Appendix 4E

(Rule 4.3A)

BWX Limited

ABN 13 163 488 631

For the year ended:	30 June 2022
Previous corresponding period:	30 June 2021

Results for announcement to the market

Revenue and Profit	2022 $'000	2021 $'000	Mvmt $'000	% change
Revenue from ordinary activities	198,328	183,101	15,226	8.3%
Operating profit (loss) after tax	(335,591)	17,533	(353,124)	-1914%
Net profit (loss) attributable to members	(336,960)	17,533	(354,493)	-1921%

Commentary on results for the period

Refer to the commentary on operating performance and the accompanying ASX announcement dated 19 December 2022 for commentary on the results. For further explanation of the results above refer to the accompanying Financial Report for the year ended 30 June 2022, which includes the Directors' Report and Operating and Financial Review

Dividends

	Amount per security (cps)	Franked amount
Dividends paid		
2021 Final fully franked dividend – paid 29 October 2021	3.1	100%

The Company does not currently offer a dividend reinvestment plan.
There were no dividends paid or declared during 2022.

Net tangible assets per ordinary share

Net tangible assets per ordinary share	2022 $	2021 $
Net tangible assets per ordinary share	-0.32	0.35

Entities of the Group

BWX Limited gained control of 6 entities (Go-To Enterprise Holdings Pty Ltd, Go-To Skincare Pty Ltd, Go-To Legends Pty Ltd, Go-To Skincare Wholesale Pty Ltd and The Good Collective Pty Ltd) at 30 June 2022. There were no entities where control was lost during the year 30 June 2022.

Information on Audit

- This report is based on the consolidated financial statements which have been audited by PwC.
- Refer to the accompanying Annual Report (which includes the Report by Directors), ASX announcements and Investor presentation for the commentary on the figures reported above and the remainder of the information reporting disclosure comply with listing Rule 4.3A.
- This report is presented in Australian dollars.

Director's Report

The Directors present their report together with the consolidated financial statements of BWX Limited ("BWX" or the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended 30 June 2022 ("FY22").

Directors

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

Mr. Ian Campbell FAICD

Chairman and Independent Non-Executive Director
Chair of People & Culture Committee
Member of Audit & Risk Committee

Mr. Ian Campbell joined the BWX Board in 2015 and was appointed Chairman in September 2018. In July 2020, he was appointed Chairman of the People and Culture Committee.

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.

Mr Campbell has been a non-executive director of Mirrabooka Investments Ltd since 2007 and was appointed as a non-executive director of Energy Technologies Limited in December 2020. 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.

Mr. Rory Gration GAICD, DipMgt

Group CEO and Managing Director

Mr. Rory Gration joined BWX in August 2018 as Managing Director APAC. In February 2020 he became Group Chief Operating Officer and was appointed Group CEO and Managing Director in March 2022. He also shared responsibility to the board in relation to the chief financial officer functions with Ms. Efee Peell who resigned on 28 November 2022.

Mr. Gration has over twenty-five years' experience in the fast-moving consumer goods industry. Prior to joining BWX, he held several senior roles including Chief Commercial Officer at Monde Nissin; Managing Director Commercial at PZ Cussons; and senior managerial roles at both Campbell Arnotts and Coles Supermarkets.

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

Ms. Fiona Bennett BA(Hons), FCA, FAICD

Independent Non-Executive Director
Chair of Audit & Risk Committee
Member of People & Culture Committee
Member of ESG & Sustainability Committee

Ms. Fiona Bennett joined the BWX Board in December 2018 and was appointed Chair of the Audit and Risk Committee in March 2019. She joined the People and Culture Committee in October 2019 and the ESG and Sustainability Committee in April 2021.

Ms. Bennett is an experienced Non-Executive Director. She is a director of Select Harvests Limited (since July 2017) and 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 Hills Limited (retired March 2021).

Ms. Michelle Hepworth BEc LLB
Non-Independent Non-Executive Director
Member of People & Culture Committee

Ms. Michelle Hepworth joined the BWX Board in August 2022 and was appointed a member of the People & Culture Committee in August 2022. She resigned as a Non-Independent Non-Executive Director and a member of the People & Culture Committee in September 2022.

Ms. Hepworth is an experienced Non-Executive Director. She is a director of RM Williams Pty Ltd and GLX Digital Limited.

Ms. Hepworth is an investment manager at Tattarang, one of Australia's largest private investment groups and was formerly Acting CEO of RM Williams Pty Ltd.

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

Mr. Rod Walker FAICD, FIML
Independent Non-Executive Director
Chair of ESG & Sustainability Committee
Member of People & Culture Committee
Member of Audit & Risk Committee

Mr. Rod Walker joined the BWX Board on 1 October 2019 and was appointed as a member of the People and Culture Committee. He was appointed as Chair of the ESG and Sustainability Committee in April 2021 and was appointed as a member of the Audit & Risk Committee in August 2022. Mr. Walker has broad executive and board experience in a number of industry sectors including retail, employment, training and workforce solutions and technology. His areas of expertise are in mergers and acquisitions, brand development, organisational efficiency and private equity.

He is currently Chairman of Carpet Court Australia and Medigalaxy Australia, and a Non-Executive Director of Tavas Holdings Limited. Past directorships have been Chairman of Godfrey's Ltd, Lakeba Group, The PAS Group, Witchery Fashions, Angus Knight Group and a Non-Executive Director of Rebel Sport.

In the last three years, Mr. Walker has held listed company directorships on Mobecom Limited (resigned January 2020).

Mr. Denis Shelley BEd, BPsych
Independent Non-Executive Director
Member of People & Culture Committee
Member of Audit & Risk Committee

Mr. Denis Shelley joined the BWX Board in July 2013, serving as Chairman until September 2018. He joined the Audit & Risk Committee as a Committee member in May 2021. 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). He resigned as an Independent Non-Executive Director in August 2022.

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.

Mr. David Fenlon B.Bus
Group CEO and Managing Director
Non-Independent Non-Executive Director

Mr. David Fenlon joined the BWX Board in April 2018 and was appointed Group CEO and Managing Director on 1 July 2019. He resigned as Group CEO and Managing Director with effect from 28 February 2022 and became a Non-Independent Non-Executive Director of BWX on 1 March 2022. He resigned as a Non-Independent Non-Executive Director of BWX on 30 March 2022.

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 is currently a Director for the Quest for Life Foundation.

On 28 February 2022, Mr. Fenlon was appointed as Independent Non-Executive Chairman of Nutritional Growth Solutions Limited (ASX:NGS) and on 28 March 2022, Mr. Fenlon was appointed as an Independent Non-Executive Director of Elixinol Wellness Limited (ASX:EXL).

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

Company Secretary
The Company Secretary of the Company at any time during or since the end of the financial year is:

Mr. Alistair Grant
Mr. Alistair Grant held the position of Company Secretary of BWX Limited at the end of the financial year. He joined the Company on 30 September 2019, having previously worked as General Counsel – Asia Pacific Region for Spectrum Brands and Company Secretary and Associate General Counsel for Ansell Limited.

Board and Committee Meeting Attendance
The number of Directors' meetings (including meetings of Committees of Directors) and the number of meetings attended by the Directors of the Company during the financial year are:

	Board of Director Meetings		Audit & Risk Committee Meetings		People & Culture Committee Meetings		ESG & Sustainability Committee Meetings	
Directors	Number eligible to Attend	Number attended	Number eligible to Attend	Number attended	Number eligible to Attend	Number attended	Number eligible to Attend	Number attended
Mr. I Campbell	19	19	5	5	5	5	-	-
Mr. R Gration	8	8	-	-	-	-	-	-
Ms. F Bennett	19	19	5	5	4	4	4	4
Mr. D Shelley	19	19	5	5	4	4	-	-
Mr. R Walker	19	19	-	-	4	4	4	4
Mr. D Fenlon	12	12	-	-	-	-	-	-

Operating and Financial Review

Principal Activities
BWX is a vertically integrated developer, manufacturer, distributor, and marketer of branded products in the Natural subcategory of the broader beauty and personal care market. The Group owns, manufactures, and distributes products predominantly under the Sukin, Andalou Naturals, and Mineral Fusion brands. BWX also sells a wide range of wellness products (own-brand, private-label and third-party) across multiple categories via the Flora & Fauna and Nourished Life e-commerce sites. Effective 30 September 2021, BWX acquired a 50.1% controlling interest in Go-To, an Australian skin care provider selling a range of products for the masstige segment of the broader skin care category.

Group Financial Performance
The Group's net profit after tax was a loss of $335.6m (FY21 as restated: $17.5m). The Group's basic earnings per share was (214.2 cents) (FY21 as restated: 12.7 cents) and diluted earnings per share was (214.2 cents) (FY21 as restated: 12.4 cents). The net assets of the Group are $98.5m as at 30 June 2022 (FY21 as restated: $350.4m). The net debt was $107.3m (including AASB 16 Leases, $64.3m excluding AASB 16 Leases) (FY21 as restated: ($7.2m) including AASB 16 Leases, ($18.0m) excluding AASB 16 Leases) and net working capital days were 76.6 (FY21 as restated: 80.8 days). As disclosed to ASX on 28 June 2022, the banking covenants of the Group have been suspended until 30 November 2022. In agreement with the Group's lender a covenant waiver until 31 January 2023 was provided. The capital expenditure for the year was $30.0m, a $13.3m increase on the prior year relating to the capital expenditure for the new manufacturing facility and

intangible software assets. The Group did not declare a dividend in connection with either its half-year or full-year FY22 financial results.

Australia/International Segment
FY22 results for the segment were impacted due to challenging retail conditions emerging in the second half of FY22 where increasing inflation and interest rate increases impacted consumer spending habits in this segment. Additionally, the Group decided to cease bulk sales to certain wholesalers and retailers in June 2022 (referred to as Investment Buy sales), due in part to the terms of trade associated with those sales no longer being in the Group's interest. The Group will now prioritise the future sustainability of profit margins and balance sheet improvements by taking the necessary actions to reduce the cost base of the Group, increase prices, ensure more consistent sales and cashflow throughout the year and reduce net debt.

In addition, the FY22 results of Go-To were materially below the business plan for the year. Go-To sales are predominantly generated through e-commerce channels, however it is growing into an omni retailer via growth in traditional in-store retail. The major driver of the depressed FY22 result was the decline in consumer spending in e-commerce channels. This was driven by a post Covid-lockdown increase in foot traffic within traditional retail channels as several Australian cities came out of lockdown during FY22. Delays in the launch of new products and the part year closure of a key retail partner also contributed. Furthermore, profitability within Go-To was adversely impacted by significant increases in e-commerce customer acquisition costs.

USA Segment
The USA FY22 revenues were below the prior year, and well below internal plans and expectations for the year. The major drivers of the underperformance were a combination of supply chain delays affecting several shipments to North American customers and a slowing macroeconomic environment in the USA in Q4 FY22. Profitability was impacted as a result and was exacerbated by tight labour market conditions in the USA, which increased labour costs and which are expected to continue into the near future.

Digital Segment
The Digital segment continued to underperform against its sales revenue targets. Margins and profitability were affected by higher on-line marketing costs with customer acquisition costs increasing significantly during the global lockdowns as a result of global pressures. The high cost to serve combined with lower than anticipated gross profit trading margins, adversely affected the profitability of this segment.

Impairment
The Group recognised a non-cash impairment expense of $322.6m following the annual impairment assessment of the carrying value of its cash generating units. The impairment assessment considered all aspects of the Value in Use cashflow forecast models, including but not limited to discount rates, sales revenue growth assumptions, gross profit margin improvement and cost reduction initiatives. The assessment determined that sales growth assumptions that were used in prior period assessments are no longer appropriate, and more conservative assumptions were adopted. Other assumptions were also amended as appropriate, including increasing discount rates to reflect higher interest rates and forecasting risks. These downward revisions were a key driver of the impairment expense that was recognised.

Accounting Errors
During H2 FY22 several matters came to light in relation to sales arrangements with two key customers. As a result, certain sales that were previously recorded as revenue in FY21 and H1 FY22, were determined not to have satisfied the revenue recognition criteria outlined in AASB 1015 Revenue from Contracts with Customers. The Board determined these to be accounting errors within the scope of AASB 108. In accordance with AASB 108, such errors require restatement of prior period comparatives, and these have been reflected in the Financial Statements (refer Note 1.4 Restatement of comparatives). The sales errors resulted due to a combination of:

1. A lack of sufficient documentary evidence to support the recognition of certain "Bill and Hold" transactions; and
2. Reversal of sales that were recorded under a "Sales or Return" basis outside of normal trading terms and were credited in subsequent periods.

The group also corrected certain associated trade spend accruals and the accounting for a contract asset the details of which are contained in Note 1.4.

The work involved in quantifying the above errors and investigating the root cause was extensive and significantly delayed the completion of the financial statements. Part of the delay also involved a reassessment of the impairment calculations as at both June 2021 and December 2021. That reassessment was conducted by flowing through the errors above to the base FY21 and H122 results, before applying the growth rates and other assumptions used at the time to the forward-looking value in use models. The Board considered the reassessments and concluded that no impairment was required at either FY21 or at H122.

Going Concern

This Appendix 4E and the Annual Report for the year ended 30 June 2022 contains an independent auditor's report which highlights the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. For further information, refer to Note 1 to the financial statements, together with the auditor's report.

The Board has assessed that BWX Limited is a going concern subject to the risks identified below, and has prepared this financial report for FY22 on this basis. In forming this conclusion, the Board has evaluated a number of factors:

- the temporary liquidity challenges with regard to working capital and cash management and the alternatives being implemented to remedy this position in the short-term and in the medium to long-term;
- the Board's assessment that the liquidity challenges are temporary in nature and do not represent a chronic shortage of cash or an inability for the enterprise to continue operating;
- financial forecasts for the remainder of FY23 and longer term FY23-FY25 forecasts including net cash flows from operations;
- the support from the Company's lender and the availability of additional working capital financing in the short-term;
- capital expenditure and other commitments; and
- the ability of the Company to sell assets.

On 16 December 2022, the Group varied its existing facilities with its lender to obtain access to and draw down an additional tranche of debt in excess of $12.0m, and obtain other additional cash flow support. The Board anticipates that this additional tranche of debt and other initiatives will be sufficient to alleviate the temporary liquidity challenges. The Group is currently working with its lender to restructure its financing in the second half of FY23 with a view to resolving future liquidity challenges.

In addition to restructuring its external financing, the Group intends to bolster the liquidity position of the Company through headcount reductions; reduction in operating expenses; pricing increases effective in market at 1 July 2022 with further increases available in the second half of FY23; inventory reductions to meet an overall $20m target; ramp-up of the Clayton manufacturing facility to enable more efficient lower-cost operations; and ceasing investment buys enabling inventory held by key customers to be run down. The run-down of inventory held by key customers is anticipated to result in improved profitability in H2 FY23 as H1 FY23 is anticipated to be adversely impacted by lower revenues as a result of the excess inventory held by key customers. The Company is also undertaking a strategic review of its non-core business (Digital Segment and its Nourished Ventures portfolio) with a view to divesting certain non-core assets in FY23.

There are key risks and uncertainties in respect of the Company continuing as a going concern. These include:

1. The risk that additional working capital and cash flow support obtained from the current lender is inadequate to resolve the temporary liquidity challenges.
2. Risk that the Company is unable to restructure its existing facilities with its lender and the lender is unwilling to continue supporting the Group.
3. The risk that the temporary liquidity challenges cause high levels of out-of-stocks. This may adversely impact the Company's earnings and prolonging this position could result in major customers de-listing the Company's products.
4. Other risks including key management attrition due to high workloads and uncertainty around long-term incentive schemes; the delaying of the benefits of the Clayton manufacturing facility due to the low level of production; the risk of selling assets at less than an optimal price; and the reputational damage to the Company and its brands.

There are more general risks including:

1. The decline in discretionary spending due to a high inflationary/higher interest rate period in key markets for our products.
2. Any impacts on global debt markets and the global economy of geopolitical tensions and conflicts.
3. Any significant outbreaks of COVID-19 resulting in retail shut-downs or mass quarantine measures would impact on the Company's earnings and any consequent supply-chain disruptions.

It is the Board's current assessment that the raising of the tranche of working capital finance and cash flow support will be sufficient to enable the Group to continue as a going concern. However, if the Company is unable to meet its trading and cash flow forecasts or if it is unable to restructure its financing in the second half of FY23, there is material uncertainty as to whether the Group and the Company will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Impact of COVID-19 on Group Performance

In FY22, the financial performance of BWX was impacted by the global COVID-19 pandemic. The impact related to a number of factors including ongoing retail lockdowns; dampened consumer sentiment due to the pandemic; and disrupted supply chains.

The impact of the ongoing retail lockdowns was mitigated by the fact that the major customers of the Group are in the pharmacy and grocery channel which largely remained trading even during lockdowns. In its USA business, the Group worked with retailers to facilitate "click and collect" order fulfilment. The Group also utilised its direct-to- consumer e-commerce businesses to make sales directly to customers in Australia and the USA. It adopted "virtual try-on" software in the USA to support its natural cosmetics business. However, consumer focus was on lower-margin commoditised products rather than higher margin products and products in the masstige channels. The USA retail markets did not significantly recover until the second-half of FY22 and many masstige retailers in Australia remained closed for a portion of the FY22 financial year.

The Group implemented strict protocols on cashflow measures including ongoing review of supplier and customer payment terms, monitoring debtor days and staggering or delaying marketing spend and other investments.

To further alleviate possible supply-chain impact, the Group has worked with its suppliers and manufacturing partners to ensure that manufacture of products would continue without interruption and to seek alternate sources of supply. The Group has secured sufficient raw materials and components and has diversified its supply chain to mitigate the risk of a supply interruption. Manufacturing in Australia, one of the Group's key markets, provides it with the flexibility to work with retail partners to ensure that products remain in stock.

The Group has revised its strategy for the FY23 to FY25 period and is implementing a cost-down program in FY23 to ensure that it has the ability to deliver its future forecasts.

Dividends Paid or Recommended
In respect of the full financial year ended 30 June 2021, a final dividend of 3.1 cents per share franked to 100% at 30% corporate income tax rate was paid to the holder of fully paid ordinary shares on 29 October 2021. The record date for determining entitlements to the dividend was 6 October 2021.

No dividends were declared for the half year ending 31 December 2021 and the Board determined that no final dividend for the year ended 30 June 2022 would be paid.

Strategy, Operations and Leadership
FY22 was the final year of the BWX Three Year Strategic Roadmap (Plan) which was approved by the Board in FY20. The Plan was created to provide structure and clarity around BWX's mission to be a leading global natural beauty company, and how BWX would drive this strategy forward until FY23. The Plan aimed to commence the transformation from a regionally focused set of brands and businesses to a global house of natural brands with significant cross- functional support to drive the Group's results. The following section outlines the key strategic achievements of the Plan.

On 1 July 2021, BWX acquired the Flora & Fauna direct-to- consumer e-commerce business. Flora & Fauna is a leading Australian curated online retail platform exclusively focused on vegan, ethical and sustainable products. Together with Nourished Life, these two businesses now form the Digital segment of the Group. Although it was anticipated that the acquisition of Flora & Fauna would be EPS accretive in FY22 with the realisation of anticipated synergies, the Group has not been successful in achieving such synergies to date. As such, the Group declared on 19 May 2022 that it was commencing an internal strategic review of the Digital segment with the aim of optimising the performance of the Digital segment.

On 30 September 2021, BWX acquired a 50.1 % controlling interest of the shares in Go-To Enterprise Holdings Pty Ltd (Go-To). Go-To owns and operates the business of designing, manufacturing and retailing natural skincare products under the brand names Go-To, Bro-To and Gro-To. The Go-To business now forms part of the Australia/International segment. The acquisition provides the Group with a highly complementary strategic business, with diversification into new channels, product portfolio, access to new customers and expansion into the masstige subcategory of the premium market in Australia and the USA. The Group is confident that it can realise the projected synergies of up to $3m by improving cost of goods sold, raw material, packaging and procurement benefits as well as leveraging the Group's international business to accelerate the growth of the Go-To business in new markets outside of Australia, specifically the USA, UK and Canada.

The Group also completed the construction and fit-out of its new manufacturing facility based in Clayton, Victoria. Having raised $52m by way of a capital raising in July 2020, this new operations facility is expected to unlock significant EBITDA growth with a four-year payback period, and incremental earnings are expected from July 2022 onwards. It will provide enhanced operational and financial performance in future years, driven by production efficiencies, enhanced scale and margins, as well as greater control over the end-to-end supply chain, ensuring continuity of supply.

Nonetheless, the Group has faced significant difficulties in delivering its FY22 financial results. On 5 May 2022 and subsequently on 28 June 2022, BWX updated the market on revenue and EBITDA projections for FY22 and FY23. For FY22, the key factors impacting revenue and EBITDA included a change in approach to inventory sales to select wholesalers and retailers in June. With increasing inflation, interest rate increases and cautious consumer sentiment, the trading terms associated with these sales were not considered to be in the Company's best interest. In addition, BWX's financial performance was impacted by investments in people, marketing and acquisitions during 1H22 not having translated into revenue growth in 2H22 while resulting in a higher fixed operating cost. The performance of the Digital segment also affected the financial results as noted above, as did the strategic inventory build that was necessary to mitigate the transition risk to the Group's new manufacturing facility.

To reduce balance sheet leverage and support business operations, a fully underwritten capital raising announced on 28 June 2022 saw total proceeds of $23.2m (before costs) by way of a placement to professional investors and an entitlement offer. BWX's lender was supportive of the raise, with $10m of debt permanently retired as a result and banking covenants were suspended. Subsequently, the banking covenants have been suspended until 31 January 2023.

The BWX Board is committed to reducing our net debt by 30 June 2023. Under new Group CEO and Managing Director, Mr. Rory Gration, a new strategy was developed for FY23-25. Informing this strategy was a business-wide review of BWX's financial and operating performance with approximately $10m in cost-out initiatives identified for implementation in FY23. This will help ensure that the Group cost base is at a more sustainable level to support the ongoing strategic growth agenda.

The current Board of Non-Executive Directors will work towards an orderly Board transition in the interests of BWX's shareholders with up to four new NEDs to be nominated for shareholder approval at the Company's Annual General Meeting. Additionally, Tatterang Ventures No. 2 Pty Ltd, now a 19.9% shareholder in BWX, has the right to nominate a director where it holds 10% or more of the shares in BWX. On 11 August 2022, it nominated Ms. Michelle Hepworth to the Board. Ms. Michelle Hepworth resigned from the Board with effect on 26 September 2022.

Material Risks of the Group

As outlined in the FY22 Corporate Governance Statement published on the Company website at [www.bwxltd.com/investor-centre,](www.bwxltd.com/investor-centre) the Group has adopted a Risk Management Policy which highlights the process to identify the risks relevant to the BWX Group's operations and the policies the BWX Group has enacted for the supervision and management of material business risks. In FY22, further enhancements were made to the Risk Management Framework and the Risk Appetite Statement including developing risk tolerances to measure the current level of risk that the Group will take in relation to each risk.

The material risks which the Group has identified and put in place mitigation measures include:

Liquidity Risk

The risk that the Company is unable to efficiently convert sales into cash receipts, or lacks sufficiently robust systems to manage demand for the Company's products and determine cashflows leading to gaps in the Company's funding. There is a risk that external lenders may cease to provide funding to the Group or impose additional conditions on financing. To mitigate these risks, the Company has determined to improve its integrated business planning and financial systems. The Company also works closely with its lenders to ensure that lenders are fully aware of the Company's progress and mitigate the risk of funding being cancelled or having additional conditions imposed.

Information Technology Risks

The risk that the IT systems which support the operations of the Company are inadequate to meet its needs; that inadequate cyber-security measures are in place; that inadequate access controls may cause financial data to be altered or deleted; or that unauthorised third-parties may access the systems of the Company, causing business interruptions and financial and reputational losses.

To mitigate the risk, the Company has dedicated IT staff who are responsible to monitor the Company's IT systems to ensure sufficient IT resilience; to maintain and test the IT disaster recovery plans; and to advise on the appropriateness of the IT architecture to support the Group. The Company has an information security and training program to minimise the likelihood that employees inadvertently cause IT security risks. The Company has a policy of information security risk insurance that provides financial coverage and support for the typical suite of IT risks faced by a Company of its nature. The Audit & Risk Committee monitors IT risk and periodically has senior leadership brief the Committee.

