naturally better

Annual Report 2006

Blackmores Limited

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

Contents

Annual General Meeting

The 44th annual general meeting of the Company will be held at the Company's premises, 23 Roseberry Street, Balgowlah NSW 2093, on 24 October 2006 at 11.30am.

Our History

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 nutrients.

The Company operates in Australia, New Zealand and Asia and currently employs more than 350 people in the region. Our head office is based in Balgowlah, on Sydney's northern beaches. Blackmores became a publicly listed company in May 1985.

Blackmores has been an industry leader in Australia for more than 70 years. The Company had its beginnings in the 1930s, thanks to the vision and passion of one man – Maurice Blackmore [1906-1977], an English immigrant who had ideas about health way ahead of his time.

Maurice Blackmore's belief in the health-giving properties of herbs and minerals led him to develop a whole system of healthcare based on naturopathic principles. His views on natural health, preventive medicine, the environment and recycling were nothing short of radical in the 1930s, and his work opened the doors to new ways of treating illness and maximising health.

Maurice Blackmore was also responsible for starting Australia's first health food store in Brisbane in 1938 and worked with colleagues and friends to establish the first naturopathic colleges and associations in the country. His beliefs are still valid today and his teachings are incorporated in the training programs of many natural health practitioners.

Blackmores' products are developed using a combination of scientific evidence and hundreds of years of traditional knowledge. Our products are made to exacting requirements, under the principles of good manufacturing practice and using ingredients sourced from around the world. Our product formulations are approved by regulatory bodies in each country where they are sold and are required to meet both our own and various governments' stringent standards of safety and efficacy.

Blackmores' heritage and values are coupled with a commitment to superior business performance. Our strategic direction is focused on delivering growth and continuous improvement to maintain and enhance Blackmores' industry leadership position and achieve ongoing success for our company and our shareholders.


2006 Highlights

Blackmores' market and financial positions strengthened further during the year ended 30 June 2006, delivering another record profit result. We continued to maintain strong levels of investment in brand support, a robust new product development pipeline and increased our presence in Asia to ensure that we build on our strong platforms for sustainable longer term growth.

Research conducted during the financial year by The Leading Edge shows that the Blackmores brand continues to enjoy a very strong position in the Australian market. Blackmores has the highest brand awareness in its category and is the most trusted brand.

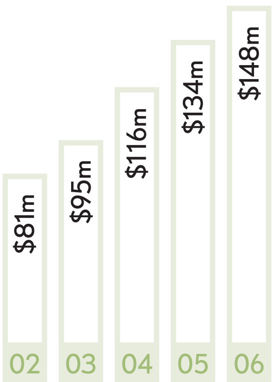
During the year, we were also proud to be awarded a prestigious Hewitt Best Employer award. More than 160 organisations and 40,000 employees took part in the Hewitt Best Employers in Australia and New Zealand study and Blackmores was one of only 12 companies to receive an award. This recognition reflects the importance we place on attracting and retaining high quality staff and keeping our workforce motivated and passionate.

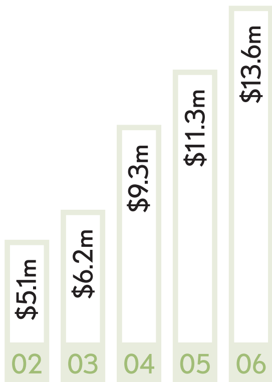
Business Review Weekly's list of best performing companies in Australia (released in August 2006) placed Blackmores at number 15 of the top 200 performers, based on average annual return on shareholders' funds over the previous five years. This is the second consecutive year Blackmores has featured on this list.

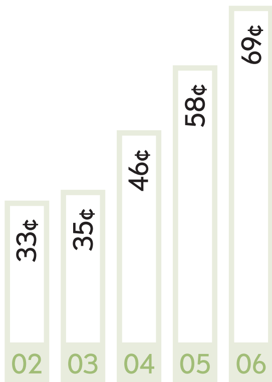
Plans to relocate our headquarters and operations to Warriewood are progressing well and the prospective move has generated a considerable level of excitement within Blackmores.

Our Asian business continues to present significant opportunities. Our two key Asian markets, Thailand and Malaysia, delivered combined sales growth of 27.5% for the full year. We are also on track to enter the Taiwanese market by the end of this calendar year - this will represent Blackmores' first new market entry in more than a decade.

↑10% ↑20% ↑19%







Sales

Group sales for the year of $148 million represented growth of 10% over last year's sales result. This growth was driven by maintaining our brand leadership position in Australia, the continued success of our new product pipeline, improvements to our existing range and a significant contribution from our Asian business.

Net Profit after Tax

Group Net Profit after Tax (NPAT) was $14.5 million for the year, which included a one-off profit on the sale of our existing premises at Balgowlah of $835,000. Excluding this one-off profit, Group NPAT was $13.6 million, representing growth of 20% over prior year.

Ordinary Dividends

Including this year's final dividend of 42 cents per share, total ordinary dividends for the year were 69 cents per share (fully franked). This represents a 19% increase over last year's total ordinary dividends of 58 cents per share.

Chairman's Introduction

The Australian regulatory system for complementary medicines is too costly, too complex and bears little relationship to the low levels of public risk. However, I am pleased to report that during the past year, our relationship with the regulator has moved from one of largely confrontation to one of consultation. Management changes within the Therapeutic Goods Administration (TGA) and an improved dialogue between industry and bureaucracy have resulted in a much better working relationship and far better outcomes.

There is still much work to be done if all Australians are to have improved access to high quality effective complementary medicines at affordable prices. To this end, Blackmores has worked with our peak industry body, the Complementary Healthcare Council of Australia (CHC), to have listed medicines exempt from the onerous patent search requirements that were introduced, as an unintended consequence, with the US Free Trade Agreement.

It is also significant that the transition to a joint agency regulating therapeutic goods in both Australia and New Zealand has been delayed to allow for greater consultation with industry. Blackmores maintains a strong presence throughout this process to ensure a healthy future for our products in both markets.

Australia is the only country in the world that has a 'full cost recovery' regulator. Blackmores and the CHC are currently working to oppose the proposed 28% increase in TGA charges.

We are also keen to have the GST removed from complementary medicines. The government subsidises more than $6.8 billion of the drugs prescribed to Australians every year (through the Pharmaceutical Benefits Scheme), while they ask those self-reliant individuals who take responsibility for their own health to pay a tax for the privilege, namely the 10% GST on most complementary medicines. This is morally wrong and Blackmores will continue to lobby government to have this inequitable situation corrected.

The Blackmores campus being constructed at Warriewood is an exciting development for our company and our people. We have a committed, highly engaged and skilled group of people who share a vision for the future of this company. The Warriewood campus will be the embodiment of that vision.

I want to share with you a wonderful story. Blackmores always recognises loyal service by celebrating staff milestones. For example, each long-serving staff member receives a tax-free gift – for 10 years with Blackmores this is $1,500. On a recent trip to Thailand, I was proud to discover that our Sales Manager in Thailand, Somsak Siriwatcharanon, gave every cent of his 10 year gift to various charities including the Monk Hospital Fund, the Wat PraBaatNampu Fund for poverty-stricken HIV-infected patients and an educational fund for poor students. Similarly our General Manager in Thailand, Suphasin Klongnoi, donated his gift to the purchase of cows for the King of Thailand's 'Cow Bank', which lends livestock to needy farmers. Their generosity reflects the caring spirit of our Thai people.

I'd like to take this opportunity to express my appreciation to all our valued Blackmores people and to the Board for their dedication and hard work over this past year. In particular I wish to thank the Board for their counsel and support and I note the significant contribution of our two new Non-executive Directors - Naseema Sparks and Brent Wallace, who joined the Board this past year.

Outlook

Recently I was talking to a leading professor of immunology in Australia who noted that, whilst he prolongs the lives of his patients by prescribing drugs, he does not necessarily make them well. He further acknowledged that complementary medicine has many of the answers for making people 'well' and for that reason he felt that our company has a great future.

Recent research shows that one in three of all medical consultations in Australia is now with an alternative health practitioner. The ever increasing number of people who embrace natural alternatives would suggest that the continued growth of the wellness revolution will mean that we are in the right business.

Marcus C. Blackmore

Marcus C. Blackmore AM
Executive Chairman

Growing our Business

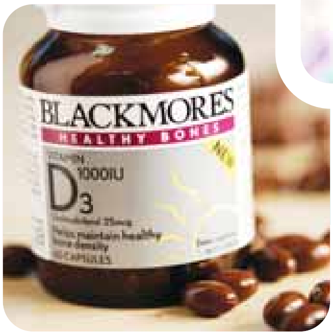
New additions to our product range throughout the year have capitalised on changing consumer trends and provided our customers with a more natural approach to health, while changes to our pack sizes have delivered better value for consumers.

Of particular note is the continued strong growth of the arthritis segment.

- One in six Australians has arthritis
- Nearly two-thirds of all people with arthritis are of working age
- There are more than 120 different types of arthritis
- Arthritis costs the Australian community more than $19 billion a year.

We have responded to this need by reviewing our offering of products in the arthritis, inflammation and joint pain segment, including Joint Formula, Fish Oil and Glucosamine, to ensure we have a highly competitive range. This included the launch of **Blackmores Glucosamine 1500**, a convenient one-a-day high potency supplement that has been specially formulated to provide a clinically proven dose of glucosamine for effective arthritis pain relief. The introduction of a **Glucosamine + Fish Oil** combination product provides a clinically proven dose of glucosamine with high quality fish oil for effective and convenient arthritis pain relief and healthy joints.

These products were supported with a major advertising and promotional campaign. The television, print, radio and online advertisements successfully boosted our sales and market share in this category in which we are currently a leading brand.



Two new products launched Blackmores into the significant weight management category.

Metabolism Advantage™

Blackmores Metabolism Advantage™ is formulated with a therapeutic dose of an Ayurvedic herb, *Coleus forskohlii*, traditionally used to support normal thyroid function and metabolism.

Sugar Balance™

Blackmores Sugar Balance™ helps reduce cravings for sweet foods that may develop due to dieting or low blood sugar. This formulation is specially designed to enhance chromium absorption and help balance blood sugar levels.

Initial sales of both products were exceptional and these products were very well received by both the trade and consumers. Metabolism Advantage™ outsold the market leader in the first four months following its launch and is now in Blackmores' top 10 selling products overall. Both Metabolism Advantage™ and Sugar Balance™ responded very well to advertising, which focused on providing credible and educational information to consumers about responsible weight loss and the link to metabolic rate and cravings. The online campaign was particularly successful, with Australians pledging to lose a total of more than 95,000 kg via the online consumer competition, and resulted in almost 8,000 new members to the email database.

Other new products introduced during the year include the following:

Vitamin D_3

Vitamin D promotes calcium absorption and a diet deficient in calcium can lead to osteoporosis. Vitamin D deficiency is a serious concern in Australia where up to 43% of women in the southern states have been found to be vitamin D deficient in winter. More than three quarters of older Australians in institutions are vitamin D deficient.

A recent study lead by Professor Cedric Garland from the University of California and published in the American Journal of Public Health[1], found that appropriate levels of vitamin D can reduce the risk of colon, breast and ovarian cancers, among others, by as much as 50 percent. The study concluded that supplemental vitamin D could play a significant and cost-effective role in treating and preventing cancers attributable to insufficiency of vitamin D. Of course, the irony is if we had a patentable drug that could reduce cancers by 50%, it would be worth billions of dollars.

Flaxseed Oil 1000mg

Blackmores Flaxseed Oil 1000mg is a source of beneficial omega-3, -6 and -9 fatty acids. The benefits of these healthy nutrients can help to reduce inflammation, contribute to a healthy heart and cardiovascular system, as well as for skin and hair.

Blackmores Flaxseed Oil 1000mg is a superior formulation that is pure and organic, is vegetarian-friendly (using vegetable capsules), is cold-pressed and has a high percentage of omega-3s.

1 Garland et al. The Role of Vitamin D in Cancer Prevention. February 2006, Vol 96, No.2.American Journal of Public Health. Published Ahead of Print on December 27, 2005, as 10.2105/AJPH.2004.045260

Growing our Business continued

I-Folic™

Blackmores I-Folic™ is a pre-conception supplement with a combination of iodine and folic acid. Iodine, an essential mineral, is vital for normal foetal development, eyesight and hearing. An Australian study showed that 60% of pregnant women surveyed had inadequate levels of iodine. The launch of this product coincided with the release of the much-publicised National Iodine Study 2006 which showed that 50% of Australian children were deficient in iodine.

Also in the pregnancy category, Blackmores re-launched **Pregnancy & Breast-Feeding Formula Gold** with an improved formulation including increased levels of iodine and folic acid and the addition of vitamin D_3. This formulation is essential when planning conception, during pregnancy and while breast-feeding and is based on the growing body of evidence highlighting the importance of these elements.

