BWX Ltd

BWX Limited ABN 13 163 488 631

Annual Report

FOR THE YEAR ENDED 30 JUNE 2015

CORPORATE DIRECTORY

Directors

Mr Denis Shelley	Non-Executive Chairman
Mr John Humble	Chief Executive Officer
Mr Ian Campbell	Non-Executive Director
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
Level 23
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Contact Details

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Tel:	+61 3 8785 6300

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Minter Ellison
Rialto Towers
Level 23
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Melbourne VIC 3000

Auditor
William Buck
Level 20
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CHAIRMAN'S LETTER

Dear Shareholders

I am very pleased to present to you the BWX Limited 2015 Annual Report.

The acquisition of manufacturing entities Leisure & Hospitality Services Pty Ltd (LHS) and Beautiworx Australia Pty Ltd, and the brands Uspa and Edward Beale in Fiscal 2014, and their subsequent relocation into purpose built premises in Dandenong South, has meant that a large portion of Fiscal 2015's focus has been on consolidating and integrating these businesses. This involved a substantial investment in both our production and business processes as well as the recruitment of an additional layer of management and skilled personnel. The combination of all this has resulted in us having a profitable, efficient and well managed production facility that can support, not only the growth from our key customers but also, the acquisition of another brand with superior local, and international, growth potential.

The development of a cadre of branded products in the Beauty and Personal care sectors of the market is a key core strategy of BWX and to that end we commenced discussions to acquire the Sukin brand. Sukin and its related product ranges of DermaSukin and Renew Skincare is one of Australia's leading natural personal care brands. The acquisition of the Sukin brands is a natural fit and progression for our business as we have a long standing relationship with the Sukin brand since its launch in 2007. BWX acquired the Intellectual Property of this brand with its acquisition of LHS. In addition BWX produces all the product ranges for this brand.

To facilitate the purchase BWX raised $43 million, before costs, through a share issue. The acquisition of the Sukin brand was concluded on the 19 June 2015 and by the end of the fiscal year all key Sukin personnel were contractually engaged and all financial data was captured and integrated into the BWX reporting system. The underlying BWX business performed well and was profitable in FY15 on a normalised basis. BWX's FY15 earnings, as set out in the consolidated statutory accounts, were adversely impacted by the one-off costs associated with the successful acquisition of Sukin.

The 2015 financial year has been transformative for BWX and it would not have been possible without the support of our loyal and dedicated staff. I extend my sincere thanks and appreciation to everyone in our organisation for their effort and application; we could not have achieved what we have without them. I also extend my gratitude and appreciation to our Board of Directors who are all active in seeking to contribute to the strategy and to the performance of BWX Limited.

Last, but by no means least, I thank our shareholders who, by purchasing BWX shares, have enabled us to unlock the many growth opportunities that present. The underlying BWX business performed well and was profitable in FY15 on a normalised basis. BWX's FY15 earnings, as set out in the consolidated statutory accounts, were adversely impacted by the one-off costs associated with the successful acquisition of Sukin. We appreciate and value the confidence you have in us to deliver our goals.

Yours sincerely

DShelley

Mr D Shelley

Chairman

DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2015 for BWX Limited ("the "Company") and its controlled entities (the "Consolidated Entity" or the "Group").

Directors

The names and details of the Company's directors in office during the financial year 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 more than 30 years' experience across a number of leading multinational companies including Sterling Winthrop, Reckitt & Colman and a 14-year international CEO career with Sara Lee Corporation (1992-2006).

Mr Shelley has a broad industry background in FMCG, direct selling, intimate apparel and manufacturing operations in all these 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.

Additionally, Mr Shelley also held the position of Group Chairman of Sara Lee Australia (1996-2006) and as a result brings considerable experience in the many areas of corporate governance to BWX. He holds a Bachelor of Psychology and a Bachelor of Education and is a qualified teacher.

Mr John Humble – Chief Executive Officer

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 now are exported around the world. Mr Humble led the executive team in establishing the business of BWX Ltd and was central in delivering the successful acquisition of Sukin.

Mr Ian Campbell – Non-Executive Director

Appointed 15 May 2015

Mr Ian Campbell is a highly experienced company executive whose career started as a computer programmer and quickly moved into middle then senior management in a variety of operational roles in manufacturing and sales and marketing.

Mr Campbell joined Olex Cables as Group General Manager and then as Managing Director of the Pacific Dunlop Cables Group until 1998. The Cables group manufactured power and communications cables in Australia/NZ, Sri Lanka, Indonesia and China.