Business Continuity Risk

The risk that unexpected events cause the Company to cease to operate for periods of time, resulting in financial and reputational losses. To mitigate the risk, the Company focused on revising and testing its Disaster Recovery Plans and reviewing its procedures and processes around crisis management.

Customer and Consumer Risk

The risk that the Group loses sales due to a number of factors including: (i) change of consumer preference for the products of the Company; (ii) loss of ranging in key channels due to an inability to adequately meet the needs of key customers; and (iii) the impact of an inflationary environment resulting in changes to consumer discretionary purchasing. The Group employs account managers to work with key customers to mitigate the risk of losing ranging and ensuring that key customers' needs are addressed. The Group has adopted strategies to ensure that it has a range of products available for sale to consumers ranging from more basic products through to high-margin products and has a good new product development pipeline. These strategies help to mitigate the risk of the change of consumer preference or a downturn in discretionary purchasing.

Foreign Exchange and Commodity Price Risk
The key presentation currency of the Company is Australian dollars. However, a part of its business is based in the United States and it purchases some raw materials and components in US dollars. The Company faces the risk that unexpected movements in foreign exchange markets or commodity prices may challenge the profitability of the business. To mitigate the risk, the Chief Financial Officer maintains an ongoing review of the foreign exchange positions of the Company in line with the Group Treasury Policy. Natural hedging is applied as the first principle for each currency, which involves offsetting revenue with expenses in the same currency. Given that the Company both purchases raw materials and components and earns revenue in US dollars, there is a natural hedge which mitigates some of the foreign exchange risk. To the extent required, the Company enters forward contracts to mitigate its currency risks.

The Global Procurement Group also works with key suppliers to implement contracts and ensure that raw material and component price rises are limited to agreed intervals, which further mitigates the risk of unexpected commodity price rises. Furthermore, foreign currency hedges can be applied to reduce foreign exchange risks across the Group in a manner consistent with good corporate governance and the requirements of the Group Treasury Policy.

Climate Change Risk
BWX recognises the science and potential externalities associated with global climate change. In addition to the potential macroeconomic disruptions that may be associated with global climate change, BWX notes the disruptions to its raw materials and its supply chains that may result from the increase in the frequency of extreme weather events. BWX considers that becoming carbon offset for all brands and operations is a vital part of its sustainability strategy. Please refer to BWX's FY22 Sustainability Report, to be lodged separately at the same time as the Annual Report, for details on the Company's exposure to ESG and Sustainability risks and strategies to mitigate.

Compliance and Legislative Risks
The Company operates and sells its products in multiple countries. It faces the risk that it inadvertently breaches local requirements concerning product registrations or formulations; marketing and labelling requirements; transfer pricing and taxation requirements; and import and export requirements.

The Company also faces the risk that contaminated products entering the market could injure its customers. Any breach of such requirements or incidents could result in financial and reputational losses to the Company and, at the extreme end, could cause the Company to cease to be able to trade in a market.

To mitigate the risk, the Company employs experts in finance, supply chain, tax, legal, regulatory and Research and Development (R&D) as well as engaging external experts to assist it to understand and comply with its compliance and legislative risks. The Company also has a dedicated R&D and Quality group which are responsible for the Company's quality management systems and maintaining post-market surveillance on the products of the Company and making constant improvements. Finally, the Company holds insurance to cover some of the financial risks of product contamination.

Other Operational Risks
The Company faces other operational risks, including the risk that its manufacturing and supply chain is concentrated at key points; that key customers could merge or cease to undertake their business; or that unexpected macroeconomic shocks could disrupt the business.

To mitigate these risks, the Company has focused on the key concentration points of the business and reviewed arrangements to protect its supply chain and manufacturing by engaging with a greater diversity of suppliers. It has also sought to increase its overall spread of customers and outlets.

The Global Procurement Group has also been tasked to monitor and advise the Company on the risk of business interruption from unexpected macroeconomic shocks.

In FY21, to assist the Board to assess and manage its environment, social and governance (ESG) risks and oversee its sustainability initiatives, the Board resolved to form the ESG and Sustainability Committee (ESGS). The ESGS plays an important role to assist the Board in identifying, assessing and addressing the ESG and sustainability risks and opportunities of the Company, and ensuring that the ESG and sustainability goals, initiatives and reporting meets stakeholder requirements and exceeds shareholder expectations.

In addition to the enhancements to the Risk Management Policy detailed above, the BWX Group also enhanced its reporting to stakeholders on ESG risks as detailed in the FY22 Sustainability Report.

Outlook for FY23
The outlook for FY23 will be driven by BWX's commitment to more consistent, sustainable and reliable earnings.

The focus remains on executing its $10m group-wide cost-out program and to divest non-core assets (Digital segment and Nourished Ventures). In addition, the ability of the Company to reduce net debt and inventory – while focusing on the growth of Sukin, Andalou Naturals, Mineral Fusion and Go-To – is expected to support an improved performance in FY23. BWX has issued forecast revenue guidance in FY23 to be in the range of $205m to $230m, and EBITDA in the range of $25m to $30m. Both forecasts are before significant items.

Remuneration of Key Management Personnel
Information about the remuneration of key management personnel is set out in the Remuneration Report section of this Directors' Report. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

Changes in State of Affairs
During the year, the Group continued to progress the strategies that have been identified to accelerate growth and create increased shareholder value. The Operating and Financial Review provides additional information on the Group's growth strategies. Other than as set out in the Operating and Financial Review, no significant changes occurred in the state of affairs of the Group during the financial year.

Significant Events since Balance Date
On 28 June 2022, the Company notified ASX of its intention to raise approximately $23.5m via an institutional placement and a traditional entitlement offer. The institutional placement was completed on 4 July 2022 and the traditional entitlement offer was completed on 20 July 2022.

On 29 August 2022, BWX requested that ASX suspend its quotation on ASX ahead of it lodging audited financial statements.

On 30 November 2022, the Company's lender agreed to suspend compliance with the terms of its Finance Facility and measurement of compliance with covenants until 31 January 2023. On 16 December 2022, the Company's lender provided it with an additional working capital facility.

Other than as noted above, 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.

Environmental Regulations
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 the date of this report is as follows:

Directors	Ordinary Shares	Loan Plan Shares
Mr. I Campbell***	578,046	0
Mr. R Gration*	13,957	100,000
Ms F. Bennett***	83,598	0
Ms. M Hepworth****	0	0
Mr. R Walker	30,175	0
Mr. D Shelley***	164,518	0
Mr. D Fenlon**	246,376	0

* Mr. Gration holds 100,000 shares issued pursuant to the BWX Employee Loan Plan. For further details, please refer to the FY22 Remuneration Report
** Mr. Fenlon resigned as a director on 30 March 2022 and the amount noted reflects the Appendix 3Z dated 31 March 2022.
*** Mr. Campbell, Ms. Bennett and Mr. Shelley each participated in the entitlement offer announced on 28 June 2022 and purchased 47,304, 8,360 and 15,618 shares respectively which are not included in the totals above.
**** Ms. Hepworth resigned as a director on 26 September 2022 and the amount noted reflects the Appendix 3Z dated 27 September 2022.

Shares Issued on Exercise of Options

As at 30 June 2022 and the date of this report, there are nil unissued shares under options.

Indemnification and Insurance of Directors and Officers

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 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 indemnify its auditor PricewaterhouseCoopers for any liabilities to another person (other than the Company or a related body corporate) that may arise from its position as auditor.

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.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 (Cth) is set out on page 30.

Non-Audit Services

The Company's Audit and Risk Committee (ARC) is responsible for the oversight of the external auditor's 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 PricewaterhouseCoopers, 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 (including Independence Standards) 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, PricewaterhouseCoopers, for audit and non-audit services provided during the year, are set out in Note 6.3.

Declaration under the Corporations Act

The CEO (who has also been partly performing the chief financial officer function) has given a declaration to the Board concerning the Group's financial statements under section 295A(2) of the Corporations Act 2001 and recommendation 4.2 of the ASX Corporate Governance Principles Recommendations, 4th 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 13 to 29. 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 Director's Report.

Corporate Governance

The Group and the Directors are committed to achieving and demonstrating the highest standards of corporate governance to protect and enhance shareholder interests. To that end, it has adopted and complies with ASX Corporate Governance Principles and Recommendations (4th Edition).

In accordance with ASX Listing Rule 4.10.3, the Group has published its Corporate Governance Statement on its website rather than in its Annual Report. A copy of the statement along with any related disclosures is available at: https://bwxltd.com/investor-centre/

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

Dear Shareholders

On behalf of the Board of Directors, I am pleased to share our FY22 Remuneration Report. The report outlines our FY22 performance outcomes for the KMP and remuneration paid to Directors of the Board.

Board and Key Management Personnel
Effective 1 March 2022, the Board was pleased to appoint Mr. Rory Gration, formerly the Group Chief Operating Officer, to the role of Group CEO and Managing Director following the resignation of Mr. David Fenlon. Mr. Gration has led a reshaped Executive Team to develop a new strategy of the Company from FY23 through FY25, which has been endorsed by the Board. We look forward to Mr. Gration and his team continuing to drive global growth in the natural market and continue building a world-leading natural products company.

FY22 Remuneration
FY22 was a year of significant changes for BWX, including the opening of the new manufacturing facility in Clayton, Victoria. The building of inventory for the transition together with the interruption in global supply chains as well as the ongoing disruptions of the global COVID-19 pandemic were a challenge to the financial results of the Company in FY22 and the Company ended the year with a profit downgrade and undertook a capital raising to pay down debt and repair its balance sheet. As such, neither the FY22 STI plan nor the FY20 LTI Plan (which was measured for vesting on 30 June 2022) resulted in any awards for Key Management Personnel.

At the 2021 Annual General Meeting, shareholders approved an increase in the fee pool for Non-Executive Directors from $650,000 to $800,000. The purpose of the increase was in response to the growth of the Company and its international expansion since the Company's incorporation in 2013; to permit additional Non-Executive Directors to be appointed if required; and to respond to market competitive remuneration increases for Directors. With effect on 1 July 2021, the Board approved an increase in the Board Chair fee by $15,000 per annum to $180,000 per annum; and an increase in the Non-Executive Director fee by $10,000 to $100,000 per annum. In connection with the capital raising announced in June 2022, the Board is committed to renewal with four non-executive directors to be nominated at the Company's AGM in November 2022.

In recognition of Mr. Gration's appointment as Group CEO and Managing Director on 1 March 2022, his base salary was increased to $700,000, his STI potential was increased to 80% and his LTI potential was increased to 100%. His new notice period is six months. We believe that this is a market-competitive remuneration package based on Mr. Gration's skills and experiences. The Board approved new personal KPIs in relation to Mr. Gration's FY22 STI award in his position as Group CEO and Managing Director. The Board also approved an increase in the value of Mr. Gration's FY22 LTI award to reflect his new Fixed Annual Remuneration and overall LTI potential. This increased LTI award is subject to shareholder approval at the 2022 Annual General Meeting.

Following benchmarking of the Key Management Personnel, Ms. Peell's base salary was increased to $460,000 in FY22. Her notice period was changed from six to nine months.

We look forward to an improved outlook for the BWX Group in future years.

Ian Campbell
Chair

1. Remuneration Strategy and Key Management Personnel in FY22

Our remuneration strategy operates by linking achievement of the Group strategic priorities with market-based reward. The link between performance and reward ensures that we can deliver long-term value to shareholders while attracting, motivating and retaining talented people. The P&C Committee and Board regularly review the remuneration strategy to ensure that it is targeted and relevant to meet market expectations and support the achievement of business objectives.

1.1 BWX Strategic Pillars

Connect to Consumers	Go Global, Go Mainstream	Invest in Ourselves	Get Clean and Get Healthy
With focused marketing investment, education, enhanced direct-to-consumer channels and an internal innovation platform for NPD growth.	With a balanced revenue spread in key markets, while leveraging macroeconomic tailwinds to support growth.	Through added capability and more sustainable group practices. Be the destination brand to work for and live our Company values.	With the three-year strategy that is built from deep analytical insights and bottom-up operational plans.

1.2 Remuneration Principles

Attract and Retain Talent	Strategy Alignment	Performance Focused	Fair and Equitable
Attract, motivate and retain top talent.	Support the execution of the business strategy.	Align business performance with delivering sustainable shareholder returns.	Fairness, equity and consistency.

1.3 FY22 Remuneration Framework

Total Fixed Remuneration (TFR)	Short Term Incentive (STI)	Long Term Incentive (LTI)
TFR consists of Base Salary and Superannuation and aims to attract, motivate and retain the best talent. 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, which is a select group of companies listed on the ASX. Further details in Section 3.1.3.	Annual Cash Payment. Aims to reward current year performance. KMP receive 25% of STI award as Rights deferred for one year (Deferred Equity). STI provides appropriate differentiation of pay for performance and is based on business and individual performance outcomes. Measured via performance against STI Scorecard with financial objectives (70%) and personal objectives (30%). Gateway conditions must be met before STI awards can be paid.	Performance Share Rights (Rights) vesting after three years. Aims to reward long-term sustainable performance. LTI supports alignment to long-term overall Group performance and aligns with shareholder value. Hurdles align with strategic business drivers and long-term shareholder value. LTI hurdles: • EPS growth – 50% • Relative TSR – 50%

1.4 Group Five Year Performance Summary

The tables below outline key five-year performance metrics. Effective in FY20, the Group implemented a new remuneration plan designed to link performance and reward in future years.

	FY18	FY19	FY20	FY21[1]	FY22
Revenue ($M)	$148.7	$148.5	$187.7	$183.1	$198.3
EBITDA[2] ($m)	$40.3	$21.3	$30.9	$24.7	($6.4)
NPAT ($m)	$19.2	$9.5	$14.7	$17.5	($335.6)
EPS (cents)	17.0	7.7	11.8	11.1	(214.2)
TSR (%)	0.4%	(67.5%)	94.7%	56.2%	(83.6%)
Dividends per share (cents per shares)	7.45	2.7	3.9	4.1	-
Closing Share Price	$5.70	$1.83	$3.51	$5.44	$0.64

[1] The FY21 results are the restated and amended FY21 results. For more information, please refer to the Directors' Report in the FY22 financial statements.

[2] EBITDA is defined as profit before depreciation, amortisation, finance costs, acquisition, restructuring related expenses, impairments and tax, and also excludes the share of net profits of associates accounted for using the equity method.

The following graph shows the performance of the Company share price against the movement in the ASX 200 and ASX 300 from the listing of the Company in November 2015 to 30 June 2022.

1.5 Key Management Personnel

The Key Management Personnel (KMP) for the Group in FY22 comprised the Non-Executive Directors, Group CEO and Managing Director and the Executives listed below, who had authority for planning, directing and controlling the activities of the Group in FY22.

Non-Executive Directors[1]		Time in role during FY22
Mr. I Campbell	Chairman, Independent Non-Executive Director Chair, People & Culture Committee	Full year
Ms. F Bennett	Audit & Risk Committee Chair, Independent Non-Executive Director	Full year
Mr. D Shelley	Independent Non-Executive Director	Full year[2]
Mr. R Walker	ESG & Sustainability Committee Chair, Independent Non-Executive Director	Full year
Executives		
Mr. R Gration	Group Chief Operating Officer (Group COO) Group CEO and Managing Director	1 July 2021 to 28 February 2022 1 March 2022 to 30 June 2022
Ms. E Peell[3]	Group Chief Financial Officer (Group CFO)	Full year
Former KMP		
Mr. D Fenlon	Group CEO and Managing Director (Group CEO) Non-Independent Non-Executive Director	1 July 2021 to 28 February 2022 1 March 2022 to 30 March 2022

[1] Ms. M Hepworth commenced as a Non-Independent Non-Executive Director on 11 August 2022 and resigned on 26 September 2022.
[2] Resigned on 11 August 2022.
[3] Resigned on 28 November 2022. Management has assessed the impact of Efee's resignation and has concluded that there are no further changes to key management personnel at the date of the report.

2. FY22 Remuneration Outcomes

This section provides a summary of FY22 remuneration and performance outcomes, and actual remuneration earned for our KMP. This includes STI outcomes and the link to performance.

2.1 Performance of Executives and Remuneration Received (Non-IFRS disclosure)

The table below presents the remuneration paid to, or in the case of CEO sign-on rights, vested for, Executives in FY22.

Executive KMP	Total Fixed Remuneration	Project Bonus[2]	Relocation & Other Benefits	FY22 Cash STI	FY22 Equity-Based STI	Other Share Rights Vested
Mr. Rory Gration Group CEO	$614,424	$22,500	-	-	-	-
Ms. Efee Peell Group CFO	$483,568	$20,000	-	-	-	-
Mr. David Fenlon[1] Former Group CEO	$569,673	-	-	-	-	-

1. Ceased being an Executive on 28 February 2022 and a KMP (non-independent non-executive director) on 30 March 2022.
2. Mr. Gration and Ms. Peell became eligible for a bonus in relation to the completion of the construction of the new manufacturing facility in Clayton, Victoria. For further details, please see section 2.4

Individual remuneration outcomes for the Group's KMP in accordance with the Accounting Standards are provided on page 25 in Table 6.1 of this report.

2.2 Performance against FY22 STI Measures

The FY22 STI Framework comprises three Gateway Conditions as set out below and the table below summarises the condition and whether it was met.

Gateway Conditions	Was Gateway Met?
Group Net Profit After Tax (NPAT)	No
Compliance and Product Knowledge Training Completion	Yes
Compliance with the BWX Code of Conduct and Values	Yes

The Group Net Profit After Tax Gateway Condition was not met because the Company did not meet its goal of achieving a target amount of Group Net Profit After Tax. As not all of the Gateway Conditions were met , the Executives ceased to be eligible for the FY22 STI award.

The FY22 STI award comprised of Corporate Metrics (comprising 70% of the total award) and Personal Metrics (comprising 30% of the total award). The Corporate Metrics were Group Net Profit After Tax, Group Net Cashflows from Operating Activities and Net Revenue from countries outside of Australia and the US as a % of Total Net Revenue.

As Mr. Gration was appointed Group CEO on 1 March 2022, he had Personal Metrics in relation to his role as Group COO (from 1 July 2021 to 28 February 2022) and Personal Metrics in relation to his roles as Group CEO (from 1 March 2022 to 30 June 2022). His personal metrics relate to business performance, strategy and operational improvements.

Ms. Peell's Personal Metrics related to strategy, acquisition integration and operational improvements.

As the Gateway Hurdles were not met, the Corporate Metrics and Personal Metrics were not measured.

Outcome of FY22 STI Awards

KMP	Cash Awarded	Deferred Equity Awarded	STI awarded as % of Target
Rory Gration (Group CEO)	$0	$0	0%
Efee Peell (Group CFO)	$0	$0	0%
David Fenlon (Former Group CEO)	When David Fenlon ceased his role as Group CEO on 28 February 2022, he became ineligible for FY22 STI.		

2.3 Performance against FY22 STI Measures

The FY22 BWX Equity Incentive Plan (LTI Plan) was created to provide effective market-based long-term incentives. For more information about the FY22 LTI Plan, please refer to Section 3.1.3. It is designed to better align Executive remuneration outcomes and shareholder interests and is made up of two financial metrics, EPS and relative TSR. Performance is over a three-year period ending 30 June 2024.

The FY20 LTI Plan had a performance period from 1 July 2019 to 30 June 2022 when it was measured by the Board on its outcomes. The FY20 LTI Plan had two components:

Absolute Total Shareholder Return (TSR) (50% of the Rights)	Percentage vesting
Below 150% Absolute TSR growth	Nil
Between 150% and 175% Absolute TSR growth	50%
Between 175% and 200% Absolute TSR growth	Straight line pro-rata vesting between 50% and 100%
At or above 200% Absolute TSR growth	100%
Growth in Company's Cash Earnings Per Share (EPS) (50% of the Rights)	**Percentage Vesting**
Below 150% Cash EPS growth	Nil
At 150% Cash EPS growth	30%
Between 150% and 200% Cash EPS growth	Straight line pro-rata vesting between 30% and 100%
At or above 200% Cash EPS growth	100%

As the Absolute TSR growth of the Company during the performance period was below 150%, none of the Rights comprising this component vested.

As the Cash EPS growth of the Company during the performance period was below 150%, none of the Rights comprising this component vested.

Outcome of FY20 LTI Awards

KMP	Rights Vested	LTI awarded as % of Target
Rory Gration (Group CEO)	$0	0%
Efee Peell (Group CFO)	$0	0%
David Fenlon (Group CEO)	When David Fenlon ceased his role as Group CEO on 28 February 2022, he forfeited his Rights under the FY20 LTI Plan.	

Rights awarded under the FY20 LTI Plan will be forfeited following FY22 audit completion and results release.

2.4 Bonus related to Construction of New Manufacturing Facility

On 17 September 2020, the Board approved a limited bonus program in relation to the construction and delivery of the Company's new manufacturing facility in Clayton, Victoria. As the new manufacturing facility represented the largest capital project of the Company, the Board determined that a discrete bonus program would ensure that the key employees are incentivised, retained and focused on project delivery. The program defined strict participation and reward criteria, including a maximum defined cap that participants can earn, to ensure that the bonus program is relevant and effective and invitation letters were provided on 30 September 2020.

Mr. Gration (in his former capacity as Group COO) is eligible for a bonus of up to $90,000 in total and Ms. Peell is eligible for a bonus of up to $80,000 in total. When Mr. Gration became Group CEO, his bonus eligibility did not increase to match his new Annual Fixed Remuneration.

The criteria for bonuses being paid are as follows:

(a) On time delivery (defined as corporate roles and new lines operating from the facility) by 20 December 2021 – 25% weighting
(b) Fully operational lines at the new facility by 1 May 2022 – 25% weighting
(c) Delivery of a financial outcome better than the original business case by 1 May 2022 – 50% weighting.

On 16 December 2021, the criteria for bonuses being paid were modified, recognizing delays relating to COVID-19 had been incurred, which were out of the Company's control. The modified criteria were as follows:

(a) Practical completion (move ready) of office by 1 March 2022 – 25% weighting;
(b) Production efficiency targets achieved by 31 August 2022 – 25% weighting;
(c) On track to deliver business case of 3.94 years payback by 31 August 2022 – 50% weighting.

In April 2022, the Board determined that the first criteria, namely, on-time delivery of the Project, had been achieved and approved a payment of $22,500 to Mr. Gration and $20,000 to Ms. Peell. This represented 100% of the amount of the bonus for which Mr. Gration and Ms. Peell were eligible and none of the bonus was forfeited.

On 25 August 2022, the Board determined that the remaining two criteria had been achieved to a level of 80% of the potential. The Board approved a payment of $54,000 to Mr. Gration and $48,000 to Ms. Peell. This represented 80% of the amount of the bonus for which Mr. Gration and Ms. Peell were eligible and 20% of the amount of the bonus did not vest and was forfeited. Payment of the bonus would be made in the second half of FY23 subject to Mr. Gration and Ms. Peell remaining employed on the day on which the bonus is payable.

3. Executive KMP Remuneration

3.1 Current Executive KMP Remuneration

This section describes the elements of the current remuneration framework of the Group.

3.1.1 Total Fixed Remuneration

Executive KMP total fixed remuneration is based on the incumbent's qualifications, skills and experience, performance in their role, business criticality and market demand. TFR is reviewed annually or upon promotion and positioning is benchmarked based on the 50th to 75th percentile of a market comparator group, made up of broadly comparable companies, as advised by external providers. This is considered to be a market competitive position in order to attract, engage and retain high quality talent.

With effect from 1 March 2022, the Board resolved to increase Mr. Gration's base salary to $700,000 in connection with his appointment as Group CEO. His new Total Fixed Remuneration is $723,568 and his notice period was increased to six months.

Effective in FY22, Ms. Peell's base salary was increased to $460,000 in FY22 and her notice period was changed from six to nine months. Her new Total Fixed Remuneration is $483,568. This increase in her Fixed Annual Remuneration was made after the Board completed an external benchmarking exercise in FY22 and determined to provide an increase in her base salary in line with the TFR positioning of the Company.

3.1.2 FY22 STI Framework

The FY22 STI Framework rewards the achievement of the BWX strategic priorities based on delivery of key Group financial metrics and individual performance. Performance is measured over a twelve-month period from 1 July 2021 until 30 June 2022.

