BWX

REIMAGINING THE BEAUTY INDUSTRY, NATURALLY

ANNUAL REPORT / YEAR ENDED

2019


BWX LIMITED

ABN 13 163 448 631

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OUR STORY

> *"Our goal is to create amazing products and experiences that make people feel better about themselves and their natural choices."*

BWX is a global, natural beauty company with a portfolio of leading natural brands in Australia, the USA, Canada, the UK, China, and select other international markets. Founded and headquartered in Victoria, Australia, our expertise in innovation, product development, manufacturing and marketing natural products makes us unique in the beauty industry. Our goal is to create amazing products and experiences that make people feel better about themselves and their natural choices.

We believe everything we need to nourish, rejuvenate and enhance our bodies can be found in nature and our purpose is to accelerate a revolution so that natural wellness is the only choice. We want our business to inspire the advancement of plant and mineral based science without causing unnecessary harm to the planet. We say NO to testing our products on animals because it is core to our belief system and values. Our values of wellness, innovation, bravery, diversity and respect guide us in all that we do, and underpin our decisions, behaviours, actions and plans.

At BWX we understand the importance of giving back. True to our values, we support various causes that protect the environment and support the community, including those that empower women.

OUR BRANDS

Sukin

It's what we leave out that makes us special. Sukin defines "natural" and has grown to become the #1 natural skincare brand in Australian Pharmacy.

Andalou Naturals

Natural Beauty Precisely. Using the power of Fruit Stem Cell Science®, our signature innovation in every product; #1 facial skincare brands in the US natural channel.

USPA

An Australian Sensory Experience. Born with the desire to create a holistic spa experience that restores and rejuvenates the entire being.

Mineral Fusion

Multi-purpose natural cosmetics that leave the skin in a better condition; #1 cosmetics brand in the US natural channel.

Nourished Life

The Home of Toxin-Free Shopping. #1 natural personal care and lifestyle B2C platform in Australia.

FY19 HIGHLIGHTS

“BWX remains well positioned with category-leading brands underpinned by macro-growth trends favouring natural products.”

THE LAST 12 MONTHS HAVE SEEN A STABILISATION OF THE BUSINESS TO PREPARE FOR SUSTAINABLE GROWTH.

Net Sales

$149.5 million

supported by momentum in the US retail market and growth of 19.5% from H1 to H2 whilst delivering targeted stock levels in markets and channels

Reported EBITDA

$19.8 million

underlying EBITDA of $21.3 million, supported by strong H2 result

Gross margin stability in H2

120 basis points improvement

Mineral Fusion revenue

37.5% increase in H2

Nourished Life club membership

29% up year on year

UX improvements driving improved financial results

Refinancing

COMPLETE

on more attractive terms with greater flexibility and reduced margins improving overall cost of finance to support future growth

A MESSAGE FROM OUR CHAIRMAN

Dear Shareholders,

I am pleased to present to you BWX Limited's ("BWX") annual report for the 2019 financial year.

In May 2018, BWX received an unsolicited and highly conditional offer from previous management in partnership with a private equity firm to buy the Company. The management buy-out (MBO) bid failed in September 2018. This event caused serious and expensive disruption to all aspects of the business, resulting in additional costs and a significant loss of sales focus in the first half.

GOVERNANCE, LEADERSHIP AND INCREASED CAPABILITY

Since becoming Chairman in September 2018, I have worked diligently with my fellow Directors to undertake a global review of the business with the objective of repositioning BWX for future growth through additional capability growth and executional focus in its key markets.

This process led to the decision to implement significant changes both on the Board and with management. It began with the appointment of additional experienced Independent Directors, Ms. Fiona Bennett and Ms. Jodie Leonard, to your Company's Board in December 2018. In a short period of time, both Directors have made valuable contributions with Fiona appointed as Chair of the Audit and Risk Committee, and Jodie as People and Culture Committee Chair from March 2019.

Having served as a Non-Executive Director for 12 months, Mr. David Fenlon commenced in the role of Group Chief Executive Officer and Managing Director on 1 July 2019, replacing Myles Anceschi. David is a highly experienced retail CEO who brings an intimate understanding of our product mix, multi-channel strategy and international markets. He will be supported by further appointments improving capability in the Group executive team.

A new Company Secretary and Chief Legal Officer will commence on 30 September 2019, reporting to the Board.

In our USA business, we are finalising the recruitment of a President of BWX USA. We are pleased with our sales momentum achieved in the second half. The existing team of Senior VP Operations USA, Senior VP Sales, VP Marketing and Senior Director, Product Innovation, will report to the President of BWX USA.

> “Most importantly, the health of our brands remains strong and is reflected in our market position.”

I would like to acknowledge the contribution of Mark and Stacey Kelly Egide, the original founders of Andalou Naturals. They have worked tirelessly to support the business and have been involved in every step of the journey to create a USA leadership team that will be accountable for the USA business from 1 September when Mark and Stacey retire. They leave a considerable positive legacy, notably with the development of this team that is well placed to drive innovation, sales, distribution and capability growth. We wish them well in their retirement.

The Board also acknowledges and thanks Mr. Anceschi for his significant contribution to the Company's management during and after the failed MBO.

The Board is well advanced in our search for an additional Non-Executive Director and expects to announce details of this appointment at the AGM in November.

FY19 PERFORMANCE AND BRAND HEALTH

FY19 Group revenue was $149.5 million. Compared to the prior year, Sukin's revenue declined primarily due to non-repeating short-term promotions, while Andalou Naturals grew revenue year on year with double-digit growth in the second half. Mineral Fusion's revenue was impacted due to a delay in roll-out of new brand packaging for the full year and it is regaining market share with positive signs since the re-launch. Nourished Life remained in line with the prior year and recent user experience (UX) improvements are designed to drive significant growth. Our underlying EBITDA result of $21.3 million is in line with the May trading update, with net profit after tax of $9.5 million.

Most importantly, the health of our brands remains strong and is reflected in their market positions. Sukin is growing its share of market at 4.4% MAT, supported by strong grocery and pharmacy sales. Its performance is outstripping the natural segment which declined 3.7% over the same period.

Our USA market is building momentum, with channel expansion underway in leading mass channel retailers. We will be focused on fuelling growth for Sukin in the USA market in the year ahead.

I am pleased to report that Mineral Fusion, the number one natural cosmetics brand in the USA health channel, regained solid market share following its successful re-branding. In an exciting development, the brand will be stocked in a USA leading mass channel retailer from January 2020.

Our digital platform, Nourished Life, continues to strengthen its loyal membership base with a steady increase of daily orders in the second half. A recent UX audit has provided us with tangible and executable actions that are showing early signs of success.

During the year we made strong progress updating our warehouse and platform systems, which has improved capacity for processing orders and is expected to increase visibility and efficiency around stock management to support future growth.

In May 2019, we moved into our new office in the USA. We are delighted that all our colleagues are together in our warehouse, distribution and open plan offices in Petaluma, 40 minutes north of San Francisco.

The roll-out of a new Enterprise Resource Planning (ERP) technology platform connecting all business processes from procurement, production and warehousing to shipping and sales is ongoing. We are beginning to see benefits across our Australian operations and its deployment is scheduled in the year ahead in the USA – from which we expect to see margin improvement, smarter use of working capital and cost savings.

In June 2019, we successfully executed an amendment and extension to the Company's existing debt facility at lower margins. This has reinforced continued support of our financiers and provides long-term stability and flexibility to pursue growth opportunities.

I firmly believe BWX remains well positioned with category leading brands underpinned by macro growth trends favouring natural products. Under David's leadership and discipline, we have a clear strategy for the delivery of operational improvements to build scale and to regain your confidence in the BWX business.

To the entire team, on behalf of the Board, I extend our gratitude for your hard work and persistence. To our Board of Directors, thank you for your commitment to the enactment of a transformation that is set to gear BWX towards substantial global growth.

Ian Campbell
Chairman

CEO'S REPORT

Dear Shareholders,

It is an exciting time to be at the helm of BWX. There is so much that can be achieved by focusing on the strength of our brands in core markets as well as prioritising and unlocking the opportunities for growth in global markets.

I believe our key point of difference is our innate ability to adapt to and reflect on the changing expectations of consumers and provide them with products that are honest, innovative, affordable and importantly, make them feel good.

As an early adopter in the natural beauty space, our brands are entrenched and admired in the marketplace. However, I am acutely aware that as a business we must build on our leadership position in revenue terms, which can be accelerated by educating our retail partners and consumers on the clear benefits of natural beauty. We are focused on strengthening the existing strong trust consumers have for our brands by continuously innovating, engaging and delivering on our brand promises. This will allow us to re-invest in the many opportunities we see for growth.

Four strategic pillars

1. Connected to Consumers
2. Go Global, Go Mainstream
3. Get Clean and Get Healthy
4. Invest in Ourselves

> *“I believe that our point of difference is our innate ability to adapt to and reflect on the changing expectations of consumers.”*

Our hero brands of Sukin, Andalou Naturals, Mineral Fusion, Nourished Life and USPA have long been leading the way in natural beauty. We have the opportunity and capability to unlock significant growth and value for all stakeholders from the global skincare market. This market is expected to reach the value of US$616 billion by 2022 growing annually at 5.8%. The skincare segment is expected to dominate a third of that market by 2024, with North America leading the trend, followed by Europe and Asia Pacific. In Australia, the skincare market is valued at $2.2 billion and is growing annually at 7%[1]. In all countries and in all segments the natural products are growing the fastest.

Our approach will unashamedly be focused on action aimed at restoring shareholder confidence through our performance. We have set ourselves ambitious targets that will focus us on making targeted decisions and being commercially savvy, always balancing the business performance in the short, medium and long term.

Many of the first steps on this journey towards a more focused and improved future were taken through the year with the Board and Management appointments that provide the firm foundations we need.

Vision: Create amazing products and experiences that make people feel better about themselves and their natural choices.

Values: Innovation, Wellness, Bravery, Diversity and Respect.

STRATEGIC DEVELOPMENTS AND PRIORITIES

In the period since May 2019, we have established the key priorities for the business and, importantly, how we will measure our success. Provided below is an overview of our progress across FY19 and key initiatives planned for the year ahead looking through the lens of our new strategic priorities: Connect to Consumers; Go Global, Go Mainstream; Get Clean and Get Healthy; and Invest in Ourselves.

CONNECT TO CONSUMERS

BWX has a well rounded portfolio of brands across distribution channels, geographies, product categories and price points.

Sukin is the number 1 natural skincare brand in Australia and continues to outperform domestically in the natural segment. Internationally it has significant growth potential, particularly in the USA market across natural and specialty retail. Andalou Naturals continues to dominate as the number one natural USA facial skincare brand and we expect it to gain momentum in the Australian market following its launch in Priceline. In the USA market, Andalou Naturals is outpacing the market growth and we have launched the innovative Hemp Stem cell derived CannaCell sub-brand to a great consumer response. Following the completion of a pilot in Priceline, we see strong potential upside for Mineral Fusion in Asia Pacific and in select international markets.

Our online direct-to-consumer platform, Nourished Life, is showing good progress. Membership and daily orders are growing rapidly and organically. Basket size remains strong, and we have the capacity to support further international growth through the launch in New Zealand and other markets. Our focus is on cementing improved UX through website enhancements and personalised content generation; expanding our Life Basics brand range; seeking new and exciting natural brands; and driving further offshore penetration via direct international shipment.

The Nourished Life direct-to-consumer channel gives us digital empowerment in terms of accessing consumer ‘mindshare’ and better understanding what the customers want. Perhaps most importantly, it enables us to leverage big data insights to underpin investment and innovation decisions. It is a channel which is yet to reach its full potential, and we are currently exploring opportunities in this domain for Andalou Naturals, Mineral Fusion and Life Basics.

We intend to support our growth agenda by investing in marketing and new product development to attract a wider consumer base and drive a deepening of the basket. As always, new product development will continue to be led by the

1 Euromonitor (2018).

consumer; for example, delivering packaging improvements or fragrance variations by channel based on customer insights.

GO GLOBAL, GO MAINSTREAM

We are currently active in 24 countries. In our core home markets of Australia and the USA, there remain significant opportunities for growth.

The growth experienced in USA sales revenue in FY19 is validation that our multi-brand selling model is working. We remain confident of further opportunities for Sukin in the USA as well as accelerated expansion of Andalou Naturals as we expose it more broadly to the mass channel. Whilst still in its infancy in Australia, Andalou Naturals is winning with consumers, overtaking several established natural brands and is now poised for greater roll-out.

Our markets in the UK, Canada, Malaysia, Singapore and New Zealand are all growing strongly in distribution gains and consumer pull through – evidence that we are creating loyal consumers who are loving our Sukin, Andalou Naturals and Mineral Fusion brands.

In the other international markets, including the China domestic export market for Sukin, we did not repeat non-profitable promotions. The year-on-year drop in ex-factory revenues is not reflected in scan sales and we feel that stock levels are much improved from the previous year.

Our Cross Border e-Commerce (CBEC) business in China has been resilient to the changing market environment. The move to a single trading partner for China as well as targeted investments in marketing and resources has seen our business grow significantly since January. We will continue to learn and adapt in this market to ensure the brand remains relevant for Chinese consumers and we build a robust and sustainable business model for China.

We are developing a clearer market prioritisation strategy, which means more focus and investment in the markets where we are confident of the dynamics and the competitive landscape and where we have assessed that we can win. As part of this program, you may see a number of non-core markets be deprioritised to allow us to accelerate growth in our engine markets.

Our goal is to grow the natural segment and to compete with mainstream skincare. Growth in core markets will be unlocked in a number of ways: extending ranges, improving shelf navigation, increasing brand recognition and new distribution points. This will require targeted investment, supported by strengthening our relationships with supermarket and specialty retailers in key geographies.

GET CLEAN AND GET HEALTHY

FY19 saw meaningful investment in our operational infrastructure – a foundation from which to optimise future growth opportunities. Having a more robust ERP system in place means we have clearer visibility of the business at Group level and accurate data to support decision making. The ERP will help streamline processes and deliver a more accurate forecasting cycle. This will flow through to more efficient production, optimise inventory levels, reduce out-of-stocks and critically assist in managing our promotional investment in what is a competitive marketplace in the USA, Europe and Australia.

> *"Greater efficiency in our back-of-house processes as well as the maturity and network strength of our Group procurement team is improving lead times and reducing wastage."*

“We will continue to invest in our people and their capability to ensure cutting-edge innovation for new product development.”

We see the Australian, China influenced domestic market and the CBEC markets as intrinsically linked. From experience, we know we must increase the size of the end-consumer demand, monitor the consumer trends that are emerging and waning, and critically assess the stock levels in each channel.

We also plan to rationalise the SKU count across our brand portfolio to realign focus on best-selling SKUs and allow us to bring new and innovative products to the market in all territories.

Greater operational efficiency in our back-of-house processes as well as the maturity and network strength of our Group procurement team is improving lead times and reducing wastage. The implementation of joint business planning with raw materials suppliers will also be a key focus in the year ahead.

As the year progresses, we will continuously assess the most effective operating model that allows investment to be targeted at the growth engines of our business and bringing new consumer-led innovation to the fast-growing natural sector.

INVEST IN OURSELVES

We commenced the new financial year with stronger teams, both in Australia and the USA. Investing wisely in capability is key to our growth and so the future will see some additional roles join the business as we further transform to execute on our four strategic pillars.

This expanded focus on people and culture is what can deliver improved operating performance for BWX, rooted in a culture of wellness and sustainability that fuels our appetite to lead and to innovate.

The existing BWX team is deserving of a huge shout out. We have all weathered some significant changes over the last 12 months, and our persistence and determination to make this Company the best it can be is astounding. I am genuinely excited to see what can be achieved with our plans when we add even more talent to our already strong team during FY20.

We will continue to invest in our people and their capability to ensure cutting-edge innovation for new product development; and robust systems and processes to lead the beauty revolution that natural is the only choice.

OVERCOMING CHALLENGES

I am not shying away from the performance of the year, although it is now behind us. We are operating in a category that has macro tailwinds and consumers will demand new and exciting innovation. There will be new competitors and existing brands that will step up their performance. The retail landscape is continuously shifting. Strengthening our already strong relationships whilst unlocking the new channels will require us to bring our A game.

OUTLOOK

With a clearer strategic direction forming and a clear Company-wide desire to accelerate the natural beauty revolution, I feel we are entering FY20 on a more robust footing. We must deliver on our plans and regain your confidence – this is our aim.

Overall, BWX remains well positioned with category-leading brands underpinned by material growth trends favouring natural products. The Group will continue its investment in brand building, process improvement, capability and innovation – driving deeper consumer penetration and basket size – to support 20%-25% revenue growth and 25%-35% EBITDA growth in FY20.

We can achieve this by being more targeted, using the four strategic pillars as our roadmap and signposts. We are leaders in the natural category, and we intend to keep it that way!

Onwards and upwards ...

David Fenlon
Group CEO and Managing DIrector

SUSTAINABILITY

AT BWX WE BELIEVE THAT EVERYTHING WE NEED TO NOURISH, REJUVENATE AND ENHANCE OUR BODIES CAN BE FOUND IN NATURE. THAT'S WHY WE ARE SO PASSIONATE ABOUT PROTECTING THE SOURCE OF OUR VALUED INGREDIENTS.

For us sustainable beauty comes from the use of pure natural ingredients, effective innovative formulas, sustainable ingredient sourcing, efficient local manufacturing operations and cruelty-free standards.

Our goal is to use our business to inspire the advancement of plant and mineral based green science, without causing unnecessary harm to the planet. This commitment to the environment is nothing new and has been the cornerstone of our brands since the onset.

As part of our focus on sustainability, in 2018 we reset our APCO (Australian Packaging Covenant Organisation) commitments to include all brands in the BWX portfolio (formerly only Sukin). Our approach is to look at the total environmental impact of our products, the product lifecycle and the recyclability of our packaging globally.

Above: Australian Hawksbill Turtle

Right: Great Barrier Reef, Australia

> *"Our goal is to use our business to inspire the advancement of plant and mineral based green science, without causing unnecessary harm to the planet."*

SUSTAINABILITY HIGHLIGHT PROGRAMS

CARBON NEUTRAL

Since 2008, Sukin has proudly been a carbon neutral brand. To do this we have been tracking and auditing the carbon emissions made from transporting our products to store, to running the operations that make our products, to the electricity that powers our offices. To offset our emissions, we invest in certified projects. Certified means that the carbon credits are assessed against a third party standard and independently reviewed. Importantly when the credits are retired this occurs in a public registry to demonstrate transparency. We invest in a broad range of global projects to create clean energy – such as wind generators and solar farms in developing countries.

Greening Australia's carbon trading arm, Biodiverse Carbon Conservation, performs the annual audit. At the time of our last audit (2018) we had offset over 45,000 tonnes of carbon since becoming carbon neutral.

REEF AID

In 2018 Sukin partnered with Greening Australia on its Reef Aid Program – aimed at protecting one of Australia's greatest environmental assets and most popular tourist attractions, the Great Barrier Reef.

After Climate Change, poor water quality is the greatest local threat to the future of our reef. Each year, millions of tonnes of fine sediment (containing pesticides and other chemical nasties) flows from the eroding inland areas surrounding the reef into the sea, choking fish, creating algae blooms and feeding Crown of Thorns Starfish. This issue is exacerbated by the degradation of up to 50% of Australia's coastal wetlands, which had previously acted as a giant filter to sediment prior to it entering the reef. Through the Reef Aid program, Sukin will help to stop sediment at its source and improve water quality. Working with local landholders and communities across the Great Barrier Reef catchment, the aim is to rebuild eroding land and restore vital coastal wetlands.

Reef Aid is on track to improve water quality on the Great Barrier Reef by more than 80%, and to restore 3,000 hectares of rivers and wetlands by 2030.

