchased by the Company, resulting in a reclassification of US$9,451,000 from assets under finance leases to assets owned. The carrying value of the property under finance leases at 31 March 2016, and 30 September 2015, 2014, and 2013 was US$2,897,000, US$2,102,000, US$13,583,000, and US$14,645,000, respectively.

During the six-month periods ended 31 March 2016 and 2015, the fiscal years ended 30 September 2015 and 2014, and the period from 28 December 2012 to 30 September 2013, the Company recorded losses on the sale of property, plant and equipment of US$(213,000), US$(1,000), US$(414,000), US$(858,000), and US$(984,000), respectively.

17. GOODWILL AND IMPAIRMENT

17.1. Goodwill recognition and allocation

Goodwill was valued at US$692,538,000, US$649,036,000, US$646,292,000, and US$710,322,000 as of 31 March 2016, and 30 September 2015, 2014, and 2013, respectively. The increase in goodwill from 30 September 2015 to 31 March 2016 was due to the acquisitions of Reddwerks and NDC Automation offset by changes in foreign exchange rates. For the purpose of impairment testing, goodwill is allocated to the Company's CGUs. The aggregate carrying amounts of goodwill allocated to each CGU are as follows:

	31 March 2016	30 September 2015	30 September 2014	30 September 2013
	US$ in thousands			
North America	596,318	564,682	563,690	561,963
EMAR (Europe, Middle East, and Africa)	65,481	65,061	59,401	62,284
China	11,406	11,586	11,819	27,480
ANZ/ASEAN (Australia, New Zealand, and Southeast Asia)	19,333	7,707	11,382	58,595
Total	**692,538**	**649,036**	**646,292**	**710,322**

An additional US$31,658,000 of goodwill was recognized in North America during fiscal year ended 31 March 2016 in conjunction with the acquisition of Reddwerks and US$10,928,000 in Australia in conjunction with the acquisition of NDC Automation.

17.2. Impairment

17.2.1 Six-month period ended 31 March 2016

The Company performs its required annual impairment testing of goodwill on 30 June. For the six-month period ended 31 March 2016, the Company assessed if any indications of impairment existed to trigger an updated impairment test since 30 June 2015. The assessment relied on the market enterprise value achieved in the purchase agreement with KION GROUP AG ("**KION**") described in Section C as well as actual and projected financial performance for the fiscal year ended 30 September 2016. Based on this assessment, the Company deemed that there were no indications that would require an updated goodwill impairment test as of the period ended 31 March 2016.

17.2.2 Periods ended 30 September 2015, 2014, and 2013

The recoverable amounts of the CGUs have been determined based on a combination of the weighted average of applicable market approach methodologies and the income approach using the cash flow projections from business plans. These projections cover three years and are extrapolated for another year or longer if the CGU growth rates are higher during the projection years, as approved by the Company's senior management and the Board of Managers. For all periods subsequent to management's cash flow projections, an assumed terminal value growth rate is used. The key assumptions and outcome of the impairment test are discussed separately below. Key assumptions used in the calculation of the value in use are discount rates, terminal value growth rates, and budgeted EBITDA (earnings before interest, taxes, depreciation, and amortization) growth rates. These assumptions are as follows:

Discount rate and terminal growth values:

	30 September 2015		30 September 2014		30 September 2013	
	Discount rate	*Terminal value*	*Discount rate*	*Terminal value*	*Discount rate*	*Terminal value*
North America	16.1%	3.0%	16.5%	3.0%	14.8%	1.0%
EMAR	18.6%	3.0%	18.4%	3.0%	15.2%	1.0%
China	17.5%	3.0%	15.8%	3.0%	17.5%	1.0%
ANZ/ASEAN	14.8%	3.0%	14.0%	3.0%	14.6%	1.0%

The discount rate used is a pretax rate based on the risk-free rate obtained from the interest structure yield curve published by the U.S. Department of the Treasury (when necessary, the rate was adjusted for circumstances of the relevant market) and a risk premium to reflect both the increased risk of investing in equities generally and the systemic risk of the specific CGU. A minimum of five years of cash flows are included in the discounted cash flow model. A long-term growth rate for the perpetuity has been determined considering the nominal GDP and inflation rates.

Budgeted EBITDA:

Budgeted EBITDA growth rates and cash flows were based on expectations of future outcomes taking into account past experience and market analysis performed, adjusted for the following:

(i) *Projected cash flow periods*

Management has projected a minimum of three years of cash flows for each CGU. The detailed planned years are included in its discounted cash flow model. Year-one revenue is projected using the existing backlog, sales projections based on observable customer demand, and past experience. The anticipated annual revenue growth included in the cash flow projections for year two and three were based on average growth levels experienced over the last five years in combination with expected market growth in the CGUs. Once these base revenue numbers were estimated, it was assumed that sales price growth would be a constant small margin above forecast inflation for the next five years in line with information obtained from external brokers who publish a statistical analysis of long-term market price trends.

(ii) *Terminal value growth rate*

A long-term growth rate for perpetuity has been determined based on the expected GDP growth rate and expected inflation considering the capability of companies to pass on inflation to its customers, which, based on historical experience, amounts to approximately 50% of the actual inflation.

(iii) *Budgeted EBITDA growth rate*

The budgeted EBITDA margin of each CGU is based on past experience and current open contracts, adjusted for future expected changes in margin related to the contribution to cover fixed costs. Capital expenditures are assumed to be consistent with depreciation.

In calculating the value in use, the estimated future cash flows are discounted to present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The future cash flows are those arising from an explicit time horizon of three years as well as those extrapolated from the last year of the explicit time horizon to estimate the terminal value unless otherwise indicated. The long-term growth rate used to estimate the terminal value of the CGU (or group of CGUs) is assumed not to be higher than the average long-term growth rate of the segment, country, or market in which the CGU (or group of CGUs) operates.

The value in use of CGUs, which operate in a foreign currency, is estimated in the local currency and translated to USD at the spot rate on the date of the impairment test. Those cash flows then were discounted to present value on the basis of an appropriate rate for that currency.

Future cash flows are estimated by referring to the current operating conditions of the CGU (or group of CGUs) and, therefore, do not include either benefits originating from future restructuring for which the entity is not yet committed or future investments for the improvement or optimization of the CGU.

For the purpose of evaluating CGUs for impairment, the carrying amount of the CGU is established based on the same criteria used to determine the recoverable amount of the CGU, excluding surplus assets (i.e., financial assets, deferred tax assets, and net noncurrent assets held for sale) and includes the goodwill attributable to noncontrolling interests.

The recoverable amounts of the North America, EMAR, ANZ/ASEAN, and China CGUs exceeded their carrying amounts by approximately 129%, 227%, 67%, and 14%, respectively, as of 30 September 2015. The projected earnings utilized within the cash flow model were based on conservative growth methodologies and the use of the average recoverable amount was deemed reasonable. Therefore, management determined that no impairment should be recognized for the fiscal year ended 30 September 2015. The recoverable amounts of the North America and EMAR CGUs exceeded their carrying amounts by approximately 73% and 70%, respectively, at 30 September 2014. The ANZ/ASEAN and China CGUs recorded an impairment charge for the period ended 30 September 2014 (Note 17.4).

17.3. Rollforward

The following table shows a reconciliation of goodwill carrying amount at the beginning and end of the period:

	North America	EMAR	China	ANZ/ ASEAN	Total
			US$ in thousands		
Balance as of 28 December 2012	–	–	–	–	–
Additions by business combination	561,963	62,284	27,480	58,595	710,322
Currency translation adjustments	–	–	–	–	–
Impairment losses	–	–	–	–	–
Balance as of 30 September 2013	**561,963**	**62,284**	**27,480**	**58,595**	**710,322**
Additions by business combination	1,727	–	–	–	1,727
Currency translation adjustments	–	(2,883)	405	(9,435)	(11,913)
Impairment losses	–	–	(16,066)	(37,778)	(53,844)
Balance as of 30 September 2014	**563,690**	**59,401**	**11,819**	**11,382**	**646,292**
Additions by business combination	1,038	14,757	–	–	15,795
Currency translation adjustments	(46)	(9,097)	(233)	(3,675)	(13,051)
Impairment losses	–	–	–	–	–
Balance as of 30 September 2015	**564,682**	**65,061**	**11,586**	**7,707**	**649,036**
Additions by business combination	31,658	–	–	10,928	42,586
Currency translation adjustments	(22)	420	(180)	698	916
Impairment losses	–	–	–	–	–
Balance as of 31 March 2016	**596,318**	**65,481**	**11,406**	**19,333**	**692,538**

17.4. Goodwill impairment charge

During the fiscal year ended 30 September 2014, the Company recorded an impairment of the ANZ/ASEAN CGU in the amount of US$37,778,000 and the China CGU in the amount of US$16,066,000 relating to goodwill on historical acquisitions, which was no longer supported by the cash flow analysis. The total goodwill impairment of these business operations of US$53,844,000 was reported in the results for the fiscal year ended 30 September 2014. The goodwill arising from the purchase of the Company was generally attributed to global cost synergies, workforce capabilities, and potential future business growth. Since goodwill was not separately identified to each of these components, the Company did not allocate the impairment loss to specific functions on the consolidated statement of profit or loss and other comprehensive loss.

18. OTHER FINANCIAL ASSETS

	31 March 2016	30 September 2015	30 September 2014	30 September 2013
		US$ in thousands		
Marketable securities held as investments	2,428	2,369	1,778	1,782
Life insurance policies	17,684	17,222	17,225	16,486
Finance lease deposit	–	–	3,947	3,947
Euler Hermes escrow deposit	8,542	8,411	9,438	9,886
Total	**28,654**	**28,002**	**32,388**	**32,101**

Marketable securities held as investments include the investment paid in cash in mutual stock funds held by DWS AG, Germany, to secure employee benefit obligations in favor of the staff employed by the entity Dematic GmbH, Germany.

Life insurance policies secure benefit and deferred compensation plan obligations due to personnel of the Company's subsidiary Dematic Corp., USA.

The Company entered into an agreement with Euler Hermes on a guarantee facility. Security for this portfolio is a cash pledge held by Euler in an escrow account with JP Morgan. See further information in Note 29.3.

19. LOANS AND BORROWINGS

This Note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortized cost. For more information about the Company's exposure to interest rates and liquidity risk arising from these loans and borrowings, refer to Note 27.

	31 March 2016				
	Total	Bond	Term loan	CPECs	Others
			US$ in thousands		
Current maturity of long-term debts	301,310	–	5,850	294,072	1,388
Accrued interest payable	113,725	6,047	68	107,610	–
Total current liabilities	**415,035**	**6,047**	**5,918**	**401,682**	**1,388**
Long-term debts	808,570	261,818	541,735	–	5,017
Total noncurrent liabilities	**808,570**	**261,818**	**541,735**	**–**	**5,017**
Total loans and borrowings	**1,223,605**	**267,865**	**547,653**	**401,682**	**6,405**

	30 September 2015				
	Total	Bond	Term loan	CPECs	Others
	US$ in thousands				
Current maturity of long-term debts	301,284	–	5,850	294,071	1,363
Accrued interest payable	94,598	6,047	68	88,483	–
Total current liabilities	**395,882**	**6,047**	**5,918**	**382,554**	**1,363**
Long-term debts	808,676	261,514	541,445	–	5,717
Total noncurrent liabilities	**808,676**	**261,514**	**541,445**	**–**	**5,717**
Total loans and borrowings	**1,204,558**	**267,561**	**547,363**	**382,554**	**7,080**

	30 September 2014				
	Total	Bond	Term loan	CPECs	Others
	US$ in thousands				
Current maturity of long-term debts	301,446	–	5,850	293,979	1,617
Accrued interest payable	59,889	6,047	69	53,773	–
Total current liabilities	**361,335**	**6,047**	**5,919**	**347,752**	**1,617**
Long-term debts	801,531	260,661	540,870	–	–
Total noncurrent liabilities	**801,531**	**260,661**	**540,870**	**–**	**–**
Total loans and borrowings	**1,162,866**	**266,708**	**546,789**	**347,752**	**1,617**

	30 September 2013				
	Total	Bond	Term loan	CPECs	Others
	US$ in thousands				
Current maturity of long-term debts	300,385	–	5,400	293,565	1,420
Accrued interest payable	28,442	6,047	78	22,317	–
Total current liabilities	**328,827**	**6,047**	**5,478**	**315,882**	**1,420**
Long-term debts	756,914	259,865	492,889	–	4,160
Total noncurrent liabilities	**756,914**	**259,865**	**492,889**	**–**	**4,160**
Total loans and borrowings	**1,085,741**	**265,912**	**498,367**	**315,882**	**5,580**

19.1. Bond

Loan liabilities to third parties include US$265,000,000 of senior notes due in December 2020, issued by DH Services Luxembourg S.à r.l., a subsidiary of the Company. Interest is due semiannually, in arrears, on 15 June and 15 December and accrues at a rate of 7.75% per annum. Prior to 15 December 2015, the Company was entitled, at its option, to redeem all or a portion of the notes at a price equal to 100.00% of the principal amount plus accrued and unpaid interest and a "make whole" premium. In addition, prior to 15 December 2015, the Company could have redeemed, at its option, up to 40% of the bond using the proceeds of certain equity offerings. On or after 15 December 2015, the Company may redeem some or all of the notes at a redemption price equal to 105.81% of the principal amount, declining annually to 100.00% of the principal amount on 15 December 2018, plus accrued and unpaid interest. If the Company has a change of control or sells certain assets, it may be required to make an offer to purchase the bond. The bond represents senior unsecured obligations of the issuer and is guaranteed on a senior unsecured basis by certain of the issuer's existing subsidiaries.

On 15 December 2015, the "make whole" option expired; and the Company did not redeem any notes prior to the expiry of the option.

Redemption prices after 15 December 2015:

Year	**Redemption price**
After 15 December 2015	105.813%
After 15 December 2016	103.875%
After 15 December 2017	101.938%
15 December 2018 and thereafter	100.000%

Interest expense, excluding the change in value of the embedded derivative associated with the issuance of the bond, resulted in an effective-interest rate of 8.04%, 8.04%, 8.07%, 8.04%, and 8.15% for the six-month periods ended 31 March 2016 and 2015, the fiscal years ended 30 September 2015 and 2014, and the period from 28 December 2012 to 30 September 2013, respectively. Initial transaction costs of the bond netted in the carrying amount were US$9,674,000. At the initial recognition, the carrying amount of the bond financial liability also increased by US$4,005,000 due to the recognition of the embedded derivatives attached to it. These embedded derivatives are based on the "make whole" option and the scaled bond redemption schedule as described above. The valuation of the embedded derivatives at each reporting date and as of the initial recognition date is based on the Black-Scholes option pricing model. For further information regarding the embedded derivatives, see Notes 12 and 21.

The bond is secured by the equity shares of the Company's subsidiaries.

19.2. Term loan

Mirror Bidco Corp., a subsidiary of the Company, entered into a secured credit agreement with Credit Suisse, JP Morgan, and Barclays Bank for senior secured first lien credit facilities, which included a US$540,000,000 term loan. The proceeds of the term loan were used to finance a portion of the acquisition of the business, to collateralize certain existing guarantee facility accommodations and to finance a portion of the transaction fees. The term loan is repayable in equal quarterly installments in an aggregate annual amount equal to 1% of the principal amount borrowed. The balance will be payable on the maturity date, 28 December 2019. The obligations under the term loan are guaranteed by substantially all of the Company's direct and indirect wholly owned restricted subsidiaries, collectively referred to as the guarantors. The credit agreement provides that the gross assets and consolidated EBITDA of the guarantors for each year is required to represent not less than 80% of the total gross assets and consolidated EBITDA of the Company and its restricted subsidiaries.

On 27 December 2012, the interest rate for the term loan was based on three-month floating LIBOR plus a margin of 4.00% on a LIBOR floor of 1.25%. On 27 January 2014, the term loan was amended to increase the loan from US$540,000,000 to US$585,000,000 and change the rate at which the term loan bears interest. Subsequent to 27 January 2014, amounts outstanding under the term loan bear interest based on three-month floating LIBOR plus a margin of 3.25% on a LIBOR floor of 1.00% (4.25% at 31 March 2016, 31 March 2015, and 30 September 2015 and 2014). Interest expense, excluding the change in value of the embedded derivative associated with the issuance of the term loan, resulted in an effective interest rate of 5.46% for the six-month period ended 31 March 2016, 5.43% for the six-month period ended 31 March 2015, 5.45% for the year ended 30 September 2015, 5.61% for the year ended 30 September 2014, and 6.43% for the period from 28 December 2012 to 30 September 2013.

Initial transaction costs of the loan netted with the carrying amount were US$22,393,000. At the initial recognition, the carrying amount of the term loan financial liability also decreased by US$19,168,000 due to the recognition of the embedded derivative (interest rate floor) attached to it. Due to the January 2014 amendment, an additional US$1,393,000 in transaction costs, US$250,000 in issuance discount, and US$869,000 in additional embedded derivative were recognized and further decreased the carrying amount of the term loan financial liability.

Outstanding principal due on the term loan at 31 March 2016 and 30 September 2015, 2014, and 2013 was US$571,838,000, US$574,763,000, US$580,613,000, and US$535,950,000, respectively.

19.3. Convertible Preferred Equity Certificates

On 28 December 2012, the Company issued yield bearing Convertible Preferred Equity Certificates (CPECs) to its shareholders with a redemption term after 49 years in 2061. The CPECs have a US$1.00 par value, which equals the proceeds received upon issuance to the nonemployee shareholders. The Company is contractually obligated to return 100% of the CPEC principal investment and cumulative accrued unpaid interest.

The CPECs rank with respect to payment rights, redemption and rights of liquidation, winding up, and dissolution, senior to all Subordinated Securities and *pari passu* with any series of CPECs, or other Preferred Equity Certificates, but rank junior to all other present and future obligations of the Company whether secured or unsecured. As of 31 March 2016, 30 September 2015, 2014, and 2013, the number of outstanding shares was 294,071,580, 294,071,580, 293,979,480, and 293,565,420, with an associated carrying amount of US$294,072,000, US$294,071,000, US$293,979,000, and US$293,565,000, respectively.

The CPECs have an annual yield of 10%. Interest payable is accrued at the appropriate rate and is paid out periodically, but if paid within the first 10 years, the interest will be paid-in-kind only. As of the reporting date, no payments for interests have been made, except to departing employee shareholders, which was paid in cash in March 2016 (US$0), March 2015 (US$74,000), September 2015 (US$74,000), September 2014 (US$172,000), and September 2013 (US$42,000). As of 31 March 2016, 30 September 2015, 2014, and 2013, the outstanding accrued interest was US$107,610,000, US$88,483,000, US$53,773,000, and US$22,317,000, respectively.

