ANNUAL REPORT 2005
BLACKMORES LIMITED

HEALTHY OUTLOOK

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

Contents

Our Purpose and Values	1
2005 Highlights	2
Chairman's Introduction	4
Growing our Business	6
Investing in our Brand	9
Building our Future	10
Social Responsibility	12
Management Profiles	14
Corporate Governance	17
Five Year History	20
Directors' Report	22
Auditors' Statement of Independence	33
Independent Audit Report	34
Directors' Declaration	35
Financial Statements	36
Additional Information	67
Company Information	68

Annual General Meeting

The 43rd annual general meeting of the Company will be held at the Company's premises, 23 Roseberry Street, Balgowlah NSW 2093, on 19 October 2005 at 11.30am.

OUR PURPOSE AND VALUES

Blackmores is a customer-focused company inspiring 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 70 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.

2005 HIGHLIGHTS

It has been an exciting year for Blackmores with consistently solid sales, a record profit result, and a number of innovative products added to our growing range

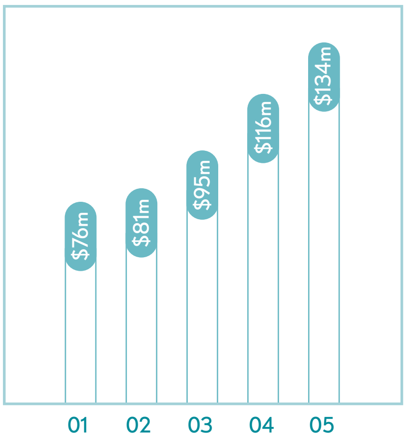
The VHMS (vitamin, herbal and mineral supplements) category is now one of the fastest growing in pharmacies and supermarkets. Blackmores was recognised in the first half of the financial year as 'Supplier of the Year' by two Australian pharmacy chains and 'Woolworths Supplier of the Year' for our category.

There are strong indications that solid industry growth will continue. The December 2004 issue of the highly regarded journal, *Australian Doctor*, reported that 31% of all medical consultations in Australia are now with alternative health practitioners, a figure estimated to grow to 50% within the next decade.

Sales

Group Sales for the year of $134 million represented growth of 16% over last year's record sales result, reflecting:

- our success in retaining a very significant proportion of our post Pan market share gains;
- strong category growth in Australia, particularly in the Grocery and Pharmacy channels; and
- a good contribution from our Asian businesses.

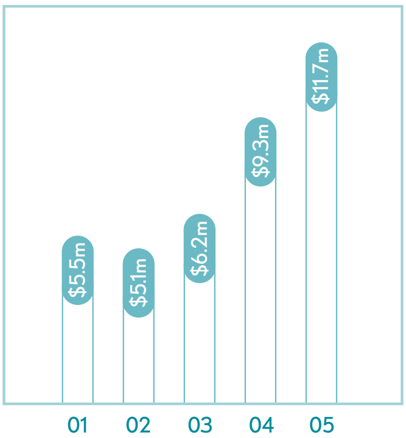


16%

increase on previous year

Net Profit after Tax

Group Net Profit after Tax was $11.7 million for the year, representing growth of 26% over prior year. Blackmores was able to deliver this year's profit growth notwithstanding significant increases in our investment in marketing and new product development. Maintaining healthy levels of investment in these areas going forward is part of our strategy, designed to strengthen even further our brand leadership position.

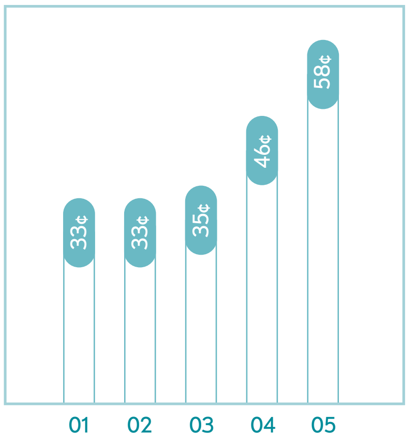


26%

increase on previous year

Ordinary Dividends

Including this year's final dividend of 33 cents per share, total ordinary dividends for the year were 58 cents per share (fully franked). This represents a 26% increase over last year's total ordinary dividends of 46 cents per share. Last year, 14 cents per share was also distributed to shareholders by way of a special dividend.



26%

increase on previous year

CHAIRMAN'S INTRODUCTION

On the back of yet another good year for our Company and our shareholders, the words of Collins and Porras writing for the Harvard Business Review (September 1996) are worthy of note. The authors commented that companies that enjoy enduring success have core values and a core purpose that remain fixed, while their business strategies and practices endlessly adapt to a changing world. I believe that this is true for Blackmores.

Had our shareholders been present at our latest annual Sales Awards night, they would have taken great heart, as I did, to hear our Area Manager of the Year, Katherine McKinnon, espouse the Blackmores "3P's" – People, Product and Passion. Get the 3P's right and most other elements of the business will fall into place.

The principal challenge of the 04-05 year was to maintain the substantial market share gains that we achieved in the previous year as a consequence of the demise of Pan Pharmaceuticals. It is of great credit to our almost totally new Executive Committee, ably supported by a strong management team, that the 04-05 year has been so successful.

We now have in place a passionate group of people and good product opportunities to deliver growth in both our domestic and overseas markets and I am very positive about the Company's future.

While positive indications from the market and a pleasing performance in recent years give us reason to be optimistic about our future, some uncertainty remains regarding our changing regulatory environment.

An unprecedented number of changes to the regulations are imminent, and we are highly involved in discussions with industry and government about the implications for our business and for our consumers.

This year we were issued the government's response to the recommendations made by the Expert Committee on the role of complementary medicines in the health system, we continued to prepare for the upcoming harmonisation of the Australian and New Zealand agencies regulating therapeutic goods, we were faced with the implications that arose from the Free Trade Agreement with the United States, and we considered the potential threat that Codex standards pose to the availability of affordable, appropriately-dosed complementary medicines. On all issues we have remained actively involved in discussions and are focused on solutions that will protect and assure the future of our Company and our industry.

Our peak industry body, the Complementary Healthcare Council of Australia (CHC), has been working more closely with the regulators than ever before, and as a founding member Blackmores has remained involved in this activity throughout the year.

Dividend

The Board has declared a final dividend of 33 cents per share fully franked. This takes total ordinary dividends for the year to 58 cents per share fully franked (up 26% over total ordinary dividends paid in respect of last year of 46 cents per share). The final dividend will be paid on 14 September 2005 to shareholders registered on 31 August 2005.

Debt levels

At the end of the financial year our net debt stood at $5.1 million. This compares with $6.0 million outstanding at the end of last year.

Outlook

Blackmores has enviable momentum at the moment. The Company has made a number of positive organisational changes, we have a highly motivated team, a successful focus on research, development and innovation, and some exciting prospects in Asia.

Given this growth, Blackmores has undertaken a review of existing facilities and now plans to move to a new site. In June, the Company entered into contracts on adjoining parcels of land at Warriewood on Sydney's northern beaches at a cost of around $10 million (due for settlement in mid September 2005). We are working to a comprehensive project timetable which would see the completion of our newly constructed premises by the end of 2007.

We remain confident that, despite the uncertainty of the changing regulatory environment, Blackmores' future growth opportunities are promising.

Marcus C. Blackmore AM
Executive Chairman

GROWING OUR BUSINESS

Our increased investment in new product development has delivered seven new retail products that have contributed to our success this year.

Blackmores 10-Day Detox Program

The consumer-driven trend of detoxification inspired the launch of Blackmores 10-Day Detox Program. It is based on the very strong naturopathic belief that health problems may be caused by the digestive system not working efficiently. The program is unique in offering a 'round-the-clock support service to our consumers through the internet and our Advisory Service. In its first year on the market, the product has become a top seller.

Women's D-Stress™

Blackmores Women's D-Stress™ has been specifically designed for the 70% of Australian women who suffer from stress. During times of stress the body produces adrenaline, which can lead to feelings of anxiousness. Women's D-Stress™ contains *Withania somnifera*, an important herb, and essential nutrients that support the adrenal glands and are in high demand in times of stress.

Women's Vitality Multi

Blackmores Women's Vitality Multi is a complete formula that provides essential vitamins, minerals and herbs beneficial to help insure against women's health problems. Its unique one-a-day formula assists the body to protect and support the liver, giving you that radiant feeling which may help create a greater sense of wellbeing, energy and vitality.

Cranberry 15000

Blackmores Cranberry 15000 high potency contains concentrated cranberry that may reduce the risk of urinary tract infections, including cystitis, and discourages harmful bacteria in the urinary tract and promotes urinary tract health. The formulation has the added benefit of vitamin C.

Nails, Hair & Skin

According to research, 40% of women can have brittle nails. That is one of the reasons why Blackmores has created Nails, Hair and Skin – a unique formula specially designed to assist in strengthening brittle nails, increasing nail thickness and reducing splitting and chipping. As well as the positive effects on nails, this formula also promotes healthy hair and skin.

MSM Glucosamine Chondroitin Joint Support Powder

Blackmores MSM Glucosamine Chondroitin Joint Support is a specially formulated food that provides nutritional support for joints, ligaments and cartilage.

Joint Formula

Blackmores Joint Formula with Glucosamine and Chondroitin may act as a building block for cartilage regeneration and assist in maintaining healthy joints. The unique combination of chondroitin, glucosamine, manganese and boron may play a role in improving lubrication and nutrition of the joint, and may minimise the risk of osteoarthritis.

Our expansion of the products in our range for the management of arthritis reflects the particularly strong growth in this category, driven by the problems that have been highlighted recently with the use of pharmaceutical anti-inflammatory drugs. Arthritis is a condition that affects 3.4 million Australians, and many are now turning to more natural alternatives for managing their symptoms rather than using products of questionable safety.

Blackmores Professional

Blackmores Professional, our practitioner-only brand of nutritional supplements, expanded to feature a range of new and revised formulations including Sambucus Complex, Black Cohosh Complex, Dong Quai Complex and Buchu Complex. The new products highlight our renewed investment in the practitioner-only market, and we have an ongoing commitment to support this range and the health professionals who endorse our products.

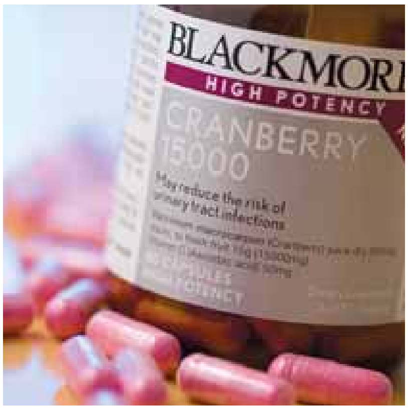
International

Our International businesses now deliver 14% of the Group's sales. Our key focus internationally is on South-East Asia, with our two key offshore businesses being located in Malaysia and Thailand. While Malaysia's results for this year were slightly below last year's sales, Thailand exceeded expectations by delivering sales growth of around 30% (in local currency terms) following a number of successful marketing initiatives and the growing value of the Blackmores brand in that market.

We appointed new distributors in Singapore and for our practitioner-only business in the United Kingdom. We believe that these new distributors will bring renewed commitment and significant market experience and knowledge to our business in these countries.

Recognising the growth opportunities for us in Asia, we are planning an entry strategy into a new market, Taiwan, as well as investigating other potential prospects for Blackmores in the region.

Our licensing agreement with our New Zealand distributor continues to gain momentum, delivering our strongest sales results in that country since we began working with HMG. HMG has increased distribution into new channels, with ongoing marketing and promotional support.



