



BWV Limited ACN 163 488 631

# Prospectus

## Initial Public Offering of fully paid ordinary shares

This Prospectus contains an offer by BWV Limited and BWV SaleCo Limited to raise a total of \$39.3 million by the issue or transfer of 26,210,278 fully paid ordinary shares in BWV Limited at an issue price of \$1.50 each.

28 October 2015



Lead Manager and Underwriter

**BELL POTTER**

MinterEllison

**IMPORTANT INFORMATION:** This Prospectus is an important document that should be read in its entirety. If you do not understand any of its contents you should consult your professional adviser(s). The shares offered under the terms and conditions of this Prospectus should be considered speculative.

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# IMPORTANT NOTICES

This is an important document which should be read in its entirety before making any investment decision. You should obtain independent advice if you have any questions about any of the matters contained in this Prospectus.

## Offer

This Prospectus contains an invitation by SaleCo and the Company to acquire Shares comprising respectively Sale Shares and New Shares. The Prospectus is issued by SaleCo and the Company and supports the initial public offering of the Company.

## Lodgement and listing

This Prospectus is dated 28 October 2015 (**Prospectus Date**) and a copy was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. This is a replacement prospectus which replaces the prospectus dated 20 October 2015 relating to Shares in the Company and lodged with ASIC on that date (**Original Prospectus**).

The Company applied to ASX Limited (**ASX**) within seven days after the date of the Original Prospectus for admission to the Official List and for Official Quotation of the Shares on issue as at the date of this Prospectus and the Shares issued under the Offer.

This replacement Prospectus has been issued to clarify, supplement and amend certain information including: information obtained from Euromonitor International and Nielsen, the broad underlying basis for their information, their consent and the fees paid to them; minor errors in the data provided; further information in respect of the Options and Loan Shares and delete references to conditional settlement trading.

Neither ASIC nor ASX takes any responsibility for the content of this Prospectus. Admission to the Official List is in no way an indication of the merits of the Offer or the Company.

## Expiry Date

This Prospectus expires on 27 November 2016 (**Expiry Date**). No Shares will be allotted, issued, transferred or sold on the basis of this Prospectus after the Expiry Date.

## No investment advice

No person is authorised to provide any information, or to make any representation, about SaleCo, the Company or the Offer that is not contained in this Prospectus. Potential investors should only rely on the information contained in this Prospectus. Any information or representation which is not contained in the Prospectus may not be relied on as having been authorised by SaleCo or the Company in connection with the Offer. Except as required by law and only to the extent so required, none of the Company, SaleCo nor any other person associated with the Company or the Offer guarantees or warrants the future performance of the Company, the return on an investment made under the Prospectus, the repayment of capital or the payment of dividends on the Shares.

Before deciding to invest in the Company, investors should read the entire Prospectus. The information contained in individual sections is not intended to and does not provide a comprehensive review of the business and the financial affairs of the Company or the Shares offered under this Prospectus. The Offer does not take into account the investment objectives, financial situation or particular needs of individual investors. You should carefully consider the risks (set out in Section 5) that impact on the Company in the context of your personal requirements (including your financial and taxation position) and, if required, seek professional guidance from your stockbroker, solicitor, accountant or other professional adviser prior to deciding to

invest in the Company. No cooling off regime (whether provided for by law or otherwise) applies in respect of the acquisition of Shares under this Prospectus.

## Statements of past performance

This Prospectus includes information regarding the past performance of the Company. Investors should be aware that past performance is not indicative of future performance.

## Financial information presentation

The Forecast Financial Information included in this Prospectus is unaudited and is based on the assumptions of the Directors. The basis of preparation and presentation of the Forecast Financial Information is, to the extent applicable, consistent with the basis of preparation and presentation of the Statutory Consolidated Financial Information and the Pro Forma Historical Financial Information. The Statutory Consolidated Financial Information, Pro Forma Historical Financial Information and the Forecast Financial Information in this Prospectus should be read in conjunction with, and are qualified by reference to, the information contained in Section 4. Section 10 sets out in detail the basis of preparation of that financial information referred to in this Prospectus.

Investors should note that certain financial data included in this Prospectus is not recognised under Australian Accounting Standards and is classified as 'non-IFRS financial information' under ASIC Regulatory Guide 230 'Disclosing non-IFRS financial information (RG 230)'. The Company and SaleCo consider that this non-IFRS information provides useful information to users in measuring the financial performance and condition of the Group. The non-IFRS financial measures do not have standardised meanings under the Australian Accounting Standards and therefore may not be comparable to similarly titled measures presented by other entities, nor should they be interpreted as an alternative to other financial measures determined in accordance with the Australian Accounting Standards. Investors are cautioned therefore not to place undue reliance on any non-IFRS financial information and ratios included in this Prospectus.

Unless otherwise stated or implied, all pro forma data in this Prospectus gives effect to the pro forma adjustments referred to in Section 4.2.

## Forward looking statements and statements from third parties

This Prospectus contains forward looking statements, including statements identified by use of the words such as believes, estimates, anticipates, expects, predicts, intends, targets, plans, goals, outlook, aims, guidance, forecasts, may, will, would, could or should and other similar words that involve risks and uncertainties.

The Forecast Financial Information is an example of forward looking statements. This Information is based on a number of assumptions concerning future events, including without limitation, the successful implementation of the Company's strategy, as well as a number of assumptions and estimates relating to factors affecting its business. Investors should carefully read the information set out in Section 4.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions and contingencies that are subject to change without notice and involve known and unknown risks and uncertainties and other factors which are beyond the control of SaleCo and the Company, its Directors and its management. They are provided as a general guide only and should not be relied on as an indication or guarantee of future performance.

As set out above, SaleCo, the Company and their respective Directors cannot and do not make any representation, express or implied, in relation to forward looking statements and investors are cautioned not to place undue reliance on these statements. SaleCo and the Company do not intend to update or revise forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

These statements are subject to various risks that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements. Key risks are set out in Section 5. These and other factors could cause actual results to differ materially from those expressed in any statement contained in this Prospectus.

This Prospectus, including the industry overview in Section 2, uses market data and third party estimates and projections. There is no assurance that any of the third party estimates or projections contained in this information will be achieved. SaleCo and the Company have not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risks set out in Section 5.

Information in this Prospectus on the beauty and personal care market which is stated to be from Euromonitor International is sourced from independent market research carried out by Euromonitor International but should not be relied on in making, or refraining from making, any investment decision.

Nielsen Information reflects estimates of market conditions based on samples, and is prepared primarily as a marketing research tool for consumer packaged goods manufacturers and others in the consumer goods industry. This information should not be viewed as a basis for investments and references to Nielsen should not be considered as Nielsen's opinion as to the value of any security or the advisability of investing in the Company.

### Foreign jurisdictions

This Prospectus does not constitute an offer or invitation to apply for Shares in any place in which, or to any person to whom, it would be unlawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer or to otherwise permit a public offering of the Shares, in any jurisdiction outside Australia.

The distribution of this Prospectus outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should obtain advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus may not be distributed or relied on by persons in the United States or to or for the account or benefit of US persons. The Shares have not been, and will not be, registered under the US Securities Act of 1933 (**Securities Act**) or the securities laws of any state of the United States, and may not be offered or sold in the United States, except in a transaction exempt from, or not subject to, registration under the Securities Act and applicable US state securities laws.

### Exposure Period

Under the Corporations Act, this Prospectus is subject to an exposure period of seven days after the date of lodgement of the Original Prospectus with ASIC (**Exposure Period**), which may be extended by ASIC by a further period of seven days.

The Exposure Period enables this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus. If deficiencies are detected, the Company will:

- return any Application Monies that the Company has received;
- provide each Applicant with a supplementary or replacement Prospectus that corrects the deficiency, and give each Applicant the option to withdraw the Application within one month and be repaid the Subscription Amount; or
- issue to each Applicant the Shares applied for in the Application, provide each Applicant with a supplementary or replacement Prospectus that corrects the deficiency and give each Applicant the option to withdraw the Application within one month.

Application Forms received prior to the expiration of the Exposure Period will not be processed until after the Exposure Period. No preference will be conferred on Application Forms received during the Exposure Period and all Application Forms received during the Exposure Period will be treated as if they were simultaneously received on the Opening Date.

### Electronic Prospectus

**The Prospectus may be viewed online at [www.bwxltd.com](http://www.bwxltd.com)**

The Offer under this Prospectus in electronic form is only available to persons receiving an electronic version of this Prospectus within Australia. The Company is entitled to refuse an application for Securities under this Prospectus if it believes the Applicant received the Offer in electronic form outside Australia in non-compliance with the laws of the relevant foreign jurisdictions.

Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must only access this Prospectus from within Australia, or any jurisdiction outside Australia where the distribution of the electronic version of this Prospectus is not restricted by law.

Shares to which this Prospectus relates will only be issued on receipt of an Application Form issued together with the Prospectus.

Applications must be made by completing the Application Form that forms part of, is attached to, or accompanies this Prospectus. Application Forms must be completed in accordance with the accompanying instructions.

Applicants may apply online for the Shares. Any Applicants applying online must personally complete the online Application Form and pay the Application Monies. Application Forms completed online must not be completed by third parties, including authorised third parties (e.g. the Applicant's Broker).

The Corporations Act prohibits any person from passing on to another person the Application Form unless it is attached to a hard copy of this Prospectus or accompanies the complete and unaltered electronic version of this Prospectus.

During the Offer Period any person who is not in the United States, not a US Person and is not acting for the account or benefit of any US Person may obtain a paper copy of this Prospectus by contacting the Lead Manager.



## Privacy

By completing an Application Form, you are providing personal information to the Company and Link as the Share Registry, which is contracted by the Company to manage Applications, and you consent to the collection and use of that personal information in accordance with these terms. That personal information will be collected, held and used both in and outside of Australia by the Company, and the Share Registry on its behalf, to process your Application, service your needs as a shareholder, provide facilities and services that you request and carry out appropriate administration of your investment. If you do not wish to provide this information, the Company may not be able to process your Application.

Once you become a Shareholder, the Corporations Act requires information about you (including your name, address and details of the Shares you hold) to be included in the Company's public Share register. This information must continue to be included in the Company's public Share register even if you cease to be a shareholder.

The Company, and the Share Registry on its behalf, may disclose your personal information for purposes related to your investment to their agents and service providers (which may be located outside of Australia) including those listed below or as otherwise authorised under the *Privacy Act 1988* (Cth):

- the Share Registry for ongoing administration of the Company's public Share register;
- printers and other companies for the purposes of preparation and distribution of documents and for handling mail;
- the Lead Manager in order to assess your Application;
- market research companies for the purpose of analysing the Company's Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, management consultants and other advisers for the purpose of administering and advising on the Securities and for associated actions.

Under the *Privacy Act 1988* (Cth), you may request access to your personal information that is held by, or on behalf of, the Company. You can request access to your personal information or obtain further information about the Company's privacy practices by contacting the Company or its Share Registry, details of which are set out elsewhere in this Prospectus. The Company aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact the Company or the Share Registry if any of the details you have provided change.

In accordance with the requirements of the Corporations Act, information on the Shareholder register will be accessible by the public.

## Currency

References in this Prospectus to currency are to Australian dollars unless otherwise indicated.

## Glossary

Certain terms and abbreviations in this Prospectus have defined meanings that are explained in the Glossary to this Prospectus. Defined terms are generally identifiable by the use of an upper case first letter.

## Photographs and diagrams

Photographs and diagrams used in this Prospectus are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

Photographs in this Prospectus may be used under licence. The downloading, republication, retransmission, reproduction or other use of those photographs other than in this Prospectus is prohibited.

## Applications

By lodging an Application Form, you declare that you were given access to the entire Prospectus, together with an Application Form. The Company will not accept a completed Application Form if it has reason to believe that an Application Form lodged by an Applicant was not accompanied by, or included in, the Prospectus or if it has reason to believe that the Application Form has been altered or tampered with in any way.

Detailed instructions on completing the respective Application Forms can be found on the back of the Application Forms. The acceptance of an Application Form and the allocation of Shares are at the discretion of the Company and SaleCo.

## Company website

Any references to documents included on the Company's website are provided for convenience only, and none of the documents or other information on the website is incorporated by reference into this Prospectus.

## Offer management

The Offer is managed by the Lead Manager.

## Investigating Accountant's Report on the Financial Information and Financial Services Guide

The provider of the Investigating Accountant's Report on the Financial Information is required to provide Australian Retail Investors with a financial services guide in relation to its independent review under the Corporations Act. The Investigating Accountant's Report and accompanying financial services guide are provided in Section 8.

## CHAIRMAN'S LETTER

Dear Investor

On behalf of my fellow directors I am pleased to present this Prospectus and invite you to become a shareholder in BWX Limited ACN 163 488 631 (**BWX** or the **Company**). BWX is a vertically integrated Australian based business active in the beauty and personal care market in Australia and internationally.

BWX's operations comprise three core activities: brand development, production and new product development.

BWX is the owner, producer and distributor of the following brands:

- Sukin;
- Derma Sukin;
- Uspa;
- Edward Beale; and
- Renew Skincare.

All of these brands are produced at a purpose built production facility leased by BWX in Dandenong, Victoria. BWX owns the formulations and associated intellectual property for all five of its brands.

BWX's flagship brand Sukin was the No. 2 selling skin care brand in Australian pharmacies for the 12 months to August 2015.<sup>1</sup> Sukin's products compete with international brands including L'Oréal, Olay, Jurlique and Garnier in the Australian skin care market. Sukin was the No. 1 selling 'natural'<sup>2</sup> skin care brand in Australian pharmacies over the 12 months to August 2015.<sup>3</sup>

The 'natural' skin care segment (of the beauty and personal care market) significantly outperformed the broader Australian skin care segment in 2015.<sup>4</sup> BWX's directors believe that the factors driving the demand for 'natural' beauty and personal care products include the consumer trend towards 'cleaner and greener' lifestyle choices, rising concerns for health and safety, increasing 'green' consciousness and growing awareness about the potential hazards of synthetic chemicals. BWX's business strategy is focused on capitalising on this growth in the 'natural' category of the skin care segment.

BWX has established export markets for the Sukin brand in New Zealand, the US, Singapore, the UK and Canada. In FY15 approximately 15% of the revenue generated by the Sukin brand was derived from export sales.

BWX's experienced management team has implemented strategies to drive the ongoing growth of the business. These strategies have markedly improved BWX's ability to manage the recent increase in demand for BWX's product range and will provide a platform for the Company's growth. Through the strength of its brands, its vertically integrated operating model and product development capability, the directors believe BWX is well positioned to continue its growth and to deliver its forecast FY16 EBITDA year on year growth of 18.2% over FY15<sup>5</sup>.

BWX is offering to issue approximately 13.3 million new shares at a price of \$1.50 per share to raise \$20 million (before costs). The Company will use the funds it raises from the issue of new shares to repay Company debt, strengthen its balance sheet, pay the costs of the Offer and to pursue its business strategy. In addition, BWX SaleCo Limited is offering approximately 12.9 million shares for sale at a price of \$1.50 for total consideration of approximately \$19.3 million, with the net proceeds to be paid to three existing shareholders.

The closing date for the Offer is 4 November 2015. Details of the offer are set out in this Prospectus.

Any investment in BWX carries a degree of risk. The main risks associated with an investment in BWX are highlighted in Section 5 and include reliance on the Sukin brand, business strategy execution risk, competition risk, product safety and liability risk and counterparty risk.

I urge you to read this Prospectus carefully and to seek appropriate legal, financial and taxation advice.

I commend this Offer to you and look forward to welcoming you as a valued shareholder.

Yours sincerely



Denis Shelley  
Chairman – BWX Limited  
28 October 2015

<sup>1</sup> Nielsen Scan Track Pharmacy – BWX defined Skin Care for the 12 months ended 23 August 2015.

<sup>2</sup> See Glossary for definition of 'natural'.

<sup>3</sup> Nielsen's Scan Track Pharmacy provides a representative view of total pharmacy sales in Australia by combining census point of sale data from specific pharmacy retailers with point of sale data from a representative panel of pharmacy stores.

<sup>4</sup> Nielsen Scan Track Pharmacy – BWX defined Skin Care for the 12 months ended 23 August 2015.

<sup>5</sup> Refer to Section 4 (Financial Information) for details regarding the forecast and underlying assumptions and Section 5 (Risks) for risks relating to BWX.

## IMPORTANT DATES

### KEY DATES

Prospectus Date	28 October 2015
Original Prospectus Date	20 October 2015
Opening date	28 October 2015
Closing date (Applications for Shares must be received at the offices of Bell Potter Securities by 5pm (Melbourne time))	4 November 2015
Settlement	9 November 2015
Issue and transfer of shares	10 November 2015
Deferred settlement trading commences	11 November 2015
Expected dispatch of holding statements	12 November 2015
Expected commencement of trading on the ASX (on a normal settlement basis)	13 November 2015

Note: This timetable is indicative only and may change without notice. Unless otherwise indicated, all times are stated in Melbourne time. The Lead Manager, in consultation with the Company and SaleCo, reserves the right to vary any and all of the above dates and times without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Closing Date, or to accept late Applications or bids, either generally or in particular cases, or to cancel or withdraw the Offer before Settlement, in each case without notifying any recipient of this Prospectus or Applicants). If the Offer is cancelled or withdrawn before the allocation of Shares, then all Application Monies will be refunded in full (without interest) as soon as practicable in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens.

### KEY OFFER STATISTICS

Offer Price	\$1.50 per Share
Total number of Shares to be offered under this Prospectus <sup>1</sup>	26,210,278
Gross proceeds of the Offer <sup>2</sup>	\$39,315,417
Total number of Shares on issue at completion of the Offer	90,561,977
Market capitalisation at the Offer Price <sup>3</sup>	\$135.9 million
Pro forma net debt (as at 30 June 2015) <sup>4</sup>	\$5.4 million
Enterprise value <sup>5</sup> at the Offer Price	\$141.3 million
Enterprise value/pro forma consolidated FY16 forecast EBITDA <sup>6</sup>	8.1x
Offer Price/pro forma consolidated FY16 forecast adjusted NPAT per share <sup>7</sup>	12.2x
Implied FY16 forecast dividend yield at the Offer Price (based on the mid-point of a dividend payout ratio of 35% to 50%, applied to FY16 adjusted NPAT) <sup>8</sup>	3.5%

<sup>1</sup> Comprises the issue of 13,333,333 New Shares by the Company and the sale of 12,876,945 Existing Shares by SaleCo.

<sup>2</sup> Equal to the issue of 13,333,333 New Shares by the Company and sale of 12,876,945 Existing Shares by SaleCo multiplied by the Offer Price.

<sup>3</sup> Equal to the total number of Shares on issue on completion of the Offer multiplied by the Offer Price.

<sup>4</sup> Equal to pro forma current and non-current financial liabilities less pro forma cash and cash equivalents set out in the pro forma historical consolidated balance sheet as set out in Section 4.

<sup>5</sup> Equal to the indicative market capitalisation plus pro forma consolidated indebtedness (as at 30 June 2015) as set out in Section 4.

<sup>6</sup> The Forecast FY16 EBITDA is based on assumptions and accounting policies set out in Section 11 and is subject to the risks set out in Section 5 and the financial information set out in Section 4.

<sup>7</sup> This ratio is commonly referred to as a price to earnings, or PE, ratio.

<sup>8</sup> Annualised for the year ending 30 June 2016.

## INVESTMENT OVERVIEW

# 01.





# 1. INVESTMENT OVERVIEW

## 1.1 Introduction

Topic	Summary	For more information
<b>Who is BWX?</b>	BWX is an Australian unlisted public company which manufactures and distributes beauty and personal care products in Australia and internationally.	Section 3
<b>What is the Offer?</b>	<p>The Offer is an initial public offering of 26,210,278 million Shares in the Company.</p> <p>As part of the Offer, 13,333,333 New Shares will be offered by the Company to raise \$20,000,000 before the costs of the Offer.</p> <p>A further 12,876,945 Existing Shares are being offered by SaleCo on behalf of Selling Shareholders for total consideration of \$19,315,417.</p> <p>The Shares being offered represent 28.9% of the total Shares on issue following Listing.</p>	Section 7
<b>Who are the issuers of the Prospectus?</b>	The Company and SaleCo are offering Shares under this Prospectus.	Section 7
<b>Why is the Offer being conducted?</b>	<p>The purpose of the Offer is to:</p> <ul style="list-style-type: none"> <li>• repay Company debt;</li> <li>• achieve a listing on the ASX to broaden the Company's shareholder base and provide a liquid market for its Shares;</li> <li>• improve the Company's future access to capital markets;</li> <li>• provide the Company with the benefits of an increased profile that arises from being a listed entity;</li> <li>• provide an opportunity for Selling Shareholders to realise some or all of their investment; and</li> <li>• pay the expenses of the Offer.</li> </ul>	Section 7

## 1.2 Key features of BWX

Topic	Summary	For more information
<b>What market does BWX compete in?</b>	BWX competes in the global beauty and personal care market.	Sections 2 and 3
<b>How does BWX generate its income and what are the Company's key costs?</b>	<p>BWX manufactures and sells beauty and personal care products throughout Australia and internationally. BWX distributes its products through a network of distributors and direct to wholesale customers.</p> <p>BWX also develops and manufactures beauty and personal care products for third party customers.</p> <p>BWX's key costs are raw materials, packaging and staff costs.</p>	Section 3

Topic	Summary	For more information
<b>Who are BWX's customers?</b>	<p><b>Sukin Customers</b> BWX sells Sukin products to its wholesale distributor network and direct wholesale pharmacy customers. BWX's distributors also sell Sukin products to various pharmacy groups.</p> <p>The majority of BWX's sales of Sukin products are through the pharmacy channel.</p> <p>BWX also sells Sukin products internationally through a range of different distribution channels.</p> <p><b>Other Brands</b> In addition to Sukin, BWX owns four other beauty and personal care brands.</p> <ul style="list-style-type: none"> <li>• Uspa</li> <li>• Derma Sukin</li> <li>• Renew</li> <li>• Edward Beale</li> </ul> <p>These brands are distributed through a variety of different distribution channels.</p> <p><b>Third Party Manufacturing</b> BWX provides product development and manufacturing services to third party customers.</p>	Section 3
<b>Where are BWX's operations located?</b>	BWX's principal operations and headquarters are located at 2 Darby Way, Dandenong South, Victoria, Australia.	Section 3
<b>Who are BWX's competitors?</b>	<p>BWX's brands compete in the beauty and personal care market against multinational companies such as Unilever Group, Procter &amp; Gamble Co and L'Oréal Groupe. BWX also competes against a number of smaller industry participants particularly in the 'natural' segment of the beauty and personal care market.</p> <p>BWX's third party manufacturing business has numerous competitors ranging in size from small scale limited service operators to large scale full service suppliers.</p>	Sections 2 and 3
<b>What is BWX's strategy?</b>	<p>BWX develops, produces and markets its own brands, leveraging its established distribution channels and existing brands while continuing to offer its development and production services to selected external clients. In summary, the BWX business strategy centres on the following key elements:</p> <ul style="list-style-type: none"> <li>• increasing domestic distribution of BWX's products;</li> <li>• increasing international distribution of BWX's products;</li> <li>• developing range extensions for BWX's brands;</li> <li>• further developing existing service relationships with BWX's major customers;</li> <li>• developing new proprietary brands and products for distribution to new and existing markets;</li> <li>• supporting the brands of selected third party customers; and</li> <li>• identifying suitable brands and businesses for acquisition.</li> </ul>	Section 3

### 1.3 Key strengths

Topic	Summary	For more information
<b>Vertical integration</b>	<p>BWX has the infrastructure and expertise to develop, formulate and produce a wide variety of beauty and personal care products, including but not limited to moisturisers, cleansers, body scrubs, body creams, facial masks, hand creams, toners, day creams, night creams, lip balms, body oils, deodorants, shampoos, conditioners and styling products.</p> <p>Management believes that the vertical integration of BWX's production and warehousing capability across a single location in Dandenong South has the following key advantages:</p> <ul style="list-style-type: none"> <li>• <b>Adaptability</b> – BWX believes that in order to stay competitive in the beauty and personal care market it must be able to quickly adapt and respond to changes in consumer tastes and trends. BWX's infrastructure and new product development capability allows it to rapidly respond to market trends by adding or removing products with minimal disruption.</li> <li>• <b>Quality Assurance</b> – BWX controls and monitors the sourcing of raw ingredients, product formulation, product manufacturing, quality testing, packaging and distribution.</li> <li>• <b>Cost Efficiencies</b> – BWX has the flexibility to cost effectively produce both low volume high margin products and high volume low margin products.</li> </ul>	Section 3
<b>Market position</b>	<p>In FY16 the Sukin brand is forecast to contribute approximately 70.4% of BWX's total revenue.</p> <p>The Sukin brand was the No. 2 selling skin care brand in Australian pharmacies for the 12 months to August 2015.<sup>1</sup> Sukin products compete with international brands including L'Oréal, Olay, Jurlique and Garnier. Sukin was the No. 1 selling 'natural' skin care brand in Australian pharmacies over the 12 months to August 2015.<sup>2</sup></p> <p>Sales of Sukin skin care products in Australian pharmacies grew by 40% over the 12 month period to August 2015.<sup>3</sup></p> <p>Sukin was the fastest growing brand of the top five skin care brands sold in Australian pharmacies in the 12 months to August 2015.<sup>4</sup></p>	Section 3

<sup>1</sup> Nielsen Scan Track Pharmacy – BWX defined Skin Care for the 12 months ended 23 August 2015.

<sup>2</sup> Nielsen's Scan Track Pharmacy provides a representative view of total pharmacy sales in Australia by combining census point of sale data from specific pharmacy retailers with point of sale data from a representative panel of pharmacy stores

<sup>3</sup> Nielsen Scan Track Pharmacy – BWX defined Skin Care for the 12 months ended 23 August 2015.

<sup>4</sup> Nielsen Scan Track Pharmacy – BWX defined Skin Care for the 12 months ended 23 August 2015.

Topic	Summary	For more information
<b>Growth opportunities</b>	<p>BWX's business strategy is focused on capitalising on the ongoing growth in the 'natural' segment of the skin care market.<sup>5</sup></p> <p>There are opportunities for BWX to further grow Sukin's market share of 6.6% in the skin care segment of Australian pharmacies.</p> <p>BWX has identified opportunities with existing retailers to maximise the retail space currently being occupied by Sukin's products.</p> <p>Exports are forecast to generate approximately \$6.3 million of Sukin's total sales revenue of \$35.3 million for FY16.<sup>6</sup> This represents a 37% year on year increase on Sukin's export sales of \$4.6 million in FY15. Sukin's largest export markets in FY15 were New Zealand, the USA, Canada, Singapore and the UK.</p> <p>BWX's management believes that its production facility will provide the Company with the ability to scale up in response to any increased customer demand for its products.</p>	Section 3
<b>New product development</b>	<p>BWX's management believes that it has the knowledge, expertise, experience and resources at its disposal to design, formulate, produce and distribute products from conception through to shelf readiness.</p> <p>In addition, BWX maintains a database of formulations which the Company can utilise to expedite the commercialisation of new products in response to market trends.</p>	Section 3
<b>Experienced management team</b>	BWX's management team has significant beauty and personal care market experience and expertise.	Section 6

#### 1.4 Key risks

There are a number of potential risks associated with the Company's business and industry, which may impact the Company's financial performance. Some of the risks are summarised below and are described further in Section 5.

Topic	Summary	For more information
<b>Reliance on the Sukin brand</b>	<p>BWX's financial performance is heavily reliant on the ongoing success of its recently acquired Sukin brand which is forecast to represent approximately 70.4% of BWX's revenue in FY16.<sup>7</sup></p> <p>As the future performance of Sukin may be affected by many of the factors outlined in the Risks section, the Company cannot guarantee the future financial performance of Sukin. Should Sukin be adversely affected by any of these risks it is likely that the Company and its financial performance and results would also be adversely affected.</p>	Section 5
<b>Business strategy execution</b>	<p><b>BWX's success will depend on its ability to successfully execute its business strategy.</b></p> <p>BWX's future growth, profitability and cash flows depend on the ability of BWX's management to successfully execute its business strategy, which is dependent on a number of factors which are outlined in more detail in Section 5.</p> <p>There can be no assurance that BWX can successfully achieve any or all of the above initiatives or anticipated time frames. The failure by BWX to successfully execute its business strategy could have a material adverse effect on the Company's business, financial condition and results of operations.</p>	Section 5

<sup>5</sup> Nielsen Scan Track Pharmacy – BWX defined Skin Care for the 12 months ended 23 August 2015.

<sup>6</sup> Refer to Section 4 (Financial Information) for details regarding the forecast and underlying assumptions and Section 5 (Risks) for risks relating to BWX.

<sup>7</sup> See Section 4 Financials.



Topic	Summary	For more information
<b>Competition risk</b>	<p><b>The beauty and personal care market is highly competitive, and if BWX's direct clients and distribution partners are unable to compete effectively the Company's results may suffer.</b></p> <p>BWX faces competition from companies throughout the world, including large multinational consumer product companies. Some of these competitors have greater resources than BWX and may be able to respond more effectively to changing business and economic conditions. BWX's products compete with other widely advertised brands. BWX's ability to compete also depends on the following factors:</p> <ul style="list-style-type: none"> <li>• the continued strength of its products and brands;</li> <li>• the ongoing growth and innovation in the skin care and hair care segments;</li> <li>• the success of BWX's branding and execution strategies;</li> <li>• the successful management of new products;</li> <li>• successfully entering new markets and increasing penetration in existing geographies;</li> <li>• the success of any future business acquisitions; and</li> <li>• its ability to protect the Company's intellectual property.</li> </ul>	Section 5
<b>Product safety and liability</b>	<p>Product safety or quality failures, actual or perceived, or allegations of product contamination, even when false or unfounded, could tarnish the image of BWX's brands and could cause consumers to choose other products. Allegations of contamination or other adverse commentary on product safety or suitability for use by a particular consumer, even if untrue, may require BWX to recall a product from all of the markets in which the affected product was distributed. Such issues or recalls could negatively affect the Company's profitability and reputation.</p>	Section 5
<b>Counterparty risk</b>	<p>As a manufacturing and distribution company, BWX is heavily reliant on its main customers, suppliers and distribution partners.</p> <p>In Australia BWX is heavily reliant on its State based distribution partners who are responsible for a majority of the sales and distribution of BWX's products to Australian pharmacies, health stores and other retailers.</p> <p>BWX manufactures beauty and personal care products. Inputs consisting of raw materials and packaging components are purchased from various suppliers. The loss of multiple suppliers or a significant disruption or interruption in the supply chain could have a material adverse effect on the manufacturing and packaging of BWX's products.</p> <p>As outlined in Section 4, in FY16 BWX is forecast to earn approximately 24.6% of its revenue from developing and producing products for third parties. Due to a number of factors affecting the demand of the products manufactured for these third parties being beyond BWX's control, the Company cannot guarantee that these third parties will maintain or increase their level of purchases from BWX in the future. An unexpected decrease in demand from these third parties may have adverse effects on the financial performance of the Company.</p>	Section 5

### 1.5 Experience and background of the Directors and Management

The Company is supported by a leadership team with extensive industry experience and with a focus on driving operational excellence across all facets of the business.

Topic	Name	Experience	For more information
<b>Who is on the Board of the Company?</b>	<b>Denis Shelley</b> (Chairman)	Experienced marketing executive with more than 30 years in a range of brands, FMCG and manufacturing.  Broad industry background encompassing health and beauty, personal care, intimate apparel, household products and pharmaceuticals.  Past roles include Group Chairman of Sara Lee Australia, CEO Sara Lee South Africa, CEO Sara Lee Household & Body Care Australia, Group Marketing Director Reckitt & Colman South Africa, President of Nutrimetics Australia.	Section 6
	<b>John Humble</b> (CEO and Managing Director)	More than 20 years' experience in formulating, developing and producing personal care products.  Original founder of Leisure and Hospitality Services Pty Ltd (now merged into BWX Ltd) in 1993.  Instrumental in positioning BWX in the 'natural' beauty and personal care market.  Worked with Sukin in developing its IP/formulations since 2007.	Section 6
	<b>Aaron Finlay</b> (Finance Director)	More than 20 years' experience as a chartered accountant and company secretary.  Has extensive public company experience in executive and director roles for ASX listed companies, including Mayne Pharma Group Limited (an ASX top 200 company), where Mr Finlay was instrumental in the acquisition of Mayne Pharmaceuticals International in 2009.  Also held roles as Australian CFO of INVESCO and Head of Group Tax & Treasury for INVESCO's global operations in London.	Section 6
	<b>Craig Bottomley</b> (Independent Non-Executive Director)	More than 20 years' experience establishing and developing commercial ventures in manufacturing and import/export. He has developed national and international sales channels for a number of local and domestic products.  One of the founders of Halcygen Pharmaceuticals Ltd working as COO and Executive Director from 2005 to 2010. Instrumental in acquiring Mayne Pharmaceuticals International in 2009, now Mayne Pharma Group Limited.	Section 6

Topic	Name	Experience	For more information
	<b>Ian Campbell</b> (Independent Non-Executive Director)	Over 30 years of senior management and operational experience in manufacturing, sales and marketing, brand management, mergers and acquisitions, industrial relations and OH&S.  Currently a director of ASX listed Mirrabooka Investments Ltd.  14 years as Managing Director of ASX 200 GUD Holdings Ltd.  10 years with Pacific Dunlop Cables Group, the last six as Managing Director.	Section 6
<b>Who are the leadership team of the Company and what is their expertise?</b>	<b>John Humble</b> (CEO and Managing Director)	As above	Section 6
	<b>Aaron Finlay</b> (Finance Director)	As above	Section 6
	<b>Alison Goodger</b> (General Manager – Sukin)	She was previously a co-founder and CEO of Sukin Organics Pty Ltd, the owner of the Sukin brand. She helped launch the Sukin brand in May 2007 and has been a part of the brand's development from start up through to its acquisition by BWX in June 2015.	Section 6
	<b>Vince Joy</b> (Chief Operating Officer – Beautiworx)	Is a manufacturing business executive with over 30 years of industry experience encompassing business transformation, international commercial roles, and new technology introduction.  He has held a number of executive roles for both large international businesses and smaller private companies, including most recently as CEO of W. Granowski Ltd, an industrial equipment manufacturer and at Pacifica Group Ltd, a global automotive parts manufacturer, where over 13 years he held a variety of senior roles including MD Asia Division, VP Global Sales and Marketing, and General Manager of Product Development.  Previously he was based in Europe and worked for major vehicle manufacturers, including Rover Group Ltd and Leyland DAF Ltd.	Section 6
	<b>Vinod Somani</b> (Group Financial Controller)	Is a Certified Practising Accountant and a member of the Chartered Institute of Management Accountants (CIMA) in the United Kingdom with over 15 years' experience in the accounting and finance profession, particularly in leading and building finance teams and implementing financial processes and systems, as well as in mergers and acquisitions.  He started his career as a graduate accountant with a private manufacturing company in India before coming to Australia for higher studies. In Australia, he started working with some of Australia's largest retail banks and then joined Strikeforce AMC and became its group finance manager.	Section 6

## 1.6 Significant interests of key Shareholders and related party transactions

Topic	Summary				For more information
Who are the key Shareholders?	The key Shareholders are: <ul style="list-style-type: none"><li>Leisure &amp; Hospitality Services Pty Ltd, being a controlled entity of Mr Humble, the CEO and Managing Director of the Company; and</li><li>a group of largely institutional investors who took up the pre-IPO placement undertaken by the Company in order to facilitate the acquisition of the Sukin businesses in June 2015.</li></ul>				Section 7
What are the key Shareholders' interests in the Offer and what significant benefits are payable to them?					Section 7
	Key Shareholders	Shareholding prior to the Offer	Shareholding following Completion of the Offer (Shares) (m)	Shareholding following Completion of the Offer	
	Leisure & Hospitality Services Pty Ltd	19.09%	9.74*	10.76%	
	Pre-IPO investor group	60.33%	46.59	51.45%**	
	Total	79.42%	56.33	62.21%	
	* Excludes Loan Shares issued to John Humble and assumes a sell down of five million Shares through this Prospectus.				
	** Assumes that Pre-IPO investors do not participate in the Offer.				
Shares held by Leisure & Hospitality Services Pty Ltd will be subject to voluntary escrow arrangements for 12 months commencing on the date Shares are quoted on the ASX (refer to Section 10.5).					
What significant benefits are payable to Directors and the other persons connected with the Company or the Offer and what significant interests do they hold?					Section 6.9
	Directors and senior management	Shares held post IPO (including indirect holdings)		Loan Shares held post IPO	
	Denis Shelley	333,334		150,000	
	John Humble	9,742,945		300,000	
	Aaron Finlay	1,383,696		300,000	
	Craig Bottomley	1,103,695		150,000	
	Ian Campbell	272,728		150,000	
Directors and key executives are entitled to remuneration and fees on commercial terms.					



## 1.7 Key financial metrics and dividends

(\$ millions)	Pro forma historical				Forecast		
	6 months			FY15	6 months		FY16
	30-Jun-14	31-Dec-14	30-Jun-15		31-Dec-15	30-Jun-16	
Revenue	16.7	22.0	23.1	45.1	24.7	25.4	50.1
EBITDA	0.6	6.4	8.4	14.8	8.6	8.9	17.5
EBIT	0.4	6.2	8.1	14.3	8.2	8.5	16.7
NPAT	-1.1	3.9	5.7	9.6	5.4	5.7	11.1

### Notes:

- 1 The table above sets out the pro forma historical results for the six months ended 30 June 2014, 31 December 2014 and 30 June 2015 and for the 12 months ended 30 June 2015 along with the statutory forecast results for the six months ending 31 December 2015 and 30 June 2016 and for the 12 months ending 30 June 2016.
- 2 The statutory forecast period reflects the results expected to be reported in the year ending 30 June 2016.
- 3 For the purposes of the historical pro forma financial information, the acquisition of the Sukin businesses is taken to have occurred on 2 January 2014 and the acquisition and restructuring costs are all taken to have been incurred during the six months ended 30 June 2014.
- 4 See Section 4 for full details of the financial information. The financial information presented in this Section 1 is intended as a summary only and should be read in conjunction with the more detailed discussions of the pro forma historical financial information and forecast financial information, as well as the risks, set out in Sections 4 and 5, respectively.

