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# A Message from our Chairman

Dear Shareholders

It is my pleasure to present to you BWX Limited's ("BWX") annual report for the 2018 financial year.

I am pleased to report that we have continued our growth momentum in sales, profit and cash flow and we have delivered another strong result with 2018 revenues of \$148.711 million being 104.6% above that recorded in 2017, and our underlying EBITDA result of \$40.263 million is 52.4% above the same period and 27.1% of net revenue. Our net profit after tax was also strong delivering \$19.216 million yielding 42.9% growth year on year. Our final year dividend of 4.2 cents per share has brought our full year dividend to 7.45 cents per share, which is up 11.2% on fiscal 2017.

As in prior years our drive for growth has come through our pursuit of Channel and Geographic expansion of our flagship brand Sukin and the roll-out of a range of innovative, consumer-relevant new product introductions under the Sukin brand.

On another front, fiscal 2018 was a very pivotal year for BWX. In keeping with our stated strategy of building a global portfolio of high-growth potential brands in the natural space we entered 2018 fiscal having just acquired the USA's No.1 Natural Cosmetic brand, Mineral Fusion. In October 2017 we further strengthened our USA presence by acquiring the Andalou Naturals brand which is the No.1 selling facial skin care in the natural market sector. With combined annualised net revenues of approximately USD \$60.8 million and a combined annualised EBITDA of approximately USD \$14.6 million, these acquisitions not only provide us with a sustainable footprint in the large US market, they also open up a significant opportunity to expand the Sukin product range in the USA by leveraging the existing Mineral Fusion and Andalou distribution networks. Further, we believe that the two acquired brands will have strong growth opportunities in the Australian, and selected international, markets in which we operate. To that end, in April 2018, we launched a range of the Andalou products into the Australian market through Priceline retail outlets. Consumer feedback and initial results are very pleasing and we remain optimistic about the Andalou brand's potential in this market.

As part of our channel expansion strategy, in September 2017 BWX acquired the Nourished Life business; a leading Australian online, profitable retail platform focused on natural and organic skincare and health and wellbeing products. This acquisition provides an entrée into the rapidly growing online platform and brings the growing Life Basics brand to the BWX stable.

I am pleased to report that we have made significant progress in bedding down these acquisitions and realising the synergies, particularly in the USA, that they present. All acquisitions have performed broadly in line with expectations and provide significant ongoing growth opportunities in new geographies, new channels and via continued innovation.

Geographical expansion remains a key element of our growth strategy and in 2018 we continued to make significant progress in expanding our Sukin brand into new markets, whilst consolidating its position in territories already acquired. Across the fiscal period the business has entered new markets with all brands, with significant expansion in the Middle East, Europe and South East Asia.

We continue to provide a level of capital expenditure that enables improvements in manufacturing capabilities whilst delivering cost savings, margin and working capital improvement. 2018 saw significant investment in replacing our ageing system software with Microsoft's Dynamics 365 suite of products. The new system went live in July 2018 and will be rolled out to the US business during fiscal 2019.

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 valuable contribution; we could not have achieved what we did 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 recorded and to position the Company for substantial growth.

On 19 May 2018, BWX received an unsolicited non-binding indicative offer from BWX Senior Executives, Messrs John Humble and Aaron Finlay, in partnership with Bain Capital, of \$6.60 cash per share. In light of this offer the Independent Board Committee (IBC) is undertaking a strategic review of the options available to the Company and it is expected that review will be completed in mid-September. On 24 August 2018 the Bain Consortium confirmed that they have substantially completed their due diligence but require until mid-September 2018 to complete their work.

The IBC has determined it will continue discussions with the Bain Consortium to fully explore the possibility of an acceptable binding offer being presented. There is no guarantee that a binding change of control proposal from the Bain Consortium, which is capable of being put to shareholders, will eventuate. The IBC continues to recommend that shareholders TAKE NO ACTION in respect of their BWX shares.



**Denis Shelley**  
Chairman

Dated 29 August 2018



# Interim CEO's Report

Dear Shareholders

I am pleased to present our annual report for the full year 2018.

The overarching theme for the business in 2018 was one of transformation, aimed at building a business that can achieve our mission to become a global leader in natural beauty and personal care.

The year commenced with integration activities for the US-based Mineral Fusion business, and the first half saw our channel and geographic expansion agenda continue with the acquisition of the Nourished Life E-Commerce platform, and the acquisition of the US-based Andalou Naturals business.

These three acquisitions provide access to new growth opportunities in attractive channels and markets, as well as potential to drive scale efficiencies.

Sales of our products in core and acquired businesses saw organic growth reflecting the strong market positions of all brands, supported by the global macro trend of increasing preference for natural products.

In addition to our domestic organic growth we have introduced our brands to new geographies, with BWX brands now present in 31 international markets – our international focus has evolved to “cross-pollinating” brands to establish a multi-brand platform in key markets, and a more measured assessment and entry into new opportunity markets.

In all active markets our brands continue to generate interest outside their “home channel”, with opportunities to expand into larger and more attractive channels such as Grocery in Australia; or Food, Drug and Mass in the USA. Our entry into Grocery in Australia with Coles is demonstrating the ability of our natural brands to compete with global synthetic brands.

Over the course of the year we have invested in our brands and our people, as two vital pillars to support future growth. We have added significant talent via acquisition and recruitment and will continue to build a global team capable of exceeding expectations. Our brands have also seen material investment to drive awareness and trial – as well as in innovation and brand positioning.

As we grow both domestically and internationally we have also strengthened our engagement with the communities in which we operate via a range of social responsibility programs. These programs align our brands with a higher purpose and include the Andalou “Path of Light” program which invests in empowerment of girls and women, Sukin’s extensive support of Australian charities as well as Greening Australia, and Mineral Fusion’s association with the National Coalition Against Domestic Violence (NCADV) which supports the fight against domestic violence.

Finally, we implemented several important internal change projects, with the establishment of the national wholesale model in Australia, the integration of our two US-based businesses, the relocation of the Nourished Life warehouse and the implementation of a new Enterprise Resource Planning system. These activities have been implemented to strengthen the operating platform and underpin future growth plans.

## FY2018 has seen the Company deliver strong financial results for its shareholders

Highlights of these results are:

- Revenue \$148.7 million up 104.6%;
- EBITDA (underlying<sup>1</sup>) \$40.3 million up 52.4%;
- NPAT (underlying<sup>1</sup>) \$24.2 million up 37.5%;
- EBITDA (statutory) \$35.3 million up 58.5%;
- NPAT (statutory) \$19.2 million up 42.9%; and
- FY18 fully franked dividends of 7.45c up 11%.

## Acquisitions

FY18 saw significant progress in both integrating and leveraging acquired businesses. The consolidation of our US businesses as a single BWX Brands USA operating entity was completed during the third quarter, with the new scale and combined capabilities positioning us well to take advantage of the growing natural market in North America. I see great potential for both brands to deliver ongoing growth via innovation and channel expansion, as well as in the people and platform to introduce Sukin to the North American markets.

Andalou Naturals has performed well and continues to present many opportunities for growth domestically and internationally. Driven by a strong track record of innovation and with a unique “high performance natural” positioning, the brand remains a major player in the natural channel and is delivering encouraging results where ranged outside that channel.

Mineral Fusion returns were encouraging, especially in the second half after the roll-out of improvements in both the operating and brand platforms. This work did slow brand momentum slightly but was vital to create a base for future growth. With that work complete I believe the brand is well positioned to deliver material domestic and international growth in 2019.

Nourished Life performance was solid given the volume of change required to establish an operating structure to underpin future domestic and international growth. During the second half we relocated both the warehouse and headquarters for the business with the result that we are now capable of delivering sustained growth over many years for the core domestic market and attractive international markets. This platform also provides outstanding insights into the natural channel, natural consumers and natural trends.

<sup>1</sup> Underlying amounts exclude one-off costs of \$5.0 million in acquisition and restructuring costs (2017: \$4.2 million)

## Sales and Distribution

Asia-Pacific – solid performance in the region with the highlights being continued organic growth in Sukin pharmacy sales, the successful roll-out into the Grocery channel and continued momentum in key markets such as China. The Andalou brand was introduced to the Australian market with early signs showing clear potential in both brand sales as well as the multi-brand model.

Americas – material progress in business integration, multi-brand selling and route-to-customer improvements. The combined business is now delivering operating leverage and has demonstrated the potential to both increase natural channel sales and succeed outside that channel. Highlights have been the continued success of Andalou innovation, improvements in the Mineral Fusion brand and supply chain, and early work in establishing the Sukin brand with US retailers.

EMEA – our UK operation has exceeded expectations with all key customers and will benefit from new scale with the acquired brands. We saw new market entries both in partnership with key retailers, and in new markets with potential for the future. With continued strong interest in the Sukin brand, and EU registration for Andalou Naturals and Mineral Fusion well progressed, this region presents significant potential for the future.

## Outlook

Though the year was dominated by change, it finishes with the business positioned better than ever to take advantage of the global consumer movement toward natural products in our categories.

We now have a business that is multi-brand, multi-geography and with price and brand positions that appeal to a broad range of consumers. This model is supported by strong margins and excellent manufacturing capability which will facilitate future growth.

With the ongoing focus on execution under our six strategic pillars, designed to build our brands and strengthen our platforms, we can leverage these favourable tailwinds in the natural beauty and personal care categories to seek continued growth of the Company, and ultimately shareholder returns.

My thanks to the Board 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, our shareholder community, for your support throughout the year as we continue to build the BWX business.



**Myles Anceschi**  
Interim 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 2018; 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 – Chairman, 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 to 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 and Body Care Australia and President of Nutrimetics Australia.

Additionally, Mr Shelley also held the position of Group Chairman of Sara Lee Australia (1996 to 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<sup>1</sup>

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, Lock Focus, 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<sup>1</sup>

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.

<sup>1</sup> Refer to Operating and financial review – Potential indicative proposal to acquire shares of the Company for further details.

#### Mrs Abi Cleland – Independent Non-Executive Director (appointed 17 August 2017, resigned 6 December 2017)

Mrs Abi Cleland has extensive global experience in strategy, M&A, digital and online, supply chain and business growth, management and business development of offshore Asian businesses and marketing in the form of pricing, new product development, branding, key account management and channel strategy.

This considerable experience has been gained from 20 years of executive and Board roles in driving growth at both small and large corporates here in Australia as well as offshore in retail, industrial and financial services sectors – including with ASX listed Orora, ANZ, Amcor, Incitec Pivot, Caltex and BHP, as well as with smaller entrepreneurial companies.

#### Mr David Fenlon – Independent Non-Executive Director (appointed 16 April 2018)

Mr David Fenlon has over 30 years of experience in the FMCG and consumer sectors, and is currently the Managing Director for Australia and New Zealand at Blackmores (ASX: BKL).

Prior to Blackmores, Mr Fenlon has worked in several other retail brands both in Australia and offshore, with a strong focus on strategic planning and business transformation. Mr Fenlon has held key positions in Tesco throughout Europe and Safeway in the UK. Mr Fenlon is currently a member of the Board of Directors for the Special Olympics, a Non-Executive Director for the Quest for Life Foundation, and is a member of the AICD.

#### Board and Committee Meeting attendance

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

Directors	Board of Directors Meetings		Risk and Audit Committee Meetings		Remuneration Committee Meetings		Independent Board Committee Meetings <sup>1</sup>	
	Number Held During the Term	Number Attended	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	2	2
Mr J Humble	12	12	–	–	–	–	–	–
Mr I Campbell	12	12	3	3	2	2	2	2
Mr A Finlay	12	12	–	–	–	–	–	–
Mrs A Cleland <sup>2</sup>	4	4	–	–	–	–	–	–
Mr D Fenlon <sup>3</sup>	2	2	1	1	–	–	2	2

1 Refer to Operating and financial review – Potential indicative proposal to acquire shares of the Company for further details.

2 Mrs A Cleland appointed as a Director on 17 August 2017, resigned 6 December 2017.

3 Mr D Fenlon appointed as a Director on 16 April 2018.

#### 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, Mineral Fusion, Andalou Naturals, DermaSukin, Life Basics, Uspa, Edward Beale and Renew personal care brands as well as the Nourished Life online marketplace.

#### Operating and financial review

The profit of the Group before depreciation and amortisation, finance costs, acquisition and restructuring related expenses and income tax expense for the year amounted to \$40.263 million (2017: \$26.427 million).

The profit of the Group for the year after providing for income tax amounted to \$19.216 million (2017: \$13.447 million).

The Group's basic earnings per share is 17.0 cents. Its diluted earnings per share is 16.6 cents.

The net assets of the Group are \$270.028 million as at 30 June 2018 (2017: \$99.293 million).

### Acquisition of Andalou Naturals

On 31 October 2017, the Group acquired 100% of the outstanding shares of Andalou Naturals, a California-based business. Andalou Naturals is a leading growth brand of skin, hair and body care inspired by innovative product development and quality natural ingredients. Andalou Naturals has a strong distribution network in the US with a presence across a number of key retailers, and is the number one selling facial skin care brand in the US natural channel.

### Acquisition of Nourished Life

On 15 September 2017, the Group completed the acquisition of the Nourished Life business. An Australian business, based on Sydney's northern beaches, Nourished Life is recognised as a trusted, authentic online retail platform, exclusively focused on natural and organic skincare and health and wellbeing products. Nourished Life has quickly grown to become one of Australia's leading natural and organic online retail brands with a large and engaged community of followers.

### Renounceable entitlement offer – Institutional and Retail

On 19 October 2017, the Company announced the acquisition of Andalou Naturals and the launch of the 1 for 5.7 pro-rata accelerated renounceable entitlement offer to fund the initial cash consideration, with remaining proceeds used to pay down existing debt facilities and fund transaction costs. Transaction costs of \$3.949 million were incurred relating to the issue of shares under the institutional and retail components.

