



BWV Limited ACN 163 488 631

# Annual Report

For the year ended 30 June 2016



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# A message from our Chairman

Dear Shareholders

It is my pleasure to present to you BWX Limited's annual report for the 2016 financial year, the first following our successful listing and fund-raise in November 2015.

It has been a successful year for BWX Limited. We have continued our growth momentum in sales, profit and cash flow, all of which have exceeded our forecasts. FY2016 revenue of \$54.0m is 19.7% above the pro-forma revenue of \$45.1m in FY2015 and our EBITDA result of \$20.2m is 36.5% above the FY2015 pro-forma result of \$14.8m. What is pleasing is that the revenue and profit result has come about as a result of the strong growth in our branded business, which, as we have stated from the outset, is a key core strategy of our business. The growth in our branded business has also produced a strong growth in our gross margins.

The major driver of growth has come from the Sukin brand which we acquired on 19 June 2015. By the commencement of FY2016 we had fully integrated the Sukin brand and its associated personnel into our business and as a result, we could immediately focus on growing our domestic sales through increased retail distribution, range extensions as well as the implementation of strategies that were aimed at increasing sales to existing customers. During the year we introduced the Sukin Oil Balancing sub-range, which together with the Sukin Super Greens sub-range, which was launched in the last quarter of FY2016, accounted for approximately 11.2% of sales revenue in Sukin. The acquisition of our largest distributor, Lightning Brokers, in March 2016 has resulted in BWX Limited now controlling circa 75% of its own distribution. In addition to the financial benefits, this acquisition is strategically important in that it gives us greater ability to directly influence the representation of our brand in-store, particularly in pharmacies where the majority of Sukin is sold. In financial year 2016 our pro-forma growth of domestic Sukin sales are in excess of 40%.

Considerable work was also undertaken to strengthen and enhance the consumer appeal of the other two brands in our portfolio. Edward Beale and Uspa each received a range review and a graphics upgrade during the year and this will position them for significant growth in FY2017. Uspa's upgrade will only be completed in the first quarter of FY2017.

There is a large export opportunity available to our brands and a great deal of activity over the year has been dedicated to setting up the structures and relationships that will provide entry to these targeted markets. A significant opportunity for our brands lies in Asia, especially in China and to that end, after extensive due diligence, we have in place several agreements with export partners to supply a number of key Chinese e-commerce platforms. We are also establishing flagship stores with two of the leading online retailers which service this growing market. We expect that sales into China in FY2017 will be a key driver of our export revenue. With much momentum still to come, we nevertheless posted significant gains in our export sales in FY2016. We have made good gains in building our distribution into the United Kingdom. In the year we secured a

listing in Holland and Barrett, a leading UK health retailer, for a core range of Sukin's skin and body care products, and following their success we have been able to list the new Super Greens and Oil Balancing sub-ranges. Initially in 142 of their stores, the broadened Sukin range has recently been extended to approximately 700 stores. In May we presented the Sukin range to Boots in the UK and we have been advised that a selected range of 27 Sukin products, in various combinations, will be listed in 220 of the top Boots stores. In addition, these products will also be made available to approximately 2,500 of their stores online. The full financial impact of these export gains will be realised in FY2017. New Zealand, China and the UK are key export markets for Sukin and we have continued to see solid growth in both distribution and sales from these regions. We are looking to further develop the Canadian export opportunity in the coming year.

With strong growth anticipated from both domestic and international markets for our brands we have continued to upgrade our manufacturing facility. Over the year we have invested \$800k in additional plant and equipment. Much of this expenditure has been aimed at significantly improving our batch run size and line speed. A specifically targeted goal, which we achieved, was to increase the Sukin manufacturing capability by 50%. Across the year we have also maintained a constant focus on improving the quality of our management and supervisory staff as well as recruiting high level skills into business-critical areas such as procurement, warehousing, inventory management and sales management. We will continue to upgrade the level of skill in our business as the needs and opportunities present.

Of course we would never have achieved all that we have if it were not for the commitment and dedication of our loyal, talented and hardworking staff. I extend to you all my thanks and appreciation for your discipline, commitment and valued contribution; we could not have done it without you. I also extend my gratitude and appreciation to our Board of Directors who have worked tirelessly to produce the results that we have and to position our Company for substantial growth.

I would like to close by thanking our shareholders who, by purchasing BWX shares, have enabled us to continue to unlock the many available opportunities that present. You can be sure that as Directors and employees of BWX Limited we will do all in our power to realise the substantial growth opportunities that are before us and we appreciate and value the confidence you have in us to deliver these goals.



**Mr Denis Shelley**  
Chairman

Dated 16 August 2016

# CEO's Report

Dear Shareholders

It gives me great pleasure to present our annual results for the full year 2016, our first as an ASX listed Company.

Our achievements in FY16 were many and include:

- Integrated the Sukin business into the Group following acquisition in June 2015;
- Successfully listed on the ASX on 11 November 2015 and raised \$20 million before transaction costs;
- Admitted to the S&P/ASX 300 Index on 18 March 2016;
- Acquired the business of Lightning Distribution on 31 March 2016, giving BWX control over more than 75% of its distribution of Sukin branded products domestically;
- Established agreements to supply Sukin branded products to leading UK health food and pharmacy groups Holland & Barrett (in April 2016), and Boots UK (in July 2016);
- Established flagship stores on leading Chinese online sales platforms JD.com and Tmall.com;
- Performed a review and graphics upgrade of our Edward Beale hair care and Uspa professional spa treatment ranges; and
- Shifted our production mix of our own brands to contract manufacture from 58% / 42% respectively in H1 FY16 to 72% / 28% in H2 FY16.

This year has been one of transformation for BWX Ltd. FY16 will be remembered as the year that BWX listed on the ASX, integrated the Sukin brand teams, and acquired the business of Lightning Distribution, enabling us to complete the transition of BWX to become a truly vertically integrated personal care branded business. Completing the ASX listing has allowed us to pay down our debt, strengthening our balance sheet and positioning the Company to take advantage of opportunities as they arise throughout the coming year.

A milestone was reached in March 2016 when the Company was included in the S&P/ASX 300 index, 4 months after listing.

Whilst the year has certainly had its challenges, amongst which were establishing a presence in the UK, regulatory changes in China and increasing competition, our entire team has been working tirelessly throughout the year executing our strategy to build the business whilst positioning it to deliver sustainable growth. Whilst our flagship Sukin brand continues to gain market share and is a clear standout in the Natural Skin Care category, during the year we embarked on a review and graphics upgrade of our Edward Beale haircare and Uspa professional spa treatment ranges. The rebranded Edward Beale lines were launched to the trade in Q4 FY16 with the rebranded Uspa range scheduled for launch in Q2 FY17.

## Operating performance

Total sales revenue for FY16 was \$53.98m (a 94% increase in \$27.82m in FY15).

The Group generated EBITDA of \$20.19m (FY15 \$1.79m) and NPAT of \$12.02m (FY15 \$2.14m loss).

EPS was 14.08 cents (FY15 loss of 5.78 cents).

BWX Ltd declared a dividend of 4.8 cents per share, or \$4.396m, payable on 12 October 2016.

BWX Ltd achieved a market capitalisation of \$431.40m at June 30 2016.

## Sales – Sukin “Australian Natural Skincare”

Trading conditions for the Sukin brand have, on balance, been stable throughout the year in both domestic and international markets, allowing us to continue to implement our growth activities in line with our fundamental strategies.

## Domestic

Driven by our predominantly digital marketing activity, and specifically focused point of sale campaigns, our domestic business continues to develop strongly. Our distribution has increased with 589 new retail doors being gained during FY16. Our new product development has also been a major factor in our growth, contributing 11.2% of sales in FY16. In particular, our recently launched Sukin Oil Balancing sub-range has achieved widespread distribution and is performing well in retail. In conjunction with our increased distribution and new product development, we have put a sustained emphasis on developing our business with our major retailers in order to build our consumer base and increase sales to our customers.

The ongoing development of our relationships with our major retail partners has seen a significant increase in our shelf space allocations and is providing increased opportunities for off-location displays and promotional activities, further underpinning growth.

## Export

An integral part of our overall growth strategy is the concurrent development of multiple export markets.

This past year has seen a new approach to the development of our export markets. Until now these markets were serviced by traditional distributor relationships where the distributor was responsible for the activity in each of their territories. Over the course of 2016 we have introduced a much higher level of engagement ensuring we have control over the type, frequency and execution of marketing and promotional activities. Major UK accounts are now held directly through our head office rather than at distributor level.

Whilst we have a presence in Canada, Singapore and to a lesser extent the USA, our export development focused over the year on gaining wider acceptance and distribution of our product ranges in the UK and China whilst engaging directly with our New Zealand distributor to take advantage of our established presence in that country.

## UK

We see the UK playing an important role in the development of our export revenues. The UK market provides a similar demographic to that which we have domestically. Through our investment in resources and marketing we are pleased to have achieved initial



success with the UK's largest health food retailer, Holland & Barrett, which took on our recently released Sukin Supergreens and Sukin Oil Balancing sub-ranges in Q4 FY16. The agreement gives us the opportunity to showcase these products in 700 prime retail outlets throughout the UK and has the potential to develop into a significant revenue stream.

## China

Our presence in China is being driven by the Chinese consumers' demand for our Sukin range of products. To date this demand has been met by the Daigou or personal shopper, trading small amounts of product to family and friends via e-commerce. There has been some product available on third party commercial sites such as Tmall.com, JD.com and VIP.com. As the demand for our products has increased we spent considerable time researching and developing a network of domestic export partners to manage the distribution of commercial quantities directly to their established distribution networks operating across China's e-commerce platforms. This network that we now have in place gives us a readily scalable supply channel into the Chinese e-commerce market.

I am pleased to report that we have made our first, albeit modest sales through this network in Q4 FY16. In addition to the domestic export network we have recently opened Sukin flagship stores on both Tmall.com and JD.com to provide points of reference to our Chinese consumers and provide us with a platform for brand messaging.

## Additional export markets

Growth in other export markets, including New Zealand, Canada and Singapore, has been in line with our expectations given our focus on the UK and China.

New Zealand continues to build momentum with the benefit of a more directed management and highly co-operative marketing approach resulting in gains in both distribution and shelf space, the benefits of which we expect to see more fully during FY 2017.

Our Canadian presence, which has until now been focused on smaller independent health food retailers, has been assessed during the year as having generated the critical mass to enable an expansion into larger retail chains which have been identified as suitable for the Sukin brand.

Singapore continues to be a consistent market for Sukin's products.

## Sales – Complementary Brands

Sales of BWX's complementary brands have largely performed in line with forecasts. Of particular note are the Edward Beale and Uspa brands that have undergone significant redesign in relation to their presentations in order to broaden their consumer appeal. The work on the Edward Beale brand was completed in Q4 FY16 with the newly packaged ranges currently available through Priceline. The Uspa project is nearing its conclusion, with plans in place to exhibit at Cosmoprof – Asia to be held in Hong Kong during November.

## Manufacturing operations

Key to our strategy of becoming a fully integrated personal care branded business is the ongoing migration away from a large segment of our historical third party manufacturing. FY16 saw a change in the production mix of our own brands to contract manufacture from 58% / 42% in H1 FY16 to 72% / 28% in H2 FY16. In conjunction with the implementation of a CAPEX program

designed to increase productivity and output capacity, this change in product mix has delivered considerable improvements in each of these areas. Perhaps the most pleasing aspect of what we have been able to achieve in our manufacturing operations over the past year is the fact that our manufacturing plant now has the capacity to meet both current and projected increases in demand on a single shift work pattern. This gives the Company the ability to respond rapidly to unforeseen increases in demand.

Our ongoing CAPEX requirements are expected to be 1% to 2% of net revenue in order to maintain production capabilities ahead of expected future demand.

## Distribution operations

Products manufactured by BWX Ltd are distributed domestically by a number of independent State-based distributors each serving an allocated territory. The largest and most critical of these territories, being NSW, VIC and TAS, accounts for in excess of 50% of domestic sales and is serviced by Lightning Distribution.

In order to secure our distribution in this critical territory we acquired the business of Lightning Brokers (currently Lightning Distribution) effective 31 March 2016. The acquisition when combined with our direct accounts gives us direct control of the distribution of over 75% of our domestic sales, more direct control over the representation of the Sukin brand at the retail store level, and provides a clear path to market for future brand developments. The business of Lightning Distribution has been reconfigured into two distinct functions, being Sales and Distribution. This recently implemented division of responsibilities within Lightning Distribution is expected to result in greater clarity for our sales teams and much clearer communication of our key brand messages throughout our retail trade. The acquisition further enhances our vertically integrated business model.

## Outlook

In a world of low growth, the outlook for BWX Ltd remains bright. Growth in demand for naturally formulated and environmentally sustainable consumer products remains robust. We expect continued growth in each of our markets as we invest in the resources, people and our processes required to remain ahead of our forecast growth.