Key investment metrics	
Enterprise Value/pro forma FY16 forecast EBITDA	8.1
Enterprise Value/pro forma FY16 forecast EBIT	8.5
Offer Price/pro forma consolidated FY16 forecast EPS	12.2
Implied forecast dividend yield for final FY16 dividend at the Offer Price	3.5%
Pro forma net debt (as at 30 June 2015)/pro forma FY16 forecast EBITDA	0.31
Pro forma FY16 forecast EBITDA/net interest expense	43.75

Sources of funds	\$ millions	%	Uses of funds	\$ millions	%
Gross proceeds on sale of Sale Shares by SaleCo	19.3	49.1			
			Transaction costs	1.0	2.5
			Payment to Selling Shareholders as cash consideration	18.3	46.6
Gross proceeds on sale of New Shares by the Company	20.0	50.9			
			Transaction costs	1.5	3.8
			Repayment of Company debt	17.3	44.0
			Working capital	1.2	3.1
<b>Total sources</b>	<b>39.3</b>	<b>100.0</b>	<b>Total uses</b>	<b>39.3</b>	<b>100.0</b>

Topic	Summary	For more information
<b>What is the Company's dividend policy?</b>	<p>The payment of a dividend by the Company is at the discretion of the Directors and will be a function of a number of factors such as the operating results, cash flows and the financial condition of the Company, and any other factors the Directors may consider relevant.</p> <p>No assurances can be given by any person, including the Directors, about the payment of any dividend or the level of franking on any such dividend.</p> <p>It is the current intention of the Board to pay final dividends in respect of full years ending 30 June each year, and interim dividends in respect of half years ending 31 December. Directors expect that final dividends will be paid in October and interim dividends will be paid in April following the relevant financial period. It is intended that future dividends will be franked to the extent possible.</p> <p>While the Board intends to adopt a Dividend Reinvestment Plan, it will not be activated on Listing.</p>	Section 4.9
<b>What will be the first dividend and when will it be paid?</b>	The Directors expect that the first dividend to Shareholders will be determined in respect of the period from 1 July 2015 to 30 June 2016, and will become payable in October 2016.	Section 4.28

## 1.8 Overview of the Offer

Topic	Summary	For more information
<b>Who are the issuers of this Prospectus?</b>	<p>BWX Limited ACN 163 488 631</p> <p>BWX SALECO Limited ACN 607 622 480</p>	Section 7
<b>What is the Offer?</b>	The Offer is an initial public offering of a total of 26,210,278 Shares. The Shares being offered will represent 28.9% of the total Shares on issue following Listing.	Section 7
<b>What is the proposed use of proceeds received in connection with the Offer?</b>	The Offer is expected to raise a total of \$39,315,417 before costs. The table in Section 7 details the sources and uses of the proceeds of the Offer, based on the Offer Price and other amounts.	Section 7
<b>How is the Offer structured/who is eligible to participate?</b>	<p>The Offer comprises:</p> <ul style="list-style-type: none"> <li>the Broker Firm Offer which consists of an invitation by the Lead Manager to investors in Australia to acquire Shares under this Prospectus; and</li> <li>the Institutional Offer which consists of an offer to Institutional Investors in Australia and certain other jurisdictions around the world.</li> </ul> <p>Within the Broker Firm Offer, approximately 666,666 Shares will be reserved for the Chairman's List Offer.</p>	Section 7
<b>Is the Offer underwritten?</b>	The Offer is fully underwritten by the Lead Manager.	Sections 7.6 and 9.5
<b>Who is the Lead Manager to the Offer?</b>	The Lead Manager is Bell Potter.	Section 9.7

Topic	Summary	For more information
<b>Will the Shares be quoted?</b>	<p>The Company applied to the ASX within seven days after the date of the Original Prospectus for its admission to the official list of the ASX and quotation of Shares on the ASX (which is expected to be under the code 'BWX').</p> <p>Listing is conditional on the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.</p>	Section 7
<b>Will any Shares be subject to escrow arrangements?</b>	The Shares held by the Directors of the Company as outlined above and totalling 13,886,938 Shares or 15.3% of the total Shares on issue following Listing will be subject to voluntary escrow arrangements for 12 months commencing on the date Shares are quoted on the ASX.	Sections 7 and 9.6
<b>What is the allocation policy?</b>	<p>The allocation of Shares between the Broker Firm Offer and the Institutional Offer has been determined by the Lead Manager, the Company and SaleCo.</p> <p>The Lead Manager, the Company and SaleCo have determined the allocation of Shares among Institutional Investors.</p> <p>For Broker Firm Offer Applicants, the Lead Manager will determine allocation of Shares among these Applicants. However, the Company, after consultation with the Lead Manager, will determine the allocation of Offer Shares to participants within the Chairman's List Offer.</p>	Sections 7.2 and 7.5
<b>Is there any brokerage, commissions or stamp duty payable by Applicants?</b>	No brokerage, commission or stamp duty is payable by Applicants on an acquisition of Shares under the Offer.	Section 7.2
<b>What are the tax implications of investing in the Shares?</b>	Summaries of certain Australian tax consequences of participating in the Offer and investing in Shares are set out in Section 9.10. The tax consequences of any investment in Shares will depend on an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.	Section 9.10
<b>How can I apply?</b>	<p>Broker Firm Applicants may apply for Shares by completing a valid Application Form included in or accompanying this Prospectus, and lodging it with the Lead Manager.</p> <p>To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.</p>	Section 7.3
<b>When will I receive confirmation that my Application has been successful?</b>	It is expected that initial holding statements will be dispatched by standard post on or around 12 November 2015.	Section 7.2
<b>When can I sell my Shares on the ASX?</b>	<p>It is expected that trading of Shares on the ASX will commence on or about 11 November 2013 on a deferred settlement basis.</p> <p>It is expected that dispatch of holding statements will occur on or about 12 November 2015 and that Shares will commence trading on the ASX on a normal settlement basis on 13 November 2015.</p> <p>It is the responsibility of each Applicant to confirm their holding before trading their Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk.</p>	Section 7.2

Topic	Summary	For more information
<b>Can the Offer be withdrawn?</b>	<p>The Company and SaleCo reserve the right to not proceed with the Offer at any time before the issue and transfer of Shares to successful Applicants.</p> <p>If the Offer does not proceed, Application Monies will be fully refunded.</p> <p>No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.</p>	Section 7.8
<b>Where can I find out more information about this Prospectus or the Offer?</b>	<p>The Company expects to announce the final allocation policy under the Broker Firm Offer on or about 10 November 2015.</p> <p>If you are unclear in relation to any matter in relation to this Prospectus or are uncertain as to whether the Company is a suitable investment for you, you should seek professional guidance from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.</p>	Section 7.2



## INDUSTRY OVERVIEW

# 02.



## 2. INDUSTRY OVERVIEW

### 2.1 Background

BWX operates in the beauty and personal care market both within Australia and internationally. The beauty and personal care market can be broken down into the following primary market segments:



BWX operates predominantly in the skin care segment of the beauty and personal care market. The majority of BWX's products are positioned and marketed as 'natural' beauty and personal care products.

BWX's products are sold primarily through Australian pharmacies and are also exported to destinations including New Zealand, the USA, Singapore, the UK and Canada.

In addition to the production and distribution of its brands, BWX also provides manufacturing and development services to third party customers.

### 2.2 Beauty and Personal Care Market Dynamics

In the beauty and personal care market, brands compete for space in specialty department stores, pharmacy chains and mass market supermarkets. Demand is driven by consumer perceptions of efficacy, luxury and health and wellbeing benefits of beauty and personal care products.

There are a variety of operating models for sales and distribution in the beauty and personal care market. Sales channels comprise independent distributors, direct to store, internal sales teams, third party brokers, multi level marketing, as well as stand alone branded retail stores.

Domestically, BWX sells the majority of its products through independent State based distributors who in turn sell to retailers which are predominantly pharmacies. In addition, BWX supplies its products directly to some pharmacy chains. Internationally, BWX sells its products through a variety of distribution channels.

<sup>1</sup> Euromonitor International – Passport – Beauty and Personal Care 2015 Edition – Global & Regional – Historic & Forecast 2015.

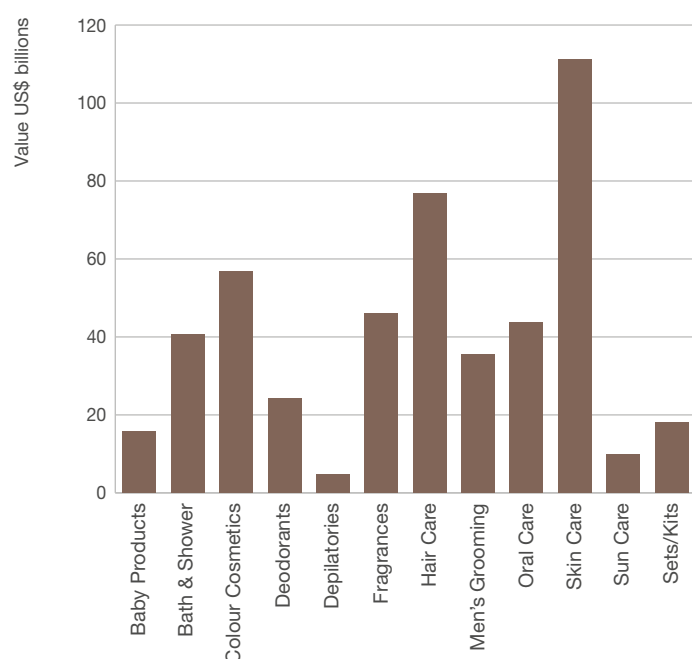
## 2.3 Global Beauty and Personal Care Market

The global beauty and personal care market generated sales revenues of approximately US\$465 billion in CY2014 and grew at a compound annual growth rate (CAGR) of 4.3% in current value terms between CY2009 and CY2014.<sup>2</sup> Euromonitor has projected that the global beauty and personal care market will grow at a CAGR of 2.6% and will generate sales of US\$529 billion in CY2019.<sup>3</sup>

The skin care segment contributed \$111 billion or 24% of the overall revenues generated in the beauty and personal care market in CY2014.<sup>4</sup> Figure 2.1 below outlines revenue contributions from each segment of the global beauty and personal care market during CY2014.

BWX's management believes that the global beauty and personal care market is evolving rapidly in line with consumer trends and responsive product innovation.

**Figure 2.1<sup>5</sup>: Global Beauty and Personal Care Market Segments CY2014 US\$ billions**



## 2.4 Major Multinational Beauty and Personal Care Brands and Companies

The global beauty and personal care market encompasses well-known companies and brands including L'Oréal, Procter & Gamble Co, Unilever Group, Colgate-Palmolive Co and Beiersdorf AG. Collectively these companies spend billions of dollars every year in advertising to build and maintain the attention of consumers and the value of their brands. Accordingly, BWX's management believes that brand strength and recognition remains an integral component of success in the beauty and personal care market.

Figure 2.2 below sets out some of the brands owned and marketed by the large multinational participants in the global beauty and personal care market.

**Figure 2.2: Multinational Companies and Brands**

Company	Brands
Johnson & Johnson Inc	Johnson's, Aveeno and Neutrogena
Procter & Gamble Co	Olay, Pantene and Braun Oral-B
L'Oréal Groupe	Lancome, Maybelline and Garnier
Unilever Group	Dove and Rexona for Men
Colgate-Palmolive Co	Palmolive and Colgate
Estée Lauder Companies Inc	Clinique and Estée Lauder

BWX's Directors believe that consumers associate product quality, ingredient efficacy and 'natural' credibility with particular brands. BWX's business strategy involves positioning Sukin as a leading 'natural' beauty and personal care brand.

<sup>2</sup> Euromonitor International – Passport – Beauty and Personal Care 2015 Edition – Global & Regional – Historic & Forecast 2015 – Historic Current Prices, Forecast Constant 2014 Prices. The historic Euromonitor Global & Regional Data (CY2009 – CY2014 inclusive) presented in this Prospectus assumes and applies historic year on year currency exchange rates as assessed and compiled by Euromonitor. The forecast Euromonitor Global & Regional Data (CY2015 – CY2019 inclusive) presented in this Prospectus assumes that the CY2014 exchange rates assessed and compiled by Euromonitor remain fixed and constant for the forecast period. The forecast and historic Euromonitor Global & Regional Data (CY2009 – CY2019 inclusive) utilises and applies 2014 product prices as assessed and compiled by Euromonitor. The Euromonitor forecast data does not account for general economic factors including but not limited to fluctuations in interest rates, inflation and currency exchange rates over the forecast period. These and other factors may result in the actual beauty and personal care market sales results differing from the Euromonitor Global & Regional Data over the forecast period. The Euromonitor forecasts should be considered a general guide only.

<sup>3</sup> Euromonitor International – Passport – Beauty and Personal Care 2015 Edition – Global & Regional – Historic & Forecast 2015 – Historic Current Prices, Forecast Constant 2014 Prices.

<sup>4</sup> Euromonitor International – Passport – Beauty and Personal Care 2015 Edition – Global & Regional – Historic & Forecast 2015 – Historic Current Prices, Forecast Constant 2014 Prices.

<sup>5</sup> Euromonitor International – Passport – Beauty and Personal Care 2015 Edition – Global & Regional – Historic & Forecast 2015 – Historic Current Prices, Forecast Constant 2014 Prices. Note: The aggregate of beauty and personal care market segments in Figure 2.1 is approximately \$483 billion due to double counting and overlap between categories. According to Euromonitor the true aggregated size of the global beauty and personal care market is \$465 billion.

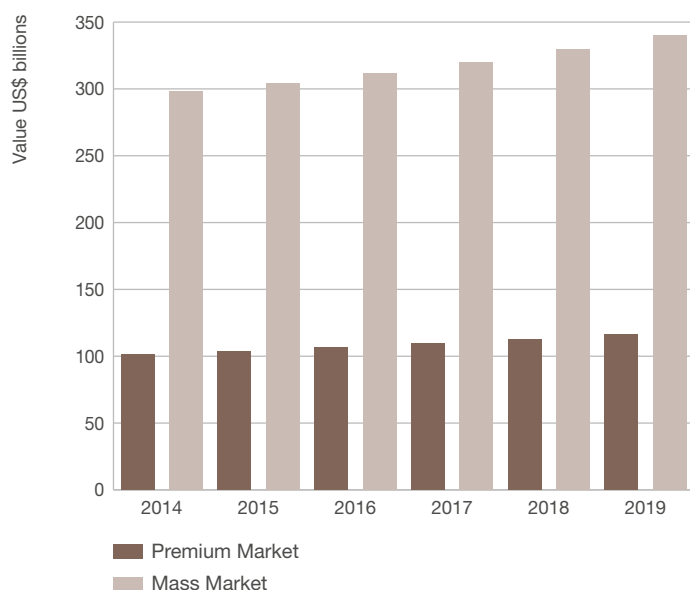
## 2.5 Global Mass and Premium Markets for Beauty and Personal Care Products

The global beauty and personal care market is divided into mass and premium segments<sup>6</sup>. BWX's brands are priced and marketed toward the upper end of the mass market segment, often referred to as the 'Masstige' end of the market. Products in this segment are marketed to consumers as possessing luxury qualities at affordable prices.

The mass market segment of the global beauty and personal care market was triple the size of the premium segment in CY2014.<sup>7</sup> The global beauty and personal care mass market segment is forecast to grow 14.2% from CY2014 to CY2019 at a CAGR of 2.7%.<sup>8</sup>

This growth in the mass market segment is largely driven by rising disposable incomes in emerging markets that are trading up to more mid priced products from both local and international brands.<sup>9</sup>

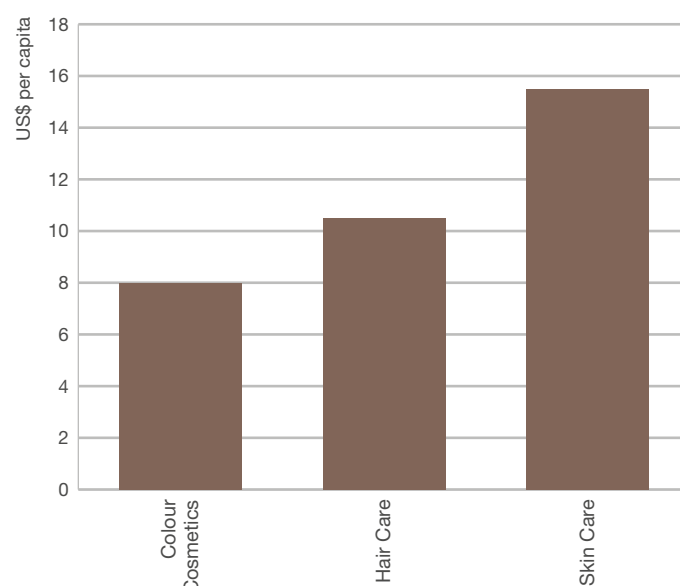
**Figure 2.3<sup>10</sup>: Mass vs Premium Global Beauty and Personal Care Market Retail Value – CY2014 to CY2019**



## 2.6 Beauty and Personal Care – Global Per Capita Spend

Spending on beauty and personal care in CY2014 reached US\$64 per person globally, a quarter of which was spent on skin care products.<sup>11</sup> Figure 2.4 below outlines that the average per capita spending globally on skin care was US\$15.40 in CY2014 versus US\$10.70 for hair care and US\$7.90 for colour cosmetics.

**Figure 2.4: Average Per Capita Global Spend CY2014 (US\$)**



<sup>6</sup> Euromonitor International includes the following segments in the breakdown of the beauty and personal care market into premium and mass: baby care, bath and shower, colour cosmetics, deodorants, fragrances, hair care, men's shaving, skin care, sun care, sets/kits. The Euromonitor definition of mass and premium excludes the following segments of the beauty and personal care segment: depilatories, oral care and men's toiletries (which are redistributed in bath and shower, deodorants, hair care and skin care).

<sup>7</sup> Euromonitor International – *Passport – Beauty and Personal Care 2015 Edition – Global & Regional – Historic & Forecast 2015 – Historic Current Prices, Forecast Constant 2014 Prices*.

<sup>8</sup> Euromonitor International – *Passport – Beauty and Personal Care 2015 Edition – Global & Regional – Historic & Forecast 2015 – Historic Current Prices, Forecast Constant 2014 Prices*.

<sup>9</sup> Euromonitor International, Beauty and Personal Care, *Passport: the Future of Skin Care – Game-Changing Trends and Influencers*, June 2015 page 11.

<sup>10</sup> Euromonitor International – *Passport – Beauty and Personal Care 2015 Edition – Global & Regional – Historic & Forecast 2015*.

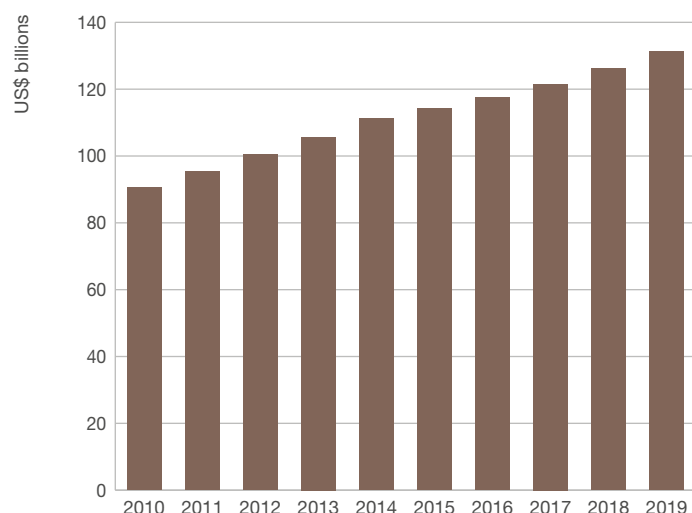
<sup>11</sup> Euromonitor International, Beauty and Personal Care, *Passport: the Future of Skin Care – Game-Changing Trends and Influencers*, June 2015, page 15.



## 2.7 Global Skin Care Segment

In CY2014 the global skin care segment generated sales of US\$111 billion. Global sales values in skin care are expected to grow at a CAGR of 3.4% and exceed US\$131 billion in CY2019.<sup>12</sup> The skin care segment is expected to remain the beauty and personal care market's biggest segment, adding some US\$20.1 billion to its value over CY2014 to CY2019.<sup>13</sup> This growth will be mainly driven by emerging markets in Asia Pacific which will account for nearly 60% of the skin care segment's total value growth by CY2019.<sup>14</sup>

**Figure 2.5<sup>15</sup>: Global Skin Care Segment Total Sales CY2010 to CY2019 (US\$)**

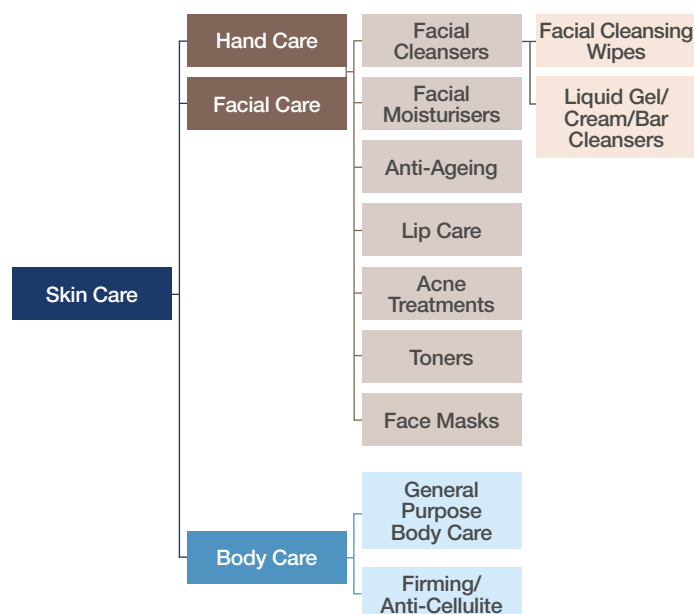


The projected growth rate for the skin care segment over CY2014 to CY2019 of 3.4% CAGR is driven mainly by Asia Pacific, the Middle East and Africa.<sup>16</sup> This is higher than the projected growth rate of 2.6% CAGR for the total beauty and personal care market over CY2014 to CY2019.<sup>17</sup>

## 2.8 Skin Care Segment Categories

The skin care segment of the beauty and personal care market can be broken down further into the categories set out in the table below.

**Figure 2.6<sup>18</sup>: Skin Care Segment Categories**



The facial care category comprises the majority of the total skin care segment's value globally.<sup>19</sup> The majority of consumer spending is anticipated to remain in facial care, with per capita annual spending rising from US\$12.5 in CY2014 to more than US\$14 by CY2019.<sup>20</sup>

BWX's skin care products are predominantly positioned in the facial care and body care categories of the skin care segment.

<sup>12</sup> Euromonitor International – Passport – Beauty and Personal Care 2015 Edition – Global & Regional – Historic & Forecast 2015 – Historic Current Prices, Forecast Constant 2014 Prices.

<sup>13</sup> Euromonitor International, Beauty and Personal Care, Passport: the Future of Skin Care – Game-Changing Trends and Influencers, June 2015, page 45.

<sup>14</sup> Euromonitor International, Beauty and Personal Care, Passport: the Future of Skin Care – Game-Changing Trends and Influencers, June 2015, page 4.

<sup>15</sup> Euromonitor International – Passport – Beauty and Personal Care 2015 Edition – Global & Regional – Historic & Forecast 2015 – Historic Current Prices, Forecast Constant 2014 Prices.

<sup>16</sup> Euromonitor International – Passport – Beauty and Personal Care 2015 Edition – Global & Regional – Historic & Forecast 2015 – Historic Current Prices, Forecast Constant 2014 Prices.

<sup>17</sup> Euromonitor International – Passport – Beauty and Personal Care 2015 Edition – Global & Regional – Historic & Forecast 2015 – Historic Current Prices, Forecast Constant 2014 Prices.

<sup>18</sup> Euromonitor International, Beauty and Personal Care, Passport: the Future of Skin Care – Game-Changing Trends and Influencers, June 2015, page 3.

<sup>19</sup> Euromonitor International, Beauty and Personal Care, Passport: the Future of Skin Care – Game-Changing Trends and Influencers, June 2015, page 13.

<sup>20</sup> Euromonitor International, Beauty and Personal Care, Passport: the Future of Skin Care – Game-Changing Trends and Influencers, June 2015, page 15.

## 2.9 Skin Care Segment Growth

The global skin care segment grew 25.5% from CY2009 to CY2014<sup>21</sup> at a CAGR of 4.6%. Euromonitor International expects that in terms of growth, per capita expenditure on skin care products will trail only baby and child specific products across CY2014 to CY2019, the latter growing from a much smaller base.<sup>22</sup>

The growth in the skin care segment through to CY2019 will be largely driven by emerging markets in the Asia Pacific region. This region generated more than half of the skin care segment's global revenues in CY2014.<sup>23</sup>

The Asia Pacific skin care segment is expected to grow by US\$15.9 billion in revenue between CY2014 and CY2019.<sup>24</sup> This growth is larger in dollar terms than the CY2014 total skin care sales revenue generated by the entire North American market.<sup>25</sup> China is predicted to contribute more than 70% of the growth in the Asia Pacific skin care segment by CY2019.<sup>26</sup> BWX's management believes that the Asia Pacific region presents a substantial export market opportunity for the Sukin brand.

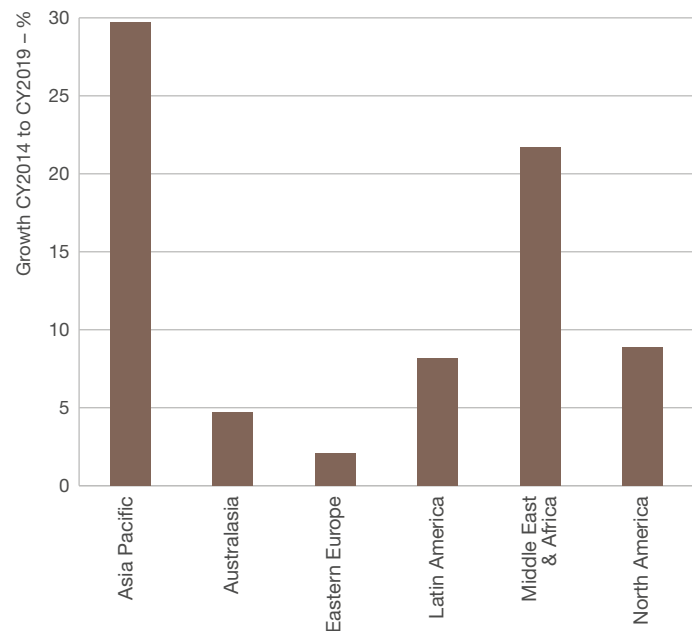
BWX anticipates that rising incomes and the growth of the middle class in the emerging Asian economies will drive increasing demand for products at the top end of the mass market segment.

Indonesia is forecast to become the second largest contributor to the global skin care segment's total growth, displacing the US into third position, while India will follow South Korea and rise to become the fifth largest market in absolute growth terms. Indonesia and India together will add more than US\$2 billion to the skin care segment by 2019. Turkey remains a major growth engine in Western Europe where increasing marketing activity by beauty brands will boost the skin care segment's value.<sup>28</sup>

Other major regions, Europe and the US in particular, are well established but still open to new product offerings to revitalise the segment, and are collectively forecast to grow by US\$2.43 billion from CY2014 to CY2019.<sup>29</sup> Latin America is forecast to add US\$855 million to the skin care segment's revenues during this period.<sup>30</sup>

As explained further in Section 3, BWX believes its brands are well placed to grow ahead of the macro growth rates in the developed beauty and personal care markets. In addition, BWX intends to actively pursue the export opportunities in the high growth developing markets of the Asia Pacific region and beyond.

**Figure 2.7<sup>27</sup>: Regional Skin Care Market Total Growth % CY2014 to CY2019**



21 Euromonitor International – *Passport – Beauty and Personal Care 2015 Edition – Global & Regional – Historic & Forecast 2015 – Historic Current Prices, Forecast Constant 2014 Prices*.

22 Euromonitor International, Beauty and Personal Care, *Passport: the Future of Skin Care – Game-Changing Trends and Influencers*, June 2015, page 15.

23 Euromonitor International, Beauty and Personal Care, *Passport: the Future of Skin Care – Game-Changing Trends and Influencers*, June 2015, page 30.

24 Euromonitor International – *Passport – Beauty and Personal Care 2015 Edition – Global & Regional – Historic & Forecast 2015 – Historic Current Prices, Forecast Constant 2014 Prices*.

25 Euromonitor International, Beauty and Personal Care, *Passport: the Future of Skin Care – Game-Changing Trends and Influencers*, June 2015, page 45.

26 Euromonitor International, Beauty and Personal Care, *Passport: the Future of Skin Care – Game-Changing Trends and Influencers*, June 2015, page 48.

27 Euromonitor International – *Passport – Beauty and Personal Care – Global & Regional – Historic & Forecast 2015*.

28 Euromonitor International, Beauty and Personal Care, *Passport: the Future of Skin Care – Game-Changing Trends and Influencers*, June 2015, page 44.

29 Euromonitor International, Beauty and Personal Care, *Passport: the Future of Skin Care – Game-Changing Trends and Influencers*, June 2015, page 44.

30 Euromonitor International, Beauty and Personal Care, *Passport: the Future of Skin Care – Game-Changing Trends and Influencers*, June 2015, page 45.

## 2.10 'Natural' Beauty and Personal Care

The markets for beauty and personal care products in developed Western economies are well established and expected to grow at low single digit rates in the medium term.<sup>31</sup> As a result the Directors believe companies and brands must innovate in response to consumer trends in order to achieve and maintain a competitive advantage. BWX's management believes that a number of companies in the beauty and personal care market are positioning and marketing their brands and products as 'natural', clean and green in response to evolving consumer tastes and preferences.

The majority of BWX's brands and products are positioned and marketed in the 'natural'<sup>32</sup> segment of the beauty and personal care market. BWX's strategy both domestically and in export markets is to highlight the 'natural' credentials and attributes of its brands. This strategy and the dynamics of the 'natural' skin care market are explained further in Section 3.

## 2.11 Beauty and Personal Care Regulatory Environment

Regulations in the beauty and personal care market are specific to each geographic region. In general, products are manufactured according to codes of good manufacturing practice. There are, however, many important differences relating to the suitability of key ingredients for specific markets and this can pose significant hurdles for product registration across different jurisdictions.

An example is California, US, where certain ingredients are required to be specifically labelled. Proposition 65<sup>33</sup> requires businesses to notify Californians about significant amounts of chemicals in the products they purchase, in their homes or workplaces, or that are released into the environment. By providing this information, Proposition 65 enables Californians to make informed decisions about protecting themselves from exposure to these chemicals.

Regulatory requirements vary between jurisdictions and are subject to change. BWX's management believes that it is important that companies operating in the beauty and personal care market remain up to date with regulatory requirements. As set out in Figure 2.8, animal testing, for example, is banned in many jurisdictions, but is mandatory in others. In accordance with its 'natural' brand positioning neither Sukin nor any other BWX brands utilise animal testing.

Figure 2.8 – Animal Testing Regulations<sup>34</sup>

Jurisdiction	Regulatory Position
Australia	In March 2014 the Australian Greens Party introduced the <i>End Cruel Cosmetics Bill</i> to Parliament. In November 2014 the Australian Senate passed a motion, supported by all parliamentary parties, that recognises the importance of ending the import and manufacture of cruel cosmetics. <sup>35</sup>
New Zealand	No animal testing for cosmetics takes place in New Zealand. Despite this there is a significant public campaign for animal testing to be formally banned.
India	India banned animal testing for cosmetics in 2014. India's ban, which covers both ingredients and final products, made it the first Asian country to pass such a law.
China	In China, animal testing for cosmetics has been mandatory; causing companies that had long stopped testing on animals to choose either to be in China or not to enter skin care's fastest growing market. In 2014, China ended mandatory testing for locally manufactured goods giving a distinct advantage to local companies and major internationals who can afford to manufacture locally.
United States	The USA does not have a ban on animal testing for cosmetics. However, in 2014 the USA proposed to pass a bill to discuss the banning of animal testing in cosmetics.
European Union	The European Union has had a ban on animal testing for cosmetics since 2004. In 2013 this ban was upgraded to a total ban which included imported goods.

<sup>31</sup> Euromonitor International, Beauty and Personal Care, *Passport: the Future of Skin Care – Game-Changing Trends and Influencers*, June 2015, page 8.

<sup>32</sup> The term 'natural' is afforded many meanings and definitions in the beauty and personal care industry both in Australia and internationally. BWX presents its products to the market as 'natural' in the ordinary meaning of the term. For the purposes of this Prospectus the Company has adopted the following meaning of natural: 'Any product for care of skin that is derived from or claims to be derived from ingredients such as herbs, roots, essential oils and flowers and combined with naturally occurring carrier agents, preservatives, surfactants, humectants and emulsifiers. Should include botanically sourced ingredients currently existing or formed by nature without the use of synthetic chemicals and manufactured in such a way to preserve the integrity of the ingredients.' It is the view of BWX's Directors that the Sukin product range meets this definition of 'natural'.

<sup>33</sup> The Californian Government Office of Environmental Health Hazard Assessment website at [www.oehha.gov.ca](http://www.oehha.gov.ca) provides: 'Proposition 65, the Safe Drinking Water and Toxic Enforcement Act of 1986, was enacted as a ballot initiative in November 1986. The Proposition was intended by its authors to protect California citizens and the State's drinking water sources from chemicals known to cause cancer, birth defects or other reproductive harm, and to inform citizens about exposures to such chemicals.'

<sup>34</sup> Euromonitor International, *Passport: the Future of Skin Care – Game-Changing Trends and Influencers*, June 2015, page 42.

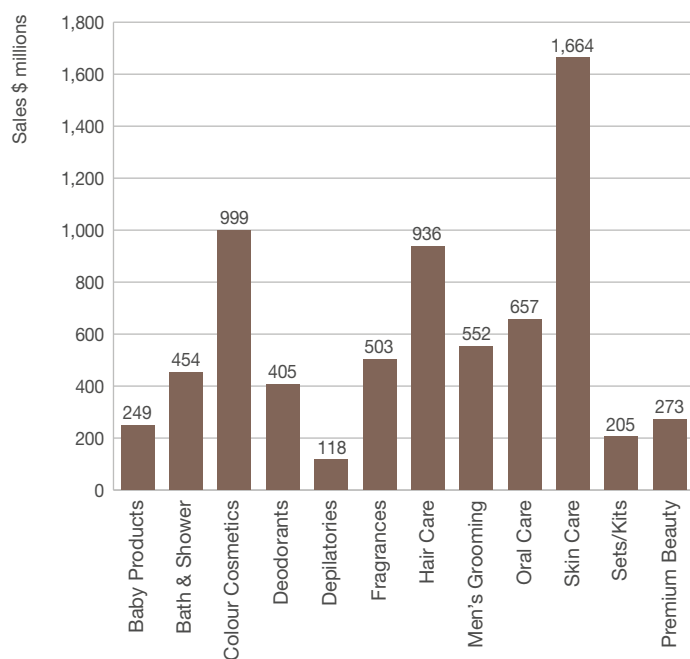
<sup>35</sup> *End Cruel Cosmetics Bill* – Explanatory Memorandum 2014 – Australian Parliament.

## 2.12 Beauty and Personal Care – Australian Market

The Australian beauty and personal care market is well established and generated sales of approximately \$6.7 billion in CY2014.<sup>36</sup> Between CY2009 and CY2014 the Australian beauty and personal care market grew at a CAGR of 2.3%.<sup>37</sup>

Figure 2.9 below outlines the revenue contributions in CY2014 from each segment within the Australian beauty and personal care market.

**Figure 2.9: Australian Beauty and Personal Care Market by Segment CY2014**



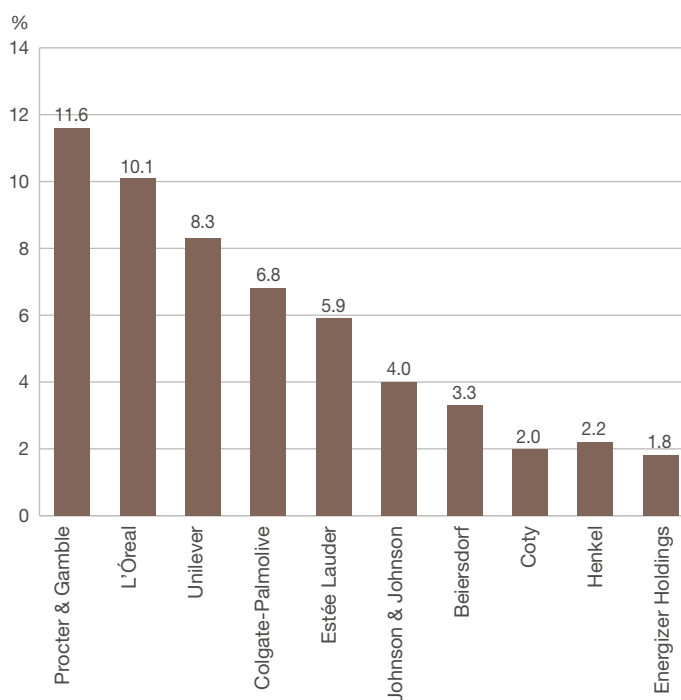
The mass market beauty and personal care segment accounted for \$3.85 billion of total sales in 2014. This mass market segment grew at a CAGR of 2.5% compared to the premium market which experienced a slower growth rate of 1.9%.<sup>38</sup>

The Australian beauty and personal care market is subject to similar dynamics as the global market. The Australian market is well established and is expected to grow 2.1% from CY2014 to CY2019<sup>39</sup> at a CAGR of 0.4%. However, as outlined in Section 3, Sukin products are positioned in the 'natural' segment of the Australian skin care market and have outperformed the growth rates of the broader skin care market.<sup>40</sup>

## 2.13 Major Companies and Brands – Australian Beauty and Personal Care Market

Similar to the global market, the Australian beauty and personal care market has a significant presence of major multinational companies including Procter & Gamble Co, Unilever Group, and Johnson & Johnson Inc and their respective suites of brands. Figure 2.10 below sets out the top 10 companies by % of total sales revenue in the Australian beauty and personal care market.

**Figure 2.10<sup>41</sup>: Top Ten Companies – Australian Beauty and Personal Care Market CY2014**



<sup>36</sup> Euromonitor International, *Passport – Haircare in Australia*, June 2015, page 18.

<sup>37</sup> Euromonitor International, *Passport – Haircare in Australia*, June 2015, page 19.

<sup>38</sup> Euromonitor International, *Passport – Haircare in Australia*, June 2015, page 19.

<sup>39</sup> Euromonitor International, *Passport – Haircare in Australia*, June 2015, page 27.

<sup>40</sup> Nielsen Scan Track Pharmacy – BWX defined Skin Care for the 12 months ended 23 August 2015.

<sup>41</sup> Euromonitor International, *Passport – Company Shares (National – Historical Owner) Retail Value RSP% breakdown September 2015*.

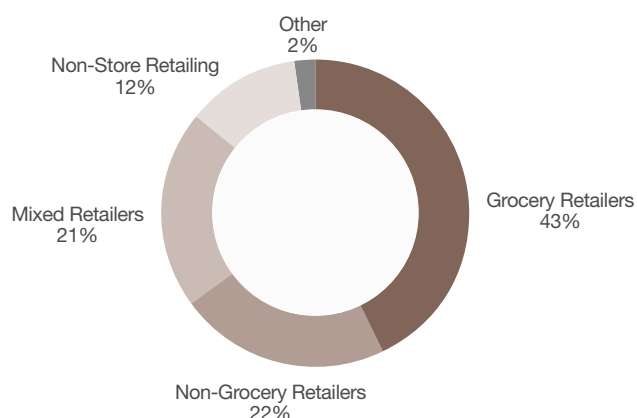
## 2.14 Distribution Channels for Beauty and Personal Care Products in the Australian Market

There are four primary distribution channels for beauty and personal care products in the Australian beauty and personal care market.

- Grocery retailers including supermarkets and convenience stores.
- Non-grocery retailers including pharmacies, health stores and other specialty stores.
- Mixed retailers including department stores.
- Non-store retailing including direct selling and online sales.

Figure 2.11 below illustrates the relative size of each of these distribution channels within the \$6.7 billion Australian beauty and personal care market. BWV's sales and marketing efforts are focused on the chemists, pharmacies, drugstores and parapharmacies within the non-grocery retail channel which account for 16.1% or approximately \$1.1 billion of the total beauty and personal care market.<sup>42</sup>

**Figure 2.11<sup>43</sup>: Distribution Channels Australian Beauty and Personal Care Market CY2014**

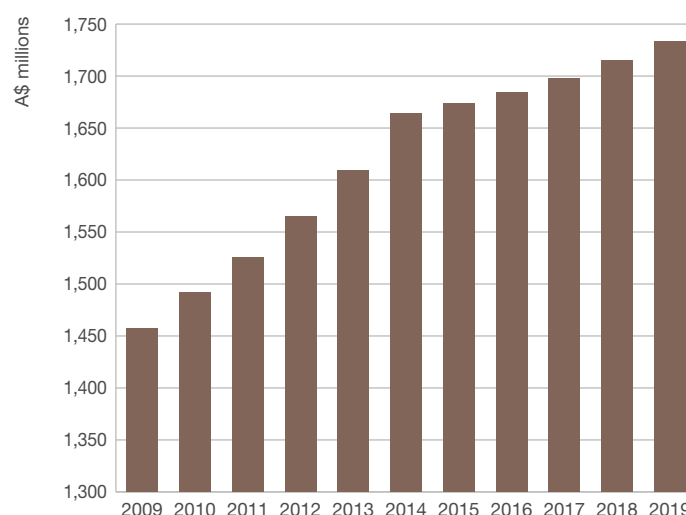


## 2.15 Australian Skin Care Segment

Skin care products accounted for 25% of the overall Australian beauty and personal care market with total sales of A\$1.67 billion in CY2014. The skin care segment experienced growth of 14.2% from CY2009 to CY2014 at a CAGR of 2.7%, as illustrated in the chart below.<sup>44</sup> This growth is anticipated to continue, albeit at a slower rate, with Euromonitor forecasting that the Australian skin care segment will grow 4.1% between CY2014 and CY2019 at a CAGR of 0.8%. Accordingly Australian skin care companies and their brands must innovate in order to sustain their growth trajectories and outperform these macro trends.

Figure 2.12 below outlines the historical and forecast year on year growth in the skin care market from CY2009 to CY2019.

**Figure 2.12<sup>45</sup>: Australian Skin Care Segment Total Sales Growth CY2009 to CY2019**



<sup>42</sup> Euromonitor International, *Passport – Haircare in Australia*, June 2015, page 23.

<sup>43</sup> Euromonitor International, *Passport – Haircare in Australia*, June 2015, page 23.

<sup>44</sup> Euromonitor International, *Passport – Haircare in Australia*, June 2015, page 19.

<sup>45</sup> Euromonitor International, *Passport – Haircare in Australia*, June 2015, pages 18 and 26.



## 2.16 Australian 'Natural' Beauty and Personal Care Market

Based on its industry experience BWX's management believes that consumers are making '*cleaner and greener*' lifestyle choices for themselves and their families. The growing demand for 'natural' beauty and personal care products is also being fuelled by mounting public concerns for health and safety and increasing 'green' consciousness and a growing awareness of the potential hazards of synthetic chemicals.

According to Euromonitor International:

*"Sustainable and ethical aspects of beauty and personal care will be a key focus for manufacturers over the forecast period [2014-19] as they have become increasingly influential in consumers' purchasing decisions."*<sup>46</sup>

Further, BWX believes that growth in the 'natural' skin care segment is also being stimulated by product innovation. A wide array of increasingly sophisticated and innovative products is beginning to enter the market, particularly products with antioxidant properties and those featuring natural herbal extracts.

