

BWX_{Ltd}

ANNUAL REPORT



For the period 26 April 2013 to 30 June 2014

ABN 13 163 488 631

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CORPORATE DIRECTORY

Directors

Mr Denis Shelley	Non-Executive Chairman
Mr John Humble	Chief Executive Officer
Mr Geoff Pearce	Chief Operating Officer
Mr Aaron Finlay	Finance Director
Mr Craig Bottomley	Non-Executive Director

Company Secretary

Mr Aaron Finlay

Principal Place of Business

2 Darby Way
Dandenong South VIC 3175

Registered Office

c/- Minter Ellison
Rialto Towers
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Melbourne VIC 3000

Contact Details

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Solicitors to the Company

Minter Ellison
Rialto Towers
Level 23
525 Collin Street
Melbourne VIC 3000

Auditor

William Buck
Level 20
181 William Street
Melbourne VIC 3000

Dear Shareholders

It gives me great pleasure to present to you the 2014 Annual Report of BWX Limited.

It has been a formative year for us in every respect. When we set out to build this business in the closing months of calendar 2013 its success was predicated on two core strategies: The first strategy was to create a profitable, efficient and well managed manufacturing business that had a loyal customer base which generated strong revenues and cash flow. The second strategy was to acquire and develop a cadre of branded products in the Beauty and Personal care sectors of the market that had wide consumer appeal and possessed international growth opportunities.

In our Information Memorandum dated December 2013 we set out our action plans to achieve our goals and to that end we put in place plans to acquire two developers and manufacturers of product, namely; Leisure & Hospitality Services Pty Ltd and Beautiworx Australia Pty Ltd. In addition, and concurrently, we acquired two branded product businesses being Uspa Corporation Pty Ltd and Edward Beale. These transactions were made possible by the successful raising of approximately \$1.2 million from investors as well as the successful negotiation of a bank facility from Westpac Banking Corporation in the amount of approximately \$4.3 million. In addition to the acquisition of the businesses and brands, these funds also enabled us to consolidate the manufacturing businesses in a purpose built facility which is located at Darby Way, Dandenong South. The move to the new premises was largely completed by end June 2014.

The consolidation and integration of these four businesses did not come without its challenges and these issues were compounded by a marked (+50%) increase in demand for product from our existing customers. The confluences of these factors brought about a great deal of operational complexity which necessitated the recruitment of an additional level of experienced middle management and a detailed review and re-engineering of our manufacturing operations. Our stated aim is to have a manufacturing facility that is efficiently capable of producing in excess of \$30 million of ex-factory value of finished product a year. Our actions to date place us in a solid position to deliver against that milestone.

We have achieved much over the last 6 months of Fiscal 2014 and we have asked a great deal from all our employees as we embarked upon our journey to build this business. I would like to extend my sincere thanks and appreciation to all our loyal and dedicated staff without whom we could not have achieved what we have. I also extend my gratitude and appreciation to our Board of Directors who are all active in seeking to contribute to the strategy and the performance of BWX Limited.

Yours sincerely

A handwritten signature in black ink, appearing to read 'D Shelley', with a stylized, cursive script.

Mr D Shelley
Chairman

Your directors submit their report for the period 26 April 2013 to 30 June 2014 for BWX Limited ("the Company") and its controlled entities (the "Consolidated Entity" or the "Group"). The Company was incorporated on 26 April 2013 and this annual report therefore is the first annual report issued by the Company, for the period from incorporation to 30 June 2014.

Directors

The names and details of the Company's directors in office during the financial period and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Mr Denis Shelley – Non-Executive Chairman

Appointed 22 July 2013

Mr Denis Shelley is a highly experienced marketer, senior executive and CEO with over 30 years' experience across a number of leading multinational companies including Sterling Winthrop, Reckitt & Colman and a 14 year (1992-2006) international CEO career with Sara Lee Corporation. Mr Shelley has a broad industry background including FMCG, Direct Selling, Intimate Apparel and manufacturing operations in all those areas. Mr Shelley has in-depth experience in managing and building a broad range of consumer brands spanning pharmaceuticals, health and beauty, personal care, intimate apparel and household products.

Positions held include various brand management and marketing director roles such as Group Marketing Director Reckitt & Colman South Africa, CEO Sara Lee South Africa, CEO Sara Lee Household & Body Care Australia and President of Nutrimetics Australia. In addition to these operational responsibilities, Mr Shelley also held the position of Group Chairman of Sara Lee Australia (1996-2006) and thus brings considerable experience in the many areas of corporate governance. Mr Shelley holds Degrees in Bachelor of Psychology and Bachelor of Education and is a qualified teacher.

Mr John Humble – Chief Executive Officer

Appointed 26 April 2013

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

Through Mr Humble's direction the business developed its own formulations (IP) and created a suite of "Natural" products that are exported around the world. As a result, the business has experienced strong growth through its innovative product development to its current turnover of approximately \$8 million.

Mr Humble also currently serves on the finance committee of "The Golf Preserve" Tasmania, a dual 18 hole golf course and 180 integrated residential lot development for Hobart.

Mr Geoff Pearce – Chief Operating Officer

Appointed 2 January 2014

Mr Geoff Pearce is highly respected in the body and beauty industry with three decades of experience.

In the 1980's, he established Scental Pacific Pty Ltd, a full service contract manufacturer servicing the bath, body and beauty industry. Mr Pearce grew this business to a turnover of over \$25 million and in excess of 150 staff. In 1996 Mr Pearce sold the Scental Pacific Pty Ltd business.

In 2002 Mr Pearce established Beautiworx Australia Pty Ltd, a manufacturer in the bath and beauty industry. Beautiworx has a turnover of over \$12 million, supplying to a diverse range of customers with established well-known brands.

DIRECTORS' REPORT

Mr Aaron Finlay – Finance Director

Appointed 26 April 2013

Mr Aaron Finlay is a Chartered Accountant and Chartered Company Secretary with over 22 years' experience in the accounting and finance profession.

Mr Finlay has held a number of executive and Director roles for ASX and NASDAQ listed companies, including most recently Cleveland Mining Company Limited and Mayne Pharma Group Limited where he was instrumental in the acquisition of Mayne Pharmaceuticals International Pty Ltd in 2009.

