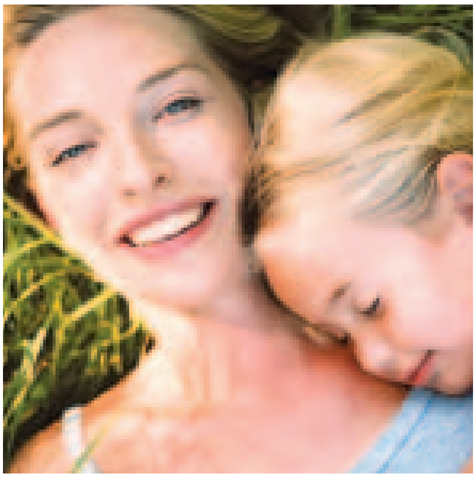


Leadership

Annual Report 2004 Blackmores Limited

BLACKMORES®
THE BEST OF HEALTH
www.blackmores.com.au

Contents

Annual General Meeting

The 42nd Annual General Meeting of the Company will be held at the Company's premises, 23 Roseberry Street, Balgowlah NSW 2093, on 12 October 2004 at 10.30am.

Our Purpose and Values

Blackmores is a customer-focused company helping people to take control of, and invest in, their health and wellbeing.

We are leaders in developing and marketing products and services that deliver a more natural approach to health, based on our expertise in vitamins, minerals, herbs and other nutrients.

When we reflect on the year that has been and prepare for the future, our focus comes from the values that have guided Blackmores for more than 60 years.

Trust

We are committed to the highest standard of behaviour and practice, and to always doing the right thing in our relationships with others.

Leadership

As a company and as individuals, we strive to make a difference – by taking the initiative, investing back into the community and creating our own future.

Superior Performance

We stretch ourselves to continuously improve what we do, how we do it, how we work together and the returns we deliver to our shareholders.

Customer Focus

Everything we do, internally and externally, must contribute to meeting our customers' needs.

A More Natural Approach to Health

We combine products, services, information and educational resources to deliver a more natural approach to health.

Marcus C. Blackmore
Executive Chairman

The Year in Review

The past year has probably been the most tumultuous in our corporate history. The Pan crisis of 28 April 2003 created a highly uncertain environment for the industry and without doubt it was Blackmores' adherence to our core values that stood us in good stead in the uncertain post-Pan period. The Pan crisis generated a consumer-led flight to quality and trust for which Blackmores was perfectly positioned. The end result has been a year of record sales and profits as evidenced in this Annual Report.

Our challenge in the past year has been to maintain the market share growth that we achieved post-Pan, and I have to say that a strong sales and marketing approach has ensured that we have retained that increased market share beyond even my own expectations.

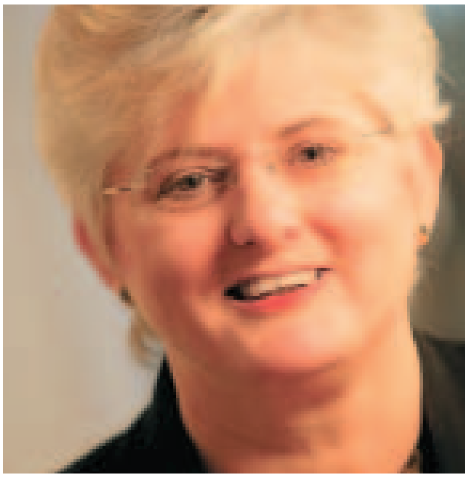
The overall market has returned to a level above pre-Pan which is an obvious demonstration of the significant and growing consumer confidence in natural health. For Blackmores, a reinvigorated research and development function, under the direction of Philip Daffy, will underpin organic growth whilst we are certainly in a position to consider acquisitions and alliances that would add to our growth prospects.

Complementary medicine plays an important role in the healthcare system by providing well-tolerated, accessible, high quality health solutions. The Hon. Tony Abbott, Minister for Health and Ageing, visited Blackmores in February and said, 'One of the great things about what might broadly be described as the complementary health sector, is that it is the only major part of our health industry which [focuses on] wellness as much as sickness. The traditional model treats disease and somehow we've got to move from only seeing people in our health sector when there's something wrong with them to doing what we can to ensure that people don't get sick in the first place.'

I am pleased to report that we have in place a largely new and certainly invigorated Executive Committee ably chaired by Jennifer Tait who was appointed by the Board to the role of

Jennifer Tait
Chief Operating Officer

Anthony Pascoe
Chief Financial Officer



Chief Operating Officer following the resignation of our CEO in October last year. I was appointed to the role of Executive Chairman at the same time.

During the year we also filled two important executive positions which had been open for some time, with the appointment of Anthony Pascoe as Chief Financial Officer and Reg Weine as Director of Sales.

Blackmores' management and staff deserve strong praise for having produced an outstanding result for the year, and I am particularly appreciative of the support and direction from our Board of Directors who have played a major role in steering the Company through what was a most difficult but highly successful year.

Dividend

The Board has declared a final dividend of 27 cents per share fully franked. This takes total ordinary dividends for the year to 46 cents per share fully franked. In addition, a special dividend of 14 cents per share fully franked was paid in May 2004. The final dividend will be paid on 22 September 2004 to shareholders registered on 6 September 2004.

Debt Levels

At the end of the financial year our net debt level was at $6.0 million. This compares with $8.2 million outstanding at the end of last year.

Outlook

Public confidence in natural health products highlights that complementary medicine has moved from the margins of healthcare and is now a mainstream health solution. There is widespread interest in maximising health and maintaining wellness rather than simply treating sickness. This 'Wellness Revolution' is being embraced by Australians wanting to optimise their physical condition and enjoy greater wellbeing. As the clear market leader in our sector, Blackmores is well positioned to benefit from and leverage off this continuing trend.

Marcus C. Blackmore
Executive Chairman

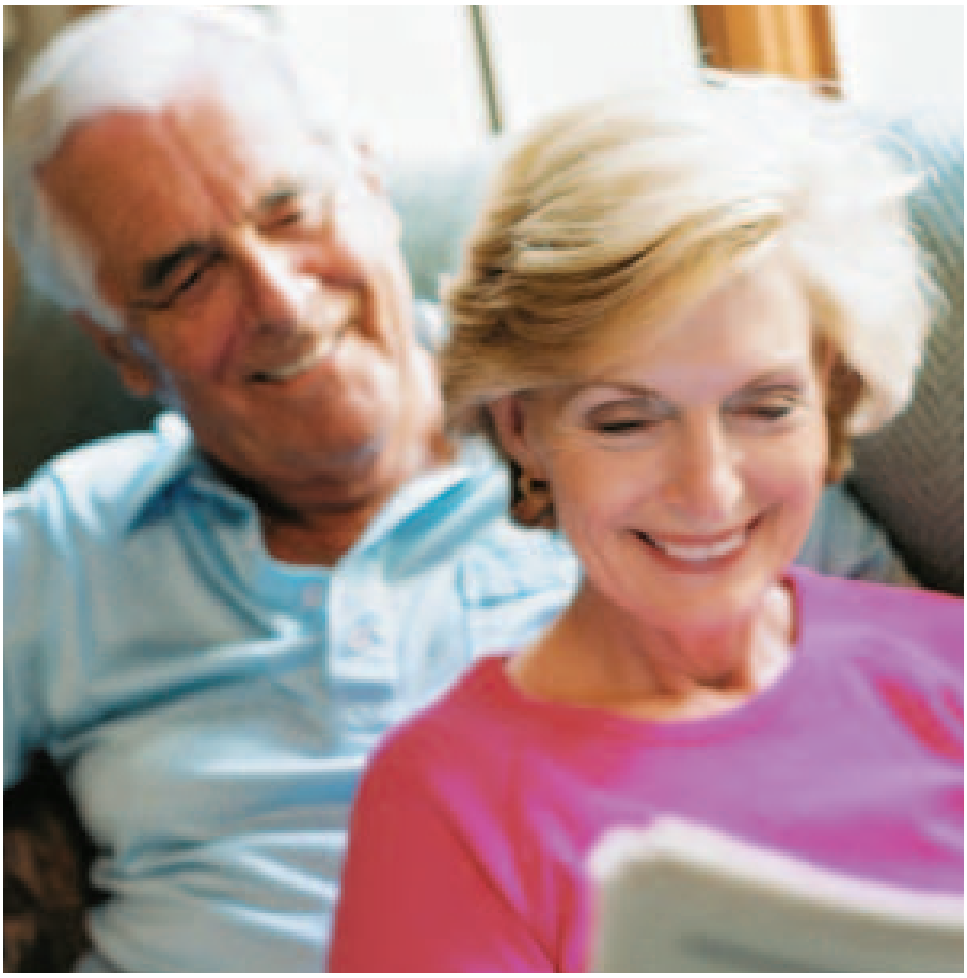
Marketing

Competitor activity was vigorous as brands that were affected by the Pan recall returned to shelves with aggressive marketing campaigns and product re-launches. This included the entry of Nature's Own, one of our biggest competitors, into the grocery channel.

We have continued to review our range to ensure it remains competitive and addresses the needs of consumers. Some of the improvements we have made include new sizes exclusive to each sales channel, and developing non-gender specific packaging for products including calcium and iron that have been traditionally purchased by women, but are increasingly sought by men. We have also made changes to our labels to help customers better understand the benefits of our products.

We have developed a Corporate Health Training Program to share Blackmores' expertise and educate corporate groups on topics such as stress management and health optimisation. The program was successfully launched in April and has since taken regular bookings from some of Australia's leading companies.

In addition to producing a variety of consumer marketing campaigns, Blackmores has recognised the need to educate General Practitioners on complementary medicines. They are a trusted source of advice for consumers, and ensuring they are well informed is critical to ensuring that the medical profession are aware of natural alternatives to drugs. We continue to market to health professionals including naturopaths and pharmacists, and we have developed a website exclusively for their reference (blackmores.com.au/professional).



Our value-added services, including the Advisory and Training Service and Website, have reached over 100,000 consumers in the last year. This is a 60% increase on last year. Our free Health Advisory Service received more than 66,000 calls and email requests, while our training department enjoyed a record year reaching more than 4,000 people. The Blackmores website (blackmores.com.au) was awarded Best Free Consumer Publication by the Complementary Healthcare Council in March 2004. Approximately 80,000 unique visitors frequent the site every month while more than 35,000 subscribers receive free health updates each fortnight from Blackmores.

New Products

Policosanol™10
Following the success of our original Policosanol™ formulation for managing cholesterol, Blackmores launched a potent 10mg product in 2003 with an integrated marketing campaign that included a series of infomercials on Good Morning Australia and a loyalty club on our website.

Forbiotic™
Forbiotic™, Blackmores' new probiotic product, may help counteract some of the side effects that antibiotics can have on your digestive system. It is proven to be highly resistant to three of the top five most commonly written antibiotic prescriptions in Australia. Taken daily, the beneficial bacteria in Blackmores Forbiotic™ can maintain balance in your digestive system, and promote proper digestive function.

This chewable product launched prior to Winter 2004 and has enjoyed excellent distribution in stores and strong early sales.

Men's Performance Multi
Blackmores Men's Performance Multi tablets contain a broad spectrum of essential vitamins and minerals, plus herbs specifically chosen as male tonics, in a handy one-a-day dose. The launch strengthened our multi-vitamin offering in recognition of this growing category.

Reg Weine
Director of Sales

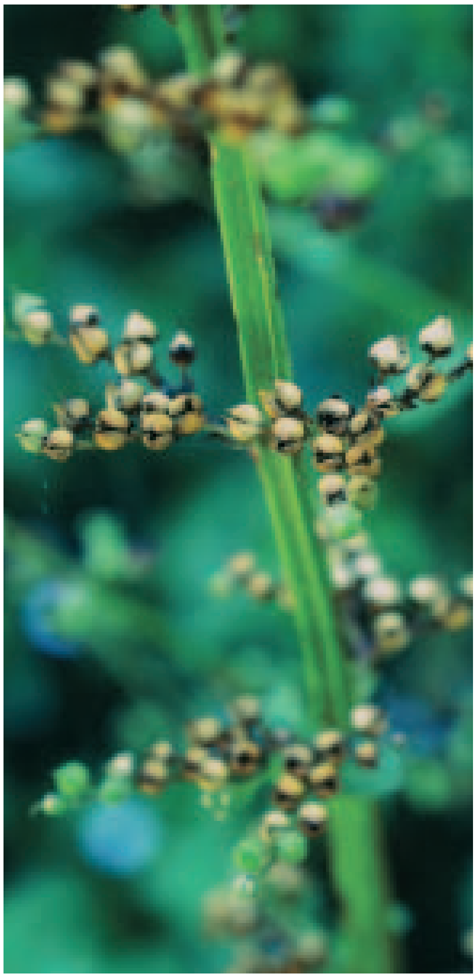
Sales

Blackmores' dedicated sales force continues to work closely with our retail partners in the pharmacy, health food store and grocery channels. The sales team's focus in the past year has been on ensuring key accounts are well represented with highly visible merchandising displays, and reliable product information for consumers.

We have re-designed our shelf-management planogram to ensure that consumers can select products with greater ease, and we will continue to invest in space management technology. This investment will enable us to add value to our retailer partners via a category management approach including efficient item assortment and optimisation of shelf-space. We will continue to invest and resource appropriately to support our go-to-market strategy and ensure we continue to lead the market in field force execution.

Whilst we enjoyed solid growth across all channels, the stand out performance was in pharmacies where our business grew considerably. Blackmores made extensive gains in shelf space over the last year and this additional space has allowed us to increase our product range and boosted sales and market share significantly.

Richard Steinmetz
International Director



International

Blackmores continues to perform well in South East Asia. Net sales for the year were up 40% in Malaysia and 20% in Thailand on prior year in local currency terms.

Our business in Hong Kong grew steadily at 5% and our Indonesian sales showed positive growth off a small base. However, it has been a tough year in Singapore where the Pan recall resulted in a sharp category decline which only began to improve during the last quarter of the financial year.

We are confident in the future growth prospects in this region and expect our profitability in Asia to continue to grow over the medium to long term.

Blackmores' Board visited Malaysia and Thailand during the year.

During the year our profitability in New Zealand benefited from a new business model implemented in early 2003, moving from a wholly owned and managed organisation in that market to a royalty-based arrangement with HMG, a third party distributor.

Philip Daffy
Director of Research and Development and Corporate Affairs

Research and Development

We are currently increasing our focus on research and development, including a greater investment directed at our clinical trials program and to developing key strategic research relationships.

We are supporting the Australian Centre for Complementary Medicine Education and Research (ACCMER), a collaborative initiative of Southern Cross University and the University of Queensland, with a research grant that will give us access to a greater pool of knowledge and new research opportunities.

The Blackmores Research Centre is located on the campus of Southern Cross University allowing us access to key facilities such as the Centre for Phytochemistry and Pharmacology.