### Australian Pharmacies 'Natural' Skin Care Segment

There was approximately \$313 million in sales of skin care products generated in Australian pharmacies in the 12 months ended August 2015.<sup>47</sup> This represents a 17% year on year increase from approximately \$267 million for the previous corresponding period.<sup>48</sup>

The 'natural' segment of skin care in pharmacies outperformed skin care overall, growing 29% to \$54.7 million in sales over the 12 months ended August 2015 compared to \$42.5 million in sales over the previous corresponding period.<sup>49</sup>

The growth in skin care sales in pharmacies and in particular the growth in the 'natural' segment can be contrasted with the broader Australian skin care market which is projected to grow by 4.1% overall from CY2014 to CY2019.<sup>50</sup>

Management believes that these figures indicate the following:

- that consumers are increasingly purchasing skin care products in pharmacies;
- that skin care products in pharmacies are outperforming the broader Australian skin care market; and
- that the 'natural' segment of the skin care market has significantly outperformed the broader skin care market in pharmacies.

46 Euromonitor International, *Passport – Haircare in Australia*, June 2015, page 18.

47 Nielsen Scan Track Pharmacy – BWX defined Skin Care for the 12 months ended 23 August 2015.

48 Nielsen Scan Track Pharmacy – BWX defined Skin Care for the 12 months ended 23 August 2015.

Nielsen's Scan Track Pharmacy provides a representative view of total pharmacy sales in Australia by combining census point of sale data from specific pharmacy retailers with point of sale data from a representative panel of pharmacy stores.

49 Nielsen Scan Track Pharmacy – BWX defined Skin Care for the 12 months ended 23 August 2015.

50 Euromonitor International, *Passport – Haircare in Australia*, June 2015, page 27.



## 3. COMPANY OVERVIEW

### 3.1 Summary

BWX is a vertically integrated beauty and personal care production and distribution company. BWX is the owner, producer and distributor of the following five brands:

- Sukin;
- Derma Sukin;
- Uspa;
- Edward Beale; and
- Renew Skincare.

BWX owns the formulations and associated intellectual property for all five of its brands. In addition, BWX provides manufacturing services for third party customers' brands.

BWX's business strategy focuses on the following three primary activities:

- **Brand Development** – supporting the ongoing growth and development of BWX's brands;
- **Production** – manufacturing the products for its own brands and third party customers at its leased and purpose built manufacturing facility; and
- **New Product Development** – developing, producing and commercialising new product formulations for the beauty and personal care market.

In 2014 BWX commenced manufacturing from its purpose built production facility based in Dandenong South, Victoria which is secured by a long term lease. The Dandenong South facility also houses BWX's corporate headquarters.

### BWX Product Range



### BWX Production Facility



### 3.2 Company History

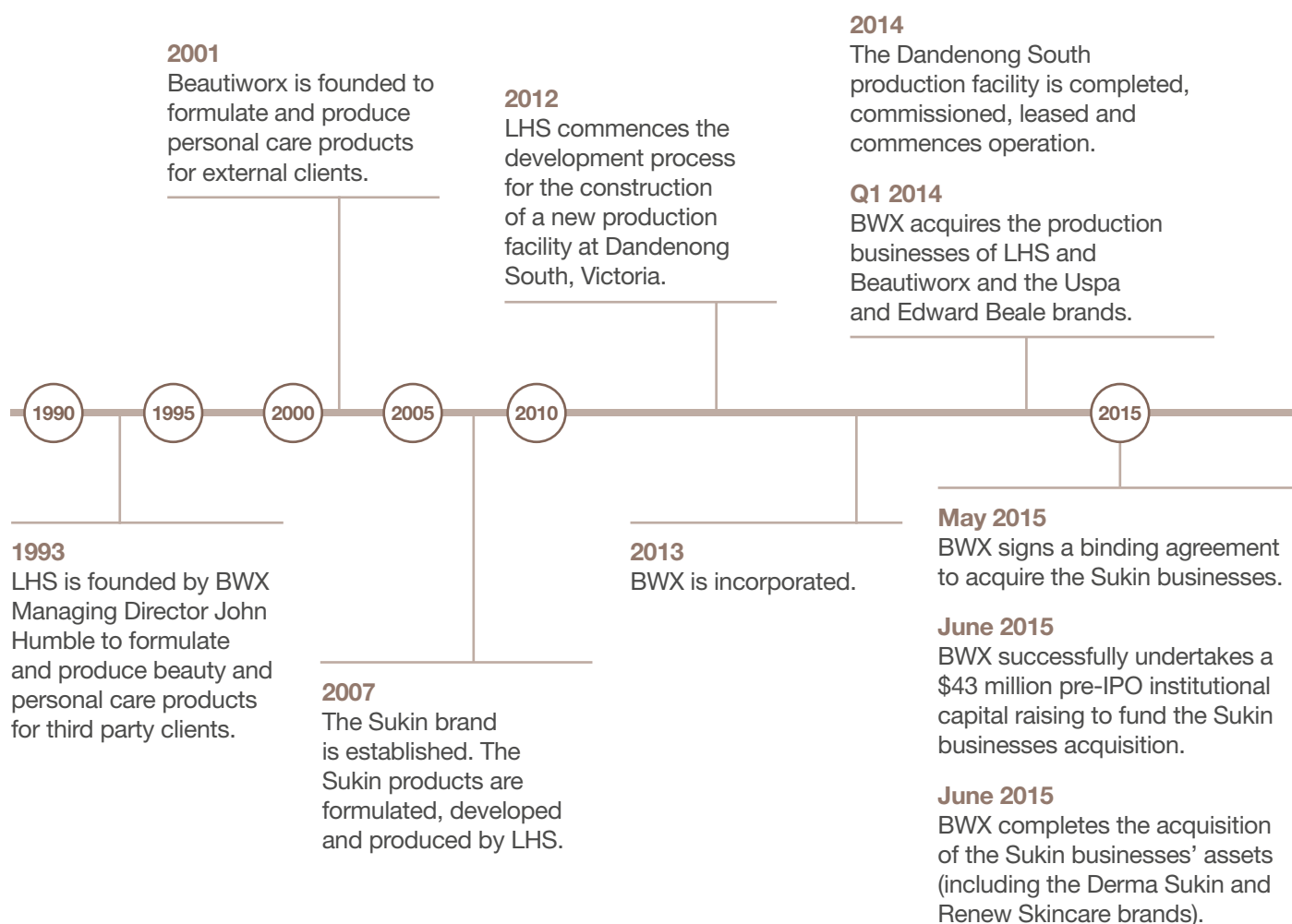
In early 2014 BWX completed the acquisitions of two formulation and production businesses servicing the skin care and hair care markets (LHS and Beautiworx) and the acquisition of two skin and hair care brands (Edward Beale and Uspa). The LHS acquisition was strategically important given the longstanding relationship between LHS and the skin care company Sukin. LHS had previously developed and owned all of the intellectual property associated with the formulation of Sukin's products.

The acquisitions of LHS, Beautiworx, Edward Beale and Uspa were completed in accordance with BWX's strategy of establishing a profitable manufacturing business to provide the platform for a transformative brand acquisition such as Sukin.

In June 2015 BWX successfully completed the acquisition of the Sukin brand and business assets. The Sukin acquisition included the brands Derma Sukin and Renew Skincare. Management estimates that the Sukin business will account for approximately 70.4% of BWX's forecast FY16 EBITDA.

Following these acquisitions BWX now stands as a vertically integrated developer, manufacturer and marketer of branded skin and hair care products with an emphasis on the 'natural' segment of the beauty and personal care market. Figure 3.1 below provides a brief chronology of the evolution of BWX.

**Figure 3.1: BWX Timeline**





### 3.3 BWX Business Strategy

BWX develops, produces and markets its own brands, leveraging its established distribution channels and existing portfolio of brands while continuing to offer its development and production services to selected third party customers.

The BWX business strategy centres on the following key elements:

- increasing domestic distribution of BWX's products;
- increasing international distribution of BWX's products;
- developing range extensions for BWX's brands;
- further developing existing service relationships with BWX's major customers;
- developing new brands and products for distribution to new and existing markets;
- supporting the brands of selected third party customers; and
- identifying suitable brands and businesses for acquisition.

### 3.4 Production Capability

BWX's management believes considerable efficiencies can be achieved by controlling the entire production cycle. BWX intends to continue to facilitate flexibility in production to enable it to execute its short term plans while maintaining sufficient production capacity to service its forecast growth. This strategy will be executed in tandem with BWX's ongoing new product development and the potential acquisition of additional brands.

BWX has the infrastructure and expertise to develop, formulate and produce a wide variety of beauty and personal care products, including but not limited to moisturisers, cleansers, body scrubs, body creams, facial masks, hand creams, toners, day creams, night creams, lip balms, body oils, deodorants, shampoos, conditioners and styling products.

The production facility in Dandenong South, Victoria is ISO 22217:2006 'Guidelines on Good Manufacturing Practices (GMP)' certified for the manufacturing of cosmetics, hair care, bath and body products by SGS ICS.<sup>1</sup> The BWX facility has capacity to increase its scale in response to future growth and consumer demand.

BWX's management believes that the capital requirements associated with increasing production capacity in order to meet forecast demand are relatively low compared to the potential earnings uplift and productivity gains that can be achieved. For example, BWX is currently implementing a project to increase its production capacity which is due for completion before the end of calendar year 2015. The project is expected to cater for the increased production forecast by the Company by improving productivity on several key production lines.

Management believes that the vertical integration of BWX's production and warehousing capability across a single location in Dandenong South has the following key advantages:

- **Adaptability** – BWX believes that in order to stay competitive in the beauty and personal care market it must be able to quickly adapt and respond to changes in consumer tastes and trends. BWX's infrastructure and new product development team allows it to rapidly respond to market trends by adding or removing product lines with minimal disruption.
- **Quality Assurance** – BWX controls and monitors the sourcing of raw ingredients, product formulation, product manufacturing, quality testing, packaging, warehousing and distribution.
- **Cost Efficiencies** – BWX has the flexibility to cost effectively produce both low volume high margin products and high volume low margin products.

<sup>1</sup> SGS ICS – SGS is a global inspection, verification, testing and certification company. [www.sgs.com.au](http://www.sgs.com.au).



### 3.5 New Product Development (NPD)

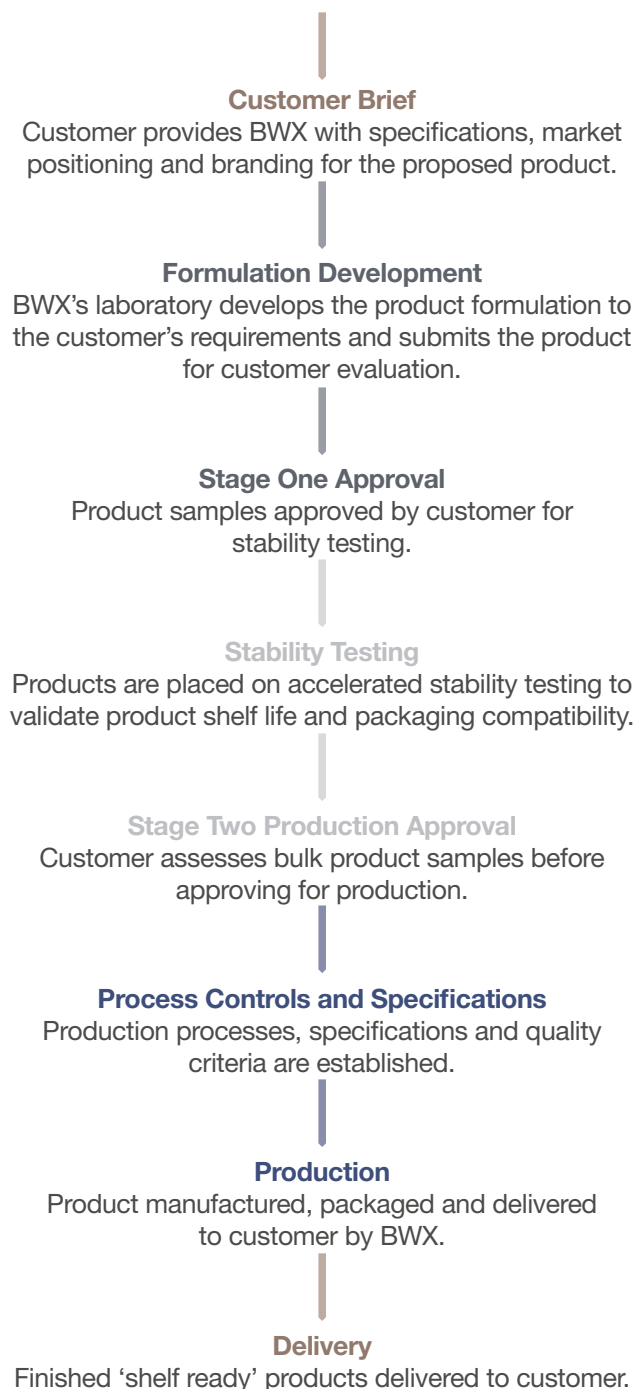
BWX's research and development laboratory, coupled with its experienced technical staff, provide the Company with the platform to engage in new product development.

BWX's management believes that it has the knowledge, expertise, experience and resources at its disposal to design, formulate, produce and distribute products from conception through to shelf readiness. In addition, BWX maintains a database of formulations developed over many years which the Company can utilise to expedite the commercialisation of new products in response to market trends.

#### BWX New Product Laboratory



#### New Product Development – Process and Work Flow



As a vertically integrated company involved in developing new product formulations, producing and distributing these products, BWX believes that it is well placed to remain price competitive while maintaining its sales margins.

### 3.6 Suppliers

BWX has a broad and diversified range of suppliers for its ingredients, packaging and service requirements. BWX has an experienced procurement team who manage the relationships with the Company's suppliers. In line with BWX's focus on 'natural' products the Company's procurement team closely monitor the origins and quality of raw ingredients and packaging materials.

BWX's management aims to continue delivering margin improvements through procurement savings without compromising on the quality of the Company's end products.

### 3.7 Employees

As at 30 June 2015 BWX employed approximately 130 employees. Of these approximately 109 are employed on a full time basis, eight part time and 13 on a casual basis.

BWX's management considers its workforce to be integral to its success. The Company values the contribution of its staff and strives to provide a productive and healthy workplace.

BWX works with its staff through a formal appraisal process to provide feedback on performance and highlight opportunities for BWX and its employees to work towards the Company's strategic objectives.

### 3.8 Overview of Brands and Services

#### 3.8.1 BWX's Brands and Services

BWX owns the following brands:

- Sukin;
- Derma Sukin;
- Uspa;
- Edward Beale; and
- Renew Skincare.

In addition BWX provides manufacturing services to third party customers. Described in this Section are the five BWX brands, the third party manufacturing business and their respective contributions to BWX.

#### 3.8.2 BWX Revenue Composition

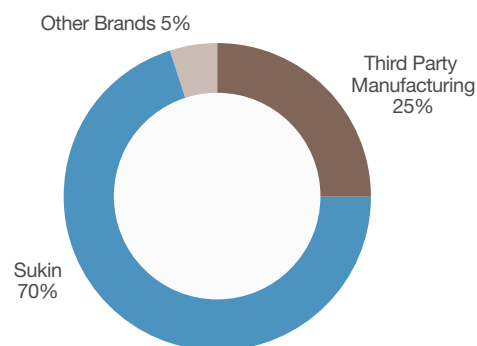
BWX is forecast to generate total revenue of \$50.1 million for FY16. This represents year on year growth of 11.2% from the pro forma FY15 BWX revenue of \$45.1 million.<sup>2</sup>

Sukin is forecast to contribute approximately 70.4% of BWX's revenue in 2016, with sales of \$35.3 million in FY16 (see Figure 3.2 below).

Third party manufacturing, the second largest source of revenue for BWX, is forecast to contribute 24.5% of BWX's revenue for FY2015.

Collectively the other brands in BWX's portfolio (Uspa, Edward Beale, Renew Skincare and Derma Sukin) are expected to contribute 5% of BWX's forecast revenue for FY16.<sup>3</sup>

**Figure 3.2: BWX Forecast Revenue Breakdown FY16**



#### 3.8.3 Sukin – 'Skincare that doesn't cost the Earth'

Launched in 2007, the Sukin brand is positioned and marketed to consumers as an environmentally sustainable<sup>4</sup> and affordable range of skin and hair care products selling in the 'natural' category of the beauty and personal care market.

Sukin's mission is to create high quality, affordable 'natural' skin and hair care products. BWX's management believes that the Sukin brand is well placed to capitalise on the consumer trend towards cleaner and greener lifestyle choices.

According to Euromonitor:

*"Australians are now more aware and concerned about the ethical and sustainable aspects of beauty and personal care and these aspects are more influential in their purchasing decisions now than they were in the past. Consumers are willing to hold back on purchases of beauty and personal care products that are unsustainable, unethical or include harmful ingredients, with natural and organic skin care companies benefiting from this trend."*<sup>5</sup>

<sup>2</sup> Please refer to Section 4 regarding details of the FY16 forecasts and the underlying assumptions and Section 5 for the risks.

<sup>3</sup> All figures sourced from BWX consolidated accounts.

<sup>4</sup> The Sukin business: is accredited as carbon neutral by the Carbon Reduction Institute of Australia; uses PET recycled plastic for most of its products; does not use animal testing and is accredited as cruelty free by the organisation Choose Cruelty Free.

<sup>5</sup> Euromonitor International, *Passport – Haircare in Australia*, June 2015, page 17.

Sales of Sukin skin care products in Australian pharmacies grew 40% over the 12 months to August 2015.<sup>6</sup> BWX management believes this growth reflects consumers' increasing awareness and attraction towards brands and products with clean, green and 'natural' credentials and attributes.

Consumers are becoming increasingly aware of the environmental and sustainability aspects of the sourcing and production of beauty and personal care products. In a June 2015 report Euromonitor International observed:

*"A ban on animal testing will support growth in natural skin care companies, and these companies will benefit from a ban as they look to capitalise on their natural positioning. Beauty and personal care manufacturers such as Sukin Organics, Natio and Nature's Organics are all accredited cruelty free companies and therefore attract sales from consumers refusing to purchase animal tested products."*<sup>7</sup>

The Sukin product range consists of approximately 70 products including the following:

- Hydrating Mist Toner
- Antioxidant Eye Serum
- Foaming Facial Cleanser
- Facial Moisturiser
- Botanical Body Wash
- Rose Hip Hydrating Day Cream
- Certified Organic Rose Hip Oil
- Revitalising Facial Scrub
- Moisture Restoring Night Cream
- Purifying Shampoo

In Australia, Sukin's products are distributed primarily to pharmacy outlets through an established network of independent distributors and through direct accounts.

BWX is in the process of expanding its international distribution platform to exploit what management believes is strong growth potential in export markets, particularly in the high growth Asian economies.

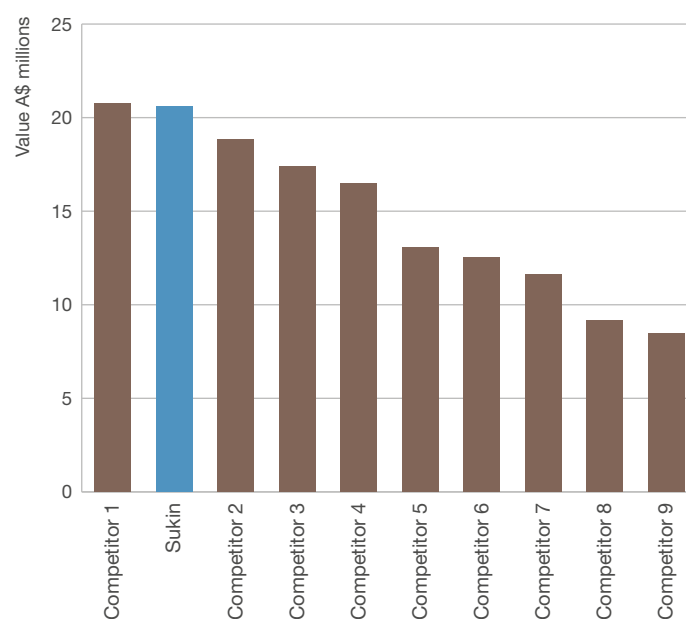
### 3.8.4 Sukin – Market Position

Over the 12 months to August 2015 Sukin ranked as the second highest selling skin care brand in Australian pharmacies.<sup>8</sup> During this period, Sukin annual sales of skin care products in pharmacies were \$20.6 million, which represented a year on year growth rate of approximately 40%.<sup>9</sup> This is above the 29% growth rate for 'natural' skin care products in Australian pharmacies and well above the overall growth rate of 17.2% for the skin care segment in Australian pharmacies.<sup>10</sup>

BWX's management believes that in Australian pharmacies, Sukin's products compete with brands including L'Oréal, Nivea, Jurlique, Olay and Trilogy.

Figure 3.3 below outlines Sukin's market position in Australian pharmacies over the 12 months to August 2015.

**Figure 3.3<sup>11</sup>: Skin Care Sales Top 10 Brands Australian Pharmacies to August CY2015 A\$Millions**



6 Nielsen Scan Track Pharmacy – BWX defined Skin Care for the 12 months ended 23 August 2015.

7 Euromonitor International, Passport – Haircare in Australia, June 2015, page 18.

8 Nielsen Scan Track Pharmacy – BWX defined Skin Care for the 12 months ended 23 August 2015.

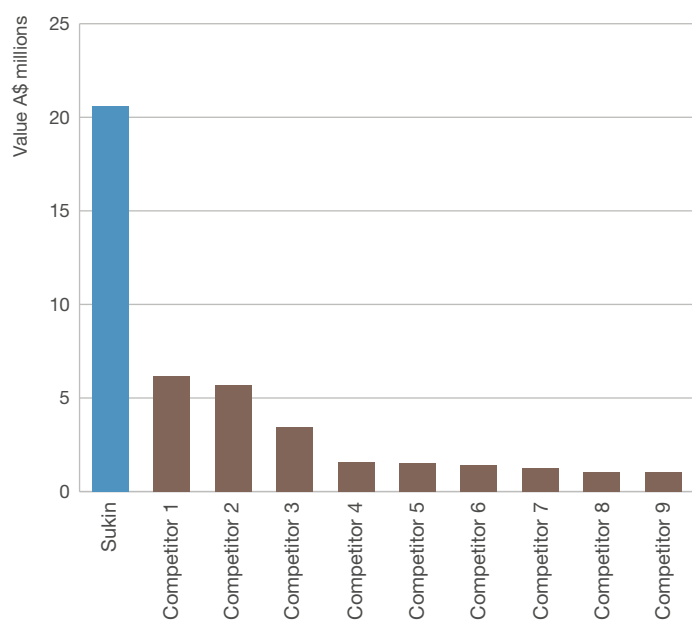
9 Nielsen Scan Track Pharmacy – BWX defined Skin Care for the 12 months ended 23 August 2015.

10 Nielsen Scan Track Pharmacy – BWX defined Skin Care for the 12 months ended 23 August 2015.

11 Nielsen Scan Track Pharmacy – BWX defined Skin Care for the 12 months ended 23 August 2015.

As set out in Figure 3.4 below, Sukin was the No. 1 selling 'natural' skin care brand throughout Australian pharmacies based on sales revenue in the 12 months to August 2015.<sup>12</sup>

**Figure 3.4<sup>13</sup>: Top 10 Brands – Total Sales 'Natural' Skin Care Segment Australian Pharmacies August CY2015**

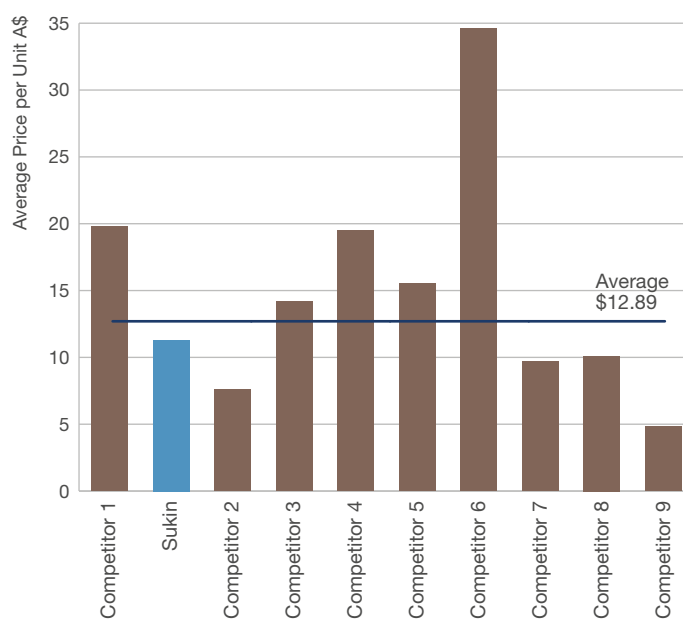


### 3.8.5 Sukin – Price Point

The average price per unit for the overall skin care market in Australian pharmacies is \$12.89.<sup>14</sup> Importantly, Sukin's average per unit price of \$11.32 positions it towards the middle of the price spectrum of competing brands. This positioning aligns with Sukin's strategy of being towards the top end of the mass market segment of the beauty and personal market while remaining competitively priced and affordable. This segment of the market is often referred to as *Masstige*, denoting a product's premium quality ingredients, branding and packaging, without the corresponding top of the range price point.

Figure 3.5 illustrates that Sukin's products are more expensive than the mass market brands but substantially more affordable than the premium brands.

**Figure 3.5<sup>15</sup>: Average Price per Unit A\$ Skin Care Brands Australian Pharmacies to August CY2015**



Australian consumers spent A\$5.6 billion on non-prescription over the counter products in pharmacies in FY15, growing at 12.7% on a moving annual total basis.<sup>16</sup> The consumer spend at Australian pharmacies includes all non-prescription products purchased from pharmacies including those outside the beauty and personal care market. BWX management believes that these figures illustrate that people are increasingly doing a greater proportion of their household shopping through pharmacies. As set out in Section 3.8.7, BWX sells the majority of its products through pharmacies.

<sup>12</sup> Nielsen Scan Track Pharmacy – BWX defined Skin Care for the 12 months ended 23 August 2015.

<sup>13</sup> Nielsen Scan Track Pharmacy – BWX defined Skin Care for the 12 months ended 23 August 2015.

<sup>14</sup> Nielsen Scan Track Pharmacy – BWX defined Skin Care for the 12 months ended 23 August 2015.

<sup>15</sup> Nielsen Scan Track Pharmacy – BWX defined Skin Care for the 12 months ended 23 August 2015.

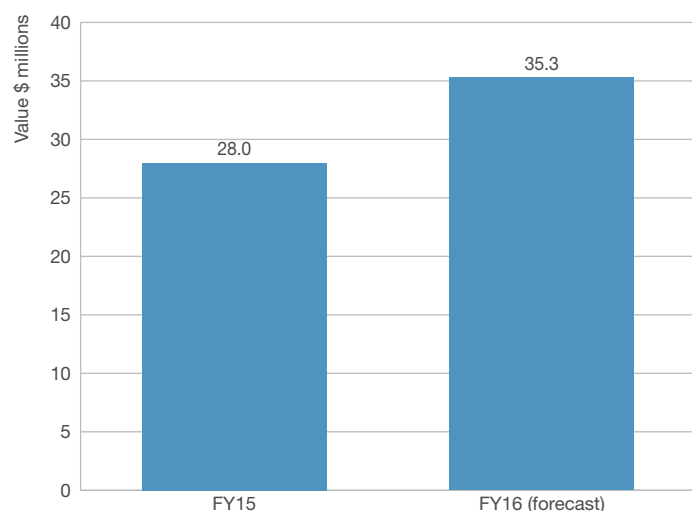
<sup>16</sup> Nielsen – *Nielsen Market Trends – Australian pharmacy channel for Health, Beauty and Personal Care* – 26 June 2015, page 15.

### 3.8.6 Sukin Sales Growth v Market Growth

The Sukin brand performed strongly in FY15 and is forecast to grow its total sales and gross profit margin in FY16. Sukin is forecast to achieve year on year revenue growth of approximately 26% between FY15 and FY16.<sup>17</sup>

Figure 3.6 below shows that in FY15 the Sukin brand recorded revenue of \$28 million and is forecast to achieve revenue of \$35.3 million in FY16.

**Figure 3.6: Sukin FY15 and Forecast FY16 Annual Sales**



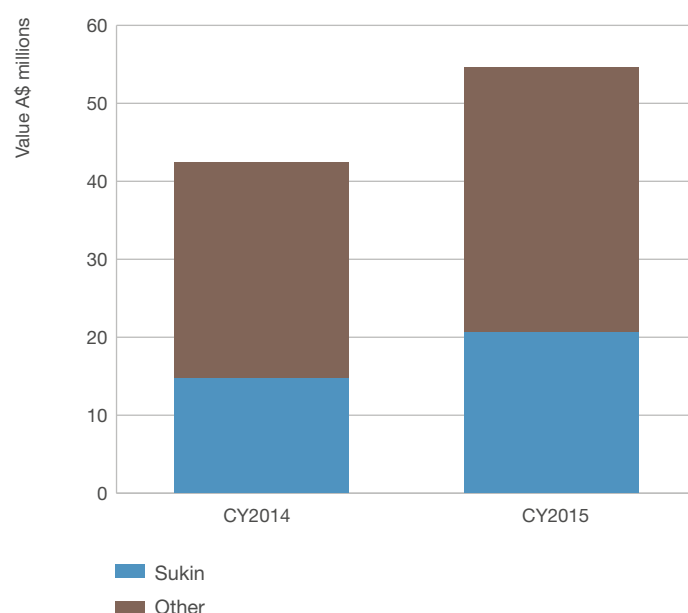
### 3.8.7 Sukin Sales – Pharmacy Channel

The majority of BWX's sales of Sukin products are through pharmacies where Sukin is the second highest selling skin care brand.<sup>18</sup> BWX's management has identified further opportunities to maximise the retail presence of Sukin products in pharmacies which currently stock the Sukin range.

The value of skin care products sold in pharmacies in Australia for the 12 months ended August 2015 was approximately \$313 million.<sup>19</sup> This represents a 17% increase from the previous corresponding 12 month period when sales of \$267 million were recorded.<sup>20</sup>

As set out in Figure 3.7 below, the 'natural' segment of skin care in pharmacies grew 29% to \$54.7 million over the 12 months ended August 2015 compared to \$42.5 million of sales in the previous corresponding period.<sup>21</sup> The Sukin brand grew 40% in the 12 months to August 2015 which exceeded the 29% overall growth in 'natural' skin care in pharmacies.<sup>22</sup> BWX's management believes that the Sukin brand has contributed to the overall growth in sales of 'natural' skin care products in Australian pharmacies.

**Figure 3.7<sup>23</sup>: 'Natural' Skin Care and Sukin Sales Growth Australian Pharmacies August CY2014 and August CY2015**



BWX management believes that the pharmacy data for the 12 month periods to August 2014 and August 2015 for the skin care pharmacy segment provides the following insights:

- Sukin total annual skin care sales in pharmacies were \$20.6 million which represented a growth rate of 40% over the previous corresponding period;
- the 'natural' segment of the skin care market in the pharmacy channel grew by 29%; and
- Sukin was the highest selling 'natural' skin care brand by revenue within pharmacies in the Australian market.

<sup>17</sup> See Section 4 (Financial Information) for further details and the underlying assumptions and Section 5 (Risks).

<sup>18</sup> Nielsen Scan Track Pharmacy – BWX defined Skin Care for the 12 months ended 23 August 2015.

<sup>19</sup> Nielsen Scan Track Pharmacy – BWX defined Skin Care for the 12 months ended 23 August 2015.

<sup>20</sup> Nielsen Scan Track Pharmacy – BWX defined Skin Care for the 12 months ended 23 August 2015.

<sup>21</sup> Nielsen Scan Track Pharmacy – BWX defined Skin Care for the 12 months ended 23 August 2015.

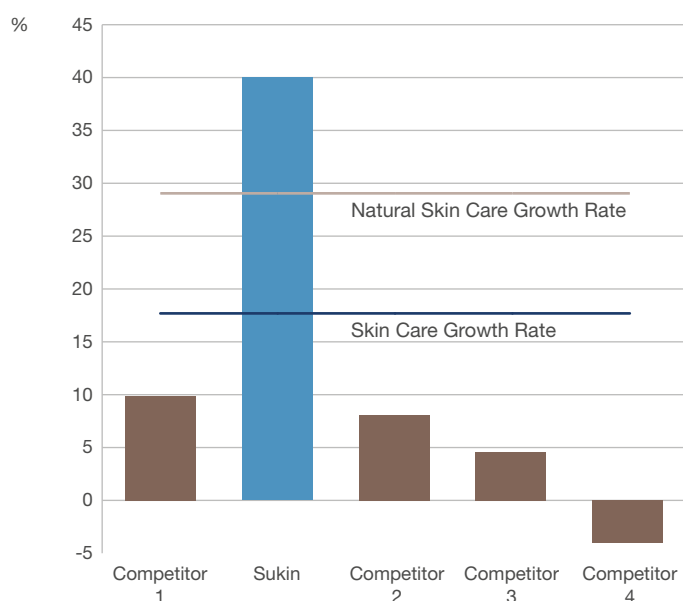
<sup>22</sup> Nielsen Scan Track Pharmacy – BWX defined Skin Care for the 12 months ended 23 August 2015.

<sup>23</sup> Nielsen Scan Track Pharmacy – BWX defined Skin Care for the 12 months ended 23 August 2015.



Figure 3.8 below compares the top five skin care brands in Australian pharmacies by annual growth rate for the 12 months to August 2015. During this period the overall skin care segment in Australian pharmacies experienced growth of 17%.<sup>24</sup> The growth among skin care products in the 'natural' segment was 29%. Sukin experienced the highest growth rate among the top five skin care brands and outperformed both the 'natural' segment and the broader skin care market within Australian pharmacies.

**Figure 3.8<sup>25</sup>: Skin Care Segment Top 5 Brands Australian Pharmacies Annual Growth Rates to August 2015**

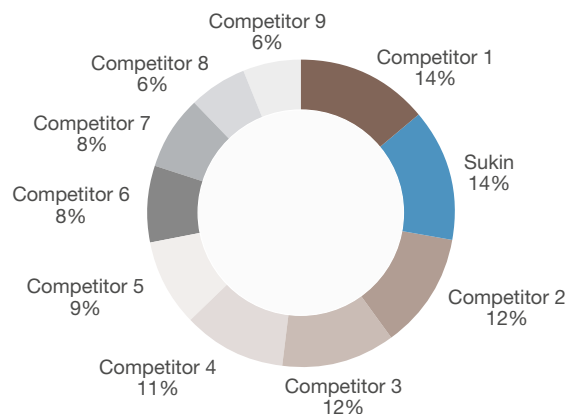


### 3.8.8 Pharmacy Channel Growth Opportunities

Despite its rapid growth and market leading position there remains considerable scope for the Sukin brand to grow its market share and sales revenue within Australian pharmacies. Sukin's skin care sales of \$20.6 million in pharmacies over the 12 months to August 2015 constituted 6.6% of the \$313 million total sales recorded in Australian pharmacies.<sup>26</sup>

Figure 3.9 illustrates that the skin care segment in pharmacies is highly fragmented. BWX's management believes this presents an opportunity for Sukin to continue increasing its share of the pharmacy skin care market.

**Figure 3.9<sup>27</sup>: Skin Care Sales Australian Pharmacies (Top 10 Brands %) 12 Months to August 2015**



### 3.8.9 New products

Sukin produces new products in response to consumer trends in order to increase its shelf presence with key retailers and drive sales growth.

During 2015 several new Sukin skin care products were launched.

In February 2015 Sukin launched the *Super Greens* skin care range and the *Sukin Micellar Cleansing Water*. As at 30 June 2015, these products had achieved combined sales of approximately \$1.2 million.

### 3.8.10 The Sukin Brand – Sales and Marketing

The key messages of the Sukin brand are:

- 'natural';
- environmentally friendly;
- high quality; and
- affordable.

These brand messages inform Sukin's tagline of '*Skin care that doesn't cost the Earth*'.

Sukin's branding has been carefully positioned to ensure that its key messages are effectively communicated to its wholesalers, distributors and consumers.

BWX has recently implemented a digital marketing campaign for Sukin which is focused on reinforcing its key brand messages to drive consumers into retail stockists of Sukin's products. BWX currently intends to continue its digital marketing campaign for the Sukin brand throughout 2015-16 with the aim of increasing brand

<sup>24</sup> Nielsen Scan Track Pharmacy – BWX defined Skin Care for the 12 months ended 23 August 2015.

<sup>25</sup> Nielsen Scan Track Pharmacy – BWX defined Skin Care for the 12 months ended 23 August 2015.

<sup>26</sup> Nielsen Scan Track Pharmacy – BWX defined Skin Care for the 12 months ended 23 August 2015.

<sup>27</sup> Nielsen Scan Track Pharmacy – BWX defined Skin Care for the 12 months ended 23 August 2015.



awareness and positive brand sentiment. In addition, BWX owns and operates a Sukin e-commerce website at [www.sukinorganics.com](http://www.sukinorganics.com) where most of its products are available for home delivery within Australia.

Sukin's industry marketing is directed towards supporting its retailers through in store initiatives at point of sale. Such activities include dedicated displays which provide merchandising opportunities and promotional programs including value adding, gift with purchase and gift pack promotions.

### 3.8.11 Sukin Domestic Distribution Model

BWX expects that Sukin will derive approximately 82% of its sales from the Australian market in FY16.<sup>28</sup> BWX utilises a wholesale distributor model for Sukin products. Within Australia, BWX has appointed State specific, independent distributors to sell its products into pharmacies, health food stores and specialty stores. Sukin products are purchased from BWX by the distributors and then on sold to retailers.

The only material exception to this model is Priceline where Sukin products are sold direct by BWX. In FY15 pharmacy sales accounted for the majority of Sukin's domestic sales (including direct accounts) with the remainder sold through health food and other specialty retailers.

A breakdown of Sukin's sales across the different State specific distributors and direct sales is set out in Figure 3.10 below.

**Figure 3.10**

Distributor/ Customer	Distribution Territory	% of Sukin's FY15 Domestic Revenue
<b>Lightning Brokers</b>	New South Wales, Victoria and Tasmania	52%
<b>Complete Health Products Qld</b>	Queensland	14%
<b>Bio Choice Health Care WA</b>	Western Australia	7%
<b>Searcy Marketing</b>	South Australia and the Northern Territory	5%
<b>Direct Accounts (including Priceline)</b>	Australia Wide	22%

BWX engages directly with the larger pharmacy banner groups such as Chemist Warehouse and Terry White. At the corporate level BWX drives purchases through its relationships with these larger pharmacy chains. The State based Sukin distributors maintain these relationships at a store level and drive demand through sales and marketing initiatives tailored to specific stores.

Each of the State based Sukin distributors has an on the ground sales team that consults with the retail stores (pharmacies, health food and specialty stores) in order to drive demand for Sukin products. In total there are approximately 24 sales representatives employed by Sukin's distributors across Australia directly promoting Sukin products to retailers.

### 3.8.12 International Distribution and Exports

BWX's management intends to continue pursuing export market opportunities for the Sukin brand. Exports are forecast to generate approximately \$6.3 million of Sukin's total sales revenue of \$35.3 million for FY16.<sup>29</sup> This represents a 37% year on year increase on Sukin's export sales of \$4.6 million in FY15. Sukin's largest export markets in FY15 were New Zealand, the USA, Canada, Singapore and the UK.

To leverage the anticipated growth in international demand for Sukin products, BWX has adopted specific distribution models for the various export markets. Sukin products are delivered directly into the distribution centres of retailers in the USA. In Canada, BWX sells Sukin products directly to regionally based distributors. For all other export markets (New Zealand, Singapore, Malaysia, Hong Kong and the UK) each country has an independent distributor who purchases Sukin products directly from BWX and on sells them into their respective markets.

### 3.9 BWX complementary brands

In addition to Sukin, BWX owns the following four brands:

- Uspa;
- Edward Beale;
- Renew Skincare; and
- Derma Sukin.

These brands have a varying target market, helping to fulfil BWX's business strategy of having a portfolio of brands across a number of sales channels and demographics. Combined, these four brands were responsible for approximately \$2.5 million or 5% of BWX's FY15 revenue.

<sup>28</sup> Refer to Section 4 (Financial Information) for further details.

<sup>29</sup> Refer to Section 4 (Financial Information) for further details and the underlying assumptions and Section 5 (Risks).

### 3.9.1 Uspa

The Uspa brand is a premium range of skin care and hair care products formulated using essential oils and herbal extracts. Uspa operates its own signature day spa and retail outlet which trades as the *'Immersion Day Spa'* situated in Brighton, Victoria. The Immersion Day Spa offers the full range of Uspa professional spa treatments.

The Company believes the Immersion Day Spa is a valuable brand asset as it provides training to the professional spa therapists who use the Uspa products in their spas and salons, and exposes their respective clientele to the products and generates brand awareness.

The current range consists of products designed to be used in professional treatment protocols that have been specifically designed for the professional beauty salon and day spa market. A selection of these products are also available for retail sale.