We have a strong pipeline of new products and a team of highly skilled professionals dedicated to delivering on our expectations and achieving another excellent result for shareholders over the course of FY17.

I am thankful for the support of our Chairman Mr Denis Shelley, fellow Board members and the entire management group responsible for our results. The Company now employs over 150 staff across the business, the majority of which are based at our product development and manufacturing plant in Dandenong South.

Finally, on behalf of all of us at BWX, I would like to thank you, as part of our shareholder community, for your support throughout the year. I can assure you we are looking forward to the year ahead with great excitement.



**John Humble**  
Chief Executive Officer

# Directors' Report

The Directors present their report together with the consolidated financial statements of BWX Limited ("the Company") and its subsidiaries (collectively, the "Group") for the financial year ended 30 June 2016 and the auditor's report thereon.

## Directors

The Directors of the Company at any time during or since the end of the financial year are:



### Mr Denis Shelley, BEd, BPsych – Chairperson, Independent Non-Executive Director

Mr 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).

Mr Shelley has a broad industry background in FMCG, direct selling, intimate apparel and manufacturing operations. Mr Shelley 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, Mr Shelley also held the position of Group Chairman of Sara Lee Australia (1996-2006) and as a result brings considerable 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.



### Mr John Humble – Chief Executive Officer

Mr John Humble established Leisure and Hospitality Services Pty Ltd in 1993 to fill a niche in the manufacture of small-run personal-care products.

Through Mr Humble's direction the business developed its own formulations (IP) and created a suite of "natural" products that now are exported around the world. Mr Humble led the executive team in establishing the business of BWX Ltd and was central in delivering the successful acquisition of the Sukin businesses.



### Mr Ian Campbell FAICD – Independent Non-Executive Director

Mr Ian Campbell is a highly 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.

Mr Campbell joined Olex Cables as Group General Manager and then as Managing Director of the Pacific Dunlop Cables Group until 1998.

In 1998 Mr Campbell 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. Companies in the GUD stable during his tenure were Sunbeam appliances, Oates cleaning, Victa Lawncare (divested in 2007), Davey Water Products, Lockfocus, Ryco and Wesfil automotive and Dexion storage solutions.

Mr Campbell has been a non-executive Director of Mirrabooka Investments Ltd since 2007. He was formerly a national councilor and Victorian Vice-president of the Australian Industry Group.



### Mr Aaron Finlay, B.Com, CA, SA. Fin, AGIA, MAICD – Executive Director, Company Secretary

Mr Aaron Finlay is a Chartered Accountant and Chartered Company Secretary with over 25 years' experience in the accounting and finance profession, with experience in a range of industries, as well as in cross-border merger and acquisitions and corporate finance.

Mr Finlay has held a number of executive and director roles for ASX and NASDAQ listed companies, including most recently Cleveland Mining Company Limited, 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 Pty Ltd 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 Mr Finlay was INVESCO Australia's Chief Financial Officer after holding the position as Head of Group Tax & Treasury for INVESCO's global operations in London. Prior to joining INVESCO, Mr Finlay worked for PricewaterhouseCoopers (then Price Waterhouse) in London and Perth, Australia for seven years.



#### Mr Craig Bottomley – Independent Non-Executive Director

Mr 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.

Mr Bottomley 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 Mr Bottomley 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.

### Board and Committee Meeting attendance

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the Directors of the Company during the financial year are:

Directors	Board of Directors Meetings		Risk and Audit Committee Meetings		Remuneration Committee Meetings	
	Number Held During the Term	Number Attended	Number Held During the Term	Number Attended	Number Held During the Term	Number Attended
Mr D Shelley	12	12	2	2	2	2
Mr J Humble	12	12	–	–	–	–
Mr I Campbell	12	12	2	2	2	2
Mr A Finlay	12	12	–	–	–	–
Mr C Bottomley	12	12	2	2	2	2

### Principal activities

BWX Limited is a vertically integrated developer, manufacturer, distributor and marketer of branded skin and hair care products with an emphasis on the natural segment of the beauty and personal care market. The company owns, produces and distributes under the Sukin, Derma Sukin, Uspa, Edward Beale and Renew Skincare brands.

### Operating and financial review

The profit of the Consolidated Entity before depreciation and amortisation, finance costs, acquisition and restructuring expenses and income tax expense for the year amounted to \$20,193,361 (loss for year ended 30 June 2015: \$1,789,520).

The profit of the Consolidated Entity for the year after providing for income tax amounted to \$12,024,343 (loss for year ended 30 June 2015: \$2,137,717).

The Consolidated Entity's basic earnings per share is 14.08 cents. Its diluted earnings per share is 12.99 cents.

The net assets of the Consolidated Entity are \$90,764,441 as at 30 June 2016 (2015: \$56,369,157).

BWX Limited undertook a 5 for 1 share consolidation on 17 September 2015, reducing the number of ordinary shares on issue by 300,714,474.

BWX Limited was listed on the Australian Securities Exchange (ASX) on 11 November 2015. The Initial Public Offering (IPO) successfully placed 13,333,333 shares on the ASX and raised \$20 million (before costs) which was used to settle bank loans incurred to finance the acquisition of the Sukin business in June 2015.

On 31 March 2016 BWX Limited acquired the Lightning Brokers business. Lightning Brokers is a national distributor of personal care products and distributes the Sukin product range throughout NSW, ACT, Victoria and Tasmania. At the date of acquisition, Lightning Brokers was responsible for approximately 50 percent of the Sukin distribution to the Australian market. Total consideration for the acquisition of the business was \$12.5 million including \$5.818 million for working capital and a \$1 million deferred performance based payment to be settled in ordinary shares. Details of the acquisition are included at Note 21.

BWX Limited entered into an agreement during the financial year with Holland & Barrett, one of the UK's leading health retailers, to stock Sukin's Supergreens and Oil Balancing ranges. The products were rolled out to approximately 700 Holland & Barrett retail outlets during April 2016. Prior to the agreement, Holland and Barrett retailed a selection of Sukin's core range of products in 142 of their leading stores.

BWX Limited continued to develop its business in China during the 2016 financial year. The Company entered into several agreements with its export partners to supply a number of key Chinese based e-commerce platforms. Flagship stores were established on both JD.com and Tmall, two of the world's largest online retailers, in the final quarter of the year.

### Significant changes in the state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Group that occurred during the financial year other than those noted above.

### Dividends paid or recommended

No dividends have been paid during the 2016 and 2015 financial years.

### Declared after end of year

After the balance sheet date, the following fully franked dividends were proposed by the Directors. The dividends have not been provided for and there are no income tax consequences.

	Cents per share	Total amount \$'000	Date of payment
Final ordinary	4.80	4,396	12 Oct 2016

### Events subsequent to the reporting date

The Company entered into an agreement with Boots in July 2016 to initially range 27 of Sukin's best-selling SKUs in approximately 80 of Boots' highest turnover stores. In addition, 14 of these SKUs will be on shelf in a further 140 selected high street locations. Sukin products will also be available on order from any of Boots' 2,500 retail outlets as well as through their online stores. The products selected by Boots are comprised of several core range products, along with the popular Super Greens and recently released Oil Balancing ranges.

The Group implemented a cash based short-term incentive (STI) scheme to all Directors, senior management, and selected staff effective from 1 July 2016. Details of the STI can be found in the Remuneration Report on pages 8 to 12.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

### Future developments, prospects and business strategies

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

### Environmental regulation and performance

The Group's operations are subject to various environmental laws and regulations and where required the Group maintains environmental licences and registrations in compliance with applicable regulatory requirements. These environmental laws and regulations control the use of land, the erection of buildings and structures on land, the emission of substances to water, land and atmosphere, the emission of noise and odours, the treatment and disposal of waste, and the investigation and remediation of soil and ground water contamination. The Group has procedures in place designed to ensure compliance with all applicable environmental regulatory requirements.

The Board is not aware of any significant breaches during the year covered by this report.

### Directors' interests

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the directors to the ASX in accordance with s205G(1) of the Corporations Act 2001 at the date of this report is as follows:

	Ordinary Shares	Loan Plan Shares	Options Over Ordinary Shares
Mr D Shelley	333,334	150,000	200,000
Mr J Humble	9,742,945	300,000	2,800,000
Mr I Campbell	272,728	150,000	100,000
Mr A Finlay	1,383,696	300,000	420,000
Mr C Bottomley	1,103,695	150,000	420,000
	<b>12,836,398</b>	<b>1,050,000</b>	<b>3,940,000</b>

A share reconstruction occurred on 17 September 2015 which consolidated 5 ordinary shares into 1 ordinary share.

Ordinary shares and options over ordinary shares held by Directors are subject to a voluntary escrow period of twelve months commencing 11 November 2015 (the first date BWX Limited shares were quoted on the ASX).

The 3,940,000 options held by Directors form part of the total 5,620,000 options on issue at 30 June 2016. Refer to Share Options section below.

### Share options

#### Unissued shares under option

At the date of this report, the unissued ordinary shares of the Group under option are:

Grant date	Expiry date	Exercise price	Number under option
1 May 2013	30 September 2018	\$2.00	3,640,000
22 July 2013	30 September 2018	\$2.00	200,000
2 January 2014	30 September 2018	\$2.00	320,000
5 March 2014	30 September 2018	\$2.00	1,680,000
15 July 2015	30 September 2018	\$2.00	100,000
			<b>5,940,000</b>

No options were exercised during the financial year. On 17 September 2015 the Company undertook a 5:1 consolidation of its ordinary shares and options.

All unissued shares are ordinary shares of the Company.

All options expire on the earlier of their expiry date or termination of the employee's employment. Further details about share based payments to Directors and Key Management Personnel are included in the Remuneration Report.

No person entitled to exercise an option had or has any right by virtue of the option to participate in any share issue of any other body corporate.



### Shares issued on exercise of options

During or since the end of the financial year, the Group did not issue ordinary shares of the Company as a result of the exercise of options.

### Indemnification and insurance of officers and auditors

#### Indemnification

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001 every officer of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as officer or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

The Group has not entered into any agreements to indemnify their auditors, William Buck for any liabilities to another person (other than the Company or a related body corporate) that may arise from their position as auditor.

#### Insurance premiums

During the year, the Company paid a premium in respect of a contract insuring its directors and officers against a liability of this nature. In accordance with normal commercial practices under the terms of the insurance contracts, the nature of the liabilities insured against and the amounts of premiums paid are confidential.

### Non-audit services

The Company's Risk and Audit Committee (RAC) is responsible for the maintenance of audit independence.

Specifically, the RAC Charter ensures the independence of the auditor is maintained by:

- Limiting the scope and nature of non-audit services that may be provided; and
- Requiring that permitted non-audit services must be pre-approved by the Chairman of the RAC.

During the year William Buck, the Group's auditor, has performed certain other services in addition to the audit and review of the financial statements. The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by the RAC, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the RAC to ensure they do not impact the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants* as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Group, William Buck, for audit and non-audit services provided during the year are set out in Note 23.

### Auditor's independence declaration

The auditor's independence declaration for the year ended 30 June 2016 has been received and is attached to this Directors' Report.

### CEO and Finance Director Declaration

The CEO and Finance Director have given a declaration to the Board concerning the Group's financial statements under section 295A(2) of the Corporations Act 2001 and recommendations 4.1 and 7.2 of the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations in regards to the integrity of the financial statements.

### Directors' and Executive Officers' Remuneration Policy

Details of the Group's Remuneration Policy in respect of the Directors and KMP are included in the Remuneration Report on pages 8 to 12. Details of the remuneration paid to each Non-Executive Director, the CEO and the Finance Director are detailed in the Remuneration Report. The Remuneration Report is incorporated in and forms part of this Director's Report.

### Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

# Remuneration Report

The Directors of BWX Limited are pleased to present the Remuneration Report ("the Report") for the Company and its subsidiaries ("the Company" or "the Group") for the financial year ended 30 June 2016. This Report has been prepared and audited in accordance with the requirements of the *Corporations Act 2001*.

For the purposes of this Report, Key Management Personnel ("KMP") are defined as persons having authority and responsibility for planning, directing and controlling the major activities of the Group, and include all Non-Executive Directors of the Company and Executives who are listed in the table below.

## Non-Executive Directors

Mr Denis Shelley	Non-Executive Chairman
Mr Ian Campbell	Non-Executive Director
Mr Craig Bottomley	Non-Executive Director

## Executives

Mr John Humble	Chief Executive Officer ("CEO")
Mr Aaron Finlay	Executive Director

The above Non-Executive Directors and Executives were the KMP for the whole of the financial year, unless otherwise indicated.

## Remuneration Governance

The Board is responsible for determining Non-Executive Director and Executive remuneration. The role of the Remuneration Committee (the 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 Committee is governed by its Charter, which is published on the Company's website at [www.bwxltd.com](http://www.bwxltd.com). The Committee is comprised of a minimum of 3 Non-Executive Directors. For the full financial year, the Committee members were:

Denis Shelley	Chairman
Craig Bottomley	Member
Ian Campbell	Member

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 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;
- 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 with executive remuneration programs.