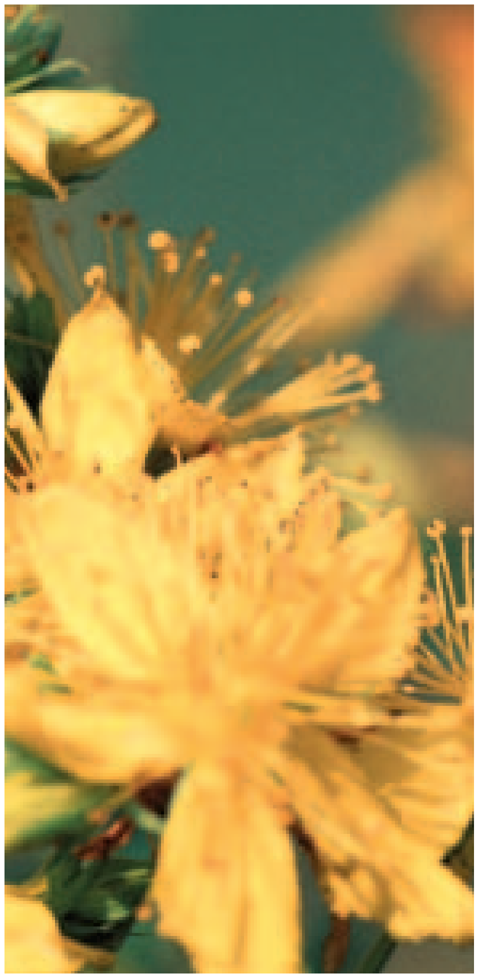
In January, Hong Kong University released results of a major trial conducted under rigorous standards, confirming the clinical activity of Lyprinol®, a natural marine lipid extract, in chronic inflammatory disease; these conditions affect millions of Australians, and the numbers increase as our population ages. Blackmores Lyprinol® is an effective addition to the therapeutic arsenal.

Blackmores has consolidated many of our research programs in the last year, focusing on building plans for long term projects which feed into our product development area. These plans relate to both new and existing products and ingredients.

We have continued our support for the major VITATOPS trial which is looking at the role of several B group vitamins in the prevention of secondary stroke. The VITATOPS trial, coordinated from Royal Perth Hospital, currently has 70 centres actively recruiting patients from 19 countries in 5 continents worldwide. Currently over 4,000 participants have been recruited.

The Company has committed increased funding for Research and Development in the coming year. This funding will help provide further clinical substantiation for Blackmores' products.

Liz Burrows
Director of Operations



Operations

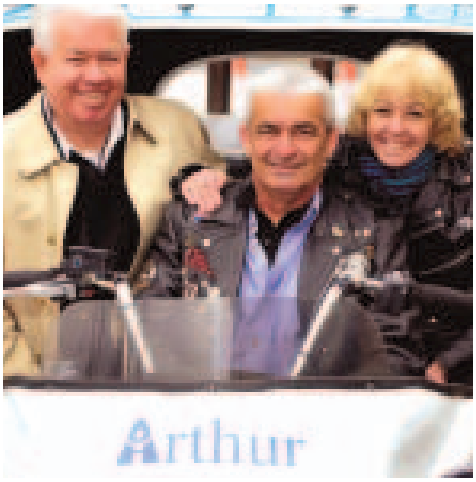
Blackmores has always taken great pride in our Quality Assurance program which involves audits of key suppliers and allows us to have confidence in the quality of our products throughout the supply chain. In the last year we have increased the number of audits conducted on key suppliers, both locally and overseas.

We are working closely with our major contractors to ensure ongoing compliance with TGA regulations and the code of Good Manufacturing Practice (GMP).

Our GMP-compliant packaging operation located at our Balgowlah premises features state of the art equipment which has been upgraded in the last year.

There have been various regulatory changes in the year, including changes to legislation regarding the importance of fit and proper persons in authoritative positions and an increase of penalties for non-compliance with the current regulations governing Therapeutic Goods. Blackmores remains committed to upholding high production standards and we have much confidence in our manufacturing and quality processes which are designed to ensure that we continue to lead the industry with respect to product quality and integrity.

Blackmores is a proud supporter of Trike Around Australia for Arthritis



Corporate Social Responsibility

Blackmores is proud to support Arthritis Australia by sponsoring 'Trike Around Australia for Arthritis'. This initiative involves a retired Australian couple travelling 55,000 km to more than 650 towns over two years on a three-wheeled motor cycle to raise awareness and money for Arthritis Australia.

In April, the Company sponsored Margie McIntyre and Debbie DeBritt in the Targa rally in Tasmania as part of the Blackmores Devil in Danger campaign to raise awareness of a cancer-like disease currently sweeping through the Tasmanian Devil population, which in some areas has wiped out up to 90% of the adult members of the species.

Additionally, Blackmores has continued its support of a wide range of fundraising initiatives including sponsorship of the Heart Research Institute, the Cardiac Surgical Research Unit at the Alfred Hospital and Baker Institute and the Garvan Institute's Young Garvan Forum. The Blackmores Three Island Yacht Race, a popular Pittwater sailing event, raised more than $70,000 for Cure Cancer Australia in June.

Blackmores donates a percentage of sales of Macu-Vision® and Lutein-Vision to the MD Foundation to help them achieve their aim of reducing the incidence and impact of Macular Degeneration in Australia. Best-selling author Colleen McCullough has recently been named the Patron of the MD Foundation and has greatly increased awareness of macular degeneration by talking publicly of her own experience with the disease.

In February, Minister for Health and Ageing Tony Abbott joined Chairman Marcus Blackmore at our Balgowlah headquarters to present a $130,000 cheque to Dr Paul Beaumont of the Macular Degeneration Foundation on behalf of Blackmores.

Environmental Sustainability

Blackmores successfully completed a five year Energy Smart Business program with the Sustainable Energy Development Authority (SEDA) in the last year which has involved the implementation of energy efficiency projects that have resulted in both cost-savings and an environmental benefit.

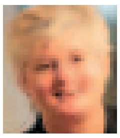
Blackmores has supported Landcare Australia, an inspiring community network of Australian volunteers working together to find practical ways to protect and repair our environment following research conducted in 2002 that revealed 69% of our customers felt Blackmores should support environmental initiatives.

Our commitment to the National Packaging Covenant continues. It aims to reduce the environmental impact of consumer packaging, close the recycling loop, and develop economically viable and sustainable recycling collection systems.

Australian consumers are increasingly eco-friendly. Research in this area indicates that the availability of recyclable packaging has an impact on consumers' decision to purchase, and that they overwhelmingly support kerbside recycling initiatives. Our 'green' status is a key area of focus in the coming year and we have enlisted the support of specialist consultants in this area, Nolan ITU, to advise on how we can further improve our environmental sustainability program.

Leaders

Jennifer Tait



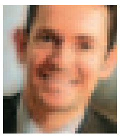
B Sc (Chem), GAICD

Chief Operating Officer and General Manager

Jennifer joined Blackmores in 1995 as Director of Operations and a member of the Executive Committee. In September 2003 she was appointed Chief Operating Officer and General Manager. She has 24 years experience in the natural health and pharmaceutical industry holding a combination of senior technical and general management roles in Australia and internationally, predominately Asia and the U.S. This has been complemented by post graduate programs at the University of New South Wales and at Harvard Graduate School of Management.

Jennifer was appointed to the Board in October 2003, reflecting her appointment as Chief Operating Officer.

Anthony Pascoe



B Comm, ACA, ASIA, GAICD

Chief Financial Officer

Anthony joined Blackmores as CFO in November 2003. During his career, he has accumulated an impressive breadth and depth of experience across a variety of finance/strategy based, business development and general management roles. Prior to joining Blackmores, Anthony spent four years with Goodman Fielder, in roles which included Director, Corporate Development. Anthony's career experience also includes eight years as an investment banker (most recently with Ord Minnett, now known as JP Morgan Chase) and before that, five years with Ernst & Young.

Anthony heads up Blackmores' Finance department which, in addition to the traditional finance/accounting functions, includes responsibility for Company Secretarial and IT.

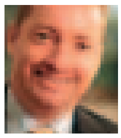
Richard Steinmetz

International Director

Richard has over 30 years sales and marketing experience within the healthcare industry in both Australia and South East Asia. He joined Blackmores in 1984 and held several key management positions prior to his appointment to head up our Asian operations that now consist of 80 people across the region as well as being responsible for our business in New Zealand and the UK.

His understanding of the various cultures and marketing dynamics has enabled him to successfully implement the necessary step changes required to meet the Company's short and long term growth strategies.

Reg Weine



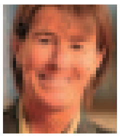
Director of Sales

Reg joined Blackmores in May 2004 and has over 15 years experience in sales, marketing and general management.

Prior to joining Blackmores, Reg held a number of senior management positions including; Sales Director Foodservice Sara Lee Bakery, National Sales and Marketing Manager BCB Beverages, General Manager Choice Brands, National Business Development Manager Pepsi Cola Bottlers Australia and National Account Manager with The Smith's Snackfood Company. In 1997 Reg was the founder and Managing Director of Sensational Foods, a start up food manufacturing business.

As Director of Sales, Reg sets the strategic direction for the sales function across all trade channels. He is responsible for Blackmores' Customer Service, Trade Marketing and National Sales teams.

Liz Burrows



B Pharm, MBA (Tech Mgt)

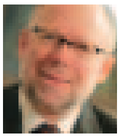
Director of Operations

Liz has over 20 years quality assurance experience in the medical device and pharmaceutical manufacturing industries in Australia and South East Asia.

She joined Blackmores in 1997 and held the roles of Quality Assurance Manager and Logistics Manager prior to her current role. Her career has included conducting manufacturing, process improvement and quality audits in many different countries.

In her new role she is responsible for Manufacturing, Engineering, Inventory Management, Distribution, Quality Assurance and Regulatory Affairs at Blackmores.

Philip Daffy



B Sc (Hons)

Director of Research and Development and Corporate Affairs

With more than 25 years experience in the natural health industry – 19 of them at Blackmores – Philip has rejoined the company after a two year absence.

Philip's team manages Blackmores' increased investment in new products and clinical research, capitalising on strategic alliances to ensure that Blackmores remains at the forefront of research and development.

Key accountabilities also include protecting Blackmores' corporate responsibilities, including ingredient policies, environmental practices, and government and industry relations.

Anneke van den Broek was the Company's Director of Marketing during the reporting period. She has now made a decision to leave the Company to pursue another opportunity. We are currently recruiting for her replacement.

Corporate Governance

The Australian Stock Exchange Listing Rules were amended effective 1 January 2003 and have changed the format of the corporate governance statement. ASX Listing Rule 4.10.3 now requires companies to disclose the extent to which they have complied with the best practice recommendations of the ASX Corporate Governance Council.

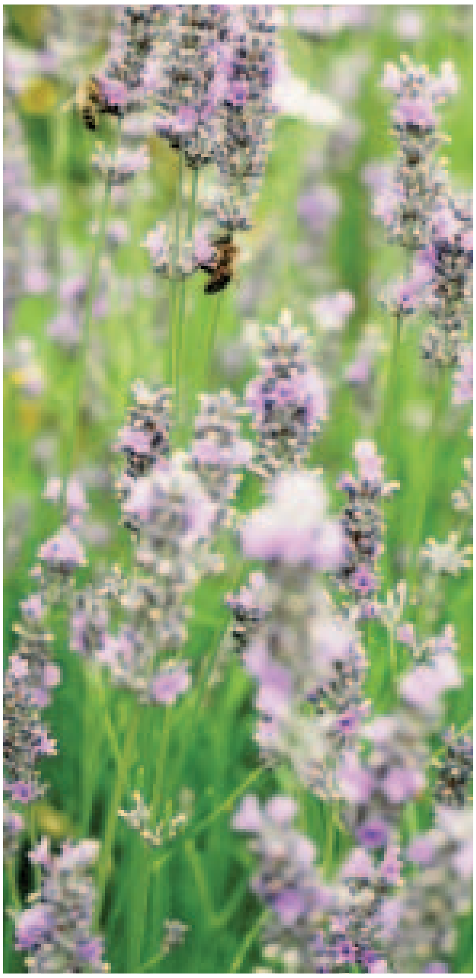
The Company's current Corporate Governance Principles are available on the Company's website at blackmores.com.au (go to 'About Us', then click on 'Corporate Governance'). Should you not have access to a computer, a copy of the principles can be obtained by contacting the Company Secretary.

A summary of the content covered by each of Blackmores' 10 Corporate Governance Principles follows:

Principle 1:
Lay solid foundations for management and oversight

Principle 1 covers the key governance responsibilities of the Directors, which include:

- the overall corporate governance of the Company including its strategic direction, financial objectives, and overseeing (or supervision) of control and accountability systems;
- approving the nominations of Directors to the Board;
- ensuring management maintains a sound system of internal controls to safeguard the assets of the Group; and
- monitoring the performance of the Group.



Principle 2:
Structure the Board to add value

This principle addresses protocols which are in place to ensure that the Board reviews its composition from time to time in an effort to ensure the Board benefits from an appropriate balance of skills and experience.

Principle 3:
Promote ethical and responsible decision-making

This Principle sets out a 'Directors' Code of Conduct' which aims to ensure that Directors act honestly, in good faith and in the best interests of the Company. This Principle also sets out Blackmores' policy with respect to trading in Blackmores' shares by Directors, management and staff.

Principle 4:
Safeguard integrity in financial reporting

The Company is committed to a transparent system for auditing and reporting of the Company's financial performance. Blackmores' Audit Committee performs a central function in achieving this goal. Principle 4 sets out the key responsibilities and duties of the Audit Committee and Blackmores' policy on the appointment of external auditors.

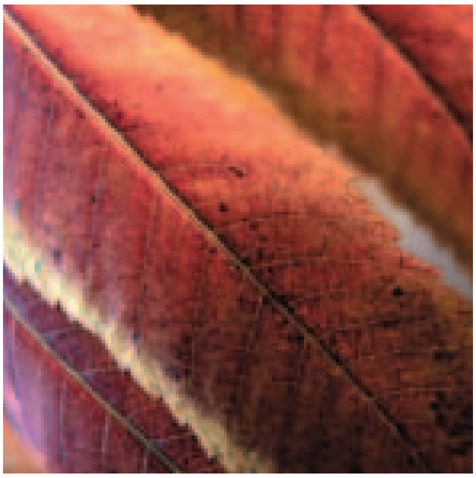
Principle 5:
Make timely and balanced disclosure

The Company is concerned to ensure that disclosure of all material matters concerning the Company occurs in a timely, honest and balanced manner. Principle 5 relates to the disclosure of such material matters.

Principle 6:
Respect the rights of shareholders

Principle 6 outlines key components of Blackmores' efforts to ensure that shareholders and the investing public have access to pertinent information concerning the Company. Key communications include:

- the annual financial report;
- disclosures to the ASX;
- notices and explanatory memoranda of annual general meetings;
- half yearly reports and shareholders' newsletters; and
- Blackmores' website at blackmores.com.au.



Principle 7:
Recognise and manage risk

Principle 7 addresses how the Board ensures that an appropriate framework of controls has been established and maintained to ensure that areas of significant business risk are being managed and monitored.

Principle 8:
Encourage enhanced performance

Principle 8 outlines how Board effectiveness is ensured and maintained.

Principle 9:
Remunerate fairly and responsibly

Principle 9 addresses Blackmores' remuneration policy and the charter of its Remuneration Committee.

Principle 10:
Recognise the legitimate interests of stakeholders

The Company has a Code of Conduct to provide employees with guidance on what is acceptable behaviour. Specifically, the Company requires that all Directors, managers and employees maintain the highest standards of integrity and honesty. Principle 10 outlines key aspects of this Code which is designed to ensure that the interests of all legitimate stakeholders are recognised and respected.

Adoption of Corporate Governance Principles

In accordance with the recommendations of the Australian Stock Exchange Corporate Governance Council announcement of March 2003, Directors formally adopted the Principles as set out on our website on 27 May 2004. Notwithstanding this formal date of adoption, your Directors believe that the Company, at its own initiative, has been informally complying with many of the Corporate Governance Principles for many years.

Recommendations Not Accepted by Directors

The following identifies and explains why certain best practice recommendations have not been adopted.

Principle 2:
Structure the Board to add value

Recommendation: The guidelines recommend that the Chairperson be an independent Director.

Comment: Currently, Mr Marcus C Blackmore holds the position of Executive Chairman. Mr Blackmore is also the major shareholder in the Company. Given the depth of his company experience and industry standing, he is considered to be excellently placed to serve as Chairman notwithstanding that pursuant to ASX guidelines he is not considered 'independent'. For these reasons, the recommendation has not been adopted.