Blackmores Professional

Blackmores Professional, a range of formulations available only through registered healthcare practitioners, selected pharmacies and health food stores, has been revitalised with the launch of 12 new and reformulated products. The new products have been supported with an education program for healthcare practitioners including information seminars in addition to Celloid® Mineral Therapy training workshops. Healthcare professionals can access **blackmores.com.au/professional**, a comprehensive online information resource. The number of subscribers to our practitioner-only email newsletter continues to grow.

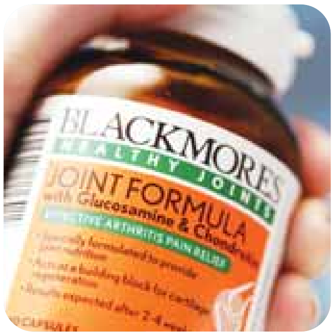
International

Our international operations now deliver 15% of the Group's sales. Our key focus internationally is on Asia, with our two key offshore businesses being located in Malaysia and Thailand. These two key markets both exceeded expectations by delivering sales growth of 20% and 29% respectively (in local currency terms) following a number of successful sales and marketing initiatives and the growing value of the Blackmores brand in those markets.

At the beginning of the financial year we launched an exciting new product in Thailand – **Radiance Marine Q10**. Radiance Marine Q10 is Blackmores' first product launch into the large and growing beauty segment. This new product has been extremely successful and, in fact, Radiance Marine Q10 has already become our second largest selling product in Thailand.

The appointment of a new distributor in Singapore in May 2005 delivered significant growth in that market during the 2006 financial year. The contribution from New Zealand continues to be steady and in line with expectations.

As mentioned earlier in this annual report, we are also on track to enter the Taiwanese market by the end of the calendar year. This will represent Blackmores' first new market entry in more than a decade. Investigation of other new market opportunities in Asia is continuing.



Investing in our Brand

During the year, we further increased our levels of investment in marketing and brand support activity off the already higher platform of investment in these areas undertaken in the prior two financial years.

Our range of products in the arthritis segment featured in a television commercial which ran nationally with good results. Joint Formula was the hero product featured in our TV campaign in the last quarter of the fiscal year, with very strong results. Our successful Executive B Stress marketing campaign was also aired around Australia and ensured we continue to dominate the stress segment.

We have also invested in television advertisements for Joint Formula and Sustained Release Multi Vitamin and Minerals in the *Feel Good* format presented by Doctor Penny Adams. This advertising campaign follows recent changes to the Therapeutic Goods Advertising Code which now allow us to use qualified health professionals as spokespeople in paid advertisements.

For many years we have worked alongside some of Australia's leading health professionals. Blackmores' best-selling eye health products, Macu-Vision® and Lutein Vision™, were developed in consultation with leading ophthalmologist Dr Paul Beaumont. Our support of the Macular Degeneration Foundation, by donating a percentage of sales from those products, has contributed more than $1million to the foundation since the products were launched.

Recently, Sydney endocrinologist and international authority on iodine deficiency, Professor Creswell Eastman, supported a Blackmores campaign to promote the benefits of iodine supplementation. Professor Eastman was instrumental in the development of Blackmores I-Folic™, a pre-conception supplement with a combination of iodine and folic acid.

General practitioners continue to be a trusted source of health information for our customers. Accordingly, we have increased our marketing activity, targeting GPs on key products from our arthritis range, pregnancy products and Blackmores Vitamin D_3. This has included advertising, a sampling program and providing information on reputable clinical trials demonstrating the efficacy of complementary medicines in the treatment of a range of conditions.

Our popular website, **blackmores.com.au**, was awarded Australia's top site in the Health and Medical – Pharmaceutical and Medical products category for the second consecutive year by independent internet monitors, Hitwise. Our database grew to more than 164,000 active subscribers who receive fortnightly email health updates, representing a 52% increase on last year.

The website content continues to be developed to provide interesting, balanced, up-to-the-minute health information. The addition of special sites for pregnant women (**blackmores.com.au/pregnancy**) and people undertaking a detox program (**blackmores.com.au/detox**) reflects the important role of the internet as a source of health information for our customers.

Investing in our Brand continued

Our website has been rebuilt from the ground up, to take advantage of higher-resolution computer screens, increased use of broadband internet plus big advances in website content management technology.

The new Blackmores website, and its back-office content management system, provide an exciting platform from which to actively promote the Blackmores brand on the internet, in a much more sophisticated way than has been previously possible. It also addresses a very significant increase in demand from consumers for relevant and customised information.

Some key features of the new website include:

- The ability to customise web and email content for different consumers – by age, gender, location and health needs
- Improved and easier navigation around the site
- Fresh, engaging website pages
- A powerful search engine that sorts results by greater relevance.

Public Relations

Blackmores has maintained strong relationships with the media throughout the year and has gained a significant amount of positive product publicity. High profile sponsorship activities, for example the Blackmores Sydney Running Festival, also generated national media coverage.

Our sponsorship of the Blackmores Sydney Running Festival (held on 11 September 2005) attracted a record number of entrants. More than 15,000 local and international runners participated in either the Blackmores Sydney Marathon, the Blackmores Half Marathon, the popular Bridge Run or the new 3.8km Family Fun Run.

This iconic event provides us with an exciting way to reach new consumers and to promote our brand and products to health-focused individuals.

Blackmores is a trusted source of information for news and lifestyle media and our naturopaths, health experts and senior executives regularly comment on issues that affect our industry. Additionally, Blackmores often responds to news stories that are critical of the benefits of complementary medicines to ensure consumers and retailers are well-informed and receive balanced information.

For more than 25 years, Blackmores has sponsored the Get Well radio program on 2GB in Sydney through the Macquarie Radio Network. Since 1980, on-air naturopath Russell Setright has provided advice to thousands of listeners. It has been a ratings success and our support of the Get Well show continues.

Public relations initiatives are well-supported throughout the organisation and have been throughout Blackmores' history.

Education

A key feature of Blackmores' commitment to supporting our customers' pursuit of a more natural approach to health is our educational and information support services. Our Naturopathic Advisory Service (**freecall 1800 803 760**) gives callers the opportunity to talk to a qualified natural healthcare advisor, or queries can be sent through our website **blackmores.com.au**. Blackmores' Naturopathic Advisory Service has taken more than 55,000 calls from consumers, health professionals and pharmacy staff over the year and responded to more than 14,000 email requests for health advice, an increase of 40% in online queries. Our Education Department has presented health information seminars to more than 5,500 people.

The Education Department, under the direction of Blackmores Naturopath, Director of Education Pam Stone, supports the training and education needs of pharmacy assistants and health food store staff with both face-to-face and correspondence training options. Our international business is also supported with training and education seminars in Asia and the UK.

Blackmores' Education Department has continued our commitment to professional education and training, and has formed strong relationships with the Pharmacy Guild of Australia, the Pharmaceutical Society of Australia, the National Pharmacy Students Association and other professional bodies to further the understanding and use of complementary medicine.

The Senior Consultant Training Program is recognised by the Pharmacy Guild of Australia, with credit points interchangeable between Blackmores' training program and the Guild's National Training Course.

Quality

Blackmores has an ongoing commitment to our quality assurance program which includes:

- Regular audits of new and existing suppliers both in Australia and overseas
- Extensive product testing
- Product stability testing
- Regulatory compliance
- Ongoing training and development of quality assurance and production staff.

Building our Future

Our belief in the importance of recruiting and retaining the best people, developing leading products and nurturing a passion for what we do is the foundation of our business.

Hewitt BEST EMPLOYERS Sponsored by BOSS 2005

Investing in our People

Most annual reports use the cliché that 'people are our most valuable asset', but do they really walk the talk?

In September 2005, Blackmores was recognised at the Best Employer awards as one of the best places to work. More than 160 organisations and 40,000 employees took part in the 2005 Hewitt Best Employers in Australia and New Zealand study.

It was the first year Blackmores had entered Hewitt Best Employers and this outstanding result reflects that people are proud to work for Blackmores, they are confident in Blackmores' products, and believe they have a good balance between work and personal commitments.

The study is based on employee engagement, which is a measure of the energy and passion employees have for Blackmores or, more specifically, what Blackmores is trying to achieve. It evaluates the extent to which the organisation has captured the hearts and minds of its employees.

Best Employers is run by Hewitt Associates and the Australian Graduate School of Management. Hewitt collects and analyses data from three survey instruments: an employee opinion survey, a CEO questionnaire, and a detailed inventory of each organisation's practices and policies. An independent judging panel then selects the winners.

The award has been beneficial in helping Blackmores attract high-quality staff, which has been particularly relevant as we have recruited additional staff to support the growth we have been experiencing.

The Company continually looks for ways to recognise and reward staff, and this was reflected in the recent gift of 50 free shares to all permanent staff to thank them for their contribution to the business over the year and in anticipation of their efforts to meet the challenges of the move to Warriewood.

This free share offer was in addition to the Company's Profit Share program, in which 10% of the company's Australian profit is shared between all permanent Australian staff in June and December each year.

Building our Future continued

Some of our longest-serving staff, (left to right) Karen Tabaiwalu, Diena Johnson, Yudron Dadul, Gail Annesley and Judy Watson. Together they have more than 125 years of experience at Blackmores.

A Staff Share Acquisition Plan was introduced during the year to allow staff to allocate up to $1,000 of their profit share entitlement to the purchase of Blackmores shares.

Blackmores has a strong commitment to training and development. Representatives from our sales, marketing, and research and development departments attend the Natural Products Expo in Anaheim USA and Vitafoods in Geneva in search of the latest consumer trends in natural health and to explore a whole new generation of products. As well as attending such conferences all over the world, many of our staff are given the opportunity to embark on a range of development initiatives, ranging from courses at Harvard University to the ATS training that all production and warehouse staff have undertaken. The Applied Training Solutions program gave each participating staff member the opportunity to acquire an accredited, nationally recognised TAFE qualification.

With industrial relations reform high on the political agenda, Blackmores is working on a new Collective Agreement whereby all employees will agree to the terms on which we work. Blackmores' Staff Liaison Committee (SLC) will be integral in this process. The SLC is elected by employees and acts as a conduit between staff and management. We are confident that this process will result in a fair Collective Agreement that is well supported by staff.

New Site

Our plans to relocate Blackmores' headquarters and operational facilities from Balgowlah and Brookvale to a greenfield site at Warriewood are progressing well. We are currently on track to achieve completion of construction by the end of calendar year 2007, as previously advised.

In August 2005 we advised that a project team had been established and that Ray White Projects, an associate of the Ray White Group, had been appointed as project managers. In September we appointed a team of talented architects who have been working together with us to create a contemporary, functional, and environmentally-conscious workspace.

In March 2006, the Development Application for the construction of the new Warriewood facility was lodged with Pittwater Council as planned. This was preceded by a public information evening attended by residents from the local community, who provided considerable positive feedback on the proposed development.

The development application was approved by Pittwater Council in June 2006, however, that approval was subject to certain conditions which we are in the process of working through.

We completed a sale and leaseback of our current premises at Balgowlah in April 2006. Balgowlah was sold for $10 million and we were able to secure a leaseback arrangement which will allow us to continue to operate at Balgowlah, pending an orderly transfer to the new premises at Warriewood in late 2007 or soon thereafter.

Also during the year, we negotiated new and significantly increased borrowing facilities with National Australia Bank which provide us with the ability to fully debt fund the Warriewood project.

An artist's impression of the new Blackmores campus at Warriewood.

Research and Development

A Blackmores-funded honours project looking at the effect of the milk protein lactoferrin on immune function was successfully completed at Southern Cross University. The study showed that lactoferrin could enhance certain markers of immune function as well as provide good antioxidant protection. This project was integral in the development of new Blackmores Immunodefence™ (launched August 2006). Lactoferrin has great potential as an immune and gastric protection agent and the material for this product is derived from Australian milk whey protein. The honours student, Ann Mulder, was awarded the University Medal for her overall academic achievements and is now studying for her PhD at Southern Cross University.

Blackmores has an ongoing relationship with several major universities. We have increased our support for the Southern Cross University which is the base for the Blackmores Research Centre. Blackmores has provided foundation support to NatMed – The Natural and Complementary Medicine Research Unit in the School of Health and Human Sciences at Southern Cross. NatMed, which is headed by Professor Stephen Myers, will continue to do research on behalf of industry but will have an academic focus on whole practice research whereby patients are treated holistically rather than only addressing symptoms.

This year, the Blackmores prize for the top student in the Master of Herbal Medicine at the University of Sydney was awarded to Mr Yanfei Qi, an international student from China. Mr Yanfei Qi graduated with a Bachelor of Pharmaceutical Engineering from Ji Lin University, ranked top eight in China.