Previously Mr Finlay was INVESCO Australia's Chief Financial Officer after holding the position as Head of Group Tax and Treasury for INVESCO's global operations in London. Prior to joining INVESCO, Mr Finlay worked for PricewaterhouseCoopers (then Price Waterhouse) in London and Perth for 7 years.

Mr Craig Bottomley – Non-Executive Director

Appointed 26 April 2013

Mr Craig Bottomley was one of the founders of Halcygen Pharmaceuticals Ltd (now Mayne Pharma Group Ltd). He served as the Chief Operating Officer from 28 November 2005 to 28 July 2010. During that time he was one of the team leaders who helped acquire Mayne Pharmaceuticals International Pty Ltd in 2009.

Mr Bottomley has over 20 years' experience in establishing and developing commercial ventures. He has been involved in the manufacturing, importing, exporting and marketing of products for his own companies. Mr Bottomley has established national and international sales distribution channels for both locally developed and imported product lines. His regions of commercial activity have included the United States of America, the United Kingdom, Hong Kong, Singapore and New Zealand. In 2000 Mr Bottomley divested his own company interests to focus on investments in public companies. Mr Bottomley has been involved in numerous capital raisings and business strategies for listed companies.

Company Secretary

Mr Aaron Finlay

Operating results

The profit of the Consolidated Entity before depreciation and amortisation, finance costs, acquisition and relocation expenses and income tax expense for the period 26 April 2013 to 30 June 2014 amounted to \$1,029,647.

The profit of the Consolidated Entity for the period 26 April 2013 to 30 June 2014 after providing for income tax amounted to \$72,007.

Financial position

The net assets of the Consolidated Entity are \$16,875,270 as at 30 June 2014.

Principal activities and significant changes in affairs

During the year, BWX Limited has gone from a special purpose vehicle to having principal activities consisting of the manufacture, wholesale sale and development of natural body, hair and skin care products in Australia and internationally.

REVIEW OF OPERATIONS

Milestones achieved in these first six months of operations include:

- Transactions completed:
 - Beautiworx Australia acquisition was completed on 2 January 2014
 - LHS No 2 acquisition was completed on 2 January 2014
 - Edward Beale acquisition was completed on 31 January 2014
 - Uspa acquisition was completed on 14 March 2014
- Bank and equity funding completed and share certificates issued
- Took possession of new production facility
- Relocation of LHS and Beautiworx Australia Pty Ltd manufacturing operations
- Production commenced in new facility
- Beautiworx website www.beautiworx.com.au redesigned

The completion of the new production facility in Dandenong South facilitated the integration of the Beautiworx and LHS manufacturing operations.

At a time of on-going integration of the acquired manufacturing business, the Group experienced significant growth in sales which placed pressure on the business and resulted in the investment decision to proceed with a wide reaching improvement process across the business.

Following the significant investment that has been undertaken during the period ended 30 June 2014 on the acquisition and integration of the businesses, the Board is encouraged with the significant improvement in profitability of the consolidated group during the half year to 31 December 2014, despite employing resources in the development of the capabilities and functionality of the business following a period of strong growth in sales demand.

Subsequent Events

During November 2014, the Group entered into the lease of an additional warehouse at the Dandenong South facility, increasing the warehouse square meterage available by 1,971 square metres given the growth that has been experienced on the manufacturing side of the business.

During December 2014, the Group appointed Mr Nicholas Chadwick to advise the Group on the brand development and strategy for the Uspa and Edward Beale brands and product ranges.

Dividends paid or recommended

The Directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

Future developments, prospects and business strategies

The Group expects to grow its revenue and underlying earnings in the coming financial year following the additional investment in the underlying operations of the business, the organic growth in sales that have been experienced during calendar year 2014 and through future acquisition.

The business is committed to its strategy of developing its brand business and this will be a key focus going forward.

Environmental regulation and performance

The Group's operations are subject to various environmental laws and regulations and where required the Group maintains environmental licenses 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. For the period ended 30 June 2014 and up to the date of signing of this report, there were no known breaches of such environmental laws and regulations.

REMUNERATION REPORT (audited)

This report details the nature and amount of remuneration for each Director of BWX Limited, and for key management personnel. For the period ended 30 June 2014, the following persons were considered to be key management personnel. Unless otherwise indicated, the individuals were KMP for the entire financial period:

- Denis Shelley (appointed 22 July 2013)
- John Humble (appointed 26 April 2013)
- Geoff Pearce (appointed 2 January 2014)
- Aaron Finlay (appointed 26 April 2013)
- Craig Bottomley (appointed 26 April 2013)

Remuneration policy

The Board policy for determining the nature and amount of remuneration of Directors and Executives is agreed by the Board of Directors as a whole. The Board obtains professional advice where necessary to ensure that the Company attracts and retains talented and motivated Directors and employees who can enhance Company performance through their contributions and leadership. For the period ended 30 June 2014, no such professional advice was sought.

Remuneration policy is based on industry practice rather than Company performance and takes into account the risks and liabilities assumed by the directors and executives as a result of their involvement in the activities undertaken by the Company.

Executive Director Remuneration

In determining the level and make-up of executive remuneration, the Board negotiates remuneration to reflect the market salary for a position and individual of comparable responsibility and experience. Remuneration is compared with the external market by reference to industry salary surveys. If required, the Board may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable executive roles. Such a process did not occur during the year.

Remuneration consists of fixed and variable remuneration components as considered appropriate.

Non-Executive Director Remuneration

Non-Executive Directors' fees are paid within an aggregate limit of \$400,000 which is approved by the shareholders from time to time. Retirement payments, if any, are determined in accordance with the rules set out in the Company's Constitution and the Corporations Act at the time of the Director's retirement or termination. Non-Executive Directors' remuneration may include an incentive portion consisting of bonuses and/or options, as considered appropriate by the Board.

The aggregate remuneration, and the manner in which it is apportioned amongst Non-Executive Directors, is reviewed annually. The Board considers the amount of director fees being paid by comparable companies with similar responsibilities and levels of experience of the Non-Executive Directors when undertaking the annual review process.