In accordance with section 206K of the *Corporations Act 2001*, the Committee has a process for engaging remuneration consultants. The Committee, on behalf of the Board, commissions and receives information, advice and recommendations directly from remuneration consultants, ensuring remuneration recommendations are free of undue influence by management.

No consultants were engaged with respect to providing remuneration recommendations for the Non-Executive Directors and Executives during the financial year. In order to ensure the Company's remuneration practices are consistent with the external market, benchmarking data was obtained for Non-Executive Director and Executive positions.

The Company's remuneration strategy is designed to attract, retain, motivate and reward employees by providing fair and reasonable rewards for achieving high performance and creating sustained value for shareholders. Director remuneration is connected to Company performance to encourage high performance for the benefit of shareholders. It is currently too early to estimate the consequences of performance on shareholder wealth.

## Fixed Remuneration

### Non-Executive Director Remuneration

In determining the level and make-up of Non-Executive remuneration, the Board negotiates remuneration to reflect the market salary for a position and individual of comparable responsibility and experience whilst considering the Company's stage of development. Remuneration is compared with the external market by reference to industry salary surveys.

Remuneration consists of base fees, superannuation and long term incentives. Fixed remuneration is reviewed annually. Non-Executive Director base fees increased by up to 50% during the year ended 30 June 2016 to continue to bring the remuneration of the Board more into line with that of a medium cap Australian ASX listed company. Total fees and superannuation actually paid to the Non-Executive Directors for the financial year were \$214,351 as set out on page 10.

Non-Executive Directors participate in the Company's Employee Loan Plan, a Long-Term Incentive ("LTI") established in the 2016 financial year designed to attract and retain committed and skilled Board members to oversee the expected growth and development of the business.

The table below shows the structure and level of Non-Executive Director Fees for the current and preceding financial years as approved by the Board.

Role	Annual Fee Structure	
	2015/16 \$	2014/15 \$
Chairman	60,000	40,000
Non-Executive Director	50,000	40,000

### Executive Remuneration

Executive remuneration consists of base fees, superannuation, short-term and long-term incentives as considered appropriate. Fixed remuneration reflects the complexity of the individual's role and their experience, knowledge and performance. Internal and external benchmarking is regularly undertaken and fixed remuneration levels

are set with regard to the external market median, with scope for incremental increase for superior performance.

Fixed remuneration is reviewed annually, taking into account the performance of the individual and the Company. There are no guaranteed increases to fixed remuneration in any contracts of employment.

Executive base fees increased by up to 54% during the year ended 30 June 2016 as part of the strategy to continue to bring the remuneration of the Board more into line with that of a medium cap Australian ASX listed company. Total fees and superannuation actually paid to the Executive Directors for the financial year were \$616,428 as set out on page 10.

The table below shows the structure and level of Executive Fees for the current and preceding financial years as approved by the Board.

Role	Annual Fee Structure	
	2015/16 \$	2014/15 \$
Chief Executive Officer	350,000	250,000
Executive Director	285,000	185,000

### Short-term incentive

The Group has implemented a Short-Term Incentive (STI) component to remuneration of Executives, senior management and selected employees effective from 1 July 2016. Non-Executive Directors are not entitled to participate in the STI. The STI component of an Executive's total reward is an annual cash incentive plan. The STI links a portion of Executive remuneration to specific financial measures.

Under the STI, the maximum reward value is 80% of fixed remuneration for the CEO and Finance Director. A statutory reported basic Earnings Per Share (EPS) criteria must be achieved to trigger any STI payment opportunity. The criteria are determined by the Board on an annual basis.

For all KMP, two measures are used to determine performance under the plan and are weighted equally 50/50. 50% is based on the performance of the BWX Ltd statutory reported Basic Earnings Per Share ("EPS"). The remaining 50% is based on achievement of a minimum of 4 annual personal KPIs set at the beginning of each financial year.

### Employee Loan Plan Shares

The Employee Loan Plan ("ELP") component of a Director's total reward is a performance rights plan that is designed to encourage Directors to focus on key performance drivers that underpin sustainable growth in shareholder value. The ELP facilitates share ownership by Directors and links a proportion of their remuneration to financial measures over the performance period.

Under the ELP, Directors and senior management are provided with a recourse loan with no interest bearing terms from the Company for the sole purpose of acquiring shares in the Company. 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 the 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 within 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; and
- With regards to the enforcement of loan repayments the Board holds discretion to modify the repayment terms.

To gain access to the shares, the Director must repay the outstanding loan following successful testing of the vesting conditions. The vesting conditions are as follows:

- 25% of shares will vest on completion of 12 months' service from the date of issue of the shares under the ELP ("Tranche 1");
- 20% of shares will vest on completion of 24 months' service from the date of issue of the shares under the ELP ("Tranche 2");
- 10% of shares will vest on completion of 36 months' service from the date of issue of the shares under the ELP ("Tranche 3");
- 30% of shares will vest 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 the Prospectus ("Tranche 4"); and
- 15% of the shares will vest 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 the Prospectus ("Tranche 5").

No performance rights under the ELP have vested during the financial year ended 30 June 2016. Note 24 sets out details of all ELP performance rights movements during the year.

### Options

All options on issue by the Company are subject to the following vesting conditions:

1. One-third of the total number of options held by the option holder vest on the first occurrence of a 25% or more increase in EBITDA for a financial year from EBITDA for the year ended 30 June 2013 as recognised in the pro-forma financials included in the BWX Limited Information Memorandum dated 14 October 2013;
2. One-third of the total number of options held by the option holder vest on the first occurrence of a 50% or more increase in EBITDA for a financial year from EBITDA for the year ended 30 June 2013 as recognised in the pro-forma financials included in the BWX Limited Information Memorandum dated 14 October 2013 (if this vesting condition is satisfied, then the vesting condition in item 1 is also deemed to be satisfied; and
3. One-third of the total number of options held by the option holder vest on 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.

## Remuneration Report (continued)

The Board have not resolved to vest the options following the release of the results for the financial year ended 30 June 2016.

### Employment contracts of Directors and Senior Executives

The Company has entered into standard employment agreements (fixed remuneration and equity-based incentives) with all Executive Directors and senior management. These agreements generally provide for an indefinite period of appointment, and may be terminated by either party at 3 months' notice. No termination payments are payable on termination of employment.

None of the Non-Executive Directors have employment contracts with the Company.

### Details of remuneration for year ended 30 June 2016

Details of the remuneration of the Directors of BWX Limited and its controlled entities are set out in the following tables.

	Short-term benefits			Post employment	Share-based payments	Total	Performance Related
	Salary and fees \$	Cash bonus \$	Non-cash benefits (1) \$	Super-annuation \$	\$	\$	%
<b>2016</b>							
<b>Non-Executive Directors</b>							
Mr D Shelley	52,975	–	–	5,016	12,817	70,808	18.10%
Mr I Campbell	46,397	–	–	4,408	32,596	83,401	39.08%
Mr C Bottomley (3)	96,397	–	–	9,158	12,817	118,372	10.83%
	<b>195,769</b>	<b>–</b>	<b>–</b>	<b>18,582</b>	<b>58,230</b>	<b>272,581</b>	
<b>Executives</b>							
Mr J Humble	313,974	–	16,364	29,827	25,635	385,800	6.64%
Mr A Finlay	248,974	–	11,365	23,653	25,635	309,627	8.28%
	<b>562,948</b>	<b>–</b>	<b>27,729</b>	<b>53,480</b>	<b>51,270</b>	<b>695,427</b>	
	<b>758,717</b>	<b>–</b>	<b>27,729</b>	<b>72,062</b>	<b>109,500</b>	<b>968,008</b>	

  

	Short-term benefits			Post employment	Share-based payments	Total	Performance Related
	Salary and fees \$	Cash bonus \$	Non-cash benefits (1) \$	Super-annuation \$	\$	\$	%
<b>2015</b>							
<b>Non-Executive Directors</b>							
Mr D Shelley	40,000	–	–	3,800	–	43,800	–
Mr I Campbell	5,000	–	–	475	–	5,475	–
Mr C Bottomley (3)	90,000	–	–	8,550	–	98,550	–
	<b>135,000</b>	<b>–</b>	<b>–</b>	<b>12,825</b>	<b>–</b>	<b>147,825</b>	
<b>Executives</b>							
Mr J Humble	250,000	–	19,103	23,750	–	292,853	–
Mr A Finlay	185,000	–	13,425	17,575	–	216,000	–
Mr G Pearce (2)	248,274	–	(10,212)	17,660	206,232	461,954	44.6%
	<b>683,274</b>	<b>–</b>	<b>22,316</b>	<b>58,985</b>	<b>206,232</b>	<b>970,807</b>	
	<b>818,274</b>	<b>–</b>	<b>22,316</b>	<b>71,810</b>	<b>206,232</b>	<b>1,118,632</b>	

(1) Non-cash benefits comprise accruals for employee leave provisions accrued during the period.

(2) Resigned 13 May 2015.

(3) Includes base salary for Non-Executive Director plus annual fee of \$50,000 for managing investor relations of the Group.

### Rights and options over equity instruments granted as compensation

During the year the Company granted 500,000 (100,000 post 5:1 share consolidation) options to Mr Ian Campbell. Refer to Movement in Options below. This is in addition to the ELP shares as noted below.

### Exercise of options granted as compensation

During the reporting period no shares were issued on the exercise of options previously granted as compensation.



## Details of ELP shares issued during the period

Details of vesting profiles of the LTI loan funded options held by each key management person of the Group are detailed below:

	Tranche	Grant date	Number granted	Share price at grant date \$	Fair value at grant date \$	Total fair value at grant date \$	Expected vesting date at issue
Mr D Shelley	1	19/10/15	37,500	1.50	0.33	12,370	19/10/16
	2	19/10/15	30,000	1.50	0.30	9,027	19/10/17
	3	19/10/15	15,000	1.50	0.30	4,513	19/10/18
	4	19/10/15	45,000	1.50	0.30	13,447	31/08/17
	5	19/10/15	22,500	1.50	0.30	6,700	31/08/18
			<b>150,000</b>			<b>46,057</b>	
Mr I Campbell	1	19/10/15	37,500	1.50	0.33	12,370	19/10/16
	2	19/10/15	30,000	1.50	0.30	9,027	19/10/17
	3	19/10/15	15,000	1.50	0.30	4,513	19/10/18
	4	19/10/15	45,000	1.50	0.30	13,447	31/08/17
	5	19/10/15	22,500	1.50	0.30	6,700	31/08/18
			<b>150,000</b>			<b>46,057</b>	
Mr C Bottomley	1	19/10/15	37,500	1.50	0.33	12,370	19/10/16
	2	19/10/15	30,000	1.50	0.30	9,027	19/10/17
	3	19/10/15	15,000	1.50	0.30	4,513	19/10/18
	4	19/10/15	45,000	1.50	0.30	13,447	31/08/17
	5	19/10/15	22,500	1.50	0.30	6,700	31/08/18
			<b>150,000</b>			<b>46,057</b>	
Mr J Humble	1	19/10/15	75,000	1.50	0.33	24,740	19/10/16
	2	19/10/15	60,000	1.50	0.30	18,054	19/10/17
	3	19/10/15	30,000	1.50	0.30	9,026	19/10/18
	4	19/10/15	90,000	1.50	0.30	26,895	31/08/17
	5	19/10/15	45,000	1.50	0.30	13,400	31/08/18
			<b>300,000</b>			<b>92,115</b>	
Mr A Finlay	1	19/10/15	75,000	1.50	0.33	24,740	19/10/16
	2	19/10/15	60,000	1.50	0.30	18,054	19/10/17
	3	19/10/15	30,000	1.50	0.30	9,026	19/10/18
	4	19/10/15	90,000	1.50	0.30	26,895	31/08/17
	5	19/10/15	45,000	1.50	0.30	13,400	31/08/18
			<b>300,000</b>			<b>92,115</b>	
<b>Total</b>			<b>1,050,000</b>			<b>322,401</b>	

## Movements in ELP shares

The movement during the reporting period in the number of ELP shares in BWX Limited held, directly, indirectly, or beneficially, by each key management person, including their related parties, are as follows:

	Balance at 1 July 2015	Granted as compensation during year	Forfeited during year	Balance at 30 June 2016	Vested and exercisable at 30 June 2016	Vested and unexercisable at 30 June 2016
Mr D Shelley	–	150,000	–	150,000	–	–
Mr I Campbell	–	150,000	–	150,000	–	–
Mr C Bottomley	–	150,000	–	150,000	–	–
Mr J Humble	–	300,000	–	300,000	–	–
Mr A Finlay	–	300,000	–	300,000	–	–
<b>Total</b>	<b>–</b>	<b>1,050,000</b>	<b>–</b>	<b>1,050,000</b>	<b>–</b>	<b>–</b>

## Remuneration Report (continued)

### Movements in options

The movements during the reporting period in the number of options over ordinary shares in BWX Limited held, directly, indirectly or beneficially, by each key management person, including their related parties are as follows:

	Balance at 1 July 2015	Granted as compensation	Share reconstruction (i)	Balance at 30 June 2016	Vested and exercisable at 30 June 2016	Vested and unexercisable at 30 June 2016
Mr D Shelley	1,000,000	–	(800,000)	200,000	–	–
Mr I Campbell (ii)	–	500,000	(400,000)	100,000	–	–
Mr C Bottomley	2,100,000	–	(1,680,000)	420,000	–	–
Mr J Humble	14,000,000	–	(11,200,000)	2,800,000	–	–
Mr A Finlay	2,100,000	–	(1,680,000)	420,000	–	–
<b>Total</b>	<b>19,200,000</b>	<b>500,000</b>	<b>(15,760,000)</b>	<b>3,940,000</b>	<b>–</b>	<b>–</b>

- (i) A share reconstruction occurred on 17 September 2015 which consolidated 5 ordinary shares and options into 1 ordinary share.
- (ii) 500,000 options were granted to Mr Ian Campbell on 15 July 2015 with at a fair value of \$0.039 per option (total \$19,779). The exercise price is \$2.00 (post share consolidation) and the expiry date is 30 September 2018. The options are subject to the same terms and conditions as disclosed in the Options section above.