Management has evaluated the CPECs for potential bifurcation and separation into multiple accounting units given that they represent a hybrid financial instrument in accordance with *IAS 32 Financial Instruments: Presentation,* and *IAS 39 Financial Instruments: Recognition and Measurement*. The CPECs contain embedded derivative features including a conversion option into equity-classified instruments as well as certain redemption features. These embedded features have been evaluated under the applicable guidance and management concluded they represent separate accounting units, which exist in addition to the host debt financial liability instrument, which is accounted for at amortized cost. The fair value of these embedded features is insignificant. Due to the conversion features, the Company does not have an unconditional right to defer settlement of the liability for at least twelve months; therefore, both the CPECs and yield are classified as current liabilities.

19.4. Others

At 31 March 2016 and 30 September 2015, others represented borrowing for purchased technical equipment in an initial amount of US$7,300,000 (Note 16). The borrowing is for a five-year term with monthly payments at a fixed interest rate of 3.68%.

At 30 September 2014, others represented borrowings on a US$2,640,000 Brazilian unsecured revolving credit facility. The facility expired on 5 February 2015.

At 30 September 2013, others represented a service facility mortgage due to a customer of US$5,297,000. During the year ended 30 September 2014, the Company entered into a change order with the customer that resulted in a cash prepayment plus the termination of the mortgage in exchange for a reduction in future service fees under the contract. The Company recorded billings in excess of estimated earnings on uncompleted contracts of US$13,614,000 as a result of this transaction, which included the cash prepayment of US$8,600,000 and the remaining principal due on the loan of US$5,014,000.

19.5. Revolving credit facility

In connection with the term loan, a multicurrency senior secured revolving credit facility in an initial amount of US$75,000,000 was made available to the borrower, Mirror Bidco Corp., on 28 December 2012. The revolving credit facility matures on 28 December 2017. The revolving credit facility is covered by the same security arrangements as the term loan and ranks *pari passu* to the term loan. The revolving credit facility is used for making revolving loans and the issuance of letters of credit (guarantees). The revolving credit facility was amended in March 2016 to increase the overall limit to US$167,500,000, increase the letter of credit sublimit from US$35,000,000 to US$127,500,000, include the Chinese Yuan Renminbi as an allowed currency for issuances of letters of credit and introduce two new lenders to the agreement. Letter of credit issuers under the revolving credit facility now include JP Morgan, Credit Suisse, Barclays, Citibank and Deutsche Bank. There were no open loans at 31 March 2016, 30 September 2015, 2014, or 2013.

For information related to undrawn letters of credit (guarantees) under this facility, refer to Note 29.

20. FINANCE LEASE LIABILITIES

20.1. Finance lease

A finance lease contract relating to technical equipment in the United States was entered into in August 2012 in the form of a sale and leaseback transaction. The monthly finance lease charge was US$183,000. The rent payable was determined by the fair value of the technical equipment sold to the lessor, with a lease term of 87 months and an interest rate of 5.5%. The finance lease contract included the right for the lessee to acquire the leased assets at the end of the minimum lease term at fair market value or after the 36th and 60th payments for a predetermined value.

In June 2015, the Company elected to exercise the early buyout option after the 36th payment for US$11,098,000. To finance the purchase, the Company used the restricted lease deposit of US$3,947,000 (Note 18) and obtained new financing from the lessor of US$7,300,000 (Note 19). The difference of US$1,647,000 between the buyout amount of US$11,098,000 and the carrying value of the finance lease obligation at the time of the exercise of US$9,451,000 was added to the carrying value of the asset.

The Company is not acting as a lessor for finance lease arrangements and has not entered into any sublease arrangements under the terms of finance leasing.

20.2. Repayment schedule one to five years

The Company has entered into contracts that qualify as finance lease arrangements to lease IT equipment and automobiles. These contracts have been signed by certain operating entities of the Company as lessee. In fiscal year 2012, HK Logistics LLC entered into a contract relating to the sale and leaseback of technical equipment in the United States, which was qualified as a finance leasing arrangement.

As of six-month period ended 31 March 2016, the Company had finance lease liabilities of US$2,857,000.

The reconciliation of present value of finance lease liabilities to minimum lease payments is as follows:

	Due within one year	Due between one and five years	Due later than five years	Total
		US$ in thousands		
Minimum lease payments	1,558	1,351	–	2,909
Discounting amount	(40)	(12)	–	(52)
Finance lease liability – discounted	**1,518**	**1,339**	**–**	**2,857**

As of 30 September 2015, the Company had finance lease liabilities of US$2,684,000.

The reconciliation of present value of finance lease liabilities to minimum lease payments is as follows:

	Due within one year	Due between one and five years	Due later than five years	Total
		US$ in thousands		
Minimum lease payments	1,521	1,209	–	2,730
Discounting amount	(33)	(13)	–	(46)
Finance lease liability – discounted	**1,488**	**1,196**	**–**	**2,684**

As of 30 September 2014, the Company had finance lease liabilities of US$13,194,000.

The reconciliation of present value of finance lease liabilities to minimum lease payments is as follows:

	Due within one year	Due between one and five years	Due later than five years	Total
		US$ in thousands		
Minimum lease payments	3,594	11,450	–	15,044
Discounting amount	(454)	(1,396)	–	(1,850)
Finance lease liability – discounted	**3,140**	**10,054**	**–**	**13,194**

As of 30 September 2013, the Company had finance lease liabilities of US$14,447,000.

The reconciliation of present value of finance lease liabilities to minimum lease payments is as follows:

	Due within one year	Due between one and five years	Due later than five years	Total
		US$ in thousands		
Minimum lease payments	3,692	9,187	4,081	16,960
Discounting amount	(677)	(1,661)	(175)	(2,513)
Finance lease liability – discounted	**3,015**	**7,526**	**3,906**	**14,447**

Depending on the nature of the lease contract, the applicable interest rates range from 0.9% to 9.6% for the six-month period ended 31 March 2016, and fiscal years ended 30 September 2015, 2014, and 2013, respectively.

21. OTHER CURRENT FINANCIAL LIABILITIES

	31 March 2016	30 September 2015	30 September 2014	30 September 2013
		US$ in thousands		
Embedded derivative (interest floor term loan)	7,559	8,733	6,448	13,430
Forward exchange contracts	1,746	363	1,146	669
Other miscellaneous liabilities (short term)	523	266	1,309	1,124
Equity-based compensation accrued liability	15,442	7,140	4,931	–
Total	**25,270**	**16,502**	**13,834**	**15,223**

22. OTHER CURRENT LIABILITIES

	31 March 2016	31 September 2015	30 September 2014	30 September 2013
		US$ in thousands		
Accruals for vacation and overtime payments	17,978	16,030	16,048	16,015
Liabilities for remuneration, social contribution, and employee income tax payments	12,757	17,228	15,121	12,349
Other employee-related costs	1,478	1,780	1,256	2,678
Other tax liabilities	17,068	22,009	16,438	11,497
Deferred income	4,891	4,672	2,333	2,767
Other	10,456	4,871	14,483	21,848
Total	**64,628**	**66,590**	**65,679**	**67,154**

23. EMPLOYEE BENEFIT OBLIGATIONS

Pension provisions are recognized for obligations relating to future benefits and current benefits payable to eligible active and former employees of the Company and their surviving dependents.

Different countries have different pension systems due to the variety of legal, economic, and tax conditions applicable in each country. These are generally based on the length of service and the remuneration of the employees. In the case of defined-benefit plans, the Company's obligation is to meet the defined-benefit commitments to current and former employees. The item also includes provisions made by the U.S. entities for postretirement healthcare obligations.

These defined-benefit plans expose the Company to actuarial risks (such as longevity risk), currency risk, interest rate risk, and market (investment) risk.

The amount of pension obligation (actuarial present value of the defined-benefit obligations or DBO) is calculated using actuarial valuation methods, which require the use of estimates.

23.1. Net defined-benefit liabilities by countries

The Company has recognized net defined-benefit liabilities from pension plans or similar commitments in the following countries:

	31 March 2016	**30 September 2015**	**30 September 2014**	**30 September 2013**
	US$ in thousands			
Germany	43,448	38,540	42,503	39,595
USA	72,341	63,309	62,589	50,190
Italy	619	529	590	750
France	610	659	656	525
Total	**117,018**	**103,037**	**106,338**	**91,060**

Due to their significance, the pension obligations for Dematic GmbH and Dematic Services GmbH (together Germany) and Dematic Corp. (USA) are described in the following Note 23 sections.

23.2. Funding

Some of the plans in the USA require funding to be maintained at certain levels and annual contributions to maintain the required funding level. The funding calculations are typically designed to restore the plan to 100% funding within the next seven years. These plans are also charged annual pension insurance premiums, which vary depending on the funding level. Of the total net defined-benefit liabilities recognized as of 31 March 2016 and 30 September 2015, 2014, and 2013, US$64,253,000, US$55,111,000, US$45,424,000, and US$34,175,000, respectively, related to USA plans with minimum funding requirements. All other plans are unfunded. Employees are not required to contribute to any plan.

23.3. Movement in net defined-benefit liability

The following tables show reconciliation from the opening balances to the closing balances for net defined-benefit liability and its components.

	Defined-benefit obligations				Plan assets	Net defined-benefit liability			
	Germany	USA	Others	Total	USA	Germany	USA	Others	Total
					US$ in thousands				
Balance as of 1 October 2015	**38,540**	**226,377**	**1,188**	**266,105**	**(163,068)**	**38,540**	**63,309**	**1,188**	**103,037**
Included in profit or loss:									
Current service cost	140	–	319	459	–	140	–	319	459
Interest cost	448	4,760	–	5,208	(2,617)	448	2,143	–	2,591
Total	**588**	**4,760**	**319**	**5,667**	**(2,617)**	**588**	**2,143**	**319**	**3,050**
Included in OCI:									
Remeasurement losses (gains)									
Actuarial gain – demographic assumptions	–	(3,604)	–	(3,604)	–	–	(3,604)	–	(3,604)
Actuarial loss – financial assumptions	4,718	10,981	–	15,699	–	4,718	10,981	–	15,699
Actuarial loss – participant experience	–	289	–	289	–	–	289	–	289
Return on plan assets excluding interest income	–	–	–	–	(528)	–	(528)	–	(528)
Effect of movements in exchange rates	625	–	21	646	–	625	–	21	646
Total	**5,343**	**7,666**	**21**	**13,030**	**(528)**	**5,343**	**7,138**	**21**	**12,502**
Business combinations	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Benefits paid	**(1,023)**	**(3,834)**	**(299)**	**(5,156)**	**3,585**	**(1,023)**	**(249)**	**(299)**	**(1,571)**
Balance as of 31 March 2016	**43,448**	**234,969**	**1,229**	**279,646**	**(162,628)**	**43,448**	**72,341**	**1,229**	**117,018**

	Defined-benefit obligations				Plan assets	Net defined-benefit liability			
	Germany	USA	Others	Total	USA	Germany	USA	Others	Total
					US$ in thousands				
Balance as of 1 October 2014	**42,503**	**233,160**	**1,246**	**276,909**	**(170,571)**	**42,503**	**62,589**	**1,246**	**106,338**
Included in profit or loss:									
Current service cost	360	24	451	835	–	360	24	451	835
Curtailment gain	–	(10,468)	–	(10,468)	–	–	(10,468)	–	(10,468)
Interest cost	912	9,427	–	10,339	(6,276)	912	3,151	–	4,063
Total	**1,272**	**(1,017)**	**451**	**706**	**(6,276)**	**1,272**	**(7,293)**	**451**	**(5,570)**
Included in OCI:									
Remeasurement losses (gains)									
Prior remeasurement gains recognized due to curtailment	–	1,635	–	1,635	–	–	1,635	–	1,635
Actuarial loss – demographic assumptions	–	2,908	–	2,908	–	–	2,908	–	2,908
Actuarial loss (gain) – financial assumptions	99	(1,790)	–	(1,691)	–	99	(1,790)	–	(1,691)
Actuarial loss (gain) – participant experience	161	(976)	–	(815)	–	161	(976)	–	(815)
Return on plan assets excluding interest income	–	–	–	–	12,898	–	12,898	–	12,898
Effect of movements in exchange rates	(4,774)	–	(134)	(4,908)	–	(4,774)	–	(134)	(4,908)
Total	**(4,514)**	**1,777**	**(134)**	**(2,871)**	**12,898**	**(4,514)**	**14,675**	**(134)**	**10,027**
Employer contributions	**–**	**–**	**–**	**–**	**(6,000)**	**–**	**(6,000)**	**–**	**(6,000)**
Benefits paid	**(721)**	**(7,543)**	**(375)**	**(8,639)**	**6,881**	**(721)**	**(662)**	**(375)**	**(1,758)**
Balance as of 30 September 2015	**38,540**	**226,377**	**1,188**	**266,105**	**(163,068)**	**38,540**	**63,309**	**1,188**	**103,037**

	Defined-benefit obligations				Plan assets	Net defined-benefit liability			
	Germany	USA	Others	Total	USA	Germany	USA	Others	Total
					US$ in thousands				
Balance as of 1 October 2013	**39,595**	**208,039**	**1,275**	**248,909**	**(157,849)**	**39,595**	**50,190**	**1,275**	**91,060**
Included in profit or loss:									
Current service cost	332	95	478	905	–	332	95	478	905
Past service credit	–	(9,948)	–	(9,948)	–	–	(9,948)	–	(9,948)
Interest cost	1,366	9,411	–	10,777	(6,956)	1,366	2,455	–	3,821
Total	**1,698**	**(442)**	**478**	**1,734**	**(6,956)**	**1,698**	**(7,398)**	**478**	**(5,222)**
Included in OCI:									
Remeasurement losses (gains)									
Actuarial loss – demographic assumptions	–	15,499	–	15,499	–	–	15,499	–	15,499
Actuarial loss – financial assumptions	6,222	14,518	–	20,740	–	6,222	14,518	–	20,740
Actuarial loss (gain) – participant experience	(961)	2,882	90	2,011	–	(961)	2,882	90	2,011
Return on plan assets excluding interest income	–	–	–	–	(6,348)	–	(6,348)	–	(6,348)
Effect of movements in exchange rates	(3,264)	–	(12)	(3,276)	–	(3,264)	–	(12)	(3,276)
Total	**1,997**	**32,899**	**78**	**34,974**	**(6,348)**	**1,997**	**26,551**	**78**	**28,626**
Employer contributions	**–**	**–**	**–**	**–**	**(6,000)**	**–**	**(6,000)**	**–**	**(6,000)**
Benefits paid	**(787)**	**(7,336)**	**(585)**	**(8,708)**	**6,582**	**(787)**	**(754)**	**(585)**	**(2,126)**
Balance as of 30 September 2014	**42,503**	**233,160**	**1,246**	**276,909**	**(170,571)**	**42,503**	**62,589**	**1,246**	**106,338**

	Defined-benefit obligations				Plan assets	Net defined-benefit liability			
	Germany	USA	Others	Total	USA	Germany	USA	Others	Total
					US$ in thousands				
Balance as of 28 December 2012	–	–	–	–	–	–	–	–	–
Included in profit or loss:									
Current service cost	242	85	348	675	–	242	85	348	675
Past service credit	–	–	–	–	–	–	–	–	–
Interest cost	1,002	6,776	–	7,778	(3,935)	1,002	2,841	–	3,843
Total	**1,244**	**6,861**	**348**	**8,453**	**(3,935)**	**1,244**	**2,926**	**348**	**4,518**
Included in OCI:									
Remeasurement losses (gains)									
Actuarial loss – demographic assumptions	–	572	–	572	–	–	572	–	572
Actuarial gain – financial assumptions	(4,547)	(21,980)	–	(26,527)	–	(4,547)	(21,980)	–	(26,527)
Actuarial gain – participant experience	(2,309)	(322)	–	(2,631)	–	(2,309)	(322)	–	(2,631)
Return on plan assets excluding interest income	–	–	–	–	(13,152)	–	(13,152)	–	(13,152)
Effect of movements in exchange rates	1,249	–	(46)	1,203	–	1,249	–	(46)	1,203
Total	**(5,607)**	**(21,730)**	**(46)**	**(27,383)**	**(13,152)**	**(5,607)**	**(34,882)**	**(46)**	**(40,535)**
Additions from business combinations	**44,543**	**228,570**	**1,099**	**274,212**	**(141,879)**	**44,543**	**86,691**	**1,099**	**132,333**
Employer contributions	**–**	**–**	**–**	**–**	**(4,029)**	**–**	**(4,029)**	**–**	**(4,029)**
Benefits paid	**(585)**	**(5,662)**	**(126)**	**(6,373)**	**5,146**	**(585)**	**(516)**	**(126)**	**(1,227)**
Balance as of 30 September 2013	**39,595**	**208,039**	**1,275**	**248,909**	**(157,849)**	**39,595**	**50,190**	**1,275**	**91,060**

For the fiscal year ended 30 September 2015, one of the pension plans of Dematic Corp. (USA) was terminated. As a result, a curtailment gain of US$10,468,000 was recognized, which included US$1,635,000 of actuarial gains previously recognized in OCI. For the six-month period ended 31 March 2015, the curtailment gain of US$10,468,000 was recognized during the first quarter.

For the fiscal year ended 30 September 2014, one of the pension plans of Dematic Corp. (USA) was frozen for future salary increases. As a result, a past service credit of US$9,948,000 was recognized.

23.4. Plan assets investment allocations

The weighted average asset allocation of Dematic Corp. (USA) pension plan assets as of 31 March 2016, and 30 September 2015, 2014, and 2013, respectively, are as follows:

	31 March 2016	30 September 2015	30 September 2014	30 September 2013
		In percentage		
Asset category:				
Equity securities	46.8%	46.8%	52.9%	55.2%
Debt securities	44.4%	44.4%	39.5%	37.0%
Others	8.8%	8.8%	7.6%	7.8%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Dematic Corp. investment policies and strategies for the pension benefit plans use target allocation ranges for the individual asset categories. For one of the plans, the target allocation is scalable based on the current funding percentage of the plan. The Company's investment goals are to maximize returns subject to specific risk management policies. Dematic Corp. addresses diversification by the use of mutual fund investments whose underlying investments are in the United States and international fixed-income securities and United States and international equity securities. These mutual funds are readily marketable and can be sold to fund benefit payment obligations as they become payable.

23.5. Actuarial assumptions

The calculations of the defined-benefit obligation are based on the following significant actuarial assumptions:

	Six-month period ended 31 March 2016		30 September 2015	
	Germany	USA	Germany	USA
Discount factor	1.69%	3.95%	2.40%	4.30%
Future salary and wage increase	2.25%	N/A	2.25%	N/A
Future pension increase	1.75%	N/A	1.75%	N/A

	30 September 2014		30 September 2013	
	Germany	USA	Germany	USA
Discount factor	2.40%	4.25%	3.50%	4.75%
Future salary and wage increase	2.25%	N/A	2.25%	3.00%
Future pension increase	1.75%	N/A	1.75%	N/A

The growth in future benefits includes expected future increases in salaries, which are estimated annually, taking into account inflation and the economic situation.