At the University of Western Sydney Centre for Complementary Medicine Research, Blackmores will fund projects in raw material quality and pilot trial some novel indications for new products. Under the direction of Professor Alan Bensoussan, the centre offers a wide range of potential research opportunities, ranging from herb quality to clinical trials.

We continue our support of the VITATOPS trial run from Royal Perth Hospital which now has recruited over 6,000 persons in over 96 centres in 20 countries. This landmark study is looking at the use of several B group vitamins in the prevention of secondary stroke.

Professor Franklin L Rosenfeldt is at the helm of a study at the Alfred Hospital and Baker Heart Research Institute to determine whether preoperative metabolic therapy improves outcomes from cardiac surgery. The study is supported mainly by Blackmores and has yielded very promising results.

Blackmores has an ongoing commitment to research and development. Our program for the future is geared to studies that will support the development of new products, as well as providing further evidence to the efficacy of those in our existing range.

Marcus Blackmore at the unveiling of the Lt Roden Cutler statue with Manly Village Primary School captain Mia Loughland and Lady Cutler, wife of the late Sir Roden Cutler.

Social Responsibility

Corporate Social Responsibility

Blackmores' support of the Heart Research Institute (HRI) continued as we took on the principal sponsorship of the inaugural HRI Awards for Excellence, acknowledging the significant contribution that young Australian researchers make each year to research into heart disease. The evening successfully raised more than $100,000 for cardiovascular research.

Our contribution to eye health was acknowledged in October by the Macular Degeneration Foundation of Australia. A percentage of sales from two of our successful products, Macu-Vision® and Lutein Vision™, is donated to macular health initiatives.

Blackmores has continued to assist the local community and has made contributions to the Dalwood Spilstead centre at Seaforth. We supported the Warringah 'Australia Remembers' Trust as the principal sponsor of the erection of a wonderful statue of Sir Roden Cutler at Manly Village Primary School. This is in addition to providing gift baskets and financial contributions to a wide range of local fundraising initiatives.

The popular Pittwater sailing event, the Blackmores Three Island Race raised $100,000 for Cure Cancer Australia in June.

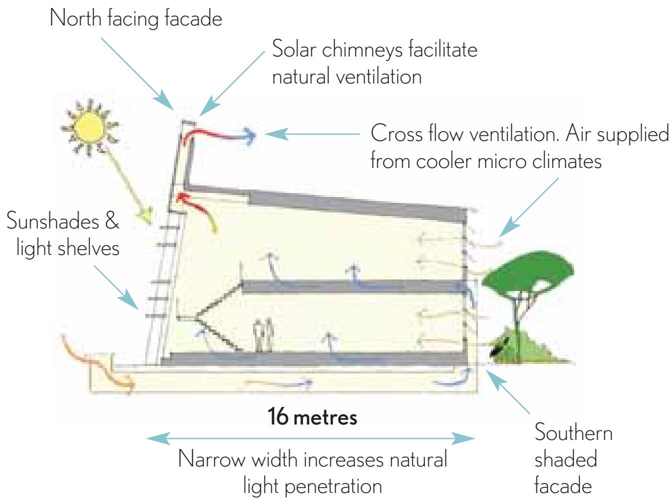
Other worthy causes to receive sponsorship from Blackmores throughout the year included Father Chris Riley's Youth Off The Streets, the National Asthma Council, the Yalari Foundation, the Gawler Foundation and the Young Endeavour Youth Scheme.

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.

Environmental Sustainability

We have an ongoing commitment to environmental sustainability and the conservation of our planet. As environmental factors are critical contributors to human health, Blackmores embraces the need for sustainable and environmentally-sound business practices.

Blackmores' Brookvale warehouse is operated using state-of-the-art technology and software, with the objective of a paperless system. We work continually to improve our operational practices, for example, waste stretch wrap is collected, compressed and sold to recyclers. The implementation of a waste-water policy has resulted in beneficial applications for waste-water discharge and the use of environmentally-sound cleaning products.



Our major energy efficiency project is our participation as a signatory to the National Packaging Covenant (NPC) to reduce the environmental impact of our packaging, close the recycling loop and develop economically viable and sustainable recycling systems. Blackmores has been a signatory since 2001 and in November 2005 signed the new NPC.

The strengthened National Packaging Covenant gives Blackmores the opportunity to build on past achievements under the first covenant, and more importantly challenges us to reach new levels of environmental excellence and leadership in the area of packaging.

The design of the new site at Warriewood incorporates a number of features that will minimise our impact on the environment and take advantage of the latest concepts in environmental sustainability:

Low Energy Design

- Maximum use of natural ventilation, minimising dependency on air conditioning (see diagram above)
- Building designed to maximise natural lighting, reducing artificial lighting needs
- Low energy smart lighting systems incorporated
- Building aspect and orientation minimise heat loads on building from western sun
- High performance glazing reduces heat loads and glare
- Pre-cooling supply air minimises plant operation
- Night cooling of building to reduce latent heat build up
- Thermally insulated facades and roofs
- Light coloured roofing to reflect heat source.

Eco-Friendly Materials

- Low VOC (volatile organic compound) materials will be incorporated into finishes
- Solar-boosted water heating will be utilised
- Recyclable materials to be used extensively throughout the facility
- Low embodied energy materials will be used where possible.

Water Treatment and Re-use

- Rain water will be captured, stored, treated and re-used on site, minimising dependency on the town water supplies
- Treated stormwater will be used for landscape irrigation, toilets, car washing and ornamental water ponds
- Water sensitive urban design practices utilised for the control and treatment of stormwater before it reaches creeks and water bodies
- Bio-sinks filter stormwater from parking lots, roads and paths
- Stormwater will be treated to potable standard for use in the office building when supplies are available.

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 worked extensively in both 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), a mentor in the Lucy Mentoring Program sponsored by the NSW Office for Women and is on the board of the Complementary Healthcare Council of Australia.

Anthony Pascoe

B Comm, ACA, F Fin, GAICD

Chief Financial Officer

Anthony joined Blackmores as CFO in November 2003 and was appointed to the Board in October 2005. 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 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.

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 National Sales teams as well as Blackmores' International operations.

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 industries – 21 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.

Corporate Governance

The Company's current Corporate Governance Principles are available on the Company's website at blackmores.com.au (go to 'Investors', 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

$'000	2006	2005	2004	2003	2002
Sales	**147,988**	134,449	115,724	94,740	81,435
Operating profit	**19,719**	16,522	13,236	8,920	7,473
Income taxes	**(6,103)**	(5,193)	(3,929)	(2,719)	(2,371)
Profit attributable to shareholders	**13,616**	11,329	9,307	6,201	5,102
Net (cash) / debt	**3,503**	5,138	6,020	8,210	10,530
Shareholders' equity	**36,786**	30,601	27,552	22,695	18,755
Total assets	**68,284**	59,235	50,892	57,527	45,822
Current assets	**48,687**	42,779	35,260	40,908	28,195
Current liabilities	**20,419**	27,753	22,503	33,422	25,483
Net tangible assets	**34,768**	28,657	25,991	21,349	17,519
Profit before interest and taxes (EBIT)	**20,009**	16,959	13,762	9,801	8,231
Depreciation	**1,855**	1,881	2,127	1,829	1,510
Amortisation of intangibles	**0**	0	56	39	39
Net interest*	**1,057**	437	526	881	758
Profit before interest, goodwill, depreciation, amortisation and taxes	**21,864**	18,840	15,945	11,669	9,780
Net operating cashflows	**14,557**	11,831	7,352	7,721	5,918
Number of shares on issue ('000s)	**15,914**	15,870	15,850	15,138	15,012
Earnings per share - basic (cents)	**85.7**	71.4	59.5	41.1	34.0
Ordinary dividends per share (cents)	**69.0**	58.0	46.0	35.0	33.0
Special dividends per share (cents)	**–**	–	14.0	–	–
Share price at 30 June	**$13.90**	$12.95	$10.00	$6.32	$6.62
Net tangible assets (NTA) per share	**$2.18**	$1.81	$1.64	$1.41	$1.17

	2006	2005	2004	2003	2002
Return on shareholders' equity	**37.0%**	37.0%	33.8%	27.3%	27.2%
Return on assets	**31.4%**	30.8%	25.4%	19.0%	18.7%
Dividend payout ratio	**80.5%**	81.2%	100.8%	85.2%	97.1%
Net debt/(Net debt + Shareholders' Equity)	**8.7%**	14.4%	17.9%	26.6%	36.0%
EBIT to sales	**13.5%**	12.6%	11.9%	10.4%	10.1%
Effective tax rate	**30.9%**	31.4%	29.7%	30.5%	31.7%
Current assets to current liabilities (times)	**2.38**	1.54	1.57	1.22	1.10
Net interest cover (times)	**18.9**	38.8	26.2	11.1	10.9
Gross interest cover (times)	**16.4**	33.3	21.0	9.8	9.5
% Change on prior year					
Sales	**10.1%**	16.2%	22.1%	16.2%	6.5%
EBIT	**18.0%**	23.2%	40.4%	19.1%	(9.4%)
Profit before interest, goodwill, depreciation, amortisation and taxes	**16.1%**	18.2%	36.6%	19.3%	(5.4%)
Profit attributable to shareholders	**20.2%**	21.7%	50.1%	21.5%	(7.1%)
Ordinary dividends per share	**19.0%**	26.1%	31.4%	6.1%	–

*Net interest for 2006 includes $767,000 of capitalised interest.

Note: 2006 results exclude impact of the sale of Balgowlah, including one-off net profit after tax of $835,000.

1

2

3

4

Directors' Report

The Directors of Blackmores Limited submit herewith the annual financial report for the financial year ended 30 June 2006.

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 (1)

AM, ND

Executive Chairman

Mr Blackmore has served on the Board since 1973 and is the Chairman of the Company. 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 Chairman of the Heart Research Institute.

Stephen J Chapman (2)

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.

William S Cutbush

FAICD

Deputy Chairman (retired)

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. Mr Cutbush retired as a Director on 19 October 2005 having made an outstanding contribution to Blackmores over 17 years.

Verilyn C Fitzgerald (3)

MAICD

Ms Fitzgerald joined the Board in 1997. She has over 25 years in corporate international management, including nine years experience as a Director of public companies in the Health and IT industries in Australia. She is also a Director of Independent Practitioner Network Limited.

Naseema Sparks (4)

B Pharm, M Pharm (Pharmacol), MBA, GAICD

Ms Sparks was appointed as a Director on 19 October 2005. She graduated as a Bachelor of Pharmacy followed by a Master of Pharmacology. She also holds an MBA from Melbourne Business School.

With a background in pharmaceutical and strategic consulting, Naseema joined the advertising business in 1998 and has worked in Australia and the UK for major companies including J Walter Thompson, McCann Erickson and Fleishman Hilliard. She is currently Managing Director and Partner of M&C Saatchi.

Naseema is currently also a Deputy Chair of Osteoporosis Australia, Associate Director of the Committee for Melbourne, Director of the Melbourne International Arts Festival, Director of Australian Print Workshop and a member of Chief Executive Women (CEW).

Robert L Stovold (5)

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.

5

6

7

8

Brent W Wallace (6)

B Comm (Marketing)

Mr Wallace was appointed as a Director on 19 October 2005. Brent is the CEO of Galileo Kaleidoscope, a company known for its strategic marketing, brand and consumer research solutions.

Brent holds a Bachelor of Commerce and has over 25 years experience in marketing, advertising and brand development across a wide variety of consumer categories. He has held senior positions in London and Sydney advertising agencies and was, until 1996, Managing Director of Ogilvy & Mather in Australia.

In 1997 he co-founded what is now known as Galileo Kaleidoscope.

Mr Wallace is also a trustee of the Worldwide Fund for Nature and an advisory council member of the AGSM's Centre for Applied Marketing.

Jennifer A Tait (7)

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.

Anthony W Pascoe (8)

B Comm, ACA, F Fin, GAICD

Chief Financial Officer

Mr Pascoe joined Blackmores as CFO in November 2003 and was appointed to the Board on 19 October 2005. 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, Mr Pascoe spent five years with Goodman Fielder in roles which included Director, Corporate Development. Mr Pascoe's career experience also includes eight years as an investment banker (most recently with Ord Minnett, now JP Morgan) and before that, five years with Ernst & Young.