Blackmores has continued with a program of fully-integrated, highly visible marketing activity that extends beyond the limits of traditional media

INVESTING IN OUR BRAND

We returned to Australian television screens with a new television campaign for one of our hero products, Executive B Stress Formula. The campaign also featured in print advertisements, radio traffic broadcasts and on taxi backs. Additionally we launched a new website, beatstress.com.au, with a focus on stress management. A television advertisement for Blackmores Women's D-Stress™ also enjoyed success following the product launch. Advertorials on select morning television programs provided an opportunity to reach a broad audience and give a more comprehensive overview of the product benefits.

Blackmores is a strong advocate of taking a holistic approach to managing one's health and this core belief is evident in many of the activities we undertake in supporting our staff and the community. This includes our range of educational and information support services. Our naturopathic Advisory Service (1800 803 760) gives callers the opportunity to talk to a qualified natural healthcare advisor, or queries can be sent through our popular website **www.blackmores.com.au**. These activities and services add strength to the Blackmores brand.

Blackmores' Advisory Service has taken more than 55,000 calls from consumers, health professionals and pharmacy staff over the year and responded to more than 10,000 email requests for health advice, while our Education Department provided training and delivered health information seminars to more than 8,600 people – a record year.

Our website has experienced unprecedented growth in the last 12 months, growing the number of subscribers to our free fortnightly e-newsletter to more than 100,000. The site was regularly frequented by more than 100,000 unique visitors every month. The site's popularity was recognised by internet monitors, Hitwise. Blackmores Online was awarded most popular Australian website in the Health and Medical – Pharmaceutical and Medical Products – Industry for 2004 in recognition of outstanding business achievement, as visited by Australian internet users throughout the year.

Blackmores held the naming rights sponsorship for the Sydney Marathon Festival 2004, a landmark event comprising the Blackmores Sydney Marathon, Blackmores Half Marathon and the 10K Bridge Run. The events give participants the unique opportunity to run traffic-free across the Sydney Harbour Bridge, with all runners finishing at the Sydney Opera House. As the Official Health Coach for the festival, Blackmores offered nutritional and fitness advice to the 14,000 competitors including Blackmores' ambassador and Olympic athlete, Jana Pittman.

Quality

In keeping with our commitment to continuous improvement, we have strengthened our quality program further with:

- additional quality assurance personnel to oversee product testing
- an investment in equipment used for product testing
- additional regulatory personnel to oversee compliance activities in Australia and overseas
- a continued focus on supplier audits
- increased training and development of quality assurance and production staff
- additional funding to increase the level of product testing.

BUILDING OUR FUTURE

We strive to ensure Blackmores people are happy, feel valued and are motivated to deliver exceptional results.

Investing in our People

Blackmores has long recognised the importance of retaining high quality staff and keeping our workforce motivated and passionate.

Blackmores regularly undertakes a comprehensive corporate culture survey. The results confirm our strengths and identify any weaknesses. We realise the value of our high level of employee engagement and want to ensure that our people, resources and initiatives are always aligned to our corporate strategies and the Blackmores values.

Louise Metcalf, Principal Consultant at Voice Project, who conducts the survey explains, "The Voice Project staff climate survey results for Blackmores are excellent this year. While there are still a few areas for improvement, staff have been markedly more positive about many HR and management practices. It's clear that the majority of staff are highly engaged and think positively about Blackmores' bottom line.

"Real gains have been made in terms of staff perception of their own job satisfaction and intention to stay at Blackmores, there have also been significant gains in staff perception of the senior executive leadership, learning and development, processes, performance appraisal, rewards and recognition, and wellness and supervision since 2004. Gains since 2003, when Blackmores first began using the Voice climate survey, are even more remarkable with increases on such difficult practices to improve as change and innovation, senior executive leadership, communication and cooperation and rewards and recognition."

The Company has a Staff Liaison Committee, elected by employees, that meets regularly and acts as a conduit between staff and management.

We are continuously working on our recruitment and selection practices and implementing initiatives that will help us to be recognised as an employer of choice in the marketplace. The effective introduction of new employees to the business and our unique corporate culture has been maintained with the implementation of an exciting induction program covering all aspects of the working experience at Blackmores. The program is supported by a staff manual, Working with Us, which effectively conveys the vision and values of the company to the new employee.

Our commitment to the health and wellbeing of our employees can also be seen in the investment made in the recent upgrades of the gymnasium and staff café.

Research and Development

Blackmores' expanded research program is progressing rapidly, with outcomes expected for several trials in the coming financial year. The majority of trials, overseen by our research manager based at Southern Cross University, support the finding of new evidence of efficacy for both existing products and products on the drawing board.

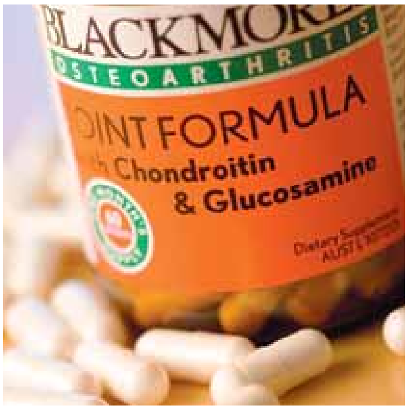
During this year we have continued our financial support for the work of Associate Professor Franklin Rosenfeldt at the Baker Medical Institute where he is studying the effects of co-enzyme Q10 in cardiac surgery patients.

Supplements containing specific antioxidant nutrients are being increasingly recommended by specialists treating sufferers of macular degeneration, the leading cause of blindness in Australia. To ascertain the dosage conformity of those patients taking supplements, we have funded a compliance trial coordinated by the Macular Degeneration Foundation.

Our association with the Australian Centre for Complementary Medicine Education and Research (ACCMER) was successfully launched with the scholarship funding of an honours student who is studying the effect of a natural compound on immune function, markers of inflammation and blood antioxidant status; we expect to learn of the results of this research during the next few months. Another study looking at two of Blackmores unique Celloid® salts was also initiated with ACCMER at Southern Cross University. More projects with ACCMER are planned for the coming year.

Blackmores support for the world-wide VITATOPS ('VITAmins TO Prevent Strokes') trial continues; this important trial now covers close to 5,000 people enrolled in 75 centres in 19 countries over five continents. VITATOPS is looking at the effect of several B group vitamins on preventing secondary strokes. Two of the vitamins used in the VITATOPS study were the subject of the ABC TV *Catalyst* programme which examined the work of CSIRO researchers showing the positive effects of the vitamins in facilitating DNA repair – damage to DNA strands is thought to be implicated in the development of diseases associated with ageing, including cancers.

Blackmores is actively seeking appropriate partners with which to share research and commercial opportunities through licensing or supply arrangements.



SOCIAL RESPONSIBILITY

Corporate Social Responsibility

Blackmores has supported fundraising initiatives of the Heart Research Institute (HRI) for more than a decade, and it's a tradition we are proud to continue. HRI is a centre for scientific research excellence with a focus on understanding the origins and mechanisms of atherosclerosis, the disease of blood vessels, characterised by thickening of the vessel walls and the build-up of fatty material in them. Diseases of the heart and blood vessels (including stroke) are among the most common causes of death and account for much of the illness and hospitalisation both in Australia and worldwide.

Blackmores' Executive Chairman, Marcus Blackmore, was recently appointed Chairman of HRI.

The Blackmores Three Island Race, an annual Pittwater sailing event, raised more than $50,000 in June, taking total money raised for Cure Cancer Australia to $1 million since the event was established in 1989.

Blackmores' staff and suppliers responded generously to the various Tsunami appeals following the December disasters. Blackmores' company contribution included a $33,000 financial offering directly to Thailand, and more than $70,000 worth of vitamins requested by the Overseas Pharmaceutical Aid for Life organisation (assisted by a $25,000 product donation from Cardinal Health Australia, with the cost of transporting these vitamins being donated by Grand United Health Fund).

All staff are encouraged to participate in a charitable scheme whereby 0.5% of their taxable pay is deducted each payday and placed in an interest bearing Trust Account designated Blackmores Employees Community Chest. The company matches this and twice yearly each participating employee nominates a registered charity to receive the donation.

A range of other worthy causes received sponsorship from Blackmores, among them the Gawler Foundation, Youth off the Streets, Trike Around Australia (an initiative of Arthritis Australia) and the Young Endeavour Youth Scheme (pictured bottom left). Additionally more than 300 local community groups were supported during the year with Blackmores' gift baskets and financial contributions to assist with fundraising efforts.

Environmental Sustainability

In our fourth year as a National Packaging Covenant signatory, Blackmores extended our commitment to environmental initiatives beyond the packaging of our products to include a more comprehensive approach that considers the totality of our impact on the environment.

Our rapid growth in the last two years and our aggressive product development strategy have presented challenges in meeting our obligations to the NPC, but to their credit our team remains committed to finding positive ways to overcome these.

Additionally, money contributed to Landcare Australia, through our partnership with them last year, has been used to fund local environmental projects. This included funding of a Gympie bush regeneration project and a weed management program and native flora regeneration undertaken by Brisbane Valley-Kilcoy Landcare Group.

Our 'green' status is a key area of focus for Blackmores as we strive to create a sustainable future. We rely on the end-users of our products to share this vision by disposing of our packaging through local kerbside recycling programs and by making responsible choices in-store. To assist in their education we have included information on our marketing materials, our popular health website and our product labels.

Within our business we have recognised that small process changes can have a measurable impact. By implementing double-sided printing and photocopying we have reduced office paper usage by 35%. Approximately 90% of all waste paper and cardboard from the company is reused and recycled.

A solid waste audit was conducted in November 2004 and resulted in some key changes to our waste management practices. Additionally, we have renewed our contract to use green energy for another two years.

MANAGEMENT PROFILES

Jennifer Tait

BSc (Chem), GAICD

Chief Operating Officer and General Manager

Jennifer was appointed to the position of Chief Operating Officer and General Manager in 2003. She joined Blackmores in 1995 as Director of Operations where she led a number of major change strategies.

A leader with more than 25 years experience in both the pharmaceutical and natural health industries. Jennifer has extensive experience working both in Australia and internationally. She has completed a number of executive development programs at the Australian Graduate School of Management (UNSW) and at Harvard Business School's Graduate School of Management.

Jennifer is a graduate member of the Australian Institute of Company Directors, Associate member of CEDA (Committee for the Economic Development of Australia) and she is a mentor in the Lucy Mentoring Program sponsored by the NSW Office for Women.

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 five 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) and before that, five years with Ernst & Young.

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

Cecilia Howard

BA Communications, Media, Education, Dip Ed.

Marketing Director

Cecilia joined Blackmores as Marketing Director in November 2004. Cecilia's career has spanned 23 years, during which time she has obtained a wealth of marketing and business experience in major global multinationals, working both in Australia and abroad. Prior to joining Blackmores, Cecilia spent nine years with Bristol Myers Squibb as Marketing Director Consumer/Nutritionals and seven years with Reckitt Benckiser, including several working in the United Kingdom.

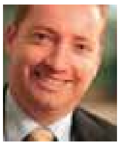
Cecilia leads the Blackmores' Marketing Department which, in addition to the traditional consumer marketing functions, includes responsibility for the Practitioner business, New Product Development, Public Relations, Online, and our Education Department, which covers Training and Advisory.

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 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

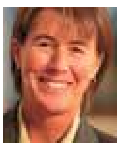
B Bus, CPM

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

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

Philip has more than 25 years experience in the natural health industry – 20 of them at Blackmores.

Philip's team manages Blackmores increased investment in new product development 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.

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

CORPORATE GOVERNANCE

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.

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.