At 30 September 2014, for one of the plans in the USA, a 7.0% annual rate of increase in the per capita cost of healthcare benefits was assumed for the next year. The rate is assumed to decrease gradually to 4.5% within six years and to remain at that level thereafter. Due to the termination of the plan for the fiscal year ended 30 September 2015, this assumption is no longer relevant.

Assumptions regarding future mortality have been based on published statistics and mortality tables. The weighted-average duration of the defined-benefit obligations were as follows:

	31 March 2016	30 September 2015	30 September 2014	30 September 2013
		In years		
Germany	15	14	13	13
USA	14	14	14	13

23.6. Sensitivity analysis

Reasonably possible changes to one of the relevant actuarial assumptions as of 31 March 2016, holding other assumptions constant, would have affected the defined-benefit obligation by the following amounts:

	Increase		Decrease	
	Germany	USA	Germany	USA
		Increase (decrease) of DBO		
Discount rate (0.25% movement)	(1,538)	(7,860)	1,647	8,314

Due to the long-term view taken for the estimated salary and wage increase and inflation assumptions, the Company does not expect significant changes in these assumptions.

23.7. Expected cash flows

Expected benefit payments for the next 10 fiscal years are as follows:

	FY17	FY18	FY19	FY20	FY21–FY26
			US$ in thousands		
Germany	966	978	1,051	1,181	8,537
USA	9,970	9,880	10,150	10,390	72,250

The Company expects to pay US$6,000,000 in contributions to its defined-benefit plans during the next twelve months.

24. PROVISIONS

Provisions are generally determined on an individual basis. Reconciliation of provisions is as follows:

	Employee-related provisions	Warranties	Order-related losses and risks	Other order-related provisions	Restructuring	Others	Total
				US$ in thousands			
Balance as of 28 December 2012	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Additions from business combinations	45,789	16,193	47,639	9,107	–	13,697	132,425
Additions to provisions	27,874	14,603	4,946	11,489	12,670	9,090	80,672
Release of provisions	(1,201)	(3,969)	–	(943)	–	(3,518)	(9,631)
Usage of provisions	(19,653)	(3,273)	(38,671)	(4,409)	–	(6,860)	(72,866)
Currency translation differences	(621)	248	654	227	–	(195)	313
Balance as of 30 September 2013	**52,188**	**23,802**	**14,568**	**15,471**	**12,670**	**12,214**	**130,913**
Additions from business combinations	20	–	–	–	–	217	237
Additions to provisions	38,922	2,432	2,890	11,459	–	11,839	67,542
Release of provisions	(1,827)	(3,367)	(1,129)	(1,038)	–	(4,140)	(11,501)
Usage of provisions	(31,083)	(6,435)	(3,388)	(9,404)	(7,055)	(4,051)	(61,416)
Reclassifications	1,165	–	(3,457)	–	–	1,414	(878)
Currency translation differences	(1,550)	(452)	(494)	(552)	–	(869)	(3,917)
Balance as of 30 September 2014	**57,835**	**15,980**	**8,990**	**15,936**	**5,615**	**16,624**	**120,980**

	Employee-related provisions	Warranties	Order-related losses and risks	Other order-related provisions	Restructuring	Others	Total
				US$ in thousands			
Balance as of 30 September 2014	**57,835**	**15,980**	**8,990**	**15,936**	**5,615**	**16,624**	**120,980**
Additions from business combinations	–	–	–	11,258	–	–	11,258
Additions to provisions	34,686	8,061	3,503	21,361	–	10,516	78,127
Release of provisions	(1,225)	(3,882)	(448)	(3,972)	(718)	(11,691)	(21,936)
Usage of provisions	(27,441)	(2,818)	(3,801)	(17,611)	(5,940)	(4,643)	(62,254)
Reclassifications	814	–	–	–	1,056	(1,239)	631
Currency translation differences	(2,597)	(2,279)	(908)	(1,361)	(13)	(3,210)	(10,368)
Balance as of 30 September 2015	**62,072**	**15,062**	**7,336**	**25,611**	**–**	**6,357**	**116,438**
Additions from business combinations	2,334	–	–	–	–	4,100	6,434
Additions to provisions	7,107	5,760	1,277	5,162	3,618	4,210	27,134
Release of provisions	(558)	(2,697)	(126)	(1,141)	(487)	112	(4,897)
Usage of provisions	(36,995)	(3,507)	(1,233)	(1,968)	588	(3,814)	(46,929)
Reclassifications	8,890	(175)	–	(5,891)	–	(2,118)	706
Currency translation differences	97	130	80	(172)	1	365	501
Balance as of six-month period ended 31 March 2016	**42,947**	**14,573**	**7,334**	**21,601**	**3,720**	**9,212**	**99,387**

As of 31 March 2016 and 30 September 2015, 2014, and 2013, there are US$20,608,000, US$18,747,000, US$22,129,000, and US$25,489,000, respectively, of long-term provisions that primarily include warranty and employee-related items. The accretion of discounts related to long-term provisions was not significant.

Movements in provisions are recognized in general administration expenses, research and development costs, costs of goods sold and services rendered, and marketing and selling expenses depending on the nature and content of provision with the exception of effects from discounting or compounding of provisions, which are included in financial result. Audit fees are accrued as service is provided and the related expense was US$1,181,000, US$1,701,000, US$2,707,000, US$2,788,000, and US$2,335,000 at the six-month periods ended 31 March 2016 and 2015, the fiscal years ended 30 September 2015 and 2014, and the period from 28 December 2012 to 30 September 2013, respectively.

24.1. Employee-related provisions

Employee-related provisions primarily include bonus and variable payments, termination payments, and service anniversary award payments. Noncurrent provisions are mainly related to anniversary and early retirement obligations and stock compensation, which are due later than one year from 31 March 2016.

24.2. Warranties

Warranty provisions are mainly related to products sold. In the case of new products, expert opinions, and industry data are taken into consideration in estimating product warranty provisions. Further valuation indicators include the experience of engineers and individually signalized customer complaints. Warranty provisions are recognized for each individual project as a defined percentage of the total project sales volume. The level of warranty provisions is mainly volume driven. The warranty periods range between 12 and 24 months. Releases are recognized for each individual project with no warranty issues upon completion of the warranty period or when all warranty claims have been settled. Releases of warranty provisions are reasonably possible due to the previously described technical approach to provide for warranty risks for each individual project.

24.3. Order-related losses and risks

Provisions for order-related losses and risks are recognized for anticipated losses on sales contracts (including construction contracts). Usage in each of the periods mainly relates to realized project-related losses.

24.4. Other order-related provisions

Other order-related provisions are recognized for future payables for goods acquired or services provided not yet invoiced.

24.5. Restructuring

In February 2016, the Company announced its planned closure of the Grand Rapids facility. Management decided to move its North American factory operations to Monterrey, Mexico. The closure is planned to occur by the end of fiscal year ending 30 September 2016. Following the announcement of the plan, the Company recognized a provision of US$3,618,000 of expected restructuring costs primarily for employee termination benefits. Estimated costs were based on the terms of relevant contracts. None of the provision was used during the six-month period ended 31 March 2016.

During 2013, the Company committed to a plan to restructure its European business as well as to include the Logistics Operations in the United States into Dematic Corp.

The plan to restructure the European business was due to a change in strategy. Management evaluated that the European business would be more successful in sales as well as in execution if dedicated teams in the countries focus on the local demands. Following the announcement of the plan, the Company recognized a provision of US$10,280,000 for expected restructuring costs, including contract termination costs and employee termination benefits. Estimated costs were based on the terms of the relevant contracts. Approximately US$4,355,000 and US$310,000 of the provision was used in fiscal years 2014 and 2013, respectively.

The Company integrated the Logistics Operations business of HK Logistics LLC, acquired in September 2010, into Dematic Corp, USA. Following the announcement of the plan, the Company recognized a provision of US$1,000,000 for expected restructuring costs, including contract termination costs and employee termination benefits. Estimated costs were based on the terms of the relevant contract. Approximately US$700,000 and US$300,000 of the provision was used in fiscal years 2014 and 2013, respectively.

Furthermore, the Company recorded a provision for restructuring of US$2,000,000 for employee termination benefits in fiscal year 2013. Estimated costs were based on the terms of the relevant contract.

Restructuring costs expensed as incurred amounted to US$5,600,000 and US$14,000,000 for fiscal years 2014 and 2013, respectively. These costs are related to the relocation of the corporate office from Luxembourg to the United States, which includes retentions, severance, employee recruiting cost, sign-on bonuses, employee relocation costs, redundant salaries, and redundant rent expense. The restructuring plan was completed in fiscal year 2015.

24.6. Other provisions

Other provisions primarily relate to legal reserves in all periods presented.

25. EQUITY-BASED COMPENSATION

2012 Employee Share Purchase Program (2012 Program)

The Company established the 2012 Program to attract, retain, and motivate the officers, managers, and employees of the Company and its subsidiaries, and to promote the success of the Company's business by providing them with appropriate incentives and rewards through a proprietary interest in the long-term success of the Company. Under the 2012 Program, certain employees are able to purchase restricted Class B shares from DH Services Benefit Trust (the Trust). Under the 2012 Program, certain employees are also able to purchase Class A shares, and CPECs, which are issued and administered directly by the Company. For all share purchases under the plan, legal title passes to the management investors at the time of purchase. However, custody of the Class B shares is maintained by the Trust.

Participants in the plan vest in the future appreciation in fair value of Class A shares and CPECs immediately on the date of purchase. Class B shares purchased under the plan are subject to certain vesting and performance conditions; therefore, expense recognition for these awards is deferred until such time as the performance conditions are met. The performance conditions include the Company performing an initial public offering or a change in control. The current unrecognized deferral related to these Class B shares outstanding is US$104,414,000 as of 31 March 2016.

The Company has provided a limited number of recourse loans to facilitate employees' share purchases under the plan. These loans bear interest at market rates and authorize the Company at its own discretion to deduct all compensation, incentive or annual bonuses, and severance or other payments payable by the Company in order to settle any payments due and payable under the loan agreement. In addition, a first priority lien is placed on all of the right, title, and interest of the borrowers in the Class B shares purchased until paid in full.

Compensation expense related to the 2012 Employee Share Purchase Program was US$8,300,000, US$405,000, US$2,210,000, US$4,931,000, and US$0 for the six-month periods ended 31 March 2016 and 2015, fiscal years ended 30 September 2015 and 2014, and the period from 28 December 2012 to 30 September 2013, respectively.

Stock options

The Company established the 2014 DH Services Luxembourg Holding S.à r.l. Stock Option Plan (2014 Plan) on 24 September 2014. The 2014 Plan was set up in order to provide a limited number of executives with options to purchase shares in the Company and to reward the optionees for their future efforts and loyalty to the Company and its Affiliates by giving the optionees the opportunity to participate in the potential future appreciation of the Company. The 2014 Plan contains individual grants with service-based vesting conditions that range from immediate vesting on the grant date up to as much as four-year stepped vesting periods. The Class B shares underlying these options are further subject to certain performance conditions, including the Company performing an initial public offering or a change in control. Option expense is based on the grant-date fair value of the awards using the Black-Scholes-Merton pricing model; however, such expense is deferred until such time as the performance conditions of the Class B shares have been met.

In the six-month periods ended 31 March 2016 and 2015 and the years ended 30 September 2015, and 2014, the Company granted incentive stock options under the 2014 Plan to key members of management to purchase 0, 0, 10,870, and 14,750 Class B shares in the Company, respectively. The option price for each grant was based upon the fair value of Class B shares on the grant date. Option prices on outstanding awards range from US$129.10 to US$184.74. As of 31 March 2016, approximately US$15,263,000 in stock option expense has been deferred due to the fact that the performance conditions that have not been met. No compensation expense for stock options was recorded in any period presented.

26. CAPITAL AND RESERVES

26.1. Share capital

The Company's share capital is set at US$32,300. It is represented by 3,230,482 shares in registered form, with a nominal value of US$0.01 each divided into 1,541,557 class A ordinary shares, (the Class A Ordinary Shares), 281,425 class B ordinary shares (the Class B Ordinary Shares), and 1,407,500 class C preference shares (the Class C Preference Shares).

26.2. Noncontrolling interest

DH Services Luxembourg Holding S.à r.l. has besides their Class A shareholders (48% of share capital) and Class B shares (9% of share capital) further noncontrolling Class C shares (43% of share capital), which are held by DH C-Holdings Limited (Cayman Islands). An analogue structure with DH C-Holdings Limited being holder of 43% of share capital is also the case for the following subsidiaries of DH Services Luxembourg: Mirror Bidco Limited (UK), Mirror Bidco Corp. (USA), Dematic Holding S.à r.l., Mirror PIK SA, Dematic S.à r.l., Dematic Group S.à r.l. (Luxembourg), and Dematic Group Limited (UK). Though these noncontrolling shareholders have voting rights corresponding to their shareholding of 43%, their economic interest in each of the companies approximates zero as the Class C shares do not also constitute a claim for 43% participation in the economic results (dividends, liquidation proceeds). Other noncontrolling interests do not qualify for the measurement choice in *IFRS 3.19, Business Combinations*. Therefore, the other noncontrolling interests have been measured at fair value on the acquisition date as of 28 December 2012, which was US$14,000.

26.3. Share premium

Share premium comprises an initial US$17,077,000 resulting from the funding of the Company by the shareholders at 28 December 2012. Additional share activity from the stock compensation plan issuance and repurchase, resulted in the amount allocated to share premium increase (decrease) by US$0, US$(311,000), US$22,000, and US$1,185,000 for the six-month period ended 31 March 2016, the years ended 30 September 2015 and 2014, and the period from 28 December 2012 to 30 September 2013, respectively.

26.4. Currency translation adjustment

The translation reserve includes all foreign currency changes arising from the translation of the consolidated statements of financial position of foreign operations.

27. FINANCIAL INSTRUMENTS

27.1. Financial risk management

Overview

The Company has exposure to the following risks arising from financial instruments: credit risk, liquidity risk, market risk, interest risk, and currency risk. This note presents information about the Company's exposure to each of the listed risks, the Company's objectives, policies, and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

27.2. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This risk arises principally from the Company's receivables due from customers and investment securities. The carrying amounts of the financial assets listed below represent the maximum credit exposure.

	31 March 2016	30 September 2015	30 September 2014	30 September 2013
		US$ in thousands		
Trade and other receivables due from third parties	204,364	180,434	163,339	166,344
Cash and cash equivalents	212,982	264,506	215,051	127,222
Restricted cash	13,048	13,556	8,736	6,647
Other current financial assets due from third parties	4,885	6,767	7,289	6,167
Other noncurrent financial assets due from third parties	28,654	28,002	32,388	32,101
Total financial assets	**463,933**	**493,265**	**426,803**	**338,481**

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, representing the maximum open amount without requiring approval from the Risk Management Committee; these limits are reviewed quarterly. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

The Company 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.

Impairment losses

The aging of trade receivables (excluding other receivables) at the end of the reporting period were as follows:

		31 March 2016	
	Gross amount	**(Allowance)**	**Net amount**
		US$ in thousands	
Not due	82,248	(898)	81,350
Overdue 0–30 days	15,482	(159)	15,323
Overdue 31–120 days	16,097	(1,812)	14,285
Overdue 121–365 days	2,248	(966)	1,282
Overdue more than one year	4,243	(3,032)	1,211
Total	**120,318**	**(6,867)**	**113,451**

		30 September 2015	
	Gross amount	**(Allowance)**	**Net amount**
		US$ in thousands	
Not due	80,447	(605)	79,842
Overdue 0–30 days	13,292	(111)	13,181
Overdue 31–120 days	8,702	(725)	7,977
Overdue 121–365 days	4,227	(899)	3,328
Overdue more than one year	5,565	(4,288)	1,277
Total	**112,233**	**(6,628)**	**105,605**

	30 September 2014		
	Gross amount	(Allowance)	Net amount
		US$ in thousands	
Not due	86,002	(2,002)	84,000
Overdue 0–30 days	20,206	(228)	19,978
Overdue 31–120 days	9,058	(918)	8,140
Overdue 121–365 days	5,752	(1,242)	4,510
Overdue more than one year	3,054	(2,586)	468
Total	**124,072**	**(6,976)**	**117,096**

	30 September 2013		
	Gross amount	(Allowance)	Net amount
		US$ in thousands	
Not due	76,191	(878)	75,313
Overdue 0–30 days	26,139	(294)	25,845
Overdue 31–120 days	5,742	(409)	5,333
Overdue 121–365 days	3,293	(238)	3,055
Overdue more than one year	4,640	(4,365)	275
Total	**116,005**	**(6,184)**	**109,821**

The movements in the allowance for impairment in respect of trade receivables during the six-month period ended 31 March 2016, the years ended 30 September 2015 and 2014, and the period from 28 December 2012 to 30 September 2013, respectively, are as follows:

	Six-month period ended 31 March 2016	1 October 2014–30 September 2015
	US$ in thousands	
Balance at 1 October	**6,628**	**6,976**
Additions from business combinations	192	208
Impairment losses recognized	2,064	5,179
Amounts written off	–	(9)
Allowances reversed	(1,866)	(2,010)
Effect of exchange rate changes	(151)	(3,716)
Balance at end of period	**6,867**	**6,628**

	1 October 2013– 30 September 2014	28 December 2012– 30 September 2013
	US$ in thousands	
Balance at 1 October/28 December	**6,184**	**–**
Additions from business combinations	22	5,374
Impairment losses recognized	4,698	2,044
Amounts written off	(63)	(57)
Allowances reversed	(3,550)	(1,177)
Effect of exchange rate changes	(315)	–
Balance at 30 September	**6,976**	**6,184**

The Company believes the remaining trade receivable amounts are collectible, based on historical payment behavior, and analysis of the underlying customers' credit ratings.

Cash and cash equivalents

The Company held cash and cash equivalents (including restricted cash) of US$226,030,000, US$278,062,000, US$223,787,000, and US$133,869,000 at 31 March 2016, 30 September 2015, 2014, and 2013, respectively, which represents its maximum credit exposure on these assets. Most cash and cash equivalents are held with bank and financial institution counterparties, which are rated A- or better by rating agency Standard & Poor's. As a result of utilizing cash pooling services to manage its cash centrally, a significant portion of the Company's unrestricted cash balance is held in one financial institution.

Derivatives

Derivatives are entered into with bank and financial institution counterparties, which are rated A or better by rating agency Standards & Poor's. The majority of derivatives utilized are entered into and managed centrally by Treasury. In general, the Company partners with two large, multinational financial institutions when the use of a derivative instrument is appropriate. All of the derivatives maintained by the Company are to protect against fluctuations in currency rates. The Company does not engage in any derivatives trading for speculative purposes.

27.3. Liquidity risk

Liquidity risk is the risk the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk is mitigated by employing short-term and medium-term planning tools, which provide the Company with requisite visibility. The medium-term forecast covers a six-month period and is completed monthly on a legal entity basis. The monthly collection of data provides Treasury with an overview of expected liquidity requirements. The Company also maintains a revolving credit facility (see Note 19) which can be used if difficulties are encountered in meeting obligations. No amounts were outstanding from this facility as of 31 March 2016, 30 September 2015, 30 September 2014, and 30 September 2013.