### Movements in shares

The movement during the reporting period in the number of ordinary shares in BWX Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2015	Issued on exercise of options during the year	Share reconstruction (i)	Share Disposals	Held at 30 June 2016
Mr D Shelley	1,666,667	–	(1,333,333)	–	333,334
Mr I Campbell	1,363,637	–	(1,090,909)	–	272,728
Mr C Bottomley	7,218,472	–	(5,774,778)	(340,000)	1,103,695
Mr J Humble	75,184,723	–	(60,147,778)	(5,294,000)	9,742,945
Mr A Finlay	6,918,472	–	(5,534,776)	–	1,383,696
<b>Total</b>	<b>92,351,971</b>	<b>–</b>	<b>(73,881,574)</b>	<b>(5,634,000)</b>	<b>12,836,398</b>

- (1) Shares were consolidated under a 5:1 reconstruction in the 2016 financial year.

Ordinary shares held by Directors are subject to a voluntary escrow period of twelve months commencing 11 November 2015 (the first date BWX Limited shares were quoted on the ASX).

### Loans to key management personnel and their related parties

There were no loans to the Executives during the financial year other than those detailed above in accordance with the Company's Employee Loan Plan.

### Other transactions with key management personnel

There were no transactions with key management personnel, or their related parties during the financial year.

### End of Remuneration Report.

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The Directors' Report is made in accordance with a resolution of the Board of Directors, and signed for and on behalf of the Directors by:

A handwritten signature in black ink, appearing to read 'J Humble', written in a cursive style.

**Mr John Humble**  
**Chief Executive Officer**

Dated at Melbourne this 16th day of August 2016

# Corporate Governance Statement

The Board members of BWX Limited are committed to achieving and demonstrating the highest standards of corporate governance. The ASX Corporate Governance Council has developed and released corporate governance recommendation 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. The Board continues to review the framework and practices to ensure they meet the interests of shareholders. The Company and its controlled entities together are referred to as the Consolidated Entity in this statement.

The relationship between the Board and Senior Management is critical to the Consolidated Entity's long-term success. The Directors are responsible to the shareholders for the performance of the Company in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Consolidated Entity as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Consolidated Entity is properly managed.

Day to day management of the Consolidated Entity's affairs and implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Chief Executive Officer.

A description of the Company's main corporate governance practices is set out below. All of these practices, unless otherwise stated, were in place for the entire year.

## Foundations for management and oversight

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 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.

## Board composition

The Board reviews from time to time the size, structure and composition of the Board, taking into consideration the balance of skills, experience and knowledge of Board members.

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 its Non-Executive Directors (listed below) 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.

The Board does not consider its Executive Directors to be independent given their positions in the Company.

The following were Directors during the 2015-16 financial year:

Director	Capacity	Position	Held office from	Held office to
Mr Denis Shelley	Non-Executive Chairman	Independent	22 July 2013	Current
Mr Ian Campbell	Non-Executive Director	Independent	15 May 2015	Current
Mr Craig Bottomley	Non-Executive Director	Independent	26 April 2013	Current
Mr John Humble	Chief Executive Officer	Non-Independent	26 April 2013	Current
Mr Aaron Finlay	Executive Director	Non-Independent	26 April 2013	Current



## 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 ten 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 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.

## 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.

### 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.

Details of Directors' and Key Management Personnel remuneration are contained within the Remuneration Report.

### 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.

### 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.

### Continuous Disclosure Policy

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.

### 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 is available on the Company's website at [www.bwxltd.com](http://www.bwxltd.com).

### 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, willful 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.

### 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.

### External Auditors

Company policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. William Buck Audit (Vic) Pty Ltd was appointed as the external auditor in 2013. The Corporations Act requires William Buck Audit (Vic) Pty Ltd to rotate audit engagement partners on listed companies at least every five years.

An analysis of the fees paid to the external auditors, including a breakdown of fees for non-audit services, is provided in the notes to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the Board.

The external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the annual report.

### Publicly Available Information

In accordance with the ASX Corporate Governance Council, the best practice recommendations provide that specific documents should be publicly available.

All policies referred to in this section are available on the Company's website [www.bwxltd.com](http://www.bwxltd.com).



# Auditor's Independence Declaration



## 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 year ended 30 June 2016 there have been:

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

William Buck

William Buck Audit (Vic) Pty Ltd  
ABN 59 116 151 136

A handwritten signature in black ink, appearing to read "N. S. Benbow".

**N. S. Benbow**  
Director

Dated this 16<sup>th</sup> day of August, 2016

### CHARTERED ACCOUNTANTS & ADVISORS

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# Consolidated Statement of Comprehensive Income

For the year ended 30 June 2016

	Note	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
Sales revenue	4	53,983	27,822
Cost of sales		(20,603)	(18,887)
<b>Gross profit</b>		<b>33,380</b>	<b>8,935</b>
Other income	4	1,170	127
Corporate and administrative expenses		(6,529)	(4,383)
Marketing, selling and distribution expenses		(5,491)	(1,105)
Occupancy expenses		(1,642)	(1,213)
Research and development and quality control expenses		(695)	(571)
<b>Operating profit</b>		<b>20,193</b>	<b>1,790</b>
Depreciation and amortisation		(606)	(417)
Finance expenses		(1,150)	(384)
Acquisition and restructuring expenses	5	(435)	(3,318)
<b>Profit/(loss) before tax</b>		<b>18,002</b>	<b>(2,329)</b>
Income tax (expense)/benefit	6	(5,978)	191
<b>Total comprehensive income (loss) attributable to owners of the Company</b>		<b>12,024</b>	<b>(2,138)</b>
<b>Earnings (loss) per share (EPS)</b>			
Basic EPS (cents)*	8	14.08	(5.78)
Diluted EPS (cents)*	8	12.96	(4.93)

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

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

# Consolidated Statement of Financial Position

As at 30 June 2016

	Note	2016 \$'000	2015 \$'000
<b>Current assets</b>			
Cash and cash equivalents	9	2,651	3,097
Trade and other receivables	10	11,572	7,443
Inventories	11	11,251	6,602
<b>Total current assets</b>		<b>25,474</b>	<b>17,142</b>
<b>Non-current assets</b>			
Plant and equipment	12	3,229	2,273
Intangible assets and goodwill	13	76,925	70,139
Deferred tax assets		569	452
<b>Total non-current assets</b>		<b>80,723</b>	<b>72,864</b>
<b>Total assets</b>		<b>106,197</b>	<b>90,006</b>
<b>Current liabilities</b>			
Trade and other payables	14	3,062	5,961
Loans and borrowings	15	6,492	16,959
Current tax liabilities		4,329	–
Employee benefits	16	846	385
<b>Total current liabilities</b>		<b>14,729</b>	<b>23,305</b>
<b>Non-current liabilities</b>			
Loans and borrowings	15	550	10,116
Employee benefits	16	154	216
<b>Total non-current liabilities</b>		<b>704</b>	<b>10,332</b>
<b>Total liabilities</b>		<b>15,433</b>	<b>33,637</b>
<b>Net assets</b>		<b>90,764</b>	<b>56,369</b>
<b>Equity</b>			
Contributed equity	17	80,169	58,024
Reserves	18	637	411
Retained earnings/(losses)		9,958	(2,066)
<b>Total equity</b>		<b>90,764</b>	<b>56,369</b>

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

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2016

	Consolidated			
	Contributed equity \$'000	Reserves \$'000	Retained earnings/ accumulated losses \$'000	Total \$'000
Balance at 1 July 2014	16,599	205	72	16,876
Loss for the year	–	–	(2,138)	(2,138)
Other comprehensive income for the year	–	–	–	–
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>(2,138)</b>	<b>(2,138)</b>
<b>Transactions with owners of the Company</b>				
<b>Contributions and distributions</b>				
Shares issued, net of costs	41,425	–	–	41,425
Vesting costs for share options and performance rights	–	206	–	206
<b>Total contributions and distributions</b>	<b>41,425</b>	<b>206</b>	<b>–</b>	<b>41,631</b>
<b>Balance at 30 June 2015</b>	<b>58,024</b>	<b>411</b>	<b>(2,066)</b>	<b>56,369</b>
<b>Balance at 1 July 2015</b>	<b>58,024</b>	<b>411</b>	<b>(2,066)</b>	<b>56,369</b>
Profit for the year	–	–	12,024	12,024
Other comprehensive income for the year	–	–	–	–
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>12,024</b>	<b>12,024</b>
<b>Transactions with owners of the Company</b>				
<b>Contributions and distributions</b>				
Shares issued, net of costs	22,145	–	–	22,145
Vesting costs of share options and performance rights	–	226	–	226
<b>Total contributions and distributions</b>	<b>22,145</b>	<b>226</b>	<b>–</b>	<b>22,371</b>
<b>Balance at 30 June 2016</b>	<b>80,169</b>	<b>637</b>	<b>9,958</b>	<b>90,764</b>

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

# Consolidated Statement of Cash Flows

For the year ended 30 June 2016

	Note	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers		51,258	30,447
Cash paid to suppliers and employees		(38,402)	(30,371)
Payments for transaction costs		(435)	(1,378)
Income taxes paid		(1,242)	(243)
Interest received		49	1
Interest paid		(1,150)	(244)
<b>Net cash flows from/(used in) operating activities</b>	22	<b>10,078</b>	<b>(1,788)</b>
<b>Cash flows from investing activities</b>			
Acquisition of plant and equipment		(821)	(661)
Proceeds on sale of plant and equipment		–	4
Acquisition of intangible assets		(52)	–
Cash outflow on acquisition of business, net of cash acquired		(5,820)	(54,306)
<b>Net cash flows (used in) investing activities</b>		<b>(6,693)</b>	<b>(54,963)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital		20,000	43,737
Capital raising costs		(1,664)	(2,312)
Proceeds (repayments) of loans and borrowings		(22,167)	18,723
<b>Net cash flows from/(used in) financing activities</b>		<b>(3,831)</b>	<b>60,148</b>
Net (decrease) increase in cash and cash equivalents		(446)	3,397
Cash and cash equivalents at 1 July		3,097	(300)
<b>Cash and cash equivalents at 30 June</b>	22	<b>2,651</b>	<b>3,097</b>

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



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

## 1. Basis of financial report preparation

### (a) Reporting entity

BWX Limited ("the Company") is a company domiciled in Australia. This financial report was authorised for issue by the Directors on 16 August 2016.

The financial statements include the Group consisting of BWX Limited and its controlled entities. For the purpose of preparing the consolidated financial statements, the Company is a for-profit entity.

### (b) Statement of compliance

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (AASBs), other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and the *Corporations Act 2001*. This financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### (c) Basis of preparation

This financial report is presented in Australian dollars which is BWX Limited's functional currency and presentation currency. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

This financial report is prepared on the historical cost basis. Historical cost is generally based on the consideration given in exchange of assets.

The amounts contained in this report and in the Directors' report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

### (d) Use of accounting estimates and judgements

The preparation of the financial statements in conformity with Australian Accounting Standards require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may ultimately differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### Carrying value of inventory

The consolidated entity assesses whether inventory is recorded at the lower of cost and net realisable value and ensures all obsolete or slow moving stock is appropriately provided for at each reporting date. These calculations involve estimates and assumptions around specific inventories and to the best of management's knowledge, inventories have been correctly and fairly recorded as at 30 June 2016.

#### Carrying value of receivables

The consolidated entity assesses whether trade receivables are appropriately provided for at each reporting date. These calculations involve estimates and assumptions around specific customers and to the best of management's knowledge, impairment of receivables have been correctly and fairly recorded as at 30 June 2016.