Recommendation: The guidelines state that a Director is not 'independent' if he or she has served on the Board for a period of time which could 'reasonably be perceived to materially interfere with the Director's ability to act in the best interests of the Company'.

Comment: The Company does not consider length of tenure as a relevant disqualifying criteria for independence.

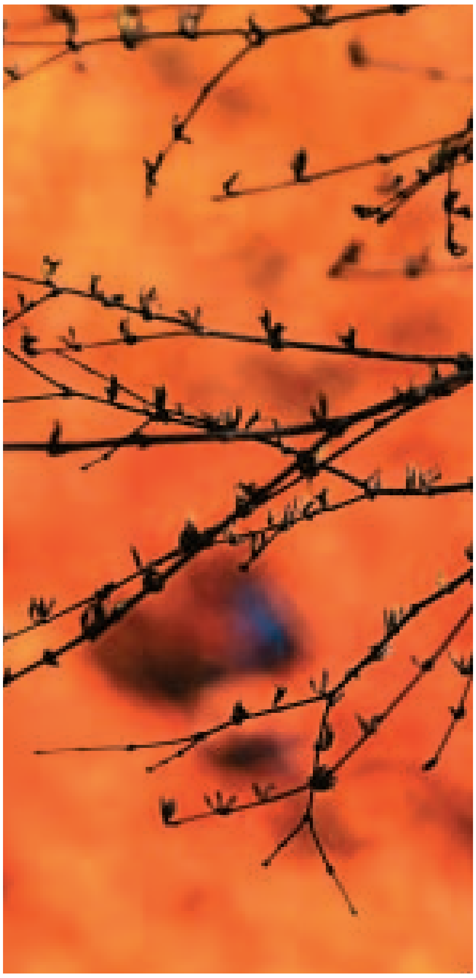
Principle 8:
Encourage enhanced performance

Recommendation: The Company should report 'whether a performance evaluation for the board and its members has taken place in the reporting period and how it was conducted'.

Comment: Directors believe that evaluation is a continuous matter and is not performed as an extraordinary item once yearly. For this reason, the recommendation has not been adopted.

5 Year History

$'000	2004	2003	2002	2001	2000
Sales	**115,724**	94,740	81,435	76,497	79,598
Other revenue	**545**	309	1,498	60	208
Revenue from ordinary activities	**116,269**	95,049	82,933	76,557	79,806
Operating profit	**13,236**	8,920	7,473	8,372	8,576
Income taxes	**(3,929)**	(2,719)	(2,371)	(2,883)	(3,193)
Profit after taxes and before abnormal item	**9,307**	6,201	5,102	5,489	5,383
Abnormal item before tax	**–**	-	-	-	-
Tax on abnormal item	**–**	-	-	-	-
Profit attributable to shareholders	**9,307**	6,201	5,102	5,489	5,383
Net (cash) / debt	**6,020**	8,210	10,530	11,651	2,866
Shareholders' equity	**27,552**	22,695	18,755	18,646	17,416
Total assets	**50,892**	57,527	45,822	42,370	41,175
Current assets	**35,260**	40,908	28,195	25,234	27,024
Current liabilities	**22,503**	33,422	25,483	22,631	23,118
Net tangible assets	**25,991**	21,349	17,519	17,505	16,123
Earnings before interest and taxes (EBIT)	**13,762**	9,801	8,231	9,086	8,657
Depreciation	**2,127**	1,829	1,510	1,218	1,129
Amortisation of intangibles	**56**	39	39	39	39
Interest paid	**656**	996	870	774	142
Interest received	**130**	115	112	60	61
Net interest	**526**	881	758	714	81
Profit before interest, goodwill, depreciation, amortisation and taxes	**15,945**	11,669	9,780	10,343	9,825
Net operating cashflows	**7,352**	7,721	5,918	2,159	7,069



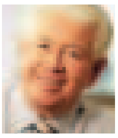
	2004	2003	2002	2001	2000
Number of shares on issue ('000s)	**15,850**	15,138	15,012	15,012	14,872
Earnings per share – basic (cents)	**59.5**	41.1	34.0	36.7	36.2
Ordinary dividends per share (cents)	**46.0**	35.0	33.0	33.0	33.0
Special dividends per share (cents)	**14.0**	–	–	–	10.0
Return of capital per share (cents)	**–**	–	–	–	30.0
Share price at 30 June	**$10.00**	$6.32	$6.62	$6.49	$5.80
Net tangible assets (NTA) per share	**$1.64**	$1.41	$1.17	$1.17	$1.08
Return on shareholders' equity	**33.8%**	27.3%	27.2%	29.4%	30.9%
Return on assets	**25.4%**	19.0%	18.7%	21.8%	14.1%
Dividend payout ratio	**100.8%**	85.5%	97.1%	90.2%	118.7%
Net debt to shareholders' equity	**21.8%**	36.2%	56.1%	62.9%	16.7%
EBIT to sales	**11.9%**	10.4%	10.1%	11.9%	10.9%
Effective tax rate	**29.7%**	30.5%	31.7%	34.4%	37.2%
Current assets to current liabilities (times)	**1.57**	1.22	1.10	1.12	1.17
Net interest cover (times)	**26.2**	11.1	10.9	12.7	106.9
Gross interest cover (times)	**21.0**	9.8	9.5	11.7	61.0
% Change on prior year:					
Sales	**22.1%**	16.2%	6.5%	-3.9%	16.3%
Revenue from ordinary activities	**22.3%**	14.4%	8.3%	-4.1%	15.3%
EBIT	**40.4%**	19.1%	-9.4%	5.0%	33.8%
Profit before interest, goodwill, depreciation, amortisation and taxes	**36.6%**	19.3%	-5.4%	24.3%	24.3%
Operating profit	**48.4%**	19.4%	-10.7%	5.2%	35.1%
Profit attributable to shareholders	**50.1%**	21.5%	-7.1%	2.0%	42.9%
Ordinary dividends per share	**31.4%**	6.1%	–	–	17.9%
Change in share price	**58.2%**	-4.5%	2.0%	11.9%	20.6%

Directors' Report

The Directors of Blackmores Limited submit herewith the annual financial report for the financial year ended 30 June 2004. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

The names and particulars of the Directors of the Company during or since the end of the financial year are:

Marcus C Blackmore

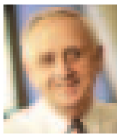


AM, ND

Executive Chairman

Mr Blackmore has served on the Board since 1973 and is the Executive Chairman of the Company, having been appointed to that position in October 2003. He is also Chairman of the Young Endeavour Youth Scheme, a member of the Council of the National Maritime Museum, a member of the Board of Governors of the Heart Research Institute, Chairman of the Industry Advisory Committee of the National Marine Safety Committee, a member of the Waterways Authority Council, and honorary trustee of the Committee for the Economic Development of Australia (CEDA).

William S Cutbush

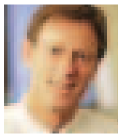


FAICD

Deputy Chairman

Mr Cutbush has many years experience as a Chairman and Director of public companies in retailing and related activities. He is currently a director of Coates Hire Limited.

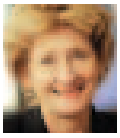
Stephen J Chapman



B Comm, MBA, ACA

Mr Chapman is a merchant banker and joined the Board in September 1993. He was a founder and is the Chairman of Baron Partners Limited, an Australian merchant bank. He is also Deputy Chairman of Perpetual Trustees Australia Limited and a Director of Hostworks Group Limited.

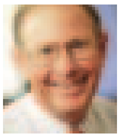
Verilyn C Fitzgerald



MAICD

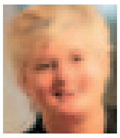
Ms Fitzgerald joined the Board in May 1997. She has 19 years executive experience in the Information Technology industry in Australia and the USA. Ms Fitzgerald has several years experience as a Director of public companies in distribution and related activities and is currently a director of Independent Practitioner Network Limited.

Robert L Stovold



Mr Stovold is a qualified accountant with over 35 years experience in corporate management, mergers and acquisitions and the property industry. He joined the Board on 8 August 1996. He is also a Non-Executive Director of a number of listed and unlisted public companies including Canberra Investment Corporation Limited and Independent Practitioner Network Limited.

Jennifer Tait



B Sc (Chem), GAICD

Jennifer joined Blackmores in 1995 as Director of Operations and a member of the Executive Committee. In September 2003 she was appointed Chief Operating Officer and General Manager. She has 24 years experience in the natural health and pharmaceutical industry holding a combination of senior technical and general management roles in Australia and internationally, predominately Asia and the U.S. This has been complemented by post graduate programs at the University of New South Wales and at Harvard Graduate School of Management.

Jennifer was appointed to the Board in October 2003, reflecting her appointment as Chief Operating Officer.

Darin N Walters joined Blackmores in August 1995 after graduating from Harvard Business School and joined the Board of Directors in February 1998. He was appointed Chief Executive Officer in May 2000.

Darin resigned from the Board on 24 October 2003.

Directors' **Report continued**

All the above named Directors held office during and since the end of the financial year except for Ms Jennifer Tait who was appointed to the Board on 23 October 2003 and Mr Darin Walters who was a Director from February 1998 until his resignation on 24 October 2003.

Committee Memberships

As at the date of this Report, the Company had an Audit Committee, a Nominations Committee and a Remuneration Committee. Members of the Board acting on the Committees during the year were:

Audit:	Bob Stovold, Chairman William Cutbush Verilyn Fitzgerald
Nominations:	Marcus C Blackmore, Chairman Stephen Chapman William Cutbush Verilyn Fitzgerald Bob Stovold Jennifer Tait
Remuneration:	Verilyn Fitzgerald, Chair Marcus C Blackmore Stephen Chapman William Cutbush Bob Stovold

Principal Activities

The consolidated entity's principal activity in the course of the financial year was the development and marketing of vitamin, mineral, and herbal supplements in Australia. The Company also has operations in Malaysia and Thailand and sells through independent distributors in other parts of South East Asia and in New Zealand.

Review of Operations

The net amount of profit attributable to the shareholders of the consolidated entity for the financial year was $9.3 million (2003: $6.2 million) which represents a 50% increase over the prior year. Sales for the year were $115.7 million (2003: $94.7 million), an increase of 22% compared to the prior year. Basic earnings per share increased from 41.1 cents to 59.5 cents per share. Net tangible assets per share increased from $1.41 last year to $1.64 this year.

Changes in State of Affairs

During the financial year there was no significant change in the state of affairs of the consolidated entity other than that referred to in the financial statements or notes thereto.

Subsequent Events

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Future Developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

Environmental Regulations

The Company monitors its legal obligations and has its own self imposed policies. We believe that the Company complies with all aspects of the environmental laws. The Company is a party to the National Packaging Covenant, an agreement between industry and government which ensures that the management of packaging and paper throughout their lifecycle produces sustainable, cost-effective benefits to the environment.

Occupational Health and Safety

The Company's Occupational Heath and Safety Committee meets monthly and monitors the business by conducting regular audits of the premises. Any safety matters raised either by staff, the audits or from an investigation of any workers' compensation claims are reviewed and, where appropriate, changes made to operating procedures. Staff are encouraged to make safety suggestions to their departmental representatives. All committee members are given the necessary training for the position.

The Company is participating in the NSW Workers' Compensation Premium Discount Scheme which not only gives a reduction in premium but also requires the implementation of stringent safety protocols within the organisation. We have achieved Levels 1 and 2 compliance, the highest currently available.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Blackmores support and have adhered to key principles of corporate governance. The Company's current corporate governance principles are set out on the Company's website at blackmores.com.au (go to 'About Us' then click on 'Corporate Governance'). Please also refer to pages 14 to 17 in this report outlining the Company's current Corporate Governance principles.

Dividends

The amounts paid or declared by way of dividend since the start of the financial year were:

- A final dividend of 20 cents per share fully franked in respect of the financial year ended 30 June 2003, as detailed in the Directors' report for that financial year, was paid on 8 October 2003
- An interim dividend of 19 cents per share fully franked in respect of the financial year ended 30 June 2004 was paid on 29 March 2004
- A 'special' dividend of 14 cents per share fully franked in respect of the financial year ended 30 June 2004 was paid on 14 May 2004
- On 19 August 2004 Directors declared a final dividend for the financial year ended 30 June 2004 of 27 cents per share, fully franked, payable on 22 September 2004 to shareholders registered on 6 September 2004.

This will bring total ordinary dividends to 46 cents per share fully franked (2003: 35 cents per share fully franked) for the financial year ended 30 June 2004, plus the special dividend of 14 cents per share (2003: no special dividend).

Directors' Meetings

The following table sets out the number of Directors' meetings (including meetings of Committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or Committee Member). During the financial year, seven board meetings, two Remuneration Committee meetings and three Audit Committee meetings were held.

Share Options granted to Executive Directors and Executives

In accordance with the resolution passed by shareholders on 5 November 1998, options over 400,000 unissued shares were granted to three Executive Directors in December 1998. The share price at the time the options were issued was $4.50 (adjusted for the March 2000 capital return). The average exercise price was $5.63.

The following options, issued to Directors of the Company, were exercised prior to expiry in December 2003.

Executive Directors	Total exercised at average exercise price of $5.63	Balance	Exercise Date
D N Walters	250,000	Nil	23, 28 Oct and 3 Dec 2003
M C Blackmore	100,000	Nil	28 Nov 2003
J A Tait	50,000	Nil	19 Sep and 22 Dec 2003

Options over 436,000 unissued shares were issued to Executives of the Company in January 1999. The share price at the time the options were issued was $4.70 (adjusted for the March 2000 capital return). The average exercise price was $5.63. Some options were exercised during the financial year ended 30 June 2003, as detailed in the Directors' Report for that financial year. During the financial year ended 30 June 2004, 289,334 of these options were exercised (in addition to those options outlined in the table above). At the date of this report, the balance of unexercised options was NIL.

During and since the end of the financial year no new share options were granted to Directors or Executives of the Company.

	Board of Directors		Remuneration Committee		Audit Committee	
Directors	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
M C Blackmore	7	7	2	2	-	-
S J Chapman	7	4	2	1	-	-
W S Cutbush	7	7	2	2	3	2
V C Fitzgerald	7	6	2	2	3	3
R L Stovold	7	7	2	2	3	3
J A Tait	4	4	-	-	-	-
D N Walters	3	3	-	-	-	-

Directors' Shareholdings

The following table sets out each Director's relevant interest in all financial instruments issued by the Company or a related body corporate as at the date of this report.

Directors	Fully Paid Ordinary Shares
M C Blackmore	4,770,434
S J Chapman	16,388
W S Cutbush	6,000
V C Fitzgerald	20,000
R L Stovold	18,500
J A Tait	174,399
Total	**5,005,721**

Remuneration Report

(i) Retirement Provisions for Directors

The Company's policy on the retirement of Non-Executive Directors was approved at a meeting of shareholders held on 4 November 1993. The entitlement of existing Non-Executive Directors has been confirmed as one-third of their annual Director's fees upon retirement for each year of service on the Board. These benefits are capped at a total of three years' fees upon retirement. Other aspects to note on this matter are:

- Details of the amounts so far provided for appear at Note 23 to the Financial Statements
- Directors have resolved that the policy be 'grandfathered' and that while provisions will continue to be made for current Non-Executive Directors, new Non-Executive Directors will not be entitled to retirement benefits
- No policy exists regarding the age of retirement of Non-Executive Directors.

(ii) Directors' Remuneration

In relation to compensation arrangements for Board Members, the Company refers to various published remuneration surveys and market information. From time to time specific specialist reports are commissioned by the Company as well as considering the time spent by each Director on Company business. Shareholders at a meeting held on 23 October 2003 determined the maximum total Directors' fees payable and, when this amount is less than what is deemed appropriate, Directors will seek shareholders' agreement to any proposed increase. Information about remuneration, including the amounts paid to individual Directors, is provided in this Report and in the Notes to the Financial Statements.

