



BWX LIMITED

ABN 13 163 488 631

HALF-YEAR REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

To be read in conjunction with the annual report for the year ended 30 June 2015.

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CORPORATE DIRECTORY

Directors

Mr Denis Shelley	Non-Executive Chairman
Mr John Humble	Chief Executive Officer
Mr Ian Campbell	Non-Executive Director
Mr Aaron Finlay	Finance Director
Mr Craig Bottomley	Non-Executive Director

Company Secretary

Mr Aaron Finlay

Principal Place of Business

2 Darby Way
Dandenong South VIC 3175

Registered Office

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Contact Details

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Solicitors to the Company

Minter Ellison
Rialto Towers
Level 23
525 Collin Street
Melbourne VIC 3000

Auditor

William Buck
Level 20
181 William Street
Melbourne VIC 3000

DIRECTORS' REPORT

The directors of BWX Limited ("the "Company") submit herewith the half-year financial report of BWX Limited and its controlled entities (the "Consolidated Entity" or the "Group") for the half-year ended 31 December 2015. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Directors

The names of the Company's directors during the half-year and up until the date of this report are as follows:

Mr Denis Shelley
Mr John Humble
Mr Ian Campbell
Mr Aaron Finlay
Mr Craig Bottomley

All directors have been in office for this entire period.

Operating results

The profit of the Consolidated Entity before depreciation and amortisation, finance costs, and income tax expense for the half-year amounted to \$9,784,364 (31 December 2014: \$743,943).

The profit of the Consolidated Entity for the half-year after providing for income tax amounted to \$6,318,645 (31 December 2014: \$302,699).

Financial position

The net assets of the Consolidated Entity are \$81,211,052 as at 31 December 2015 (30 June 2015: \$56,369,157).

Principal activities and significant changes in affairs

During the year, BWX Limited has continued to develop from a special purpose vehicle to having principal activities consisting of the manufacture, wholesale sale and development of natural body, hair and skin care products in Australia and internationally. The full impact of the acquisition of the Sukin business has taken place during the period following acquisition on 19 June 2015.

BWX Limited listed on the Australian Securities Exchange on 11 November 2015. A diversified group of retail and institutional shareholders acquired shares in the Company at the listing.

Review of operations

During the half year to 31st December BWX Ltd has continued to consolidate the strength of its' branded business whilst reviewing the ongoing strategic benefits of the Company's third party manufacturing base. In line with the Company's previously stated goals the Company continued to engineer a greater percentage of production capacity towards its' own branded products.

BWX's products are manufactured at its facility in Dandenong South Victoria which provides ample scalability to meet forecast demand into the foreseeable future.

Subsequent Events

There has not been any matter of circumstance occurring subsequent to the end of the reporting period that has significantly affected, or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in the remainder of the current and future financial years.

Auditor's independence declaration

The lead auditor's independence declaration for the half-year ended 31 December 2015 has been received and is attached to this Directors' Report.

Signed in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to read 'J Humble', is positioned above a horizontal line.

Mr John Humble
Chief Executive Officer

Dated at Melbourne this 10th day of February 2016

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001 TO THE DIRECTORS OF BWX LIMITED AND ITS
CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief during the half year ended 31 December 2015 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

William Buck

William Buck Audit [Vic] Pty Ltd

ABN 59 116 151 136



N. S. Benbow

Director

Dated this 10th day of February, 2016

**CHARTERED ACCOUNTANTS
& ADVISORS**

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STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Consolidated Half-year ended	
	31 December 2015	31 December 2014
	\$	\$
Sales revenue	27,483,957	14,794,673
Cost of sales	(11,256,342)	(10,012,335)
Gross profit	16,227,615	4,782,338
Other revenue	81,799	34,821
Corporate and administrative costs	(3,555,560)	(2,275,154)
Marketing, selling and distribution costs	(1,852,320)	(729,077)
Occupancy costs	(797,369)	(672,408)
Research and development and quality control costs	(319,801)	(396,577)
Profit before depreciation and amortisation, finance costs and income tax expense	9,784,364	743,943
Depreciation and amortisation	(247,389)	(204,314)
Finance costs	(484,755)	(102,217)
Profit before income tax expense	9,052,220	437,412
Income tax expense	(2,733,575)	(134,713)
Profit for the period attributable to members of BWX Limited	6,318,645	302,699
Other comprehensive income	-	-
Total comprehensive profit for the period attributable to members of BWX Limited	6,318,645	302,699
Basic earnings per share (cents)*	8.01	0.86
Diluted earnings per share (cents)*	7.38	0.72