With effect from 1 March 2022, the Board resolved to increase Mr. Gration's STI potential to 80%, and new personal KPIs were implemented to reflect the responsibilities of his new position. The increased STI potential and personal KPIs only relate to the period between 1 March 2022 and 30 June 2022 when he was Group CEO, with his former STI potential (50%) at his former Annual Fixed Remuneration applying for the period between 1 July 2021 and 28 February 2022.

Gateway Conditions

For an award to be made, the Gateway Conditions must first be achieved. In FY22, these are:

- Group NPAT target;
- Compliance and Product Knowledge Training Completion target;
- Adhere to the BWX Code of Conduct and Values

NPAT was selected as a Gateway Condition as it ensures that shareholder value is connected to payment of STI. The other two metrics relate to workplace culture and company values and ensure that we align Group values with financial targets. Adherence to the BWX Code of Conduct and Values, although a gateway condition, is measured against individual conduct. Even if the other gateway conditions are met, if the individual has not demonstrated the BWX Values or complied with the Code of Conduct, an STI award will not be made. This ensures that individual behaviour aligns with Company values and acceptable corporate practice.

Corporate Metrics (70%)

Provided that the Gateway Conditions are met, STI can be awarded based on the following Corporate Metrics being achieved during the FY22 year.

Group Performance Measure	Weighting
Group NPAT target	60%
Group net cash flows target	5%
International net revenue target	5%

Group financial performance measures were based on the delivery of key financial health and strategic measures. Group NPAT and Group Net Cash Flows from operating activities were chosen as Corporate Metrics as they measure the health of the business and deliver value to shareholders. Group Net Cash Flows from operating activities refers to the operating cash flow of the business excluding transaction costs, income taxes paid and interest paid. The International net revenue target is defined as the revenue sourced from countries other than Australia, New Zealand, USA and Canada, and excluding sales from the Digital Segment, as a % total net revenue. This is an important metric to ensure that the Group grows in additional markets to drive overall Group revenue and deliver value to shareholders.

To the extent that the Group NPAT KPI is outperformed, Executives have the opportunity to earn an additional stretch amount on this KPI of up to 150%.

Personal Objectives (30%)

Each Executive has at least three personal KPIs. The KPIs for the Executives are reviewed by the People & Culture (P&C) Committee and approved by the Board and must be relevant to the strategic goals of the Group.

Each Executive undergoes an individual performance evaluation against their personal goals. If the Executive does not receive an acceptable performance evaluation, the amount of STI paid will be reduced to zero, even if the Gateway Conditions are met and the Corporate Metrics are achieved.

The P&C Committee is responsible for assessing the individual performance evaluations and recommending approval of the STI award to the Board. To assist this assessment, the P&C Committee may review the audited group financial statements.

How much can Executives earn?

Executives are eligible to be awarded based on a percentage of their Base Salary as set out in the table below. 25% of the award will be provided as Deferred Equity, in the form of Rights. The amount of Deferred Equity allocated to each participant will be 25% of the STI award divided by the ten (10) day volume weighted average price of a Group Share immediately after announcement of full-year results (i.e. at or around the time the Board confirms STI outcomes).

KMP	Target	Stretch*
Group CEO	62%	80%
Group CFO	50%	65%

Figures are expressed as a percentage of Base Salary.

* Stretch figures are reflective of the multiplier for the outperformance of Group NPAT, which allows for 150% of the Target level performance to be achieved. To achieve the Stretch, the Gateway Hurdles must be met, all of the Group Performance Measures must be met, the Group NPAT Target must be exceeded; and the Executive must be awarded the satisfactory personal performance rating as determined by the Board.

Payment of STI and Governance Controls

STI is delivered in 75% cash, with 25% in Deferred Equity. The Deferred Equity cannot be exercised for a period of twelve months following vesting and will vest into ordinary shares in the Company subject to the Executive's continued employment. If the Executive resigns during the STI deferral period for reasons other than termination for cause, they will receive a pro-rata portion of their Deferred Equity to their last day of employment. The pro-rata portion will, however, not vest for twelve months.

Relevant governance aspects including change of control, termination of employment, eligibility for dividend, voting rights and clawback/malus are included. In the event of serious misconduct or a material misstatement in the Group's financial statements, the Board can cancel or defer performance-based remuneration. The Board can also claw back remuneration via Deferred Equity if required.

Further details regarding these aspects of the plan can be found in section 4.5 ("Other Governance Requirements").

3.1.3 FY22 LTI Framework

The LTI plan is focused on longer-term performance to align with the delivery of value to shareholders. To be awarded under the LTI Plan, the Executives must achieve two key metrics which align with driving long-term shareholder value and reflects the maturity of the business at the time of setting the objectives. Fair value at grant date is calculated by an independent expert using the Geometric Brownian Motion Model and the Binomial option pricing model. The fair values per the valuation report at grant date were $2.97 (for Target TSR) and $4.21 (for Target EPS). Participants were invited to participate in the FY22 LTI Plan on 17 November 2021.

In recognition of Mr. Gration's appointment as Group CEO and Managing Director on 1 March 2022, his LTI potential was increased to 100%. The Board also approved an increase in the value of Mr. Gration's FY22 LTI award to reflect his new Fixed Annual Remuneration and overall LTI potential only for the stub period between 1 March 2022 and 30 June 2022. This increased award, in the form of additional Rights to be issued, is subject to shareholder approval at the 2022 Annual General Meeting.

Performance Measures

Performance is measured over a 3-year performance period from 1 July 2021 to 30 June 2024 (**Period**).

The award is subject to two performance measures weighted equally: EPS Growth (EPS) and Relative Total Shareholder Return (**RTSR**).

1. RTSR

Broadly, TSR calculates the return shareholders would earn if they held a notional number of Shares over a period of time and measures the growth in the Company's Share price together with the value of dividends during the relevant period, assuming that the dividends are re-invested into new Shares.

Relative TSR compares the TSR performance of the Shares of the Company against the TSR of the securities of a select group of companies listed on the ASX (**Comparator Group**) over the performance period, being 1 July 2020 to 30 June 2023 (**Performance Period**). The Comparator Group which the Board has chosen is the S&P ASX Small Ordinaries Index, being all of the companies from number 101 to 300 by market capitalisation (excluding BWX) on the ASX.

The Relative TSR hurdle is tested by measuring the degree to which the Company's TSR performance has outperformed the TSR of the Comparator Group against the pre-determined targets set by the Board over the Performance Period, being all all of the companies from number 101 to 300 by market capitalisation (excluding BWX) on the ASX at 1 July 2021.

2. EPS

Broadly, EPS measures the earnings generated by the Company attributable to each share in the Company. EPS will be calculated by dividing NPAT for the Performance Period by the weighted average number of ordinary shares outstanding during the period. NPAT may be adjusted for the after-tax effect of material infrequent items that the Board believes do not reflect ongoing operations of the Group, and amortisation of acquired intangible assets.

The EPS hurdle is tested by measuring the growth in the Company's EPS over the Performance Period against pre-determined targets set by the Board.

The proportion of Rights that vest is outlined in the following vesting schedule.

Relative TSR Performance of the Company ranked against the Comparator Group	Percentage vesting
Less than 50th percentile	Nil
Between 50th percentile and 75th percentile	Straight line pro-rata vesting between 0% and 100%
At or above 75th percentile	100%
Growth in Company's EPS	**Percentage Vesting**
Below 30% EPS growth	Nil
Between 30% and 80% EPS growth	Straight-line pro-rata vesting between 0% and 100%
At or above 80% EPS growth	100%

How much can Executives earn?

The number of Rights allocated to an Executive are calculated by dividing the LTI Opportunity (see below) by the volume weighted average price of a Share for the 30 trading days ending 30 June in the relevant year.

The LTI Opportunity for each Executive is set out below:

KMP	Threshold	Target
Group CEO	0%	82%
Group CFO	0%	50%

Payment of LTI and Governance Controls

As this plan has a three-year performance period, whether the Executives will be awarded under this plan will not be measured until after 30 June 2024. At vesting date, there is nil exercise price and automatically convert into ordinary shared with no expiry.

Relevant governance aspects include change of control, termination of employment, eligibility for dividend, voting rights and clawback/malus. In the event of serious misconduct or a material misstatement in the Group's financial statements, the Board can cancel or defer performance-based remuneration. The Board can also claw back remuneration via Deferred Equity if required.

Further details regarding these aspects of the plan can be found in section 4.5 ("Other Governance Requirements").

3.1.4 Remuneration Mix for FY22

The charts below illustrate the potential remuneration mix at target (TFR:STI:LTI) for the Executive KMPs. The remuneration mix is weighted towards variable remuneration to ensure that the Executives maintain a significant focus on achieving the Group's strategic objectives. Variable remuneration includes cash STI, STI delivered as deferred equity and LTI delivered in part as deferred equity.

KMP	Total Fixed Remuneration	Target STI	Target LTI
Group CEO	41%	25%	34%
Group CFO	50%	25%	25%

3.1.5 Changes to FY23 Remuneration Framework

In FY23, the Group will change its STI framework as follows:

- The framework will be simplified by removing the gateway hurdles and instead utilising a Group EBITDA metric as the 'gateway'. Group EBITDA was selected to align with market announcements on expected performance.
- If the Group EBITDA metric is not met, no STI is payable, if it is met, the extent to which it is met will determine the maximum payout potential for the remaining KPIs.
  In addition to Group EBITDA, gross margin and net debt/EBITDA ratio improvement will form 70% of the KPIs. The remaining 30% will be personal KPIs.
- For FY23, all KPIs will have a direct link to financial performance.
  Plan Terms underpin the framework which set out various conditions including participants not being eligible for behaviour misaligned with Company values and expectations.

In FY23, the LTI Plan will retain two performance measures weighted equally: Relative Total Shareholder Return and Absolute EPS Growth.

3.2 Former Executive KMP Remuneration

This section describes the elements of the former remuneration framework of the Group that is no longer offered.

3.2.1 Legacy Employee Loan Plan (ELP)

In 2019, the Group ceased making offers under the ELP plan and will not make any further offers.
The goal of the ELP was to encourage financial performance of the Group and retention of Executives as well as providing rewards in lieu of cash remuneration for Executives and Non-Executive Directors during a period when the Group was growing and preserving cash. As this plan is no longer considered to adequately align incentives with shareholder value, offers under the plan ceased to be made in 2019. For those Executives who remain in the plan, it will continue to operate in run-off until the final repayment date of 15 June 2023 although no new offers or awards will be made.

Employee Loan Plan Awards

Executives and Non-Executive Directors (Participants) were formerly granted shares in the Company from FY16 to FY19 which were secured by non-recourse loans between the Participant and the Company. The shares were granted in several tranches each year with different vesting conditions. For accounting purposes this is treated as an option plan with the fair value of the options granted being recognised in expense over the service period.

The only unvested shares held by KMPs as at 30 June 2022 relate to a grant made in FY19 which had the following vesting conditions:

(a) Tranche 1 - twelve months service

(b) Tranche 2 – twenty-four months service

(c) Tranche 3 – thirty-six months service
(d) Tranche 4 - on the first occurrence if EBITDA increased by 25% or more in any financial year compared to EBITDA in FY 18 and the Participant is still employed by the Group at that time.
(e) Tranche 5 - on the first occurrence if EBITDA increased by 50% or more in any financial year compared to EBITDA in FY 18 and the Participant is still employed by the Group at that time.

The number of shares issued for each tranche was based on the spot price of the shares of the Company on the grant date. The spot price was used to determine the loan amount.

Once the tranche vests, as determined by the Group and approved by the Board, the Participant is provided up to five years to repay the loan attached to the shares or to surrender the shares in satisfaction of the loan. The final date on which all loans must be repaid is 15 June 2023 regardless of the vesting date.

If the Participant ceases employment, the rights to any unvested shares are automatically forfeited and the shares are surrendered. In respect of any vested shares, the Participant is provided twelve-months to repay the loan attached to the shares or to surrender the shares.

While Participants are eligible for dividends and have voting rights attached to the shares, the shares are secured by a holding lock preventing the Participants from dealing with the shares until the loan is fully repaid.

Mr. Rory Gration was awarded 200,000 shares which are secured by a loan between Mr. Gration and the Company in FY19. Of those 200,000 shares, 33,333 vested in August 2019, 33,333 vested in August 2020 and 33,334 vested in August 2021, with the balance remaining as vested but unexercisable. The final payment date for the vested shares is the earlier of the date which is twelve months from Mr. Gration's cessation of employment or 16 May 2023.

No awards under the ELP have been made to Non-Executive Directors since October 2015.

3.2.2 ELP Shares Vested During the Period

In the reporting period, the 36-month service condition of Tranche 2 ELP shares granted on 10 August 2018 was satisfied.

	Grant Date	Number Vested	Vesting Date	Fair Value at grant date	Total value at vest date
Mr. R Gration	10 August 2018	33,334	10 August 2021	$1.51	$50,334

3.2.3 Movements in ELP Shares

The movements during the reporting period in the number of ELP shares in BWX Limited held directly, indirectly or beneficiallyby 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	% Vested /Granted
2022									
Mr. R. Gration	200,000	-	-	(33,334)	-	166,666	66,666	100,000	17%

3.2.4 Loans to KMPs and their Related Parties

There were no loans to the Executives during the financial year other than in connection with the ELP. There were no transactions with key management personnel, or their related parties during the financial year. The details of non-recourse loans provided to KMP under the ELP during FY22 are set out in the table below.

	Opening Balance	Advances during the year	Loan forgiveness during the year	Repayments during the year	Closing balance	Interest-free value	High indebtedness
Mr. R Gration	$970,732	$0	$0	($4,695)	$966,037	$966,037	$970,732

4. Governance Framework

Ultimately, the Board is responsible for the Group's remuneration policies and practices. The role of the P&C 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 P&C Committee also monitors compliance with Board approved remuneration policies and practices and stays abreast of remuneration trends and the general external pay environment.

4.1 Remuneration Policy Documents

In FY22, the P&C Committee reviewed and refreshed the Group's Remuneration Policy. This policy can be found at www.bwxltd.com/investor-centre/. The P&C Committee also undertook a review of compliance with the ASX Corporate Governance Principles (4th Edition).

4.2 Remuneration Consultants

In accordance with section 206K of the Corporations Act 2001, the P&C Committee has a process for engaging remuneration consultants. The P&C 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 Group aims to provide a market competitive remuneration framework that is complementary to the Group's reward strategy.

No remuneration recommendations were made in FY22.

4.3 Executive Contractual Arrangements

Details of contractual arrangements for KMPs 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, which summarises the Board policies and terms, including fees.

Contract Term	Group CEO	Group CFO
Contract Type	Ongoing	Ongoing
Notice Period	6 months	9 months

4.4 Other Governance Requirements

Cessation of Employment	If an Executive resigns or is terminated prior to an STI or LTI award vesting, all of their Rights will be forfeited. If the Executive ceases employment during the STI deferral period for reasons other than for termination with cause, they will receive a pro-rata portion of their deferred STI equity to their last day of employment. The pro-rata portion will, however, not vest for twelve months.
Change of Control	On a change of control (as defined in the Equity Incentive Plan Rules), subject to the Board's discretion to determine a different treatment should apply, the participant's unvested awards will vest based on the extent to which any applicable condition, other than service related conditions, have been satisfied. Where the condition includes a service related condition, the service related condition will be deemed to have been satisfied.
Eligibility for Dividends	Participants will not have dividend and voting right entitlements in respect of their Rights until Rights have vested and Shares have been allocated.
Hedging	Executives are prohibited 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.
Malus / Clawback	An Executive (including the CEO) should not receive performance-based remuneration if the Board considers that such remuneration would be an "inappropriate benefit".

The awards are subject to a malus provision, such that that the Board is able to adjust any unpaid or unvested award (including reducing to zero) where it is appropriate to do so, due to fraud, misconduct or material misstatement.

The awards are also subject to a clawback provision, whereby a participant of the plan must repay the net proceeds of a sale if any shares that have been allocated have been subsequently sold, if the Board determines it is appropriate to do so, due to fraud, misconduct or material misstatement

5. Non-Executive Director Remuneration

5.1 Non-Executive Director Remuneration Policy and Structure

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. In 2021, the shareholders approved an increase in the fee pool from $650,000 to $800,000. Total Board and Committee fees paid in FY22 was $585,833.

Base Non-Executive Director fees are outlined in the following table:

	Annual Fee Structure[1]	
Role	**FY21**	**FY22**
Chairman	$150,000	$180,000
Non-Executive Director	$90,000	$100,000
Audit & Risk Committee Chair	$15,000	$15,000
People & Culture Committee Chair	$15,000	$15,000
ESG & Sustainability Committee Chair	$15,000	$15,000

1. Excludes superannuation

In addition to the above fees, Non-Executive Directors also receive 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.

6. KMP Statutory Disclosures

6.1 KMP 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.

	SHORT-TERM EMPLOYMENT BENEFITS		Cash Bonus	EQUITY	OTHER BENEFITS	POST EMPLOYMENT BENEFITS		TOTALS	
Year Ended 30 June 2022	Salary and Fees	Non-Monetary Benefits	Project Bonus[2]	Share Based Payments	Annual and Long Service Leave	Super-annuation	Termination Benefits	Total	Performance Related
Non-Executive Directors									
Mr. I Campbell	195,000	-	-	-	-	19,500	-	214,500	0%
Ms. F Bennett	126,500	-	-	-	-	-	-	126,500	0%
Mr. D Shelley	100,000	-	-	-	-	10,000	-	110,000	0%
Mr. R Walker	115,000	-	-	-	-	11,500	-	126,500	0%
Other KMP									
Mr. R Gration	590,955	-	76,500	109,409	19,401	23,568	-	819,833	23%
Ms. E Peell	460,000	-	68,000	61,656	(5,420)	23,568	-	607,804	21%
Mr. D Fenlon[1]	541,664	-		(515,663)	(4,843)	17,676	-	38,834	-1328%
Total Directors and other KMP Remuneration									
	2,129,119	-	144,500	(344,598)	9,138	105,812	-	2,043,971	-10%

[1]Included in Mr. Fenlon's FY21 Salary & Fees is $8,333 earned as a Non-Executive Director.

[2] The amounts in this column relate to the construction of the new manufacturing facility, detailed in section 2.4.

	SHORT-TERM EMPLOYMENT BENEFITS				EQUITY	OTHER BENEFITS	POST EMPLOYMENT BENEFITS		TOTALS	
Year Ended 30 June 2021	Salary and Fees	Non-Monetary Benefits	Reten-tion Bonus	STI Bonus	Share Based Payments[2]	Annual and Long Service Leave	Super-annuation	Termination Benefits	Total	Performance Related
Non-Executive Directors										
Mr. I Campbell	161,252	-	-	-	-	-	15,319	-	176,571	
Ms. F Bennett	114,975	-	-	-	-	-	-	-	114,975	
Mr. D Shelley	90,000	-	-	-	-	-	8,550	-	98,550	
Mr. R Walker	92,500	-	-	-	-	-	8,788	-	101,288	
Ms. J Leonard	77,143	-	-	-	-	-	7,363	-	84,506	
Other KMP										
Mr. D Fenlon	635,385	-	-	403,200	642,177	67,340	21,694	-	1,769,796	59%
Ms. E Peell	385,705	-	-	148,734	71,456	33,116	21,694	-	660,705	33%
Mr. R Gration	437,270	-	-	172,500	194,245	43,629	21,694	-	869,338	42%
Mr. M Lovsin	183,077	-	-	-	-	23,638	-	-	206,715	-
Total Directors and other KMP Remuneration										
	2,177,307	-	-	724,434	907,878	167,723	105,102		4,082,444	40%

[2]The amortization of the fair value of the FY21 equity based STI was previously omitted from the ‘share based payments’ disclosure. The 2021 comparative values have been restated to reflect the amortization of this component of the STI, resulting in an increase of $120,739.

6.2 Equity Instruments Held by Key Management Personnel

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
2022							
Mr. I Campbell	483,486				6,185	88,375	578,046
Mr. D Shelley	150,000				6,185	8,333	164,518
Ms. F Bennett	58,823				6,185	18,590	83,598
Mr. R Walker	15,690				6,185	8,300	30,175
Ms. E Peell	-	2,495			4,000		6,495
Mr. R Gration	-	13,957					13,957
Mr. D Fenlon[1]	105,820	140,556		(246,376)			0

1. In the 2021 Remuneration Report, it was noted that Mr. D Fenlon was granted 140,556 shares on 1 July 2021 in connection with his Sign-On shares and the deferred equity component of his FY20 STI vested. Accordingly, this accounts for the 140,556 shares in the “Issued on Exercise of Options” column.

6.3 Equity Instruments Held by Key Management Personnel

Name	Grant Date	Vesting Date	Balance at the start of the year	Granted During the Year		Vested and exercised		Forfeited		Unvested balance at the end of the year	Maximum value yet to vest
				No. of Rights	Grant date fair value	No. of Rights	%	No. of Rights	%		
R Gration											
	6 Dec 19	6 Dec 22	119,048	-	-	-	-	-	-	119,048	$21,880
	17 Nov 20	6 Dec 23	137,091	-	-	-	-	-	-	137,091	$495,518
	17 Nov 21	1 Dec 24	-	71,797	$258,469	-	-	-	-	71,797	$202,373
	LTI Rights		**256,139**	**71,797**	**$258,469**	-	-	-	-	**327,936**	**$719,771**
	17 Sep 20	30 June 21	13,957	-	-	13,957	100%	-	-	-	-
	8 Oct 21	30 June 22	-	11,523	$54,504	-	-	-	-	11,523	-
	STI Rights		**13,957**	**11.523**	**$54,504**	13,957	-	-	-	**11,523**	-
E Peell											
	23 Feb 20	6 Dec 22	9,769	-	-	-	-	-	-	9,769	$1,599
	17 Nov 20	6 Dec 23	85,320	-	-	-	-	-	-	85,320	$308,391
	17 Nov 21	1 Dec 24	-	43,977	$158,317	-	-	-	-	43,977	$128,167
	LTI Rights		**95,089**	**43,977**	**$158,317**					**139,066**	**$438,157**
	17 Sep 20	30 Jun 21	2,495	-		2,485	100%	-	-	-	-
	8 Oct 21	30 Jun 22	-	9,935	$46,993	-	-	-	-	9,935	-
	STI Rights		**2,495**	**9,935**	**$46,993**	**2,495**		-		**9,935**	-
D Fenlon											
	21 Nov 19	6 Dec 22	370,370	-	-	-	-	370,370	100%	-	-
	16 Nov 20	6 Dec 23	286,104	-	-	-	-	286,104	100%	-	-
	21 Nov 19	30 Jun 21	105,820	-	-	105,820	100%	-	-	-	-
	17 Nov 21	1 Dec 24	-	152,963	$550,667	-	-	152,963	100%	-	-
	LTI Rights		**762,294**	**152,963**	**$550,667**	**105,820**		**809,437**			
	17 Sep 20	30 Jun 21	34,376	-	-	34,736	100%	-	-		-
	8 Oct 21	30 Jun 22	-	26,934	$127,398	-	-	9,074	34%	17,860	-
	STI Rights		**34,736**	**26,934**	**$127,398**	**34,736**		**9,074**		**17,860**	-

Long Term Incentive Plan Rights

	Opening Balance	Granted as Compensation	Forfeited	Vested	Appointment / Cessation	Closing Balance
2022						
Mr. R Gration	256,139	71,797				327,936
Ms. E Peell	95,089	43,977				139,066
Mr. D Fenlon	762,294	152,963	(809,437)	(105,820)		0

Deferred STI Rights

	Opening Balance	Granted as Compensation	Forfeited	Vested	Appointment / Cessation	Closing Balance
2022						
Mr. R Gration	13,957	11,523		(13,957)		11,523
Ms. E Peell	2,495	9,935		(2,495)		9,935
Mr. D Fenlon	34,736	26,934	9,074	(34,736)		17,858

Auditor's Independence Declaration

As lead auditor for the audit of BWX Limited for the year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of BWX Limited and the entities it controlled during the period.

Nadia Carlin

Nadia Carlin
Partner
PricewaterhouseCoopers

Melbourne
18 December 2022

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About this report

These financial statements are consolidated financial statements for the group consisting of BWX Limited and its subsidiaries. A list of major subsidiaries is included in note 5.1.

The financial statements are presented in the Australian dollars unless otherwise stated.

