



**MINERAL FUSION®**  
minerals on a mission®



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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 2017 financial year.

It has been another successful year for BWX Limited. Excluding the costs associated with the acquisition of the USA's No.1 Natural Cosmetics brand, Mineral Fusion, which was completed on 30 June 2017, we have continued our growth momentum in sales, profit and cash flow, and have delivered, or exceeded, our targeted objectives in all facets of the business. Fiscal Year 2017's Revenue of \$72.7 million is 34.0% above that recorded in FY16 and our EBITDA result of \$26.4 million is 30.9% above the same period.

The growth of our branded business, both domestically and internationally, has been a key core strategy for our business since inception and the gains we have made in both these areas have been pivotal in delivering the strong FY17 result. Of particular note is the performance of our flagship brand Sukin, which posted sales of \$62 million which is 53.9% above prior year. On the domestic front we have implemented changes to the way our sales resources are managed and deployed. We have concentrated on identifying ranging opportunities and partnered with key customers to develop and implement strong promotional programs that have yielded, and will continue to yield, incremental sales. We have provided a regular stream of consumer relevant new product introductions that broaden and strengthen our brand offer. In the case of our Usps and Edward Beale brands, FY17 saw a range review and the introduction of enhanced pack graphics for both these brands.

On the international front we have made considerable headway in establishing a global presence. We recognise the huge potential for Sukin in China, and through the year we have entered into arrangements with export partners and Chinese e-commerce platforms to service this market. Whilst the lure of this market is both topical and compelling we have strategically opted for a broader multi-national approach. At the end of Fiscal Year 2016 we achieved listings for Sukin in both Boots and Holland & Barrett; both leading health and beauty retailers in the UK. Sales from these outlets continue to grow on a monthly basis. Across the fiscal year we have established the Sukin brand in Holland, Malaysia, Canada and Hong Kong and as we enter this new fiscal year we are exploring further opportunities in Germany, UAE, Israel and the potentially large market in India.

Further towards our strategic goal of being a truly global personal care branded business, we acquired Mineral Fusion on 30 June 2017. Mineral Fusion is the USA's No.1 Natural Cosmetics brand and it is an excellent strategic fit for our business. Natural Cosmetics is a rapidly growing market category in the US and

it shares many of the brand and formulation attributes of Sukin. With annualised sales currently approaching \$US22 million, and with large upside potential, its addition to our brand portfolio significantly strengthens our global presence. In addition, Mineral Fusion provides us with reciprocal opportunities to roll out Sukin in the large US market and to bring the Mineral Fusion brand to Australia and into other markets in which we operate.

Whilst we will continue to build our brands in both the domestic and international markets in which we operate, targeted acquisitions will remain a core element of our growth strategy.

With strong growth potential for our branded business planned over the next three to five years we have also had the strategic goal of preparing the operational side of our business, in all its facets, to support sales of \$200 million per annum. We will continue to provide a level of capital expenditure that will significantly improve the manufacturing plant throughput whilst delivering cost savings, margin and working capital improvements. Another focus across the next few years will be to further enhance the overall skill level of our personnel through training and targeted recruitment, particularly in the business-critical areas of e-commerce, supply chain, sales and operational management.

The success of this year would not have been possible without the commitment and dedication of our loyal, talented and hardworking staff. I extend to you all my thanks and appreciation for your application, 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 achieved and to position the 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.



**Denis Shelley**  
Chairman

Dated 16 August 2017

# CEO's Report

Dear Shareholders

It gives me great pleasure to present our annual report for the full year 2017, our second as an ASX listed Company.

Culminating in the \$US38.4 million acquisition of US-based Mineral Fusion, the 2017 financial year was indeed another very busy one across each of the operations of BWX as we work towards delivering on our goal of building a global beauty and personal care business. The Company now employs approximately 200 staff across Australia, North America and the UK, the majority of which are based at our product development and manufacturing plant in Dandenong South.

Sales of our branded products have continued to grow in our domestic market, whilst our efforts in developing our international platform continue to gain momentum. Whilst our domestic market once again delivered well above category growth, we believe that through continued investment in the development of our international platform we are best positioning BWX for continued sustainable growth for many years to come.

## **FY17 has seen the Company deliver a strong financial result for its shareholders**

Highlights of these results are:

- Revenue \$72.7 million up 34.0%;
- EBITDA (underlying) \$26.4 million up 30.9%;
- NPAT (underlying) \$17.6 million up 43.0%;
- EBITDA (statutory) \$22.2 million up 12.6%;
- NPAT (statutory) \$13.4 million up 11.8%;
- Final fully franked dividend of 4.2cps (6.7cps full year) up 39.6%; and
- Gross Margin of 65.5% up from 62.1%.

Revenue was driven by strong domestic sales particularly across the Pharmacy channel where we continue to work with our retailers to drive category growth. Total domestic sales of Sukin increased by 43.5% with Sukin export sales more than doubling to record growth of 103% as a result of our widening international distribution.

Gross margin benefitted from the ongoing reduction in third party manufacturing and increase in scale rising from 62.1% in FY16 to 65.5% in FY17. It is interesting to note that whilst we have shown improvement in gross margins in FY17 we are still considerably below our multinational counterparts, indicating further opportunity for gradual increases in gross margin over the coming years as we further develop our scale.

The FY17 result was achieved without the positive impact of an R&D claim of \$0.767 million in FY16 and was negatively impacted by the costs of the short-term bonus incentive scheme of \$0.535 million introduced in FY17. These items had a combined \$1.302 million negative impact on the Company's EBITDA further underwriting the quality of the financial results.

In order to deliver this growth and continue executing our strategy we have invested heavily during FY17 in our people, making key appointments across the business increasing the strength and depth of our management team both at home and internationally.

## **Sales and distribution**

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

### **Domestic**

Our domestic markets continue to perform strongly. Sales increased by 23.8% versus FY16 and accounted for 80% of total BWX sales in FY17. Supported by gains in points of distribution and the continued strong performance of recently released new products, and attention to in-market execution, Sukin has increased its market share by 0.5% and now commands over 7.1% market share of cosmetic skin care in the pharmacy channel. With an increase in new product releases across FY18, continued focus on category growth across our pharmacy network and the introduction of Sukin to grocery along with an increased contribution from our Uspsa range of products (following the work that has been completed on updating the range), combined with the potential of Mineral Fusion, we look forward to another year of solid domestic growth.

### **International markets**

International sales accounted for 20% of total BWX sales in FY17. This represents an increase of over 100% over FY16. In addition to the strong domestic sales achieved, FY17 has seen BWX take significant steps in the development of its export markets, not only with increased presence of our Sukin brand, but also with new distribution of DermaSukin (Watsons, Hong Kong), the reactivation of international accounts for our professional Spa product range "Uspsa" (Ireland, Belgium and USA) and of course the previously mentioned recent acquisition of US-based, market leading natural cosmetics brand Mineral Fusion.

In conjunction with the growth in Sukin's domestic business, Sukin's international sales have performed strongly increasing by 93.1% in the second half to give an annual increase of 103.2% over FY17, exceeding our internal target of 100%.

Each of our UK, China and Canadian markets have now surpassed New Zealand in sales revenue.

### **UK/EU**

Our UK/EU business is well on track with 12-month sales data from Holland and Barrett (H&B) resulting in the confirmation of increased ranging of five additional Sukin SKUs across 500 UK stores with a further two SKUs going into their top 200 locations. In keeping with the developing popularity of travel size products, H&B will also range six of our 50ml travel size SKUs in all 700+ UK stores. Gift packs will also feature in all H&B UK locations in the lead-up to Christmas. These range extensions are expected to take effect during the first half of Q2.

\*Underlying amounts exclude one-off costs of \$4.2 million incurred on the acquisition of Mineral Fusion.



Following our extensive engagement with their international team, H&B have also confirmed full distribution of 26 Sukin facial skincare SKUs throughout their 186 stores in The Netherlands and 18 stores in Belgium.

Sukin sales in Boots pharmacies continue to trend positively. We expect to be well positioned to increase our distribution beyond our existing 220 stores following the review of our 12-month data (available late Q2).

In the UK, our network of independent retailers has performed well over 2HFY17 with revenues from this channel growing in line with Sukin's overall export growth of 103.2%.

With our increasing profile in the UK and other EU territories, further market opportunities are being actively pursued to expand distribution into several additional major banner groups. Early stage discussions have occurred with potential distributors in Germany, Israel and the Middle East.

## Asia

During FY17, BWX's approach to our business in Asia has been dominated by regulatory developments in the Chinese CBEC (Cross Border E-Commerce) space. The changes announced in November 2016 provided clarity around the question of animal testing for CBEC transactions. In light of these changes, which confirmed that CBEC skincare products would not be subject to animal testing for CBEC import registration, we have allocated dedicated resources to building a growing sustainable brand presence within the Chinese market.

In addition to activating Sukin Weibo and Wechat accounts during 2H FY17 aimed at facilitating increased brand awareness, we have participated in a number of industry events and promotional activities. We have designed and produced specific marketing collateral to create demand in mainland China, supporting both daigou and export partner demand. Sales through online platforms such as Tmall and VIP remain a key route to market.

Malaysian distribution is ahead of schedule with Sukin currently represented in approximately 150 retail outlets against our target for CY17 of 100 accounts. Guardian pharmacies recently began stocking the range in their Mid Valley Megamall Flagship store. Sukin was one of only eight brands to receive dedicated light box displays. This initiative is expected to roll out to their top 50 stores in conjunction with a further 100-200 floor stand accounts between late Q2 and early Q3 FY18.

Singapore has been a solid contributor to the export sales result, showing consistent double-digit growth.

We have made our first sales to Vietnam through independent distribution and are in early-stage discussions to establish distribution in Indonesia.

## North America

Our major activity in Canada over the past six months has been the transition to the new distribution arrangement with sales having performed in line with our expectations. Initial success has been achieved in gaining distribution with one of Canada's largest retailers, Loblaws. Loblaws has agreed to range Sukin in over 500 of its Natural Value and Super Store outlets following its Q2 FY18 planogram reset. The initial ranging is for between eight and 12 SKUs depending upon store grading and is expected to be available on shelf by January 2018.

Work is now underway to engage Canada's largest retail pharmacy group Shoppers Drug Mart (owned by Loblaws). Shoppers Drug Mart operates over 1,200 stores across Canada.

## Sales – complementary brands

Sales of BWX's complementary brands continue perform in line with forecasts.

Uspa, BWX's premium range of skin care products formulated specifically for professional beauty therapists, is beginning to benefit from the recently completed packaging and brand facelift which has been well received by distributors with Uspa product sales increasing in excess of 25% since the relaunch. Discussions are underway to increase both domestic and international distribution.

Edward Beale is currently being considered for potential as a private label brand for international distribution.

DermaSukin has recently been accepted for distribution in Watson's, Hong Kong.

Renew Skincare is the last of BWX's brands to be updated. Work is underway to introduce a suite of new products under the Renew Skincare range, aimed to reposition the brand towards the premium end of the market.

## Acquisition of Mineral Fusion

With completion occurring at the end of 2H FY17, the USD 38.4 million acquisition of US-based Mineral Fusion, a leading US natural colour cosmetics brand, provides BWX with a significant entry into the United States, the world's largest consumer market. The acquisition at approximately 1.8 x Trailing Twelve Months (TTM) revenues, a measure most commonly used in the US to value deals, compares favourably to a median of 2.4 times TTM for strategic/scale deals and even more favourably when compared to a median of 5.1 times TTM for growth assets.

Following this acquisition, BWX now has a substantial presence throughout the natural products channel in the US. We believe the transaction will provide significant opportunity to establish a retail presence for our existing brands as well as providing access for Mineral Fusion to BWX's domestic and international distribution network.

Combining the tailwinds of the 7% segment-leading growth of colour cosmetics with the almost 10% growth in demand for natural beauty and personal care, Mineral Fusion is well placed for continued growth.

Our respective teams are currently working together to introduce BWX's brands to the US through Mineral Fusion's extensive retail network. Concurrently, we see a great opportunity to market the Mineral Fusion product range within our domestic market, as well as across our existing and expanding international operations.

This strategic acquisition forms a solid platform on which to build further scale and progresses BWX's aim to become a global force in the natural beauty and personal care markets.

Mineral Fusion Natural Brands began in 2009 to provide professional quality products to the growing demographic of consumers searching for a healthier more natural choice for their cosmetics at an affordable price. The Mineral Fusion range consists of colour cosmetics, skin care, hair and nail care across over 250 SKUs. The range is free from parabens, artificial fragrance and synthetic colours. All Mineral Fusion products are 100% vegan and cruelty free. Through an exclusive stocking arrangement with Wholefoods Markets USA, the brand quickly became the market leader in natural colour cosmetics. In 2012, Mineral Fusion began increasing distribution beyond Wholefoods and is now stocked in over 3,000 outlets across the United States. Leveraging off its #1 position in the natural channel, Mineral Fusion has taken its first significant steps in the crossover to conventional grocery and drug stores. The product range has recently gained distribution in 300 leading CVS pharmacies.

The channel diversification of Mineral Fusion is in its infancy. There remains huge growth potential within all areas of distribution. The Mineral Fusion range is ideally placed to move further into the mass channel as retailers such as CVS, Walgreens and Target strive to attract a share of the growing consumption of Natural products.

Online sales, which account for approximately 10% of existing sales, are currently the quickest growing retail channel, recording a three-year net sales CAGR of 49.9%. Outside of MineralFusion.com, which has grown at almost 90% over the previous 12 months, Amazon.com, the recent acquirer of Wholefoods Markets, has grown its sales of Mineral Fusion products by 45% over the past 12 months. International marketing is yet to be undertaken offering a further opportunity to utilise BWX's existing international network to introduce the product to several international markets. The Mineral Fusion business is an asset light, scalable business model that mimics the brand attributes, customer base, distribution channels, resources and management skill sets that exist within the current business and brands of BWX. This provides a tremendous opportunity to build combined scale without the need to duplicate infrastructure.