FIVE YEAR HISTORY

Compound annual growth in net profit after tax over the past five years now exceeds 20% p.a., spearheaded by very strong results for the 04 and 05 financial years

$'000	2005	2004	2003	2002	2001
Sales	**134,449**	115,724	94,740	81,435	76,497
Other revenue	**1,237**	545	309	1,498	60
Revenue from ordinary activities	**135,686**	116,269	95,049	82,933	76,557
Operating profit	**16,929**	13,236	8,920	7,473	8,372
Income taxes	**(5,193)**	(3,929)	(2,719)	(2,371)	(2,883)
Profit attributable to shareholders	**11,736**	9,307	6,201	5,102	5,489
Net (cash) / debt	**5,148**	6,020	8,210	10,530	11,651
Shareholders' equity	**30,567**	27,552	22,695	18,755	18,646
Total assets	**59,274**	50,892	57,527	45,822	42,370
Current assets	**42,762**	35,260	40,908	28,195	25,234
Current liabilities	**27,826**	22,503	33,422	25,483	22,631
Net tangible assets	**28,570**	25,991	21,349	17,519	17,505
Profit before interest and taxes (EBIT)	**17,366**	13,762	9,801	8,231	9,086
Depreciation	**1,881**	2,127	1,829	1,510	1,218
Amortisation of intangibles	**0**	56	39	39	39
Net interest	**437**	526	881	758	714
Profit before interest, goodwill, depreciation, amortisation and taxes	**19,247**	15,945	11,669	9,780	10,343
Net operating cashflows	**11,904**	7,352	7,721	5,918	2,159
Number of shares on issue ('000s)	**15,870**	15,850	15,138	15,012	15,012
Earnings per share - basic (cents)	**74.0**	59.5	41.1	34.0	36.7
Ordinary dividends per share (cents)	**58.0**	46.0	35.0	33.0	33.0
Special dividends per share (cents)	**–**	14.0	-	-	-
Share price at 30 June	**$12.95**	$10.00	$6.32	$6.62	$6.49
Net tangible assets (NTA) per share	**$1.80**	$1.64	$1.41	$1.17	$1.17
Return on shareholders' equity	**38.4%**	33.8%	27.3%	27.2%	29.4%
Return on assets	**31.5%**	25.4%	19.0%	18.7%	21.8%
Dividend payout ratio	**78.4%**	100.8%	85.5%	97.1%	90.2%
Net debt/(Net debt + Shareholders' Equity)	**14.4%**	17.9%	26.6%	36.0%	38.5%
EBIT to sales	**12.9%**	11.9%	10.4%	10.1%	11.9%
Effective tax rate	**30.7%**	29.7%	30.5%	31.7%	34.4%
Current assets to current liabilities (times)	**1.54**	1.57	1.22	1.10	1.12
Net interest cover (times)	**39.7**	26.2	11.1	10.9	12.7
Gross interest cover (times)	**34.1**	21.0	9.8	9.5	11.7
% Change on prior year					
Sales	**16.2%**	22.1%	16.2%	6.5%	-3.9%
EBIT	**26.2%**	40.4%	19.1%	-9.4%	5.0%
Profit before interest, goodwill, depreciation, amortisation and taxes	**20.7%**	36.6%	19.3%	-5.4%	24.3%
Profit attributable to shareholders	**26.1%**	50.1%	21.5%	-7.1%	2.0%
Ordinary dividends per share	**26.1%**	31.4%	6.1%	-	-

DIRECTORS' REPORT

The Directors of Blackmores Limited submit herewith the annual financial report for the financial year ended 30 June 2005. 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 Chairman of the Company, having been appointed to that position in October 2000. He is a director of the Young Endeavour Youth Scheme, member of the Council of the National Maritime Museum, member of the NSW Maritime Council, member of the Council of the Children's Hospital at Westmead, honorary trustee of the Committee for the Economic Development of Australia (CEDA) and since the date of last year's Directors' Report he has been elected as Chairman of the Heart Research Institute.

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 Chairman 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 a Director of Hostworks Group Limited and Macquarie Radio Network Limited.

Verilyn C Fitzgerald

MAICD

Ms Fitzgerald joined the Board in 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 in 1996. He is also a Non-executive Director of a number of listed and unlisted public companies including Canberra Investment Corporation Limited and is Chairman of Somnomed Limited.

Jennifer A Tait

B Sc (Chem), GAICD

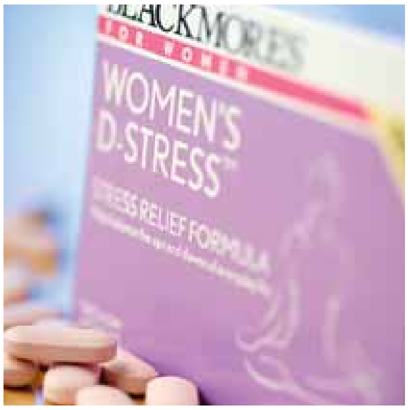
Chief Operating Officer

Jennifer was appointed to the position of Chief Operating Officer and General Manager in 2003. She joined Blackmores in 1995 as Director of Operations where she led a number of major change strategies.

A leader with more than 25 years experience in both the pharmaceutical and natural health industries. Jennifer has extensive experience working both in Australia and internationally. She has completed a number of executive development programs at the Australian Graduate School of Management (UNSW) and at Harvard Business School's Graduate School of Management.

Jennifer is a graduate member of the Australian Institute of Company Directors, Associate member of CEDA (Committee for the Economic Development of Australia) and she is a mentor in the Lucy Mentoring Program sponsored by the NSW Office for Women.

All the above Directors held office during and since the end of financial year.



Board Members' Directorships

Listed below are details of other listed public company directorships held by Board Members over the last three years.

Director	Directorship of	Date Appointed	Date Resigned
Marcus Blackmore	No other listed public company directorships		
William Cutbush	Coates Hire Ltd Freedom Group Ltd Millers Retail Ltd Wridgways Ltd	1 Jul 00 11 Jun 96 1 Apr 98 17 Mar 99	current 19 Dec 03 28 Oct 03 24 Oct 02
Stephen Chapman	Macquarie Radio Network Ltd Hostworks Group Ltd Perpetual Trustees Australia Ltd	1 Nov 02 17 Feb 97 12 May 95	current current 29 Oct 04
Verilyn Fitzgerald	Independent Practitioner Network Ltd Australian Pharmaceutical Industries Ltd	7 Aug 03 1 Sep 97	current 08 Jul 03
Robert Stovold	Somnomed Ltd Port Douglas Reef Resorts Ltd Canberra Investment Corporation Ltd York Group Ltd Independent Practitioner Network Ltd	1 May 95 4 Jun 97 15 Aug 03 1 Apr 95 21 Mar 03	current current current 31 Jan 05 31 Aug 04
Jennifer Tait	No other listed public company directorships		

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:	Robert Stovold, Chairman William Cutbush Verilyn Fitzgerald
Nominations:	Verilyn Fitzgerald, Chair Marcus C Blackmore Stephen Chapman William Cutbush Robert Stovold Jennifer Tait
Remuneration:	Verilyn Fitzgerald, Chair Marcus C Blackmore Stephen Chapman William Cutbush Robert 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 $11.7 million (2004: $9.3 million) which represents a 26% increase over the prior year.

Sales for the year were $134.4 million (2004: $115.7 million), an increase of 16% compared to the prior year. Basic earnings per share increased from 59.5 cents to 74.0 cents per share (an increase of 24%). Net tangible assets per share increased from $1.64 last year to $1.80 this year.

Net debt decreased from $6.0 million last year to $5.1 million this year and Net debt/(Net debt + Shareholders' equity) decreased from 17.9% last year to 14.4% 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 and elsewhere in the Annual Report of the Company for the year ended 30 June 2005.

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 additional information not already disclosed elsewhere in the Annual Report of the Company for the year ended 30 June 2005 regarding the business strategies, prospects and 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.

However, the Directors wish to advise that the Company intends to move its operations (currently situated at Balgowlah and Brookvale in Sydney) to a new site. The Company entered into contracts for the purchase of adjoining parcels of land in Warriewood (Sydney) on 14 June 2005. The site is suitable for a greenfields development of a new office, manufacturing and despatch facility.

A project team, including specialist external advisers and project managers has been established and the Company is now undertaking detailed design work in relation to the site. Current plans indicate that construction of the new facility will be completed in late 2007.

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.

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 www.blackmores.com.au (go to "About Us" then click on "Corporate Governance"). Please note a separate section in this Report on pages 17 to 19 outlining the Company's current Corporate Governance principles.

Company Secretary

Mr WG Sainsbery (CPA, FCIS) joined the company in 1980 as Financial Controller and Company Secretary. He was previously Company Secretary and Financial Controller of QBE Insurance Group Limited.

Dividends

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

- A final dividend of 27 cents per share fully franked in respect of the year ended 30 June 2004, as detailed in the Directors' report for that financial year, was paid on 22 September 2004.
- An interim dividend of 25 cents per share fully franked in respect of the year ended 30 June 2005 was paid on 18 March 2005.
- On 17 August 2005 Directors declared a final dividend for the year ended 30 June 2005 of 33 cents per share, fully franked, payable on 14 September 2005 to shareholders registered on 31 August 2005.

This will bring total ordinary dividends to 58 cents per share fully franked (2004: 46 cents per share fully franked) for the full year.

Share Options

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

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, 11 Board meetings, 5 Remuneration Committee meetings, 3 Audit Committee meetings and 3 Nominations Committee meetings were held.

	Board of Directors		Remuneration Committee		Audit Committee		Nominations Committee	
Directors	Held	Attended	Held	Attended	Held	Attended	Held	Attended
M C Blackmore	11	11	5	4	-	-	3	3
S J Chapman	11	10	5	3	-	-	3	3
W S Cutbush	11	11	5	4	3	1	3	3
V C Fitzgerald	11	11	5	5	3	3	3	3
R L Stovold	11	11	5	5	3	3	3	3
J A Tait	11	11	-	-	-	-	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	4,785,522
S J Chapman	16,388
W S Cutbush	6,000
V C Fitzgerald	20,000
R L Stovold	18,500
J A Tait	178,799
Total	**5,025,209**

Remuneration Report

Note: Only the information contained in sections 1, 3, 4 and 6 of this Remuneration Report has been subject to audit.

Set out below are the remuneration policies of the Company:

1. Board Policy for Determining the Nature and Amount of Remuneration of Executive Directors and Company Executives ("Senior Executives") and Non-executive Directors

In April 1996, the Board of Directors established a committee of Directors known as the Remuneration Committee. The current members are listed in the Directors' Report. The primary objective of the Remuneration Committee is to consider remuneration strategy and policies for Senior Executives and Non-executive Directors of the Company and make recommendations to the Board that are in the best interests of the Company. The Remuneration Committee operates in accordance with the Company's Corporate Governance Principle 9, particulars of which are available on our website.

The Remuneration Committee obtains specialist external advice in establishing remuneration frameworks and levels and assesses the market to ensure that Senior Executives and Non-executive Directors are being rewarded commensurate with their responsibilities. Executive remuneration packages involve a balance between fixed and incentive pay. In determining the appropriate balance an annual review is undertaken that involves cross referencing position descriptions to reliable accessible remuneration surveys and comparing current remuneration packages with the latest survey information available.

Policies are chosen to:

- Encourage a strong and long term commitment to the Company
- Attract and retain talented Senior Executives
- Enhance the Company's earnings and shareholder wealth.

In previous years, various performance based incentives have been granted at the discretion of the Board taking into account the performance for the relevant year. The Board's current policy regarding remuneration for Senior Executives is summarised below. Non-executive Directors are remunerated on a different basis to other Senior Executives as set out in Section 6 of this report

Senior Executive Remuneration

(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 Company. This fixed remuneration component reflects core performance requirements and expectations.