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

BWX Limited is a company incorporated and domiciled in Australia. Its registered office and principal place of business is:
45-49 McNaughton Road
Clayton Victoria 3168

The financial statements were authorised for issue by the directors on18 December 2022. The directors have the power to amend and reissue the financial statements.

All press releases, financial reports and other information are available at our Investor Centre on our website: www.bwxltd.com

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2022

	Note	Year ended 30 June 2022 $'000	As restated* Year ended 30 June 2021 $'000
Sales revenue	2.1	198,328	183,101
Cost of sales		(92,896)	(76,838)
Gross profit		**105,432**	**106,263**
Other income	2.1	401	1,687
Corporate and administrative expenses		(31,264)	(21,521)
Marketing, selling and distribution expenses		(77,896)	(59,047)
Research and development and quality control expenses		(3,082)	(2,722)
Share of net losses of associates accounted for using the equity method		(723)	-
Depreciation and amortisation		(13,645)	(7,053)
Finance expenses		(4,290)	(2,638)
Acquisition-related benefits/(expenses)	2.3	(3,379)	6,922
Impairment	3.4, 3.5	(322,559)	-
(Loss)/Profit before tax		**(351,005)**	**21,891**
Income tax benefit/(expense)	3.6	15,414	(4,358)
(Loss)/Profit after tax		**(335,591)**	**17,533**
(Loss)/Profit for the year attributable to:			
Equity holders of the parent entity		(336,960)	17,533
Non-Controlling interests		1,369	-
		(335,591)	**17,533**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of overseas subsidiaries		16,230	(14,652)
Total comprehensive (loss)/income for the year		**(319,361)**	**2,881**
Total comprehensive (loss)/income attributable to:			
Equity holders of the parent entity		(320,730)	2,881
Non-controlling interests		1,369	-
		(319,361)	**2,881**
(Loss)/earnings per share			
Basic (Loss)/earnings per share (cents)	4.1	(214.2)	12.7
Diluted (Loss)/earnings per share (cents)	4.1	(214.2)	12.4

*Refer to note 1.4 for description and impact of restatement.

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 2022

	Note	30 June 2022 $'000	As restated* 30 June 2021 $'000
Current assets			
Cash at bank	4.5	24,276	70,497
Trade and other receivables	3.1	27,687	30,621
Inventories	3.2	65,335	46,179
Prepayments		5,026	4,311
Contract assets	2.1	844	843
Current tax asset	3.6	8,487	-
Assets held for sale	5.2	657	-
Total current assets		**132,312**	**152,451**
Non-current assets			
Right-of-use assets	3.3	41,268	9,003
Plant and equipment	3.4	38,068	19,864
Intangible assets and goodwill	3.5	157,647	300,148
Investment in associates	5.2	-	890
Contract asset	2.1	2,496	2,796
Other Investments		1,408	1,408
Other non-current assets	5.5	3,328	150
Total non-current assets		**244,215**	**334,259**
Total assets		**376,527**	**486,710**
Current liabilities			
Trade and other payables		45,863	40,664
Financial liabilities	3.7	43,362	10,826
Lease liabilities	3.3	3,750	2,666
Current tax liabilities		2,636	3,546
Contract liabilities		1,891	4,518
Employee benefits		2,551	2,049
Total current liabilities		**100,053**	**64,269**
Non-current liabilities			
Financial liabilities	3.7	45,238	41,664
Lease liabilities	3.3	39,231	8,158
Deferred tax liabilities	3.6	33,624	22,012
Employee benefits		658	252
Put option liability	3.7	59,200	-
Total non-current liabilities		**177,951**	**72,086**
Total liabilities		**278,004**	**136,355**
Net assets		**98,523**	**350,355**
Equity			
Contributed equity	4.3	398,856	293,893
Reserves	4.4	20,925	5,891
Put option reserve	4.4	(59,200)	-
Retained earnings		(291,365)	50,571
Equity attributable to equity holders of the parent entity		69,216	350,355
Non-controlling interest		29,307	-
Total equity		**98,523**	**350,355**

*Refer to Note 1.4 for description and impact of restatement.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2022

	Contributed equity $'000	Reserves $'000	Put option reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interest $'000	Total $'000
Balance at 1 July 2020	**237,721**	**19,901**	**-**	**40,385**	**298,007**	**-**	**298,007**
Restatements to opening balance	-	-	-	(2,341)	(2,341)	-	(2,341)
Balance at 1 July 2020 – as restated*	**237,721**	**19,901**	**-**	**38,044**	**295,666**	**-**	**295,666**
Profit for the year – as restated*	-	-	-	17,533	17,533	-	17,533
Other comprehensive income for the year	-	(14,652)	-	-	(14,652)	-	(14,652)
Total comprehensive income	**-**	**(14,652)**	**-**	**17,533**	**2,881**	**-**	**2,881**
Transactions with owners of the Company							
Shares issued, net of costs	54,091	-	-	-	54,091	-	54,091
Share based payments	-	1,388	-	-	1,388	-	1,388
Exercise of share plan rights	276	(276)	-	-	-	-	-
CEO Sign-on rights vested	470	(470)	-	-	-	-	-
Transactions with employee loan plan shareholders	1,315	-	-	-	1,315	-	1,315
Dividends paid	20	-	-	(5,006)	(4,986)	-	(4,986)
Total transactions with owners	**56,172**	**642**	**-**	**(5,006)**	**51,808**	**-**	**51,808**
Balance at 30 June 2021 - as restated*	**293,893**	**5,891**	**-**	**50,571**	**350,355**	**-**	**350,355**
Balance at 1 July 2021	**293,893**	**5,891**	**-**	**59,059**	**358,843**	**-**	**358,843**
Restatements to opening balance	-	-	-	(8,488)	(8,488)	-	(8,488)
Balance at 1 July 2021 – as restated*	**293,893**	**5,891**	**-**	**50,571**	**350,355**	**-**	**350,355**
(Loss)/Profit for the year	-	-	-	(336,960)	(336,960)	1,369	(335,591)
Other comprehensive income for the year	-	16,230	-	-	16,230	-	16,230
Total comprehensive (loss)/income	**-**	**16,230**	**-**	**(336,960)**	**(320,730)**	**1,369**	**(319,361)**
Transactions with owners of the Company							
Shares issued, net of costs	104,184	-	-	-	104,184	-	104,184
Share based payments	-	(417)	-	-	(417)	-	(417)
Exercise of share plan rights	309	(309)	-	-	-	-	-
CEO Sign-on rights vested	470	(470)	-	-	-	-	-
Put option liability recognised at acquisition	-	-	(89,200)	-	(89,200)	-	(89,200)
Change in fair value of put option liability	-	-	30,000	-	30,000	-	30,000
Non-controlling interest on acquisition of subsidiary	-	-	-	-	-	27,938	27,938
Dividends paid	-	-	-	(4,976)	(4,976)	-	(4,976)
Total transactions with owners	**104,963**	**(1,196)**	**(59,200)**	**(4,976)**	**39,591**	**27,938**	**67,529**
Balance at 30 June 2022	**398,856**	**20,925**	**(59,200)**	**(291,365)**	**69,216**	**29,307**	**98,523**

*Refer to Note 1.4 for description and impact of restatement.

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

BWX

Consolidated Statement of Cash Flows

for the year ended 30 June 2022

	Note	30 June 2022 $'000	30 June 2021 $'000*
Cash flows from operating activities			
Cash receipts from customers		217,754	201,414
8,14Cash paid to suppliers and employees		(222,846)	(168,482)
Payments for restructuring / transaction costs		(3,229)	(526)
Income taxes paid		(9,594)	(4,289)
Interest paid		(4,290)	(2,574)
Net cash flows (used in)/from operating activities	4.5	**(22,205)**	**25,543**
Cash flows from investing activities			
Acquisition of plant and equipment	3.4	(25,625)	(16,319)
Acquisition of intangible assets	3.5	(4,416)	(1,023)
Deferred payment in relation to acquisition of business		-	(1,187)
Acquisition of subsidiary - net of cash	5.3	(113,348)	(1,664)
Loss from sale of assets		(322)	-
Acquisition of associates		-	(890)
Loan to associates	5.5.3	(2,952)	(350)
Net cash flows used in investing activities		**(146,663)**	**(21,433)**
Cash flows from financing activities			
Proceeds from issue of share capital	4.3	101,187	53,315
Transaction costs for issue of shares	4.3	(3,466)	(1,409)
Dividends paid	4.2	(4,976)	(4,986)
Proceeds from borrowings		43,968	563
Repayments of borrowings		(9,736)	(6,058)
Repayments of lease	3.3	(4,994)	(3,186)
Net cash flows from financing activities		**121,983**	**38,239**
Net (decrease)/increase in cash and cash equivalents		(46,884)	42,349
Effect of exchange rate changes on cash held		663	(491)
Cash and cash equivalents at beginning		70,497	28,639
Cash and cash equivalents at end		**24,276**	**70,497**

*Refer to Note 1.4 for description and impact of restatement.

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

Notes to the Consolidated Financial Statements (continued)

1 BASIS OF PREPARATION

1.1 Basis of preparation

BWX Limited (the Company) is a Company domiciled in Australia. The Company's registered office is at 45-49 McNaughton Road, Clayton, Victoria, Australia. The consolidated financial statements as at, and for the year ended 30 June 2022 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.

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 interpretations issued by of the Australian Accounting Standards Board.

The consolidated financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

The consolidated financial statements are 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').

The consolidated financial statements may also include certain non-IFRS measures including profit before depreciation, amortisation, finance costs, acquisition and restructuring related expenses/(expenses). These measures are used internally by management (and some analysts) to assess the performance of the Group and segments, to make decisions on the allocation of resources and assess operational management.

The consolidated financial statements have been prepared on a historical cost basis, except for the following:

- certain financial liabilities measured at fair value, and
- assets held for sale – measured at the lower of carrying amount and fair value less costs to sell.

Going concern basis

The financial report has been prepared on the going concern basis which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

For the reasons described below, there is material uncertainty whether the Group will continue as a going concern:

- The Group made a loss for the year of $335.6m and as at 30 June 2022 its current assets exceed current liabilities by $32.3m, noting that the Group had an unconditional waiver from its bankers, CBA, in respect of the suspension of covenant testing as at that date. If no waiver was in place, current liabilities would have exceeded current assets by $12.9m as at that date.
- The Group expects to incur a loss in the 6 months ending 31 December 2022, together with a significant short-term deterioration in its working capital position as a result of addressing a range of disruptive issues associated with its past growth and acquisitions, including implementing a range of operating improvements and other initiatives as set out on pages 7 and 8.
- The Group requires the continued ongoing support of its bankers, including the ongoing availability of its current facilities for the foreseeable future. The Group had waivers in place in respect of certain of its required banking covenants which would otherwise have been breached as at 30 June 2022. Additional waivers were provided subsequent to that date, the latest of which expires on 31 January 2023 and the Group's forecasts indicate that subsequent breaches are likely and therefore a further waiver or renegotiation of banking covenants will be required.

Notes to the Consolidated Financial Statements (continued)

- Management has prepared forecasts that show a requirement for the Group to secure additional debt financing in addition to its current facilities, either from its current bankers or other financiers on acceptable terms, for the Group to continue to operate as a going concern for the foreseeable future.

On 16 December 2022, the Group's banker agreed to provide further working capital funding of $12m-$13m for a 3-month term. Management has also commenced a refinancing process that is significantly progressed, and the Group expects the process to be completed by Q3 FY23. That process is expected to result in a further increase in the Group's debt facilities of $8m but with a significantly longer term to provide greater certainty of long-term funding.

Whilst management has prepared forecasts that show the Group can continue to operate as a going concern for the foreseeable future, there is a material uncertainty in respect of

- trading conditions and performance
- management's ability to implement certain operating improvements in the business and other initiatives as disclosed in the directors' report and for the related benefits to be realised within the forecast timeframe.

Management has applied a range of EBITDA sensitivities to their forecasts which confirm that the further $20m of debt financing is sufficient to meet the Group's needs under these scenarios.

The ability of the Group to continue as a going concern is dependent on its ability to generate sufficient funds from its operating activities, to secure additional debt financing as required, to operate within the requirements of its banking facilities and have the ongoing support of its bankers or other financiers.

As at the date of this report, the Directors have considered the above factors and are confident that the Group will be able to continue as going concerns for the following reasons:

- Management has prepared and the Directors have reviewed and approved detailed financial forecasts for the 12 months ending 31 December 2023. These forecasts assume additional interim funding of $12-$13m and a further $8m of additional funding to be secured by Q3 FY23 as part of a debt restructuring initiative. The forecasts incorporate a range of operating improvements and other initiatives that are expected to reduce the Group's debt requirement.
- The Directors have considered current trading conditions, the range of operating improvements and other initiatives required, the dependencies thereof and the likely range of impacts that these may have on the forecast trading of the group. This process has included applying appropriate sensitivities to the Group's sales and cash forecasts and assessing the resultant impact on funding headroom, debt and working capital requirements and the Group's ability to work within the requirements of its funding facilities. The range of impacts has been appropriately considered and reflected within the Group's forecasts and the Directors' assessment of going concern.
- The Group expects to be able to secure additional funding from financiers and to be able to operate within the requirements of its facilities. A process to secure its long-term debt requirements is significantly progressed as at the date of this report. The Directors expect that this process will include the Group satisfactorily renegotiating its banking covenants or securing an extension of the waiver for the foreseeable future.

As a result of the above factors, there is a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore whether the Group will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not include any adjustments that may be appropriate relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Notes to the Consolidated Financial Statements (continued)

1.2 Significant accounting policies

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

1.2.1 Basis of consolidation

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

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 9 Financial Instruments.

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.

Subsidiaries
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.

Notes to the Consolidated Financial Statements (continued)

1.2 Significant accounting policies (continued)

1.2.1 Basis of consolidation (continued)

Non-controlling interests ('NCI')
NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Investment in associates
The Group's interest in equity accounted investees comprise interests in associates. Associates are those entities in which the Group has significant influence, but no control over the financial or operating policies.

Interests in associates are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of profit or loss and other comprehensive income of equity accounted investees until the date of significant influence ceases. The net investment in the equity accounted investee comprises the carrying amount of the investment in equity accounted investee using the equity method, plus any long-term interests that in substance form part of the entities net investment.

Loans to associates
Included in the Group's investment in associates are interest bearing loans and borrowings. They are initially recognised at fair value at transaction date, less directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest rate method. Interest income is calculated using the effective interest method and is recognized in profit and loss. Changes in fair value are recognized in profit and loss when the asset is derecognized, reclassified or impaired.

The Group does not have control over the activities of the associates and therefore does not consolidate them.

The Group's maximum amount of exposure to loss from its investments is equal to the balance of the loan outstanding.

Transactions eliminated on consolidation
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.

1.2.2 Fair value

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

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

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

Notes to the Consolidated Financial Statements (continued)

1.2 Significant accounting policies (continued)

1.2.3 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 designated 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 foreign currency exchange rate 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).

1.2.4 Finance costs

Finance costs are recognised as expenses in the period in which they are incurred. Finance costs include:
- interest on bank overdrafts, short-term and long-term borrowings;
- interest on lease liabilities; and
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings.

1.2.5 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.

1.2.6 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 component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of Sales Tax / GST / VAT recoverable from, or payable to, the taxation authority.

Notes to the Consolidated Financial Statements (continued)

1.2 Significant accounting policies (continued)

1.2.7 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.

1.2.8 Employee entitlements

(i) Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulated sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the Consolidated Statement of Financial Position.

(ii) Other long-term employee benefit obligations
The Group also has liabilities for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the Consolidated Statement of Financial Position if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

1.2.9 Significant items

Significant items are items of income or expense which are, either individually or in aggregate, material to the Group or to the relevant business segment and are:

- outside the ordinary course of business (e.g., impairment of carrying value of intangibles, gains or losses on the sale or termination of operations, the cost of significant reorganisations or restructuring); or
- part of the ordinary activities of the business but unusual due to their size and nature.

Significant items	2022 $'000	2021 $'000
Impairment of carrying value of Intangibles[1]	(322,559)	-
Acquisition related benefits/(expenses) [2]	(3,379)	6,922
Deferred consideration of Nourished Life	-	600

1. The significant item relates to the impairment in the carrying value of intangible assets across all CGUs, refer to Note 3.5.
2. The significant item related to Acquisition related benefits/(expenses) in the acquisition of subsidiaries, refer to Note 5.3.

Notes to the Consolidated Financial Statements (continued)

1.2 Significant accounting policies (continued)

1.2.10 New or amended accounting standards and interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period.

These standards and interpretations did not have any impact on the amounts recognised in prior years and are not expected to significantly affect the current or future years. The Group has early adopted the amendment to AASB 116 "Property, Plant and Equipment" (AASB 2020-3).

1.3 Critical accounting judgements, estimates and assumptions

The estimates and judgements which involve a higher degree of complexity or that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next period are included in the following notes:

- *Note 2.1 – Sales revenue and other income;*
- *Note 3.1 – Carrying value of receivables;*
- *Note 3.2 – Carrying value of inventory;*
- *Note 3.3 – Determination of lease term;*
- *Note 3.5 – Impairment of goodwill and other indefinite life intangibles;*
- *Note 3.7 – Carrying value of put option liability;*
- *Note 5.3 – Acquisition of subsidiaries;*
- *Note 5.5 – Carrying value of loans to associates; and*
- *Note 6.5 – Coronavirus (COVID-19) impact.*

1.4 Restatement of comparatives

The Group restated prior period financial information to correct for errors as detailed below.

Revenue recognition
During the second half of the financial year the Group identified revenue was recognised for certain transactions in the year ended 30 June 2021 and the half-year ended 31 December 2021 where control of the goods had not yet passed to the customer. Additionally, some sales were made on a sale-or-return basis and for which the Group had not recognised a refund liability. For sale-or-return transactions, the amount of revenue recognised is constrained to the amount that is highly probable not to be reversed on the return of goods in future periods. A corresponding refund liability and an asset representing the right to the returned goods are recognised.

As a result of this error, revenue and cost of sales were overstated in the year ended 30 June 2021 and the half-year ended 31 December 2021 and refund liability and inventory were understated at those dates. A contract liability is recognised where cash was received from customers but control of the goods had not passed at the balance date. Consequential adjustments to trade receivables, inventory, contract liabilities, current tax assets and income tax expense were also required.

Trade spend accruals
The Group routinely offers incentives to retail customers to support specific promotional campaigns whereby, for example, discounts are provided to end customers. The accounting policy for such offers is included in Note 2.1. The Group identified that revenue was not appropriately constrained for such offers at 1 July 2020 and 30 June 2021. Accordingly, adjustments have been made to increase accruals at 1 July 2020, 31 December 2021 and 30 June 2021, reduce opening retained earnings at 1 July 2020, and reduce revenue for the year ended 30 June 2021.

Trade receivables and payables
As reported at the half-year ended 31 December 2021, the Consolidated Statement of Financial Position at 30 June 2021 has been restated to reclassify amounts from trade and other payables to trade and other receivables, to reflect the impact of customer arrangements which are settled net of trade receivables. In addition, further adjustments of this nature were identified in the second half of the financial year.

Notes to the Consolidated Financial Statements (continued)

1.4 Restatement of comparatives (continued)

The Group also reclassified prepayments that were incorrectly included within trade and other receivables. These reclassifications resulted in adjustments to receipts from customers and payments to suppliers in the cash flow statement, but there is no impact on net cash flows from operating activities.

Cash flow restatement
The Group has restated the cash flow statement for the year ended 30 June 2021 to include Goods and Services Tax (GST) and Value Added Tax (VAT) in receipts from customers and payments to suppliers and employees.

Related party disclosure
A commitment to loan a total of $1.85 million to an associate and a contingent liability of $2.0m was omitted from disclosures of related party transactions in the financial statements for the year ended 30 June 2021. This commitment is disclosed in note 6.1.2. This omission had no impact on the amounts recognised in the statement of profit or loss and other comprehensive income, the statement of financial position or the statement of cash flows for the year ended 30 June 2021.

Contract asset
The contract asset for tranche 2 of the Chemist Warehouse strategic partnership as at 31 December 2021 was based on the contracted values instead of the value at the date the shares were issued. This resulted in an understatement of the contract asset of $0.5m, overstatement of revenue $0.5m and understatement of equity of $0.9m.

These errors have been corrected by restating each of the affected financial statement line items for the prior periods as follows:

Consolidated Statement of Profit or loss and Other Comprehensive Income – 30 June 2021

	June 2021 Reported $'000	Revenue Recognition Adjustment $'000	Trade Spend Accruals Adjustment $'000	June 2021 Restated $'000
Sales revenue	194,080	(10,498)	(481)	183,101
Cost of sales	(79,037)	2,199	-	(76,838)
Gross profit	**115,043**	**(8,299)**	**(481)**	**106,263**
Profit before tax	**30,671**	**(8,299)**	**(481)**	**21,891**
Income tax expense	(6,991)	2,489	144	(4,358)
Profit after tax	**23,680**	**(5,810)**	**(337)**	**17,533**
Basic EPS	17.1	(4.2)	(0.2)	12.7
Diluted EPS	16.8	(4.2)	(0.2)	12.4

Basic and diluted earnings per share for the prior year have also been restated. The amount of the correction for basic and diluted earnings per share was a decrease of 4.4 cents and 4.4 cents per share respectively.

Notes to the Consolidated Financial Statements (continued)

1.4 Restatement of comparatives (continued)

Consolidated Statement of Financial Position – 30 June 2021

	June 2021 Reported $'000	Revenue Recognition Adjustment $'000	Trade Spend Accruals adjustment $'000	Trade Receivable and Payable Adjustment $'000	June 2021 Restated $'000
Trade and other receivables	43,938	(4,999)	-	(8,318)	30,621
Prepayments	3,012	-	-	1,299	4,311
Inventories	43,980	2,199	-	-	46,179
Total Assets	**496,529**	**(2,800)**	**-**	**(7,019)**	**486,710**
Trade and other payables	43,880	980	2,822	(7,019)	40,664
Contract liabilities	-	4,518	-	-	4,518
Current tax liabilities	6,179	(2,489)	(144)	-	3,546
Total Liabilities	**137,686**	**3,010**	**2,678**	**(7,019)**	**136,354**
Net Assets	**358,843**	**(5,810)**	**(2,678)**	**-**	**350,355**
Opening retained earnings – 1 July 2020	40,385	-	2,341	-	38,044

Statement of Cash Flows restatement

Consolidated Statement of Cash Flows – 30 June 2021

	June 2021 Reported $'000	Cash Flow Restatement Adjustment $'000	June 2021 Restated $'000
Cash receipts from customers	189,054	12,360	201,414
Cash paid to suppliers and employees	(156,122)	(12,360)	(168,482)

Notes to the Consolidated Financial Statements (continued)

1.4 Restatement of comparatives (continued)

The interim financial report for the half year period ended 31 December 2021 was also impacted by the above errors. These errors will be reflected in the interim financial report for the half year period ended 31 December 2022 as follows:

Consolidated Statement of Profit or loss and Other Comprehensive Income – 31 December 2021

	December 2021 Reported $'000	Revenue Recognition Adjustment $'000	Trade Spend Accruals Adjustment $'000	Contract Asset Adjustment $'000	December 2021 Restated $'000
Sales revenue	103,363	(1,992)	(3,285)	(450)	97,636
Cost of sales	(45,839)	378	-	-	(45,461)
Profit before tax	**57,524**	**(1,614)**	**(3,285)**	**(450)**	**52,175**
Loss before tax	**463**	**(1,614)**	**(3,285)**	**(450)**	**(4,886)**
Income tax expense	(2,141)	484	986	135	(536)
Loss after tax	**(1,678)**	**(1,130)**	**(2,299)**	**(315)**	**(5,422)**
Basic EPS	(1.5)	(0.7)	(1.5)	(0.3)	(4.0)
Diluted EPS	(1.5)	(0.7)	(1.5)	(0.3)	(4.0)

Consolidated Statement of Financial Position – 31 December 2021

	December 2021 Reported $'000	Revenue Recognition Adjustment $'000	Trade Spend Accrual Adjustment $'000	Contract Asset Adjustment $'000	Trade Receivable and Payable Adjustment $'000	December 2021 Restated $'000
Trade and other receivables	36,303	1,998	-	-	(4,534)	33,767
Inventories	64,062	378	-	-	-	64,440
Contract Asset	-	-	-	450	-	450
Total Assets	**679,052**	**2,376**	**-**	**450**	**(4,534)**	**677,344**
Trade and other payables	45,460	2,903	3,285	-	4,534	56,182
Contract liabilities	-	1,087	(986)	-	-	101
Current tax liabilities	8,615	(484)		(135)	-	7,996
Total Liabilities	**290,724**	**3,506**	**2,299**	**(135)**	**4,534**	**300,928**
Net Assets	**388,328**	**(1,130)**	**(2,299)**	**585**	**(9,068)**	**376,416**

Notes to the Consolidated Financial Statements (continued)

2 GROUP PERFORMANCE

2.1 Sales revenue and other income

	Year ended 30 June 2022 $'000	As restated Year ended 30 June 2021 $'000
Sale of goods	198,328	183,101
Other income		
Interest income	5	99
R&D grant income[1]	-	1,136
Other income	396	452
	401	1,687
Total Revenue and other income	**198,729**	**184,788**

[1]Current year R&D grant income is classified as an offset to tax expense.