All of the above Directors held office during and since the end of financial year except for:

- William Cutbush
  – retired on 19 October 2005
- Naseema Sparks
  – appointed on 19 October 2005
- Brent Wallace
  - appointed on 19 October 2005
- Anthony Pascoe
  - appointed on 19 October 2005

Key Management Personnel

In addition to the Directors listed above, the Key Management Personnel of Blackmores Limited (as defined pursuant to Accounting Standard AASB 124) during the year were as follows:

- Liz Burrows, Director of Operations
- Philip Daffy, Director of Research & Development and Corporate Affairs
- Cecilia Howard, Marketing Director
- Reg Weine, Director of Sales

Directors' Report continued

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		
Stephen Chapman	Macquarie Radio Network Ltd	1-Nov-02	current
	Hostworks Group Ltd	17-Feb-97	current
	Perpetual Trustees Australia Ltd	12-May-95	29-Oct-04
William Cutbush	Coates Hire Ltd	1-Jul-00	current
	Freedom Group Ltd	11-Jun-96	19-Dec-03
	Millers Retail Ltd	1-Apr-98	28-Oct-03
Verilyn Fitzgerald	Independent Practitioner Network Ltd	7-Aug-03	current
	Australian Pharmaceutical Industries Ltd	1-Sep-97	8-Jul-03
Naseema Sparks	No other listed public company directorships		
Robert Stovold	Somnomed Ltd	1-May-95	current
	Port Douglas Reef Resorts Ltd	4-Jun-97	current
	Canberra Investment Corporation Ltd	15-Aug-03	current
	York Group Ltd	1-Apr-95	31-Jan-05
	Independent Practitioner Network Ltd	21-Mar-03	31-Aug-04
Brent Wallace	No other listed public company directorships		
Jennifer Tait	No other listed public company directorships		
Anthony Pascoe	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
Stephen Chapman (appointed 21 November 2005)
William Cutbush (retired 19 October 2005)
Verilyn Fitzgerald
Brent Wallace (appointed 21 November 2005)

Nominations: Verilyn Fitzgerald, Chair
Marcus C Blackmore
Stephen Chapman
William Cutbush (retired 19 October 2005)
Naseema Sparks (appointed 21 November 2005)
Robert Stovold
Brent Wallace (appointed 21 November 2005)
Jennifer Tait

Remuneration: Verilyn Fitzgerald, Chair
Marcus C Blackmore
Stephen Chapman
William Cutbush (retired 19 October 2005)
Naseema Sparks (appointed 21 November 2005)
Robert Stovold (until 21 November 2005)

Principal Activities

The consolidated entity's principal activity in the course of the financial year was the development and marketing of health products including vitamins, herbal and mineral nutritional supplements in Australia. The Company also has operations in Malaysia and Thailand and sells through independent distributors in other parts of 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 $14.5 million (2005: $11.3 million). This includes a net profit after costs, provisions and tax effect on the sale of the Company's premises at Balgowlah of $835,000. Excluding this non-recurring profit, Group Net Profit After Tax would have been $13.6 million which represents a 20% increase over the prior year.

Sales for the year were $148.0 million (2005: $134.4 million), an increase of 10% compared to the prior year. Basic earnings per share increased from 71.4 cents to 90.9 cents per share. Excluding the non-recurring profit on sale of Balgowlah, earnings per share would have been 85.7 cents per share (an increase of 20%). Net tangible assets per share increased from $1.81 last year to $2.18 this year.

Net debt decreased from $5.1 million last year to $3.5 million this year and Net debt/(Net debt + Shareholders' equity) decreased from 14.4% last year to 8.7% 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 2006.

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 2006 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, as disclosed in the 2005 Annual Report, 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 settled on the purchase of land in Warriewood (Sydney) in September 2005 and significant progress has been made throughout the year in relation to design work and council approval. The Company continues to work to a timetable which would see completion of construction of a new office, manufacturing and despatch facility at Warriewood by the end of calendar year 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 "Investors" then click on "Corporate Governance"). Please note a separate section in this Report on pages 18 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. Mr Sainsbery retired as Company Secretary on 31 March 2006 and was succeeded by Mr NJV Geddes (FCA, FCIS).

Mr Geddes is the principal of Australian Company Secretaries, a company secretarial practice that he formed in 1993. Nick is a member of the National Council of Chartered Secretaries Australia and Chairman of the NSW Council of that Institute. His previous experience, as a Chartered Accountant and Company Secretary, includes investment banking and development and venture capital in Europe, Africa, the Middle East and Asia.

Dividends

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

- A final dividend of 33 cents per share fully franked in respect of the year ended 30 June 2005, as detailed in the Directors' report for that financial year, was paid on 14 September 2005.
- An interim dividend of 27 cents per share fully franked in respect of the year ended 30 June 2006 was paid on 22 March 2006.
- On 17 August 2006 Directors declared a final dividend for the year ended 30 June 2006 of 42 cents per share fully franked, payable on 14 September 2006 to shareholders registered on 31 August 2006.

This will bring total ordinary dividends to 69 cents per share fully franked (2005: 58 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' Report continued

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, 9 Board meetings, 1 Remuneration Committee meeting and 3 Audit Committee meetings were held.

	Board of Directors		Remuneration Committee		Audit Committee	
Directors	Held	Attended	Held	Attended	Held	Attended
M C Blackmore	9	8	1	1	0	0
S J Chapman	9	9	1	1	2	2
W S Cutbush	2	2	1	1	1	1
V C Fitzgerald	9	8	1	1	3	3
N Sparks	8	7	0	0	0	0
R L Stovold	9	8	1	1	3	3
B W Wallace	8	8	0	0	2	2
J A Tait	9	8	0	0	0	0
A W Pascoe	8	8	0	0	0	0

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	4,968,390
S J Chapman	16,388
V C Fitzgerald	20,000
N Sparks	Nil
R L Stovold	18,500
B Wallace	2,000
J A Tait	189,139
A W Pascoe	19,838
Total	**5,234,255**

Remuneration Report

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:

Verilyn Fitzgerald, Chair

Marcus C Blackmore

Stephen Chapman

Naseema Sparks

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.

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 7 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 established an Executive Performance Share Plan ("EPSP") which was approved at the Annual General Meeting 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

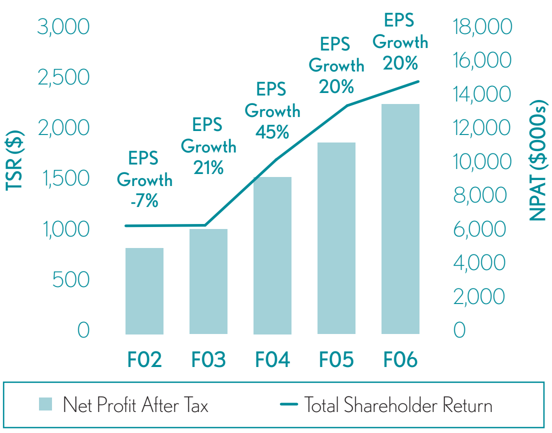
The performance based components of Senior Executive remuneration are designed to align the interests of the Senior Executives with the interests of the Company and its shareholders, with the objective of maximising the Company's earnings and improving shareholder wealth. Accordingly, this performance based remuneration is periodically reviewed and revised to achieve this objective. In reviewing the Company's historical performance it should be noted 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 2001. The line represents the market value of these shares plus any dividends received.
NB: No reinvestment of dividends is assumed.



NB: The NPAT for F06 above excludes the non-recurring profit on sale of Balgowlah. Further, the F05 NPAT reflects the A-IFRS restated result.

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

For periods prior to 1 July 2004, 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.

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

The Executive Performance Share Plan ("EPSP") was approved at the Annual General Meeting 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.

3.2 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 16 and 17 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. Other Remuneration Related Items

In June 2006, all permanent staff of Blackmores, with the exception of the Executive Directors, were issued with 50 free shares in recognition of their contribution during the 2006 financial year and in anticipation of their efforts to meet the challenges of the move to Warriewood.

During the financial year ended 30 June 2006, the Company also established a Staff Share Acquisition Plan. The plan is open to all employees including Senior Executives and enables them to purchase up to $1,000 of Blackmores' shares tax free each year with money that would have otherwise been paid as Profit Share (refer to Section 3.1.1(b) of this Remuneration Report).

5. Prescribed Details of Key Management Personnel

5.1 Key Management Personnel Remuneration

The following table discloses the remuneration of the Directors of the consolidated entity for the year ended 30 June 2006:

	Short-term employee benefits				Post-employment benefits		Other long-term employee benefits		Share-based payment	
	Salary & Fees $	1 Bonus $	2 Non-Monetary $	3 Other $	Superannuation $	4 Other $	5 Deferred Bonus $	6 Other $	7 Shares $	Total $
M C Blackmore										
2006	**462,677**	**270,875**	**4,054**	**38,844**	**24,517**	**–**	**–**	**12,942**	**–**	**813,909**
2005	445,313	340,200	6,479	38,014	24,578	–	–	12,896	–	867,480
S Chapman										
2006	**65,329**	**–**	**–**	**–**	**5,879**	**–**	**–**	**–**	**–**	**71,208**
2005	49,000	–	–	–	4,410	–	–	–	–	53,410
W S Cutbush Retired Oct 05										
2006	**22,337**	**–**	**–**	**–**	**2,010**	**–**	**–**	**–**	**–**	**24,347**
2005	70,400	–	–	–	6,336	–	–	–	–	76,736
V Fitzgerald										
2006	**55,520**	**–**	**–**	**–**	**4,996**	**12,981**	**–**	**–**	**–**	**73,497**
2005	68,000	–	–	–	3,375	15,333	–	–	–	86,708
N Sparks Appointed Oct 05										
2006	**44,179**	**–**	**–**	**–**	**3,976**	**–**	**–**	**–**	**–**	**48,155**
R Stovold										
2006	**65,117**	**–**	**–**	**–**	**5,860**	**1,554**	**–**	**–**	**–**	**72,531**
2005	54,000	–	–	–	4,860	15,333	–	–	–	74,193
B Wallace Appointed Oct 05										
2006	**44,179**	**–**	**–**	**–**	**3,976**	**–**	**–**	**–**	**–**	**48,155**
J A Tait										
2006	**222,477**	**119,645**	**50,512**	**25,551**	**40,407**	**–**	**–**	**9,298**	**128,172**	**596,062**
2005	215,051	276,871	37,097	22,369	37,967	–	–	12,349	141,141	742,845
A Pascoe Appointed to Board Oct 05										
2006	**253,113**	**102,050**	**–**	**20,160**	**12,139**	**–**	**10,074**	**1,190**	**54,738**	**453,464**
2005	244,135	149,674	–	19,113	11,585	–	10,074	488	93,005	528,074

5.1 Key Management Personnel Remuneration (continued)

The following table discloses the remuneration of the Key Management Personnel of the consolidated entity (excluding Directors as disclosed above) for the year ended 30 June 2006, as specified for disclosure by AASB 124. This table also ensures compliance with section 300A of the Corporations Act 2001 which requires disclosure of prescribed remuneration details for the five highest paid Company and Group Executives:

	Short-term employee benefits				Post-employment benefits		Other long-term employee benefits		Share-based payment	
	Salary & Fees $	1 Bonus $	2 Non-Monetary $	3 Other $	Superannuation $	4 Other $	5 Deferred Bonus $	6 Other $	7 Shares $	Total $
L Burrows Director, Operations										
2006	**145,438**	**66,280**	**–**	**12,815**	**28,323**	**–**	**6,174**	**6,241**	**36,451**	**301,722**
2005	125,463	92,816	–	12,528	38,925	–	6,174	5,273	58,750	339,929
P Daffy [8] Director, Research and Development										
2006	**127,218**	**58,780**	**–**	**11,579**	**27,139**	**–**	**3,881**	**630**	**32,462**	**261,689**
2005	122,394	83,045	–	11,315	26,995	–	3,881	242	48,124	295,996
C Howard Director, Marketing										
2006	**184,361**	**78,011**	**–**	**15,015**	**19,475**	**–**	**–**	**379**	**42,678**	**339,919**
2005	121,669	70,531	–	9,848	8,427	–	–	–	30,677	241,152
R A Steinmetz Director, International										
2006	**160,639**	**47,905**	**539**	**12,813**	**12,139**	**–**	**12,733**	**4,272**	**36,451**	**287,491**
2005	157,261	100,326	735	12,452	11,585	–	12,733	4,108	79,554	378,754
R Weine Director, Sales										
2006	**194,003**	**115,280**	**33,051**	**18,747**	**12,139**	**–**	**1,864**	**925**	**49,725**	**425,734**
2005	176,735	144,098	31,705	16,000	11,585	–	1,864	292	59,329	441,608

Note 1: Amounts included in Bonus column include amounts paid by way of Profit Share.

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 7.3% (2005: 7.05%) has been applied to Loans outstanding at various times of the year.

Note 3: Amounts disclosed as Other short-term employee benefits relate to provisions for untaken annual leave earned during the relevant period.

Note 4: Other post-employment benefits in the Directors' note relate to the provision for Non-executive Directors' retirement allowances.

An amount of $138,000 was paid to Mr Cutbush as an allowance upon his retirement in the 2005/06 financial year. This amount had been fully provided for and previously disclosed as prescribed benefits in prior years' Annual Reports.