When cash requirements are identified through the Company's planning processes, funding to subsidiaries is provided by the Company principally through cash pooling. For major currencies, surplus balances are swept to target accounts held by the Company. The currency cash pools operated by Treasury ensure that cash is efficiently managed.

The following maturity schedule sets forth the contractual cash flows of undiscounted liabilities (including principal and interest) as of 31 March 2016:

		Contractual cash flows			
	Carrying amount	Less than one year	Between one and five years	More than five years	Total
			US$ in thousands		
Trade payables due to third parties	208,024	208,024	–	–	208,024
Finance lease liabilities	2,857	1,558	1,351	–	2,909
Loans and borrowings	821,923	52,530	984,743	–	1,037,273
CPECs and accrued yield	401,682	401,682	–	–	401,682
Other miscellaneous liabilities	523	523	–	–	523
Forward exchange contracts	1,746	1,746	–	–	1,746
Equity-based compensation accrued liability	15,442	15,442	–	–	15,442
Total	**1,452,197**	**681,505**	**986,094**	**–**	**1,667,599**

The following maturity schedule sets forth the contractual cash flows of undiscounted liabilities (including principal and interest) as of 30 September 2015:

		Contractual cash flows			
	Carrying amount	Less than one year	Between one and five years	More than five years	Total
			US$ in thousands		
Trade payables due to third parties	241,798	241,798	–	–	241,798
Finance lease liabilities	2,684	1,521	1,209	–	2,730
Loans and borrowings	822,004	52,724	735,674	275,269	1,063,667
CPECs and accrued yield	382,554	382,554	–	–	382,554
Other miscellaneous liabilities	266	266	–	–	266
Forward exchange contracts	363	363	–	–	363
Equity-based compensation accrued liability	7,140	7,140	–	–	7,140
Total	**1,456,809**	**686,366**	**736,883**	**275,269**	**1,698,518**

The following maturity schedule sets forth the contractual cash flows of undiscounted liabilities (including principal and interest) as of 30 September 2014:

		Contractual cash flows			
	Carrying amount	Less than one year	Between one and five years	More than five years	Total
	US$ in thousands				
Trade payables due to third parties	182,230	182,230	–	–	182,230
Finance lease liabilities	13,194	3,594	11,450	–	15,044
Loans and borrowings	815,114	52,928	205,407	847,546	1,105,881
CPECs and accrued yield	347,752	347,752	–	–	347,752
Other miscellaneous liabilities	1,309	1,309	–	–	1,309
Forward exchange contracts	1,146	1,146	–	–	1,146
Equity-based compensation accrued liability	4,931	4,931	–	–	4,931
Total	**1,365,676**	**593,890**	**216,857**	**847,546**	**1,658,293**

The following maturity schedule sets forth the contractual cash flows of undiscounted liabilities (including principal and interest) as of 30 September 2013:

		Contractual cash flows			
	Carrying amount	Less than one year	Between one and five years	More than five years	Total
	US$ in thousands				
Trade payables due to third parties	179,694	179,694	–	–	179,694
Finance lease liabilities	14,447	3,692	9,187	4,081	16,960
Loans and borrowings	769,859	54,952	219,243	853,761	1,127,956
CPECs and accrued yield	315,882	315,882	–	–	315,882
Other miscellaneous liabilities	1,124	1,124	–	–	1,124
Forward exchange contracts	669	669	–	–	669
Equity-based compensation accrued liability	–	–	–	–	–
Total	**1,281,675**	**556,013**	**228,430**	**857,842**	**1,642,285**

Following are the assumptions on which the maturity schedules shown above are based:

- If a liability has different maturity dates due to the nature of payment terms (e.g., discounts), the earliest possible date is used.
- All trade payables are due within one year.
- The derivative financial instruments position includes only derivatives with a negative fair value. Derivative financial instruments with a positive fair value are recognized as other financial assets and are not part of these schedules. The effects of embedded derivatives on future cash outflows are included in the expected cash flows of the related financial liability.
- Interest payments on financial instruments with variable interest rates have been calculated using current interest rates.

In addition to the above, the Company maintains a revolving credit facility of US$167,500,000, which is described in Note 19.

27.4. Market risk

Due to its worldwide business activities, the Company is exposed to market price risks arising from fluctuations in foreign exchange and interest rates. Those market price risks may have a negative effect on the net asset, financial, and earnings position of the Company. Market price risks are controlled and monitored by means of ordinary operating business and financing activities and, if meaningful and appropriate, by using derivative financial instruments. The Company assesses these risks at regular intervals by tracking changes in key economic indicators and market information. The Company is also exposed to commodity price risks arising from its operating activities.

27.5. Interest rate risk

Interest rate risk arises from the sensitivity of financial assets and liabilities to changes in market interest rates. The Company's exposure is determined by its interest-bearing cash balances and outstanding loan debt.

As of 31 March 2016 and 30 September 2015, 2014, and 2013, the Company's cash and cash equivalents including restricted balances but excluding petty cash and outstanding checks were US$225,982,000, US$277,540,000, US$223,103,000, and US$131,748,000, respectively. Restricted cash at 31 March 2016 and 30 September 2015, 2014, and 2013 of US$13,048,000, US$13,556,000, US$8,736,000, and US$6,647,000, respectively, was pledged to secure outstanding guarantees issued under various agreements.

Treasury coordinates all funding and investment activity throughout the Company. To that effect, where pragmatic, idle balances are consolidated and invested centrally. Local deposits are typically made where country-specific regulations or restrictions prohibit the transfer of funds to the ultimate parent's accounts.

The sensitivity to changes in interest rates for each financial instrument is as follows:

- Fluctuations in interest earned on the Company's cash balances are insignificant.
- The interest rate on the US$265,000,000 bonds is fixed; therefore, there is no market sensitivity.
- The term loan bears interest at a rate of LIBOR + 3.25% subject to a LIBOR floor of 1.00%. LIBOR is currently below 1.00%. For every 1.00% increase in LIBOR above 1.00%, annual interest expense on the US$571,838,000 principal amount of the term loan outstanding at 31 March 2016 would increase by US$5,718,000.
- The embedded derivative asset of the bond will decrease in value by approximately US$1,539,000 upon an increase of 1.00% in interest rates. A decrease in interest rates of 1.00% will increase the value of the embedded derivative by approximately US$2,563,000.
- The interest floor embedded derivative on the term loan will change as follows: A decrease in interest rates of 1.00% will increase the negative fair value of the floor by approximately US$10,772,000, an increase of 1.00% in interest rates will decrease the negative fair value of the floor by approximately US$3,690,000.

27.6. Currency risk

The Company conducts business with international counterparties. This frequently leads to cash flows denominated in a currency other than an operational entity's functional currency. Fluctuations in the value of currencies lead to transaction risk. This risk is primarily mitigated by closing most transactions in the functional currency of the respective entity. Operating units do not borrow or invest in foreign currencies. Financing within the Company or investments are typically concluded in the functional currency of the operating unit.

When currency risk cannot be mitigated by closing transactions in the functional currency of the respective entity, the Company's strategy is to enter into various foreign currency hedging instruments. The Company's foreign currency risk management mainly hedges specific foreign currency positions on a project-level basis as requested by its subsidiaries.

At 31 March 2016 and 30 September 2015, 2014, and 2013, the Company had open foreign exchange forward contracts to buy (sell) the following amounts:

	31 March 2016			**30 September 2015**		
	Buy	**Sell**	**Net**	**Buy**	**Sell**	**Net**
	in thousands of listed currency					
AUD	7,180	(16,039)	(8,859)	5,314	(7,216)	(1,902)
CHF	–	–	–	–	(80)	(80)
CNY	139,128	(202,664)	(63,536)	8,176	(80,037)	(71,861)
EUR	20,892	(22,339)	(1,447)	22,504	(7,846)	14,658
GBP	34,184	(18,256)	15,928	23,356	(15,648)	7,708
JPY	879	–	879	1,008	–	1,008
MXN	–	(49,200)	(49,200)	–	–	–
NZD	–	–	–	–	(215)	(215)
SEK	3,288	–	3,288	–	–	–
SGD	912	(1,824)	(912)	102	(4,296)	(4,194)
USD	60,309	(63,419)	(3,110)	16,248	(27,480)	(11,232)

	30 September 2014			**30 September 2013**		
	Buy	**Sell**	**Net**	**Buy**	**Sell**	**Net**
	in thousands of listed currency					
AUD	4,171	(9,230)	(5,059)	6,143	(5,629)	514
CHF	–	(360)	(360)	–	–	–
CNY	5,347	(69,519)	(64,172)	14,133	(41,588)	(27,455)
EUR	14,166	(9,324)	4,842	22,070	(10,349)	11,721
GBP	24,898	(5,223)	19,675	24,545	(10,429)	14,116
JPY	274	–	274	351	–	351
NZD	–	(707)	(707)	–	(3,394)	(3,394)
SGD	–	(284)	(284)	1,857	–	1,857
THB	–	–	–	–	(95,491)	(95,491)
USD	6,607	(29,016)	(22,409)	8,469	(37,663)	(29,194)

Effects of currency translation

As the consolidated financial reporting currency is USD, the income and expenses of subsidiaries with functional currencies other than USD are converted into the Company's functional and reporting currency prior to consolidation of the Company's financial statements. Period-to-period changes in the average exchange rates may cause translation effects that have a significant impact on, for example, revenue and net income of the Company. Unlike the effect of exchange rate fluctuations on transaction exposure, exchange rate translation risk does not affect local currency cash flows. When net asset values are converted into USD, the fluctuations in the equivalents result in period-to-period changes in those net asset values. The Company's equity position reflects these changes in net asset values. The Company does not hedge against this type of risk.

FX contracts by currency

The Company manages these risks by using foreign exchange forward contracts. The transactions relate primarily to the Company's project business. The fair values of foreign exchange forward contracts were as follows:

	31 March 2016	**30 September 2015**	**30 September 2014**	**30 September 2013**
		US$ in thousands		
Foreign exchange forward contracts – current financial asset	803	1,720	1,041	1,685
Foreign exchange forward contracts – current financial liability	(1,746)	(363)	(1,146)	(669)
Net	(943)	1,357	(105)	1,016

Cash balances in foreign currencies

The Company's cash balance (including restricted cash) as of 31 March 2016, and 30 September 2015, 2014, and 2013 mainly comprises of the following currencies:

	31 March 2016	**30 September 2015**	**30 September 2014**	**30 September 2013**
		in thousands of listed currency		
USD	132,777	136,324	123,265	72,171
CNY	83,339	29,987	53,709	28,664
EUR	27,213	58,892	29,406	13,141
HKD	–	–	24,338	12,431
AUD	15,374	28,112	21,231	16,243
CAD	15,881	14,482	14,904	9,274
GBP	4,772	13,540	4,436	–
SGD	9,169	13,448	7,754	–
BRL	9,783	18,885	178	–
MYR	7,066	7,132	6,146	–
MXN	37,705	8,656	–	–

27.7. Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain future development of the business.

The Company monitors the leverage ratio of DH Services Luxembourg S.à r.l. as a measurement of capital management. The leverage ratio is calculated as net debt divided by adjusted EBITDA. Net debt is determined by aggregating the outstanding principal balance of all third-party debt, including finance leases then subtracting the total cash balance at the same date. Adjusted EBITDA is the Company's operating subsidiary DH Services Luxembourg S.à r.l. earnings before interest, taxes, depreciation, and amortization, excluding restructuring, nonrecurring, and holdings charges, on a trailing 12-month basis.

The calculation of the leverage ratio for DH Services Luxembourg S.à r.l. as of 31 March 2016, 30 September 2015, 2014, and 2013 is as follows:

	31 March 2016	**30 September 2015**	**30 September 2014**	**30 September 2013**
		US$ in thousands		
Term loan principal	571,838	574,763	580,613	535,950
Bonds principal	265,000	265,000	265,000	265,000
Other loan principal	6,402	7,078	1,616	5,298
Finance lease principal	2,857	2,684	13,194	14,447
Less cash and cash equivalents	(222,263)	(273,896)	(220,045)	(128,880)
Net debt	**623,834**	**575,629**	**640,378**	**691,815**
Adjusted EBITDA (trailing twelve months)	230,560	195,480	190,503	135,740
Leverage ratio (net debt/adjusted EBITDA)	**2.7x**	**2.9x**	**3.4x**	**5.1x**

For the period ended 30 September 2013, the Adjusted EBITDA above represents results for the period 28 December 2012 through 30 September 2013. The leverage ratio calculation has been modified to reflect approximately nine months of activity.

27.8. Carrying amounts and fair values

The following tables show the carrying amounts and fair values of financial instruments held by the Company. The fair value of a financial instrument is the price at which a party would assume the rights and/or obligations of the financial instrument from an independent third party. Considering the various parameters, the fair values shown should only be regarded as an indication for amounts potentially realizable in the market.

The Company identified the carrying values and fair values of financial assets and liabilities in the consolidated statements of financial position line items identified, including their levels in the fair value hierarchy. If no fair value is presented, it is assumed that the carrying value approximates fair value.

	31 March 2016						
	Carrying amount					Fair value	
	Held for trading	Designated at fair value	Loans and receivables	Other financial liabilities	Total	Fair value hierarchy	Amount
				US$ in thousands			
Financial assets measured at fair value:							
Forward exchange contracts	–	803	–	–	803	Level 2	803
Embedded derivatives	4,082	–	–	–	4,082	Level 2	4,082
Total	**4,082**	**803**	**–**	**–**	**4,885**		
Financial assets not measured at fair value:							
Trade and other receivables	–	–	204,364	–	204,364		
Cash and cash equivalents	–	–	212,982	–	212,982		
Restricted cash	–	–	13,048	–	13,048		
Other noncurrent financial assets	–	–	28,654	–	28,654		
Total	**–**	**–**	**459,048**	**–**	**459,048**		
Financial liabilities measured at fair value:							
Forward exchange contracts	–	(1,746)	–	–	(1,746)	Level 2	(1,746)
Embedded derivatives	(7,559)	–	–	–	(7,559)	Level 2	(7,559)
Total	**(7,559)**	**(1,746)**	**–**	**–**	**(9,305)**		
Financial liabilities not measured at fair value:							
Loans and borrowings	–	–	–	(821,923)	(821,923)	Level 2	(778,762)
CPECs and accrued yield	–	–	–	(401,682)	(401,682)	Level 2	(401,682)
Finance lease liabilities	–	–	–	(2,857)	(2,857)	Level 2	(2,857)
Other current financial liabilities	–	–	–	(523)	(523)		
Trade payables due to third parties	–	–	–	(208,024)	(208,024)		
Equity-based compensation accrued liability	–	–	–	(15,442)	(15,442)		
Total	**–**	**–**	**–**	**(1,450,451)**	**(1,450,451)**		

	30 September 2015						
	Carrying amount					Fair value	
	Held for trading	Designated at fair value	Loans and receivables	Other financial liabilities	Total	Fair value hierarchy	Amount
				US$ in thousands			
Financial assets measured at fair value:							
Forward exchange contracts	–	1,720	–	–	1,720	Level 2	1,720
Embedded derivatives	5,047	–	–	–	5,047	Level 2	5,047
Total	**5,047**	**1,720**	**–**	**–**	**6,767**		
Financial assets not measured at fair value:							
Trade and other receivables	–	–	180,434	–	180,434		
Cash and cash equivalents	–	–	264,506	–	264,506		
Restricted cash	–	–	13,556	–	13,556		
Other noncurrent financial assets	–	–	28,002	–	28,002		
Total	**–**	**–**	**486,498**	**–**	**486,498**		
Financial liabilities measured at fair value:							
Forward exchange contracts	–	(363)	–	–	(363)	Level 2	(363)
Embedded derivatives	(8,733)	–	–	–	(8,733)	Level 2	(8,733)
Total	**(8,733)**	**(363)**	**–**	**–**	**(9,096)**		
Financial liabilities not measured at fair value:							
Loans and borrowings	–	–	–	(822,004)	(822,004)	Level 2	(794,035)
CPECs and accrued yield	–	–	–	(382,554)	(382,554)	Level 2	(382,554)
Finance lease liabilities	–	–	–	(2,684)	(2,684)	Level 2	(2,684)
Other current financial liabilities	–	–	–	(266)	(266)		
Trade payables due to third parties	–	–	–	(241,798)	(241,798)		
Equity-based compensation accrued liability	–	–	–	(7,140)	(7,140)		
Total	**–**	**–**	**–**	**(1,456,446)**	**(1,456,446)**		

	30 September 2014						
	Carrying amount					Fair value	
	Held for trading	Designated at fair value	Loans and receivables	Other financial liabilities	Total	Fair value hierarchy	Amount
	US$ in thousands						
Financial assets measured at fair value:							
Forward exchange contracts	–	1,041	–	–	1,041	Level 2	1,041
Embedded derivatives	6,248	–	–	–	6,248	Level 2	6,248
Total	**6,248**	**1,041**	**–**	**–**	**7,289**		
Financial assets not measured at fair value:							
Trade and other receivables	–	–	163,339	–	163,339		
Cash and cash equivalents	–	–	215,051	–	215,051		
Restricted cash	–	–	8,736	–	8,736		
Other noncurrent financial assets	–	–	32,388	–	32,388		
Total	**–**	**–**	**419,514**	**–**	**419,514**		
Financial liabilities measured at fair value:							
Forward exchange contracts	–	(1,146)	–	–	(1,146)	Level 2	(1,146)
Embedded derivatives	(6,448)	–	–	–	(6,448)	Level 2	(6,448)
Total	**(6,448)**	**(1,146)**	**–**	**–**	**(7,594)**		
Financial liabilities not measured at fair value:							
Loans and borrowings	–	–	–	(815,114)	(815,114)	Level 2	(776,044)
CPECs and accrued yield	–	–	–	(347,752)	(347,752)	Level 2	(347,752)
Finance lease liabilities	–	–	–	(13,194)	(13,194)	Level 2	(13,194)
Other current financial liabilities	–	–	–	(1,309)	(1,309)		
Trade payables due to third parties	–	–	–	(182,230)	(182,230)		
Equity-based compensation accrued liability	–	–	–	(4,931)	(4,931)		
Total	**–**	**–**	**–**	**(1,364,530)**	**(1,364,530)**		

	30 September 2013						
	Carrying amount					Fair value	
	Held for trading	Designated at fair value	Loans and receivables	Other financial liabilities	Total	Fair value hierarchy	Amount
	US$ in thousands						
Financial assets measured at fair value:							
Forward exchange contracts	–	1,685	–	–	1,685	Level 2	1,685
Embedded derivatives	4,482	–	–	–	4,482	Level 2	4,482
Total	**4,482**	**1,685**	**–**	**–**	**6,167**		
Financial assets not measured at fair value:							
Trade and other receivables	–	–	166,344	–	166,344		
Cash and cash equivalents	–	–	127,222	–	127,222		
Restricted cash	–	–	6,647	–	6,647		
Due from related parties	–	–	–	–	–		
Other noncurrent financial assets	–	–	32,101	–	32,101		
Total	**–**	**–**	**332,314**	**–**	**332,314**		
Financial liabilities measured at fair value:							
Forward exchange contracts	–	(669)	–	–	(669)	Level 2	(669)
Embedded derivatives	(13,430)	–	–	–	(13,430)	Level 2	(13,430)
Total	**(13,430)**	**(669)**	**–**	**–**	**(14,099)**		
Financial liabilities not measured at fair value:							
Loans and borrowings	–	–	–	(769,859)	(769,859)	Level 2	(669,958)
CPECs and accrued yield	–	–	–	(315,882)	(315,882)	Level 2	(315,882)
Finance lease liabilities	–	–	–	(14,447)	(14,447)	Level 2	(14,447)
Other current financial liabilities	–	–	–	(1,124)	(1,124)		
Trade payables due to third parties	–	–	–	(179,694)	(179,694)		
Total	**–**	**–**	**–**	**(1,281,006)**	**(1,281,006)**		

The fair values of the financial instruments have been determined based on available market information at the reporting date. The relevant asset and liability categories have been treated as outlined below.