Chemist Warehouse Strategic Partnership
In the prior year, BWX signed a strategic partnership agreement with Chemist Warehouse Group for the provision of strategic brand services in return for the potential issue of 3,362,724 shares, across 5 tranches. The shares are valued at the date they are issued and are subject to performance hurdles being met, with the final tranche due to be issued on 31 December 2023. In the prior year, the Group issued the first tranche of 881,613 BWX shares worth $3.5m, which was recognised as a contract asset and amortised against revenue over the term of the agreement. The asset is further assessed for impairment by considering the extent to which the asset is recoverable against the remaining consideration expected to be received under the arrangement less costs. As at 30 June 2022, a contract asset of $3.0m was presented in the Consolidated Statement of Financial Position as follows:

Contract Asset (current)	$0.7m
Contract Asset (non-current)	$2.3m

On 7 July 2021, the Group issued the second tranche of 881,613 BWX shares worth $4.4m. This tranche was subject to the achievement of sales performance hurdles that were satisfactorily met during the period.

On 7 January 2022, the Group issued the third tranche of 503,779 BWX shares worth $2.2m. This tranche was subject to the achievement of sales performance hurdles that were satisfactorily met during the period.

An amount of $6.7 million, which includes amortisation against tranches, has been recognised as a reduction of Sales revenue in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition
Revenue is recognised to the extent that the Group satisfies a performance obligation where control of the goods or services passes to the customer. Revenue is measured at the agreed price being the amount which the entity expects to receive in exchange for goods. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. The Group does not have any contracts where the period between the transfer of the promised product or services to the customer and payment by the customer exceeds one year. Consequently, the Group does not adjust any of the transaction prices for the time value of money. As a part of the revenue recognition process an accrual is taken up for any promotions on stock that will occur in the future. Managements estimation is based on the length of time stock is held by a customer.

Notes to the Consolidated Financial Statements (continued)

2.1 Sales revenue and other income (continued)

Revenue is recognised for the major business activities as follows:
Sale of goods
Revenue from the sale of goods and disposal of other assets is recognised at a point in time when the Group has passed control of promised goods or assets to the customer. Control of the goods transfers to the customer at the point the goods are delivered to, or collected by, the customer (unless under a Bill and Hold arrangement, see below). The Group recognises its revenue from contracts with customers for the transfer of goods at a point in time. Rebates and sale incentives are recognised using expected value method based on accumulated experience, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

Rights of return
Where goods are sold with a right of return, the Group recognises a refund liability and a corresponding reduction in revenue, and a right of return asset and corresponding reduction in cost of sales. The liability is measured at the amount that is expected to be returned, based on the Group's accumulated experience. Revenue is further constrained if necessary to ensure that revenue is recognised at an amount that is highly probable not to be significantly reversed if goods are returned in future periods.

Bill and Hold arrangements
If requested by the customer and accepted by BWX, a bill and hold arrangement may occur which transfers control of the promised goods or assets to the customer, however, the goods remain in the possession of BWX. Revenue is only recognised if all of the following criteria are met:
(a) the reason for the bill-and-hold arrangement must be substantive (for example, the customer has requested the arrangement);
(b) the product must be identified separately as belonging to the customer;
(c) the product must be ready for physical transfer to the customer; and
(d) BWX does not have the ability to use the product or to direct it to another customer.

Interest income
Interest is recognised as it accrues using the effective interest method.

Government grants
Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Bill and hold transactions
From time to time BWX enters into bill-and-hold transactions with customers, whereby BWX retains physical possession of the goods until the customer requests delivery. Where the criteria described in the above accounting policy are all met, control of the goods is considered to have passed to the customer at the time they are set aside to be held for the customer. Where the criteria are not all met, control of the goods passes to the customer at the point of delivery. Significant judgement is required to determine whether the criteria are met, in particular whether the reason for the bill-and-hold arrangement is substantive.

BWX recognised $2.7m revenue in the prior year in respect of bill-and-hold transactions which were determined to have met the criteria for revenue recognition before the prior year-end. The customer's reason for the transaction, that they required a bill-and-hold sale to provide certainty of supply of goods whilst supply chains were disrupted during the COVID-19 pandemic, was adjudged to be substantive.

Sale-or-return transactions
From time to time BWX enters into transactions to sell goods to customers with a right of return. In some cases, the right of return is implied by the company's customary acceptance of returns from a specific customer rather than by written contract terms. Judgement may be needed to determine whether a right of return exists.

Notes to the Consolidated Financial Statements (continued)

2.1 Sales revenue and other income (continued)

The accounting policy for sales with a right of return requires estimation of the goods expected to be returned. It also requires the revenue recognised to be constrained to the amount that is highly probable of not being reversed in future periods, which therefore requires estimation of the amount that is highly probable of not being returned.

The group recognised a returns liability, and corresponding reduction in revenue, of $1.3m at 30 June 2021.

2.2 Expenses

	Year ended 30 June 2022 $'000	Year ended 30 June 2021 $'000
Employee benefits expenses (including operating expenses):		
Salaries and wages	40,717	28,996
Superannuation	3,032	2,055
Labour hire	3,201	3,434
Share-based expenses	(201)	1,388
Other employee expenses	1,156	4,815
	47,905	**40,688**

2.3 Segment information

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer (CEO) (the Chief Operating Decision Maker as defined under AASB 8 Operating Segments) that are used to make strategic and operating decisions. The CEO is responsible for the allocation of resources to operating segments and assessing their performance. Operating segments are periodically reviewed by the CEO for adherence with AASB 8 and any changes are disclosed accordingly. It is noted that EBITDA is a measure reviewed by the CEO.

The acquisition of The Good Collective Pty Ltd, trading as Flora & Fauna, on 1 July 2021 resulted in a change of the Group's organisation structure with the creation of a separate Digital operating segment, which comprises Flora & Fauna and Nourished Life. Both businesses perform similar activities, and they are both predominantly distributors of non-BWX manufactured brands via e-commerce platforms. The digital segment also meets the definition of a reportable segment as its revenue is greater than 10% of the Group's revenue. Comparative results have also been restated to reflect this change in reportable segments. The Nourished Life share of goodwill in the original Australia/International segment has been re-allocated to the Digital segment based on relative fair values at the time of acquisition, 1 July 2021. The change in goodwill allocation is quantified in Note 3.5.

On 30 September 2021, the Group acquired Go-To Skincare and its results are included within the Australia/International operating segment as it is a similar operating activities to other BWX manufactured brands. In addition, the location of management and the potential financial synergies of the acquisition closely aligns across the operating segment.

As a result of the change in reporting segments, the Group now operates within three reportable segments, Australia/International (includes Go-To Skincare), Digital (includes Nourished Life and Flora & Fauna) and United States of America (USA). USA includes Canada which has been re-allocated from Australia/International given that management of sale now originates from the USA. The CEO reviews the results of the Group at this level. Segment revenue, segment expense and segment result include transfers between operating segments. These 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 1.2. The CEO assesses the performance of the operating segment based on a measure of profit before taxation, depreciation, amortisation, finance costs, restructuring and acquisition-related benefits/expenses.

Notes to the Consolidated Financial Statements (continued)

2.3 Segment information (continued)

Segment result	Year ended 30 June 2022 Australia / International $'000	Digital $'000	Americas $'000	Total $'000
Revenue				
Revenue from operations	89,530	32,030	76,768	198,328
Inter-segment revenue	4,745	-	2,466	7,211
Total segment revenue	**94,275**	**32,030**	**79,234**	**205,539**
Inter-segment elimination	(4,745)	-	(2,466)	(7,211)
Total consolidated revenue	**89,530**	**32,030**	**76,768**	**198,328**
Result				
Profit before tax, depreciation, amortisation, finance costs, acquisition and restructuring related expenses	(4,203)	(2,975)	3,823	(3,355)
Depreciation and amortisation	(8,877)	(1,294)	(3,474)	(13,645)
Acquisition related benefit/(expenses)	(3,360)	3	(21)	(3,378)
Impairment	(127,975)	(35,955)	(158,629)	(322,559)
Segment result	**(144,415)**	**(40,221)**	**(158,301)**	**(342,937)**
Head office result				(3,055)
Loss before tax and finance expenses				**(345,992)**
Finance expenses				(4,290)
Share in net loss of associates accounted for using the equity method				(723)
Loss before tax				**(351,005)**
Income tax benefit				15,414
Net loss after tax				**(335,591)**

Notes to the Consolidated Financial Statements (continued)

2.3 Segment information (continued)

Segment result	Australia / International[2,4] $'000	Year ended 30 June 2021 (restated) [1] Digital [3] $'000	Americas [4] $'000	Total $'000
Revenue				
Revenue from operations	77,802	25,153	80,146	183,101
Inter-segment revenue	4,010	-	3,554	7,564
Total segment revenue	**81,812**	**25,153**	**83,701**	**190,665**
Inter-segment elimination	(4,010)	-	(3,554)	(7,564)
Total consolidated revenue	**77,802**	**25,153**	**80,146**	**183,101**
Result				
Profit before tax, depreciation, amortisation, finance costs, acquisition and restructuring related expenses	12,623	313	13,286	26,222
Depreciation and amortisation	(3,969)	(618)	(2,467)	(7,053)
Acquisition related benefit/(expenses)	13,176	(13,382)	7,127	6,922
Segment result	**21,831**	**(13,686)**	**17,947**	**26,091**
Head office result				(1,562)
Profit before tax and finance expenses				**24,529**
Finance expenses				(2,638)
Profit before tax				**21,891**
Income tax expense				(4,358)
Net profit after tax				**17,533**

1. Refer to Note 1.4 for description and impact of restatement.
2. Does not include Go-To Skincare which was acquired on 30 September 2021.
3. Does not include Flora and Fauna which was acquired 1 July 2021.
4. Canada has been re-allocated from Australia/International given that management of sale now originates from the USA.

Significant customers

There were two customers (2021: 3) who made up more than 10% of total Group revenue. The total revenues recognised in respect of these customers was $51.3 million for the year ended 30 June 2022 (2021: $67.3 million).

Geographical information

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

	30 June 2022 $'000	30 June 2021 $'000
Net sales revenue		
Australia[1,2,]	102,523	85,653
United States[3]	71,326	63,348
Other	24,479	34,100
	198,328	**183,101**

1. Prior year does not include Go-To Skincare which was acquired on 30 September 2021.
2. Prior year does not include Flora and Fauna which was acquired 1 July 2021.
3. Canada has been re-allocated from Australia/International in the current year given that management of sale now originates from the USA.

Notes to the Consolidated Financial Statements (continued)

2.3 Segment information (continued)

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

	30 June 2022 $'000	30 June 2021 $'000
Non-current operating assets[1]		
Australia[2,3,4]	186,281	135,349
USA[4]	50,407	194,430
Other	296	158
	236,984	**329,937**

1. Non-current operating assets exclude deferred tax assets.
2. Prior year does not include Go-To Skincare which was acquired on 30 September 2021.
3. Prior year does not include Flora and Fauna which was acquired 1 July 2021.
4. Canada has been re-allocated from Australia/International in the current year given that management of sale now originates from the USA.

Acquisition-Related Benefits/Expenses

On 1 July 2021, the Group completed the acquisition of 100% of Flora and Fauna and took control of the business. Transaction related costs of $0.2 million were expensed and are included in Acquisition-related benefits/(expenses) in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

On 27 August 2021, BWX entered into a binding agreement to acquire 50.1% of the shares in Go-To Enterprise Holdings Pty Ltd (Go-To Skincare). On 30 September 2021, the acquisition was completed and the Group took control of the business. Transaction related costs of $2.9 million were expensed and are included in Acquisition-related benefits/(expenses) in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

In the prior year, following the Group signing an agreement with Mark Egide and Stacey Egide on 15 July 2020, no further payments were to be payable under the Egide Compensation Plan relating to the Andalou Naturals business, in consideration for payment of USD$0.8 million and with no impact to the carrying value of Andalou Naturals. The Group subsequently released the accounting provision during the period ended 30 June 2021 and resulted in $7.1 million of acquisition-related benefits. In addition, during the prior year, acquisition-related benefits relating to the Nourished Life business of $0.6 million were released.

3 ASSETS AND LIABILITIES

3.1 Trade and other receivables

	30 June 2022 $'000	As restated[1] 30 June 2021 $'000
Current		
Trade debtors	30,292	29,124
Credit loss allowance	(3,341)	-
Provision for returns	(268)	(424)
	26,683	**28,700**
Other receivables	1,004	1,921
	27,687	**30,621**

1 Refer to Note 1.4.

Notes to the Consolidated Financial Statements (continued)

3.1 Trade and other receivables (continued)

SIGNIFICANT ACCOUNTING POLICIES

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 accordance with AASB 9 Financial Instruments, the Group has applied the simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance ('ECL') for all trade receivables. The collectability of trade and other receivables is assessed continuously. At the reporting date, specific allowances are made for any expected credit losses based on a review of all outstanding amounts at reporting period-end. Individual receivables are written off when management deems them unrecoverable. Indicators that receivables are unrecoverable include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due. The net carrying amount of trade and other receivables approximates their fair values. As a result, an ECL of $3.3m was recognised at 30 June 2022 (2021: nil). Impairment losses on trade receivables and subsequent recoveries of amounts previously written off are recognised within other expenses.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Carrying value of receivables
The Group applies the AASB 9 Financial Instruments simplified approach to measuring expected credit losses which uses a lifetime expected loss for all trade receivables. The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's history and existing market conditions as well as forward-looking estimates at the end of each reporting period.

3.2 Inventories

	June 2022 $'000	As restated[1] June 2021 $'000
Current		
Raw materials and work in progress	22,865	13,788
Finished goods	42,470	32,391
	65,335	**46,179**

[1] Refer to Note 1.4.

Inventories are measured at the lower of cost and net realisable value. Inventories recognised as an expense during the year ended 30 June 2022 amounted to $75.0m (2021: $65.3m). These were included in Cost of sales in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. The amount written down (net) during the year was $5.2m (2021: $0.64m).

SIGNIFICANT ACCOUNTING POLICIES

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials: standard cost basis and purchase cost on a first-in/first-out 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 except for the e-commerce business whose finished goods are valued based on weighted average cost, first-in/first-out basis or weighted moving average; and
- Packaging: standard 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.

Notes to the Consolidated Financial Statements (continued)

3.2 Inventories (continued)

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 2022.

3.3 Leases

3.3.1 Right-of-use assets

	30 June 2022 $'000	30 June 2021 $'000
Non-Current		
Land and buildings – Right-of-use	48,246	14,543
Less: Accumulated depreciation	(6,991)	(5,582)
	41,255	**8,961**
Plant and equipment – Right-of-use	106	299
Less: Accumulated depreciation	(93)	(257)
	13	42
	41,268	**9,003**

	Land and Buildings $'000	Plant and Equipment $'000	Total $'000
2022:			
Opening carrying value	**8,961**	**42**	**9,003**
Additions	37,398	-	37,398
Modifications	(1,378)	-	(1,378)
Effect of movements in exchange rates	574	-	574
Depreciation	(4,300)	(29)	(4,329)
Closing carrying value	**41,255**	**13**	**41,268**
As at 30 June 2022			
Cost	48,246	106	48,352
Accumulated depreciation	(6,991)	(93)	(7,084)
Carrying value	**41,255**	**13**	**41,268**

The Group leases land and buildings for its offices and warehouses under agreements of between three to fifteen years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the lease are renegotiated. The Group also leases plant and equipment under agreements of between three to six years.

Notes to the Consolidated Financial Statements (continued)

3.3 Leases (continued)

SIGNIFICANT ACCOUNTING POLICIES

Right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, by any lease payments made at or before the commencement date, net of any lease incentives received, any initial direct costs incurred and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset and restoring the site or asset.

Right-of-use assets are amortised on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the amortisation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

3.3.2 Lease Liabilities

	30 June 2022 $'000	30 June 2021 $'000
Opening carrying value	**10,824**	**14,778**
Additions	36,927	48
Modifications	(1,458)	-
Amortisation of discounting	1,015	593
Lease payments	(4,994)	(3,779)
Effect of movements in exchange rates	667	(816)
Closing carrying value	**42,981**	**10,824**
Comprising:		
Current liabilities	3,750	2,666
Non-current liabilities	39,231	8,158

The Group entered into a new 15-year lease for the operations and manufacturing facility in Clayton. The lease of the Dandenong facility was extinguished on 30 June 2022.

Interest charged to the Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2022 amounted to $1.0 million (2021: $0.6 million).

Total cash outflow from the lease liabilities amounted to $4.9 million (2021: $3.8 million).

SIGNIFICANT ACCOUNTING POLICIES

Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur and any anticipated termination penalties. Variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Notes to the Consolidated Financial Statements (continued)

3.3.2 Lease Liabilities (continued)

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option; and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Determination of lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

3.4 Plant and equipment

Reconciliation of carrying amount

	Office Equipment $'000	Plant and Equipment $'000	Leasehold Improvements $'000	Capital works in progress $'000	Total $'000
2021:					
Opening carrying value	**759**	**3,067**	**715**	**1,183**	**5,724**
Additions	135	2,287	7	13,890	16,319
Disposal	3	852	97	(952)	-
Effect of movements in exchange rates	(32)	(136)	-	(9)	(177)
Depreciation	(369)	(1,470)	(163)	-	(2,002)
Closing carrying value	**496**	**4,600**	**656**	**14,112**	**19,864**
As at 30 June 2021					
Cost	2,173	10,004	1,633	14,112	27,922
Accumulated Depreciation	(1,677)	(5,404)	(977)	-	(8,058)
Carrying value	**496**	**4,600**	**656**	**14,112**	**19,864**
2022:					
Opening carrying value	**496**	**4,600**	**656**	**14,112**	**19,864**
Additions	1,633	1,208	-	22,784	25,625
Acquisitions of subsidiaries	147	-	163	-	310
Disposals	(11)	(2)	-	-	(13)
Reclassification	551	(579)	-	(797)	(825)
Effect of movements in exchange rates	25	39	-	(2)	62
Impairment (Note 3.5)	-	-	-	(4,288)	(4,288)
Depreciation	(586)	(1,425)	(656)	-	(2,667)
Closing carrying value	**2,255**	**3,841**	**163**	**31,809**	**38,068**
As at 30 June 2022					
Cost	3,515	7,612	163	36,097	47,388
Accumulated depreciation and impairment	(1,260)	(3,771)	-	(4,288)	(9,320)
Carrying value	**2,255**	**3,841**	**163**	**31,809**	**38,068**

Notes to the Consolidated Financial Statements (continued)

3.4 Plant and equipment (continued)

A significant portion of Capital works in progress relates to the construction of the Group's new operations and manufacturing facility located in Clayton. The manufacturing capability of the facility will be fully commissioned in FY23, at which point depreciation will commence.

SIGNIFICANT ACCOUNTING POLICIES

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:

Buildings	10 to 40 years
Office equipment	3 to 5 years
Plant and equipment	5 to 15 years
Motor vehicles	5 years
Leasehold improvements	3 to 15 years

The residual value, useful lives and depreciation methods are reviewed and adjusted if appropriate, at the end of each reporting period. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. The Group has early adopted the amendment to AASB116 'Property, Plant and Equipment' (AASB2020-3), and following guidance under paragraph 20A, items produced through the testing phase of an asset will be recognised in the profit or loss in accordance with applicable standards.

Impairment
The carrying amounts of the Group's plant and equipment and intangible assets, right-of-use assets (Note 3.3) and goodwill other than intangible assets with an indefinite useful life (Note 3.5), 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 Consolidated Statement of Profit or Loss and Other Comprehensive Income 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 Consolidated Statement of Profit or Loss and Other Comprehensive Income.

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.

Notes to the Consolidated Financial Statements (continued)

3.5 Intangible assets and goodwill

	Customer Relationships $'000	Formulations & Processes $'000	Brands & Trademarks $'000	Goodwill $'000	Other $'000	Total $'000
2021:						
Opening carrying value	**6,249**	**7,356**	**110,148**	**188,831**	**5,559**	**318,143**
Additions	-	-	-	48	975	1,023
Effect of movements in exchange rates	-	-	(5,827)	(10,892)	(281)	(17,000)
Amortisation	(407)	-	-	-	(1,611)	(2,018)
Closing carrying value	**5,842**	**7,356**	**104,321**	**177,987**	**4,642**	**300,148**
As at 30 June 2021						
Cost	6,992	7,356	104,321	177,987	7,272	303,928
Accumulated amortisation	(1,150)	-	-	-	(2,630)	(3,780)
Carrying value	**5,842**	**7,356**	**104,321**	**177,987**	**4,642**	**300,148**
2022:						
Opening carrying value	**5,842**	**7,356**	**104,321**	**177,987**	**4,642**	**300,148**
Additions	-	-	11	-	4,405	4,416
Acquisition of subsidiaries	17,650	-	55,751	87,050	-	160,451
Effect of movements in exchange rates	-	-	5,675	10,609	203	16,487
Reclassification	-	-	-	-	1,064	1,064
Amortisation	(3,697)	-	-	-	(2,951)	(6,648)
Impairment of intangible assets	(700)		(60,085)	(257,083)	(403)	(318,271)
Closing carrying value	**19,095**	**7,356**	**105,673**	**18,563**	**6,960**	**157,647**
As at 30 June 2022						
Cost	23,492	7,356	165,758	275,646	10,314	482,566
Accumulated amortisation and impairment	(4,397)	-	(60,085)	(257,083)	(3,354)	(324,919)
Carrying value	**19,095**	**7,356**	**105,673**	**18,563**	**6,960**	**157,647**

Impairment testing of indefinite-lived intangible assets

The Group completes an annual impairment test of its indefinite-lived intangible assets in accordance with *AASB 136 – Impairment of assets.* Where the carrying amount of assets contained within the Cash Generating Units ("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.

Notes to the Consolidated Financial Statements (continued)

3.5 Intangible assets and goodwill (continued)

For impairment testing purposes, the Group identifies its CGUs as the smallest identifiable group of assets that generate cash inflows largely independent of the cash inflows of other assets or groups of assets. For the purposes of impairment testing the Group's indefinite-lived intangible assets, goodwill and brands & trademarks have been allocated to the Group's CGUs as follows:

	30 June 2022			30 June 2021		
CGU	Formulations & Processes $'000	Goodwill[2] $'000	Brands & Trademarks $'000	Formulations & Processes $'000	Goodwill[1] $'000	Brands & Trademarks $'000
Australia/International	7,356	-	10,835	7,356	58,153	40,906
Go-To Skincare	-	18,563	52,552	-	-	-
Digital						
-Flora & Fauna	-	-	-	-	-	-
-Nourished Life	-	-	2,105	-	916	-
USA	-	-	40,181	-	118,918	63,415
	7,356	**18,563**	**105,673**	**7,356**	**177,987**	**104,321**

1. As a result of the re-organisation of segments, goodwill of $0.9 million has been re-allocated from the Australia/International segment to the Digital segment.
2. In 2022 as a result of management and Board assessments, the Group has taken a $4.3m impairment expense in respect of plant and equipment and $318.3m in respect of intangible assets and goodwill.

The recoverable amount of the CGUs are determined based on a Value in Use ("VIU") model or fair value less costs of disposal (FVLCOD) where appropriate. VIU for all CGUs is calculated using a discounted cash flow model covering a five-year period (2021: three years) with an appropriate terminal value growth rate at the end of that period. Impairment losses are recognised immediately in the Statement of Profit or Loss and Other Comprehensive income.