In 1998 Mr Campbell joined ASX-200 listed GUD Holdings Ltd as its Managing Director and CEO until his retirement in mid-2013. GUD managed a stable of consumer, trade and industrial businesses. It was a diverse portfolio of branded manufactured or sourced products selling to the retail, trade wholesale and B-to-B sectors. Companies in the GUD stable during his tenure were Sunbeam appliances, Oates cleaning, Victa Lawncare (divested in 2007), Davey Water Products, Lockfocus, Ryco and Wesfil automotive and Dexion storage solutions.

Mr Campbell has been a non-executive Director of Mirrabooka Investments Ltd since 2007. He was formerly a national councillor and Victorian Vice-president of the Australian Industry Group.

Mr Aaron Finlay – Finance Director

Appointed 26 April 2013

Mr Aaron Finlay is a Chartered Accountant and Chartered Company Secretary with over 24 years' experience in the accounting and finance profession, with experience in a range of industries, as well as in cross-border merger and acquisitions and corporate finance.

Mr Finlay has held a number of executive and director roles for ASX and NASDAQ listed companies, including most recently Cleveland Mining Company Limited, a gold-focused mining company based in Brazil, Mayne Pharma Group Limited (ASX:MYX), a specialty pharmaceutical company with which he was instrumental in the acquisition of Mayne Pharmaceuticals International Pty Ltd in 2009, pSivida Corp, an ASX, Frankfurt and NASDAQ listed bio-nanotechnology company (NASDAQ:PSDV), and ETW Corporation Limited, now Alexium International Limited, a specialty chemicals technology company based in the US (ASX:AJX).

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

Mr Craig Bottomley – Non-Executive Director

Appointed 26 April 2013

Mr Craig Bottomley has more than 20 years' experience in establishing and developing commercial ventures. He has been involved in the manufacturing, importing, exporting and marketing of products for his own companies. Mr Bottomley has established national and international sales distribution channels for both locally developed and imported product lines.

Mr Bottomley was one of the founders of ASX-listed company Halcygen Pharmaceuticals Ltd, serving as its Chief Operating Officer and Executive Director from 28 November 2005 to 28 July 2010. During this time Mr Bottomley was one of the team leaders who assisted in the acquisition of Mayne Pharmaceuticals International Pty Ltd in 2009. Mayne Pharma Group Ltd is currently an ASX Top 200 company.

Mr Geoff Pearce – Former Chief Operating Officer

Appointed 2 January 2014
Resigned 13 May 2015

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

In the 1980s, 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.

Company Secretary

Mr Aaron Finlay

Operating results

The profit of the Consolidated Entity before depreciation and amortisation, finance costs, acquisition and restructuring expenses and income tax expense for the year amounted to $1,789,520 (profit for period 26 April 2013 to 30 June 2014: $1,029,647).

The loss of the Consolidated Entity for the year after providing for income tax amounted to $2,137,717 (profit for period 26 April 2013 to 30 June 2014: $72,007).

Financial position

The net assets of the Consolidated Entity are $56,369,157 as at 30 June 2015 (2014: $16,875,270).

Principal activities and significant changes in affairs

During the year, BWX Limited has continued to develop 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.

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.

On 13 May 2015 Mr Pearce resigned as a director of the Company.

On 15 May 2015 Mr Campbell was appointed a director of the Company.

On 30 April 2015 the Company entered into a binding asset sale agreement to acquire the business of Sukin, including the related brands of Sukin Organics, DermaSukin and Renew Skincare which have been operating in the body, hair and skin care industry, subject to various conditions precedent, including a successful capital raising.

The Company received a binding letter of offer from the Commonwealth Bank of Australia which provided for an acquisition debt facility in the amount of up to $20 million. The Company utilised $15 million of this acquisition facility in funding the acquisition of the Sukin business.

On 19 June 2015, the Company issued 198,806,726 fully paid ordinary shares at $0.22 per share, raising approximately $43.74 million before costs to institutional, high net worth individuals and existing shareholders of the Company to in part fund the acquisition of the Sukin business.

On 19 June 2015, the Company completed the acquisition of the Sukin business for consideration of $57 million, $53 million payable on completion and the balance of $4 million payable 12 months following completion.

REVIEW OF OPERATIONS

During the year the Company invested considerable resources on a wide reaching improvement process across the business as a whole to facilitate the increased capabilities and scale in the business required from the significant growth experienced and expected in the future.

In the second half of the financial year this improvement process begun to have a positive impact on the profitability of the business and importantly, the capabilities of the business that has enabled the Company to undertake an acquisition transaction such as that of the Sukin business.

The business has also commenced a detailed review of the Uspa and Edward Beale brands and is currently implementing initiatives identified to further develop these owned brands.