Level 1 represents valuations using quoted prices (unadjusted) in active markets for identical assets and liabilities. Level 2 reflects valuations based on inputs other than quoted prices included within Level 1 but are observable for the respective asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). The CPECs carrying value is equal to the outstanding shares par values plus unpaid yield. The fair value of the host debt instrument is equal to the par value and unpaid yield, the embedded features were assessed individually and the value was negligible, and therefore, the carrying value and the fair value of the CPEC instrument is equivalent. Level 3 is defined as valuations based on inputs, not based on observable market data (unobservable inputs).

Forward exchange contracts

Forward exchange contracts measured at fair value through the consolidated statements of profit or loss and other comprehensive loss include foreign currency derivatives, which are not part of a hedging relationship. If no market values are available, the fair values are calculated on the basis of recognized actuarial models such as discounted cash flow models or option pricing models.

Embedded derivatives

Similar to forward exchange contracts, embedded derivatives measured at fair value through profit or loss are measured using market values. If no market values are available, the fair values are calculated on the basis of recognized actuarial models such as discounted cash flow models or option pricing models.

Loans and borrowings

The fair values of loans and borrowings are determined as net present values of the future anticipated cash flows. Market interest rates based on the corresponding maturities are used for discounting purposes.

Finance lease liabilities

The fair values of finance lease liabilities are determined as net present values of the future anticipated cash flows. Market interest rates based on the corresponding expirations are used for discounting purposes. The discount rates used for the finance lease arrangements range from 0.9% to 9.6%.

There were no transfers between fair value categories during the six-month period ended 31 March 2016, the years ended 30 September 2015 and 2014, and the period from 28 December 2012 to 30 September 2013.

28. OPERATING LEASES

As of 31 March 2016, and 30 September 2015, 2014, and 2013, future payment obligations under noncancelable operating leases are as follows:

	31 March 2016	30 September 2015	30 September 2014	30 September 2013
		US$ in thousands		
Less than one year	7,508	11,285	11,613	9,869
Between one and five years	26,907	24,726	18,889	14,838
More than five years	4,095	7,051	7,956	7,443
Total	**38,510**	**43,062**	**38,458**	**32,150**

The Company leases a number of factory facilities and office buildings under operating lease contracts. The leases typically run for a period of 1 to 10 years, with an option to renew the lease after that date.

Rent expenses including short-term equipment leases, for the six-month periods ended 31 March 2016 and 2015, the fiscal years ended 30 September 2015 and 2014, and the period from 28 December 2012 to 30 September 2013 were US$18,819,000, US$14,608,000, US$32,294,000, US$28,704,000, and US$21,222,000, respectively.

29. CONTINGENCIES

In the ordinary course of business, the Company selectively provides certain customers with third party and parent company guarantees. Depending on the project, these guarantees are used to protect customers' down payments, provide compensation if the Company fails to fulfill its performance obligations, or to cover warranty obligations. Prepayment bonds are granted to clients in exchange for customer advance payments received in cash. Performance bonds are issued to secure contract fulfillment, for example throughput or availability of the system specified to the level in the corresponding contract. Warranty bonds are granted at the end of contracts to secure warranty execution over a certain period of time.

29.1. External guarantees

As of 31 March 2016 and 30 September 2015, 2014, and 2013, the portfolios of third-party guarantees were US$83,143,000, US$50,593,000, US$39,873,000, and US$52,445,000, respectively.

The following tables set forth amounts of third-party guarantees outstanding and available facilities as of 31 March 2016, 30 September 2015, 2014, and 2013. Amounts are not discounted. The "Others" category includes instruments issued by several surety companies as arranged through the Company's insurance broker, Marsh.

	31 March 2016		30 September 2015	
	Used	**Facility**	**Used**	**Facility**
	US$ in thousands			
Revolving credit facility	31,391	127,500	2,711	35,000
Euler Hermes Deutschland AG	11,177	22,779	15,383	22,406
Zurich Insurance plc	28,785	29,248	24,297	28,769
Commerzbank AG	2,028	–	1,995	–
Commonwealth Bank of Australia	5,364	9,582	3,569	6,502
Deutsche Bank AG	2,324	–	2,559	–
Others	2,074	–	79	–
Total	**83,143**	**189,109**	**50,593**	**92,677**

	30 September 2014		30 September 2013	
	Used	**Facility**	**Used**	**Facility**
	US$ in thousands			
Revolving credit facility	4,264	35,000	24,539	35,000
Euler Hermes Deutschland AG	12,697	18,875	17,146	20,258
Zurich Insurance plc	4,255	6,292	2,606	6,753
Commerzbank AG	9,913	–	314	20,258
Commonwealth Bank of Australia	4,416	8,059	2,870	8,624
Deutsche Bank AG	2,611	–	3,428	–
Others	1,717	–	1,542	–
Total	**39,873**	**68,226**	**52,445**	**90,893**

29.2. Revolving credit facility

A multicurrency senior secured revolving credit facility in an initial amount of US$75,000,000 for making revolving loans and the issuance of letters of credit (guarantees) for the benefit of DH Services Luxembourg S.à r.l. and its subsidiaries was made available to the borrower, Mirror Bidco Corp., on 28 December 2012. The facility matures on 28 December 2017. The revolver is covered by the same security arrangements as the term loan and ranks *pari passu* to the term loan. The revolving credit facility was amended in March 2016 to increase the overall limit to US$167,500,000, increase the letter of credit sublimit from US$35,000,000 to US$127,500,000, include the Chinese Yuan Renminbi as an allowed currency for issuances of letters of credit and introduce two new lenders to the agreement. Letter of credit issuers under the revolving credit facility now include JP Morgan, Credit Suisse, Barclays, Citibank, and Deutsche Bank.

29.3. Bilateral credit agreements

On 29 January 2013, Dematic Group S.à r.l. and Dematic GmbH entered into an agreement with Euler Hermes on a guarantee facility of EUR 15,000,000 (US$17,084,000). In October 2014, DH Services Luxembourg joined the agreement as a contracting party. In August 2015, the facility was increased to a total of EUR 20,000,000 (US$22,779,000). Security for this portfolio is a cash pledge of EUR 7,500,000 (US$8,411,000) held by Euler in an escrow account with Commerzbank.

On 20 June 2013, Dematic GmbH, Dematic Holding S.à r.l., Dematic S.A.S., Dematic Limited, Dematic Services GmbH, and Dematic Logistic Systems, S.A. entered into a EUR 5,000,000 (US$5,695,000) guarantee facility with Zurich Insurance, plc. In November 2014, the facility was increased to EUR 10,000,000 (US$11,390,000). Additionally, a separate facility in the amount of EUR 15,680,000 (US$17,859,000) was established effective 19 September 2015 to provide guarantees in support of a major project. Security for this portfolio is a cash pledge of EUR 7,000,000 (US$7,973,000) on deposit with JP Morgan AG Frankfurt.

On 21 May 2013, Dematic S.à r.l., Dematic Corp., Dematic Ltd., Dematic GmbH, Dematic Services GmbH, Dematic Europe GmbH, and Dematic Accounting Services GmbH entered into a EUR 15,000,000 (US$17,084,000) guarantee facility with Commerzbank. This contract expired 31 July 2014. Guarantees issued under this agreement but unexpired at 31 July 2014 will remain active until the stated expiry. Security for this portfolio is a cash pledge of EUR 1,956,000 (US$2,228,000) on deposit with Commerzbank.

On 17 February 2012, Dematic Group S.à r.l. and Dematic S.A.S. entered into a EUR 15,000,000 (US$17,084,000) guarantee facility with Deutsche Bank. This contract expired 2 November 2015. Guarantees issued under this agreement but unexpired at 2 November 2015 will remain active until the stated expiry. Security for this portfolio is a cash pledge of EUR 2,500,000 (US$2,847,000) on deposit with Deutsche Bank.

The sum of aforementioned cash pledges totaled US$13,048,000 in Note 10.

Dematic Pty Ltd. entered into an AUD 9,750,000 (US$7,474,000) multioption facility with the Commonwealth Bank of Australia on 7 October 2011, secured by a mortgage on owned real estate property in Belrose, Australia. Up to AUD 9,250,000 (US$7,090,000) of the facility was available for the issuance of guarantees. In November 2015, the facility was increased to AUD 13,000,000 (US$9,965,000), of which AUD 12,500,000 (US$9,582,000) is available for the issuance of guarantees.

The following table details outstanding amounts of third-party guarantees by type of guarantee issued. Amounts are not discounted. The "Others" category includes instruments issued by several surety companies as arranged through the Company's insurance broker, Marsh.

	31 March 2016	30 September 2015	30 September 2014	30 September 2013
		US$ in thousands		
Advance payments	34,983	33,646	16,199	27,985
Performance	9,309	9,437	9,356	11,284
Warranty	5,088	4,682	6,550	5,601
Bid	71	–	291	–
Financial credit (Standby letter of credit)	30,552	1,872	4,266	4,435
Rental	729	527	1,072	1,133
Others (Surety bonds and others)	2,411	429	2,139	2,007
Total	**83,143**	**50,593**	**39,873**	**52,445**

The guarantees expire as follows:

	31 March 2016	30 September 2015	30 September 2014	30 September 2013
		US$ in thousands		
Expiry date until one year	80,794	44,695	31,039	45,423
Expiry date between one year and two years	1,692	5,293	8,508	4,695
Expiry date later than two years	657	605	326	2,327
Total	**83,143**	**50,593**	**39,873**	**52,445**

29.4. Legal matters

The Company and its subsidiaries have been named as defendants in a limited number of legal actions and proceedings arising in connection with their activities as a global diversified company. A small number of these legal actions have not yet been quantified either because the proceedings are at a very early stage or because the claimant has not been able to provide an amount for their claim. While the Company makes all efforts to successfully defend all claims made against it, the outcome of the proceedings cannot always be accurately predicted and some cases may result in adverse decisions for the Company.

Management takes a number of steps to safeguard the Company's financial interests in relation to legal proceedings. In particular, the Company has extensive insurance to cover for liabilities arising out of its business activities. Furthermore, it relies on outside legal advisers to defend its interests in legal proceedings.

Based on the safeguards in place and the information available as of this date, the Company's management takes the view that the current legal proceedings will not have a material adverse effect on the Company's financial position, results of operation, or liquidity.

Other legal risks may arise from tax claims mainly based on tax audits and ongoing discussions with tax authorities. In December 2015, the Company received a favorable final ruling on a Brazilian legal matter resulting in a US$2,800,000 reduction in general and administration expenses and a US$2,800,000 reduction in current provisions in the consolidated statement of financial position. The Company adjusted the fiscal year ended 30 September 2015 consolidated financial statements to reflect the favorable final ruling.

30. PERSONNEL COSTS

	Six-month period ended 31 March 2016	(unaudited) Six-month period ended 31 March 2015	1 October 2014– 30 September 2015	1 October 2013– 30 September 2014	28 December 2012– 30 September 2013
			US$ in thousands		
Wages and salaries, including stock compensation expenses	212,579	190,200	395,695	388,120	288,622
Statutory social welfare contributions and expenses for optional support payments	33,736	29,113	59,016	59,502	41,040
Expenses relating to pension plans and employee benefits	8,414	9,907	6,476	9,246	14,320
Total	**254,729**	**229,220**	**461,187**	**456,868**	**343,982**

Expenses related to contributions to defined-contribution plans were US$4,857,000, US$6,397,000, US$11,021,000, US$12,190,000, and US$9,950,000 for the six-month periods ended 31 March 2016 and 2015, the years ended 30 September 2015 and 2014, and the period from 28 December 2012 to 30 September 2013.

31. RELATED-PARTY TRANSACTIONS

31.1. Parent and ultimate controlling party – Main shareholders

Related parties are 2348614 Ontario Limited and AEA Investors Fund V L.P., AEA Investors Participant Fund V L.P., AEA Investors QP Participant Fund V L.P., AEA Investors Fund V–A L.P., AEA Investors Fund V–B L.P., and AEA Europe Fund II L.P., DH C-Holdings Limited (a wholly owned subsidiary of AEA Europe Fund II L.P.), RBC cees Nominees Limited, DH Services Employee Benefit Trust, and certain members of management of the Company hereinafter named minority shareholders. Entities within the consolidated Company as listed in section 1.3 of these notes together are referred to as "subsidiaries." Payables with these related parties were US$4,152,000, US$4,897,000, US$6,376,000, and US$7,841,000 for the six-month period ended 31 March 2016, and the fiscal years ended 30 September 2015, 2014, and 2013, respectively.

31.2. Transactions with key management personnel

Directors

The Company's Board of Directors includes the following individuals:

Chief Executive Officer: Ulf Henriksson

Non-employee directors:
Thomas Pryma
Vinay Kumar
Russell Hammond
John Garcia
Romeo Leemrijse
Richard Wagoner
Cletus von Pichler
Martin Hiscox
Krisztina Antal
Cedric Bradfer
Anne-Sophie Davereux

The remuneration paid to the Board of Directors comprises a fixed salary and benefits, pension entitlements and performance-related components. The variable performance-related components are paid each year on the basis of the Company's performance. The pension entitlements consist of retirement, disability and surviving dependants' benefits. Remuneration for the Company's directors include:

	Six-month period ended 31 March 2016	(unaudited) Six-month period ended 31 March 2015	1 October 2014– 30 September 2015	1 October 2013– 30 September 2014	28 December 2012– 30 September 2013
			US$ in thousands		
Short-term employee benefits	3,237	2,004	2,498	1,668	452
Post employment benefits	44	43	43	26	10
Other long-term benefits	–	–	–	–	–
Termination benefits	–	–	–	–	–
Equity compensation benefits	3,746	179	925	1,340	–

During the relevant periods, no emoluments were paid by the Company to any of the members of the Board as an inducement to join the Company, or as compensation for loss of their former office. None of the members of the Board waived any emoluments during the Relevant Periods.

Loans to directors

During fiscal year 2014, the Company gave a loan of US$250,000 to director that was to finance the purchase of equity in DH Services Luxembourg Holding S.à r.l.. The loan accrued interest at an annual rate of 0.36% and matured as of 15 September 2015. The loan was secured by the equity the borrower acquired in DH Services Luxembourg Holding S.à r.l..

Key management personnel compensation

Remuneration for key management personnel and certain highest paid employees include:

	Six-month period ended 31 March 2016	(unaudited) Six-month period ended 31 March 2015	1 October 2014– 30 September 2015	1 October 2013– 30 September 2014	28 December 2012– 30 September 2013
			US$ in thousands		
Short-term employee benefits	6,888	5,197	6,640	5,962	3,041
Post employment benefits	140	197	209	161	94
Other long-term benefits	952	514	593	347	543
Termination benefits	–	249	467	–	–
Equity compensation benefits	5,474	272	1,295	2,077	–

More details on share-based payments are set out in Note 25.

Key management bonus plan

In November 2015, the Company approved a cash bonus incentive plan for key management personnel in the case of a sale of the Company. Half of the bonus is earned on the date of a sale and the remaining is earned if such employees are employed with the Company for six months subsequent to the sale. The amount of the bonus is estimated at approximately US$20,000,000 and is contingent on the final closing of a sale of the Company.

31.3. Other related-party transactions

Transactions with subsidiaries

Between the Company's entities, various relationships exist that comprise the delivery of material and goods, rendering of services, recharging of expenses, and charging of interest. The execution of larger projects can involve several parties of the Company and, consequently, deliveries of goods between the entities occur. Such transactions are reflected in the valuation of projects in line with *IAS 11, Construction Contracts,* accordingly. Furthermore, some entities have the responsibility of global projects in various activity areas like research and development. In such cases, the costs recharged between entities are eliminated completely. Besides that kind of transaction, in some minor cases, costs will be recharged within the Company, which are eliminated for consolidation purposes. Finally, due to cash pooling, interests are charged within the subsidiaries of the Company. These impacts are consolidated accordingly. Payables and receivables arising from such transactions are usually paid by a monthly clearing process established within the Company. Not all entities are allowed to join this system due to local legal restrictions. In such instances, those entities pay via intercompany receivables or payables for cash settlements.

Transactions with employees

During fiscal year 2014, DH Services Luxembourg S.à r.l. gave loans to two members of management (excluding the loan given to key management personnel described above) totaling US$126,000 to be used to purchase equity in the Company. The first loan of US$112,000 was used to finance the purchase of equity in the Company. The loan accrued interest at an annual rate of 0.36% and matured as of 15 September 2015. The loan was secured by the equity the borrower acquired in the Company. The second loan to a member of management totaling US$14,000 accrued interest at an annual rate of 3.5%, matured on 23 February 2015, was unsecured, and was provided to finance the acquisition of shares in the Company.

Transactions with other related parties

On 28 December 2012, Mirror Bidco Corp, USA, entered into a monitoring agreement with AEA Investors LP, USA, relating to transaction advisory services and the provision of other advisory and consulting services. AEA Investors LP provided certain advisory and consulting services, including investment banking services, due diligence, valuation, financial advisory services, and the negotiation of the purchase agreement to Mirror Bidco Corp and to the Company. In consideration for transaction advisory services, AEA Investors LP, USA, received an annual fixed fee of US$1,520,000 paid in quarterly installments. On 28 December 2012, the Company entered into a monitoring agreement with 2348614 Ontario Limited relating to transaction advisory services and the provision of other advisory and consulting services. In consideration for these services, 2348614 Ontario Limited received an annual fixed fee of US$1,520,000 paid in quarterly instalments.