DIRECTORS' REPORT

Details of remuneration for period ended 30 June 2014

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

	Short-term benefits			Post employment	Share-based payments	Total	Performance Related
	Salary and fees	Cash bonus	Non-cash benefits ⁽¹⁾	Super-annuation			
2014	\$	\$	\$	\$	\$	\$	%
Directors							
Mr D Shelley	20,000	-	-	1,850	-	21,850	-
Mr J Humble	125,000	-	5,045	11,563	-	141,608	-
Mr G Pearce	125,000	-	11,680	11,563	115,166	263,409	43.7%
Mr A Finlay	92,500	-	7,007	8,556	-	108,063	-
Mr C Bottomley	24,167	-	-	2,235	-	26,402	-
	386,667	-	23,732	35,767	115,166	561,332	

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

Options granted as remuneration

All options issued to Directors and Key Management Personnel are issued for nil consideration.

All options issued have been granted for up to a six year period, with performance options vesting subject to milestones.

All options issued carry no dividend or voting rights. When exercised, each option is converted into one ordinary share pari passu with existing ordinary shares.

During the financial period ended 30 June 2014, 31,600,000 options were issued to Directors or Key Management Personnel as remuneration.

Equity instrument disclosures relating to key management personnel

(i) Option holdings

The number of options over ordinary shares in the Company held during the financial period by each director of BWX Limited and other key management personnel of the Company, including their personally related parties, are set out below.

Name	Balance at start of period	Granted during period as remuneration	Exercised during period	Options issued for consideration of business acquisitions	Balance at end of period and at date of this report	Options vested and exercisable at end of period
	Number	Number	Number	Number	Number	Number
Directors						
Mr D Shelley	-	1,000,000	-	-	1,000,000	-
Mr J Humble	-	14,000,000	-	-	14,000,000	-
Mr G Pearce	-	12,400,000	-	1,600,000	14,000,000	-
Mr A Finlay	-	2,100,000	-	-	2,100,000	-
Mr C Bottomley	-	2,100,000	-	-	2,100,000	-
	-	31,600,000	-	1,600,000	33,200,000	-

DIRECTORS' REPORT

(ii) Shareholdings

The number of shares in the Company held during the financial period by each director of BWX Limited and other key management personnel, including their personally related parties, is set out below. There were no shares granted during the reporting period as remuneration.

Name	Balance at start of period Number	Issued at foundation of Company Number	Purchased from issue of share capital during period Number	Shares issued in consideration for business acquisitions Number	Balance at end of period and at date of this report Number
Directors					
Mr D Shelley	-	1,000,000	666,667	-	1,666,667
Mr J Humble	-	-	-	75,184,723	75,184,723
Mr G Pearce	-	-	-	75,184,723	75,184,723
Mr A Finlay	-	6,918,472	-	-	6,918,472
Mr C Bottomley	-	7,218,472	-	-	7,218,472
	-	15,136,944	666,667	150,369,446	166,173,057

Employment contracts of directors and senior executives

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

None of the non-executive directors have employment contracts with the Company.

Other transactions with key management personnel

As at 30 June 2014, loan balances were owing to Directors totaling \$503,559. A further \$1,611,968 is payable to Directors as deferred consideration for acquisitions of subsidiaries. Other than these loan balances, as at 30 June 2014 the Group owed amounts to related parties of Mr Pearce and Mr Humble totaling \$494,147 and \$181,055 respectively. These amounts related to operations undertaken by the Group prior to finalisation and availability of bank funding. These were unsecured and payable at call as at this date.

Wages totaling \$44,185 were paid to Dr Pearce, the daughter of Mr Pearce during the period in her capacity as Quality Assurance Manager for Beautiworx Pty Ltd.

During the period ended 30 June 2014, an amount of \$249,458 in relation to the rental of a facility at Summit Road, Noble Park, Victoria, was paid to Continental Purchasing Group Pty Ltd, a related entity of Mr Pearce.

During the period all related party transactions were undertaken at arm's length terms and were approved by the Group's Board (excluding the vote of the director to which the related party benefit was conferred).

This ends the audited remuneration report.

DIRECTORS' REPORT

Meetings of directors

During the financial period, seven meetings of Directors were held. Attendances by each Director during the period were as follows:

	Board meetings	
	Number attended	Number eligible to attend
Mr D Shelley	7	7
Mr J Humble	7	7
Mr G Pearce	5	5
Mr A Finlay	7	7
Mr C Bottomley	7	7

Options

At the date of this report, the unissued ordinary shares of BWX Limited under option are as follows:

Grant date	Date of expiry	Exercise price	Number under option
1 May 2013	30 Sep 2018	\$0.40	18,200,000
22 Jul 2013	30 Sep 2018	\$0.40	1,000,000
2 Jan 2014	30 Sep 2018	\$0.40	1,600,000
5 Mar 2014	30 Sep 2018	\$0.40	12,400,000
14 Mar 2014	30 Sep 2018	\$0.40	500,000
			<u>33,700,000</u>

During the financial period ended 30 June 2014, no options were exercised. Subsequent to 30 June 2014, no options have been exercised.

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

Indemnifying officers or auditor

In accordance with the constitution, except as may be prohibited by the *Corporations Act 2001* every officer of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as officer or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal. The terms of the policy prevent disclosure of the amount of the premium payable and the level of indemnification under the insurance contract.

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of these proceedings.

The Company was not a party to any such proceedings during the period.

Non-audit services

The Company did not engage its external auditor to provide any non-audit services during or since the end of the financial period.

Auditor's independence declaration

The lead auditor's independence declaration for the period ended 30 June 2014 has been received and is attached to this Directors' Report.

Signed in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to read 'J Humble', is positioned above the printed name and title of the Chief Executive Officer.