Australia/International CGU

	Australia/International	
Key assumptions[1]	30 June 2022 %	30 June 2021 %
Average annual revenue growth[2]	8.6	19.1
Terminal value growth rate	2.0	2.0
Pre-tax discount rate	14.7	12.7

1. FY22 model was prepared using a 5-year forecast period (FY21: 3 years).
2. The revenue growth rate reflects the full year impact of new contracts in FY23, followed by growth from FY24 to FY27 that is consistent with external market forecasts.

Margin improvements from the new Clayton manufacturing facility and cost-reduction initiatives incorporated into the models are also a key assumption.

The estimates and judgments included in the calculations are based on historical performance and other factors, including expectations of current and future trading circumstances. The FY22 trading result is the base year on which growth factors are applied to derive the five-year projections as part of the VIU calculations. The FY22 base year results for the CGU were adversely impacted by the cessation of "Investment Buy" sales initiatives in addition to other factors.

Notes to the Consolidated Financial Statements (continued)

3.5 Intangible assets and goodwill (continued)

Revenue growth assumptions for the FY22 impairment assessment were significantly below those adopted in FY21. Growth rates for the first year (i.e. from FY22 to FY23) included the impact of new ranging that was agreed with a major retail channel, however growth rates beyond that were significantly below the average annual growth rate of 8.6% quoted above. To determine growth rates for periods beyond FY23, forecast estimates from independent experts and publicly available broker reports were considered in addition to managements own estimations. Those assumptions considered the heightened uncertainty faced by retailers stemming from a high inflation, high interest rate macro environment.

The pre-tax discount rate used within the modelling was also higher from the prior year, which placed downward pressure on the carrying values. External advice was provided on the appropriate discount rate for FY22, which factored in an assessment of the Group's cost of equity as well as the risk adjusted cost of debt attributable to the Group. A combined weighted average cost of capital for the Australian/International CGU was then derived and incorporated into the Value in Use models.

As a result, an impairment expense of $85.1m was recognised against the CGU and recorded against the carrying value of goodwill ($58.1m, which was impaired to a recoverable amount of $nil) and Brands ($26.7m, which was impaired to a recoverable amount of $10.8m).

Go-To Skincare CGU

Key assumptions	Go-To 30 June 2022 %
Average annual revenue growth	9.1
Terminal value growth rate	2.0
Pre-tax discount rate	17.0

The FY22 results of Go-To were materially below the business plan for FY22, with sales flat year on year. Go-To sales are predominantly generated through e-commerce channels, however it is growing into an omni-channel retailer via growth in traditional in-store retail. The major driver of the below-plan FY22 result was the decline in consumer spending in e-commerce channels. This was driven by a post Covid-lockdown increase in foot traffic within traditional retail channels as a number of Australian geographies came out of lockdown during FY22.

Other factors also contributed, such as:

- the part year closure of a key in-store retail channel (Mecca), and
- delays in the launch of new products (50+ SPF sunscreen) from testing laboratory closures.

Furthermore, profitability within Go-To was adversely impacted by significant increases in e-commerce customer acquisition costs.

The revenue growth rate assumption for FY23 includes the benefit of full-year opening of in-store retail channels and the expected impact of new product launches. As a result, the FY23 growth assumptions are significantly higher than growth assumptions for ensuing years. Revenue for FY24 to FY27 is assumed to grow at circa 6% per annum, which is in line with industry growth rates. International expansion initiatives are planned for Go To but have not been incorporated into the VIU modelling until they are further progressed.

The pre-tax discount rate was determined by reference to external valuation advice and applied to the VIU modelling.

An impairment of the Go-To Skincare CGU of $42.9m was concluded and resulted in goodwill of $61.4m being impaired to a recoverable amount of $18.5m.

Notes to the Consolidated Financial Statements (continued)

3.5 Intangible assets and goodwill (continued)

Nourished Life and Flora and Fauna CGUs

Revenue growth assumptions for Nourished Life and Flora and Fauna are 5.5% p.a and 2.4% p.a. respectively. Several revenue growth, margin improvement and cost reduction initiatives have been incorporated into the forecasts, however the business models for both CGU's continue to be at a higher cost as a percentage of revenues when compared to other CGU's. Marketing strategies aimed at substituting unpaid promotional material such as on-line reviews, social media posts, testimonials and podcasts in place of paid media advertising are currently under way.

Despite these initiatives, the assumed growth rates are below industry growth rates for similar sectors. Furthermore, past forecast accuracy issues have impacted both CGU's resulting in financial performance below previous forward plans. As such, CGU earnings forecasts have been further reduced and discount rates have been elevated to reflect the higher forecast risks inherent in the VIU modelling.

The key assumptions for both CGUs are summarised below:

Key assumptions	Nourished Life[1] 30 June 2022 %
Average annual revenue growth	5.5
Terminal value growth rate	2.0
Pre-tax discount rate	19.6

1. FY22 model was prepared using a 5-year forecast period (FY21: 5 years).
2. The revenue growth rate reflects the full year impact of new contracts in FY23, followed by growth from FY24 to FY27 that is consistent with external market forecasts.

Key assumptions	Flora and Fauna[1] 30 June 2022 %
Average annual revenue growth[2]	2.4
Terminal value growth rate	2.0
Pre-tax discount rate	18.2

1. FY22 model was prepared using a 5-year forecast period (FY21: 5 years).
2. The revenue growth rate reflects the full year impact of new contracts in FY23, followed by growth from FY24 to FY27 that is consistent with external market forecasts.

An impairment charge of $36.0m has been concluded across both CGUs.

USA CGU

	USA	
Key assumptions[1]	30 June 2022 %	30 June 2021 %
Average annual revenue growth[2]	5.1	16.6
Terminal value growth rate	2.0	2.0
Pre-tax discount rate	15.9	16.6

1. FY22 model was prepared using a 5-year forecast period (FY21: 5 years)
2. The revenue growth rate reflects the full year impact of new contracts in FY23, followed by growth from FY24 to FY27 that is consistent with external market forecasts.

Margin improvements from the new Clayton manufacturing facility and cost-reduction initiatives incorporated into the models are also a key assumption.

Notes to the Consolidated Financial Statements (continued)

3.5 Intangible assets and goodwill (continued)

Revenue forecasts for the USA CGU were significantly reduced when compared to the prior year. The reductions reflect the FY22 declines observed against the prior year, where revenues in FY22 fell against FY21. The major drivers of the FY22 underperformance were a combination of supply chain delays and a slowing macroeconomic environment in the USA towards the end of FY22. In addition, profitability continues to be affected by higher labour costs as the tight labour market in the USA continues. However, gross margin improvements are forecast to increase from FY24 as a result of manufacturing efficiencies at the Group's Clayton plant as anticipated export sales to the USA are realised.

Growth rates in FY22 to FY23 are assumed to be higher than those assumed in FY24 and beyond as a result of the assumed normalisation of the supply chain delays affecting the FY22 results. Growth rates assumed beyond FY23 are considered to be below observed industry growth rates but are consistent with historical trading results.

An impairment of the USA CGU of $158.6m has resulted in goodwill of $129.5m being impaired to a recoverable amount of $nil and Brand carrying values of $69.1m impaired to a recoverable amount of $40.2m. Other intangibles carrying value of $2.1m has been impaired to a recoverable amount of $1.9m.

Sensitivities

The assumptions used by management for each of the CGUs have been reviewed by an independent expert. As part of that report, the Group also considered sensitivity analysis performed for each CGU. Whilst not contemplated in the sensitivity analysis below, a key earnings growth assumption has been the realisation of the benefits relating to the new manufacturing facility at Clayton. These have been incorporated into all CGUs gross margin percentages except for Go To. A failure to realise these benefits could materially affect the VIU outcomes. The manufacturing benefits are themselves dependent upon a range of inputs, which include raw material costs, foreign exchange rate and volume growth assumptions.

The impact of a 0.5% increase in discount rate, 0.5% decrease in terminal growth and 1% decrease in revenue growth will increase the impairment as follows:

Australian / International sensitivity analysis

	Sensitivity applied	Increase in impairment AUD m
Discount Rate % (0.5)	0.5%	5.4
Terminal Growth rate % (0.5)	(0.50%)	3.5
Revenue growth % (1.0)	(1.0%)	4.9

Go-To Skincare sensitivity analysis

	Sensitivity applied	Increase in impairment AUD m
Discount Rate % (0.5)	0.5%	2.3
Terminal Growth rate % (0.5)	(0.50%)	1.4
Revenue growth % (1.0)	(1.0%)	20.9

Notes to the Consolidated Financial Statements (continued)

3.5 Intangible assets and goodwill (continued)

USA sensitivity analysis

	Sensitivity applied	Increase in impairment AUD m
Discount Rate % (0.5)	0.5%	3.8
Terminal Growth rate % (0.5)	(0.50%)	1.7
Revenue growth % (1.0)	(1.0%)	3.0

Digital Flora & Fauna sensitivity analysis

	Sensitivity applied	Increase in impairment AUD m
Discount Rate % (0.5)	0.5%	0.1
Terminal Growth rate % (0.5)	(0.50%)	0.1
Revenue growth % (1.0)	(1.0%)	0.1

Digital Nourished Life sensitivity analysis

	Sensitivity applied	Increase in impairment AUD m
Discount Rate % (0.5)	0.5%	0.4
Terminal Growth rate % (0.5)	(0.50%)	0.2
Revenue growth % (1.0)	(1.0%)	0.4

SIGNIFICANT ACCOUNTING POLICIES

Intangible assets

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. The Directors consider that intangible assets have indefinite useful lives because they expect that they will continue to generate cash inflows indefinitely.

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

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

Notes to the Consolidated Financial Statements (continued)

3.5 Intangible assets and goodwill (continued)

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

Formulations & processes, brands & trademarks
Formulations & processes and brand & trademarks have been assessed to have indefinite useful lives. They operate in established markets and are expected to continue to complement The Group's strategic initiatives. On this basis, the Directors have determined that they have indefinite lives as there is no foreseeable limit to the period over which the assets are expected to generate net cash inflows.

Customer contracts and relationships
Customer contracts and relationships acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit.

Customer contracts and relationships	3 to 10 years

Website and other intangible assets
Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; and when the Group has sufficient resources and intent to complete the internal development and the related costs can be measured reliably. The software costs are amortised on a straight-line basis over the period of their expected benefit.

Computer software costs
Certain internal and external costs directly incurred in acquiring and developing software, are capitalised and amortised over the estimated life on a straight-line basis. The majority of software projects are amortised over three to five years. Software maintenance is expensed as incurred.

Software as a service (SaaS) arrangements and service contracts provide the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are generally recognised as operating expenses when the services are received. Some of these costs incurred are for the development of software code that enhances, modifies or creates additional capability to existing on-premise systems and meets the recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. 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.

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 CGUs (or groups of CGUs) that is expected to benefit from the synergies of the combination.

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

Notes to the Consolidated Financial Statements (continued)

3.5 Intangible assets and goodwill (continued)

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Impairment of other indefinite life intangibles
Determining whether other indefinite life intangibles is impaired requires an estimation of the recoverable amount of the CGUs to which the assets have been allocated. The value in use calculation requires the estimation of future cash flows that are expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Intangible assets with indefinite lives are tested annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

3.6 Income taxes

Current Tax Asset

	30 June 2022 $'000	30 June 2021 $'000
Current tax receivable	8,487	-

A current tax receivable was recognised during the year. The amount relates primarily to the Australian taxation group and includes a significant Temporary Full Expensing ("TFE") deduction to be claimed as part of the FY22 tax return process. The TFE claim relates to the expenditure on the Clayton manufacturing facility and the resulting taxable loss position will allow the group to utilise loss carry back rules and claim a refundable tax offset in respect of prior period tax payments. The anticipated tax refund for the Australian taxation group is in excess of $8.3m.

Deferred Tax Balances

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

	30 June 2022 $'000	30 June 2021 $'000
Deferred tax assets	11,378	7,143
Deferred tax liabilities	(45,002)	(29,155)
Net DTL	**(33,624)**	**(22,012)**

Deferred tax balances are attributable to the following:

	30 June 2022 $'000	30 June 2021 $'000
Deferred tax assets		
Accruals	393	689
Provisions	1,891	102
Employee benefits	564	637
Deferred tax on acquisition and stock issuance	1,461	1,294
Interest expense	1,558	913
Leases	569	504
Loss carryforwards	707	141
Other items	3,197	2,449
Unrealised profit in inventory	1,038	414
Total deferred tax assets	**11,378**	**7,143**
Other fixed assets	(10,806)	(1,643)
Brands	(34,196)	(27,512)
Total deferred tax liabilities	**(45,002)**	**(29,155)**
	(33,624)	**(22,012)**

Notes to the Consolidated Financial Statements (continued)

3.6 Income taxes (continued)

Income tax recognised in profit or loss

	Year ended 30 June 2022 $'000	As restated Year ended 30 June 2021 $'000
Current tax (benefit)/expense in respect of the current period	(5,674)	6,474
Deferred tax (benefit)/expense recognised in the current period	(9,740)	(2,116)
Total income tax (credit)/expense recognised in the current period	**(15,414)**	**4,358**
Prima facie income tax (benefit)/expense calculated at 30% (2021: 30%) on (loss)/profit before tax	(105,302)	6,567
Non assessable write back of provision[1]	-	(1,931)
Non-deductible expenses - impairment	76,374	-
Non-deductible expenses	5,580	192
(Non-assessable) / assessable income	114	-
R&D related expenses	1,665	-
Other	(605)	508
Recognition of loss carry back	(8,317)	-
Overseas tax rate differential	14,271	(883)
Tax before prior year adjustment	**(16,219)**	**4,453**
Prior year adjustment	805	(95)
Total income tax (credit)/expense recognised in the current period	**(15,414)**	**4,358**

[1] Relates to the write-back of acquisition-related benefits, refer to Note 2.3.

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.

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.

Notes to the Consolidated Financial Statements (continued)

3.6 Income taxes (continued)

SIGNIFICANT ACCOUNTING POLICIES

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, 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 substantially 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.

Research and development credits
Income from research and development credits are recognised where there is reasonable assurance that the credits will be received and all attached conditions have been complied with.

3.7 Financial liabilities

	30 June 2022 $'000	30 June 2021 $'000
Current		
Bank loans	13,472	2,998
Trade finance facility and market rate loan	30,297	7,694
Equipment finance	-	117
Amortised borrowing costs	(407)	(106)
	43,362	10,703
Deferred consideration – Nourished Life	-	123
	43,362	**10,826**
Non-current		
Bank loans	45,240	26,673
Market rate loan	-	15,000
Amortised borrowing costs	(2)	(9)
	45,238	**41,664**
Put option liability	**59,200**	-

Notes to the Consolidated Financial Statements (continued)

3.7 Financial liabilities (continued)

Put Option Liability
The Group has written put options over the equity of its Go-To Skincare subsidiary which permit the holders to put their shares in the subsidiary back to the Group at any time after a resolution relating to a Major Board Decision is passed through a casting vote in which Zoe Foster Blake voted against the decision and otherwise from September 2024 (year 3). The amount that may become payable under the option on exercise is recognised at the present value of the estimated redemption amount, which is the market value of the shares at the time of exercise, within total non-current liabilities with a corresponding charge directly to equity. The group has sought and received independent advice on the carrying value of the Put Option Liability.

Terms and repayments schedule
The terms and conditions of outstanding loans are as follows:

			30 June 2022		30 June 2021	
	Nominal interest rate	Financial year of maturity	Face value $'000	Carrying amount $'000	Face value $'000	Carrying amount $'000
Bank loan – USD	LIBOR + 2.6%	2024	30,141	30,141	29,671	29,671
Bank loan[1]	BBSY + 2.7%	2024	28,570	28,570	-	-
Trade finance facility	1.06%	2022	15,297	15,297	7,694	7,694
Market rate facility	1.73%	2022	15,000	15,000	15,000	15,000
Others			-	-	117	117
Capitalised borrowing costs			-	(408)	-	(115)
Total interest-bearing liabilities			**89,008**	**88,600**	**52,482**	**52,367**

[1] In line with the terms of the loan agreement annual repayments of USD$2.25m are made (2021: USD$2.25m).

The facilities are secured by a mortgage over the assets of the consolidated group of companies. The facility imposes obligations on the Group with respect to reporting to the Commonwealth Bank of Australia ('CBA'), including compliance with various financial covenants. These include quantitative obligations to maintain, at all times, minimum ratios for interest cover, working capital and a maximum ratio for net leverage. From 1 July 2022 obligations to maintain a minimum ratio for debt service coverage superseded interest cover. The ratios for interest cover, debt service coverage and net leverage all use EBITDA in the measurement of those ratios.

In June 2022, CBA agreed to suspend certain of the Group's financial covenant reporting obligations for the period from 1 April to 30 September 2022 inclusive. As disclosed in Note 6.4, in July 2022 the Company successfully raised an additional $23.2m of share capital of which $10.0m was used to reduce the amounts owing and available under the AUD-denominated Bank Loan facility. This was part of the undertaking that the Group had agreed would be made in exchange for CBA agreeing to the covenant suspension until 30 September 2022.

Effective on 30 November 2022, CBA agreed to continue to waive compliance with those financial covenant reporting obligations until 31 January 2023. A new agreement with CBA has resulted in the CBA extending further loan and overdraft facilities of $12m-$13m on 16 December 2022.

As at 30 June 2022, the Group had a total of $5.6 million (2021: $3.1 million) in bank guarantees.

As at 30 June 2022, the Group had available $16.8 million (2021: $4.8 million) of undrawn borrowing facilities.

SIGNIFICANT ACCOUNTING POLICIES

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. They are subsequently measured at amortised cost using the effective interest method.

Notes to the Consolidated Financial Statements (continued)

3.7 Financial liabilities (continued)

The Group has written put options over the equity of its Go-To Skincare subsidiary which permit the holder to put their shares in the subsidiary back to the Group at their fair value on specified dates commencing at year 3 and each subsequent anniversary. The amount that may become payable under the option on exercise is initially recognised at the present value of the redemption amount within borrowings with a corresponding charge directly to equity. The charge to equity is recognised separately as written put options over non-controlling interests, adjacent to non-controlling interests in the net assets of consolidated subsidiaries. The liability is subsequently accreted through finance charges up to the redemption amount that is payable at the date at which the option first becomes exercisable. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to equity.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Carrying value of put option liability
As per note 5.3 the put option has been valued at its market value as at each financial reporting date. This involved estimating the enterprise value of Go-To Skincare, adding net surplus cash and pro rating the 100% equity value back to 49.9%. Assumptions used to estimate enterprise value included forecast cash flows over a 5-year period, discount rate and terminal growth rate. Valuation of the liability is sensitive to changes in key assumptions.

4 CAPITAL STRUCTURE, FINANCING, AND RISK MANAGEMENT

4.1 (Loss)/Earnings per share

	30 June 2022 Cents	As restated* 30 June 2021 Cents
Basic (loss)/earnings per share	(214.2)	12.7
Diluted (loss)/earnings per share	(214.2)	12.4

*Refer to Note 1.4.

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

	Year ended 30 June 2022 $'000	As restated* 30 June 2021 $'000
Net (loss)/profit used in calculating basic and diluted (loss)/earnings per share	(336,960)	17,533

*Refer to Note 1.4.

	30 June 2022 Number '000s	30 June 2021 Number '000s
Weighted average number of ordinary shares at 30 June used in the calculation of basic earnings per share	**157,308**	**138,741**
Add: effect of potential conversion to ordinary shares under options schemes	-	2,060
Weighted average number of ordinary shares at 30 June used in the calculation of diluted earnings per share	**157,308**	**140,801**

SIGNIFICANT ACCOUNTING POLICIES

Basic (loss)/earnings per share
Basic (loss)/earnings per share is calculated by dividing the (loss)/profit 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.

Notes to the Consolidated Financial Statements (continued)

4.1 (Loss)/Earnings per share (continued)

Diluted (loss)/earnings per share
Diluted (loss)/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. In accordance with the Chemist Warehouse Strategic Partnership described in Note 2.1, BWX Limited has 1,095,709 issuable shares as at 30 June 2022 which will be issued in two further tranches until 31 December 2023. These shares have not been included in the calculation of diluted (loss)/earnings per share as they are subject to the satisfaction of sales performance hurdles in future periods.

4.2 Dividends

	30 June 2022		30 June 2021	
	$ per ordinary share	$'000	$ per ordinary share	$'000
Recognised amounts:				
2021 Final fully franked dividend - 29 October 2021	0.031	4,976		
2021 Interim fully franked dividend - 15 April 2021			0.010	1,398
2020 Final fully franked dividend - 8 October 2020			0.026	3,628

No Dividends were declared in respect of FY22.

On 27 August 2021, the Directors determined to pay a fully franked final dividend of 3.1 cents per share to the holders of ordinary shares in respect of the financial year ended 30 June 2021, to be paid to shareholders on 29 October 2021. The record date for determining entitlements to the dividend was 6 October 2021. The total dividend paid was $4.976 million.

In accordance with the tax consolidation legislation, the Company as the head entity in the Group had available $14,199,015 franking credits.

SIGNIFICANT ACCOUNTING POLICIES

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

Notes to the Consolidated Financial Statements (continued)

4.3 Contributed Equity

	30 June 2022 $'000	30 June 2021 $'000
Ordinary shares, fully paid	398,856	293,893

Movements in share capital

	30 June 2022		30 June 2021	
	Number	$'000	Number	$'000
Balance at 1 July	**140,425,611**	**293,893**	124,249,888	237,721
Shares issued through capital raising			-	-
- 28 June 2022	22,459,183	13,476	-	-
- 29 September 2021	2,055,126	9,967	-	-
- 1 September 2021	17,525,773	85,000	-	-
- 22 July 2020		-	11,764,716	40,000
- 13 August 2020		-	3,529,394	12,000
Shares issued to Chemist Warehouse[1]	1,385,392	6,400	881,613	3,500
Settlement of Nourished Life earnout		61	-	-
Share issue cost		(3,466)	-	(1,409)
Capital raise settlement in transit		(7,254)	-	-
Shares exercised		309	-	276
Transactions with employee loan plan shareholders[2]		-	-	1,315
CEO Sign-On Rights vested		470	-	470
Distributions paid[3]		-	-	20
Balance at 30 June	**183,851,085**	**398,856**	**140,425,611**	**293,893**

1 Refer to Note 2.1.
2 Relates to repayment of employee loan plan shareholders.
3 As per the employee loan plan agreement, distributions in cash are limited to the total tax payable on the dividend income in the shareholder's name, less the value of franking credits attributable to that dividend.

Ordinary shares

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings in a poll or one vote per shareholder on a show of hands. In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

SIGNIFICANT ACCOUNTING POLICIES

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.

Notes to the Consolidated Financial Statements (continued)

4.4 Reserves

	Shared-Based Payment Reserve $'000	Put option Reserve $'000	Foreign Currency Translation Reserve $'000	Total $'000
Balance at 1 July 2020	1,862	-	18,039	19,901
Exchange difference on translation of overseas subsidiaries	-	-	(14,652)	(14,652)
Share-based payment expense	1,388	-	-	1,388
CEO Sign-On Rights Vested	(470)	-	-	(470)
Employee Loan Plan Shares exercised	(276)	-	-	(276)
Balance at 30 June 2021	**2,504**	**-**	**3,387**	**5,891**
Balance at 1 July 2021	**2,504**	**-**	**3,387**	**5,891**
Exchange difference on translation of overseas subsidiaries	-	-	16,230	16,230
Put option recognised on acquisition	-	(89,200)	-	(89,200)
Change in fair value of put option	-	30,000	-	30,000
Share-based payment expense	(417)	-	-	(417)
CEO Sign-On Rights vested	(470)	-	-	(470)
Exercise of share plan rights	(309)	-	-	(309)
Balance at 30 June 2022	**1,308**	**(59,200)**	**19,617**	**(38,275)**

SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation reserve (FCTR)
The FCTR comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the Group's presentation currency.

Share-based payment reserve
The Share-based payment reserve comprises the fair value of share-based payment plans recognised as an expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Where rights have vested or options relating to employee loan plan shares exercised during the period, the amounts recognised in relation to the relevant grants are transferred to contributed equity. Refer to Note 6.2 for details of share-based payments.

