

TAX REPORT

FOR 2018 FINANCIAL YEAR
(YEAR ENDED 30 JUNE 2018)

INTRODUCTION

Blackmores has been a leading natural health company for more than 85 years, delivering the highest quality natural healthcare products and services in Australia, New Zealand and across Asia.

We deliver our products and services through our operations in Australia, New Zealand, Malaysia, Singapore, Thailand, Indonesia, Hong Kong, South Korea, Taiwan and China, employing more than 1,000 employees across these countries.

We are committed to positively impacting the health and wellbeing of our customers in these countries. We also contribute towards the financial health of the countries in which we operate by way of payment of all required local taxation obligations.

We are proud to present in this report details of our tax contributions in the 2018 Financial Year, as well as providing information about our approach to our taxation obligations, our effective tax rate in Australia and internationally, and how our profit relates to our total income tax liability.

We are committed to providing transparency of our tax payments and obligations to demonstrate our commitment to pay our fair share of tax in the countries in which we operate.

This report provides a detailed explanation of our tax profile and follows the guidelines set out in the Tax Transparency Code recommended by the Australian Board of Taxation and adopted by the Australian Federal Government.



Aaron Canning
Chief Financial Officer

August 2018

1. OUR TAX POLICY, STRATEGY AND GOVERNANCE

Blackmores has a strong history of complying with our taxation obligations in the countries in which we operate. We are committed to paying the correct amount of tax commensurate with the economic activity we undertake in the geographies we operate in.

Tax laws can be complex and confusing to interpret, particularly in relation to legislative requirements that can differ substantially by country. We take a conservative approach to the management of tax risks as guided by our Tax Risk & Governance Policy. This policy is subject to annual review and approval by the Blackmores Board through the Audit & Risk Committee.

The key focus of our policy is to:

- Ensure full compliance with all statutory obligations and full disclosure to revenue authorities
- Maintain documented policies and procedures in relation to tax risk management and completion of thorough risk assessments before implementing any tax planning initiatives
- Manage tax affairs in a proactive manner
- Maintain appropriate relations with all relevant revenue authorities

1.1 TAX RISK MANAGEMENT

We have established a Tax Risk Management framework to plan and manage tax risks that may arise from time to time as part of normal business operations. Where required, we will seek external specialist tax advice from reputable advisers to supplement the opinion of in-house specialists before deciding to undertake a particular transaction or operation.

We seek to obtain a high level of comfort and certainty with respect to resolving all identifiable tax risks. We will not undertake a position in relation to tax where the tax treatment is likely to cause further risk to the business.

Beyond one-off transactions, we regularly seek advice and assurance from our tax advisers on the day-to-day compliance of our tax obligations as well as our annual compliance requirements.

We have not and will not engage in activities which artificially shift profits to low or no tax jurisdictions.

We are committed to working with revenue authorities in an open, transparent and cooperative manner and in accordance with the legislative requirements of the countries where we operate. We believe that this is the best way to ensure we continue to protect our ongoing business interests and deliver long-term sustainable returns for our shareholders.

2. TOTAL TAX CONTRIBUTIONS

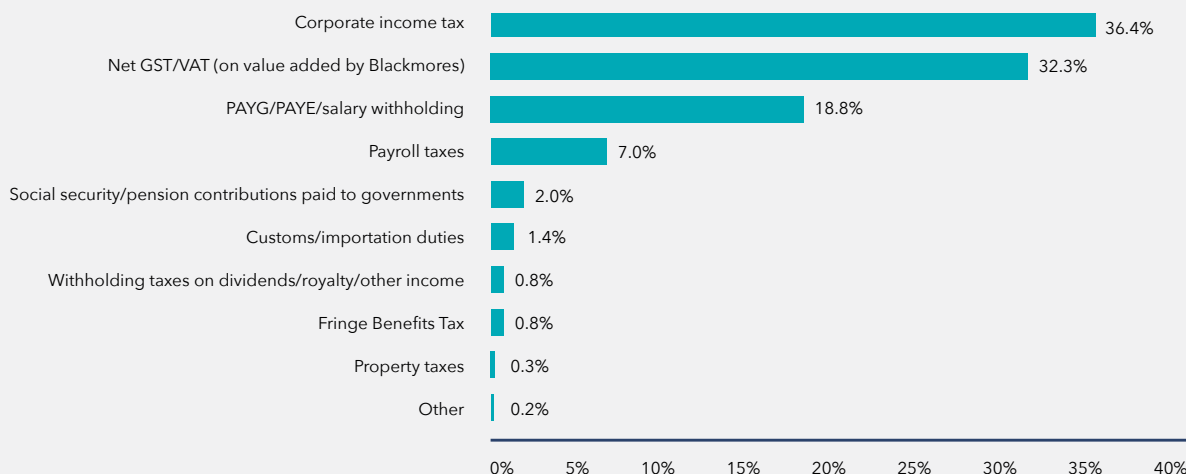
In the 2018 Financial Year, Blackmores has made the following tax payments:

	Global (A\$ '000)	Australia (A\$ '000)	Other countries (A\$ '000)
Corporate income tax¹	25,855	22,705	3,150
Other taxes:			
- Fringe Benefits Tax	552	526	26
- Payroll Taxes	4,994	4,873	121
- Social security/pension contributions paid to governments	1,433	-	1,433
- Property taxes	198	172	26
- Withholding taxes on dividends/royalty/other income	612	-	612
- Customs/importation duties	998	219	779
- Net GST/VAT (on value added by Blackmores) ²	22,904	19,395	3,509
- Other	140	10	130
Taxes collected by Blackmores on behalf of others:			
- PAYG/PAYE/salary withholding	13,314	11,595	1,719
Total	71,000	59,495	11,505

¹ Corporate income tax is net of tax offsets/rebates such as Research & Development tax offset. The sum of Corporate income tax of A\$25,855,000 plus Withholding taxes of A\$612,000 equals \$26,467,000 income tax paid disclosed in the Annual Report

² Net GST/VAT is the GST/VAT collected on sales by Blackmores less GST/VAT paid on business inputs purchased by Blackmores. The net GST/VAT represents the tax imposed on the value added by Blackmores (sales price less cost of inputs)

Tax paid by category 2018 Financial Year



3. EFFECTIVE TAX RATE AND RECONCILIATION OF ACCOUNTING PROFIT TO INCOME TAX PAYABLE

Table 1 (see appendix) shows the calculation of the Global and Australian effective tax rates (being accounting income tax expense expressed as a percentage of the profit before tax). It also shows the reconciliation of accounting profit to income tax payable for the 2018 Financial Year.

The effective tax rate is an accounting concept and reflects the income tax accrued on the profit for a particular year. It differs from the actual income tax payable in that year due to timing differences (where the timing of income and expense recognition differs for accounting and tax purposes).

Blackmores' Australian effective tax rate was above the statutory 30% rate in 2018 Financial Year due to non-deductible expenses exceeding non-assessable income. The effective tax rate for Blackmores Group was below the statutory 30%, mainly due to a one-off recognition during 2018 Financial Year of tax losses carried forward by overseas subsidiaries.

Our income tax liability is affected by temporary differences such as provisions and accruals of expenditure in our accounts that are not deductible until the expenditure is paid. This is generally in the subsequent financial year. In the 2018 Financial Year our Australian income tax liability was less than income tax expense due to payment of share-based remuneration (which was deductible in 2018), giving rise to larger tax deductions in the 2018 Financial Year, compared to the accounting expenses for this period. The deduction from the payment of share-based remuneration was offset by increases in provisions in our overseas subsidiaries, resulting in a higher company tax provision for the Group.

4. INTERNATIONAL RELATED PARTY DEALINGS

Blackmores operates in a number of markets including Australia, New Zealand and various Asian countries. The corporate income tax rates of the overseas countries in which Blackmores operates are:

- New Zealand - 28%
- Thailand - 20%
- Malaysia - 24%
- Singapore - 17%
- China - 25%
- South Korea - 22%
- Taiwan - 17%
- Hong Kong - 16.5%
- Indonesia - 25%

The key business dealings between the Blackmores Australian operations and overseas controlled entities relate to:

- Packing and sales of finished products to overseas controlled entities
- Licensing to overseas controlled entities to use brand names, trademarks and other

- intellectual properties owned by Blackmores Australia
- Providing sources of funds and loans to overseas controlled entities for short term and working capital requirements
- Receiving dividends from overseas controlled entities

All international related party dealings are conducted in accordance with Australian transfer pricing laws and the arm's length methodologies prescribed by the Organisation of Economic Cooperation and Development (OECD).

APPENDIX

TABLE 1. RECONCILIATION OF ACCOUNTING PROFIT TO INCOME TAX PAYABLE

	2018			
	Group		Australia	
	A\$ '000	%	A\$ '000	%
Profit before tax	97,684		94,715	
Prima facie tax at 30%	29,305		28,415	
Effect of income/expenses not assessable/deductible in determining taxable profit	473		482	
Effect of tax concessions	(229)		(181)	
Effect of tax losses recognised	(1,089)		-	
Effect of tax losses not recognised	4		-	
Rate differential on overseas operations	(101)		-	
Other items	207		450	
	28,570		29,166	
Under/(over) provision of income tax expense in previous year	(111)		301	
Income tax expense recognised in profit or loss	28,459		29,467	
Effective tax rate		29.1%		31.1%
<i>Temporary differences:</i>				
Property, plant and equipment	(132)		(128)	
Prepayments and other	(129)		(129)	
Provisions	2,490		1,301	
Accruals	43		(236)	
Foreign currency monetary items	324		324	
Capitalised expenses	(17)		(17)	
Tax loss recognised	1,788		-	
Other	(3,525)		(3,698)	
Income tax payable (before rebates and offsets)	29,301		26,884	
Less: tax rebates and offsets	(690)		(1,256)	
Income tax payable for current year	28,611		25,628	
Company tax payable - 1 July 2017	1,669		1,435	
Prior years' adjustments	(413)		(255)	
Less: company tax paid during 2018	(25,855)		(22,705)	
Company tax payable - 30 June 2018	4,012		4,103	

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