The Uspa range of products is positioned at the premium end of the personal care market and targets consumers who are typically health conscious, mid to high income earners and are looking for products that offer a holistic day spa experience.

The Uspa products are distributed in the Australian market to day spas and beauty salons through a network of State based distributors. Internationally Uspa is distributed through independent distributors.

### Uspa Products



BWX is currently reviewing the Uspa product range and distribution channels with the aim of broadening distribution beyond the professional beauty market.

### 3.9.2 Derma Sukin

Derma Sukin, launched in 2014, is a natural skin range formulated for consumers with sensitive skin.

Derma Sukin has been formulated without the use of any sodium lauryl sulphate (SLS), sodium laureth sulphate (SLES) synthetic fragrances, parabens or animal derived ingredients, to appeal to consumers with sensitive, dry or itchy skin.

### Derma Sukin Products



Derma Sukin is sold domestically through pharmacies. BWX intends to leverage off existing relationships with distributors of its other brands to increase the distribution of the Derma Sukin product range.

### 3.9.3 Edward Beale – Hair Care

The Edward Beale range of hair care products are retailed through a network of specialty beauty retail outlets across Australia.

BWX continues to refine and develop the Edward Beale product range and anticipates that growth opportunities reside in leveraging current sales channels through its existing distribution platforms.

#### Edward Beale Products



### 3.9.4 Renew Skincare

Renew Skincare is a 'natural' brand of face, body and hair care products which use rose hip oil.

Renew Skincare is distributed in the Australian market through a network of State based distributors.

#### Renew Skincare Products



### 3.10 Third Party Manufacturing

BWX provides product development and manufacturing services to a select range of third party customers. As set out in more detail in Section 4, BWX's business strategy is to increase its focus on being a company that develops, produces and markets its own brands.

The revenue contribution to BWX from third party manufacturing is anticipated to decline over the forecast period. In FY15 approximately \$14.4 million or 32% of BWX's sales revenue was generated by third party manufacturing. In FY16 that percentage of BWX's sales revenue is expected to be 24.5%.<sup>30</sup> Despite this strategic direction BWX intends to continue providing manufacturing services to select clients.

BWX's third party manufacturing business has numerous competitors ranging in size from small scale limited service operators to large scale full service suppliers.

BWX manufactures products for the brand names Brut, Skin Doctors, Formula 10.0.6, MOR and *Mr Smith* for its third party manufacturing clients. The services BWX provides to its third party customers include:

- new product development, formulation and consulting;
- regulatory consulting;
- packaging specification and procurement; and
- product manufacture and shelf ready packaging.

BWX aims to work with companies and brands that have the potential to assist BWX in implementing its business strategy.

In addition to generating substantial sales revenue, third party contract production provides the following benefits to BWX:

- scale of purchasing;
- brand acquisition opportunities; and
- access to market trends and insights.

BWX's management believes that the following factors have driven and will continue to drive demand for the Company's third party production services:

- domestic and overseas customers seeking 'natural' beauty and personal care products;
- the integrity, traceability and safety of the ingredients used by BWX;
- the standards and certifications associated with BWX's manufacturing facility; and
- BWX's ability to provide speed to market for new products by utilising its in house NPD capability.

### 3.11 Acquisition Opportunities

The broader beauty and personal care market in Australia includes a range of large multinational companies and brands such as Nivea, L'Oréal and Garnier. However, the Australian market remains to a large degree fragmented with a number of small brands and companies competing to establish a foothold in their respective markets.

BWX's management believes that:

- the success of the Sukin brand demonstrates that opportunities exist for smaller companies in the Australian beauty and personal care market; and
- acquisition opportunities in the skin care segment may arise where small companies reach a ceiling in their growth due to expertise and capacity constraints.

Many small companies/brands in the Australian beauty and personal care market have some or all of the following attributes:

- rely on third party service providers for research and development and production capabilities;
- have limited warehouse and logistics capacity;
- are yet to access large distribution channels (i.e. major retail chains or export markets);
- have insufficient capital and human resources to manage ongoing growth; and
- are working capital constrained.

BWX aims to pursue earnings accretive and synergistic acquisition opportunities in the future.

<sup>30</sup> BWX accounts.





## 4. FINANCIAL INFORMATION

### 4.1 Basis of Preparation and Presentation of the Financial Information

#### Overview

The financial information for the BWX Group contained in this Section 4 includes:

Pro forma historical financial information of the BWX Group, the:

- pro forma historical income statements for the six month periods ended 30 June 2014, 31 December 2014 and 30 June 2015 and the 12 months ended 30 June 2015;
- pro forma historical cash flow statements for the BWX Group for the six month periods ended 30 June 2014, 31 December 2014 and 30 June 2015 and the 12 months ended 30 June 2015; and
- pro forma historical consolidated balance sheet for the BWX Group as at 30 June 2015.

(together, the **Pro Forma Historical Financial Information**).

Actual consolidated (statutory) historical financial information of the BWX Group:

- historical income statements for BWX Group for the six month periods ended 30 June 2014, 31 December 2014 and 30 June 2015 and the 12 months ended 30 June 2015;
- historical cash flow statements for the BWX Group for the six month periods ended 30 June 2014, 31 December 2014 and 30 June 2015 and the 12 months ended 30 June 2015; and
- historical balance sheet for the BWX Group as at 30 June 2015.

(together, the **Statutory Consolidated Financial Information**).

Forecast financial information of the BWX Group, the:

- statutory forecast consolidated income statements of the BWX Group for the six months ending 31 December 2015 and 30 June 2016 and for the 12 months ending 30 June 2016; and
- statutory forecast consolidated cash flow statements for the BWX Group for the six months ending 31 December 2015 and 30 June 2016 and for the 12 months ending 30 June 2016,

(together, the **Forecast Financial Information**).

The Pro Forma Historical Financial Information, Statutory Consolidated Financial Information and Forecast Financial Information together, the **Financial Information**.

Also summarised in this Section are:

- The basis of preparation of the Financial Information (refer to Section 4.2);
- The Financial Information (refer to Section 4.3);
- Management's discussion and analysis of the Pro Forma Historical Financial Information and Forecast Financial Information (refer to Section 4.4);
- The basis of preparation of Forecast Financial Information (refer to Section 4.5);
- Details of the Bank Facilities (refer to Section 4.6);
- Lease commitments (refer to Section 4.7);
- The analysis of the sensitivity of the pro forma NPAT for FY16 to changes in certain key assumptions (refer to Section 4.8); and
- The Company's dividend policy (refer to Section 4.9).

All amounts disclosed in this Section 4 are presented in A\$ and, unless otherwise noted, are rounded to the nearest \$0.1 million.

### 4.2 Basis of Preparation of the Financial Information

#### (a) Overview

BWX Limited was incorporated on 26 April 2013 for the purposes of acquiring businesses operating in the beauty and personal care market in Australia. On 2 January 2014, BWX acquired two production businesses, Beautiworx and LHS. On 31 January 2014 and 14 March 2014, BWX also acquired the Edward Beale and Usps brands respectively, and on 19 June 2015 BWX completed the acquisition of the Sukin business, which included the brands Sukin, Derma Sukin and Renew Skincare.

All five acquisitions completed by BWX were from family owned entities which had limited financial records and were not required to produce and did not produce statutory or audited financial statements.



Due to the unavailability of reliable financial information prior to BWX owning these assets there is limited historical financial information available to BWX in relation to these entities. This, combined with BWX only being incorporated on 26 April 2013, has meant that BWX is unable to provide three full financial years of audited or pro forma historical financial information. The Company has therefore only presented audited historical financial information for the three six month periods ended 30 June 2014, 31 December 2014 and 30 June 2015 and the full 12 months ended 30 June 2015. As a result:

- Statutory Historical Financial Information has not been provided prior to 2 January 2014, being the date of the first acquisitions by BWX.
- Pro Forma Historical Financial Information has not been provided prior to 2 January 2014, being the date of the first acquisitions by BWX.

The Pro Forma Historical Financial Information included in this Prospectus is intended to present potential investors with information to assist them in understanding what the underlying historical financial performance and cash flows of BWX would have been had the BWX Group operated as a consolidated entity on a basis consistent with the Forecast Financial Information.

The Financial Information included in this Section has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards (AAS) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act.

The Financial Information is presented in an abbreviated form insofar as it does not include all the disclosures, statements or comparative information as required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

The significant accounting policies of the Company relevant to the Financial Information are set out in Section 10.

The Financial Information has been reviewed by William Buck, as described in its Investigating Accountant's Report in Section 8. Investors should note the scope and limitations of that report.

#### **(b) Basis of Preparation of the Pro Forma Historical Financial Information**

The Pro Forma Historical Information has been derived from BWX's financial statements for the financial years ended 30 June 2014 and 30 June 2015 and the six months ended 31 December 2014. These financial statements have been audited by William Buck, who has issued unqualified audit opinions in respect of each of the above periods.

The following pro forma adjustments have been made:

- consolidation of the business operations of Sukin, as if the business had been acquired on 2 January 2014. The pro forma consolidation included the elimination of inter-company sales between BWX and Sukin;
- the net interest expense arising on the bank facilities used by BWX in part funding the acquisition of the Sukin businesses;
- transaction costs associated with the completion of the acquisition of the Sukin businesses have been treated as occurring in the half year ended 30 June 2014;
- transaction and restructure costs associated with the acquisitions of LHS, Beautiwork, Edward Beale and Uspa have been similarly treated as all occurring in the half year ended 30 June 2014; and
- income tax expense adjustments reflective of the impact of the above pro forma adjustments.

The historical financial information for the Sukin business for the six month periods ending 30 June 2014, 31 December 2014 and 30 June 2015 has been derived from financial information audited by William Buck. The vendors of the Sukin businesses had not previously prepared audited financial statements for the Sukin businesses.

#### **(c) Preparation of the Forecast Financial Information**

The Forecast Financial Information has been prepared solely for inclusion in this Prospectus. The Forecast Financial Information is presented on a statutory basis for the 12 months ending 30 June 2016. This Prospectus includes Forecast Financial Information based on the specific and general assumptions of the BWX Group. The Forecast Financial Information presented in this Prospectus is unaudited. The basis of preparation and presentation of the Forecast Financial Information, to the extent applicable, is consistent with the basis of preparation and presentation of the Pro Forma Historical Financial Information and the forecast consolidated income statement has been prepared on a basis consistent with how the BWX Group's consolidated financial statements will be prepared in future periods.

The Directors believe that they have prepared the Forecast Financial Information with due care and attention, and having regard to an assessment of present economic and operating conditions and certain general and specific assumptions (set out later in Section 4.5), which when taken as a whole are reasonable at the time of preparing this Prospectus.

The Directors' assumptions underlying the Forecast Financial Information are set out in Section 4.5. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring and is not intended to be a representation that the assumptions there are correct or will occur. Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information and that this may have a materially positive or negative effect on BWX's actual financial performance. Accordingly, none of the Company or its Directors and management or any other person can give investors any assurance that the outcomes disclosed in the Forecast Financial Information will arise.

Investors are advised to review the Forecast Financial Information in conjunction with the general and specific assumptions set out in Section 4.5, the sensitivity analysis set out in Section 4.8, the risks set out in Section 5 and other information set out in this Prospectus. The Directors of the Company have no intention to update or revise Forecast Financial Information or other forward looking statements following the issue of this Prospectus, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

**(d) Use of 'Non-IFRS' Financial Information**

Investors should be aware that certain financial data included in this Section is 'non-IFRS financial information' under RG 230. BWX uses certain measures to manage and report on its business that are non-IFRS financial information that it believes provide useful information about the financial performance of the BWX Group. The principal non-IFRS financial information measures that are referred to in this Prospectus are as follows:

- Pro Forma Historical Information;
- EBIT is earnings before interest and tax; and
- EBITDA is earnings before interest, tax, depreciation and amortisation. Management uses EBITDA to evaluate the operating performance of the business without the non-cash impact of depreciation and amortisation and before interest and tax charges, which are significantly affected by the capital structure.

Management also uses EBITDA margin, which is EBITDA divided by revenue, expressed as a percentage. EBITDA margin is a key measure that management uses to evaluate the profitability of the overall business. As it eliminates the non-cash charges for depreciation and amortisation, EBITDA is useful to help understand the cash generation potential of the business. However, it should not be considered as an alternative to cash flow from operations and investors should not consider EBITDA in isolation from, or as a substitute for, analysis of the Company's results of operations. Some of the limitations of EBITDA are that it does not reflect:

- the Company's cash or capital expenditure; and
- changes in the Company's working capital requirements.

The non-IFRS financial information should be considered as supplements to the income statement measures that have been presented in accordance with AAS and not as a replacement for them. As these non-IFRS financial measures are not based on AAS, they do not have standard definitions and the way BWX calculates these measures may differ from similarly titled measures used by other companies. Investors should therefore not place undue reliance on these non-IFRS financial measures.

### 4.3 Financial Information

#### (a) Consolidated Pro Forma Historical and Statutory Forecast Income Statements

The following sets out the pro forma historical results for the six months ended 30 June 2014, 31 December 2014 and 30 June 2015 and for the 12 months ended 30 June 2015 along with the statutory forecast results for the six months ending 31 December 2015 and 30 June 2016 and for the 12 months ending 30 June 2016.

#### Historical and Forecast Consolidated Income Statements

	Pro forma historical				Forecast		
	6 months				6 months		
	30-Jun-14 \$'m	31-Dec-14 \$'m	30-Jun-15 \$'m	FY15 \$'m	31-Dec-15 \$'m	30-Jun-16 \$'m	FY16 \$'m
<b>Revenue</b>	16.7	22.0	23.1	45.1	24.7	25.4	50.1
Cost of sales	-7.8	-9.9	-9.6	-19.5	-9.8	-10.3	-20.1
Gross profit	8.9	12.1	13.5	25.6	14.9	15.1	30.0
Operating costs	-4.3	-5.7	-5.1	-10.8	-6.3	-6.2	-12.5
<b>EBITDA normalised</b>	4.6	6.4	8.4	14.8	8.6	8.9	17.5
Acquisition and restructuring costs	-4.0	-	-	-	-	-	-
<b>EBITDA</b>	0.6	6.4	8.4	14.8	8.6	8.9	17.5
Depreciation and amortisation	-0.2	-0.2	-0.3	-0.5	-0.4	-0.4	-0.8
<b>EBIT</b>	0.4	6.2	8.1	14.3	8.2	8.5	16.7
Interest	-0.5	-0.5	-0.7	-1.2	-0.3	-0.1	-0.4
<b>Profit before tax</b>	-0.1	5.7	7.4	13.1	7.9	8.4	16.3
Income tax expense	-1.0	-1.8	-1.7	-3.5	-2.5	-2.7	-5.2
<b>NPAT</b>	-1.1	3.9	5.7	9.6	5.4	5.7	11.1

#### Notes:

1. A reconciliation between pro forma consolidated revenue, EBITDA and NPAT and the equivalent statutory information is provided in Section 4.3(e) below.
2. The statutory forecast period reflects the results expected to be reported in the year ending 30 June 2016.
3. For the purposes of the Historical Pro Forma Financial Information, all acquisition and restructuring costs are taken to have been incurred during the six months ended 30 June 2014, details of which are provided in Section 4.3(d) below.
4. Net interest expense is taken to be that amount arising on the bank facilities used by BWX in part funding the acquisition of the Sukin businesses as if the acquisition had completed on 2 January 2014.

### (b) Statutory Consolidated Historical Income Statements

The following sets out the statutory historical results of BWX for the six months ended 30 June 2014, 31 December 2014 and 30 June 2015 and for the 12 months ended 30 June 2015. The revenue and profit results incorporate sales to the Sukin business, which was the largest customer of BWX up until 19 June 2014, being the date it was acquired by BWX.

	Statutory historical			
	6 months			FY15 \$'m
	2HFY14 \$'m	1HFY15 \$'m	2HFY15 \$'m	
<b>Revenue</b>	10.6	14.8	13.0	27.8
Cost of sales	-7.4	-10.0	-8.9	-18.9
Gross profit	3.2	4.8	4.1	8.9
Operating costs	-2.1	-4.1	-3.0	-7.1
<b>EBITDA normalised</b>	1.1	0.7	1.1	1.8
Acquisition and restructuring costs	-0.7	-	-3.3	-3.3
<b>EBITDA</b>	0.4	0.7	-2.2	-1.5
Depreciation and amortisation	-0.1	-0.2	-0.2	-0.4
<b>EBIT</b>	0.3	0.5	-2.4	-1.9
Interest	-0.1	-0.1	-0.3	-0.4
<b>Profit before tax</b>	0.2	0.4	-2.7	-2.3
Income tax expense	-0.1	-0.1	0.3	0.2
<b>NPAT</b>	0.1	0.3	-2.4	-2.1

### (c) Key Operating and Financial Metrics

The table below provides a summary of the pro forma historical operating and financial metrics for the six months ended 30 June 2014, 31 December 2014 and 30 June 2015 and for the 12 months ended 30 June 2015. Statutory forecast operating and financial metrics for the six months ending 31 December 2015 and 30 June 2016 and for the 12 months ending 30 June 2016 have also been provided below.

#### Historical and Forecast Key Operating Metrics

	Pro forma historical				Forecast		
	6 months				6 months		
	30-Jun-14	31-Dec-14	30-Jun-15	FY15	31-Dec-15	30-Jun-16	FY16
Revenue growth on pcp	n/a	n/a	38.2%	n/a	12.4%	10.2%	11.2%
Gross margin	53.3%	55.0%	58.4%	56.8%	60.3%	59.4%	59.9%
EBITDA normalised margin	27.5%	29.1%	36.4%	32.8%	34.8%	35.0%	34.9%
EBITDA margin	3.6%	29.1%	36.4%	32.8%	34.8%	35.0%	34.9%
EBIT margin	2.4%	28.2%	35.1%	31.7%	33.2%	33.5%	33.3%
NPAT margin	-6.6%	17.7%	24.7%	21.3%	21.9%	22.4%	22.2%

Comparative statutory historical metrics for the six months ended 30 June 2014, 31 December 2014 and 30 June 2015 and for the 12 months ended 30 June 2015 are included in the table below.

	Statutory historical			
	6 months			FY15
	2HFY14	1HFY15	2HFY15	
Revenue growth on pcip	n/a	n/a	22.6%	n/a
Gross margin	30.2%	32.4%	31.5%	32.0%
EBITDA normalised margin	10.4%	4.7%	8.5%	6.5%
EBITDA margin	3.8%	4.7%	-16.9%	-5.4%
EBIT margin	2.8%	3.4%	-18.5%	-6.8%
NPAT margin	1.0%	1.7%	-18.2%	-7.6%

Notes:

- Operating metrics – revenue growth on prior corresponding period, gross margin (%), EBITDA margin (%), EBIT margin (%) and NPAT margin (%) have been calculated with reference to pro forma historical and statutory forecast consolidated income statements in each respective period.
- Prior corresponding period refers to the corresponding reporting half year or year in the previous financial year.

#### (d) Acquisition and Restructuring Expenses

Pro forma historical results for the six months ended 30 June 2014, 31 December 2014 and 30 June 2015 and for the 12 months ended 30 June 2015 have included the recognition of EBITDA normalised, being EBITDA before one off acquisition and restructuring costs. These acquisition and restructuring expenses included in the Pro Forma Historical Financial Information are set out in the table below.

Details	Acquisition and relocation expenses (Notes 1 and 2) \$'m	Restructuring expenses (Note 3) \$'m	Sukin acquisition expenses (Note 4) \$'m	Total \$'m
Professional consulting expenses	0.2	0.3	0.3	0.8
Relocation expenses	0.4	0.1	–	0.5
Share based payment expenses	0.1	–	–	0.1
Termination payments and other employee expenses	–	0.4	–	0.4
Provision for bad debts	–	0.3	–	0.3
Stamp duty costs	–	–	1.9	1.9
<b>Total acquisition and restructuring expenses</b>	<b>0.7</b>	<b>1.1</b>	<b>2.2</b>	<b>4.0</b>

Notes:

- Acquisition expenses were incurred in relation to the acquisition of two production businesses, Beautiworx and LHS on 2 January 2014, along with the acquisition of two brands, Edward Beale and Usps, on 31 January 2014 and 14 March 2014 respectively.
- Relocation expenses include costs incurred in relocating the two production businesses operations from their separate individual facilities to a single facility in Dandenong South, Victoria and the associated relocation of warehouse facilities for these businesses together with those of the Edward Beale and Usps brands.
- Restructuring expenses relate to an operational improvement process that was undertaken across the business as a whole to facilitate the increased capabilities and scale in the business.
- Sukin acquisition expenses relate to the completion on 19 June 2015 of the acquisition of the Sukin business, including the brands Sukin, Derma Sukin and Renew Skincare.

(e) **Reconciliation of Pro Forma and Statutory Consolidated Income Statements**

The following table sets out the pro forma adjustments that have been made to the BWX Group's historical revenue, EBITDA and NPAT to reflect the full impact of the operating and capital structure that would have been in place if the acquisition of the Sukin businesses took place on 2 January 2014.

**Reconciliation of Pro Forma and Statutory Revenue, EBITDA and NPAT**

	Note	6 months, 30 June 2014			6 months, 31 December 2014			6 months, 30 June 2015			FY15		
		Rev \$'m	EBITDA \$'m	NPAT \$'m	Rev \$'m	EBITDA \$'m	NPAT \$'m	Rev \$'m	EBITDA \$'m	NPAT \$'m	Rev \$'m	EBITDA \$'m	NPAT \$'m
<b>Pro forma</b>		16.7	4.6	-1.1	22.0	6.4	3.9	23.1	8.4	5.7	45.1	14.8	9.6
Acquisition of Sukin	1	-10.2	-4.2	-4.1	-13.0	-6.3	-6.3	-15.3	-7.7	-7.6	-28.2	-14.0	-13.9
Adjustments	2	4.2	0.6	0.6	5.8	0.6	0.6	5.3	0.4	0.4	11.1	1.0	1.0
Sukin Acquisition costs	3	-	-	2.2	-	-	-	-	-	-2.2	-	-	-2.2
Restructuring costs	4	-	-	1.1	-	-	-	-	-	-1.1	-	-	-1.1
Financing costs	5	-	-	0.4	-	-	0.4	-	-	0.4	-	-	0.8
Tax adjustments	6	-	-	1.0	-	-	1.6	-	-	2.1	-	-	3.7
<b>Statutory</b>		10.7	1.0	0.1	14.8	0.7	0.2	13.1	1.1	-2.3	28.0	1.8	-2.1

Notes:

1. Acquisition of the Sukin businesses: The pro forma consolidated income statements include the results of the Sukin businesses as if the businesses had been acquired on 2 January 2014, whereas the statutory consolidated income statement includes the results from 19 June 2015, being the date on which BWX actually acquired Sukin.
2. Adjustments: Prior to being acquired by BWX, the Sukin business was the largest customer of BWX. Therefore there were a number of inter-company transactions between Sukin and BWX that were eliminated in the pro forma consolidation.
3. Sukin acquisition costs: An adjustment has been made to exclude the transaction costs associated with the acquisition of the Sukin businesses that have been expensed during the six month period ended 30 June 2014 for the purposes of preparing the pro forma consolidated income statements. These costs were brought to account and expensed for statutory purposes during the six month period ended 30 June 2015 as part of the completion of that transaction on 19 June 2015. The transaction costs primarily related to stamp duty costs and the costs of advisers and consultants.
4. Restructuring costs: An adjustment has been made to exclude the costs associated with the operational improvement process that have been expensed during the six month period ended 30 June 2014 for the purposes of preparing the pro forma consolidated income statements. These costs were brought to account and expensed for statutory purposes during the six month period ended 30 June 2015 and primarily consisted of staff redundancy and recruitment costs and the costs of advisers and consultants.
5. Financing costs: The historical net interest expense has been increased, on a pro forma basis, to reflect the bank debt that was required in order to complete the acquisition of the Sukin businesses.
6. Tax adjustments: Historical income tax expense has been adjusted to reflect the impact of the above pro forma adjustments.



**(f) Pro Forma Historical Consolidated Balance Sheet****Overview**

Set out below is the audited and statutory consolidated and pro forma consolidated historical balance sheet for the BWX Group as at 30 June 2015. The pro forma historical consolidated balance sheet reflects the balance sheet of the BWX Group and the impact of the operating and capital structure that will be in place following completion of the Offer as if it was in place at 30 June 2015.

**Pro Forma Balance Sheet**

	Audited Statutory FY15 \$'m	Impact of Offer \$'m	Pro forma FY15 \$'m
<b>Current assets</b>			
Cash and cash equivalents	3.1	1.2	4.3
Trade receivables and other assets	7.4	–	7.4
Inventories	6.6	–	6.6
<b>Total current assets</b>	<b>17.1</b>	<b>1.2</b>	<b>18.3</b>
<b>Non-current assets</b>			
Plant and equipment	2.3	–	2.3
Intangible assets	70.1	–	70.1
Deferred tax assets	0.5	–	0.5
<b>Total non-current assets</b>	<b>72.9</b>	<b>–</b>	<b>72.9</b>
<b>Total assets</b>	<b>90.0</b>	<b>1.2</b>	<b>91.2</b>
<b>Current liabilities</b>			
Trade and other payables	6.0	–	6.0
Financial liabilities	16.9	–7.3	9.6
Provisions for employee benefits	0.4	–	0.4
<b>Total current liabilities</b>	<b>23.3</b>	<b>–7.3</b>	<b>16.0</b>
<b>Non-current liabilities</b>			
Financial liabilities	10.1	–10.0	0.1
Provisions for employee benefits	0.2	–	0.2
<b>Total non-current liabilities</b>	<b>10.3</b>	<b>–10.0</b>	<b>0.3</b>
<b>Total liabilities</b>	<b>33.6</b>	<b>–17.3</b>	<b>16.3</b>
<b>Net assets</b>	<b>56.4</b>	<b>18.5</b>	<b>74.9</b>
<b>Equity</b>			
Contributed equity	58.0	18.5	76.5
Reserves	0.4	–	0.4
Retained earnings/(accumulated losses)	–2.0	–	–2.0
<b>Total equity</b>	<b>56.4</b>	<b>18.5</b>	<b>74.9</b>

## Notes:

1. Audited statutory balance sheet represents the audited 30 June 2015 balance sheet for BWX.
2. The impact of the Offer has been calculated as follows:

Details	Note	\$'m	%
Gross proceeds on the issue of 13,333,333 New Shares		20.0	–
Payment of costs associated with the Offer		–1.5	7.5
Net proceeds	a	18.5	
<b>Use of Funds:</b>			
Repayment of Company debt to CBA – non-current liability	b	–10.0	50.0
Repayment of Company debt to CBA – current liability	b	–5.0	25.0
Repayment of Company debt to EGEA – current liability	c	–2.3	11.5
Augment working capital	d	–1.2	6.0
<b>Total distributions</b>		<b>–18.5</b>	<b>–</b>

- a. Cash proceeds of \$20 million received on the issue of New Shares by the Company less the payment of \$1.5 million transaction costs which are offset against equity;
- b. The current and non-current liabilities relating to the CBA bank facility (refer to Section 4.6) in the amounts of \$10.0 million and \$5.0 million respectively will be repaid on completion of the Offer;
- c. A current liability in the form of a shareholder loan to EGEA Pty Ltd in the amount of \$2.3 million will be repaid on or before completion of the Offer; and
- d. Approximately \$1.2 million remaining cash from the Offer will be available to augment the Company's working capital.

**(g) Liquidity and Capital Resources**

Following completion of the Offer, BWX's principal source of funds will be cash flows from operations. The Company's historical and forecast working capital and capital expenditure trends are set out in the cash flow statements below. The Company expects that it will have sufficient cash flow from operations to fund working capital and capital expenditure requirements to meet its stated objectives during FY16.

**(h) Pro Forma Historical and Pro Forma Statutory Forecast Consolidated Cash Flow Statements**

Set out below are the pro forma consolidated cash flow statements for the six months ended 30 June 2014, 31 December 2014 and 30 June 2015 and the 12 months ended 30 June 2015 along with the statutory forecast consolidated cash flow statement for the six months ending 31 December 2015 and 30 June 2016 and the 12 months ending 30 June 2016.

**Pro Forma Historical and Forecast Consolidated Cash Flow**

	Pro forma historical				Forecast		
	6 months				6 months		
	30-Jun-14 \$'m	31-Dec-14 \$'m	30-Jun-15 \$'m	FY15 \$'m	31-Dec-15 \$'m	30-Jun-16 \$'m	FY16 \$'m
<b>EBITDA normalised</b>	4.6	6.4	8.4	14.8	8.6	8.9	17.5
Non-cash items in EBITDA	0.1	0.2	0.1	0.3	0.1	0.1	0.2
Net movement in working capital	-1.3	-2.9	0.7	-2.2	-1.1	-0.5	-1.6
<b>Operating cash flow before capital expenditure</b>	3.4	3.7	9.2	12.9	7.6	8.5	16.1
Capital expenditure	-0.7	-0.5	-0.1	-0.6	-0.5	-	-0.5
<b>Cash flow before financing and taxation</b>	2.7	3.2	9.1	12.3	7.1	8.5	15.6
Net proceeds from issue of shares	42.5	-	-	-	18.5	-	18.5
Proceeds from borrowings	16.6	1.4	3.5	4.9	0.5	-	0.5
Repayment of borrowings	-	-0.2	-1.0	-1.2	-17.3	-	-17.3
Acquisition of business	-56.3	-	-	-	-	-	-
Net interest paid	-0.5	-0.5	-0.7	-1.2	-0.3	-0.1	-0.4
Transaction costs	-4.0	-	-	-	-	-	-
Income tax paid	-1.1	-1.8	-2.4	-4.2	-2.6	-2.6	-5.2
<b>Net cash flow before dividends</b>	-0.1	2.1	8.5	10.6	5.9	5.8	11.7

## (i) Statutory Historical Consolidated Cash Flow Statements

Set out below are the statutory consolidated cash flow statements for the six months ended 30 June 2014, 31 December 2014 and 30 June 2015 and the 12 months ended 30 June 2015.

	Statutory historical			
	6 months			FY15 \$'m
	2HFY14 \$'m	1HFY15 \$'m	2HFY15 \$'m	
<b>EBITDA normalised</b>	1.1	0.7	1.1	1.8
Non-cash items in EBITDA	0.1	0.2	0.1	0.3
Net movement in working capital	-0.8	-2.1	2.2	0.1
<b>Operating cash flow before capital expenditure</b>	0.4	-1.2	3.4	2.2
Capital expenditure	-0.7	-0.5	-0.2	-0.7
<b>Cash flow before financing and taxation</b>	-0.3	-1.7	3.2	1.5
Net proceeds from issue of shares	1.1	-	41.4	41.4
Proceeds from borrowings	1.6	1.4	18.5	19.9
Repayment of borrowings	-	-0.2	-1.0	-1.2
Acquisition of business	-1.9	-	-54.3	-54.3
Net interest paid	-0.1	-0.1	-0.3	-0.4
Transaction costs	-0.7	-	-3.3	-3.3
Income tax paid	-	-	-0.2	-0.2
<b>Net cash flow before dividends</b>	-0.3	-0.6	4.0	3.4

**(j) Reconciliation of Pro Forma Historical Consolidated Cash Flow Statement and Statutory Consolidated Cash Flow Statement**

Set out in the table below is a reconciliation between the pro forma historical cash flows and statutory cash flows for the six months ended 30 June 2014, 31 December 2014 and 30 June 2015.

**Reconciliation of Pro Forma and Statutory Net Cash Flows**

	Note	6 months		
		30 June 2014 Cash flows \$'m	31 December 2014 Cash flows \$'m	30 June 2015 Cash flows \$'m
<b>Pro forma</b>		-0.1	2.1	8.5
Acquisition of Sukin	1	-2.3	-3.6	-3.9
Adjustments	2	0.5	0.5	0.2
Sukin acquisition costs	3	2.2	-	-2.2
Restructuring costs	4	1.1	-	-1.1
Financing costs	5	0.4	0.4	0.4
Capital raising	6	-41.4	-	41.4
CBA financing	7	-15.0	-	15.0
Acquisition of Sukin businesses	8	54.3	-	-54.3
<b>Statutory</b>		-0.3	-0.6	4.0

**Notes:**

1. Acquisition of the Sukin businesses: The pro forma consolidated cash flows include the results of the Sukin businesses as if the businesses had been acquired on 2 January 2014, whereas the statutory consolidated cash flows include the results from 19 June 2015, being the date on which BWX acquired the Sukin businesses.
2. Adjustments: Prior to being acquired by BWX, the Sukin business was the largest customer of BWX. Therefore there were a number of inter-company transactions between Sukin and BWX that were eliminated in the pro forma consolidation.
3. Sukin business acquisition costs: An adjustment has been made to exclude the transaction costs associated with the acquisition of the Sukin businesses that have been expensed during the six month period ended 30 June 2014 for the purposes of preparing the pro forma consolidated cash flows. These costs were brought to account and expensed for statutory purposes during the six month period ended 30 June 2015 as part of the completion of that transaction on 19 June 2015. Transaction costs comprised primarily stamp duty costs and costs of advisers and consultants.
4. Restructuring costs: An adjustment has been made to exclude the costs associated with the operational improvement process that have been expensed during the six month period ended 30 June 2014 for the purposes of the preparing the pro forma consolidated cash flows. These costs were brought to account and expensed for statutory purposes during the six month period ended 30 June 2015 and comprised primarily staff redundancy and recruitment costs and costs of advisers and consultants.
5. Financing costs: The historical net interest expense has been increased, on a pro forma basis, to reflect the bank debt that was required in order to complete the acquisition of the Sukin businesses.
6. Capital raising: The pro forma consolidated cash flows include the net proceeds of funds received from the issue of Shares to part fund the acquisition of the Sukin businesses as if the businesses had been acquired on 2 January 2014, whereas the statutory consolidated cash flows include the issue of capital and receipt of the net proceeds on 19 June 2015, being the date on which BWX completed the acquisition of the Sukin businesses.
7. CBA financing: The pro forma consolidated cash flows include the initial drawdown of funds against the CBA bank facilities (refer to Section 4.6) to part fund the acquisition of the Sukin businesses as if the businesses had been acquired on 2 January 2014, whereas the statutory consolidated cash flows include the initial drawdown on 19 June 2015, being the date on which BWX completed the acquisition of the Sukin businesses.
8. Acquisition of the Sukin businesses: The pro forma consolidated cash flows include the initial acquisition cash payment on completion of the Sukin acquisition as if the businesses had been acquired on 2 January 2014, whereas the statutory consolidated cash flows include the initial acquisition cash payment on 19 June 2015, being the date on which BWX acquired the Sukin businesses.



#### 4.4 Management Discussion and Analysis of Pro Forma Historical Financial Information

##### (a) Overview of Operating Segments

The BWX Group operates wholly in one business segment, being hair and beauty products, and one geographical region, being Australia. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the BWX Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

Information reported to the BWX Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is focused on its one business and geographical segment. The BWX Group's reportable segments under AASB 8 are therefore within one business and geographical segment, being the manufacture, wholesale sale and development of body, hair and skin care products.

##### (b) FY15 Compared to FY16

Set out below are the pro forma historical results for the 12 months ended 2015 compared with the statutory forecast results for the 12 months ending 30 June 2016 along with key operating and financial metrics for each of these periods.

##### Comparison of Pro Forma FY15 and Forecast FY16: Selected Financial Information

	Pro forma historical FY15 \$'m	Forecast FY16 \$'m	Change \$'m
<b>Revenue</b>	45.1	50.1	11.1%
Cost of sales	-19.5	-20.1	3.1%
Gross profit	25.6	30.0	17.2%
Costs	-10.8	-12.5	15.7%
<b>EBITDA normalised</b>	14.8	17.5	18.2%
Acquisition and restructuring costs	–	–	n/a
<b>EBITDA</b>	14.8	17.5	18.2%
Depreciation and amortisation	-0.5	-0.8	60.0%
<b>EBIT</b>	14.3	16.7	16.8%
Interest	-1.2	-0.4	-66.7%
<b>Profit before tax</b>	13.1	16.3	24.4%
Income tax expense	-3.5	-5.2	48.6%
<b>NPAT</b>	9.6	11.1	15.6%
Revenue growth on pcp	n/a	11.2%	n/a
Gross margin	56.8%	59.9%	310 bpts
EBITDA normalised margin	32.8%	34.9%	210 bpts
EBITDA margin	32.8%	34.9%	210 bpts
EBIT margin	31.7%	33.3%	160 bpts
NPAT margin	21.3%	22.2%	90 bpts

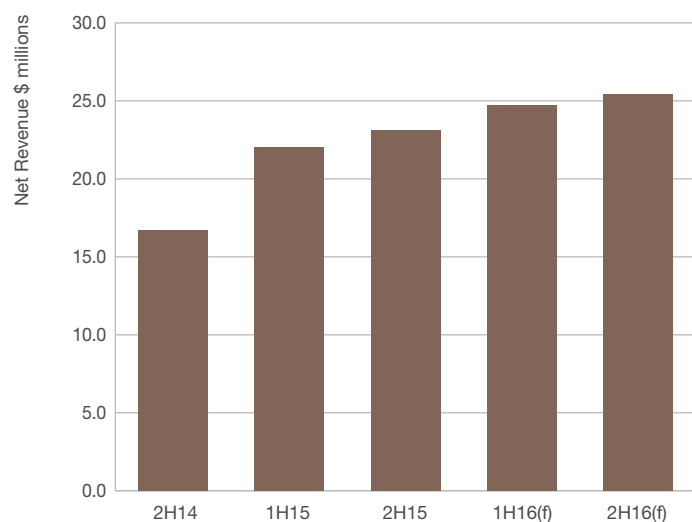
##### Notes:

1. A reconciliation between pro forma consolidated revenue, EBITDA and NPAT is provided at Section 4.3(e) above.
2. The statutory forecast period reflects the results expected to be reported in the year ending 30 June 2016.
3. Operating metrics – Revenue growth on prior corresponding period, gross margin (%), EBITDA margin (%), EBIT margin (%) and NPAT margin (%) have been calculated with reference to pro forma historical and statutory forecast consolidated income statements in each respective period.

### (c) Net Revenue

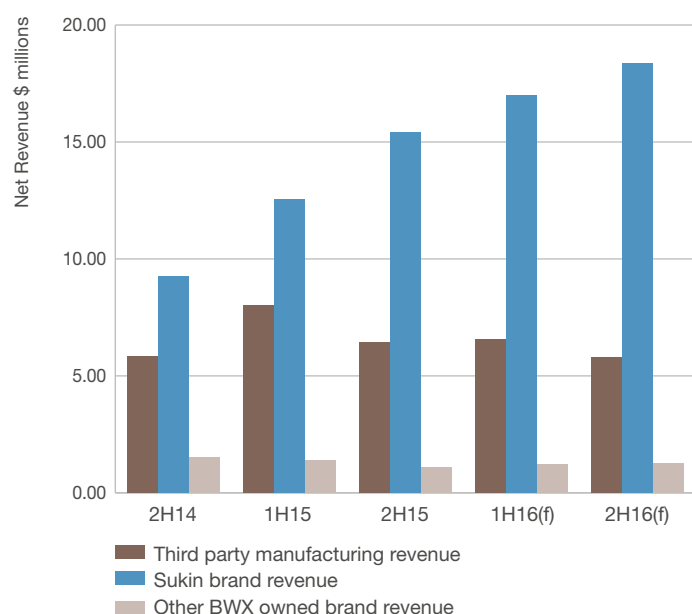
The following table shows the pro forma consolidated net revenue for the six months ended 30 June 2014, 31 December 2014 and 30 June 2015 along with the statutory forecast consolidated net revenue for the six months ending 31 December 2015 and 30 June 2016.

**Figure 4.1: BWX Pro Forma Consolidated Net Revenue**



The following table shows the pro forma consolidated net revenue for the Sukin businesses, the other brands owned by BWX brands and third party manufacturing for the six months ended 30 June 2014, 31 December 2014 and 30 June 2015 along with the statutory forecast consolidated net revenue for the six months ending 31 December 2015 and 30 June 2016.

**Figure 4.2: BWX Pro Forma Consolidated Net Revenue – Breakdown**



### Sukin

Net revenue has historically increased predominantly due to increased sales of Sukin products. Historically, this increase in net revenue has been driven through:

- increases in the number of pharmacies stocking Sukin products;
- increasing retail space being allocated to Sukin products at pharmacies;
- the release of new Sukin products in response to consumer trends in order to increase its shelf presence with key retailers. During FY15 Sukin launched several new skin care products. This included the February 2015 launch of the SUPER GREENS skin care range and Sukin Micellar Cleansing Water; and
- promotional packs designed to drive consumer sales.

The forecast increase in Sukin's net revenue during the year ending FY16 is expected due to:

- continued growth in the number of retail outlets stocking Sukin's products;
- continued growth in the retail space being allocated to Sukin products at pharmacies;
- the release of new Sukin products in the first half of 2016; and
- promotional packs designed to drive consumer sales in pharmacies.