Notes to the Consolidated Financial Statements (continued)

4.5 Reconciliation of cash flows from operating activities

4.5.1 Reconciliation of Profit after Income Tax to Net Operating Cash Flows

	Year ended 30 June 2022 $'000	Year ended 30 June 2021 $'000
Net profit after tax	**(335,591)**	17,533
Adjustments for:		
Depreciation and amortisation	13,645	7,053
Impairment	322,559	-
Reversal of deferred consideration	-	(7,746)
Share-based payments	(201)	1,627
Other	722	2
	1,134	**18,469**
Changes in assets and liabilities		
(Increase)/decrease in:		
Trade and other receivables	7,856	7,955
Contract assets	6,700	
Inventories	6,700	(10,804)
Other assets	(9,467)	(2,701)
Increase/(decrease) in:		
Trade and other payables	(12,505)	13,898
Provisions	114	(1,342)
Net income tax assets and liabilities	(15,888)	68
	(23,339)	7,074
Net cash (used in)/from operating activities	**(22,205)**	**25,543**

SIGNIFICANT ACCOUNTING POLICIES

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.

4.6 Financial risk management

The Group's principal financial liabilities comprise of 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 are derived 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.

4.6.1 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.

Notes to the Consolidated Financial Statements (continued)

4.6 Financial risk management (continued)

4.6.1.1 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 2022, 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 Group is exposed to the USD London Bank Offered Rate (LIBOR) through its loan with CBA for the acquisition of US based investments. Existing LIBOR-referencing contracts that mature beyond their respective LIBOR cessation dates have been amended to reference the Secured Overnight Financing Rate (SOFR) rate as an alternative risk-free reference rate (RFR). This does not have a material impact on the cash flows of borrowings.

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

	Carrying amount $'000	-100bps Pre-tax Profit $'000	+100bps Pre-tax Profit $'000
At 30 June 2021			
Financial liabilities			
Variable-rate instruments	52,368	262	(262)
At 30 June 2022			
Financial liabilities			
Variable-rate instruments	88,600	890	(890)

4.6.1.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group undertakes certain transactions denominated in foreign currencies, hence exposures to foreign exchange rate fluctuations arise. Settlement of trade payables and receivables are performed at spot rates, and management monitors this risk through cash flow forecasting.

At the reporting date, the Group's financial assets and liabilities were denominated across the following currencies: USD, EUR, GBP and CAD.

Exposure (amounts converted into AUD)	Year ended 30 June 2022 $'000	Year ended 30 June 2021 $'000
Cash and cash equivalents	2,812	2,653
Trade and other receivables	3,170	987
Trade creditors	(3,482)	(2,015)
Net exposure	**2,500**	**1,625**

Notes to the Consolidated Financial Statements (continued)

4.6 Financial risk management (continued)

Sensitivity analysis

Based on the financial instruments held at 30 June 2022, if exchange rates were to weaken/strengthen against the Australian dollar by 10% with all other variables held constant, the transaction exposure within profit after tax for the year would have been $0.278 million lower/higher (2021: $0.166 million lower/higher). The impact on equity would have been $14.9 million lower/higher (2021: $9.3 million lower/higher) as a result of the incremental movement through the foreign currency translation reserve.

4.6.2 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 2022, the Group had 47 customers (2021: 40 customers) that owed the Group more than $0.100 million each and accounted for approximately 94% (2021: 94%) of all the receivables outstanding.

Trade receivables are generally due for settlement within 60 days. Receivables are deemed to be past due or impaired in accordance with the Group's terms and conditions. These terms and conditions are determined on a case-by-case basis with reference to the customer's credit quality, payment performance and prevailing market conditions.

The carrying amount of trade and other receivables and other financial assets in the Consolidated Statement of Financial Position represents the Group's maximum exposure to credit risk. 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.

4.6.3 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 financial liabilities as and when they fall due.

Notes to the Consolidated Financial Statements (continued)

4.6 Financial risk management (continued)

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	Greater than 5 years	Total contractual cashflows $'000	Carrying amounts $'000
At 30 June 2021 (as restated)						
Cash and cash equivalents	70,497	-	-	-	70,497	70,497
Trade and other receivables	30,621	-	-	-	30,621	30,621
Loans to equity accounted investments[1]	-	-	-	-	-	-
	101,118	**-**	**-**	**-**	**101,118**	**101,118**
Financial liabilities						
Trade creditors	11,329	-	-	-	11,329	11,329
Other payables and accruals	29,335	-	-	-	29,335	29,335
Lease liabilities	1,729	1,540	8,610	-	11,879	10,824
Loans and borrowings[2]	7,868	2,258	42,364	-	52,490	52,490
Deferred consideration on payments	-	123	-	-	123	123
	50,261	**3,921**	**50,974**	**-**	**105,156**	**104,101**
	50,857	**(3,921)**	**(50,974)**	**-**	**(4,038)**	**(2,983)**
At 30 June 2022						
Cash and cash equivalents	24,276	-	-	-	24,276	24,276
Trade and other receivables	27,687	-	-	-	27,687	27,687
Loans to equity accounted investments[1]	-	-	-	3,102	3,102	2,563
	51,963	**-**	**-**	**3,102**	**55,065**	**54,526**
Financial liabilities						
Trade creditors	12,937	-	-	-	12,937	12,937
Other payables and accruals	32,926	-	-	-	32,926	32,926
Lease liabilities	2,658	2,651	16,349	33,130	54,788	42,981
Loans and borrowings[2]	41,386	2,177	45,444	-	89,007	88,600
Put option liability	-	-	59,200	-	59,200	59,200
	89,907	**4,828**	**120,993**	**33,130**	**248,858**	**236,644**
	(37,944)	**(4,828)**	**(120,993)**	**(30,028)**	**(193,795)**	**(182,118)**

[1] Refer to Note 5.5 for further details.
[2] Excludes capitalised borrowing costs. Refer to Note 3.7.

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 2022.

4.6.4 Fair value measurement

The fair value measurements of financial assets and liabilities are assessed in accordance with the following hierarchy.

(i) Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

(ii) Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Notes to the Consolidated Financial Statements (continued)

4.6 Financial risk management (continued)

(iii) Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable valuation input).

The Group has a put option liability that is measured at fair value based on various assumptions. This instrument is measured at Level 3 hierarchy and is revalued using externally provided valuations.

5 GROUP STRUCTURE

5.1 Group entities

Name	Principal activity	Country of incorporation	Interest held by the Group 30 June 2022 %	30 June 2021 %
BWX Limited*		Australia		
Subsidiaries				
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
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
BWX Brands EU B.V	Brand operating business	Netherlands	100	100
BWX Brands Shanghai Commercial and Trading Co., Ltd.	Brand operating business	China PRC	100	100
Go-To Enterprise Holdings Pty Ltd[1]	Holding Company	Australia	50.1	-
Go-To Skincare Pty Ltd	Brand operating business	Australia	50.1	-
Go-To Legends Pty Ltd	Employing Company	Australia	50.1	-
Go-To Skincare Wholesale Pty Ltd	Brand operating business	Australia	50.1	-
The Good Collective Pty Ltd[2]	Brand operating business	Australia	100	-
Associates				
Purely Byron[3]	Brand operating business	Australia	48	49
Naked Sundays	Brand operating business	Australia	35	35

* Entity is a member of the Closed Group under the Deed of Cross Guarantee (refer to Note 5.6) and relieved from the requirement to prepare audited financial statements by ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

1 Go-To Enterprise Holdings Pty Ltd– a natural skincare retailer; acquired interest 50.1% on 30 September 2021, accounted for as a consolidated entity.

Notes to the Consolidated Financial Statements (continued)

5.1 Group entities (continued)

[2] The Good Collective Pty Ltd – a vegan, ethical and sustainable retailer; acquired on 1 July 2021, accounted for as a consolidated entity.

[3] The Group's investment in Purely Byron decreased to 48.1% during the period due to a dilution event. This has no material impact on the Group's investment.

5.2 Investments in other entities

5.2.1 Investments in associates

	30 June 2022 $'000	30 June 2021 $'000
Investment in associates – equity method	-	890
Assets held for sale[1]	657	-
Total investments	**657**	**890**

[1] On 15 August 2022, the Company entered into an agreement to divest its interest in an associate, conditional upon certain conditions being met. At 30 June 2022, the sale is highly probable and the value of the investment has been classified as an asset held for sale. The amount above includes the Group's carrying amount (see below) as well as amounts owing to the Group of $205,000.

The following tables summarise financial information for Purely Byron and Naked Sundays. While individually immaterial to the Group, the investments have been aggregated due to their retail industry classification. The information disclosed reflects the amounts presented in the Financial Reports of those relevant entities and not the Groups' share of those amounts.

Summarised statement of financial position	30 June 2022 $'000
Total current assets	1,552
Total non-current assets	474
Total current liabilities	(816)
Total non-current liabilities	(3,472)
Net assets	**(2,262)**
Reconciliation to carrying amount	
The Group's share of net assets	(1,161)
The Group's opening investment in the associate	890
less share of losses in associate during the period	(723)
The Group's Investment carrying amount	**452**

Summarised statement of comprehensive income	30 June 2022 $'000
Revenue	4,131
Loss for the period	(1,539)
The Group's share of loss	**(723)**

SIGNIFICANT ACCOUNTING POLICIES

Investment in associates

The Group's interest in equity accounted investees comprise interests in associates and joint ventures. Associates are those entities in which the Group has significant influence, but no control or joint control over the financial or operating policies.

Notes to the Consolidated Financial Statements (continued)

5.2 Investments in other entities (continued)

Interests in associates are accounted for using the equity method. They are recognised initially at cost which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of profit or loss and other comprehensive income of equity accounted investees until the date of significant influence or joint control ceases. The net investment in the equity accounted investee comprises the carrying amount of the investment in equity accounted investee using the equity method, plus any long-term interests that in substance form part of the entity's net investment, refer to 5.5.3 for further details.

At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group recognises the loss as an impairment expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

5.2.2 Investments in subsidiaries

The following table summarises the information relating to the Group's subsidiary, Go-To Skincare, that has material non-controlling interest ('NCI'), before any intra-group eliminations.

	2022 $'000
Current assets	18,255
Non-current assets	3,451
Current liabilities	(6,185)
Non-current liabilities	(577)
Net assets	**14,944**
Net assets attributable to NCI – 49.9%	**7,457**
Revenue	24,708
Net profit	4,310
Other comprehensive income	-
Total comprehensive income	**4,340**
Net profit allocated to NCI	1,369
Total comprehensive income allocated to NCI	**1,369**
Cash flows from operating activities	5,351
Cash flows used in investment activities	(36)
Cash flows used in financing activities (dividends to NCI: nil)	(245)
Net increase in cash and cash equivalents	**5,070**

On 30 September 2021, Go-To Skincare became a subsidiary (refer to Note 5.3). Accordingly, the information relating to Go-To Skincare is only for the period from 1 October 2021 to 30 June 2022.

SIGNIFICANT ACCOUNTING POLICIES

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

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Notes to the Consolidated Financial Statements (continued)

5.3 Acquisition of Subsidiaries

a) Flora & Fauna Acquisition

On 17 May 2021, BWX entered into an agreement to acquire 100% of The Good Collective Pty Ltd (trading as Flora and Fauna), a leading online retailer focused on vegan, ethical and sustainable products.

On 1 July 2021, the Group completed the acquisition of 100% of Flora and Fauna and took control of the business. In accordance with AASB 10, the Group assessed that it had control of the entities on 1 July 2021. The results of the acquired businesses have been consolidated in the Group results from close of business on 1 July 2021. The purchase consideration was $27.82 million.

The goodwill of $25.61 million recognised relates to the value of expected synergy benefits from the business combination relating to expansion of the Group's direct-to-consumer online offering, a strategic approach to customer experience and promotions and operational efficiencies. Goodwill is not expected to be deductible for tax purposes.

The acquired business contributed revenues of $14.841 million and loss after tax of $1.374 million to the Group for the period. Transaction related costs of $0.2 million were expensed and are included in acquisition-related benefits/(expenses) in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. At 30 June 2022 accounting for the purchase price allocation was finalised.

Consideration Transferred

	Fair Value $'000
Cash paid at completion	28,106
Working capital adjustment paid after completion	(288)
Purchase Consideration	**27,818**

Notes to the Consolidated Financial Statements (continued)

5.3 Acquisition of subsidiaries (continued)

Details of the purchase consideration, the net assets acquired, and goodwill are as follows:

	Fair Value $'000
Purchase Consideration	**27,818**
Identifiable assets and liabilities at date of acquisition	
Assets	
Cash and cash equivalents	368
Trade and other receivables	24
Inventories	1,415
Right-of-use Assets	182
Other Intangibles	227
Deferred tax assets	94
Brand Names	3,200
Customer Relationships	1,050
Total Assets	**6,560**
Liabilities	
Trade and other payables	2,532
Financial liabilities	311
Lease liabilities	182
Deferred tax liabilities	1,268
Employee benefits	55
Total Liabilities	**4,348**
Total identifiable net assets at fair value	**2,212**
Goodwill arising on acquisition	**25,606**

Cash flows on acquisition

	Fair Value $'000
Cash consideration paid	27,818
Cash and cash equivalents acquired with acquisition	(368)
Net cash flow outflow on acquisition (included in cash flows used in investing activities)	**27,450**

Notes to the Consolidated Financial Statements (continued)

5.3 Acquisition of subsidiaries (continued)

b) Go-To Skincare acquisition

On 27 August 2021, BWX entered into a binding agreement to acquire 50.1% of the shares in Go-To Enterprise Holdings Pty Ltd (Go-To Skincare). Go-To Skincare owns and operates the business of designing, manufacturing and retailing natural skincare products under the brand names Go-To, Bro-To and Gro-To.

Go-To Skincare offers a range of products within the “masstige” segment of the broader premium skin care category. The range expands beyond the core Go-To Skincare products with the development of Gro-To (an award-winning plant-based skin care for babies and kids) and Bro-To (the “brother” brand of Go-To Skincare marketed to boys and men).

On 30 September 2021, the acquisition was completed, and the Group took control of the business. In accordance with AASB 10, the Group assessed that it had control of the entities on 30 September 2021. The results of the acquired businesses have been consolidated in the Group results from close of business on 30 September 2021. Purchase consideration of $89.5 million Chwas funded via an Institutional Placement and a Share Purchase Plan.

The goodwill of $61.76 million recognised on acquisition arises from the anticipated revenue growth into new and emerging markets as well as the value of expected synergy benefits from the business combination. Goodwill is not expected to be deductible for tax purposes. For the non-controlling interests in Go-To Skincare, the Group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets which means that goodwill recognised relates only to the controlling interest acquired.

The acquired business contributed revenues of $24.7 million and profit after tax of $4.3 million to the Group for the period from 1 October 2021 to 30 June 2022. If the acquisition occurred on 1 July 2021, the full-year contributions would have been revenues of $36.1 million and profit after tax of $6.8 million. Transaction related costs of $3.1 million were expensed and are included in acquisition-related benefits/(expenses) in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. At 30 June 2022 accounting for the purchase price allocation was finalised.

Consideration Transferred

	Fair Value $’000
Cash paid at completion	88,677
Deferred consideration paid since completion	591
Working capital adjustment settled in cash	226
Total consideration	**89,494**

Notes to the Consolidated Financial Statements (continued)

5.3 Acquisition of subsidiaries (continued)

Details of the purchase consideration, the net assets acquired, and goodwill are as follows:

	Fair Value $'000
Total consideration	**89,494**
Non-Controlling Interest (49.9%)[1]	**27,938**
Identifiable assets and liabilities at date of acquisition	
Assets	
Cash and cash equivalents	3,719
Trade and other receivables	3,297
Inventories	6,544
Prepayments	526
Right-of-use Assets	690
Property Plant and Equipment	397
Brand Names	52,600
Customer Relationships[2]	5,800
Customer Contracts	10,800
Total Assets	**84,373**
Liabilities	
Trade and other payables	3,026
Lease liabilities	690
Current tax liabilities	3,202
Deferred tax liabilities	20,760
Employee benefits	708
Total Liabilities	**28,386**
Total identifiable net assets at fair value	**55,987**
Goodwill arising on acquisition	**61,445**

No contingent assets or liabilities have been recognised at acquisition date.

[1] Refer to accounting policy in Note 5.2.1.

[2] Customer relationships value has increased from previously disclosed figure to $5.8m (HY22: $4.80m).

Cash flows on acquisition

	Fair Value $'000
Cash consideration paid	89,494
Cash and cash equivalents acquired with acquisition	(3,719)
Net cash flow outflow on acquisition (included in cash flows used in investing activities)	**85,775**

The Group has written put options over the equity of Go-To Skincare subsidiary which permit the holder to put their shares in the subsidiary back to the Group at their fair value on specified dates over a three-year period. The amount that may become payable under the option on exercise is initially recognised at the present value of the estimated redemption amount within total non-current liabilities with a corresponding charge directly to equity.

At acquisition date, the put option was valued at $89.2 million. Subsequent to initial recognition, the present value of the exercise price of the put option is remeasured at every reporting period and the Group has made an accounting policy choice to recognise the changes in the carrying amount through equity.

Notes to the Consolidated Financial Statements (continued)

5.3 Acquisition of subsidiaries (continued)

During the period a change in fair value of $30.0 million was recognised in the Consolidated Statement of Changes in Equity and the Put Option Liability was valued at $59.2million as at 30 June 2022.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Acquisition of subsidiaries
Accounting for acquisitions is inherently complex, requiring a number of judgements and estimates to be made. Management judgement is required to determine the fair value of identifiable assets and liabilities acquired in business combinations. A number of judgements have been made in relation to the identification of fair values attributable to separately identifiable assets and liabilities acquired, including customer relationships and brands.

The determination of fair values require the use of valuation techniques based on assumptions including future cash flows, revenue growth, margins, customer attrition rates and weighted-average cost of capital.

5.4 Parent entity information

As at, and throughout, the financial year ended 30 June 2022 the parent entity of the Group was BWX Limited.

	Parent Entity	
	2022 $'000	2021 $'000
Result of parent entity:		
(Loss)/profit for the period	(122,400)	11,830
Other comprehensive loss	(4,323)	(6,221)
Total comprehensive (loss)/income for the period	**(126,724)**	**5,609**
Financial position of parent entity at year end:		
Current assets	(295)	37,394
Total assets	**410,175**	**353,302**
Current liabilities	34,845	5,305
Total liabilities	**183,275**	**49,091**
Total equity of the parent entity comprising of:		
Issued capital	397,924	293,393
Reserves	(50,044)	5,074
Retained earnings	(120,981)	5,743
Total equity	**226,900**	**304,211**

Parent entity contingent liabilities

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

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

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

Parent entity guarantees in respect of the debts of its subsidiaries

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

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the Deed are disclosed in Note 5.6.

Notes to the Consolidated Financial Statements (continued)

5.5 Related parties

5.5.1 Transactions within the Group

During the reporting period and previous reporting periods, BWX Limited advanced loans to, received and repaid loans from, and provided treasury, accounting, legal, taxation, and administrative services to other entities within the Group.

Entities within the Group also exchanged goods and services in sale and purchase transactions. All transactions occurred on the basis of normal commercial terms and conditions. Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. During the year the Group provided loans to associates of $3.0 million (refer note 5.5.3).

5.5.2 Directors and key management personnel

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

	Year ended 30 June 2022 $	Year ended 30 June 2021 $
Short-term employee benefits	2,282,757	3,961,705
Post-employment benefits	105,812	-
Share-based payments	(344,598)	(787,139)
	2,043,971	**3,174,566**

Loans to and from key management personnel

There were no loans to key management personnel of the Group, including their personal related parties, as at 30 June 2022 (2021: nil) other than non-recourse loans provided to acquire employee loan plan (ELP) shares. These loans are considered options and are accounted as share-based payments under AASB 2 Share-based Payment. Their fair value is recognised as an expense over the vesting period and included in the share-based payment expense disclosed above. Refer to Note 6.2 for further details.

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 2022 (2021: nil).

5.5.3 Loans to associates

Other non-current assets include loans to associates of $2.6m. During the year, the Group issued $3.0 million of interest-bearing loans to Purely Byron. A total of $0.9m (2021: $3.9m) remains undrawn. The movement for the year is set out below:

Loans to associates	Year ended 30 June 2022 $
Opening balance	150,000
Additional loan to associate during the period	2,952,000
Loss of associate attributed to the loan balance	(285,000)
Credit loss allowance	(254,000)
Closing balance at the end of the period	**2,563,000**

Notes to the Consolidated Financial Statements (continued)

5.5 Related parties (continued)

SIGNIFICANT ACCOUNTING POLICIES

Loans to associates

Included in the Group's investment in associates are interest bearing loans and borrowings. They are initially recognised at fair value at transaction date, less directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest rate method. Interest income is calculated using the effective interest method and is recognized in profit and loss. Changes in fair value are recognised in Consolidated Statement of Profit or Loss and Other Comprehensive Income when the asset is derecognized, reclassified or impaired.

The Group does not have control over the activities of the associates and therefore does not consolidate them.

The Group's maximum amount of exposure to loss from its investments is equal to the balance of the loan outstanding.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Carrying value of loans to associates

The carrying value of the loans to associates are tested for impairment under AASB 9 'Financial Instruments'. These calculations involve consideration of forward-looking information to estimate the recoverable amount and then they are included for the purpose of allocating equity accounted profit/(losses).

Notes to the Consolidated Financial Statements (continued)

5.6 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 2022 $'000	Year ended 30 June 2021 $'000
Sales revenue	76,792	100,487
Cost of sales	(40,127)	(40,204)
Gross profit	**36,665**	**60,284**
Other income	453	12,985
Operating expenses	(27,264)	(24,576)
Depreciation and amortisation	(5,798)	(3,149)
Finance income/(expenses)	(394)	1,809
Acquisition and restructuring expenses	(3,751)	(696)
Impairment	(61,155)	-
(Loss)/profit before tax	**(61,244)**	**46,658**
Income tax expense	6,104	(5,213)
(Loss)/profit after tax	**(55,140)**	**41,445**
Other comprehensive income:		
Total items that may be reclassified subsequently to profit or loss	3,898	(15,514)
Other comprehensive income/(loss) for the period	**3,898**	**(15,514)**
Total comprehensive (loss)/income attributable to owners	**(51,242)**	23,655
Retained earnings at beginning of year	79,888	52,662
Restatement of opening balance	-	(2,341)
(Loss)/profit after tax	(55,140)	41,445
Intercompany dividends (outside of the DOCG Group)	-	(6,872)
Dividends recognised during the year	(4,976)	(5,006)

Notes to the Consolidated Financial Statements (continued)

	Deed of cross guarantee group	
	Year ended 30 June 2022 $'000	Year ended 30 June 2021 $'000
Retained earnings at end of year	**19,772**	**79,888**

5.6 Deed of cross guarantee (continued)

Statement of financial position

	Deed of cross guarantee group	
	30 June 2022 $'000	30 June 2021 $'000
Current assets		
Cash and cash equivalents	5,661	59,825
Trade and other receivables	17,082	10,897
Inventories	22,676	23,307
Other assets	4,858	4,864
Total current assets	**50,277**	**98,893**
Non-current assets		
Investments in other Group subsidiaries	195,163	77,903
Receivables	238,793	200,441
Other long-term investments	3,836	4,354
Investment in associate	-	890
Plant and equipment	39,428	18,720
Intangible assets and goodwill	63,337	84,831
Deferred tax assets	-	258
Other non-current assets	1,307	
Total non-current assets	**541,864**	**387,397**
Total assets	**592,141**	**486,290**
Current liabilities		
Trade and other payables	40,702	27,054
Financial liabilities	41,350	11,401
Current tax (receivable)/liabilities	(4,066)	8,728
Contract liabilities	1,891	4,518
Total current liabilities	**79,876**	**51,700**
Non-current liabilities		
Financial liabilities	139,113	43,891
Deferred tax liabilities	4,772	10,868
Total non-current liabilities	**143,886**	**54,759**
Total liabilities	**223,762**	**106,460**
Net assets	**368,379**	**379,830**

Notes to the Consolidated Financial Statements (continued)

Equity		
Contributed equity	399,063	293,393
Reserves	(50,455)	6,550
Retained earnings	19,771	79,887
Total equity	**368,379**	**379,830**

6 OTHERS

6.1 Contingent liabilities and commitments

6.1.1 Contingent liabilities

Contingent liabilities are potential future cash outflows where the likelihood of payment is more than remote but is not considered probable or cannot be reliably measured. Contingent liabilities are not recognised in the Consolidated Statement of Financial Position but are disclosed.