11,014,062 ordinary shares (New Shares) were issued on 1 November 2017 pursuant to the terms of the accelerated renounceable entitlement offer under the institutional component at a price of \$5.92 per share. Shares issued under the institutional component were offered on the basis of 1 New Share for each 5.7 existing shares held as at the Record Date of 7:00pm 24 October 2017.

5,976,675 ordinary shares (New Shares) were issued on 17 November 2017 pursuant to the terms of the renounceable entitlement offer under the retail component at a price of \$5.92 per share. Shares issued under the retail component were offered on the basis of 1 New Share for each 5.7 existing shares held as at the Record Date of 7:00pm 24 October 2017.

### Institutional placement – 15 September 2017

On 15 September 2017, 3,177,571 ordinary shares were issued in accordance with an institutional placement to raise \$17 million as announced by the Company on 11 September 2017. These shares were placed with new and existing institutional investors at a price of \$5.35 per share to fund the initial cash consideration payable on the acquisition of Nourished Life. Transaction costs of \$0.455 million were incurred relating to the issue of shares under the placement.

### Proceedings issued by Waterloo Capital Partners LLC

As announced to the ASX on 10 July 2018, Waterloo Capital Partners LLC (WCP) has filed proceedings against the Company in relation to a success fee stemming from the acquisitions of Mineral Fusion and Andalou Naturals businesses and the May 2018 indicative proposal. The Independent Board Committee believes the claim has been filed opportunistically and the Company will defend the legal proceedings.

### Potential indicative proposal to acquire shares of the Company

The Company has previously advised shareholders that it has received an unsolicited preliminary, non-binding, indicative and conditional proposal from John Humble (CEO and Managing Director) and Aaron Finlay (Finance Director) in partnership with Bain Capital Private Equity, L.P. and its affiliates (Bain Capital), to acquire 100% of the shares in BWX for:

- (a) \$6.60 cash per share; or
- (b) a scrip alternative in a newly incorporated acquisition entity of 75% shares and 25% cash,

under a scheme of arrangement (Indicative Proposal).

The Board of BWX has established an Independent Board Committee (IBC) comprising Denis Shelley (Chairman), Ian Campbell and David Fenlon to consider and respond to the Indicative Proposal.

Mr J Humble and Mr A Finlay have taken a leave of absence from 22 May 2018 while the Strategic Review remains ongoing or until otherwise agreed with the Independent Board Committee.

The key terms/conditions of the Indicative Proposal include:

- Satisfactory completion of due diligence by Bain Capital;
- Finalisation of debt commitments for the transaction and Bain Capital investment committee final approval;
- Unanimous recommendation of the IBC, and an intention by the IBC to vote, in favour of the Indicative Proposal, subject to no superior proposal and an independent expert concluding that the Indicative Proposal is in the best interests of shareholders;
- No material transactions by BWX; and
- Entry into a definitive scheme implementation deed between BWX and the acquisition entity.

The IBC believes that the strategic initiatives pursued by BWX will deliver significant value for shareholders in the medium-to-long term and are confident in the Company's outlook as a standalone company. Nevertheless, it is possible that a party may put forward a final binding offer which sufficiently values BWX's attractive growth opportunities such that the IBC, and ultimately shareholders, may consider it more attractive than remaining as a standalone listed company.

On 24 August 2018 the Bain Consortium confirmed that they have substantially completed their due diligence but require until mid-September 2018 to complete their work. The IBC has determined it will continue discussions with the Bain Consortium to fully explore the possibility of an acceptable binding offer being presented.

The IBC cautions that at this time there is no guarantee that a proposal which is capable of being put to shareholders will eventuate and continues to recommend that shareholders TAKE NO ACTION in respect of their shareholdings in BWX.

The Company will update shareholders as appropriate.

### 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:

	2018	
	cents per ordinary share	\$'000
2017 Final fully franked dividend – 12 October 2017	4.2	3,889
2018 Interim fully franked dividend – 6 April 2018	3.25	3,983

On 29 August 2018, 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 2018, to be paid to shareholders on 12 October 2018. 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 2018. The total estimated dividend to be paid is \$5.195 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	344,372	150,000	200,000
Mr J Humble	10,250,000	550,000	–
Mr I Campbell	278,486	150,000	100,000
Mr A Finlay	1,393,696	550,000	–
Mr D Fenlon	–	–	–

The 300,000 options held by Directors form part of the total 470,000 options on issue at 30 June 2018. 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	170,000
22 July 2013	30 September 2018	\$2.00	200,000
15 July 2015	30 September 2018	\$2.00	100,000

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 issued 5,470,000 ordinary shares of the Company as a result of the exercise of options with an amount paid on each share of \$2.00 (there are no amounts unpaid on the shares issued).

### 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 2018 has been received and is attached to this Directors' Report.

### Interim CEO and CFO Declaration

The Interim CEO and CFO have given a declaration to the Board concerning the Group's financial statements under section 295A(2) of the Corporations Act 2001 and recommendations 4.2 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 Directors and Disclosed Executives 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 2018.

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
Mr D Fenlon <sup>1</sup>	Non-Executive Director
<b>Former Non-Executive Directors</b>	
Mrs A Cleland <sup>2</sup>	Non-Executive Director
<b>Disclosed Executives</b>	
Mr J Humble <sup>3</sup>	Chief Executive Officer ("CEO")
Mr A Finlay <sup>3</sup>	Finance Director
Mr V Somani	Chief Financial Officer ("CFO")
Mr M Anceschi <sup>4</sup>	Interim Chief Executive Officer ("Interim CEO")

<sup>1</sup> Mr D Fenlon was appointed on 16 April 2018.

<sup>2</sup> Mrs A Cleland was appointed on 17 August 2017 and resigned on 6 December 2017.

<sup>3</sup> Mr J Humble and Mr A Finlay have taken a leave of absence from 22 May 2018 while the Strategic Review remains ongoing or until otherwise agreed with the Independent Board Committee. Refer to Section 5.1 for further details.

<sup>4</sup> Mr M Anceschi held the role of Chief Operating Officer ("COO") until his appointment as Interim Chief Executive Officer ("Interim CEO") on 22 May 2018.

## 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 D Fenlon <sup>1</sup>	Member
Mrs A Cleland <sup>2</sup>	Member

<sup>1</sup> Mr D Fenlon was appointed on 16 April 2018.

<sup>2</sup> Mrs A Cleland was appointed on 17 August 2017 and resigned on 6 December 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 and Directors reflects the complexity of the individual's role and their experience, knowledge and performance. Internal and external benchmarking is regularly undertaken and fixed remuneration levels are set with regard to the external market median, with scope for incremental increase for superior performance.

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.

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 plan is 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 plan, 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 plan, 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 and restructuring 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 2018 was:

Disclosed Executives	Maximum "at-risk"	% of maximum STI awarded/ payable	% of STI forfeited
Mr J Humble	80% of fixed remuneration	12.5%	87.5%
Mr A Finlay	80% of fixed remuneration	12.5%	87.5%
Mr V Somani	80% of fixed remuneration	12.5%	87.5%
Mr M Anceschi	80% of fixed remuneration	12.5%	87.5%

Achievement of year on year 15% normalised EPS growth (excluding non-operational expenditure, including acquisition and restructuring related expenditure) meant that the financial criteria were partially satisfied. Refer to Section 7 for details on the STI amounts payable.

## 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;
- With regards to the enforcement of loan repayments, the Board holds discretion to modify the repayment terms;
- Where a corporate control event occurs, the Board holds the discretion to determine that any unvested shares become vested shares.

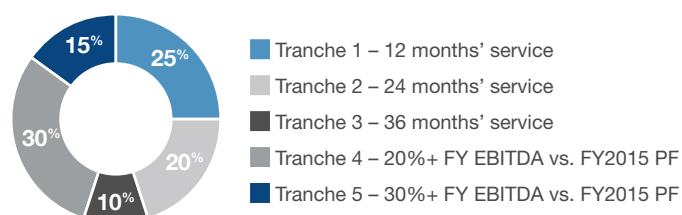
Vested shares	Unvested shares
<ul style="list-style-type: none"> <li>– Repayment of the loan must be made within five years from when the shares were issued;</li> <li>– The borrower must repay the lesser of the outstanding value of the loan or the market value of the shares acquired within the loan facility 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

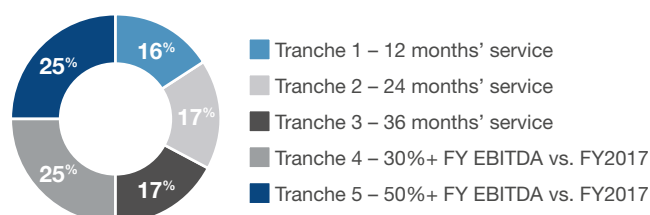
To gain access to the shares, the participant must repay the outstanding loan following successful testing of the respective vesting conditions. Details of the vesting conditions have been included below for plans which have participants who are Directors or Disclosed Executives.



Series A



Series B



Series A – 19 October 2015		
Tranche No	Portion of ELP shares	Vesting Conditions
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

Series B – 31 January 2017, 5 July 2017, 18 August 2017, 5 December 2017		
Tranche No	Portion of ELP shares	Vesting Conditions
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.

Vesting conditions under Options issued under the Options plan were satisfied and, accordingly, all options vested in prior reporting periods.

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

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

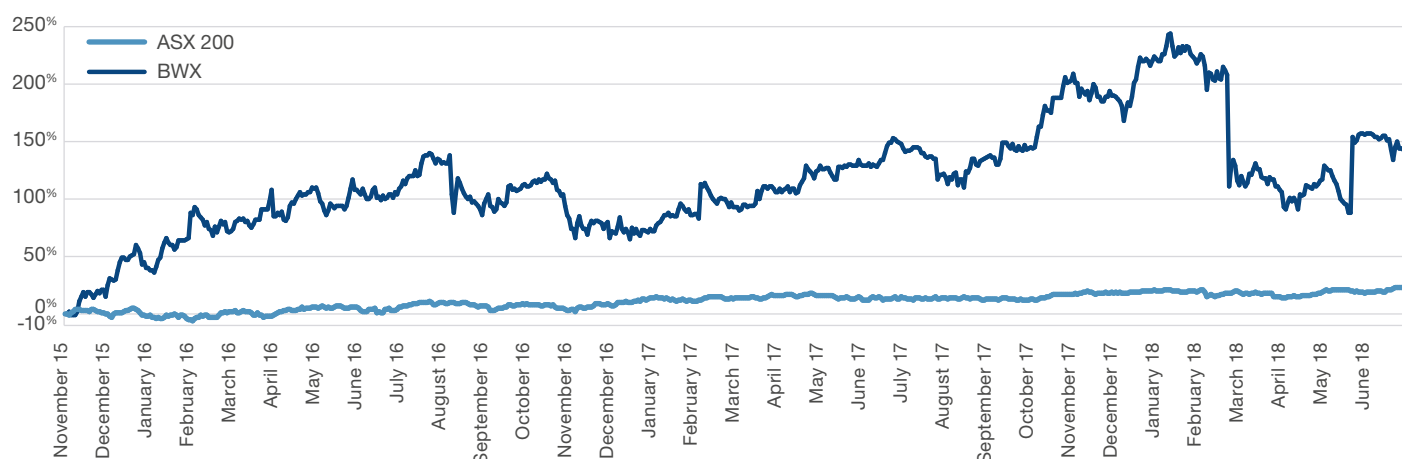
	2018 \$'000	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000
Sales revenue	148,711	72,700	54,265	27,822	10,608
Underlying EBITDA <sup>1</sup>	40,263	26,427	20,193	1,790	1,030
EBIT	33,418	21,423	19,152	(1,946)	220
Net profit after tax	19,216	13,447	12,024	(2,138)	72
Dividends per share (cps)	7.45	6.7	4.8	–	–
Statutory Basic Earnings per share (cents) <sup>2</sup>	17.0	14.3	14.1	–	–
Adjusted Basic Earnings per share (cents) <sup>1,2</sup>	21.5	18.7	14.4	–	–

<sup>1</sup> Excludes the impact of non-operational expenditure, including acquisition and restructuring related expenditure in the current and prior financial periods.

<sup>2</sup> Prior corresponding year adjusted for bonus share issues in the current financial period.

The following graph shows the performance of the Company share price against the movement in the ASX 200 since the successful listing of the Company in November 2015 to 30 June 2018.

Share Price Performance (ASX 200 vs. BWX)



## 5. Non-Executive Director Remuneration Policy

In determining the level and make-up of Non-Executive remuneration, the Board negotiates remuneration to reflect the market salary for a position and individual of comparable responsibility and experience whilst considering the Company's stage of development. Remuneration is compared with the external market by reference to industry salary surveys. 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 \$650,000 per annum (including superannuation contributions) as determined at the Company's 2017 Annual General Meeting. Remuneration consists of base fees, share plan incentive arrangements and superannuation contributions. Fixed remuneration is reviewed annually. Total fees paid and superannuation contributions to the Non-Executive Directors for the financial year were \$388,962 in aggregate.

Certain 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	
	2018 \$	2017 \$
Chairman	150,000	150,000
Non-Executive Director <sup>1</sup>	90,000	90,000

1 In the prior corresponding period, 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

### 5.1 Independent Board Committee

The Board of BWX has established an Independent Board Committee ("IBC") comprising Denis Shelley (Chairman), Ian Campbell and David Fenlon to respond to the Indicative Proposal from John Humble (CEO and Managing Director) and Aaron Finlay (Finance Director) in partnership with Bain Capital Private Equity, L.P. and its affiliates (Bain Capital), to acquire 100% of the shares in BWX. Additional fees paid relating to the committee-specific work have been detailed below and have been included in the amounts disclosed under Section 7 – Details of remuneration.