NON-GMO PROJECT VERIFIED

Andalou Naturals was the first beauty brand to achieve Non-GMO Project Verified status. We believe that GMO crops and the dependency on pesticides that they create are in conflict with the wellbeing of the planet and that of every single person. We believe in a farm-to-bottle connection and value knowing the origin of the ingredients we use.

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 2019.

DIRECTORS

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

MR IAN CAMPBELL

FAICD
Chairman
Independent Non-Executive Director

Mr. Ian Campbell joined the BWX Board in 2015 and was appointed Chairman in September 2018. Mr. Campbell is a highly experienced company executive whose career started as a computer programmer and quickly moved into middle then senior management in a variety of operational roles in manufacturing and sales and marketing.

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

In 1998 Mr. Campbell joined ASX-200 listed GUD Holdings Ltd as its Managing Director and CEO until his retirement in mid-2013. GUD managed a stable of consumer, trade and industrial businesses. It was a diverse portfolio of branded manufactured or sourced products selling to the retail, trade wholesale and B-to-B sectors. Companies in the GUD stable during his tenure were Sunbeam appliances, Oates cleaning, Victa Lawncare (divested in 2007), Davey Water Products, 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. Campbell has had no other listed company directorships in the last three years.

MS FIONA BENNETT

BA(Hons), FCA, FAICD
Independent Non-Executive Director
(appointed 1 December 2018)

Ms. Fiona Bennett joined the BWX Board in December 2018 and was appointed Chair of the Audit and Risk Committee in March 2019. Ms. Bennett is an experienced non-executive director and her other current listed company directorships include Select Harvests Limited (since July 2017) and Hills Limited (since May 2010). She is also Chairman of the Victorian Legal Services Board.

Ms. Bennett is a Chartered Accountant with extensive experience in business and financial management, corporate governance, risk management and audit. She has previously held senior executive roles at BHP Limited and Coles Limited and has been Chief Financial Officer at several organisations in the health sector.

Ms. Bennett's former listed company directorship in the last three years was Beach Energy Limited (retired November 2017).

MR DAVID FENLON

Group CEO and Managing Director

Mr. David Fenlon joined the BWX Board in April 2018 and was appointed Group CEO and Managing Director in July 2019. Mr. Fenlon has over 30 years of experience in the FMCG and consumer sectors, most recently serving as 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 was a member of the Board of Directors for the Special Olympics from May 2017 until June 2019, a Non-Executive Director for the PAS Group from June 2013 to June 2016 and a Director for the Quest for Life Foundation.

Mr. Fenlon has had no other listed company directorships in the last three years.

MS JODIE LEONARD

B,Bus, FAICD, FAMI, CPM
Independent Non-Executive Director
(appointed 1 December 2018)

Ms. Jodie Leonard joined the BWX Board in December 2018 and was appointed Chair of the People and Culture Committee in March 2019. Ms. Leonard is an experienced non-executive director and her other current listed company directorship is Flexigroup Limited (since December 2016). She is also a Non-Executive Director of RACV Limited (since June 2017). She was formally a Director of Beyond Bank Australia, Kinetic Superannuation, Racing Victoria and Tourism North East.

Ms. Leonard has over 25 years of global experience in corporate strategy, marketing and digital disruption, including senior positions in strategic marketing and corporate strategy in ASX, NYSE and FTSE listed companies. Her experience spans a range of industries including media, financial services, consumer goods, telecommunications, travel, tourism and professional services and she has worked on world leading brands including Unilever, Colgate Palmolive, General Electric and British Airways.

Ms. Leonard has had no other listed company directorships in the last three years.

MR DENIS SHELLEY

BEd, BPsych
Independent Non-Executive Director

Mr. Denis Shelley joined the BWX Board in April 2013, serving as Chairman until September 2018. Mr. 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 held the position of Group Chairman of Sara Lee Australia (1996 to 2006) and as a result brings considerable corporate governance experience to BWX. He holds a Bachelor of Psychology and a Bachelor of Education and is a qualified teacher.

Mr. Shelley has had no other listed company directorships in the last three years.

During the financial year, the following persons were Directors of the Group:

Mr. John Humble
(resigned 25 September 2018)

Mr. Aaron Finlay
(resigned 27 September 2018)

Mr. Myles Anceschi
(appointed as CEO and Managing Director on 15 September 2018, ceased on 15 May 2019)

BOARD AND COMMITTEE MEETING ATTENDANCE

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

	Board of Directors Meetings		Risk and Audit Committee Meetings		Remuneration Committee Meetings		Independent Board Committee Meetings[1]	
Directors	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. I Campbell	14	14	3	3	2	2	6	6
Mr. D Shelley	14	12	2	2	4	4	6	6
Mr. D Fenlon	14	14	3	3	4	4	6	6
Mr. M Anceschi[2]	8	8	1	1	–	–	–	–
Ms. J Leonard[3]	9	9	2	2	2	2	–	–
Ms. F Bennett[3]	9	9	2	2	–	–	–	–

1 Refer to Operating and financial review – Potential indicative proposal to acquire shares of the Company for further details.
2 Mr. M Anceschi ceased employment as Managing Director and CEO on 16 May 2019.
3 Ms. J Leonard and Ms. F Bennett were both appointed as a Non-Executive Director on 1 December 2018.

PRINCIPAL ACTIVITIES

BWX Limited is a vertically integrated developer, manufacturer, distributor and marketer of branded skin and hair care products with a strong focus on the natural segment of the beauty and personal care market.

The Group 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 via the Nourished Life online marketplace.

OPERATING AND FINANCIAL REVIEW

GROUP FINANCIAL PERFORMANCE

The Group's profit before depreciation and amortisation, finance costs, acquisition and restructuring related expenses and income tax expense for the year amounted to $21.267 million (2018: $40.263 million).

The Group's profit after tax was $9.538 million (2018: $19.216 million).

The Group's basic earnings per share was 7.7 cents (2018: 17.0 cents) and diluted earnings per share was 7.7 cents (2018: 16.6 cents).

The net assets of the Group are $285.801 million as at 30 June 2019 (2018: $270.028 million).

STRATEGIC REVIEW, LEADERSHIP AND MANAGEMENT CHANGES

A strategic review took place at the beginning of FY19 as a result of an unsolicited attempt to acquire 100% of the shares in BWX by former executives of the business, Mr. John Humble and Mr. Aaron Finlay, in partnership with Bain Capital on 21 May 2018. The Board of BWX established an Independent Board Committee (IBC) to conduct a strategic review of the business and subsequently announced on 17 September 2018 that BWX was to remain independent, with management taking the view that time is better spent focusing on the substantial growth opportunities available to the Company. There was no binding offer received from the Bain consortium. Interim CEO Myles Anceschi was also appointed permanent CEO and Managing Director at that time. Mr. Humble and Mr. Finlay also resigned from their Executive Director roles.

The Company's key organic growth opportunities included accelerating the growth of the Sukin brand domestically and globally; expanding market share of all key BWX brands in existing markets and diversifying into new geographies and channels; and enhancing the Company's e-commerce presence by capitalising on Nourished Life's digital capabilities.

On 16 May 2019, the Board announced a global restructure focused on building business capability and executional focus in key markets. Mr. David Fenlon was appointed Group CEO and Managing Director effective 1 July 2019, replacing Myles Anceschi. The Company also announced additional hires across governance, sales and marketing, in both the Australian and USA markets.

In the USA business, the Board announced that the founders of Andalou Naturals, Stacey Kelly Egide and Mark Egide, will retire on 1 September 2019. We would like to thank Mark Egide and Stacey Egide for their valuable contribution as they retire from the USA business.

OPERATIONAL UPGRADES

Microsoft Dynamics 365 Enterprise Resource Planning software ("ERP") launched in Australia and is beginning delivering improvements in efficiency, data and forecasting accuracy with more work to be undertaken. The implementation of the ERP has commenced in the USA during FY20 and this is expected to increase Group margin visibility in real time.

The Nourished Life distribution facility restructure and relocation aims to unlock operational efficiencies and increased capacity to process more orders. In May 2019, there was a facility consolidation where all staff are in the one location in the warehouse, distribution and open plan offices.

STRONG BRAND HEALTH

Revenue for Sukin continued to improve post the first half impacts reported previously and consumer uptake across all channels remained strong. Sukin continues to grow faster than the Australian market in both skin and hair categories as a result of distribution gains, successful new product launches and our marketing campaign "nothing but special". During the second half we commenced trading in Australia with both BIG W and Target and we are seeing very limited cross cannibalisation across channels as we make Sukin more widely available for Australian consumers. Our International business is performing well with strong growth in the UK, Canada, Malaysia, Singapore and New Zealand. Our China platform business has been resilient to the changing environment and both our focused move to a single trading partner for China and targeted investments in marketing and resources have seen our business grow since January 2019.

In the USA, Mineral Fusion is launching into a leading mass channel retailer in early 2020 and is regaining market share with positive signs since packaging re-relaunch in January 2019. The Mineral Fusion colour cosmetics range was repackaged in January into new rose gold cartons and this transition was completed successfully, with exceptionally positive customer and consumer responses.

Andalou Naturals' market share remains strong and it is the number one USA brand in the natural channel in facial skincare and is also gaining momentum in the Australian market. During the year, there was a launch of the trendsetting hemp-based skin, body and hair care range – CannaCell. CannaCell is driving the Company's growth at Whole Foods Market.

The digital platform business Nourished Life represents the leading brand for deep consumer insights on natural and beauty regimes. This is reflected in 29% increase of membership compared to prior year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

DIVIDENDS PAID OR RECOMMENDED

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

	2019	
	cents per ordinary share	$'000
2018 Final fully franked dividend – 12 October 2018	4.2	5,204

On 23 August 2019, the Directors determined to pay a fully franked final dividend of 2.7 cents per share to the holders of ordinary shares in respect of the financial year ended 30 June 2019, to be paid to shareholders on 25 October 2019. The dividend has not been included as a liability in these consolidated financial statements. The record date for determining entitlements to the dividend is 27 September 2019. The total estimated dividend to be paid is $3,354,747.

CHANGES TO FY20 REMUNERATION FRAMEWORK

It is planned to make structural changes to the STI structure in FY20. The changes are being introduced to ensure greater transparency of key metrics and align pay with performance. The new STI plan will now consider both Group performance and individual performance, with payments also to be subject to gateways. The new remuneration Framework with changes to Remuneration Governance, STI and LTIP is detailed in the Remuneration Report.

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.

APPOINTMENT OF DAVID FENLON

Mr. David Fenlon commenced in the role of Group Chief Executive Officer and Managing Director on 1 July 2019.

FURTHER APPOINTMENT

In the USA business, the recruitment of a President of BWX USA is being finalised.

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* as at 30 June 2019 and the date of this report, is as follows:

	Ordinary Shares	Loan Plan Shares
Mr. I Campbell	378,486	150,000
Mr. D Shelley	544,372	150,000
Mr. D Fenlon	–	–
Ms. J Leonard	50,000	–
Ms. F Bennett	50,000	–

SHARES ISSUED ON EXERCISE OF OPTIONS

In September 2018, the Group issued 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). As at 30 June 2019, there are nil unissued shares under option.

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 or her in their 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 indemnity 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 Audit and Risk Committee (ARC) is responsible for the maintenance of audit independence.

Specifically, the ARC 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 ARC.

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 ARC, is satisfied that the provision of those non-audit services during the year by the auditor was 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 ARC 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 19.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2019 has been received and is attached to this Directors' Report.

CEO AND CFO DECLARATION

The 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 Principles Recommendations, 3rd Edition, 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 17 to 31. Details of the remuneration paid to each Non-Executive Director 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)

Dear Shareholders

On behalf of the Board of Directors, I am pleased to share our FY19 Remuneration Report with you. The report outlines our FY19 performance outcomes for the CEO and Executive team and details remuneration paid to Directors of the Board.

FY19 REMUNERATION OUTCOMES

This year was a challenging year for the Group and was a tale of two halves. The first half of the year was focused on managing the disruption caused by the failed management buyout offer (MBO) and regrouping after the significant distraction this caused the business. By contrast, the second half of the year was focused on rebuilding business momentum and redefining our leadership and capability requirements to ensure we are well positioned to drive global category growth in the natural market segment.

Amidst the organisational changes and business disruptions, the Group delivered revenue in line with FY18 and built a strong platform for maintaining growth in FY20. Whilst the performance was challenging, our brands and business fundamentals are strong, and we remain committed to extending our leadership position in the natural category.

FY19 KEY MANAGEMENT PERSONNEL CHANGES

There were a number of changes to the leadership team as a result of the failed MBO. Both former CEO, John Humble, and Finance Director, Aaron Finlay, took a leave of absence from 22 May 2018 and resigned in September 2018 when the Board announced that the management buy-out would not be proceeding.

As a result of John Humble's resignation, Myles Anceschi was appointed CEO and Managing Director in September 2018. He had previously been acting in the role of Interim CEO.

Further management changes occurred when the Board identified the need to build our leadership capability to drive and own the natural category opportunity. The Board announced the appointment of David Fenlon as Group CEO and Managing Director in May 2019 with Myles Anceschi ceasing his employment with the Group. As we finalise the appointment of the USA President, we would like to thank Mark Egide and Stacey Egide for their valuable contribution as they retire from the USA business.

EXECUTIVE REMUNERATION

We also undertook external benchmarking of leadership remuneration and established that the majority of the Executive team were remunerated appropriately in line with their accountabilities and the size and complexity of their roles. As a result, zero to minimal increases were awarded to the majority of the Executive team during the remuneration review process.

In regard to KMP, during FY19 there were three changes to remuneration to note. First, cash retention arrangements were put in place for the two Executive members of KMP. This arrangement was made with the intention of minimising potential further business disruption from loss of key personnel after the failed MBO. Secondly, three of our Non-Executive Directors received additional fees for their contribution to the Independent Board Committee that was put in place in response to the indicative MBO. Finally, two KMP had increases in their fixed remuneration as a result of leadership changes or changes of responsibilities. Details are outlined in the Remuneration Report.

Given the disappointing performance of the business, STI payments were not made in FY19.

ALIGNING OUR REMUNERATION FRAMEWORK WITH SHAREHOLDER OBJECTIVES AND THE LONG-TERM BUSINESS STRATEGY

In the second half of FY19, significant work was undertaken to redesign our Remuneration Framework and improve remuneration governance. Most of these changes will apply in FY20 and they have been designed to bring greater alignment with shareholder objectives and stronger remuneration governance. A summary of the changes is outlined in this report and includes the introduction of new STI and LTI plans for FY20.

BOARD APPOINTMENTS AND REMUNERATION

The Board also commenced its renewal process and initiated a number of changes in FY19. Ian Campbell replaced Denis Shelley as Chair in September 2018. Denis remains on the Board as a Non-Executive Director.

Two new Non-Executive Directors were appointed to the Board in December 2018. I joined the Board in December and was appointed Chair of the People and Culture Committee in March 2019. Fiona Bennett also joined the Board in December and was appointed Chair of the Audit and Risk Committee in March 2019.

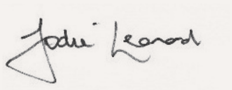
Given David Fenlon's appointment as CEO, he remains on the Board as Managing Director but ceases to be independent and a search for an additional independent Non-Executive Director is well progressed.

GOING FORWARD

The Board and management team remain committed to the Group's transformation and growth agenda. In FY19 the Board refreshed the People and Culture Committee including appointing a new Chair. During the year we have addressed a number of remuneration legacy issues and improved our remuneration governance as we transition to new STI and LTI plans in FY20. Non-Executive Directors no longer receive grants under the Group's equity plans. We have worked hard to address a number of issues raised by stakeholders regarding remuneration and governance that will ensure remuneration is more closely aligned with shareholder objectives in the future. Details of these proposed changes are included in this report.

We are confident our Remuneration Framework will drive positive outcomes for the Group in FY20 and that we are well placed to build a world-leading natural products company.

Yours faithfully,



Jodie Leonard
Independent, Non-Executive Director
and Chair, People and Culture Committee

The Board of Directors are pleased to present the Remuneration Report ("the Report") for the Group for the financial year ended 30 June 2019.

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

1. KEY MANAGEMENT PERSONNEL (KMP)

The Key Management Personnel (KMP) for the Group in FY19 comprised the Non-Executive Directors, Managing Director and Chief Executive Officer and Executives who had authority for planning, directing and controlling the activities of the Group in the FY19 financial year.

Non-Executive Directors		Time in role during FY19
Mr. I Campbell	Non-Executive Director Chair	Full year From 1 September 2018
Mr. D Shelley	Non-Executive Director Chair	Full year Until 31 August 2018
Mr. D Fenlon	Non-Executive Director	Full year
Ms. J Leonard	Non-Executive Director	From 1 December 2018
Ms. F Bennett	Non-Executive Director	From 1 December 2018
Executives		
Mr. V Somani	Chief Financial Officer (CFO)	Full year
Former Executives		
Mr. M Anceschi	Managing Director and Chief Executive Officer (CEO) Interim CEO	17 September 2018 to 16 May 2019 1 July to 16 September 2018

While both former CEO, Mr. J Humble, and Finance Director, Mr. A Finlay, were employed during the period from May 2018 to September 2019, they were on a leave of absence and did not have authority for planning, directing or controlling the activities of the Group and, accordingly, were not KMP in FY19.

Mr. D Fenlon was appointed Group CEO and Managing Director with effect from 1 July 2019 (as announced to the ASX on 16 May 2018).

2. REMUNERATION POLICY AND LINK TO PERFORMANCE

The People and Culture Committee is made up of independent Non-Executive Directors. The Committee reviews and determines our remuneration strategy to ensure it provides a strong link between performance and reward by making Executive reward outcomes dependent on delivering long-term value to shareholders, while at the same time motivating and retaining top talent through market competitive fixed remuneration and an incentive framework that rewards for results delivered.

During FY19, the People and Culture Committee undertook a comprehensive review of the Group's approach to Executive remuneration resulting in substantial changes to our Executive remuneration practices (see Section 13 for details). The review commenced with the development of our Remuneration Policy, which can be found at bwxltd.com. We have updated our remuneration principles to support the next stage of our transformation and growth. A number of principles underpin this policy:

a. Attract, motivate and retain top talent;

b. Support the delivery of business growth and our transformation strategy;

c. Align business performance with delivering sustainable shareholder returns; and

d. Fairness, equity and consistency.

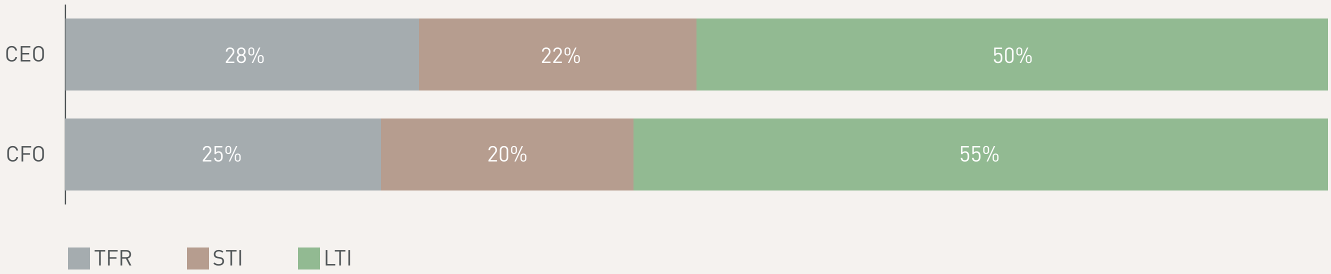
FY19 REMUNERATION FRAMEWORK

Element	Objective	Delivery	Purpose	FY19 approach
Total Fixed Remuneration (TFR)	Attract and retain the best talent.	Base salary and superannuation.	TFR is set in relation to the external market and takes into account size and complexity of role along with individual responsibilities, experience and skills.	TFR positioning is 50th to 75th percentile of the market comparator group.
Short-Term Incentive (STI)	Reward current year performance.	Annual cash payment.	STI provides appropriate differentiation of pay for performance and is based on business performance outcomes.	Group EBITDA target.
Long-Term Incentive (LTI)	Reward long-term sustainable performance.	Employee Loan Plan (ELP) shares.	LTI supports alignment to long-term overall Group performance and aligns with shareholder value.	A non-recourse loan is advanced to eligible Executives to purchase shares under the terms of the ELP. 50% of ELP shares vest based on certain retention hurdles and 50% vest based on EBITDA growth targets starting at 25% growth from 30 June 2018. FY19 ELP shares were issued at $4.94 per share (see Section 3.3 for more details).