Subsequent Events

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

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 and the acquisition of the Sukin brands, the organic growth in sales that have been experienced during calendar year 2015 and through future acquisition.

The future strategy of BWX is to transition during the next two to three years into a company that predominantly develops, produces and markets its own proprietary brands leveraging its established distribution channels and existing portfolio of brands. BWX intends to distribute its entire portfolio both domestically and internationally.

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 year ended 30 June 2015 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 year ended 30 June 2015, the following persons were considered to be key management personnel. Unless otherwise indicated, the individuals were KMP for the entire financial period:

- Denis Shelley
- John Humble
- Ian Campbell (appointed 15 May 2015)
- Geoff Pearce (resigned 13 May 2015)
- Aaron Finlay
- Craig Bottomley

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 year ended 30 June 2015, 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 whilst considering the Company's stage of development. 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.

Details of remuneration for year ended 30 June 2015

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			
	Salary and fees $	Cash bonus $	Non-cash benefits(1) $	Super-annuation $	Share-based payments $	Total $	Performance Related %
2015							
Directors							
Mr D Shelley	40,000	–	–	3,800	–	43,800	–
Mr J Humble	250,000	–	19,103	23,750	–	292,853	–
Mr I Campbell	5,000	–	–	475	–	5,475	–
Mr A Finlay	185,000	–	13,425	17,575	–	216,000	–
Mr C Bottomley	90,000	–	–	8,550	–	98,550	–
Mr G Pearce	248,274	–	(10,212)	17,660	206,232	461,954	44.6%
	818,274	–	22,316	71,810	206,232	1,118,632	
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. No options were issued during the year ended 30 June 2015.

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 year 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 year Number	Granted during year as remuneration Number	Exercised during year Number	Forfeited during year Number	Balance at end of year and at date of this report Number	Options vested and exercisable at end of year Number
Directors						
Mr D Shelley	1,000,000	–	–	–	1,000,000	–
Mr J Humble	14,000,000	–	–	–	14,000,000	–
Mr I Campbell (1)	–	–	–	–	–	–
Mr A Finlay	2,100,000	–	–	–	2,100,000	–
Mr C Bottomley	2,100,000	–	–	–	2,100,000	–
Mr G Pearce (2)	14,000,000	–	–	(4,000,000)	10,000,000	–
	33,200,000	–	–	(4,000,000)	29,200,000	–

(1) Balance at date of appointment.
(2) Balance at date of resignation.

(ii) Shareholdings

The number of shares in the Company held during the financial year 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 financial year as remuneration.

Name	Balance at start of year Number	Issued on exercise of options during year Number	Other changes in shares held Number	Balance at end of year and at date of this report Number
Directors				
Mr D Shelley	1,666,667	–	–	1,666,667
Mr J Humble	75,184,723	–	–	75,184,723
Mr I Campbell (1)	–	–	1,363,637	1,363,637
Mr A Finlay	6,918,472	–	–	6,918,472
Mr C Bottomley	7,218,472	–	–	7,218,472
Mr G Pearce (2)	75,184,723	–	–	75,184,723
	166,173,057	–	1,363,637	167,536,694

(1) Balance at date of appointment.
(2) Balance at date of resignation.

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 2015, loan balances were owing to a Director totalling $270,000. These were unsecured and payable at call as at this date.

Wages totalling $80,748 were paid to Dr Pearce, the daughter of Mr Pearce during the period 1 July 2014 to Mr Pearce's resignation as a director on 13 May 2015 in her capacity as Quality Assurance Manager for Beautiworx Pty Ltd.

An amount of $143,811 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 1 July 2014 to Mr Pearce's resignation as a director on 13 May 2015.

An amount of $75,000 is payable at 30 June 2015 to Mrs Pearce, the wife of Mr Pearce, in accordance with the terms of the Deed of Settlement agreed with Mr Pearce.

During the year 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.

Meetings of directors

During the financial year, 11 meetings of Directors were held. Attendances by each Director during the year were as follows:

	Board meetings	
	Number attended	Number eligible to attend
Mr D Shelley	11	11
Mr J Humble	11	11
Mr I Campbell	2	2
Mr A Finlay	11	11
Mr C Bottomley	11	11
Mr G Pearce	9	9

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	8,400,000
			29,200,000

During the year ended 30 June 2015, no options were exercised. Subsequent to 30 June 2015, 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 financial year.

Non-audit services

The Company' external auditor provided taxation compliance and due diligence services during and since the end of the financial year. Refer to Note 19.

Auditor's independence declaration

The lead auditor's independence declaration for the year ended 30 June 2015 has been received and is attached to this Directors' Report.