(b) **Short Term Incentive Payments:** The Company has in place a performance based cash component of executive remuneration linked to clearly specified performance targets. This element of the remuneration is considered to be an effective tool in promoting the interests of the Company and shareholders. The incentive scheme is designed around appropriate performance benchmarks that measure relative performance and provide rewards for materially improved company performance.

Senior Executives also participate in the general profit share ("Profit Share") arrangements whereby 10% of the Company's Australian net profit after tax is allocated on a pro-rata basis to all permanent Australian staff.

(c) **Long Term Incentive Plans:** The Company has recently developed a new Executive Performance Share Plan ("EPSP") which will be presented to shareholders for approval at the Annual General Meeting to be held in October 2005. This plan has been designed to serve as a longer term incentive for such Senior Executives as are determined eligible by the Board. Under this plan shares in the Company are issued on an annual basis to eligible Senior Executives provided specific performance objectives and hurdles are met.

2. Relationship Between Board Remuneration Policy Outlined Above and the Company's Performance

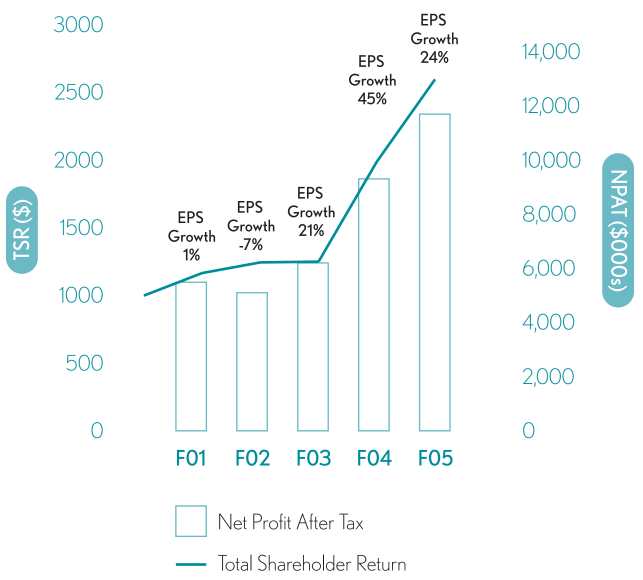
The performance based components of Senior Executive remuneration are designed to align the interests of the Senior Executives with the interests of the Company and its shareholders, with the objective of maximising the Company's earnings and improving shareholder wealth. Accordingly, this performance based remuneration is periodically reviewed and revised to achieve this objective. In reviewing the Company's historical performance it should be noted, as previously mentioned, that different short and long term incentive mechanisms have been in place over the past five years. However, where performance benchmarks have applied, these were based on the Company's net profit after tax or growth in earnings per share (as are the current plans).

The Company's earnings and consequences of the Company's performance on shareholder wealth are illustrated in the graph below.

Total Shareholder Return (TSR) versus NPAT and EPS Growth

Total Shareholder Return is calculated as capital gains (through share price appreciation) plus dividends.

In this example, it is assumed that an investor buys $1,000 worth of Blackmores shares on 1 July 2000. The line represents the market value of these shares plus any dividends received. NB: No reinvestment of dividends is assumed.



3. Satisfaction of Performance Conditions as Prerequisite to Elements of Current Performance Based Remuneration

3.1 Summary of the Performance Condition

3.1.1 Performance Conditions for Short Term Incentive Payments ("STI")

(a) Under the current policy, unless the Company's Net Profit After Tax ("NPAT") is at least 95% of budgeted NPAT for the relevant financial year, no STI payments will be made. If this target is reached, then the STI payment is based on a sliding percentage based on the actual NPAT. If NPAT is equal to 95% of budgeted NPAT, the maximum STI payment a Senior Executive can receive is 5% of his or her base remuneration. If NPAT is equal to 100% of budgeted NPAT, the maximum STI payment a Senior Executive can receive is 15% of his or her base remuneration. This percentage increases as NPAT is increased. At 110% of budgeted NPAT, the maximum STI payment is 40% of base remuneration. If 150% or more of budgeted NPAT is received the maximum STI payment a Senior Executive can receive is 90% of his or her base remuneration. The percentages within this range vary for each Senior Executive depending on the actual role and seniority of the Senior Executive in the Company. The ultimate eligibility to STI payment is also dependent upon individual performance.

(b) As outlined above, Senior Executives also participate in the Company's Profit Share arrangements, whereby 10% of the Company's Australian NPAT is allocated on a pro-rata basis (by reference to the employee's base remuneration) to all permanent Australian staff. Senior Executives participate in this Profit Share arrangement on the same basis as all other employees of the Company.

3.1.2 Historical STI

In prior years, the Board reviewed the Company's performance and the Senior Executive's performance and used its discretion to determine whether or not and if so, on what basis, a cash bonus would be granted to a Senior Executive. For the financial year ended 30 June 2004, discretionary bonuses were granted to certain Senior Executives in recognition of their contribution to the Company achieving a 50% increase in NPAT over the previous financial year. For members of the Company's Executive Committee these bonuses represented 30% of the executive's base remuneration, reduced on a pro-rata basis where the employee was not with the Company for a full year.

3.1.3 Performance Conditions for Long Term Incentive ("LTI") Plans

The Company has recently developed a new Executive Performance Share Plan ("EPSP") which will be presented to shareholders for approval at this year's Annual General Meeting (to be held in October 2005). This EPSP forms the LTI component of remuneration packages for Senior Executives.

Under this EPSP, Senior Executives determined by the Board as eligible for participation, receive an entitlement to an annual allocation of shares based on the quantum of earnings per share ("EPS") growth actually delivered in the relevant year over the prior year. The allocation is based on a percentage of the Senior Executive's base remuneration and the allocation varies depending on the actual EPS growth delivered for the relevant year as follows:

Percentage of Base Remuneration of Participant	Rate of EPS Growth
5	greater than 4% but less than or equal to 8%
10	greater than 8% but less than or equal to 12%
15	greater than 12% but less than or equal to 16%
20	greater than 16%

In the case of the Chief Executive Officer or, in the absence of a Chief Executive Officer, the Chief Operating Officer, the above percentages of base remuneration are doubled.

The number of shares to be issued to a Senior Executive is determined by dividing the percentage amount calculated in accordance with the above by:

- the weighted average price of the shares for the five day trading period commencing on the day which is seven days subsequent to the day of the announcement to the ASX of the Company's yearly results for the financial year immediately preceding the relevant financial year; less
- the amount of any final dividend per share declared as payable in respect of the financial year immediately preceding the relevant financial year.

Options and performance shares have been issued in prior years under the terms of plans and arrangements different to those disclosed above for the EPSP. Details in relation to these old plans and option issues have been disclosed in Annual Reports issued by the Company in prior years. There are no options or performance share entitlements outstanding in respect of these old plans.

3.1.4 Historical LTI

For the financial year ended 30 June 2004, 7,677 shares were issued to eligible Senior Executives. These shares were issued as a reward for contribution to the Company's growth in earnings per share of 45% over the previous financial year. These shares vested immediately but a trading block is in place until 1 July 2006. If the Senior Executive leaves the Company prior to 1 July 2006 the shares will be forfeited.

3.2 Explanation as to Why the Performance Condition was Chosen

3.2.1 Rationale for STI Payment Performance Conditions

Actual NPAT performance relative to budget was selected as the key performance condition as it is simple, readily identifiable and measurable and is a key driver of shareholder returns. It also ensures that the incentive payment is aligned with the business strategy and objectives of the Company. The budget is approved on an annual basis by the Board and targets are set by the Board at levels designed to enhance the performance of the Company and have regard to the Company's business plans and market conditions. Individual performance was selected as a secondary performance condition to ensure that Senior Executives have clear objectives and performance indicators that are linked to the business' performance, with the opportunity for excellence to be rewarded and vice versa.

3.2.2 Rationale for LTI Plan Performance Conditions

In determining the performance conditions for the Company's LTI plan, the Board has been mindful that EPS growth is the key driver of shareholder value, influencing both share price and the capacity to pay increased dividends. Growth in EPS is simple to calculate and readily identifiable. Allocating shares to Senior Executives based on EPS growth ensures that they are striving to continually improve the Company's financial performance and as they increase their shareholding in the Company through the LTI plan, their personal financial interests become even more directly aligned with those of the Company's shareholders in general.

3.3 Summary of the Methods Used in Assessing Whether the Performance Conditions are Satisfied and an Explanation as to Why Those Methods Were Chosen

3.3.1 Short Term Incentive Payments

(a) Actual NPAT is calculated by the Company at the end of the relevant year and verified with reference to the Company's audited financial statements before any payment is made. This method was chosen to ensure transparency

(b) In terms of individual performance, the person to whom the Senior Executive reports, assesses that executive's contribution by reviewing his or her individual objectives, key tasks and performance indicators and the extent to which they have been achieved. These individual objectives are set at the start of each financial year and formally reviewed every six months. The Board also overviews performance assessments for each of the members of the Company's Executive Committee (these individuals appear on pages 14 and 15 of the Company's Annual Report). This method was chosen to provide an objective assessment of the Senior Executive's individual performance.

3.3.2 Long Term Incentive Plans

Growth in earnings per share is calculated by the Company at the end of the relevant year and verified with reference to the Company's audited financial statements before any award is made. This method was chosen as it is an objective test, is easy to calculate and ensures transparency.

4. Prescribed Details of Directors and Specified Executives

The following table discloses the remuneration of the Directors of the Company for the year ended 30 June 2005, however, it should be noted that Ms. Tait's bonus for 2005 involves an amount attributable to the 2004 year (refer Note 1):

	Primary			Post Employment		Equity		
	Salary & Fees $	1 Bonus $	2 Non-Monetary $	Superannuation $	3 Prescribed Benefits $	4 Options $	5 Shares $	Total $
M C Blackmore								
2005	**445,313**	**340,200**	**6,479**	**24,578**	**-**	**-**	**-**	**816,570**
2004	411,903	135,000	9,984	27,949	-	14,626	-	599,462
W S Cutbush								
2005	**70,400**	**-**	**-**	**6,336**	**-**	**-**	**-**	**76,736**
2004	68,800	-	-	6,192	18,000	-	-	92,992
S Chapman								
2005	**49,000**	**-**	**-**	**4,410**	**-**	**-**	**-**	**53,410**
2004	47,250	-	-	4,253	18,000	-	-	69,503
V Fitzgerald [6]								
2005	**68,000**	**-**	**-**	**3,375**	**15,333**	**-**	**-**	**86,708**
2004	92,000	-	-	32,680	27,677	-	-	152,357
R Stovold								
2005	**54,000**	**-**	**-**	**4,860**	**15,333**	**-**	**-**	**74,193**
2004	52,000	-	-	4,680	29,167	-	-	85,847
J A Tait								
2005	**215,051**	**276,871**	**37,097**	**37,967**	**-**	**-**	**141,141**	**708,127**
2004 - Executive	62,862	33,059	11,009	16,204	-	3,170	-	126,304
2004 - Director	125,724	66,119	22,019	32,408	-	6,339	-	252,609
Total Remuneration								
2005	**901,764**	**617,071**	**43,576**	**81,526**	**30,666**	**-**	**141,141**	**1,815,744**
2004	860,539	234,178	43,012	118,174	81,036	42,135	-	1,379,074

The following table discloses the remuneration of the specified executives (excluding Executive Directors) of the Company and the consolidated entity for the year ended 30 June 2005, as specified for disclosure by AASB 1046. However, it should be noted that the bonus and share value amounts disclosed for the 2005 year include amounts attributable to the 30 June 2004 year (refer Notes 1 and 5):