BALANCING SHORT-TERM AND LONG-TERM PERFORMANCE

The mix of fixed remuneration vs at risk remuneration for FY19 is shown below. It reflects annual TFR, STI opportunity for FY19 should performance targets be met and LTI opportunity (at face value) for FY19 should performance hurdles and service conditions be met. This table does not include retention payments made to the Executives.

REMUNERATION MIX FOR FY19



ASSESSING PERFORMANCE

The People and Culture Committee is responsible for assessing performance against targets and determining STI and LTI to be paid. To assist this assessment the Committee reviews Group financial information which is independently verified by auditors. In the event of serious misconduct or a material misstatement in the Group's financial statements, the Committee can cancel or defer performance-based remuneration.

3. REMUNERATION OUTCOMES

3.1. TOTAL FIXED REMUNERATION CHANGES

Total fixed remuneration is reviewed annually, or on promotion. It is benchmarked against market data for comparable roles and the Committee aims to position Executives between the 50th to 75th percentile of the comparator group, with flexibility to take into account capability, experience, value to the organisation and performance of the individual. Total fixed remuneration increases received in comparison to FY18 were as a result of promotions or changes of responsibilities which occurred. Details are as follows:

TFR CHANGES EXPLAINED

KMP	TFR received during FY18	TFR received during FY19	Reason for change
Mr. V Somani	$349,125	$438,000	In May 2018, Mr. V Somani's TFR was increased to reflect additional responsibilities. The TFR in FY19 reflects the annualised change.
Mr. M Anceschi	$392,015	$478,711	In May 2018, Mr. M Anceschi was promoted to Interim CEO. His TFR increased as a result of this promotion. He did not receive any additional increase in TFR on becoming Managing Director and CEO. As Mr. M Anceschi ceased employment in May 2018, the TFR received was a portion of his annualised TFR of $547,500.

3.2. SHORT-TERM INCENTIVE

For FY19, an STI for Executives was only payable upon achievement of a Group EBITDA target. As this target was not achieved, no STI payments were made. Therefore, the maximum and minimum possible amount of the STI award was $0.

STI PAID

KMP	Maximum "at-risk"	% of maximum STI awarded/payable	% of STI forfeited
Mr. V Somani	80% of fixed remuneration	0%	100%
Mr. M Anceschi	80% of fixed remuneration	0%	100%

3.3. LONG-TERM INCENTIVE PLANS

EMPLOYEE LOAN PLAN

In FY19, the Group operated a long-term incentive plan called the Employee Loan Plan (ELP). The number of shares issued under the ELP is limited to 5% of the total number of issued shares in the Company.

Under the ELP, participants are provided with a non-recourse loan with no interest-bearing terms from the Group for the sole purpose of acquiring shares. The shares have all the rights and entitlements attached to ordinary shares, with the following exceptions:

- The acquisition price of each share is the VWAP on the day prior to issue date. For ELP shares issued to KMP in FY19 this was $4.943 (issue date was 9 August 2018);
- From their grant date, the shares cannot be disposed of or assigned until they have vested in accordance with performance hurdles and service milestones;
- 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;
- If the loan is repayable, for any vested shares the participant must repay the lesser of the outstanding value of the loan (in which case they keep the shares) or the market value of the shares within the loan facility at the time of repayment (to be satisfied by surrendering the shares in full satisfaction of the loan), and for any unvested shares the participant must repay the market value of the shares within the loan facility at the time of repayment (to be satisfied by surrendering the shares in full satisfaction of the loan);
- Under the Employee Loan Plan rules, the Board holds discretion to modify the repayment terms; and
- Where a corporate control event occurs, the Board holds the discretion to determine that any unvested shares become vested shares.

Vested shares	Unvested shares
– Repayment of the loan must be made within five years from when the shares were issued; – The participant must repay the lesser of the outstanding value of the loan (in which case the shares are kept) or the market value of the shares acquired within the loan facility at the time of repayment (in which case the shares are surrendered in satisfaction of the loan); and – If the participant leaves employment with the Group, they have 12 months from termination date to repay the lesser of the outstanding value of the loan or the market value of the shares by surrendering the shares in full satisfaction of the loan.	– If the participant leaves employment with the Group and holds unvested shares, the unvested shares are surrendered in full satisfaction of the loan.

NUMBER OF ELP SHARES TO VEST

Details of the vesting conditions for FY19 ELP awards are shown below.

FY19 ELP TRANCHES AND VESTING CONDITIONS

Tranche No	Portion of ELP shares	Vesting Conditions
1	17%	Completion of 12 months' service from the date of issue of ELP shares
2	17%	Completion of 24 months' service from the date of issue of ELP shares
3	17%	Completion of 36 months' service from the date of issue of ELP shares
4	25%	First occurrence of a 25% or more increase in EBITDA over the loan period (five years from issue date) for a financial year from the EBITDA for the year ended 30 June 2018 as set out in FY18 Annual Report
5	25%	First occurrence of a 50% or more increase in EBITDA over the loan period (five years from issue date) for a financial year from the EBITDA for the year ended 30 June 2018 as set out in the FY18 Annual Report

A combination of service and performance conditions were selected to encourage retention of key Executives while motivating them to drive profit for shareholders.

From December 2018, the Board ceased making offers under the ELP plan. A new LTI plan offering performance rights has been developed for introduction in FY20. Details of the new LTIP are outlined in Section 13.

Refer to Section 10 to the accounts, for details of shares under the ELP which have vested for Directors and Disclosed Executives. Note 20 to the accounts sets out details of all ELP share movements, including ELP shares issued to those other than KMP during the year.

4. LINK BETWEEN REMUNERATION AND THE GROUP'S PERFORMANCE

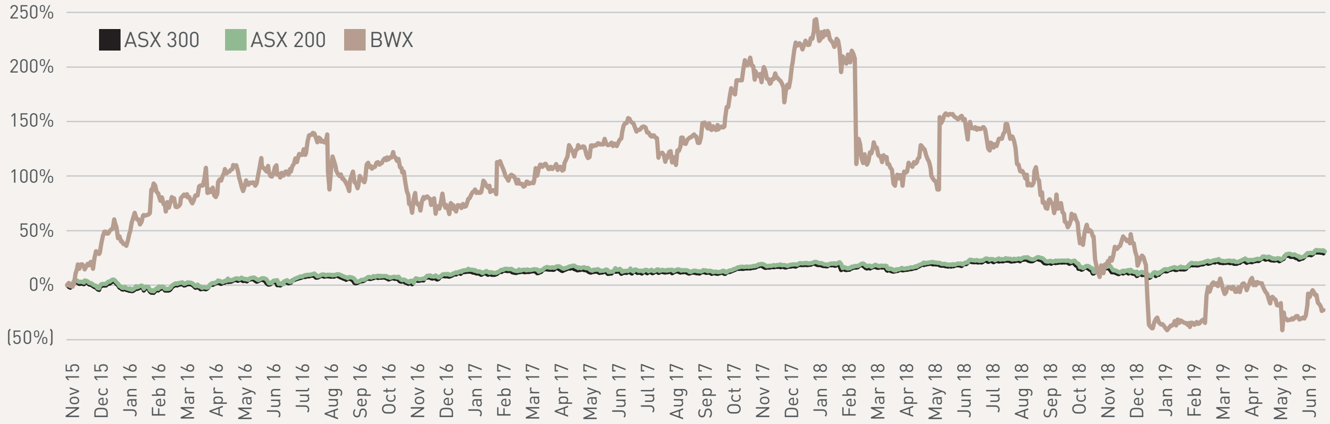
As a result of the Group's financial performance in FY19, there were no TFR increases awarded in FY19, no STI was paid and performance based LTI hurdles were not achieved. The table below shows measures of the Group's financial performance over the last five financial years as required by the *Corporations Act 2001*.

COMPANY FINANCIAL PERFORMANCE OVER THE LAST FIVE YEARS

	2019 $'000	2018 $'000	2017 $'000	2016 $'000	2015 $'000
Sales revenue	149,519	148,711	72,700	54,265	27,822
Underlying EBITDA[1]	21,267	40,263	26,427	20,193	1,790
EBIT	16,691	33,418	21,423	19,152	(1,946)
Net profit after tax	9,538	19,216	13,447	12,024	(2,138)
Dividends per share (cps)	2.7	7.45	6.7	4.8	–
Statutory Basic Earnings per share (cents)[2]	7.7	17.0	14.3	14.1	–
Adjusted Basic Earnings per share (cents)[1,2]	8.9	21.5	18.7	14.4	–
Closing Share Price[3]	1.83	5.70	5.75	4.60	–

1 Excludes the impact of non-operational expenditure, including acquisition and restructuring related expenditure in the current and prior financial periods.
2 Prior corresponding year adjusted for bonus share issues in the current financial period.
3 The opening share price on 11 November 2015 when the Group listed was $2.07.

The following graph shows the performance of the Company share price against the movement in the ASX 200 and ASX 300 since the successful listing of the Company in November 2015 to 30 June 2019.



5. NON-EXECUTIVE DIRECTOR (NED) REMUNERATION POLICY

NED FEES

Fees and payments to Non-Executive Directors reflect the demands that are made on, and the responsibilities of, the Non-Executive Directors. Non-Executive Directors' fees and payments are reviewed as required and benchmarked where appropriate by the Board.

Non-Executive Director fees are determined within a maximum Directors' fee pool limit approved by shareholders. The pool of $650,000 is inclusive of superannuation and was determined at the Company's 2017 AGM. Non-Executive Directors receive fixed remuneration in the form of a base fee plus an additional fee for the Board Chair. In FY19, Non-Executive Directors did not receive variable remuneration or other performance-related incentives such as equity-based awards. Base Non-Executive Director fees did not change in FY19, however fees were paid for participation in an Independent Board Committee as outlined in Section 6.1. These were the only Committee fees paid. Total fees paid and superannuation contributions to the Non-Executive Directors for the financial year were $630,402 in aggregate.

	Annual Fee Structure[1]	
Role	FY18	FY19
Chairman	$150,000	$150,000
Non-Executive Director	$90,000	$90,000

1 Excludes superannuation.

In addition to the above fees, Non-Executive Directors also receive compulsory superannuation contributions. A Non-Executive Director is entitled to reimbursement for reasonable travel, accommodation and other expenses in attending meetings and carrying out their duties.

In September 2018, Mr. I Campbell was appointed Non-Executive Chair. His annual fees increased as a result of his change of responsibilities and Mr. D Shelley's fees decreased correspondingly.

OPTIONS PLAN

The Options plan was designed to incentivise participants to build and expand the Group in the early stages of listing. Options were issued to Non-Executive Directors at the inception of BWX prior to the Company's listing on the ASX on 11 November 2015.

Vesting conditions for Options issued under the plan were satisfied and, accordingly, all options vested in prior reporting periods. As a result, in September 2018, Mr. I Campbell and Mr. D Shelley exercised the last remaining options offered under the plan in the current year.

VESTING CONDITIONS OF OPTIONS:

1. One-third of total number of options – First occurrence of a 25% or more increase in EBTIDA for a financial year from the EBITDA for the year ended 30 June 2013 as recognised in the pro forma financials included in the Company's 2015 prospectus prior to the official quotation by the Group.
2. One-third of total number of options – First occurrence of a 50% or more increase in EBTIDA for a financial year from the EBITDA for the year ended 30 June 2013 as recognised in the pro forma financials included in the Company's 2015 prospectus prior to the official quotation by the Group.
3. One-third of total number of options – Being an employee during the period commencing on the date that the Company is admitted to the official list or the shares receive official quotation (whichever is later) and ending on 30 June 2016, except where the employee is terminated by the Group for any reason other than serious misconduct on the part of the employee.

CHANGES TO LONG-TERM INCENTIVE PLANS

A number of changes have been made to the Group's long-term incentive plans. During FY19, it was agreed that Non-Executive Directors would cease to participate in the Group's long-term incentive plans and no awards were made to Non-Executive Directors under the ELP or Options plan during the financial year.

6. REMUNERATION IMPACT OF NON-BINDING MANAGEMENT OFFER

In May 2018, the Group received an unsolicited, non-binding, indicative and conditional proposal for 100% of the ordinary shares of BWX. The proposal came from former CEO Mr. J Humble, former Finance Director Mr. A Finlay and Bain Capital Private Equity, L.P. and its affiliates.

The Board and Executive team committed a substantial amount of time and resources to consider and investigate this proposal. In recognition of the additional workload, a number of remuneration and retention arrangements were put in place. Details of these arrangements are set out below.

6.1. INDEPENDENT BOARD COMMITTEE

To evaluate the offer, the Board established an Independent Board Committee ("IBC") comprising Mr. D Shelley (Chairman at the time), Mr. I Campbell and Mr. D Fenlon to evaluate and respond to the indicative proposal. The Chair of the IBC was Mr. D Shelley. Additional fees paid relating to the IBC work incurred in the FY19 financial year have been detailed below and have been included in the amounts disclosed under Section 9.

Director	IBC Fees[1]
Mr. D Shelley	$40,075
Mr. I Campbell	$61,000
Mr. D Fenlon	$28,700

1 Excludes superannuation.

6.2. EXECUTIVE RETENTION ARRANGEMENTS

Mr. M Anceschi was appointed Interim Chief Executive Officer in May 2018. Mr. M Anceschi and Chief Financial Officer, Mr. V Somani were offered cash retention arrangements of $225,000 and $175,000 respectively. The retention offer was made on 12 June 2018 and the payment was conditional upon the Executive performing their role until the earlier of a change of control or 12 months from the retention offer date. The arrangement was made with the intention of minimising potential further business disruption from loss of key personnel. The Board determined to make the retention payments on 15 October 2018 in recognition of the considerable effort of the Executives over a disruptive and demanding period.

6.3. RESIGNATION OF FORMER CEO AND MANAGING DIRECTOR AND FINANCE DIRECTOR

As a result of the unsuccessful management bid, both the CEO and Managing Director, Mr. J Humble, and the Finance Director, Mr. A Finlay, resigned in September 2018.

Mr. J Humble resigned from his role of Managing Director and CEO on 25 September 2018. He received three months' pay in lieu of notice, less two weeks gardening leave. Unvested ELP shares were forfeited with the exception of 30,000 shares granted 19 October 2015 and 124,998 shares granted 5 December 2017 which were subject to service conditions, of which the vesting period of 41,667 shares was accelerated by 12 months.

Mr. A Finlay resigned from his role of Finance Director on 27 September 2018. He received three months' pay in lieu of notice, less two weeks gardening leave. Unvested ELP shares were forfeited with the exception of 30,000 shares granted 19 October 2015 and 41,666 shares granted 5 December 2017 which were subject to service conditions.

7. FURTHER MANAGEMENT CHANGES

Following a visit by the Board to the USA in March 2018, the Board determined the need to further invest in building leadership capability in order to drive the natural market opportunity. On 16 May 2019, the Board announced a global restructure focused on building business capability and executional focus in key markets. Further details of this restructure are included in the Directors' Report on page 14.

7.1. APPOINTMENT OF NEW GROUP CEO AND MANAGING DIRECTOR

The Board also announced the appointment of Mr. D Fenlon, at the time a Non-Executive Director, as the Group CEO and Managing Director, effective from 1 July 2019. Mr. D Fenlon is both an experienced consumer products and retail CEO and an experienced listed company director and was originally appointed to the Board of Directors on 16 April 2018. Mr. D Fenlon's remuneration is as follows:

	Total Fixed Remuneration	STI opportunity	LTI opportunity	Notice period	Other
Mr. D Fenlon Group CEO and Managing Director, effective 1 July 2019	$721,003	Up to 80% of base salary subject to performance against targets. 25% of any short-term incentive earned is deferred into equity for a period of 12 months.	100% of base salary subject to performance hurdles and shareholder approval in performance rights.	12 months from either party	Relocation expenses including temporary accommodation for up to six months. In recognition of some of the income foregone by Mr. D Fenlon upon departing his prior employment, he will receive a sign-on bonus consisting of performance rights to the value of $400,000, with the first Tranche (50%) due to vest on 1 July 2020 and the second Tranche (50%) due to vest on 1 July 2021, pending shareholder approval at the AGM.

Mr. M Anceschi, CEO and Managing Director, left the business immediately and ceased his employment on 16 May 2019. Termination payments for Mr. M Anceschi consisted of three months' notice in lieu, paid at the time of termination plus three months' severance, paid 1 July 2019 in accordance with the contract. All unvested ELP shares were forfeited.

8. EXECUTIVE CONTRACTUAL ARRANGEMENTS

Details of contractual arrangements for current Executives at the date of this report are set out in the table below. Non-Executive Directors enter into a service agreement with the Group in the form of a letter of appointment. The letter summarises the Board policies and terms, including fees.

	Position	Notice period	Termination of employment without cause	Termination of employment with cause or by Executive
Mr. V Somani	Chief Financial Officer	3 months by either party	STI will be forfeited if not employed at the time of payment. LTI shares are forfeited if they have not vested.	STI will be forfeited if not employed at the time of payment. LTI shares are forfeited if they have not vested.
Mr. D Fenlon	Group CEO and Managing Director	12 months by either party		

9. DETAILS OF REMUNERATION

The following table shows details of the remuneration expense recognised for the Group's KMP for the current and previous financial year measured in accordance with the requirements of the accounting standards.