Mr John Humble
Chief Executive Officer

Dated at Melbourne this 12th day of March 2015

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF BWX LIMITED

I declare that, to the best of my knowledge and belief during the period 26 April 2013 to 30 June 2014 there have been:

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

William Buck

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

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

N. S. Benbow
Director

Dated this 12th day of March, 2015

**CHARTERED ACCOUNTANTS
& ADVISORS**

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STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD 26 APRIL 2013 TO 30 JUNE 2014

	Note	Consolidated 26 April 2013 to 30 June 2014 \$
Sales revenue		10,608,429
Cost of sales		(7,433,557)
Gross profit		3,174,872
Other revenue		82,068
Corporate and administrative costs		(903,406)
Marketing, selling and distribution costs		(605,658)
Occupancy costs		(378,252)
Research and development and quality control costs		(339,977)
Profit before depreciation and amortisation, finance costs, acquisition and relocation expenses and income tax expense		1,029,647
Depreciation and amortization		(139,838)
Finance costs		(53,358)
Acquisition and relocation expenses		(669,191)
Profit before income tax expense		167,260
Income tax expense	5	(95,253)
Total comprehensive profit for the period attributable to members of BWX Limited		72,007
Earnings per share		
Basic and diluted earnings (cents)	20	0.09

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

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	Consolidated 2014 \$
Current assets		
Cash and cash equivalents	18(a)	329,534
Trade receivables and other assets	6	3,243,744
Inventories	7	2,915,063
Total current assets		<u>6,488,341</u>
Non-current assets		
Plant and equipment	8	1,951,670
Intangible assets	9	16,226,285
Deferred tax assets		220,887
Total non-current assets		<u>18,398,842</u>
Total assets		<u>24,887,183</u>
Current liabilities		
Bank overdraft	18(a)	629,848
Trade and other payables	10	2,961,160
Financial liabilities	11	3,413,248
Income tax payable		202,090
Provisions for employee benefits		415,145
Total current liabilities		<u>7,621,491</u>
Non-current liabilities		
Financial liabilities	11	324,000
Provisions for employee benefits		66,422
Total non-current liabilities		<u>390,422</u>
Total liabilities		<u>8,011,913</u>
Net assets		<u>16,875,270</u>
Equity		
Contributed equity	12	16,598,765
Reserves	13	204,498
Retained earnings		72,007
Total equity		<u>16,875,270</u>

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

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD 26 APRIL 2013 TO 30 JUNE 2014

	Contributed equity	Consolidated Reserves	Retained earnings	Total
	\$	\$	\$	\$
Balance at 26 April 2013	-	-	-	-
Income for the period	-	-	72,007	72,007
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	72,007	72,007
<i>Transactions with owners in their capacity as owners</i>				
Shares issued, net of costs	16,598,765	-	-	16,598,765
Vesting of share options	-	204,498	-	204,498
Balance at 30 June 2014	16,598,765	204,498	72,007	16,875,270

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

STATEMENT OF CASH FLOWS
FOR THE PERIOD 26 APRIL 2013 TO 30 JUNE 2014

	Note	Consolidated 26 April 2013 to 30 June 2014 \$
Cash flows from operating activities		
Receipts from customers		8,400,299
Payments to suppliers and employees		(8,937,092)
Interest received		1,508
Interest paid		(24,064)
Net cash flows used in operating activities	18(b)	<u>(559,349)</u>
Cash flows from investing activities		
Purchase of plant and equipment		(645,468)
Net cash outflow on acquisition of businesses		(1,988,034)
Net cash flows used in investing activities		<u>(2,633,502)</u>
Cash flows from financing activities		
Proceeds from issue of shares		1,188,965
Capital raising costs		(127,200)
Proceeds from financial liabilities		1,597,213
Loans from related parties		233,559
Net cash from financing activities		<u>2,892,537</u>
Net increase in cash and cash equivalents		(300,314)
Cash and cash equivalents at beginning of the period		-
Cash and cash equivalents at end of the period	18(a)	<u>(300,314)</u>

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

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. The financial statements include the Group consisting of BWX Limited (the "Company") and its controlled entities. For the purpose of preparing the consolidated financial statements, the Company is a for-profit entity.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements and the Australian Accounting Interpretations and the *Corporations Act 2001*.

The financial report is presented in Australian dollars and rounded to the nearest dollar.

The financial report is prepared on a going concern basis using historical costs.

The financial report covers the period 26 April 2013 (the date of incorporation of BWX Limited) to 30 June 2014 and is the first financial report prepared by the Company.

Compliance with International Financial Reporting Standards

These financial statements comply with Australian Accounting Standards ("AASBs"). Compliance with AASBs ensures that these financial statements, comprising the financial statements and notes thereto, comply with International Financial Reporting Standards ("IFRS").

Critical accounting estimates

The preparation of financial statements in conformity with AASBs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

(b) Principles of consolidation

Controlled entities

The consolidated financial statements incorporate the assets and liabilities of all controlled entities of BWX Limited as at 30 June 2014 and the results of all subsidiaries for the period 26 April 2013 to 30 June 2014. BWX Limited and its controlled entities together are referred to in these financial statements as the Group or the consolidated entity.

Control exists when an entity is exposed to variable returns in another entity and has the power to direct the relevant activities governing the operations of that entity. Controlled entities are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

1. Summary of significant accounting policies (continued)

(c) Foreign currency translation

The presentation and functional currency of BWX Limited and its controlled entities is Australian Dollars (A\$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are revalued at the rate of exchange prevailing at the end of the reporting period. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation at financial year end exchange rates are recognised in the profit and loss.

(d) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it accounts for assets and liabilities identified at the acquisition date at fair value. The acquisition date is the date at which the Group controls the business.

(e) Revenue recognition

Revenue is measured at the fair value of consideration received or receivable. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Interest

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

Research and development credits

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

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

1. Summary of significant accounting policies (continued)

(f) Income tax (continued)

Deferred income tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities with the carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination, that at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or 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.

Tax consolidation legislation

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

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

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

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

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

1. Summary of significant accounting policies (continued)

(g) Impairment of assets

Non-current assets are reviewed for impairment on an annual basis and tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets, other than goodwill that suffered an impairment, are reviewed for possible reversal of the impairment at each subsequent reporting date.

(h) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

Office equipment	over up to 5 years
Plant and equipment	over up to 5 years
Leasehold improvements	over up to 10 years

The carrying values of all assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable in accordance with Note 1(g).

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 Statement of Comprehensive Income.

(i) Inventories

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

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

- Raw materials: weighted average cost basis
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs
- Packaging: weighted average cost basis

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

1. Summary of significant accounting policies (continued)

(j) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provisions for impairment, doubtful debts and rebates. Trade receivables are generally due for settlement within 60 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial realisation, and default or delinquency in payments, are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the Statement of Comprehensive Income within other expenses.