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

Mr John Humble
Chief Executive Officer

Dated at Melbourne this 17th day of August 2015

William Buck

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 year ended 30 June 2015 there have been:

— no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

— no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

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

N. S. Benbow
Director

Dated this 17th day of August, 2015

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FINANCIAL STATEMENTS

STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

	Note	Year ended 30 June 2015 $	26 April 2013 to 30 June 2014 $
Sales revenue		27,821,740	10,608,429
Cost of sales		(18,886,674)	(7,433,557)
Gross profit		8,935,066	3,174,872
Other revenue		126,623	82,068
Corporate and administrative costs		(4,382,558)	(903,406)
Marketing, selling and distribution costs		(1,105,393)	(605,658)
Occupancy costs		(1,213,328)	(378,252)
Research and development and quality control costs		(570,890)	(339,977)
Profit before depreciation and amortisation, finance costs, acquisition and relocation expenses and income tax expense		1,789,520	1,029,647
Depreciation and amortisation		(416,742)	(139,838)
Finance costs		(382,800)	(53,358)
Acquisition and restructuring expenses		(3,318,487)	(669,191)
Profit/(loss) before income tax expense		(2,328,509)	167,260
Income tax benefit/(expense)	5	190,792	(95,253)
Total comprehensive profit for the period attributable to members of BWX Limited		(2,137,717)	72,007
Basic and diluted (loss)/earnings per share (cents)	20	(1.16)	0.09

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	Note	2015 $	2014 $
Current assets			
Cash and cash equivalents	18(a)	3,096,568	329,534
Trade receivables and other assets	6	7,442,609	3,243,744
Inventories	7	6,602,442	2,915,063
Total current assets		17,141,619	6,488,341
Non-current assets			
Plant and equipment	8	2,273,899	1,951,670
Intangible assets	9	70,138,690	16,226,285
Deferred tax assets		452,224	220,887
Total non-current assets		72,864,813	18,398,842
Total assets		90,006,432	24,887,183
Current liabilities			
Bank overdraft	18(a)	–	629,848
Trade and other payables	10	5,960,686	2,961,160
Financial liabilities	11	16,959,467	3,413,248
Income tax payable		–	202,090
Provisions for employee benefits		385,367	415,145
Total current liabilities		23,305,520	7,621,491
Non-current liabilities			
Financial liabilities	11	10,116,254	324,000
Provisions for employee benefits		215,501	66,422
Total non-current liabilities		10,331,755	390,422
Total liabilities		33,637,275	8,011,913
Net assets		56,369,157	16,875,270
Equity			
Contributed equity	12	58,024,136	16,598,765
Reserves	13	410,731	204,498
Retained earnings/(accumulated losses)		(2,065,710)	72,007
Total equity		56,369,157	16,875,270

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

		Consolidated		
	Contributed equity $	Reserves $	Retained earnings/ accumulated losses $	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
Transactions with owners in their capacity as owners				
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
Balance at 1 July 2014	16,598,765	204,498	72,007	16,875,270
Income for the year	–	–	(2,137,717)	(2,137,717)
Other comprehensive income for the year	–	–	–	–
Total comprehensive income for the year	–	–	(2,137,717)	(2,137,717)
Transactions with owners in their capacity as owners				
Shares issued, net of costs	41,425,371	–	–	41,425,371
Vesting of share options	–	206,233	–	206,233
Balance at 30 June 2015	58,024,136	410,731	(2,065,710)	56,369,157

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2015

	Note	Year ended 30 June 2015 $	26 April 2013 to 30 June 2014 $
Cash flows from operating activities			
Receipts from customers		30,446,939	8,400,299
Payments to suppliers and employees		(30,371,321)	(8,588,972)
Payments for transaction costs		(1,377,991)	(348,120)
Tax paid		(242,634)	–
Interest received		550	1,508
Interest paid		(243,905)	(24,064)
Net cash flows used in operating activities	18(b)	(1,788,362)	(559,349)
Cash flows from investing activities			
Purchase of plant and equipment		(661,390)	(645,468)
Proceeds on sale of plant and equipment		4,000	–
Net cash outflow on acquisition of business		(54,305,820)	(1,988,034)
Net cash flows used in investing activities		(54,963,210)	(2,633,502)
Cash flows from financing activities			
Proceeds from issue of shares		43,737,480	1,188,965
Capital raising costs		(2,312,109)	(127,200)
Proceeds from financial liabilities		19,923,083	1,597,213
Repayment of borrowings		(1,200,000)	–
Loans from related parties		–	233,559
Net cash from financing activities		60,148,454	2,892,537
Net increase/(decrease) in cash and cash equivalents		3,396,882	(300,314)
Cash and cash equivalents at beginning of the period		(300,314)	–
Cash and cash equivalents at end of the period	18(a)	3,096,568	(300,314)

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

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.