Director	Fees \$	Superannuation \$	Total \$
Mr D Shelley	15,400	1,463	16,863
Mr I Campbell	33,600	3,192	36,792
Mr D Fenlon	14,000	1,330	15,330

## 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 at 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 and were in alignment with the increase in size and complexity of the Group's operations following the acquisitions of Mineral Fusion, Andalou Natural and Nourished Life.

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

Disclosed Executive	Annual Base Salary	
	2018 \$	2017 \$
Mr J Humble <sup>1</sup>	560,000	560,000
Mr A Finlay <sup>1</sup>	450,000	450,000
Mr V Somani <sup>2</sup>	400,000	275,000
Mr M Anceschi <sup>3</sup>	500,000	350,000

1 Mr J Humble and Mr A Finlay have taken a leave of absence from 22 May 2018 while the Strategic Review remains ongoing or until otherwise agreed with the Independent Board Committee. Refer to Section 5.1 for further details.

2 Mr V Somani was promoted to the newly created position of Chief Financial Officer effective from 24 April 2017.

3 Mr M Anceschi held the role of Chief Operating Officer ("COO") until his appointment as Interim Chief Executive Officer ("CEO") on 22 May 2018.

## 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:

		Short-term employee benefits			Post employment benefits <sup>3</sup>	Long-term benefits				
	FY	Salary and fees <sup>1</sup> \$	STI cash bonus <sup>2</sup> \$	Non-cash benefits \$	Superannuation <sup>7</sup> \$	Long service leave \$	Share based payments <sup>4</sup> \$	TOTAL	Performance related <sup>5</sup> %	Remuneration consisting of rights and options <sup>5</sup> %
<b>Non-Executive Directors</b>										
Mr D Shelley <sup>10</sup>	2018	165,400	–	–	15,713	–	2,874	183,987	1.6%	1.6%
	2017	150,000	–	–	14,250	–	29,909	194,159	15.4%	15.4%
Mr I Campbell <sup>10</sup>	2018	123,600	–	–	11,742	–	2,874	138,216	2.1%	2.1%
	2017	90,000	–	–	8,550	–	29,909	128,459	23.3%	23.3%
Mr D Fenlon <sup>6,10</sup>	2018	32,929	–	–	3,128	–	–	36,057	–	–
	2017	–	–	–	–	–	–	–	–	–
Mrs A Cleland <sup>8</sup>	2018	28,038	–	–	2,664	–	–	30,702	–	–
	2017	–	–	–	–	–	–	–	–	–
Mr C Bottomley	2018	–	–	–	–	–	–	–	–	–
	2017	94,410	–	–	8,969	–	19,700	123,079	16.0%	16.0%
<b>Disclosed Executives</b>										
Mr J Humble <sup>9</sup>	2018	560,869	56,000	–	53,200	11,614	183,051	864,734	27.6%	21.2%
	2017	622,612	112,000	–	53,200	7,219	59,818	854,849	20.1%	7.0%
Mr A Finlay <sup>9</sup>	2018	450,698	45,000	–	42,750	9,333	183,051	730,832	31.2%	25.0%
	2017	500,313	90,000	–	42,750	5,726	59,818	698,607	21.4%	8.6%
Mr V Somani	2018	357,445	40,000	–	27,458	5,753	196,838	627,494	37.7%	31.4%
	2017	59,099	16,274	–	5,153	1,168	7,866	89,560	27.0%	8.8%
Mr M Anceschi	2018	398,184	50,000	–	38,553	3,171	357,569	847,477	48.1%	42.2%
	2017	185,396	16,493	–	16,284	992	50,354	269,519	24.8%	18.7%
<b>Total Directors and other KMP remuneration</b>										
	2018	2,117,163	191,000	–	195,208	29,871	926,257	3,459,499		
	2017	1,701,830	234,767	–	149,156	15,105	257,374	2,358,232		

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 year. 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 Certain 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 D Fenlon was appointed Non-Executive Director on 16 April 2018.

7 Superannuation for the year per the Australian Taxation Office guidance is capped at \$20,049 (2017: \$19,616). 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 Mrs A Cleland was appointed Non-Executive Director on 17 August 2017 and resigned on 6 December 2017.

9 Mr J Humble and Mr A Finlay have taken a leave of absence from 22 May 2018 while the Strategic Review remains ongoing or until otherwise agreed with the Independent Board Committee. Leave taken by Mr J Humble and Mr A Finlay during this period was drawn from existing annual leave entitlements.

10 Additional fees payable to Directors in the current year relating to Independent Board Committee. Refer to Section 5.1 for further details.



## 8. Equity Instruments held by Key Management Personnel

The tables below show the number of ordinary shares, performance rights (ELP) 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	Share Disposals	Appointment/ Cessation	Issue on Shareholder Entitlement Offer	Purchased on-market	Closing balance
<b>2018</b>							
Mr D Shelley	333,334	–	–	–	7,038	4,000	344,372
Mr I Campbell	272,728	–	–	–	5,758	–	278,486
Mr J Humble	9,742,945	–	–	–	148,928	358,127	10,250,000
Mr A Finlay	1,383,696	–	–	–	–	10,000	1,393,696
Mr D Fenlon <sup>2</sup>	–	–	–	–	–	–	–
Mr V Somani <sup>3</sup>	150,000	–	(176,315)	–	26,315	–	–
Mr M Anceschi <sup>4</sup>	–	–	–	–	–	–	–
<b>2017</b>							
Mr D Shelley	333,334	–	–	–	–	–	333,334
Mr I Campbell	272,728	–	–	–	–	–	272,728
Mr C Bottomley <sup>1</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>	–	–	–	–	–	–	–

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

2 Mr D Fenlon was appointed Non-Executive Director on 16 April 2018.

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 included from effective date.

4 Mr M Anceschi was appointed to the newly created position of Chief Operating Officer on 5 January 2017. Movements of Ordinary Shares included from effective date.

## 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 personnel 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 J Humble	5/12/2017	41,666	6.38	1.43	59,374	5/12/2018
	5/12/2017	41,667	6.38	1.81	75,292	5/12/2019
	5/12/2017	41,667	6.38	2.14	89,334	5/12/2020
	5/12/2017	62,500	6.38	1.43	89,063	31/08/2018
	5/12/2017	62,500	6.38	1.81	112,938	31/08/2019
		<b>250,000</b>	<b>426,000</b>			
Mr A Finlay	5/12/2017	41,666	6.38	1.43	59,374	5/12/2018
	5/12/2017	41,667	6.38	1.81	75,292	5/12/2019
	5/12/2017	41,667	6.38	2.14	89,334	5/12/2020
	5/12/2017	62,500	6.38	1.43	89,063	31/08/2018
	5/12/2017	62,500	6.38	1.81	112,938	31/08/2019
		<b>250,000</b>	<b>426,000</b>			
Mr V Somani	5/07/2017	16,666	5.88	1.57	26,099	5/07/2018
	5/07/2017	16,667	5.88	1.97	32,784	5/07/2019
	5/07/2017	16,667	5.88	2.32	38,634	5/07/2020
	5/07/2017	25,000	5.88	1.57	39,150	31/08/2018
	5/07/2017	25,000	5.88	1.97	49,175	31/08/2019
	18/08/2017	16,666	5.14	1.27	21,099	18/08/2018
	18/08/2017	16,667	5.14	1.61	26,751	18/08/2019
	18/08/2017	16,667	5.14	1.90	31,717	18/08/2020
	18/08/2017	25,000	5.14	1.27	31,650	31/08/2018
	18/08/2017	25,000	5.14	1.61	40,125	31/08/2019
		<b>200,000</b>	<b>337,184</b>			
Mr M Anceschi	5/07/2017	25,000	5.88	1.57	39,150	5/07/2018
	5/07/2017	25,000	5.88	1.97	49,175	5/07/2019
	5/07/2017	25,000	5.88	2.32	57,950	5/07/2020
	5/07/2017	37,500	5.88	1.57	58,725	31/08/2018
	5/07/2017	37,500	5.88	1.97	73,763	31/08/2019
	18/08/2017	16,666	5.14	1.27	21,099	18/08/2018
	18/08/2017	16,667	5.14	1.61	26,751	18/08/2019
	18/08/2017	16,667	5.14	1.90	31,717	18/08/2020
	18/08/2017	25,000	5.14	1.27	31,650	31/08/2018
	18/08/2017	25,000	5.14	1.61	40,125	31/08/2019
		<b>250,000</b>	<b>430,105</b>			

<sup>1</sup> 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 24-month service condition of Tranche 2 of ELPs granted on 19 October 2015 and the 12-month service condition of Tranche 1 of ELPs granted on 31 January 2017 were satisfied. 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	19/10/2015	30,000	19/10/2017	0.30	9,027	202,867
Mr I Campbell	19/10/2015	30,000	19/10/2017	0.30	9,027	202,867
Mr V Somani	19/10/2015	40,000	19/10/2017	0.30	12,036	270,490
Mr J Humble	19/10/2015	60,000	19/10/2017	0.30	18,054	405,734
Mr A Finlay	19/10/2015	60,000	19/10/2017	0.30	18,054	405,734
Mr M Anceschi	31/1/2017	25,000	31/1/2018	1.29	32,150	191,500

### 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>2018</b>								
Mr D Shelley	150,000	–	–	–	–	150,000	135,000	–
Mr I Campbell	150,000	–	–	–	–	150,000	135,000	–
Mr J Humble	300,000	250,000	–	–	–	550,000	270,000	–
Mr A Finlay	300,000	250,000	–	–	–	550,000	270,000	–
Mr V Somani	200,000	200,000	–	–	–	400,000	180,000	–
Mr M Anceschi	150,000	250,000	–	–	–	400,000	25,000	–
<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	–	–

<sup>1</sup> Mr C Bottomley resigned as a Director on 2 March 2017.

<sup>2</sup> 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 included from effective date.

<sup>3</sup> Mr M Anceschi was appointed to the newly created position of Chief Operating Officer on 5 January 2017. Movements of Ordinary Shares included from effective date.

Since 30 June 2018 until the date of this report, there have been 965,000 ELP shares granted/issued, of which 400,000 ELP shares were issued to KMPs.

## Remuneration Report (audited) (continued)

### 8.3 Options

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	Appointment/ Cessation	Exercised	Closing balance	Vested and exercisable at year-end	Vested and unexercisable at year-end
<b>2018</b>						
Mr D Shelley	200,000	–	–	200,000	200,000	–
Mr I Campbell	100,000	–	–	100,000	100,000	–
Mr J Humble	2,800,000	–	(2,800,000)	–	–	–
Mr A Finlay	420,000	–	(420,000)	–	–	–
<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>1</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	–

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

### 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.**

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:



**Denis Shelley**  
Chairman

Dated at Melbourne this 29th day of August 2018



# 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 Company undertake checks on any person appointed by the Board as a Director. Potential new Directors are subject to appropriate screening and background checks prior to appointment or putting forward a candidate for election as a Director. The Company also provides shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director at the Company's Annual General Meeting.

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 2018 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 D Fenlon	Non-Executive Director	Independent	16 April 2018	Current
Mr A Cleland	Non-Executive Director	Independent	17 August 2017	6 December 2017
Mr John Humble	Chief Executive Officer	Non-Independent	26 April 2013	Current <sup>1</sup>
Mr Aaron Finlay	Executive Director	Non-Independent	26 April 2013	Current <sup>1</sup>

<sup>1</sup> Mr J Humble and Mr A Finlay have taken a leave of absence from 22 May 2018 while the Strategic Review remains ongoing or until otherwise agreed with the Independent Board Committee.

Due to the resignation of Craig Bottomley on 2 March 2017, the Board comprised two Non-Executive Directors until the appointment of Abi Cleland on 17 August 2017. Following Abi Cleland's resignation on 6 December 2017 the Board once again comprised two Non-Executive Directors until the appointment of Dave Fenlon on 16 April 2018.

The Company has entered into written agreements with each of its Directors and Disclosed Executives setting out the terms of their appointment. The material terms of all employment, service or consultancy agreements with Directors or other related parties have been disclosed, to the extent required, in accordance with ASX Listing Rule 3.16.4. The Company publishes details of Director and Disclosed Executive remuneration on an annual basis in the Remuneration Report included in the Directors' Report.

New appointments may be made in the future to facilitate Board succession, to introduce further skills and experience relevant to the Company's strategy and Board operations, or for the purpose of bringing more diversity to the Board. New Directors are provided with an induction program similar to that provided to employees to assist them in becoming familiar with the Company, its Executive and its business following their appointment. The induction program involves, among other things, meetings with members of the Board, the Executive and briefings on the Company's operations and relevant business matters.

### 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, Denis Shelley and David Fenlon 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 comprised two members from this time until the appointment of David Fenlon.

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.

The Company does not have a formalised internal audit function, however it has processes for evaluating and continually improving the effectiveness of risk management and internal financial control processes. To evaluate and continually improve the effectiveness of the Company's risk management and internal control processes, the Board relies on ongoing reporting and discussion of the management of material business risks.

### 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 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 comprised two members until the appointment of Abi Cleland on 17 August 2017. Following Abi Cleland's resignation on 6 December 2017 the Remuneration Committee once again comprised two members until the appointment of Dave Fenlon on 16 April 2018.

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.

The Company seeks to appoint a female director in FY2019 as a progressive step towards better balance 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.

The Company Secretary is accountable to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

## 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, wilful damage or misuse;
- Deal with intellectual property owned by the Company in a manner that preserves and protects the Company and its rights;
- Avoid conflicts of interest;
- Conduct business fairly and competitively in accordance with trade and anti-competition legislation;
- Maintain a safe, healthy efficient and productive workplace, including observing equal opportunity rights;
- Not make corrupt, illegal or improper payments by or on behalf of the Company; and
- Take into account environmental considerations when conducting business operations.