Note 5: Deferred bonus amounts are deferred payments relating to performance in the 2004 financial year but not payable until July 2006.

Note 6: Other amounts shown under Other long-term employee benefits relate to provisions for untaken long service leave earned during the relevant period.

Note 7: Amounts shown above as Shares for the 2006 year are shares to be issued pursuant to the Company's Executive Performance Share Plan which relate to the year ended 30 June 2006 but which will be issued in August or September 2006.

Amounts for Executives (excluding Executive Directors) also include 50 free shares issued in June 2006.

Note 8: Mr Daffy is employed on a four days per week basis.

Note 9: 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.

5.2 Employment contracts

The following persons have employment contracts: Jennifer Tait, Anthony Pascoe, Liz Burrows, Philip Daffy, Cecilia Howard, Richard Steinmetz, Reg Weine.

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 20 weeks' pay after six years of service.

6. 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 2006 are reflected in section 5 of this Report. The proportions in future years will depend on future performance.

7. 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. Directors appointed prior to 1 October 2003 receive a retirement allowance. Any Non-executive Director appointed after 1 October 2003 will not receive a retirement allowance.
Details are as follows:

- The base fee for each Director is $60,500 per annum, however, any accrued retirement allowance relating to the year in question is applied to reduce this base fee
- Additional fee of $3,000 for each membership of the Audit and Remuneration committees
- Additional fee of $2,000 if appointed chairman of either of these committees
- For Directors appointed prior to 1 October 2003, a retirement allowance of $15,333 per annum accrues each year but is capped after nine years' service at $138,000
- A Non-executive Director who is also Deputy Chairman receives 140% of the relevant base fee.

Shareholders at a meeting held on 19 October 2005 determined the maximum total Directors' fees payable to be $450,000 per year, to be distributed as the Board determines.

Information about amounts paid to individual Directors is provided in section 5 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' Independence Declaration

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

Shares on Issue

Summary of shares on issue as at 30 June 2006:

Shares on issue at 1/7/2005	15,870,162
Shares issued to Senior Executives	29,952
Shares issued to Staff	14,350
Shares on issue at 30/6/2006	15,914,464

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 2006

Independence Declaration to the Directors of Blackmores Limited

Deloitte.

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

17 August, 2006

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 2006, 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 2006

Liability limited by a scheme approved under Professional Standards Legislation.

Independent Audit Report to the Members of Blackmores Limited

Deloitte.

Scope

The financial report, compensation disclosures and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of recognised income and expense, a summary of significant accounting policies and other explanatory notes and the directors' declaration for Blackmores Limited (the company) and the consolidated entity, for the financial year ended 30 June 2006 as set out on pages 35 to 70. 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 company has disclosed information about the compensation of key management personnel ("compensation disclosures") as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 *Related Party Disclosures* ("AASB 124") under the heading "remuneration report" on pages 26 to 31 of the directors' report, and not in the financial report, as permitted by the *Corporations Regulations 2001*.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with Accounting Standards in Australia and the Corporations Act 2001. This includes responsibility for the maintenance of adequate financial 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 also responsible for the compensation disclosures contained in the directors' report.

Audit approach

We have conducted an independent audit of the financial report and compensation 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 compensation disclosures comply with AASB 124. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards in Australia and the Corporations Act 2001 so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations, its changes in equity and its cash flows and whether the compensation disclosures comply with AASB 124.

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

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

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

Audit Opinion

In our opinion:

(1) the financial report of Blackmores Limited is in accordance with 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 2006 and of its performance for the year ended on that date; and

   (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(2) the compensation disclosures that are contained in the "remuneration report" on pages 26 to 31 of the directors' report comply with paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 *Related Party Disclosures*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Stephen Holdstock
Partner
Chartered Accountants

Parramatta, 17 August 2006

Liability limited by a scheme approved under Professional Standards Legislation.

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 2006

Consolidated Income Statement

for the Financial Year Ended 30 June 2006

		Consolidated		Company	
	Note	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Revenue	2	148,903	135,171	139,772	127,331
Other income	2	757	831	770	831
Promotional and other rebates		(11,159)	(10,349)	(9,484)	(8,916)
Changes in inventories of finished goods and work in progress		688	1,420	(986)	1,228
Raw materials and consumables used		(51,334)	(48,886)	(50,843)	(48,920)
Employee benefits expense		(32,812)	(30,141)	(29,820)	(27,608)
Depreciation and amortisation expenses		(1,855)	(1,881)	(1,797)	(1,833)
Borrowing costs		(756)	(886)	(1,003)	(1,139)
Selling and marketing expenses		(20,491)	(17,295)	(16,469)	(14,355)
Operating lease rental expenses		(1,707)	(1,285)	(1,611)	(1,212)
Professional and consulting expenses		(1,247)	(1,611)	(1,054)	(1,473)
Repairs and maintenance expenses		(1,196)	(1,285)	(1,181)	(1,274)
Freight expenses		(2,123)	(2,089)	(2,111)	(2,071)
Other expenses		(5,306)	(5,192)	(5,578)	(5,488)
Profit Before Income Tax Expense	2	20,362	16,522	18,605	15,101
Income tax expense	3	(5,911)	(5,193)	(5,388)	(4,743)
Profit for the Period		14,451	11,329	13,217	10,358
Earnings Per Share					
– Basic (cents per share)	24	90.9	71.4		
– Diluted (cents per share)	24	90.8	71.3		

Notes to the financial statements are included in pages 40 to 70

Consolidated Balance Sheet

as at 30 June 2006

		Consolidated		Company	
	Note	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Current Assets					
Cash and cash equivalents		6,497	1,355	4,418	–
Trade and other receivables	7	26,277	26,087	23,505	23,017
Other financial assets	10	437	–	437	–
Inventories	8	14,425	14,732	11,773	13,550
Other	9	1,051	605	728	498
Total Current Assets		48,687	42,779	40,861	37,065
Non-Current Assets					
Property, plant and equipment	11	17,504	14,336	17,310	14,224
Deferred tax assets	3	2,018	1,944	2,050	1,932
Other	12	75	176	3,873	3,820
Total Non-Current Assets		19,597	16,456	23,233	19,976
Total Assets		68,284	59,235	64,094	57,041
Current Liabilities					
Trade and other payables	13	15,982	16,557	14,948	15,796
Borrowings	14	–	6,493	–	6,493
Current tax payables	15	1,615	2,076	1,402	2,109
Provisions	16	2,822	2,627	2,822	2,627
Total Current Liabilities		20,419	27,753	19,172	27,025
Non-Current Liabilities					
Borrowings	17	10,000	–	13,179	3,237
Deferred tax liabilities	3	481	462	477	457
Provisions	18	598	419	598	419
Total Non-Current Liabilities		11,079	881	14,254	4,113
Total Liabilities		31,498	28,634	33,426	31,138
Net Assets		36,786	30,601	30,668	25,903
Equity					
Issued capital	21	15,932	15,932	15,932	15,932
Reserves	22	810	(490)	1,590	511
Retained earnings	23	20,044	15,159	13,146	9,460
Total Equity		36,786	30,601	30,668	25,903

Notes to the financial statements are included in pages 40 to 70

Consolidated Statement of Recognised Income and Expense

for the Financial Year Ended 30 June 2006

	Consolidated		Company	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Increase in hedging reserve arising on recognition of unrealised gains on interest rate swaps	**437**	–	**437**	–
Increase/(decrease) in foreign currency translation reserve arising on translation of foreign operations	**221**	(465)	**–**	–
Net income recognised directly in equity	**658**	(465)	**437**	–
Profit for the period	**14,451**	11,329	**13,217**	10,358
Total recognised income and expense for the period	**15,109**	10,864	**13,654**	10,358
Attributable to equity holders of the parent company	**15,109**	10,864	**13,654**	10,358

Notes to the financial statements are included in pages 40 to 70

Consolidated Cash Flow Statement

for the Financial Year Ended 30 June 2006

		Consolidated		Company	
	Note	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Cash Flows From Operating Activities					
Receipts from customers		171,425	140,896	152,015	132,907
Payments to suppliers and employees		(149,564)	(122,582)	(131,040)	(115,094)
Interest and other costs of finance paid		(919)	(886)	(938)	(884)
Income tax paid		(6,385)	(5,597)	(6,127)	(5,238)
Net cash provided by operating activities	35(c)	14,557	11,831	13,910	11,691
Cash Flows From Investing Activities					
Interest and bill discount received		162	73	158	72
Payment for property, plant and equipment		(13,607)	(2,459)	(13,470)	(2,416)
Proceeds from sale of property, plant and equipment		9,796	40	9,795	40
Net cash used in investing activities		(3,649)	(2,346)	(3,517)	(2,304)
Cash Flows From Financing Activities					
Proceeds from borrowings		20,500	5,500	20,500	5,522
Repayment of borrowings		(16,500)	(7,700)	(16,500)	(7,700)
Dividends paid		(9,531)	(8,251)	(9,531)	(8,251)
Other		104	(215)	49	103
Net cash used in financing activities		(5,427)	(10,666)	(5,482)	(10,326)
Net Increase/(Decrease) In Cash Held		5,481	(1,181)	4,911	(939)
Cash At The Beginning Of The Financial Year		862	2,180	(493)	446
Effects of exchange rate changes on the balance of cash held in foreign currencies		154	(137)	–	–
Cash At The End Of The Financial Year	35(a)	6,497	862	4,418	(493)

Notes to the financial statements are included in pages 40 to 70

Notes to the Financial Statements

for the Financial Year Ended 30 June 2006

1. Summary of Accounting Policies

Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the consolidated financial statements and notes of the consolidated entity comply with International Financial Reporting Standards ('IFRS'). The parent entity financial statements and notes also comply with IFRS except for the disclosure requirements in IAS 32 'Financial Instruments: Disclosure and Presentation' as the Australian equivalent Accounting Standard, AASB 132 'Financial Instruments: Disclosure and Presentation' does not require such disclosures to be presented by the parent entity where its separate financial statements are presented together with the consolidated financial statements of the consolidated entity.

The financial statements were authorised for issue by the directors on 17 August 2006.

Basis of Preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of A-IFRS, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

The consolidated entity changed its accounting policies on 1 July 2005 to comply with A-IFRS. The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition. An explanation of how the transition from superseded policies to A-IFRS has affected the company's and consolidated entity's financial position, financial performance and cash flows is discussed in Note 37.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2006, the comparative information presented in these financial statements for the year ended 30 June 2005, and in the preparation of the opening A-IFRS balance sheet at 1 July 2004 (as disclosed in Note 37).

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) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(b) Receivables

Trade receivables and other receivables are recorded at amortised cost less impairment.

(c) Payables

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.

(d) 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. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(e) Property, Plant and Equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment.

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 to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

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

(f) Impairment of Assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

(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) 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 subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The consolidated financial statements include the information and results of each subsidiary 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.

(i) Borrowing Costs

Borrowing costs directly attributable to buildings under construction and the associated land are capitalised as part of the cost of those assets. Other borrowing costs are expensed as incurred.

(j) Leased Assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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.

(k) Research and Development Costs

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

(l) Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Onerous contracts

An onerous contract is considered to exist where the consolidated entity has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received.

(m) Employee Costs

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

Provisions made in respect of employee benefits 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 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 reporting date.

Defined Contribution Plans

Contributions to defined contribution superannuation plans are expensed when incurred.

(n) Revenue Recognition

Sale of Goods

Revenue from the sale of goods is recognised when the consolidated entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

Royalties

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

(o) 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 reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Foreign operations

On consolidation, the assets and liabilities of the consolidated entity's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in profit or loss on disposal of the foreign operation.

(p) Share-based Payments

Equity-settled share-based payments granted after 7 November 2002 that vest on or after 1 January 2005, are measured at fair value at the date of grant. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(q) 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 or payables.

Cash flows are included in the cash flow statement 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 cash flows.

(r) Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

(s) Deferred Tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

(t) Current and Deferred Tax for the Period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(u) 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 swaps.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The consolidated entity designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions (cash flow hedges), or hedges of net investments in foreign operations.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss.

Fair Value Hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Cash Flow Hedges and Hedges of Net Investments in Foreign Operations

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges or hedges of net investments in foreign operations are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Derivatives That Do Not Qualify For Hedge Accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss.

(v) Other Changes in Accounting Policies

There have been no other required changes in accounting policies which the Company has not adopted but which have a material affect on financial statements.