(iii) Executive Remuneration

Executive remuneration packages involve a balance between fixed and incentive pay. The Company's policy in this regard is summarised as follows:

a) Fixed remuneration: This is targeted to be reasonable and fair, taking into account the Company's legal and industrial obligations, labour market conditions and the scale of the business. This fixed remuneration component reflects core performance requirements and expectations.

b) Performance-based remuneration: Performance-based remuneration linked to clearly specified performance targets may be used as an effective tool in promoting the interests of the Company and shareholders. Incentive schemes will be designed around appropriate performance benchmarks that measure relative performance and provide rewards for materially improved company performance.

c) Equity-based remuneration: Appropriately designed equity-based remuneration, designed to serve as a longer term incentive, including performance shares (or similar) may be used as an effective form of remuneration when linked to performance objectives or hurdles.

(iv) Staff Remuneration

Compensation arrangements for staff are reviewed by the Chief Operating Officer with reference to published remuneration surveys and other market information, including from time to time specific specialist reports commissioned by the Company. The Remuneration Committee reviews the remuneration policies applicable to all Directors and Executive Officers on an annual basis and makes recommendations on remuneration packages and terms of employment to the Board. Remuneration packages, which consist of base salary, fringe benefits, incentive schemes (including performance-related bonuses), superannuation and entitlements upon retirement or termination, are reviewed with due regard to performance and other relevant factors.

Directors' **Report continued**

The following table discloses the remuneration of the Directors of the Company for the year ended 30 June 2004:

	Primary			Post Employment			Equity		
		1	2		3		4	5	
	Salary & Fees $	Bonus $	Non-Monetary $	Superannuation $	Prescribed Benefits $	Other $	Options $	Other Benefits $	Total $
M C Blackmore	411,903	135,000	9,984	27,949	-	-	14,626	215	**599,677**
W S Cutbush	68,800	-	-	6,192	18,000	-	-	215	**93,207**
S J Chapman	47,250	-	-	4,253	18,000	-	-	215	**69,718**
V C Fitzgerald [6]	92,000	-	-	32,680	27,677	-	-	215	**152,572**
R L Stovold	52,000	-	-	4,680	29,167	-	-	215	**86,062**
J A Tait									
- Executive	62,862	33,059	11,009	16,204	-	-	3,170	72	**126,376**
- Director	125,724	66,119	22,019	32,408	-	-	6,339	143	**252,752**
D N Walters	227,587	-	31,465	26,783	-	-	36,636	30,215	**352,686**

The following table discloses the remuneration of the five highest remunerated executives (excluding Executive Directors) of the Company and the consolidated entity for the year ended 30 June 2004:

	Primary			Post Employment			Equity		
		1	2		3		4	5	
	Salary & Fees $	Bonus $	Non-Monetary $	Superannuation $	Prescribed Benefits $	Other $	Options $	Other Benefits $	Total $
A van den Broek	184,135	69,807	-	19,394	-	-	-	215	**273,551**
R A Steinmetz	148,468	60,922	938	16,253	-	-	9,509	215	**236,305**
A W Pascoe[7]	158,758	59,319	-	6,934	-	-	-	215	**225,226**
L Richards	135,071	32,939	14,753	14,439	-	-	16,000	215	**213,417**
L Burrows	105,272	52,572	-	35,425	-	-	-	215	**193,484**

Note 1: Bonuses set out in the note relate to the year ended 30 June 2004.

The payments were in recognition of the achievement of various key performance objectives and were all approved by the Remuneration Committee in June 2004.

'Profit share' amounts included in the bonus figure relate to the Company's obligation under its Certified Agreement to pay 10% of its after tax profit to staff on a proportional basis. Profit share was paid in January 2004 and in June 2004.

Note 2: Non-Monetary benefits include the use of a company motor vehicle and notional interest not charged on loans under the various employee share plans. The Notional Interest Benefit from the Employee Share Plans is based on an estimate of the interest forgone by the Company in not charging interest on the Employee Share Plan Loans approved at various Annual General Meetings. An interest rate of 6.55 % (2003: 6.55%) has been applied to Loans outstanding at various times of the year to calculate the notional benefits received.

Note 3: Prescribed benefits in the Directors' Note relate to the provision for Non-Executive Directors' retirement allowances approved by shareholders on 4 November 1993.

Note 4: The amounts reflected in the options column reflect share options and rights to performance shares granted to the specified directors and executives in prior years, valued in accordance with the principles set out in AASB1046.

Note 5: The amounts under 'Other Benefits' represent the payment of Directors and Officers insurance premia and in the case of Mr Walters, an ex gratia payment upon his retirement.

Note 6: In addition to her duties as a Director, Ms Fitzgerald also carried out a number of additional projects for the Company and her 2004 fees include consulting fees received in relation to these projects (refer note 35 (e) to the accounts).

Note 7: Mr Pascoe commenced employment with the Company on 3 November 2003.

Directors' **Report continued**

Performance Share Plan for Executives

A number of executives have previously participated in a Performance Share Plan which allowed those executives the potential to be issued with shares in the Company at no cost to the participating executive. The ultimate issuance or otherwise of shares to the participating executives has been subject to the satisfaction of performance conditions over specified 3 year performance periods.

The performance conditions have been based on an Earnings Per Share Performance Condition (EPS Performance Condition) as outlined below.

Case	EPS Growth Measured over a 3 year period	% number of target Shares to be issued at end of 3 year plan
1	Less than 4% p.a.	0%
2	4% p.a.	15%
3	4% to less than 7% p.a.	Pro rata
4	7% p.a.	50%
5	7% to less than 12% p.a.	Pro rata
6	12% p.a.	100%

At the date of this report, one executive of the Group is eligible to receive shares under this Performance Share Plan. That executive will receive in the order of 12,000 shares in the Company prior to 30 September 2004, based on the EPS Performance Condition for the three years to 30 June 2004 equalling or exceeding the top performance hurdle threshold outlined above.

No other potential share issues are pending under this Performance Share Plan. The Remuneration Committee is currently in the process of considering the establishment of a new performance-based plan which will replace the above described plan.

Share Capital

Summary of Share Capital issued during the financial year:

Issued Capital at 1/7/2003	15,138,251
Exercise of Options by Directors	400,000
Exercise of Options by Executives	289,334
Shares issued to Staff	22,900
Issued Capital at 30/6/2004	15,850,485

Indemnification of Officers and Auditors

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company, the Company Secretary, and all Executive Officers of the Company and of any related body corporate against any liability incurred as such a Director, Company Secretary or Executive Officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Rounding off of Amounts

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' Report and the financial report are rounded off to the nearest thousand dollars.

Signed in accordance with a Resolution of the Directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors

Marcus C Blackmore AM
Director

Jennifer A Tait
Director

Dated in Sydney, 19 August 2004

Independent **Audit Report**

Deloitte.

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cashflows, accompanying notes to the financial statements, and the directors' declaration for both Blackmores Limited (the company) and the consolidated entity, for the financial year ended 30 June 2004 as set out on pages 28 to 63. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the Corporations Act 2001 and Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

The audit opinion expressed in this report has been formed on the above basis.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit Opinion

In our opinion, the financial report of Blackmores Limited is in accordance with:

(a) the Corporations Act 2001, including:

- (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and of their performance for the year ended on that date; and
- (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

S M Holdstock
Partner
Chartered Accountants

Parramatta, 19 August 2004

The liability of Deloitte Touche Tohmatsu is limited by, and to the extent of, the Accountants' Scheme under the Professional Standards Act 1994 (NSW).

Directors' **Declaration**

The Directors declare that:

a) the attached financial statements and notes thereto comply with Accounting Standards;

b) the attached financial statements and notes thereto give a true and fair view of the financial position and performance of the Company and the consolidated entity;

c) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and

d) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

Marcus C Blackmore
Director

Jennifer A Tait
Director

Dated in Sydney, 19 August 2004

Statement of **Financial Performance**

for the Financial Year Ended 30 June 2004

		Consolidated		Company	
	Note	**2004 $'000**	2003 $'000	**2004 $'000**	2003 $'000
Revenue from ordinary activities	2	**116,269**	95,049	**108,943**	85,192
Promotional and other rebates		**(6,788)**	(5,688)	**(5,968)**	(4,744)
Changes in inventories of finished goods and work in progress		**1,860**	969	**1,379**	1,149
Raw materials and consumables used		**(42,469)**	(31,090)	**(41,969)**	(30,917)
Employee benefits expense		**(26,482)**	(22,327)	**(23,973)**	(19,696)
Depreciation and amortisation expenses		**(2,183)**	(1,868)	**(2,132)**	(1,819)
Borrowing costs		**(971)**	(1,321)	**(1,131)**	(1,420)
Selling and marketing expenses		**(15,729)**	(13,276)	**(12,668)**	(10,002)
Operating lease rental expenses		**(1,055)**	(1,460)	**(1,010)**	(1,308)
Professional and consulting expenses		**(1,678)**	(2,345)	**(1,458)**	(1,932)
Repairs and maintenance expenses		**(1,559)**	(1,098)	**(1,486)**	(1,050)
Book value of assets disposed		**(27)**	(122)	**(17)**	(8)
Freight expenses		**(1,920)**	(1,780)	**(1,909)**	(1,704)
Other expenses from ordinary activities		**(4,032)**	(4,723)	**(4,552)**	(4,697)
Profit From Ordinary Activities Before Income Tax Expense	2	**13,236**	8,920	**12,049**	7,044
Income tax expense relating to ordinary activities	4	**(3,929)**	(2,719)	**(3,565)**	(2,173)
Net Profit Attributable to Members of the Parent Entity		**9,307**	6,201	**8,484**	4,871
Decrease in foreign currency translation reserve arising on translation of self-sustaining foreign operations	26	**(26)**	(699)	**–**	–
Total Revenue, Expense and Valuation Adjustments Attributable to Members of the Parent Entity Recognised Directly in Equity		**(26)**	(699)	**–**	–
Total Changes in Equity Other than those Resulting from Transactions with Owners as Owners		**9,281**	5,502	**8,484**	4,871
Earnings Per Share – Basic (cents per share)	28	**59.5**	41.1		
– Diluted (cents per share)	28	**59.5**	40.9		

Notes to the financial statements are included in pages 32 to 63

Statement of **Financial Position**

as at 30 June 2004

	Note	Consolidated 2004 $'000	Consolidated 2003 $'000	Company 2004 $'000	Company 2003 $'000
Current Assets					
Cash assets		**2,180**	9,090	**446**	6,832
Receivables	8	**19,456**	22,425	**16,598**	19,932
Inventories	9	**12,709**	8,200	**11,615**	7,595
Other financial assets	10	**–**	239	**–**	239
Other	11	**915**	954	**756**	855
Total Current Assets		**35,260**	40,908	**29,415**	35,453
Non-Current Assets					
Other financial assets	12	**270**	917	**3,826**	4,300
Property, plant and equipment	13	**13,801**	14,354	**13,657**	14,229
Intangibles	14	**–**	56	**–**	56
Deferred tax assets	15	**1,561**	1,292	**1,476**	1,230
Total Non-Current Assets		**15,632**	16,619	**18,959**	19,815
Total Assets		**50,892**	57,527	**48,374**	55,268
Current Liabilities					
Payables	16	**9,743**	13,417	**8,620**	12,511
Interest-bearing liabilities	17	**8,200**	17,300	**8,200**	17,300
Current tax liabilities	18	**1,961**	426	**1,990**	301
Provisions	19	**2,599**	2,279	**2,599**	2,279
Total Current Liabilities		**22,503**	33,422	**21,409**	32,391
Non-Current Liabilities					
Interest-bearing liabilities	20	**–**	–	**2,741**	2,125
Deferred tax liabilities	21	**618**	987	**615**	1,003
Provisions	22	**219**	423	**219**	423
Total Non-Current Liabilities		**837**	1,410	**3,575**	3,551
Total Liabilities		**23,340**	34,832	**24,984**	35,942
Net Assets		**27,552**	22,695	**23,390**	19,326
Equity					
Contributed equity	25	**15,932**	12,040	15,932	12,040
Reserves	26	**1,808**	1,834	2,368	2,368
Retained profits	27	**9,812**	8,821	5,090	4,918
Total Equity		**27,552**	22,695	23,390	19,326

Notes to the financial statements are included in pages 32 to 63

Statement of **Cash Flows**

for the Financial Year Ended 30 June 2004

		Consolidated		Company	
	Note	**2004 $'000**	2003 $'000	**2004 $'000**	2003 $'000
Cash Flows From Operating Activities					
Receipts from customers		**128,261**	89,407	**120,910**	81,786
Payments to suppliers and employees		**(117,036)**	(77,792)	**(110,481)**	(71,247)
Dividends received		**–**	–	**334**	–
Interest received		**130**	115	**107**	78
Interest and other costs of finance paid		**(971)**	(1,321)	**(1,131)**	(1,420)
Income tax paid		**(3,032)**	(2,688)	**(2,510)**	(2,336)
Net cash provided by operating activities	38(c)	**7,352**	7,721	**7,229**	6,861
Cash Flows From Investing Activities					
Payment for property, plant and equipment		**(1,604)**	(1,164)	**(1,521)**	(1,093)
Proceeds from sale of property, plant and equipment		**6**	99	**6**	3
Net cash used in investing activities		**(1,598)**	(1,065)	**(1,515)**	(1,090)
Cash Flows From Financing Activities					
Proceeds from issues of equity securities		**3,892**	705	**3,892**	705
Proceeds from borrowings		**–**	3,100	**536**	3,883
Repayment of borrowings		**(9,100)**	–	**(9,100)**	–
Dividends paid: – to members of the parent entity		**(8,316)**	(4,972)	**(8,316)**	(4,972)
Other		**872**	232	**888**	232
Net cash used in financing activities		**(12,652)**	(935)	**(12,100)**	(152)
Net Increase/(Decrease) In Cash Held		**(6,898)**	5,721	**(6,386)**	5,619
Cash At The Beginning Of The Financial Year		**9,090**	3,670	**6,832**	1,213
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(12)**	(301)	**–**	–
Cash At The End Of The Financial Year	38(a)	**2,180**	9,090	**446**	6,832

Notes to the financial statements are included in pages 32 to 63

1. Summary of Accounting Policies

Financial Reporting Framework

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Urgent Issues Group Consensus Views, and complies with other requirements of the law.

The financial report has been prepared on the basis of historical cost and except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Significant Accounting Policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

a) Accounts Payable

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

b) Acquisition of Assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

c) Capital Gains Tax

No provision has been made for capital gains tax which may arise in the event of sale of revalued assets as no decision has been made to sell any of these assets.

d) Depreciation

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life. Leasehold improvements are amortised over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The following estimated useful lives are used in the calculation of depreciation:

- Buildings 25 - 40 years
- Leasehold improvements 3 - 13 years
- Plant and equipment 3 - 20 years

e) Derivative Financial Instruments

The consolidated entity enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including forward foreign exchange contracts, and interest rate swap contracts. Further details of derivative financial instruments are disclosed in Note 39 to the financial statements.

Foreign Exchange Contracts

Exchange differences on forward foreign exchange contracts to hedge the purchase or sale of specific goods and services in foreign currencies are deferred and included in the measurement of the purchase or sale.

The chief entity enters into forward foreign exchange contracts to manage the risk associated with anticipated transactions generally out to 6 months. A new hedging policy has been implemented for the year ended 30 June 2005 which seeks to manage this risk for anticipated transactions over the full financial year. These transactions mainly relate to hedging the receipts of the Group's sales to overseas entities in foreign currencies.