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

## 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 report 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 2018 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

*N. S. Benbow*

**N. S. Benbow**  
Director

Dated this 29<sup>th</sup> day of August, 2018

### CHARTERED ACCOUNTANTS & ADVISORS

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

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2018

	Note	Year ended 30 June 2018 \$'000	Year ended 30 June 2017 \$'000
Sales revenue	3	148,711	72,700
Cost of sales		(60,416)	(25,132)
<b>Gross profit</b>		<b>88,295</b>	<b>47,568</b>
Other income	3	1,565	81
Corporate and administrative expenses		(18,370)	(11,153)
Marketing, selling and distribution expenses		(27,319)	(7,297)
Occupancy expenses		(2,783)	(1,902)
Research and development and quality control expenses		(1,125)	(870)
<b>Profit before depreciation, amortisation, finance costs, acquisition and restructuring related expenses</b>		<b>40,263</b>	<b>26,427</b>
Depreciation and amortisation		(1,855)	(824)
Finance expenses		(4,420)	(899)
Acquisition and restructuring expenses	17	(4,990)	(4,180)
<b>Profit before tax</b>		<b>28,998</b>	<b>20,524</b>
Income tax expense	5	(9,782)	(7,077)
<b>Profit after tax</b>		<b>19,216</b>	<b>13,447</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		7,378	(54)
<b>Other comprehensive income for the period</b>		<b>7,378</b>	<b>(54)</b>
<b>Total comprehensive income attributable to owners of the Company</b>		<b>26,594</b>	<b>13,393</b>
<b>Earnings per share (EPS)</b>			
Basic EPS (cents)	18	17.0	14.3
Diluted EPS (cents)	18	16.6	13.4

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 2018

	Note	2018 \$'000	2017 \$'000
<b>Current assets</b>			
Cash and cash equivalents	6	19,892	11,010
Trade and other receivables	7	31,194	18,592
Inventories	8	27,891	16,395
Other assets	9	1,825	1,197
<b>Total current assets</b>		<b>80,802</b>	<b>47,194</b>
<b>Non-current assets</b>			
Plant and equipment	10	3,512	4,316
Intangible assets and goodwill	11	274,315	132,455
Deferred tax assets	5	3,192	1,277
<b>Total non-current assets</b>		<b>281,019</b>	<b>138,048</b>
<b>Total assets</b>		<b>361,821</b>	<b>185,242</b>
<b>Current liabilities</b>			
Trade and other payables	12	16,156	12,080
Financial liabilities	13	18,237	18,895
Current tax liabilities		1,419	4,530
Employee benefits		1,236	1,219
<b>Total current liabilities</b>		<b>37,048</b>	<b>36,724</b>
<b>Non-current liabilities</b>			
Financial liabilities	13	54,548	49,089
Employee benefits		197	136
<b>Total non-current liabilities</b>		<b>54,745</b>	<b>49,225</b>
<b>Total liabilities</b>		<b>91,793</b>	<b>85,949</b>
<b>Net assets</b>		<b>270,028</b>	<b>99,293</b>
<b>Equity</b>			
Contributed equity	14	233,245	81,929
Reserves	16	8,738	663
Retained earnings		28,045	16,701
<b>Total equity</b>		<b>270,028</b>	<b>99,293</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 2018

	Contributed equity \$'000	Reserves \$'000	Retained earnings/ accumulated losses \$'000	Total \$'000
<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)
<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>				
Shares issued, net of costs	964	–	–	964
Transactions with employee loan plan shareholders	233	–	–	233
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>
<b>Balance at 1 July 2017</b>	<b>81,929</b>	<b>663</b>	<b>16,701</b>	<b>99,293</b>
Profit for the year	–	–	19,216	19,216
Other comprehensive income for the year				
Exchange difference on translation of overseas subsidiaries	–	7,378	–	7,378
<b>Total comprehensive income</b>	<b>–</b>	<b>7,378</b>	<b>19,216</b>	<b>26,594</b>
<b>Transactions with owners of the Company</b>				
Shares issued, net of costs	150,276	(455)	–	149,821
Transactions with employee loan plan shareholders	588	–	–	588
Vesting costs for performance rights	–	1,302	–	1,302
Performance rights vested	150	(150)	–	–
Dividends paid	302	–	(7,872)	(7,570)
<b>Total transactions with owners</b>	<b>151,316</b>	<b>697</b>	<b>(7,872)</b>	<b>144,141</b>
<b>Balance at 30 June 2018</b>	<b>233,245</b>	<b>8,738</b>	<b>28,045</b>	<b>270,028</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 2018

	Note	Year ended 30 June 2018 \$'000	Year ended 30 June 2017 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers		150,332	74,098
Cash paid to suppliers and employees		(120,929)	(51,074)
Payments for transaction costs		(9,190)	(1,325)
Income taxes paid		(12,562)	(7,583)
Interest received		66	20
Interest paid		(3,393)	(719)
<b>Net cash flows from operating activities</b>	22	<b>4,324</b>	13,417
<b>Cash flows from investing activities</b>			
Acquisition of plant and equipment		(1,031)	(888)
Proceeds on sale of plant and equipment		112	–
Acquisition of intangible assets		(1,401)	–
Cash outflow on acquisition of businesses, net of cash acquired		(98,074)	(54,373)
<b>Net cash flows used in investing activities</b>		<b>(100,394)</b>	(55,261)
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital		129,225	233
Transaction costs for issue of shares		(4,498)	(14)
Dividends paid		(7,683)	(6,586)
Proceeds from (Repayments of) loans and borrowings		(13,013)	56,625
<b>Net cash flows from financing activities</b>		<b>104,031</b>	50,258
Net increase (decrease) in cash and cash equivalents		7,961	8,414
Effect of exchange rate changes on cash held		921	(55)
Cash and cash equivalents at 1 July 2017		11,010	2,651
<b>Cash and cash equivalents at 30 June 2018</b>	6	<b>19,892</b>	11,010

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 2018

## 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 2018 comprise the Company and its subsidiaries (together referred to as the Group). The Group is primarily involved in the manufacture, wholesale, online 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 the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

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 29 August 2018.

### (b) Basis of preparation

This financial report is presented in Australian dollars which is the Company's functional 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, except for deferred consideration and payments that have been measured at fair value. 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 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. 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 2018.

#### 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 2018.

#### 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 and other indefinite life intangibles

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.

Intangible assets with indefinite lives are tested annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

#### Andalou Naturals deferred payments

At acquisition date, the Group assessed whether the performance conditions relating to the deferred payments for the Andalou Naturals business are likely to be satisfied, resulting in payment. The payments are payable contingent upon estimated growth in Gross Profit of the business over a five-year period for Andalou Naturals. As at 30 June 2018, management has performed an assessment and values provided reflect the net present value of the amount estimated to be payable in subsequent reporting periods, translated at the relevant reporting rate.

Changes in the net present value of the deferred payments are recognised in the profit or loss under "finance expenses".

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

#### Deferred consideration on acquisition of Nourished Life

At acquisition date, the Group assessed whether conditions relating to the contingent consideration on acquisition of the Nourished Life business is likely to be satisfied, resulting in payment. The deferred consideration is payable contingent upon estimated growth in Gross Profit of the business over a four-year period for Nourished Life. As at 30 June 2018, management has performed an assessment and values provided as deferred consideration reflect the net present value of the amount estimated to be payable in subsequent reporting periods, translated at the relevant reporting rate.

Changes in the net present value of the deferred consideration are recognised in the profit or loss under "finance expenses".

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

#### *Assessment of fair values of intangible assets acquired on business combinations of Andalou Naturals and Mineral Fusion*

In the current reporting period, the Group employed an external expert to examine the fair values of the assets and liabilities acquired in the purchase of Andalou Naturals and Mineral Fusion businesses. This resulted in a reclassification of its intangible assets – for details of this refer to Note 11. These Level 3 fair valuation assessments, based upon non-quoted market and industry data and inputs, include the following:

- For acquired brands the "relief from royalty" method, which calculates a hypothetical royalty as a proportion of forecast revenue. The royalty rates applied are from comparable industry data and those applied against forecast revenues of the Group discounted to present value.

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

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

### (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 are 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 values, 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. During the year, there was an addition of an ERP system with a useful life of five years. 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 Sales Tax, Goods and Services Tax ("GST") or Value Added Tax ("VAT") except:

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

The net amount of Sales Tax/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 Sales Tax/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 Sales Tax/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.

##### Changes in accounting policy and disclosures

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 reporting period ended 30 June 2018 are outlined in the table below:

## Notes to the Consolidated Financial Statements (continued)

Standard	Mandatory date for annual reporting periods beginning on or after	Commencing reporting period standard adopted by the Company
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 based on the analysis performed has concluded 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 and rebate arrangements. 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 Finance Position on a discounted basis when the standard becomes effective.

### Note 3: Revenue and other income

	Year ended 30 June 2018 \$'000	Year ended 30 June 2017 \$'000
Sales revenue	148,711	72,700
Other income		
Interest income	66	20
R&D grant income	1,490	–
Other income	9	61
	<b>150,276</b>	<b>72,781</b>

### Note 4: Expenses

	Year ended 30 June 2018 \$'000	Year ended 30 June 2017 \$'000
<i>Employee benefits expenses (included in cost of sales and operating expenses):</i>		
Salaries and wages	16,806	9,212
Superannuation	1,324	831
Labour hire	1,365	207
Share-based payments	1,302	525
Other employee expenses	3,180	1,336
	<b>23,977</b>	<b>12,111</b>

## Note 5: Income Tax

Income tax recognised in profit or loss

	Year ended 30 June 2018 \$'000	Year ended 30 June 2017 \$'000
Current tax expense in respect of the current period	8,128	6,355
Deferred tax expense recognised in the current period	1,654	722
<b>Total income tax expense recognised in the current period relating to continuing operations</b>	<b>9,782</b>	<b>7,077</b>
Prima facie income tax expense attributable to profit from operations at the Australian tax rate of 30% (2017: 30%)	8,699	6,157
Add/(deduct) the tax effect of:		
Non-deductible acquisition and restructuring related expenses	438	1,254
Non-deductible share-based payments expenses	391	135
Other non-deductible expenses	233	10
Change in overseas tax rates	551	–
Overseas tax rate differential	(352)	(3)
	<b>9,960</b>	<b>7,553</b>
Prior year adjustment	(178)	(476)
<b>Total income tax expense recognised in the current period</b>	<b>9,782</b>	<b>7,077</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:

	2018 \$'000	2017 \$'000
Deferred tax assets	<b>3,192</b>	1,277
	<b>3,192</b>	1,277

Deferred tax balances are attributable to the following:

	2018 \$'000	2017 \$'000
<b>Deferred taxes</b>		
Accruals	1,134	372
Provisions	89	94
Employee benefits	533	340
Other items	1,436	471
	<b>3,192</b>	<b>1,277</b>

## Note 6: Cash and cash equivalents

	2018 \$'000	2017 \$'000
Cash on hand and at bank	<b>19,892</b>	11,010

**Note 7: Trade and other receivables**

	2018 \$'000	2017 \$'000
<b>Current</b>		
Trade debtors	31,099	20,057
Provision for doubtful debts	(309)	(509)
Provision for rebates and returns	(1,740)	(1,243)
	29,050	18,305
Other receivables	2,144	287
	<b>31,194</b>	<b>18,592</b>

**Trade debtors**

Nearly all trade debtors are unsecured. There are limited 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	Current- 30 days PDNI <sup>1</sup> \$'000	31-60 days PDNI <sup>1</sup> \$'000	61-90 days PDNI <sup>1</sup> \$'000	+91 days PDNI <sup>1</sup> \$'000	+91 days CI <sup>2</sup> \$'000
<b>2018</b>	<b>31,099</b>	<b>26,819</b>	<b>637</b>	<b>98</b>	<b>3,236</b>	<b>309</b>
2017	20,057	15,867	106	28	3,547	509

1 PDNI – Past due not impaired.

2 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**

	2018 \$'000	2017 \$'000
<b>Current</b>		
Raw materials	2,786	2,696
Packaging	2,859	3,073
Work in progress	1,740	971
Finished goods	20,506	9,655
	<b>27,891</b>	<b>16,395</b>

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

**Note 9: Other assets**

	2018 \$'000	2017 \$'000
Prepayments	1,495	1,197
Other assets	330	–
	<b>1,825</b>	<b>1,197</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>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>
<b>2018:</b>					
<b>Opening carrying value</b>	<b>1,051</b>	<b>2,449</b>	<b>127</b>	<b>689</b>	<b>4,316</b>
Additions	501	531	–	110	1,142
Acquisitions of subsidiaries	32	7	–	–	39
Disposals	(8)	(21)	(116)	–	(145)
Reclassification/Transfers	43	(73)	–	30	–
Effect of movements in exchange rates	10	5	–	–	15
Depreciation	(902)	(657)	(11)	(285)	(1,855)
<b>Closing carrying value</b>	<b>727</b>	<b>2,241</b>	<b>–</b>	<b>544</b>	<b>3,512</b>
<b>As at 30 June 2018</b>					
Cost	2,166	3,939	–	1,060	7,165
Accumulated Depreciation	(1,439)	(1,698)	–	(516)	(3,653)
<b>Carrying value</b>	<b>727</b>	<b>2,241</b>	<b>–</b>	<b>544</b>	<b>3,512</b>

### Impairment loss

The Group has assessed the carrying value of plant and equipment for impairment as at 30 June 2018. 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>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>1</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>
<b>2018:</b>						
<b>Opening 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>
Additions	797	–	–	–	1,411	2,208
Acquisitions of subsidiaries <sup>2</sup>	–	–	–	134,872	–	134,872
Reclassification on independent valuation <sup>3</sup>	–	–	64,298	(64,298)	–	–
Disposals <sup>4</sup>	(1,774)	–	–	–	–	(1,774)
Effect of movements in exchange rates	–	–	–	6,558	7	6,565
Amortisation	–	–	–	–	(11)	(11)
<b>Closing carrying value</b>	<b>4,136</b>	<b>7,203</b>	<b>101,914</b>	<b>159,452</b>	<b>1,610</b>	<b>274,315</b>
<b>As at 30 June 2018</b>						
Cost	4,136	7,203	101,914	159,452	1,635	274,340
Accumulated amortisation	–	–	–	–	(25)	(25)
<b>Carrying value</b>	<b>4,136</b>	<b>7,203</b>	<b>101,914</b>	<b>159,452</b>	<b>1,610</b>	<b>274,315</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 Intangible assets acquired relating to the acquisition of Nourished Life on 15 September 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.