Year ended 30 June 2019		Salary and Fees $	Non-Monetary Benefits $	Retention Bonus $	STI Bonus[2] $	Share-based payments[3] $	Annual and Long Service Leave $	Super-annuation[1] $	Term-ination Benefits $	Total $	Perfor-mance related %
Non-Executive Directors											
Mr. I Campbell[4]	**2019**	**221,100**	**–**	**–**	**–**	**457**	**–**	**21,004**	**–**	**242,561**	**0.19%**
Mr. D Shelley	**2019**	**130,075**	**–**	**–**	**–**	**457**	**–**	**12,357**	**–**	**142,889**	**0.32%**
Mr. D Fenlon	**2019**	**118,700**	**–**	**–**	**–**	**–**	**–**	**11,276**	**–**	**129,976**	**–**
Ms. J Leonard[5]	**2019**	**52,500**	**–**	**–**	**–**	**–**	**–**	**4,988**	**–**	**57,488**	**–**
Ms. F Bennett[5]	**2019**	**52,500**	**–**	**–**	**–**	**–**	**–**	**4,988**	**–**	**57,488**	**–**
Disclosed Executives											
Mr. V Somani	**2019**	**416,788**	**–**	**175,000**	**–**	**359,096**	**40,525**	**21,212**	**–**	**1,012,621**	**35.46%**
Mr. M Anceschi[6]	**2019**	**437,179**	**–**	**225,000**	**–**	**38,464**	**39,332**	**41,532**	**250,000**	**1,031,507**	**3.73%**
Total Directors and other KMP remuneration											
	2019	**1,428,842**	**–**	**400,000**	**–**	**398,474**	**79,857**	**117,357**	**250,000**	**2,674,530**	

Year ended 30 June 2018		Salary and Fees $	Non-Monetary Benefits $	Retention Bonus $	STI Bonus[2] $	Share-based payments[3] $	Annual and Long Service Leave $	Super-annuation[1] $	Term-ination Benefits[2] $	Total $	Perfor-mance related %
Non-Executive Directors											
Mr. I Campbell[4]	2018	123,600	–	–	–	2,874	–	11,742	–	138,216	2.1%
Mr. D Shelley	2018	165,400	–	–	–	2,874	–	15,713	–	183,987	1.6%
Mr. D Fenlon	2018	32,929	–	–	–	–	–	3,128	–	36,057	–
Mr. A Cleland	2018	28,038	–	–	–	–	–	2,664	–	30,702	–
Ms. J Leonard[5]	2018	–	–	–	–	–	–	–	–	–	–
Ms. F Bennett[5]	2018	–	–	–	–	–	–	–	–	–	–
Disclosed Executives											
Mr. J Humble[7]	2018	498,256	–	–	56,000	183,051	74,227	53,200	–	864,734	21.2%
Mr. A Finlay[7]	2018	400,385	–	–	45,000	183,051	59,646	42,750	–	730,832	25.0%
Mr. V Somani	2018	321,667	–	–	40,000	196,838	41,531	27,458	–	627,494	31.4%
Mr. M Anceschi[6]	2018	353,461	–	–	50,000	357,569	47,894	38,553	–	847,477	42.2%
Total Directors and other KMP remuneration											
	2018	**1,923,736**	**–**	**–**	**191,000**	**926,257**	**223,298**	**195,208**	**–**	**3,459,499**	

1 There were no post-employment benefits other than superannuation paid during the current or prior financial year.
2 STI payments relate to program performance and outcomes for the year they were earned, not the year of actual payment.
3 The values of the share-based payments plans (LTI plans) have been calculated in accordance with applicable accounting standards.
4 Mr. I Campbell replaced Mr. D Shelley as Non-Executive Chair from 1 September 2018. Mr. D Shelley remains a Non-Executive Director.
5 Ms. J Leonard and Ms. F Bennett were both appointed as Non-Executive Directors on 1 December 2018.
6 Mr. M Anceschi ceased employment as Managing Director and CEO and on 16 May 2019. He received a total of $250,000, representing three months' notice in lieu at the time of termination with a further three months payable on 1 July 2019.
7 Mr. J Humble and Mr. A Finlay were on a leave of absence from 22 May 2018 until they resigned in September 2018 (25 and 27 September respectively). They did not perform KMP roles during FY19.

10. EQUITY INSTRUMENTS HELD BY KEY MANAGEMENT PERSONNEL

The tables below show the number of ordinary shares, employee loan plan shares and options in the Company that were held during the financial year by key management personnel, including their related parties.

10.1. 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
2019							
Mr. D Shelley	344,372	200,000	–	–	–	–	544,372
Mr. I Campbell	278,486	100,000	–	–	–	–	378,486
Mr. D Fenlon	–	–	–	–	–	–	–
Ms. J Leonard	–	–	–	16,000	–	34,000	50,000
Ms. F Bennett	–	–	–	–	–	50,000	50,000
Mr. V Somani	–	–	–	–	–	–	–
Mr. M Anceschi	–	–	–	–	–	–	–
2018							
Mr. D Shelley	333,334	–	–	–	7,038	4,000	344,372
Mr. I Campbell	272,728	–	–	–	5,758	–	278,486
Mr. D Fenlon	–	–	–	–	–	–	–
Mr. V Somani	150,000	–	(176,315)	–	26,315	–	–
Mr. M Anceschi	–	–	–	–	–	–	–
Mr. J Humble	9,742,945	–	–	(10,250,000)	148,928	358,127	–
Mr. A Finlay	1,383,696	–	–	(1,393,696)	–	10,000	–

10.2. 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 the reporting period are detailed below, noting that Mr. M Anceschi's ELP shares outlined below were forfeited when he ceased employment on 16 May 2019:

	Tranche Number	Grant date	Number granted	Share price at grant date	Fair value at grant date[1]	Total fair value at grant date[1]	Expected vesting date at issue
Mr. V Somani	1	10/08/2018	33,333	4.94	1.85	61,604	10/08/2019
	2	10/08/2018	33,333	4.94	2.29	76,150	10/08/2020
	3	10/08/2018	33,334	4.94	2.65	88,391	10/08/2021
	4	10/08/2018	50,000	4.94	1.85	92,407	31/08/2019
	5	10/08/2018	50,000	4.94	2.29	114,227	31/08/2020
			200,000			**432,779**	
Mr. M Anceschi	1	10/08/2018	33,333	4.94	1.85	61,604	10/08/2019
	2	10/08/2018	33,333	4.94	2.29	76,150	10/08/2020
	3	10/08/2018	33,334	4.94	2.65	88,391	10/08/2021
	4	10/08/2018	50,000	4.94	1.85	92,407	31/08/2019
	5	10/08/2018	50,000	4.94	2.29	114,227	31/08/2020
			200,000			**432,779**	

1 This is the maximum possible value of the grant (on a fair value calculation). The maximum possible value of the grant, on a face value calculation, can be determined by multiplying the number of shares granted by the share price at grant date. The minimum possible value of the grant (if the performance or service condition is not satisfied) is $0. Due to rounding, numbers presented may not add up precisely to the totals provided.

ELP SHARES VESTED DURING THE PERIOD

In the reporting period, the 24-month service condition of Tranche 2 ELP shares granted on 31 January 2017 and the 12-month service condition of Tranche 1 ELP shares granted on 5 July 2017 and 18 August 2017 were satisfied. Details of ELP shares that vested during the period are detailed below.

	Grant date	Number granted/ vested	Vesting date	Fair value at grant date[1] $	Total fair value at grant date[1] $	Total value at vest date $
Mr. D Shelley	19/10/15	15,000	19/10/18	0.30	4,513	53,550
Mr. I Campbell	19/10/15	15,000	19/10/18	0.30	4,513	53,550
Mr. V Somani	19/10/15	20,000	19/10/18	0.30	6,017	71,400
	5/7/17	16,666	5/7/18	1.57	26,099	95,996
	5/7/17	25,000	31/8/18	1.57	39,150	107,500
	5/7/17	25,000	31/8/18	1.97	49,175	107,500
	18/8/17	16,666	18/8/18	1.27	21,099	74,997
	18/8/17	25,000	31/8/18	1.27	31,650	107,500
	18/8/17	25,000	31/8/18	1.61	40,125	107,500
Mr. M Anceschi	31/1/17	25,000	31/1/18	1.29	32,150	38,500
	31/1/17	37,500	31/8/18	1.29	48,225	161,250
	31/1/17	37,500	31/8/18	1.62	60,900	161,250
	5/7/17	25,000	5/7/18	1.57	39,150	144,000
	5/7/17	37,500	31/8/18	1.57	58,725	161,250
	5/7/17	37,500	31/8/18	1.97	73,763	161,250
	18/8/17	16,666	18/8/18	1.27	21,099	74,997
	18/8/17	25,000	31/8/18	1.27	31,650	107,500
	18/8/17	25,000	31/8/18	1.61	40,125	107,500
		449,998			**628,128**	**1,896,990**

MOVEMENTS IN ELP SHARES

The movements during the reporting period in the number of ELP shares in BWX Limited held, directly, indirectly, or beneficially, by each KMP, 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
2019								
Mr. D Shelley	150,000	–	–	–	–	150,000	150,000	–
Mr. I Campbell	150,000	–	–	–	–	150,000	150,000	–
Mr. V Somani	400,000	200,000	–	–	–	600,000	333,332	–
Mr. M Anceschi	400,000	200,000	(308,334)	–	(291,666)	–	–	–
2018								
Mr. D Shelley	150,000	–	–	–	–	150,000	135,000	–
Mr. I Campbell	150,000	–	–	–	–	150,000	135,000	–
Mr. V Somani	200,000	200,000	–	–	–	400,000	180,000	–
Mr. M Anceschi	150,000	250,000	–	–	–	400,000	25,000	
Mr. J Humble	300,000	250,000	–	–	(550,000)	–	–	–
Mr. A Finlay	300,000	250,000	–	–	(550,000)	–	–	–

10.3. OPTIONS

The movements during the reporting period in the number of options over ordinary shares in the Company held, directly, indirectly or beneficially, by each of the Non-Executive Directors and KMP, 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
2019						
Mr. D Shelley	200,000	–	(200,000)	–	–	–
Mr. I Campbell	100,000	–	(100,000)	–	–	–
2018						
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)	–	–	–

11. 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 Group's Employee Loan Plan.

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

LOANS TO EXECUTIVES UNDER THE EMPLOYEE LOAN PLAN

The details of non-recourse loans provided to Executives under the ELP during the financial year ended 30 June 2019 are set out in the table below.

Name	Opening Balance $	Advances during the year $	Loan forgiveness granted during the year $	Repayments during the year[1] $	Closing balance $	Interest-free value $	High indebtedness $
Mr. V Somani	1,332,397	988,600	-	(19,080)	2,301,917	2,301,917	2,320,997
Mr. M Anceschi	2,015,082	988,600	(1,566,187)	(19,080)	1,418,415	1,418,415	3,003,682

1 Loan repayments were from dividends received.

12. REMUNERATION GOVERNANCE

Ultimately, the Board is responsible for the Group's remuneration policies and practices. The role of the People and Culture Committee (the Committee) is to assist the Board to ensure that appropriate and effective remuneration packages and policies are implemented to attract and retain high quality Executives and Non-Executives Directors and to motivate Executives to create value for shareholders. The Committee also monitors compliance with Board approved remuneration policies and practices and stays abreast of remuneration trends and the general external pay environment.

In FY19, the Committee undertook extensive work reviewing and aligning the Group's remuneration practices and policies with best practice. As a result of this review, the following related policies were updated and approved by the Board and can be found at https://bwxltd.com:

- People and Culture Committee Charter
- Remuneration Policy
- Code of Conduct
- Diversity Policy
- Whistleblower Policy

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.

In consultation with external remuneration consultants, the Company aims to provide a market-competitive remuneration framework that is complementary to the Group's reward strategy. During the year, the People and Culture Committee engaged the services of Ernst & Young to provide advice regarding our Long-Term Incentive Plan. Ernst & Young did not make a remuneration recommendation in relation to any of the KMP for the financial year.

13. CHANGES TO FY20 REMUNERATION FRAMEWORK

Extensive work was undertaken in FY19 to update the remuneration framework and better align the Company remuneration strategy with shareholder interests. The new remuneration framework will be implemented from July 2019.

The changes are intended to improve the governance and oversight of remuneration practices internally and include the following changes:

- establishment of Key Performance Indicator setting and annual review process;
- benchmarking of leadership team remuneration with external data;
- introduction of a claw back where the Board may determine that any unvested share rights will lapse or be forfeited in certain circumstances such as in the case of fraud, wilful misconduct or dishonesty; and
- introduction of a hedging policy that prohibits Executives from engaging in hedging instruments, dealing in derivatives or entering into arrangements which limit the economic risk related to BWX securities. The prohibition also includes taking out margin loans in connection with unvested securities issued pursuant to any BWX employee share plan or rights arising from any BWX Long-Term Incentive Plan.

It is planned to make changes to the STI structure in FY20. The changes are being introduced to ensure greater transparency of key metrics and align pay with performance. The new STI plan will now consider both Group performance and individual performance, with payments also to be subject to the following gateways:

- an EBITDA hurdle, which will be determined at the beginning of the financial year and will be aligned to market guidance; and
- assessment of individual conduct and behaviour as well as corporate culture.

The STI plan will include the introduction of a corporate scorecard of financial metrics focused on driving growth and transformation. The weighted scorecard agreed for FY20 is as follows:

STI Scorecard KPI	Weighting
EBITDA	60%
Operating cash flow	10%
Group net margin	10%
International revenue	20%

When determining STI outcomes, Group performance will be given a weighting of 100% with individual performance operating as a multiplier (between 0 and 1.25) either increasing or decreasing this amount.

The new STI plan will also include a requirement that a portion (25%) of STI earned be deferred into equity for a period of 12 months for KMP to strengthen the alignment between Executive and shareholder interests.

Long-term incentives to the CEO and Executives are provided via the Long-Term Incentive Plan (LTIP). The LTIP will also be updated in FY20 and replace the Employee Loan Plan (ELP) that has been offered since listing. The LTIP is part of the Group's remuneration strategy and is designed to align the interests of Executives with shareholders and to assist the Group in the attraction, motivation and retention of Executives. In particular, the LTIP is designed to provide relevant Executives with an incentive for future performance, with conditions for vesting and exercise of performance rights under the LTIP encouraging Executives to remain with the Group and contribute to the future performance.

The introduction of the new LTIP is pending approval at the November 2019 Annual General Meeting. It is proposed to award performance rights to eligible Executives based on:

- a three-year performance period with awards only vesting if certain targets are met; and
- achievement of EPS and TSR metrics and hurdles set by the Board that align with shareholder interests.

The number of performance rights to be awarded will be determined using a face value calculation methodology.

The Board is responsible for administering the LTIP in accordance with the Plan Rules and the terms and conditions of specific grants of performance rights to participants in the LTIP. The Board may determine which persons will be eligible to participate in the LTIP from time to time. In FY20, the LTIP hurdles will be based on metrics set by the Board and weighted as follows:

LTIP Metrics	Weighting
EPS	50%
Absolute TSR	50%

The updated changes to the STI and LTIP are summarised in the updated Remuneration Framework below.

FY20 REMUNERATION FRAMEWORK WITH CHANGES HIGHLIGHTED

Element	Objective	Delivery	Purpose	FY20 approach
Total Fixed Remuneration (TFR)	Attract and retain the best talent.	Base salary and superannuation.	TFR is set in relation to the external market and takes into account size and complexity of role along with individual responsibilities and experience and skills.	TFR positioning is 50th to 75th percentile of market of comparator group.
Short-Term Incentive (STI)	Reward current year performance.	Annual cash payment. 25% deferred into equity for KMP.	STI provides appropriate differentiation of pay for performance and is based on business and individual performance outcomes.	Corporate Scorecard Weightings: – EBITDA – 60% – Operating cashflow – 10% – Group net margin – 10% – International revenue – 20%
Long-Term Incentive (LTI)	Reward long-term sustainable performance.	Performance rights (vesting into shares after three years, subject to performance).	LTI supports alignment to long-term overall Company performance and aligns with shareholder value. Hurdles align with strategic business drivers and long-term shareholder value.	LTI Scorecard Weightings: – Compound annual EPS growth – 50% weighting – Absolute TSR – 50% weighting

Note that the new LTI Plan will require shareholder approval at the 2019 AGM.

This is the end of the Remuneration Report.

CORPORATE GOVERNANCE STATEMENT

BWX Limited (**BWX** and or **Company**), and its related entities (collectively, **BWX Group**) are committed to achieving and demonstrating the highest standards of corporate governance to protect and enhance shareholder interests.

This Corporate Governance Statement:

- reports against the 3rd edition of the ASX Corporate Governance Council's Principles and Recommendations (**ASX Principles**). The practices detailed in this Corporate Governance Statement are current as at 23 August 2019; and
- has been approved by the Board and is located on BWX's website at www.bwxltd.com/

PRINCIPLE 1: THE BOARD LAYS SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

BOARD RESPONSIBILITIES AND DELEGATIONS

The Company's Board Charter was amended by the Board in June 2019. The Board Charter is located on the BWX website at www.bwxltd.com/.

The Board Charter provides a framework for the effective operation of the Board, setting out:

- the Board's role and responsibilities and size and composition;
- the establishment of two Board Committees (as described below) and the Board's ability to delegate any of its powers to a Board Committee, a Director or other person from time to time, subject to ultimate responsibility residing with the Directors;
- the responsibilities delegated by the Board to the Group Chief Executive Officer (CEO) and members of the Executive Team; and
- the role of the Board Chair and the Company Secretary.

The Board Charter provides that the Board's role is to, amongst other things:

- set BWX's values and standards of conduct and ensure that they are adhered to;
- provide and demonstrate leadership;
- define and set BWX's strategic direction;
- monitor the operational and financial position and performance of the Company and provide oversight and monitor that the Company is properly managed to protect and enhance shareholder interests and that of the Company; and
- adopt internal controls, a risk management framework (for both financial and non-financial risks) and corporate governance policies and practices which promote the responsible management and conduct of BWX.

The Board's responsibilities include the appointment of a Chair, the appointment and removal of the CEO, approval of BWX Group's statement of values and Code of Conduct and approval of major capital expenditure, acquisitions and divestitures in excess of authority levels delegated to management.

The Board Charter provides that the Company Secretary is accountable to the Board through the Chair on all matters to do with the proper functioning of the Board including advising the Board and its Committees on governance matters and monitoring that Board and Board Committee policies and procedures are followed.

The Board Charter delegates responsibility for day-to-day management and administration of the BWX Group to the CEO and members of the Executive Team. The CEO is responsible for providing effective leadership, direction and supervision of the Executive Team to achieve the strategies, business plans and budgets adopted by the Board and in accordance with the values and culture set by the Board. The Board has procedures in place to regularly assess the performance of the CEO and members of the Executive Team.

BOARD COMMITTEES

The Board has established two Committees to assist it in discharging its functions:

- Audit and Risk Committee (**ARC**); and
- People and Culture (**P&CC**).

BOARD MEETINGS AND ATTENDANCE

The Board meets as often as necessary to fulfill its role. Directors are required to allocate sufficient time to BWX to perform their responsibilities effectively, including adequate time to prepare for Board meetings. During FY19, the Board met 14 times.

For full details of Directors' attendance at Board and Committee Meetings for FY19, refer to "Board and Committee Meeting attendance" on page 14 of the Company's Annual Report.

ACCESS TO INFORMATION AND INDEPENDENT PROFESSIONAL ADVICE.

Directors have access to management to seek explanations and information and to auditors to seek explanations and information without management present at any time they consider it appropriate.

The Board collectively, and each Director individually, has the right to seek, at the expense of the Company, any independent professional advice that they consider necessary to fulfil their responsibilities and to exercise independence judgment when making decisions, subject to the approval of the Chair which cannot be unreasonably withheld or delayed.

BACKGROUND CHECKS BEFORE APPOINTING DIRECTORS AND SENIOR EXECUTIVES

Prior to the appointment of a new Director or Senior Executive, the Board undertakes appropriate background checks as to his or her character, experience, education, criminal record and bankruptcy history. In the case of a Director candidate, prior to appointment the candidate is required to provide the Chair with details of other commitments and an indication of time involved, and to acknowledge that he or she will have adequate time to fulfill his or her responsibilities as a Non-Executive Director of BWX.

BWX has entered into written agreements with each Director (and Senior Executive) setting out the terms, conditions and responsibilities of their appointment. In accordance with Listing Rule 3.16.4, BWX discloses, to the extent required, the key terms of all employment, service or consultancy agreements with Directors or other related parties.

The Company 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 a General Meeting.

DIVERSITY

Consistent with BWX's values, BWX is committed to providing an inclusive, equitable and fair workplace where everyone is treated with respect and dignity regardless of gender, marital or family status, sexual orientation, gender identity, age, abilities, ethnicity, religious beliefs, cultural background, socio-economic background, perspective or experience.

BWX's policy on diversity includes making sure that employment-related decisions are transparent, equitable and fair; that a diverse range of candidates are considered for positions; to guard against any conscious or unconscious biases that might discriminate against certain candidates; to ensure that staff have access to development and career opportunities based on merit; and to ensure a workplace which is free from discrimination, harassment, bullying, victimisation and vilification.

The Board is responsible for reviewing BWX's Diversity Policy periodically to check that it is operating effectively. The Diversity Policy was amended by the Board in June 2019. The Policy is available on the BWX website at www.bwxltd.com/.