When a trade receivable, for which an impairment allowance had been recognised, becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Statement of Comprehensive Income.

(k) Intangible assets

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. All intangible assets held at 30 June 2014 had indefinite useful lives.

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 statement of profit or loss when the asset is derecognised.

(l) Cash and cash equivalents

Cash and cash equivalents in the 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 statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of bank overdraft facilities.

(m) Employee entitlements

Wages and Salaries and Annual Leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be wholly settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. All other amounts are considered other long term benefits for measurement purposes and are measured at the present value of expected future payments to be made in respect of services provided by employees.

1. Summary of significant accounting policies (continued)

(m) Employee entitlements (continued)

Share-based payments

Share-based compensation benefits are provided to Directors and to employees in accordance with the Company's Employee Option Plan, an employee share scheme.

The fair value of options granted to Directors and employees under the Employee Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

Long Service Leave

Liabilities for long service leave are recognised, and are measured as the present value of expected future payments to be made in respect of services provided by employees.

(n) 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.

(o) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

(p) 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.

(q) Other taxes

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

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST 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 GST recoverable from, or payable to, the taxation authority.

1. Summary of significant accounting policies (continued)

(r) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(s) Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

(t) Fair value measurement

In these financial statements the Group has measured the assets and liabilities it has acquired in business combinations at 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

1. Summary of significant accounting policies (continued)

(t) Fair value measurement (continued)

The assets and liabilities acquired within business combinations are measured according to the following hierarchies:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities, which are relevant to the values attributed to working capital accounts and employee provisions acquired in the business combinations; and
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable, which are relevant for values attributed to the acquisitions of intangible assets in business combinations.

The level 3 hierarchy valuations of intangible assets are based upon fair value assessments by the Group's directors, and involve the combination of the following valuation techniques: net present value cash forecasting techniques applying industry norms and standards and similar prices achieved in recent market transactions for like-for-like assets.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(u) Preparation of financial statements in relation to the Group

These are the financial statements of the Group. Supplementary information concerning the results of the parent entity, as is required by the Corporations Act and Corporations Regulations is disclosed in Note 24.

(v) New accounting standards and interpretations

The AASB has issued new and amended accounting standards and interpretations that have mandatory applications for future reporting periods. With the exception of those standards not available for early adoption for these financial statements, the Group has decided to adopt all of these accounting standards and interpretations.

AASB 9 Financial Instruments (December 2014) and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) (applicable for annual reporting periods commencing on or after 1 January 2018)

AASB 9 includes requirements for the classification and measurement of financial assets, the accounting requirements for financial liabilities, impairment testing requirements and hedge accounting requirements.

The changes made to accounting requirements by these standards include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value and an allowance for debt instruments to be carried at fair value through other comprehensive income in certain circumstances
- simplifying the requirements for embedded derivatives
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument

1. Summary of significant accounting policies (continued)

(v) New accounting standards and interpretations (continued)

- financial assets will need to be reclassified where there is a change in an entity's business model as they are initially classified based on (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows
- amending the rules for financial liabilities that the entity elects to measure at fair value, requiring changes in fair value attributed to the entity's own credit risk to be presented in other comprehensive income
- introducing new general hedge accounting requirements intended to more closely align hedge accounting with risk management activities as well as the addition of new disclosure requirements
- requirements for impairment of financial assets

The Company has not yet assessed the impact of this standard.

AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2015)

This standard limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015.

AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 (applicable for annual reporting periods commencing on or after 1 January 2017)

AASB 15 establishes a single, comprehensive framework for revenue recognition, and replaces the previous revenue Standards AASB 118 Revenue and AASB 111 Construction Contracts, and the related Interpretations on revenue recognition Interpretation 13 Customer Loyalty Programs, Interpretation 15 Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers and Interpretation 131 Revenue—Barter Transactions Involving Advertising Services.

AASB 15 introduces a five step process for revenue recognition with the core principle of the new Standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

The Company has not yet assessed the impact of this standard.

2. 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 derive directly from its operations.

2. Financial risk management (continued)

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

(a) Market risk

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

(b) 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 2014 all of the Group's financial liabilities had variable interest rates, and therefore as at this date there was no fair value sensitivity to changes in interest rates. However the Group has a cash flow exposure to changes in market interest rates. The Group manages its cash flow risk of changes to interest rates through cash flow forecasting analyses, which incorporate the potential for interest rate movements.

(c) Foreign currency risk

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

(d) 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 is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions.

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 2014, the Group had 7 customers that owed the Group more than \$100,000 each and accounted for approximately 70.6% of all the receivables outstanding.

2. Financial risk management (continued)

(d) Credit risk (continued)

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables disclosed in Note 6. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries. At 30 June 2014 the Group had receivables totaling \$174,169 in arrears of credit terms, representing 5.3% of all receivables outstanding.

(e) Liquidity and capital risk management

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

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of equity and debt funding and cash and short-term deposits sufficient to meet the Group's current cash requirements.

As at 30 June 2014 the Group's bank lenders required a minimum 25% capital ratio, defined as surplus of tangible assets divided by liabilities. This covenant was met for all of the period.

	Less than 6 months \$	6 to 12 months \$	1 to 5 years \$	Total \$
As at 30 June 2014				
<i>Liquid financial assets</i>				
Cash and cash equivalents	329,534	-	-	329,534
Trade and other receivables	3,243,744	-	-	3,243,744
	<u>3,573,278</u>	<u>-</u>	<u>-</u>	<u>3,573,278</u>
<i>Financial liabilities</i>				
Bank overdraft	629,848	-	-	629,848
Trade and other payables	2,961,160	-	-	2,961,160
Financial liabilities	2,975,248	438,000	324,000	3,737,248
	<u>6,566,256</u>	<u>438,000</u>	<u>324,000</u>	<u>7,328,256</u>
Net outflow	<u>(2,992,978)</u>	<u>(438,000)</u>	<u>(324,000)</u>	<u>(3,754,978)</u>

Details of the contractual maturities of the Group's financial liabilities are disclosed in Note 11.