3 An independent valuation of intangibles was performed in the current reporting period as part of finalising the business combination accounting for the acquisition of the Mineral Fusion and Andalou Naturals businesses.

4 Disposal of customer relationships on transition from contract manufacturing to the manufacture of own branded products.

### 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. For the purposes of impairment testing, goodwill and brands and trademarks have been allocated to the Group's CGUs as follows:

	2018		2017	
	Goodwill \$	Brands and Trademarks \$	Goodwill \$	Brands and Trademarks \$
USA	104,774	64,298	55,341	–
Australia/International	54,678	37,616	26,979	37,616
	<b>159,452</b>	<b>101,914</b>	<b>82,320</b>	<b>37,616</b>

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

Key assumptions	USA		Australia/International	
	2018 %	2017 %	2018 %	2017 %
Growth rate over forecast period	12.5%	–	3.5%	3.5%
Terminal value growth rate	2.5%	–	2.5%	2.5%
Pre-tax discount rate	12.5%	–	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

	2018 \$'000	2017 \$'000
<b>Current</b>		
Trade creditors	9,217	5,609
Other creditors and accruals	6,939	6,471
	<b>16,156</b>	<b>12,080</b>

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

## Note 13: Financial liabilities

	30 June 2018 \$'000	30 June 2017 \$'000
<b>Current</b>		
Bank loan	6,700	8,375
Trade finance facility	5,368	4,995
Equipment finance	225	303
Amortised borrowing costs	(283)	(780)
	12,010	12,893
Deferred consideration – Mineral Fusion	–	6,002
Deferred consideration – Nourished Life	1,541	–
Deferred payments – Andalou Naturals	4,686	–
	<b>18,237</b>	18,895
<b>Non-current</b>		
Bank loan	38,769	49,083
Equipment finance	284	568
Amortised borrowing costs	(279)	(562)
	38,774	49,089
Deferred consideration – Nourished Life	6,371	–
Deferred payments – Andalou Naturals	9,403	–
	<b>54,548</b>	49,089

## Mineral Fusion business deferred consideration

Contingent consideration of \$6.002 million was recognised on acquisition of the Mineral Fusion business. Contingent consideration at acquisition was contingent upon the Mineral Fusion business meeting certain target gross margin performance measures for the 12-month period to 31 December 2017 and the 12-month period to 30 June 2018. As at 31 December 2017 and 30 June 2018, management has performed an assessment and evaluated that the targets relating to the measures to 31 December 2017 and 30 June 2018 have not been satisfied. Accordingly, the impact of the revision in estimate is included in “Acquisition and restructuring expenses” in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

## Nourished Life business deferred consideration

Contingent consideration of \$7.717 million at acquisition has been recognised in relation to the Nourished Life business. The deferred consideration is based on the performance of the Nourished Life business and relates to the estimated growth in gross profit of the business over a four-year period, excluding contributions from the Group’s owned brands. Payments due under the agreement are payable in equal portions of cash and equity based on the 30-day VWAP immediate prior to their issue. All shares issued as part of the deferred consideration agreement will be subject to 12 months voluntary escrow. As at 30 June 2018, management has performed an assessment and values provided as deferred consideration reflect the net present value of the amount estimated to be payable in subsequent reporting periods, translated at the relevant reporting rate.

## Andalou Naturals deferred payments

Disparate future performance related amounts which are required by accounting standards to be recognised as consideration transferred may become payable in subsequent periods of \$13.673 million (as at acquisition date) and have been recognised. These payments are based on the performance of the Andalou Naturals business and relate to the estimated growth in gross profit of the business over the next five years against established growth target measures. These performance payments have been designed to ensure US-based management is appropriately incentivised in the continued success of the business within the Group. Payments due under the arrangement are payable in cash. As at 30 June 2018, management has performed an assessment and values provided as deferred payments reflect the net present value of the amount estimated to be payable in subsequent reporting periods, translated at the relevant reporting rate.

## Terms and repayments schedule

The terms and conditions of outstanding loans are as follows:

	Nominal interest rate	Year of maturity	2018		2017	
			Face value \$'000	Carrying amount \$'000	Face value \$'000	Carrying amount \$'000
Bank loan – USD	LIBOR + 2.9%	2020	30,393	30,393	29,358	29,358
Bank loan	BBSY + 2.9%	2018-2020	15,075	15,075	28,100	28,100
Trade finance facility	3.0% – 3.3%	2018	5,368	5,368	4,995	4,995
Capitalised borrowing costs			–	(562)	–	(1,342)
<b>Total interest-bearing liabilities</b>			<b>50,836</b>	<b>50,274</b>	<b>62,453</b>	<b>61,111</b>

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 2020, 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 (\$30.393 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. During the current reporting period, the Group obtained an interest rate option derivative to hedge a portion of the interest rate risk representing approximately 50% of outstanding bank loans. The effect of the interest rate option is to limit/cap a portion of the exposure in three-month USD LIBOR to increases above 2.00%.

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 2018, the Group has complied with its obligations under the facility.

As at 30 June 2018, the Group had available \$10.723 million (2017: \$13.199 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	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Less than one year	248	349	(24)	(46)	248	349
Between one and five years	300	610	(15)	(43)	300	610
	<b>548</b>	<b>959</b>	<b>(39)</b>	<b>(89)</b>	<b>548</b>	<b>959</b>

# Note 14: Contributed Equity

	2018 \$'000	2017 \$'000
Ordinary shares, fully paid	233,245	81,929

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

## Movements in share capital

	2018		2017	
	Number	\$'000	Number	\$'000
Balance at 1 July	92,296,020	81,929	91,592,729	80,169
Shares issued under employee loan plan <sup>1</sup>				
– 23 September 2016	–	–	493,000	–
– 5 July 2017	105,000	–	–	–
– 18 August 2017	200,000	–	–	–
– 21 September 2017	100,000	–	–	–
– 5 December 2017	545,000	–	–	–
Shares issued on exercise of Options <sup>2</sup>				
– 23 October 2017	250,000	500	–	–
– 7 November 2017	500,000	1,047	–	–
– 28 November 2017	3,220,000	6,440	–	–
– 13 December 2017	500,000	1,130	–	–
– 3 January 2018	500,000	1,140	–	–
– 11 January 2018	500,000	1,138	–	–
Shares issued for (deferred) consideration on acquisition				
– Deferred consideration on acquisition of Lightning Brokers	–	–	210,291	978
– Consideration on acquisition of Nourished Life <sup>3</sup>	741,057	4,000	–	–
– Consideration on acquisition of Andalou Naturals <sup>4</sup>	3,105,885	19,816	–	–
Placements and rights issues				
– Institutional placement <sup>5</sup>	3,177,571	17,000	–	–
– Renounceable entitlement offer – accelerated institutional component <sup>6</sup>	11,014,062	65,203	–	–
– Renounceable entitlement offer – retail component <sup>6</sup>	5,976,675	35,382	–	–
Transaction costs relating to share issues, net of tax	–	(2,520)	–	(14)
Vesting of employee loan plan shares	–	150	–	445
Transactions with employee loan plan shareholders <sup>7</sup>	–	588	–	233
Distributions paid <sup>8</sup>	–	302	–	118
<b>Balance at 30 June</b>	<b>122,731,270</b>	<b>233,245</b>	<b>92,296,020</b>	<b>81,929</b>

<sup>1</sup> Shares were issued to senior management as part of the Company's Employee Loan Plan. Refer to Note 25 for further details.

<sup>2</sup> Shares issued as part of the Company's Performance Options plan on exercise. Refer to Note 25 for further details.

<sup>3</sup> 741,057 shares were issued at a fair value of \$5.398, representing the 30-day VWAP immediately prior to the date of the sale agreement in connection with the acquisition of the Nourished Life business. Shares are subject to a 12-month voluntary escrow period ending 14 September 2018.

<sup>4</sup> 3,105,885 shares were issued at a fair value of \$6.38, representing the 30-day VWAP three trading days prior to completion in connection with the acquisition of Andalou Naturals. Shares are subject to a 36-month voluntary escrow period ending 31 October 2020.

<sup>5</sup> Refer to Section "Institutional placement – 15 September 2017" for further details.

<sup>6</sup> Refer to Section "Renounceable entitlement offer – Institutional and Retail" for further details.

<sup>7</sup> Proceeds from employee loan plan participants in satisfaction of outstanding loan balances on exercise of vested employee loan plan shares.

<sup>8</sup> Distributions on employee loan plan shares are not fully paid in cash as 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 creditors and are fully entitled to any proceeds of liquidation.

## Institutional placement – 15 September 2017

On 15 September 2017, 3,177,571 ordinary shares were issued in accordance with an institutional placement to raise \$17 million as announced by the Company on 11 September 2017. These shares were placed with new and existing institutional investors at a price of \$5.35 per share to fund the initial cash consideration payable on the acquisition of Nourished Life. Transaction costs of \$0.455 million were incurred relating to the issue of shares under the placement.

## Renounceable entitlement offer – Institutional and Retail

On 19 October 2017, the Company announced the acquisition of Andalou Naturals and the launch of the 1 for 5.7 pro-rata accelerated renounceable entitlement offer to fund the initial cash consideration, with remaining proceeds used to pay down existing debt facilities and fund transaction costs. Transaction costs of \$3.949 million were incurred relating to the issue of shares under the institutional and retail components.

11,014,062 ordinary shares (New Shares) were issued on 1 November 2017 pursuant to the terms of the accelerated renounceable entitlement offer under the institutional component at a price of \$5.92 per share. Shares issued under the institutional component were offered on the basis of 1 New Share for each 5.7 existing shares held as at the Record Date of 7:00pm 24 October 2017.

5,976,675 ordinary shares (New Shares) were issued on 17 November 2017 pursuant to the terms of the renounceable entitlement offer under the retail component at a price of \$5.92 per share. Shares issued under the retail component were offered on the basis of 1 New Share for each 5.7 existing shares held as at the Record Date of 7:00pm 24 October 2017.

## Note 15: Dividends

	2018		2017	
	\$ per ordinary share	\$'000	\$ per ordinary share	\$'000
<i>Recognised amounts:</i>				
2017 Final fully franked dividend – 12 October 2017	0.042	3,889	0.048	4,397
2018 Interim fully franked dividend – 6 April 2018	0.0325	3,983	0.025	2,307
<i>Unrecognised amounts:</i>				
2018 Final fully franked dividend	0.042	5,195		

On 16 August 2017, the Directors determined to pay a fully franked final dividend of 4.2 cents per share to holders of ordinary shares in respect of the financial year ended 30 June 2017. The dividend was subsequently paid to shareholders on 12 October 2017.

On 21 February 2018, the Directors determined to pay an interim fully franked final dividend of 3.25 cents per share to the holders of fully paid ordinary shares in respect of the half year ended 31 December 2017. The dividend was subsequently paid to shareholders on 6 April 2018.

On 29 August 2018, 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 2018, to be paid to shareholders on 12 October 2018. 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 2018. The total estimated dividend to be paid is \$5.195 million.

In accordance with the tax consolidation legislation, the Company as the head entity in the Group has also assumed the benefit of \$10,909,132 (2017: \$5,952,029) franking credits.

**Note 16: Reserves**

	Options Reserve \$'000	Performance Rights Reserve \$'000	Foreign Currency Translation Reserve \$'000	Total \$'000
Balance at 1 July 2016	455	182	–	637
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>
Exchange difference on translation of overseas subsidiaries	–	–	7,378	7,378
Employee Loan Plan expense	–	1,302	–	1,302
Performance rights vested	–	(150)	–	(150)
Exercise of Options	(455)	–	–	(455)
<b>Balance at 30 June 2018</b>	<b>–</b>	<b>1,414</b>	<b>7,324</b>	<b>8,738</b>

**Nature and purpose of reserves**

**Options reserve**

The options reserve records the fair value of options issued but not exercised. 300,000 of the total 470,000 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 3,043,000 performance rights on issue at year-end, 2,200,000 are held by key management personnel.

**Foreign currency translation reserve**

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



## 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.

Following the acquisition of the Mineral Fusion and Andalou Naturals businesses, the Group operates within two reportable markets, United States of America (USA) and Australia/International (which comprises all other business outside of the USA). The executive management team review the results of the Group at this level. Segment revenue, segment expense and segment result include transfers between operating segments. Those transfers are eliminated on consolidation. Inter-segment pricing is determined on an arm's-length basis.

The accounting policies of the reportable segments 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 taxation, depreciation, amortisation, finance costs, and acquisition and restructuring related expenses.