	Primary			Post Employment		Equity		
		1	2		3	4	5	
	Salary & Fees $	Bonus $	Non-Monetary $	Superannuation $	Prescribed Benefits $	Options $	Shares $	Total $
L Burrows Director, Operations								
2005	**125,463**	**98,990**	**-**	**38,925**	**-**	**-**	**58,750**	**322,128**
2004	105,272	52,572	-	35,425	-	-	-	193,269
P Daffy Director, Research and Development								
2005	**122,394**	**86,926**	**-**	**26,995**	**-**	**-**	**48,124**	**284,439**
2004	49994	22,269	-	11,927	-	-	-	84,190
C Howard (Appointed Nov 04) Director, Marketing								
2005	**121,669**	**70,531**	**-**	**8,427**	**-**	**-**	**30,677**	**231,304**
A W Pascoe Chief Financial Officer								
2005	**244,135**	**159,748**	**-**	**11,585**	**-**	**-**	**93,005**	**508,473**
2004	158,758	59,319	-	6,934	-	-	-	225,011
R A Steinmetz Director, International								
2005	**157,261**	**113,059**	**735**	**11,585**	**-**	**-**	**79,554**	**362,194**
2004	148,468	60,922	938	16,253	-	9,509	-	236,090
R Weine Director, Sales								
2005	**176,735**	**145,962**	**31,705**	**11,585**	**-**	**-**	**59,329**	**425,316**
2004	35,126	12,973	-	2,750	-	-	-	50,849
Total Remuneration								
2005	**947,657**	**675,216**	**32,440**	**109,102**	**-**	**-**	**369,439**	**2,133,854**
2004	497,618	208,055	938	73,289	-	9,509	-	789,409

Note 1: Bonuses set out in the tables above relate to the year ended 30 June 2005 except for the following amounts included in the 2005 bonus totals which relate to performance during the year ended 30 June 2004. The reason these amounts are not included in remuneration disclosure for the year ended 30 June 2004 is that these amounts were not determined until after 30 June 2004 and accounting standards dictate that they be included in the year of determination (i.e. the year ended 30 June 2005). These 2004 amounts are in addition to remuneration disclosed for the year ended 30 June 2004 as 2004 comparatives.

	Bonus Amounts per Above		
	Performance Year		Total
	2004 $	2005 $	2005 $
Directors			
J A Tait	118,772	158,099	276,871
Executives			
L Burrows	6,174	92,816	98,990
P Daffy	3,881	83,045	86,926
A Pascoe	10,074	149,674	159,748
R Steinmetz	12,733	100,326	113,059
R Weine	1,864	144,098	145,962

Note 2: Non-Monetary benefits include motor vehicle benefits and notional interest not charged on loans under employee share plans which operated in prior years. The Notional Interest Benefit 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 7.05% (2004: 6.55%) has been applied to Loans outstanding at various times of the year.

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: Amounts shown above as Shares include shares to be issued pursuant to the Company's Executive Performance Share Plan which will be presented to shareholders for approval at the Annual General Meeting to be held in October 2005. Also included are amounts which relate to shares issued to executives in December 2004 which relate to performance for the year ended 30 June 2004. The reason these amounts are not included in remuneration disclosure for the year ended 30 June 2004 is that these amounts were not determined until after 30 June 2004 and accounting standards dictate that they be included in the year of determination (i.e. the year ended 30 June 2005):

	Share Values per Above		
	Performance Year 2004 $	Performance Year 2005 $	Total 2005 $
Directors			
J A Tait	-	141,141	141,141
Executives			
L Burrows	18,428	40,322	58,750
P Daffy	11,583	36,541	48,124
C Howard	-	30,677	30,677
A Pascoe	30,065	62,940	93,005
R Steinmetz	38,003	41,551	79,554
R Weine	5,562	53,767	59,329

Note 6: In addition to her duties as a Director, Ms Fitzgerald carried out a number of additional projects for the Company and her fees include consulting fees received in relation to these projects.

Note 7: Directors' and Officers' liability insurance has not been included in the above figures since the amounts involved are not material and it is not possible to determine an appropriate allocation basis.

4.2 Employment contracts

The following persons have employment contracts:

Jennifer Tait, Anthony Pascoe, Cecilia Howard, Liz Burrows, Philip Daffy, Reg Weine, Richard Steinmetz

Term: No contract is for a fixed term.

Termination: Each contract states it can be terminated by the Company by giving a minimum of four weeks notice and by paying a redundancy specified in minimum weeks of pay according to years of service. These redundancy minimums range from five weeks' pay after one year of service through to twenty weeks' pay after six years of service.

5. Relative Proportion of Elements of Remuneration For Senior Executives

The proportion of fixed and performance related remuneration is structured to provide an incentive to Senior Executives to maximise the Company's earnings and increase shareholder wealth. Performance related remuneration is at risk and is struck at a level that provides executives with tangible incentives to meet the Company's objectives. Participation in these plans provides Senior Executives with the opportunity of sharing in the success and profitability of the Company and aligning these executives' interests with the interests of shareholders. The proportions each element made up of the total remuneration for the top Senior Executives for the year ended 30 June 2005 are reflected in section 4 of this Report. The proportions in future years will depend on future performance.

6. Non-executive Directors Remuneration

Compensation arrangements for non-executive Directors are determined by the Company after reviewing various published remuneration surveys and market information. Non-executive Directors receive a flat fee and an additional fee for each committee membership, with that fee increasing if the director chairs a committee. Existing non-executive Directors receive a retirement allowance. Any non-executive Director appointed after 1 October 2003 will not receive a retirement allowance but will receive a slightly higher flat fee. The details are as follows:

Non-executive Directors appointed prior to 1 October 2003

- Base fee of $46,000 per annum (to increase to $50,600 from 17 August 2005)
- Additional fee of $3,000 for each committee membership
- Additional fee of $2,000 if appointed chairman of the committee
- Retirement allowance of up to three times the prevailing base fee at the time of retirement.

Non-executive Director appointed on or after 1 October 2003

- Base fee of $55,000 per annum (to increase to $60,500 from 17 August 2005)
- Additional fee of $3,000 for each committee membership
- Additional fee of $2,000 if appointed chairman of the committee

Deputy Chairman

- A non-executive Director who is also deputy chairman receives 140% of the relevant base fee.

Shareholders at a meeting held on 23 October 2003 determined the maximum total Directors' fees payable. The Company is seeking shareholders' approval for an increase in this maximum at the Company's upcoming Annual General meeting in October 2005. Information about amounts paid to individual Directors is provided in section 4 of this Directors' Report.

Statement of Non-audit Services

The Directors are satisfied that the provision of non-audit services during the year by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 6 to the financial statements.

Directors have accepted a statement from the Auditors that they are satisfied that the provision of these services did not breach the independence standards included in the Corporations Act 2001. Based on this statement from the auditors and having regard to the nature and fees involved in the provision of these non-audit services, Directors are satisfied that the provision of non-audit services during the year by the auditor (or other person or firm on the auditor's behalf) did not compromise the audit independence requirements of the Corporations Act 2001.

Auditors' Statement of Independence

A copy of the Auditors' Statement of Independence is set out on page 33 of this Annual Report.

Share Capital

Summary of Share Capital issued during the financial year:

Issued Capital at 1/7/2004	15,850,485
Shares issued to Senior Executives	19,677
Issued capital at 30/6/2005	15,870,162

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, unless otherwise indicated.

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, 17 August 2005

AUDITORS' STATEMENT OF INDEPENDENCE

Deloitte.

The Board of Directors
Blackmores Limited
23 Roseberry Street
BALGOWLAH NSW 2093

17 August, 2005

Dear Board Members

Blackmores Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Blackmores Limited.

As lead audit partner for the audit of the financial statements of Blackmores Limited for the financial year ended 30th June 2005, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

S M Holdstock
Partner
Chartered Accountants

Parramatta, 17 August 2005

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

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 cash flows, 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 2005 as set out on pages 35 to 66. 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 consolidated entity has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), as required by Accounting Standard AASB 1046 *Director and Executive Disclosures by Disclosing Entities* (AASB 1046) under the heading "Remuneration Report" in Sections 1, 3, 4 and 6, of the remuneration report included in the directors' report, as permitted by the Corporations Regulations 2001. These remuneration disclosures are identified in the director's report as being subject to audit.

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. The directors are responsible for the remuneration disclosures contained in the directors' report.

Audit approach

We have conducted an independent audit of the financial report and the remuneration disclosures in order to express an opinion on them 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 and the remuneration disclosures comply with AASB 1046 and the Corporations Regulations 2001. 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 and the remuneration report are 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 and whether the remuneration disclosures comply with AASB 1046 and the Corporations Regulations 2001.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and the remuneration 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.

Audit Opinion

In our opinion:

(1) 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 2005 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.

(2) the remuneration disclosures that are contained in the directors' report comply with Accounting Standard AASB 1046 *Director and Executive Disclosures by Disclosing Entities* and the Corporations Regulations 2001.

DELOITTE TOUCHE TOHMATSU

Stephen Holdstock
Partner
Chartered Accountants

Parramatta, 17 August 2005

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) 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;

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and

(c) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

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

Sydney, 17 August 2005

STATEMENT OF **FINANCIAL PERFORMANCE**

for the Financial Year Ended 30 June 2005

		Consolidated		Company	
	Note	**2005 $'000**	2004 $'000	**2005 $'000**	2004 $'000
Revenue from ordinary activities	2	**135,686**	116,269	**127,846**	108,943
Promotional and other rebates		**(9,523)**	(6,788)	**(8,090)**	(5,968)
Changes in inventories of finished goods and work in progress		**1,420**	1,860	**1,228**	1,379
Raw materials and consumables used		**(48,391)**	(42,469)	**(48,425)**	(41,969)
Employee benefits expense		**(29,734)**	(26,482)	**(27,201)**	(23,973)
Depreciation and amortisation expenses		**(1,881)**	(2,183)	**(1,833)**	(2,132)
Borrowing costs		**(886)**	(971)	**(1,139)**	(1,131)
Selling and marketing expenses		**(18,121)**	(15,729)	**(15,181)**	(12,668)
Operating lease rental expenses		**(1,285)**	(1,055)	**(1,212)**	(1,010)
Professional and consulting expenses		**(1,611)**	(1,678)	**(1,473)**	(1,458)
Repairs and maintenance expenses		**(1,285)**	(1,559)	**(1,274)**	(1,486)
Book value of assets disposed		**(16)**	(27)	**(16)**	(17)
Freight expenses		**(2,089)**	(1,920)	**(2,071)**	(1,909)
Other expenses from ordinary activities		**(5,355)**	(4,032)	**(5,651)**	(4,552)
Profit From Ordinary Activities Before Income Tax Expense	2	**16,929**	13,236	**15,508**	12,049
Income tax expense relating to ordinary activities	4	**(5,193)**	(3,929)	**(4,743)**	(3,565)
Net Profit Attributable to Members of the Parent Entity		**11,736**	9,307	**10,765**	8,484
Decrease in foreign currency translation reserve arising on translation of self-sustaining foreign operations	24	**(465)**	(26)	**–**	–
Total Revenue, Expense and Valuation Adjustments Attributable to Members of the Parent Entity Recognised Directly in Equity		**(465)**	(26)	**–**	–
Total Changes in Equity Other than those Resulting from Transactions with Owners as Owners		**11,271**	9,281	**10,765**	8,484
Earnings Per Share					
– Basic (cents per share)	26	**74.0**	59.5		
– Diluted (cents per share)	26	**73.9**	59.5		