### Manufacturing operations

In line with our strategy of becoming a fully integrated global personal care business is the ongoing transition away from third party manufacturing. FY17 saw a further reduction in contract manufacturing. This transition project is now largely complete. This reduction, in conjunction with the continuation of our CAPEX program, equivalent to between 1% and 2% of net revenues, designed to increase productivity and output capacity, along with the increased scale of our manufacturing operations, has driven improvements in gross margin.

Importantly as a result of these ongoing changes, our manufacturing plant has the capacity to meet projected increases in demand for our current brands on a single shift work pattern maintaining considerable headroom in capacity. This positions the Company to respond to forecast increases in demand stemming from rapidly developing distribution in domestic and international markets.

### Outlook

Demand for naturally formulated and environmentally sustainable consumer products remains strong. We expect growth in each of our markets as we invest in the resources, people and our processes required as we continue to deliver our forecast growth.

With the addition of Mineral Fusion, a strong pipeline of new products and a management team working relentlessly to deliver on our expectations, we are well placed to achieve another excellent result for shareholders over the course of FY18.

With the ongoing strategic initiatives we have in place designed to grow our brands across our existing domestic and expanding international platforms, combined with favourable tailwinds of growth in the natural beauty and personal care space, we look forward to the continued growth of the Company at a rate comfortably in excess of the 30.7% increase in underlying EBITDA achieved in FY17.

My sincere thanks to our Chairman Mr Denis Shelley, fellow Board members and the entire management group responsible for the past year.

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 as we continue to build BWX across a growing international platform.



**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 2017 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 Limited 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 Lawn care (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 councillor 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 mergers 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 and 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 (resigned 2 March 2017)

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 Limited 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 were:

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	3	3	2	2
Mr J Humble	12	12	–	–	–	–
Mr I Campbell	12	11	3	3	2	2
Mr A Finlay	12	12	–	–	–	–
Mr C Bottomley <sup>(1)</sup>	8	8	2	2	1	1

(1) Mr C Bottomley resigned as a Director on 2 March 2017.

## 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 Group before depreciation and amortisation, finance costs, acquisition expenses and income tax expense for the year amounted to \$26.427 million (2016: \$20.193 million).

The profit of the Group for the year after providing for income tax amounted to \$13.447 million (2016: \$12.024 million).

The Group's basic earnings per share is 14.6 cents. Its diluted earnings per share is 13.7 cents.

The net assets of the Group are \$99.293 million as at 30 June 2017 (2016: \$90.764 million).

On 30 June 2017, BWX Limited acquired Mineral Fusion Natural Brands LLC ("Mineral Fusion"), the number one natural cosmetics brand in the United States. The Mineral Fusion brand of natural cosmetics will provide opportunities to expand the Sukin product range and to leverage Mineral Fusion's already established distribution infrastructure for the distribution of Sukin in the United States to all the key retail groups in the natural sector and the pharmacy channel.

Cash consideration of \$57.414 million was funded by an extension of the Company's existing debt facilities with the Commonwealth Bank of Australia. Additional contingent consideration of \$6.002 million has been recognised in relation to the acquisition of the Mineral Fusion business. The deferred consideration is payable contingent upon the Mineral Fusion business meeting certain gross margin performance measures during 12-month periods measured to 31 December 2017 and 30 June 2018.

## 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

The following dividends have been paid to shareholders during the financial year:

	2017	
	cents per ordinary share	\$'000
2016 Final fully franked dividend – 12 October 2016	4.8	4,397
2017 Interim fully franked dividend – 6 April 2017	2.5	2,307

On 16 August 2017, the Directors determined to pay a fully franked final dividend of 4.2 cents per share to the holders of ordinary shares in respect of the financial year ended 30 June 2017, to be paid to shareholders on 12 October 2017. The dividend has not been included as a liability in these consolidated financial statements. The record date for determining entitlements to the dividend is 6 September 2017. The total estimated dividend to be paid is \$3.881 million.

## Events subsequent to the reporting date

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

Ordinary shares, loan plan shares and options over ordinary shares held by Directors were subject to a voluntary escrow period of 12 months commencing 11 November 2015 (the first date BWX Limited shares were quoted on the ASX). As announced on 28 October 2016, ordinary shares, loan plan shares and options over ordinary shares were released from voluntary escrow on 12 November 2016.

The 3,520,000 options held by Directors form part of the total 5,940,000 options on issue at 30 June 2017. Refer to the 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

No options were exercised during the financial year. All unissued shares are ordinary shares of the Company.

All options expire on their expiry date. 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 its auditor, William Buck, for any liabilities to another person (other than the Company or a related body corporate) that may arise from its 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 24.

### Auditor's independence declaration

The auditor's independence declaration for the year ended 30 June 2017 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 9 to 18. Details of the remuneration paid to each Non-Executive Director and Disclosed Executive are detailed in the Remuneration Report. The Remuneration Report is incorporated in and forms part of this Directors' 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 (audited)

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 2017.

This information provided in the Report has been audited as required by section 308(3C) of the Corporations Act 2001.

## 1. Key Management Personnel

For the purposes of this Report, the Company's Key Management Personnel ("KMP") are its Non-Executive Directors and those Executives who have been identified as having ultimate authority and responsibility for planning, directing and controlling the major activities of the Group. The below Non-Executive Directors and Disclosed Executives were the KMP for the whole of the financial year, unless otherwise indicated.

Name	Role
<b>Non-Executive Directors</b>	
Mr D Shelley	Non-Executive Chairman
Mr I Campbell	Non-Executive Director
<b>Former Non-Executive Directors</b>	
Mr C Bottomley <sup>(1)</sup>	Non-Executive Director
<b>Disclosed Executives</b>	
Mr J Humble	Chief Executive Officer ("CEO")
Mr A Finlay	Finance Director
Mr V Somani <sup>(2)</sup>	Chief Financial Officer ("CFO")
Mr M Anceschi <sup>(3)</sup>	Chief Operating Officer ("COO")

(1) Mr C Bottomley resigned as a Director on 2 March 2017.

(2) Mr V Somani was promoted to the newly created position of Chief Financial Officer effective from 24 April 2017 and became KMP of the Company on the same date.

(3) Mr M Anceschi was appointed to the newly created position of Chief Operating Officer on 5 January 2017.

## 2. Remuneration Governance

Ultimately, the Board is responsible for the Company's remuneration policies and practices. 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). For the full financial year, the Committee members were:

Mr D Shelley	Chairman
Mr I Campbell	Member
Mr C Bottomley	Member (until 2 March 2017)

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.

## 3. Remuneration Policy and Practices

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.

### 3.1 Fixed Remuneration

Fixed remuneration for employees 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 increases for superior performance.

The Company provides employer superannuation contributions at Government legislated rates, capped at the relevant concessional contribution limit unless part of a salary sacrifice election by an employee.

## Remuneration Report (audited) (continued)

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.

### 3.2 Short-term incentives

The Company operates a Short-Term Incentive ("STI") plan for Executives, senior management and selected employees. The plans are designed to motivate and align employees with the Company's financial and strategic objectives.

Non-Executive Directors are not entitled to participate in the STI. Under the STI plans, a cash bonus can be paid to an eligible participating employee, subject to the achievement of certain financial and non-financial key performance indicators for the applicable financial year. STI plan benefits are provided for in the annual financial statements and are payable in September.

A minimum Earnings Per Share (EPS) must be achieved for an eligible participant to become eligible to receive a payment under the STI plans, below which no STI is paid. EPS is determined with the discretion of the Board with the ability to remove the impact of non-operational expenditure, including acquisition related expenditure. The criteria are determined by the Board on an annual basis. The Board retains the discretion to vary the final cash incentive paid.

For the Disclosed Executives, the applicable STI award payable for the financial year ended 30 June 2017 was:

Disclosed Executives	Maximum "at-risk"	% of maximum STI awarded/payable	% of STI forfeited
Mr J Humble	80% of fixed remuneration	25%	75%
Mr A Finlay	80% of fixed remuneration	25%	75%
Mr V Somani	40% of fixed remuneration	75%	25%
Mr M Anceschi	80% of fixed remuneration	25%	75%

Achievement of year on year EPS growth (excluding non-operational expenditure, including acquisition related expenditure) meant that the financial criteria were partially satisfied.

### 3.3 Long-term incentive plans

#### Introduction

The Company operated two long-term incentive plans during the financial year, the Employee Loan Plan ("ELP") and the Options plan. The plans are designed to align the interests of participants with the interests of the Company's shareholders by providing an opportunity for eligible employees and Directors to receive an equity interest in the Company.

Participation in either or both plans is by invitation. The Committee, and ultimately the Board, may determine which employees and/or Directors are eligible to participate.

#### 3.3.1 Employee Loan Plan Shares

##### Introduction

The Employee Loan Plan ("ELP") is a performance rights plan that is designed to encourage participants to focus on key performance drivers that underpin sustainable growth in shareholder value. The ELP facilitates share ownership by participants and links a proportion of their remuneration to financial measures over the performance period. Participation in the ELP is limited to 5% of the total number of issued shares in the Company.

Under the ELP, participants, including Directors, are provided with a limited 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:

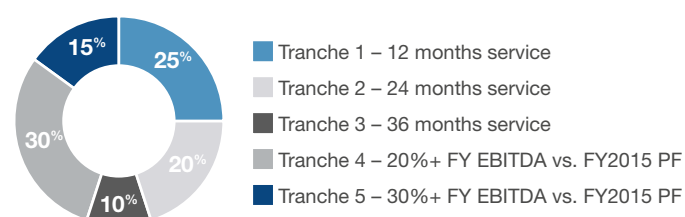
- From their grant date the shares cannot be disposed or assigned until they have vested in accordance with performance milestones as disclosed in public announcements;
- Any dividends paid on the shares while any part of the loan remains outstanding (on a notional after-tax basis) will be applied towards repaying the loan; and
- With regards to the enforcement of loan repayments, the Board holds discretion to modify the repayment terms.

Vested shares	Unvested shares
<ul style="list-style-type: none"><li>– Repayment of the loan must be made within five years from when the shares were issued;</li><li>– 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 at the time of repayment; and</li><li>– 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 at repayment date.</li></ul>	<ul style="list-style-type: none"><li>– Repayment of the loan must be made within five years from when the shares are issued;</li><li>– The borrower must repay the market value at the time of repayment of the shares unless the loan had previously been repaid in full; and</li><li>– If the borrower leaves employment with the Group and holds unvested shares the borrower must repay the market value of the shares at the time of repayment unless the loan has been previously repaid in full.</li></ul>

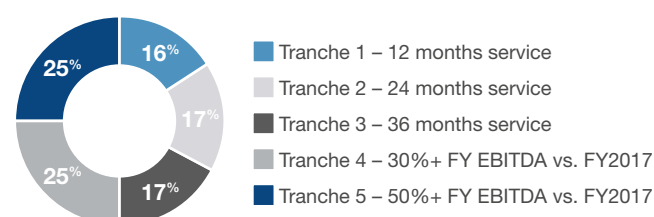
##### Number of ELP shares to vest

To gain access to the shares, the participant must repay the outstanding loan following successful testing of the respective vesting conditions. Details of the vesting conditions have been included below for plans which have participants who are Directors or Disclosed Executives.

19 October 2015



31 January 2017



Date of grant – 19 October 2015	Portion of ELP shares	Vesting Conditions
Tranche No		
1	25%	Completion of 12 months' service from the date of issue of ELP shares.
2	20%	Completion of 24 months' service from the date of issue of ELP shares.
3	10%	Completion of 36 months' service from the date of issue of ELP shares.
4	30%	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.
5	15%	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.

Date of grant – 31 January 2017	Portion of ELP shares	Vesting Conditions
Tranche No		
1	One-sixth	Completion of 12 months' service from the date of issue of ELP shares.
2	One-sixth	Completion of 24 months' service from the date of issue of ELP shares.
3	One-sixth	Completion of 36 months' service from the date of issue of ELP shares.
4	25%	First occurrence of a 30% or more increase in EBITDA for a financial year from the EBITDA for the year ended 30 June 2017 as set out in the Company's Annual Report.
5	25%	First occurrence of a 50% or more increase in EBITDA for a financial year from the EBITDA for the year ended 30 June 2017 as set out in the Company's Annual Report.

Refer to Section 8.2 for details on performance rights under the ELP which have vested for Directors and Disclosed executives. Note 25 sets out details of all ELP performance rights movements, including ELP shares issued to those other than KMP during the year.

### 3.3.2 Options

The Options plan is designed as an incentive to participants to build and expand BWX's business. The plan also recognises participants' initial financial and time commitments to the Company. Options were largely issued to Directors of the Company at the inception of BWX during 2013 and prior to the Company's listing on the ASX on 11 November 2015.

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

No	Number of Options	Vesting Conditions
1	One-third of the total number of Options held by the Option holder	The first occurrence of a 25% or more increase in EBITDA for a financial year from 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	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.
3	One-third of the total number of Options held by the Option holder	The holder being an employee or Director during the period commencing on the date that the Company completes an acquisition and ending on 30 June 2016, except where the employment of the holder is terminated by the Group for any reason other than serious misconduct on the part of the holder.

As of the date of this report, the options above have all vested due to the satisfaction of the vesting conditions stipulated above. None of the above options have been exercised as of the date of this report.