#### Assessment of fair values of intangible assets acquired on business combinations

In June 2015 the Group made a provisional assessment of the net assets and liabilities acquired under its purchase of the Sukin business. In June 2016 the Group completed its acquisition accounting for the business purchase by employing an external expert, SLM corporate, to examine the fair values of the assets and liabilities acquired in the business purchase. This resulted in a reclassification of its intangible assets – for details of this refer to Note 13. These level 3 fair valuation assessments, based upon non-quoted market and industry data and inputs, include the following:

- For acquired brands the "relief from royalty" method, which calculates a hypothetical royalty as a proportion of forecast revenue. The royalty rates applied are from comparable industry data and those applied against forecast revenues of the Group discounted to present value; and
- Acquired customer relationships are valued on a multiple of the normalised annual EBITDA arising from each individual underlying sales relationship held by the acquired business.

Both of these valuation techniques represent the highest and best use of the aforesaid assets. The Directors have assessed that the underlying tax bases for these assets will be adjusted to these fair valuation assessments and therefore no deferred tax asset or liability is applicable to the intangible assets acquired in the business purchase.

#### Research and development credits

The consolidated entity assesses whether there is reasonable assurance that research and development credits will be received and all attached conditions will be complied with. This assessment is based on historical experience and regulatory communications from AusIndustry.

#### Share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

For the long-term incentive plan the fair value of the rights is determined using the Black-Scholes pricing model. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next reporting period but may impact the share-based payment expense and equity.

#### Impairment and recoverable amounts of assets other than goodwill

The consolidated entity assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product, technology, economic, environmental and political environments and future expectations. If an impairment trigger exists, the recoverable amount of the asset is determined. There was no impairment recognised during the year as a result of this.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates and underlying

assumptions are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period and future periods if the revision affects both current and future periods.

#### Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the estimation of future cash flows that are expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

## 2. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements, and have been applied consistently by all Group entities.

### (a) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of BWX Limited, being the parent as at 30 June 2016 and the results of all subsidiaries for the year then ended. BWX Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity. Subsidiaries are all entities over which the Group has control. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it has power over the investee when voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ends when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling

interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

### Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that deferred tax assets or liabilities are recognised and measured in accordance with AASB 112 'Income Taxes'.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is re-measured at subsequent reporting dates in accordance with AASB 139, or AASB 137 "Provisions, Contingent Liabilities and Contingent Assets" as appropriate, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs,

the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

### (b) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

### (c) Foreign currency

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) 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 are recognised where there is reasonable assurance that the credits will be received and all attached conditions will be complied with.

### (e) Finance costs

Finance costs are recognised as expenses in the period in which they are incurred. Finance costs include:

- interest on bank overdrafts, short-term and long-term borrowings;
- finance lease charges; and
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings.

### (f) Dividends

Dividends are recognised when an obligation to pay a dividend arises, following declaration of the dividend by the Company's Board of Directors.

### (g) 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 statements. 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.

#### Tax consolidation legislation

BWX Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation during the period ended 30 June 2014.

The head entity, BWX Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, BWX Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

#### (h) Impairment of plant and equipment and intangible assets

##### Impairment

The carrying amounts of the consolidated entity's plant and equipment and intangible assets, other than goodwill, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit or loss unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the profit or loss.

##### Calculation of recoverable amount

The recoverable amount of assets is the greater of their fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

##### Reversals of impairment

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### (i) Cash and cash equivalents

Cash and cash equivalents in the Consolidated Statement of Financial Position 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 Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of bank overdraft facilities.

#### (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 recognised in the Consolidated Statement of Comprehensive Income within other expenses.

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 against other expenses in the Statement of Comprehensive Income.

#### (k) Inventories

Inventories are measured at the lower of cost and net realisable value.

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.

Stock will be assessed at six-month intervals to identify items that have the potential to become obsolete. Appropriate provision will be made to provide for this potential obsolescence.

#### (l) 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	up to 5 years
Plant and equipment	up to 5 years
Motor vehicles	up to 5 years
Leasehold improvements	up to 10 years
Other plant and equipment	up to 5 years



The carrying values of all assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable in accordance with Note 2(h).

The residual value, useful lives and depreciation methods are reviewed and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Consolidated Statement of Comprehensive Income.

### (m) 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. If not, the change in useful life from indefinite to finite is made on a prospective basis. All intangible assets held at 30 June 2016 had indefinite useful lives. The Directors consider that intangible assets have indefinite useful lives because they expect that they will continue to generate cash inflows indefinitely.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Consolidated Statement of Comprehensive Income when the asset is derecognised.

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the Consolidated Statement of Comprehensive Income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

### (n) 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.

### (o) 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 Consolidated Statement of Financial Position.

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis and the GST components of cash flows arising from investing and financing activities, which is 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.

### (p) Loans and borrowings

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Interest bearing loans and borrowings are recognised initially at fair value less attributable transaction costs.

### (q) 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.

### (r) 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 Consolidated Statement of Comprehensive Income on a straight-line basis over the period of the lease.

### (s) Employee entitlements

Provision is made for employee benefits accumulated as a result of employees rendering services up to balance date. The benefits include wages and salaries, incentives, compensated absences and other benefits, which are charged against profits in their respective expense categories when services are provided or benefits vest with the employee. The provision for employee benefits is measured at the remuneration rates expected to be paid when the liability is settled. Benefits expected to be settled after 12 months from the reporting date are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. Contributions to superannuation plans are charged to profit or loss as the contributions are paid or become payable.

### Long service leave

The provision for long service leave represents the present value of the estimated future cash outflows to be made by the consolidated entity resulting from employees' services provided up to the reporting date. The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attaching to High Quality Corporate Bonds at the reporting date that most closely match the terms of maturity of the related liabilities. The unwinding of the discount is treated as long service leave expenses.



## Superannuation Plans

The consolidated entity contributes to various defined contribution superannuation plans. Employer contributions to these plans are recognised as an expense in the profit or loss as they are made.

### (t) Share-based payments

Share-based compensation benefits are provided to Directors and to employees in accordance with the Company's long-term incentive plan.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the options/performance rights reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

### (u) 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.

### (v) Earnings per share

#### Basic earnings per share

Basic earnings per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

#### Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### (w) Segments

AASB 8 "Operating Segments" requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. Management has determined operating segments based on the structure of reports reviewed by the Chairman, Chief Executive Officer, Finance Director, and Non-Executive Directors (who collectively form the Chief Operating Decision Makers (CODM) of the Group).

The CODM consider the business from both a product and geographic perspective and have identified that the Group operates only in the Hair and Beauty Products segment. This segment represents the manufacture, wholesale and distribution sale, and development of natural body, hair and skin care products (see Note 3).

There were three customers who make up more than 10% of total Group revenue. The total revenues recognised in respect of these three customers was \$27.5 million for the year ended 30 June 2016.

### (x) Accounting standards and interpretations

#### Changes in accounting policy and disclosures

BWX Limited has adopted all of the new, revised or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period. There has been no impact on the adoption of these pronouncements.

#### Accounting standards and interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2016 are outlined in the table below:

Standard	Mandatory date for annual reporting periods beginning on or after	Reporting period standard adopted by the Company
AASB 9 Financial Instruments and related standards	1 January 2018	1 July 2018
AASB 2014-4 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016	1 July 2016
AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	1 January 2018	1 July 2018
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	1 January 2016	1 July 2016
AASB 16 – Leases	1 January 2019	1 July 2019

Management are currently assessing the impact of these new standards on the Group, but do not expect a material impact on the Group.

### 3. Segment information

#### Information on segments

AASB 8 – Operating Segments requires a management approach under which segment information is presented on the same basis as that used for internal reporting provided to the Chief Operating Decision Makers (CODM) of the Group. The CODM have been identified as consisting of our Chairman, Chief Executive Officer, Finance Director, and Non-Executive Directors. For the year ended 30 June 2016, management determined that based on the structure of reports provided to the CODM and used by them for decision making and resource allocation, that the Group continues to operate only in the Hair and Beauty Products segment.

The Hair and Beauty Products segment represents the manufacture, wholesale and distribution sale, and development of natural body, hair and skin care products.

There were three customers who make up more than 10% of total Group revenue. The total revenues recognised in respect of these three customers was \$27.5 million for the year ended 30 June 2016.

#### Geographical information

The Group operates predominantly within Australia.

### 4. Revenue and other income

	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
Sales revenue	53,983	27,822
Other income		
Interest income	49	1
R&D grant income	767	–
Other income (i)	354	126
	<b>55,153</b>	<b>27,949</b>

- (i) Other income includes commissions income. Management considers that the following factors indicate that the Group acts as an agent for this source of income:
- The Group neither takes title to nor is exposed to inventory risk related to the goods, and has no significant responsibility in respect of the goods sold;
  - The Group does not collect the revenue from the final customer; and
  - The Group cannot vary the selling prices set by the supplier unless directed.

## 5. Expenses

	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
<i>Employee benefits expense includes:</i>		
Salaries and wages	5,199	3,182
Superannuation	217	161
Labour hire	73	481
Share-based payments	226	206
Other employee expenses	747	610
	<b>6,462</b>	<b>4,640</b>
<i>Acquisition and restructuring expense includes:</i>		
Professional consulting expenses	121	554
Relocation expenses	–	85
Termination payments and other employee expenses	20	333
Occupancy expenses	–	169
Provision for bad debts	–	292
Stamp duty costs	294	1,885
	<b>435</b>	<b>3,318</b>

## 6. Income tax

### Income tax recognised in profit or loss

	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
Current tax expense in respect of the current period	5,934	–
Deferred tax (benefit) recognised in the current period	44	(191)
<b>Total income tax expense recognised in the current period relating to continuing operations</b>	<b>5,978</b>	<b>(191)</b>

The income tax expense for the period can be reconciled to the accounting profit as follows:

Profit/(loss) before tax	18,002	(2,329)
Income tax expense/(benefit) calculated at 30%	5,401	(699)
Non-deductible expenses for tax purposes	516	485
	5,917	(214)
Prior year adjustment	61	23
<b>Total income tax expense recognised in the current period</b>	<b>5,978</b>	<b>(191)</b>

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

## Notes to the Consolidated Financial Statements (continued)

### 7. Dividends

No dividends have been declared or paid in 2016 (2015: Nil).

	2016 \$'000	2015 \$'000
Dividend franking account		
Amount of franking credits available to shareholders of BWX Limited for subsequent financial years	1,242	–

The ability to utilise the franking credits is dependent upon the ability to declare dividends.

In accordance with the tax consolidation legislation, the Company as the head entity in the Group has also assumed the benefit of \$1,242,366 (2015: \$Nil) franking credits.

### 8. Earnings per share

	2016 Cents	2015 Cents
Basic earnings per share	14.08	(5.78)
Diluted earnings per share	12.99	(4.93)

The calculation of basic earnings per share has been based on the following profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding. The calculation of diluted earnings per share has been based on the above, taking adjustment for the effects of all dilutive potential ordinary shares.

	2016 \$'000	2015 \$'000
Net profit (loss) used in calculating basic and diluted EPS	12,024	(2,138)

	2016 Number '000s	2015 Number '000s
<b>Weighted average number of shares used in the calculation of basic and diluted earnings per share</b>		
Shares on issue as at 1 July	75,125	35,363
Add: effect of shares issued	16,468	39,762
	<b>91,593</b>	<b>75,125</b>

<b>Weighted average number of ordinary shares at 30 June used in the calculation of basic earnings per share</b>	<b>85,415</b>	<b>37,004</b>
Add: effect of potential conversion to ordinary shares under Executive rights/options schemes	7,342	6,317

<b>Weighted average number of ordinary shares at 30 June used in the calculation of diluted earnings per share</b>	<b>92,757</b>	<b>43,321</b>
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The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the year during which the options were outstanding.

### 9. Cash and cash equivalents

	2016 \$'000	2015 \$'000
Cash on hand and at bank	2,651	3,097
	<b>2,651</b>	<b>3,097</b>

## 10. Trade and other receivables

	2016 \$'000	2015 \$'000
<b>Current</b>		
Trade debtors	10,904	7,084
Provision for doubtful debts	(185)	(352)
Provision for rebates	(34)	(86)
	<b>10,685</b>	<b>6,646</b>
 GST receivable	 –	 208
Other receivables	679	531
Prepayments	208	58
	<b>11,572</b>	<b>7,443</b>

### Trade debtors

Nearly all trade debtors are unsecured. There are some circumstances where the Group will obtain Directors' guarantees from its trade debtors as part of its normal credit risk management covered by Note 29.

All trade debtors have been classified as current on the basis that the receivable will be collected over a period of less than 12 months.

At 30 June the ageing analysis of trade debtors is as follows:

Year	Total \$'000	0–30 days \$'000	31–60 days \$'000	61–90 days PDNI (i) \$'000	+91 days PDNI (i) \$'000	+91 days CI (ii) \$'000
2016	10,904	6,936	1,932	609	1,427	–
2015	7,084	3,575	1,799	384	1,326	–

(i) PDNI – Past due not impaired

(ii) CI – Considered impaired

### Fair value and credit risk

Information about the Group's exposure to credit and market risks, and impairment losses for trade and other receivables, is included in Note 29.