* Note: comparative results are adjusted for the 5:1 share consolidation

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	Consolidated 31 December 2015 \$	30 June 2015 \$
Current assets			
Cash and cash equivalents	2	6,873,849	3,096,568
Trade receivables and other assets		7,550,355	7,442,609
Inventories		8,118,170	6,602,442
Total current assets		22,542,374	17,141,619
Non-current assets			
Plant and equipment		2,747,037	2,273,899
Intangible assets	4	70,152,216	70,138,690
Deferred tax assets		494,066	452,224
Total non-current assets		73,393,319	72,864,813
Total assets		95,935,693	90,006,432
Current liabilities			
Trade and other payables		4,340,047	5,960,686
Financial liabilities	5	6,667,699	16,959,467
Income tax payable		2,775,418	-
Provisions for employee benefits		518,076	385,367
Total current liabilities		14,301,240	23,305,520
Non-current liabilities			
Financial liabilities	5	313,342	10,116,254
Provisions for employee benefits		110,059	215,501
Total non-current liabilities		423,401	10,331,755
Total liabilities		14,724,641	33,637,275
Net assets		81,211,052	56,369,157
Equity			
Contributed equity	6	76,430,307	58,024,136
Reserves		527,810	410,731
Retained earnings / (accumulated losses)		4,252,935	(2,065,710)
Total equity		81,211,052	56,369,157
Net tangible assets per share (cents)*		11.65	(18.93)

* Note: Comparatives are adjusted for the 5:1 share consolidation

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

STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Contributed equity	Consolidated Reserves	Retained earnings / accumulated losses	Total
	\$	\$	\$	\$
Balance at 1 July 2014	16,598,765	204,498	72,007	16,875,270
Income for the period	-	-	302,699	302,699
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	302,699	302,699
<i>Transactions with owners in their capacity as owners</i>				
Vesting of share-based payments	-	181,117	-	181,117
Balance at 31 December 2014	16,598,765	385,615	374,706	17,359,086
Balance at 1 July 2015	58,024,136	410,731	(2,065,710)	56,369,157
Income for the year	-	-	6,318,645	6,318,645
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	6,318,645	6,318,645
<i>Transactions with owners in their capacity as owners</i>				
Shares issued, net of costs	18,406,171	-	-	18,406,171
Vesting of share-based payments	-	117,079	-	117,079
Balance at 31 December 2015	76,430,307	527,810	4,252,935	81,211,052

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

STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Note	Consolidated Half-year ended	
		31 December 2015	31 December 2014
		\$	\$
Cash flows from operating activities			
Receipts from customers		32,672,106	13,559,550
Payments to suppliers and employees		(25,038,135)	(14,774,271)
Interest received		16,930	362
Interest paid		(349,021)	(55,506)
Net cash flows from / (used in) operating activities		<u>7,301,880</u>	<u>(1,269,865)</u>
Cash flows from investing activities			
Purchase of plant and equipment		(725,326)	(479,369)
Proceeds on sale of plant and equipment		4,800	4,000
Cash outflow on acquisition of business in prior period		(2,388,881)	-
Net cash flows used in investing activities		<u>(3,109,407)</u>	<u>(475,369)</u>
Cash flows from financing activities			
Proceeds from issue of shares		20,000,000	-
Capital raising costs		(1,653,229)	-
Proceeds from financial liabilities		338,317	1,421,455
Repayment of financial liabilities		(18,188,793)	(219,000)
Repayment of loans from related parties		(911,487)	-
Net cash from / (used in) financing activities		<u>(415,192)</u>	<u>1,202,455</u>
Net increase in cash and cash equivalents		3,777,281	(542,779)
Cash and cash equivalents at beginning of the period		3,096,568	(300,314)
Cash and cash equivalents at end of the period	2	<u><u>6,873,849</u></u>	<u><u>(843,093)</u></u>

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

1. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standard *AASB 134 "Interim Financial Reporting"*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting". The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report and announcements made by the company up until the date of this report.

Basis of preparation

These consolidated financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's annual financial report for the financial period ended 30 June 2015. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Adoption of new and revised Standards

The Group has adopted all new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

The adoption of new and revised Standards and Interpretations has not materially affected the amounts reported for the current or prior corresponding period.

2. Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents are comprised of the following:

	Consolidated	
	31 December	30 June
	2015	2015
	\$	\$
Cash on hand and at bank	6,873,849	3,096,568

3. Dividends

No dividend has been declared or paid during the half-year or the previous corresponding period.

4. Intangible assets

Customer relationships	1,774,946	1,774,946
Formulations and processes	7,092,934	7,092,934
Brands and trademarks	1,642,784	1,642,784
Goodwill	59,555,814	59,555,814
Other	85,738	72,212
	70,152,216	70,138,690

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Consolidated	
	31 December	30 June
	2015	2015
	\$	\$
5. Financial liabilities		
<i>Current</i>		
Bank loan	381,780	5,086,873
Trade finance facility	2,176,756	5,000,933
Equipment finance	109,163	38,801
Deferred consideration owing to members of key management personnel arising on purchases of businesses	-	23,392
Deferred consideration on purchase	4,000,000	4,000,000
Purchase price adjustments	-	265,706
Other loan payable to key management personnel	-	270,000
Other financial liabilities	-	2,273,762
	<u>6,667,699</u>	<u>16,959,467</u>
<i>Non-current</i>		
Bank loan	-	10,000,000
Equipment finance	313,342	116,254
	<u>313,342</u>	<u>10,116,254</u>

The bank facilities have a three-year term, ending June 2018 and comprise a \$15 million revolving acquisition facility and a \$10 million trade finance facility. All facilities are interest only.