Segment result	Year ended 30 June 2018		
	USA \$'000	Australia/ International \$'000	Total \$'000
<b>Revenue</b>			
Revenue from operations	57,965	90,746	148,711
Inter-segment revenue	4,493	384	4,877
<b>Total segment revenue</b>	<b>62,458</b>	<b>91,130</b>	<b>153,588</b>
Inter-segment elimination	(4,493)	(384)	(4,877)
<b>Total consolidated revenue</b>	<b>57,965</b>	<b>90,746</b>	<b>148,711</b>
<b>Result</b>			
Profit before tax, depreciation, amortisation, finance costs, acquisition and restructuring related expenses	15,068	28,700	43,768
Depreciation and amortisation	(734)	(946)	(1,680)
Acquisition and restructuring expenses	92	(5,308)	(5,216)
<b>Segment result</b>	<b>14,426</b>	<b>22,446</b>	<b>36,872</b>
Head office result			(3,454)
<b>Profit before tax and finance expenses</b>			<b>33,418</b>
Finance expenses			(4,420)
<b>Profit before tax</b>			<b>28,998</b>
Income tax expense			(9,782)
<b>Net profit after tax</b>			<b>19,216</b>

## Notes to the Consolidated Financial Statements (continued)

Segment result	Year ended 30 June 2017		
	USA \$'000	Australia/ International \$'000	Total \$'000
<b>Revenue</b>			
Revenue from operations	–	72,700	72,700
Inter-segment revenue	–	–	–
<b>Total segment revenue</b>	–	<b>72,700</b>	<b>72,700</b>
Inter-segment elimination	–	–	–
<b>Total consolidated revenue</b>	–	<b>72,700</b>	<b>72,700</b>
<b>Result</b>			
Profit before tax, depreciation, amortisation, finance costs, acquisition and restructuring related expenses	–	30,790	30,790
Depreciation and amortisation	–	(699)	(699)
<b>Segment result</b>	–	<b>30,091</b>	<b>30,091</b>
Head office result			(8,668)
<b>Profit before tax and finance expenses</b>			<b>21,423</b>
Finance expenses			(899)
<b>Profit before tax</b>			<b>20,524</b>
Income tax expense			(7,077)
<b>Net profit after tax</b>			<b>13,447</b>

There were two customers (2017: two) who make up more than 10% of total Group revenue. The total revenues recognised in respect of these customers was \$42.933 million for the year ended 30 June 2017 (2017: \$16.793 million).

### Geographical information

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

	2018 \$'000	2017 \$'000
<b>Net sales revenue</b>		
Australia	77,077	58,176
United States	48,004	–
Other	23,630	14,524
	<b>148,711</b>	<b>72,700</b>

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

	30 June 2018 \$'000	30 June 2017 \$'000
<b>Non-current operating assets<sup>1</sup></b>		
Australia	108,024	80,414
United States	169,607	56,167
Other	197	189
	<b>277,828</b>	<b>136,770</b>

<sup>1</sup> Non-current assets exclude financial instruments, deferred tax assets and deferred tax liabilities.

### Acquisition and restructuring costs

During the year ended 30 June 2018, \$4.990 million in acquisition and restructuring costs (2017: \$4.180 million) was incurred in relation to the acquisition of Nourished Life and Andalou Naturals businesses, finalisation of Mineral Fusion acquisition matters, assessment of Mineral Fusion deferred consideration and restructuring of the Australian manufacturing and distribution business. Details are provided in relation to these costs below:

- Restructuring costs of \$4.988 million (2017: nil) were incurred in the transition from contract manufacturing to the manufacture of own branded products, transition of distribution model to the national wholesalers and integration of Nourished Life distribution into the Group's existing facilities.
- As at 30 June 2018, management has performed an assessment of the deferred consideration in relation to the acquisition of Mineral Fusion and evaluated that the targets relating to the measures to 31 December 2017 and 30 June 2018 have not been satisfied. Accordingly, the impact of the revision of \$5.905 million is included in "Acquisition and restructuring expenses" in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

### Deferred consideration on acquisition

Refer to Note 13 for details of deferred consideration on acquisition of Mineral Fusion, Andalou Naturals and Nourished Life.

### Note 18: Earnings per share

	2018 Cents	2017 Cents
Basic earnings per share	17.0	14.3
Diluted earnings per share	16.6	13.4

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 2018 \$'000	Year ended 30 June 2017 \$'000
Net profit used in calculating basic and diluted EPS	19,216	13,477

The calculations for the weighted average number of ordinary shares for the current and comparative period have been adjusted to reflect the bonus element in the renounceable entitlement offer which occurred during October and November 2017.

	2018 Number '000s	2017 Number '000s
Weighted average number of ordinary shares at 30 June used in the calculation of basic earnings per share	113,015	94,106
Add: effect of potential conversion to ordinary shares under options schemes	2,867	6,067
Weighted average number of ordinary shares at 30 June used in the calculation of diluted earnings per share	115,882	100,173

### Note 19: Business combinations

#### (a) Andalou Naturals

On 31 October 2017, the Group acquired 100% of the outstanding shares of Andalou Naturals, a California-based business. Andalou Naturals is a leading growth brand of skin, hair and body care inspired by innovative product development and quality natural ingredients. Andalou Naturals has a strong distribution network in the US with a presence across a number of key retailers, and is the number one selling facial skin care brand in the US natural channel.

Cash consideration of \$81.457 million was funded via the Renounceable Entitlement Offer to institutional and retail investors. Refer to Note 14 for further details.

## Notes to the Consolidated Financial Statements (continued)

From the date of acquisition, Andalous Naturals contributed \$30.339 million of revenue and \$5.287 million profits were recognised for the year ended 30 June 2018. Transaction related costs of \$5.221 million were expensed and are included in "Acquisition and restructuring expenses" in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. 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 due to differences in reporting date and application of accounting policies to the Group prior to the acquisition.

### Assets acquired and liabilities assumed

The fair value of identifiable assets and liabilities of Andalous Naturals at the date of acquisition were:

	Fair value recognised on acquisition \$'000
<b>Assets</b>	
Cash and cash equivalents	4,069
Trade and other receivables <sup>1</sup>	5,824
Inventories	7,375
Deferred tax assets	257
	<b>17,525</b>
<b>Liabilities</b>	
Trade and other payables	5,292
	<b>5,292</b>
<b>Total identifiable net assets at fair value<sup>2</sup></b>	<b>12,233</b>
Goodwill arising on acquisition <sup>3,4</sup>	106,473
<b>Purchase consideration</b>	<b>118,706</b>

1 Trade and other receivables were expected to be fully collectable at acquisition date.

2 Fair values translated at AUD/USD rate of 0.7665 as at acquisition date of 31 October 2017.

3 Translated at AUD/USD effective rate of 0.7805.

4 An independent valuation of intangibles was performed in the current reporting period. Refer to Note 11 – Intangible assets for reclassification of goodwill.

No contingent assets or liabilities have been recognised at acquisition date. Goodwill is mainly attributable to the value of expected synergies arising from the acquisition into the Group's vertically integrated operations and the ability to further expand distribution of the Andalous Naturals brands as well as the Group's other brands. In particular, the acquisition creates a quality US distribution network and supports the existing network with the prior acquisition of Mineral Fusion.

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 \$'000
Cash consideration paid at completion <sup>1</sup>	85,526
Equity settled consideration at completion (refer to Note 14) <sup>2</sup>	19,816
Working capital adjustment payable <sup>2</sup>	(309)
Deferred payments (refer to Note 13) <sup>2</sup>	13,673
<b>Total consideration</b>	<b>118,706</b>

1 USD consideration translated at an effective AUD/USD rate of 0.7834.

2 Fair values translated at AUD/USD rate of 0.7665 as at acquisition date of 31 October 2017.

## Analysis of cash flows on acquisition

	Fair value recognised on acquisition \$'000
Cash consideration paid	85,526
Cash and cash equivalents acquired with acquisition	(4,069)
<b>Net cash flow outflow on acquisition (included in cash flows from investing activities)</b>	<b>81,457</b>

### (b) Acquisition of Nourished Life Business

On 15 September 2017, the Group completed the acquisition of the Nourished Life business. The assets and certain liabilities were purchased by a newly incorporated 100% owned entity, BWX Digital Pty Ltd. An Australian business, based on Sydney's northern beaches, Nourished Life is recognised as a trusted, authentic online retail platform, exclusively focused on natural and organic skincare and health and wellbeing products. Nourished Life has quickly grown to become one of Australia's leading natural and organic online retail brands with a large and engaged community of followers.

Total cash consideration of \$16.618 million was funded via the direct placement of ordinary shares to institutional investors. Refer to Note 14 for further details.

From the date of acquisition, Nourished Life contributed \$18.643 million of revenue and \$0.423 million profits were recognised for the year ended 30 June 2018. Transaction related costs of \$0.461 million were expensed and are included in "Acquisition and restructuring expenses" in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. 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.

### Assets acquired and liabilities assumed

The fair value of identifiable assets and liabilities acquired of Nourished Life at the date of acquisition were:

	Fair value recognised on acquisition \$'000
<b>Assets</b>	
Inventories	1,464
Other assets	131
Plant and equipment	39
	<b>1,634</b>
<b>Liabilities</b>	
Trade and other payables	961
Employee benefits	38
	<b>999</b>
<b>Total identifiable net assets at fair value</b>	<b>635</b>
Goodwill arising on acquisition	27,700
<b>Purchase consideration</b>	<b>28,335</b>

The acquisition adds a further direct/online channel to BWX's existing distribution capability, provides an online community of engaged consumers already embracing natural products and allows the Company to access the upstream margin generated by retail sales of Life Basics.

No contingent assets or liabilities have been recognised at acquisition date. Goodwill is mainly attributable to the value of expected synergies arising from the acquisition. None of the Goodwill acquired at 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.

## Notes to the Consolidated Financial Statements (continued)

### Consideration transferred

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

	Fair value recognised on acquisition \$'000
Cash consideration paid at completion	15,948
Equity-settled consideration at completion (refer to Note 14)	4,000
Working capital adjustment settled in cash	670
Deferred consideration (refer to Note 13)	7,717
<b>Total consideration</b>	<b>28,335</b>

### Note 20: Group entities

Name	Principal activity	Country of incorporation	Interest held by the Group	
			2018 %	2017 %
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*	Brand operating business	Australia	100	100
BWX Australia Pty Ltd (formally 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	Brand operating business	United Kingdom	100	100
BWX Brands Canada Inc	Brand operating business	Canada	100	100
BWX Brands India Private Limited	Brand operating business	India	100	100
BWX Brands Malaysia Sdn. Bhd.	Brand operating business	Malaysia	100	100
BWX Brands USA, Inc.	Holding company	USA	100	100
MF Brands (Cayman) Limited	Holding company	Cayman Islands	100	100
MFNB Holdings, Inc.	Holding company	USA	100	100
Mineral Fusion Natural Brands LLC	Brand operating business	USA	100	100
Andalou Naturals <sup>1</sup>	Brand operating business	USA	100	–
BWX Digital Pty Ltd <sup>2</sup>	Brand operating business	Australia	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.

<sup>1</sup> Acquired 31 October 2017. Refer to Note 19 in relation to the acquisition of the Andalou Naturals business.

<sup>2</sup> Incorporated on 30 August 2017 in Australia. Refer to Note 19 in relation to the acquisition of the Nourished Life 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.

### Statement of profit and loss and other comprehensive income and retained earnings

	Deed of cross guarantee group	
	Year ended 30 June 2018 \$'000	Year ended 30 June 2017 \$'000
Sales revenue	70,941	69,871
Cost of sales	(22,420)	(23,806)
<b>Gross profit</b>	<b>48,521</b>	<b>46,065</b>
Other income	1,564	144
Operating expenses	(23,533)	(19,667)
<b>Profit before depreciation, amortisation, finance costs, acquisition and restructuring related expenses</b>	<b>26,552</b>	<b>26,542</b>
Depreciation and amortisation	(930)	(937)
Finance expenses	(179)	(729)
Acquisition and restructuring expenses	(4,563)	(4,180)
<b>Profit before tax</b>	<b>20,880</b>	<b>20,696</b>
Income tax expense	(6,649)	(7,132)
<b>Profit after tax</b>	<b>14,231</b>	<b>13,564</b>
<b>Other comprehensive income:</b>		
Total items that may be reclassified subsequently to profit or loss	3,372	–
<b>Other comprehensive income for the period</b>	<b>3,372</b>	<b>–</b>
<b>Total comprehensive income attributable to owners</b>	<b>17,603</b>	<b>13,564</b>
Retained earnings at beginning of year	16,769	9,908
Profit after tax	14,231	13,564
Dividends recognised during the year	(7,872)	(6,703)
<b>Retained earnings at end of year</b>	<b>23,128</b>	<b>16,769</b>

## Statement of financial position

	Deed of cross guarantee group	
	2018 \$'000	2017 \$'000
<b>Current assets</b>		
Cash and cash equivalents	6,426	7,075
Trade and other receivables	22,195	16,005
Inventories	11,383	9,949
Other assets	593	95
<b>Total current assets</b>	<b>40,597</b>	<b>33,124</b>
<b>Non-current assets</b>		
Investments in other Group subsidiaries	75,731	27,945
Receivables	126,426	36,688
Plant and equipment	2,819	3,306
Intangible assets and goodwill	73,757	73,330
Deferred tax assets	2,763	1,239
<b>Total non-current assets</b>	<b>281,496</b>	<b>142,508</b>
<b>Total assets</b>	<b>322,093</b>	<b>175,632</b>
<b>Current liabilities</b>		
Trade and other payables	8,924	8,428
Financial liabilities	12,011	12,908
Current tax (receivable)/liabilities	(106)	4,562
Employee benefits	1,168	1,105
<b>Total current liabilities</b>	<b>21,997</b>	<b>27,003</b>
<b>Non-current liabilities</b>		
Financial liabilities	38,774	49,089
Employee benefits	172	135
<b>Total non-current liabilities</b>	<b>38,946</b>	<b>49,224</b>
<b>Total liabilities</b>	<b>60,943</b>	<b>76,227</b>
<b>Net assets</b>	<b>261,150</b>	<b>99,405</b>
<b>Equity</b>		
Contributed equity	233,245	81,929
Reserves	4,777	707
Retained earnings	23,128	16,769
<b>Total equity</b>	<b>261,150</b>	<b>99,405</b>

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

	Year ended 30 June 2018 \$'000	Year ended 30 June 2017 \$'000
Net profit after tax	19,216	13,447
<i>Adjustments for:</i>		
Depreciation and amortisation	1,855	824
Share-based payments	1,302	525
Disposal of customer relationships	1,774	–
	4,931	1,349
<i>Changes in assets and liabilities</i>		
(Increase)/decrease in:		
Trade and other receivables	(6,870)	(5,677)
Inventories	(2,242)	(781)
Other assets	(460)	43
Increase/(decrease) in:		
Trade and other payables	(7,508)	5,272
Provisions	37	270
Net income tax assets and liabilities	(2,780)	(506)
	(19,823)	(1,379)
<b>Net cash from operating activities</b>	<b>4,324</b>	<b>13,417</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 2018 \$	Year ended 30 June 2017 \$
Short-term employee benefits	2,308,163	1,936,597
Post-employment benefits	195,208	149,156
Other long-term benefits	29,871	15,105
Share-based payments	926,257	257,374
	<b>3,459,499</b>	<b>2,358,232</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 2018 (2017: 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 2018 (2017: nil) other than those disclosed in the financial report.