## 4. Relationship between Remuneration and the Company's Performance

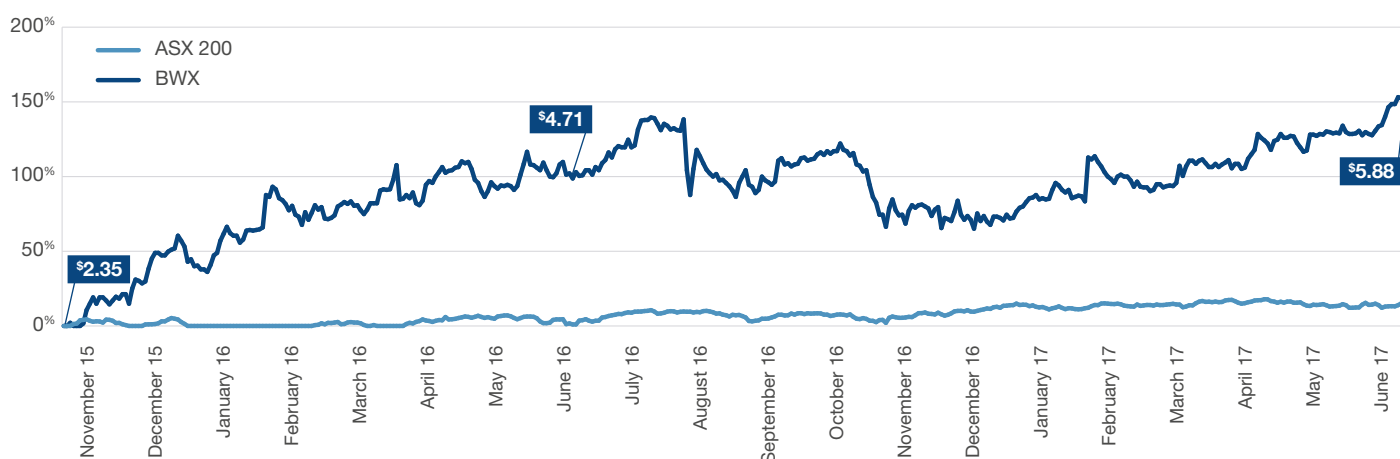
The following table summarises the Company's financial performance over the last four financial years.

	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000
Sales revenue	<b>72,700</b>	54,265	27,822	10,608
EBITDA <sup>1</sup>	<b>26,427</b>	20,193	1,790	1,030
EBIT	<b>21,423</b>	19,152	(1,946)	220
Net profit after tax	<b>13,447</b>	12,024	(2,138)	72
Dividends per share (cps)	<b>6.7</b>	4.8	–	–
Statutory Basic Earnings per share (cents)	<b>14.6</b>	14.1	–	–
Adjusted Basic Earnings per share (cents) <sup>1</sup>	<b>19.1</b>	14.4	–	–

<sup>1</sup> Excludes the impact of non-operational expenditure, including acquisition related expenditure in FY17.

The following graph shows the performance of the Company share price against the movement in the ASX 200 Index since the successful listing of the Company in November 2015 to 30 June 2017.

### Share Price Performance (ASX 200 vs. BWX)



## 5. Non-Executive Director Remuneration Policy

In determining the level and make-up of Non-Executive Director 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. Under the Company's Constitution the amount paid or provided as remuneration of Directors as a whole (other than Executive Directors) must not exceed an aggregate maximum of \$400,000 per annum (including superannuation contributions).

Remuneration was compared with the external market rates during the current financial year. As a result, Non-Executive Director base fees were increased to maintain competitiveness.

Remuneration consists of base fees and superannuation contributions. Fixed remuneration is reviewed annually. Total fees paid and superannuation contributions to the Non-Executive Directors for the financial year were \$366,179 in aggregate.

Non-Executive Directors participate in the Company's Long-Term Incentive Plans (refer to Section 3.3) which are 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 prior financial years as approved by the Board.

Role	Annual Fee Structure	
	2017 \$	2016 \$
Chairman	150,000	60,000
Non-Executive Director <sup>1</sup>	90,000	50,000

1 Mr C Bottomley's fees included an additional annual fee of \$50,000 for managing investor relations of the Group until he resigned as Director on 2 March 2017.

## 6. Employment contracts of Directors and Disclosed 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 on three months' notice, or with immediate effect in circumstances including serious or wilful misconduct. No termination payments are payable on termination of employment.

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

Remuneration was compared with the external market rates during the current financial year. As a result, the base fees for Disclosed Executives were increased to maintain competitiveness.

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

Disclosed Executive	Annual Base Salary	
	2017 \$	2016 \$
Mr J Humble	560,000	350,000
Mr A Finlay	450,000	285,000
Mr V Somani <sup>1</sup>	275,000	–
Mr M Anceschi <sup>2</sup>	350,000	–

1 Mr V Somani was promoted to the newly created position of Chief Financial Officer effective from 24 April 2017 and became KMP of the Company on the same date; accordingly amounts have been included for the current financial year only.

2 Mr M Anceschi was appointed to the newly created position of Chief Operating Officer on 5 January 2017; accordingly amounts have been included for the current financial year only.

## Remuneration Report (audited) (continued)

### 7. Details of remuneration

Details of the remuneration of Directors and other key management personnel of the Company are set out in the following table:

	FY	Short-term employee benefits			Post employment benefits <sup>(3)</sup>	Long-term benefits	Share-based payments <sup>(4)</sup>	TOTAL	Performance related <sup>(5)</sup> %	Remuneration consisting of rights and options <sup>(6)</sup> %
		Salary and fees <sup>(1)</sup> \$	STI cash bonus <sup>(2)</sup> \$	Non-cash benefits \$	Superannuation <sup>(9)</sup> \$	Long service leave \$				
Non-Executive Directors										
Mr D Shelley	2017	150,000	–	–	14,250	–	29,909	194,159	15.4%	15.4%
	2016	52,975	–	–	5,016	–	12,817	70,808	18.1%	18.1%
Mr I Campbell	2017	90,000	–	–	8,550	–	29,909	128,459	23.3%	23.3%
	2016	46,397	–	–	4,408	–	32,596	83,401	39.1%	39.1%
Mr C Bottomley <sup>(6)</sup>	2017	94,410	–	–	8,969	–	19,700	123,079	16.0%	16.0%
	2016	96,397	–	–	9,158	–	12,817	118,372	10.8%	10.8%
Disclosed Executives										
Mr J Humble	2017	622,612	112,000	–	53,200	7,219	59,818	854,849	20.1%	7.0%
	2016	330,338	–	–	29,827	–	25,635	385,800	6.6%	6.6%
Mr A Finlay	2017	500,313	90,000	–	42,750	5,726	59,818	698,607	21.4%	8.6%
	2016	260,339	–	–	23,653	–	25,635	309,627	8.3%	8.3%
Mr V Somani <sup>(7)</sup>	2017	59,099	16,274	–	5,153	1,168	7,866	89,560	27.0%	8.8%
	2016	–	–	–	–	–	–	–	–	–
Mr M Anceschi <sup>(8)</sup>	2017	185,396	16,493	–	16,284	992	50,354	269,519	24.8%	18.7%
	2016	–	–	–	–	–	–	–	–	–
Total Directors and other KMP remuneration										
	2017	1,701,830	234,767	–	149,156	15,105	257,374	2,358,232		
	2016	786,446	–	–	72,062	–	109,500	968,008		

(1) Amount includes the value of annual leave accrued during the financial year.

(2) STI payments relate to program performance and outcomes for the year they were earned, not the year of actual payment.

(3) There were no post-employment benefits other than superannuation paid during the current or prior financial years. Superannuation contribution guarantee amounts are included in amounts disclosed.

(4) The value of the share-based payments plans (LTI plans) have been calculated in accordance with applicable accounting standards.

(5) Non-Executive Directors participated in share-based payments plans (LTI plans) which were designed to attract and retain committed and skilled Board members to oversee the expected growth and development of the business.

(6) Mr C Bottomley resigned as a Director on 2 March 2017. Fees include an additional annual fee of \$50,000 for managing investor relations of the Group until he resigned as Director on 2 March 2017.

(7) Mr V Somani was promoted to the role of Chief Financial Officer effective from 24 April 2017 and became KMP of the Company on the same date. Amounts disclosed represent the remuneration for the period he was KMP. This includes a portion of his STI and LTI (share-based payments) expense since becoming KMP.

(8) Mr M Anceschi was appointed Chief Operating Officer on 5 January 2017.

(9) Superannuation for the year per the Australian Taxation Office guidance is capped at \$19,616 (2016: \$19,308). Amounts which have been paid greater than this are additional contributions made by the Non-Executive Directors and the Disclosed Executives, and would otherwise be included in salaries and fees.

## 8. Equity Instruments held by Key Management Personnel

The tables below show the number of ordinary shares, performance rights (ELPs) and options in the Company that were held during the financial year by key management personnel, including their related parties.

### 8.1 Ordinary 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:

	Opening balance	Issued on exercise of options	Issued on exercise of ELP shares	Share reconstruction <sup>(1)</sup>	Share Disposals	Appointment/Cessation	Closing balance
<b>2017</b>							
Mr D Shelley	333,334	–	–	–	–	–	333,334
Mr I Campbell	272,728	–	–	–	–	–	272,728
Mr C Bottomley <sup>(2)</sup>	1,103,695	–	–	–	–	(1,103,695)	–
Mr J Humble	9,742,945	–	–	–	–	–	9,742,945
Mr A Finlay	1,383,696	–	–	–	–	–	1,383,696
Mr V Somani <sup>(3)</sup>	–	–	–	–	–	150,000	150,000
Mr M Anceschi <sup>(4)</sup>	–	–	–	–	–	–	–
<b>2016</b>							
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

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

(2) Mr C Bottomley resigned as a Director on 2 March 2017.

(3) Mr V Somani was promoted to the newly created position of Chief Financial Officer effective from 24 April 2017 and became KMP of the Company on the same date. Movements of Ordinary shares are included from the effective date.

(4) Mr M Anceschi was appointed to the newly created position of Chief Operating Officer on 5 January 2017.

Ordinary shares held by Directors were subject to a voluntary escrow period of 12 months from 11 November 2015 (the first date BWX Limited shares were quoted on the ASX) and were subsequently released on 12 November 2016.

## Remuneration Report (audited) (continued)

### 8.2 ELP shares

#### Details of ELP shares issued during the period

Details of vesting profiles of the loan funded ELP shares issued to key management person during to the current reporting period are detailed below:

	Grant date	Number granted	Share price at grant date \$	Fair value at grant date <sup>(1)</sup> \$	Total fair value at grant date <sup>(1)</sup> \$	Expected vesting date at issue
Mr M Anceschi	31/1/17	25,000	4.49	1.29	32,150	31/1/18
	31/1/17	25,000	4.49	1.62	40,600	31/1/19
	31/1/17	25,000	4.49	1.92	47,925	31/1/20
	31/1/17	37,500	4.49	1.29	48,225	31/8/18
	31/1/17	37,500	4.49	1.62	60,900	31/8/19
		<b>150,000</b>			<b>229,800</b>	

(1) Due to rounding, numbers presented may not add up precisely to the totals provided.

#### ELP shares vested during the period

In the current reporting period, the 12-month service condition of Tranche 1 of ELPs granted on 19 October 2015 was satisfied. The release of the annual report for the 2016 financial year with an EBITDA increase in excess of 30% growth from pro forma EBITDA for the year ended 30 June 2015 resulted in satisfaction of Tranches 4 and 5 of the ELPs granted on 19 October 2015. Details of ELP shares that vested during the current period are detailed below.

	Grant date	Number granted/ vested	Vesting date	Fair value at grant date <sup>(1)</sup> \$	Total fair value at grant date <sup>(1)</sup> \$	Total value at vest date \$
Mr D Shelley	19/10/15	37,500	19/10/16	0.33	12,370	137,960
	19/10/15	45,000	16/08/16	0.30	13,447	143,571
	19/10/15	22,500	16/08/16	0.30	6,700	71,786
		<b>105,000</b>			<b>32,517</b>	<b>353,317</b>
Mr I Campbell	19/10/15	37,500	19/10/16	0.33	12,370	137,960
	19/10/15	45,000	16/08/16	0.30	13,447	143,571
	19/10/15	22,500	16/08/16	0.30	6,700	71,786
		<b>105,000</b>			<b>32,517</b>	<b>353,317</b>
Mr C Bottomley	19/10/15	37,500	19/10/16	0.33	12,370	137,960
	19/10/15	45,000	16/08/16	0.30	13,447	143,571
	19/10/15	22,500	16/08/16	0.30	6,700	71,786
		<b>105,000</b>			<b>32,517</b>	<b>353,317</b>
Mr J Humble	19/10/15	75,000	19/10/16	0.33	24,740	275,920
	19/10/15	90,000	16/08/16	0.30	26,895	287,142
	19/10/15	45,000	16/08/16	0.30	13,400	143,571
		<b>210,000</b>			<b>65,035</b>	<b>706,633</b>
Mr A Finlay	19/10/15	75,000	19/10/16	0.33	24,740	275,920
	19/10/15	90,000	16/08/16	0.30	26,895	287,142
	19/10/15	45,000	16/08/16	0.30	13,400	143,571
		<b>210,000</b>			<b>65,035</b>	<b>706,633</b>

(1) Due to rounding, numbers presented may not add up precisely to the totals provided.



## 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:

	Opening balance	Granted as compensation	Forfeited	Vested and exercised	Appointment/Cessation	Closing balance	Vested and exercisable at year-end	Vested and unexercisable at year-end
<b>2017</b>								
Mr D Shelley	150,000	–	–	–	–	150,000	105,000	–
Mr I Campbell	150,000	–	–	–	–	150,000	105,000	–
Mr C Bottomley <sup>(1)</sup>	150,000	–	(45,000)	(105,000)	–	–	–	–
Mr J Humble	300,000	–	–	–	–	300,000	210,000	–
Mr A Finlay	300,000	–	–	–	–	300,000	210,000	–
Mr V Somani <sup>(2)</sup>	–	–	–	–	200,000	200,000	140,000	–
Mr M Anceschi <sup>(3)</sup>	–	150,000	–	–	–	150,000	–	–
<b>2016</b>								
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	–	–

(1) Mr C Bottomley resigned as a Director on 2 March 2017.