Interest Rate Swap Contracts

Gains and losses on interest rate swaps are included in the determination of interest expense.

f) Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of wages and salaries, annual leave and long service leave expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of other employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to the reporting date.

g) Financial Instruments Issued by the Company

Debt and Equity Instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction Costs on the Issue of Equity Instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Dividends

Dividends are classified as distributions of profit.

h) Foreign Currency

Foreign Currency Transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at that date.

Exchange differences are recognised in net profit or loss in the period in which they arise except that:

- exchange differences which relate to assets under construction for future productive use are included in the cost of those assets; and
- exchange differences on transactions entered into in order to hedge the purchase or sale of specific goods and services are deferred and included in the measurement of the purchase or sale.

Foreign Operations

Exchange differences relating to foreign currency monetary items forming part of the net investment in a self-sustaining foreign operation are transferred on consolidation to the foreign currency translation reserve.

Financial statements of self-sustaining foreign controlled entities are translated at reporting date using the current rate method and exchange differences are taken directly to the foreign currency translation reserve.

i) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

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

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cashflows.

j) Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable net assets acquired, is amortised on a straight line basis over a period of 20 years.

k) Income Tax

Tax-effect accounting principles are adopted whereby income tax expense is calculated on pre-tax accounting profits after adjustment for permanent differences. The tax-effect of timing differences, which occur when items are included or allowed for income tax purposes in a period different to that for accounting, is shown at current taxation rates in the deferred tax assets and deferred tax liabilities, as applicable.

l) Interest-Bearing Liabilities

Bills of exchange are recorded at an amount equal to the net proceeds received, with the premium or discount amortised over the period until maturity. Interest expense is recognised on an effective yield basis.

Bank loans and other loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accruals basis.

Ancillary costs incurred in connection with the arrangement of borrowings are deferred and amortised over the period of the borrowing.

m) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis.

n) Investments

Investments in controlled entities are recorded at cost.

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

o) Leased Assets

Operating lease payments are recognised as an expense on a basis which reflects the pattern in which economic benefits from the leased asset are consumed.

Surplus Lease Space

In the event that premises leased by the consolidated entity pursuant to a non-cancellable operating lease are identified as surplus to the needs of the consolidated entity, a liability and expense are recognised equal to the present value of the total expected outlay relating to the surplus space as specified under the lease agreement.

p) Principles of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the parent entity) and its controlled entities as defined in accounting standard AASB 1024 'Consolidated Accounts'. A list of controlled entities appears in Note 33 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which the Company obtains control and until such time as the Company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

q) Receivables

Trade receivables and other receivables are recorded at amounts due less any allowance for doubtful debts.

r) Recoverable Amount of Non-Current Assets

Non-current assets are written down to recoverable amount where the carrying value of any non-current asset exceeds recoverable amount. In determining the recoverable amount of non-current assets, the expected net cash flows have not been discounted to their present value.

Market valuations of Land and Buildings are obtained on a regular basis, at no more than three yearly intervals.

s) Research and Development Costs

Research and development costs are recognised as an expense as incurred.

t) Revenue Recognition

Sales of Goods and Services

Revenue from the sale of goods and disposal of other assets is recognised when the consolidated entity has passed control of the goods or other assets to the buyer.

Royalties

Royalty revenue is recognised on an accrual basis, in accordance with the substance of the relevant agreement.

	Consolidated		Company	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
2. Profit From Ordinary Activities				
Profit from ordinary activities before income tax includes the following items of revenue and expense:				
a) Operating Revenue				
Sales revenue:				
Sale of goods before promotional and other rebates	**115,724**	94,740	**108,087**	85,016
Interest revenue:				
Other entities	**130**	115	**107**	78
Royalty revenue:				
Other entities	**409**	95	**409**	95
Dividends:				
Wholly-owned controlled entities	**–**	–	**334**	–
	116,263	94,950	**108,937**	85,189
b) Non-Operating Revenue				
Proceeds from the sale of assets (Note 3):				
Non-current				
Property, plant and equipment	**6**	99	**6**	3
	6	99	**6**	3
	116,269	95,049	**108,943**	85,192
c) Expenses				
Cost of sales	**46,335**	35,051	**46,628**	35,143
Borrowing costs:				
Interest charges: Other entities	**656**	996	**818**	1,107
Bank charges: Other entities	**315**	325	**313**	313
Depreciation of non-current assets:				
Property, plant and equipment	**1,917**	1,635	**1,868**	1,597
Motor vehicles	**–**	9	**–**	–
Buildings	**199**	178	**199**	178
	2,116	1,822	**2,067**	1,775

	Consolidated		Company	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000

2. Profit From Ordinary Activities (cont)

Amortisation of non-current assets:				
Leasehold improvements	**11**	7	**9**	5
Goodwill	**56**	39	**56**	39
	67	46	**65**	44
Operating lease rental expenses:				
Minimum lease payments	**1,055**	1,460	**1,010**	1,308
Net foreign exchange loss	**222**	197	**222**	197

3. Sales of Assets

Sales of assets in the ordinary course of business have given rise to the following losses:

Net Losses				
Property, plant and equipment	**21**	23	**11**	5

4. Income Tax

(a) The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:

Profit from Ordinary Activities	**13,236**	8,920	**12,049**	7,044
Income tax expense calculated at 30%	**3,971**	2,676	**3,615**	2,113
Permanent Differences:				
Amortisation of intangible assets	**17**	12	**17**	12
Effect of lower tax rates on tax on overseas income	**21**	-	**21**	0
Non-allowable overseas rental	**1**	72	**1**	72
Non-deductible expenses	**41**	58	**41**	82
Increased provision for surplus lease space	**–**	27	**–**	27
Timing differences and tax losses not brought to account as future income tax benefits	**–**	7	**–**	-
Intercompany dividends received	**–**	-	**(100)**	-
Research and development	**(40)**	(54)	**(40)**	(54)
Staff bonus share issue	**(44)**	-	**(44)**	-
	3,967	2,798	**3,511**	2,252
(Over)/under provision of income tax in previous year	**(38)**	(79)	**54**	(79)
Income tax expense relating to ordinary activities	**3,929**	2,719	**3,565**	2,173

4. Income Tax (cont)

Future income tax benefits not brought to account as assets:

(i) Australian Company capital losses of $1,270,370 (2003: $1,270,370)

(ii) Tax losses of our Singapore Controlled Entity of $1,221,333 (2003: $1,221,333)

(iii) Foreign source losses of $762,973 (2003: $605,405)

The taxation benefits of tax losses and timing differences not brought to account will only be obtained if:

a) assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;

b) conditions for deductibility imposed by law are complied with; and

c) no changes in tax legislation adversely affect the realisation of the benefit from deductions.

5. Specified Directors' and Specified Executives' Remuneration

The Remuneration Committee reviews the remuneration packages of all specified directors and specified executives on an annual basis and makes recommendations to the board. Remuneration packages are reviewed and determined with due regard to current market rates and are benchmarked against comparable industry salaries, adjusted by a performance factor to reflect changes in the performance of the Company.

The Directors' and Executives' remuneration information has been prepared in accordance with new accounting standard AASB 1046 'Directors and Executives Disclosures by Disclosing Entities'.

The specified Directors of Blackmores Limited during the year were:

Marcus C Blackmore, Executive Chairman
William S Cutbush, Deputy Chairman
Stephen J Chapman, Director
Verilyn C Fitzgerald, Director
Robert L Stovold, Director
Jennifer A Tait, Director and COO (appointed 23 October 2003)
Darin N Walters, Director and CEO (resigned 24 October 2003)

The specified executives of Blackmores Limited during the year were:

Anneke van den Broek, Director of Marketing
Liz Burrows, Director of Operations (appointed 23 October 2003)
Philip Daffy, Director of Research and Development and Corporate Affairs (appointed 12 January 2004)
Anthony W Pascoe, Chief Financial Officer (appointed 3 November 2003)
Richard Steinmetz, International Director
Reg Weine, Director of Sales (appointed 3 May 2004)

5. Specified Directors' and Specified Executives' Remuneration (cont)

Specified Directors' remuneration during the year ended 30 June 2004 was as follows, for the period they were specified Directors:

	Primary			Post Employment			Equity		
	Salary & Fees $	Bonus [1] $	Non-Monetary [2] $	Superannuation $	Prescribed Benefits [3] $	Other $	Options [4] $	Other Benefits [5] $	Total $
M C Blackmore									
2004	**411,903**	**135,000**	**9,984**	**27,949**	**–**	**–**	**14,626**	**215**	**599,677**
2003	280,065	–	13,348	19,935	–	–	14,377	181	327,906
W S Cutbush									
2004	**68,800**	**–**	**–**	**6,192**	**18,000**	**–**	**–**	**215**	**93,207**
2003	64,000	–	–	5,760	24,000	–	–	181	93,941
S J Chapman									
2004	**47,250**	**–**	**–**	**4,253**	**18,000**	**–**	**–**	**215**	**69,718**
2003	42,000	–	–	3,780	26,630	–	–	181	72,591
V C Fitzgerald[6]									
2004	**92,000**	**–**	**–**	**32,680**	**27,677**	**–**	**–**	**215**	**152,572**
2003	46,000	–	–	4,140	27,068	–	–	181	77,389
R L Stovold									
2004	**52,000**	**–**	**–**	**4,680**	**29,167**	**–**	**–**	**215**	**86,062**
2003	46,000	–	–	4,140	29,056	–	–	181	79,377
J A Tait									
2004 – Executive	**62,862**	**33,059**	**11,009**	**16,204**	**–**	**–**	**3,170**	**72**	**126,376**
2004 – Director	**125,724**	**66,119**	**22,019**	**32,408**	**–**	**–**	**6,339**	**143**	**252,752**
2003	180,123	61,570	35,031	37,421	–	–	9,384	181	323,710
D N Walters									
2004	**227,587**	**–**	**31,465**	**26,783**	**–**	**–**	**36,636**	**30,215**	**352,686**
2003	323,941	93,800	43,121	26,059	–	–	35,942	181	523,044
Total Remuneration									
2004	**1,088,126**	**234,178**	**74,477**	**151,149**	**92,844**	**–**	**60,771**	**31,505**	**1,733,050**
2003	982,129	155,370	91,500	101,235	106,754	–	59,703	1,267	1,497,958

5. Specified Directors' and Specified Executives' Remuneration (cont)

Specified executives remuneration during the year ended 30 June 2004 was as follows, for the period they were specified executives:

	Primary			Post Employment			Equity		
	Salary & Fees $	Bonus [1] $	Non-Monetary [2] $	Superannuation $	Prescribed Benefits [3] $	Other $	Options [4] $	Other Benefits [5] $	Total $
A van den Broek	184,135	69,807	–	19,394	–	–	–	215	273,551
R A Steinmetz	148,468	60,922	938	16,253	–	–	9,509	215	236,305
A W Pascoe	158,758	59,319	–	6,934	–	–	–	215	225,226
L Burrows	78,336	52,572	–	35,425	–	–	–	215	166,548
P Daffy	49,994	22,269	–	11,927	–	–	–	215	84,405
R Weine	35,126	12,973	–	2,750	–	–	–	215	51,064
Total Remuneration	**654,817**	**277,862**	**938**	**92,683**	**–**	**–**	**9,509**	**1,290**	**1,037,099**

Note 1: Bonuses set out in the note relate to the year ended 30 June 2004.

The payments were in recognition of the achievement of various key performance objectives and were all approved by the Remuneration Committee in June 2004.

'Profit share' amounts included in the bonus figure relate to the Company's obligation under its Certified Agreement to pay 10% of its after tax profit to staff on a proportional basis. Profit share was paid in January 2004 and in June 2004.

Note 2: Non-Monetary benefits include the use of a company motor vehicle and notional interest not charged on loans under the various employee share plans. The Notional Interest Benefit from the Employee Share Plans is based on an estimate of the interest forgone by the Company in not charging interest on the Employee Share Plan Loans approved at various Annual General Meetings. An interest rate of 6.55 % (2003: 6.55%) has been applied to Loans outstanding at various times of the year to calculate the notional benefits received.

Note 3: Prescribed benefits in the Directors' Note relate to the provision for Non-Executive Directors' retirement allowances approved by shareholders on 4 November 1993.

Note 4: The amounts reflected in the options column reflect share options and rights to performance shares granted to the specified directors and executives in prior years, valued in accordance with the principles set out in AASB1046.

Note 5: The amounts under 'Other Benefits' represent the payment of Directors and Officers insurance premia and in the case of Mr Walters, an ex gratia payment upon his retirement.

Note 6: In addition to her duties as a director, Ms Fitzgerald also carried out a number of additional projects for the Company and her 2004 fees include consulting fees received in relation to these projects (refer note 35 (e) to the accounts).

Note 7: Mr Pascoe commenced employment with the Company on 3 November 2003.

6. Executive and Employee Share and Options Plan

The Company has a number of Employee Share Plans and Performance Share Plans in operation. The various issues were approved by shareholders in general meetings on 17 November 1987, 21 November 1989, 19 November 1992, 6 November 1997 and 26 October 2002 respectively.

a) The Board has the power to issue to employees ordinary shares or options to take up ordinary shares.

b) The Plan approved on 6 November 1997 enables employees to acquire shares in the Company, still with the existing benefit of financial assistance from the Company. These shares are not necessarily new shares. The Blackmores Share Plan Trust is able to purchase shares on the Stock Market for issue to qualifying staff members rather than issue new shares.

Market price of an ordinary share in the Company as at 30 June 2004 was $10.00 (30 June 2003: $6.32).

At 30 June 2004, there were 273,665 shares covered by the various Employee Share Plans, representing 1.73% of the issued capital (2003: 539,705 shares representing 3.56% of issued capital).

Performance Share Plan for Executives

A number of executives have previously participated in a Performance Share Plan which allowed those executives the potential to be issued with shares in the Company at no cost to the participating executive. The ultimate issuance or otherwise of shares to the participating executives has been subject to the satisfaction of performance conditions over specified 3 year performance periods.

The performance conditions have been based on specified hurdle levels of earnings per share growth.

At the date of this report, one executive of the Group is eligible to receive shares under this Performance Share Plan. That executive will receive in the order of 12,000 shares in the Company prior to 30 September 2004.

No other potential share issues are pending under this Performance Share Plan. The Remuneration Committee is currently in the process of considering the establishment of a new performance-based plan which will replace the above described plan.

6. Executive and Employee Share and Options Plan (cont)

Executive Options on Issue

The details of the Executive Options on issue are as follows:

	Options	
	2004 Number	2003 Number
Balance at beginning of the financial year (i)	**689,334**	836,000
Granted/issued during the financial year (ii)	**–**	-
Exercised/redeemed during the financial year (iii)	**(689,334)**	(146,666)
Lapsed during the financial year (iv)	**–**	-
Balance at end of the financial year (v)	**–**	689,334

Executive options carry no voting or dividend rights

i) Balance at Beginning of Financial Year

	Number	Grant Date	Expiry/ Exercise Date	Average Exercise Price $
Options – Series				
1) Issued 5 December 1998	350,000	5/12/98	5/12/03	5.63
2) Issued 20 January 1999	339,334	20/1/99	20/1/04	5.63
	689,334			

ii) Granted During the Financial Year

No new Executive share options have been granted during the current financial year.
(No new Executive share options were granted during the 2003 financial year.)

iii) Exercised During the Financial Year

2004	No. of Options Exercised	Grant Date	Exercise Date	Expiry Date	Average Exercise Price $	No. of Shares Issued	Fair Value Received $	Fair Value of Shares at Date of Issue $
Options – Series								
(1) Issued 5 December 1998	350,000	5/12/98	various	5/12/03	5.63	350,000	1,971,667	2,759,744
(2) Issued 20 January 1999	339,334	20/1/99	various	20/1/04	5.66	339,334	1,921,040	2,567,206
	689,334					**689,334**	**3,892,707**	**5,326,950**

6. Executive and Employee Share and Options Plan (cont)

2003	No. of Options Exercised	Grant Date	Exercise Date	Expiry Date	Average Exercise Price $	No. of Shares Issued	Fair Value Received $	Fair Value of Shares at Date of Issue $
Options – Series								
(1) Issued 5 December 1998	50,000	5/12/98	various	5/12/03	5.64	50,000	282,000	307,000
(2) Issued 20 January 1999	76,666	20/1/99	various	20/1/04	5.51	76,666	422,263	497,628
	126,666					126,666	704,263	804,628

Fair value of consideration received is measured as the nominal value of cash receipts on conversion. The fair value of shares at the date of their issue is measured as the market value at close of trade on the date of their issue.

iv) Lapsed During the Financial Year

No options previously issued to employees have lapsed during the reporting period or in the prior reporting period.

v) Balance at End of Financial Year

There were no unexercised options at the end of the financial year.