## Note 24: Auditor's remuneration

	Year ended 30 June 2018 \$	Year ended 30 June 2017 \$
<b>Assurance services</b>		
<i>Auditors of the Company – William Buck</i>		
Audit of the annual financial report	82,000	77,000
Review of the interim financial report	45,000	26,000
	127,000	103,000
Other auditors	222,656	45,668
	349,656	148,668
 <i>Auditors of the Company – William Buck</i>		
Taxation services	21,943	6,200
Other services	37,540	–
	59,483	6,200
Other auditors – taxation services	266,787	–
Other auditors – other assurance services	96,743	–
	423,013	6,200
	772,669	154,868

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 has engaged the services of other accounting firms to perform a variety of non-audit assignments and audits for local statutory and Group reporting purposes including taxation related and other compliance activities.

## Note 25: Share-based payments

At 30 June 2018, the Group had the following share-based payment arrangements.

### Employee Loan Plan

In the current reporting period, performance rights were issued to senior management on 5 July 2017, 18 August 2017, 21 September 2017, 5 December 2017, 24 April 2018 and 16 May 2018 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).

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

The Binomial option pricing model 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 for active 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
<b>5 July 2017</b>			
Tranche 1	70,832	5 Jul 2018	5 years
Tranche 2	70,834	5 Jul 2019	5 years
Tranche 3	70,834	5 Jul 2020	5 years
Tranche 4	106,250	31 Aug 2018	5 years
Tranche 5	106,250	31 Aug 2019	5 years

## Notes to the Consolidated Financial Statements (continued)

Grant date/Tranche	Number of shares at grant	Expected vesting date at issue	Contractual life of option
<b>18 August 2017</b>			
Tranche 1	33,332	18 Aug 2018	5 years
Tranche 2	33,334	18 Aug 2019	5 years
Tranche 3	33,334	18 Aug 2020	5 years
Tranche 4	50,000	31 Aug 2018	5 years
Tranche 5	50,000	31 Aug 2019	5 years
<b>21 September 2017</b>			
Tranche 1	16,666	22 Sep 2018	5 years
Tranche 2	16,667	22 Sep 2019	5 years
Tranche 3	16,667	22 Sep 2020	5 years
Tranche 4	25,000	31 Aug 2018	5 years
Tranche 5	25,000	31 Aug 2019	5 years
<b>5 December 2017</b>			
Tranche 1	90,832	5 Dec 2018	5 years
Tranche 2	90,834	5 Dec 2019	5 years
Tranche 3	90,834	5 Dec 2020	5 years
Tranche 4	136,250	31 Aug 2018	5 years
Tranche 5	136,250	31 Aug 2019	5 years
<b>24 April 2018</b>			
Tranche 1	31,528	24 Apr 2019	5 years
Tranche 2	31,534	24 Apr 2020	5 years
Tranche 3	31,538	24 Apr 2021	5 years
Tranche 4	47,300	31 Aug 2019	5 years
Tranche 5	47,300	31 Aug 2020	5 years
<b>16 May 2018</b>			
Tranche 1	18,470	16 May 2019	5 years
Tranche 2	18,474	16 May 2020	5 years
Tranche 3	18,480	16 May 2021	5 years
Tranche 4	27,713	31 Aug 2019	5 years
Tranche 5	27,713	31 Aug 2020	5 years

Since 30 June 2018 until the date of this report, there have been 965,000 performance rights granted/issued, of which 400,000 of these were issued to KMPs.

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
<b>Date of grant – 5 July 2017</b>					
Share price at valuation date	\$5.88	\$5.88	\$5.88	\$5.88	\$5.88
Expected volatility	41.39%	41.39%	41.39%	41.39%	41.39%
Risk free rate	1.74%	1.74%	1.90%	2.03%	2.16%
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	\$1.07	\$1.57	\$1.97	\$2.32	\$2.64

## Notes to the Consolidated Financial Statements (continued)

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5
<b>Date of grant – 18 August 2017</b>					
Share price at valuation date	\$5.14	\$5.14	\$5.14	\$5.14	\$5.14
Expected volatility	37.01%	37.01%	37.01%	37.01%	37.01%
Risk free rate	1.76%	1.76%	1.93%	2.05%	2.17%
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	\$0.86	\$1.27	\$1.61	\$1.90	\$2.18
<b>Date of grant – 21 September 2017</b>					
Share price at valuation date	\$5.85	\$5.85	\$5.85	\$5.85	\$5.85
Expected volatility	35.79%	35.79%	35.79%	35.79%	35.79%
Risk free rate	1.94%	1.94%	2.13%	2.25%	2.37%
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	\$0.95	\$1.39	\$1.77	\$2.10	\$2.39
<b>Date of grant – 5 December 2017</b>					
Share price at valuation date	\$6.38	\$6.38	\$6.38	\$6.38	\$6.38
Expected volatility	33.54%	33.54%	33.54%	33.54%	33.54%
Risk free rate	1.86%	1.86%	2.00%	2.11%	2.23%
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	\$0.97	\$1.43	\$1.81	\$2.14	\$2.45
<b>Date of grant – 24 April 2018</b>					
Share price at valuation date	\$4.90	\$4.90	\$4.90	\$4.90	\$4.90
Expected volatility	50.62%	50.62%	50.62%	50.62%	50.62%
Risk free rate	2.11%	2.11%	2.23%	2.36%	2.49%
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	\$1.09	\$1.58	\$1.97	\$2.31	\$2.61
<b>Date of grant – 16 May 2018</b>					
Share price at valuation date	\$4.69	\$4.69	\$4.69	\$4.69	\$4.69
Expected volatility	50.77%	50.77%	50.77%	50.77%	50.77%
Risk free rate	2.06%	2.06%	2.22%	2.34%	2.47%
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	\$1.04	\$1.52	\$1.89	\$2.22	\$2.51

### Movements in performance rights during the year

The Group recorded a share-based payments expense for performance rights of \$1.302 million (2017: \$0.525 million) disclosed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under "Corporate and administrative expenses".

	Number of ELP (performance rights) 2018	Weighted average exercise price 2018	Number of ELP (performance rights) 2017	Weighted average exercise price 2017
<b>Outstanding at 1 July</b>	2,513,000	\$2.20	2,150,000	\$1.59
Forfeited during the period	(300,050)	\$5.28	(180,000)	\$3.14
Exercised during the period	(420,000)	\$1.50	(130,000)	\$1.88
Granted during the period	1,250,050	\$5.88	673,000	\$4.77
<b>Outstanding at 30 June</b>	<b>3,043,000</b>	<b>\$3.82</b>	<b>2,513,000</b>	<b>\$2.20</b>
Exercisable at 30 June	1,263,800	\$1.75	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 participant's 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 2018	Weighted average exercise price 2018	Number of options 2017	Weighted average exercise price 2017
<b>Outstanding at 1 July</b>	5,940,000	\$2.00	5,940,000	\$2.00
Exercised during the period	(5,470,000)	\$2.00	–	–
<b>Outstanding at 30 June</b>	<b>470,000</b>	<b>\$2.00</b>	<b>5,940,000</b>	<b>\$2.00</b>
Exercisable at 30 June	470,000	\$2.00	5,940,000	\$2.00

## 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:

	2018 \$'000	2017 \$'000
Not later than one year	2,962	1,264
Later than one year and not later than five years	11,590	4,609
Later than five years	4,967	2,977
	<b>19,519</b>	<b>8,850</b>

The Group recognised a total of \$1.709 million in profit or loss as lease rental expense in 2018 (2017: \$1.299 million).

### Capital commitments

The Group has capital commitments totalling \$0.900 million (2017: nil) primarily in relation to the deployment of the new Enterprise Resourcing Plan (ERP) platform.

## 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 2018 – refer to Note 15.

### Potential indicative proposal to acquire shares of the Company

The Company has previously advised shareholders that it has received an unsolicited preliminary, non-binding, indicative and conditional proposal from John Humble (CEO and Managing Director) and Aaron Finlay (Finance Director) in partnership with Bain Capital Private Equity, L.P. and its affiliates (Bain Capital), to acquire 100% of the shares in BWX for:

- (a) \$6.60 cash per share; or
- (b) a scrip alternative in a newly incorporated acquisition entity of 75% shares and 25% cash, under a scheme of arrangement (Indicative Proposal).

The Board of BWX has established an Independent Board Committee (IBC) comprising Denis Shelley (Chairman), Ian Campbell and David Fenlon to consider and respond to the Indicative Proposal.

Mr J Humble and Mr A Finlay have taken a leave of absence from 22 May 2018 while the Strategic Review remains ongoing or until otherwise agreed with the Independent Board Committee.

The key terms/conditions of the Indicative Proposal include:

- Satisfactory completion of due diligence by Bain Capital;
- Finalisation of debt commitments for the transaction and Bain Capital investment committee final approval;
- Unanimous recommendation of the IBC, and an intention by the IBC to vote, in favour of the Indicative Proposal, subject to no superior proposal and an independent expert concluding that the Indicative Proposal is in the best interests of shareholders;
- No material transactions by BWX; and
- Entry into a definitive scheme implementation deed between BWX and the acquisition entity.

The IBC believes that the strategic initiatives pursued by BWX will deliver significant value for shareholders in the medium-to-long term and are confident in the Company's outlook as a standalone company. Nevertheless, it is possible that a party may put forward a final binding offer which sufficiently values BWX's attractive growth opportunities such that the IBC, and ultimately shareholders, may consider it more attractive than remaining as a standalone listed company.

On the 24 August 2018 the Bain Consortium confirmed that they have substantially completed their due diligence but require until mid-September 2018 to complete their work. The IBC has determined it will continue discussions with the Bain Consortium to fully explore the possibility of an acceptable binding offer being presented.

The IBC cautions that at this time there is no guarantee that a proposal which is capable of being put to shareholders will eventuate and continues to recommend that shareholders TAKE NO ACTION in respect of their shareholdings in BWX.

The Company will update shareholders as appropriate.

There has not been any other matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years, other than that disclosed in the Directors' Report.

## Note 28: Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2018 the parent entity of the Group was BWX Limited.

	Parent Entity	
	2018 \$'000	2017 \$'000
<b>Result of parent entity:</b>		
Profit for the period	8,521	8,645
Other comprehensive income	3,354	–
<b>Total comprehensive income for the period</b>	<b>11,875</b>	<b>8,645</b>
<b>Financial position of parent entity at year end:</b>		
Current assets	1,173	190
<b>Total assets</b>	<b>279,588</b>	<b>143,884</b>
Current liabilities	4,828	15,070
<b>Total liabilities</b>	<b>43,414</b>	<b>63,725</b>
<b>Total equity of the parent entity comprising:</b>		
Issued capital	233,245	81,929
Reserves	4,769	717
Accumulated losses	(1,839)	(2,488)
<b>Total equity</b>	<b>236,175</b>	<b>80,158</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 2018, 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 represents a decrease in pre-tax profit.

	Carrying amount \$'000	-50bps Pre-tax Profit \$'000	+50bps Pre-tax Profit \$'000
<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>62,453</b>	<b>30</b>	<b>(30)</b>
<b>At 30 June 2018</b>			
<b>Financial liabilities</b>			
Variable-rate instruments	50,836	279	(279)
<b>Total increase/(decrease)</b>	<b>50,836</b>	<b>279</b>	<b>(279)</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 point 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:

Exposure (amounts converted into AUD)	AUD \$'000	USD \$'000	Other \$'000	Total \$'000
<b>As at 30 June 2017</b>				
Cash and cash equivalents	7,138	3,041	831	11,010
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>(17,874)</b>	<b>(33,650)</b>	<b>1,061</b>	<b>(50,463)</b>
<b>As at 30 June 2018</b>				
Cash and cash equivalents	6,640	11,736	1,516	19,892
Trade and other receivables	22,576	7,425	1,193	31,194
Trade and other payables	(10,523)	(4,977)	(656)	(16,156)
Loans and borrowings	(28,303)	(35,079)	–	(63,382)
<b>Net exposure</b>	<b>(9,610)</b>	<b>(20,895)</b>	<b>2,053</b>	<b>(28,428)</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	
	2018	2017
USD	<b>0.7403</b>	0.7664

#### *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 2017<sup>1</sup></b>				
USD (10% movement)	(41)	41	(2,787)	2,787
<b>At 30 June 2018</b>				
USD (10% movement)	<b>(474)</b>	<b>474</b>	<b>(8,742)</b>	<b>8,742</b>

1 Mineral Fusion acquired on 30 June 2017.

#### **(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 2018, the Group had 33 customers (2017: 22 customers) that owed the Group more than \$0.100 million each and accounted for approximately 83.1% (2017: 79.8%) 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.