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 2015 and the results of all subsidiaries for the financial year then ended. 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.

(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.

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 ended 30 June 2014.

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.

(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 Profit and Loss and Comprehensive Income.

1. Summary of significant accounting policies (continued)

(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.

Stock will be assessed at six month intervals to identify items that have the potential to become obsolete. Appropriate provision will be made to provide for this potential obsolescence.

(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 Profit and Loss and 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 Profit and Loss and 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 2015 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.

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 Profit and Loss and 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.

(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)

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) Comparative financial information

Financial information presented in the Statement of Profit and Loss and Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows for the prior financial period covers the period 26 April 2013 (the date of incorporation of BWX Limited) to 30 June 2014.

(w) 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 and those set out below, the Group has decided to adopt all of these accounting standards and interpretations.

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.

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 2015 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 2015, the Group had 13 customers that owed the Group more than $100,000 each and accounted for approximately 83.4% of all the receivables outstanding.

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, minor receivables are grouped into homogeneous 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 2015 the Group had receivables totalling $2,667,263 in arrears of credit terms, representing 31.3% 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.

2. 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 $	6 to 12 months $	1 to 5 years $	Total $
As at 30 June 2015				
Liquid financial assets				
Cash and cash equivalents	3,096,568	–	–	3,096,568
Trade and other receivables	7,442,609	–	–	7,442,609
	10,539,177	–	–	10,539,177
Financial liabilities				
Trade and other payables	5,960,686	–	–	5,960,686
Financial liabilities	7,133,712	9,825,755	10,116,254	27,075,720
	13,094,398	9,825,755	10,116,254	33,036,407
	(2,555,221)	(9,825,755)	(10,116,254)	(22,497,230)
As at 30 June 2014				
Liquid financial assets				
Cash and cash equivalents	329,534	–	–	329,534
Trade and other receivables	3,243,744	–	–	3,243,744
	3,573,278	–	–	3,573,278
Financial liabilities				
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
	6,566,256	438,000	324,000	7,328,256
	(2,992,978)	(438,000)	(324,000)	(3,754,978)

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).

Assessment of impairment of indefinite-lived intangible assets
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. Refer to Note 9.

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. Refer to Note 17.

4. Expenses

	Year ended 30 June 2015 $	26 April 2013 to 30 June 2014 $
Employee benefits expense includes:		
Salaries and wages	3,182,428	1,468,200
Superannuation	160,530	118,013
Labour hire	481,192	–
Share-based payments	206,233	
Other employee expenses	610,441	326,309
	4,640,824	1,912,522
Acquisition and restructuring expense includes:		
Professional consulting expenses	554,648	205,905
Relocation expenses	85,174	61,820
Share-based payments	–	115,166
Termination payments and other employee expenses	332,834	19,337
Occupancy expenses	169,099	266,963
Provision for bad debts	291,582	–
Stamp duty costs	1,885,150	–
	3,318,487	669,191

5. Income tax

Income tax recognised in profit or loss

Current tax expense in respect of the current period	–	202,089
Deferred tax (benefit) recognised in the current period	(190,792)	(106,836)
Total income tax expense recognised in the current period relating to continuing operations	(190,792)	95,253

5. Income tax (continued)

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

	Year ended 30 June 2015 $	26 April 2013 to 30 June 2014 $
Profit/(loss) before tax	(2,328,509)	167,260
Income tax expense/(benefit) calculated at 30%	(698,553)	50,178
Non-deductible expenses for tax purposes	485,240	45,075
	(213,313)	95,253
Prior year adjustment	22,521	–
Total income tax expense recognised in the current period	(190,792)	95,253

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

	2015 $	2014 $
Current		
Trade debtors	7,084,234	3,273,918
Provision for doubtful debts	(351,940)	(31,724)
Provision for rebates	(85,800)	(23,576)
	6,646,494	3,218,618
GST receivable	207,860	25,126
Other receivables	530,700	–
Prepayments	57,555	–
	7,442,609	3,243,744

7. Inventories

Raw materials	1,485,982	891,818
Finished goods	2,797,405	642,225
Packaging	2,319,055	1,381,020
	6,602,442	2,915,063

8. Plant and equipment

	2015 $	2014 $
Office equipment – at cost	52,756	36,801
Accumulated depreciation	(7,879)	(1,633)
	44,877	35,168
Plant and equipment – at cost	1,750,361	1,399,403
Accumulated depreciation	(341,416)	(99,690)
	1,408,945	1,299,713
Motor vehicles – at cost	30,452	–
Accumulated depreciation	(207)	–
	30,245	–
Leasehold improvements – at cost	996,909	655,304
Accumulated depreciation	(207,077)	(38,515)
	789,832	616,789
	2,273,899	1,951,670