FY19 MEASURABLE OBJECTIVES

The Board plays a specific role in driving diversity, particularly gender diversity, across the business by reviewing and approving annual diversity objectives and progress towards these objectives.

A measurable objective was set by the Board to appoint one female director in FY19 to create gender diversity on the Board. During FY19, BWX appointed two female Non-Executive Directors – Ms. Fiona Bennett and Ms. Jodie Leonard.

BWX's workforce diversity as at 30 June 2019 in comparison to the previous year is as follows:

BWX Level	Financial year ended	Female number	% of women	Male number	% of men
Board of Directors	30 June 2019	2	40%	3	60%
	30 June 2018	0	0	3	100%
Senior Executives and Senior Management	30 June 2019	23	55%	19	45%
	30 June 2018	20	44%	25	56%
Total Employees	30 June 2019	182	74%	76	26%
	30 June 2018	145	67%	72	33%

The People and Culture Committee is responsible for assessing whether there is any gender or other inappropriate bias with respect to the remuneration of Directors, the Leadership Team or other employees. The People and Culture Committee also annually reviews the status of workplace diversity within BWX and the effectiveness of the measurable objectives for achieving gender diversity.

FY20 MEASURABLE OBJECTIVES

Gender diversity is a key diversity target at BWX. BWX's gender diversity objectives for FY20 are:

BWX Level	Target percentage
Board	≥ 40% female
Senior Executives and Senior Management	≥ 40% female
Employees	≥ 40% female

PERFORMANCE REVIEW OF THE BOARD

BWX's Board Charter provides that the Board is to undertake ongoing assessment and review of the performance of the Board, its Committees and individual Directors at least annually.

This review was not carried out in FY19 due to changes to the Board, the Board Committees and the CEO during the last year. A review will be carried out in FY20.

PERFORMANCE REVIEW OF THE CEO AND EXECUTIVE TEAM

BWX's Board Charter provides that the Board is responsible for monitoring the performance of the Executive Team. The performance of the CEO and Senior Executives is assessed annually with reference to agreed milestones.

The People and Culture Committee is responsible for reviewing and making recommendations to the Board (as appropriate) on remuneration arrangements for the CEO and Executive Team terms of employment. It also makes recommendations to the Board on the following:

– any equity-based remuneration plans for the Executive Team and other employees;
– for reviewing and approving the design and total proposed payments from any Executive Team incentive plan; and
– the proposed award to each member of the Executive Team under the rules of any Executive Team incentive plan.

The performance of the CEO and Executive Team are assessed annually with reference to agreed milestones. A performance review program will be launched in FY20 and include evaluations for each member of the Executive Team. Details of the remuneration of the Executive Team who are considered by the Company to be Key Management Personnel are set out in the Remuneration Report.

PRINCIPLE 2: THE BOARD IS STRUCTURED TO BE EFFECTIVE AND TO ADD VALUE

NOMINATION COMMITTEE

Due to the size of the Board, BWX does not have a separate nomination committee. The roles and responsibilities of a nomination committee are currently undertaken by the Board and, where appropriate, the People and Culture Committee.

COMPOSITION OF THE BOARD AND DETAILS OF DIRECTORS

BWX currently has five Directors, one of whom is the Group CEO and Managing Director (**CEO**), David Fenlon, and the rest of whom are Non-Executive Directors. While the Board considers the current size is appropriate to discharge its duties effectively, the Board intends to appoint an additional independent Non-Executive Director to further its strong governance and commercial focus.

The criteria by which the Board determines the independence of a Director is set out in the Board Charter. All of the Non-Executive Directors are considered by the Board to be independent, including Ian Campbell, Chair of the Board, as set out in the table below. There is a clear division of responsibility between the Independent Non-Executive Chair and the Group CEO.

Each Director must provide to the Board all information relevant to the assessment of his or her independence and where a Director's independent status changes, BWX will immediately disclose and explain this to the market.

Director	Independent Status	Appointment Date
Ian Campbell (Chair)	Independent Non-Executive Director	15 May 2015
David Fenlon	Independent Non-Executive Director	16 April 2018
David Fenlon (CEO and Managing Director)	Not independent*	3 June 2019
Denis Shelley	Independent Non-Executive Director	26 July 2013
Fiona Bennett	Independent Non-Executive Director	1 December 2018
Jodie Leonard	Independent Non-Executive Director	1 December 2018

*Dave Fenlon's term as Group CEO officially commenced 1 July but his engagement with the business changed his independence from 3 June 2019.

For details of the current Directors, their qualifications, skills and experience, refer to the "Directors' Report", contained within the Company's Annual Report.

BOARD SKILLS MATRIX

Under the Company's Constitution, the Board must comprise at least three Directors and a maximum of eight Directors. The Board regularly reviews the composition of the Board, considering the number and skill mix of the Directors.

The Board recognises the need to review and consider the composition of the Board to align it with ASX best practice and ensure that it comprises the necessary skills to establish and deliver upon the Company's short-, medium- and long-term strategic objectives.

The Board, with the assistance of the People and Culture Committee, has developed a Board skills matrix which is provided below.

The mix of skills and experience in the current Board, and that the Board would look to maintain and build on, is as follows:

Skills and experience	Total Membership
FMCG/Consumer Goods Experience in the consumer goods/FMCG market and other sectors in which the Company operates	5
International Experience Experience working in or responsible for building international markets	2
Strategy Experience defining strategic objectives, assessing business plans and driving execution in large, complex organisations	5
Risk Management Experience anticipating and identifying key risks to the organisation and monitoring the effectiveness of risk management frameworks and controls	3
Financial Acumen Understand financial drivers of the business, and experience implementing or overseeing financial accounting, reporting and internal controls	5
Governance Prior experience as a Board member of a commercial operation, industry or membership of governance bodies and a strong commitment to strong corporate governance standards	4
Digital, Data and Technology Expertise and experience in adopting new technologies or implementing technology projects, digital disruption, leveraging digital technologies or understanding the use of data and data analytics	1
People and Culture Experience monitoring a company's culture, overseeing people management and succession planning, and setting remuneration frameworks	5

The Board considers, and where necessary, updates, the Board skill matrix at least annually to ensure that as BWX develops, the Board comprises the appropriate mix of skills, expertise, experience and diversity.

DIRECTOR SELECTION/APPOINTMENT/INDUCTION PROCESS

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 Secretary is responsible for arranging for any new Director to undertake an induction program to enable them to gain an understanding of the Company's operations and the industry sectors in which it operates, the culture and values of the Company, the Company's financial, strategic, operational and risk management position, and their rights, duties and responsibilities.

To achieve continuing improvement in Board performance, all Directors are encouraged to undergo regular professional development.

PRINCIPLE 3: THE BOARD INSTILLS A CULTURE OF ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY

CODE OF CONDUCT

The Board recognises the need to observe a high standard of corporate practice and business conduct. Accordingly, the Board adopted the Code of Conduct, which outlines how BWX expects its representatives to behave and conduct business with specific reference to BWX's values: wellness, innovation, bravery, diversity and respect.

All BWX Directors, officers, Senior Executives, employees, contractors and consultants must comply with the Code of Conduct. The Code details the core values that are expected to drive Director and employee behaviour and aspirations. As set out in the Code of Conduct, BWX expects all parties subject to the Code to comply with the letter and spirit of any applicable law, rule or regulation and not knowingly participate in any illegal or unethical activity. In addition, BWX expects that all parties carry out BWX's operations with high standards of honesty, integrity and ethical, responsible and law-abiding behaviour.

During FY19, the Code of Conduct was amended by the Board in June 2019. The Code of Conduct is located on the BWX website at www.bwxltd.com/.

SECURITY TRADING POLICY

BWX's Security Trading Policy (**Trading Policy**) governs the sale and purchase of BWX securities by Directors and Employees (**Relevant Persons**). Relevant Persons must not trade, arrange for someone else to trade, or pass on information to someone they know, or ought reasonably to know, may use the information to trade (or procure another person to trade) BWX shares when they are in possession of price-sensitive information in relation to BWX which is not generally available to the market.

Relevant Persons are prohibited from dealing in BWX's securities (subject to exceptional circumstances) during the following mandated Closed Periods:

(a) the period that is within one month prior to the Company's year-end date and ending one clear trading day after the release of the Company's annual results;

(b) the period that is within one month prior to the Company's half year-end date and ending one clear trading day after the release of the Company's half year results;

(c) the period that is within two weeks prior to the Company's annual general meeting and ending one clear trading day after the annual general meeting (or, if shorter, the period from the relevant financial period end up to and including the time of the announcement); and/or

(d) any other period designated by the Board from time to time (including when the Company is considering matters which are price sensitive and/or subject to disclosure to the market).

If a Director or any Key Management Personnel wishes to trade in BWX shares during an open period, the Trading Policy provides for:

- prior written approval by the Chair to be given to Directors (the Chair must seek prior written approval from the Chair of the Audit and Risk Committee); and
- prior written approval from the Group CEO and Managing Director to be given to Key Management Personnel[1].

For all Relevant Persons, notification prior to, and after, trading is also required under the policy.

The Security Trading Policy was amended by the Board in June 2019 and the amended Policy was released to the ASX. The Policy is also located on the BWX website at www.bwxltd.com/.

WHISTLEBLOWER POLICY AND ANTI-BRIBERY AND CORRUPTION POLICY

BWX recognises the important role whistleblowing can play in the early detection of misconduct and has adopted a Whistleblower Policy. The purpose of the Whistleblower Policy is to establish a reporting system which secures protections for individuals who disclose misconduct and encourage employees and BWX's partners to report known or suspected misconduct.

The Whistleblower Policy is located on the BWX website at www.bwxltd.com/.

BWX also recognises the importance of protecting the assets and reputation of the Company and has adopted an Anti-Bribery and Corruption Policy. The purpose of the Anti-Bribery and Corruption Policy is to reinforce the commitment and responsibility of BWX in identifying fraudulent and corrupt activities and in establishing policies, controls and procedures for prevention and detection of these activities. In addition, the Policy reinforces the requirement that all employees must refrain from and report any corrupt and fraudulent conduct.

PRINCIPLE 4: THE BOARD SAFEGUARDS THE INTEGRITY OF CORPORATE REPORTS

AUDIT AND RISK COMMITTEE (ARC)

The ARC has three members: Fiona Bennett (Chair), Jodie Leonard and Ian Campbell. The ASX Principles recommend that an audit committee have at least three members, all of whom are Non-Executive Directors and a majority of whom are independent and that the Chair of the Audit Committee be an Independent Director who is not the Chair of the Board.

The ARC Charter requires that all members of the ARC be able to read and understand financial statements and that at least one member is a qualified accountant or other finance professional with appropriate experience of financial and accounting matters.

The ARC Charter sets out the role and responsibilities of the ARC and the Charter is located on the BWX website at www.bwxltd.com/. The ARC reviews its Charter annually or as required.

1 For the purpose of the Trading Policy, "Key Management Personnel" are defined as (i) any first line reports of the Group CEO and Managing Director and their direct reports; and (ii) any other person designated by the Managing Director as key management personnel on the basis that they have authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly.

The objectives of the ARC are to:

- assist the Board to achieve its objectives in relation to corporate and financial reporting, the application of accounting policies, business policies and practices, legal and regulatory compliance and internal control and the risk management framework;
- maintain and improve the quality, credibility and objectivity of the financial accountability process;
- promote a culture of compliance across the BWX Group;
- provide a forum for communication between the Board and the Company's management in relation to audit and compliance matters affecting the BWX Group;
- oversee the internal audit (if any) and external audit functions and communication between the Board and the internal auditor (if any) and the external auditor; and
- review and comment on Management's plans for managing the material financial, non-financial and reporting risks faced by the BWX Group.

The responsibilities of the ARC in relation to external audit include:

- approving the terms of engagement of the external auditor at the beginning of each financial year;
- reviewing the external auditor's proposed audit scope and approach;
- recommending to the Board, for approval, the appointment or removal of the external auditor;
- reviewing the performance of the external auditor and approving the fees payable to the external auditor;
- developing and overseeing the implementation of BWX's policy on the engagement of the external auditor to supply non-audit services and monitoring compliance with that policy;
- providing advice to the Board in relation to whether the ARC is satisfied that the provision of non-audit services is compatible with the general standard of independence and an explanation of why those non-audit services do not compromise audit independence; and
- meeting with the external auditor to review audit reports.

The external auditor must be independent of BWX. The ARC regularly reviews and assesses the independence of the external auditor.

The ARC may obtain information from, and consult with, management, the external auditor and external advisers, as it considers appropriate. The ARC also has access to the external auditor to discuss matters without management being present.

The ARC is responsible for engaging in the proactive oversight of, and assessing the adequacy of, the Company's financial reporting and disclosure processes and reviewing all periodic financial reports with management, advisers and the external auditor (as appropriate) and recommending to the Board adoption of applicable financial reports if those reports reflect the understanding of the members of the ARC and otherwise provide a true and fair view of the financial position and performance of the BWX Group.

CEO AND CFO DECLARATION

Prior to Board approval of BWX's annual financial reports, the CEO and CFO must provide the Board with the declaration required under section 295A of the Corporations Act and Recommendation 4.2 of the ASX Principles. This declaration is also provided prior to Board approval of BWX's half-year financial reports required under Recommendation 4.2 and as if section 295A of the Corporations Act applied in respect of a half-year period.

For the financial year ended 30 June 2019, the CEO and CFO made a declaration in accordance with section 295A of the Corporations Act and Recommendation 4.2 of the ASX Principles.

AUDITOR AT AGM

At BWX's 2019 AGM, William Buck, as the independent external auditor, will be present and available to answer shareholder questions on the:

- conduct of the independent external audit;
- preparation and content of the independent external auditor's report;
- accounting policies adopted by BWX in relation to the preparation of the financial statements; and
- independence of William Buck in relation to the conduct of the audit.

PRINCIPLE 5: THE BOARD MAKES TIMELY AND BALANCED DISCLOSURE

It is the intention of the Board to ensure that Shareholders are kept informed of all major developments affecting the state of affairs of BWX.

The BWX Continuous Disclosure Policy sets out BWX's disclosure obligations under the Corporations Act and ASX Listing Rules and is located on the BWX website at www.bwxltd.com/.

Under the Continuous Disclosure Policy, the Board bears the primary responsibility for BWX's compliance with its continuous disclosure obligations and is therefore responsible for overseeing and implementing this policy. The Board makes the ultimate decision on whether there is any materially price-sensitive information that needs to be disclosed to the ASX and Board approval is required for any release which relates to a matter which is both material and strategically important for BWX.

In addition, at each Board meeting, consideration is given to any information that must be disclosed to the ASX in accordance with BWX's continuous disclosure obligations.

BWX has a Disclosure Committee in place which consists of the CEO, relevant members of the Executive Team and the Company Secretary who have each been severally designated as the Company's Disclosure Officers. The Disclosure Committee is primarily responsible for making decisions on what should be disclosed publicly under the Policy and confirming that the Policy is implemented and enforced and that all material information is disclosed to the ASX as required by the Corporations Act and the Listing Rules.

The Disclosure Committee is responsible for regularly reviewing the Continuous Disclosure Policy to ensure that it remains effective and consistent with all relevant legal pronouncements and the ASX Principles.

The Company Secretary has primary responsibility for all communication with the ASX in relation to ASX Listing Rule matters.

PRINCIPLE 6: THE BOARD RESPECTS THE RIGHTS OF SECURITY HOLDERS

BWX respects the rights of its Shareholders and, to facilitate the effective exercise of those rights, BWX's policy is to promote effective two-way communication with Shareholders and other stakeholders so that they are fully informed of BWX's business, governance, financial performance and prospects, and understand how to assess relevant information about BWX and its corporate activities.

BWX WEBSITE

BWX's website at www.bwxltd.com/ is kept current to maintain effective communication with shareholders and stakeholders. Information available on the BWX website includes pertinent information about BWX's operations, Directors and Executive Team, and copies of all key governance documentation and key shareholder information such as access to the BWX Investor Centre, announcements, archived investor presentations, current share price information and Company events.

All ASX announcements made by BWX can also be accessed from the "Announcements" section of the ASX website at www.asx.com.au/asx/statistics/announcements.do, using BWX's ticker code: BWX.

INVESTOR RELATIONS

Relationships with investors are very important at BWX. Following BWX's release of its half-year and annual financial statements, BWX conducts investor briefings and investor roadshows with institutional groups and analysts.

BWX's AGM is usually held in November each year; and the Chair, Directors and Key Management Personnel will engage with Shareholders in advance of the AGM, as appropriate.

SHAREHOLDER COMMUNICATIONS

Shareholders may elect to receive all communications from the BWX share registry electronically. Electronic communications have the added advantage of being more timely and cost effective, which benefits all BWX owners and is encouraged by BWX. Shareholders should contact the BWX share registry if they wish to elect to receive electronic communications by emailing registrars@linkmarketservices.com.au.

The BWX share registry is managed by Link Market Services Limited: www.linkmarketservices.com.au/corporate/home.html.

SHAREHOLDER ENGAGEMENT AND PARTICIPATION

To encourage shareholder engagement and participation at the AGM, shareholders have the opportunity to attend the AGM, ask questions from the floor, participate in voting and meet the Board and the management team in person.

Shareholders who are unable to attend the AGM are encouraged to vote on the proposed motions by appointing a proxy via the proxy form that accompanies the notice of meeting, or online through the share registry's website.

Shareholders have the opportunity to submit written questions and comments to BWX and its external auditor.

Presentations and speeches made by the Chair and CEO at the AGM are made available on the ASX announcements platform, and BWX's website, before the commencement of the meeting. BWX will also publish the results of the AGM to the ASX and on its website immediately following the conclusion of the AGM.

PRINCIPLE 7: THE BOARD RECOGNISES AND MANAGES RISK

RISK MANAGEMENT

In its function as a risk committee, the ARC assists the Board in fulfilling its corporate governance responsibilities with regard to providing oversight and ensuring the soundness of BWX's risk management framework and internal control systems.

BWX considers risk management to be integral to the Company achieving and maintaining its operational and strategic objectives. The Board is responsible for approving the Company's risk management approach and reviewing and monitoring significant business risks and overseeing risk mitigation strategies. The Board has delegated to the ARC the responsibility for reviewing, and making recommendations to the Board on, the Company's overall risk profile and risk appetite.

BWX's ARC Charter sets out the requirements, roles and responsibilities for managing risks across the BWX Group. The ARC Charter is available on the BWX website under "About Us" / "Investor Centre" at www.bwxltd.com/.

The ARC's primary role with respect to risk management is to:

- oversee the establishment and implementation of the risk management framework and internal compliance and control systems and monitor that there is a mechanism for assessing the ongoing efficiency and effectiveness of those systems;
- monitor that there is a mechanism in place for assessing the ongoing efficiency and effectiveness of the risk management framework and internal compliance and control systems;
- monitor whether BWX is operating within the risk appetite set by the Board and make recommendations on any necessary changes that should be made to the risk appetite;
- review risk management policies and procedures at least annually to ensure that the risk systems and processes in place are operating effectively and efficiently, in regard to identifying, assessing, monitoring and managing risk; and
- review BWX's risk management framework at least annually to evaluate compliance and internal control processes.

In addition to the ARC, BWX has adopted a Risk Management Policy. The Risk Management Policy is available on the BWX website at www.bwxltd.com/. 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 which are documented in the Risk Management Framework.

BWX has also adopted a Privacy Policy and Anti-Bribery and Corruption Policy, which form part of the overall Risk Management Framework. These Policies are available on the BWX website at www.bwxltd.com/.

Through the ARC, Management reported to the Board on the effectiveness of the management of the material risks faced by BWX during FY19. Through the ARC, the Board has reviewed the Risk Management Framework and is satisfied that it continues to be sound.