Of the consolidated pro forma net revenue relating to the sales of Sukin products for the year ended FY15 of \$28.0 million, approximately \$4.6 million was derived from offshore sales. Forecast net revenue relating to the sales of Sukin products for the year ending FY16 are expected to total approximately \$35.3 million, of which approximately \$6.3 million are expected to be derived from offshore sales. Offshore sales of Sukin products are predominantly made in New Zealand, USA, Canada, Singapore and the UK.

### Third Party Manufacturing Revenue

The overall growth in forecast net revenue comes despite a reduction in third party manufacturing revenues of approximately \$2.1 million. The reduction is the result of the active migration of customers that contributed to approximately \$3.6 million of sales in FY15. These customers were migrated to improve efficiencies as part of BWX's strategy to transition towards a company that primarily develops, produces and markets its own brands, while continuing to offer development and production services to select third parties.

### Other BWX Owned Brand Revenue

The forecast net revenue for the year ending 30 June 2016 assumes little growth in the sales and revenue for the other BWX brands Uspa, Edward Beale, Derma Sukin and Renew Skincare. In mid FY15 BWX's creative team completed an extensive review of the Uspa product range, concentrating on the professional offering along with the development of a retail offering, positioning the brand towards a broader retail base and professional clients. BWX continues to refine and develop the Edward Beale product range and anticipates that growth opportunities reside in leveraging current sales channels through its existing distribution platforms.

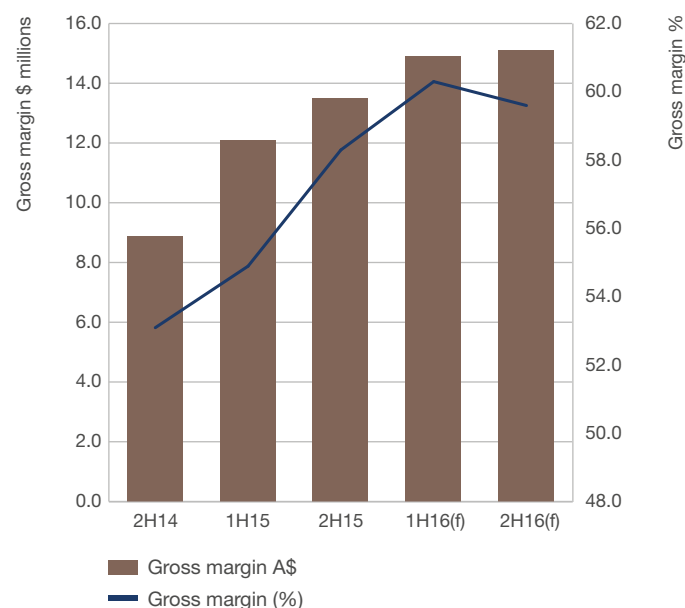
### (d) Seasonality

In FY16 BWX expects a 1H/2H split in forecast revenue of 49.3%/50.7% and forecast NPAT 48.6%/51.4%. This is largely due to the growth expected in the sales of Sukin products continuing through FY16. Many of the products the BWX Group manufactures for third parties and its brands are daily consumable products and therefore less susceptible to seasonality influences.

### (e) Gross Profit Margin and Cost of Goods Sold

The following table shows the pro forma consolidated gross margin for the six months ended 30 June 2014, 31 December 2014 and 30 June 2015 along with the statutory forecast consolidated gross margin for the six months ending 31 December 2015 and 30 June 2016.

**Figure 4.3: BWX Growth Profit Margin and Cost of Goods Sold**



Gross profit is defined as net revenue less cost of goods sold. Cost of goods sold comprises the purchase price of raw materials, packaging, labour costs and factory overhead. The gross profit margin reflects gross profit divided by net revenue.

The Pro Forma Financial Information and Forecast Financial Information consistently show a gross profit margin in excess of 50%. The gross profit margin in FY16 is forecast to be 59.9%, representing a 5.7% increase from 56.7% in FY15.

The key factors that are driving the historical and forecast improvement in gross margins are:

- a restructure that the Company undertook in FY15 to improve operational processes and better position the Company for growth. The improvement process involved a complete review of the production systems and processes, from inception through to distribution;
- the active migration of a number of smaller, lower margin customers. While this is forecast to have a negative impact on the revenue of the Company (refer Section 4.4(c) above), it is forecast to have a positive impact on BWX Group's gross profit margin as a result of a higher margin production mix; and
- with the acquisition of the Sukin businesses, BWX can better manage its production cycle of Sukin products to gain manufacturing efficiencies.

The Forecast Financial Information assumes that there will be no material change in the cost of purchasing raw materials and packaging. The majority of the purchases of raw materials and packaging are in Australia and purchased in AUD, although approximately 27.6% of raw materials and packaging has been sourced from offshore suppliers.

With the location of the Company's leased operating facilities in Dandenong South, Melbourne, Victoria, the majority of staff and management are currently based on site.

Factory overheads relate principally to the operation and maintenance of the Company's leased operating facilities in Dandenong South, Melbourne, Victoria.

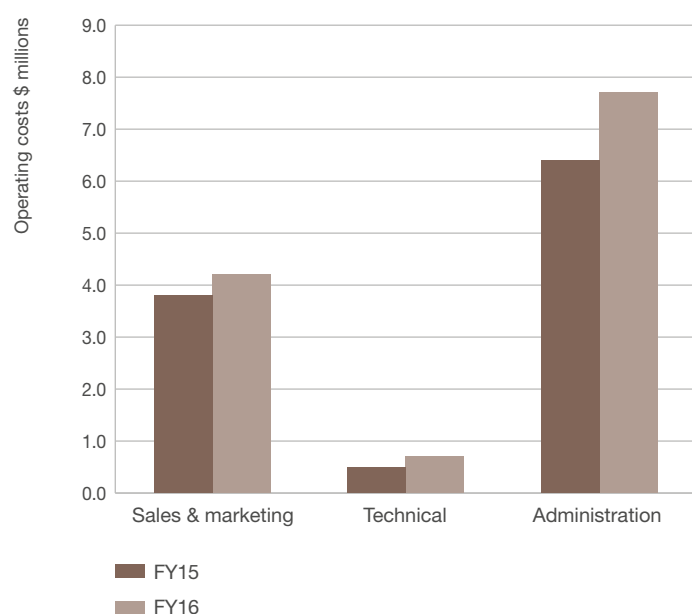
**(f) Operating Costs**

The operating costs of the BWX Group consist mainly of sales and marketing, technical and administration costs.

Total operating costs as a percentage of sales is forecast to be 25.0% in FY16 which is a 4.9% increase from 23.9% in FY15, driven principally by the increased level of sales and marketing activities along with expanding the management team to support further growth in the business.

The following table shows the pro forma consolidated split of operating costs for FY15 along with the statutory forecast consolidated split of operating costs for FY16.

**Figure 4.4: BWX Operating Costs**

**(g) Sales and Marketing Expenses**

Sales and marketing expenses include costs relating to supporting the ongoing growth of BWX's established brands, Sukin, Derma Sukin, Renew Skincare, Usps and Edward Beale, with the majority of the expenditure relating to Sukin given the relative sales compared to the other BWX brands.

Sales and marketing expenses are forecast to increase to approximately \$4.2 million in FY16 representing a 10.5% increase from approximately \$3.8 million in FY15.

**(h) Technical Expenses**

Technical expenses relate to developing, producing and commercialising new formulations of personal care products for both domestic and international distribution. Technical expenses are forecast to increase to approximately \$0.7 million in FY16 representing a 23.5% increase from approximately \$0.5 million in FY15.

**(i) Administrative Expenses**

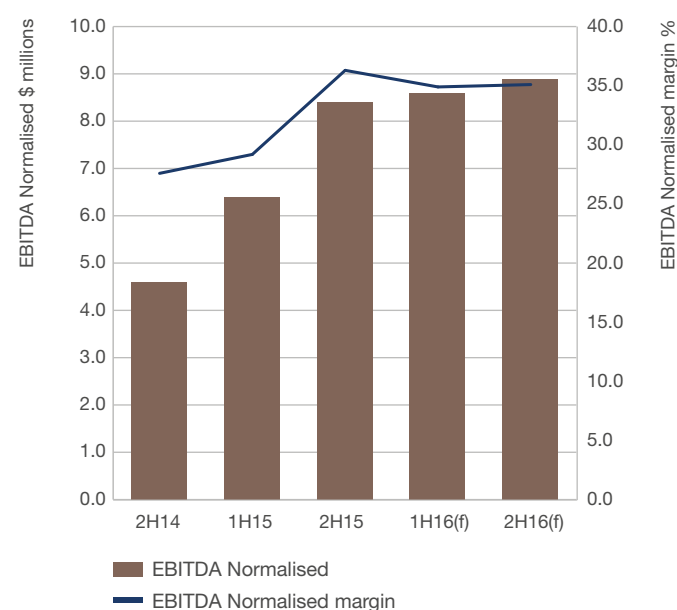
Administrative expenses are forecast to increase to approximately \$7.7 million in FY16 representing a 20.3% increase from approximately \$6.4 million in FY15. Administrative expenses are forecast to increase by approximately \$1.3 million in FY16, of which \$0.3 million relates to BWX's estimate of the incremental annual costs it will incur as a listed public company. These incremental costs include audit and tax compliance, share registry fees, annual general meeting costs, annual report costs as well as other listed entity related compliance costs.

Rent and property costs, wages and salaries for Board and head office functions such as finance, HR and general administration, communications, legal and consulting fees, insurances, travel and accommodation are all included with administrative expenses.

**(j) EBITDA and EBITDA Margin**

The following table shows the pro forma consolidated EBITDA and EBITDA margin for the six months ended 30 June 2014, 31 December 2014 and 30 June 2015 along with the statutory forecast consolidated EBITDA and EBITDA margin for the six months ending 31 December 2015 and 30 June 2016.

**Figure 4.5: BWX Pro Forma Consolidated EBITDA and EBITDA Margin**



In FY16, BWX is forecasting EBITDA of \$17.5 million, which is an increase of \$2.8 million or 18.2% on the FY15 EBITDA normalised of \$14.8 million. This results in an expected increase in EBITDA margin to 34.9%, driven primarily by Sukin product sales growth and operating scale efficiencies in the manufacturing operations.

#### 4.5 Basis of Preparation of Forecast Financial Information

The Forecast Financial Information has been prepared based on the significant accounting policies adopted by the BWX Group, which are in accordance with Australian Accounting Standards and are disclosed in Section 10. It is assumed that there will be no changes to Australian Accounting Standards, the Corporations Act or other financial reporting requirements that may have a material effect on BWX's accounting policies during FY15.

The Forecast Financial Information is based on various general and specific assumptions, including those set out below. In preparing the Forecast Financial Information, the BWX Group has undertaken an analysis of historical performance and applied assumptions where appropriate in order to forecast future performance for FY16. BWX believes that it has prepared the Forecast Financial Information with due care and attention and considers all assumptions, when taken as a whole, to be reasonable at the time of preparing the Prospectus, including each of the assumptions set out below. However, actual results are likely to vary from those forecasts and any variation may be materially positive or negative.

The assumptions on which the Forecast Financial Information are based are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of the BWX Group and its Directors. Accordingly, none of the BWX Group, its Directors or any other person can give any assurance that the Forecast Financial Information or any prospective statement contained in this Prospectus will be achieved. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information. The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 4.8, risks set out in Section 5 and the Investigating Accountant's Report on Financial Information set out in Section 8.

#### (a) General Assumptions

In preparing the Forecast Financial Information, the following general assumptions are relevant:

- no material change in the competitive and operating environments in which BWX operates;
- no significant deviation from the current market expectations of Australian and New Zealand economic conditions;
- no material event (including war, disease, natural disaster or catastrophe) or circumstance that has a material impact on short term demand patterns of consumers;
- no material change in national, state or territory government legislation, tax legislation, regulatory legislation, regulatory requirements or government policy for any country in which BWX operates that will have a material impact on the financial performance or cash flows, financial position, accounting policies, financial reporting or disclosure of BWX;
- no material changes in key management of BWX, and the BWX Group maintains the ability to attract and retain the personnel required to support the future growth;
- no material changes in the applicable Australian Accounting Standards, other mandatory professional reporting requirements or the Corporations Act which have a material effect on BWX's financial performance, financial position, accounting policies, financial reporting or disclosure;
- no material change in economic factors, such as business confidence and consumer sentiment;
- no material industry disturbances or disruptions to the continuity of operations of the BWX Group nor other material changes in its business;
- the Offer proceeds are received in accordance with this Prospectus;
- none of the risks listed in Section 5 has a material adverse impact on the operations of BWX;
- no material acquisitions, divestments, restructuring or investments;
- no material adverse impact in relation to litigation or claims (existing or otherwise);
- no material amendment to any material contract, agreement or arrangement or material change in licences relating to the BWX business; and
- no material change in the BWX Group's corporate and funding structure other than as set out in, or contemplated by, this Prospectus.



### (b) Specific Assumptions

The basis of the specific assumptions that have been used in the preparation of the Forecast Financial Information are set out below.

#### (i) Revenue Assumptions

The Forecast Financial Information is based on the following key revenue assumptions:

- sales growth in Sukin products of 26% in FY16;
- new products being developed and launched in the Sukin range during FY16 contributing \$1.1 million in FY16;
- flat or marginal sales growth in other BWX brands; and
- forecast total reduction in total third party manufacturing sales in the amount of \$2.1 million. The reduction is the result of the active migration of customers that contributed to approximately \$3.6 million of sales in FY15. These customers were migrated to improve production efficiencies as part of BWX's strategy towards a company that develops, produces and markets its own proprietary brands.

#### (ii) Cost of Sales

The Forecast Financial Information assumes that there will be no material change in the cost of purchasing raw materials and packaging. The majority of the purchases of raw materials and packaging are in Australia and purchased in AUD, although approximately 27.6% of raw materials and packaging has been sourced from offshore suppliers.

#### (iii) Net Finance Costs

The Forecast Financial Information is based on the following net finance costs assumptions:

- working capital facility in the amount of \$10.1 million; and
- various fees and interest charges as stipulated in the relevant CBA bank facility.

#### (iv) Income Tax

The Forecast Financial Information is based on the following tax assumptions:

- Australian corporate tax rate assumed to remain at 30%; and
- no change to corporate tax rates in each overseas jurisdiction in which BWX operates.

### (v) Change in Working Capital

The Forecast Financial Information is based on the following working capital assumptions:

- trading terms remain in line with historic trading, with expected improvements in debtor collection times; and
- a stock build of Sukin finished products to be held on hand in order to facilitate a more efficient management of the Sukin production requirements.

#### (vi) Foreign Exchange

The Forecast Financial Information is based on an average exchange rate of 1 AUD = 0.71 USD.

### 4.6 Bank Facilities

The Company has the following bank facilities with CBA:

	Facility size \$'m	Amount drawn down at 30 June 2015 \$'m	Amount drawn down after the Offer \$'m
Revolving acquisition facility	15.0	10.0	–
Bullet acquisition facility	5.0	5.0	–
Trade finance facility (including overdraft and bank guarantee)	10.0	5.0	5.0
Business card facility	0.1	–	–
<b>Total</b>	<b>30.1</b>	<b>20.0</b>	<b>5.0</b>

The bank facilities have a three year term, ending June 2018, and comprise a \$5 million bullet facility which was drawn down in full as part funding for the acquisition of the Sukin businesses, a \$15 million revolving acquisition facility of which \$10 million was drawn down in full as part funding for the acquisition of the Sukin businesses, and a \$10 million trade finance facility. All bank facilities are interest only with the exception that on IPO of the Company, the Company will repay the bullet facility and revolving acquisition facility. Any balance of the revolving acquisition facility not repaid on IPO of the Company will be converted to principal and interest 12 months from the original funding date with a five year term.

A facility establishment fee was paid on the initiation of the facilities and commercial interest rates apply to each type of facility.

The bank facilities have the following key financial covenants:

- the interest coverage ratio (being the ratio of EBITDA for a 12 month period to all interest in respect of financial indebtedness actually paid or payable by any member of the BWX Group) must be no less than four times on a rolling 12 month basis;
- the gross leverage ratio (being the ratio of the amount of all outstanding loans under all facilities at the testing date to EBITDA for the 12 month period ending on that testing date) must be below 2.5 times on a rolling 12 month basis; and
- the working capital ratio (being the sum of trade debtors less than 90 days and inventory at the testing date on the sum of trade payables plus the trade finance facility less cash on the testing date) must be no less than two times on a rolling 12 month basis.

The bank facilities include representations, warranties, undertakings, review events, events of default and indemnities which are customary for financings of this nature or which are driven by the circumstances of financing transactions. These include, but are not limited to, restrictions on paying dividends and other distributions, disposing of assets, granting security, incurring financial indebtedness, providing financial accommodation and change of control (in each case, subject to any applicable carve outs). The bank facilities will be capable of being terminated (with all amounts becoming due and payable) following the occurrence of an event of default.

The facilities are secured by security interest granted by the BWX Group over all of their assets in favour of CBA.

#### 4.7 Lease Commitments

The Group has entered into operating leases on office and manufacturing premises for terms of up to 10 years (with options to extend for between five and 10 years further). Future minimum rentals payable under these operating lease are as follows:

	As at 30 June 2015 \$'000
Within one year	945
More than one year but not more than five years	3,638
More than five years	4,266
<b>Total</b>	<b>8,849</b>

The Group has entered into a bank guarantee in relation to its operating leases with a value of \$200,000.

#### 4.8 Sensitivity Analysis

The Forecast Financial Information is based on a number of specific and general assumptions outlined in Section 4.5 that are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the BWX Group, the Directors and BWX management, and on assumptions with respect to future business decisions, which are subject to change.

Set out below is a summary of the sensitivity of the Forecast Financial Information to changes in a number of key assumptions. The changes in the key assumptions set out in the sensitivity analysis are intended to provide a guide only and are not intended to be indicative of the complete range of variations that may be experienced. Variations in actual performance could exceed the ranges shown, and these variances may be substantial.

Care should be taken in interpreting these sensitivities. In order to illustrate the likely impact on the Forecast Financial Information, the estimated impact of changes in each of the assumptions has been calculated in isolation from changes in other assumptions. In practice, changes in assumptions may offset each other or be additive, and it is likely that BWX management would respond to an adverse change in one item to seek to minimise the net effect on the BWX Group's earnings and cash flow.

For the purposes of the analysis below, the effect of the changes in key assumptions on forecast FY16 EBITDA of \$17.5 million and NPAT of \$11.1 million is presented.

Assumptions	Note	Increase/ Decrease	FY16 NPAT Impact
Change in Sukin sales revenue	1	+/-5%	+/-1.2
Change in gross margin	2	+/-5%	+/-2.1
Change in operating costs	3	+/-5%	+/-0.2
Change in USD exchange rate	4	+/-5%	+/-0.4
Change in interest rate	5	+/-100bpts	+/-0.2

#### 4.9 Dividend Policy

The Board currently intends to pay dividends subject to the availability of profits and the financial position of the BWX Group.

The Directors intend to target a dividend payout ratio of between 35% and 50% of the BWX Group's forecast NPAT from FY16. This level of payout may vary between periods depending on a number of factors including the general business environment, the operating results and financial condition of the BWX Group, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits and imputation credits available), any contractual, legal or regulatory restrictions on the payment of dividends by the Company and any other factors the Directors may consider relevant.

No assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend.

The Directors expect the first dividend to Shareholders will be determined in respect of the period from the date of completion of the Offer to 30 June 2016 and will become payable in October 2016.

RISKS

05.



## 5. RISKS

### 5.1 Introduction

This Section 5 describes the potential risks associated with BWX's business and the risks associated with an investment in Shares. It does not purport to list every risk that may be associated with an investment in Shares now or in the future. The occurrence of, or consequences of, some of the risks described in this Section 5 are partially or completely outside of the control of the Company, its Directors and its management team.

The selection of risks has been based on the assessment of a combination of the probability of the risk occurring, the ability to mitigate the risk and the impact of the risk if it did occur. That assessment is based on the knowledge of the Directors as at the date of this Prospectus, but there is no guarantee or assurance that the importance of different risks will not change or that other risks will not emerge.

There can be no guarantee that the Company will deliver on its business strategy, or that the forecasts or any forward looking statements contained in this Prospectus will be achieved or realised. Investors should note that past performance is not a reliable indicator of future performance.

Before applying for Shares, investors should satisfy themselves that they have a sufficient understanding of these matters and should consider whether Shares are a suitable investment for them, having regard to their own investment objectives, financial situation and particular needs. If investors are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment for them, they should seek professional guidance from their solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest in the Company.

### 5.2 Risks specific to an investment in BWX

#### (a) Reliance on Sukin brand

BWX's financial performance is heavily reliant on the ongoing success of its recently acquired Sukin brand, which is forecast to represent approximately 70.4% of BWX's revenue in FY16.<sup>1</sup> As the future performance of Sukin may be affected by many of the factors outlined in this Section 5, the Company cannot guarantee the future financial performance of Sukin. Should Sukin be adversely affected by any of these risks it is likely that the Company and its financial performance and results would also be materially adversely affected.

#### (b) Business Strategy Execution

BWX's success will depend on its ability to successfully execute its business strategy.

BWX's future growth, profitability and cash flows depend on the ability of BWX's management to successfully execute its business strategy, which is dependent on a number of factors, including its ability to:

- develop its brands portfolio through new product development and market execution;
- identify and support new and existing brands with the potential to develop into global brands;
- innovate and develop new products that are appealing to consumers;
- extend its brands into the other segments of the beauty and personal care market in which BWX competes and develop new brands;
- continue to expand its distribution channels within existing geographies to increase market presence, brand recognition and sales;
- expand its market presence through alternative distribution channels;
- expand margins through sales growth, the development of higher margin products and supply chain integration and efficiency initiatives;
- effectively manage capital investments and working capital to improve the generation of cash flow; and
- execute and integrate business acquisitions efficiently and successfully.

There can be no assurance that BWX can successfully achieve any or all of the above initiatives or anticipated time frames. The failure by BWX to successfully execute its business strategy could have a material adverse effect on the Company's business, financial condition and results of operations.

#### (c) Competition

The beauty and personal care market is highly competitive, and if BWX's customers and partners are unable to compete effectively, the Company's results may suffer.

BWX faces competition from companies throughout the world, including large multinational consumer product companies. Some of these competitors have greater resources than BWX and may be able to respond more effectively to changing business and economic conditions. BWX's products compete with other widely advertised brands. Competition in the beauty and personal care

<sup>1</sup> See Section 4 (Financial Information) for further details.



market is based on pricing of products, quality of products and packaging, perceived value and quality of brands, innovation, in-store presence and visibility, promotional activities, advertising, editorials, e-commerce and other activities. BWX cannot predict the timing and scale of its competitors' actions in these areas or whether new competitors will emerge in the beauty and personal care market, including competitors who offer comparable products at more attractive prices. In addition, further technological breakthroughs, new product offerings by competitors, and the strength and success of competitors' marketing programs may impede BWX's growth and the implementation of its business strategy. BWX's ability to compete also depends on the following factors:

- the continued strength of its products and brands;
- ongoing growth and innovation in the skin care and hair care segments;
- the success of BWX's branding and execution strategies;
- the successful management of new products;
- successfully entering new markets and increasing penetration in existing geographies;
- the success of any future business acquisitions; and
- its ability to protect the Company's intellectual property.

**(d) Product safety and liability**

Product safety or quality failures, actual or perceived, or allegations of product contamination, even when false or unfounded, could tarnish the image of BWX's brands and could cause consumers to choose other products. Allegations of contamination or other adverse commentary on product safety or suitability for use by a particular consumer, even if untrue, may require BWX to recall a product from all of the markets in which the affected product was distributed. Such issues or recalls could negatively affect the Company's profitability and reputation.

If BWX's products are perceived to be defective or unsafe, or if they otherwise fail to meet consumers' expectations, the Company's relationships with consumers could suffer, the appeal of one or more of its brands could be diminished, and the Company could lose sales or become subject to liability claims. In addition, safety or other defects in BWX's competitors' products could reduce consumer demand for the Company's products if consumers view them to be similar. Any of these outcomes could result in a material adverse effect on BWX's business, financial condition and results of operations.

**(e) Counterparty risk**

As a manufacturing and distribution company, BWX is heavily reliant on its main customers, suppliers and strategic partners, including its distribution partners.

In Australia BWX is reliant on its State based distribution partners who are responsible for a majority of the sales and distribution of BWX's products to Australian pharmacies, health stores and other retailers. Approximately 66% of BWX's domestic revenue for FY15 was generated by sales to BWX's two largest State based distributors. These distribution partners each purchase and carry in their store networks a broad variety of BWX's product range. Each of them are large commercial entities with significant bargaining leverage in contractual negotiation. As is customary in the beauty and personal care market, BWX and/or its distributors are a party to each of their pharmacy customers' standard trading terms which do not contain minimum purchase volumes. Accordingly if underlying consumer demand for BWX's products diminishes then the distributors and direct customers will reduce the volume of their orders for BWX's products.

BWX's distributors may cause damage to BWX's brand reputation by breaching exclusive distribution agreements. BWX sells its products internationally through agency partners located in export markets. A failure by any of BWX's distributors or agency partners to comply with their commitments could lead to a loss of opportunities for BWX and adversely impact BWX's operating results and financial position.

BWX manufactures beauty and personal care products. Inputs consisting of raw materials and packaging components are purchased from various third party suppliers. The loss of multiple suppliers or a significant disruption or interruption in the supply chain could have a material adverse effect on the manufacturing and packaging of BWX's products. Increases in the costs of raw materials or other commodities may adversely affect the Company's profit margins if higher costs cannot be passed on in the form of price increases or unless the Company can achieve further cost efficiencies in the manufacturing and distribution processes. In addition, failure by BWX's third party suppliers to comply with ethical, social, product, labour and environmental laws, regulations or standards, or their engagement in politically or socially controversial conduct, such as animal testing, could negatively impact their reputations. Any of these failures or behaviours could lead to various adverse consequences, including damage to BWX's reputation, decreased sales and consumer boycotts.



As outlined in Section 4, in FY16 BWX is forecast to earn approximately 24.5% of its revenue from developing and producing products for third parties. Due to a number of factors affecting the demand for the products manufactured for these third parties being beyond BWX's control, the Company cannot guarantee that these third parties will maintain or increase their level of purchases from BWX. An unexpected decrease in demand from these third parties may have adverse effects on the financial performance of the Company.

**(f) Reputational Risk**

BWX's failure to protect its reputation, or the failure of the Company's partners to protect their reputations, could have a material adverse effect on the image of BWX's brands.

BWX's ability to maintain its reputation is critical to the image and consumer perception of its various brands. BWX's reputation could be jeopardised if it fails to maintain high standards for merchandise quality and integrity or if the Company, or the third parties with whom it does business, do not comply with regulations or accepted practices. Any consequential negative publicity may reduce demand for BWX's products. Failure to comply with ethical, social, product, labour and environmental standards, or related political considerations, such as animal testing, could also jeopardise BWX's reputation and potentially lead to various adverse consumer actions, including boycotts. Failure to comply with local laws and regulations, to maintain an effective system of internal controls or to provide accurate and timely financial information could also damage BWX's reputation. BWX depends on the reputations of its third party clients, which can be affected by matters outside of the Company's control. Damage to BWX's reputation or the reputations of its third party clients could have a material adverse effect on BWX's results of operations, financial condition and cash flows, as well as require additional resources to rebuild the Company's reputation.

**(g) Business disruption**

BWX is engaged in manufacturing and distributing beauty and personal care products. As a result, BWX is subject to the risks inherent in such activities, including industrial accidents, environmental events, strikes and other labour disputes, disruptions in supply chain or information systems, loss or impairment of BWX's manufacturing facility, product quality control, safety, licensing requirements and other regulatory issues, as well as natural disasters, pandemics, border disputes, acts of terrorism, and other external factors over which BWX has no control. The loss of, or damage to, the BWX manufacturing facility could have a material adverse effect on BWX's business, results of operations and financial condition.

**(h) Sukin Acquisition**

BWX's recent acquisition of Sukin in June 2015 may present managerial, integration, operational and financial risks.

The acquisition exposes the Company to certain risks, including diversion of management attention from existing core businesses and potential loss of customers or key employees of the Sukin business. In addition, there is a risk that BWX's management may not be able to sustain Sukin's growth. The acquisition of the Sukin business involves a risk of unanticipated or unknown liabilities, including with respect to environmental matters. BWX's failure to successfully integrate the Sukin business could have a material adverse effect on its business, financial condition and operating results.

**(i) Acquisition Risk**

Part of BWX's business strategy is to seek suitable business acquisitions. The inherent risk with any business acquisition is that the underlying assets do not ultimately produce the financial returns that the acquirer anticipates. In addition, the acquisition of an existing business involves a risk of unknown or unanticipated liabilities being revealed. If BWX undertakes an acquisition which proves to be unsuccessful in either the short or medium term this may have a material adverse effect on BWX's business, financial condition and operating result.

**(j) New Product Risk**

BWX's new products may not be as successful as anticipated, which could have a material adverse effect on BWX's business, financial condition or results of operations.

A failure to successfully develop and commercialise these products could lead to loss of opportunities and adversely impact BWX's operating results and financial position.

Each new product launch carries risks, as well as the possibility of unexpected consequences, including:

- the advertising, promotional and marketing strategies for new products may be less effective than planned and may fail to effectively reach the targeted consumers;
- product purchases by consumers may not be as high as anticipated;
- the Company may experience product shortages and/or product returns exceeding expectations as a result of new product launches. In addition, retailer space reconfigurations may be impacted by retailer inventory management or changes in retailer pricing or promotional strategies;

- costs may exceed expectations as a result of the continued development and launch of new products, including, for example, advertising, promotional and marketing expenses, sales return expenses or other costs related to launching new products; and
- product pricing strategies for new products may not be accepted by retail customers or their consumers, which may result in sales being less than anticipated.

**(k) Growth Risk**

Should the Company's growth accelerate at a higher rate than anticipated, the Company may, through lack of availability of materials or packaging, inability to scale production in a timely manner, lack of suitable labour or other unforeseen circumstances, be unable to supply its products in a timely manner to meet the demand of its customers. Should this occur the Company may risk the loss of either third party manufacturing clients or suffer a reduction in the customer base for its own products. Such events could have an adverse effect on both the reputation of the Company as well as its financial results.

**(l) Customer Credit Risk**

A sudden disruption in business conditions or a general economic downturn may adversely affect the financial strength of BWX's retailer customers. A general decline in economic conditions may negatively impact the financial position of BWX's retailer customers. The financial difficulties of a retailer customer could cause BWX to reduce or cease business with that customer. BWX may also decide to assume more credit risk relating to the receivables from that retailer customer. BWX's inability to collect receivables from one or a group of retailer customers could have a material adverse effect on the Company's business, results of operations and financial condition. If a retailer customer were to go into liquidation, BWX could incur additional costs if the Company chooses to purchase the retailer customer's inventory of BWX's products to protect its brand equity.

**(m) Reliance on key management**

BWX depends substantially on its key management, the loss of whose services might significantly delay or prevent the achievement of its business strategy. Currently, BWX has no insurance against the adverse effects of the loss of key management.

The ability of BWX to retain and attract qualified individuals is also critical to its success. BWX may not be able to attract and retain suitable individuals currently or in the future on acceptable terms, or at all, and the failure to do so may adversely effect BWX's business.

**(n) Access to Equity and Debt Funding**

Volatility in the financial markets could have a material adverse effect on BWX's ability to equity or debt fund its business.

BWX's ability to raise additional funds will be subject to, among other things, factors beyond the control of the Company and its Directors, including cyclical factors affecting the economy and share markets generally.

In addition, a deterioration in global financial markets could impact risk appetite among lending institutions which may impact BWX's ability to renew existing loan facilities or enter into new loan facilities. The Directors can give no assurance that future funds can be raised by the Company on favourable terms, if at all.

**(o) Impairment of intangibles**

BWX has made a number of recent acquisitions including the acquisition of Sukin. Accordingly, BWX has a substantial amount of intangible assets on its balance sheet relating to goodwill and identifiable intangible assets. Under the relevant accounting standards BWX is required to annually test for impairment all indefinite life intangible assets. If this annual testing revealed that some or all of BWX's intangible assets are impaired to a level below their carrying value, BWX would be required to write down the value of those intangible assets. Such write downs could have a material adverse effect on BWX's financial position.

**(p) Market and Consumer Trends**

Rapid changes in market trends and consumer preferences could adversely affect the Company's financial results.

BWX's continued success depends on its ability to anticipate, gauge and react in a timely and cost effective manner to industry trends and changes in consumer preferences and attitudes toward skin care products. BWX must continually work to develop, produce and market new products and maintain and enhance the recognition of its existing brands, in order to achieve a favourable mix of products. However, BWX cannot predict consumer trends which may change rapidly. Additionally, due to the increasing use of social and digital media by consumers and the speed by which information and opinions are shared, trends may vary more rapidly than in the past. If BWX is unable to anticipate and respond to trends in the market for beauty and personal care products and changing consumer demands, its financial results may suffer.

**(q) Regulatory and legislative risk**

BWX's business is subject to numerous laws and regulations. Changes in these laws and regulations, including their interpretation or enforcement, that affect, or will affect, the Company's business or products, including changes in accounting standards, tax laws and regulations, environmental or climate change laws, restrictions or requirements related to product content, labelling and packaging, regulations or accords, trade rules and customs regulations, could adversely affect BWX's financial results.

Regulation is specific to each geographic region. There are many important differences in regards to the suitability of key ingredients for specific markets and this can pose a risk to product registration across different jurisdictions. Animal testing for example is banned for any product being sold in the European Union, but is mandatory for many products being sold in China.

Failure to remain up to date with these various regulatory requirements, and any regulatory action or enforcement, may adversely affect BWX's financial position.

**(r) Intellectual Property Infringement**

BWX's commercial success depends at least in part on its ability to operate without infringing, misappropriating or otherwise violating the trade marks, patents, copyrights and other proprietary rights of others. BWX cannot be certain that the conduct of its business does not and will not infringe, misappropriate or otherwise violate such rights. As BWX gains greater visibility and market exposure as a public company, third parties may allege that BWX's products, services or activities infringe, misappropriate or otherwise violate their trade mark, patent, copyright or other proprietary rights in an attempt to gain a competitive advantage. Defending against allegations and litigation could be expensive, take significant time and divert management's attention. BWX may also be required to pay substantial damages or be subject to court orders prohibiting the Company and its customers from selling certain products or engaging in certain activities. If BWX operates its business in a way which infringes, misappropriates or otherwise violates the trade marks, patents, copyrights and proprietary rights of others, this could have a material adverse effect on the Company's business, financial condition and results of operations.

**(s) Counterfeit Products**

Third parties may distribute and sell counterfeit versions of BWX's products, which may be inferior in quality and/or pose safety risks for consumers. Consumers could confuse BWX's products with these counterfeit products, which could cause them to refrain from purchasing the Company's brands in the future and in turn could adversely affect sales revenue. The presence of counterfeit versions of BWX's products in the market could also dilute the value of the Company's brands or otherwise have a negative impact on its reputation and business.

BWX believes its trade marks, copyrights, and other intellectual property rights, are important to its success and its competitive position. BWX devotes resources to the registration and protection of its intellectual property and, subject to circumstances at the time, intends to pursue any parties involved in the sale of counterfeit products. However, despite these efforts BWX may be unable to prevent all counterfeiting of its products or the infringement of its intellectual property rights. For the reasons outlined above, the counterfeiting of BWX's products may have an adverse impact on BWX's business reputation and financial performance.

**(t) Insurance Coverage**

BWX currently has in place what it believes are adequate levels of insurance for property, general and product liability, directors' and officers' liability, and workers' compensation to protect BWX from potential losses and liabilities. There is a possibility that events may arise which are not adequately covered by existing insurance policies. In this case the Company may suffer adverse effects to its financial results as well as to the value of its brands. The Company cannot guarantee that its existing insurance will be available or offered in the future. An inability of the Company to secure such cover in the future could restrict the ability of the Company to conduct its business, and this could have a negative impact on the financial results of the Company.

**(u) Unforeseen expenditure risk**

BWX's future growth is dependent on having adequate capital available to fund its business strategy. BWX expects that the proceeds from this Offer will provide sufficient capital resources to enable BWX to achieve its stated business strategy.

However, expenditure may need to be incurred that has not been taken into account in the preparation of this Prospectus.

Should BWX require additional funding, there can be no assurance that additional funds will be available on acceptable terms or at all.

### (v) Information Technology

BWX is increasingly dependent on information technology, and if the Company is unable to protect against service interruptions, data corruption, cyber based attacks or network security breaches, BWX's operations could be disrupted.

BWX relies on information technology networks and systems, including the Internet, to process, transmit and store electronic and financial information, to manage a variety of business processes and activities such as production management, inventory control, financial management and reporting database management, and to comply with regulatory, legal and tax requirements. BWX also depends on information technology infrastructure for digital marketing activities and for electronic communications among personnel, customers and suppliers around the world. These information technology systems, some of which are managed by third parties, may be susceptible to damage, disruptions or shutdowns due to failures during the process of upgrading or replacing software, databases or components, power outages, hardware failures, computer viruses, attacks by computer hackers, telecommunication failures, user errors or other unforeseen events. If BWX's information technology systems suffer severe damage, disruption or shutdown and BWX does not effectively resolve the issues in a timely manner, the Company's product sales, financial condition and results of operations may be materially and adversely affected and the Company may experience delays in reporting financial results.

If BWX is unable to prevent security breaches, it may suffer financial and reputational damage or penalties because of the unauthorised disclosure of confidential information belonging to the Company or to its partners, customers or suppliers. In addition, the disclosure of non-public sensitive information could lead to the loss of intellectual property or damage to BWX's reputation.

### (w) Foreign Exchange Rate Fluctuations

Fluctuations in currency exchange rates may negatively impact BWX's financial position and operating results.

Exchange rate fluctuations may affect the costs that BWX incurs in its operations. The main currency to which BWX is exposed is US dollars. In addition BWX is exposed to the Euro, the British pound and the Canadian dollar. The exchange rates between these currencies and the Australian dollar in recent years have fluctuated significantly and may continue to do so in the future.

A lower Australian dollar may increase the costs of input materials to BWX and a higher Australian dollar may decrease export demand for BWX's products.

## 5.3 General risks relating to an investment in BWX

### (a) Price of Shares

The price of Shares quoted on the ASX may rise or fall and the Shares may trade below or above the Offer Price due to a number of factors, including:

- general economic conditions, including interest rates, exchange rates, inflation rates and commodity prices;
- fluctuations in the local and global market for listed stocks;
- changes to government policy, legislation or regulation;
- inclusion in or removal from market indices (including the various S&P/ASX indices);
- the nature of markets in which the Company operates;
- general and operational business risks; and
- global hostilities, tensions and acts of terrorism.

### (b) Trading in Shares may not be liquid

Prior to the Offer, there was no public market for Shares. Once the Shares are quoted on the ASX, there can be no guarantee that an active market for the Shares will develop or that the price of the Shares will increase. There may be relatively few potential buyers or sellers of the Shares on the ASX at any time. This may increase the volatility of the price of the Shares. It may also affect the prevailing price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a price for their Shares that is less than the price that Shareholders paid.

Following the Completion of the Offer, Escrowed Shareholders (who will retain an aggregate holding of approximately 15.3% of the total Shares on issue) will be subject to voluntary escrow arrangements for 12 months commencing on the date that the Shares are quoted on the ASX.

In each case, the escrow restrictions are subject to certain exceptions as set out in more detail in Section 9.6. The absence of any sale of Escrowed Shares by the Escrowed Shareholders during the Escrow Period may cause, or at least contribute to, limited liquidity in the market for the Shares. This could affect the prevailing price at which Shareholders are able to sell their Shares. It is important to recognise that Shareholders may receive a market price for their Shares that is less than the price that Shareholders paid.

Following the end of the Escrow Period, a significant sale of Shares by the Escrowed Shareholders, or the perception that such a sale might occur, could adversely affect the price of Shares.



**(c) Shareholder dilution**

In the future, BWX may elect to engage in various types of capital raisings to, among other things, fund acquisitions. While BWX will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue within a 12 month period (other than where exceptions apply), Shareholders at the time may be diluted as a result of such capital raisings.

**(d) Taxation changes**

There is the potential for further changes to Australia's tax laws. Any change to the current rates of taxes imposed on BWX is likely to affect returns to Shareholders.

An interpretation of taxation laws by the relevant tax authority that is contrary to BWX's view of those laws may increase the amount of tax to be paid. The Company obtains external expert advice on the application of the tax laws to its operations.

In addition, an investment in Shares involves tax considerations which may differ for each Shareholder. Each investor is encouraged to obtain professional tax advice in connection with any investment in BWX.

**(e) Franking of Dividends**

BWX cannot guarantee that any dividends which may be paid by the Company will be wholly or partially franked. If BWX pays a dividend, the extent to which it will be franked will depend on the availability of franking credits. Shareholders should be aware that the value of any franking credits will depend on the individual Shareholder's particular taxation and financial circumstances. Shareholders should seek their own taxation advice in relation to any potential tax offset or refund claim which they may be entitled to in any particular financial year.