Movement in carrying values

	Year ended 30 June 2015 $	26 April 2013 to 30 June 2014 $
Office equipment		
Carrying value at beginning of period	35,168	–
Additions	4,418	1,350
Acquired through business combinations	11,537	35,451
Depreciation	(6,246)	(1,633)
Carrying value at end of period	44,877	35,168
Plant and equipment		
Carrying value at beginning of period	1,299,713	–
Additions	319,666	264,520
Acquired through business combinations	31,292	1,134,883
Depreciation	(241,726)	(99,690)
Carrying value at end of period	1,408,945	1,299,713
Motor vehicles		
Carrying value at beginning of period	–	–
Additions	–	–
Acquired through business combinations	30,452	–
Accumulated depreciation	(207)	–
Carrying value at end of period	30,245	–

8. Plant and equipment (continued)

	Year ended 30 June 2015 $	26 April 2013 to 30 June 2014 $
Leasehold improvements		
Carrying value at beginning of period	616,789	–
Additions	337,305	379,599
Acquired through business combinations	4,300	275,705
Accumulated depreciation	(168,562)	(38,515)
Carrying value at end of period	789,832	616,789
	2,273,899	1,951,670

9. Intangible assets

	Note	2015 $	2014 $
Customer relationships	17	1,774,946	7,490,567
Formulations and processes		7,092,934	7,092,934
Brands and trademarks		1,642,784	1,642,784
Goodwill		59,555,814	–
Other		72,212	–
		70,138,690	16,226,285

Assessment of impairment of indefinite-lived intangible assets

Fair values on consolidation are provisional and will be subject to further review during the 12 months from 19 June 2015, being the effective date of consolidation. Management have identified intangible assets to date in the form of customer relationships, brands and trademarks and are yet to have completed a fair value assessment at the date of this report.

All intangible assets are incorporated into the Group’s Australian manufacturing and distribution cash-generating unit. This cash-generating unit was tested for impairment at 30 June 2015 by comparing its recoverable amount to the carrying values of assets and liabilities relevant to this cash-generating unit. The value-in-use calculation is based upon an estimated future 5-year cash flow forecast, incorporating a base year 1 budget year, a 4-year forecast period and a terminal value calculation in the fifth year, with the following key input assumptions:

Growth rate over forecast period	3.5%
Terminal year growth rate	2.5%
Pre-tax discount rate	12.5%

10. Trade and other payables

Current		
Trade creditors	3,328,260	2,711,818
Stamp duty payable	1,885,150	–
Other creditors and accruals	747,276	249,342
	5,960,686	2,961,160

11. Financial liabilities

	Note	2015 $	2014 $
Current			
Bank loan		5,086,873	856,417
Trade finance facility		5,000,933	417,127
Equipment finance		38,801	–
Deferred consideration owing to members of key management personnel arising on purchases of businesses		23,392	1,611,968
Deferred consideration on purchase	17	4,000,000	–
Purchase price adjustments		265,706	–
Other loan payable to key management personnel		270,000	503,559
Other financial liabilities		2,273,762	24,177
		16,959,467	3,413,248
Non-current			
Bank loan		10,000,000	324,000
Equipment finance		116,254	–
		10,116,254	324,000

The bank facilities have a three year term, ending June 2018 and comprise a $5 million bullet facility which was drawn down in full as part funding for the acquisition of Sukin, a $15 million revolving acquisition facility, of which $10 million was drawn down in full as part funding for the acquisition of Sukin and $10 million trade finance facility. All facilities are interest only with the exception that on IPO of the Company, the Company will repay the bullet facility and revolving acquisition facility in order. Any balance of the revolving acquisition facility not repaid on IPO of the Company will be converted to principal and interest 12 months from the original funding date with a five year term.

The facilities are secured by a mortgage over the assets of the consolidated group of companies. A facility establishment fee of approximately 2.05% was paid on the initiation of the facilities with an indicative interest rate of 3.25% on the bullet facility, 3% on the revolving acquisition facility and 2.5% on the trade finance facility.

Of the consideration payable on the acquisition of the Sukin business, $4 million is deferred consideration required to be paid 12 months from the completion of the acquisition. In addition, there is a working capital adjustment resulting in an additional $2,611,542 to be paid during August to reflect the increased working capital recognised at the time of the completion of the acquisition of the Sukin business.

The loan from key management personnel is non-interest bearing and payable at call.

Other financial liabilities are to be repaid in tranches prior to 31 December 2015 and in full on a successful IPO of the Company to a former director of the Company. Interest is payable at a rate of the 180 day bills of exchange rate plus 1.5%.