INTERNAL AUDIT

Given the size and scale of BWX's current operations, BWX has not established an internal audit function. Oversight of the effectiveness of BWX's risk management and internal control processes currently forms part of the responsibilities of management. The Board also relies on ongoing reporting and discussion of the management of material business risks to evaluate and continually improve the effectiveness of BWX's risk management and internal control processes. As BWX's business operations continue to develop, the ARC may consider establishing an independent internal audit function.

ENVIRONMENTAL AND SOCIAL RISKS

As set out above, BWX has a risk management framework and Risk Management Policy. In addition to this, the Board conducts an annual corporate strategy workshop where BWX's strategic direction is reviewed in detail, with specific focus on the identification of the key business and financial risks which could prevent the Company from achieving its objectives. The risk processes in place have identified the following possible risk areas:

Economic risks	– Information Technology
	– Financial and business continuity
	– Foreign exchange, interest rates and commodity prices
	– Stakeholder communications
Environmental risks	– Environment and sustainability
Social sustainability risks	– Reputation and ethical conduct
Competition and channel concentration risks	– Synthetic brands entering into natural space

OTHER RISKS

BWX faces certain other business risks, notably those related to:

- compliance and legislative;
- product safety;
- operational risks;
- human resources and occupational health and safety;
- political and regulatory environment; and
- asset management.

These risks are carefully managed by BWX, including by:

- development and implementation of risk mitigations plans, processes and procedures;
- continuous monitoring of risks to ensure that they remain within the Company's risk appetite; and
- risk transfer, where appropriate.

PRINCIPLE 8: THE BOARD REMUNERATES FAIRLY AND RESPONSIBLY

BWX's approach to remuneration is framed by the strategic direction and operational demands of the business, the international context in which the business operates, sustainable shareholder returns, the regulatory environment and high standards of governance.

PEOPLE AND CULTURE COMMITTEE

The People and Culture Committee currently only has two members, Ms. Jodie Leonard (Chair) and Mr. Denis Shelley. The Committee will continue to be refreshed in FY20 with the addition of another Director.

The purpose of the People and Culture Committee is to:

- assist the Board to adopt appropriate remuneration policies and practices to attract and retain high quality Directors and to attract, retain and motivate Senior Executives who will create value for shareholders;
- monitor compliance with the Board approved remuneration policies and practices and incentives and behaviours arising from the remuneration structure; and
- assist the Board to fairly and responsibly reward members of the BWX Group Executive Team having regard to the performance of the BWX Group, the performance of the Executive Team and the general external pay environment.

The People and Culture Committee Charter sets out the role and responsibilities of the People and Culture Committee and the Charter is located on the BWX website at www.bwxltd.com/. A review of the People and Culture Committee Charter occurred in June 2019 and is conducted annually or as required.

For details regarding the composition of the People and Culture Committee and the number of meetings and the attendance at those meetings, refer to "Board and Committee Meeting attendance" contained within the Company's Annual Report.

REMUNERATION POLICIES AND PRACTICES

Details about BWX's remuneration strategy, framework, policies and practices are set out in the Company's Remuneration Report which clearly distinguishes the structure of Non-Executive Directors' remuneration from that of the Key Management Personnel. BWX has also adopted a Remuneration Policy which is located on the BWX website at www.bwxltd.com/.

The BWX Remuneration Report has been updated during FY19 and is set out from page page 17 of the Annual Report, located on the BWX website at www.bwxltd.com/.

POLICY ON HEDGING EQUITY-BASED INCENTIVE SCHEMES

The BWX Security Trading Policy prohibits employees from hedging the value of restricted shares and unvested securities. Breaches of this prohibition will result in awards being forfeited by the relevant employee. The Company's Security Trading Policy is located on the BWX website at 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 2019 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
Director

Dated this 23rd day of August, 2019

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Note	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Sales revenue	3	149,519	148,711
Cost of sales		(71,515)	(60,416)
Gross profit		**78,004**	**88,295**
Other income	3	1,464	1,565
Corporate and administrative expenses		(19,369)	(18,370)
Marketing, selling and distribution expenses		(33,956)	(27,319)
Occupancy expenses		(2,866)	(2,783)
Research and development and quality control expenses		(2,010)	(1,125)
Profit before depreciation, amortisation, finance costs, acquisition and restructuring related expenses		**21,267**	**40,263**
Depreciation and amortisation		(3,089)	(1,855)
Finance expenses		(4,223)	(4,420)
Acquisition and restructuring expenses	13	(1,487)	(4,990)
Profit before tax		**12,468**	**28,998**
Income tax expense	5	(2,930)	(9,782)
Profit after tax		**9,538**	**19,216**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss Exchange differences on translation of overseas subsidiaries		8,608	7,378
Other comprehensive income for the period		**8,608**	**7,378**
Total comprehensive income attributable to owners of the Company		**18,146**	**26,594**
Earnings per share (EPS)			
Basic EPS (cents)	14	7.7	17.0
Diluted EPS (cents)	14	7.7	16.6

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 2019

	Note	2019 $'000	2018 $'000
Current assets			
Cash at bank		11,967	19,892
Trade and other receivables	6	30,956	31,194
Inventories	7	28,833	27,891
Prepayments		3,658	1,825
Current tax receivable		1,012	–
Total current assets		**76,426**	**80,802**
Non-current assets			
Plant and equipment	8	4,293	3,512
Intangible assets and goodwill	9	285,219	274,315
Deferred tax assets	5	4,586	3,192
Total non-current assets		**294,098**	**281,019**
Total assets		**370,524**	**361,821**
Current liabilities			
Trade credtors		7,962	9,217
Other payables and accruals		7,613	6,939
Financial liabilities	10	22,788	18,237
Current tax liabilities		–	1,419
Employee benefits		1,379	1,236
Total current liabilities		**39,742**	**37,048**
Non-current liabilities			
Financial liabilities	10	44,803	54,548
Employee benefits		178	197
Total non-current liabilities		**44,981**	**54,745**
Total liabilities		**84,723**	**91,793**
Net assets		**285,801**	**270,028**
Equity			
Contributed equity	11	235,870	233,245
Reserves	21	17,552	8,738
Retained earnings		32,379	28,045
Total equity		**285,801**	**270,028**

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 2019

	Contributed equity $'000	Reserves $'000	Retained earnings/ accumulated losses $'000	Total $'000
Balance at 1 July 2017	**81,929**	**663**	**16,701**	**99,293**
Profit for the year	–	–	19,216	19,216
Other comprehensive income for the year		7,378		7,378
Total comprehensive income	**–**	**7,378**	**19,216**	**26,594**
Transactions with owners of the Company				
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)
Total transactions with owners	**151,316**	**697**	**(7,872)**	**144,141**
Balance at 30 June 2018	**233,245**	**8,738**	**28,045**	**270,028**
Balance at 1 July 2018	**233,245**	**8,738**	**28,045**	**270,028**
Profit for the year	–	–	9,538	9,538
Other comprehensive income for the year	–	8,608	–	8,608
Total comprehensive income	**–**	**8,608**	**9,538**	**18,146**
Transactions with owners of the Company				
Shares issued, net of costs	1,054	–	–	1,054
Transactions with Employee Loan Plan shareholders	–	–	–	–
Vesting costs for performance rights	–	1,649	–	1,649
Performance rights vested	1,443	(1,443)	–	–
Dividends paid	128	–	(5,204)	(5,076)
Total transactions with owners	**2,625**	**206**	**(5,204)**	**(2,373)**
Balance at 30 June 2019	**235,870**	**17,552**	**32,379**	**285,801**

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 2019

	Note	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Cash flows from operating activities			
Cash receipts from customers		157,273	150,332
Cash paid to suppliers and employees		(138,904)	(120,929)
Payments for transaction costs		(6,583)	(9,190)
Income taxes paid		(6,026)	(12,562)
Other income received		1,370	66
Interest paid		(3,363)	(3,393)
Net cash flows from operating activities	17	**3,767**	**4,324**
Cash flows from investing activities			
Acquisition of plant and equipment		(2,795)	(1,031)
Proceeds on sale of plant and equipment		6	112
Acquisition of intangible assets		(2,148)	(1,401)
Deferred payments relating to acquisition of businesses		(5,130)	–
Cash outflow on acquisition of businesses, net of cash acquired		–	(98,074)
Net cash flows used in investing activities		**(10,067)**	**(100,394)**
Cash flows from financing activities			
Proceeds from issue of share capital	11	940	129,225
Transaction costs for issue of shares		–	(4,498)
Dividends paid	12	(5,076)	(7,683)
Proceeds from (Repayments of) loans and borrowings		2,043	(13,013)
Net cash flows from financing activities		**(2,093)**	**104,031**
Net increase (decrease) in cash and cash equivalents		(8,393)	7,961
Effect of exchange rate changes on cash held		468	921
Cash and cash equivalents at the beginning of the year		19,892	11,010
Cash and cash equivalents at 30 June 2019		**11,967**	**19,892**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 for the year ended 30 June 2019 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 23 August 2019.

(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 payments that have been measured at fair value. Historical cost is generally based on the consideration given in exchange of assets.

(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 2019.

CARRYING VALUE OF RECEIVABLES

The calculation of impairment losses impacts the way the Group calculates the bad debts provision, now termed the credit loss allowance. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

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 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 cash-generating unit (CGU) level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

DEFERRED CONSIDERATION

Changes in the net present value of the deferred consideration are recognised in the profit or loss under "finance expenses". An adjustment was made to the deferred consideration in relation to the acquisition of Nourished Life and this is further detailed in Note 13.

In subsequent reporting periods, the Group will further 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 NOURISHED LIFE

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 the Nourished Life business. This resulted in a reclassification of its goodwill to other intangible assets from the Nourished Life acquisition – for details of this refer to Note 9. 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 exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and 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 measurements in their 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 exchanges 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

The Group has adopted AASB 15 as issued in May 2014 with the date of initial application being 1 July 2018. In accordance with the transition provisions in AASB 15 the standard has been applied using the modified retrospective approach. On this basis there were no restatements of prior comparative balances.

AASB 15 supersedes AASB 118 – Revenue, AASB 111 Construction Contracts, and related interpretations, and it applies to all revenue arising from contracts with customers, unless these contracts are in scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. At 30 June 2019, all material contracts were assessed by the Group and it was determined that the adoption of AASB 15 had no significant impact on the Group. The updated accounting policy for revenue has been disclosed below.

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for those goods or services.

Revenue is recognised by applying a five-step process outlined in AASB 15 which is as follows:

Step 1: Identify the contract with a customer;

Step 2: Identify the performance obligations in the contract and determine at what point they are satisfied;

Step 3: Determine the transaction price;

Step 4: Allocate the transaction price to the performance obligations; and

Step 5: Recognise revenue as the performance obligations are satisfied.

Following the adoption of AASB 15, on 1 July 2018, the Group's revenue recognition accounting policy is that:

– The performance obligation for the sale of goods is satisfied in the majority of instances when the goods are shipped to the customer and is recognised net of trade discounts and 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, and 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 and intangible assets with an indefinite useful life, 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.

IMPAIRMENT OF GOODWILL

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

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

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. There was no impairment recognised during the year as a result of this.

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 AT BANK

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.

In relation to the financial assets carried at amortised cost, AASB 9 requires an expected credit loss model to be applied as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. AASB 9 requires the Group to measure the loss allowance at an amount equal to lifetime expected credit loss ("ECL") if the credit risk on the instrument has increased significantly since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition the Group is required to measure the loss allowance for that financial instrument at an amount equal to the ECL within the next 12 months.

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. The Directors consider that intangible assets have indefinite useful lives because they expect that they will continue to generate cash inflows indefinitely.

During the year, there was an addition of an ERP system with a useful life of five years, which is amortised over its useful life on a straight-line basis.

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 are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the Consolidated Statement of 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 are recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of 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 expected 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 ISSUED DURING THE YEAR

AASB 15 REVENUE ("AASB 15")

The Group has adopted AASB 15 with the date of initial application being 1 July 2018. In accordance with the transition provisions in AASB 15 the standard has been applied using the modified retrospective approach. On this basis there were no restatements of prior comparative balances. At 30 June 2019, all material contracts were assessed by the Group and it was determined that the adoption of AASB 15 had no significant impact on the Group.

AASB 9 FINANCIAL INSTRUMENTS ("AASB 9")

The Group has adopted AASB 9 as issued in July 2014 with the date of initial application being 1 July 2018. In accordance with the transitional provisions in AASB 9, comparative figures have not been restated. AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement* ("AASB 139"), bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The accounting policies have been updated to reflect the application of AASB 9 below.

MEASUREMENT AND CLASSIFICATION

At the date of initial application, existing financial assets and liabilities of the Group were assessed in terms of the requirements of AASB 9. The assessment was conducted on instruments that had not been de-recognised as at 1 July 2018. In this regard, the Group has determined that the adoption of AASB 9 has impacted the classification of financial instruments at 1 July 2018 as follows:

Class of financial instrument presented in the statement of financial position	Original measurement category under AASB 139 (i.e. prior to 1 July 2018)	New Measurement category under AASB 9 (i.e. from 1 July 2018)
Cash and cash equivalents	Loans and receivables	Financial asset at amortised cost
Trade and other receivables	Loans and receivables	Financial asset at amortised cost
Trade and other payables	Financial liability at amortised cost	Financial liability at amortised cost
Interest-bearing liabilities	Financial liability at amortised cost	Financial liability at amortised cost

The change in classification has not resulted in any re-measurement adjustments at 30 June 2019.

IMPAIRMENT OF FINANCIAL ASSETS

In relation to the financial assets carried at amortised cost, AASB 9 requires an expected credit loss model to be applied as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. AASB 9 requires the Group to measure the loss allowance at an amount equal to lifetime expected credit loss ("ECL") if the credit risk on the instrument has increased significantly since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition the Group is required to measure the loss allowance for that financial instrument at an amount equal to the ECL within the next 12 months.

At 1 July 2018, the Group reviewed and assessed the existing financial assets for impairment using reasonable and supportable information. In accordance with AASB 9, where the Group concluded that it would require undue cost and effort to determine the credit risk of a financial asset on initial recognition, the Group recognises lifetime ECL. The result of the assessment is set out below.

Items existing at 1 July 2018 that are subject to the impairment provisions of AASB 9	Credit risk attributes	Cumulative additional loss allowance required on 1 July 2018
Cash and cash equivalents	All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable financial institutions.	–
Trade receivables	The Group applied the simplified approach and concluded that the lifetime ECL would be negligible on receivable balances not already provided for and therefore no loss allowance was required at 1 July 2018.	–

ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2019 are outlined in the table below.

Standard	Mandatory date for annual reporting periods beginning on or after	Reporting period standard adopted by the Company	Impact
AASB 16 Leases	1 January 2019	1 July 2019	Refer to below
2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle	1 January 2019	1 July 2019	No material impact
Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018	1 July 2018	No material impact
Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019	1 July 2019	No material impact
AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 Revenue	1 January 2019	1 July 2019	No material impact
AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15	1 January 2019	1 July 2019	No material impact
AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15	1 January 2019	1 July 2019	No material impact
AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures	1 January 2019	1 July 2019	No material impact
The revised Conceptual Framework for Financial Reporting	1 January 2020	1 July 2020	No material impact
AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business	1 January 2020	1 July 2020	No material impact

IMPACT OF AASB 16 – LEASES

Management has considered the impact of AASB 16 – Leases and has prepared a detailed calculation to quantify the impact as at the adoption date of 1 July 2019. AASB 16 introduces a single lessee accounting model, on the statement of financial position. As a result the Group, as a lessee, from the application date, will recognise right of use assets to represent its right to use the underlying assets and lease liabilities to represent its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group plans to apply AASB 16 using the modified retrospective approach, under which the cumulative effect of the initial application is recognised in retained earnings as at 1 July 2019. The expected cumulative impact of the implementation of this standard as at 1 July 2019 is set out below.

	$'000
Total expected value of right of use asset	13,124
Total expected value of lease liability	14,957
Total expected impact to retained earnings	1,834

NOTE 3: SALES REVENUE AND OTHER INCOME

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Sales revenue	149,519	148,711
Other income		
Interest income	39	66
R&D grant income	825	1,490
Other income	600	9
	1,464	1,565
	150,983	**150,276**

NOTE 4: EXPENSES

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Employee benefits expenses (included in cost of sales and operating expenses):		
Salaries and wages	20,395	16,806
Superannuation	1,288	1,324
Labour hire	1,317	1,365
Share-based payments	1,681	1,302
Other employee expenses	2,758	3,180
	27,439	**23,977**

NOTE 5: INCOME TAX

Income tax recognised in profit or loss

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Current tax expense in respect of the current period	1,651	8,128
Deferred tax expense recognised in the current period	1,279	1,654
Total income tax expense recognised in the current period relating to continuing operations	**2,930**	**9,782**
Prima facie income tax expense attributable to profit from operations at the Australian tax rate of 30% (2018: 30%)	3,740	8,699
Non-deductible acquisition and restructuring related expense	457	438
Non-deductible acquisition related reversal of Nourished Life deferred consideration	(1,632)	–
Non-deductible share-based payments expenses	496	391
Other non-deductible expenses	302	233
Change in overseas tax rates	–	551
Overseas tax rate differential	(502)	(352)
	2,861	**9,960**
Prior year adjustment	69	(178)
Total income tax expense recognised in the current period	**2,930**	**9,782**

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:

	2019 $'000	2018 $'000
Deferred tax assets	4,586	3,192

Deferred tax balances are attributable to the following:

	2019 $'000	2018 $'000
Deferred taxes		
Accruals	1,271	1,134
Provisions	–	89
Employee benefits	584	533
Deferred tax on acquisition and restructure expenses	2,150	290
Other items	581	1,146
	4,586	**3,192**

NOTE 6: TRADE AND OTHER RECEIVABLES

	2019 $'000	2018 $'000
Current		
Trade debtors	31,848	31,099
Credit loss allowance	(6)	(309)
Provision for rebates and returns	(2,946)	(1,740)
	28,896	29,050
Other receivables	2,060	2,144
	30,956	**31,194**

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 25.

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 2019, the ageing analysis of trade debtors is as follows:

Year	Total $'000	Current-30 days PDNI (i) $'000	31-60 days PDNI (i) $'000	61-90 days PDNI (i) $'000	+91 days PDNI[i] $'000	+91 days CI[ii] $'000
2019	31,848	30,393	836	148	465	6
2018	31,099	26,819	637	98	3,236	309

i PDNI – Past due not impaired.
ii CI – Considered impaired.

FAIR VALUE AND CREDIT RISK

Information about the Group's exposure to credit and market risks, and impairment losses for trade and other receivables, is included in Note 25.

NOTE 7: INVENTORIES

	2019 $'000	2018 $'000
Current		
Raw materials and packaging	7,536	5,645
Work in progress	756	1,740
Finished goods	20,541	20,506
	28,833	**27,891**

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

NOTE 8: PLANT AND EQUIPMENT

RECONCILIATION OF CARRYING AMOUNT

	Office Equipment $'000	Plant and Equipment $'000	Motor Vehicles $'000	Leasehold Improvements $'000	Total $'000
2018:					
Closing carrying value	**1,051**	**2,449**	**127**	**689**	**4,316**
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)
Closing carrying value	**727**	**2,241**	**–**	**544**	**3,512**
As at 30 June 2018					
Cost	2,166	3,939	–	1,060	7,165
Accumulated Depreciation	(1,439)	(1,698)	–	(516)	(3,653)
Carrying value	**727**	**2,241**	**–**	**544**	**3,512**
2019:					
Opening carrying value	**727**	**2,241**	**–**	**544**	**3,512**
Additions	1,213	1,430	–	181	2,824
Acquisitions of subsidiaries	–	–	–	–	–
Disposals	(8)	(4)	–	–	(12)
Reclassification/Transfers	–	–	–	–	–
Effect of movements in exchange rates	31	(5)	–	–	26
Depreciation	(249)	(1,635)	–	(173)	(2,057)
Closing carrying value	**1,714**	**2,027**	**–**	**552**	**4,293**
As at 30 June 2019					
Cost	2,971	4,794	–	1,241	9,006
Accumulated Depreciation	(1,257)	(2,767)	–	(689)	(4,713)
Carrying value	**1,714**	**2,027**	**–**	**552**	**4,293**

IMPAIRMENT LOSS

The Group has assessed the carrying value of plant and equipment for impairment as at 30 June 2019. The Board does not believe that the carrying value of plant and equipment is impaired as at this date.