(2) Mr V Somani was promoted to the newly created position of Chief Financial Officer effective from 24 April 2017 and became KMP of the Company on the same date. Movements of ELP shares are included from the effective date.

(3) Mr M Anceschi was appointed to the newly created position of Chief Operating Officer on 5 January 2017.

## Remuneration Report (audited) (continued)

### 8.3 Options

During the current reporting period, no shares were issued on the exercise of options previously granted as compensation. Options were largely issued to Directors of the Company at the inception of BWX during 2013 and prior to the Company's listing on the ASX on 11 November 2015.

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

	Opening balance	Granted as compensation	Share reconstruction <sup>(1)</sup>	Appointment/Cessation	Closing balance	Vested and exercisable at year-end	Vested and unexercisable at year-end
<b>2017</b>							
Mr D Shelley	200,000	–	–	–	200,000	200,000	–
Mr I Campbell	100,000	–	–	–	100,000	100,000	–
Mr C Bottomley <sup>(2)</sup>	420,000	–	–	(420,000)	–	–	–
Mr J Humble	2,800,000	–	–	–	2,800,000	2,800,000	–
Mr A Finlay	420,000	–	–	–	420,000	420,000	–
<b>2016</b>							
Mr D Shelley	1,000,000	–	(800,000)	–	200,000	–	–
Mr I Campbell <sup>(3)</sup>	–	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	–	–

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

(2) Mr C Bottomley resigned as a Director on 2 March 2017.

(3) 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.

### 9. 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.

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

**This is the end of the 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.

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

Dated at Melbourne this 16th day of August 2017

# 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 recommendations for Australian listed entities in order to promote investor confidence and to assist companies to meet stakeholder expectations. The recommendations are not prescriptions but guidelines. 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 Group in this statement.

The relationship between the Board and Senior Management is critical to the Group'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 Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

Day to day management of the Group'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 2017 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 <sup>1</sup>	26 April 2013	2 March 2017
Mr John Humble	Chief Executive Officer	Non-Independent	26 April 2013	Current
Mr Aaron Finlay	Executive Director	Non-Independent	26 April 2013	Current

<sup>1</sup> Mr Craig Bottomley managed investor relations of the Group until he resigned as a Director on 2 March 2017.

## Board charter

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

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

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

The composition of the Board is 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.

During the financial year, Ian Campbell, Craig Bottomley and Denis Shelley were 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. Due to the resignation of Craig Bottomley on 2 March 2017, the committee has been comprised of two members from this time. The Company has been actively seeking the appointment of an additional Independent Non-Executive Director to the Board of the Company with the intention that this individual will augment the membership of the committee. As such, the Company expects that the committee membership will be resolved with the appointment of a third member imminently.

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. During the financial year, the members of the Remuneration Committee were 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. Due to the resignation of Craig Bottomley on 2 March 2017, the committee has been comprised of two members from this time. The Company has been actively seeking the appointment of an additional Independent Non-Executive Director to the Board of the Company with the intention that this individual will augment the membership of the committee. As such, the Company expects that the committee membership will be resolved with the appointment of a third member imminently.

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 is 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 is 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 applies 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;
- 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 contains information about the Company, 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, is published on the Company’s website alongside with copies of the annual reports from previous financial years. 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 are 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 2017 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 blue ink, appearing to read 'N. S. Benbow'.

**N. S. Benbow**  
Director

Dated this 16<sup>th</sup> day of August, 2017

### CHARTERED ACCOUNTANTS & ADVISORS

Level 20, 181 William Street  
Melbourne VIC 3000  
Telephone: +61 3 9824 8555  
[williambuck.com](http://williambuck.com)

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# Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2017

	Note	Year ended 30 June 2017 \$'000	Year ended 30 June 2016 \$'000
Sales revenue	3	72,700	54,265
Cost of sales		(25,132)	(21,570)
<b>Gross profit</b>		<b>47,568</b>	<b>32,695</b>
Other income	3	81	888
Corporate and administrative expenses		(11,153)	(6,529)
Marketing, selling and distribution expenses		(7,297)	(4,524)
Occupancy expenses		(1,902)	(1,642)
Research and development and quality control expenses		(870)	(695)
<b>Profit before depreciation, amortisation, finance costs and acquisition related expenses</b>		<b>26,427</b>	<b>20,193</b>
Depreciation and amortisation		(824)	(606)
Finance expenses		(899)	(1,150)
Acquisition expenses		(4,180)	(435)
<b>Profit before tax</b>		<b>20,524</b>	<b>18,002</b>
Income tax expense	5	(7,077)	(5,978)
<b>Profit after tax</b>		<b>13,447</b>	<b>12,024</b>
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of overseas subsidiaries		(54)	–
<b>Other comprehensive income for the period</b>		<b>(54)</b>	<b>–</b>
<b>Total comprehensive income attributable to owners of the Company</b>		<b>13,393</b>	<b>12,024</b>
<b>Earnings per share (EPS)</b>			
Basic EPS (cents)	18	14.6	14.1
Diluted EPS (cents)	18	13.7	13.0

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



# Consolidated Statement of Financial Position

as at 30 June 2017

	Note	2017 \$'000	2016 \$'000
<b>Current assets</b>			
Cash and cash equivalents	6	11,010	2,651
Trade and other receivables	7	18,592	11,364
Inventories	8	16,395	11,251
Other assets	9	1,197	208
<b>Total current assets</b>		<b>47,194</b>	<b>25,474</b>
<b>Non-current assets</b>			
Plant and equipment	10	4,316	3,229
Intangible assets and goodwill	11	132,455	76,925
Deferred tax assets	5	1,277	569
<b>Total non-current assets</b>		<b>138,048</b>	<b>80,723</b>
<b>Total assets</b>		<b>185,242</b>	<b>106,197</b>
<b>Current liabilities</b>			
Trade and other payables	12	12,080	3,062
Financial liabilities	13	18,895	6,492
Current tax liabilities		4,530	4,329
Employee benefits		1,219	846
<b>Total current liabilities</b>		<b>36,724</b>	<b>14,729</b>
<b>Non-current liabilities</b>			
Financial liabilities	13	49,089	550
Employee benefits		136	154
<b>Total non-current liabilities</b>		<b>49,225</b>	<b>704</b>
<b>Total liabilities</b>		<b>85,949</b>	<b>15,433</b>
<b>Net assets</b>		<b>99,293</b>	<b>90,764</b>
<b>Equity</b>			
Contributed equity	14	81,929	80,169
Reserves	16	663	637
Retained earnings		16,701	9,958
<b>Total equity</b>		<b>99,293</b>	<b>90,764</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 2017

	Contributed equity \$'000	Reserves \$'000	Retained earnings/ accumulated losses \$'000	Total \$'000
<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	–	–	–	–
Total other comprehensive income	–	–	–	–
<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>				
Shares issued, net of costs	22,145	–	–	22,145
Vesting costs for share options and performance rights	–	226	–	226
<b>Total transactions with owners</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>
<b>Balance at 1 July 2016</b>	<b>80,169</b>	<b>637</b>	<b>9,958</b>	<b>90,764</b>
Profit for the year	–	–	13,447	13,447
Other comprehensive income for the year				
Exchange difference on translation of overseas subsidiaries	–	(54)	–	(54)
Total other comprehensive income	–	(54)	–	(54)
<b>Total comprehensive income</b>	<b>–</b>	<b>(54)</b>	<b>13,447</b>	<b>13,393</b>
<b>Transactions with owners of the Company</b>				
Transactions with Employee Loan Plan shareholders	233	–	–	233
Shares issued, net of costs	964	–	–	964
Vesting costs for performance rights	–	525	–	525
Performance rights vested	445	(445)	–	–
Dividends paid	118	–	(6,704)	(6,586)
<b>Total transactions with owners</b>	<b>1,760</b>	<b>80</b>	<b>(6,704)</b>	<b>(4,864)</b>
<b>Balance at 30 June 2017</b>	<b>81,929</b>	<b>663</b>	<b>16,701</b>	<b>99,293</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 2017

	Note	Year ended 30 June 2017 \$'000	Year ended 30 June 2016 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers		74,098	51,258
Cash paid to suppliers and employees		(51,074)	(38,402)
Payments for transaction costs		(1,325)	(435)
Income taxes paid		(7,583)	(1,242)
Interest received		20	49
Interest paid		(719)	(1,150)
<b>Net cash flows from operating activities</b>	22	<b>13,417</b>	<b>10,078</b>
<b>Cash flows from investing activities</b>			
Acquisition of plant and equipment		(888)	(821)
Acquisition of intangible assets		–	(52)
Cash outflow on acquisition of business, net of cash acquired		(54,373)	(5,820)
<b>Net cash flows used in investing activities</b>		<b>(55,261)</b>	<b>(6,693)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital		233	20,000
Transaction costs for issue of shares		(14)	(1,664)
Dividends paid		(6,586)	–
Proceeds from (Repayments of) loans and borrowings		56,625	(22,167)
<b>Net cash flows from/(used in) financing activities</b>		<b>50,258</b>	<b>(3,831)</b>
Net increase (decrease) in cash and cash equivalents		8,414	(446)
Effect of exchange rate changes on cash held		(55)	–
Cash and cash equivalents at 1 July 2016		2,651	3,097
<b>Cash and cash equivalents at 30 June 2017</b>	6	<b>11,010</b>	<b>2,651</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 2017

## Note 1: Reporting entity

BWX Limited (the Company) is a company domiciled in Australia. The Company's registered office is at Level 17, 525 Collins Street, Melbourne, Victoria, Australia.

The consolidated financial statements of the Company as at and for the year ended 30 June 2017 comprise the Company and its subsidiaries (together referred to as the Group). The Group is primarily involved in the manufacture, wholesale and distribution sale, and development of natural body, hair and skin care products.

## Note 2: Significant accounting policies

The following significant accounting policies have been adopted by the Group in the preparation and presentation of the consolidated financial report.

### (a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB). For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

This financial report was authorised for issue by the Directors on 16 August 2017.

### (b) Basis of preparation

This financial report is presented in Australian dollars which is the Company'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.

These consolidated financial statements are presented in dollars which is the Company's functional currency. The Group is of a kind referred to in *ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191* and in accordance with that instrument, amounts in the consolidated financial statements and the Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Certain comparative amounts have been reclassified to conform with the current period's presentation to better reflect the nature of the financial position and performance of the Group, including:

- Cost of goods sold and operating expenses;
- Other income and revenue from distributor income; and
- Other assets from trade and other receivables.

These adjustments have had no impact on the result or net asset position reported in the prior year and the gross impact of these reclassifications was not material to the financial report.

### (c) Use of estimates and judgements

The preparation of the financial statements in conformity with Australian Accounting Standards requires 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 Group 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 or written off 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 2017.

#### Carrying value of receivables

The Group 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 has been correctly and fairly recorded as at 30 June 2017.

#### Research and development credits

The Group 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. For the current reporting period, no accrual for research and development credits have been recorded as the amounts cannot be reliably measured.

#### 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 plans the fair value of the rights at grant date is determined using the Black-Scholes or Binomial pricing model and is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest.

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, where the change is unrelated to market conditions, such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the employee share plans reserve.

## Impairment and recoverable amounts of assets other than goodwill

The Group 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.

## Deferred consideration on acquisition of Mineral Fusion

At acquisition date, the Group assesses whether conditions relating to the contingent consideration on acquisition of the Mineral Fusion business are likely to be satisfied, resulting in payment. The deferred consideration is payable contingent upon the Mineral Fusion business meeting certain gross margin performance measures for two 12-month periods measured to 31 December 2017 and 30 June 2018. As at 30 June 2017, management has performed an assessment and estimate that these performance measures will be satisfied in their entirety.

In subsequent reporting periods, the Group revises its estimates. The impact of the revision of the original estimates, if any, is recognised in profit or loss.

## (d) Basis of consolidation

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

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 Profit or Loss and Other Comprehensive Income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

## 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.

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.

#### (e) 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 categorized 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.

#### (f) Foreign currency

Transactions in foreign currencies are initially recorded by the Group's subsidiaries at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or transaction of monetary items are recognised in profit or loss with the exception of monetary items that are designed as part of the hedge of the Group's net investment in a foreign operation. These are recognised in Other Comprehensive Income until the net investment is disposed of, at which time the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in Other Comprehensive Income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in Other Comprehensive Income or profit or loss are also recognised in Other Comprehensive Income or profit or loss, respectively).

#### (g) 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

Revenues 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.

#### (h) 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.

#### (i) Dividends

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

#### (j) 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 – Australia

The Company and its wholly-owned Australian controlled entities implemented the tax consolidation legislation during the period ended 30 June 2014. The Company is the head entity of the Australian tax consolidated group.

The Company and its wholly-owned Australian 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, the Company 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 tax consolidated 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.

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

##### Impairment

The carrying amounts of the Group'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.

#### (l) 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.

#### (m) 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 as the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the Consolidated Statement of Profit or Loss and Other 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 Consolidated Statement of Profit or Loss and Other Comprehensive Income.

#### (n) 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 provisions will be made to provide for this potential obsolescence.

#### (o) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Depreciation is calculated on a reducing balance or straight-line basis based on the nature of the asset 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(k).

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 Profit or Loss and Other Comprehensive Income.

#### (p) 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. 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 Profit or Loss and Other 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 is 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 Profit or Loss and Other Comprehensive Income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

#### (q) 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.

#### (r) Other taxes

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax ("GST") or Value Added Tax ("VAT") except:

- Where the GST/VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST/VAT 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/VAT included.

The net amount of GST/VAT 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/VAT 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/VAT recoverable from, or payable to, the taxation authority.

#### (s) 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.

#### (t) 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. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

#### (u) 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 Profit or Loss and Other Comprehensive Income on a straight-line basis over the period of the lease.