There is also a risk that the franking system may be subject to legislative review and/or reform.

**(f) Australian Accounting Standards**

Australian Accounting Standards are set by the Australian Accounting Standards Board (AASB) and are outside the control of BWX. The AASB is due to introduce new or refined Australian Accounting Standards during the period from 2015 to 2018, which may affect future measurement and recognition of key income statement and balance sheet items, including revenue and receivables.

There is also a risk that interpretations of existing Australian Accounting Standards, including those relating to the measurement and recognition of key income statement and balance sheet items, including revenue and receivables, may differ. Changes to Australian Accounting Standards issued by the AASB or changes to the commonly held views on the application of those standards could materially adversely affect the financial performance and position reported in BWX's consolidated financial statements.

**(g) Force majeure events**

Events may occur within or outside Australia that could impact on the Australian economy, the operations of BWX and the price of the Shares. The events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man made events or occurrences that can have an adverse effect on the demand for BWX's products and services and its ability to conduct its business. The Company has only a limited ability to insure against some of these risks.

KEY PEOPLE,  
INTERESTS AND  
BENEFITS

06.





## 6. KEY PEOPLE, INTERESTS AND BENEFITS

### 6.1 Board of Directors

This Section 6 provides background information about the qualifications and experience of the Directors and senior management of the Company. It also summarises the corporate governance policies and procedures of BWX. Full documentation may be viewed at the Company's website: [www.bwxltd.com](http://www.bwxltd.com).

### 6.2 Directors

#### (a) Denis Shelley, Non-Executive Chairman, BEd, BPsych

Denis Shelley is an experienced marketer, senior executive and CEO with more than 30 years' experience across a number of leading multinational companies including Sterling Winthrop, Reckitt & Colman and a 14 year international CEO career with Sara Lee Corporation (1992-2006).

Denis has a broad industry background in FMCG, direct selling, intimate apparel and manufacturing operations. He has experience in managing and building a broad range of consumer brands spanning pharmaceuticals, health and beauty, personal care, intimate apparel and household products. Positions held include various brand management and marketing director roles such as Group Marketing Director Reckitt & Colman South Africa, CEO Sara Lee South Africa, CEO Sara Lee Household & Body Care Australia and President of Nutrimetics Australia.

Additionally, Denis also held the position of Group Chairman of Sara Lee Australia (1996-2006) and as a result brings experience in the many areas of corporate governance to BWX. He holds a Bachelor of Psychology and a Bachelor of Education and is a qualified teacher.

#### (b) John Humble, Chief Executive Officer

John Humble established LHS in 1993 to fill a niche in the manufacture of small-run personal care products.

Through John's direction the business developed its own formulations and created for third parties a suite of 'natural' products that are now exported around the world. He led the executive team in establishing the business of BWX and was central in delivering the successful acquisition of the Sukin businesses.

#### (c) Aaron Finlay, Finance Director, B. Com, CA, SA. Fin, AGIA, MAICD

Aaron Finlay is a Chartered Accountant and Chartered Company Secretary with over 24 years' experience in the accounting and finance profession, with experience in a range of industries, as well as in cross-border mergers and acquisitions and corporate finance.

Aaron has held a number of executive and director roles for ASX and NASDAQ listed companies, including most recently Cleveland Mining Company Limited (ASX: CDG), a gold focused mining company based in Brazil, Mayne Pharma Group Limited (ASX: MYX), a specialty pharmaceutical company with which he was instrumental in the acquisition of Mayne Pharmaceuticals International in 2009, pSivida Corp, an ASX, Frankfurt and NASDAQ listed bio-nanotechnology company (NASDAQ: PSDV), and ETW Corporation Limited, now Alexium International Limited, a specialty chemicals technology company based in the US (ASX: AJX).

Previously he was INVESCO Australia's Chief Financial Officer after holding the position of Head of Group Tax & Treasury for INVESCO's global operations in London. Prior to joining INVESCO, Aaron worked for PricewaterhouseCoopers (then Price Waterhouse) in London and Perth, Australia for seven years.

#### (d) Craig Bottomley, Non-Executive Director

Craig Bottomley has more than 20 years' experience in establishing and developing commercial ventures. He has been involved in the manufacturing, importing, exporting and marketing of products for his own companies. Mr Bottomley has established national and international sales distribution channels for both locally developed and imported products.

Craig was one of the founders of ASX listed company Mayne Pharma Group Limited, serving as its Chief Operating Officer and Executive Director from 28 November 2005 to 28 July 2010. During this time he was one of the team leaders who assisted in the acquisition of Mayne Pharmaceuticals International Pty Ltd in 2009. Mayne Pharma Group Ltd currently ranks in the S&P/ASX 200 index.

#### (e) Ian Campbell, Non-Executive Director, FAICD

Ian Campbell is an experienced company executive whose career started as a computer programmer and quickly moved into middle then senior management in a variety of operational roles in manufacturing and sales and marketing, with Actrol Industrial Products, ACI New Zealand and Repco Manufacturing.

Ian joined Olex Cables as Group General Manager and then as Managing Director of the Pacific Dunlop Cables Group until 1998. The Cables Group manufactured power and communications cables in Australia/New Zealand, Sri Lanka, Indonesia and China.

In 1998 he joined ASX 200 listed GUD Holdings Ltd as its Managing Director and CEO until his retirement in mid 2013. GUD managed a stable of consumer, trade and industrial businesses. It was a diverse portfolio of branded manufactured or sourced products selling to the retail, trade wholesale and B-to-B sectors. GUD included Sunbeam Appliances, Oates Cleaning, Victa Lawncare (divested in 2007), Davey Water Products, Lockfocus, Ryco, Wesfil Automotive and Dexion Storage Solutions. During the 14 years of his stewardship, the company paid out more than \$450 million in fully franked dividends to shareholders.

Ian has been a Non-Executive Director of Mirrabooka Investments Ltd since 2007. He was formerly a national councillor and Victorian vice-president of the Australian Industry Group.

### 6.3 Key management

Key management of the Company, other than Executive Directors, include the following:

#### (a) Alison Goodger, General Manager – Sukin

Alison Goodger was previously a co-founder and chief executive officer of Sukin Organics Pty Ltd, the former owner of the Sukin brand. Alison helped launch the Sukin brand in May 2007 and has been a part of the brand's development from start up through to its acquisition by BWX in June 2015. Through developing networks with distribution partners, Alison launched Sukin into multiple export markets including the US, United Kingdom, Canada, New Zealand, Hong Kong and Singapore. As a result of this success, Sukin has won a number of awards such as Emerging Exporter of the Year at the 2010 Governor of Victoria's Export Awards.

Prior to launching Sukin, Alison attained a bachelor degree majoring in public relations and marketing and held various sales and marketing roles. Alison gained experience in brand management, market development and supply chain logistics working with the brand Renew Skincare.

#### (b) Vince Joy, Chief Operating Officer – Beautiworx, BEng (Hons) CEng

Vince Joy is a manufacturing business executive with over 30 years of industry experience encompassing business transformation, international commercial roles, and new technology introduction.

He has held a number of executive roles for both large international businesses and smaller private companies, including most recently as CEO of W. Granowski Ltd, an industrial equipment manufacturer, and at Pacifica Group Ltd, a global automotive parts manufacturer, where over 13 years he held a variety of senior roles including MD Asia Division, VP Global Sales and Marketing and General Manager of Product Development.

Previously he was based in Europe and worked for major vehicle manufacturers, including Rover Group Ltd and Leyland DAF Ltd.

#### (c) Vinod Somani – Group Financial Controller, BComm (Hons.), MPA, CPA, CIMA

Vinod Somani is a Certified Practising Accountant and a member of Chartered Institute of Management Accountants (CIMA) in the United Kingdom with over 15 years' experience in the accounting and finance profession, particularly in leading and building finance teams and implementing financial processes and systems, as well as in mergers and acquisitions.

Mr Somani started his career as a Graduate Accountant with a private manufacturing company in India before coming to Australia for higher studies. In Australia, he started working with some of Australia's largest retail banks and then joined Strikeforce AMC, later becoming the group finance manager.

### 6.4 Interests and benefits

This Section 6.4 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- underwriter to the issue or sale of Shares or financial services licensee involved in the issue or sale,

holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such persons for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director.

### Interests of Mr John Humble

On 2 January 2014, BWX completed the acquisition of the production business of LHS, a company controlled by John Humble, the current CEO and Managing Director of BWX. The consideration for this acquisition was \$600,000 in cash and approximately 15 million Shares, which equated to approximately 42.5% of the Company at that time.

Of the Sale Shares, LHS is the seller of five million Shares. It is expected that the Sale Shares held by LHS following the IPO will be approximately 9.7 million or approximately 10.76% of the Company. In addition, John Humble holds 300,000 Loan Shares.

### 6.5 Interests of advisers and third parties

The Company has engaged the following professional advisers and third parties:

- Bell Potter has acted as Lead Manager and underwriter to the Offer. The Company has paid, or agreed to pay, the fees described in Section 9.5 for these services;
- Minter Ellison has acted as Australian legal adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, \$300,000 (excluding disbursements and GST) for these services. Further amounts may be paid to Minter Ellison in accordance with its normal time based charges;
- William Buck has acted as Investigating Accountant and has prepared the Investigating Accountant's Report and has performed work in relation to its Independent Limited Assurance Report on the Statutory Consolidated Financial Information and the Pro Forma Historical Financial Information in Section 4 and its Independent Limited Assurance Report on Forecast Financial Information in Section 4. The Company has paid, or has agreed to pay, approximately \$70,000 (excluding disbursements and GST) for the above services up until the Prospectus Date. In addition, other William Buck entities have performed work in relation to Sukin historical financial information and the Company has paid, or has agreed to pay, approximately \$20,000 (excluding disbursements and GST) for these services up until the Prospectus Date;
- Euromonitor International has provided and consented to the inclusion of certain information in this Prospectus. The Company has paid, or agreed to pay, \$9,750 and USD\$4,565 for that information and consent; and
- Nielsen has provided and consented to the inclusion of certain information in this Prospectus. The Company has not paid any money for that information and consent.

In addition to the fees set out above in connection with the Offer, the Company has engaged the following professional advisers during the last two years:

- Bell Potter has acted as lead manager in respect of the pre-IPO raising undertaken by the Company in June 2015. The Company paid approximately \$2.15 million (excluding disbursements and GST) for those services;
- Minter Ellison has acted as Australian legal adviser to the Company in relation to the acquisition of the Sukin businesses in June 2015, the acquisition of Uspa in March 2014, the acquisitions of LHS, Beautiwork and Edward Beale in January 2014, trade mark registrations, and has provided miscellaneous legal advice from time to time. The Company has paid, or has agreed to pay, approximately \$590,000 (excluding disbursements and GST) for the above services up until the Prospectus Date; and
- William Buck has acted as the independent auditor to the Company from inception of the Company on 26 April 2013 and provided due diligence enquiries in relation to the acquisition of the Sukin businesses in June 2015. The Company has paid, or has agreed to pay, approximately \$190,000 (excluding disbursements and GST) for the above services up until the Prospectus Date.

Other than as otherwise stated, these amounts, and other expenses of the Offer, will be paid by the Company out of funds raised under the Offer or available cash. Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 4.

### 6.6 Directors' interests and remuneration

#### (a) CEO and Managing Director

The Company has entered into an employment contract with John Humble to govern his employment with the Company, in the position of CEO and Managing Director, on standard commercial terms and conditions relevant to that position. From the date of the Company's Shares being quoted on the ASX, Mr Humble will receive an annual salary of \$350,000, inclusive of \$50,000 relating to Director's fees and exclusive of superannuation; he will have a three month notice period and be entitled to participate in the Company's Employee Loan Plan and any other incentive performance scheme that the Company considers appropriate.

#### (b) Other key management

The Company has entered into an employment contract with Aaron Finlay to govern his employment with the Company, in the position of Finance Director, on standard commercial terms and conditions relevant to that position. From the date of the Company's Shares being quoted on the ASX, Mr Finlay will receive an annual salary of \$300,000, inclusive of \$50,000 relating to Director's fees and exclusive of superannuation; he will have a

three month notice period and be entitled to participate in the Company's Employee Loan Plan and any other incentive performance scheme that the Company considers appropriate.

The Company has entered into employment contracts with other key management on standard commercial terms and conditions with a three month notice period and entitlement to participate in the Company's Employee Loan Plan and any other incentive performance schemes that the Company considers appropriate.

**(c) Non-Executive Director remuneration**

Each of the Non-Executive Directors has entered into appointment letters with the Company confirming the terms of their appointment, their roles and responsibilities and the Company's expectations of them as Directors.

Under the ASX Listing Rules, the total amount paid to all Directors for their services must not exceed in aggregate in any financial year the amount fixed by the Company's general meeting. As at the date of this Prospectus, this amount has been fixed by the Company at \$400,000. Annual Directors' fees currently agreed to be paid by the Company are \$60,000 to the Chairman and \$50,000 to each of the other Non-Executive Directors.

The remuneration of Directors must not include a commission on, or a percentage of, profits or operating revenue. All Directors' fees are exclusive of statutory superannuation.

**(d) Deeds of access, insurance and indemnity for Directors**

The Company has entered into deeds of access, insurance and indemnity with each Director containing rights of access to certain books and records of the Company, both while the Director is a director of the Company and after the Director ceases to hold office. After a Director has ceased to hold office that Director may only access the records of the Company for the purposes of a legal proceeding or for a purpose that the Board deems to be in the best interests of the Company.

Board papers must be held by the Company for seven years following their creation. The seven years may be extended where certain proceedings or investigations commence before the seven years expires.

Under the Constitution, the Company is required to indemnify all Directors and officers, past and present, against certain liabilities. The indemnity provided for under the deed of indemnity, access and insurance operates indefinitely from the date of appointment as a Director. The Company indemnifies each Director against all liabilities incurred by that Director in or arising out of the discharge of that Director's duties (as a director of the

Company or a subsidiary of the Company) and any and all reasonable legal costs which relate to that liability, in each case to the maximum extent permitted by law.

If a Director is entitled to be indemnified under the deed of indemnity, access and insurance, the Company will pay the relevant amount to discharge the liability or legal cost. Where a Director's entitlement to be indemnified for legal costs depends on the outcome of proceedings, the Company must not provide that indemnity until the outcome of the proceedings is known. If an indemnity is due to a Director following a proceeding, the Company must indemnify the Director within 28 days of the outcome of that proceeding.

The deed of indemnity, access and insurance allows in certain cases for the Company to make advance payments to an indemnified Director for an amount owing in respect of legal costs covered by the deed of indemnity, access and insurance.

Under the Constitution, the Company may arrange and maintain directors' and officers' insurance for its Directors and officers to the extent permitted by law. Under the deed of indemnity, access and insurance, the Company must, for each Director, use its best efforts to effect and maintain insurance during the Director's period of office and for a period of seven years after the Director ceases to hold office.

**6.7 SaleCo indemnity deed**

The Company has entered into a deed of indemnity under which the Company indemnifies SaleCo and its directors against losses incurred in respect of the Offer by them as a result, among other things, of defects in, or the distribution of, this Prospectus or any advertising or marketing in respect of the Offer published by the Company. The indemnity does not extend to losses resulting from fraud, recklessness, wilful misconduct or gross negligence of an indemnified party or to the extent the indemnity would be illegal, void or unenforceable under any law.

The deed also contains a release by the Company of the indemnified parties as a result among other things of their participation in the preparation of this Prospectus or otherwise in relation to the Offer. The release does not apply in relation to losses resulting from any fraud, recklessness, wilful misconduct or gross negligence of an indemnified party, whether as a director or executive of SaleCo or the Company. Liability of an indemnified party for indirect or consequential loss or damage is also excluded.

The deed allows for the Company in certain cases to make advance payments to an indemnified party for an amount owing in respect of a loss covered by the deed.



### 6.8 Other information about Directors' interests and benefits

Directors will be reimbursed for business expenses necessarily incurred in attending to the Company's affairs, including attending and returning from general meetings of the Company or meetings of the Board or Board committees, provided the expenses are reasonable and all Company policies in relation to expenses are complied with.

Directors may be paid such additional or special remuneration as the Directors decide is appropriate where a Director performs extra work or services which are not within the normal role of the Director, at the request of the Board.

There are no retirement benefit schemes for Directors, other than statutory superannuation contributions.

Other interests of Directors and Management are set out in Section 6.9 below.

### 6.9 Directors' Shareholdings

Directors are not required under the Constitution to hold any Shares. However, the Shareholdings of all Directors on Completion of the Offer are expected to be as follows:

Directors	Shares held post IPO (including indirect holdings)	Loan Shares held post IPO	Options held post IPO
Denis Shelley	333,334	150,000	200,000
John Humble	9,742,945	300,000	2,800,000
Aaron Finlay	1,383,696	300,000	420,000
Craig Bottomley	1,103,695	150,000	420,000
Ian Campbell	272,728	150,000	100,000

### 6.10 SaleCo directors and shareholder

John Humble, Aaron Finlay and Craig Bottomley, who are all directors of the Company, are directors of SaleCo. John Humble is the sole shareholder of SaleCo.

### 6.11 Corporate Governance

This Section explains how the Board will oversee the management of BWX's business. The main policies and practices adopted by the Company are summarised below. Details of BWX's key policies and practices and the charters for the Board and each of its committees are available at [www.bwxltd.com](http://www.bwxltd.com).

The Board is responsible for the overall corporate governance of BWX. The Board monitors the operational and financial position and performance of BWX and oversees its business strategy, including approving the strategic goals of BWX and considering and approving a business plan and an annual budget.

The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return, and sustaining the growth and success of BWX.

In conducting BWX's business with these objectives, the Board seeks to ensure that BWX is properly managed to protect and enhance Shareholder interests, and that BWX and its Directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing BWX, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for BWX's business and which are designed to promote the responsible management and conduct of BWX.

#### (a) ASX Corporate Governance Council's Corporate Governance Principles and Recommendations

The ASX Corporate Governance Council has developed and released corporate governance recommendations for Australian listed entities in order to promote investor confidence and to assist companies to meet stakeholder expectations. The recommendations are not prescriptions but guidelines.

However, once listed, the Company will be required to provide a statement in its annual report disclosing the extent to which it has followed the recommendations in the reporting period. Where the Company does not follow a recommendation, it must identify the recommendation that has not been followed and give reasons for not following it.

Except as set out below, the Board does not expect that the Company will depart from the recommendations of the ASX Corporate Governance Council. However, it may do so in the future if it considers that such a departure would be reasonable.

### (b) Board of Directors

The Board of Directors comprises Denis Shelley (Chairman), John Humble (CEO and Managing Director), Aaron Finlay (Finance Director), Craig Bottomley (Non-Executive Director) and Ian Campbell (Non-Executive Director).

Detailed biographies of the Board members are provided in Section 6.2.

The Board considers an Independent Director to be a Non-Executive Director who is not a member of the Company's management and who is free of any business or other relationship that could materially interfere with or reasonably be perceived to interfere with the independent exercise of their judgement. The Board reviews the independence of each Director in light of interests disclosed to the Board from time to time.

The Board considers that each of Denis Shelley, Craig Bottomley and Ian Campbell are Independent Directors for the purpose of the ASX Recommendations as each is free from any interest, position, association or relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of their judgement.

John Humble and Aaron Finlay are not considered by the Board to be independent given their executive positions with the Company.

Accordingly, the Board will consist of three Independent Directors. The Board considers that each of the Non-Executive Directors brings an objective and independent judgement to the Board's deliberations and that each of the Non-Executive Directors makes a valuable contribution to the Company through the skills they bring to the Board and their understanding of the Company's business.

### (c) Board charter

The Board has adopted a written charter to clarify the roles and responsibilities of Board members. This charter addresses:

- the Board's composition;
- the Board's role and responsibilities;
- the relationship and interaction between the Board and management; and
- the manner in which the Board monitors its own performance.

The Board must have a minimum of three and a maximum of 10 Directors. One third of the Directors (excluding the CEO) must retire at the AGM each year and may seek re-election. Any new Directors appointed by the Board must also retire and may seek re-election at the AGM following appointment.

The composition of the Board is to be determined in accordance with the following principles:

- the Board should comprise directors from different backgrounds with an appropriate range of qualifications and expertise; and
- the Board shall meet regularly and follow meeting guidelines set down to ensure that all Directors participate in an informed discussion of all agenda items.

The role of the Board is to identify the expectations of Shareholders and the ethical and regulatory obligations of the Company. The Board is responsible for identifying significant business risks and implementing arrangements to adequately manage those risks.

The Board seeks to discharge its responsibilities in a variety of ways, including by:

- oversight of the Company, including its control and accountability systems;
- providing input into and final approval of management's development of corporate strategy and performance objectives;
- appointing and removing the CEO;
- ratifying the appointment and removal of senior executives;
- reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct, and legal compliance;
- monitoring senior management's performance and implementation of strategy;
- ensuring appropriate resources are available to senior management;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- approving and monitoring financial and other reporting; and
- monitoring compliance of tax processes.

The Board has established remuneration and risk and audit committees, each of which has a separate charter outlining its terms of reference. The Board has also adopted a risk management policy.

The Board has procedures to allow Directors, in the furtherance of their duties, to seek independent professional advice at the Company's expense.



Responsibility for the operation and administration of the Company is delegated by the Board to the CEO and the senior management team. The Board ensures that the CEO and senior executives are appropriately qualified and experienced to discharge their responsibilities. The performance of the CEO and senior executives is assessed annually with reference to agreed milestones.

The Board performs a strategic review at least three times per year, considering the performance of both itself and individual Directors. This review is carried out by the Board as a whole, with reference to Company strategy and previously agreed milestones.

#### **(d) Audit and Risk Committee**

Under its charter the Audit and Risk Committee must have at least three members and the members must meet the independence and experience requirements of the ASX. All members of this committee must be financially literate and able to read and understand fundamental financial statements. At least one member must be determined by the Board to have the relevant qualifications and experience in accordance with the ASX Corporate Governance Principles and Recommendations.

At present Ian Campbell, Craig Bottomley and Denis Shelley are members of the Audit and Risk Committee. Ian Campbell acts as chair of the committee. The terms of their appointment are at the discretion of the Board and vacancies may be filled as they arise.

All Directors may attend meetings of the Audit and Risk Committee and will receive a copy of all committee papers.

The chair of the Audit and Risk Committee and the chair of any subsidiary company equivalent committee must liaise for the purpose of ensuring the efficient operation of all Group committees and the proper consideration of all matters placed before them.

The Audit and Risk Committee was established by the Board to facilitate:

- the effective operation of systems and controls which minimise financial and operational risk;
- reliable financial and management reporting policies and procedures;
- compliance with laws and regulations;
- maintenance of an effective and efficient internal and external audit process; and
- oversight of the accounting and financial reporting processes of the Company and the audits of the Company's financial statements.

The Audit and Risk Committee is directly responsible for the following functions:

- ensuring appropriate Group accounting policies and procedures are defined, adopted and maintained;
- ensuring that Group operating and management reporting procedures, and the system of internal control, are of a sufficiently high standard to provide timely, accurate and relevant information as a sound basis for management of the Group's business;
- reviewing the Group financial statements prior to their approval by the Board;
- reviewing the scope of work including approval of strategic and annual audit plans and effectiveness of both the external and internal audit functions across the Group;
- monitoring the proper operation of and issues raised through subsidiary company Audit and Risk Committees (if any);
- ensuring that appropriate processes are in place to ensure compliance with all legal requirements affecting the Group;
- ensuring that all internal and industry codes of conduct and standards of corporate behaviour are being complied with;
- appointment of, on recommendation by the CEO, a person responsible for internal audit functions as specified from time to time by, and in accordance with, the Risk and Audit Committee's charter;
- establishing procedures for: (1) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (2) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;
- actioning any other business processes or functions which may be referred to it by the Board; and
- ensuring its receipt from the external auditor of a formal written statement delineating all relationships between the auditor and the Company, consistent with appropriate standards, and the Committee shall be responsible for actively engaging in a dialogue with the auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor and for taking, or recommending that the Board take, appropriate action to oversee the independence of the external auditor.

Under its charter the Audit and Risk Committee is responsible for the appointment, remuneration, monitoring and independence of external auditors. As part of this the committee will require the rotation of the audit partner at least once every five years. The committee must approve all audit and non-audit services provided by external auditors and must not engage an external auditor to perform any non-audit services that may impair or appear to impair the external auditor's judgement or independence in relation to the Company.

The Board authorises the Audit and Risk Committee, within the scope of its responsibilities, to:

- seek any information it requires from employees or external parties;
- obtain outside legal or other independent professional advice; and
- ensure the attendance of external parties with relevant experience and expertise.

The Company must provide appropriate funding as determined by the Audit and Risk Committee for payment of:

- compensation to auditors engaged by the committee;
- compensation to other advisers engaged by the committee; and
- ordinary administrative expenses incurred by the committee in carrying out its duties.

#### **(e) Remuneration Committee**

As set out in its charter the Remuneration Committee must have at least three members. At present the members of the Remuneration Committee are Denis Shelley, Craig Bottomley and Ian Campbell. The terms of their appointment are at the discretion of the Board and vacancies may be filled as they arise. Denis Shelley acts as chair of the committee.

All Directors may attend meetings of the Remuneration Committee and will receive a copy of all committee papers.

The role of the Remuneration Committee is to assist the Board to ensure that appropriate and effective remuneration packages and policies are implemented within the Company and the Group in relation to the CEO, executive Directors and those reporting directly to the CEO. The Remuneration Committee also reviews fees paid to Non-Executive Directors.

The duties and responsibilities of the Remuneration Committee are to:

- review and recommend to the Board remuneration policies and packages for the CEO, executive Directors and direct reports to the CEO;
- recommend to the Board any changes in remuneration policy including superannuation, other benefits and remuneration structure for executives identified above and which are likely to have a material impact on the Group;
- review and recommend to the Board proposals for employee and Non-Executive Director equity plans;
- review and recommend to the Board proposals for short and long term incentive programs for executives identified above;
- review and recommend to the Board any changes to Non-Executive Directors' fees;
- ensure there is a proper performance management process in place throughout the organisation and that it is operating effectively; and
- be informed of:
  - current trends in executive remuneration and associated incentive initiatives; and
  - legislative issues associated with executive remuneration programs.

The decisions of the Remuneration Committee as set out in its minutes constitute recommendations to the Board. The Remuneration Committee has access to senior management of the Group and may also seek independent professional advice subject to prior confirmation with the Chairman.

#### **(f) Risk management policy**

Identifying and managing business risks is an important priority for the Board. The Company has adopted a risk management policy appropriate for its business. This policy highlights the risks relevant to the Company's operations and the policies the Company has enacted for the supervision and management of material business risks.

The Board is responsible for overseeing and approving the Company's risk management strategy and policies and must satisfy itself that a sound system of risk management and internal control is in place. The Board has responsibility for identifying major risk areas and implementing risk management systems. The Board is responsible for monitoring risk management and establishing procedures which seek to provide assurance that material business risks are identified, assessed, addressed and monitored in such a fashion as to enable achievement of the Company's business objectives.

The Company's risk management policy identifies the following possible risk areas:

- operations;
- human resources and occupational health and safety;
- asset management;
- environment and sustainability;
- strategic management;
- reputation and ethical conduct;
- stakeholder communications;
- compliance and legislative;
- financial and business continuity;
- information technology;
- foreign exchange, interest rates and commodity prices; and
- political and climatic.

The Company will regularly undertake reviews of its risk management procedures to ensure that it complies with its legal obligations, including in relation to the recommendations of the Audit and Risk Committee.

The Board requires that each major proposal submitted to the Board be accompanied by a comprehensive risk assessment and, where required, management's proposed risk mitigation strategies.

In order to properly identify and develop strategies and actions to manage risk, the Company has put in place a business risk management framework based on the following key elements:

- identifying possible risks to the business;
- assessing the potential consequences and impact on the Company of the identified risks and the likelihood of occurrence;
- ranking the risks based on the assessment of likely impact and likelihood of occurrence;
- assessing the external environment and the control environment in place to manage the risks;
- developing an appropriate response to manage the risks. Based on the ranking of the risks, the response may include strategies aimed at eliminating, mitigating, transferring or accepting the risks; and
- implementing the response developed and monitoring it to ensure controls to manage the risks are suitable, have been carried into effect and are periodically reviewed.

While the Company uses its best endeavours to identify material business risks, the uncertain nature of the industry, and business generally, means that it may not be possible for the Board and senior management to foresee and identify all material business risks that may affect the Company.

#### (g) Diversity policy

The Company values a strong and diverse workforce and is committed to developing measurable objectives of diversity and inclusion in its workplace. The Company has implemented a diversity policy, with meritocracy the guiding principle, which is overseen by the Board and which aligns the Company's management systems with the commitment to develop a culture that values and achieves diversity in its workforce and on the Board. In its annual report, the Company will disclose the measurable objectives for achieving diversity and progress towards achieving them and will also disclose the proportion of women in the whole organisation, women in senior executive positions and women on the Board.

#### (h) Continuous disclosure policy

Once listed on the ASX, the Company will be required to comply with the continuous disclosure requirements of the Listing Rules and the Corporations Act. Subject to the exceptions contained in the Listing Rules, the Company will be required to disclose to the ASX any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares. The Company is committed to observing its disclosure obligations under the Listing Rules and the Corporations Act.

To that end and with effect from Listing, the Company has adopted a policy that establishes procedures aimed at ensuring that Directors and management are aware of and fulfil their obligations in relation to the timely disclosure of material price sensitive information. The policy will be reviewed annually.

Under this policy, the executive Directors and their advisers will be responsible for managing the Company's compliance with its continuous disclosure obligations. The Company Secretary will be responsible for the disclosure of material information to the ASX and ASIC and must maintain a procedural methodology for disclosure and record keeping.

Any items of materiality that require disclosure require the approval of the CEO and a minimum of one other Director.

Continuous disclosure announcements will be made in accordance with the Company's Communications Strategy Policy.

### (i) Securities trading policy

The Company has adopted a securities trading policy which will apply to the Company and its Directors, officers, employees and management, including those persons having authority and responsibility for planning, directing and controlling the activities of the Company, whether directly or indirectly.

The policy is intended to explain the types of conduct in relation to dealings in Shares that are prohibited under the Corporations Act and establish procedures in relation to Directors, management or employees dealing in Shares.

Subject to certain exceptions, including severe financial hardship, the securities trading policy defines certain 'closed periods' during which trading in Shares by Directors, officers and certain senior executives is prohibited. Those closed periods are currently defined as any of the following periods:

- the period commencing one month prior to the release of the Company's half-year results to the ASX and ending 24 hours after such release;
- the period commencing one month prior to the release of the Company's full-year results to the ASX and ending 24 hours after such release; and
- the period commencing two weeks prior to the Company's annual general meeting and ending 24 hours after the annual general meeting; and
- any additional periods determined by the Board from time to time.

In all instances, buying or selling of Shares is not permitted at any time by any person who possesses price-sensitive information. A copy of this securities trading policy will be available on the Company's website at [www.bwxltd.com](http://www.bwxltd.com).

### (j) Code of Conduct

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a formal code of conduct to be followed by all employees and officers.

The key aspects of this code are to:

- act with honesty, responsibility and professionalism in the best interests of the Company and in a manner consistent with the reasonable expectations of stakeholders (including Shareholders);
- maintain and enhance the Company's reputation as an employer, business operator and corporate citizen;
- act in accordance with all applicable laws, regulations, policies and procedures;
- adhere to corporate governance policies relating to continuous disclosure and communications;
- ensure that books, records and accounts are kept accurately, fairly and in reasonable detail;
- safeguard BWX property against theft, wilful damage or misuse;
- deal with intellectual property owned by the Company in a manner that preserves and protects the Company and its rights;
- avoid conflicts of interest;
- conduct business fairly and competitively in accordance with trade and anti-competition legislation;
- maintain a safe, healthy efficient and productive workplace, including observing equal opportunity rights;
- not make corrupt, illegal or improper payments by or on behalf of the Company; and
- take into account environmental considerations when conducting business operations.

The code of conduct sets out expanded policies on various matters including ethical conduct, business conduct, compliance, privacy, security of information, integrity, and conflicts of interest.

**(k) Communications Strategy Policy**

The Company's aim is to promote effective communication with Shareholders and encourage effective participation at general meetings of the Company. To achieve this outcome, the Company will ensure that:

- materials detailed in the Communications Strategy Policy are maintained and updated on the Company's website ([www.bwxltd.com](http://www.bwxltd.com)) within a reasonable timeframe;
- shareholder communications are distributed to shareholders in accordance with the Corporations Act and the ASX Listing Rules; and
- it will use available channels and technologies to communicate widely and promptly to Shareholders.

The Company's website will contain information about it, including media releases, key policies and the terms of reference of its Board committees. The annual report which contains key financial information about the Company, as well as important operating and corporate information, will be published on the Company's website. A printed copy of the annual report is only sent to Shareholders who elect to receive one.

An annual general meeting will usually be held in November each year for the Company. This is an opportunity for Shareholders and other stakeholders to hear from and put questions to the Board, its management and the external auditor. Notices of meeting will be distributed to all Shareholders prior to the relevant meetings and within the timeframe set by the Company's constitution.



DETAILS OF  
THE OFFER

07.





## 7. DETAILS OF THE OFFER

### 7.1 The Offer

This Prospectus relates to an initial public offering of 26,210,278 Shares, based on the issue of 13,333,333 New Shares by the Company and the sale of 12,876,945 Existing Shares by SaleCo. The total number of Shares on issue at the completion of the Offer is expected to be 90,561,977 and all Shares will rank equally with each other. The Shares offered under this Prospectus will represent approximately 28.9% of the Shares on issue on Completion.

#### Offer structure

The Selling Shareholders have irrevocably offered until 31 December 2015 to sell their Sale Shares to SaleCo free from encumbrances and third party rights and undertaken to deliver Sale Shares to or as directed by SaleCo on Completion of the Offer subject only to:

- payment of the consideration due to the Selling Shareholders; and
- the receipt by SaleCo of proper instruments of transfer of, and any documents of title to, the Sale Shares.

The proceeds of the Offer are expected to be \$39,315,417 (comprising \$20 million from the issue of New Shares in the Company and \$19,315,417 for the sale of Existing Shares agreed under the Sale Deed to be sold by the Selling Shareholders to SaleCo).

#### (a) Structure of Offer

The Offer comprises the:

- Retail Offer, which consists of the:
  - Broker Firm Offer, which is open only to Australian resident investors who are not Institutional Investors and who receive a firm allocation from the Lead Manager; and
  - Chairman's List Offer, which is open to selected investors in Australia who have received a Chairman's List Invitation; and
- Institutional Offer, which consists of an invitation to bid for Shares made to Institutional Investors under this Prospectus.

No general offer to investors will be made under the Offer. The allocation of Shares between the Broker Firm Offer and the Institutional Offer will be determined by the Lead Manager and the Company and SaleCo, having regard to the allocation policy outlined in Sections 7.2 and 7.5.

Details of each component of the Offer and their respective allocation policies are described in Sections 7.2 and 7.5.

#### (b) Purpose of the Offer and use of proceeds

The Offer is being conducted to:

- repay Company debt;
- achieve a listing of the Company on the ASX to broaden the Company's Shareholder base and provide a market for its Shares;
- provide an opportunity for the Selling Shareholders to wholly or partially monetise their investment in the Company;
- improve the Company's future access to capital markets;
- provide BWX with additional financial flexibility to pursue growth opportunities including complementary synergistic acquisitions through improved access to capital markets;
- provide BWX with the benefits of an increased profile that flows from being an ASX listed entity;
- assist BWX in attracting and retaining qualified and high calibre staff; and
- pay the expenses of the Offer.

The Following table details the proceeds and use of funds in relation to those New Shares offered by the Company.

Details	\$ Million	%
Gross proceeds on the issue of 13,333,333 New Shares by the Company	20.0	–
Use of Funds:		
Repayment of CBA Debt	15.0	75.0
Repayment of EGEA Pty Ltd Debt	2.3	11.5
Augment working capital	1.2	6.0
Payment of costs associated with the Offer	1.5	7.5
Total distributions	20.0	–

The following table details the proceeds and use of funds in relation to those Sale Shares offered by SaleCo.

Details	\$ Million	%
Gross proceeds on the sale of 12,876,945 Sale Shares by SaleCo	19.315	–
Less costs of the Offer (fees to Lead Manager)	(0.966)	–
Net proceeds	18.349	–
Distribution of proceeds on the sale of shares to:		
EGEA Pty Ltd	10.740	58.6
Leisure & Hospitality Services Pty Ltd	7.125	38.8
Magnum Capital Pty Ltd	0.484	2.6
Total distributions	18.349	–

**(c) Pro forma historical consolidated balance sheet**

The Company's pro forma balance sheet following Completion, including details of the pro forma adjustments, is set out in Section 4.

**(d) Capitalisation and indebtedness**

The Company's capitalisation and indebtedness as at 30 June 2015, before and following the completion of the Offer, is set out in Section 4.

**(e) Shareholding structure**

The Company expects its key Shareholders will own the Shares set out in the table below on the Prospectus Date and on Completion of the Offer.

**Figure 7.1 – Shareholding structure**

Shareholder	Shares pre IPO	% pre IPO	Shares issued/ acquired/ (sold)	Shares held immediately post IPO	% post IPO
Leisure & Hospitality Services Pty Ltd	14,742,945	19.09	(5,000,000)	9,742,945	10.76
National Nominees Ltd	13,403,753	17.36	–	13,403,753	14.80
UBS Nominees Pty Ltd	8,954,546	11.59	–	8,954,546	9.89
EGEA Pty Ltd	7,536,945	9.76	(7,536,945)	–	–
BNP Paribas Nominees (Australia) Pty Ltd	7,227,127	9.36	–	7,227,127	7.98
HSBC Custody Nominees (Australia) Pty Ltd	5,000,001	6.47	–	5,000,001	5.52
RBC Investor Services Australia Nominees Pty Ltd	4,545,455	5.89	–	4,545,455	5.02
Bond Street Custodians Ltd	1,818,183	2.35	–	1,818,183	2.01
Magnum Capital Pty Ltd	1,443,695	1.87	(340,000)	1,103,695	1.22
Belike Nominees Pty Ltd	909,091	1.18	–	909,091	1.00
<b>Total</b>	<b>65,581,741</b>	<b>84.92%</b>	<b>(12,876,945)</b>	<b>52,704,796</b>	<b>58.20%</b>

**(f) Control implications of the Offer**

On Completion, it is expected that the largest single Shareholder will hold approximately 14.8% of the Shares on issue. Accordingly there is unlikely to be any single Shareholder who will have the ability to exert control over the Company.

**(g) Potential effect of the fundraising on the future of the Company**

The Directors believe that on Completion, the Company will have sufficient funds available from the cash proceeds of the Offer, its operations and banking facilities to fulfil the purposes of the Offer and meet the Company's stated business objectives.