## Notes to the Consolidated Financial Statements (continued)

### (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 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>
<b>At 30 June 2018</b>				
Cash and cash equivalents	19,892	–	–	19,892
Trade and other receivables	31,194	–	–	31,194
	<b>51,086</b>	<b>–</b>	<b>–</b>	<b>51,086</b>
<b>Financial liabilities</b>				
Trade and other payables	16,156	–	–	16,156
Loans and borrowings <sup>1</sup>	5,368	3,350	46,068	54,786
Other financial liabilities	6,226	–	15,774	22,000
	<b>27,750</b>	<b>3,350</b>	<b>61,842</b>	<b>92,942</b>
	<b>23,336</b>	<b>(3,350)</b>	<b>(61,842)</b>	<b>(41,856)</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 2018.

### Note 30: Contingent liabilities

As announced to the ASX on 10 July 2018, Waterloo Capital Partners LLC (WCP) has filed proceedings against the Company in relation to a success fee stemming from the acquisitions of the Mineral Fusion and Andalou Naturals businesses and the May 2018 indicative proposal. The Independent Board Committee believes the claim has been filed opportunistically and the Company will defend the legal proceedings.

# 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 66 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 2018 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 to which they are or may become subject 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 2018.
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:



**Denis Shelley**  
**Chairman**

Melbourne, 29 August 2018

# 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 2018, 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 2018 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.

### 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.

#### CHARTERED ACCOUNTANTS & ADVISORS

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BUSINESS COMBINATION AND IDENTIFICATION OF INTANGIBLE ASSETS	
Refer also to notes 2, 11 and 19	How our audit addressed it
<p>The Group has completed the following business combinations during the current and prior financial years:</p> <ul style="list-style-type: none"> <li>- The acquisition of Mineral Fusion Natural Brands LLC ("Mineral Fusion") was completed in the prior financial year, for a total consideration of US\$48.6 million, inclusive of US\$4.6 million of deferred consideration;</li> <li>- The acquisition of Nourished Life Pty Ltd ("Nourished Life") was completed on 8 September 2017, for a total consideration of approximately \$20 million, plus an earn out payments calculated on gross profit targets over the course of the next four years. The earn out is expected to result in a payment of approximately \$7.7 million; and</li> <li>- The acquisition of Andalou Naturals Inc ("Andalou") was completed on 31 October 2017, for a total consideration of approximately US\$80 million, plus earn out payments calculated on gross profit targets over the course of the next five years. The earn out is capped at US\$11.2 million.</li> </ul> <p>The accounting for these transactions 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 for Andalou and Nourished Life 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 Andalou performed by a component auditor, and in Australia for Nourished Life as part of our audit procedures; and</li> <li>- We tested the appropriateness of the deferred consideration and reviewed the probability of the performance targets being met.</li> </ul> <p>Additional procedures performed for Andalou and Mineral Fusion included the following:</p> <ul style="list-style-type: none"> <li>- Assessment of the independent valuation report commissioned by management in respect of amounts allocated from goodwill to identifiable intangible assets including brand names and restraint of trade clauses; and</li> <li>- Verified that the accounting journals recorded by management to recognise the identifiable assets have been recorded appropriately.</li> </ul> <p>With respect to the Nourished Life and Andalou acquisitions;</p> <ul style="list-style-type: none"> <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. We expect this process to be completed during the first half of FY19.</li> </ul> <p>We assessed the adequacy of the Group's disclosures in respect of the acquisitions.</p>

**REVENUE RECOGNITION AND REBATE ARRANGEMENTS**

Refer also to notes 2 and 3	How our audit addressed it
<p>The Group's revenue of \$148.7 million for the year ended 30 June 2018 is generated primarily from the sales of manufactured health and beauty products.</p> <p>Contracts with specific customers can sometimes include rebate arrangements, which can be complex in nature.</p> <p>The occurrence and completeness of revenue can therefore be complex predominantly driven by high volume of sales around the year end cut-off date and the nature of rebate arrangements entered into by the Group.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>- Performance of a test of controls over the revenue significant class of transactions;</li> <li>- Performance of cut-off testing over revenue transactions which were recognised around 30 June 2018;</li> <li>- Examined rebate arrangements with key customers to verify that any rebates recognised by the Group were appropriately offset against revenue;</li> <li>- Performed detailed analytical review procedures; and</li> <li>- Verified that disclosure in the financial report was appropriate.</li> </ul>

**INVENTORY**

Refer also to notes 2 and 8	How our audit addressed it
<p>The Group's inventory of \$27.9 million; consisting of Raw Materials, Packaging, Work in Progress and Finished Goods; is significant to the financial statements and has increased by \$11.5 million from the prior year, predominantly as a result of the acquisitions of Andalou and Nourished Life during the current financial year.</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 focused 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;</li> <li>- An evaluation of management's judgement and assumptions used in determining the need for inventory provisions; and</li> <li>- We have also assessed the adequacy of disclosures in relation to inventory in the Notes to the financial statements.</li> </ul>



## REASSIGNMENT OF OPERATING SEGMENTS, CASH GENERATING UNITS AND IMPAIRMENT ASSESSMENT OF INDEFINITE LIFE INTANGIBLE ASSETS

Refer also to notes 2, 11 and 17	How our audit addressed it
<p>During both the current and prior financial years, the Group has completed the acquisitions of Mineral Fusion and Andalou in the USA. This has increased the carrying value of intangible assets to \$274.3 million at 30 June 2018.</p> <p>The directors have determined in the current year that they have two Cash Generating Units ("CGUs") and operate in two segments, being Australia and International and the USA.</p> <p>The recoverable amount of the CGUs has been calculated based on value-in-use models. These recoverable amounts use discounted cash flow forecasts in which the Directors make judgements over certain key inputs, for example but not limited to revenue growth, gross margins, discount rates, long term growth rates and inflation rates.</p> <p>Overall due to the high level of judgement involved, and the significant carrying amounts involved, we have determined that this is a key judgemental area that our audit concentrated on.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>— a detailed analysis of the key changes to the Group during the financial year to determine that the segments and CGUs identified are appropriate;</li> <li>— a detailed evaluation of the Group's budgeting procedures upon which the forecasts are based and testing the principles and integrity of the discounted future cash flow models;</li> <li>— testing the accuracy of the calculation derived from each forecast model and assessing key inputs to the calculations such as revenue growth, gross margins, discount rates and working capital assumptions. This is done by reference to the Board approved forecasts, data external to the Group and our own assessment; and</li> <li>— reviewing the historical accuracy by comparing actual results with the original forecasts.</li> </ul> <p>We also considered the adequacy of the Group's disclosures in relation to the impairment testing.</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 2018, 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 statements as a whole are 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 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 these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf)

This description forms part of our independent auditor's report.

## **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 2018.

In our opinion, the Remuneration Report of BWX Limited., for the year ended 30 June 2018, 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.

A handwritten signature in blue ink that reads 'William Buck'.

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

A handwritten signature in blue ink that appears to be 'N. S. Benbow'.

**N. S. Benbow**  
Director  
Melbourne, 29 August 2018

# Shareholder Information

## Equity security holders

As at 23 August 2018 the Company had 123,696,270 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 23 August 2018 (as named on the register of shareholders):

Name	Ordinary Shares	
	Number Held	% of Issued Shares
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	43,359,796	35.05
LEISURE & HOSPITALITY SERVICES PTY LTD	9,891,873	8.00
J P MORGAN NOMINEES AUSTRALIA LIMITED	8,293,514	6.70
CITICORP NOMINEES PTY LIMITED	7,110,605	5.75
NATIONAL NOMINEES LIMITED	4,094,760	3.31
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	3,856,297	3.12
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	2,139,780	1.73
CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	1,791,101	1.45
MR CHARLES HENDERSON	1,785,718	1.44
MR MARK EGIDE	1,320,167	1.07
MR MARK WILLIAM EAST	1,292,982	1.05
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	1,133,653	0.92
CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	757,001	0.61
ALEX & ANGEL HOLDINGS PTY LTD ALEX & ANGEL	751,924	0.61
FAIRLIGHT CAPITAL PTY LTD PEMBRIDGE	751,848	0.61
EGEA PTY LTD	672,032	0.54
SOL CAPITAL PTY LTD	631,848	0.51
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	626,708	0.51
VINOD SOMANI	600,000	0.49
MYLES ANCESCHI	600,000	0.49
MR JOHN HUMBLE	550,000	0.44
<b>Total Top 20 Holders</b>	<b>92,011,607</b>	<b>74.39</b>
<b>Total Other Holders</b>	<b>31,684,663</b>	<b>25.61</b>
<b>Grand Total</b>	<b>123,696,270</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 2018:

Name	Noted Date of Change	Number of Equity Securities	Relevant Interests
Bennelong Australian Equity Partners Ltd	7/03/2018	23,998,028	19.55%
Bain Capital Private Equity, L.P <sup>1</sup>	19/05/2018	12,743,696	10.38%
NN Group N.V. and subsidiaries	1/06/2018	10,665,666	8.69%
National Australia Bank Limited	19/10/2017	5,004,775	5.18%

<sup>1</sup> Leisure and Hospitality Services Pty Ltd, Sol Capital Pty Ltd and Fairlight Capital Pty Ltd, BCPE, are associates of each other pursuant to s.12(2) of the Corporations Act as a result of and upon the entry into a Co-operation Agreement.

## Distribution of equity security holders

### Holdings distribution

Range	Number of equity security holders	
	Ordinary shares	Options
100,001 and over	54	3
10,001 to 100,000	394	–
5,001 to 10,000	638	–
1,001 to 5,000	3,440	–
1 to 1,000	4,478	–
<b>Total</b>	<b>9,004</b>	<b>3</b>

### Unmarketable Parcels

The number of security investors holding less than a marketable parcel of 112 securities (\$4.50 on 23 August 2018) is 413 and they hold 30,124 securities.

### Voting Rights

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

#### Ordinary shares

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

#### Performance rights

Performance rights have been issued as part of various performance plans in the 2018 financial year, as at 30 June 2018:

- Number of participants: 24 participants.
- Maximum number of ordinary shares which may be issued if the performance conditions are achieved: 3,043,000.
- Participants do not have voting rights.

### Securities purchased on-market

There were no securities purchased on-market during the financial year ended 30 June 2018.

### Unquoted equity securities

#### Ordinary shares

BWX Limited has no unquoted equity securities on issue at 30 June 2018.

#### Options

BWX Limited has 470,000 unquoted options on issue at 30 June 2018.

### 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.

# Five-Year Summary

	2018	2017	2016	2015	2014
<b>Operating results (\$'000)</b>					
Sales revenue	148,711	72,700	54,265	27,822	10,608
Underlying EBITDA <sup>1</sup>	40,263	26,427	20,193	1,790	1,030
EBIT	33,418	21,423	19,152	(1,946)	220
Profit (loss) before tax	28,998	20,524	18,002	(2,320)	167
Profit (loss) after tax	19,216	13,447	12,024	(2,138)	72
<b>Financial position (\$'000)</b>					
Working capital	80,802	47,194	25,474	17,142	6,488
Fixed assets (including intangibles)	277,827	136,770	80,154	72,413	18,178
Contributed equity	233,245	81,929	80,169	58,024	16,599
Net debt (net cash)	52,893	56,974	(2,975)	(19,978)	(4,038)
Net assets	270,028	99,293	90,764	56,369	16,875
<b>Shareholder related</b>					
Dividend					
– Interim ordinary (cps) <sup>2</sup>	3.25	2.5	–	–	–
– Final ordinary (cps) <sup>2</sup>	4.2	4.2	4.8	–	–
<b>– Total dividends (cents per share)</b>	<b>7.45</b>	<b>6.7</b>	<b>4.8</b>	<b>–</b>	<b>–</b>
Basic earnings per share (cents) <sup>3</sup>	17.0	14.3	14.1	(5.8)	0.1
Dividend payout ratio	47.8%	46.0%	36.6%	–	–
Net tangible asset backing per share	(\$0.061)	(\$0.373)	\$0.145	(\$0.038)	\$0.002
Market capitalisation (year-end) (\$'000)	705,705	542,701	431,402	–	–
<b>Ratios and returns</b>					
EBIT margin	22.47	29.47	35.48	(6.99)	2.08
Gearing	33.99	86.56	17.00	59.67	47.47
Interest cover	7.56	23.83	16.65	(5.08)	4.13

<sup>1</sup> Excludes the impact of non-operational expenditure, including acquisition and restructuring related expenditure in the current and prior financial periods.

<sup>2</sup> Cents per share.

<sup>3</sup> Prior corresponding year adjusted for bonus share issues in the current financial period.



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# Corporate Directory

## Directors

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

## Company Secretary

Mr Aaron Finlay

## Principal Place of Business

2 Darby Way  
Dandenong South VIC 3175  
Australia  
Website: [www.bwxltd.com](http://www.bwxltd.com)  
Tel: +61 3 8785 6300

## Registered Office

c/- Minter Ellison  
Level 23 Rialto Towers  
525 Collins Street  
Melbourne VIC 3000  
Australia

## Share Registry Details

Link Market Services Limited  
Tower 4  
727 Collins Street  
Melbourne VIC 3008  
Australia  
Tel (within Australia): 1300 554 474  
Tel (international): +61 1300 554 474  
Email: [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)  
Website: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

## Solicitors

Minter Ellison  
Level 23 Rialto Towers  
525 Collins Street  
Melbourne VIC 3000  
Australia

## Auditors

William Buck  
Level 20  
181 William Street  
Melbourne VIC 3000  
Australia



**BWX** Ltd

BWX Limited ABN 13 163 488 631