Consideration received on the exercise of executive options is recognised in contributed equity. During the financial year $3,892,707 (2003: $704,263) was recognised in contributed equity arising from the exercise of executive options.

	Consolidated		Company	
	2004 $	2003 $	**2004 $**	2003 $
7. Remuneration of Auditors				
(a) Auditor of the Parent Entity				
Auditing the financial report	**142,650**	141,100	**142,650**	141,100
Other services	**92,785**	97,355	**92,785**	97,355
	235,435	238,455	**235,435**	238,455
(b) Other Auditors				
Auditing the financial report	**56,869**	61,176	**–**	-
Other services	**18,646**	75,321	**–**	-
	75,515	136,497	**–**	-
(c) Total Auditors' Remuneration				
Auditing the financial report	**199,519**	202,276	**142,650**	141,100
Other services	**111,431**	172,676	**92,785**	97,355
	310,950	374,952	**235,435**	238,455

	Consolidated		Company	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
8. Current Receivables				
Trade receivables	**18,968**	21,977	**15,608**	18,359
Allowance for doubtful debts	**(147)**	(150)	**(147)**	(150)
	18,821	21,827	**15,461**	18,209
Amounts due from controlled entities	**–**	–	**502**	1,129
Goods and services tax (GST) recoverable	**635**	598	**635**	594
	19,456	22,425	**16,598**	19,932
9. Current Inventories				
Raw materials:				
At cost	**3,705**	2,400	**3,705**	2,408
At net realisable value	**1,344**	–	**1,344**	–
Work in progress – at cost	**10**	5	**10**	5
Finished goods – at cost	**7,650**	5,795	**6,556**	5,182
	12,709	8,200	**11,615**	7,595
10. Other Current Financial Assets				
Loans due under the employee share plans	**–**	239	**–**	239
11. Other Current Assets				
Other current assets and prepayments	**915**	954	**756**	855
12. Other Non-Current Financial Assets				
Loans due under employee share plans	**270**	917	**12**	486
Shares in controlled entities at cost	**–**	–	**3,814**	3,814
	270	917	**3,826**	4,300

13. Property, Plant and Equipment

	Consolidated				
	Freehold Land at deemed cost	Buildings at deemed cost	Leasehold Improvements at cost	Plant and Equipment at cost	**Total**
	$'000	$'000	$'000	$'000	**$'000**
Gross Carrying Amount					
Balance at 30 June 2003	2,700	5,538	437	14,346	**23,021**
Additions	–	350	–	1,254	**1,604**
Disposals	–	(11)	–	(76)	**(87)**
Net foreign currency exchange differences arising on translation of financial statements of self-sustaining foreign operations	–	–	(1)	(3)	**(4)**
Balance at 30 June 2004	**2,700**	**5,877**	**436**	**15,521**	**24,534**
Accumulated Depreciation / Amortisation					
Balance at 30 June 2003	–	(507)	(411)	(7,749)	**(8,667)**
Disposals	–	4	–	56	**60**
Depreciation expense	–	(199)	(11)	(1,917)	**(2,127)**
Net foreign currency exchange differences arising on translation of financial statements of self-sustaining foreign operations	–	–	–	1	**1**
Balance at 30 June 2004	**–**	**(702)**	**(422)**	**(9,609)**	**(10,733)**
Net Book Value					
As at 30 June 2003	2,700	5,031	26	6,597	**14,354**
As at 30 June 2004	**2,700**	**5,175**	**14**	**5,912**	**13,801**

13. Property, Plant and Equipment (cont)

	Company				
	Freehold Land at deemed cost	Buildings at deemed cost	Leasehold Improvements at cost	Plant and Equipment at cost	**Total**
	$'000	$'000	$'000	$'000	**$'000**
Gross Carrying Amount					
Balance at 30 June 2003	2,700	5,538	418	14,160	**22,816**
Additions	–	350	–	1,171	**1,521**
Disposals	–	(11)	–	(60)	**(71)**
Balance at 30 June 2004	**2,700**	**5,877**	**418**	**15,271**	**24,266**
Accumulated Depreciation / Amortisation					
Balance at 30 June 2003	–	(507)	(409)	(7,671)	**(8,587)**
Disposals	–	4	–	50	**54**
Depreciation expense	–	(199)	(9)	(1,868)	**(2,076)**
Balance at 30 June 2004	**–**	**(702)**	**(418)**	**(9,489)**	**(10,609)**
Net Book Value					
As at 30 June 2003	2,700	5,031	9	6,489	14,229
As at 30 June 2004	**2,700**	**5,175**	**–**	**5,782**	**13,657**

	Consolidated		Company	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:				
Buildings	**199**	178	**199**	178
Leasehold improvements	**11**	7	**9**	5
Plant and equipment	**1,917**	1,635	**1,868**	1,597
Motor vehicles	**–**	9	**–**	–
	2,127	1,829	**2,076**	1,780

Current Value of Freehold Land and Buildings

Value of freehold land and buildings determined in accordance with an independent valuation on the basis of current market buying value was $9 million, as performed in March 2003.

Potential capital gains taxes have not been provided on revalued properties due to the availability of capital losses and no decision has been made to sell these assets.

	Consolidated		Company	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
14. Intangibles				
Goodwill	**701**	701	**675**	675
Accumulated amortisation	**(701)**	(645)	**(675)**	(619)
	–	56	**–**	56
Aggregate amortisation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:				
Goodwill	**56**	39	**56**	39
15. Deferred Tax Assets				
Future income tax benefit:				
Timing differences	**1,561**	1,292	**1,476**	1,230
	1,561	1,292	**1,476**	1,230
16. Current Payables				
Trade payables	**4,521**	9,380	**3,786**	8,863
Goods and services tax (GST) payable	**640**	657	**640**	656
Other creditors and accruals	**4,582**	3,380	**4,194**	2,992
	9,743	13,417	**8,620**	12,511
17. Current Interest-Bearing Liabilities				
Secured:				
Bank bills (i) (ii)	**8,200**	17,300	**8,200**	17,300
	8,200	17,300	**8,200**	17,300

i) Secured by registered mortgage debentures and a floating charge over certain assets of the consolidated entity.

ii) In accordance with the security arrangements of liabilities, as disclosed in this note to the financial statements, effectively all non-current assets of the consolidated entity have been pledged as security, except goodwill and future income tax benefits.

	Consolidated		Company	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
18. Current Tax Liabilities				
Income tax payable	**1,961**	426	**1,990**	301
	1,961	426	**1,990**	301
19. Current Provisions				
Employee benefits (Note 24)	**1,975**	1,782	**1,975**	1,782
Directors' retirement	**562**	414	**562**	414
Surplus lease space (Note 32)	**62**	83	**62**	83
	2,599	2,279	**2,599**	2,279

	Consolidated		Company	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
20. Non-Current Interest Bearing Liabilities				
Unsecured:				
Amounts due to controlled entities	**–**	–	**2,741**	2,125
	–	–	**2,741**	2,125
21. Deferred Tax Liabilities				
Deferred income tax	**618**	987	**615**	1,003
	618	987	**615**	1,003
22. Non-Current Provisions				
Employee benefits (Note 24)	**195**	216	**195**	216
Surplus lease space (Note 32)	**24**	207	**24**	207
	219	423	**219**	423

23. Provisions

	Consolidated	
	Surplus Lease Space (i) $'000	Directors' Retirement Benefits (ii) $'000
Balance at 30 June 2003	290	414
Additional provisions recognised	-	148
Reductions resulting from the re-measurement of the estimated future sacrifice or the settlement of the provision without cost to the entity	(204)	-
Balance at 30 June 2004	**86**	**562**
Current (Note 19)	62	-
Non-current (Note 22)	24	562

(i) The provision for surplus lease space represents the present value of the future lease payments that the consolidated entity is presently obligated to make in respect of surplus lease space under non-cancellable operating lease agreements, less estimated future sub-lease revenue.

(ii) The provision for Directors' retirement benefits represents amounts set aside as Directors' retirement allowances in accordance with a resolution passed by Shareholders at the 4 November 1993 Annual General Meeting.

23. Provisions (cont)

	Company	
	Surplus Lease Space (i) $'000	Directors' Retirement Benefits (ii) $'000
Balance at 30 June 2003	290	414
Additional provisions recognised	–	148
Reductions resulting from the re-measurement of the estimated future sacrifice or the settlement of the provision without cost to the entity	204	–
Balance at 30 June 2004	**86**	**562**
Current (Note 19)	62	562
Non-current (Note 22)	24	–

(i) The provision for surplus lease space represents the present value of the future lease payments that the Company is presently obligated to make in respect of surplus lease space under non-cancellable operating lease agreements, less estimated future sub-lease revenue.

(ii) The provision for Directors' retirement benefits represents amounts set aside as Directors' retirement allowances in accordance with a resolution passed by Shareholders at the 4 November 1993 Annual General Meeting.

24. Employee Benefits

	Consolidated		Company	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
The aggregate employee benefit liability recognised and included in the financial statements is as follows:				
Provision for employee benefits:				
Current (Note 19)	**1,975**	1,782	**1,975**	1,782
Non-current (Note 22)	**195**	216	**195**	216
Accrued wages and salaries (i)	**1,268**	1,181	**1,268**	1,181
	3,438	3,179	**3,438**	3,179

(i) Accrued wages and salaries are included in the current payables balance as disclosed in Note 16 to the financial report.

	2004 Number	2003 Number	**2004 Number**	2003 Number
Number of employees at end of financial year (in full time equivalents)	**281**	262	**226**	217

	Consolidated		Company	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000

25. Contributed Equity

15,850,485 fully paid ordinary shares (2003: 15,138,251)	**15,932**	12,040	**15,932**	12,040
	15,932	12,040	**15,932**	12,040

	Company 2004		Company 2003	
	Number '000	**$'000**	Number '000	$'000
Fully Paid Ordinary Share Capital				
Balance at beginning of financial year	**15,138**	**12,040**	15,012	11,335
Issue of shares under executive and employee share option plan (Notes 6, 35 and 38(d))	**712**	**3,892**	126	705
Balance at end of financial year	**15,850**	**15,932**	15,138	12,040

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Share Options

Further details of the Executive and Employee Share Option and Performance Share Plans are contained in Notes 6 and 35 to the financial statements.

	Consolidated		Company	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000

26. Reserves

(a) Reserves Comprise

Asset revaluation	**2,368**	2,368	**2,368**	2,368
Foreign currency translation	**(560)**	(534)	**–**	–
	1,808	1,834	**2,368**	2,368

(b) Movements in Reserves

Asset revaluation reserve

Balance at beginning of financial year	**2,368**	2,368	**2,368**	2,368
Movements	**–**	–	**–**	–
Balance at end of financial year	**2,368**	2,368	**2,368**	2,368

The asset revaluation reserve arises on the revaluation of non-current assets. Where a revalued asset is sold that portion of the asset revaluation reserve which relates to that asset, and is effectively realised, is transferred to retained profits.

Foreign Currency Translation Reserve

Balance at beginning of financial year	**(534)**	165	**–**	–
Translation of foreign operations	**(26)**	(699)	**–**	–
Balance at end of financial year	**(560)**	(534)	**–**	–

Exchange differences relating to foreign currency monetary items forming part of the net investment in a self-sustaining foreign operation and the translation of self-sustaining foreign controlled entities are brought to account by entries made directly to the foreign currency translation reserve, as described in Note 1(h).

27. Retained Profits

Balance at beginning of financial year	**8,821**	4,887	**4,918**	2,316
Adjustment to opening retained profits on initial adoption of AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets'. Write-back of prior year dividend provision	**–**	2,702	**–**	2,702
Net profit attributable to members of the parent entity	**9,307**	6,201	**8,484**	4,871
Dividends paid (Note 29)	**(8,316)**	(4,972)	**(8,316)**	(4,972)
Other	**–**	3	**4**	1
Balance at end of financial year	**9,812**	8,821	**5,090**	4,918

28. Earnings Per Share

	2004 Cents per Share	2003 Cents per Share
Basic earnings per share	**59.5**	41.1
Diluted earnings per share	**59.5**	40.9

Basic Earnings per Share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2004 $'000	2003 $'000
Earnings (reconciles directly to net profit in the Statement of Financial Performance)	**9,307**	6,201

	2004 Number	2003 Number
The weighted average number of ordinary shares on issue during the financial year used in the calculation of basic earnings per share	**15,639,546**	15,077,767

The unexercised options issued to Directors and Executives are considered to be potential ordinary shares and are therefore excluded from the weighted average number of ordinary shares used in the calculation of basic earnings per share (EPS). Where dilutive, potential ordinary shares are included in the calculation of diluted earnings per share (refer below).

	2004 $'000	2003 $'000
Diluted Earnings per Share		
Earnings and weighted average number of ordinary and potential ordinary shares used in the calculation of diluted earnings per share are as follows:		
Earnings (reconciles directly to net profit in the statement of financial performance)	**9,307**	6,201

	2004 Number	2003 Number
Weighted average number of ordinary shares	**15,639,546**	15,077,767
Weighted average number of potential ordinary shares	**12,000**	66,462
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted EPS	**15,651,546**	15,144,229

29. Dividends

Recognised amounts	2004 Cents per Share	2004 Total $'000	2003 Cents per Share	2003 Total $'000
Fully Paid Ordinary Shares				
Final dividend for year ended 30 June 2003 – fully franked at 30% corporate tax rate	**20**	**3,083**	15	2,270
Interim dividend for year ended 30 June 2004 – fully franked at 30% corporate tax rate	**19**	**3,013**	–	–
Special dividend for year ended 30 June 2004 – fully franked at 30% corporate tax rate	**14**	**2,220**	–	–
		8,316		2,270

The total amount of dividends paid during the prior year was $4,972,000. This comprised the interim dividend for that year and the final dividend paid for the financial year ended 30 June 2002.

Unrecognised Amounts:				
Fully paid ordinary shares				
Final dividend – fully franked at 30% corporate tax rate	**27**	**4,280**	20	3,040

The final dividend in respect of ordinary shares for the year ended 30 June 2004 has not been recognised in this financial report because the final dividend was declared, determined or publicly recommended subsequent to 30 June 2004. On the basis that Directors will continue to publicly recommend dividends in respect of ordinary shares subsequent to reporting date, in future financial reports the amount disclosed as 'recognised' will be the final dividend in respect of the prior financial year, and the interim dividend in respect of the current financial year.