## 11. Inventories

	2016 \$'000	2015 \$'000
Raw materials	1,396	1,486
Finished goods	7,815	2,797
Packaging	2,040	2,319
	<b>11,251</b>	<b>6,602</b>



## 12. Plant and equipment

### Reconciliation of carrying amount

	Office Equipment \$'000	Plant and Equipment \$'000	Motor Vehicles \$'000	Leasehold Improvements \$'000	Low Value Pool \$'000	Total \$'000
<b>As at 1 July 2014</b>						
Cost	37	1,400	–	655	–	2,092
Accumulated Depreciation	(2)	(100)	–	(38)	–	(140)
<b>Carrying value</b>	<b>35</b>	<b>1,300</b>	<b>–</b>	<b>617</b>	<b>–</b>	<b>1,952</b>
<b>Year ended 30 June 2015</b>						
Opening carrying value	35	1,300	–	617	–	1,952
Additions	4	320	–	337	–	661
Acquisitions of subsidiaries	12	31	30	4	–	77
Disposals	–	–	–	–	–	–
Depreciation	(6)	(242)	–	(168)	–	(416)
<b>Closing carrying value</b>	<b>45</b>	<b>1,409</b>	<b>30</b>	<b>790</b>	<b>–</b>	<b>2,274</b>
<b>As at 30 June 2015</b>						
Cost	53	1,750	30	997	–	2,830
Accumulated Depreciation	(8)	(341)	–	(207)	–	(557)
<b>Carrying value</b>	<b>45</b>	<b>1,409</b>	<b>30</b>	<b>790</b>	<b>–</b>	<b>2,274</b>
<b>Year ended 30 June 2016</b>						
Opening carrying value	45	1,409	30	790	–	2,274
Additions	303	990	–	138	18	1,449
Acquisitions of subsidiaries	–	–	117	–	–	117
Disposals	(1)	(5)	–	–	–	(6)
Reclassification	(27)	(132)	(4)	(21)	184	–
Depreciation	(62)	(286)	(12)	(181)	(64)	(605)
<b>Closing carrying value</b>	<b>258</b>	<b>1,976</b>	<b>131</b>	<b>726</b>	<b>138</b>	<b>3,229</b>
<b>As at 30 June 2016</b>						
Cost	322	2,556	143	1,106	216	4,343
Accumulated Depreciation	(64)	(580)	(12)	(380)	(78)	(1,114)
<b>Carrying value</b>	<b>258</b>	<b>1,976</b>	<b>131</b>	<b>726</b>	<b>138</b>	<b>3,229</b>

### Impairment loss

The Group has assessed the carrying value of plant and equipment for impairment as at 30 June 2016. The Board does not believe that the carrying value of plant and equipment is impaired as at this date.

### 13. Intangible assets and goodwill

	Customer Relationships \$'000	Formulations and Processes \$'000	Brands and Trademarks \$'000	Goodwill \$'000	Other \$'000	Total \$'000
<b>As at 1 July 2014</b>						
Cost	7,491	7,093	1,643	–	–	16,227
<b>Carrying value</b>	<b>7,491</b>	<b>7,093</b>	<b>1,643</b>	<b>–</b>	<b>–</b>	<b>16,227</b>
<b>Year ended 30 June 2015</b>						
Opening carrying value	7,491	7,093	1,643	–	–	16,227
Additions	–	5	–	–	72	77
Acquisitions of subsidiaries	–	–	–	53,835	–	53,835
Reclassification on independent valuation	(5,716)	(5)	–	5,721	–	–
<b>Closing carrying value</b>	<b>1,775</b>	<b>7,093</b>	<b>1,643</b>	<b>59,556</b>	<b>72</b>	<b>70,139</b>
<b>As at 30 June 2015</b>						
Cost	1,775	7,093	1,643	59,556	72	70,139
<b>Carrying value</b>	<b>1,775</b>	<b>7,093</b>	<b>1,643</b>	<b>59,556</b>	<b>72</b>	<b>70,139</b>
<b>Year ended 30 June 2016</b>						
Opening carrying value	1,775	7,093	1,643	59,556	72	70,139
Additions	–	44	–	–	8	52
Acquisitions of subsidiaries	–	–	–	6,734	–	6,734
Reclassification on independent valuation (i)	3,338	52	35,973	(39,311)	(52)	–
<b>Closing carrying value</b>	<b>5,113</b>	<b>7,189</b>	<b>37,616</b>	<b>26,979</b>	<b>28</b>	<b>76,925</b>
<b>As at 30 June 2016</b>						
Cost	5,113	7,189	37,616	26,979	28	76,925
<b>Carrying value</b>	<b>5,113</b>	<b>7,189</b>	<b>37,616</b>	<b>26,979</b>	<b>28</b>	<b>76,925</b>

- (i) An independent valuation of intangibles was performed by SLM Corporate as part of finalising the business combination accounting for the acquisition of the Sukin business which occurred in the previous financial reporting period.

#### Impairment of other intangible assets

Intangible assets are carried at cost less accumulated amortisation and impairment losses. At the end of each reporting period, the Group assesses whether there is any indication that intangible assets may be impaired. No such indication was present at balance date.

#### Assessment of fair values acquired on business combination and impairment testing of indefinite-lived intangible assets

Fair value of intangible assets at 30 June 2015 had been provisionally determined. An independent valuation of intangibles recognised on the acquisition of the Sukin and Lightning Distribution businesses has subsequently been performed in the 2016 financial year.

Brands and trademarks recognised on the acquisition of the Sukin business in the 2015 financial year have been independently valued by SLM Corporate at \$35,660,000. Goodwill of \$6,734,457 has been provisionally recognised on the acquisition of the Lightning business (refer Note 21).

For impairment testing purposes, the Group identifies its cash-generating units (CGUs) which is the smallest identifiable group of assets that generate cash inflows largely independent of the cash inflows of other assets or groups of assets. All intangible assets are incorporated into the Group's Australian manufacturing and distribution cash-generating unit.

The recoverable amount of the CGU is determined based on value in use. Value in use is calculated using a discounted cash flow model covering a five-year period with an appropriate terminal growth rate at the end of that period for the CGU. The model is based upon an estimated future five-year cash flow forecast, incorporating a base year 1 budget year, a four-year forecast period, and a terminal value calculation in the fifth year, with the following key input assumptions:

	2016 %
Growth rate over forecast period	3.5
Terminal value growth rate	2.5
Pre-tax discount rate	12.5

Management believes that any reasonable possible change in the key assumptions would not cause the carrying amount of the CGU to exceed the recoverable amount.

#### 14. Trade and other payables

	2016 \$'000	2015 \$'000
<b>Current</b>		
Trade creditors	2,366	3,328
Stamp duty payable	5	1,885
Other creditors and accruals	691	748
	<b>3,062</b>	<b>5,961</b>

Information about the Group's exposure to currency and liquidity risks is included in Note 29.

## 15. Loans and borrowings

	2016 \$'000	2015 \$'000
<b>Current</b>		
Bank loan	191	5,087
Trade finance facility	5,105	5,001
Equipment finance	196	39
Deferred consideration owing to members of key management personnel arising on purchases of businesses	–	23
Deferred consideration on purchase	1,000	4,000
Purchase price adjustments	–	266
Other loan payable to key management personnel	–	270
Other financial liabilities	–	2,273
	<b>6,492</b>	<b>16,959</b>
<b>Non-current</b>		
Bank loan	–	10,000
Equipment finance	550	116
	<b>550</b>	<b>10,116</b>

Information about the Group's exposure to interest rate, foreign currency and liquidity risk is included at Note 29.

### Terms and repayments schedule

The terms and conditions of outstanding loans are as follows:

	Nominal interest rate	Year of maturity	2016		2015	
			Face value \$'000	Carrying amount \$'000	Face value \$'000	Carrying amount \$'000
Bank loan	3.00%	2016-17	191	191	15,087	15,087
Trade finance facility	2.50%	2016-17	5,105	5,105	5,001	5,001
<b>Total interest bearing liabilities</b>			<b>5,296</b>	<b>5,296</b>	<b>20,088</b>	<b>20,088</b>

In 2015 the Group established multiple banking facilities with a three-year term ending June 2018 and comprising a \$5 million bullet facility which was drawn down in full as part funding for the acquisition of Sukin, a \$15 million revolving acquisition facility, of which \$10 million was drawn down in full as part funding for the acquisition of Sukin and a \$10 million trade finance facility. The \$15 million revolving acquisition facility was closed during the 2016 financial year. All facilities except for the trade finance facility were fully repaid in July 2016.

The facilities are secured by a mortgage over the assets of the consolidated group of companies. A facility establishment fee of approximately 2.05% was paid on the initiation of the facilities with an indicative interest rate of 3.25% on the bullet facility, 3% on the revolving acquisition facility and 2.5% on the trade finance facility. The interest rate applicable to the facility is variable and the Group does not hedge the interest rate.

## Notes to the Consolidated Financial Statements (continued)

The facility is subject to interest coverage, gross leverage and working capital covenants. The facility also imposes obligations on the Group with respect to reporting to the Commonwealth Bank. For the year ended 30 June 2016 the Group has complied with its obligations under the facility.

The \$4 million deferred consideration payable on the acquisition of the Sukin business was settled in June 2016.

Contingent consideration of \$1 million has been recognised in relation to the acquisition of the Lightning Brokers business. Per the Asset Sale Agreement, the deferred consideration is payable contingent upon the Lightning business achieving an EBITDA greater than \$2,250,000 for the financial year ended 30 June 2016. The EBITDA for the purposes of the agreement is the sum of the Vendors' audited EBITDA for the nine months to the date of acquisition (31 March 2016) plus the EBITDA achieved by Lightning Distribution Pty Ltd for the three months from acquisition to 30 June 2016. The Directors have determined that Lightning has achieved this target and accordingly the deferred consideration is to be settled by the issue of ordinary shares issued at the ASX quoted price for an ordinary share as at 30 September 2016 to the value of \$1 million.

The loan from key management personnel and other financial liabilities were settled during the year.

As at 30 June 2016 the Group had available \$14,704,159 (2015: \$9,225,067) of undrawn borrowing facilities.

### Finance lease liabilities

Finance lease liabilities are payable as follows:

	Future minimum lease payments		Interest		Present value of minimum lease payments	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Less than one year	239	56	(43)	(18)	239	56
Between one and five years	601	136	(51)	(19)	601	136
	<b>840</b>	<b>192</b>	<b>(94)</b>	<b>(37)</b>	<b>840</b>	<b>192</b>

## 16. Employee benefits

	2016 \$'000	2015 \$'000
<b>Current</b>		
Employee benefits	846	385
<b>Total current provisions</b>	<b>846</b>	<b>385</b>
<b>Non-current</b>		
Employee benefits	154	216
<b>Total non-current provisions</b>	<b>154</b>	<b>216</b>

For details on employee benefit expenses see Note 5.



## 17. Contributed equity

### Issued capital

	2016 \$'000	2015 \$'000
Ordinary shares, fully paid	80,169	58,024

The Company does not have authorised capital or par value in respect of its issued shares.

### Movements in share capital

	Year ended 30 June 2016		Year ended 30 June 2015	
	Number	\$'000	Number	\$'000
Balance at 1 July	375,623,118	58,024	176,816,392	16,599
5:1 share reconstruction (i)	(300,714,474)	–	–	–
Shares issued during period				
– in consideration for services (ii)	270,000	59	–	–
– pursuant to information memorandum (iii)	13,333,333	20,000	–	–
– pursuant to information memorandum (iv)	–	–	198,806,726	43,737
– for business acquisitions (v)	930,752	3,750	–	–
– shares issued under LTI plan on 19 October 2015 (vi)	2,050,000	–	–	–
– shares issued under LTI plan on 22 December 2015 (vi)	100,000	–	–	–
Transaction costs relating to share issues	–	(1,664)	–	(2,312)
<b>Balance at 30 June</b>	<b>91,592,729</b>	<b>80,169</b>	<b>375,623,118</b>	<b>58,024</b>

- (i) A share reconstruction occurred on 17 September 2015, which consolidated every 5 ordinary shares into 1 ordinary share;
- (ii) Pre consolidation 270,000 shares were granted on 26 August 2015 at a fair value of 22 cents per share in consideration for consulting services received;
- (iii) 13,333,333 shares were floated on the Australian Stock Exchange at a value of \$1.50 per share on 11 November 2015;
- (iv) The effective grant date of the 198,806,726 shares issued pursuant to an information memorandum in connection with business acquisitions was 19 June 2015 at a value of 22 cents per share on a pre consolidation basis;
- (v) 930,752 shares were issued at a fair value of \$4.03 per share as at the grant date on 31 March 2016 in connection with the acquisition of the Lightning Brokers business. Refer to Note 21;
- (vi) Shares were issued to Directors and senior management on 19 October 2015 and 22 December 2015 as part of the Company's 2015 LTI Employee Loan Plan. Refer to Note 24 for further details.

### Ordinary shares

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings in a poll or one vote per shareholder on a show of hands.