#### (v) 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 Group 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 Group 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.

#### (w) 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.

#### (x) 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.

#### (y) 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.

#### (z) Accounting standards and interpretations

##### Changes in accounting policy and disclosures

The Company 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 material impact on the adoption of these pronouncements.

## Notes to the Consolidated Financial Statements (continued)

### 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 2017 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 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017	1 July 2017
AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	1 January 2017	1 July 2017
AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle	1 January 2017	1 July 2017
AASB 9 Financial Instruments and related standards	1 January 2018	1 July 2018
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 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15	1 January 2018	1 July 2018
AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions	1 January 2018	1 July 2018
Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019	1 July 2019
AASB 16 – Leases	1 January 2019	1 July 2019

Management has considered the impact of AASB 15 – Revenue and notes based on the analysis performed that the impact to the Group would not be material. Under AASB 15 the Group plans to adopt the modified retrospective approach. The Group does not anticipate that there will be significant implications of this change in respect of current contracts. The Group will consider the application of AASB 15 with respect to new contracts as they are entered into.

Management has also considered the impact of AASB 16 – Leases and notes based on the analysis performed there would be a material impact on the Group. The Group is currently in the process of performing an analysis of identifying leases signed between the Group and various third parties. However, it is expected that the operating and lease commitments identified in Note 26 to the financial report will be required to be included in the Consolidated Statement of Financial Position when the standard becomes effective.

### Note 3: Revenue and other income

	Year ended 30 June 2017 \$'000	Year ended 30 June 2016 \$'000
Sales revenue	72,700	54,265
Other income		
Interest income	20	49
R&D grant income	–	767
Other income	61	72
	<b>72,781</b>	<b>55,153</b>

### Note 4: Expenses

	Year ended 30 June 2017 \$'000	Year ended 30 June 2016 \$'000
<i>Employee benefits expenses (included in cost of sales and operating expenses):</i>		
Salaries and wages	9,212	5,199
Superannuation	831	217
Labour hire	207	73
Share-based payments	525	226
Other employee expenses	1,336	747
	<b>12,111</b>	<b>6,462</b>

### Note 5: Income Tax

Income tax recognised in profit or loss

	Year ended 30 June 2017 \$'000	Year ended 30 June 2016 \$'000
Current tax expense in respect of the current period	6,355	5,934
Deferred tax (benefit) recognised in the current period	722	44
<b>Total income tax expense recognised in the current period relating to continuing operations</b>	<b>7,077</b>	<b>5,978</b>
Prima facie income tax expense attributable to profit from operations at the Australian tax rate of 30% (2016: 30%)	6,157	5,401
<i>Add/(deduct) the tax effect of:</i>		
Non-deductible acquisition related expenses	1,254	–
Other non-deductible expenses	145	516
Overseas tax rate differential	(3)	–
	<b>7,553</b>	<b>5,917</b>
Prior year adjustment	(476)	61
<b>Total income tax expense recognised in the current period</b>	<b>7,077</b>	<b>5,978</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.

Deferred tax balances are presented in the consolidated statement of financial position as follows:

	2017 \$'000	2016 \$'000
Deferred tax assets	1,277	569
	<b>1,277</b>	<b>569</b>

## Notes to the Consolidated Financial Statements (continued)

Deferred tax balances are attributable to the following:

	2017 \$'000	2016 \$'000
<i>Deferred taxes</i>		
Accruals	372	202
Provisions	94	58
Employee benefits	340	300
Other items	471	9
	<b>1,277</b>	<b>569</b>

### Note 6: Cash and cash equivalents

	2017 \$'000	2016 \$'000
Cash on hand and at bank	11,010	2,651
	<b>11,010</b>	<b>2,651</b>

### Note 7: Trade and other receivables

	2017 \$'000	2016 \$'000
<i>Current</i>		
Trade debtors	20,057	10,904
Provision for doubtful debts	(509)	(185)
	19,548	10,719
Provision for rebates	(1,243)	(34)
Other receivables	287	679
	<b>18,592</b>	<b>11,364</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 <sup>(i)</sup> \$'000	+91 days PDNI <sup>(i)</sup> \$'000	+91 days CI <sup>(ii)</sup> \$'000
2017	20,057	15,867	106	28	3,547	509
2016	10,904	6,936	1,932	609	1,242	185

(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.



#### Note 8: Inventories

	2017 \$'000	2016 \$'000
<i>Current</i>		
Raw materials	2,696	1,396
Packaging	3,073	2,040
Work in progress	971	–
Finished goods	9,655	7,815
	<b>16,395</b>	<b>11,251</b>

Inventory is held at the lower of cost or net realisable value.

#### Note 9: Other assets

	2017 \$'000	2016 \$'000
Prepayments	1,197	208
	<b>1,197</b>	<b>208</b>

**Note 10: Plant and equipment**

Reconciliation of carrying amount:

	Office Equipment \$'000	Plant and Equipment \$'000	Motor Vehicles \$'000	Leasehold Improvements \$'000	Total \$'000
<b>2016:</b>					
<b>Opening carrying value</b>	<b>45</b>	<b>1,409</b>	<b>30</b>	<b>790</b>	<b>2,274</b>
Additions	303	1,008	–	138	1,449
Acquisitions of subsidiaries	–	–	117	–	117
Disposals	(1)	(5)	–	–	(6)
Reclassification	(27)	52	(4)	(21)	–
Depreciation	(62)	(350)	(12)	(181)	(605)
<b>Closing carrying value</b>	<b>258</b>	<b>2,114</b>	<b>131</b>	<b>726</b>	<b>3,229</b>
<b>As at 30 June 2016</b>					
Cost	322	2,772	143	1,106	4,343
Accumulated Depreciation	(64)	(658)	(12)	(380)	(1,114)
<b>Carrying value</b>	<b>258</b>	<b>2,114</b>	<b>131</b>	<b>726</b>	<b>3,229</b>
<b>2017:</b>					
<b>Opening carrying value</b>	<b>258</b>	<b>2,114</b>	<b>131</b>	<b>726</b>	<b>3,229</b>
Additions	228	714	44	110	1,096
Acquisitions of subsidiaries	741	85	–	–	826
Disposals	(13)	(1)	(10)	–	(24)
Depreciation	(163)	(463)	(38)	(147)	(811)
<b>Closing carrying value</b>	<b>1,051</b>	<b>2,449</b>	<b>127</b>	<b>689</b>	<b>4,316</b>
<b>As at 30 June 2017</b>					
Cost	1,614	4,158	174	1,217	7,163
Accumulated Depreciation	(563)	(1,709)	(47)	(528)	(2,847)
<b>Carrying value</b>	<b>1,051</b>	<b>2,449</b>	<b>127</b>	<b>689</b>	<b>4,316</b>

**Impairment loss**

The Group has assessed the carrying value of plant and equipment for impairment as at 30 June 2017. The Board does not believe that the carrying value of plant and equipment is impaired as at this date.

## Note 11: Intangible assets and goodwill

	Customer Relationships \$'000	Formulations and Processes \$'000	Brands and Trademarks \$'000	Goodwill \$'000	Other \$'000	Total \$'000
<b>2016:</b>						
<b>Opening 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>
Additions	–	44	–	–	8	52
Acquisitions of subsidiaries <sup>1</sup>	–	–	–	6,734	–	6,734
Reclassification on independent valuation <sup>2</sup>	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>
<b>2017:</b>						
<b>Opening 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>
Additions	–	14	–	–	189	203
Acquisitions of subsidiaries <sup>3</sup>	–	–	–	55,341	–	55,341
Amortisation	–	–	–	–	(14)	(14)
<b>Closing carrying value</b>	<b>5,113</b>	<b>7,203</b>	<b>37,616</b>	<b>82,320</b>	<b>203</b>	<b>132,455</b>
<b>As at 30 June 2017</b>						
Cost	5,113	7,203	37,616	82,320	217	132,469
Accumulated amortisation	–	–	–	–	(14)	(14)
<b>Carrying value</b>	<b>5,113</b>	<b>7,203</b>	<b>37,616</b>	<b>82,320</b>	<b>203</b>	<b>132,455</b>

1 There was no change to intangible assets acquired relating to the acquisition of the assets and liabilities by Lightning Distribution Pty Ltd (Lightning) undertaken in the previous financial reporting period.

2 An independent valuation of intangibles was performed by SLM Corporate in the previous financial reporting period as part of finalising the business combination accounting for the acquisition of the Sukin business.

3 Intangible assets acquired relating to the acquisition of Mineral Fusion on 30 June 2017 have been recorded on a provisional basis. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of the acquisition identifies adjustments to the above amounts, or any additional provision that existed at the date of acquisition, the accounting for the acquisition will be revised. Refer to Note 19 for further details.

### 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.

## Impairment testing of indefinite-lived intangible assets

For impairment testing purposes, the Group identifies its cash-generating unit (CGU) 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.

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 one budget year, a four-year forecast period, and a terminal value calculation in the fifth year, with the following key input assumptions:

Key assumptions	2017 %	2016 %
Growth rate over forecast period	3.5%	3.5%
Terminal value growth rate	2.5%	2.5%
Pre-tax discount rate	12.5%	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.

## Note 12: Trade and other payables

	2017 \$'000	2016 \$'000
<b>Current</b>		
Trade creditors	5,609	2,366
Other creditors and accruals	6,471	696
	<b>12,080</b>	<b>3,062</b>

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

## Note 13: Financial liabilities

	2017 \$'000	2016 \$'000
<b>Current</b>		
Bank loan	8,375	191
Trade finance facility	4,995	5,105
Equipment finance	303	196
Capitalised borrowing costs	(780)	–
	<b>12,893</b>	<b>5,492</b>
Deferred consideration on purchase – Lightning <sup>1</sup>	–	1,000
Deferred consideration on purchase – Mineral Fusion <sup>2</sup>	6,002	–
	<b>18,895</b>	<b>6,492</b>
<b>Non-current</b>		
Bank loan	49,083	–
Equipment finance	568	550
Capitalised borrowing costs	(562)	–
	<b>49,089</b>	<b>550</b>

### 1 Lightning business deferred consideration

Deferred consideration was payable upon the Lightning business achieving an EBITDA greater than \$2.25 million for the financial year ended 30 June 2016. The EBITDA for the purposes of the agreement was the sum of the Vendor's 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 had determined that Lightning achieved this target and accordingly the deferred consideration was settled by the issue of ordinary shares issued at the ASX quoted price for an ordinary share as at 30 September 2016 less adjustments for unrecovered acquisition debtors. The total consideration paid was \$0.979 million.

### 2 Mineral Fusion business deferred consideration

Contingent consideration of \$6.002 million has been recognised in relation to the acquisition of the Mineral Fusion business. The deferred consideration is payable contingent upon the Mineral Fusion business meeting certain gross margin performance measures for two 12-month periods measured to 31 December 2017 and 30 June 2018.

## Terms and repayments schedule

The terms and conditions of outstanding loans are as follows:

	Nominal interest rate	Year of maturity	2017		2016	
			Face value \$'000	Carrying amount \$'000	Face value \$'000	Carrying amount \$'000
Bank loan – USD	LIBOR + 2.9%	2020	29,358	29,358	–	–
Bank loan	BBSY + 2.9%	2017–2020	28,100	28,100	–	–
Bank loan	3.0%	2018	–	–	191	191
Trade finance facility	2.5%	2017	4,995	4,995	5,105	5,105
Capitalised borrowing costs			–	(1,342)	–	–
<b>Total interest-bearing liabilities</b>			<b>62,453</b>	<b>61,111</b>	<b>5,296</b>	<b>5,296</b>

In 2015 the Group established multiple banking facilities with a three-year term to June 2018. This comprised 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, and a \$10 million multi-option trade finance facility. All facilities except for the multi-option trade finance facility were fully repaid in July 2016.

On 30 June 2017, the Group extended its existing facilities with the Commonwealth Bank of Australia. The extension involved the addition of two acquisition facilities, each with three-year terms to June 2021, and increased the commitment of the existing multi-option trade finance facility to \$30.67 million. The additional facilities comprised a USD 22.5 million (\$29.358 million) bullet facility which was drawn down in full and a \$30 million amortising facility, of which \$28.1 million was drawn down to fund the acquisition of the Mineral Fusion business.

The facilities are secured by a mortgage over the assets of the consolidated group of companies. The interest rate applicable to the facility is variable and the Group does not hedge the interest rate as of 30 June 2017.

The facilities are subject to debt service coverage, gross leverage and working capital covenants. The facility imposes obligations on the Group with respect to reporting to the Commonwealth Bank of Australia. For the year ended 30 June 2017, the Group has complied with its obligations under the facility. The extension entered on 30 June 2017 removed the requirement to test and report financial covenants as of 30 June 2017, with testing to recommence from 30 September 2017.