Notes to the financial statements are included in pages 39 to 66

STATEMENT OF **FINANCIAL POSITION**

as at 30 June 2005

	Note	Consolidated 2005 $'000	Consolidated 2004 $'000	Company 2005 $'000	Company 2004 $'000
Current Assets					
Cash assets		**1,355**	2,180	**–**	446
Receivables	7	**26,190**	19,456	**23,077**	16,598
Inventories	8	**14,717**	12,709	**13,550**	11,615
Other	9	**500**	915	**438**	756
Total Current Assets		**42,762**	35,260	**37,065**	29,415
Non-Current Assets					
Other financial assets	10	**170**	270	**3,820**	3,826
Property, plant and equipment	11	**14,345**	13,801	**14,224**	13,657
Deferred tax assets	13	**1,997**	1,561	**1,932**	1,476
Total Non-Current Assets		**16,512**	15,632	**19,976**	18,959
Total Assets		**59,274**	50,892	**57,041**	48,374
Current Liabilities					
Payables	14	**16,557**	9,743	**15,796**	8,620
Interest-bearing liabilities	15	**6,493**	8,200	**6,493**	8,200
Current tax liabilities	16	**2,149**	1,961	**2,109**	1,990
Provisions	17	**2,627**	2,599	**2,627**	2,599
Total Current Liabilities		**27,826**	22,503	**27,025**	21,409
Non-Current Liabilities					
Interest-bearing liabilities	18	**–**	–	**3,237**	2,741
Deferred tax liabilities	19	**462**	618	**457**	615
Provisions	20	**419**	219	**419**	219
Total Non-Current Liabilities		**881**	837	**4,113**	3,575
Total Liabilities		**28,707**	23,340	**31,138**	24,984
Net Assets		**30,567**	27,552	**25,903**	23,390
Equity					
Contributed equity	23	**15,932**	15,932	**15,932**	15,932
Reserves	24	**1,343**	1,808	**2,368**	2,368
Retained profits	25	**13,292**	9,812	**7,603**	5,090
Total Equity		**30,567**	27,552	**25,903**	23,390

Notes to the financial statements are included in pages 39 to 66

STATEMENT OF **CASH FLOWS**

for the Financial Year Ended 30 June 2005

	Note	Consolidated 2005 $'000	Consolidated 2004 $'000	Company 2005 $'000	Company 2004 $'000
Cash Flows From Operating Activities					
Receipts from customers		**140,896**	128,261	**132,907**	120,910
Payments to suppliers and employees		**(122,582)**	(117,036)	**(115,094)**	(110,481)
Dividends received		**–**	–	**–**	334
Interest received		**73**	130	**72**	107
Interest and other costs of finance paid		**(886)**	(971)	**(884)**	(1,131)
Income tax paid		**(5,597)**	(3,032)	**(5,238)**	(2,510)
Net cash provided by operating activities	36(c)	**11,904**	7,352	**11,763**	7,229
Cash Flows From Investing Activities					
Payment for property, plant and equipment		**(2,459)**	(1,604)	**(2,416)**	(1,521)
Proceeds from sale of property, plant and equipment		**40**	6	**40**	6
Net cash used in investing activities		**(2,419)**	(1,598)	**(2,376)**	(1,515)
Cash Flows From Financing Activities					
Proceeds from issues of equity securities		**–**	3,892	**–**	3,892
Proceeds from borrowings		**5,500**	9,100	**5,522**	9,636
Repayment of borrowings		**(7,700)**	(18,200)	**(7,700)**	(18,200)
Dividends paid: – to members of the parent entity		**(8,251)**	(8,316)	**(8,251)**	(8,316)
Other		**(215)**	872	**103**	888
Net cash used in financing activities		**(10,666)**	(12,652)	**(10,326)**	(12,100)
Net Increase/(Decrease) In Cash Held		**(1,181)**	(6,898)	**(939)**	(6,386)
Cash At The Beginning Of The Financial Year		**2,180**	9,090	**446**	6,832
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(137)**	(12)	**–**	–
Cash At The End Of The Financial Year	36(a)	**862**	2,180	**(493)**	446

Notes to the financial statements are included in pages 39 to 66

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 where no decision has been made to sell any of the relevant 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 37 to the financial statements.

Foreign Exchange Contracts

The chief entity enters into forward foreign exchange contracts to manage the risk associated with anticipated transactions over the full financial year. These transactions mainly relate to hedging the receipts of the Group's sales to its Malaysian and Thai subsidiaries 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) 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.

k) 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.

l) 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.

m) 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.

n) 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.

o) 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 31 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.

p) Receivables

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

q) 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.

r) Research and Development Costs

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

s) 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	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'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	**134,449**	115,724	**126,610**	108,087
Interest revenue:				
Other entities	**73**	130	**72**	107
Royalty revenue:				
Other entities	**649**	409	**649**	409
Dividends:				
Wholly-owned controlled entities	**-**	–	**-**	334
Net foreign exchange gain	**475**	–	**475**	–
	135,646	116,263	**127,806**	108,937
b) Non-Operating Revenue				
Proceeds from the sale of assets (Note 3):				
Non-current				
Property, plant and equipment	**40**	6	**40**	6
	40	6	**40**	6
	135,686	116,269	**127,846**	108,943

	Consolidated		Company	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
2. Profit From Ordinary Activities (cont)				
c) Expenses				
Cost of sales	**52,900**	46,335	**53,127**	46,628
Borrowing costs:				
Interest charges: Other entities	**510**	656	**764**	818
Bank charges: Other entities	**376**	315	**374**	313
Depreciation of non-current assets:				
Property, plant and equipment	**1,672**	1,917	**1,635**	1,868
Buildings	**198**	199	**198**	199
	1,870	2,116	**1,833**	2,067
Amortisation of non-current assets:				
Leasehold improvements	**11**	11	**–**	9
Goodwill	**–**	56	**–**	56
	11	67	**–**	65
Operating lease rental expenses:				
Minimum lease payments	**1,285**	1,055	**1,212**	1,010
Net foreign exchange loss	**–**	222	**–**	222

	Consolidated		Company	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000

3. Sales of Assets

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

Net (Gains)/Losses				
Property, plant and equipment	**(24)**	21	**(24)**	11

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	**16,929**	13,236	**15,508**	12,049
Income tax expense calculated at 30%	**5,079**	3,971	**4,652**	3,615
Permanent Differences:				
Amortisation of intangible assets	**–**	17	**–**	17
Effect of lower tax rates on tax on overseas income	**67**	21	**67**	21
Non-allowable overseas rental	**(3)**	1	**(3)**	1
Non-deductible expenses	**45**	41	**45**	41
Increased provision for surplus lease space	**(1)**	–	**(1)**	–
Intercompany dividends received	**–**	–	**–**	(100)
Research and development	**(30)**	(40)	**(30)**	(40)
Staff bonus share issue	**–**	(44)	**–**	(44)
	5,157	3,967	**4,730**	3,511
(Over)/under provision of income tax in previous year	**36**	(38)	**13**	54
Income tax expense relating to ordinary activities	**5,193**	3,929	**4,743**	3,565

Future income tax benefits not brought to account as assets:

(i) Australian Company capital losses of $1,520,370 (2004: $1,270,370)

(ii) Tax losses of our Singapore Controlled Entity of $1,275,011 (2004: $1,275,011)

(iii) Foreign source losses of $768,033 (2004: $762,973)

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. Executive and Employee Share and Options Plan

New Executive Performance Share Plan

The Company has recently developed a new Executive Performance Share Plan which will be presented to shareholders for approval at the Annual General Meeting to be held in October 2005. This plan has been designed to serve as a longer term incentive for such Senior Executives as are determined eligible by the Board. Under this plan shares in the Company are issued on an annual basis to eligible Senior Executives provided specific performance objectives and hurdles are met.

The number of shares which will be issued for no consideration, subject to shareholder approval being received in October 2005, is as follows:

Executive	Shares
L Burrows	2,954
P Daffy	2,677
C Howard	2,387
A W Pascoe	4,611
R A Steinmetz	3,044
J A Tait	10,340
R Weine	3,939
Total shares to be issued	29,952

Previous Employee Share Plans

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 2005 was $12.95 (30 June 2004: $10.00).

At 30 June 2005, there were 158,610 shares covered by the various Employee Share Plans, representing 1% of the issued capital (2004: 273,665 shares representing 1.73% of issued capital).

Performance Shares Issued During the Year

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.

One executive of the Group (L Richards) received 12,000 shares under this Performance Share Plan during the year.

In addition, for the financial year ended 30 June 2004, 7,677 shares were issued to the following executives. These shares were issued as a reward for contribution to the Company's growth in earnings per share of 45% over the previous financial year. These shares vested immediately but a trading block is in place until 1 July 2006. If the executive leaves the Company prior to 1 July 2006 the shares will be forfeited.

Executive	Shares
L Burrows	1,365
P Daffy	858
A W Pascoe	2,227
R A Steinmetz	2,815
R Weine	412
Total shares issued	7,677

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

Options Plan

At 1 July 2004 there were no share options outstanding, none were issued during the year ended 30 June 2005 and as at 30 June 2005 there were no unexercised share options.

No Executive Share Options were exercised during the year.

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

	2005 Number	2004 Number
Balance at beginning of the financial year	–	689,334
Granted/issued during the financial year	–	–
Exercised/redeemed during the financial year	–	(689,334)
Lapsed during the financial year	–	–
Balance at end of the financial year	–	–

Executive options carry no voting or dividend rights.

Consideration received on the exercise of executive options is recognised in contributed equity. During the financial year $Nil (2004: $3,892,707) was recognised in contributed equity arising from the exercise of executive options.

6. Remuneration of Auditors

	Consolidated		Company	
	2005 $	2004 $	**2005 $**	2004 $
(a) Auditor of the Parent Entity				
Auditing or reviewing the financial report	**158,950**	142,650	**155,050**	142,650
Taxation services	**58,990**	70,165	**58,990**	70,165
Other non-audit services	**14,720**	22,620	**14,720**	22,620
	232,660	235,435	**228,760**	235,435
(b) Related Practice of the Parent Company Auditor				
Auditing the financial report	**49,547**	56,869	**–**	–
Taxation services	**25,896**	14,446	**–**	–
Other non-audit services	**18,023**	4,200	**–**	–
	93,466	75,515	**–**	–
(c) Total Auditors' Remuneration				
Auditing or reviewing the financial report	**208,497**	199,519	**155,050**	142,650
Taxation services	**84,886**	84,611	**58,990**	70,165
Other non-audit services	**32,743**	26,820	**14,720**	22,620
	326,126	310,950	**228,760**	235,435

The auditor of Consolidated Blackmores Limited is Deloitte Touche Tohmatsu

	Consolidated		Company	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
7. Current Receivables				
Trade receivables	**25,535**	18,968	**21,773**	15,608
Allowance for doubtful debts	**(223)**	(147)	**(200)**	(147)
	25,312	18,821	**21,573**	15,461
Amounts due from controlled entities	**–**	–	**626**	502
Goods and services tax (GST) recoverable	**878**	635	**878**	635
	26,190	19,456	**23,077**	16,598
8. Current Inventories				
Raw materials:				
At cost	**5,756**	3,705	**5,756**	3,705
At net realisable value	**–**	1,344	**–**	1,344
Work in progress – at cost	**12**	10	**12**	10
Finished goods - at cost	**8,949**	7,650	**7,782**	6,556
	14,717	12,709	**13,550**	11,615
9. Other Current Assets				
Other current assets and prepayments	**500**	915	**438**	756
10. Other Non-Current Financial Assets				
Loans due under employee share plans	**170**	270	**6**	12
Shares in controlled entities at cost	**–**	–	**3,814**	3,814
	170	270	**3,820**	3,826