32. MANAGING DIRECTORS

The Company employed the following managing directors in fiscal years of 2016, 2015, 2014, and 2013:

- Roar Isaksen from 1 October 2012 until 24 January 2013
- Knut Michelberger from 1 December 2012 until 1 May 2013
- Glenn Fischer from 25 January 2012 until 7 April 2013
- Ulf Henriksson since 8 April 2013
- Rustom Jilla from 15 April 2013 until 16 September 2014
- Richard Paradise since 17 September 2014

33. ADDITIONAL INFORMATION RELATING TO THE FINANCIAL IMPACT ON THE ADOPTION OF SIGNIFICANT ACCOUNTING POLICIES OF WEICHAI

The Ministry of Finance of the People's Republic of China (the "**MoF**") formally announced the issuance of the Accounting Standards for Business Enterprises ("**ASBEs**") which consists of a new Basic Standard, revised in 2014, and 38 Specific ASBEs in February 2006 and subsequently issued eight new or revised specific accounting standards in 2014. The MoF also issued pronouncements to enhance the ASBEs for the convergence to IFRS. The ASBEs and the subsequent pronouncements cover nearly all of the topics under the current IFRS literature and Weichai has adopted ASBEs and the subsequently pronouncements according to their respective effective periods.

Although the ASBEs are substantially in line with IFRS, there are still some differences between the ASBEs and IFRS. The key differences relevant to Weichai and the Company are mainly on presentations, including the ASBEs restrict certain options available under IFRS, for example, expenses shall be analysed by function for income statement presentation purposes, the direct method is required for cash flow statements and only the gross presentation is allowed for government grants related to assets.

In the opinion of the directors of Weichai, there were no difference in the significant accounting policies of Weichai and the Company which will have significant impact on the net loss and net assets of the Company in the Relevant Periods. The consolidated statement of financial position of the Company as at 31 March 2016 prepared in accordance with Weichai's significant accounting policies is as follows:

Balance Sheet	**31 March 2016** *US$ in thousands*
Current Assets	
Cash and cash equivalents	226,030
Financial asset at fair value through profit or loss	4,885
Accounts receivable	113,451
Prepayments	4,088
Other receivables	11,670
Inventories	183,865
Other current assets	40,703
Total current assets	**584,692**
Non-current assets	
Available-for-sale financial assets	472
Fixed assets	111,972
Construction in progress	22,712
Intangible assets	501,730
Goodwill	692,538
Deferred tax assets	20,307
Other non-current assets	32,034
Total non-current assets	**1,381,765**
Total amount of Assets	**1,966,457**

Balance Sheet	**31 March 2016**
	US$ in thousands
Current liability	
Financial liabilities at fair value through profit or loss	9,828
Accounts payable	242,729
Advances from customers	355,785
Payroll payable	74,817
Taxes payable	22,995
Interests payable	113,725
Other payables	4,132
Non-current liabilities due within one year	8,756
Other current liabilities	24,791
Convertible preferred equity certificates	294,072
Total current liabilities	**1,151,630**
Non-current liability	
Long-term borrowings	546,752
Bonds payable	261,818
Long-term payables	1,339
Provision	6,540
Long-term payroll payable	131,545
Deferred tax liabilities	92,530
Deferred Income	2,571
Other non-current liabilities	144
Total non-current liabilities	**1,043,239**
Total liabilities	**2,194,869**
Shareholders' equity	
Share capital	32
Capital reserve	17,959
Accumulated deficits	(210,955)
Other comprehensive loss	(35,462)
Total equity attributable to shareholders	(228,426)
Minority interests	14
Total shareholders' equity	**(228,412)**
Total liabilities and shareholders' equity	**1,966,457**

C. SUBSEQUENT EVENTS

On 20 June 2016 (New York Time), the Company entered into the Sale and Purchase Agreement in which all of its outstanding share will be purchased by KION. KION is a corporation headquartered in Wiesbaden, Hesse, Germany and traded on the Frankfurt Stock Exchange. The estimated purchase price of the transaction is US$2.1 billion based on an enterprise value of US$3.25 billion net of debt repayments and other customary adjustments. The purchase is expected to be consummated before the end of the first quarter of fiscal year 2017 after all required regulatory approvals occur.

The agreement places limitations on the Company's ability to engage in certain types of transactions other than those in the ordinary course of business, within specified agreement dollar limits, and certain other limited exceptions. Applicable prohibited transactions require approval from KION during the period between the signing of the purchase agreement and the effective date of the purchase.

The purchase contains certain termination rights for the Company and KION. Among such rights, and subject to certain limitations, either the Company or KION may terminate the agreement if it has not closed by 15 February 2017. Other more substantive termination rights include the occurrence of prohibited transactions without KION consent and if there is a material adverse change in the Company's business as defined in the agreement.

Upon the effective close of the purchase, certain shareholder and employee benefits and other rights will vest and be payable immediately as follows:

- The Class A and B shares discussed in Note 25 will be purchased by KION at the fair value per share based on the final transaction price. Stock options discussed in Note 25 will vest immediately, shares will be issued to the option holders, and such shares will be purchased by KION at the fair value per share based on the final transaction price, less the option's exercise price.

- The transaction bonuses discussed in Note 31.2 would be earned and payable to the key management employees.

The terms of the purchase agreement did not impact the Company's consolidated financial statements as of and for the period ended 31 March 2016.

D. SUBSEQUENT FINANCIAL STATEMENTS AND DIVIDENDS

No audited financial statements of the Company have been prepared by the Company in respect of any period subsequent to 31 March 2016. No dividend or distribution has been declared or made by the Company in respect of any period subsequent to 31 March 2016.

Yours faithfully,
KPMG
Certified Public Accountants
Hong Kong

Set out below is the management discussion and analysis of DH Services Holding Group for the three financial years ended 30 September 2013, 2014 and 2015 and the six months ended 31 March 2016. The discussion and analysis relate to the consolidated results and financial position of DH Services Holding Group.

DH Services Holding was incorporated on 27 December 2011 as an investment holding company and it acquired the companies comprising the DH Services Holding Group on 28 December 2012. Accordingly, the financial results of DH Services Holding Group for the year ended 30 September 2013 referred to in this Appendix and in Appendix II represent the consolidated financial results of the DH Services Holding Group for the period commencing on 28 December 2012 and ending on 30 September 2013.

MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITIONS

Overview

DH Services Holding is a holding company. Together with its subsidiaries, the DH Services Holding Group operate mainly under the "Dematic" trade name. Insofar as the Company is aware, Dematic is a leading global supplier of advanced integrated automation technology, software and services to optimize supply chains and to meet the material handling automation needs of its customers. Dematic focuses on end markets that benefit from the change in global consumption patterns driven by e-commerce that require short delivery times, increased complexity in orders and cost efficiency. With more than 100 locations, Dematic is present in 21 countries and is a leading player in the United States, Europe and worldwide. The main production facilities of the DH Services Holding Group are in the United States, Germany, Australia, China and Mexico.

The product and systems portfolio of Dematic ranges from Automatic Guided Vehicles (AGVs), palletizers, storage and picking equipment including automated storage and retrieval systems, sorters and conveyors to a leading integrated software platform and automation technologies. Dematic has implemented more than 4,500 integrated systems for small, medium and large companies with business in a broad variety of industries around the globe including the fastest-growing e-commerce businesses. DH Services Holding Group expects to continue offering the existing products and services.

Financial review

Revenue

The primary source of the revenue of DH Services Holding Group is from contractual arrangements involving the development and modernization of integrated logistics equipment and systems. These contracts involve the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function. DH Services Holding Group also provides aftermarket services for installed solutions in the form of maintenance contracts. These services include on-site preventative maintenance and off-site monitoring and diagnostic services. As part of its aftermarket solutions, DH Services Holding

Group also sells spare parts for installed solutions. Set out below is a breakdown of DH Services Holding Group's revenue for the periods indicated:

	Year ended 30 September		
	2013	2014	2015
	US$'000	*US$'000*	*US$'000*
Construction contract revenue (project related)	840,417	1,148,890	1,265,525
Revenue from services rendered	280,119	416,041	413,906
	1,120,536	1,564,931	1,679,431

	Six months ended 31 March	
	2015	2016
	US$'000	*US$'000*
Construction contract revenue (project related)	470,031	644,837
Revenue from services rendered	202,228	226,358
	672,259	871,195

Revenue of DH Services Holding Group increased from approximately US$1,120.5 million (equivalent to approximately HK$8,717.8 million) for the financial year ended 30 September 2013 to approximately US$1,564.9 million (equivalent to approximately HK$12,175.2 million) for the financial year ended 30 September 2014 and to approximately US$1,679.4 million (equivalent to approximately HK$13,066.0 million) for the financial year ended 30 September 2015. For the six months ended 31 March 2016, DH Services Holding Group's revenue amounted to approximately US$871.2 million (equivalent to approximately HK$6,777.9 million), compared to the revenue of approximately US$672.3 million (equivalent to approximately HK$5,230.2 million) recorded for the corresponding period in 2015.

Construction contract revenue of DH Services Holding Group increased from US$840.4 million (equivalent to approximately HK$6,538.4 million) for the financial year ended 30 September 2013 to US$1,148.9 million (equivalent to approximately HK$8,938.4 million) for the financial year ended 30 September 2014 and to approximately US$1,265.5 million (equivalent to approximately HK$9,845.8 million) for the financial year ended 30 September 2015. For the six months ended 31 March 2016, construction contract revenue of DH Services Holding Group amounted to approximately US$644.8 million (equivalent to approximately HK$5,016.8 million) compared to approximately US$470.0 million (equivalent to approximately HK$3,656.8 million) recorded for the corresponding period in 2015.

The steady increase in construction contract revenue is a result of DH Services Holding Group's continued ability to secure new orders of construction contracts.

Revenue from services rendered amounted to approximately US$280.1 million (equivalent to approximately HK$2,179.3 million), US$416.0 million (equivalent to approximately HK$3,236.8 million) and US$413.9 million (equivalent to approximately HK$3,220.2 million) for the three financial years ended 30 September 2013, 2014 and 2015, respectively. For the six months ended 31 March 2016, revenue from services rendered amounted to approximately US$226.4 million (equivalent to approximately HK$1,761.1 million) compared to approximately US$202.2 million (equivalent to approximately HK$1,573.3 million) recorded for the corresponding period in 2015. The relatively stable revenue from services rendered was primarily a result of higher revenue generated in local currencies from the increased services demand driven by increased completed construction contracts in prior periods being offset by currency translation losses due to the weaker local currencies against the U.S. dollar.

Costs of goods sold and services rendered

Costs of goods sold and services rendered amounted to approximately US$883.2 million (equivalent to approximately HK$6,871.4 million), US$1,169.7 million (equivalent to approximately HK$9,100.3 million) and US$1,260.8 million (equivalent to approximately HK$9,808.9 million) for the three financial years ended 30 September 2013, 2014 and 2015, respectively. For the six months ended 31 March 2016, costs of goods sold and services rendered amounted to approximately US$694.4 million (equivalent to approximately HK$5,402.7 million), compared to approximately US$489.2 million (equivalent to approximately HK$3,806.0 million) recorded for the corresponding period in 2015. The increase in costs of goods sold and services rendered is primarily due to the increased orders of construction contracts and level of services rendered.

Gross profit

For the three financial years ended 30 September 2013, 2014 and 2015, gross profit of DH Services Holding Group amounted to approximately US$237.3 million (equivalent to approximately HK$1,846.3 million), US$395.2 million (equivalent to approximately HK$3,074.8 million) and US$418.6 million (equivalent to approximately HK$3,257.1 million), respectively. For the six months ended 31 March 2015 and 2016, gross profit of DH Services Holding Group amounted to US$183.1 million (equivalent to approximately HK$1,424.1 million) and US$176.8 million (equivalent to approximately HK$1,375.2 million), respectively.

The major components of the operating expenses of DH Services Holding Group are research and development expenses, marketing and selling expenses and general administration expenses.

Research and development expenses

For the three financial years ended 30 September 2013, 2014 and 2015, research and development expenses amounted to approximately US$28.8 million (equivalent to approximately HK$224.2 million), US$49.9 million (equivalent to approximately HK$388.0 million) and US$50.7 million (equivalent to approximately HK$394.4 million), respectively. For the six months ended 31 March 2016, research and development expenses of DH Services Holding Group amounted to US$27.4 million (equivalent to approximately HK$212.8 million) compared to approximately US$23.2 million (equivalent to approximately HK$180.3 million) for the corresponding period in 2015. The increase in research and development expenses in 2014 from 2013 is primarily due to higher amortization of capitalized research and development expenses in 2014 compared to 2013 where the acquisition of Dematic in December 2012 resulted in no capitalization of research and development costs in the beginning of 2013. The research and development expenses were relatively stable in 2015 when compared with 2014 because the increased spending for the development of technology centers have resulted in more research and development expenses being capitalized in 2015, when reaching the development stage, whereas the research and development expenses for 2014 were capitalized to a lesser extent.

Marketing and selling expenses

For the three financial years ended 30 September 2013, 2014 and 2015, marketing and selling expenses amounted to approximately US$92.3 million (equivalent to approximately HK$718.3 million), US$126.9 million (equivalent to approximately HK$987.6 million) and US$123.4 million (equivalent to approximately HK$959.9 million), respectively. For the six months ended 31 March 2016, marketing and selling expenses of DH Services Holding Group amounted to approximately US$63.5 million (equivalent to approximately HK$494.1 million) compared to approximately US$63.1 million (equivalent to approximately HK$491.1 million) for the corresponding period in 2015. The apparent increase in marketing and selling expenses in 2014 when compared with 2013 is primarily due to the fact that the results for 2013 were only for the period from 28 December 2012 to 30 September 2013 and not a full financial year. Otherwise, marketing and selling expenses are generally stable in each reporting period.

General administration expenses

For the three financial years ended 30 September 2013, 2014 and 2015, general administration expenses of DH Services Holding Group amounted to approximately US$125.1 million (equivalent to approximately HK$973.3 million), US$91.8 million (equivalent to approximately HK$714.5 million) and US$137.8 million (equivalent to approximately HK$1,071.9 million), respectively. For the six months ended 31 March 2016, general administration expense of DH Services Holding Group amounted to approximately US$78.4 million (equivalent to approximately HK$609.6 million) compared to approximately US$60.2 million (equivalent to approximately HK$468.6 million) for the corresponding period in 2015. The general administrative expenses for 2013 were higher than that for 2014 primarily because certain expenses relating to the acquisition of Dematic were incurred in 2013 but no similar expenses were incurred in 2014. The increase in general administration expenses incurred in 2015 as compared to 2014 is primarily due to the expenses relating to the setting up of the new Mexico factory and the acquisition of an apparel automation technologies supplier. The increase in general administration expenses incurred in the six months ended 31 March 2015 as compared to the six months ended 31 March 2016 is primarily due to increase in share-based compensation expenses as well as increase in expenses relating to the restructuring of DH Services Holding Group.

Net finance costs

For the three financial years ended 30 September 2013, 2014 and 2015, net finance costs of DH Services Holding Group amounted to approximately US$63.4 million (equivalent to approximately HK$493.5 million), US$82.3 million (equivalent to approximately HK$640.1 million) and US$119.8 million (equivalent to approximately HK$932.2 million), respectively. For the six months ended 31 March 2016, net finance costs incurred by DH Services Holding Group amounted to approximately US$51.2 million (equivalent to approximately HK$398.1 million), compared to approximately US$64.1 million (equivalent to approximately HK$498.7 million) incurred in the corresponding period in 2015. The apparent increase in net finance costs in 2014 when compared with 2013 is primarily due to the fact that the results for 2013 were only for the period from 28 December 2012 to 30 September 2013 and not a full financial year. The increase in net finance costs in 2015 as compared to 2014 is primarily due to foreign exchange losses, fair value change of certain mark-to-market derivates and increase in debt interest expenses. The higher net finance costs in the six months ended 31 March 2015 as compared to the six months ended 31 March 2016 is primarily due to a higher level of foreign exchange loss recognized in the six months ended 31 March 2015 as well as higher fair value change incurred in the same period for certain mark-to-market derivatives held.

Loss before income tax

As a result of the foregoing and a goodwill impairment loss on historical acquisitions amounting to approximately US$53.8 million (equivalent to approximately HK$418.9 million) incurred in 2014, loss before income tax of DH Services Holding Group amounted to approximately US$72.4 million (equivalent to approximately HK$563.0 million), US$9.3 million (equivalent to approximately HK$72.6 million) and US$13.0 million (equivalent to approximately HK$100.8 million) for the three financial years ended 30 September 2013, 2014 and 2015, respectively. For the six months ended 31 March 2016, loss before income tax of DH Services Holding Group amounted to approximately US$43.5 million (equivalent to approximately HK$338.7 million), compared to approximately US$27.5 million (equivalent to approximately HK$214.1 million) for the corresponding period in 2015.

Tax expense

For the three financial years ended 30 September 2013, 2014 and 2015, tax expense of DH Services Holding Group amounted to US$17.3 million (equivalent to approximately HK$134.9 million), US$34.3 million (equivalent to approximately HK$267.2 million) and US$26.5 million (equivalent to approximately HK$206.2 million), respectively. For the six months ended 31 March 2016, tax benefit of DH Services Holding Group amounted to approximately US$(5.4) million (equivalent to approximately HK$(42.2) million), compared to the tax expense of approximately US$9.5 million (equivalent to approximately HK$74.3 million) for the corresponding period in 2015. The year-on-year change in tax expenses was a result of decrease in current tax expenses in the United States because of the lower-pre-tax income, the one-time recognition of research and development tax credits for the year 2015 during the course of the year 2016, a decrease in deferred tax expense resulting from the deferred tax liability movement in the United Kingdom associated with acquired goodwill and increased deferred tax benefits recognized at the holding company level.

Loss for the period

For the three financial years ended 30 September 2013, 2014 and 2015, loss for the period of DH Services Holding Group amounted to approximately US$89.7 million (equivalent to approximately HK$698.0 million), US$43.7 million (equivalent to approximately HK$339.8 million) and US$39.5 million (equivalent to approximately HK$307.0 million), respectively. For the six months ended 31 March 2016, loss for the period of DH Services Holding Group amounted to approximately US$38.1 million (equivalent to approximately HK$296.5 million), compared to approximately US$37.1 million (equivalent to approximately HK$288.4 million) for the corresponding period in 2015.

As a result of the loss throughout the reporting period and hence the accumulated deficit, DH Services Holding Group has net liabilities of approximately US$52.0 million (equivalent to approximately HK$404.3 million), US$131.2 million (equivalent to approximately HK$1,021.0 million), US$186.2 million (equivalent to approximately HK$1,448.6 million) and US$228.4 million (equivalent to approximately HK$1,776.9 million) as of 31 December 2013, 2014, 2015 and 30 June 2016, respectively.

Liquidity, financial resources and capital structure

DH Services Holding Group primarily finances its operations with bonds, term loans with banks and Convertible Preferred Equity Certificates ("**CPECs**") issued to its shareholders. DH Services Holding Group's policy is to maintain a strong capital base and all funding and investment activities throughout the group are coordinated by the treasury department such that pragmatic, idle balances are coordinated and invested centrally.