## 7.2 Terms and conditions of the Offer

Topic	Summary
<b>What is the type of security being offered?</b>	Shares (being fully paid ordinary shares in the issued capital of the Company).
<b>What are the rights and liabilities attached to the security being offered?</b>	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 7.10.
<b>What is the consideration payable for each security being offered?</b>	The Offer Price is \$1.50 per Share.
<b>What is the Offer period?</b>	<p>The Broker Firm Offer opens at 9am (Melbourne time) on 28 October 2015.</p> <p>The Broker Firm Offer closes at 5pm (Melbourne time) on 4 November 2015.</p> <p>The bookbuild relating to the Institutional Offer was held during the period 7 October to 14 October 2015.</p> <p>The key dates, including details of the Offer Period, are set out on page 5. This timetable is indicative only and may change. Unless otherwise indicated, all times are stated in Melbourne time. The Company, SaleCo and the Lead Manager reserve the right to vary both of the above times and dates without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Closing Date, or to accept late Applications, either generally or in particular cases, or to cancel or withdraw the Offer before Settlement, in each case without notifying any recipient of this Prospectus or Applicants). If the Offer is cancelled or withdrawn before the allocation of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Broker Firm Offer opens.</p> <p>No securities will be issued on the basis of this Prospectus later than the expiry date of 13 months after the Prospectus Date.</p>
<b>How much is to be raised under the Offer?</b>	\$39,315,417 is expected to be raised under the Offer.
<b>Is the Offer underwritten?</b>	The Offer is fully underwritten by the Lead Manager.
<b>What is the minimum and maximum Application size under the Broker Firm Offer?</b>	<p>The minimum Application under the Broker Firm Offer is as directed by the Lead Manager and there is no maximum value of Shares that may be applied for under the Broker Firm Offer.</p> <p>The Lead Manager, in consultation with the Company and SaleCo, reserves the right to reject any Applications in the Broker Firm Offer that are from persons whom they believe may be Institutional Investors. The Lead Manager, in conjunction with the Company and SaleCo, also reserves the right to aggregate any Applications that it believes may be multiple Applications from the same person.</p>

Topic	Summary
<b>What is the allocation policy?</b>	<p>The allocation of Shares between the Institutional Offer and Broker Firm Offer will be determined by the Lead Manager and the Company and SaleCo, having regard to the allocation policy outlined in Sections 7.2 and 7.5.</p> <p>For Broker Firm Offer participants, the Lead Manager will decide as to how it will allocate Shares among Applicants under the Broker Firm Offer. However, the Company, after consultation with the Lead Manager, will determine the allocation of Offer Shares to participants within the Chairman's List Offer.</p> <p>The Company, SaleCo and the Lead Manager have absolute discretion regarding the allocation of Shares to Applicants under the Offer and may reject an Application, or allocate fewer Shares than applied for, in their absolute discretion.</p>
<b>When will I receive confirmation that my Application has been successful?</b>	<p>It is expected that initial holding statements will be dispatched by standard post on or about 12 November 2015.</p>
<b>Will the Shares be quoted?</b>	<p>The Company applied within seven days of the Original Prospectus Date for admission to the official list of ASX and quotation of Shares on ASX (which is expected to be under the code 'BWV').</p> <p>Completion of the Offer is conditional on the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.</p>
<b>When are the Shares expected to commence trading?</b>	<p>It is expected that trading of the Shares on ASX will commence on 11 November 2015, initially on a deferred settlement basis.</p> <p>Shares will commence trading on ASX on a normal settlement basis about or on 13 November 2015.</p> <p>It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk. The Company, SaleCo and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial holding statement, whether on the basis of a confirmation of allocation provided by any of them by the Lead Manager or otherwise.</p>
<b>Are there any escrow arrangements?</b>	<p>Yes. Details are provided in Sections 7 and 9.6.</p>
<b>Has any ASIC relief or ASX waiver been obtained or been relied on?</b>	<p>Yes. Details are provided in Section 9.12.</p>

Topic	Summary
<b>Are there any tax considerations?</b>	Refer to Section 9.10.
<b>Are there any brokerage, commission or stamp duty considerations?</b>	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.
<b>What should I do with any enquiries?</b>	<p>All enquiries in relation to this Prospectus should be directed to the Lead Manager.</p> <p>All enquiries in relation to the Broker Firm Offer should be directed to the Lead Manager.</p> <p>If you are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.</p>

### 7.3 Broker Firm Offer

#### (a) Who may apply

The Broker Firm Offer is open to persons who have received a firm allocation of Shares from the Lead Manager and who have a registered address in Australia. Investors who are offered a firm allocation of Shares by the Lead Manager will be treated as an Applicant under the Broker Firm Offer in respect of that allocation.

You should contact the Lead Manager to determine whether you can receive an allocation of Shares from it under the Broker Firm Offer.

#### (b) How to apply

Applicants under the Broker Firm Offer should contact the Lead Manager to request a Prospectus and Application Form, or download a copy at [www.bwxltd.com](http://www.bwxltd.com). The Lead Manager will act as your agent and it is your Broker's responsibility to ensure that your Application Form and Application Monies are received before 5pm (Melbourne time) on the Closing Date or any earlier closing date as determined by the Lead Manager.

If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Broker Firm Offer Application Form with the Lead Manager in respect of your firm allocation. Broker Firm Offer Application Forms must be completed in accordance with the instructions given to you by the Lead Manager and the instructions set out on the reverse of the Application Form. Applicants under the Broker Firm Offer must not send their Application Forms or payment to the Share Registry.

By making an Application, you declare that you were given access to the Prospectus, together with an Application Form, which may be downloaded in its entirety from [www.bwxltd.com](http://www.bwxltd.com). The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

The Broker Firm Offer opens at 9am (Melbourne time) on 28 October 2015 and is expected to close at 5pm (Melbourne time) on 4 November 2015. The Company, SaleCo and the Lead Manager may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer or any part of it may be closed at any earlier time and date, without further notice. Applicants are therefore encouraged to submit their Applications as early as possible. Applicants can contact the Lead Manager for instructions.

#### (c) How to pay

Applicants under the Broker Firm Offer must pay their Application Monies to the Lead Manager in accordance with instructions provided by the Lead Manager.

#### (d) Application acceptances and Application Monies

An Application in the Broker Firm Offer is an offer by the Applicant to the Company to apply for Shares in the dollar amount specified in the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Application Form. To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.



An Application may be accepted in respect of the full amount, or any amount lower than that specified in the Application Form, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract on allocation of Shares to successful Applicants conditional on the quotation of Shares on the ASX and Settlement.

The Lead Manager, in consultation with the Company and SaleCo, reserves the right to reject any Application which is not correctly completed or which is submitted by a person who the Lead Manager believes is ineligible to participate in the Broker Firm Offer, or to waive or correct any errors made by the Applicant in completing their Application.

Successful Applicants in the Broker Firm Offer will be issued or transferred Shares at the Offer Price and will receive the number of Shares equal to the value of their Application accepted by the Company divided by the Offer Price (rounded down to the nearest whole Share). No refunds due solely to rounding will be provided.

The Lead Manager will exclusively determine whether a successful Applicant receives an issue of New Shares or a transfer of Existing Shares or a combination.

#### 7.4 Chairman's List Offer

Up to 666,666 Shares under the Broker Firm Offer have been reserved for the Chairman's List Offer to be allocated at the discretion of the Chairman and the Company.

#### 7.5 Institutional Offer

##### (a) Invitations to bid

The Company and SaleCo invited certain eligible Institutional Investors to bid for Shares in the Institutional Offer. The Institutional Offer comprised an invitation to Institutional Investors under a pathfinder Prospectus.

##### (b) Institutional Offer

The Institutional Offer was conducted using a bookbuild process managed by the Lead Manager.

##### (c) Allocation policy under the Institutional Offer

The allocation of Shares between the Institutional Offer and the Broker Firm Offer was determined by the Company, SaleCo and the Lead Manager. The Company, SaleCo and the Lead Manager had absolute discretion regarding the basis of allocation of Shares among Institutional Investors and there was no assurance that any Institutional Investor would be allocated Shares, or the number of Shares for which it bid.

Participants in the Institutional Offer will be informed of their allocation of Shares, if any, by the Lead Manager.

The allocation policy was influenced by a number of factors, including:

- the number of Shares bid for by particular bidders;
- the timeliness of bids;
- the Company's desire for an informed and active trading market following listing on ASX;
- the Company's desire to have a wide spread of institutional shareholders;
- the overall level of demand under the Broker Firm Offer and the Institutional Offer;
- the size and type of funds under management of particular bidders;
- the likelihood that particular bidders will be long-term shareholders; and
- any other factors that the Company, SaleCo and the Lead Manager considered appropriate.

#### 7.6 Underwriting agreement

The Offer is fully underwritten pursuant to an Underwriting Agreement under which the Lead Manager has been appointed to arrange and manage and act as Lead Manager and underwriter of the Offer. The Lead Manager agrees, subject to certain conditions and termination events, to underwrite Applications for all Shares under the Offer. The Underwriting Agreement is subject to a number of conditions precedent and sets out a number of circumstances under which the Lead Manager may terminate the Underwriting Agreement and its underwriting obligations. A summary of certain terms of the agreement and underwriting arrangements, including the conditions precedent and termination provisions, is provided in Section 9.5.

#### 7.7 Restrictions on distribution

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia. In particular, the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States, except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

This Prospectus does not constitute an offer or invitation to apply for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

This Prospectus may not be released or distributed in the United States, and may only be distributed to persons to whom the Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

Each Applicant in the Broker Firm Offer, Chairman's List Offer, and each person to whom the Institutional Offer is made under this Prospectus, will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered, sold or resold in the United States except in transactions exempt from, or not subject to, registration requirements of the US Securities Act and applicable US state securities laws;
- it is not in the United States;
- it has not sent and will not send the Prospectus or any other material relating to the Offer to any person in the United States; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration requirements of the US Securities Act and in compliance with all applicable laws in the jurisdiction in which Shares are offered and sold.

Each Applicant under the Institutional Offer will be required to make certain representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.

### 7.8 Discretion regarding the Offer

The Company and SaleCo may withdraw the Offer at any time before the issue or transfer of Shares to successful Applicants. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

The Company, SaleCo and the Lead Manager also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Shares than applied or bid for.

### 7.9 ASX listing, registers and holding statements and deferred settlement trading

#### (a) Application to the ASX for listing of the Company and quotation of Shares

The Company will apply within seven days after the Prospectus Date for admission to the official list of the ASX and quotation of the Shares on the ASX. The Company's ASX code will be 'BWX'.

The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit the Company to the official list of the ASX is not to be taken as an indication of the merits of the Company or the Shares offered under this Prospectus.

If permission is not granted for the official quotation of the Shares on the ASX within three months after the Prospectus Date (or any later date permitted by law), all Application Monies received by the Company will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

Subject to certain conditions (including any waivers obtained by the Company from time to time), the Company will be required to comply with the ASX Listing Rules.

#### (b) CHES and issuer sponsored holdings

The Company will apply to participate in the ASX's Clearing House Electronic Sub-register System (**CHES**) and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHES is an electronic transfer and settlement system for transactions in securities quoted on the ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two sub-registers – an electronic CHES sub-register or an issuer sponsored sub-register.

Following completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that has been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) for CHES holders or, where applicable, the Securityholder Reference Number (**SRN**) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their holding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHES sub-register or through the Share Registry in the case of a holding on the issuer sponsored sub-register. The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

**(c) Deferred settlement trading and selling Shares on-market**

It is expected that the Shares will commence trading on ASX on or about 11 November 2015, initially on a deferred basis.

Normal Settlement trading is expected to commence on or about 13 November 2015.

After the basis for allocations has been determined, Applicants will be able to contact the Lead Manager to confirm their allocations.

It is the responsibility of each person who trades in Shares to confirm their holding before trading in Shares. If you sell Shares before receiving a holding statement, you do so at your own risk. The Company, SaleCo, the Share Registry and the Lead Manager disclaim all liability, whether in negligence or otherwise, if you sell Shares before receiving your holding statement, even if you obtained details of your holding from the Lead Manager.

**7.10 Summary of rights and liabilities attaching to Shares and other material provisions of the Constitution**

The rights and liabilities attaching to the ownership of the Shares arise from a combination of the Constitution, statute, the Listing Rules and general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that the Company is admitted to the Official List.

**(a) Voting at a general meeting**

At a general meeting of the Company, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each Share held.

On a poll, every member (or his or her proxy, attorney or representative) is entitled to one vote for each Share held.

**(b) Meetings of members**

Each Shareholder is entitled to receive notice of, attend, and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the Listing Rules.

**(c) Dividends**

The Board may from time to time resolve to pay dividends to Shareholders and fix the amount of the dividend, the time for determining entitlements to the dividend and the timing and method of payment. For further information in respect of the Company's proposed dividend policy, see Section 4.9.

**(d) Transfer of Shares**

Subject to the Constitution, Shares may be transferred by a proper transfer effected in accordance with the Listing Rules or the ASX Settlement Operating Rules, by a written instrument of transfer which complies with the Constitution or, subject to compliance with the Listing Rules and the ASX Settlement Operating Rules, by any other form approved by the Directors.

The Board may refuse to register a transfer of Shares where permitted to do so under the Corporations Act, the Listing Rules or the ASX Settlement Operating Rules. The Board must refuse to register a transfer of Shares when required to by the Corporations Act, the Listing Rules or the ASX Settlement Operating Rules.

**(e) Issue of further Shares**

Subject to the Corporations Act, the Listing Rules, and the Constitution, the Directors may issue and allot, or dispose of, Shares on terms determined from time to time by the Directors at an issue price that the Directors determine from time to time. The Directors' power under the Constitution includes the power to grant options and performance rights over unissued Shares.

**(f) Winding up**

Without prejudice to the rights of the holders of Shares issued on special terms and conditions, if the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company, divide among the Shareholders in kind all or any of the Company's assets; and for that purpose, determine how it will carry out the division between the different classes of Shareholders; but the liquidator may not require a Shareholder to accept any Shares or other securities in respect of which there is any liability.

**(g) Non-marketable parcels**

The Company may sell the Shares of a Shareholder who holds less than a marketable parcel of Shares.

**(h) Share buy-backs**

Subject to the Corporations Act, and the Listing Rules, the Company may buy Shares on terms and at times determined by the Board.

**(i) Variation of class rights**

At present, the Company's only class of shares on issue is fully paid ordinary shares. The rights attached to any class of Shares may be varied in accordance with the Corporations Act.

**(j) Dividend reinvestment plan**

The Directors may resolve, in respect of any dividend which it is proposed to pay on any Shares, that holders of those Shares may elect to forego their right to share in the proposed dividend or part of the proposed dividend and instead receive an issue of Shares credited as fully paid or a transfer of fully paid Shares (or both).

**(k) Directors – appointment and rotation**

Under the Constitution, the minimum number of Directors that may comprise the Board is three and the maximum is fixed by the Directors but may not be more than eight unless the Shareholders pass a resolution varying that number. Directors are elected at annual general meetings of the Company. Retirement will occur on a rotational basis so that no Director (excluding the Managing Director) holds office without re-election beyond the third annual general meeting following the meeting at which the Director was last elected. The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who will then hold office until the next annual general meeting of the Company.

**(l) Directors – voting**

Questions arising at a meeting of the Board will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of an equality of votes on a resolution, the chairperson of the meeting has a casting vote in addition to a deliberative vote.

**(m) Directors – remuneration**

The Directors, other than an executive Director, will be paid by way of fees for services up to the maximum aggregate sum per annum as may be approved from time to time by the Company in general meeting. The current maximum aggregate sum per annum is \$400,000. Any change to that maximum aggregate sum needs to be approved by Shareholders. Under the Constitution, Non-Executive Directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Company or otherwise in connection with the Company's business.

**(n) Indemnities**

The Company, to the extent permitted by law, indemnifies each Director against any liability incurred by that person as an officer of the Company or its subsidiaries, and reasonable legal costs incurred by that person in defending an action for a liability of that person. The Company, to the extent permitted by law, may make a payment (whether by way of an advance, loan or otherwise) to a Director in respect of legal costs incurred by that person in defending an action for a liability of that person. The Company may enter into a deed with any officer of the Company to give effect to those matters outlined in this paragraph.

The Company, to the extent permitted by law, may pay a premium for a contract insuring a person who is or has been a Director against liability incurred by that person as a Director.

**(o) Amendment**

The Constitution may be amended only by special resolution passed by at least three-quarters of the Shareholders present (in person or by proxy) and entitled to vote on the resolution at a general meeting of the Company.

The Company must give at least 28 days' written notice of a general meeting of the Company.



# INVESTIGATING ACCOUNTANT'S REPORT/REPORT ON DIRECTORS' FORECASTS

# 08.







## PRIVATE AND CONFIDENTIAL

The Directors  
BWX Limited  
2 Darby Way  
Dandenong South, VIC 3175

20 October 2015

Dear Directors

### Limited Assurance Investigating Accountant's Report and Financial Services Guide

#### Introduction

William Buck (Vic) Pty Ltd ("William Buck") has been engaged by BWX Limited ("BWX Group" or "BWX") to prepare this report for inclusion in the prospectus to be dated on or around 20 October 2015 ("Prospectus"), and to be issued by BWX Group, in respect of the proposed initial public offering of shares in BWX and BWX SaleCo Limited and its listing on the ASX (the "Offer").

Expressions defined in the Prospectus have the same meaning in this report.

#### Scope

You have requested William Buck to perform a limited assurance engagement in relation to the Statutory Consolidated Financial Information, the Pro Forma Historical Financial Information and the Forecast Financial Information described below and disclosed in the Prospectus.

The Statutory Consolidated Financial Information, the Pro Forma Historical Financial Information and the Forecast Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

#### CHARTERED ACCOUNTANTS & ADVISORS

Melbourne Office  
Level 20, 181 William Street  
Melbourne VIC 3000

Hawthorn Office  
Level 1, 465 Auburn Road  
Hawthorn East VIC 3123

PO Box 185, Toorak VIC 3142  
Telephone: +613 9824 8555  
[williambuck.com](http://williambuck.com)



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### **Statutory Consolidated Financial Information**

You have requested William Buck to perform limited assurance procedures in relation to the Statutory Consolidated Financial Information of BWX Group (the responsible party) included in the Prospectus.

The Statutory Consolidated Financial Information of BWX Group comprises:

- historical income statements for BWX Group for the six month periods ended 30 June 2014, 31 December 2014 and 30 June 2015 and the 12 months ended 30 June 2015;
- historical cash flow statements for the BWX Group for the six month periods ended 30 June 2014, 31 December 2014 and 30 June 2015 and the 12 months ended 30 June 2015; and
- historical balance sheet for the BWX Group as at 30 June 2015;

(together, the "Statutory Consolidated Financial Information").

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information as described in Section 4.2 of the Prospectus.

The Statutory Consolidated Financial Information has been derived from BWX's consolidated financial statements for the periods ending 30 June 2014, 31 December 2014 and 30 June 2015. BWX's consolidated financial statements for these relevant periods were audited by William Buck Audit (Vic) Pty Ltd in accordance with Australian Auditing Standards and these audit opinions were unqualified.

For the purposes of preparing this report we have performed limited assurance procedures in relation to the Statutory Consolidated Financial Information in order to state whether, on the basis of the procedures described, anything comes to our attention that would cause us to believe that the Statutory Consolidated Financial Information is not prepared or presented fairly, in all material respects, by the Directors in accordance with the stated basis of preparation.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

The procedures we performed were based on our professional judgement and included: consideration of work papers, accounting records and other documents, including those dealing with the extraction of the historical financial information of BWX Group from its audited financial statements for the periods ended 30 June 2014, 31 December 2014 and 30 June 2015, and consideration of the acceptability of the accounting policies and the time frame covered.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion about whether the Statutory Consolidated Financial Information is prepared or presented fairly, in all material respects, by the Directors in accordance with the stated basis of preparation.

### **Pro Forma Historical Financial Information**

You have requested William Buck to perform limited assurance procedures in relation to the Pro Forma Historical Financial Information of BWX Group (the responsible party) included in the Prospectus.



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The Pro Forma Historical Financial Information has been derived from the historical financial information of BWX Group, after adjusting for the effects of pro forma adjustments described in Section 4.2(b) of the Prospectus.

The Pro Forma Historical Financial Information of the BWX Group comprises:

- pro forma historical income statements for the six month periods ended 30 June 2014, 31 December 2014 and 30 June 2015 and the 12 months ended 30 June 2015;
  - pro forma historical cash flow statements for the BWX Group for the six month periods ended 30 June 2014, 31 December 2014 and 30 June 2015 and the 12 months ended 30 June 2015; and
  - pro forma historical consolidated balance sheet for the BWX Group as at 30 June 2015;
- (together, the "Pro Forma Historical Financial Information").

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in Section 4.2 of the Prospectus. Due to its nature, the Pro Forma Historical Financial Information does not represent BWX Group's actual or prospective financial position, financial performance, and/or cash flows.

The Pro Forma Historical Financial Information has been derived from the Statutory Consolidated Financial Information. The Pro Forma Historical Financial Information has been adjusted to illustrate the impact of the acquisition of the business and operations of Sukin as if the acquisition had taken place on 2 January 2014. As part of this process, information about Sukin's financial performance has been extracted by BWX Group from Sukin's audited financial statements for the six month periods ended 30 June 2014, 31 December 2014 and 30 June 2015. Sukin financial statements for these relevant periods were audited by William Buck Audit (Vic) Pty Ltd in accordance with Australian Auditing Standards and these audit opinions were unqualified.

For the purposes of preparing this report we have performed limited assurance procedures in relation to the Pro Forma Historical Financial Information in order to state whether, on the basis of the procedures described, anything comes to our attention that would cause us to believe that the Pro Forma Historical Financial Information is not prepared or presented fairly, in all material respects, by the Directors in accordance with the stated basis of preparation. As stated in Section 4.2 of the Prospectus, the stated basis of preparation is:

- the extraction of the Statutory Consolidated Financial Information;
- the application of pro forma adjustments, determined in accordance with Australian Accounting Standards and BWX Group's accounting policies, to the Historical Financial Information to illustrate the effects of the acquisition of the Sukin business and the Offer on BWX Group, as described in Section 4.2(b) of the Prospectus.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

The procedures we performed were based on our professional judgement and included:

- consideration of the pro forma adjustments made to the Statutory Consolidated Financial Information;
- enquiry of Directors, management, personnel and advisors;



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- the performance of analytical procedures applied to the Pro Forma Historical Financial Information; and
- a review of BWX Group's accounting policies for consistency of application.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion about whether the Pro Forma Historical Financial Information is prepared or presented fairly, in all material respects, by the Directors in accordance with the stated basis of preparation.

#### **Forecast Financial Information and Directors' best-estimate assumptions**

You have requested William Buck to perform limited assurance procedures in relation to the:

- statutory forecast consolidated income statements of the BWX Group for the six months ending 31 December 2015 and 30 June 2016 and for the 12 months ending 30 June 2016; and
- forecast consolidated cash flow statements for the BWX Group for the six months ending 31 December 2015 and 30 June 2016 and for the 12 months ending 30 June 2016, (together, the "Forecast Financial Information").

The Directors' best-estimate assumptions underlying the Forecast Financial Information are described in Section 4.5 of the Prospectus. As stated in Section 4.5 of the Prospectus, the basis of preparation of the Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards and BWX Group's accounting policies.

We have performed limited assurance procedures in relation to the Forecast Financial Information, set out in Section 4.3 of the Prospectus, and the Directors' best-estimate assumptions underlying it in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that:

- the Directors' best-estimate assumptions do not provide reasonable grounds for the Forecast Financial Information;
- in all material respects the Forecast Financial Information is not:
  - prepared on the basis of the Directors' best-estimate assumptions as described in the Prospectus; and
  - presented fairly in accordance with the recognition and measurement principles contained in Australian Accounting Standards and BWX Group's accounting policies;
- the Forecast Financial Information itself is unreasonable.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

Our limited assurance procedures consisted primarily of:



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- comparison and analytical review procedures;
- discussions with management and Directors of BWX Group of the factors considered in determining their assumptions; and
- examination, on a test basis, of evidence supporting:
  - the assumptions and amounts in the Forecast Financial Information; and
  - the evaluation of accounting policies used in the Forecast Financial Information.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion.

#### **Directors' responsibilities**

The Directors of BWX Group are responsible for the preparation of:

- the Statutory Consolidated Financial Information;
- the Pro Forma Historical Financial Information, including the selection and determination of the pro forma transactions and/or adjustments made to the historical financial information and included in the Pro Forma Historical Information; and
- the Forecast Financial Information, including the Directors' best-estimate assumptions on which the Forecast Financial Information is based and the sensitivity of the Forecast Financial Information to changes in key assumptions.

The Directors' responsibility includes establishing and maintaining such internal controls as the Directors determine are necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

#### **Conclusions**

##### ***Review Statement on the Statutory Consolidated Financial Information***

Based on our procedures, which are not an audit, nothing has come to our attention that causes us to believe that the Statutory Consolidated Financial Information, as set out in Section 4.3 of the Prospectus, comprising:

- historical income statements for the BWX Group for the six month periods ended 30 June 2014, 31 December 2014 and 30 June 2015 and the year ended 30 June 2015;
- historical cash flow statements for the BWX Group for the six month periods ended 30 June 2014, 31 December 2014 and 30 June 2015 and the year ended 30 June 2015; and
- historical balance sheet for the BWX Group as at 30 June 2015,

is not prepared or presented fairly, in all material respects, on the basis of presentation as described in Section 4.2 of the Prospectus, and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, and BWX Group accounting policies.





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### **Review Statement on the Pro Forma Historical Financial Information**

Based on our procedures, which are not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information, as set out in Section 4.3 of the Prospectus, comprising:

- pro forma historical income statements for the six month periods ended 30 June 2014, 31 December 2014 and 30 June 2015 and the year ended 30 June 2015;
- pro forma historical cash flow statements for the BWX Group for the six month periods ended 30 June 2014, 31 December 2014 and 30 June 2015 and the year ended 30 June 2015; and
- pro forma historical consolidated balance sheet for the BWX group as at 30 June 2015,

is not prepared or presented fairly, in all material respects, on the basis of the pro forma transactions and/or adjustments described in Section 4.2 of the Prospectus, and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, and BWX Group accounting policies.

### **Forecast Financial Information and the Directors' best-estimate assumptions**

Based on our procedures, which are not an audit, nothing has come to our attention which causes us to believe that:

- the Directors' best-estimate assumptions used in the preparation of the Forecast Financial Information do not provide reasonable grounds for the Directors' Forecast; and
- in all material respects, the Forecast Financial Information:
  - is not prepared on the basis of the Directors' best-estimate assumptions as described in Section 4.5 of the Prospectus; and
  - is not presented fairly in accordance with the recognition and measurement principles contained in Australian Accounting Standards, and BWX Group's accounting policies; and
- the Forecast Financial Information itself is unreasonable.

The Forecast Financial Information has been prepared by BWX Group management and adopted and disclosed by the Directors in order to provide prospective investors with a guide to the potential financial performance of BWX Group for the year ending 30 June 2016.

There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variation may be material. The Directors' best-estimate assumptions on which the Forecast Financial Information is based relate to future events and/or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of BWX Group. Evidence may be available to support the Directors' best-estimate assumptions on which the Forecast Financial Information is based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the Directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.



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Prospective investors should be aware of the material risks and uncertainties in relation to an investment in BWX Group, which are detailed in the Prospectus, and the inherent uncertainty relating to the Forecast Financial Information. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in the Prospectus. The sensitivity analysis described in of the Prospectus demonstrates the impact on the Forecast Financial Information of changes in key best-estimate assumptions. We express no opinion as to whether the Forecast Financial Information will be achieved. We have assumed, and relied on representations from certain members of management of BWX Group, that all material information concerning the prospects and proposed operations of BWX Group has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

#### **Independence**

William Buck does not have any interest in the outcome of the Offer, other than in connection with the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.

#### **General advice warning**

This report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

#### **Restriction on use**

We disclaim any assumption of responsibility for any reliance on this report, or on the Prospective Financial Information to which this Report relates for any purposes other than the purpose for which it was prepared. This report should be read in conjunction with the Prospectus.

#### **Consent**

William Buck has consented to the inclusion of this Investigating Accountant's Report in the Prospectus in the form and context in which it is so included, but has not authorised the issue of the Prospectus. Accordingly, William Buck makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Prospectus.

Yours faithfully

A handwritten signature in black ink, appearing to read "Liz Smith", written over a light blue horizontal line.

**Liz Smith**  
**Director**  
**William Buck (Vic) Pty Ltd**



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## **Financial Services Guide** **Dated: 20 October 2015**

William Buck (Vic) Pty Ltd ABN 18 361 680 776 ('William Buck' or 'we' or 'us' or 'our as appropriate') has been engaged by BWX Limited to provide general financial product advice in the form of this Investigating Accountants Report ('IAR') included in this Prospectus.

### **Financial Services Guide**

In the above circumstances we are required under the Australian Securities and Investment Commission ('ASIC') to issue to you, as a retail client, a Financial Services Guide ('FSG'). This FSG is designed to help retail clients make a decision as to their use of general financial product advice and to ensure that we comply with our obligations as an authorised representative of a financial services licensee.

The FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide as an Authorised Representative of William Buck Wealth Advisors (VIC) Pty Ltd ABN 18 089 457 942 (Licence No: 342420);
- remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

### **Financial Services we are Licensed to Provide**

We are an authorised representative of William Buck Wealth Advisors (VIC) Pty Ltd who holds an Australian Financial Services Licence, which authorises us to provide financial product advice including in:

- deposit and payment products including government debentures, stocks and bonds;
- life products including annuities and other investment life insurance products, life insurance, term, income

protection, trauma, death and total and permanent disability, as well as disability products in general;

- managed investment schemes including unit trusts, investment bonds and direct shares;
- securities; and
- superannuation

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as an authorised representative of a financial services licensee authorised to provide the financial product advice contained in this IAR.

### **General Financial Product Advice**

In the report we provide general financial product advice, not personal financial advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product

### **Benefits that we may receive**

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis. Our fee for the preparation of this IAR is approximately \$70,000 plus GST and disbursements, as set out in Section 6.5 of the Prospectus. Our directors and



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employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, neither William Buck, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the IAR.

### **Referrals**

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are authorised to provide.

### **Associations and Relationships**

From time to time William Buck may provide professional services including wealth advisory services to financial product issuers in the ordinary course of its business.

### **Complaints Resolution**

#### ***Internal Complaints Resolution Process***

As an authorised representative of a holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to the Compliance Manager at William Buck: PO Box 185, Toorak, Vic 3142.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

William Buck is only responsible for this IAR and this FSG. Complaints or questions about the Prospectus should not be directed to William Buck. William Buck will not respond in any way that might involve any provision of financial product advice to any retailer investor.

#### ***Referral to External Dispute Resolution Scheme***

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service. The Financial Ombudsman Service is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry.

Further details about the Financial Ombudsman Service are available at the website [www.fos.org.au](http://www.fos.org.au) or by contacting them directly at: the Financial Ombudsman Service, GPO Box 3, Melbourne VIC 3001, or by telephone on 1300 780 808.

### **Professional Indemnity Insurance**

William Buck has professional indemnity insurance in place which covers any work done by us, as an authorised representative of William Buck Wealth Advisors (VIC) Pty Ltd and by representatives/employees after they cease to work for us. The compensation arrangements we have in place comply with sec.912B of the Corporations Act.

### **Independence**

William Buck is required to be independent of BWX Limited in order to provide this IAR. William Buck considers itself to be independent.

William Buck entities have provided and continue to provide audit, tax and advisory services to BWX Limited. The Company has paid, or has agreed to pay, approximately \$190,000 (excluding disbursements and GST) for the above services up until the Prospectus Date.

No individual involved in the preparation of this IAR holds a substantial interest in, or is a substantial creditor of, BWX Limited or has other material financial interests relevant to the Prospectus.

### **Contact Details**

You may contact us at William Buck, Level 20, 181 William Street, Melbourne Vic 3000, Australia or by telephone on (03) 9824-8555

## ADDITIONAL INFORMATION

# 09.





## 9. ADDITIONAL INFORMATION

### 9.1 Registration

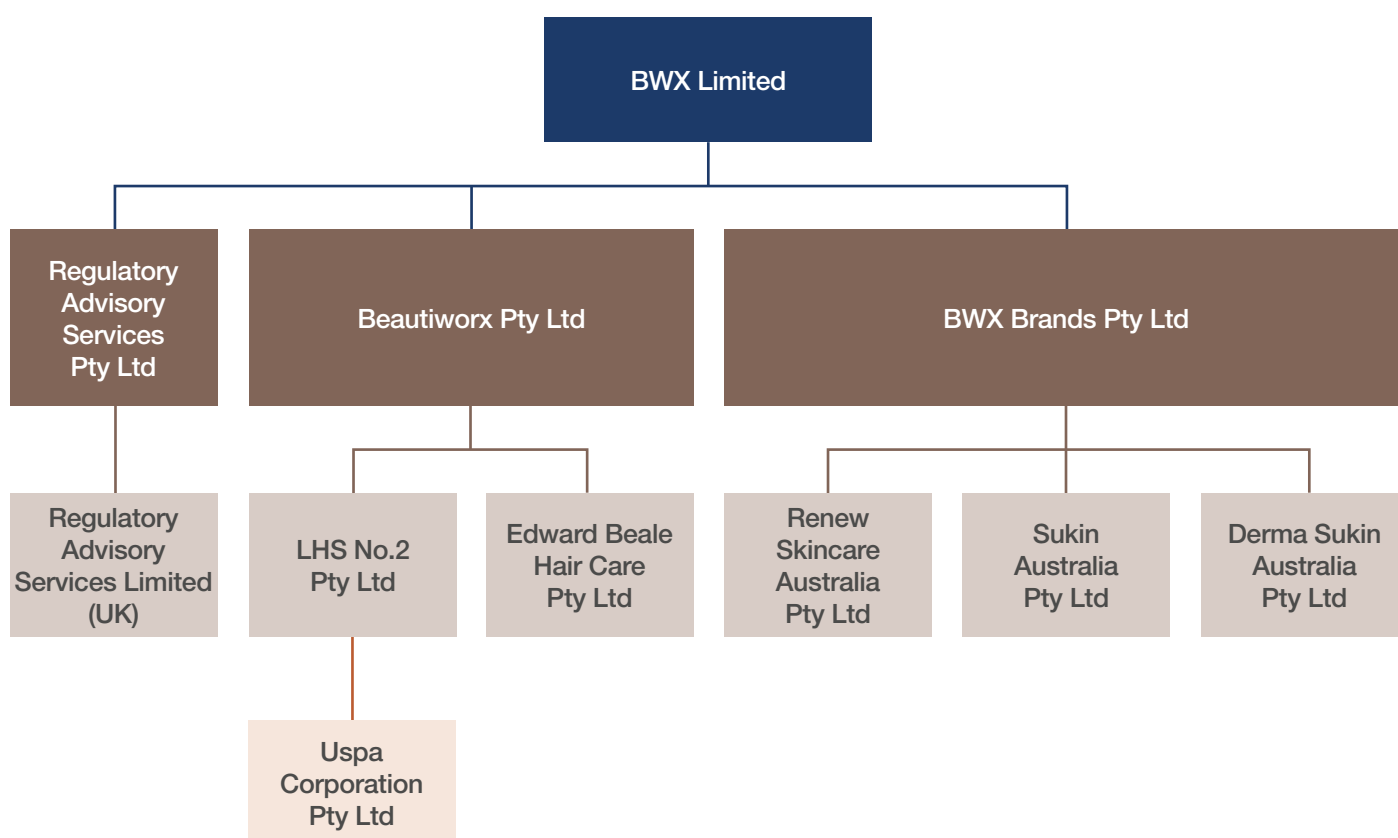
The Company was registered in Victoria, Australia on 26 April 2013 as a public company limited by shares.

### 9.2 Company tax status and financial year

The Company expects to be taxed in Australia as a public company. The financial year of the Company will end on 30 June annually.

### 9.3 Corporate structure

The following diagram shows a high level corporate structure of the Company on completion of the Offer.



#### 9.4 SaleCo and Sale Shares

SaleCo has been established so that the Selling Shareholders can sell the Sale Shares and realise all or part of their investment in the Company. Each Selling Shareholder has entered into an Irrevocable Offer Deed in favour of SaleCo under which they irrevocably offer until 31 December 2015 to sell their respective Sale Shares to SaleCo (or as it directs) free from encumbrances and third party rights and to deliver the Sale Shares to (or as directed by) SaleCo. The total number of Sale Shares is 12,876,945.

The Sale Shares which SaleCo will agree to acquire from the Selling Shareholders on its acceptance of each Irrevocable Offer Deed will be transferred to Applicants allocated Sale Shares under the Offer. The price payable for the Sale Shares will be the Offer Price.

SaleCo has no material assets, liabilities or operations other than its interest under the Irrevocable Offer Deeds and the SaleCo indemnity deed (under which the Company indemnifies SaleCo and its directors against any loss or liability that they may suffer or incur as a result of the Offer). The directors of SaleCo are John Humble, Aaron Finlay and Craig Bottomley. The sole shareholder of SaleCo is John Humble. The Company has agreed to provide such resources and support as are necessary to enable SaleCo to discharge its functions in relation to the Offer and under the SaleCo indemnity deed has agreed to pay SaleCo's costs in respect of the Offer.

#### 9.5 Material contracts

Along with the Underwriting Agreement, summarised below, the Directors consider that there are a number of contracts which are significant or material to the Company or of such a nature that an investor may wish to have details of them when making an assessment of whether to apply for Shares. Summaries of material contracts set out in this Prospectus (including the summary of the Underwriting Agreement set out below) do not purport to be complete and are qualified by the text of the contracts themselves.

##### (a) Sukin Acquisition Agreement

BWX and its wholly owned subsidiary Sukin Australia Pty Ltd (**Purchaser**) entered into:

- a business sale agreement with Beautiworx Pty Ltd, Sukin Organics Pty Ltd as trustee for The O'Connor Family Trust 2 (a **BSA Vendor** and a **Vendor**) and Peter William O'Connor and Cheryl Margaret O'Connor (together, **Vendor Guarantors**) (**BSA**); and
- an asset sale agreement with Renew Skin Care Pty Ltd as trustee for the O'Connor Family Trust, Derma Sukin Pty Ltd as trustee for The O'Connor Family Trust 3 (each a **Vendor**) and the Vendor Guarantors (**ASA**),

(together, **Sale Agreements**). The combined effect of the Sale Agreements was that the Purchaser acquired the Sukin, Derma Sukin and Renew Skincare businesses from the Vendors on 19 June 2015.

#### Consideration

The total consideration paid and payable under the Sale Agreements was:

- an initial payment of \$53,150,000, which was paid on completion of the Sale Agreements on 19 June 2015; and
- a final payment of \$4,000,000, to be paid on the first anniversary of completion of the Sale Agreements, being 19 June 2016. This final payment is not conditional or conditional on the financial performance of the acquired businesses.

#### Warranties

Each Vendor provided standard warranties and non-compete covenants under the Sale Agreements. In addition, the Vendor Guarantors and certain key employees of the business provided standard non-compete covenants. Currently, no claims have been made under the Sale Agreements.

#### Consultancy Agreements

The BSA also provides that the Purchaser will enter into consultancy agreements under which Alison Goodger and Simon O'Connor will provide consultancy services to the Purchaser for at least 12 months commencing on the date of completion of the Sale Agreements.

##### (b) Finance Facilities

Please refer to Section 4.6 for a summary of the Company's finance facilities.

##### (c) Leases

BWX has entered into two leases on similar terms for its purpose built production facility based in Dandenong South, Victoria. The first lease relates to 'Factory 1', the production facility, which commenced on 1 February 2014 and is for an initial term of 10 years and four months. BWX estimates that the rent payable for the period from 15 June 2015 to 14 June 2016 will be approximately \$252,370, plus GST and outgoings. The second lease in relation to 'Factory 2' commenced on 13 January 2014 and is for an initial term of 10 years and six months. BWX estimates that the rent for the period from 15 January 2015 to 14 January 2016 will be approximately \$358,643, plus GST and outgoings. Both leases for the Dandenong South facility have an option to renew for a further five years.

The leases for the Dandenong South facility were prepared using the standard form Law Institute of Victoria lease agreement and are subject to standard termination rights. The landlord may terminate the lease in instances where the rent is unpaid after the day on which it falls due for payment or the tenant goes into liquidation. BWX's management believes that there are no unusual provisions included in these leases.

BWX's corporate headquarters are housed in the Dandenong South facility under a separate lease. The office premises lease has an initial 10 year term with an option to renew for a further five years. BWX estimates that the rent payable for the period from 1 July 2015 to 30 June 2016 will be approximately \$800,000, plus GST and outgoings. The landlord can terminate the lease if rent is in arrears after seven days from the due date for payment or if an insolvency event occurs. BWX's management believes that the lease does not contain any unusual or onerous provisions.

The premises where Uspa operates the 'Immersion Day Spa' in Brighton, Victoria were leased on 12 June 2007 and include an option to renew the lease for two subsequent five year periods.

Management believes that the length of the leases provides BWX with security and will allow the Company to focus on growth and the development of its products.

#### **(d) Underwriting Agreement**

The Offer is being underwritten by the Lead Manager under an underwriting agreement, dated 20 October 2015, entered into between the Lead Manager and the Company (**Underwriting Agreement**). Under the Underwriting Agreement, the Lead Manager has agreed to arrange, manage and underwrite the Offer.

For the purpose of this Section 9.5(d), Offer Documents includes any of the following documents issued or published by, or on behalf of, and with the authorisation of, the Company in respect of the Offer, and in the form agreed by the Lead Manager:

- this Prospectus, the Application Form and any supplementary prospectus;
- the pathfinder version of this Prospectus (including any cover email) that was provided to Institutional Investors, Co-Managers and Brokers prior to the lodgement of this Prospectus with ASIC; and
- the marketing, roadshow presentation and/or ASX announcement(s) used by or on behalf of the Company to conduct the Offer.

#### **Commissions, fees and expenses**

The Company and SaleCo have agreed to pay the Lead Manager a management fee equal to 1.25% and an underwriting fee equal to 3.75%, of the funds raised under the Offer. The underwriting and management fees will become payable by the Company and SaleCo (in their relevant proportions) on Completion of the Offer.

#### **Termination events**

The Lead Manager may, at any time after the date of the Underwriting Agreement and on or before the date of issue of Shares under the Offer (without any cost or liability by notice to the Company and SaleCo), terminate the Underwriting Agreement if any of the following events occur (among others):

- there is a misleading or deceptive statement in the Prospectus or Application Form or an omission from the Prospectus of material required by the Corporations Act that is materially adverse from the point of view of an investor;
- there occurs a new circumstance that arises after the Prospectus is lodged, that would have been required to be included in the Prospectus if it had arisen before lodgement (as applicable);
- a supplementary prospectus is issued or required or is lodged in a form not approved by the Lead Manager;
- at any time the S&P/ASX All Ordinaries Index falls to a level that is 85% or less of the level as at the close of trading on the date of the Underwriting Agreement and is at or below that 85% level at the close of trading for two or more consecutive business days or on the business day immediately before settlement under the Underwriting Agreement;
- approval is refused or not granted or subject to non-customary conditions with respect to the Company's admission to the official list of the ASX or quotation of the Shares on the ASX by certain dates;
- ASIC, or a person required to give notice or consent under the Corporations Act, gives a notice, issues an order, holds a hearing or makes an application under the Corporations Act or withdraws their consent;
- the Company or SaleCo do not provide the closing certificate under the Underwriting Agreement as required or it is defective;
- an event in the timetable under the Underwriting Agreement is delayed by more than two business days unless agreed or is delayed as a result of extension of the *exposure period* by ASIC;
- a material contract is not capable of being performed, is amended without the consent of the Lead Manager, is terminated, repudiated, breached, invalid, or is or becomes illegal; or
- there is a change in the chief executive officer, chief financial officer or a director of the Company or SaleCo.