NOTE 9: INTANGIBLE ASSETS AND GOODWILL

	Customer Relationships $'000	Formulations and Processes $'000	Brands and Trademarks $'000	Goodwill $'000	Other $'000	Total $'000
2018:						
Opening carrying value	**5,113**	**7,203**	**37,616**	**82,320**	**203**	**132,455**
Additions	797	–	–	–	1,411	2,208
Acquisitions of subsidiaries	–	–	–	134,872	–	134,872
Reclassification on independent valuation	–	–	64,298	(64,298)	–	–
Disposals	(1,774)	–	–	–	–	(1,774)
Effect of movements in exchange rates	–	–	–	6,558	7	6,565
Amortisation	–	–	–	–	(11)	(11)
Closing carrying value	**4,136**	**7,203**	**101,914**	**159,452**	**1,610**	**274,315**
As at 30 June 2018						
Cost	4,136	7,203	101,914	159,452	1,635	274,340
Accumulated amortisation	–	–	–	–	(25)	(25)
Carrying value	**4,136**	**7,203**	**101,914**	**159,452**	**1,610**	**274,315**
2019:						
Opening carrying value	**4,136**	**7,203**	**101,914**	**159,452**	**1,610**	**274,315**
Additions		153	–	–	2,003	2,156
Acquisitions of subsidiaries	–	–	–	–	–	–
Reclassification on independent valuation[1]	4,060	–	3,130	(7,190)	–	–
Disposals	–	–	–	–	–	–
Effect of movements in exchange rates	–	–	4,394	5,386	–	9,780
Amortisation	(710)	–	–	–	(322)	(1,032)
Closing carrying value	**7,486**	**7,356**	**109,438**	**157,648**	**3,291**	**285,219**
As at 30 June 2019						
Cost	8,196	7,356	109,438	157,648	3,638	286,276
Accumulated amortisation	(710)	–	–	–	(347)	(1,057)
Carrying value	**7,486**	**7,356**	**109,438**	**157,648**	**3,291**	**285,219**

1 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 Nourished Life business.

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 generates 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 has been allocated to the Group's CGUs as follows:

	2019		2018	
	Goodwill $	Brands and Trademarks $	Goodwill $	Brands and Trademarks $
USA	110,793	68,059	104,774	64,298
Australia/International	46,855	41,379	54,678	37,616
	157,648	109,438	159,452	101,914

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:

The Group completes an annual impairment test in accordance with AASB 136. Where the carrying amount of assets contained within the CGU exceeds its recoverable amount the assets contained within the CGU are considered impaired and written down to their recoverable amount. The Group considers its relationship between its market capitalisation and book value of equity, among other factors, when reviewing for indicators of impairment.

As at 30 June 2019, management has assessed the carrying value of assets and performed an impairment test on each CGU. Based on the results of the tests impairment charges were not required in the current period. The assumptions used in this modelling are disclosed below;

	USA		Australia/International	
Key assumptions	30 June 2019 %	30 June 2018 %	30 June 2019 %	30 June 2018 %
Growth rate over forecast period	8.2%	12.5%	10.5%	3.5%
Terminal value growth rate	2.0%	2.5%	2.5%	2.5%
Pre-tax discount rate	10.1%	12.5%	10.1%	12.5%

Recoverable amounts are calculated in line with each CGU's valuation methodology which is based on a value in use model. Impairment losses are recognised immediately in the income statement.

The key estimates and assumptions used to determine the recoverable amount of a CGU are based on management's current expectations after considering past experience and external information and are considered to be reasonably achievable.

The assumptions used by management for the USA CGU have been reviewed by an independent expert. The recoverable amount of the USA CGU would equal its carrying amount if the key assumptions were to change as follows:

- Growth rate over the forecast period decreased by 1.2% compared to the current modelling; and
- Pre-tax discount rate increased to 10.5% as compared to the current modelling.

The Directors and management have considered and assessed reasonably possible changes for key assumptions in relation to the Australia/International CGU and have not identified any reasonable instances that could cause the carrying amount to exceed its recoverable amount.

NOTE 10: FINANCIAL LIABILITIES

	30 June 2019 $'000	30 June 2018 $'000
Current		
Bank loan	6,700	6,700
Trade finance facility	8,116	5,368
Market rate loan	6,205	–
Equipment finance	173	225
Amortised borrowing costs	(279)	(283)
	20,915	12,010
Deferred consideration – Nourished Life[1]	30	1,541
Deferred payments – Andalou Naturals[2]	1,843	4,686
	22,788	**18,237**
Non-current		
Bank loan	33,748	38,769
Equipment finance	111	284
Amortised borrowing costs	–	(279)
	33,859	38,774
Deferred consideration – Nourished Life[1]	2,216	6,371
Deferred payments – Andalou Naturals[2]	8,728	9,403
	44,803	**54,548**

1 Resulted from impact of revision of estimate – Refer to Note 13 for details.
2 Payment of $5.2 million was made in September 2018 based on conditions being satisfied. Movement is also attributable to foreign currency movements.

TERMS AND REPAYMENTS SCHEDULE

The terms and conditions of outstanding loans are as follows:

			2019		2018	
	Nominal interest rate	Year of maturity	Face value $'000	Carrying amount $'000	Face value $'000	Carrying amount $'000
Bank loan – USD	LIBOR + 2.5%	2023	32,073	32,073	30,393	30,393
Bank loan	BBSY + 2.5%	2023	8,375	8,375	15,075	15,075
Trade finance facility	3.0% to 3.3%	2020	8,116	8,116	5,368	5,368
Market rate facility	1.9% to 2.2%	2020	6,205	6,205	–	–
Capitalised borrowing costs			–	(279)	–	(562)
Total interest-bearing liabilities			**54,769**	**54,490**	**50,836**	**50,247**

On 30 June 2019, the Group extended its existing facilities with the Commonwealth Bank of Australia from June 2020 to July 2022. The facilities are secured by a mortgage over the assets of the consolidated group of companies. 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 2019, the Group has complied with its obligations under the facility.

As at 30 June 2019, the Group had available $12.520 million (2018: $10.723 million) of undrawn borrowing facilities.

NOTE 11: CONTRIBUTED EQUITY

MOVEMENTS IN SHARE CAPITAL

	2019		2018	
	Number	$'000	Number	$'000
Balance at 1 July	122,731,270	233,245	92,296,020	81,929
Shares issued under Employee Loan Plan[1]				
– 5 July 2017	–	–	105,000	–
– 18 August 2017	–	–	200,000	–
– 21 September 2017	–	–	100,000	–
– 5 December 2017	–	–	545,000	–
– 18 August 2018	865,000	–	–	–
– 22 August 2018	100,000	–	–	–
– 12 October 2018	–	–	–	–
– 12 December 2018	50,000	–	–	–
Shares issued on exercise of Options[2]				
– 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
– 3 September 2018	200,000	400	–	–
– 12 September 2018	170,000	340	–	–
– 17 September 2018	100,000	200	–	–
Shares issued for (deferred) consideration on acquisition				
– deferred consideration on acquisition of Nourished Life[3]	33,618	114	–	–
– consideration on acquisition of Nourished Life	–	–	741,057	4,000
– consideration on acquisition of Andalou Naturals	–	–	3,105,885	19,816
Placements and rights issues				
– institutional placement	–	–	3,177,571	17,000
– renounceable entitlement offer – accelerated institutional component	–	–	11,014,062	65,203
– renounceable entitlement offer – retail component	–	–	5,976,675	35,382
Transaction costs relating to share issues, net of tax	–	–	–	(2,520)
Vesting of Employee Loan Plan shares[4]	–	1,443	–	150
Transactions with Employee Loan Plan shareholders	–	–	–	588
Distributions paid[5]	–	128	–	302
Balance at 30 June	**124,249,888**	**235,870**	**122,731,270**	**233,245**

Movements in share capital

1 Shares were issued to senior management as part of the Company's Employee Loan Plan. Refer Note 20 for further details;
2 Shares issued as part of the Company's Performance Options plan on exercise. Refer Note 20 for further details;
3 33,618 shares were issued at a fair value of $3.38 representing the 30-day VWAP immediately prior to the date of issue. Shares are subject to a 12-month voluntary escrow period ending 2 November 2019;
4 Proceeds from Employee Loan Plan participants in satisfaction of outstanding loan balances on exercise of vested Employee Loan Plan shares; and
5 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.

NOTE 12: DIVIDENDS

	2019		2018	
	$ per ordinary share	$'000	$ per ordinary share	$'000
Recognised amounts:				
2018 Final fully franked dividend – 12 October 2018	0.042	5,204	0.042	3,889
Interim fully franked dividend	–	–	0.0325	3,983
Unrecognised amounts:				
2019 Final fully franked dividend	0.027	3,355	0.042	5,195

On 29 August 2018, 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 2018. The dividend was subsequently paid to shareholders on 12 October 2018.

On 23 August 2019, the Directors determined to pay a fully franked final dividend of 2.7 cents per share to the holders of ordinary shares in respect of the financial year ended 30 June 2019, to be paid to shareholders on 25 October 2019. The dividend has not been included as a liability in these consolidated financial statements. The record date for determining entitlements to the dividend is 27 September 2019. The total estimated dividend to be paid is $3,354,747.

In accordance with the tax consolidation legislation, the Company as the head entity in the Group has also assumed the benefit of $11,452,758 (2018: $10,909,132) franking credits.

NOTE 13: 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 reviews 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 2019 USA $'000	Australia/ International $'000	Total $'000
Revenue			
Revenue from operations	74,219	75,300	149,519
Inter-segment revenue	651	234	885
Total segment revenue	**74,870**	**75,534**	**150,404**
Inter-segment elimination	(651)	(234)	(885)
Total consolidated revenue	**74,219**	**75,300**	**149,519**
Result			
Profit before tax, depreciation, amortisation, finance costs, acquisition and restructuring related expenses	13,437	11,319	24,756
Depreciation and amortisation[1]	(555)	(2,016)	(2,571)
Acquisition and restructuring expenses	(242)	(1,245)	(1,487)
Segment result	**12,640**	**8,058**	**20,698**
Head office result			(4,007)
Profit before tax and finance expenses			**16,691**
Finance expenses			(4,223)
Profit before tax			**12,468**
Income tax expense			(2,930)
Net profit after tax			**9,538**

1 Depreciation and amortisation of $0.518 million is incurred within the head office result.

Segment result	USA $'000	Year ended 30 June 2018 Australia/ International $'000	Total $'000
Revenue			
Revenue from operations	57,965	90,746	148,711
Inter-segment revenue	4,493	384	4,877
Total segment revenue	**62,458**	**91,130**	**153,588**
Inter-segment elimination	(4,493)	(384)	(4,877)
Total consolidated revenue	**57,965**	**90,746**	**148,711**
Result			
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)
Segment result	**14,426**	**22,446**	**36,872**
Head office result			(3,454)
Profit before tax and finance expenses			**33,418**
Finance expenses			(4,420)
Profit before tax			**28,998**
Income tax expense			(9,782)
Net profit after tax			**19,216**

SIGNIFICANT CUSTOMERS

There were three customers (2018: two) who made up more than 10% of total Group revenue. The total revenues recognised in respect of these customers was $67.045 million for the year ended 30 June 2019 (2018: $42.933 million).

GEOGRAPHICAL INFORMATION

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

	2019 $'000	2018 $'000
Net sales revenue		
Australia	62,723	77,077
United States	60,222	48,004
Other	26,574	23,630
	149,519	**148,711**

Non-current operating assets[1] per geographical region are presented as follows:

	2019 $'000	2018 $'000
Non-current operating assets[1]		
Australia	108,889	108,024
USA	180,416	169,607
Other	207	197
	289,512	**277,828**

1 Non-Current assets exclude deferred tax assets.

ACQUISITION AND RESTRUCTURING COSTS

During the year ended 30 June 2019, $1.487 million in acquisition and restructuring benefits (2018: $4.990 million costs) were incurred primarily in relation to the following:

- Costs of $4.907 million were incurred in relation to the indicative proposal to acquire shares of the Company.
- During the financial year, management performed an assessment of the deferred consideration in relation to the acquisition of Nourished Life and has assessed that applicable targets had not been satisfied. An adjustment of $5.438 million was recognised in "Acquisition and restructuring expenses" in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.
- Costs of $1.203 million relating to restructure costs.

NOTE 14: EARNINGS PER SHARE

	2019 Cents	2018 Cents
Basic earnings per share	7.7	17.0
Diluted earnings per share	7.7	16.6

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

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Net profit used in calculating basic and diluted EPS	9,538	19,216

	2019 Number '000s	2018 Number '000s
Weighted average number of ordinary shares at 30 June used in the calculation of basic earnings per share	**124,071**	**113,015**
Add: effect of potential conversion to ordinary shares under options schemes	92	2,867
Weighted average number of ordinary shares at 30 June used in the calculation of diluted earnings per share	**124,163**	**115,882**

NOTE 15: GROUP ENTITIES

Name	Principal activity	Country of incorporation	Interest held by the Group 2019 %	Interest held by the Group 2018 %
BWX Limited*		Australia		
Controlled entities				
Beautiworx Pty Ltd*	Manufacturing	Australia	100	100
LHS No. 2 Pty Ltd	Dormant	Australia	100	100
USPA Corporation Pty Ltd	Brand operating business	Australia	100	100
Edward Beale Hair Care Pty Ltd	Brand operating business	Australia	100	100
BWX Brands Pty Ltd*	Brand operating business	Australia	100	100
BWX Australia Pty Ltd (formally Regulatory Advisory Services Pty Ltd)	Employing company	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	Brand operating business	USA	100	100
BWX Digital Pty Ltd	Brand operating business	Australia	100	100

* Entity is a member of the Closed Group under the Deed of Cross Guarantee (refer to Note 16) and relieved from the requirement to prepare audited financial statements by ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

NOTE 16: 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 2019 $'000	Year ended 30 June 2018 $'000
Sales revenue	61,591	70,941
Cost of sales	(30,039)	(22,420)
Gross profit	**31,552**	**48,521**
Other income	1,444	1,564
Operating expenses	(16,650)	(23,533)
Profit before depreciation, amortisation, finance costs, acquisition and restructuring related expenses	**16,346**	**26,552**
Depreciation and amortisation	(1,763)	(930)
Finance income/(expenses)	939	(179)
Acquisition and restructuring expenses	(4,718)	(4,563)
Profit before tax	**10,804**	**20,880**
Income tax expense	(3,713)	(6,649)
Profit after tax	**7,091**	**14,231**
Other comprehensive income:		
Total items that may be reclassified subsequently to profit or loss	12,783	3,372
Other comprehensive income for the period	**12,783**	**3,372**
Total comprehensive income attributable to owners	**19,874**	**17,603**
Retained earnings at beginning of year	23,128	16,769
Profit after tax	7,091	14,231
Dividends recognised during the year	(5,209)	(7,872)
Retained earnings at end of year	**25,010**	**23,128**

STATEMENT OF FINANCIAL POSITION

	Deed of cross guarantee group	
	2019 $'000	2018 $'000
Current assets		
Cash and cash equivalents	4,962	6,426
Trade and other receivables	18,419	22,195
Inventories	14,203	11,383
Other assets	61	593
Total current assets	**37,645**	**40,597**
Non-current assets		
Investments in other Group subsidiaries	85,136	75,731
Receivables	137,440	126,426
Plant and equipment	2,258	2,819
Intangible assets and goodwill	75,737	73,757
Deferred tax assets	4,343	2,763
Total non-current assets	**304,914**	**281,496**
Total assets	**342,559**	**322,093**
Current liabilities		
Trade and other payables	8,565	8,924
Financial liabilities	19,898	12,011
Current tax (receivable)/liabilities	1,546	(106)
Employee benefits	–	1,168
Total current liabilities	**30,009**	**21,997**
Non-current liabilities		
Financial liabilities	33,860	38,774
Employee benefits	–	172
Total non-current liabilities	**33,860**	**38,946**
Total liabilities	**63,869**	**60,943**
Net assets	**278,690**	**261,150**
Equity		
Contributed equity	235,870	233,245
Reserves	17,810	4,777
Retained earnings	25,010	23,128
Total equity	**278,690**	**261,150**

NOTE 17: RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Net profit after tax	9,538	19,216
Adjustments for:		
Depreciation and amortisation	3,089	1,855
Share-based payments	1,649	1,302
Reclassification of customer relationships	–	1,774
	4,738	4,931
Changes in assets and liabilities		
(Increase)/decrease in:		
Trade and other receivables	(301)	(6,870)
Inventories	(153)	(2,242)
Other assets	(1,547)	(460)
Increase/(decrease) in:		
Trade and other payables	(881)	(7,508)
Provisions	(4,560)	37
Net income tax assets and liabilities	(3,067)	(2,780)
	(10,509)	(19,823)
Net cash from operating activities	**3,767**	**4,324**

NOTE 18: KEY MANAGEMENT PERSONNEL DISCLOSURES

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

	Year ended 30 June 2019 $	Year ended 30 June 2018 $
Short-term employee benefits	2,153,952	2,308,163
Post-employment benefits	117,357	195,208
Other long-term benefits	4,747	29,871
Share-based payments	398,474	926,257
	2,674,530	**3,459,499**

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 2019 (2018: nil) other than employee loan plans that are detailed in the Remuneration Report.

OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

No transactions between key management personnel and their related entities were made with the Group during the year ended 30 June 2019 (2018: nil) other than those disclosed in the Financial Report.

NOTE 19: AUDITOR'S REMUNERATION

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Assurance services		
Auditor of the Company – William Buck		
Audit of the annual financial report	130,000	82,000
Review of the interim financial report	60,000	45,000
	190,000	127,000
Other auditors	–	222,656
	190,000	349,656
Auditor of the Company – William Buck		
Taxation services	11,170	21,943
Other services	–	37,540
	11,170	59,483
Other auditors – taxation services	–	266,787
Other auditors – other assurance services	–	96,743
	11,170	**423,013**
	201,170	**772,669**

The auditor of the Group and the Company is William Buck Audit (Vic) Pty Ltd and its related entities (William Buck). From time to time, William Buck provides other services to the Group and the Company, which are subject to the corporate governance procedures adopted by the Company.

In the current year, the Group and the Company have engaged the services of other accounting firms to perform a variety of non-audit assignments including taxation related and other compliance activities. These accounting firms did not perform any auditing services.