	Consolidated		Company	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Adjusted franking account balance (tax paid basis)			**2,066**	827

30. Commitments for Expenditure

	Consolidated 2004 $'000	Consolidated 2003 $'000	Company 2004 $'000	Company 2003 $'000
Forward Foreign Exchange Contracts				
Not longer than 1 year	**8,666**	1,596	**8,666**	1,596
Research and Development Contracts				
Not longer than 1 year	**122**	100	**122**	100
	8,788	1,696	**8,788**	1,696

31. Contingent Liabilities

	Consolidated 2004 $'000	Consolidated 2003 $'000	Company 2004 $'000	Company 2003 $'000
Guarantees from the Holding Company for the issuance of performance guarantees	**207**	213	**207**	213
	207	213	**207**	213

	Consolidated		Company	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000

32. Leases

Operating Leases

Leasing arrangements

Operating leases relate to business premises and the Company motor vehicle fleet with lease terms of between 3 to 6 years. All operating lease contracts contain market review clauses in the event that the Company/consolidated entity exercises its option to renew. The Company/consolidated entity does not have an option to purchase the leased asset at the expiry of the lease period.

Non-cancellable operating leases	**2004 $'000**	2003 $'000	**2004 $'000**	2003 $'000
Not longer than 1 year	**946**	917	**925**	888
Longer than 1 year and not longer than 5 years	**1,197**	1,412	**1,188**	1,387
Longer than 5 years	**71**	-	**71**	-
	2,214	2,329	**2,184**	2,275

In respect of non-cancellable operating leases the following liabilities have been recognised:

	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Current (Note 19)	**62**	83	**62**	83
Non-current (Note 22)	**24**	207	**24**	207
	86	290	**86**	290

33. Controlled Entities

Name of entity	Country of Incorporation	Ownership Interest **2004 %**	Ownership Interest 2003 %
Parent Entity			
Blackmores Limited	Australia		
Controlled Entities			
Blackmores Nominees Pty Limited	Australia	**100**	100
Pat Health Limited	Hong Kong	**100**	100
Abundant Earth Limited	United Kingdom	**100**	100
Blackmores (Singapore) Pte Limited	Singapore	**100**	100
Blackmores (Malaysia) Sdn Bhd	Malaysia	**100**	100
Blackmores (Thailand) Limited	Thailand	**100**	100
PT Blackmores Indonusa*	Indonesia	**100**	100
Blackmores (NZ) Limited	New Zealand	**100**	100
Blackmores Limited*	United States	**100**	100

*These companies did not trade during the 2004 or 2003 years

33. Controlled Entities (cont)

Companies incorporated outside Australia carry on business in the country of incorporation. All overseas entities have been audited by overseas firms of Deloitte Touche Tohmatsu.

Economic Dependency

The group is not significantly dependant upon any other entity.

34. Segment Information

Segment Revenues

	External Sales		Inter-segment (i)		Other		Total	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000	**2004 $'000**	2003 $'000	**2004 $'000**	2003 $'000
Australia	**98,715**	77,157	**5,712**	5,841	**447**	176	**104,874**	83,174
New Zealand	**2,649**	4,305	**–**	–	**593**	188	**3,242**	4,493
South East Asia	**13,639**	12,919	**–**	–	**374**	56	**14,013**	12,975
Other	**158**	359	**–**	–	**–**	–	**158**	359
Total of all segments							**122,287**	101,001
Eliminations							**(6,018)**	(5,952)
Consolidated							**116,269**	95,049

The above activity is regarded as a single industry segment for reporting purposes.

(i) Inter-segment sales are recorded at cost plus 10%. Pricing is set using a budgeted exchange rate and reviewed at regular intervals, currently once a year.

	2004 $'000	2003 $'000
Segment Results		
Australia	**11,692**	7,882
New Zealand	**523**	357
South East Asia	**1,737**	583
Other	**10**	71
Total of all segments	**13,962**	8,893
Eliminations	**(726)**	27
Profit from ordinary activities before income tax expense	**13,236**	8,920
Income tax expense relating to ordinary activities	**(3,929)**	(2,719)
Net profit	**9,307**	6,201

34. Segment Information (cont)

Segment Assets and Liabilities

	Assets*		Liabilities**	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Australia	**48,374**	55,268	**24,984**	35,942
New Zealand	**3,129**	2,910	**2**	50
South East Asia	**7,471**	7,064	**1,618**	1,753
Total of all segments	**58,974**	65,242	**26,604**	37,745
Eliminations	**(8,082)**	(7,715)	**(3,264)**	(2,913)
Consolidated	**50,892**	57,527	**23,340**	34,832

* Includes investments in and receivables from group companies.

** Includes amounts payable to group companies.

Other Segment Information

	Australia		New Zealand		South East Asia		Other	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000	**2004 $'000**	2003 $'000	**2004 $'000**	2003 $'000
Acquisition of segment assets	**1,521**	1,093	**2**	17	**81**	50	**–**	–
Depreciation and amortisation of segment assets	**2,132**	1,819	**–**	–	**51**	49	**–**	–
Other non-cash expenses	**(1,593)**	3,285	**31**	(201)	**(107)**	496	**–**	–

Other non-cash expenses relate to changes in the obsolescence provision, employee share plan receivables, goodwill, deferred tax assets and liabilities, and other provisions and accruals.

Products and Services within Each Business Segment

For management purposes, the consolidated entity is organised into three major operating divisions – Australia, New Zealand and South East Asia. These divisions are the basis on which the consolidated entity reports its primary segment information. The principal activity in each instance is the development and marketing of vitamins, herbal and mineral supplements. This activity is regarded as being a single industry segment for reporting purposes.

35. Related Party and Specified Executive Disclosures

(a) Equity Interests In Related Parties

Equity Interests in Controlled Entities

Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 33 to the financial statements.

(b) Specified Directors' and Specified Executives' Remuneration

Details of specified Directors' and specified Executives' remuneration are disclosed in Notes 5, 6, and 35 to the financial statements. Director and Executive information in the report has been prepared in accordance with AASB 1046.

c) Specified Directors' and Specified Executives' Equity Holdings

Directors' and Executives Share Option Plans, Shareholdings and Loans

By resolution of shareholders dated 5 November 1998, certain Executive Directors were granted options over a total of 400,000 shares. In addition to those options, the Company issued options over 436,000 shares to executives of the Company.

The number of options held by Specified Directors and Executives as at 30 June 2004

Specified Directors	Balance at 1/7/03	Granted as Remuneration	Options Exercised	Net Change Other	Balance at 30/6/04	Vested at 30/6/04
M C Blackmore	100,000	–	100,000	–	–	–
J A Tait	50,000	–	50,000	–	–	–
D N Walters	250,000	–	250,000	–	–	–
Total	**400,000**	**–**	**400,000**	**–**	**–**	**–**

The options held by Ms J Tait were previously included in executive options but as she is now a Director, her holding appears with Directors' holdings.

Specified Executives	Balance at 1/7/03	Granted as Remuneration	Options Exercised	Net Change Other	Balance at 30/6/04	Vested at 30/6/04
R A Steinmetz	50,000	–	50,000	–	–	–
Total	**50,000**	**–**	**50,000**	**–**	**–**	**–**

There are currently no options unexercised.

Shareholdings of Specified Directors and Executives as at 30 June 2004 (expressed in numbers of ordinary shares)

Directors	Balance at 1/7/03	Granted as Remuneration	Options Exercised	Net Change Other	Balance at 30/6/04
M C Blackmore	4,678,434	–	100,000	–	4,778,434
W Cutbush	6,000	–	–	–	6,000
S Chapman	37,388	–	–	(21,000)	16,388
V Fitzgerald	20,000	–	–	–	20,000
R Stovold	18,500	–	–	–	18,500
J Tait	124,299	–	50,000	100	174,399
D Walters	189,000	–	250,000	(196,000)	243,000

35. Related Party and Specified Executive Disclosures (cont)

Executives	Balance at 1/7/03	Granted as Remuneration	Options Exercised	Net Change Other	Balance at 30/6/04
A van den Broek	–	–	–	100	100
L Burrows	100	–	–	100	200
P Daffy	50,464	–	–	100	50,564
R Steinmetz	6,255	–	50,000	(49,900)	6,355
Total (for Specified Directors and Specified Executives)	**5,130,440**	**–**	**450,000**	**(266,500)**	**5,313,940**

d) Loan Disclosures

Loans to Specified Directors and Specified Executives for Year Ended 30 June 2004

Loan Disclosures

		Balance 1/7/2003 $	Interest Charged $	Interest Not Charged $	Write-Off $	Balance 30/6/2004 $	No. in Group
Specified Directors	2004	873,012	–	44,850	–	146,699	3
Specified Executives	2004	16,309	–	938	–	11,919	1
Totals	**2004**	**889,321**	**–**	**45,788**	**–**	**158,618**	**4**

Individuals with Loans above $100,000 in reporting period

	Balance 1/7/03 $	Interest Charged $	Interest Not Charged $	Write-Offs $	Balance 30/6/2004 $	Highest in Period $
Directors						
M C Blackmore	172,805	–	9,984	–	119,805	172,805
D N Walters	630,997	–	31,465	–	–	630,997
Total	**803,802**	**–**	**41,449**	**–**	**119,805**	**803,802**

There were no loan balances exceeding $100,000 due from specified executives during or at the end of the financial year.

All loans relate to the Company's Employee Share Plans and, where appropriate, were approved by shareholders at annual general meetings.

e) Other Transactions With Specified Directors

i) During the year, Ms. V. Fitzgerald, a Director, carried out a number of additional projects for the Company. Fees for these services amounted to $68,000 which included $40,000 by way of cash consideration and $28,000 by way of superannuation contributions, and are included in the Directors' Remuneration note in Note 5 to the financial statements.

ii) The Directors received dividends on their shareholdings, whether held privately or through related entities or through the Employee Share Plans in the same manner as all ordinary shareholders.

iii) No interest was paid to or received from the Directors.

f) Transactions within the Wholly-Owned Group

The wholly-owned group includes:

- the ultimate parent entity in the wholly-owned group;
- wholly-owned controlled entities; and
- other entities in the wholly-owned group.

35. Related Party and Specified Executive Disclosures (cont)

The ultimate parent entity in the wholly-owned group is Blackmores Limited. Amounts receivable from and payable to entities in the wholly-owned group are disclosed in Note 8 and Note 20 to the financial statements. During the financial year Blackmores Limited provided accounting and administration services and sold inventories to other entities in the wholly-owned group on normal terms and conditions.

g) Transactions with Other Related Parties

Information on the remuneration of the Directors during the financial year is shown in the Directors' report and in Note 5. The balance of the loans to the Directors as at financial year end is shown above at (d).

h) Balances with Related Parties

No balances have been written off and no provision for doubtful debts has been made against any balances with related parties.

i) Controlling Entities

The parent entity in the consolidated entity is Blackmores Limited.

36. Subsequent Events

There has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected or may significantly affect, the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in financial years after the financial year.

37. Assets and Liabilities of Trusts for which the Company is a Trustee or has Indemnified others

	2004 $'000	2003 $'000
Blackmores Limited has indemnified the trustee of the Blackmores Share Plan Trust, Blackmores Nominees Pty Limited. Details of the underlying assets and liabilities of the Trust are as follows:		
Current Assets		
Employee Share Plan Loans	–	–
	–	–
Non-Current Assets		
Employee Share Plan Loans	261	435
Total Assets	261	435
Current Liabilities		
Loan from Blackmores Limited	261	435
Total Liabilities	261	435

	Consolidated		Company	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000

38. Notes to The Statement of Cash Flows

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	Consolidated 2004 $'000	Consolidated 2003 $'000	Company 2004 $'000	Company 2003 $'000
Cash	**2,180**	9,090	**446**	6,832
	2,180	9,090	**446**	6,832

(b) Financing Facilities

	Consolidated 2004 $'000	Consolidated 2003 $'000	Company 2004 $'000	Company 2003 $'000
Secured bank overdraft facility, reviewed annually and payable at call:				
• amount used	**–**	–	**–**	–
• amount unused	**1,500**	1,500	**1,500**	1,500
	1,500	1,500	**1,500**	1,500
Bank bill acceptance facility, reviewed annually:				
• amount used	**8,200**	17,300	**8,200**	17,300
• amount unused	**11,800**	2,700	**11,800**	2,700
	20,000	20,000	**20,000**	20,000

(c) Reconciliation of Profit From Ordinary Activities After Related Income Tax to Net Cash Flows From Operating Activities

	Consolidated 2004 $'000	Consolidated 2003 $'000	Company 2004 $'000	Company 2003 $'000
Profit from ordinary activities after related income tax	**9,307**	6,201	**8,484**	4,871
Loss on sale of non-current assets	**21**	23	**11**	5
Depreciation and amortisation of non-current assets	**2,183**	1,868	**2,132**	1,819
Unrealised foreign exchange (gain)/loss	**–**	(42)	**80**	22
Other items (net)	**–**	(211)	**–**	–
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:				
(Increase)/decrease in assets:				
• current receivables	**2,969**	(6,569)	**2,707**	(5,871)
• current inventories	**(4,509)**	(919)	**(4,020)**	(1,107)
• other debtors, deferred tax assets and prepayments	**(227)**	3	**(145)**	(131)
• amounts receivable from controlled entities	**–**	–	**454**	(209)
Increase/(decrease) in liabilities:				
• current trade payables	**(3,674)**	6,852	**(3,891)**	7,090
• current provisions and taxes payable	**1,855**	689	**2,009**	602
• non-current provisions and deferred tax liabilities	**(573)**	(174)	**(592)**	(230)
Net cash from operating activities	**7,352**	7,721	**7,229**	6,861

38. Notes to the Statement of Cash Flows (cont)

(d) Non Cash Transactions

During the financial year 22,900 free shares were issued to employees (market value at the time of issue was $146,000).

39. Financial Instruments

(a) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

(b) Significant Terms and Conditions

Forward Foreign Exchange Contracts

It is the policy of the consolidated entity to enter into forward foreign exchange contracts to manage exchange rate risk in relation to substantial foreign cash receipts (refer to Note 1(e)).

The following table details the forward foreign currency contracts outstanding as at the reporting date:

	Average Exchange Rate		Principal Amount	
Outstanding Contracts	**2004**	2003	**2004 A$'000**	2003 A$'000
Sell Singapore Dollars				
Less than 3 months	–	1.1002	–	190
3 to 12 months	–	1.1388	–	184
			–	374
Sell Thai Baht				
Less than 3 months	**28.00**	27.10	**561**	526
3 to 12 months	**27.66**	27.92	**3,390**	619
			3,951	1,145
Sell Malaysia Ringgits				
Less than 3 months	**2.6164**	–	**891**	–
3 to 12 months	**2.6007**	–	**3,824**	–
			4,715	–
Buy Pounds Sterling				
Less than 3 months	–	0.3909	–	(38)
3 to 12 months	–	0.3897	–	(38)
			–	(76)

At the reporting date, the aggregate amount of unrealised gains under forward foreign exchange contracts relating to anticipated future transactions is $52,944 (2003: $42,000)

39. Financial Instruments (cont)

At 30 June 2004 the following amounts owed by wholly-owned foreign subsidiaries in foreign currency to the Company, were not covered by forward foreign exchange contracts, in Australian Dollar equivalents.

	2004 A$'000	2003 A$'000
Intercompany Debtors		
Malaysian Ringgits	**218**	269
Thai Baht	**148**	–
Singapore Dollars	**284**	–
	650	269

Interest Rate Contracts

The consolidated entity uses an interest rate swap and Bank Bills to manage interest rate exposure.

Under interest rate swap contracts, the consolidated entity agrees to exchange the difference between specified interest rate and reference rate amounts calculated on agreed notional principal amounts at a specified future date. Such contracts enable the consolidated entity to fix the effective rates for future interest commitments.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date.

	Average Interest Rate		Notional Principal Amount	
Outstanding Contracts	**2004 %**	2003 %	**2004 $'000**	2003 $'000
Less than 1 year	**–**	–	**–**	–
2 to 5 years	**5.26**	5.26	**5,000**	5,000

(c) Objectives of Derivative Financial Instruments

The consolidated entity enters into some derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including:

- forward foreign exchange contracts to hedge the exchange rate risk arising on the sale of product to overseas related parties;
- interest rate swap to mitigate the risk of rising interest rates.