As at 30 June 2017, the Group had available \$13.199 million (2016: \$14.704 million) 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	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Less than one year	349	239	(46)	(43)	349	239
Between one and five years	610	601	(43)	(51)	610	601
	<b>959</b>	<b>840</b>	<b>(89)</b>	<b>(94)</b>	<b>959</b>	<b>840</b>

## Notes to the Consolidated Financial Statements (continued)

### Note 14: Contributed Equity

	2017 \$'000	2016 \$'000
Ordinary shares, fully paid	81,929	80,169

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

### Movements in share capital

	2017		2016	
	Number	\$'000	Number	\$'000
Balance at 1 July	91,592,729	80,169	375,623,118	58,024
5:1 share reconstruction <sup>1</sup>	–	–	(300,714,474)	–
Shares issued during period				
– in consideration for services <sup>2</sup>	–	–	270,000	59
– pursuant to information memorandum <sup>3</sup>	–	–	13,333,333	20,000
– consideration on acquisition of Lightning Brokers <sup>4</sup>	–	–	930,752	3,750
– shares issued under employee loan plan on 19 October 2015 <sup>5</sup>	–	–	2,050,000	–
– shares issued under employee loan plan on 22 December 2015 <sup>5</sup>	–	–	100,000	–
– shares issued under employee loan plan on 23 September 2016 <sup>6</sup>	493,000	–	–	–
– deferred consideration on acquisition of Lightning Brokers <sup>7</sup>	210,291	978	–	–
Transaction costs relating to share issues	–	(14)	–	(1,664)
Vesting of Employee Loan Plan shares	–	445	–	–
Transactions with Employee Loan Plan shareholders <sup>8</sup>	–	233	–	–
Dividends paid <sup>9</sup>	–	118	–	–
<b>Balance at 30 June</b>	<b>92,296,020</b>	<b>81,929</b>	<b>91,592,729</b>	<b>80,169</b>

1 A share reconstruction occurred on 17 September 2015, which consolidated every 5 ordinary shares into 1 ordinary share;

2 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;

3 13,333,333 shares were floated on the Australian Stock Exchange at a value of \$1.50 per share on 11 November 2015;

4 930,752 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;

5 Shares were issued to Directors and senior management on 19 October 2015 and 22 December 2015 as part of the Company's 2015 Employee Loan Plan. Refer to Note 25 for further details;

6 Shares were issued to senior management on 23 September 2016 as part of the Company's 2017 Employee Loan Plan. Refer to Note 25 for further details;

7 210,291 shares were issued at a fair value of \$4.654 per share as at the grant date on 30 September 2016 in connection with the acquisition of the Lightning Brokers business;

8 Proceeds from Employee Loan Plan participants in satisfaction of outstanding loan balances on exercise of vested Employee Loan Plan shares; and

9 Dividends declared on Employee Loan Plan shares are not fully paid in cash per the Employee Loan Plan agreement. The extent to which the Company pays cash on dividends is limited to the total tax payable on the dividend income in the shareholder's name, less the value of franking credits attributable to that dividend.

### 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.

On 12 November 2016, 12,836,398 ordinary shares held by Directors were released from voluntary escrow. The ordinary shares were subject to a voluntary period of 12 months from 11 November 2015 (the first date BWX Limited shares were quoted on the ASX). On 30 June 2017, 1,141,043 ordinary shares issued as consideration for the acquisition of the Lightning Brokers business were released from voluntary escrow.



## Note 15: Dividends

	2017		2016	
	\$ per ordinary share	\$'000	\$ per ordinary share	\$'000
<i>Recognised amounts:</i>				
2016 Final fully franked dividend – 12 October 2016	0.048	4,397	–	–
2017 Interim fully franked dividend – 6 April 2017	0.025	2,307	–	–
<i>Unrecognised amounts:</i>				
2017 Final fully franked dividend	0.042	3,881	–	–

On 16 August 2016, the Directors determined to pay a fully franked final dividend of 4.8 cents per share to holders of ordinary shares in respect of the financial year ended 30 June 2016. The dividend was subsequently paid to shareholders on 12 October 2016.

On 9 February 2017, the Directors determined to pay an interim fully franked final dividend of 2.5 cents per share to the holders of fully paid ordinary shares in respect of the half-year ended 31 December 2016. The dividend was subsequently paid to shareholders on 6 April 2017.

On 16 August 2017, the Directors determined to pay a full franked final dividend of 4.2 cents per share to the holders of ordinary shares in respect of the financial year ended 30 June 2017, to be paid to shareholders on 12 October 2017. The dividend has not been included as a liability in these consolidated financial statements. The record date for determining entitlements to the dividend is 6 September 2017. The total estimated dividend to be paid is \$3.881 million.

In accordance with the tax consolidation legislation, the Company as the head entity in the Group has also assumed the benefit of \$5,952,029 (2016: \$1,242,366) franking credits.

## Note 16: Reserves

	Options Reserve \$'000	Performance Rights Reserve \$'000	Foreign Currency Translation Reserve \$'000	Total \$'000
Balance at 1 July 2015	411	–	–	411
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>–</b>	<b>637</b>
Exchange difference on translation of overseas subsidiaries	–	–	(54)	(54)
Employee Loan Plan expense	–	525	–	525
Performance rights vested	–	(445)	–	(445)
<b>Balance at 30 June 2017</b>	<b>455</b>	<b>262</b>	<b>(54)</b>	<b>663</b>

### Nature and purpose of reserves

#### Options reserve

The options reserve records the fair value of options issued but not exercised. 3,520,000 of the total 5,940,000 options on issue at year-end were held by key management personnel.

#### Performance rights reserve

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

Of the total 2,513,000 performance rights on issue at year-end, 1,250,000 are held by key management personnel.

#### Foreign currency translation reserve

The foreign currency translation reserve holds exchange differences arising on translation of foreign subsidiaries.

## Notes to the Consolidated Financial Statements (continued)

### Note 17: Segment information

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer (the Chief Operating Decision Maker as defined under AASB 8) that are used to make strategic and operating decisions. The Chief Executive Officer considers the business primarily as one business segment, being Hair and Beauty Products.

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

The accounting policies of the reportable segment are the same as the Group's accounting policies described in Note 2. The Chief Executive Officer assesses the performance of the operating segment based on a measure of profit before depreciation, amortisation, finance costs and acquisition related expenses.

There were two customers who made up more than 10% of total Group revenue. The total revenues recognised in respect of these two customers was \$16.793 million for the year ended 30 June 2017.

### Geographical information

Revenue per geographical region based on the location of the external customer is presented as follows:

	Year ended 30 June 2017 \$'000	Year ended 30 June 2016 \$'000
Net sales revenue		
Australia	58,176	47,007
Overseas	14,524	7,258
	<b>72,700</b>	<b>54,265</b>

Non-current operating assets<sup>1</sup> per geographical region is presented as follows:

	2017 \$'000	2016 \$'000
<b>Non-current operating assets<sup>1</sup></b>		
Australia	80,414	80,154
United States	56,167	–
Other	189	–
	<b>136,770</b>	<b>80,154</b>

<sup>1</sup> Non-current operating assets exclude financial instruments, deferred tax assets and deferred tax liabilities. The acquisition of the Mineral Fusion business as at 30 June 2017 (refer to Note 19), did not impact the disclosure of net sales revenue by geographic region as at 30 June 2017.

### Note 18: Earnings per share

	2017 Cents	2016 Cents
Basic earnings per share	14.6	14.1
Diluted earnings per share	13.7	13.0

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 into account adjustment for the effects of all dilutive potential ordinary shares.

	Year ended 30 June 2017 \$'000	Year ended 30 June 2016 \$'000
Net profit used in calculating basic and diluted EPS	13,447	12,024

	2017 Number '000s	2016 Number '000s
<b>Weighted average number of ordinary shares at 30 June used in the calculation of basic earnings per share</b>	<b>92,130</b>	<b>85,415</b>
Add: effect of potential conversion to ordinary shares under options schemes	5,940	7,342
<b>Weighted average number of ordinary shares at 30 June used in the calculation of diluted earnings per share</b>	<b>98,070</b>	<b>92,757</b>

#### Note 19: Acquisition of subsidiary

On 30 June 2017, the Group acquired 100% of the outstanding shares of Mineral Fusion Natural Brands LLC, the owner of the Mineral Fusion brand, the number one natural cosmetics brand in the US. This involved the acquisition of MFNB Holdings Inc, a company incorporated in the US, and assignment of certain non-US intellectual property to MF Brands (Cayman) Limited, a company incorporated in the Cayman Islands.

The Mineral Fusion brand of natural cosmetics will provide opportunities to expand the Sukin product range and to leverage Mineral Fusion's already established distribution infrastructure for the distribution of Sukin in the US to all the key retail groups in the natural sector and the pharmacy channel.

The cash consideration of \$57.414 million was funded by an extension of the Company's existing debt facilities.

Revenue of \$14.750 million and profit of \$0.981 million (excluding acquisition translation related costs of \$8.511 million) from the acquired entities would have been earned if the acquisition had occurred as at 1 January 2017 (representing a six-month period to 30 June 2017). Revenue and profit from the acquired entities that would have been earned if the acquisition had occurred at the commencement of the financial year have not been provided on the basis that the calculation of that information is impracticable. This is due to the differences in reporting period between the acquired entities and the Group. Consequently, the net impact to the Group's result, had Mineral Fusion been acquired as at 1 July 2017, cannot be reliably measured.

Given the proximity of the acquisition with the end of the current reporting period, nil revenue and profits were recognised for the year ended 30 June 2017. Transaction related costs of \$4.180 million were expensed and are included in "Acquisition expenses" in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

## Notes to the Consolidated Financial Statements (continued)

### Assets acquired and liabilities assumed

The fair value of identifiable assets and liabilities of Mineral Fusion at the date of acquisition were:

	Fair value recognised on acquisition (provisional) \$'000
<b>Assets</b>	
Cash and cash equivalents	3,041
Trade and other receivables <sup>1</sup>	2,022
Inventories	4,363
Other assets	1,072
Plant and equipment	826
Intangibles	189
	<b>11,513</b>
<b>Liabilities</b>	
Trade and other payables	3,353
Employee benefits	85
	<b>3,438</b>
<b>Total identifiable net assets at fair value</b>	<b>8,075</b>
Goodwill arising on acquisition	55,341
<b>Purchase consideration</b>	<b>63,416</b>

<sup>1</sup> Trade and other receivables are expected to be fully collectable at acquisition date.

The goodwill is attributable mainly to:

- Opportunities to expand the Sukin product range and to leverage Mineral Fusion's already established distribution infrastructure for the distribution of Sukin in the US to all the key retail groups in the natural sector and the pharmacy channel; and
- Synergies expected to be achieved from integrating the Company's business into the Group's vertically integrated operations.

No contingent assets or liabilities have been recognised at acquisition date. A portion of the goodwill arising on acquisition is expected to be deductible for tax purposes in subsequent periods.

These amounts have been measured on a provisional basis. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of the acquisition identifies adjustments to the above amounts, or any additional provision that existed at the date of acquisition, the accounting for the acquisition will be revised.

## Consideration transferred

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

	Fair value recognised on acquisition (provisional) \$'000
Cash consideration paid	57,414
Deferred consideration <sup>1</sup>	6,002
<b>Total consideration</b>	<b>63,416</b>

<sup>1</sup> Contingent consideration of \$6.002 million has been recognised in the relation to the acquisition of the Mineral Fusion business. The deferred consideration is payable in cash and is contingent upon the Mineral Fusion business meeting certain gross margin performance measures during 12-month periods measured to 31 December 2017 and 30 June 2018 which the Group estimates will be met in their entirety at acquisition date.

## Analysis of cash flows on acquisition

	Fair value recognised on acquisition (provisional) \$'000
Cash consideration paid	57,414
Cash and cash equivalents acquired with acquisition	(3,041)
<b>Net cash flow outflow on acquisition (included in cash flows from investing activities)</b>	<b>54,373</b>

Note 20: Group entities

	Principal activity	Country of incorporation	Interest held by the Group	
			2017 %	2016 %
BWX Limited*		Australia		
<i>Controlled entities</i>				
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	Dormant	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	100
BWX Brands UK Limited <sup>(a)</sup>	Brand operating business	United Kingdom	100	–
BWX Brands Canada Inc <sup>(b)</sup>	Brand operating business	Canada	100	–
BWX Brands India Private Limited <sup>(c)</sup>	Brand operating business	India	100	–
BWX Brands Malaysia Sdn. Bhd. <sup>(c)</sup>	Brand operating business	Malaysia	100	–
BWX Brands USA, Inc. <sup>(d)</sup>	Holding company	USA	100	–
MF Brands (Cayman) Limited <sup>(e)</sup>	Holding company	Cayman Islands	100	–
MFNB Holdings, Inc. <sup>(f)</sup>	Holding company	USA	100	–
Mineral Fusion Natural Brands LLC <sup>(f)</sup>	Brand operating business	USA	100	–

\* Entity is a member of the Closed Group under the Deed of Cross Guarantee (refer to Note 21) and relieved from the requirement to prepare audited financial statements by ASIC Corporations (Wholly-Owned Companies) Instrument 2016/785.

(a) Acquired 26 August 2016 (formally Cress Purchasing Limited).

(b) Incorporated 18 November 2016.

(c) Incorporated 31 May 2017.

(d) Incorporated 13 June 2017.

(e) Incorporated 20 June 2017.

(f) Acquired 30 June 2017. Refer to Note 19 in relation to the acquisition of the Mineral Fusion business.



## Note 21: Deed of cross guarantee

Pursuant to ASIC Corporations (Wholly-Owned Companies) Instrument 2016/785, 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.

- Beautiworx Pty Ltd
- BWX Brands Pty Ltd
- Sukin Australia Pty Ltd
- Lightning Distribution Pty Ltd

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 which are party to the deed 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.