NOTE 20: SHARE-BASED PAYMENTS

At 30 June 2019, 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 10 August 2018, 22 August 2018, 12 October 2018 and 12 December 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 hold 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
10 August 2018			
Tranche 1	144,166	10 Aug 2019	5 years
Tranche 2	144,166	10 Aug 2020	5 years
Tranche 3	144,168	10 Aug 2021	5 years
Tranche 4	216,250	31 Aug 2019	5 years
Tranche 5	216,250	31 Aug 2020	5 years
22 August 2018			
Tranche 1	16,166	22 Aug 2019	5 years
Tranche 2	16,167	22 Aug 2020	5 years
Tranche 3	16,167	22 Aug 2021	5 years
Tranche 4	25,000	31 Aug 2019	5 years
Tranche 5	25,000	31 Aug 2020	5 years
12 October 2018			
Tranche 1	13,889	12 Oct 2019	5 years
Tranche 2	13,889	12 Oct 2020	5 years
Tranche 3	13,889	12 Oct 2021	5 years
Tranche 4	20,834	31 Aug 2019	5 years
Tranche 5	20,834	31 Aug 2020	5 years
12 December 2018			
Tranche 1	8,333	22 Dec 2019	5 years
Tranche 2	8,333	22 Dec 2020	5 years
Tranche 3	8,334	22 Dec 2021	5 years
Tranche 4	12,500	31 Aug 2019	5 years
Tranche 5	12,500	31 Aug 2020	5 years

Refer to the Remuneration Report on pages 17 to 31 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
Date of grant – 10 August 2018					
Share price at valuation date	$4.94	$4.94	$4.94	$4.94	$4.94
Expected volatility	60.11%	60.11%	60.11%	60.11%	60.11%
Risk free rate	1.98%	1.98%	2.04%	2.13%	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	$1.28	$1.85	$2.29	$2.65	$2.97
Date of grant – 22 August 2018					
Share price at valuation date	$4.51	$4.51	$4.51	$4.51	$4.51
Expected volatility	59.94%	59.94%	59.94%	59.94%	59.94%
Risk free rate	2.00%	2.00%	2.04%	2.13%	2.22%
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	$1.17	$1.69	$2.10	$2.44	$2.74
Date of grant – 12 October 2018					
Share price at valuation date	$3.36	$3.36	$3.36	$3.36	$3.36
Expected volatility	61.32%	61.32%	61.32%	61.32%	61.32%
Risk free rate	2.02%	2.02%	2.08%	2.18%	2.29%
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	$0.91	$1.33	$1.65	$1.93	$2.17
Date of grant – 12 December 2018					
Share price at valuation date	$2.83	$2.83	$2.83	$2.83	$2.83
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	$0.84	$1.22	$1.51	$2.22	$2.51

MOVEMENTS IN PERFORMANCE RIGHTS DURING THE YEAR

The Group recorded a share-based payments expense for performance rights of $1.652 million (2018: $1.302 million) disclosed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under "Corporate and Administrative expenses".

	Number of ELP (performance rights) 2019	Weighted average exercise price 2019	Number of ELP (performance rights) 2018	Weighted average exercise price 2018
Outstanding at 1 July	3,043,000	$3.82	2,513,000	$2.20
Forfeited during the period	(517,502)	$5.18	(300,050)	$5.28
Exercised during the period	–	–	(420,000)	$1.50
Granted during the period	1,098,335	$4.69	1,250,050	$5.88
Outstanding at 30 June	**3,623,833**	**$3.89**	**3,043,000**	**$3.82**
Exercisable at 30 June	2,361,016	$3.35	1,263,800	1.75

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 2019	Weighted average exercise price 2019	Number of options 2018	Weighted average exercise price 2018
Outstanding at 1 July	470,000	$2.00	5,940,000	$2.00
Exercised during the period	(470,000)	$2.00	(5,470,000)	$2.00
Outstanding at 30 June	**–**	**–**	**470,000**	**$2.00**
Exercisable at 30 June	–	–	470,000	$2.00

NOTE 21: RESERVES

	Options Reserve $'000	Performance Rights Reserve $'000	Foreign Currency Translation Reserve $'000	Total $'000
Balance at 1 July 2017	455	262	(54)	663
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)
Balance at 30 June 2018	**–**	**1,414**	**7,324**	**8,738**
Exchange difference on translation of overseas subsidiaries	–	–	8,608	8,608
Employee Loan Plan expense	–	1,649	–	1,649
Performance rights vested	–	(1,443)	–	(1,443)
Exercise of Options	–	–	–	–
Balance at 30 June 2019	**–**	**1,620**	**15,932**	**17,552**

NOTE 22: 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:

	2019 $'000	2018 $'000
Not later than one year	3,431	2,962
Later than one year and not later than five years	11,294	11,590
Later than five years	2,129	4,967
	16,854	**19,519**

The Group recognised a total of $2.582 million in profit or loss as lease rental expense in 2019 (2018: $1.709 million).

CAPITAL COMMITMENTS

The Group has capital commitments of Nil (2018: $0.900 million).

NOTE 23: SUBSEQUENT EVENTS

DIVIDEND

A final dividend of 2.7 cents per fully paid ordinary share has been determined for the year ended 30 June 2019 – refer to Note 12.

APPOINTMENT OF DAVID FENLON

Mr. David Fenlon commenced in the role of Group Chief Executive Officer and Managing Director on 1 July 2019.

FURTHER APPOINTMENT

In the USA business, the recruitment of a President of BWX USA is being finalised.

CHANGES TO FY20 REMUNERATION FRAMEWORK

Extensive work was undertaken in FY19 to update the remuneration framework and better align the Company remuneration strategy with shareholder interests. The new remuneration framework will be implemented from July 2019.

The changes are intended to improve the governance and oversight of remuneration practices internally and include the following changes:

- establishment of KPI setting and annual review process;
- benchmarking of leadership team remuneration with external data;
- introduction of a clawback where the Board may determine that any unvested share rights will lapse or be forfeited in certain circumstances such as in the case of fraud, wilful misconduct or dishonesty; and
- introduction of a hedging policy that prohibits Executives from engaging in hedging instruments, dealing in derivatives or entering into arrangements which limit the economic risk related to BWX securities. The prohibition also includes taking out margin loans in connection with unvested securities issued pursuant to any BWX employee share plan or rights arising from any BWX Long-Term Incentive Plan.

It is planned to make changes to the STI structure in FY20. The changes are being introduced to ensure greater transparency of key metrics and align pay with performance. The new STI plan will now consider both Group performance and individual performance, with payments also to be subject to the following gateways:

- an EBITDA hurdle, which will be determined at the beginning of the financial year and will be aligned to market guidance; and
- assessment of individual conduct and behaviour as well as corporate culture.

The STI plan will include the introduction of a corporate scorecard of financial metrics focused on driving growth and transformation. The weighted scorecard agreed for FY20 is as follows:

STI Scorecard KPI	Weighting
EBITDA	60%
Operating cash flow	10%
Group net margin	10%
International revenue	20%

When determining STI outcomes, Group performance will be given a weighting of 100% with individual performance operating as a multiplier (between 0 and 1.25) either increasing or decreasing this amount. The new STI plan will also include a requirement that a portion (25%) of STI earned be deferred into equity for a period of 12 months for KMP to strengthen the alignment between Executive and shareholder interests.

Long-term incentives to the CEO and Executives are provided via the Long-Term Incentive Plan (LTIP). The LTIP will also be updated in FY20 and replace the Employee Loan Plan (ELP) that has been offered since listing. The LTIP is part of the Group's remuneration strategy and is designed to align the interests of Executives with shareholders and to assist the Group in the attraction, motivation and retention of Executives. In particular, the LTIP is designed to provide relevant Executives with an incentive for future performance, with conditions for vesting and exercise of performance rights under the LTIP encouraging Executives to remain with the Group and contribute to the future performance.

The introduction of the new LTIP is pending approval at the November 2019 Annual General Meeting. It is proposed to award performance rights to eligible Executives based on:

- a three-year performance period with awards only vesting if certain targets are met; and
- achievement of EPS and TSR metrics and hurdles set by the Board that align with shareholder interests.

The number of performance rights to be awarded will be determined using a face value calculation methodology.

The Board is responsible for administering the LTIP in accordance with the Plan Rules and the terms and conditions of specific grants of performance rights to participants in the LTIP. The Board may determine which persons will be eligible to participate in the LTIP from time to time. In FY20, the LTIP hurdles will be based on metrics set by the Board and weighted as follows:

LTIP Metrics	Weighting
EPS	50%
Absolute TSR	50%

FY20 REMUNERATION FRAMEWORK WITH CHANGES HIGHLIGHTED

Element	Objective	Delivery	Purpose	FY20 approach
Total Fixed Remuneration (TFR)	Attract and retain the best talent.	Base salary and superannuation.	TFR is set in relation to the external market and takes into account size and complexity of role along with individual responsibilities and experience and skills.	TFR positioning is 50th to 75th percentile of market of comparator group.
Short-Term Incentive (STI)	Reward current year performance.	Annual cash payment. 25% deferred into equity for KMP.	STI provides appropriate differentiation of pay for performance and is based on business and individual performance outcomes.	Corporate Scorecard Weightings: – EBITDA – 60% – Operating cash flow – 10% – Group net margin – 10% – International revenue – 20%
Long-Term Incentive (LTI)	Reward long-term sustainable performance.	Performance rights (vesting into shares after three years, subject to performance).	LTI supports alignment to long-term overall Company performance and aligns with shareholder value. Hurdles align with strategic business drivers and long-term shareholder value.	LTI Scorecard Weightings: – Compound annual EPS growth – 50% weighting – Absolute TSR – 50% weighting

Note that the new LTI Plan will require shareholder approval at the 2019 AGM.

NOTE 24: PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ended 30 June 2019 the parent entity of the Group was BWX Limited.

	Parent Entity	
	2019 $'000	2018 $'000
Result of parent entity:		
Profit for the period	(4,862)	8,521
Other comprehensive income	3,642	3,354
Total comprehensive income for the period	**(1,220)**	**11,875**
Financial position of parent entity at year end:		
Current assets	2,298	1,173
Total assets	**274,247**	**279,588**
Current liabilities	7,915	4,828
Total liabilities	**41,662**	**43,414**
Total equity of the parent entity comprising:		
Issued capital	235,870	233,245
Reserves	8,620	4,769
Accumulated losses	(11,905)	(1,839)
Total equity	**232,585**	**236,175**

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 disclose 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 16.

NOTE 25: 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 2019, 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 constant. 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
At 30 June 2018			
Financial liabilities			
Variable-rate instruments	50,836	279	(279)
Total increase/(decrease)	**50,836**	**279**	**(279)**
At 30 June 2019			
Financial liabilities			
Variable-rate instruments	54,769	291	(291)
Total increase/(decrease)	**54,769**	**291**	**(291)**

(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
As at 30 June 2018				
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 creditors	(4,974)	(3,814)	(578)	(9,366)
Other payables and accruals	(5,549)	(1,163)	(78)	(6,790)
Loans and borrowings	(28,303)	(35,079)	–	(63,382)
Net exposure	**(9,610)**	**(20,895)**	**2,053**	**(28,452)**
As at 30 June 2019				
Cash and cash equivalents	5,263	5,463	1,241	11,967
Trade and other receivables	17,714	11,342	1,900	30,956
Trade creditors	(4,435)	(3,482)	(45)	(7,962)
Other payables and accruals	(5,878)	(1,296)	(439)	(7,613)
Loans and borrowings	(24,948)	(33,916)	–	(58,864)
Net exposure	**(12,284)**	**(21,889)**	**2,657**	**(31,516)**

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	
	2019	2018
USD	0.7011	0.7403

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
At 30 June 2018				
USD (10% movement)	(474)	474	(8,742)	8,742
At 30 June 2019				
USD (10% movement)	(620)	620	(5,913)	5,913

(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 2019, the Group had 40 customers (2018: 33 customers) that owed the Group more than $0.100 million each and accounted for approximately 88.2% (2018: 83.1%) 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 6. The Group may obtain Directors' guarantees where a customer is considered to be of risk to the business. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries.

(C) LIQUIDITY AND CAPITAL RISK MANAGEMENT

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

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

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

	Less than 6 months $'000	6 to 12 months $'000	1 to 5 years $'000	Total $'000
At 30 June 2018				
Cash and cash equivalents	19,892	–	–	19,892
Trade and other receivables	31,194	–	–	31,194
	51,086	**–**	**–**	**51,086**
Financial liabilities				
Trade creditors	(9,366)	–	–	(9,366)
Other payables and accruals	(6,790)	–	–	(6,790)
Loans and borrowings[1]	(5,368)	(3,350)	(46,068)	(54,786)
Other financial liabilities	(6,226)	–	(15,774)	(22,000)
	(27,750)	**(3,350)**	**(61,842)**	**(92,942)**
	23,336	**(3,350)**	**(61,842)**	**(41,856)**
At 30 June 2019				
Cash and cash equivalents	11,967	–	–	11,967
Trade and other receivables	30,956	–	–	30,956
	42,923	**–**	**–**	**42,923**
Financial liabilities				
Trade creditors	(7,962)	–	–	(7,962)
Other payables and accruals	(7,613)	–	–	(7,613)
Loans and borrowings[1]	(17,671)	(3,350)	(33,748)	(54,769)
Other financial liabilities	(1,873)	–	(10,944)	(12,817)
	(35,119)	**(3,350)**	**(44,692)**	**(83,161)**
	7,804	**(3,350)**	**(44,692)**	**(40,238)**

1 Excludes capitalised borrowing costs. Refer to Note 10 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 2019.

NOTE 26: 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 Fusions and Andalou Naturals businesses and the May 2018 indicative proposal. Post legal advice, the Board remains of the view that the claim is unsubstantiated with no remit 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 42 to 79 and the Remuneration Report in pages 17 to 31 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 2019 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 15 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 2019.

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:

Ian Campbell
Chairman

Melbourne, 23 August 2019

INDEPENDENT AUDITOR'S REPORT

William Buck

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 2019, 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 2019 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 we have complied with the independence requirements of the *Corporations Act 2001*.

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.

ACCOUNTANTS & ADVISORS
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Melbourne VIC 3000
Telephone: +61 3 9824 8555
williambuck.com

William Buck

REVENUE RECOGNITION AND REBATE ARRANGEMENTS

Refer also to notes 2 and 3	How our audit addressed it
The Group's revenue of $149.5 million for the year ended 30 June 2019 is generated primarily from the sales of manufactured health and beauty products. Contracts with specific customers can sometimes include rebate arrangements, which can be complex in nature. 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.	Our audit procedures included: - Performance of a test of controls over the revenue significant class of transactions; - Performance of cut-off testing over revenue transactions which were recognised around 30 June 2019; - Examination of rebate arrangements with key customers to verify that any rebates recognised by the Group were appropriately offset against revenue; - Performance of detailed analytical review procedures; and - Verification that disclosure in the financial report was appropriate.

INVENTORY

Refer also to notes 2 and 7	How our audit addressed it
The Group's inventory of $28.8 million; consisting of Raw Materials, Packaging, Work in Progress and Finished Goods; is significant to the financial statements and has increased by $0.9 million from the prior year. Inventory is required to be carried at the lower of its cost or net realisable value and is determined on a standard cost basis. 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.	Our audit procedures included: - 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 ensuring costs assigned to inventory were reasonable; - An assessment of the inventory costing of raw materials, finished goods and labour overhead; - Performing physical inventory sample counts to ensure the existence of inventory and its condition, including cut-off procedures; - An evaluation of management's judgement and assumptions used in determining the need for inventory provisions; and - We have also assessed the adequacy of disclosures in relation to inventory in the Notes to the financial report.

William Buck

IMPAIRMENT ASSESSMENT OF INDEFINITE LIFE INTANGIBLE ASSETS	
Refer also to notes 2 and 9	**How our audit addressed it**
The Group has a carrying value of intangible assets and goodwill of $285.2 million at 30 June 2019. The directors have determined in the current year that the Group has two distinct Cash Generating Units ("CGUs") and operate in two segments, being Australia / International and the USA. 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. 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.	Our audit procedures included: — 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; — 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; — reviewing the historical accuracy by comparing actual results with the original forecasts from prior years; — performing sensitivity analysis of the calculations; — reviewing the report prepared by managements independent expert engaged to evaluate the carrying value of the USA CGU; and We also considered the adequacy of the Group's disclosures in the Notes to the financial report.

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 2019 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.

William Buck

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

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 2019.

In our opinion, the Remuneration Report of BWX Limited., for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

William Buck

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

William Buck

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

N. S. Benbow
Director
Melbourne, 23 August 2019

SHAREHOLDER INFORMATION

EQUITY SECURITY HOLDERS

As at 20 August 2019 the Company had 124,249,888 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 20 August 2019 (as named on the register of shareholders):

	Ordinary Shares	
Name	Number Held	% of Issued Shares
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	47,267,545	38.04
CITICORP NOMINEES PTY LIMITED	5,875,352	4.73
J P MORGAN NOMINEES AUSTRALIA LIMITED	5,871,452	4.73
LEISURE & HOSPITALITY SERVICES PTY LTD	3,242,945	2.61
WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	2,321,290	1.87
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	2,230,941	1.80
NATIONAL NOMINEES LIMITED	1,940,885	1.56
UBS NOMINEES PTY LTD	1,809,740	1.46
MR CHARLES HENDERSON	1,785,718	1.44
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	1,366,177	1.10
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	1,343,292	1.08
MR MARK EGIDE	1,320,167	1.06
MR MARK WILLIAM EAST	1,292,982	1.04
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	996,884	0.80
MOGGS CREEK PTY LTD <MOGGS CREEK SUPER A/C>	870,007	0.70
EASYTONE COMMUNICATIONS PTY LTD	832,810	0.67
ALEX & ANGEL HOLDINGS PTY LTD <ALEX & ANGEL A/C>	751,924	0.61
FAIRLIGHT CAPITAL PTY LTD	679,683	0.55
SOL CAPITAL PTY LTD	631,848	0.51
MR TREVOR YUEN	612,095	0.49
Total Top 20 Holders	**83,043,737**	**66.84**
Total Other Holders	**41,206,151**	**33.16**
Grand Total	**124,249,888**	**100.00**

SUBSTANTIAL SHAREHOLDERS

The following table shows the substantial holders as notified to the Company in substantial holding notices as at 30 June 2019:

Name	Noted Date of Change	Number of Equity Securities	Relevant Interests
Bennelong Australian Equity Partners Ltd	12/06/2019	27,557,505	22.18%
NN Group N.V. and subsidiaries	23/11/2018	22,296,018	17.95%
Talamon Capital Limited	04/06/2019	6,647,389	5.35%

DISTRIBUTION OF EQUITY SECURITY HOLDERS

HOLDINGS DISTRIBUTION

	Number of equity security holders	
Range	Ordinary shares	Options
100,001 and over	49	–
10,001 to 100,000	503	–
5,001 to 10,000	822	–
1,001 to 5000	3,653	–
1 to 1,000	3,767	–
Total	**8,794**	**–**

UNMARKETABLE PARCELS

The number of security investors holding less than a marketable parcel of 213 securities ($2.350 on 20 August 2019) is 878 and they hold 110,287 securities.

VOTING RIGHTS

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

ORDINARY SHARES

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

PERFORMANCE RIGHTS

Performance rights have been issued as part of various performance plans in the 2019 financial year, as at 30 June 2019:

- Number of participants: 18 participants.
- Maximum number of ordinary shares which may be issued if the performance conditions are achieved: 3,623,833.
- Participants do not have voting rights.

SECURITIES PURCHASED ON-MARKET

There were no securities purchased on-market during the financial year ended 30 June 2019.

UNQUOTED EQUITY SECURITIES

ORDINARY SHARES

BWX Limited has no unquoted equity securities on issue at 30 June 2019.

OPTIONS

BWX Limited has no unquoted options on issue at 30 June 2019.

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.

CORPORATE DIRECTORY

DIRECTORS

Mr. Ian Campbell	Non-Executive Chairman
Mr. Denis Shelley	Non-Executive Director
Ms. Jodie Leonard	Non-Executive Director
Ms. Fiona Bennett	Non-Executive Director
Mr. David Fenlon	Group CEO and Managing Director

COMPANY SECRETARY

Mr. Vinod Somani

PRINCIPAL PLACE OF BUSINESS

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