The consolidated entity does not enter into or trade derivative financial instruments for speculative purposes.

(d) Interest Rate Risk

The Company's effective interest rate during the year was in the order of 5.6% (2003: 5.0%), reflecting borrowing rates on Bank Bills and deposit interest rates on Cash at Bank. All interest rate terms are variable, however, as highlighted above, the Company has an interest rate swap which provides it with some protection against interest rate increases. This interest rate swap has a notional amount of $5 million (2003: $5 million), a fixed rate of 5.26% and an expiry date in February 2006.

All other financial assets and liabilities (in the current and prior financial years) are non-interest bearing.

If interest rates were 1% higher over the entire year the Company's interest costs (net of the interest rate swap) would have increased by approximately $50,000 (2003: $35,000).

39. Financial Instruments (cont)

(e) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted the policy of only dealing with credit-worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated entity measures credit risk on a fair value basis. The Company minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers from across the range of sales channels in which the group operates.

(f) Net Fair Value

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

(g) Hedges of Anticipated Future Transactions

As detailed in this note, the consolidated entity has entered into contracts to manage exchange rate risk in relation to known substantial foreign cash receipts.

40. International Financial Reporting Standards (IFRS)

In accordance with the Financial Reporting Council's strategic directive, Blackmores Limited will be required to prepare financial statements that comply with Australian equivalents to International Financial Reporting Standards ("A-IFRS") for annual reporting periods beginning on or after 1 January 2005. Accordingly, Blackmores Limited's first half-year report prepared under A-IFRS will be for the half-year reporting period ended 31 December 2005, and its first annual financial report prepared under A-IFRS will be for the year ended 30 June 2006.

First-time adoption of A-IFRS

On first-time adoption of A-IFRS, the consolidated entity will be required to restate its comparative balance sheet such that the comparative balances presented comply with the requirements specified in the A-IFRS. That is, the balances that will be presented in the financial report for the year ended 30 June 2005 may not be the balances that will be presented as comparative numbers in the financial report for the following year, as a result of the requirement to retrospectively apply the A-IFRS. As any adjustments on first-time adoption are to be made against opening retained earnings, the amount of retained earnings at 30 June 2004 presented in the 2005 financial report and the 2006 financial report available to be paid out as dividends may differ.

An initial analysis has been done related to the transition to International Financial Reporting Standards (IFRS). The key impacts of changes in accounting policies resulting from the implementation of Australian equivalents to IFRS have been identified as share-based payments, tax-effect accounting, hedge accounting and recognition of off balance sheet financial assets and liabilities.

Share-based Payments

Share-based compensation may form part of the remuneration of employees of the consolidated entity (including executives) as disclosed in the notes to the financial statements. The consolidated entity does not recognise an expense for any share-based compensation granted. Under A-IFRS, the consolidated entity will be required to recognise an expense for such share-based compensation.

40. International Financial Reporting Standards (IFRS) (cont)

Income Tax

The consolidated entity currently recognises deferred taxes by accounting for the differences between accounting profits and taxable income, which give rise to 'permanent' and 'timing' differences. Under A-IFRS, deferred taxes are measured by reference to the 'temporary differences' determined as the difference between the carrying amount and the tax base of assets and liabilities recognised in the balance sheet. Because A-IFRS has a wider scope than the entity's current accounting policies, it is likely that the amount of deferred taxes recognised in the balance sheet will increase.

Hedge Accounting

The consolidated entity enters into forward exchange contracts for its sales to foreign controlled entities, in order to hedge its exposure to fluctuations in exchange rates. The current accounting policy for hedging is described in note 1. Under A-IFRS, hedges are designated as fair value hedges, cash flow hedges or hedges of a net investment in a foreign entity, and the accounting differs depending on the designation. Where a hedge is designated as a fair value hedge, changes in the fair value of the hedged item to the extent of the risk hedged are recognised in profit or loss. Changes in the fair value of hedging instruments classified as cash flow hedges or hedges of a net investment in a foreign entity are recognised in equity to the extent they are effective hedges, and are recycled to the income statement when the hedged transaction affects the profit or loss. Any movement in fair value of the hedged instrument that is not effective is recognised immediately in profit and loss.

The designation, documentation and effectiveness requirements under A-IFRS may result in some hedges no longer qualifying for hedge accounting. It is not possible to determine the impact of the change in hedging requirements until a full analysis of the impact of the standard (including no longer accounting for hedging instruments under hedge accounting) has been conducted.

Off-balance Sheet Financial Assets and Liabilities

A-IFRS requires the recognition of all financial assets and financial liabilities, including all derivatives and embedded derivatives, some of which may not be recognised under current Australian GAAP. Accordingly, recognition of these financial assets and financial liabilities may change the net asset position of the consolidated entity, but the impact of the change will not be known until all financial instruments, including any embedded derivatives, are identified, measured and recognised in accordance with the new requirements. This may be relevant to the interest rate swap disclosed in Note 39 to the financial statements.

Some Shareholders' **Questions Answered**

Set out below are the answers to some questions that may have arisen from reading this Annual Report.

Statement of Financial Performance

1. **Note 2: Royalty Revenue: Why has Royalty Revenue increased from $0.09m to $0.4m?**

   The $0.4m represents this year's royalty (full 12 months) on sales by our New Zealand distributor. This royalty arrangement was only in place for part of the prior financial year.

2. **Why have selling and marketing expenses increased from $13.3 million to $15.7 million?**

   As highlighted in our letters to shareholders accompanying our first half and third quarter announcements, we significantly increased our investment in brand support during the year. This course of action was designed to maximise the post-Pan market share gains we have been able to retain in the face of an increased level of competitor activity in the second half of the financial year. These costs have in fact fallen as a percentage of sales from 14.0% in 2003 to 13.6% in 2004.

3. **Employee benefits expenses – why has this increased from $22.3m to $26 .5m?**

   Primarily, increased costs relating to increased staff levels to support higher sales (see Note 24).

Statement of Cash Flows

4. **What is the 'Statement of Cash Flows'?**

   The Statement of Cash Flows is required by law and sets out how 'cash' was received and spent during the year on an actual basis rather than on an accruals basis which is how the Statement of Financial Performance is determined.

5. **Why is cash received from customers in the Statement of Cash Flows not the same as sales revenue in the Statement of Financial Performance?**

   Cash received from customers is the actual cash deposited into our bank accounts between 1 July 2003 and 30 June 2004. Some of the cash collected after 1 July 2003 relates to sales that were made in the prior year. Sales are what we have invoiced during the same period, some of which we have not collected at balance date.

Statement of Financial Position

6. **Note 8: Why are receivables down from $22.4 million to $19.5 million?**

   The months of May and June 2003 included an abnormally high level of sales caused by the Pan crisis and as at 30 June 2003 the debts attributable to these sales had not been collected.

7. **Note 9: Why have Current Inventories increased from $8.2m to $12.7m?**

   Stock levels at 30 June 2003 were unusually low due to the increased sales in May and June 2003. Inventories have now returned to more normal levels considering the growth of the business.

8. **Note 15: Deferred Tax Assets – What does the term 'timing difference' mean?**

   A timing difference occurs when a certain expense must be charged as an expense to the business (for accounting purposes) but the Tax Act does not allow that cost to be claimed in the Company's tax return for the same year. For example, depreciation can be charged as an expense but the Tax Act will only allow set statutory rates to be used in the tax return, hence there can be a 'timing difference' as to when amounts can be claimed.

9. **Note 17: What is behind the significant reduction in Interest Bearing Liabilities?**

   Due to the very strong cashflows experienced this financial year, it has been possible to pay down a significant portion of the Company's core borrowings.

10. **Note 20: Bank Bills – What debt or loan covenants exist?**

    The Company's terms in relation to borrowing facilities include obligations to keep within certain specified financial ratios. At all times during the financial year we have complied with these requirements.

11. **Note 25: Why has contributed equity increased from $12.0 million to $15.9 million?**

    Directors, executives and staff who held options in the company exercised their outstanding options during the financial year and have contributed $3.9 million of additional capital.

Some Shareholders' **Questions Answered**

Foreign Exchange Risks

12. Does the Company hedge its foreign exchange exposures?

Yes. The Company has a policy in relation to foreign exchange hedging. We sell to our overseas subsidiaries in their local currencies and seek to hedge expected foreign exchange receipts from our subsidiaries in relation to these intercompany sales.

13. What foreign exchange rates were used to translate the overseas controlled entities results?

The rates used for the year were A$1 =

Country	Average Rate	Year End Rate This Year	Year End Rate Last Year
Hong Kong	5.58	5.44	5.25
Malaysia	2.73	2.65	2.56
New Zealand	1.13	1.10	1.14
Singapore	1.23	1.20	1.18
Thailand	28.72	28.54	28.0

14. Does the Company trade in so called derivatives?

The Company uses forward exchange contracts to hedge its foreign exchange exposures. It does not trade in exotic derivatives.

Dividends and Capital Structure

15. How is the amount of dividends paid by the Company determined? How often does the Board review the dividend policy?

Blackmores does not have a formal dividend policy other than to say that the Board of Directors will consider each dividend on its merits based on the circumstances of the Group at the time. The Board will also frank any dividends to the extent allowable under Australian tax laws applicable at the time. The level of franking credits attaching to each dividend will be determined by the amount of tax paid in Australia from time to time.

16. The proposed return of capital of 20 cents per share announced in February 2004 was precluded by an unfavourable ruling from the Australian Taxation Office. Does the Company have any comments on this event?

On this topic, shareholders may be interested in the following extract from the June 2004 newsletter of the Australian Shareholders' Association:

> "It is disappointing that the Australian Taxation Office stymied the proposed twenty cent return of capital to shareholders. From discussions with the company, it seems they did everything they could to try and persuade the ATO not to take an unfavourable stance on this sensibly planned return of capital. And while several tax professionals believe the decision was incorrect, it appears the ATO was unduly influenced by Blackmores' current high level of profitability. It then decided the proposed capital return would be regarded as a distribution of profits and treated as an unfranked dividend. Faced with this unfavourable ruling, the Company did the prudent thing and cancelled the return of capital.
>
> Blackmores has now taken a separate decision to pay a further 14 cent fully franked dividend in May, which is still good news for shareholders".

Additional **Information**

Number of Holders of Equity Securities as at 13 August 2004:

Ordinary Share Capital

15,850,485 fully paid ordinary shares are held by 4,266 shareholders.

All issued ordinary shares carry one vote per share, and are entitled to participate in dividends.

There are no options in existence.

There are no restricted securities.

There is no current on-market buy-back.

Distribution of Holders of Equity Securities

Spread of holdings	No. of Ordinary Shareholders
1 - 1,000	2,474
1,001 - 5,000	1,515
5,001 - 10,000	173
10,001 - 100,000	87
100,001 and over	17
Total	**4,266**
Holdings less than a marketable parcel	30

Substantial Shareholders

		Fully Paid	
Date of Notice	Ordinary Shareholders	Number	Percentage
29 June 2004	Marcus C Blackmore	4,974,390	31.38%
20 May 2004	452 Capital Pty Ltd	1,376,139	8.68%

Twenty Largest Holders of Quoted Equity Securities as at 13 August 2004

	Fully Paid	
Ordinary Shareholders	Number	Percentage
Mr M C Blackmore	4,194,302	26.46
J P Morgan Nominees Australia Ltd	761,368	4.80
Dietary Products (Australia) Pty Ltd	576,132	3.63
Milton Corporation Ltd	288,115	1.81
Mr D N Walters	236,600	1.49
Gowing Bros Limited	193,812	1.22
Citicorp Nominees Pty Ltd	185,602	1.17
Ms E M Whellan	182,868	1.15
Ms J A Tait	174,399	1.09
National Nominees Ltd	169,486	1.06
Graemoir Investments Pty Ltd	163,674	1.03
Invia Custodian Pty Ltd	130,000	0.82
Cogent Nominees Pty Ltd	123,592	0.77
Mr R Shepherd	114,159	0.72
Trans State Nominees Pty Ltd	109,150	0.68
Rathvale Pty Ltd	95,700	0.60
Mrs Q H E Praeger	94,980	0.59
CSS Board	84,300	0.53
PSS Board	76,235	0.48
ANZ Nominees Ltd	74,711	0.47
Total	**8,029,185**	**50.66**

Company **Information**

Company Secretary

The Company Secretary is Warwick G Sainsbery CPA. FCIS. JP.

Principal Administration Office

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Balgowlah NSW 2093
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Registered Office

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Balgowlah NSW 2093
Phone No. (02) 9951 0111

Share Registry

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000
(GPO Box 7045 Sydney NSW 1115)

Telephone (02) 8234 5000
Facsimile (02) 8234 5050

Stock Exchange Listing

Blackmores Limited's ordinary shares are quoted by the Australian Stock Exchange Limited, listing code BKL.

Direct Payment to Shareholders' Bank Accounts

Dividends may be paid directly to bank, building society or credit union accounts in Australia. These payments are electronically credited on the dividend date and confirmed by mail. The Company encourages you to participate in this arrangement, so please contact our share registry.

Change of Address

Shareholders who have changed address should advise our share registry in writing.

Tax File Number

There may be benefit to shareholders in lodging their tax file number with the share registry.

Shareholder Discount Plan

Shareholders can buy product for personal use at 25% off the recommended retail price. All shareholders have been given details of the plan but please contact the Company Secretary if you would like more information.

Corporate Governance Principles

The Corporate Governance Principles adopted by the Company are available on our website at blackmores.com.au – (go to 'About Us', then click on 'Corporate Governance'; or contact the Company Secretary).

Removal from Annual Report Mailing

Shareholders who do not want the annual report or who are receiving more than one copy, should advise the share registrar in writing. These shareholders will continue to receive all other shareholder information.

To Consolidate Shareholdings

Shareholders who want to consolidate their separate shareholdings into one account should advise the share registrar in writing.

Investor Information

Securities analysts and institutional investors seeking information about the Company should, in the first instance, contact Anthony Pascoe, Chief Financial Officer, on (02) 9951 0111.

Company Information

Board of Directors:

Directors who are executives of the Group:
Marcus C Blackmore (Chairman of Directors)
Jennifer A Tait (Chief Operating Officer)

Directors who are not executives of the Group:

William S Cutbush (Deputy Chairman)
Stephen J Chapman
Verilyn C Fitzgerald
Robert L Stovold

Auditors:

Deloitte Touche Tohmatsu
Chartered Accountants

Solicitors:

C R Fieldhouse

Bankers:

National Australia Bank Limited

Blackmores Online:

Blackmores have a popular website containing information on a more natural approach to health and the Company in general. The address is; blackmores.com.au.

For Shareholders' **Notes**

Blackmores is a proud supporter of the Devil in Danger campaign.

This annual report is printed on paper which is totally chlorine-free and uses pulp derived from sustainable forests.

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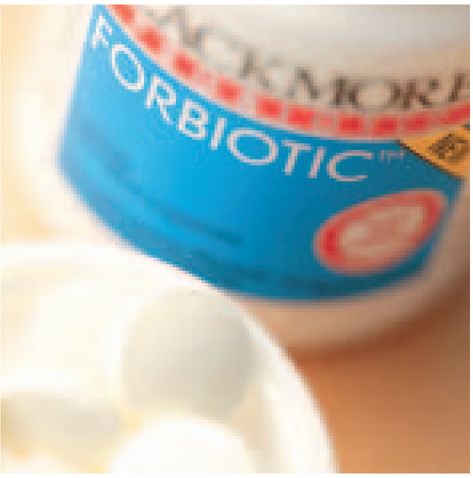

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