The Consolidated Statement of Profit or Loss and Other Comprehensive Income approximates the aforementioned statement comprising the Company and subsidiaries which are party to the deed as at the reporting date and therefore not presented. A Consolidated Statement of Financial Position, comprising the Company and subsidiaries which are party to the deed as at the reporting date, is set out as follows:

	Deed of cross guarantee	
	2017 \$'000	2016 \$'000
<b>Current assets</b>		
Cash and cash equivalents	7,075	2,590
Trade and other receivables	16,005	11,086
Inventories	9,949	10,635
Prepayments	95	206
<b>Total current assets</b>	<b>33,124</b>	<b>24,517</b>
<b>Non-current assets</b>		
Investments in other Group subsidiaries	27,945	24
Receivables	36,688	4,406
Plant and equipment	3,306	3,010
Intangible assets and goodwill	73,330	73,318
Deferred tax assets	1,239	555
<b>Total non-current assets</b>	<b>142,508</b>	<b>81,313</b>
<b>Total assets</b>	<b>175,632</b>	<b>105,830</b>
<b>Current liabilities</b>		
Trade and other payables	8,428	2,772
Financial liabilities	12,908	6,492
Current tax liabilities	4,562	4,329
Employee benefits	1,105	830
<b>Total current liabilities</b>	<b>27,003</b>	<b>14,423</b>
<b>Non-current liabilities</b>		
Financial liabilities	49,089	550
Employee benefits	135	143
<b>Total non-current liabilities</b>	<b>49,224</b>	<b>693</b>
<b>Total liabilities</b>	<b>76,227</b>	<b>15,116</b>
<b>Net assets</b>	<b>99,405</b>	<b>90,714</b>
<b>Equity</b>		
Contributed equity	81,929	80,169
Reserves	707	636
Retained earnings	16,769	9,909
<b>Total equity</b>	<b>99,405</b>	<b>90,714</b>

**Note 22: Reconciliation of cash flows from operating activities**

	Year ended 30 June 2017 \$'000	Year ended 30 June 2016 \$'000
Net profit after tax	13,447	12,024
<i>Adjustments for:</i>		
Depreciation and amortisation	824	606
Share-based payments	525	285
	1,349	891
<i>Changes in assets and liabilities</i>		
(Increase)/decrease in:		
Trade and other receivables	(5,677)	(3,386)
Inventories	(781)	(1,188)
Prepayments	43	(150)
Increase/(decrease) in:		
Trade and other payables	5,272	(2,270)
Provisions	270	(55)
Net income tax assets and liabilities	(506)	4,212
	(1,379)	(2,837)
<b>Net cash from operating activities</b>	<b>13,417</b>	<b>10,078</b>

**Note 23: 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 2017 \$	Year ended 30 June 2016 \$
Short-term employee benefits	1,936,597	786,446
Post-employment benefits	149,156	72,062
Other long-term benefits	15,105	–
Share-based payments	257,374	109,500
	<b>2,358,232</b>	<b>968,008</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 2017 (2016: nil) other than those disclosed in the financial report.

**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 2017 (2016: nil).

## Note 24: Auditor's remuneration

	Year ended 30 June 2017 \$	Year ended 30 June 2016 \$
<b>Assurance services</b>		
<i>William Buck</i>		
Audit of the annual financial report	77,000	69,000
Review of the interim financial report	26,000	23,000
Due diligence assurance	–	17,000
	103,000	109,000
Other auditors	45,668	–
	148,668	109,000
<i>William Buck</i>		
Tax and consulting services		
Taxation services	6,200	18,450
Other due diligence	–	124,084
	6,200	142,534
<b>Total</b>	<b>154,868</b>	<b>251,534</b>

The auditors of the Group and the Company are William Buck Audit (Vic) Pty Ltd and its related entities (William Buck). From time to time, William Buck provides other services to the Group and the Company, which are subject to the corporate governance procedures adopted by the Company. In the current year, the Group and the Company have engaged the services of other accounting firms to perform a variety of non-audit assignments and audits for local statutory and Group reporting purposes.

## Note 25: Share-based payments

At 30 June 2017, 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, and to senior management on 23 September 2016 and 31 January 2017 under the Company's Employee Loan Plan ("ELP"). The issue of the rights was financed by the Group through limited 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 rights 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).

## Notes to the Consolidated Financial Statements (continued)

### Fair value of performance rights granted during the year

The Black-Scholes (October and December 2015 grants) and Binomial (September 2016 and January 2017) option pricing models utilised to calculate fair value at grant date factored in the expected life for the exercise of those shares in determining the fair value of the arrangement that will vest to the reserve over the course of the completion of the performance milestones.

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

Grant date/Tranche	Number of shares at grant	Expected vesting date at issue	Contractual life of option
<b>19 October 2015</b>			
Tranche 1	512,500	19 Oct 2016	4 years
Tranche 2	410,000	19 Oct 2017	4 years
Tranche 3	205,000	19 Oct 2018	4 years
Tranche 4	615,000	31 Aug 2017	4 years
Tranche 5	307,500	31 Aug 2018	4 years
<b>22 December 2015</b>			
Tranche 1	25,000	22 Dec 2016	4 years
Tranche 2	20,000	22 Dec 2017	4 years
Tranche 3	10,000	22 Dec 2018	4 years
Tranche 4	30,000	31 Aug 2018	4 years
Tranche 5	15,000	31 Aug 2019	4 years
<b>23 September 2016</b>			
Tranche 1	82,700	23 Sep 2017	5 years
Tranche 2	106,100	23 Sep 2018	5 years
Tranche 3	70,200	23 Sep 2019	5 years
Tranche 4	117,000	31 Aug 2018	5 years
Tranche 5	117,000	31 Aug 2019	5 years
<b>31 January 2017</b>			
Tranche 1	32,500	31 Jan 2018	5 years
Tranche 2	32,500	31 Jan 2019	5 years
Tranche 3	25,000	31 Jan 2020	5 years
Tranche 4	52,500	31 Aug 2018	5 years
Tranche 5	37,500	31 Aug 2019	5 years

Refer to the Remuneration Report on pages 9 to 18 for details of vesting conditions.

The following table lists the key inputs to the model used for the ELP for all issues of performance rights active for the current reporting period:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5
<b>Date of grant – 19 October 2015</b>					
Share price at valuation date	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50
Expected volatility	60.00%	60.00%	60.00%	60.00%	60.00
Risk free rate	2.07%	2.07%	2.07%	2.07%	2.07%
Expected life of performance option	2.30 years	1.90 years	1.90 years	1.88 years	1.86 years
Expected dividend growth	–	–	–	–	–
Fair value of performance right	\$0.33	\$0.30	\$0.30	\$0.30	\$0.30
<b>Date of grant – 22 December 2015</b>					
Share price at valuation date	\$3.49	\$3.49	\$3.49	\$3.49	\$3.49
Expected volatility	60.00%	60.00%	60.00%	60.00%	60.00%
Risk free rate	2.07%	2.07%	2.07%	2.07%	2.07%
Expected life of performance option	2.30 years	1.90 years	1.90 years	2.04 years	2.11 years
Expected dividend growth	–	–	–	–	–
Fair value of performance right	\$0.38	\$0.23	\$0.18	\$0.14	\$0.12
<b>Date of grant – 23 September 2016</b>					
Share price at valuation date	\$4.87	\$4.87	\$4.87	\$4.87	\$4.87
Expected volatility	48.10%	48.10%	48.10%	48.10%	48.10%
Risk free rate	1.62%	1.62%	1.62%	1.62%	1.62%
Expected life of performance option	2.00 years	3.00 Years	4.00 Years	2.00 years	3.00 years
Expected dividend growth	2.50%	2.50%	2.50%	2.50%	2.50%
Fair value of performance right	\$1.55	\$1.92	\$2.24	\$1.55	\$1.92
<b>Date of grant – 31 January 2017</b>					
Share price at valuation date	\$4.49	\$4.49	\$4.49	\$4.49	\$4.49
Expected volatility	44.63%	44.63%	44.63%	44.63%	44.63%
Risk free rate	1.80%	1.80%	1.80%	1.80%	1.80%
Expected life of performance option	2.00 years	3.00 Years	4.00 Years	2.00 years	3.00 years
Expected dividend growth	2.50%	2.50%	2.50%	2.50%	2.50%
Fair value of performance right	\$1.29	\$1.62	\$1.92	\$1.29	\$1.62

## Notes to the Consolidated Financial Statements (continued)

### Movements in performance rights during the year

The Group recorded a share-based payments expense for performance rights of \$0.525 million (2016: \$0.182 million) disclosed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under "Corporate and Administrative expenses".

	Number of ELP (performance rights) 2017	Weighted average exercise price 2017	Number of ELP (performance rights) 2016	Weighted average exercise price 2016
<b>Outstanding at 1 July</b>	2,150,000	\$1.59	–	–
Forfeited during the period	(180,000)	\$3.14	–	–
Exercised during the period	(130,000)	\$1.88	–	–
Granted during the period	673,000	\$4.77	2,150,000	\$1.59
<b>Outstanding at 30 June</b>	<b>2,513,000</b>	<b>\$2.20</b>	<b>2,150,000</b>	<b>\$1.59</b>
Exercisable at 30 June	1,330,000	\$1.50	–	–

### Options

The Options plan is designed as an incentive to participants to build and expand BWX's business. The plan also recognises participants' initial financial and time commitments to the Company. Options were largely issued to Directors of the Company at the inception of BWX during 2013 and prior to the Company's listing on ASX on 11 November 2015.

### Reconciliation of outstanding share options

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

	Number of options 2017	Weighted average exercise price 2017	Number of options 2016	Weighted average exercise price 2016
<b>Outstanding at 1 July</b>	5,940,000	\$2.00	29,200,000	\$0.40
5:1 share consolidation	–	–	(23,760,000)	\$0.40
Exercised during the period	–	–	–	–
Granted during the period <sup>a</sup>	–	–	500,000	\$2.00
<b>Outstanding at 30 June</b>	<b>5,940,000</b>	<b>\$2.00</b>	<b>5,940,000</b>	<b>\$2.00</b>
Exercisable at 30 June	5,940,000	\$2.00	5,940,000	\$2.00

a 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 (totalling \$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 Remuneration Report on pages 9 to 18.

## Note 26: Commitments for expenditure

### 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 five 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

The future minimum lease payments were as follows:

	2017 \$'000	2016 \$'000
Not later than one year	1,264	1,165
Later than one year and not later than five years	4,609	3,975
Later than five years	2,977	3,955
	<b>8,850</b>	<b>9,095</b>

The Group recognised a total of \$1.299 million in profit or loss as lease rental expense in 2017 (2016: \$0.995 million).

### Capital commitments

The Group has capital commitments totalling nil (2016: nil).

## Note 27: Subsequent events

A final dividend of 4.2 cents per fully paid ordinary share has been determined for the year ended 30 June 2017 – refer to Note 15.

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 as disclosed in the Directors' Report.

## Note 28: Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2017 the parent entity of the Group was BWX Limited.

	Parent Entity	
	2017 \$'000	2016 \$'000
<b>Result of parent entity:</b>		
Profit/(loss) for the period	8,645	(2,030)
Other comprehensive income	–	–
<b>Total comprehensive income/(loss) for the period</b>	<b>8,645</b>	<b>(2,030)</b>
<b>Financial position of parent entity at year end:</b>		
Current assets	190	383
<b>Total assets</b>	<b>143,884</b>	<b>81,370</b>
Current liabilities	15,070	4,974
<b>Total liabilities</b>	<b>63,725</b>	<b>76,377</b>
<b>Total equity of the parent entity comprising of:</b>		
Issued capital	81,929	80,169
Reserves	717	636
Accumulated losses	(2,488)	(4,428)
<b>Total equity</b>	<b>80,158</b>	<b>76,377</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 21.

### Note 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 2017, 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. Any increase in interest rates will impact the Group's cost of servicing these borrowings, which may adversely impact its financial position.

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk.

The Group is using a sensitivity of 50 basis points as management considers this to be reasonable having regard to historic movements in interest rates. This sensitivity assumes that all other variables, in particular foreign currency exchange rates, remain consistent. A positive number represents an increase in pre-tax profit and a negative number a decrease in pre-tax profit.

	Carrying amount \$'000	-50bps Pre-tax Profit \$'000	+50bps Pre-tax Profit \$'000
<b>At 30 June 2016</b>			
<b>Financial liabilities</b>			
Variable-rate instruments	5,296	26	(26)
<b>Total increase/(decrease)</b>		<b>26</b>	<b>(26)</b>
<b>At 30 June 2017</b>			
<b>Financial liabilities</b>			
Variable-rate instruments <sup>1</sup>	62,453	30	(30)
<b>Total increase/(decrease)</b>		<b>30</b>	<b>(30)</b>

<sup>1</sup> Variable-rate instruments with a carrying value of \$57.458 million were drawn on 30 June 2017. Sensitivity presented above includes a single day impact of a 50 basis points movement in interest rates on amounts drawn on 30 June 2017.

## (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. Settlements 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.

At the reporting date, the Group's financial assets and liabilities were denominated across the following currencies:

Balances translated to AUD	AUD \$'000	USD \$'000	Other \$'000	Total \$'000
<b>At 30 June 2016</b>				
Trade and other receivables	10,954	410	–	11,364
Trade and other payables	(2,913)	(149)	–	(3,062)
Loans and borrowings	(7,042)	–	–	(7,042)
<b>Net exposure</b>	<b>999</b>	<b>261</b>	<b>–</b>	<b>1,260</b>
<b>At 30 June 2017</b>				
Trade and other receivables	16,144	2,022	426	18,592
Trade and other payables	(8,531)	(3,353)	(196)	(12,080)
Loans and borrowings	(32,625)	(35,360)	–	(67,985)
<b>Net exposure</b>	<b>(25,012)</b>	<b>(36,691)</b>	<b>230</b>	<b>(61,473)</b>

The following exchange rates were used to translate significant foreign denominated balances into the Group's functional currency (AUD) at the end of the reporting period:

	Reporting date spot rate	
	2017	2016
USD	0.7664	0.7046

## Sensitivity analysis

A 10% movement of the Australian dollar against the following currencies at the reporting date would have increased/(decreased) pre-tax profit on translation and equity by the amounts shown below. This analysis assumes that all other variables remain constant.

	Pre-tax profits		Equity, net of tax	
	Strengthening \$'000	Weakening \$'000	Strengthening \$'000	Weakening \$'000
<b>At 30 June 2016</b>				
USD (10% movement)	26	(26)	–	–
<b>At 30 June 2017</b>				
USD (10% movement) <sup>1</sup>	(41)	41	(2,787)	2,787

<sup>1</sup> Mineral Fusion acquired on 30 June 2017. Refer to Note 19 for further details.

(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 2017, the Group had 22 customers (2016: 24 customers) that owed the Group more than \$0.100 million each and accounted for approximately 79.8% (2016: 78.5%) 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 7. 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.