Set out below is the breakdown of DH Services Holding Group's borrowings by type and maturity profile as of the balance sheet dates indicated:

	As at 31 March 2016				
US$'000	**Total**	**Bond**	**Term loan**	**CPECs**	**Others**
Current maturity of long-term debts	301,310	–	5,850	294,072	1,388
Accrued interest payable	113,725	6,047	68	107,610	–
Total current liabilities	**415,035**	**6,047**	**5,918**	**401,682**	**1,388**
Long-term debts	808,570	261,818	541,735	–	5,017
Total noncurrent liabilities	**808,570**	**261,818**	**541,735**	**–**	**5,017**
Total loans and borrowings	**1,223,605**	**267,865**	**547,653**	**401,682**	**6,405**

	As at 30 September 2015				
US$'000	**Total**	**Bond**	**Term loan**	**CPECs**	**Others**
Current maturity of long-term debts	301,284	–	5,850	294,071	1,363
Accrued interest payable	94,598	6,047	68	88,483	–
Total current liabilities	**395,882**	**6,047**	**5,918**	**382,554**	**1,363**
Long-term debts	808,676	261,514	541,445	–	5,717
Total noncurrent liabilities	**808,676**	**261,514**	**541,445**	**–**	**5,717**
Total loans and borrowings	**1,204,558**	**267,561**	**547,363**	**382,554**	**7,080**

	As at 30 September 2014				
US$'000	**Total**	**Bond**	**Term loan**	**CPECs**	**Others**
Current maturity of long-term debts	301,446	–	5,850	293,979	1,617
Accrued interest payable	59,889	6,047	69	53,773	–
Total current liabilities	**361,335**	**6,047**	**5,919**	**347,752**	**1,617**
Long-term debts	801,531	260,661	540,870	–	–
Total noncurrent liabilities	**801,531**	**260,661**	**540,870**	**–**	**–**
Total loans and borrowings	**1,162,866**	**266,708**	**546,789**	**347,752**	**1,617**

	As at 30 September 2013				
US$'000	**Total**	**Bond**	**Term loan**	**CPECs**	**Others**
Current maturity of long-term debts	300,385	–	5,400	293,565	1,420
Accrued interest payable	28,442	6,047	78	22,317	–
Total current liabilities	**328,827**	**6,047**	**5,478**	**315,882**	**1,420**
Long-term debts	756,914	259,865	492,889	–	4,160
Total noncurrent liabilities	**756,914**	**259,865**	**492,889**	**–**	**4,160**
Total loans and borrowings	**1,085,741**	**265,912**	**498,367**	**315,882**	**5,580**

Loan liabilities to third parties include US$265 million senior notes due in December 2020. Interest is due semi-annually, in arrears, and accrues at a rate of 7.75% per annum. On or after 15 December 2015, DH Services Holding Group may redeem some or all of the notes at a redemption price equal to 105.81% of the principal amount declining annually to 100% of the principal amount on 15 December 2018. If DH Services Holding Group has a change of control or sells certain assets, it may be required to make an offer to purchase the notes. The notes are senior unsecured obligations of the issuer and are guaranteed on a senior unsecured basis by certain of the issuer's existing subsidiaries.

In December 2012, a subsidiary of DH Services Holding Group entered into a secured credit facility with a group of banks that included a term loan in an initial amount of US$540 million, due 29 December 2019. On 27 January 2014 the term loan was amended to increase the amount borrowed to US$585 million. The term loan is repayable in equal quarterly installments in an aggregate amount equal to 1% of the principal amount borrowed with the balance payable at maturity. The term loan bears interest at a rate of LIBOR plus 3.25% subject to LIBOR floor of 1.00%.

Also in December 2012, in connection with the term loan a multicurrency senior secured revolving credit facility in an initial amount of US$75 million was made available to the same subsidiary. On 18 March 2016 the revolving credit facility was increased to US$167.5 million. The revolving credit facility matures on 28 December 2017. The revolving credit facility is covered by the same security arrangements as the term loan and ranks pari-passu to the term loan. The facility is used for making revolving loans and the issuance of letters of credit (including guarantees). Of the US$167.5 million, US$127.5 million is available to issue letters of credit (including guarantees). As of 31 March 2016 there were no open loans under the revolving credit agreement.

DH Services Holding Group issued yield bearing CPECs to its shareholders in 2012, with a redemption term if any CPEC's remain outstanding in 2061. The CPECs have an annual yield of 10%. DH Services Holding Group is contractually obliged to return 100% of the CPEC principal investment and cumulative accrued unpaid interest.

The borrowings and the cash and cash equivalents of DH Services Holding Group are denominated primarily in U.S. dollars.

Material acquisitions and disposals

On 20 December 2013, DH Services Holding Group acquired 100% of the common stock of Upturn Solutions, Inc., a leading provider of computerized maintenance management systems designed for distribution, manufacturing, and warehouse environment, for approximately US$3.8 million (equivalent to approximately HK$30.0 million) in cash.

On 17 January 2015, DH Services Holding Group acquired, for cash, the capital stock of FSU Investments Limited, the holding company of SDI Europe, a supplier of apparel automation technologies. The total consideration was approximately US$34.7 million (equivalent to approximately HK$270.0 million), inclusive of contingent consideration of approximately US$2.6 million (equivalent to approximately HK$20.6 million). The acquisition expanded the global order fulfillment offerings in the apparel, retail and e-commerce markets of DH Services Holding Group.

On 19 July 2015, DH Services Holding Group acquired 100% of the shares in DMTC Technology Services, S. de. R.L. de C.V. ("**DMTC**"), a maquiladora services manufacturing company for US$1.00 (equivalent to approximately HK$7.78) in cash. Pursuant to an arrangement between DH Services Holding Group and the previous owner of DMTC, DH Services Holding Group was entitled to acquire DMTC which the previous owner operated on behalf of DH Services Holding Group at nominal consideration. DMTC was acquired for its technical manufacturing capabilities to support DH Services' expansion of supply chain operations in Mexico.

On 11 December 2015, DH Services acquired Reddwerks Corporation, a leading provider of Warehouse Execution Software that provides customers with real-time decision engines to optimize material and information flow in the supply chain. The total consideration for the investment was approximately US$48.7 million (equivalent to approximately HK$379.0 million), inclusive of contingent consideration of US$4.1 million (equivalent to approximately HK$31.9 million) and it was paid in cash.

During the six months ended 31 March 2016, DH Services Holding Group acquired NDC Automation Pty, which is a provider of Automated Guided Vehicles ("**AGVs**") and software based in Australia. The acquisition adds to DH Services Holding Group's ability to design, deliver and deploy global AGV solutions that move, store and/or retrieve goods. The total consideration for the investment was approximately US$10.8 million (equivalent to approximately HK$84.3 million) in cash and US$3.8 million (equivalent to approximately HK$29.8 million) of contingent consideration.

Significant investments

DH Services Holding Group did not have any significant investments held during the three financial years ended 30 September 2013, 2014 and 2015 and the six months ended 31 March 2016. DH Services Holding Group currently does not have plans for material investments or capital assets.

Gearing ratio

DH Services Holding Group has net liabilities as of 30 September 2013, 2014 and 2015 and 31 March 2016 and hence its gearing ratio was calculated as total liabilities (excluding the CPECs) divided by total assets and was 85.3%, 88.0%, 89.7% and 91.2% as of 30 September 2013, 2014 and 2015 and 31 March 2016, respectively.

Foreign currency exposure

DH Services Holding Group reports its financial information in US dollar. It conducts business with international counterparties, which frequently leads to cash flows denominated in a currency other than their respective functional currencies. As a result, DH Services Holding Group is exposed to fluctuations in the value of currencies, which leads to transaction risk. To mitigate the transaction risk, most transactions in the functional currency of the respective entity are closed. Operating units do not borrow or invest in foreign currencies. Financing within DH Services Holding Group or investments are typically concluded in the functional currency of the operating unit.

When currency risk cannot be mitigated by closing transactions in the functional currency of the relevant entity, DH Services Holding Group's strategy is to enter into various foreign currency hedging instruments. DH Services Holding Group's foreign currency risk management mainly hedges specific foreign currency positions on a project-level basis as requested by members of the group. In general, DH Services Holding Group partners with two large, multinational financial institutions when the use of a derivative instrument is appropriate. All of the derivatives maintained by DH Services Holding Group are to protect against fluctuations in currency rates and are not for speculative purposes.

Contingent liabilities

In the ordinary course of business, DH Services Holding Group provides some customers with third-party and parent company guarantees. These guarantees are used to protect customers' down payments, provide compensation if DH Services Holding Group fails to fulfill its performance obligation, or cover warranty obligations. As of 30 September 2013, 2014 and 2015 and 31 March 2016, the portfolio of third-party guarantees was US$52.4 million (equivalent to approximately HK$408.0 million), US$39.9 million (equivalent to approximately HK$310.2 million), US$50.6 million (equivalent to approximately HK$393.6 million) and US$83.1 million (equivalent to approximately HK$646.9 million), respectively.

DH Services Holding Group has been involved in a limited number of legal actions and proceedings arising in connection with their business activities, which impact has not yet been quantified. Although DH Services Holding Group makes all efforts to successfully defend all claims made against it, some cases may result in adverse decisions for DH Services Holding Group. To safeguard its financial interests, the management of DH Services Holding Group takes a number of steps, such as applying for extensive insurance to cover for liabilities arising out of business activities and seeking outside legal advisors to defend its interest in legal proceedings. Other legal risks may also arise from tax claims mainly based on tax audits and ongoing discussions with tax authorities.

In November 2015, DH Services Holding Group approved a cash bonus incentive plan for key management personnel in the case of a sale of DH Services Holding Group. While the amount of the bonus is determined based on the purchase price of DH Services Holding Group, the final bonus amount was not fixed as at 31 March 2016.

Pledge of assets

As of 30 September 2013, 2014 and 2015 and 31 March 2016, the restricted cash of DH Services Holding Group, which amounted to US$6.6 million (equivalent to approximately HK$51.7 million), US$8.7 million (equivalent to approximately HK$68.0 million), US$13.6 million (equivalent to approximately HK$105.5 million) and US$13.0 million (equivalent to approximately HK$101.5 million), respectively, was pledged to secure principally letters of credit outstanding under various financing agreements. Apart from the pledge of the restricted cash, there were no other charges to the assets of DH Services Holding Group as of 31 March 2016.

Employees, personnel costs and remuneration policies

As of 30 September 2013, 2014, 2015 and 31 March 2016, DH Services Holding Group had 4,680, 4,927, 6,082 and 6,188 employees, respectively. For the three financial years ended 30 September 2013, 2014 and 2015, and for the six-month period ended 31 March 2016, personnel costs of DH Services Holding Group amounted to approximately US$344.0 million (equivalent to approximately HK$2,676.2 million), US$456.9 million (equivalent to approximately HK$3,554.4 million), US$461.2 million (equivalent to approximately HK$3,588 million) and US$254.7 million (equivalent to approximately HK$1,981.8 million), respectively. The increase in personnel costs was primarily due to increase in the number of employees and the general salary level of the employees.

Expenses related to contributions to defined-contribution plans were approximately US$10.0 million (equivalent to approximately HK$77.4 million), US$12.2 million (equivalent to approximately HK$94.8 million) and US$11.0 million (equivalent to approximately HK$85.7 million) for the three financial years ended 30 September 2013, 2014 and 2015, respectively. For the six months ended 31 March 2016, expenses related to contributions to defined-contribution plans was approximately US$4.9 million (equivalent to approximately HK$37.8 million).

DH Services Holding established an employee share purchase program whereby certain employees are able to purchase restricted class B ordinary shares of DH Services Holding from the DH Services Benefit Trust and certain employees are also able to purchase class A ordinary shares of DH Services Holding and CPECs, which are issued and administered directly by DH Services Holding. DH Services Holding has provided a limited number of recourse loans to facilitate employees' share purchases under the employee share purchase program. DH Services Holding also established a stock option plan providing a limited number of executives with options to purchase shares in DH Services Holding.

The remuneration packages of the employees of DH Services Holding Group are structured with reference to market terms and individual merits. Remuneration packages are reviewed periodically to ensure that remuneration policy is in line with local market practice and the remuneration packages reflect individual performance appraisal. DH Services Holding Group provides training and development programmes to certain of its employees.

I. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

Unaudited Pro Forma Statement of the Assets and Liabilities of the Enlarged Group

Introduction

The accompanying unaudited pro forma statement of the assets and liabilities (the "**Unaudited pro forma statement of the assets and liabilities**") of Weichai Power Co., Ltd. (the "**Company**") and its subsidiaries (hereafter collectively referred to as the "**Group**"), DH Services Holding (together with certain of its subsidiaries, "**Dematic**"), comprising the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2016, has been prepared by the Directors in accordance with rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the proposed acquisitions of all the issued shares of DH Services Holding and certain issued shares of certain subsidiaries of DH Services Holding (the "**Acquisition**") to the Group. The preparation of the unaudited pro forma statement of the assets and liabilities of the Enlarged Group is based on (i) the unaudited consolidated statement of the assets and liabilities of the Group as at 30 June 2016 which have been extracted from the published interim review report of the Group for the period ended 30 June 2016 dated 30 August 2016; and (ii) the audited consolidated statement of the assets and liabilities of Dematic as at 31 March 2016, which has been extracted from the accountants' reports as set out in Appendix II to this Circular, and adjusted in accordance with the pro forma adjustments described in the notes thereto, as if the Acquisition had been completed on 30 June 2016.

A narrative description of the pro forma adjustments of the Acquisition that are directly attributable to the transactions and factually supportable, is summarised in the accompanying notes.

The Unaudited pro forma statement of the assets and liabilities of the Enlarged Group has been prepared based on a number of assumptions, estimates, uncertainties, currently available information and are prepared for illustrative purpose only. Because of its hypothetical nature, it may not purport to describe the financial positions of the Enlarged Group had the Acquisition been completed as at the respective dates to which it is made up to or at any future dates. Furthermore, the Unaudited pro forma statement of the assets and liabilities of the Enlarged Group does not purport to predict the Enlarged Group's future financial positions. The Unaudited pro forma statement of the assets and liabilities of the Enlarged Group should be read in the conjunction with the financial information of the Group as set out in Appendix I, the published interim review report of the Group for the period ended 30 June 2016, the financial information of the Dematic as set out in Appendix II to this Circular, the Company's announcements dated 21 June 2016 and other financial information included elsewhere in this Circular. The Unaudited pro forma statement of the assets and liabilities of the Enlarged Group does not take into account any trading or other transactions subsequent to the dates of the respective financial statements of the companies comprising the Enlarged Group.

As at 30 June 2016

	As at 30 June 2016 The Group	As at 31 March 2016 Dematic		Pro forma adjustments	Pro forma Enlarged Group
	RMB	*USD*	*RMB (Thousand)*	*RMB*	*RMB*
CURRENT ASSETS					
Cash and cash equivalents	25,554,740	226,030	1,460,425	(13,568,520)(ii) (62,688)(iii) 1,354,973 (iv) 12,100,163 (v)	26,839,093
Financial asset at fair value through profit or loss	103,611	4,885	31,563	–	135,174
Notes receivable	12,884,313	–	–	–	12,884,313
Accounts receivable	10,549,284	113,451	733,030	–	11,282,314
Prepayments	432,497	4,088	26,413	–	458,910
Other receivables	936,076	11,670	75,402	–	1,011,478
Interest receivables	93,601	–	–	–	93,601
Dividend receivable	13,948	–	–	–	13,948
Inventories	13,138,887	183,865	1,187,989	–	14,326,876
Non-current assets due within one year	1,385,239	–	–	–	1,385,239
Other current assets	1,567,304	40,703	262,990	–	1,830,294
Total current assets	66,659,500	584,692	3,777,812	(176,072)	70,261,240
NON-CURRENT ASSETS					
Available-for-sale financial assets	482,354	472	3,050	–	485,404
Long-term receivables	3,594,177	–	–	–	3,594,177
Long-term equity investments	1,486,165	–	–	–	1,486,165
Investment property	589,418	–	–	–	589,418
Fixed assets	24,430,436	111,972	723,472	–	25,153,908
Construction in progress	1,960,960	22,712	146,747	–	2,107,707
Disposal of fixed assets	1,697	–	–	–	1,697
Intangible assets	13,303,267	501,730	3,241,778	–	16,545,045
Development expenditure	495,181	–	–	–	495,181
Goodwill	8,284,725	692,538	4,474,627	(4,474,627)(ii) 19,519,053 (ii)	27,803,778
Long-term prepaid expenses	323,006	–	–	–	323,006
Deferred tax assets	3,586,200	20,307	131,208	–	3,717,408
Other non-current assets	131,746	32,034	206,978	–	338,724
Total non-current assets	58,669,332	1,381,765	8,927,860	15,044,426	82,641,618
Total assets	125,328,832	1,966,457	12,705,672	14,868,354	152,902,858

As at 30 June 2016

	As at 30 June 2016 The Group	As at 31 March 2016 Dematic		Pro forma adjustments	Pro forma Enlarged Group
	RMB	*USD*	*RMB (Thousand)*	*RMB*	*RMB*
CURRENT LIABILITIES					
Short-term loans	6,142,495	–	–	–	6,142,495
Financial liabilities at fair value through profit or loss	236,466	9,828	63,501	–	299,967
Notes payable	5,315,687	–	–	–	5,315,687
Accounts payable	17,963,845	242,729	1,568,320	–	19,532,165
Advances from customers	1,373,018	355,785	2,298,798	–	3,671,816
Payroll payable	3,099,910	74,817	483,408	–	3,583,318
Taxes payable	1,407,339	22,995	148,575	–	1,555,914
Interests payable	147,686	113,725	734,800	–	882,486
Dividends payable	402,051	–	–	–	402,051
Other payables	4,474,510	4,132	26,698	–	4,501,208
Non-current liabilities due within one year	4,570,360	8,756	56,574	–	4,626,934
Other current liabilities	2,176,663	24,791	160,180	–	2,336,843
Convertible preferred equity certificates and accrued yield	–	294,072	1,900,058	–	1,900,058
Total current liabilities	47,310,030	1,151,630	7,440,912	–	54,750,942
NON-CURRENT LIABILITIES					
Long-term borrowings	11,494,313	546,752	3,532,674	12,100,163 (v)	27,127,150
Bonds payable	2,632,372	261,818	1,691,658	–	4,324,030
Long-term payables	7,183,152	1,339	8,652	–	7,191,804
Long-term payroll payable	8,602,514	131,545	849,939	–	9,452,453
Special payables	43,000	–	–	–	43,000
Accruals and provisions	266,916	6,540	42,256	–	309,172
Deferred tax liabilities	3,832,490	92,530	597,855	–	4,430,345
Deferred Income	2,468,960	2,571	16,612	–	2,485,572
Other non-current liabilities	40,011	144	930	–	40,941
Total non-current liabilities	36,563,728	1,043,239	6,740,576	12,100,163	55,404,467
Total liabilities	83,873,758	2,194,869	14,181,488	12,100,163	110,155,409

As at 30 June 2016

	As at 30 June 2016 The Group	As at 31 March 2016 Dematic		Pro forma adjustments		Pro forma Enlarged Group
	RMB	*USD*	*RMB*	*RMB*		*RMB*
			(Thousand)			
EQUITY						
Equity attributable to owners of the Company						
Share capital	3,998,619	32	207	(207)	(ii)	3,998,619
Capital reserve	46,378	17,959	116,037	(116,037)	(ii)	46,378
Special reserve	91,804	–	–	–		91,804
Surplus reserve	1,207,989	–	–	–		1,207,989
Retained earnings	27,570,288	(210,955)	(1,363,023)	1,363,023	(ii)	27,507,600
				(62,688)	(iii)	
Other comprehensive income	(960,055)	(35,462)	(229,127)	229,127	(ii)	(960,056)
	31,955,023	(228,426)	(1,475,906)	1,413,217		31,892,334
Non-controlling interests	9,500,051	14	90	1,354,973	(iv)	10,855,115
Total equity	41,455,074	(228,412)	(1,475,816)	2,768,191		42,747,449
Total liabilities and shareholders' equity	125,328,832	1,966,457	12,705,672	14,868,354		152,902,858

Notes:

(i) The audited consolidated statement of assets and liabilities of the Dematic and other items denominated in USD are translated into RMB at the approximate exchange rate of USD1 to RMB6.4612, items denominated in EUR are translated into RMB at the approximate exchange rate of EUR1 to RMB7.3750, for illustration purpose only and such translation does not constitute a representation that any amount has been, could have been, or may otherwise be exchanged or converted at the above rate.