(f) Fair value estimation

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximate their respective fair values determined in accordance with the accounting policies disclosed in Note 1.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of trade receivables

The Group has chosen not to impair trade receivables past their due date where it is of the opinion that these receivables will be paid, based on historical experience. Refer to Note 2(d).

Share based payment valuations

Details relating to the shares based payment valuations are detailed in Note 21.

Fair value of assets and liabilities on business combinations

The Group has estimated fair values of assets and liabilities on business combinations based on anticipated future cash flows and with reference to equivalent independent third party market values and, where relevant, expected internal rates of return for identified intangible assets.

4. Expenses

	Consolidated 26 April 2013 to 30 June 2014 \$
<i>Employee benefits expense includes:</i>	
Salaries and wages	1,468,200
Superannuation	118,013
Other employee expenses	326,309
	<u>1,912,522</u>
<i>Acquisition and relocations expense includes:</i>	
Professional consulting expenses	205,905
Relocation expenses	61,820
Share-based payments	115,166
Other employee expenses	19,337
Occupancy expenses	266,963
	<u>669,191</u>

5. Income tax

Income tax recognised in profit or loss

	Consolidated 26 April 2013 to 30 June 2014 \$
Current tax expense in respect of the current period	202,089
Deferred tax (benefit) recognised in the current period	(106,836)
Total income tax expense recognised in the current period relating to continuing operations	<u>95,253</u>

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

Profit before tax	<u>167,260</u>
Income tax expense calculated at 30%	50,178
Non-deductible expenses for tax purposes	<u>45,075</u>
Total income tax expense recognised in the current period	<u>95,253</u>

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.

6. Trade receivables and other assets

	Consolidated 2014 \$
Current	
Trade debtors	3,273,918
Provision for doubtful debts	(31,724)
Provision for rebates	<u>(23,576)</u>
	3,218,618
GST receivable	<u>25,126</u>
	<u>3,243,744</u>

7. Inventories

Raw materials	891,818
Finished goods	642,225
Packaging	<u>1,381,020</u>
	<u>2,915,063</u>

8. Plant and equipment

	Consolidated 2014 \$
Office equipment – at cost	36,801
Accumulated depreciation	(1,633)
	<u>35,168</u>
Plant and equipment – at cost	1,399,403
Accumulated depreciation	(99,690)
	<u>1,299,713</u>
Leasehold improvements – at cost	655,304
Accumulated depreciation	(38,515)
	<u>616,789</u>
	<u>1,951,670</u>

Movement in carrying values

Office equipment

Carrying value at beginning of period	-
Additions	1,350
Acquired through business combinations	35,451
Depreciation	(1,633)
Carrying value at end of period	<u>35,168</u>

Plant and equipment

Carrying value at beginning of period	-
Additions	264,520
Acquired through business combinations	1,134,883
Depreciation	(99,690)
Carrying value at end of period	<u>1,299,713</u>

Leasehold improvements

Carrying value at beginning of period	-
Additions	379,599
Acquired through business combinations	275,705
Depreciation	(38,515)
Carrying value at end of period	<u>616,789</u>
	<u>1,951,670</u>

9. Intangible assets

	Consolidated 2014
	\$
Customer relationships	7,490,567
Formulations and processes	7,092,934
Brands and trademarks	1,642,784
	<u>16,226,285</u>

Assessment of impairment of indefinite-lived intangible assets

As at 30 June 2014 the Directors reviewed the historical and projected financial performance of Group's sole cash-generating unit, being its Australian manufacturing and distribution cash-generating unit. From the basis of that review, and from an analysis of their estimated calculation of the overall market capitalisation of the Group, which is based upon its total share capital multiplied by its most recent seed capital price of 15 cents per share, the Directors determined that no evidence of indicators of impairment existed in respect of the cash-generating unit as at 30 June 2014. There was no evidence of any other internal or external indicators that have arisen since the date of the seed capital raising through to the date of this report that would otherwise influence this assessment of indicators of impairment.

All intangible assets are incorporated into the Group's Australian manufacturing and distribution cash-generating unit.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The value in use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

10. Trade and other payables

Current

Trade creditors	2,711,818
Other creditors and accruals	249,342
	<u>2,961,160</u>

11. Financial liabilities

Current

Bank loan	856,417
Trade finance facility	417,127
Deferred consideration owing to members of key management personnel arising on purchases of businesses	1,611,968
Other loans payable to key management personnel	503,559
Other financial liabilities	24,177
	<u>3,413,248</u>

Non-current

Bank loan	<u>324,000</u>
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The bank loan has a 2 year term, ending in April 2016. Interest is payable at a variable rate with an indicative interest rate of 5.39%. The loan is secured by a mortgage over the lease on the Company's Dandenong South factory, limited guarantees by Geoff Pearce and John Humble and general security agreements over all entities in the Group.

11. Financial liabilities (continued)

The trade finance facility is repayable on demand and subject to an annual review. Interest is payable at a variable rate with an indicative interest rate of 5.5%.

Of the deferred consideration, \$1,143,706 is payable on 30 September 2015. Agreement of this date for payment was reached subsequent to 30 June 2014, and as such, in these financial statements this amount is classified as a current liability. Interest is payable at a rate of the 180 day bills of exchange rate plus 1.5%.

The holders of other loans outstanding from key management personnel have the ability and intention not to call these amounts which would otherwise be to the detriment of the Group's available reserves of working capital.

Other loans and other financial liabilities are non-interest bearing.

12. Contributed equity

(a) Issued capital

	Consolidated 2014 \$
Ordinary shares, fully paid	<u>16,598,765</u>

(b) Movements in share capital

	2014 Number	2014 \$
Balance at beginning of period	-	-
Shares issued during period		
- foundation shares issued – tranche 1 (i)	40,681,668	-
- foundation shares issued – tranche 2 (ii)	24,644,723	2,465
- shares issued for business acquisitions (iii)	103,579,999	15,537,000
- shares issued pursuant to information memorandum	7,910,002	1,186,500
Transaction costs relating to share issues	-	(127,200)
Balance at end of period	<u>176,816,392</u>	<u>16,598,765</u>

- (i) Tranche 1 shares were granted upon the Company's foundation and consequently had a fair value of nil.
- (ii) Tranche 2 shares were granted in May 2013, shortly after the foundation of the Company and consequently had a fair value of 0.01 cents per share, being the consideration transferred for the purchase of the shares.
- (iii) The effective grant dates of the 103,579,999 shares issued in connection with business acquisitions were 2 January 2014 and 14 March 2014 at a value of 15 cents per share, being the value of the shares issued pursuant to an information memorandum at the same time. Refer to Note 17.