At 30 June 2022, the Group has determined a $0.9m contingent liability in relation to its Purely Byron investment (2021: $2.0m), refer to Note 5.5.

At 30 June 2022, the Group has a contingent liability to issue further shares under the Strategic partnership agreement with Chemist Warehouse, which are subject sales performance hurdles. Refer to Note 2.1 for amounts already expensed.

At 30 June 2022 the Group had $5.6m contingent liabilities related to bank guarantees, refer to Note 3.7.

6.1.2 Commitments

At 30 June 2022, the Group was committed to incurring the following capital expenditure:

- $3.7m in respect of the completion of the fit out of its new manufacturing facility in Clayton, Victoria. This commitment is expected to be settled during the year ending 30 June 2023;
- $1.7m in respect of the completion of AutoStore. This commitment is expected to be settled during the during the half-year ending 31 December 2022;
- $0.03m to undertake an upgrade of the eCommerce Marketing Platform that supports the Digital business. This commitment is expected to be settled during the half-year ending 31 December 2022; and
- The Group has set a goal to carbon offset all brands by 2024, with a goal to be carbon neutral by 2030. At 30 June 2022, the Group is unable to reliably estimate the costs to be incurred.

6.2 Employee benefits

The grant date fair value of equity settled share-based payment awards granted to employees is recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

a) Details of Share Plan

To assist in the attraction, retention and motivation of employees, the Group operates the following share-based payment plans:

Employee Loan Plan Awards

Executives and Non-Executive Directors (Participants) were formerly granted shares in the Company from FY16 to FY19 which were secured by non-recourse loans between the Participant and the Company. The shares were granted in several tranches each year. Three tranches had service conditions (12, 24 and 36 months) and two were subject to the satisfaction of EBITDA hurdles which could be satisfied at any time over a five-year period.

The number of shares issued for each tranche was based on the spot price of the shares of the Company on the grant date. The spot price was used to determine the loan amount. Once the tranche vests, as determined by the Group and approved

Notes to the Consolidated Financial Statements (continued)

by the Board, the Participant is provided twelve-months to repay the loan attached to the shares or to surrender the shares in satisfaction of the loan. The final date on which all loans must be repaid is 15 June 2023. If the Participant ceases employment, the rights to any unvested shares are automatically forfeited and the shares are surrendered. While Participants are eligible for dividends and have voting rights attached to the shares, the shares are secured by a holding lock preventing the Participants from dealing with the shares until the loan is fully repaid.

6.2 Employee benefits (continued)

Long-Term Incentive Plan Awards

Plan	Key Terms	Performance Condition	Performance/ Restriction period	Dividends received before vesting	If participant leaves before end of performance period
CEO Sign-On Rights	CEO receives performance rights at no cost.	Tenure	1 year and 2 years	No	Generally forfeited (Board discretion may apply)
LTI Plan	Eligible participants receive performance rights at no cost.	- Compound annual EPS growth - 50% weighting - Absolute Total Shareholder Return weighting - 50% weighting	3 years	No	

Deferred Short-Term Incentive Plan Awards
Executives are eligible to be awarded 25% of the short-term incentive plan in the form of deferred share rights. The amount of Deferred Equity allocated to each participant will be 25% of the STI award divided by the ten (10) day volume weighted average price of a BWX Limited share immediately after the announcement of the full-year results (i.e. at or around the time the Board confirms STI outcomes). The Deferred Equity cannot be exercised for a period of twelve months following the grant and will vest into ordinary shares in the Company subject to the Executive's continued employment. The STI award is subject to satisfaction of gateway hurdles including Group Net Profit after Tax (NPAT) target, international revenue targets, cash flow targets and non-financial targets.

Provided that the Gateway Conditions are met, the STI can be awarded based on the following Corporate Metrics being achieved during the FY22 year.

- Group NPAT target
- International net revenue target
- Group net cash flows target

b) Grant Date Fair Value
The grant date fair value of the rights are independently determined using the Geometric Brownian Motion model, Binomial option pricing model and Monte Carlo Simulation. Key inputs are summarised below:

Hurdle	Grant Date	Vesting Date	Model (s) used	Other Key Inputs
2021 Grant – 3 Years (CEO)	17/11/21	1/12/24	Geometic Brownian Motion - EPS Monte Carlo Simulation - TSR	Including, but not limited to: - Share price volatility 64.62% - Risk free rate 1.001% - Dividend yield 1.143% - Share price on grant date $4.50
2021 Grant – 3 Years (Executive)	17/11/21	1/12/24	Geometic Brownian Motion - EPS Monte Carlo Simulation - TSR	Including, but not limited to: - Share price volatility 64.62% - Risk free rate 1.001% - Dividend yield 1.143%

Notes to the Consolidated Financial Statements (continued)

				- Share price on grant date $4.50
2021 Grant – 3 Years	17/11/21	1/12/24	Binomial -EPS	
2021 Grant –3 Years Deferred STI	8/10/21	1/07/22	Binomial -EPS	

6.2 Employee benefits (continued)

c) Details of shares or rights on issue during the year is shown below:

2022	Opening	Granted	Forfeited	Vested/ Exercised	Closing	Weighted Avg Fair Value of Rights Granted during the Year
CEO Sign-On Rights	105,320	-	-	(105,320)	**-**	-
LTI Plan Shares	1,799,591	763,459	(1,101,870)	-	**1,461,180**	$3.60
Deferred STI Shares	53,399	48,392	(11,285)	(51,188)	**39,318**	$4.73
ELP Shares	517,502	-	(228,612)	(50,557)	**238,333**	-
Avg Fair Value Exercise Price	$1.87	-	$1.71	$1.53	**$1.44**	-

2021	Opening	Granted	Forfeited	Vested/ Exercised	Closing	Weighted Avg Fair Value of Rights Granted during the Year
CEO Sign-On Rights	210,640	-	-	(105,320)	**105,320**	-
LTI Plan Shares	1,109,151	993,691	(303,251)	-	**1,799,591**	$1.42
Deferred STI Shares	-	56,295	(2,896)	-	**53,399**	$3.08
ELP Shares	1,561,115	-	(398,613)	(645,000)	**517,502**	-
Avg Fair Value Exercise Price	$1.32	-	$1.78	$0.59	**$1.87**	-

SIGNIFICANT ACCOUNTING POLICIES

Share based payments
Share-based compensation benefits are provided 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 the Consolidated Statement of Profit or Loss and Other Comprehensive Income such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve.

Notes to the Consolidated Financial Statements (continued)

6.2 Employee benefits (continued)

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.

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.

STI shares
The fair value of deferred shares granted to employees for nil consideration under the short-term incentive scheme is recognised as an expense over the relevant service period, being the year to which the bonus relates and the vesting period of the shares. The fair value is measured at the grant date of the shares and is recognised in equity in the share-based payment reserve. The number of shares expected to vest is estimated based on the non-market vesting conditions. The estimates are revised at the end of each reporting period and adjustments are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income and the share-based payment reserve. Where shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognised in relation to such shares are reversed effective from the date of the forfeiture.

ELP
The non-recourse loans granted to acquire shares under the ELP are accounted as for as options under AASB 2 Shared-based Payment. The fair value of the options is recognised as an employee benefits expense with a corresponding increase in the share-based payment reserve. The total amount to be expensed is determined by reference to the fair value of the options granted:
- including any market performance conditions (e.g. the entity's share price), and
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period).

The total expense is recognised over the expected vesting period, which is the period over which all of the specified vesting conditions are expected to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, with a corresponding adjustment to equity.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

The fair value of long-term incentive plans are determined using the Binomial and Geometric Brownian Motion 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 the Consolidated Statement of Profit or Loss and Other Comprehensive Income such that the cumulative expense reflected the revised estimate, with a corresponding adjustment to the share-based payment reserve.

Notes to the Consolidated Financial Statements (continued)

6.3 Auditor's remuneration

	Year ended 30 June 2022 $	As restated[2] Year ended 30 June 2021 $
Assurance services[1]		
PwC Australia - Audit and review of financial statements	1,982,000	380,000
Other auditors	40,000	20,000
	2,022,000	**400,000**
Other services		
PwC Australia – non audit services	70,000	15,000
	2,092,000	**415,000**

[1] The auditors of the Group and the Company in 2022 is PwC Australia. From time to time, PwC Australia provides other services to the Group and the Company, which are subject to the corporate governance procedures adopted by the Company.
[2] Restated due to overrun of agreed fees.

6.4 Subsequent events

As disclosed to ASX on 28 June 2022, the Group announced its intention to raise $23.2m in capital by a $13.5m placement to sophisticated investors ('Placement') and a $9.7m entitlement offer for retail investors ('Entitlement Offer'). The Placement was completed with effect on 4 July 2022, and 22,459,183 shares were issued. The Entitlement Offer was completed on 21 July 2022 and 16,139,190 shares were issued.

Following the Groups failure to lodge its Financial Statements with the Australian Stock Exchange (ASX) by the required date, being 31 August 2022, the Group's shares were suspended from trading on the ASX.

The Group has agreed a further loan and overdraft facility with the CBA on 16 December 2022 for $12-$13m. (refer Note 1.1 –Going Concern).

6.5 Impact of COVID-19 to operations update

The impact of the Coronavirus (COVID-19) pandemic is ongoing. Measures were taken to work with key retail partners to ensure supply of products, increasing manufacturing output of items in demand, pivoting to a direct-to-consumer business model to meet demand during retail lockdowns and developing hand sanitiser products. The impact of COVID-19 during the period in conjunction with other factors has led to an impairment being taken against the intangible assets of the Group during the period, refer to Note 3.5 for further details of the impairment.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Coronavirus (COVID-19) impact
The accounting policies for critical accounting judgements, estimates and assumptions are consistent with the 2021 Annual Report, however, given the evolving nature of the current pandemic and resulting economic disruption, the Group has considered the impact of the pandemic and market volatility on estimation uncertainty.

Areas of uncertainty include the extent and duration of disruption based on consumer, business, and government actions and incentives, to contain the spread of COVID-19 and mitigate the economic downturn. Furthermore, actual economic conditions may vary from the estimates used. This could result in material differences between the accounting estimates applied and the actual results of the Group for future periods.

In preparing the financial statements, the Group re-assessed areas of judgement and identified that the estimates more exposed to uncertainty were those of expected credit loss (ECL) and inputs to assessing the carrying value of assets and liabilities.

Notes to the Consolidated Financial Statements (continued)

Using the Group's own direct experience and knowledge as well as forward looking information obtained by reviewing external analyst reports and public forecasts to identify potential impacts from COVID-19, the inputs to these estimates were stress-tested with the carrying values re-evaluated.

The carrying values of goodwill, intangible assets, property, plant and equipment, right-of-use assets, and working capital for each CGU have been assessed and an impairment has been taken on the intangible assets of each CGU during the period.

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 31 to 94 and the Remuneration Report in pages 13 to 29 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 2022 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 5.1 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee as described in Note 5.6 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 2022.

Signed in accordance with a resolution of the directors:

Ian Campbell
Chairman

Melbourne, 18 December 2022

Independent auditor's report

To the members of BWX Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of BWX Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2022
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

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

Independence

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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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.

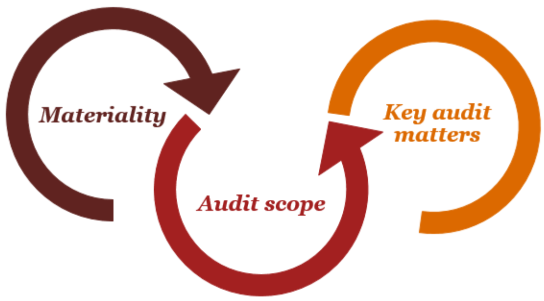
Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of $335.6m during the year ended 30 June 2022 and is dependent upon generating sufficient funds from operating activities, the continued support of its bankers and securing additional funding from current or other financiers. These conditions along with other matters set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality	Audit scope	Key audit matters
• For the purpose of our audit we used overall Group materiality of $1.785m, which represents 0.9% of the Group's total revenues. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • The Group comprises entities across the world, with the most financially significant operations being BWX Australia, BWX USA and BWX Digital. • Our audit work focussed on the financial information of	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: – Impairment testing of goodwill and indefinite-lived intangible assets – Revenue recognition – Inventory valuation – Business combinations

- We chose Group revenue because, in our view, it is the benchmark against which the performance of the Group is most commonly measured.
- We utilised a 0.9% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

BWX Australia, BWX USA and BWX Digital given their financial significance to the Group.

- Additionally, we performed specific risk focussed audit procedures in relation to the Group's other operations to provide us with sufficient and appropriate audit evidence to express an opinion on the Group financial report as a whole.

- These are further described in the *Key audit matters* section of our report, except for the matter which is described in the *material uncertainty related to going concern* section.

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 for the current period. The key audit 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. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Impairment testing of goodwill and indefinite-lived intangible assets *(Refer to note 3.5 Intangible assets and goodwill)* The Group has goodwill and indefinite-lived intangible assets of \$18.6 million (2021: \$178.0 million) and \$113.0 million (2021: \$111.7 million) respectively. During the year, the Group recognised an impairment charge of \$322.6m relating to the Australia/International (\$85.1), Go-To (\$42.8m), Digital (Flora & Fauna and Nourished Life) (\$36.0m) and USA (\$158.6m) Cash Generating Units (CGUs). The CGUs' recoverable amounts were determined using the Value in Use (VIU) methodology using a discounted cash flow model ("model"). The carrying value of goodwill and other indefinite-lived intangible assets is contingent on future cash flows and there is a risk if these cash flows do not meet the Group's expectations that the assets may be impaired. The model prepared by the	To evaluate the Group's assessment of the recoverable amounts of the CGUs, we performed a number of procedures, including the following: • Assessed whether the division of the Group's goodwill and other indefinite-lived intangible assets into CGUs, was consistent with our knowledge of the Group's operations and internal management reporting; • Assessed whether the carrying value of each CGU included all assets, liabilities and cash flows directly attributable to the CGU and a reasonable allocation of corporate overheads; • Assessed the mathematical accuracy of the cash flow models; • Compared historical forecast growth rates to actual growth;

Key audit matter	How our audit addressed the key audit matter
Group contains a number of significant judgements and estimates ("assumptions") including average annual revenue growth rates, terminal value growth rates and discount rates. Changes in these assumptions can have a significant impact on the level of impairment recorded. Given the level of judgement and the significance of the impairment recorded, the impairment testing of goodwill and indefinite-lived intangible assets was considered to be a key audit matter.	• Assessed the appropriateness of the revenue growth assumptions, including consideration of customer contracts and available external evidence; • Assessed variability and completeness of certain costs in the model; • Read and assessed the report prepared by the Group's expert engaged to evaluate the carrying value of the CGUs; • With the support of our valuation experts, we assessed the terminal value growth rates and discount rates; and • Evaluated the reasonableness of the disclosures made in note 3.5, including those regarding the impairment method adopted, key assumptions and sensitivities, in light of the requirements of Australian Accounting Standards.

Revenue recognition
(Refer to note 1.4 Restatement of comparatives and note 2.1 Sales revenue and other income)
The Group recognised sale of goods of $198.3 million (2021: $183.1 million) for the year-ended 30 June 2022. Additionally, revenue for the year-ended 30 June 2021 was restated to correct for revenue that was erroneously recognised - this reduced prior year revenue by $11.0 million.
 	
Revenue recognition was a key audit matter given the:
 	
• Significance to the financial performance of the Group;
 	
• Significant judgements required to determine whether sales were recorded in the correct period, including an assessment of when control of goods passed to the customer and, where relevant, consideration of whether revenue should be recognised on the basis it represented a bill-and-hold arrangement; and
 	
• Significant judgements related to the amount of revenue recognised net of returns, trade
	We performed the following procedures, amongst others:
	
	• Assessed the Group's accounting policy and revenue recognition in accordance with AASB 15, *Revenue from Contracts with Customers;*
	• Developed an understanding of the design and implementation of the Group's processes and controls with respect to revenue;
	• Tested on a sample basis whether revenue had been recorded at the correct amount and in the correct period, in accordance with AASB 15. This included assessing whether:
	  ○ Control of the goods had passed to the customer prior to revenue being recognised.
	  ○ For transactions not subject to bill-and-hold, our procedures included inspection of shipping documentation to confirm the goods had been delivered prior to revenue being recognised;
	  ○ For transactions subject to bill-and-hold, our procedures included

Key audit matter	How our audit addressed the key audit matter
allowances and rebates where the customer has the right to return goods or the goods are sold on promotion, involving estimation of the refund liability and the provision for rebates.	assessing: that the bill-and-hold request was substantive; the product was separately identified as belonging to the customer; the product was ready for physical transfer to the customer; and the goods could not be redirected to another customer. Further, for goods sold under bill-and-hold, we checked that the amounts had been invoiced and paid for within normal payment terms; and ○ For revenue incorrectly recognised in the prior year, we checked that the reversal of this revenue was accounted for in accordance with AASB 108, *Accounting Policies, Changes in Accounting Estimates and Errors.* • We considered the completeness and accuracy of the refund liability and the provision for rebates, including consideration of returns received post year-end; • We considered the accounting for rebates and equity issuances to customers in the form of equity to assess whether revenue was appropriately recognised net of these items; and • We assessed the reasonableness of the disclosures in accordance with the requirements of Australian Accounting Standards.
Inventory valuation *(Refer to note 3.2 Inventories)* The Group recognised net inventories of \$65.3m (2021: \$46.2m) at 30 June 2022. Inventory consists of raw materials, work in progress and finished goods. Finished goods include cost of direct materials and labour, and a proportion of manufacturing overheads based on normal operating capacity. The Group values inventory at the lower of cost and net realisable value and therefore estimates and assumptions are made to calculate provisions for obsolete and slow-moving stock.	To evaluate the Group's valuation of inventory, we performed a number of procedures, including the following: • Developed an understanding of the design and implementation of the Group's processes and controls with respect to inventory; • Evaluated whether the methodology applied to account for manufacturing overheads was appropriate; • Assessed on a sample basis the mathematical accuracy of the calculation

Key audit matter	How our audit addressed the key audit matter
Given the complexity in allocating overheads to inventory based on normal operating capacity and the level of judgement involved in determining the amount by which inventory should be written down, this was considered to be a key audit matter.	and allocation of overheads; • Evaluated the methodology applied to determine the provision for obsolescence; • Tested the mathematical accuracy and completeness of the provision for obsolescence; • On a sample basis tested the measurement of inventory on hand at year-end at the lower of cost and net realisable value, including comparing the carrying value to latest sales prices; and • Attended a sample of physical stocktakes where we tested a sample of inventory items to assess the existence of inventory and to identify any damaged inventory.

Business combinations
(Refer to note 3.7 Financial liabilities and note 5.3 Acquisition of subsidiaries)
 	
During the year the Group acquired 100% of the issued shares of The Good Collective Pty Ltd (trading as Flora and Fauna) and 50.1% of the issued shares in Go-To Enterprise Holdings Pty Ltd. These were accounted for as business combinations.
 	
The Group applied judgement when accounting for the acquisition, including identifying assets and liabilities of the newly acquired business, estimating the fair value of each asset and liability for initial recognition and accounting for and valuation of the put option liability related to the Go-To acquisition.
 	
Accounting for business combinations was a key audit matter given the:
• Financial significance of the transactions to the Group.
• Judgement and complexity involved in determining the fair values of the assets and liabilities acquired.
	We performed the following procedures, amongst others:
	• Read the underlying agreements for the business combinations to develop an understanding of the transactions and the businesses acquired;
	• Read relevant minutes of the Board of Directors, legal correspondence and other documents to support our evaluation of the transactions;
	• Evaluated the Group's accounting for the business combinations and the put option liability against the requirements of Australian Accounting Standards;
	• Assessed, with the assistance of our valuation experts, the work performed by the Group's valuation experts over the valuation of the assets and liabilities acquired by:
	  ○ Evaluating the competence and capability of management's expert;
	  ○ Assessing the appropriateness of the methodology applied by the Group and its appointed expert in calculating fair value; and
	  ○ Considering the appropriateness of key valuation assumptions such as the discount rates.

Key audit matter	How our audit addressed the key audit matter
	• Agreed the amount of the purchase consideration paid to the underlying agreement and related external evidence; and • Considered and assessed the reasonableness of the Group's disclosure of business combinations in accordance with Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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 have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 13 to 29 of the directors' report for the year ended 30 June 2022.

In our opinion, the remuneration report of BWX Limited for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001.*

Responsibilities

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

PricewaterhouseCoopers

Nadia Carlin
Partner

Melbourne
18 December 2022

Shareholder Information

Equity Security Holders

As at 21 November 2022, the Company had 199,987,502 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 21 November 2022 (as named on the register of shareholders):

	Ordinary Shares	
Name	Number Held	% of Issued Shares
CITICORP NOMINEES PTY LTD	54,766,480	27.38%
TATTARANG VENTURES NO 2 PTY LTD	40,562,576	20.28%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	12,315,834	6.16%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,078,410	4.54%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	7,958,269	3.98%
NATIONAL NOMINEES LIMITED	6,167,517	3.08%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	2,454,618	1.23%
CW MANAGEMENT PTY LTD	2,267,005	1.13%
NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	2,079,869	1.04%
MR TREVOR YUAN	2,074,501	1.04%
EASYTONE COMMUNICATIONS PTY LTD	1,957,267	0.98%
PACIFIC CUSTODIANS PTY LIMITED <EMPLOYEE SHARE PLAN TST A/C>	1,861,492	0.93%
MR MARK WILLIAM EAST	1,431,985	0.72%
FIRST SAMUEL LTD ACN 086243567 <ANF ITS MDA CLIENTS A/C>	1,018,603	0.51%
BNP PARIBAS NOMS PTY LTD <DRP>	999,826	0.50%
DOWN THE LINE CONSULTING PTY LTD <CHYNNA 8338 A/C>	625,000	0.31%
MRS XIAOYAN ZHOU + MR YAN WU	600,000	0.30%
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICE A/C>	546,254	0.27%
INTEGRA NOMINEES PTY LTD <INTEGRA S/F A/C>	520,350	0.26%
PACIFIC CUSTODIANS PTY LIMITED <BWX EMP SUB REGISTER A/C>	516,498	0.26%
Total for Top 20	149,802,354	74.91%
Total Other Holders	50,185,148	25.09%
Grand Total	199,987,502	100%

Substantial shareholders

The following table shows the substantial holders as notified to the Company in substantial holding notices as at 21 November 2022:

Name	Noted Date of Change	Number of Equity Securities	Relevant Interests
BENNELONG FUNDS MANAGEMENT GROUP PTY LTD	4 July 2022	43,599,928	23.71%
TATTARANG VENTURES NO. 2 PTY LTD	4 July 2022	36,586,365	19.90%
PARADICE INVESTMENT MANAGEMENT PTY LTD	20 September 2022	11,392,834	5.70%

Distribution of Equity Security Holders

Holdings Distribution

Range	Number of Equity Security Holders	Ordinary Shares	Options
100,001 and over	80	162,293,275	-
10,001 to 100,000	957	24,003,695	-
5,001 to 10,000	787	5,760,577	-
1,001 to 5,000	2,603	6,481,168	-
1 to 1,000	3,262	1,448,787	-
Total	7,689	199,987,502	-

Unmarketable Parcels
The number of security investors holding less than a marketable parcel of 794 securities (based on a price of $0.63 on 21 November 2022) is 2,645 and they hold 871,696 securities.

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

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

Performance rights
Performance rights have been issued as part of various performance plans in FY22, as at 30 June 2022:
- Number of participants: 34 participants.
- Maximum number of ordinary shares which may be issued if the performance conditions are achieved: 1,319,925.
- Participants do not have voting rights.

Securities purchased on-market
There were no securities purchased on-market during the financial year ended 30 June 2022.

Unquoted equity securities
Ordinary shares
BWX Limited has no unquoted equity securities on issue at 30 June 2022.

Options
BWX Limited has no unquoted options on issue at 30 June 2022.

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. Rory Gration – Group CEO and Managing Director
Ms. Fiona Bennett – Non-Executive Director
Mr. Rod Walker – Non-Executive Director

Company Secretary
Mr. Alistair Grant

Principal Place of Business
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Victoria, Australia
Website: www.bwxltd.com
Telephone: +61 3 8785 6300

Registered Office
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Website: www.bwxltd.com
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Victoria, Australia

Auditors
PwC Melbourne
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Southbank
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