Notes to the Financial Statements

for the Financial Year Ended 30 June 2006

	Consolidated		Company	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
2. Profit From Operations				
a) Operating Revenue				
Revenue from continuing operations consisted of the following:				
Revenue from sale of goods	**147,988**	134,449	**138,862**	126,610
Interest revenue from bank deposits	**162**	73	**158**	72
Royalties	**753**	649	**752**	649
	148,903	135,171	**139,772**	127,331
b) Profit Before Income Tax				
Profit/(loss) before income tax has been arrived at after crediting/(charging) the following gains and losses:				
Gain on disposal of property, plant and equipment	**556**	24	**568**	24
Net foreign exchange gains/(losses)	**201**	(332)	**202**	(332)
Hedging gains/(losses)	**(270)**	807	**(270)**	807
	487	499	**500**	499
Gains per above	**757**	831	**770**	831
Losses per above	**(270)**	(332)	**(270)**	(332)
	487	499	**500**	499
Profit/(loss) before income tax has been arrived at after charging the following expenses:				
Cost of sales	**56,872**	53,225	**58,055**	53,451
Finance costs:				
Interest on loans	**452**	510	**701**	764
Other finance costs	**304**	376	**302**	375
	756	886	**1,003**	1,139
Depreciation of non-current assets	**1,843**	1,870	**1,795**	1,833
Amortisation of non-current assets	**12**	11	**2**	–
	1,855	1,881	**1,797**	1,833
Research and development costs immediately expensed	**979**	871	**979**	871
Operating lease minimum lease payments	**1,707**	1,285	**1,611**	1,212
Employee benefit expense				
Post employment benefits:				
Defined contribution plans	**1,719**	1,558	**1,622**	1,481
Share-based payments:				
Equity settled share-based payments	**643**	407	**643**	407
Other employee benefits	**30,450**	28,176	**27,555**	25,720
	32,812	30,141	**29,820**	27,608

	Consolidated		Company	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000

3. Income Taxes

(a) Income tax recognised in profit

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

	Consolidated 2006 $'000	Consolidated 2005 $'000	Company 2006 $'000	Company 2005 $'000
Profit Before Income Tax Expense	**20,362**	16,522	**18,605**	15,101
Income tax expense calculated at 30%	**6,109**	4,957	**5,581**	4,530
Effect of lower tax rates on tax on overseas income	**21**	67	**21**	67
Non-allowable overseas rental	**(3)**	(3)	**(3)**	(3)
Non-deductible expenses	**215**	167	**215**	167
Increased provision for surplus lease space	**–**	(1)	**–**	(1)
Deferred tax asset not previously recognised now brought to account with respect to accounting profit on sale of CGT assets (net of CGT)	**(385)**	–	**(385)**	–
Research and development tax concession	**(8)**	(30)	**(8)**	(30)
Interest capitalised for accounting purposes	**(218)**	–	**(218)**	–
	5,731	5,157	**5,203**	4,730
(Over)/under provision of income tax in previous year	**180**	36	**185**	13
Income tax expense	**5,911**	5,193	**5,388**	4,743

(b) Deferred tax balances (charged to income)

Taxable and deductible temporary differences arise from the following:

	Consolidated 2006 $'000	Consolidated 2005 $'000	Company 2006 $'000	Company 2005 $'000
Gross deferred tax liabilities:				
Property, plant and equipment	**(460)**	(449)	**(460)**	(449)
Prepayments	**(17)**	(8)	**(17)**	(8)
Other	**(4)**	(5)	**–**	–
	(481)	(462)	**(477)**	(457)

3. Income Taxes (cont)

	Consolidated		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Gross deferred tax assets:				
Provisions	1,411	1,170	1,411	1,170
Accruals	597	682	597	682
Fair value hedges	63	11	63	11
Website development	18	20	18	20
Foreign currency monetary items	(39)	46	(39)	46
Other	(32)	15	–	3
	2,018	1,944	2,050	1,932
Net deferred tax assets attributable to continuing operations	1,537	1,482	1,573	1,475

Future income tax benefits not brought to account as assets:

(i) Australian Company capital losses of $2,525,675 (2005: $1,520,370)

(ii) Tax losses of our Singapore subsidiary of $1,227,243 (2005: $1,279,852)

(iii) Foreign source losses of $774,781 (2005: $768,033)

4. Key Management Personnel Compensation

Details of Key Management Personnel

The Key Management Personnel of Blackmores Limited during the year were:

Marcus C Blackmore, Executive Chairman

Stephen Chapman, Non-executive Director

William Cutbush, Deputy Chairman (retired 19 October 2005)

Verilyn Fitzgerald, Non-executive Director

Naseema Sparks, Non-executive Director (appointed 19 October 2005)

Robert Stovold, Non-executive Director

Brent Wallace, Non-executive Director (appointed 19 October 2005)

Jennifer Tait, Chief Operating Officer

Anthony Pascoe, Chief Financial Officer (appointed to the Board 19 October 2005)

Liz Burrows, Director of Operations

Philip Daffy, Director of Research and Development and Corporate Affairs

Cecilia Howard, Marketing Director

Reg Weine, Director of Sales

Key Management Personnel Compensation

The aggregate compensation of the Key Management Personnel of the consolidated entity and the Company is set out below:

	Consolidated		Company	
	2006 $	2005 $	**2006 $**	2005 $
Short-term employee benefits	**2,927,198**	3,053,862	**2,927,198**	3,053,862
Post-employment benefits	**205,371**	209,709	**205,371**	209,709
Other long-term benefits	**53,598**	53,533	**53,598**	53,533
Termination benefits	**–**	–	**–**	–
Share-based payment	**344,226**	431,026	**344,226**	431,026
	3,530,393	3,748,130	**3,530,393**	3,748,130

The compensation of each member of the Key Management Personnel of the consolidated entity and a discussion of the compensation policies of the Company are detailed in the Directors' Report which accompanies these financial statements.

Notes to the Financial Statements

for the Financial Year Ended 30 June 2006

5. Executive and Employee Share and Options Plan

Executive Performance Share Plan

The Company established an Executive Performance Share Plan which was approved by shareholders at the Annual General Meeting held in October 2005. This plan has been designed to serve as a longer term incentive for such Senior Executives as are determined eligible for participation 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 ordinary shares which have been or will be issued under the Executive Performance Share Plan for no consideration relating to the designated financial years are as follows:

	2006 Shares	2005 Shares
Executive		
L Burrows	**2,572**	2,954
P Daffy	**2,285**	2,677
C Howard	**3,020**	2,387
A W Pascoe	**3,938**	4,611
R A Steinmetz	**2,572**	3,044
J A Tait	**9,221**	10,340
R Weine	**3,527**	3,939
Total shares to be issued	**27,135**	29,952

As required by AASB 2 "Share-based Payments" the fair value of the shares issued is determined as the market price at grant date. Grant date for shares issued in relation to 2006 was 12 September 2005. Grant date for shares issued in relation to 2005 was 3 December 2004 for all Executives except Ms Howard, whose grant date was 28 June 2005.

Staff Share Issue

In June 2006, all permanent staff of Blackmores, with the exception of the Executive Directors, were issued with 50 free shares in recognition of their contribution during the 2006 financial year and in anticipation of their efforts to meet the challenges of the move to Warriewood. A total of 14,350 shares were issued at a value of $14.00 per share. These shares are equal in rank to all other ordinary shares with the exception that they are subject to a three year trading lock.

Staff Share Acquisition Plan

During the financial year ended 30 June 2006, the Company also established a Staff Share Acquisition Plan. The plan is open to all employees including Senior Executives and enables them to purchase up to $1,000 of Blackmores' shares tax free each year with money that would have otherwise been paid as Profit Share.

Options Plan

At 1 July 2005 there were no share options outstanding, none were issued during the year ended 30 June 2006 and as at 30 June 2006 there were no unexercised share options.

	Consolidated		Company	
	2006	2005	**2006**	2005
	$	$	**$**	$

6. Remuneration of Auditors

(a) Auditor of the Parent Entity				
Auditing or reviewing the financial report	**168,900**	158,950	**168,900**	155,050
Taxation services	**51,000**	58,990	**51,000**	58,990
Other non-audit services	**14,000**	14,720	**14,000**	14,720
	233,900	232,660	**233,900**	228,760
(b) Related Practice of the Parent Company Auditor				
Auditing the financial report	**66,195**	49,547	**–**	–
Taxation services	**42,797**	25,896	**–**	–
Other non-audit services	**39,427**	18,023	**–**	–
	148,419	93,466	**–**	–
(c) Total Auditors' Remuneration				
Auditing or reviewing the financial report	**235,095**	208,497	**168,900**	155,050
Taxation services	**93,797**	84,886	**51,000**	58,990
Other non-audit services	**53,427**	32,743	**14,000**	14,720
	382,319	326,126	**233,900**	228,760

The auditor of Blackmores Limited is Deloitte Touche Tohmatsu

	$'000	$'000	**$'000**	$'000

7. Current Trade and Other Receivables

Current trade and other receivables	**25,672**	25,492	**21,092**	21,773
Allowance for doubtful debts	**(144)**	(223)	**(144)**	(200)
Allowance for claims	**(100)**	(60)	**(100)**	(60)
	25,428	25,209	**20,848**	21,513
Amounts due from subsidiaries	**–**	–	**1,811**	626
Goods and services tax (GST) recoverable	**849**	878	**846**	878
	26,277	26,087	**23,505**	23,017

Notes to the Financial Statements

for the Financial Year Ended 30 June 2006

	Consolidated		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
8. Current Inventories				
Raw materials – at cost	5,341	5,756	5,341	5,756
Work in progress – at cost	1	12	1	12
Finished goods – at cost	9,083	8,964	6,431	7,782
	14,425	14,732	11,773	13,550
9. Other Current Assets				
Other current assets and prepayments	1,051	605	728	498
10. Other Current Financial Assets				
At fair value:				
Interest rate swaps (i)	437	–	437	–

(i) There is no requirement to recognise swaps under the accounting policies applicable to the comparative period.

11. Property, Plant and Equipment

	Consolidated				
	Freehold Land at cost	Buildings at cost*	Leasehold Improvements at cost	Plant and Equipment at cost	**Total**
	$'000	$'000	$'000	$'000	**$'000**
Gross Carrying Amount					
Balance at 30 June 2005	3,673	6,109	488	15,176	25,446
Additions	10,096	1,678	72	1,761	13,607
Disposals	(2,700)	(6,161)	(58)	(4,221)	(13,140)
Net foreign currency exchange differences arising on translation of financial statements of self-sustaining foreign operations			6	24	30
Balance at 30 June 2006	**11,069**	**1,626**	**508**	**12,740**	**25,943**
Accumulated Depreciation/Amortisation					
Balance at 30 June 2005	–	(901)	(455)	(9,754)	(11,110)
Disposals	–	1,061	35	3,446	4,542
Depreciation expense	–	(161)	(12)	(1,682)	(1,855)
Net foreign currency exchange differences arising on translation of financial statements of self-sustaining foreign operations			(3)	(13)	(16)
Balance at 30 June 2006	–	**(1)**	**(435)**	**(8,003)**	**(8,439)**
Net Book Value					
As at 30 June 2005	3,673	5,208	33	5,422	14,336
As at 30 June 2006	**11,069**	**1,625**	**73**	**4,737**	**17,504**

* Buildings gross carrying amount includes capital work in progress related to the new building in the amount of $1,769,874.

11. Property, Plant and Equipment (cont)

	Company				
	Freehold Land at cost	Buildings at cost*	Leasehold Improvements at cost	Plant and Equipment at cost	**Total**
	$'000	$'000	$'000	$'000	**$'000**
Gross Carrying Amount					
Balance at 30 June 2005	3,673	6,109	423	14,953	25,158
Additions	10,096	1,678	8	1,688	13,470
Disposals	(2,700)	(6,161)	(4)	(4,217)	(13,082)
Balance at 30 June 2006	**11,069**	**1,626**	**427**	**12,424**	**25,546**
Accumulated Depreciation/Amortisation					
Balance at 30 June 2005	–	(900)	(419)	(9,615)	(10,934)
Disposals	–	1,061	–	3,434	4,495
Depreciation expense	–	(161)	(2)	(1,634)	(1,797)
Balance at 30 June 2006	**–**	**–**	**(421)**	**(7,815)**	**(8,236)**
Net Book Value					
As at 30 June 2005	3,673	5,209	4	5,338	14,224
As at 30 June 2006	**11,069**	**1,626**	**6**	**4,609**	**17,310**

* Buildings gross carrying amount includes capital work in progress related to the new building in the amount of $1,769,874.