(c) Terms and conditions of issued capital

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

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

13. Reserves

	Consolidated 2014 \$
Options reserve	<u>204,498</u>

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

Balance at beginning of period	-
Option vesting costs for period charged to profit or loss	115,166
Option vesting costs charged to the cost of equity	<u>89,332</u>
Balance at end of period	<u>204,498</u>

Of the total 33,700,000 options on issue at year-end, 33,200,000 were held by key management personnel.

14. Key management personnel disclosures

(a) Directors and other key management personnel

The following persons were directors of BWX Limited during the financial period:

Denis Shelley (appointed 22 July 2013)
 John Humble (appointed 26 April 2013)
 Geoff Pearce (appointed 2 January 2014)
 Aaron Finlay (appointed 26 April 2013)
 Craig Bottomley (appointed 26 April 2013)

There were no key management personnel of the Group for the period other than the Directors.

(b) Compensation of key management personnel

Short-term employee benefits	386,667
Post-employment benefits	35,767
Share-based payments	<u>115,166</u>
	<u>537,600</u>

(c) Loans to and from key management personnel

There were no loans to key management personnel of the Group, including their personally related parties, as at 30 June 2014.

Details of loans owing from members of key management personnel are included in Note 11.

(d) Other transactions with key management personnel

Wages totaling \$44,185 were paid to Dr Pearce, the daughter of Mr Pearce during the period in her capacity as Quality Assurance Manager for Beautiworx Pty Ltd.

Other than aforementioned loan balances noted in Note 14(c) above, as at 30 June 2014 the Group owed amounts to related parties of Mr Pearce and Mr Humble totaling \$494,147 and \$181,055 respectively. These amounts related to operations undertaken by the Group prior to finalisation and availability of bank funding. These were unsecured and payable at call as at this date.

14. Key management personnel disclosures (continued)

(d) Other transactions with key management personnel (continued)

During the period ended 30 June 2014, an amount of \$249,458 in relation to the rental of a facility at Summit Road, Noble Park, Victoria, was paid to Continental Purchasing Group Pty Ltd, a related entity of Mr Pearce.

During the period all related party transactions were undertaken at arm's length terms and were approved by the Group's Board (excluding the vote of the director to which the related party benefit was conferred).

15. Details of controlled entities

Name	Principal activity	Country of incorporation	Interest held by the Group 2014 %
<i>Parent</i>			
BWX Limited		Australia	
<i>Controlled entities</i>			
Beautiworx Pty Ltd	Manufacturing	Australia	100
LHS No. 2 Pty Ltd	Dormant	Australia	100
Uspa Corporation Pty Ltd	Brand operating business	Australia	100
Edward Beale Hair Care Pty Ltd	Brand operating business	Australia	100

16. Segment information

The Group operates wholly in one business segment, being hair and beauty products, and one geographical region, being Australia. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is focused on its one business and geographical segment. The Group's reportable segments under AASB 8 are therefore within one business and geographical segment.

17. Business combinations

The details of the business acquired, including the date of the transaction, consideration and net fair values of assets and liabilities acquired are disclosed below:

	Beauti- worx Australia	Leisure & Hospitality Services	Uspa	Edward Beale Hair Care	Total
Date of acquisition	2 Jan 2014	2 Jan 2014	14 Mar 2014	31 Jan 2014	
	\$	\$	\$	\$	\$
Consideration					
Shares issued	7,162,000	7,581,000	375,000	419,000	15,537,000
Options granted and vested	89,326	23,392	-	-	112,718
Cash payment	12,936	-	1,686,038	310,983	2,009,957
Cash payment – deferred consideration	1,143,706	468,261	-	-	1,611,967
Total consideration	8,407,968	8,072,653	2,061,038	729,983	19,271,642
Net fair values of assets and liabilities acquired					
Cash	-	12	21,800	-	21,812
Inventories	1,330,562	107,452	611,768	63,841	2,113,623
Plant and equipment	534,884	600,000	311,156	-	1,446,040
Intangible assets					
- customer relationships	2,721,229	4,351,487	417,851	-	7,490,567
- formulations & processes	3,972,934	3,120,000	-	-	7,092,934
- brands & trademarks			976,642	666,142	1,642,784
Deferred tax assets	64,989	45,556	3,506	-	114,051
Financial liabilities	-	-	(270,000)	-	(270,000)
Provisions	(216,630)	(151,854)	(11,685)	-	(380,169)
Total identifiable net assets at fair value	8,407,968	8,072,653	2,061,038	729,983	19,271,642
Goodwill arising at acquisition	-	-	-	-	-
Profit / (loss) contribution to Group result since date of acquisition		760,476	(71,448)	24,348	713,376
Profit / (loss) impact had entity been acquired at beginning of period		2,144,364	(149,663)	69,497	2,064,198

Details of acquisitions

The Company acquired 100% of the issued capital of LHS No 2 Pty Ltd and Uspa Corporation Pty Ltd from the vendors of these entities. Assets and liabilities of Beautiworx, Leisure and Hospitality Services and Edward Beale Hair Care were purchased by newly incorporated 100% owned entities Beautiworx Pty Ltd (Beautiworx and Leisure and Hospitality Services) and Edward Beale Hair Care Pty Ltd (Edward Beale Hair Care).

The four acquisitions undertaken during the period are representative of the Company's stated objectives, whereby the Company is developing a solid manufacturing base through which to support, build and develop brands. Each of the acquisitions represented a profitable, or at worse break even proposition and together accrued significant synergies and economies of scale.

18. Notes to the Statement of Cash Flows

(a) Reconciliation of cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at call in deposits with banks. Cash at the end of the period is shown in the Statement of Financial Position as:

	Consolidated 2014 \$
Cash on hand and at bank	329,534
Bank overdraft	(629,848)
	<u>(300,314)</u>

As at 30 June 2014 the Group had available \$670,015 of undrawn borrowing facilities.