In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation. Shares do not have a par value.

12,836,398 ordinary shares held by Directors are subject to a voluntary escrow period of twelve months commencing 11 November 2015 (the first date BWX Limited shares were quoted on the ASX).

930,752 shares issued as consideration for the acquisition of the Lightning Brokers business are subject to a voluntary escrow until 30 June 2017.

### Dividends

Refer to Note 7 for details of dividends declared and paid during the year.

## 18. Reserves

	Options Reserve \$'000	Performance Rights Reserve \$'000	Total \$'000
Balance at 1 July 2014	205	–	205
Option vesting costs for the period charged to profit or loss	243	–	243
Reversal of options forfeited	(37)	–	(37)
<b>Balance at 30 June 2015</b>	<b>411</b>	<b>–</b>	<b>411</b>
Net option vesting costs for the period charged to profit or loss	44	–	44
Employee Loan Plan expense	–	182	182
<b>Balance at 30 June 2016</b>	<b>455</b>	<b>182</b>	<b>637</b>

### Nature and purpose of reserves

#### Options reserve

The options reserve records the fair value of options issued but not exercised.

3,940,000 of the total 5,940,000 options on issue at year-end were held by key management personnel.

#### Performance rights reserve

The share premium reserve records the performance rights expensed under the Company's LTI Employee Loan Plan.

Of the total 2,150,000 performance rights issued during the year, 1,050,000 are held by key management personnel.

## 19. Key management personnel disclosures

### Individual Directors' and Executives' compensation disclosures

The aggregate compensation made to Key Management Personnel of the Group is set out below:

	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
Short-term employee benefits	787	841
Post-employment benefits	72	72
Share-based payments	109	206
	<b>968</b>	<b>1,119</b>

### Loans to and from key management personnel

There were no loans to key management personnel of the Group, including their personally related parties, as at 30 June 2016 (30 June 2015: nil).

### Other transactions with key management personnel

No transactions between Directors and their Director-related entities were made with the Group during the year ended 30 June 2016.

## 20. Details of subsidiaries

			Interest held by the Group	
Name	Principal activity	Country of incorporation	2016 %	2015 %
Parent				
BWX Limited		Australia		
Controlled entities				
Beautiworx Pty Ltd	Manufacturing	Australia	100	100
LHS No. 2 Pty Ltd	Dormant	Australia	100	100
Uspa Corporation Pty Ltd	Brand operating business	Australia	100	100
Edward Beale Hair Care Pty Ltd	Brand operating business	Australia	100	100
BWX Brands Pty Ltd	Holding company	Australia	100	100
Regulatory Advisory Services Pty Ltd	Advisory business	Australia	100	100
Regulatory Advisory Services Ltd	Advisory business	United Kingdom	100	100
Sukin Australia Pty Ltd	Brand operating business	Australia	100	100
Renew Skin Care Australia Pty Ltd	Brand operating business	Australia	100	100
Derma Sukin Australia Pty Ltd	Brand operating business	Australia	100	100
Lightning Distribution Pty Ltd	Distribution business	Australia	100	–

## 21. Acquisition of subsidiary

On 31 March 2016, the Group acquired the assets and liabilities of Lightning Brokers Pty Ltd, Vic-Pharm Pty Ltd and Niche Brands Australia Pty Ltd. These were purchased by a newly incorporated 100% owned entity, Lightning Distribution Pty Ltd (Lightning). This purchase constituted the purchase of a business under AASB 3.

The Lightning acquisition undertaken during the year is representative of the Company's stated objectives, whereby the Company is developing a solid manufacturing base through which to support, build and develop both currently owned and acquired brands and continue the transition to a company that predominantly develops, produces and markets its own proprietary brands leveraging its established distribution channels and existing portfolio of brands.

The total revenue and loss of the Lightning business since the acquisition date, and of the combined entity as if the acquisition occurred at the start of the reporting period, is as follows:

	Lightning (from date of acquisition) \$'000	Group (as if acquisition occurred at the start of the period) \$'000
Revenue	6,071	71,924
Profit (loss) after tax	(393)	12,929

### Consideration transferred

The following tables summarises the acquisition date fair value of each major class of consideration transferred:

Cash payment (i)	5,275
Equity settled payment (ii)	3,750
Equity settled payment – deferred consideration (iii)	1,000
Working capital adjustment settled in cash	2,553
<b>Total consideration transferred</b>	<b>12,578</b>

- (i) The Group and the Vendor were parties to a trading relationship under normal trading terms. The cash consideration paid to the Vendor at acquisition was offset by the total value of the Vendor's trade receivable balance owing to the Group of \$2,008,264 as of this date. Accordingly, the net cash physically paid to the Vendor amounted to \$3,266,979;
- (ii) The fair value of the 930,752 ordinary shares issued was based on an agreed issue price of \$4.03 per share; and
- (iii) Contingent consideration of \$1 million has been recognised in relation to the acquisition of the Lightning Brokers business. Per the Asset Sale Agreement, the deferred consideration is payable contingent upon the Lightning business achieving an EBITDA greater than \$2,250,000 for the financial year ended 30 June 2016. The EBITDA for the purposes of the agreement is the sum of the Vendors' audited EBITDA for the nine months to the date of acquisition (31 March 2016) plus the EBITDA achieved by Lightning Distribution Pty Ltd for the three months from acquisition to 30 June 2016. The Directors have determined that Lightning has achieved this target and accordingly the deferred consideration is to be settled by the issue of ordinary shares issued at the ASX quoted price for an ordinary share as at 30 September 2016 to the value of \$1 million.

### Acquisition related costs

The Group incurred acquisition related costs of \$435,134 (2015: \$3,318,487) on external legal fees and due diligence costs. These costs are recognised as "corporate and administrative costs" in the Consolidated Statement of Comprehensive Income.

### Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	\$'000
Trade debtors	2,601
Inventories	3,461
Plant and equipment	117
Provisions	(243)
Hire purchase liabilities	(92)
<b>Total identifiable net assets acquired</b>	<b>5,844</b>

### Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation technique
Trade debtors	Trade debtors comprise gross contractual amounts due at date of acquisition.
Inventories	<i>Cost technique:</i> the valuation model considers quoted market prices for similar items when they are available. For the purpose of the acquisition this was held to be the current selling price of inventories Lightning acquires from the Group.
Plant and equipment	<i>Market comparison and cost technique:</i> the valuation model considers quoted market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

### Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	\$'000
Consideration transferred	12,578
Less fair value of identifiable net assets	(5,844)
<b>Goodwill</b>	<b>6,734</b>

The goodwill is attributable mainly to the skills and talent of Lightning's sales force, and the synergies expected to be achieved from integrating the company's distribution business into the Group's vertically integrated operations. None of the goodwill recognised is expected to be deductible for tax purposes.

## 22. Reconciliation of cash flows from operating activities

	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
Net profit/(loss) after tax	12,024	(2,138)
<i>Adjustments for:</i>		
Depreciation and amortisation	606	448
Share-based payments	285	206
Gain on disposal of plant and equipment	–	(4)
Interest capitalised	–	(36)
Borrowing costs capitalised	–	(70)
	891	544
<i>Changes in assets and liabilities</i>		
(Increase) in:		
Trade and other receivables	(3,536)	(1,366)
Inventories	(1,188)	(2,582)
Increase/(decrease) in:		
Trade and other payables	(2,270)	4,110
Provisions	(55)	77
Net income tax assets and liabilities	4,212	(433)
	(2,837)	(194)
<b>Net cash from operating activities</b>	<b>10,078</b>	<b>(1,788)</b>

## 23. Auditor's remuneration

	Year ended 30 June 2016 \$	Year ended 30 June 2015 \$
<i>William Buck</i>		
Audit and review services		
– Audit of the annual financial report	69,000	54,500
– Review of the interim financial report	23,000	11,000
– Due diligence assurance	17,000	39,000
	<b>109,000</b>	<b>104,500</b>
Non-assurance services		
– Taxation compliance	18,450	5,500
– Other due diligence	124,084	24,710
	<b>142,534</b>	<b>34,210</b>
<b>Total</b>	<b>251,534</b>	<b>138,710</b>



## 24. Share-based payments

At 30 June 2016, the Group had the following share-based payment arrangements.

### Employee Loan Plan

Performance rights were issued to Directors and senior management on 19 October 2015 and 22 December 2015 under the Company's Employee Loan Plan ("ELP"). The issue of the rights was financed by the Group through recourse loan agreements which have no interest bearing terms. The shares attached to the rights 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 the 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 within 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; and
- With regards to the enforcement of loan repayments the Board holds discretion to modify the repayment terms.

In assessing the accounting treatment of this 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 for those shares issued and granted at that date) 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 factored in weighted average probabilities for the exercise of those shares and 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 year ending 30 June 2016 this was \$181,698.

The key terms and conditions related to the grants under these programs are as follows:

Tranche	Grant date/ employees entitled	Number of shares issued	Expected vesting date at issue	Contractual life of rights
1	19 Oct 2015	512,500	19 Oct 2016	4 years
2	19 Oct 2015	410,000	19 Oct 2017	4 years
3	19 Oct 2015	205,000	19 Oct 2018	4 years
4	19 Oct 2015	615,000	31 Aug 2017	4 years
5	19 Oct 2015	307,500	31 Aug 2018	4 years
1	22 Dec 2015	25,000	22 Dec 2016	4 years
2	22 Dec 2015	20,000	22 Dec 2017	4 years
3	22 Dec 2015	10,000	22 Dec 2018	4 years
4	22 Dec 2015	30,000	31 Aug 2018	4 years
5	22 Dec 2015	15,000	31 Aug 2019	4 years
<b>Total ELP shares</b>		<b>2,150,000</b>		

Refer to the Remuneration Report on pages 8 to 12 for details of vesting conditions.

The fair value of each performance right is estimated on the date of the grant using a Black-Scholes option formula, with the following weighted average assumptions used for grants made during the year.

## Notes to the Consolidated Financial Statements (continued)

The following table lists the inputs to the model used for the ELP for all issues of performance rights which have not vested at 30 June 2016:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5
<b>Date of grant – Oct 2016</b>					
Share price at valuation date (i)	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50
Expected volatility	60.00%	60.00%	60.00%	60.00%	60.00
Risk free interest rate	2.07%	2.07%	2.07%	2.07%	2.07%
Expected life of performance right	2.30 years	1.90 years	1.90 years	1.88 years	1.86 years
Fair value of performance right	\$0.33	\$0.30	\$0.30	\$0.30	\$0.30

<b>Date of grant – Dec 2015</b>					
Share price at valuation date (i)	\$3.49	\$3.49	\$3.49	\$3.49	\$3.49
Expected volatility	60.00%	60.00%	60.00%	60.00%	60.00%
Risk free interest rate	2.07%	2.07%	2.07%	2.07%	2.07%
Expected life of performance right	2.30 years	1.90 years	1.90 years	2.04 years	2.11 years
Fair value of performance right	\$0.38	\$0.23	\$0.18	\$0.14	\$0.12

(i) Spot rate at valuation date.

### Reconciliation of outstanding share options

The number and weighted average exercise prices of the Company's share options are as follows:

	Number of options	Weighted average exercise price
Outstanding at 1 July 2015	29,200,000	\$0.40
5:1 share consolidation	(23,760,000)	\$0.40
Exercised during the year	–	–
Granted during the year (i)	500,000	\$2.00
<b>Outstanding at 30 June 2016</b>	<b>5,940,000</b>	<b>\$2.00</b>
Exercisable at 30 June 2016	5,940,000	\$2.00

(i) 500,000 options (pre share consolidation) were granted to Mr Ian Campbell on 15 July 2015 with a fair value of \$0.039 per option (total \$19,779). The exercise price is \$2.00 and the expiry date is 30 September 2018. The options are subject to the same terms and conditions as disclosed in the Options section above.

## 25. Commitments and contingent assets and liabilities

### Operating leases

The Group leases a number of production, warehousing and distribution facilities under operating leases. The leases typically run for a period of 10 years, with an option to extend for between 5 and 10 years further after that date. For certain operating leases, the Group is restricted from entering into any sub-lease arrangements.

### Future minimum lease payments

At 30 June 2016 the future minimum lease payments were as follows:

	2016 \$'000	2015 \$'000
Within one year	1,165	945
More than one but not more than five years	3,975	3,638
More than five years	3,955	4,266
	<b>9,095</b>	<b>8,849</b>

The Group recognised a total of \$994,639 in profit or loss as lease rental expense in 2016 (2015: \$623,449).

The Group has entered into multiple bank guarantees in relation to its operating leases with a value of \$189,528.

### Commitments and contingent liabilities

Management has assessed that the Group has no further commitments or contingent liabilities as at 30 June 2016 (2015: \$Nil).

## 26. Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports, and Directors' reports.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding-up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also been given similar guarantees in the event that the Company is wound up.