	Consolidated		Company	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:				
Buildings	**161**	198	**161**	198
Leasehold improvements	**12**	11	**2**	–
Plant and equipment	**1,682**	1,672	**1,634**	1,635
	1,855	1,881	**1,797**	1,833

	Consolidated		Company	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
12. Other Non-Current Financial Assets				
Loans due under employee share plans	**65**	170	**4**	6
Shares in subsidiaries at cost	**–**	–	**3,869**	3,814
Other non-current assets	**10**	6	**–**	–
	75	176	**3,873**	3,820
13. Current Trade and Other Payables				
Trade payables	**7,826**	7,832	**6,701**	7,487
Goods and services tax (GST) payable	**1,005**	1,090	**1,005**	1,090
Other creditors and accruals	**7,151**	7,635	**7,242**	7,219
	15,982	16,557	**14,948**	15,796
14. Current Borrowings				
Secured:				
At amortised cost (2005: cost)				
Overdraft (i) (ii)	**–**	493	**–**	493
Bank bills (i) (ii)	**–**	6,000	**–**	6,000
	–	6,493	**–**	6,493

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	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
15. Current Tax Payables				
Income tax payable	**1,615**	2,076	**1,402**	2,109
	1,615	2,076	**1,402**	2,109
16. Current Provisions				
Employee benefits	**2,354**	2,070	**2,354**	2,070
Directors' retirement (Note 19)	**414**	538	**414**	538
Surplus lease space (Note 28)	**54**	19	**54**	19
	2,822	2,627	**2,822**	2,627
17. Non-Current Borrowings				
Secured:				
At amortised cost Bank bills (i) (ii)	**10,000**	–	**10,000**	–
Unsecured:				
At amortised cost (2005: cost) Amounts due to subsidiaries	**–**	–	**3,179**	3,237
	10,000	–	**13,179**	3,237

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	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
18. Non-Current Provisions				
Employee benefits	**407**	366	**407**	366
Surplus lease space (Note 28)	**191**	53	**191**	53
	598	419	**598**	419

19. Provisions

	Consolidated	
	Surplus Lease Space (i)	Directors' Retirement Benefits (ii)
	$'000	$'000
Balance at 30 June 2005	72	538
Additional provisions recognised	191	14
Reductions arising from payments	–	(138)
Reductions resulting from the re-measurement of the estimated future sacrifice or the settlement of the provision without cost to the entity	(18)	–
Balance at 30 June 2006	**245**	**414**
Current (Note 16)	54	414
Non-Current (Note 18)	191	–

(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.

	Company	
	Surplus Lease Space (i)	Directors' Retirement Benefits (ii)
	$'000	$'000
Balance at 30 June 2005	72	538
Additional provisions recognised	191	14
Reductions arising from payments	–	(138)
Reductions resulting from the re-measurement of the estimated future sacrifice or the settlement of the provision without cost to the entity	(18)	–
Balance at 30 June 2006	**245**	**414**
Current (Note 16)	54	414
Non-Current (Note 18)	191	–

(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.

Notes to the Financial Statements

for the Financial Year Ended 30 June 2006

	Consolidated		Company	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
20. Capitalised Borrowing Costs				
Borrowing costs capitalised during the financial year	**767**	–	**767**	–

For the purpose of funding qualifying assets, the Company has dedicated borrowing facilities, therefore, the amount of borrowing costs eligible for capitalisation is the actual cost associated with those facilities.

	Consolidated		Company	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
21. Issued Capital				
15,914,464 fully paid ordinary shares (2005: 15,870,162)	**15,932**	15,932	**15,932**	15,932
	15,932	15,932	**15,932**	15,932

	Company 2006		Company 2005	
	Number '000	**$'000**	Number '000	$'000
Fully Paid Ordinary Share Capital				
Balance at beginning of financial year	**15,870**	**15,932**	15,850	15,932
Issue of shares under executive and employee share plans (Notes 5 and 31(c))	**44**	**–**	20	–
Balance at end of financial year	**15,914**	**15,932**	15,870	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 executive and employee share plans are contained in Note 5 to the financial statements.

	Consolidated 2006 $'000	Consolidated 2005 $'000	Company 2006 $'000	Company 2005 $'000
22. Reserves				
Employee Equity-Settled Benefits Reserve	1,153	511	1,153	511
Hedging Reserve	437	–	437	–
Foreign currency translation	(780)	(1,001)	–	–
	810	(490)	1,590	511
Employee Equity-Settled Benefits Reserve				
Balance at beginning of financial year	511	104	511	104
Share-based benefits	642	407	642	407
Balance at end of financial year	1,153	511	1,153	511

The employee equity-settled benefits reserve arises on the grant of shares to employees under various share plans. Further information about share-based payments to employees is made in Note 5 to the financial statements.

	Consolidated 2006 $'000	Consolidated 2005 $'000	Company 2006 $'000	Company 2005 $'000
Hedging Reserve				
Balance at beginning of financial year	–	–	–	–
Unrealised gains recognised on interest rate swaps	437	–	437	–
Balance at end of financial year	437	–	437	–

The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

	Consolidated 2006 $'000	Consolidated 2005 $'000	Company 2006 $'000	Company 2005 $'000
Foreign Currency Translation Reserve				
Balance at beginning of financial year	(1,001)	(536)	–	–
Translation of foreign operations	221	(465)	–	–
Balance at end of financial year	(780)	(1,001)	–	–

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 subsidiaries are brought to account by entries made directly to the foreign currency translation reserve, as described in Note 1(o).

23. Retained Earnings

	Consolidated 2006 $'000	Consolidated 2005 $'000	Company 2006 $'000	Company 2005 $'000
Balance at beginning of financial year	15,159	12,086	9,460	7,354
Net profit attributable to members of the parent entity	14,451	11,329	13,217	10,358
Dividends paid (Note 25)	(9,531)	(8,251)	(9,531)	(8,251)
Other	(35)	(5)	–	(1)
Balance at end of financial year	20,044	15,159	13,146	9,460

24. Earnings Per Share

	2006 Cents per Share	2005 Cents per Share
Basic earnings per share	90.9	71.4
Diluted earnings per share	90.8	71.3

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:

	2006 $'000	2005 $'000
Earnings (reconciles directly to net profit in the Income Statement)	14,451	11,329

	2006 Number	2005 Number
The weighted average number of ordinary shares on issue during the financial year used in the calculation of basic earnings per share	15,888,783	15,865,279

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:

	2006 $'000	2005 $'000
	14,451	11,329

Earnings (reconciles directly to net profit in the Income Statement)

	2006 Number	2005 Number
Weighted average number of ordinary shares	15,888,783	15,865,279
Weighted average number of potential ordinary shares	21,736	15,797
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted EPS	15,910,519	15,881,076

25. Dividends

Recognised amounts	2006 Cents per Share	Total $'000	2005 Cents per Share	Total $'000
Fully Paid Ordinary Shares				
Final dividend for year ended 30 June 2005 (2005: 30 June 2004) – fully franked at 30% corporate tax rate	33	5,238	27	4,283
Interim dividend for year ended 30 June 2006 (2005: 30 June 2005) – fully franked at 30% corporate tax rate	27	4,293	25	3,968
		9,531		8,251
Unrecognised Amounts: Fully paid ordinary shares				
Final dividend – fully franked at 30% corporate tax rate	42	6,686	33	5,238

The final dividend in respect of ordinary shares for the year ended 30 June 2006 has not been recognised in this financial report because the final dividend was declared, determined or publicly recommended subsequent to 30 June 2006. 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	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Adjusted franking account balance (tax paid basis)	5,059	3,799	5,059	3,799

26. Commitments for Expenditure

	Consolidated 2006 $'000	Consolidated 2005 $'000	Company 2006 $'000	Company 2005 $'000
Forward Foreign Exchange Contracts				
Not longer than 1 year	9,344	6,880	9,344	6,880
Research and Development Contracts				
Not longer than 1 year	300	179	300	179
Contracts for building construction				
Not longer than 1 year	978	–	978	–
Contracts for land purchase				
Not longer than 1 year	–	9,327	–	9,327
	10,622	16,386	10,622	16,386

	Consolidated		Company	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
27. Contingent Liabilities				
Guarantees from the Holding Company for the issuance of performance guarantees	**207**	207	**207**	207
	207	207	**207**	207

28. 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		Company	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Non-cancellable operating lease payments				
Not longer than 1 year	**1,923**	1,152	**1,878**	1,126
Longer than 1 year and not longer than 5 years	**948**	1,199	**916**	1,182
Longer than 5 years	**–**	–	**–**	–
	2,871	2,351	**2,794**	2,308
In respect of non-cancellable operating leases the following liabilities have been recognised:				
Current (Note 16)	**54**	19	**54**	19
Non-current (Note 18)	**191**	53	**191**	53
	245	72	**245**	72

29. Subsidiaries

Name of entity	Country of Incorporation	Ownership Interest 2006 %	2005 %
Parent Entity			
Blackmores Limited	Australia		
Subsidiaries			
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
Blackmores Holdings Limited*	Thailand	**100**	–
PT Blackmores Indonusa*	Indonesia	**100**	100
Blackmores (NZ) Limited*	New Zealand	**100**	100
Blackmores Limited (Taiwan) Limited*	Taiwan	**100**	–
Blackmores Limited**	United States	**–**	100

*These companies did not trade during the 2006 or 2005 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.

**This company did not trade during the 2006 or 2005 years and was liquidated in 2006.

Economic Dependency

The Group is not significantly dependant upon any other entity.

30. Segment Information

Segment Revenues

	External sales		Inter-segment (i)		Other		Total	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000	**2006 $'000**	2005 $'000	**2006 $'000**	2005 $'000
Australia	**126,387**	116,110	**9,302**	6,625	**158**	73	**135,847**	122,808
New Zealand	**2,539**	2,774	**253**	255	**685**	649	**3,477**	3,678
Asia	**18,904**	15,370	**–**	–	**4**	–	**18,908**	15,370
Other	**158**	195	**–**	–	**68**	–	**226**	195
Total of all segments							**158,458**	142,051
Eliminations							**(9,555)**	(6,880)
Consolidated							**148,903**	135,171

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

(i) Australian 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.

Notes to the Financial Statements

for the Financial Year Ended 30 June 2006

30. Segment Information (cont)

	Total 2006 $'000	Total 2005 $'000
Segment Results		
Australia	18,217	14,525
New Zealand	814	822
Asia	1,435	1,148
Other	20	20
Total of all segments	20,486	16,515
Eliminations	(124)	7
Profit before income tax expense	20,362	16,522
Income tax expense	(5,911)	(5,193)
Net profit	14,451	11,329

	Assets*		Liabilities**	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Segment Assets and Liabilities				
Australia	64,094	57,041	33,426	31,138
New Zealand	3,179	3,281	20	–
Asia	10,982	7,476	3,071	1,249
Total of all segments	78,255	67,798	36,517	32,387
Eliminations	(9,971)	(8,563)	(5,019)	(3,753)
Consolidated	68,284	59,235	31,498	28,634

* Includes investments in and receivables from Group companies.

** Includes amounts payable to Group companies.

Other Segment Information

	Australia		New Zealand		Asia		Other	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Acquisition of segment assets	13,470	2,416	–	–	137	43	–	–
Depreciation and amortisation of segment assets	1,797	1,833	–	–	58	48	–	–
Other non-cash expenses	89	(293)	44	(20)	30	29	–	–

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.

30. Segment Information (cont)

Products and Services within Each Business Segment

For management purposes, the consolidated entity is organised into three major operating divisions – Australia, New Zealand and 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 health products including vitamins, herbal and mineral nutritional supplements. This activity is regarded as being a single business segment for reporting purposes.

31. Related Party and Key Management Personnel Disclosures

(a) Equity Interests In Related Parties

Equity Interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 29 to the financial statements.

(b) Key Management Personnel Remuneration

Details of Key Management Personnel's remuneration are disclosed in the Directors' Report which accompanies these financial statements. Information in the report has been prepared in accordance with AASB 124.

(c) Key Management Personnel's Equity Holdings

Key Management Personnel's Share Option Plans and Shareholdings

There were no options unexercised as at 1 July 2005 and no issues since that date.

Fully paid ordinary shares of Blackmores Limited:

2006	Balance at 1/7/05	Granted as Remuneration	Net Change Other	Balance at 30/6/2006
M C Blackmore	4,968,390	–	–	4,968,390
S Chapman	16,388	–	–	16,388
V Fitzgerald	20,000	–	–	20,000
N Sparks[1]	–	–	–	–
R Stovold	18,500	–	–	18,500
B Wallace[1]	–	–	2,000	2,000
J Tait	178,799	10,340	–	189,139
A Pascoe	15,227	4,611	–	19,838
L Burrows	1,565	3,004	–	4,569
P Daffy	49,094	2,727	–	51,821
C Howard	–	2,437	–	2,437
R Weine	412	3,989	(3,939)	462
Total (for Key Management Personnel)	**5,268,375**	**27,108**	**(1,939)**	**5,293,544**

[1] Ms Sparks' and Mr Wallace's opening share balances are as at the date of their appointment (19 October 2005).