11. 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 2004	2,700	5,877	436	15,521	**24,534**
Additions	973	232	11	1,243	**2,459**
Disposals	–	–	–	(1,490)	**(1,490)**
Net foreign currency exchange differences arising on translation of financial statements of self-sustaining foreign operations	–	–	(6)	(48)	(54)
Balance at 30 June 2005	**3,673**	**6,109**	**441**	**15,226**	**25,449**
Accumulated Depreciation / Amortisation					
Balance at 30 June 2004	–	(702)	(422)	(9,609)	**(10,733)**
Disposals	–	–	–	1,474	**1,474**
Depreciation expense	–	(198)	(11)	(1,672)	**(1,881)**
Net foreign currency exchange differences arising on translation of financial statements of self-sustaining foreign operations	–	–	2	34	36
Balance at 30 June 2005	**0**	**(900)**	**(431)**	**(9,773)**	**(11,104)**
Net Book Value					
As at 30 June 2004	2,700	5,175	14	5,912	13,801
As at 30 June 2005	**3,673**	**5,209**	**10**	**5,453**	**14,345**

11. 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 2004	2,700	5,877	418	15,271	**24,266**
Additions	973	232	4	1,207	**2,416**
Disposals	–	–	–	(1,489)	**(1,489)**
Balance at 30 June 2005	**3,673**	**6,109**	**422**	**14,989**	**25,193**
Accumulated Depreciation / Amortisation					
Balance at 30 June 2004	–	(702)	(418)	(9,489)	**(10,609)**
Disposals	–	–	–	1,473	**1,473**
Depreciation expense	–	(198)	–	(1,635)	**(1,833)**
Balance at 30 June 2005	**–**	**(900)**	**(418)**	**(9,651)**	**(10,969)**
Net Book Value					
As at 30 June 2004	2,700	5,175	–	5,782	13,657
As at 30 June 2005	**3,673**	**5,209**	**4**	**5,338**	**14,224**

	Consolidated		Company	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:				
Buildings	**198**	199	**198**	199
Leasehold improvements	**11**	11	**0**	9
Plant and equipment	**1,672**	1,917	**1,635**	1,868
	1,881	2,127	**1,833**	2,076

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. This valuation excluded any value attributable to the parcels of land for which the Company entered into purchase contracts on 14 June 2005. The above land carrying value includes $973,000 relating to deposits paid toward these contracts due for settlement on 12 September 2005 at a total cost of in the order of $10 million.

Potential capital gains taxes have not been provided on revalued properties due to the availability of capital losses.

	Consolidated		Company	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
12. Intangibles				
Goodwill	**701**	701	**675**	675
Accumulated amortisation	**(701)**	(701)	**(675)**	(675)
	–	–	**–**	–
Aggregate amortisation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:				
Goodwill	**–**	56	**–**	56
13. Deferred Tax Assets				
Future income tax benefit:				
Timing differences	**1,997**	1,561	**1,932**	1,476
	1,997	1,561	**1,932**	1,476
14. Current Payables				
Trade payables	**7,832**	4,521	**7,487**	3,786
Goods and services tax (GST) payable	**1,090**	640	**1,090**	640
Other creditors and accruals	**7,635**	4,582	**7,219**	4,194
	16,557	9,743	**15,796**	8,620
15. Current Interest-Bearing Liabilities				
Secured:				
Overdraft (i) (ii)	**493**	–	**493**	–
Bank bills (i) (ii)	**6,000**	8,200	**6,000**	8,200
	6,493	8,200	**6,493**	8,200

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	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
16. Current Tax Liabilities				
Income tax payable	**2,149**	1,961	**2,109**	1,990
	2,149	1,961	**2,109**	1,990

	Consolidated		Company	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
17. Current Provisions				
Employee benefits (Note 22)	**2,070**	1,975	**2,070**	1,975
Directors' retirement (Note 21)	**538**	562	**538**	562
Surplus lease space (Note 30)	**19**	62	**19**	62
	2,627	2,599	**2,627**	2,599
18. Non-Current Interest-Bearing Liabilities				
Unsecured:				
Amounts due to controlled entities	**–**	–	**3,237**	2,741
	–	–	**3,237**	2,741
19. Deferred Tax Liabilities				
Deferred income tax	**462**	618	**457**	615
	462	618	**457**	615
20. Non-Current Provisions				
Employee benefits (Note 22)	**366**	195	**366**	195
Surplus lease space (Note 30)	**53**	24	**53**	24
	419	219	**419**	219

21. Provisions

	Consolidated	
	Surplus Lease Space (i)	Directors' Retirement Benefits (ii)
	$'000	$'000
Balance at 30 June 2004	86	562
Additional provisions recognised	–	30
Reductions resulting from the re-measurement of the estimated future sacrifice or the settlement of the provision without cost to the entity	(14)	(54)
Balance at 30 June 2005	**72**	**538**
Current (Note 17)	19	538
Non-current (Note 20)	53	–

(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.

21. Provisions (cont)

	Company	
	Surplus Lease Space (i)	Directors' Retirement Benefits (ii)
	$'000	$'000
Balance at 30 June 2004	86	562
Additional provisions recognised	–	30
Reductions resulting from the re-measurement of the estimated future sacrifice or the settlement of the provision without cost to the entity	(14)	(54)
Balance at 30 June 2005	**72**	**538**
Current (Note 17)	19	538
Non-current (Note 20)	53	–

(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.

22. Employee Benefits

	Consolidated		Company	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
The aggregate employee benefit liability recognised and included in the financial statements is as follows:				
Provision for employee benefits:				
Current (Note 17)	**2,070**	1,975	**2,070**	1,975
Non-current (Note 20)	**366**	195	**366**	195
Accrued wages and salaries (i)	**2,185**	1,268	**2,185**	1,268
	4,621	3,438	**4,621**	3,438

(i) Accrued wages and salaries are included in the current payables balance as disclosed in Note 14 to the financial report.

	2005 Number	2004 Number	**2005 Number**	2004 Number
Number of employees at end of financial year (in full time equivalents)	**298**	281	**235**	226

	Consolidated		Company	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
23. Contributed Equity				
15,870,162 fully paid ordinary shares (2004: 15,850,485)	**15,932**	15,932	**15,932**	15,932
	15,932	15,932	**15,932**	15,932

	Company 2005		Company 2004	
	Number '000	**$'000**	Number '000	$'000
Fully Paid Ordinary Share Capital				
Balance at beginning of financial year	**15,850**	**15,932**	15,138	12,040
Issue of shares under executive and employee share plans (Notes 5, 33(c) and 36(d))	**20**	**–**	712	3,892
Balance at end of financial year	**15,870**	**15,932**	15,850	15,932

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

Employee Share Plans

Further details of the Company's employee share and option plans are contained in Note 5 to the financial statements.

	Consolidated		Company	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
24. Reserves				
(a) Reserves Comprise				
Asset revaluation	**2,368**	2,368	**2,368**	2,368
Foreign currency translation	**(1,025)**	(560)	**–**	–
	1,343	1,808	**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.

	Consolidated		Company	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000

24. Reserves (cont)

Foreign Currency Translation Reserve				
Balance at beginning of financial year	**(560)**	(534)	**–**	–
Translation of foreign operations	**(465)**	(26)	**–**	–
Balance at end of financial year	**(1,025)**	(560)	**–**	–

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).

25. Retained Profits

Balance at beginning of financial year	**9,812**	8,821	**5,090**	4,918
Net profit attributable to members of the parent entity	**11,736**	9,307	**10,765**	8,484
Dividends paid (Note 27)	**(8,251)**	(8,316)	**(8,251)**	(8,316)
Other	**(5)**	–	**(1)**	4
Balance at end of financial year	**13,292**	9,812	**7,603**	5,090

26. Earnings Per Share

	2005 Cents per Share	2004 Cents per Share
Basic earnings per share	**74.0**	59.5
Diluted earnings per share	**73.9**	59.5

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:

	2005 $'000	2004 $'000
Earnings (reconciles directly to net profit in the Statement of Financial Performance)	**11,736**	9,307

	2005 Number	2004 Number
The weighted average number of ordinary shares on issue during the financial year used in the calculation of basic earnings per share	**15,865,279**	15,639,546

26. Earnings Per Share (cont)

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:

	2005 $'000	2004 $'000
Earnings (reconciles directly to net profit in the statement of financial performance)	**11,736**	9,307

	2005 Number	2004 Number
Weighted average number of ordinary shares	**15,865,279**	15,639,546
Weighted average number of potential ordinary shares (refer note 5)	**15,797**	12,000
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted EPS	**15,881,076**	15,651,546

27. Dividends

Recognised amounts	**2005**		2004	
	Cents per Share	**Total $'000**	Cents per Share	Total $'000
Fully Paid Ordinary Shares				
Final dividend for year ended 30 June 2004 – fully franked at 30% corporate tax rate	**27**	**4,283**	20	3,083
Interim dividend for year ended 30 June 2005 – fully franked at 30% corporate tax rate	**25**	**3,968**	19	3,013
Special dividend for year ended 30 June 2004 – fully franked at 30% corporate tax rate		**–**	14	2,220
		8,251		8,316
Unrecognised Amounts:				
Fully paid ordinary shares				
Final dividend – fully franked at 30% corporate tax rate	**33**	**5,237**	27	4,283

The final dividend in respect of ordinary shares for the year ended 30 June 2005 has not been recognised in this financial report because the final dividend was declared, determined or publicly recommended subsequent to 30 June 2005. 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	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
Adjusted franking account balance (tax paid basis)			**3,799**	2,066

	Consolidated		Company	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
28. Commitments for Expenditure				
Forward Foreign Exchange Contracts				
Not longer than 1 year	**6,880**	8,666	**6,880**	8,666
Research and Development Contracts				
Not longer than 1 year	**179**	122	**179**	122
Contracts for Land Purchase				
Not longer than 1 year	**9,327**	–	**9,327**	–
	16,386	8,788	**16,386**	8,788
29. Contingent Liabilities				
Guarantees from the Holding Company for the issuance of performance guarantees	**207**	207	**207**	207
	207	207	**207**	207

30. 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.

	Consolidated 2005 $'000	Consolidated 2004 $'000	Company 2005 $'000	Company 2004 $'000
Non-cancellable operating leases				
Not longer than 1 year	**1,152**	946	**1,126**	925
Longer than 1 year and not longer than 5 years	**1,199**	1,197	**1,182**	1,188
Longer than 5 years	**–**	71	**–**	71
	2,351	2,214	**2,308**	2,184
In respect of non-cancellable operating leases the following liabilities have been recognised:				
Current (Note 17)	**19**	62	**19**	62
Non-current (Note 20)	**53**	24	**53**	24
	72	86	**72**	86

31. Controlled Entities

Name of entity	Country of Incorporation	Ownership Interest 2005 %	Ownership Interest 2004 %
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 2005 or 2004 years

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.

32. Segment Information

Segment Revenues

	External Sales		Inter-segment (i)		Other		Total	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000	**2005 $'000**	2004 $'000	**2005 $'000**	2004 $'000
Australia	**116,110**	98,715	**6,625**	5,712	**588**	447	**123,323**	104,874
New Zealand	**2,774**	2,649	**–**	–	**904**	593	**3,678**	3,242
South-East Asia	**15,370**	13,639	**–**	–	**–**	374	**15,370**	14,013
Other	**195**	158	**–**	–	**–**	–	**195**	158
Total of all segments							**142,566**	122,287
Eliminations							**(6,880)**	(6,018)
Consolidated							**135,686**	116,269

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.