The facilities are secured by a mortgage over the assets of the consolidated group of companies. Indicative interest rates of 3% on the revolving acquisition facility and 2.5% on the trade finance facility are charged.

Of the consideration payable on the acquisition of the Sukin business, \$4 million is deferred consideration required to be paid 12 months from the completion of the acquisition.

Other loans and other financial liabilities are non-interest bearing.

6. Contributed equity

Issued capital

	Consolidated	
	31 December	30 June
	2015	2015
	\$	\$
Ordinary shares, fully paid	<u>76,430,307</u>	<u>58,024,136</u>

6. Contributed equity (cont.)

Movements in share capital

	Half-year ended 31 December 2015		Half-year ended 31 December 2014	
	Number	\$	Number	\$
Balance at beginning of period	375,623,118	58,024,136	176,816,392	16,598,765-
Shares issued during period				
- shares issued in consideration for services	270,000	59,400	-	-
5:1 share consolidation	(300,714,474)	-	-	-
Shares issued under performance plan on 19 October 2015 (1)	2,050,000	-	-	-
Shares issued under performance plan on 22 December 2015 (1)	100,000	-	-	-
Shares issued during period				
- shares issued pursuant to information memorandum	13,333,333	20,000,000	-	-
Transaction costs relating to share issues	-	(1,653,229)	-	-
Balance at end of period	<u>90,661,977</u>	<u>76,430,307</u>	<u>176,816,392</u>	<u>16,598,765</u>

(1) These shares were issued on 19 October 2015 and 22 December 2015 to directors and senior management, which are financed by the Group through recourse loan agreements, which have non-interest bearing terms. The shares have all the rights and entitlements attached to ordinary shares, with the following exceptions:

- From their grant date the shares cannot be disposed or assigned until they have vested in accordance with performance milestones as disclosed in public announcements.
- In respect of vested Shares repayment of loan must be made within five years from when the Shares were issued. The borrower must repay the lesser of the outstanding value of the loan or the market value of the Shares acquired with the loan facility. If the borrower leaves employment with the Group, they must repay within 12 months from their termination date the lesser of the outstanding balance on the loan amount or the market value of the shares acquired with the loan facility.
- In respect of unvested Shares repayment of the loan must be made within five years from when the shares are issued. The borrower must repay the market value of the Shares unless the loan had previously been repaid in full. If the borrower leaves employment with the Group and holds unvested shares the borrower must repay the market value of the shares unless the loan has been previously repaid in full.
- With regards to the enforcement of loan repayments the board holds discretion to modify the repayment terms.

In assessing the accounting treatment of the transaction, the directors considered *AASB 2 share-based payments*, and determined that the arrangement constituted in economic substance the granting of performance options to employees and key management personnel, where, subject to the criteria set out above, the recipients have the entitlement to acquire the full economic benefit of the shares (being the right to unfettered dividend and capital return entitlements) by acquiring those shares at a price of \$1.50 per share on 19 October 2015 and \$3.49 per share on 22 December 2015. A Black-Scholes option pricing model factoring in weighted average probabilities for the exercise of those shares was employed in determining the fair value of the arrangement that will vest to the reserve over the course of the completion of the performance milestones. For the period ended 31 December 2015 this was \$50,454.

7. Key management personnel

Remuneration arrangements of key management personnel are disclosed in the annual financial report.

8. Segment information

The Group operates wholly in one business segment, being hair and beauty products, and materially in one geographical region, being Australia. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the 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 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 Group's reportable segments under AASB 8 are therefore within one business and geographical segment.

9. Contingencies and commitments

The Group does not have any material contingent assets or liabilities that were not otherwise disclosed in the 30 June 2015 financial statements.

10. Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the half-year that has significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

11. Fair value measurement

Due to the nature of the Group's operating profile, the Directors and management do not consider that the fair values of the Group's financial assets and liabilities are materially different from their carrying amounts at 31 December 2015.

DIRECTORS' DECLARATION

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001* and *Corporations Regulations 2001*, including compliance with Accounting Standards AASB 134 Interim Financial Statements and give a true and fair view of the financial position and performance of the consolidated entity for the half-year ended 31 December 2015.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors



Mr John Humble
Chief Executive Officer

Melbourne, 10th February 2016

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF BWX LIMITED AND ITS CONTROLLED ENTITIES

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of BWX Limited (the company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including:

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and
2. complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

As the auditor of BWX Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

CHARTERED ACCOUNTANTS & ADVISORS

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF BWX LIMITED AND ITS CONTROLLED ENTITIES (CONT)

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of BWX Limited is not in accordance with the Corporations Act 2001 including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half year ended on that date; and
- b) complying with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Regulations 2001.

William Buck

William Buck Audit [Vic] Pty Ltd
ABN 59 116 151 136



N. S. Benbow
Director

Dated this 10th day of February, 2016