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

12. Contributed equity

(a) Issued capital

	2015 $	2014 $
Ordinary shares, fully paid	58,024,136	16,598,765

(b) Movements in share capital

	Year ended 30 June 2015		26 April 2013 to 30 June 2014	
	Number	$	Number	$
Balance at beginning of period	176,816,392	16,598,765	–	–
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
– shares issued pursuant to information memorandum (iv)	198,806,726	43,737,479	–	–
Transaction costs relating to share issues	–	(2,312,108)	–	(127,200)
Balance at end of period	375,623,118	58,024,136	176,816,392	16,598,765

(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.
(iv) The effective grant date of the 198,806,726 shares issued pursuant to an information memorandum in connection with business acquisitions was 19 June 2015 at a value of 22 cents per share. 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

	2015 $	2014 $
Options reserve	410,731	204,498

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

	Year ended 30 June 2015 $	26 April 2013 to 30 June 2014 $
Balance at beginning of period	204,498	–
Option vesting costs for period charged to profit or loss	243,383	115,166
Option vesting costs charged to the cost of equity	–	89,332
Reversal of options forfeited	(37,150)	–
Balance at end of period	410,731	204,498

All of the total 29,200,0000 options on issue at year-end 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 year:

Denis Shelley
John Humble
Ian Campbell (appointed 15 May 2015)
Aaron Finlay
Craig Bottomley
Geoff Pearce (resigned 13 May 2015)

(b) Compensation of key management personnel

	Year ended 30 June 2015 $	26 April 2013 to 30 June 2014 $
Short-term employee benefits	840,590	386,667
Post-employment benefits	71,810	35,767
Share-based payments	206,232	115,166
	1,118,632	537,600

(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 2015 (30 June 2014: nil).

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

(d) Other transactions with key management personnel

Wages totalling $80,748 were paid to Dr Pearce, the daughter of Mr Pearce during the period 1 July 2014 to Mr Pearce's resignation as a director on 13 May 2015 (period 26 April 2013 to 30 June 2014: $44,185) in her capacity as Quality Assurance Manager for Beautiworx Pty Ltd.

An amount of $143,811 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 1 July 2014 to Mr Pearce's resignation as a director on 13 May 2015 (period 26 April 2013 to 30 June 2014: $249,458).

An amount of $75,000 is payable at 30 June 2015 to Mrs Pearce, the wife of Mr Pearce, in accordance with the terms of the Deed of Settlement agreed with Mr Pearce.

During the year 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 2015 %	Interest held by the Group 2014 %
Parent				
BWX Limited		Australia		
Controlled entities				
Beautiworx Pty Ltd	Manufacturing	Australia	100	100
LHS No. 2 Pty Ltd	Dormant	Australia	100	100
Uspa Corporation Pty Ltd	Brand operating business	Australia	100	100
Edward Beale Hair Care Pty Ltd	Brand operating business	Australia	100	100
BWX Brands Pty Ltd	Holding company	Australia	100	–
Red Earth Distribution Pty Ltd	Dormant	Australia	100	–
Regulatory Advisory Services Pty Ltd	Advisory business	Australia	100	–
Regulatory Advisory Services Ltd	Advisory business	United Kingdom	100	–
Sukin Australia Pty Ltd	Brand operating business	Australia	100	–
Renew Skin Care Australia Pty Ltd	Brand operating business	Australia	100	–
Derma Sukin Australia 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, being the manufacture, wholesale sale and development of natural body, hair and skin care products.

17. Business combinations

The details of the business acquired, including the date of the transaction, consideration and provisional net fair values of assets and liabilities acquired during the year ended 30 June 2015 are disclosed below:

	Sukin Australia $
Date of acquisition	19 June 2015
Consideration	
Cash payment	53,000,000
Cash payment – deferred consideration	4,000,000
Working capital adjustment	1,515,705
Trade receivable offset adjustment	1,151,660
Disposal of intangible asset as part of acquisition	5,715,621
Total consideration	65,382,986

	Sukin Australia $
Provisional net fair values of assets and liabilities acquired	
Trade debtors	4,691,114
Inventories	1,105,692
Plant and equipment	77,581
Provisions	(47,215)
Total identifiable net assets at fair value	5,827,172
Provisional goodwill arising at acquisition	59,555,814
Profit/(loss) contribution to Group result since date of acquisition	236,514
Profit/(loss) impact had entity been acquired at beginning of year	7,193,967

Details of acquisitions

Fair values on consolidation are provisional and will be subject to further review during the 12 months from 19 June 2015, being the effective date of consolidation. Management have identified intangible assets to date in the form of customer relationships, brands and trademarks and are yet to have completed a fair value assessment at the date of this report.