All subsidiaries of BWX Limited are parties to the Deed of Cross Guarantee as follows:

- Beautiworx Pty Ltd
- LHS No. 2 Pty Ltd
- Uspa Corporation Pty Ltd
- Edward Beale Hair Care Pty Ltd
- BWX Brands Pty Ltd
- Regulatory Advisory Services Pty Ltd
- Regulatory Advisory Services Ltd
- Sukin Australia Pty Ltd
- Derma Sukin Australia Pty Ltd
- Renew Skin Care Australia Pty Ltd
- Lightning Distribution Pty Ltd

## 27. Subsequent events

The Company entered into an agreement with Boots in July 2016 to initially range 27 of Sukin's best-selling SKUs in approximately 80 of Boots' highest turnover stores. In addition, 14 of these SKUs will be on shelf in a further 140 selected high street locations. Sukin products will also be available on order from any of Boots' 2,500 retail outlets as well as through their online stores. The products selected by Boots are comprised of several core range products, along with the popular Super Greens and recently released Oil Balancing ranges.

There has not been any other matter of circumstance occurring subsequent to the end of the financial year 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 future financial years, other than that disclosed in the Directors' Report.

## 28. Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2016, the parent entity of the Group was BWX Limited.

	Parent	
	2016 \$'000	2015 \$'000
<b>Assets</b>		
Current assets	383	1,224
Non-current assets	80,987	70,059
<b>Total assets</b>	<b>81,370</b>	<b>71,283</b>
<b>Liabilities</b>		
Current liabilities	4,974	5,177
Non-current liabilities	19	10,005
<b>Total liabilities</b>	<b>4,993</b>	<b>15,182</b>
<b>Net assets</b>	<b>76,377</b>	<b>56,102</b>
<b>Total equity of the parent entity comprising of:</b>		
Issued capital	80,169	58,024
Reserves	636	411
Accumulated losses	(4,428)	(2,333)
<b>Total equity</b>	<b>76,377</b>	<b>56,102</b>

  

	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
<b>Profit and loss</b>		
Loss	(2,030)	(1,692)
<b>Total comprehensive income</b>	<b>(2,030)</b>	<b>(1,692)</b>

### Parent entity contingent liabilities

There were no contingent liabilities, guarantees or capital commitments of the parent entity not otherwise disclosed in these financial statements.

### Parent entity capital commitments for acquisition of property plant and equipment

There were no capital commitments for acquisitions of property plant and equipment of the parent entity not otherwise disclosed in these financial statements.

### Parent entity guarantees in respect of the debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of certain subsidiaries.

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the Deed are disclosed in Note 26.

## 29. Financial instruments – Fair values and risk management

The Group's principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include loans, trade and other receivables, and cash and short-term deposits that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management advises on financial risks and the appropriate financial risk governance framework for the Group, providing assurance to the Board of Directors that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

### (a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include accounts payable, accounts receivables, loans and borrowings and cash deposits. The risks to which the Group has a material sensitivity are described below.

#### (i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at 30 June 2016 all of the Group's financial liabilities had variable interest rates, and therefore as at this date there was no fair value sensitivity to changes in interest rates. However, the Group has a cash flow exposure to changes in market interest rates. The Group manages its cash flow risk of changes to interest rates through cash flow forecasting analyses, which incorporate the potential for interest rate movements. As at 30 June 2016 there was no material sensitivity to the value of financial instruments arising from a change in interest rates.

#### (ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group undertakes certain transactions denominated in foreign currencies, hence exposures to foreign exchange rate fluctuations arise. Settlement of trade payables and receivables are performed at spot rates, and management monitors this risk through cash flow forecasting and will continue to monitor the management of this risk as the scale of the Group's operations grows. As at 30 June 2016 there was no material sensitivity to a change in foreign exchange rates to the Company's financial instruments.

### (b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group has a material exposure to credit risk from its operating activities being the value of its trade receivables.

#### Trade receivables

Customer credit risk is managed subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored. At 30 June 2016, the Group had 24 customers (2015: 13 customers) that owed the Group more than \$100,000 each and accounted for approximately 78.51% (2015: 83.4%) of all the receivables outstanding.

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables disclosed in Note 10. The Group may obtain Directors' guarantees where a customer is considered to be of risk to the business. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries. At 30 June 2016 the Group had receivables totalling \$2,506,232 in arrears of credit terms (2015: \$2,667,263), representing 22.98% of all receivables outstanding (2015: 31.3%).

### (c) Liquidity and capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of equity and debt funding and cash and short-term deposits sufficient to meet the Group's current cash requirements. Details of the contractual maturities of financial assets and liabilities were as follows:

## Notes to the Consolidated Financial Statements (continued)

	Less than 6 months \$'000	6 to 12 months \$'000	1 to 5 years \$'000	Total \$'000
<b>As at 30 June 2016</b>				
<i>Liquid financial assets</i>				
Cash and cash equivalents	2,651	–	–	2,651
Trade and other receivables	11,153	–	–	11,153
	<b>13,804</b>	<b>–</b>	<b>–</b>	<b>13,804</b>
<i>Financial liabilities</i>				
Trade and other payables	3,062	–	–	
Loans and borrowings	5,976	100	550	6,626
	<b>9,038</b>	<b>100</b>	<b>550</b>	<b>6,626</b>
	<b>(4,766)</b>	<b>(100)</b>	<b>(550)</b>	<b>(7,178)</b>
<b>As at 30 June 2015</b>				
<i>Liquid financial assets</i>				
Cash and cash equivalents	3,097	–	–	3,097
Trade and other receivables	7,443	–	–	7,443
	<b>10,540</b>	<b>–</b>	<b>–</b>	<b>10,540</b>
<i>Financial liabilities</i>				
Trade and other payables	5,961	–	–	5,961
Loans and borrowings	7,132	9,826	10,116	27,075
	<b>13,093</b>	<b>9,826</b>	<b>10,116</b>	<b>33,036</b>
	<b>(2,553)</b>	<b>(9,826)</b>	<b>(10,116)</b>	<b>(22,496)</b>

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 30 June 2016.



# Directors' Declaration

1. In the opinion of the Directors of BWX Limited (the Company):
  - (a) the consolidated financial statements and notes that are set out on pages 20 to 50 and the Remuneration Report in pages 8 to 12 of the Directors' Report are in accordance with the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and
    - (ii) complying with Australian Accounting Standards and *Corporations Regulations 2001*; and
  - b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Company and the Group entities identified in Note 26 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those Group entities pursuant to ASIC Class Order 98/1418.
3. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* by the Chief Executive Officer and the Chief Financial Officer for the financial year ended 30 June 2016.
4. The Directors draw attention to Note 2 to the consolidated financial statements which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:



**Mr John Humble**  
**Chief Executive Officer**

Melbourne, 16 August 2016

# Independent Auditor's Report



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

### Report on the Financial Report

We have audited the accompanying consolidated financial report comprising BWX Limited (the Company) and the entities it controlled at 30 June 2016 or from time to time during the year (the consolidated entity). The consolidated financial report comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### Independence

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

### CHARTERED ACCOUNTANTS & ADVISORS

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Melbourne VIC 3000

Hawthorn Office  
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Hawthorn East VIC 3123

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

*Auditor's Opinion*

In our opinion:

- a) the financial report of the consolidated entity is in accordance with the Corporations Act 2001, including:
  - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year then ended; and
  - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's Opinion*

In our opinion, the Remuneration Report of BWX Limited for the year ended 30 June 2016, complies with section 300A of the Corporations Act 2001.

William Buck

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



**N. S. Benbow**

Director

Dated this 16<sup>th</sup> day of August, 2016

# Shareholder Information

## Equity security holders

As at 30 June 2016 the Company has 91,592,729 ordinary shares on issue. Further details of the Company's equity securities are as follows:

## Largest holders

The following table shows the 20 largest registered shareholders as at 30 June 2016 (as named on the register of shareholders):

Name	Ordinary Shares	
	Number Held	% of Issued Shares
National Nominees Limited	11,481,001	12.53
Leisure & Hospitality Services Pty Ltd	9,742,945	10.64
J P Morgan Nominees Australia Limited	9,650,400	10.54
RBC Investor Services Australia Nominees Pty Ltd	8,835,536	9.65
UBS Nominees Pty Ltd	7,724,078	8.43
HSBC Custody Nominees (Australia) Limited	7,576,279	8.27
Citicorp Nominees Pty Ltd	3,936,218	4.30
BNP Paribas Noms Pty Ltd	3,058,294	3.34
HSBC Custody Nominees (Australia) Limited	1,764,806	1.93
HSBC Custody Nominees (Australia) Limited – A/C 2	1,536,955	1.68
UBS Nominees Pty Ltd	1,150,000	1.26
Magnum Capital Pty Ltd	1,103,695	1.21
Brispot Nominees Pty Ltd	950,940	1.04
Fairlight Capital Pty Ltd	751,848	0.82
Mr Mark William East	750,000	0.82
Lightning Brokers Pty Ltd	707,372	0.77
Bond Street Custodians Pty Ltd	643,646	0.70
Sol Capital Pty Ltd	631,848	0.69
CS Fourth Nominees Pty Ltd	605,541	0.66
Australian Natural Cosmetics Pty Ltd	500,000	0.55
<b>Total Top 20 Holders</b>	<b>73,101,402</b>	<b>79.81</b>
<b>Total Other Holders</b>	<b>18,491,327</b>	<b>20.19</b>
<b>Grand Total</b>	<b>91,592,729</b>	<b>100.00</b>

## Substantial shareholders

The following table shows the substantial holders as notified to the Company in substantial holding notices as at 30 June 2016:

Name	Noted Date of Change	Number of Equity Securities	Voting Power
Bennelong Funds Management Group Pty Ltd	11/11/2015	12,321,140	13.605%
Leisure & Hospitality Services Pty Ltd as trustee for the Humble Family Trust and John Humble	11/11/2015	10,042,945	11.090%
Regal Funds Management Pty Limited	11/11/2015	9,562,754	10.550%
Paradise Investment Management Pty Ltd	11/11/2015	8,730,852	9.641%
National Australia Bank Limited and its associated entities	14/04/2016	4,583,758	5.004%

## Distribution of equity security holders

### Holdings distribution

Range	Number of equity security holders	
	Ordinary shares	Options
100,001 and over	46	5
10,001 to 100,000	275	–
5,001 to 10,000	327	–
1,001 to 5,000	1,153	–
1 to 1,000	1,011	–
<b>Total</b>	<b>2,812</b>	<b>5</b>
<b>Unmarketable Parcels</b>	–	–

### Voting Rights

The voting rights attaching to each class of equity securities are set out as below:

#### Ordinary shares

Holders of ordinary shares have the right to vote at every general meeting of the Company and at separate meetings of holders of Ordinary Shares. At a general or separate meeting, every holder of ordinary shares present in person or by proxy has, on poll, one vote for each ordinary share held.

### Performance rights

Performance rights have been issued to employees as part of various performance plans in the 2016 financial year:

- Number of employees participating: 2016 – 10 employees
- Maximum number of ordinary shares which may be issued if the performance conditions are achieved: 2,150,000
- Participants do not have voting rights

### Securities purchased on-market

There were no securities purchased on-market during the financial year ended 30 June 2016.

### Unquoted equity securities

#### Ordinary shares

BWX Limited has no unquoted equity securities on issue at 30 June 2016.

#### Options

BWX Limited has 5,940,000 unquoted options on issue at 30 June 2016.

### Securities exchange

The Company is listed on the Australian Securities Exchange. The Home exchange is Melbourne.

### Other information

BWX Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

# Three-Year Summary

	2014	2015	2016
<b>Operating results (\$'000)</b>			
Sales revenue	10,608	27,822	53,983
EBITDA	1,030	1,790	20,193
EBIT	220	(1,946)	19,152
Profit (loss) before tax	167	(2,320)	18,002
Profit (loss) after tax	72	(2,138)	12,024
<b>Financial position (\$'000)</b>			
Working capital	6,488	17,142	25,474
Fixed assets (including intangibles)	18,178	72,413	80,154
Contributed equity	16,599	58,024	80,169
Net debt (net cash)	(4,038)	(19,978)	(2,975)
Net assets	16,875	56,369	90,764
<b>Shareholder related</b>			
Dividend			
– Ordinary per share	–	–	–
– Total dividends	–	–	–
Earnings per share (cents)	0.09	(5.78)	14.08
Dividend payout ratio	–	–	–
Net tangible asset backing per share	\$0.002	(\$0.038)	\$0.145
Market capitalisation (year-end) (\$'000)	–	–	431,402
<b>Ratios and returns</b>			
EBIT margin	2.08	(6.99)	35.48
Gearing	47.47	59.67	17.00
Interest cover	4.13	(5.08)	16.65

BWX Limited was incorporated in the 2013-14 financial year. A three-year rather than a five-year summary is provided.



# 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  
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Australia  
Website: [www.bwxltd.com](http://www.bwxltd.com)  
Tel: +61 3 8785 6300

## Registered Office

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Melbourne VIC 3000  
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## Share Registry Details

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## Solicitors

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## Auditors

William Buck  
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