The following termination events are subject to their occurrence having or being likely to have in the reasonable opinion of the Lead Manager a material adverse effect on the outcome of the Offer or the Lead Manager's ability to settle the Offer; or will or will likely give rise to a liability for the Lead Manager for contravention of any applicable law:

- a due diligence report in respect of the Company is or becomes false, misleading or deceptive including by omission;
- there is an adverse change in the assets, liabilities, financial position, performance, forecasts or nature of the business of the Group from that disclosed in this Prospectus;
- hostilities commence, there is an escalation of hostilities, a declaration of national emergency or war or major terrorist act in Australia, New Zealand, the United Kingdom, the United States, Japan, Singapore, Hong Kong, the People's Republic of China or Russia;
- there is a change of law or new law or policy in Australia, New Zealand, Canada, the United Kingdom, the USA, Japan, Singapore or the People's Republic of China (other than which has already been announced);
- a representation or warranty given by the Company or SaleCo is not true or correct or ceases to be so;
- the Company or SaleCo breaches an undertaking or obligation under the Underwriting Agreement;
- proceedings are brought against or resulting in a director of the Company or SaleCo being charged with an indictable offence or being disqualified from managing a corporation under the Corporations Act or a regulatory body commences an inquiry against the Company or SaleCo;
- there is a general moratorium or disruption in commercial banking activities, an adverse effect on the financial markets involving change in political, financial or economic conditions in Australia, New Zealand, the United Kingdom, the USA, Japan, Singapore, Hong Kong or the People's Republic of China, Austria, France, Germany, Greece, Hungary, Ireland, Italy, Netherlands, Portugal, Poland and Spain;
- trading in all securities quoted or listed on the ASX, New Zealand Exchange, London Stock Exchange, Hong Kong Stock Exchange or the New York Stock Exchange is suspended for at least 24 hours on which that exchange is open for trading; or
- any of the Company, SaleCo or their directors or officers have engaged, or are alleged to have engaged by a governmental authority, in fraud.

### *Conditions, warranties, undertakings and other terms*

The Underwriting Agreement contains certain standard representations, warranties and undertakings by the Company to the Lead Manager (as well as common conditions precedent, including the entry into an Escrow Deed by each of the Escrowed Shareholders, and ASIC and ASX granting the waivers and modifications necessary to enable the Offer to proceed in accordance with the timetable).

The representations and warranties given by the Company relate to matters such as conduct of the Company, power and authorisations, information provided by the Company, financial information, information in this Prospectus, the conduct of the Offer, and compliance with applicable laws, the ASX Listing Rules and other legally binding requirements. The Company also provides additional representations and warranties in connection with matters including in relation to its assets, litigation, entitlements of third parties, tax, insurance, authorisations, eligibility for Listing and internal accounting controls.

The Company's undertakings include that it will not, during the following periods, from Completion:

- for 180 days, issue any equity securities without the consent of the Lead Manager (which consent cannot be unreasonably withheld or delayed); or
- for 120 days, alter the capital structure of the Company, amend the Company's constitution or dispose of the Company's business or property in whole or substantial part without the consent of the Lead Manager (which consent cannot be unreasonably withheld or delayed).

### *Indemnity*

Subject to certain exclusions relating to, among other things, fraud, wilful misconduct or gross negligence of an indemnified party (Lead Manager and certain affiliated parties) or breach of law or the Underwriting Agreement by the indemnified party, the Company agrees to keep each indemnified party indemnified from losses suffered in connection with the Offer.

### 9.6 BWX Options on issue

The Company has issued a total of 5,940,000 Options with an exercise price of \$2.00 and expiring 30 September 2018. The 5,940,000 Options have been issued to the Directors or former Directors and their related parties as set out below.

Holder	Number of Options	Date of Issue
Denis Shelley	200,000	22 July 2013
John Humble	2,800,000	1 May 2013
Aaron Finlay	420,000	1 May 2013
Craig Bottomley	420,000	1 May 2013
Ian Campbell	100,000	15 July 2015
Geoff Pearce	2,000,000	2 January 2014
<b>Total</b>	<b>5,940,000</b>	

The Options issued to Denis Shelley, John Humble, Aaron Finlay and Craig Bottomley were issued as incentives to build and expand BWX's business and in recognition of their initial financial and time commitments. The Options issued to Ian Campbell were issued as part of his appointment as a Director. The Options issued to Geoff Pearce were issued as part consideration for the acquisition of the Beautiworx businesses.

All Options on issue are subject to the following vesting conditions, none of which have been satisfied as at the date of this Prospectus:

No	Number of Options	Vesting Conditions
1	One third of the total number of Options held by the Option holder	The first occurrence of a 25% or more increase in EBITDA for a financial year from the notional EBITDA for the year ended 30 June 2013 of \$3.1 million. (This notional EBITDA for BWX is based on the aggregate unaudited and unverified EBITDAs' of the businesses acquired by BWX on 2 January 2014.)
2	One third of the total number of Options held by the Option holder	The first occurrence of a 50% or more increase in EBITDA for a financial year from the notional EBITDA for the year ended 30 June 2013 of \$3.1 million. If this Vesting Condition is satisfied, then the Vesting Condition in Item 1 is also deemed to be satisfied.
3	One third of the total number of Options held by the Option holder	The holder being an employee or Director during the period commencing on the date that the Company completes an acquisition and ending on 30 June 2016, except where the employment of the holder is terminated by the Group for any reason other than serious misconduct on the part of the holder.

#### (a) BWX Employee Loan Plan

The Company issued a total of 2,050,000 Shares (**Loan Shares**) at a price of \$1.50 per Loan Share under the BWX Employee Loan Plan, of which a total of 1,050,000 Shares have been issued to the Directors with the balance to various employees of the Company.

Director/Employees	Number of Shares
Denis Shelley	150,000
John Humble	300,000
Aaron Finlay	300,000
Craig Bottomley	150,000
Ian Campbell	150,000
Various employees of the Company	1,000,000
<b>Total</b>	<b>2,050,000</b>



Shares on issue to the Directors under the BWX Employee Loan Plan are subject to the following vesting conditions:

- 25% on completion of 12 months' service;
- 20% on completion of 24 months' service;
- 10% on completion of 36 months' service;
- 30% on the first occurrence of a 20% or more increase in EBITDA for a financial year from the EBITDA for the year ended 30 June 2015 as set out in the pro forma financials included in this Prospectus; and
- 15% on the first occurrence of a 30% or more increase in EBITDA for a financial year from the EBITDA for the year ended 30 June 2015 as set out in the pro forma financials included in this Prospectus.

A summary of the BWX Employee Loan Plan rules is set out below.

Plan Rules	
Eligibility	Eligibility to participate in the Loan Plan and the number of Shares that can be acquired by each participant will be determined by the Board. Offers may be made at the Board's discretion to employees of BWX or any other person that the Board determines to be eligible to receive a grant under the Loan Plan ( <b>Participant</b> ).
Advance of Loan Amount	The loan provided to Participants by the Company can only be used to acquire Shares under the Loan Plan ( <b>Loan</b> ).
Limitation on size of the Plan	Participation in the Loan Plan will be limited to 5% of the total number of issued Shares in the Company.
Offers	The Board has the discretion to set the terms and conditions on which it will offer Shares acquired using the Loan in the individual Offer documents. Offers will be in writing and state, among other things, the number of Shares under the Offer, the amount of the Loan and applicable Vesting Conditions.
Acquisition of Shares	When the Participant accepts the Offer and the Loan terms, the amount representing the acquisition price will be applied to fund the acquisition of the Shares. The Company is then required to arrange for the Shares to be provided to the Participant by way of an allotment and issue, by acquiring the Shares on-market, by transfer or other means.
Corporate Control Event	Where a 'Corporate Control Event' occurs, 'Unvested Shares' may become 'Vested Shares'.
Restrictions on Disposal	Shares acquired under the Loan Plan cannot be disposed of or dealt with (other than under the Loan terms) until the Vesting Conditions are satisfied.
Rights attaching to Shares	<p>Subject to the terms of the Offer or the Loan terms, Participants will be entitled to:</p> <ul style="list-style-type: none"> <li>• exercise any voting rights attaching to any Shares acquired under the Loan Plan;</li> <li>• receive any distributions paid on the Shares acquired under the Loan Plan; and</li> <li>• participate in any rights issues of Shares made by the Company.</li> </ul> <p>The Loan Plan and Loan terms will also apply to any bonus Shares that the Company issues to Participants in relation to Shares acquired under the Loan Plan.</p>
Powers of Plan Committee and the Board	The Plan Committee broadly has the power to administer the Loan Plan, establish policies and procedures in respect of the Loan Plan and resolve questions of construction of the Loan Plan.
Amendments to Loan Plan	The Board has broad powers to amend the rules governing the Loan Plan and any Offer made under the Loan Plan in specified circumstances and where the amendment does not materially adversely affect the rights of Participants. While the Shares are listed on the ASX, amendments to the rules governing the Loan Plan must be made in accordance with the Listing Rules (or any waiver).

Plan Rules	
Termination or suspension of the Loan Plan	The Plan Committee may terminate or suspend the Loan Plan at any time provided that it does not materially affect or materially prejudice the rights of Participants.
Loan terms	
Purpose of Loan	The Participant can only use the Loan to pay the acquisition price for Shares acquired under the Loan Plan.
Conditions precedent to advance	A Loan advance will not be provided until the Company has received a properly completed <i>Drawdown Notice</i> and <i>Acceptance Form</i> executed by the Participant.
<i>Drawdown Notice</i>	When the <i>Drawdown Notice</i> is provided by the Participant, the Participant requests the Loan be advanced, agrees to be bound by the Loan facility and the Participant directs the Loan be applied to fund the acquisition of the Shares.
Security	Under the Loan terms, the Participant grants a security interest in the Shares to secure payment of the Loan and for performance of the Participant's obligations under the Loan. To the extent that a security interest is created under the <i>Personal Property Securities Act 2009</i> (Cth) ( <b>PPSA</b> ), the Participant consents to the Company registering the interest with the PPSA.
Nature of the Loan	The Loan is interest free (unless otherwise determined by the Board).
Distributions	Any dividends paid on the Shares while any part of the Loan remains outstanding (on a notional after-tax basis) will be applied towards repaying the Loan. The balance of the dividend is paid directly to the participant to fund his or her tax liability on the dividends paid. Capital distributions will also be applied towards repaying the Loan.
Repayment and limited recourse	<p>The Loan is a limited recourse 5 year loan. That is, at the relevant repayment time the Participant is required to repay the lesser of the outstanding principal and the market value of the Shares at that time. The timing of repayment can differ depending on whether a Participant ceases employment and whether the applicable Vesting Conditions have been satisfied.</p> <p>Where the market value of the Shares is repayable, the Participant forfeits the Shares. As soon as practicable after the Shares are forfeited, the Company must either sell those Shares, buy back and cancel those Shares or deal with them in any other manner determined by the Company. No consideration is payable to a Participant where their Shares are forfeited.</p>
Prepayment	A Participant can repay the principal outstanding at any time. Where a Participant sells their Shares, they must apply the proceeds of sale in repayment of any principal outstanding under the Loan.

### (b) Escrow arrangements

As noted elsewhere in this Prospectus, all the Directors have entered into Escrow Deeds in relation to all their Shares (**Escrowed Shares**). Specifically, the Directors have entered into a voluntary escrow arrangement in relation to all of their Escrowed Shares for 12 months commencing on the date the Company's shares are quoted on the ASX (**Escrow Period**).

During the Escrow Period, the Directors may not deal with their Escrowed Shares. 'Deal' includes, among other things, disposing of, or agreeing or offering to dispose of, the relevant securities or any legal, beneficial or economic interest in those securities, or creating, or agreeing or offering to create, any security interest in the relevant securities or any legal, beneficial or economic interest in those securities.

### 9.7 Lead Manager

The Lead Manager to the Offer is Bell Potter.

### 9.8 Insurance

The Company has a range of insurance policies in place to manage the risks of its day-to-day business and certain other activities.

These policies include, but are not limited to the following:

- Workcover insurance;
- Industrial special risks insurance;
- Property damage and business interruption insurance;
- Public liability and products liability insurance;
- Corporate travel insurance;
- Directors' and officers' liability insurance; and
- Motor vehicle insurance.

There are additional, more specific policies in place to cover other relevant business risks, including property, corporate travel and public and products liability cover.

### 9.9 Legal proceedings

The Company is from time to time party to various disputes and legal proceedings incidental to the conduct of its business. As at the Prospectus Date, there are no claims or legal proceedings to which the Company is a party that it believes are likely to have a material adverse impact on its future financial results and the Company is not aware of any such legal proceedings that are pending or threatened.

### 9.10 Taxation considerations

The following comments provide a general summary of Australian tax issues for Australian tax resident Shareholders who acquire Shares under this Prospectus.

The categories of Shareholders considered in this summary are limited to individuals, certain companies, trusts, partnerships and complying superannuation funds, each of whom hold their Shares on capital account. This summary does not consider the consequences for non-Australian tax resident Shareholders, or Australian tax resident Shareholders that are insurance companies, banks, Shareholders that hold their Shares on revenue account or carry on a business of trading in shares or Shareholders who are exempt from Australian tax. This summary also does not cover the consequences for Australian tax resident Shareholders who are subject to Division 230 of the *Income Tax Assessment Act 1997* (the Taxation of Financial Arrangements or 'TOFA' regime) or employees who have acquired their interest under any employee share or option plan.

This summary is based on the tax law in Australia in force as at the date of this Prospectus. This summary does not take into account the tax law of countries other than Australia. This summary is general in nature and is not intended to be an authoritative or complete statement of the potential tax implications for each Shareholder. The taxation laws of Australia or their interpretation may change. The precise implications of ownership or disposal of the Shares will depend on each Shareholder's specific circumstances.

Shareholders should obtain their own advice on the taxation implications of holding or disposing of the Shares, taking into account their specific circumstances.

#### (a) Dividends on a Share

The Company may attach 'franking credits' to dividends. Franking credits broadly represent the extent to which a dividend is paid by the Company out of profits that have been subject to Australian tax. It is possible for a dividend to be fully franked, partly franked or unfranked.

## (b) Australian tax implications

### *Individuals and complying superannuation entities*

Dividends paid by the Company on a Share will constitute assessable income of an Australian tax resident Shareholder. Australian tax resident Shareholders that are individuals or complying superannuation entities should include the dividend in their assessable income (some superannuation funds may be exempt in relation to Shares held to support current pension liabilities) in the year the dividend is paid, together with any franking credit attached to that dividend if they are a 'qualified person' (refer to further comments below).

These Shareholders should be entitled to a tax offset equal to the franking credit attached to the dividend subject to being a 'qualified person' or where the Shareholder receives less than \$5,000 in franking credits from all sources for the income year. The tax offset can be applied to reduce the tax payable on the Shareholder's taxable income. Where the tax offset exceeds the tax payable on the Shareholder's taxable income in an income year, these Shareholders should be entitled to a tax refund.

If an unfranked dividend is paid, the Shareholder will generally be taxed at their marginal tax rate on that dividend with no tax offset.

### *Corporate Shareholders*

Australian tax resident corporate Shareholders are also required to include both the dividend and attached franking credit in their assessable income subject to being a 'qualified person'. A tax offset is then allowed up to the amount of the franking credit on the dividend, subject to being a 'qualified person', with the result that a tax resident corporate Shareholder should not pay any additional tax on the fully franked dividend.

An Australian resident corporate Shareholder should be entitled to a credit in its own franking account to the extent of the franking credit attached to the dividend received. This should then allow these corporate Shareholders to pass on the benefit of the franking credits to their own shareholder(s) on a subsequent payment of dividends.

Excess franking credits received cannot give rise to a refund for a corporate Shareholder, but may in certain circumstances be able to be converted into carry forward tax losses.

### *Trusts and partnerships*

Shareholders that are Australian resident trustees (other than trustees of complying superannuation entities) or partnerships should include the dividend and attached franking credit in their assessable income in determining the net income of the trust or partnership. Subject to being a 'qualified person', the relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the franking credit received by the trust or partnership.

### *Shares held at risk*

The benefit of franking credits can be denied where a Shareholder is not a 'qualified person' in which case the Shareholder will not be able to include an amount for the franking credits in their assessable income and will not be entitled to a tax offset.

Broadly, to be a 'qualified person', a Shareholder must satisfy the holding period rule and, if necessary, the 'related payment rule'.

The 'holding period rule' requires a Shareholder to hold the Shares 'at risk' for more than 45 days continuously in the 'primary qualification period', which is the period beginning the day after the day on which the Shareholder acquires the Shares and ending on the 45th day after the day on which the Shares become ex-dividend. The dates the Shares are acquired and disposed of are ignored for the purposes of determining the 45 day period. Any day on which a Shareholder has a materially diminished risk or loss of opportunity for gain (through transactions such as granting options or warrants over Shares or entering into a contract to sell the Shares) will not be counted as a day on which the Shareholder held the Shares 'at risk'. This holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income do not exceed \$5,000.

Special rules apply to trusts and beneficiaries. Specifically, there are particular difficulties in satisfying the holding period rule where an investor holds Shares through a discretionary trust where no family trust election has been made. In these cases, the holding period rule may not be capable of being satisfied (though an exception still applies in the case of individual beneficiaries who have franking credit entitlements of less than \$5,000 in an income year). If a Shareholder is the trustee of a discretionary trust, it is strongly recommended that professional advice be obtained.

Under the 'related payment rule', a different testing period applies where the Shareholder has made, or is under an obligation to make, a related payment in relation to a dividend. The related payment rule requires the Shareholder to have held the Shares at risk for a continuous 45 day period within the 'secondary qualification period' commencing on the 45th day before, and ending on the 45th day after, the day the Shares become ex-dividend. Practically, this should not impact Shareholders who do not pass the benefit of the dividend to another person. Shareholders should obtain their own tax advice to determine if these requirements, as they apply to them, have been satisfied.

Dividend washing rules can apply so that no tax offset is available (nor is an amount required to be included in your assessable income) for a dividend received where the Shareholder receives a franked dividend on a replacement Share after disposing of a substantially identical Share. Shareholders should consider the impact of these rules having regard to their own personal circumstances and seek professional advice to determine if this or any integrity rules could apply to them.

#### (c) Disposal of Shares

##### *Australian tax implications*

The disposal of a Share by a Shareholder will be a capital gains tax (**CGT**) event. An Australian tax resident Shareholder will make a capital gain where the capital proceeds received in relation to the disposal exceeds the cost base of the Share. The CGT cost base of a Share will broadly be the amount paid to acquire the Share plus any non-deductible transaction/incidental costs. In the case of an arm's length transaction, the capital proceeds should generally be the cash proceeds received from the sale of a Share plus the market value of any property received from the sale of the Share.

A CGT discount may be available on the capital gain (after reduction of total capital gains by capital losses) where the Shareholder is an individual, complying superannuation entity or trustee; the Shares have been held for more than 12 months; and certain other requirements have been met. Where the CGT discount applies, any capital gain made by individuals and entities acting as trustees (other than a trust that is a complying superannuation entity) may be reduced by one half after offsetting current year or prior year capital losses. For a complying superannuation entity, any capital gain may be reduced by one third, after offsetting current year or prior year capital losses.

Where the Shareholder is the trustee of a trust that has held the Shares for more than 12 months before disposal, the CGT discount may flow through to the beneficiaries of the trust if those beneficiaries are individuals, trustees or complying superannuation entities. The CGT discount rules applying to trusts are complex and Shareholders that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for discounted capital gains.

An Australian tax resident Shareholder will make a capital loss on the disposal of Shares if the reduced cost base of the Shares exceeds the capital proceeds in relation to the disposal. Capital losses may only be offset against capital gains made by the Shareholder in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other assessable income.

#### (d) Goods and Services Tax (GST)

The acquisition of the Shares by an Australian resident (that is registered for GST) will be an input taxed financial supply and therefore is not subject to GST.

No GST should be payable in respect of dividends paid to investors.

An Australian resident investor that is registered for GST may not be entitled to claim full input tax credits in respect of GST on expenses they incur that relate to the acquisition, redemption or disposal of the Shares (e.g. lawyers' and accountants' fees).

Investors should seek their own advice on the impact of GST in their own particular circumstances.

#### (e) Stamp duty

Under current stamp duty legislation, investors acquiring Shares in the Company under this Prospectus will not be liable for stamp duty on the acquisition.

#### (f) Tax file numbers (TFN)

An Australian tax resident Shareholder is not required to quote their tax file number (TFN) to the Company. However, if TFN or exemption details are not provided, Australian tax may be required to be deducted or withheld by the Company from dividends and/or distributions at the maximum marginal tax rate including, where relevant, the 'Medicare Levy' and 'Temporary Budget Repair Levy'.

An investor that holds Shares as part of an enterprise may quote its Australian Business Number instead of its TFN.

Australian tax resident Shareholders may be able to claim a tax credit/rebate (as applicable) in respect of any tax withheld on dividends in their income tax returns.



### 9.11 Consents

Each of the parties referred to below (each a **Consenting Party**), to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Written consents to the issue of this Prospectus have been given and, at the time of lodgement of this Prospectus with ASIC, had not been withdrawn by the following parties:

- (a) Bell Potter has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Lead Manager to the Offer in the form and context in which it is named;
- (b) Minter Ellison has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Australian legal adviser to the Company in relation to the Offer in the form and context in which it is named;
- (c) William Buck has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Investigating Accountant to the Company in relation to the Historical and Forecast Financial Information in the form and context in which it is named and has given and has not withdrawn its consent to the inclusion in this Prospectus of its Investigating Accountant's Report in the form and context in which it is included;
- (d) William Buck has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the auditor to the Company in the form and context in which it is named;
- (e) Link Market Services Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Share Registry in the form and context in which it is named;
- (f) Euromonitor has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus and to certain statements being included in this Prospectus in the form and context in which it is named and those statements are included; and
- (g) Nielsen has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus and to certain statements being included in this Prospectus in the form and context in which it is named and those statements are included.

No entity or person referred to in this Section 9.11 has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. Each of the persons and entities referred to in this Section 9.11 has not authorised or caused the issue of this Prospectus and does not make any offer of Shares.

### 9.12 ASIC relief and modifications

ASIC has granted certain relief from, and modifications to:

- (a) section 707 of the Corporations Act to permit the on-sale of Shares offered and transferred or issued to institutional investors other than under this Prospectus; and
- (b) avoid any breach of the short selling restrictions in section 1020B(2) of the Corporations Act as a result of a sale of Shares while Shares are trading on a deferred settlement basis.

### 9.13 Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Prospectus are governed by the laws applicable in Victoria and each Applicant under this Prospectus submits to the exclusive jurisdiction of the courts of Victoria.

### 9.14 Statement of Directors

This Prospectus is authorised by each Director who consents to its lodgement with ASIC and its issue.

SUMMARY OF  
SIGNIFICANT  
ACCOUNTING  
POLICIES

10.



## 10. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the Financial Information included in Section 4 of this Prospectus are set out below. These policies are consistent with the last audited financial statements of BWX Limited and its controlled entities (the 'Group') for the year ended 30 June 2015.

### (a) Basis of preparation

The Financial Information has been prepared on a going concern basis using historical costs.

#### *Critical accounting estimates*

The preparation of the Financial Information requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. There are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, that require separate disclosure in this Prospectus other than the following matters:

#### *Impairment of trade receivables*

The Group does not to impair trade receivables that are past their due date where it is of the opinion that these receivables will be paid, based on historical experience and an assessment of the credit risk attached to the debtor.

#### *Assessment of impairment of indefinite-lived intangible assets*

The value in use is the present value of the estimated future pre-tax cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs.

#### *Fair value of assets and liabilities on business combinations*

The Group has estimated fair values of assets and liabilities on business combinations based on anticipated future cash flows and with reference to equivalent independent third party market values and, where relevant, expected internal rates of return for identified intangible assets.

### (b) Principles of consolidation

#### *Controlled entities*

The consolidated Financial Information in Section 4 incorporates the assets, liabilities and results (both historical and forecast) of all controlled entities of BWX Limited as at 30 June 2015.

Control exists when an entity is exposed to variable returns in another entity and has the power to direct the relevant activities governing the operations of that entity. Controlled entities are fully consolidated from the date on which control is transferred to the Group.

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

### (c) Foreign currency translation

The presentation and functional currency of BWX Limited and all of its controlled entities is Australian Dollars (A\$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are revalued at the rate of exchange prevailing at the end of the reporting period. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation at financial year end exchange rates are recognised in the profit and loss.

### (d) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it accounts for assets and liabilities identified at the acquisition date at fair value. Where these fair values cannot be determined immediately at that date, the Group recognises these assets and liabilities at their provisional value until such point in time, that must be within one year, that it is able to reliably measure those fair values.

### (e) Revenue recognition

Revenue is measured at the fair value of consideration received or receivable. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

#### *Sale of goods*

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

### Interest

Interest is recognised as it accrues using the effective interest method.

### Research and development credits

Revenue from research and development credits is recognised where there is reasonable assurance that the credits will be received and all attached conditions connected with receipting those credits will be complied with.

### (f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities with the carrying amounts in the consolidated Financial Information. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination, that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities, and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### (g) Impairment of assets

Non-current assets are reviewed for impairment on an annual basis and tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

### (h) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

Office equipment	over up to 5 years
Plant and equipment	over up to 5 years
Leasehold improvements	over the term of the lease, including, where applicable, the exercise of leasehold options

The carrying values of all assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

The residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, at the end of each reporting period.

### (i) Inventories

Inventories are measured at the lower of cost and net realisable value, net of the stock obsolescence provision.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials: weighted average cost basis;
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs; and
- Packaging: weighted average cost basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.



**(j) Trade and other receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provisions for impairment, doubtful debts and rebates. Trade receivables are generally due for settlement within 60 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial realisation, and default or delinquency in payments, are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the impairment loss is charged to the profit or loss.

When a trade receivable, for which an impairment allowance had been recognised, becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the profit or loss.

**(k) Intangible assets**

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. All intangible assets held at 30 June 2015 had indefinite useful lives.

**(l) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily converted into known amounts of cash. For the purposes of the disclosures in cash flow statements, cash and cash equivalents consist of cash and cash equivalents as defined above, net of bank overdraft facilities.

**(m) Employee entitlements*****Wages and Salaries and Annual Leave***

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be wholly settled within 12 months of the reporting date, are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. All other amounts are considered other long term benefits for measurement purposes and are measured at the present value of expected future payments to be made in respect of services provided by employees.

***Share-based payments***

Share-based compensation benefits are provided to Directors and to employees in accordance with the Group's Employee Option Plan and its Employee Share Loan Scheme, both of which are employee share schemes.

The fair value of the options and share loan arrangements granted to Directors and employees is recognised as an employee benefit expense with a corresponding increase in equity. The fair value of these share-based payments is measured at grant date, applying the Black Scholes model, and is recognised over the period during which the Group's Directors and employees become unconditionally entitled to the fair value conferred to them under each employee share scheme.

***Long Service Leave***

Liabilities for long service leave are recognised, and are measured as the present value of expected future payments to be made in respect of services provided by employees.

**(n) Provisions**

Provisions are recognised when the Group has a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation, based upon a weighted average of a range of probable discounted cashflows.

**(o) Leases**

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



**(p) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. At inception, trade and other payable are measured at their face value; and thereafter at amortised cost.

**(q) Other taxes**

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax ('GST') except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in statements of cash flows on a gross basis; and the GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

**(r) Contributed equity**

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

**(s) New accounting standards and interpretations**

The AASB has issued new and amended accounting standards and interpretations that have mandatory applications for future reporting periods. With the exception of those standards not available for early adoption for the Financial Information and those set out below, the Group has decided to adopt all of these accounting standards and interpretations, none of which had a material impact upon the financial information presented in this Prospectus.

*AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 (applicable for annual reporting periods commencing on or after 1 January 2018)*

AASB 15 establishes a single, comprehensive framework for revenue recognition, and replaces the previous revenue Standards AASB 118 Revenue and AASB 111 Construction Contracts, and the related Interpretations on revenue recognition Interpretation 13 Customer Loyalty Programs, Interpretation 15 Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers and Interpretation 131 Revenue – Barter Transactions Involving Advertising Services.

AASB 15 introduces a five step process for revenue recognition with the core principle of the new Standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

The Group has not yet assessed the impact of this standard.

## APPENDIX A: GLOSSARY

# 11.



## APPENDIX A: GLOSSARY

Term	Definition
\$, A\$ or AUD	Australian dollars.
Application	An application made to subscribe for Shares offered under this Prospectus.
Application Form	The application form attached to or accompanying this Prospectus (including the electronic form provided by an online application facility).
Application Monies	The amount accompanying an Application Form submitted by an investor.
Applicant	A person who submits an Application.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited or the financial market operated by it known as the Australian Securities Exchange, as the context requires.
ASX Listing Rules	The listing rules for the ASX, with any modification or waivers which the ASX may grant to the Company.
ASX Recommendations	The Corporate Governance Principles and Recommendations (3rd Edition) published by the ASX Corporate Governance Council.
ASX Settlement	ASX Settlement means ASX Settlement Pty Ltd or the clearing and settlement facility it operates, as the context requires.
ASX Settlement Rules	The operating rules of ASX Settlement.
Australian Accounting Standards	Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board.
BBSY	Bank Bill Swap Bid Rate.
Beautiworx	EGEA Pty Ltd ACN 141 663 729 (formerly known as Beautiworx Australia Pty Ltd).
Bell Potter	Bell Potter Securities Limited ACN 006 390 772.
Board	The Board of Directors.
Broker Firm Applicant	A person who submits an Application under the Broker Firm Offer.
Broker Firm Offer	The invitation to Australian resident investors from the Lead Manager to acquire Shares offered under this Prospectus.
BWX defined Skin Care	For the purposes of this Prospectus the Company has adopted a definition of the skin care segment in Australian pharmacies which includes cosmetic skin care products for the face, hands and body and excludes therapeutic skin care products (such as acne or psoriasis treatments) and products with a sun protection factor.
CAGR	Compound annual growth rate.
CBA	Commonwealth Bank of Australia ABN 48 123 123 124.
CEO	Chief Executive Officer.
CGT	Australian Capital Gains Tax.
Chairman	The chairman of the Board.
Chairman's List Offer	Has the meaning given in Section 7.
CHESS	Clearing House Electronic Sub-register System.
Closing Date	The date by which Applications must be lodged for the Offer, being 5pm (Melbourne time) on 4 November 2015 unless varied.

Term	Definition
COGS	Cost of goods sold.
Completion	The completion of the Offer being when the Shares offered under this Prospectus are issued or transferred to Applicants.
Company or BWX	BWX Limited ACN 163 488 631.
Constitution	The constitution of the Company.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
CY	Calendar year.
Directors	The directors of the Company.
DPS	Dividends per share.
DRP	Dividend reinvestment plan.
EBIT	Earnings before interest and tax.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
EPS	Earnings per share.
Escrowed Shares	Has the meaning given in Section 9.6.
Escrowed Shareholders	Shareholders who hold Escrowed Shares, being all the Directors.
Escrow Period	Has the meaning given in Section 9.6.
Euromonitor International	Euromonitor International Ltd.
Existing Shareholders	Shareholders as at the date of this Prospectus.
Existing Shares	Shares on issue as at the date of this Prospectus.
Financial Information	The: <ul style="list-style-type: none"> <li>• Pro forma Historical Financial Information; and</li> <li>• Forecast Financial Information.</li> </ul>
FMCG	Fast moving consumer goods.
Forecast Financial Information	Has the meaning given in Section 4.1.
FX	Foreign Exchange.
FY	Financial year (ended or ending 30 June).
FY13	Financial year ended 30 June 2013.
FY14	Financial year ended 30 June 2014.
FY15	Financial year ended 30 June 2015.
FY16	Financial year ending 30 June 2016.
FYE	Financial year end.
GDP	Gross domestic product.
Group or BWX Group	The consolidated group comprising the Company and its controlled entities.
GST	Goods and Services Tax as defined in <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
IASB	International Accounting Standards Board.
IFRS	International Financial Reporting Standards.

Term	Definition
Investigating Accountant	William Buck (Vic) Pty Ltd ACN 006 927 822.
Investigating Accountant's Report	The Investigating Accountant's Report set out in Section 8.
Institutional Investor	An investor to whom offers or invitations in respect of securities can be made without the need for a lodged Prospectus (or other formality, other than a formality with which the Company is willing to comply), including in Australia persons to whom offers or invitations in respect of securities can be made without the need for a lodged Prospectus under section 708 of the Corporations Act.
Institutional Offer	The invitation to bid for Shares made to Institutional Investors in Australia, New Zealand, Singapore, Hong Kong and England and Wales.
IP	Intellectual Property.
IPO	Initial public offering.
Lead Manager	Bell Potter.
LHS	Leisure and Hospitality Services Pty Ltd ACN 061 601 018.
Link	Link Market Services Limited.
Listing	The commencement of trading in shares on the Official List of the ASX.
Loan Plan	The BWX Employee Loan Plan.
Loan Shares	Shares issued under the Loan Plan.
LTM	Last twelve months.
Natural	The term 'natural' is afforded many meanings and definitions in the beauty and personal care industry both in Australia and internationally. BWX presents its products to the market as 'natural' in the ordinary meaning of the term. For the purposes of this Prospectus the Company has adopted the following meaning of 'natural' for the purposes of defining the 'natural' segment of the skin care market: <i>'Any product for care of skin that is derived from or claims to be derived from ingredients such as herbs, roots, essential oils and flowers and combined with naturally occurring carrier agents, preservatives, surfactants, humectants and emulsifiers. Should include botanically sourced ingredients currently existing or formed by nature without the use of synthetic chemicals and manufactured in such a way to preserve the integrity of the ingredients.'</i> It is the view of the Directors that the Sukin product range meets this definition of 'natural'.
Net Debt	Current and non-current interest bearing liabilities including finance leases less cash and cash equivalents.
New Shares	Shares to be issued by the Company under this Prospectus.
Nielsen	The Nielsen Company (Australia) Pty Ltd.



Term	Definition
Nielsen Scan Track Pharmacy	<p>Scan Track Pharmacy is a sample based measure of consumer sales of over the counter products in Australian pharmacies. The Scan Track Pharmacy sample is representative of the pharmacy universe of stores based on key measures such as pharmacy turnover, banner and geography. Data is collected from pharmacy point of sale systems, enabling Nielsen to provide pharmacy manufacturers with all standard scan facts including: sales in value and volume, average price, distribution and various other derived facts, e.g. share and rate of sale.</p> <p>Nielsen Scan Track Pharmacy provides a representative view of total pharmacy sales in Australia by combining census data from specific pharmacy retailers with data from a representative panel of pharmacy stores.</p> <p>Nielsen Scan Track Pharmacy has a standard error of +/- 4% on volume sales in Australia for either a category, segment or brand with a distribution of +80% and +5% volume share of markets.</p> <p>Standard error is the estimate of the accuracy of a measure derived from a sample. It indicates the range within which the true value would lie, were the total universe to be measured.</p>
Non-Executive Director	A member of the Board who does not form part of the Company's management.
NPAT	Net Profit After Tax.
NPD	New Product Development
Offer	The invitation by the Company and SaleCo to apply for Shares under this Prospectus.
Offer Documents	The Prospectus, any Application Form or supplemental prospectus.
Offer Period	The period from the date on which the Offer opens on 28 October 2015 and closes at 5pm (Melbourne time) on 4 November 2015, unless extended.
Offer Price	\$1.50 per Share.
Options	Options over unissued Shares on a one for one basis as set out in Section 9.6.
PE ratio	Price to earnings ratio, a company's share price divided by its earnings per share.
Pro forma Historical Financial Information	Has the meaning given in Section 4.1.
Prospectus	This document dated 28 October 2015 (including the electronic form of this document), and any replacement or supplementary prospectus in relation to this document.
Prospectus Date	The date on which a copy of this Prospectus was lodged with ASIC, being 28 October 2015.
Regulation S	Regulation S under the US Securities Act.
Rule 144A	Rule 144A under the US Securities Act.
SaleCo	BWX SALECO Limited ACN 607 622 480.
Selling Shareholders	EGEA Pty Ltd (ACN 141 663 729), Leisure & Hospitality Services Pty Ltd (ACN 061 601 018) and Magnum Capital Pty Ltd (ACN 111 909 543).
Share	A fully paid ordinary share in the capital of BWX.
Shareholder	A holder of at least one Share.
Share Registry	Link.

Term	Definition
SKU	Stockkeeping unit(s), an identification, usually alphanumeric, of a particular product that allows it to be tracked for inventory purposes.
Statutory Consolidated Financial Information	Has the meaning given in Section 4.1.
TFN	Tax file number.
Underwriting Agreement	An underwriting agreement dated 20 October 2015 between the Company and the Lead Manager.
United States or US	The United States of America, its territories and provinces, and any state of the United States of America.
USD	US dollars.
US Securities Act	United States Securities Act of 1933, as amended.
William Buck	William Buck (Vic) Pty Ltd ACN 006 927 822.
YTD	Year to date.

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Adviser Code

**BWX BRO001**

# Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

This Application Form relates to Shares in BWX Limited. Further details about the Shares are contained in the Prospectus dated 28 October 2015 issued by BWX Limited. The Prospectus will expire on 27 November 2016. While the Prospectus is current, BWX Limited will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investments Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares.

- A** Insert the number of Shares you wish to apply for. The Application must be for a minimum of 1,334 Shares and thereafter in multiples of 167. You may be issued all of the Shares applied for or a lesser number.
- B** Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.
- C** Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- D** Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, BWX Limited will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.
- E** Please enter your postal address for all correspondence. All communications to you from BWX Limited and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F** If you are already a CHESSE participant or sponsored by a CHESSE participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHESSE for this HIN is different to the details given on this form, your Shares will be issued to BWX Limited's issuer sponsored subregister.
- G** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
- H** Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B.
- If you receive a firm allocation of Shares from your Broker make your cheque payable to your Broker in accordance with their instructions.

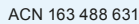
## CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
<b>Individual</b> Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
<b>Company</b> Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
<b>Joint Holdings</b> Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
<b>Trusts</b> Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
<b>Deceased Estates</b> Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
<b>Minor (a person under the age of 18 years)</b> Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
<b>Partnerships</b> Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
<b>Long Names</b>	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
<b>Clubs/Unincorporated Bodies/Business Names</b> Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
<b>Superannuation Funds</b> Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.





Adviser Code

**BWX BRO001**

# Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

This Application Form relates to Shares in BWX Limited. Further details about the Shares are contained in the Prospectus dated 28 October 2015 issued by BWX Limited. The Prospectus will expire on 27 November 2016. While the Prospectus is current, BWX Limited will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investments Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares.

- A** Insert the number of Shares you wish to apply for. The Application must be for a minimum of 1,334 Shares and thereafter in multiples of 167. You may be issued all of the Shares applied for or a lesser number.
- B** Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.
- C** Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- D** Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, BWX Limited will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.
- E** Please enter your postal address for all correspondence. All communications to you from BWX Limited and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F** If you are already a CHES participant or sponsored by a CHES participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHES for this HIN is different to the details given on this form, your Shares will be issued to BWX Limited's issuer sponsored subregister.
- G** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
- H** Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B.
- If you receive a firm allocation of Shares from your Broker make your cheque payable to your Broker in accordance with their instructions.

## CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

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<b>Superannuation Funds</b> Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

# CORPORATE DIRECTORY

## Directors

Mr Denis Shelley	Non-Executive Chairman
Mr John Humble	Chief Executive Officer and Managing Director
Mr Aaron Finlay	Finance Director
Mr Ian Campbell	Non-Executive Director
Mr Craig Bottomley	Non-Executive Director

## Company Secretary

Mr Aaron Finlay

## Australian Company Number

163 488 631

## Registered Office

Level 17  
525 Collins Street  
Melbourne VIC 3000

## Website

[www.bwxltd.com](http://www.bwxltd.com)

## Lead Manager and Underwriter

Bell Potter Securities Limited  
Level 29  
101 Collins Street  
Melbourne VIC 3000

## Lawyers

Minter Ellison  
Level 23  
525 Collins Street  
Melbourne VIC 3000

## Auditor and Investigating Accountant

William Buck  
Level 20  
181 William Street  
Melbourne VIC 3000

## Share Registry

Link Market Services Limited  
Level 1  
333 Collins Street  
Melbourne VIC 3000

BWX Ltd



BWX Limited ACN 163 488 631