(b) Reconciliation of net profit after tax to net cash flows from operations

Net profit after tax	72,007
<i>Adjustments for:</i>	
Depreciation and amortisation	140,170
Share-based payments	115,166
<i>Changes in assets and liabilities</i>	
(Increase) in:	
Trade and other receivables	(3,242,604)
Inventories	(801,439)
Increase in:	
Trade and other payables	2,960,700
Provisions	101,398
Net income tax assets and liabilities	95,253
Net cash from operating expenses	<u>(559,349)</u>

19. Auditor's remuneration

<i>William Buck</i>	
Audit services	<u>43,500</u>

20. Earnings per share

	2014 Number
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	<u>82,397,987</u>

The profit used to calculate both ordinary and diluted earnings per share is disclosed on the Statement of Comprehensive Income.

21. Share-based payments

Options on issue and granted during the period

<i>Issue date</i>	<i>Quantity</i>	<i>Grant date</i>	<i>Expiry date</i>	<i>Exercise price</i>
1 May 2013	18,200,000	1 May 2013	30 Sep 2018	\$0.40
22 Jul 2013	1,000,000	22 Jul 2013	30 Sep 2018	\$0.40
5 Mar 2014	12,400,000	5 Mar 2014	30 Sep 2018	\$0.40
	<u>31,600,000</u>			

The above options are all subject to the following vesting conditions:

1. The first occurrence of a 25% or more increase in EBITDA for a financial year from the EBITDA for the year ended 30 June 2013 as recognised in the pro-forma financials included in the Company's prospectus prior to the Official Quotation by the Group;
2. The first occurrence of a 50% or more increase in EBITDA for a financial year from the EBITDA for the year ended 30 June 2013 as recognised in the pro-forma financials included in the Company's prospectus prior to the Official Quotation by the Group. If this Vesting Condition is satisfied, then the Vesting Condition in Item 1 is also deemed to be satisfied; and
3. Being an Employee during the period commencing on the date that the Company is admitted on the Official List or the Shares receive Official Quotation (whichever is later) and ending on 30 June 2016, except where the employment is terminated by the Group for any reason other than serious misconduct on the part of the employee.

During the financial period ended 30 June 2014, no options were exercised or expired. The weighted average remaining contractual life of the options was 4 years and 3 months.

Fair value of options granted during the period

The assessed fair value at grant date of options granted to individuals is allocated equally over the period from grant date to vesting date. Fair values at grant date are determined using a Black Scholes option pricing model that takes into account the exercise price, term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The following options were issued during the financial period ended 30 June 2014:

	<i>Issue and grant date</i>	<i>Quantity</i>	<i>Grant date</i>	<i>Exercise price (cents)</i>	<i>Fair value per option (cents)</i>
a	1 May 2013	18,200,000	1 May 2013	40	0.00
b	22 Jul 2013	1,000,000	22 Jul 2013	40	0.00
c	5 Mar 2014	12,400,000	5 Mar 2014	40	5.41
		<u>31,600,000</u>			

The weighted average fair value of options granted and issued during the period was 2.12 cents per share.

21. Share-based payments (continued)

The model inputs for the options granted during the period were as follows:

	a	b	c
Quantity	18,200,000	1,000,000	12,400,000
Grant date	1 May 13	22 Jul 13	5 Mar 14
Expiry date	30 Sep 18	30 Sep 18	30 Sep 18
Grant date share price	\$0.0002	\$0.0002	\$0.15
Exercise price	\$0.40	\$0.40	\$0.40
Expected volatility	100%	100%	100%
Option life (years)	4.74	4.52	3.75
Expected dividend yield	0%	0%	0%
Risk free rate at grant date	2.76%	2.76%	2.90%

22. Commitments and contingent assets and liabilities

Leasing commitments

The Group has entered into operating leases on office and manufacturing premises for terms of up to 10 years (with options to extend for between 5 and 10 years further). Future minimum rentals payable under this operating lease are as follows:

	Consolidated 2014 \$
Within one year	684,236
More than one but not more than five years	3,587,595
More than five years	4,880,391
	<u>9,152,222</u>

The Group does not have any material contingent assets or liabilities other than as disclosed in this report.

23. Subsequent events

During November 2014, the Group entered into the lease of an additional warehouse at the Dandenong South facility, increasing the warehouse square meterage available by 1,971 square metres given the growth that has been experienced on the manufacturing side of the business.

During December 2014, the Group appointed Mr Nicholas Chadwick to advise the Group on the brand development and strategy for the Usps and Edward Beale brands and product ranges.

24. Supplementary information about the parent entity

	Parent 2014 \$
Assets	
Current assets	24,013
Total assets	<u>17,865,222</u>
Liabilities	
Current liabilities	1,588,921
Total liabilities	<u>1,914,556</u>
Net assets	<u>15,950,666</u>
Equity	
Issued capital	16,598,765
Reserves	204,498
Total equity	<u>15,950,666</u>
Profit and loss	
Loss	(852,597)
Comprehensive income	
Total comprehensive income	<u>(852,597)</u>

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

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of BWX Limited, I state that:

1. In the opinion of the directors:
 - (a) the attached financial statements and notes of BWX Limited 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 2014 and of their performance for the period ended on that date; and
 - (ii) complying with 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. The attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements.
3. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial period ended 30 June 2014.

On behalf of the Board



Mr John Humble
Chief Executive Officer

Melbourne, 12 March 2015

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

Report on the Financial Report

We have audited the accompanying consolidated financial report comprising BWX Limited (the Company) and the entities it controlled at 30 June 2014 or from time to time during the financial period 26 April 2013 through to 30 June 2014 (the consolidated entity). The consolidated financial report comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Independence

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

CHARTERED ACCOUNTANTS & ADVISORS

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

Auditor's Opinion

In our opinion:

- a) the financial report of the consolidated entity is in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the period 26 April 2013 to 30 June 2014; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of BWX Limited for the period ended 30 June 2014 included on BWX Limited's web site. The company's directors are responsible for the integrity of the BWX Limited's web site. We have not been engaged to report on the integrity of the BWX Limited's web site. The auditor's report refers only to the financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

William Buck

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



N. S. Benbow

Director

Dated this 12th day of March, 2015