32. Segment Information (cont)

	2005 $'000	2004 $'000
Segment Results		
Australia	**14,932**	11,692
New Zealand	**822**	523
South-East Asia	**1,148**	1,737
Other	**20**	10
Total of all segments	**16,922**	13,962
Eliminations	**7**	(726)
Profit from ordinary activities before income tax expense	**16,929**	13,236
Income tax expense relating to ordinary activities	**(5,193)**	(3,929)
Net profit	**11,736**	9,307

	Assets*		Liabilities**	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Segment Assets and Liabilities				
Australia	**57,041**	48,374	**31,139**	24,984
New Zealand	**3,334**	3,129	**78**	2
South-East Asia	**7,477**	7,471	**1,249**	1,618
Total of all segments	**67,852**	58,974	**32,466**	26,604
Eliminations	**(8,578)**	(8,082)	**(3,759)**	(3,264)
Consolidated	**59,274**	50,892	**28,707**	23,340

* Includes investments in and receivables from group companies.

** Includes amounts payable to group companies.

Other Segment Information

	Australia		New Zealand		South-East Asia		Other	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Acquisition of segment assets	**1,171**	1,521	**–**	2	**90**	81	**–**	–
Depreciation and amortisation of segment assets	**1,831**	2,132	**–**	–	**51**	51	**–**	–
Other non-cash expenses	**(1,540)**	(1,593)	**20**	31	**(77)**	(107)	**–**	–

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.

33. 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 31 to the financial statements.

(b) Specified Directors' and Specified Executives' Remuneration

Details of specified Directors' and specified Executives' remuneration are disclosed in the Directors' Report which accompanies these 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

There were no options unexercised as at 1 July 2004 and no issues since that date.

Shareholdings of Specified Directors and Executives as at 30 June 2005 (expressed in numbers of ordinary shares)

Directors	Balance at 1/7/04	Granted as Remuneration	Net Change Other	Balance at 30/6/05
M C Blackmore	4,778,434	–	(8,000)	4,770,434
W Cutbush	6,000	–	–	6,000
S Chapman	16,388	–	–	16,388
V Fitzgerald	20,000	–	–	20,000
R Stovold	18,500	–	–	18,500
J Tait	174,399	–	4,400	178,799
Executives	**Balance at 1/7/04**	**Granted as Remuneration**	**Net Change Other**	**Balance at 30/6/05**
L Burrows	200	1,365	–	1,565
P Daffy	50,564	858	(2,328)	49,094
A Pascoe	–	2,227	13,000	15,227
R Steinmetz	6,355	2,815	–	9,170
R Weine	–	412	–	412
Total (for Specified Directors and Specified Executives)	**5,070,840**	**7,677**	**7,072**	**5,085,589**

d) Loan Disclosures

Loans to Specified Directors and Specified Executives for Year Ended 30 June 2005

		Balance 1/7/04 $	Interest Charged $	Interest Not Charged $	Write-Off $	Balance 30/6/05 $	No. in Group
Specified Directors	2005	146,699	–	8,025	–	86,657	2
Specified Executives	2005	11,919	–	735	–	9,148	1
Totals	**2005**	**158,618**	**–**	**8,760**	**–**	**95,805**	**3**

33. Related Party and Specified Executive Disclosures (cont)

Individuals with Loans above $100,000 in reporting period

	Balance 1/7/04 $	Interest Charged $	Interest Not Charged $	Write-Offs $	Balance 30/6/05 $	Highest in Period $
Directors						
M C Blackmore	119,805	-	6,479	-	67,804	119,805

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 $14,000.

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.

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 7 and Note 18 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. 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.

34. 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.

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

	2005 $'000	2004 $'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:		
Non-Current Assets		
Employee Share Plan Loans	**163**	261
Total Assets	**163**	261
Current Liabilities		
Loan from Blackmores Limited	**163**	261
Total Liabilities	**163**	261

36. Notes to The Statement of Cash Flows

	Consolidated		Company	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
(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:				
Cash	**1,355**	2,180	**–**	446
Bank overdraft	**(493)**	–	**(493)**	–
	862	2,180	**(493)**	446
(b) Financing Facilities				
Secured bank overdraft facility, reviewed annually and payable at call:				
• amount used	**493**	–	**493**	–
• amount unused	**1,007**	1,500	**1,007**	1,500
	1,500	1,500	**1,500**	1,500
Bank bill acceptance facility, reviewed annually:				
• amount used	**6,000**	8,200	**6,000**	8,200
• amount unused	**14,000**	11,800	**14,000**	11,800
	20,000	20,000	**20,000**	20,000

	Consolidated		Company	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000

36. Notes to The Statement of Cash Flows (cont)

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

	Consolidated 2005 $'000	Consolidated 2004 $'000	Company 2005 $'000	Company 2004 $'000
Profit from ordinary activities after related income tax	**11,736**	9,307	**10,765**	8,484
(Gain)/loss on sale of non-current assets	**(24)**	21	**(24)**	11
Depreciation and amortisation of non-current assets	**1,881**	2,183	**1,833**	2,132
Unrealised foreign exchange loss	**–**	–	**21**	80
Capitalisation of intercompany to borrowings	**–**	–	**225**	–
Capitalisation of interest expense to borrowings	**–**	–	**227**	–
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:				
(Increase)/decrease in assets:				
• current receivables	**(6,734)**	2,969	**(6,355)**	2,707
• current inventories	**(2,008)**	(4,509)	**(1,935)**	(4,020)
• other debtors, deferred tax assets and prepayments	**(21)**	(227)	**(138)**	(145)
• amounts receivable from controlled entities	**–**	–	**(221)**	454
Increase/(decrease) in liabilities:				
• current trade payables	**6,814**	(3,674)	**7,176**	(3,891)
• current provisions and taxes payable	**216**	1,855	**147**	2,009
• non-current provisions and deferred tax liabilities	**44**	(573)	**42**	(592)
Net cash from operating activities	**11,904**	7,352	**11,763**	7,229

(d) Non Cash Transactions

During the financial year 19,677 free shares were issued to employees (market value at the time of issue was $234,680).

37. 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	**2005**	2004	**2005 A$'000**	2004 A$'000
Sell Thai Baht				
Less than 3 months	**31.03**	28.00	**1,405**	561
3 to 12 months	**31.03**	27.66	**2,765**	3,390
			4,170	3,951
Sell Malaysia Ringgits				
Less than 3 months	**2.8822**	2.6164	**850**	891
3 to 12 months	**2.8233**	2.6007	**1,860**	3,824
			2,710	4,715

At the reporting date, the aggregate amount of unrealised gains under forward foreign exchange contracts relating to anticipated future transactions is $54,251 (2004: $52,944)

At 30 June 2005 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.

	2005 A$'000	2004 A$'000
Intercompany Debtors		
Malaysian Ringgits	**205**	218
Thai Baht	**211**	148
Singapore Dollars	**128**	284
	544	650

37. Financial Instruments (cont)

Interest Rate Contracts

The parent 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	**2005 %**	2004 %	**2005 $'000**	2004 $'000
Less than 1 year	**5.26**	–	**5,000**	–
2 to 5 years	**–**	5.26	**–**	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 5.8% (2004: 5.6%), 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 (2004: $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 $37,500 (2004: $50,000).

(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.

38. Impact of Adopting the Australian Equivalent of International Financial Reporting Standards (A-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 this financial report for the year ended 30 June 2005 may not be the balances that are presented as comparative numbers in the financial report for next 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 2005 presented in the 2005 financial report and the 2006 financial report available to be paid out as dividends may differ.

An initial analysis in relation to the transition to International Financial Reporting Standards (IFRS) was undertaken and commented on in the notes to Blackmores Limited's 30 June 2004 year end financial statements. Further work has been undertaken over the past twelve months. 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 is expected to form part of the remuneration of employees of the consolidated entity (including executives). In the past (and in these accounts), the consolidated entity has not recognised 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.

This change in policy will have the effect of reducing profit before tax and net profit after tax for this financial year ending 30 June 2005 (in the comparatives disclosed in the 2006 financial report) by $406,939 and also reducing opening retained earnings as at 1 July 2004 by $103,641 (these share-based payments not being tax deductible).

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. Notwithstanding that A-IFRS has a wider scope than the entity's current accounting policies, we do not expect that the amount of deferred taxes recognised in the balance sheet will substantially increase (i.e. upon the adoption of A-IFRS).

Consequently, we do not expect any material changes will be required to the financials presented in this 2005 financial report in respect of this aspect of A-IFRS (for the purposes of restating these financials as comparatives in the 2006 financial report).

38. Impact of Adopting the Australian Equivalent of International Financial Reporting Standards (A-IFRS) (cont)

Hedge Accounting

The parent entity enters into forward exchange contracts for its sales to foreign controlled entities, in order to hedge its exposure to fluctuations in exchange rates.

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.

It is not expected that this aspect of A-IFRS will result in any material change to Blackmores Limited's accounting policies and that unrealised foreign exchange gains or losses will continue to be recognised (as is the approach currently) in the profit and loss account.

Consequently, we do not expect any material changes will be required to the financials presented in this 2005 financial report in respect of this aspect of A-IFRS (for the purposes of restating these financials as comparatives in the 2006 financial report).

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.

It is not expected that this aspect of A-IFRS will require any substantial adjustments to the Blackmores Limited's accounts.

Consequently, we do not expect any material changes will be required to the financials presented in this 2005 financial report in respect of this aspect of A-IFRS (for the purposes of restating these financials as comparatives in the 2006 financial report).

ADDITIONAL INFORMATION

Number of Holders of Equity Securities as at 8 August 2005:

Ordinary Share Capital

15,870,162 fully paid ordinary shares are held by 4,618 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	2,871
1,001 - 5,000	1,473
5,001 - 10,000	165
10,001 - 100,000	90
100,001 and over	19
Total	**4,618**
Holdings less than a marketable parcel	35

Substantial Shareholders

		Fully Paid	
Date of Notice	Ordinary Shareholders	Number	Percentage
27 May 2005	Marcus C Blackmore	4,976,390	31.36%
23 May 2005	Commonwealth Bank of Aust Ltd*	1,208,677	7.62%
10 Sep 2004	452 Capital Pty Ltd	1,195,444	7.54%

**The shareholding interest disclosed by Commonwealth Bank of Australia includes the shares held by 452 Capital*

Twenty Largest Holders of Quoted Equity Securities as at 8 August 2005

	Fully Paid	
Ordinary Shareholders	Number	Percentage
M C Blackmore	4,194,302	26.43
J P Morgan Nominees Australia Ltd	603,902	3.81
Dietary Products (Aust) Pty Ltd	576,132	3.63
Milton Corporation Ltd	288,115	1.82
Gowing Bros Ltd	193,812	1.22
E M Whellan	182,868	1.15
J A Tait	178,799	1.13
Health Super Pty Ltd	175,000	1.10
Citicorp Nominees Pty Ltd	174,607	1.10
ANZ Nominees Ltd	170,243	1.07
Sandhurst Trustees Ltd	159,967	1.01
National Nominees Ltd	140,551	0.89
D N Walters	121,100	0.76
Equity Trustees Ltd	120,000	0.76
R Shepherd	115,000	0.72
Cogent Nominees Pty Ltd	114,810	0.72
Trans State Nominees Pty Ltd	109,150	0.69
Invia Custodian Pty Ltd	107,302	0.68
Rathvale Pty Ltd	95,700	0.60
Q H E Praeger	94,980	0.60
Total	**7,916,340**	**49.89**

COMPANY INFORMATION

Company Secretary

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

Principal Place of Business

23 Roseberry Street
Balgowlah NSW 2093
Phone No. (02) 9951 0111

Registered Office

23 Roseberry Street
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.

Dividend Reinvestment Plan

The Company has a Dividend Reinvestment Plan. The Plan is currently suspended.

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.

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

designed and produced by des'ig·nāte 02 9299 7711

THE BEST OF HEALTH
www.blackmores.com.au

Blackmores Limited ACN 009 713 437
23 Roseberry St Balgowlah NSW 2093
Tel 02 9951 0111 Fax 02 9949 1954