(ii) Under Accounting Standards for Business Enterprises No. 20 Business Combinations issued by the Ministry of Finance of the People's Republic of China (the "**MoF**"), the Group applies the purchase method to account for the acquisition of Dematic in the consolidated financial statements of the Group. The goodwill arising from the Acquisition is calculated as follows:

	Notes	*RMB'000*
Consideration for the Acquisition	*(a)*	13,568,520
Less: Fair value of the net assets acquired	*(b)*	(5,950,533)
Goodwill arising from the Acquisition (the "**Goodwill**")	*(c)*	19,519,053

Notes:

(a) In accordance with the Sale and Purchase Agreement (as defined in this Circular), the consideration for the Acquisition is USD2.1 billion equivalent to RMB13.6 billion. For the purpose of the preparation of the Unaudited pro forma statement of the assets and liabilities of the Enlarged Group, the director assumed that total consideration will be provided by both capital injection and debt. Apart from the capital injection (note iv), the consideration will be funded initially with a bridge loan facility of EUR3.0 billion which has been firmly committed by a group of KION Group's core relationship banks.

(b) For the purpose of this Unaudited pro forma statement of the assets and liabilities of the Enlarged Group, the fair value of the net assets acquired is derived from the equity attributable to owners of the Company of DH Services Holding Group of negative US$228,426,000 (equivalent to approximately negative RMB1,475,906,000) as at 31 March 2016, excluding the goodwill recorded by DH Services Holding Group as at 31 March 2016 in the amount of US$692,538,000 (equivalent to approximately RMB4,474,627,000).

Since this Unaudited pro forma statement of the assets and liabilities of the Enlarged Group is prepared solely for illustrative purposes, the Directors had assumed that the carrying values of the identifiable assets and liabilities of the Dematic approximated to their fair values at 30 June 2016. The possible changes to fair values of the assets and liabilities of the Dematic being acquired were not reflected in the Unaudited pro forma statement of the assets and liabilities of the Enlarged Group.

For the purpose of this Unaudited pro forma statement of the assets and liabilities of the Enlarged Group, in the opinion of the Directors, Dematic's fair values of the assets and liabilities being acquired is subject to changes upon the completion of the Acquisition because the fair value of the assets and liabilities being acquired shall be assessed on the completion date. Accordingly, the Goodwill at the completion date of the acquisition may be materially different from that in the calculation above.

(c) According to the Group's accounting policy, after initial recognition, the Goodwill will be measured at cost less any accumulated impairment losses. The Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, the Goodwill is, from the acquisition date, allocated to one of the Group's cash generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Further, according to the Group's accounting policy, impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units) to which the Goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss will be recognised. An impairment loss recognised for the Goodwill will not be reversed in a subsequent period. In the opinion of the Directors, the risk of an impairment of Goodwill is low. Accordingly, no impairment loss on the goodwill is reflected in the Unaudited pro forma statement of the assets and liabilities of the Enlarged Group.

(iii) For the purpose of the preparation of the Unaudited pro forma statement of the assets and liabilities of the Enlarged Group, transaction cost up to the closing of the transaction are expected to amount to approx. EUR19.7 million equivalent to RMB145.3 million, while EUR11.2 million equivalent to RMB82.6 million are already included in the financial statement of the Group as at 30 June 2016, so an adjustment of transaction cost of EUR8.5 million equivalent to RMB62.7 million is made.

(iv) In order to fund the transaction, in July 2016, The KION GROUP successfully completed issue of new shares which leads to capital injection. The gross proceeds from the capital increase amount to approximately EUR459.3 million equivalent to RMB3.4billion, of which around RMB2.03 billion is injected by the Company and has been eliminated in the consolidated financial statement, therefore, it is not reflected in the pro forma adjustment, around RMB1.35 billion is injected by the other Non-controlling shareholder.

(v) Except for the capital injection in note iv, the transaction will also be funded with a bridge loan facility of EUR3.0 billion which has been firmly committed by a group of KION Group's core relationship banks. Increment of debt is estimated to be EUR1.64 billion, which is around RMB12.1 billion.

II. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from Ernst & Young Hua Ming LLP, for inclusion in this circular, in respect of the unaudited pro forma financial information of the Enlarged Group.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA STATEMENT OF ASSETS AND LIABILITIES

To the Directors of Weichai Power Co., Ltd.

We have completed our assurance engagement to report on the compilation of Pro Forma Statement of Assets and Liabilities of Weichai Power Co., Ltd. (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") as enlarged by DH Services Holding (together with certain of its subsidiaries collectively referred to as "Dematic" upon completion of the acquisition (the "**Enlarged Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The Pro Forma Statement of Assets and Liabilities consists of the pro forma Combined Statement of Assets and Liabilities of the Enlarged Group as at 30 June 2016, (the "**Pro Forma Statement of Assets and Liabilities**"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Statement of Assets and Liabilities are described in Appendix IV to the Circular.

The Pro Forma Statement of Assets and Liabilities has been compiled by the Directors to illustrate the impact of the Company's proposed acquisition of Dematic on the Group's financial position as at 30 June 2016 as if the transaction had taken place at 30 June 2016. As part of this process, information about the Dematic's financial position have been extracted by the Directors from Dematic's financial statements for the period ended 31 March 2016, on which an audit report has been published; Meanwhile, information about the Group's financial position have been extracted by the Directors from the Group's financial statements for the period ended 30 June 2016, on which review report has been published on 30 August 2016.

Directors' responsibility for the Pro Forma Statement of Assets and Liabilities

The Directors are responsible for compiling the Pro Forma Statement of Assets and Liabilities in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 "Preparation of Pro Forma Statement of Assets and Liabilities for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Statement of Assets and Liabilities and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Statement of Assets and Liabilities beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Statement of Assets and Liabilities Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Statement of Assets and Liabilities, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Statement of Assets and Liabilities, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Statement of Assets and Liabilities.

The purpose of Pro Forma Statement of Assets and Liabilities included in the Circular is solely to illustrate the impact of the acquisition on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Statement of Assets and Liabilities has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The Pro Forma Statement of Assets and Liabilities reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Statement of Assets and Liabilities has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Statement of Assets and Liabilities has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Statement of Assets and Liabilities as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young Hua Ming LLP
Certified Public Accountants
Beijing, China

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors, chief executive and supervisors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") (as if it were applicable also to the supervisors of the Company) were as follows:

Interests in the Shares of the Company

Name of director	Capacity	Number of "A" Shares held	Number of "H" Shares held	Percentage of the issued share capital of the Company
Tan Xuguang	Beneficial owner	29,421,298 *(Note 1)*	–	0.74%
Zhang Quan	Beneficial owner	6,842,162 *(Note 1)*	–	0.17%
Xu Xinyu	Beneficial owner	6,842,162 *(Note 1)*	–	0.17%
Sun Shaojun	Beneficial owner	6,842,162 *(Note 1)*	–	0.17%

Name of supervisor	Capacity	Number of "A" Shares held	Number of "H" Shares held	Percentage of the issued share capital of the Company
Lu Wenwu	Beneficial owner	300,000	–	0.008%

Notes:

1. These shares were derived from the previous domestic shares of the Company. The domestic shares were ordinary shares issued by the Company, with a Renminbi denominated par value of RMB1.00 each, which were subscribed for and paid up in Renminbi or credited as fully paid up. These shares became A Shares upon the A Share listing of the Company on the Shenzhen Stock Exchange.

2. All the shareholding interests listed in the above table are "long" position.

Interests in the shares of associated corporation of the Company

Name of director	Name of associated corporation	Nature of interest	Class and number of securities interested or deemed to be interested	Approximate percentage interest in the entire issued share capital of associated corporation
Gordon Riske *(Note)*	KION	Beneficial owner	227,350 ordinary shares	0.21%
		Interest held by spouse	3,000 ordinary shares	0.003%

Note: Gordon Riske, a non-executive Director, was the beneficial owner of 227,350 shares in KION and he was also deemed to be interested in 3,000 shares in KION which were beneficially held by his wife, Ms. Benita Riske.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, the chief executive nor the supervisors of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

The register of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO (including interests filed with the Hong Kong Stock Exchange) shows that as at the Latest Practicable Date, the following persons (other than the Directors, the chief executive and the supervisors of the Company) had the following interests and short positions (if any) in the shares and underlying shares of the Company:

Name	Capacity	Long/ Short position	Number of A Shares	Percentage of share capital comprising only A Shares	Number of H Shares	Percentage of share capital comprising only H Shares	Percentage of total issued share capital
Weichai Group Holdings Limited	Beneficial owner	Long	672,952,800	22.23%	–	–	16.83%
Shandong Heavy Industry Group Co., Ltd. *(Note 1)*	Held by controlled corporation	Long	672,952,800	22.23%	–	–	16.83%
Brandes Investment Partners, LP *(Note 2)*	Investment manager	Long	–	–	78,578,612	16.18%	3.93%
Lazard Asset Management LLC	Investment manager	Long	–	–	233,959,955	24.08%	5.85%
JPMorgan Chase & Co.	Beneficial owner	Long	–	–	3,921,461	0.40%	0.10%
	Custodian Corporation/ approved lending agent	Long	–	–	60,305,192	6.21%	1.51%
	Trustee (other than a bare trustee)	Long	–	–	19,064	0.00%	0.00%
	Investment manager	Long	–	–	3,809,328	0.39%	0.09%
					68,055,045	7.00%	1.70%
	Beneficial owner	Short	–	–	117,000	0.01%	0.00%
Lazard Emerging Markets Equity Portfolio *(Note 3)*	Investment manager	Long	–	–	23,707,500	5.86%	1.42%
Morgan Stanley	Interest of corporation controlled by the substantial shareholder	Long	–	–	48,878,346	5.03%	1.22%
	Interest of corporation controlled by the substantial shareholder	Short	–	–	43,878,791	4.51%	1.10%

Name	Capacity	Long/ Short position	Number of A Shares	Percentage of share capital comprising only A Shares	Number of H Shares	Percentage of share capital comprising only H Shares	Percentage of total issued share capital
Citigroup Inc.	Interest of corporation controlled by the substantial shareholder	Long	–	–	2,261,932	0.23%	0.06%
	Custodian corporation/ approved lending agent	Long	–	–	57,202,803	5.89%	1.43%
	Person having a security interest in shares	Long	–	–	304,706	0.03%	0.01%
					59,769,441	6.15%	1.50%
	Interest of corporation controlled by the substantial shareholder	Short	–	–	2,556,732	0.26%	0.06%
Barclays PLC *(Note 2)*	Person having a security interest in shares	Long	–	–	525,552	0.11%	0.03%
	Interest of corporation controlled by the substantial shareholder	Long	–	–	25,453,050	5.24%	1.27%
					25,978,602	5.35%	1.30%
	Interest of corporation controlled by the substantial shareholder	Short	–	–	24,102,475	4.96%	1.21%
BlackRock, Inc.	Interest of corporation controlled by the substantial shareholder	Long	–	–	59,345,625	6.11%	1.48%
Schroder Plc.	Investment manager	Long	–	–	49,964,000	5.14%	1.25%

Notes:

1. Shandong Heavy Industry Group Co., Ltd., being a subsidiary of the State-owned Assets Supervision and Administration Commission of Shandong Province, held the entire share capital of Weichai Group Holding Limited (formerly known as Weifang Diesel Engine Works).

2. The number of H Shares (and the relevant shareholding percentages) reported above by the relevant substantial shareholder does not take into consideration the Company's bonus share issuance on 20 August 2015 as there is no disclosure of interest obligation under the SFO where there is no change in percentage of shareholdings for a substantial shareholder.

3. The number of H Shares (and the relevant shareholding percentages) reported above by the relevant substantial shareholder does not take into consideration the Company's bonus share issuance on 17 August 2012 and 20 August 2015 as there is no disclosure of interest obligation under the SFO where there is no change in percentage of shareholdings for a substantial shareholder.

Save as disclosed above, the Company had not been notified of any other relevant interests or short positions in the issued share capital of the Company as at the Latest Practicable Date.

As at the Latest Practicable Date, so far as known to the Directors, the following Directors held offices in the substantial Shareholders set out above:

Name of Director	**Positions held in Weichai Group Holdings Limited**	**Position held in Shandong Heavy Industry Group Co., Ltd.**
Tan Xuguang	Chairman	Chairman
Jiang Kui	–	General manger
Xu Xinyu	Director	–
Sun Shaojun	Director	–
Zhang Quan	Director	–

3. ARRANGEMENTS AND MATTERS CONCERNING DIRECTORS

(a) None of the Directors has entered into any service contract with the Group, which is not expiring or determinable by the Group within one year without payment of compensation (other than the payment of statutory compensation).

(b) As at the Latest Practicable Date, save for Mr. Gordon Riske's interest in KION as disclosed in the section headed "2. Disclosure of interests — Interests in the shares of associated corporations of the Company" of this Appendix, none of the Directors was interested, directly or indirectly, in any assets which, since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up, had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group. As disclosed in the Company's announcements dated 27 March 2015 and 19 July 2016, the Company (through its indirect wholly-owned subsidiary, Weichai Power (Luxembourg) Holding S.à r.l.), acquired 4,900,000 shares and 5,934,000 in KION for a consideration of EUR 186,935,000 and EUR 275,574,960, respectively.

(c) As at the Latest Practicable Date, save for the directorship of Mr. Zhang Quan in 北汽福田汽車股份有限公司 (Beiqi Foton Motor Co., Ltd.) ("**Beiqi Foton**"), none of the Directors or their respective close associates had any interest in a business which competed or might compete with the business of the Company. The Company has an approximately 1.2% interest in the shares of Beiqi Foton. Beiqi Foton is also a customer of the Company's diesel engines. Beiqi Foton is engaged in the production of, inter alia, heavy-duty vehicles/trucks.

(d) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Enlarged Group.

4. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or claims of material importance nor was any litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Enlarged Group.

5. QUALIFICATION AND CONSENT OF THE EXPERTS

(a) The following are the qualification of the experts which have given opinions or advices which are contained in this circular:

Name	Qualification
KPMG	Certified public accountants
Ernst & Young Hua Ming LLP	Certified public accountants

(b) As at the Latest Practicable Date, each of the above experts did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, direct or indirect, in any assets which had, since the date to which the latest published audited consolidated financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

(c) Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its report and letter and references to its name in the forms and contexts in which they appear.

6. MATERIAL CONTRACTS

The following contracts (not being a contract entered into in the ordinary course of business) have been entered into by member(s) of the Enlarged Group within the two years immediately preceding the date of this circular and is or may be material:

(a) the share sale agreement dated 16 January 2015 between Dematic Group S.à r.l., Gordon Smith and others, pursuant to which Dematic Group S.à r.l. agreed to purchase 100% of FSU Investments Limited and its subsidiaries for a cash consideration of US$32.1 million;

(b) the agreement dated 27 March 2015 between Weichai Power (Luxembourg) Holding S.à r.l. (an indirect wholly-owned subsidiary of the Company) as purchaser and Superlift Holding, S.à r.l. as vendor in respect of the acquisition of approximately 4.95% of the issued share capital of KION Group AG (an indirect non-wholly-owned subsidiary of the Company) at the consideration of EUR186,935,000, as more particularly set out in the announcement of the Company dated 27 March 2015;

(c) the agreement and plan or merger dated 18 November 2015 between Dematic Corporation, Blue Merger Sub, Inc., Reddwerks Corporation, and Fortis Advisors LLC, pursuant to which Dematic Corporation agreed to purchase 100% of Reddwerks Corporation for a cash consideration of US$44.6 million;

(d) the share sale agreement dated 18 March 2016 between Dematic Pty. Ltd. and Eklof Investments Pty. Ltd., pursuant to which Dematic Pty. Ltd. agreed to purchase 100% of NDC Automation Pty. Ltd. and NDC Manage Pty. Ltd. for a cash consideration of US$10.8 million;

(e) the amendment agreement to the credit agreement dated 18 March 2016 between Mirror Bidco Corporation, DH Services Luxembourg S.à r.l., Credit Suisse International and Credit Suisse AG, pursuant to which the overall credit limit under the credit agreement was increased to US$167.5 million;

(f) the agreement dated 18 July 2016 between Weichai Power (Luxembourg) Holding S.à r.l. as subscriber and KION Group AG as issuer which contemplates the subscription of 5,934,000 new KION shares at the consideration of EUR275,574,960, as more particularly set out on the announcement of the Company dated 19 July 2016; and

(g) the Sale and Purchase Agreement.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the Company's principal place of business in Hong Kong at Room 3407–3408, 34/F, Gloucester Tower, Landmark, 15 Queen's Road Central, Hong Kong, from the date of this circular to 7 October 2016 (both dates inclusive):

(a) the Articles of Association;

(b) the annual reports of the Company for the three years ended 31 December 2013, 2014 and 2015;

(c) the accountants' report on DH Services Holding Group, the text of which is set out in Appendix II to this circular;

(d) the report on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(e) the material contracts as referred to in the paragraph headed "6. Material Contracts" in this appendix;

(f) the written consent of the expert as referred to in the paragraph headed "5. Qualification and consent of the experts" in this appendix;

(g) the circular dated 21 April 2016 issued by the Company in relation to, among other things, certain major and continuing connected transactions; and

(h) this circular.

8. MISCELLANEOUS

(a) The company secretary of the Company is Mr. Kwong Kwan Tong, who is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Management Accountants.

(b) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(c) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.