The assets and liabilities of Sukin Australia, Renew Skin Care Australia and Derma Sukin Australia were purchased by newly incorporated 100% owned entities Sukin Australia Pty Ltd, Renew Skin Care Australia Pty Ltd and Derma Sukin Australia Pty Ltd respectively.

The Sukin group acquisition undertaken during the year is representative of the Company's stated objectives, whereby the Company is developing a solid manufacturing base through which to support, build and develop both currently owned and acquired brands and continue the transition to a company that predominantly develops, produces and markets its own proprietary brands leveraging its established distribution channels and existing portfolio of brands.

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:

	2015 $	2014 $
Cash on hand and at bank	3,096,568	329,534
Bank overdraft	–	(629,848)
	3,096,568	(300,314)

As at 30 June 2015 the Group had available $9,225,067 (2014: $670,015) of undrawn borrowing facilities.

18. Notes to the Statement of Cash Flows (continued)

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

	Year ended 30 June 2015 $	26 April 2013 to 30 June 2014 $
Net profit/(loss) after tax	(2,137,717)	72,007
Adjustments for:		
Depreciation and amortisation	448,458	140,170
Share-based payments	206,233	115,166
Gain on disposal of plant and equipment	(4,000)	–
Interest capitalised	(35,661)	–
Borrowing costs capitalised	(69,978)	–
Changes in assets and liabilities		
(Increase) in:		
Trade and other receivables	(1,367,098)	(3,242,604)
Inventories	(2,581,687)	(801,439)
Intangibles	(80,571)	–
Increase/(decrease) in:		
Trade and other payables	4,190,047	2,960,700
Provisions	77,038	101,398
Net income tax assets and liabilities	(433,426)	95,253
Net cash from operating expenses	(1,788,362)	(559,349)

19. Auditor's remuneration

Assurance services		
– Audit of the annual financial report	54,500	43,500
– Review of the interim financial report	11,000	–
– Due diligence assurance	39,000	–
	104,500	43,500
Non-assurance services		
– Taxation compliance	5,500	–
– Due diligence – non-assurance	24,710	–
	30,210	–
	134,710	43,500

20. Earnings per share

	Year ended 30 June 2015 Number	26 April 2013 to 30 June 2014 Number
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	185,018,710	82,397,987

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

21. Share-based payments

Options forfeited during the year

Issue date	Quantity	Grant date	Expiry date	Exercise price
5 Mar 2014	4,000,000	5 Mar 2014	30 Sep 2018	$0.40
14 Mar 2014	500,000	14 Mar 2014	30 Sep 2018	$0.40

During the financial period ended 30 June 2014, no options were exercised or expired.

Fair value of options granted during the year

No options were granted during the year ended 30 June 2015.

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:

	2015 $	2014 $
Within one year	945,309	684,236
More than one but not more than five years	3,638,075	3,587,595
More than five years	4,265,873	4,880,391
	8,849,257	9,152,222

The Group has entered into a bank guarantee in relation to its operating leases with a value of $200,000.

23. Subsequent events

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

24. Supplementary information about the parent entity

	Parent	
	2015 $	2014 $
Assets		
Current assets	1,224,334	24,013
Total assets	71,283,409	17,865,222
Liabilities		
Current liabilities	5,176,974	1,588,921
Total liabilities	15,181,657	1,914,556
Net assets	56,101,752	15,950,666
Equity		
Issued capital	58,024,136	16,598,765
Reserves	410,731	204,498
Total equity	56,101,752	15,950,666

	Year ended 30 June 2015 $	26 April 2013 to 30 June 2014 $
Profit and loss		
Loss	(1,691,747)	(852,297)
Comprehensive income		
Total comprehensive income	(1,691,747)	(852,297)

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 2015 and of their performance for the year 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 year ended 30 June 2015.

On behalf of the Board

Mr John Humble
Chief Executive Officer
Melbourne, 17 August 2015

William Buck

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 2015 or from time to time during the year (the consolidated entity). The consolidated financial report comprises the statement of financial position as at 30 June 2015, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year 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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williambuck.com

William Buck

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 2015 and of its performance for the year then ended; 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.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2015. 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.

Auditor's Opinion

In our opinion, the Remuneration Report of BWX Limited for the year ended 30 June 2015, complies with section 300A of the Corporations Act 2001.

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 2015 included on BWX Limited's web site. The Company's directors are responsible for the integrity of BWX Limited's web site. We have not been engaged to report on the integrity of 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 17th day of August, 2015

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BWX Limited ABN 13 163 488 631