(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 its obligations to repay its 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:

	Less than 6 months \$'000	6 to 12 months \$'000	1 to 5 years \$'000	Total \$'000
<b>At 30 June 2016</b>				
Cash and cash equivalents	2,651	–	–	2,651
Trade and other receivables	11,364	–	–	11,364
	<b>14,015</b>	<b>–</b>	<b>–</b>	<b>14,015</b>
<b>Financial liabilities</b>				
Trade and other payables	3,062	–	–	3,062
Loans and borrowings	4,976	100	550	5,626
Other financial liabilities	1,000	–	–	1,000
	<b>9,038</b>	<b>100</b>	<b>550</b>	<b>9,688</b>
	<b>4,977</b>	<b>(100)</b>	<b>(550)</b>	<b>(4,327)</b>
<b>At 30 June 2017</b>				
Cash and cash equivalents	11,010	–	–	11,010
Trade and other receivables	18,592	–	–	18,592
	<b>29,602</b>	<b>–</b>	<b>–</b>	<b>29,602</b>
<b>Financial liabilities</b>				
Trade and other payables	12,080	–	–	12,080
Loans and borrowings <sup>1</sup>	5,370	8,303	49,651	63,324
Other financial liabilities	4,567	1,435	–	6,002
	<b>22,017</b>	<b>9,738</b>	<b>49,651</b>	<b>81,406</b>
	<b>7,585</b>	<b>(9,738)</b>	<b>(49,651)</b>	<b>(51,804)</b>

<sup>1</sup> Excludes capitalised borrowing costs. Refer to Note 13 for further details.

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 2017.

# 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 26 to 60 and the Remuneration Report in pages 9 to 18 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 2017 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 21 will be able to meet any obligations or liabilities 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 Corporations (Wholly-Owned Companies) Instrument 2016/785.
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 2017.
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:



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

Melbourne, 16 August 2017

# Independent Auditor's Report



## BWX Limited

Independent auditor's report to members

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of BWX Limited. (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2017, 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, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is 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 2017 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

#### CHARTERED ACCOUNTANTS & ADVISORS

Level 20, 181 William Street  
Melbourne VIC 3000  
Telephone: +61 3 9824 8555  
williambuck.com

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

BUSINESS COMBINATION	
Refer also to notes 1 and 19	How our audit addressed it
<p>The Group acquired Mineral Fusion Natural Brands LLC ("MF") on 30 June 2017 for \$63.4 million and is considered a significant purchase for the Group. Goodwill arising on acquisition is \$55.3 million</p> <p>Accounting for this transaction is complex and required significant judgements and estimates by management on the initial entries recorded, specifically:</p> <ul style="list-style-type: none"> <li>- to determine the fair value of assets and liabilities acquired in the context of Australian Accounting Standards;</li> <li>- to determine the fair value of deferred consideration; and</li> <li>- to allocate the purchase consideration to goodwill and separately identifiable intangible assets.</li> </ul>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>- Reviewing the sale and purchase agreement to understand the key terms and conditions of the acquisition;</li> <li>- Assessing the Group's determination of fair values with specific procedures done in the United States with Mineral Fusion and their external auditors;</li> <li>- We tested the appropriateness of the deferred consideration and reviewed the probability of the performance targets being met; and</li> <li>- We note that under <i>AASB 3 business combination</i> the Group has 12 months to finalise the fair value of assets and liabilities acquired as part of the transaction including the separation of identifiable intangible assets from the goodwill.</li> </ul> <p>We assessed the adequacy of the Group's disclosures in respect of the acquisition.</p>
EMPLOYEE LOAN PLAN	
Refer also to notes 1, 25 and the remuneration report	How our audit addressed it
<p>Performance Rights were issued to Directors and Senior Management of the Group on 19 October 2015; 22 December 2015; 23 September 2016 and 31 January 2017, under the Company's Employee Loan Plan ("ELP").</p> <p>These arrangements required significant judgements and estimations by management, including the following:</p> <ul style="list-style-type: none"> <li>- The issuance of the Shares requires several milestones to be achieved before vesting and these milestones are divided across 5 Tranches;</li> </ul>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>- Evaluating the fair values of shares granted by agreeing assumptions to third party evidence. In determining the grant dates, we evaluated what were the most appropriate dates based on the terms and conditions of the arrangements;</li> <li>- In evaluating achievement of the performance milestones, we evaluated the directors' assessment of the achievement of the performance milestones and service conditions in tranches 1, 4 and 5 from Group 1;</li> </ul>



**EMPLOYEE LOAN PLAN (CONTINUED)**

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>- In respect of rights issued on 19 October 2015 and 22 December 2015 (Group 1) Tranches 1, 4 and 5 vested in the current reporting period when the Group's EBITDA targets and applicable service conditions were met. Tranches 2 and 3 have not vested as the service conditions have not yet been achieved;</li> <li>- In respect of the Performance Rights issued on 23 September 2016 and 31 January 2017 (Group 2) a vesting charge has been recorded, however, no rights have vested;</li> <li>- Management has applied the Black Scholes pricing model against the Performance Rights issued as part of Group 1; and</li> <li>- Management obtained an independent valuation to assist with significant judgements and estimations. The Binomial pricing model has been adopted for the Performance Rights issued as part of Group 2.</li> </ul> | <ul style="list-style-type: none"> <li>- In assessing the vesting of service conditions, we considered that the expensing of each performance tranche granted to the arrangement's beneficiaries, evenly over the term of the tranche to be the most appropriate, except where performance milestones were achieved earlier;</li> <li>- For the specific application of the Black Scholes model (Group 1) we ensured that the assumptions used in the models calculation in the prior year remained consistent and that any impact of employees or Directors who have left the Group during the year was evaluated; and</li> <li>- For the specific application of the Binomial model (Group 2) we assessed the experience of the external expert used to advice on the fair value of the arrangements that will vest over the performance milestones. We retested a number of the assumptions used in the model by using the expertise of our Corporate Advisory team. We considered the forecast volatility applied to be within industry norms.</li> </ul> |
|--|---|

We reconciled the vesting of performance rights to disclosures made in the Remuneration Report and Key Management Personnel Compensation note.

**INVENTORY**

Refer also to notes 1 and 8	How our audit addressed it
<p>The Group's inventory of \$16.4 million; consisting of Raw Materials, Packaging, Work in Progress and Finished Goods; is significant to the financial statements and has increased by \$5.1 million from the prior year, predominantly as a result of the acquisition of Mineral Fusion on 30 June 2017.</p> <p>Inventory is required to be carried at the lower of its cost or net realisable value and determined on a standard cost basis.</p> <p>The valuation of inventory involves judgement by management depending on the age and the type of product, in the main being branded skin and hair care products focussed on the natural segment of the beauty and personal care market.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>- An audit of subsequent product sales to ensure inventory was valued at the lower of cost or net realisable value, the aging of products and ensured costs assigned to inventory were reasonable;</li> <li>- An assessment of the Inventory costing of raw materials, finished goods and labour overhead;</li> <li>- Performing physical inventory sample counts to ensure the existence of inventory and its condition, including cut-off procedures; and</li> </ul>



## INVENTORY (CONTINUED)

- An evaluation of management's judgement and assumptions used in determining the need for inventory provisions.

We have also assessed the adequacy of disclosures in relation to inventory in the Notes to the financial statements.

## VALUATION OF TRADE AND OTHER RECEIVABLES

Refer also to notes 1 and 7	How our audit addressed it
<p>The Group's Trade and other receivables of \$19.9 million is significant to the financial statements and has increased by \$8.6 million from the prior year.</p> <p>Trade and other receivables are required to be carried at fair value less any provision for impairment.</p> <p>The valuation of Trade and other receivables involves judgement by management depending on the age of the debt and assessment of the probability of repayment.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>- An audit of subsequent receipts, to ensure the Trade and other receivables were correctly valued at 30 June 2017, through vouching of cash paid subsequently to year end or through vouching to third party proof of delivery documentation;</li> <li>- An audit of rebates provided to customers through recalculation of the accrual and review of customer rebate arrangements at 30 June 2017;</li> <li>- Evaluation of management's judgement and assumptions used in determining the need for impairment provisions; and</li> <li>- Evaluation of repayment commitments of Trade debtors who have been slow paying or subject to mediation to ensure further provisioning was not required.</li> </ul> <p>We have also assessed the adequacy of disclosures in relation to Trade and other receivables in the notes to the financial statements.</p>

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we accordingly do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



### **Responsibilities of the Directors 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of BWX Limited., for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

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.

*William Buck*

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

A handwritten signature in blue ink, appearing to be 'N. S. Benbow'.

**N. S. Benbow**  
Director  
Melbourne, 16 August 2017

# Shareholder Information

## Equity security holders

As at 30 June 2017 the Company had 92,296,020 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 (including Employee Loan Plan shares) as at 30 June 2017 (as named on the register of shareholders):

Name	Ordinary Shares	
	Number Held	% of Issued Shares
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	25,752,674	27.90
NATIONAL NOMINEES LIMITED	11,717,624	12.70
LEISURE & HOSPITALITY SERVICES PTY LTD	9,742,945	10.56
J P MORGAN NOMINEES AUSTRALIA LIMITED	4,940,404	5.35
CITICORP NOMINEES PTY LIMITED	4,746,184	5.14
BNP PARIBAS NOMS PTY LTD <DRP>	2,440,822	2.64
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	1,286,225	1.39
ONE MANAGED INVESTMENT FUNDS LIMITED <LAKEHOUSE SMALL COMPANIES A/C>	1,280,674	1.39
UBS NOMINEES PTY LTD	1,214,902	1.32
MR MARK WILLIAM EAST	1,000,000	1.08
LIGHTNING BROKERS PTY LTD	867,193	0.94
FAIRLIGHT CAPITAL PTY LTD <PEMBRIDGE A/C>	751,848	0.81
SOL CAPITAL PTY LTD	631,848	0.68
AUSTRALIAN NATURAL COSMETICS PTY LTD	500,000	0.54
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	451,893	0.49
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	424,326	0.46
UBS NOMINEES PTY LTD	413,000	0.45
AUSTRAL CAPITAL PTY LTD <AUSTRAL EQUITY FUND A/C>	350,000	0.38
DENIS SHELLEY	350,000	0.38
MR VINCE JOY	333,333	0.36
<b>Total Top 20 Holders</b>	<b>69,195,895</b>	<b>74.97</b>
<b>Total Other Holders</b>	<b>23,100,125</b>	<b>25.03</b>
<b>Grand Total</b>	<b>92,296,020</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 2017:

Name	Noted Date of Change	Number of Equity Securities	Relevant Interests
Bennelong Funds Management Group Pty Ltd	10/05/2017	16,075,554	17.42%
Leisure & Hospitality Services Pty Ltd as trustee for the Humble Family Trust and John Humble	11/11/2015	10,042,945	10.88%
The Capital Group Companies, Inc.	28/04/2017	7,383,000	8.00%



## Distribution of equity security holders

### Holdings distribution

Range	Number of equity security holders	
	Ordinary shares	Options
100,001 and over	51	5
10,001 to 100,000	261	–
5,001 to 10,000	465	–
1,001 to 5000	2,468	–
1 to 1,100	3,147	–
<b>Total</b>	<b>6,392</b>	<b>5</b>

### Unmarketable Parcels

The number of security investors holding less than a marketable parcel of 86 securities (\$5.880 on 30/06/2017) is 67 and they hold 574 securities.

### 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 a poll, one vote for each ordinary share held.

#### Performance rights

Performance rights have been issued as part of various performance plans in the 2017 financial year; as at 30 June 2017:

- Number of participants: 11 participants
- Maximum number of ordinary shares which may be issued if the performance conditions are achieved: 2,513,000
- Participants do not have voting rights

### Securities purchased on-market

There were no securities purchased on-market during the financial year ended 30 June 2017.

### Unquoted equity securities

#### Ordinary shares

BWX Limited has no unquoted equity securities on issue at 30 June 2017.

#### Options

BWX Limited has 5,940,000 unquoted options on issue at 30 June 2017.

### 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.

# Four-Year Summary

	2017	2016	2015	2014
<b>Operating results (\$'000)</b>				
Sales revenue	72,700	54,265	27,822	10,608
EBITDA	26,427	20,193	1,790	1,030
EBIT	21,423	19,152	(1,946)	220
Profit (loss) before tax	20,524	18,002	(2,320)	167
Profit (loss) after tax	13,447	12,024	(2,138)	72
<b>Financial position (\$'000)</b>				
Working capital	47,194	25,474	17,142	6,488
Fixed assets (including intangibles)	136,770	80,154	72,413	18,178
Contributed equity	81,929	80,169	58,024	16,599
Net debt (net cash)	56,974	(2,975)	(19,978)	(4,038)
Net assets	99,293	90,764	56,369	16,875
<b>Shareholder related</b>				
Dividend				
– Interim ordinary (cents per share)	2.5	–	–	–
– Final ordinary (cents per share)	4.2	4.8	–	–
<b>Total dividends (cents per share)</b>	<b>6.7</b>	<b>4.8</b>	<b>–</b>	<b>–</b>
Basic earnings per share (cents)	14.6	14.1	(5.8)	0.1
Dividend payout ratio	46.0%	36.6%	–	–
Net tangible asset backing per share	(\$0.373)	\$0.145	(\$0.038)	\$0.002
Market capitalisation (year-end) (\$'000)	542,701	431,402	–	–
<b>Ratios and returns</b>				
EBIT margin	29.47	35.48	(6.99)	2.08
Gearing	86.56	17.00	59.67	47.47
Interest cover	23.83	16.65	(5.08)	4.13

BWX Limited was incorporated in the 2014 financial year. A four-year rather than a five-year summary is provided.

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**BWX<sub>Ltd</sub>**  
BWX Limited ABN 13 163 488 631