2005	Balance at 1/7/04	Granted as Remuneration	Net Change Other	Balance at 30/6/2005
M C Blackmore	4,974,390	–	(6,000)	4,968,390
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
A Pascoe	–	2,227	13,000	15,227
L Burrows	200	1,365	–	1,565
P Daffy	50,564	858	(2,328)	49,094
C Howard	–	–	–	–
R Weine	–	412	–	412
Total (for Key Management Personnel)	**5,254,441**	**4,862**	**9,072**	**5,268,375**

d) Loan Disclosures

Loans to Key Management Personnel	Balance at beginning $	Interest Charged $	Interest Not Charged $	Write-Off $	Balance at end $	No. in Group
2006	**86,483**	**–**	**3,604**	**–**	**12,249**	**2**
2005	146,628	–	8,025	–	86,483	2

There were no loan balances exceeding $100,000 due from Key Management Personnel 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. The loans are interest free and relate to shares issued in the name of the respective employee. Repayment of the loans must be made by the dividends payable on the related shares. Until the loan is repaid in full, the share certificates are retained by the Company as security.

e) Other Transactions with Key Management Personnel

i) Key Management Personnel 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.

ii) No interest was paid to or received from Key Management Personnel.

f) Transactions within the Wholly-Owned Group

The wholly-owned group includes:

- the ultimate parent entity in the wholly-owned group;
- wholly-owned subsidiaries; 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 17 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 Key Management Personnel during the financial year is shown in the Directors' Report. The balance of the loans to Key Management Personnel as at financial year end is shown above at (d).

h) Balances with Related Parties

No balances have been written off and no allowance 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.

32. Unusual Transactions

Land Purchase

On 9 September 2005 the Company finalised the purchase of two adjoining parcels of land upon which new premises will be constructed to house the Company's future operations. The total purchase price for the land, including stamp duty, is $10,316,000 and is reflected in this financial report.

Sale of Balgowlah Land and Building

On 13 April 2006 the Company settled the sale and leaseback of the Company's current premises at Balgowlah. The sale's effect on net profit after tax (net of costs and provisions) was $835,000.

33. 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 future financial years.

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

	2006 $'000	2005 $'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	61	163
Total Assets	61	163
Current Liabilities		
Loan from Blackmores Limited	61	163
Total Liabilities	61	163

35. Notes to the Cash Flow Statement

	Consolidated		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
(a) Reconciliation of Cash and Cash Equivalents				
For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:				
Cash	6,497	1,355	4,418	–
Bank overdraft	–	(493)	–	(493)
	6,497	862	4,418	(493)
(b) Financing Facilities				
Secured bank overdraft facility, reviewed annually and payable at call:				
• amount used	–	493	–	493
• amount unused	2,500	1,007	2,500	1,007
	2,500	1,500	2,500	1,500

Notes to the Financial Statements

for the Financial Year Ended 30 June 2006

35. Notes to the Cash Flow Statement (cont)

	Consolidated		Company	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Secured bank bill acceptance facility, reviewed annually:				
• amount used	**10,000**	6,000	**10,000**	6,000
• amount unused	**53,000**	14,000	**53,000**	14,000
	63,000	20,000	**63,000**	20,000
(c) Reconciliation of Profit for the Period to Net Cash Flows From Operating Activities				
Profit for the period	**14,451**	11,329	**13,217**	10,358
(Gain)/loss on sale of non-current assets	**(1,198)**	(24)	**(1,209)**	(24)
Interest income received and receivable	**(162)**	(73)	**(158)**	(72)
Depreciation and amortisation of non-current assets	**1,853**	1,881	**1,797**	1,833
Unrealised foreign exchange (loss)/gain	**(285)**	–	**(285)**	21
Capitalisation of intercompany to borrowings	**–**	–	**–**	225
Capitalisation of interest expense to borrowings	**–**	–	**227**	227
Long-term share incentives and issuance of other staff shares reflected as reduction in retained earnings	**643**	407	**643**	407
Claims allowance	**40**	–	**40**	–
Bad debt allowance	**(63)**	–	**(50)**	–
Other	**(108)**	–	**(92)**	–
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:				
(Increase)/decrease in assets:				
• Current receivables	**118**	(6,734)	**697**	(6,355)
• Current inventories	**487**	(2,008)	**1,777**	(1,935)
• Other debtors, deferred tax assets and prepayments	**(496)**	(21)	**(348)**	(138)
• Amounts receivable from subsidiaries	**–**	–	**(1,185)**	(221)
Increase/(decrease) in liabilities:				
• Current trade payables	**(635)**	6,814	**(848)**	7,176
• Current provisions and taxes payable	**(285)**	216	**(512)**	147
• Non-current provisions and deferred tax liabilities	**197**	44	**199**	42
Net cash from operating activities	**14,557**	11,831	**13,910**	11,691

36. 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(u)).

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

	Average Exchange Rate		Principal Amount	
Outstanding Contracts	2006	2005	2006 A$'000	2005 A$'000
Sell Thai Baht				
Less than 3 months	29.15	31.03	1,478	1,405
3 to 12 months	29.15	31.03	4,436	2,765
			5,914	4,170
Sell Malaysia Ringgits				
Less than 3 months	2.74	2.8822	849	850
3 to 12 months	2.70	2.8233	2,580	1,860
			3,429	2,710

At the reporting date, the aggregate amount of unrealised losses under forward foreign exchange contracts relating to anticipated future transactions is $173,503 (2005: $54,251 gains). The unrealised gains/losses on foreign exchange have been recognised in the income statement.

At 30 June 2006 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.

	2006 A$'000	2005 A$'000
Intercompany Receivables		
Taiwan Dollars	53	–
Malaysian Ringgits	596	205
Thai Baht	1,100	211
Singapore Dollars	124	128
	1,873	544

Interest Rate Swaps

Under interest rate swap contracts, the consolidated entity agrees to exchange the difference between fixed and floating interest rate amounts calculated on agreed notional principal amounts. Such contracts enable the consolidated entity to reduce its exposure to floating interest rate volatility in respect of its borrowings. The fair value of interest rate swaps are based on market values of equivalent instruments at the reporting date and are disclosed below.

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

	Average contracted fixed interest rate		Notional principal amount		Fair value	
Outstanding fixed for floating contracts	**2006 %**	2005 %	**2006 $'000**	2005 $'000	**2006 $'000**	2005 $'000
< 1 Year	**–**	5.26	**–**	5,000	**–**	n/a
5 years +	**5.92**	n/a	**30,000**	n/a	**437**	n/a

From 1 July 2005, interest rate swap contracts exchanging floating rate amounts for fixed rate interest amounts are designated and effective as cash flow hedges.

(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, excluding one-off facility set-up fees, was in the order of 6.8% (2005: 5.8%), reflecting borrowing rates on Bank Bills. All interest rate terms are variable, however, as highlighted above, the Company uses interest rate swaps to provide some protection against interest rate increases. The interest rate swap at the beginning of 2006 had a notional amount of $5 million with a fixed rate of 5.26%. This contract expired in February 2006. Subsequently, the Company entered into an additional interest rate swap contract with a notional amount of $30 million, a fixed rate of 5.92% and a forward start date of January 2007. This contract expires in January 2012.

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

(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.

37. Impacts of the Adoption of Australian equivalents to International Financial Reporting Standards (A-IFRS)

The consolidated entity changed its accounting policies on 1 July 2005 to comply with Australian equivalents to International Financial Reporting Standards ('A-IFRS'). The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition.

An explanation of how the transition from superseded policies to A-IFRS has affected the consolidated entity's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Effect of A-IFRS on the balance sheet as at:

		Consolidated		
	Note	Superseded policies* $'000	Effect of transition to A-IFRS $'000	A-IFRS $'000
1 July 2004:				
Reserves	a,b	1,832	(2,264)	(432)
Retained Earnings	a,b	9,822	2,264	12,086
30 June 2005:				
Reserves	a,b	1,367	(1,857)	(490)
Retained Earnings	a,b	13,302	1,857	15,159

		Company		
	Note	Superseded policies* $'000	Effect of transition to A-IFRS $'000	A-IFRS $'000
1 July 2004:				
Reserves	a,b	2,368	(2,264)	104
Retained Earnings	a,b	5,090	2,264	7,354
30 June 2005:				
Reserves	a,b	2,368	(1,857)	511
Retained Earnings	a,b	7,603	1,857	9,460

* Reported financial results under previous Australian GAAP.

Effect of A-IFRS on the income statement:

	Note	Consolidated Superseded policies* $'000	Effect of transition to A-IFRS $'000	A-IFRS $'000
Financial year ended 30 June 2005:				
Employee benefits expense	a	29,734	407	30,141
Profit Before Income Tax Expense	a	16,929	(407)	16,522
Profit Attributable to Members of the Parent Entity	a	11,736	(407)	11,329
Basic earnings per share		74.0 cents	(2.6) cents	71.4 cents
Diluted earnings per share		73.9 cents	(2.6) cents	71.3 cents

	Note	Company Superseded policies* $'000	Effect of transition to A-IFRS $'000	A-IFRS $'000
Financial year ended 30 June 2005:				
Employee benefits expense	a	27,201	407	27,608
Profit Before Income Tax Expense	a	15,508	(407)	15,101
Profit Attributable to Members of the Parent Entity	a	10,765	(407)	10,358

* Reported financial results under previous Australian GAAP.

Effect of A-IFRS on the cash flow statement for the financial year ended 30 June 2005

There are no material differences between the cash flow statement presented under A-IFRS and the cash flow statement presented under the superseded policies.

Notes to the reconciliations of income and equity

(a) Share-based Payments

For the financial year ended 30 June 2005, share-based payments of $407,000 (included in 'employee benefit expenses') which were not recognised under the superseded policies were recognised under A-IFRS, with a corresponding increase in the employee equity-settled benefits reserve.

This adjustment had no material tax or deferred tax consequences.

(b) Property, Plant & Equipment

The consolidated entity has elected to measure property on transition to A-IFRS at deemed cost, which approximates to fair value. The revaluation reserve that related to prior period revaluations has been transferred to retained earnings.

Additional Information

for the Financial Year Ended 30 June 2006

Number of Holders of Equity Securities as at 7 August 2006:

Ordinary Share Capital

15,914,464 fully paid ordinary shares are held by 4,906 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	3,086
1,001 – 5,000	1,554
5,001 – 10,000	161
10,001 – 100,000	89
100,001 and over	16
Total	**4,906**
Holdings less than a marketable parcel	44

Substantial Shareholders

Date of Notice	Ordinary Shareholders	Fully Paid Number	Percentage
26 May 2005	Marcus C Blackmore	4,976,390	31.36%
07 April 2006	Hyperion Asset Management Limited	831,457	5.20%

Twenty Largest Holders of Quoted Equity Securities as at 7 August 2006

Ordinary Shareholders	Fully Paid Number	Percentage
Mr M C Blackmore	4,194,302	26.36
Dietary Products (Australia) Pty Ltd	576,132	3.62
J P Morgan Nominees Australia Ltd	534,453	3.36
ANZ Nominees Ltd	520,744	3.27
Milton Corporation Ltd	300,115	1.89
HSBC Custody Nominees	262,799	1.65
Gowing Bros Limited	193,812	1.22
Ms J A Tait	189,139	1.19
Ms E M Whellan	182,868	1.15
Sandhurst Trustees Ltd	131,326	0.83
Mr R Shepherd	115,000	0.72
Citicorp Nominees Pty Ltd (Aust Share A/c)	111,652	0.70
Trans State Nominees Pty Ltd	109,150	0.69
Invia Custodian Pty Ltd	107,302	0.67
Rathvale Pty Ltd	95,700	0.60
Mrs Q H E Praeger	94,980	0.60
Mrs P G Wright	74,047	0.47
P G Wright, M G Wright & J G Wright	72,000	0.45
Citicorp Nominees Pty Ltd	65,691	0.41
Mr D N Walters	65,425	0.41
Total	**7,996,637**	**50.26**

Company Information

Company Secretary

The Company Secretary is NJV Geddes, FCA, FCIS.

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.

Corporate Governance Principles

The Corporate Governance Principles adopted by the Company are available on our website at blackmores.com.au – (go to 'Investors', 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)
Anthony W Pascoe (Chief Financial Officer)

Directors who are not executives of the Group:

Stephen J Chapman
Verilyn C Fitzgerald
Naseema Sparks
Robert L Stovold
Brent W Wallace

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.

During the year, we further increased our levels of investment in marketing and brand support activity off the already higher platform of investment in these areas undertaken in the prior two financial years.

This annual report is printed on paper which is Elemental Chlorine Free and uses pulp derived from sustainable forests.

Designed and produced by Designate Creative 02 9299 7711

Blackmores Limited
ACN 009 713 437

23 Roseberry St Balgowlah NSW 2093
Tel 02 9951 0111 Fax 02 9949 1954

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