Best of Health

Blackmores Limited Annual Report 2008

BLACKMORES®
THE BEST OF HEALTH
blackmores.com.au

Our Values

Blackmores' 'PIRLS'

Blackmores improves people's lives by delivering the world's best natural health solutions that become people's first choice in healthcare. We achieve this by translating our unrivalled heritage and knowledge into innovative, quality, branded healthcare solutions that work.

Passion for Natural Health

Our enthusiasm and belief in a natural, holistic approach to health inspires us to excellence in everything we do.

Integrity

We are honest, trustworthy and committed to the highest standards of personal, professional and business behaviour.

Respect

We treat each other with fairness, dignity and compassion and we embrace diversity.

Leadership

As a company, in teams and as individuals, we use our wisdom, experience and knowledge to inspire and influence everyone to be their best.

Social Responsibility

Our actions demonstrate our care, respect and compassion for our people, the broader community and the environment.

Blackmores is committed to promoting these values. We encourage staff to engage in these guidelines with each other, in business dealings and in day to day life. The result is a strong and united team working towards a common goal.

Helping you Be your Best

Blackmores is passionate about natural health and inspires 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 400 people in the region. Blackmores became a publicly listed company in May 1985. Our head office is based in Balgowlah, on Sydney's northern beaches. In late 2008 the head office will relocate to Warriewood, further up the northern beaches.

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 one of Australia's first health food stores 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 international PIC/S standards of Good Manufacturing Practice. We use high quality ingredients sourced from around the world. Our product formulations are approved by regulatory bodies where they are sold and are required to meet both our own and various governments' stringent standards of safety, quality 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.

Blackmores' heritage and values are coupled with a commitment to superior business performance.

Record Results, Strong Market Share

During the financial year Blackmores achieved another record profit result, sustained strong market share and built on an already strong foundation for 2008.

Group sales increased 4.2 per cent to $178.8 million, with Australian sales up 4.6 per cent to $151.8 million. Blackmores international business grew 1.8 per cent.

In addition to the launch of seven new products, Blackmores achieved substantial market share growth across the Stress and Pregnancy segments, with continued success from Joint Formula within the Arthritis, Joint, Bone and Muscle category. Innovative product communications and positioning helped influence the preference of the brand.

Blackmores' strong financial results, leadership and innovation were recognised through a number of awards last year, including the 2007 Best Managed Company in Australia (small cap corporate of the year) by Asia Money Magazine.

Asia Money identified Blackmores' leadership through discussions with independent brokers, fund managers and analysts and credit the company with "astute management, product innovation and a strong approach to marketing channels."

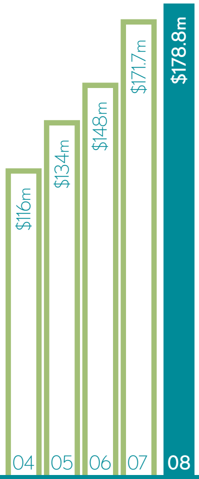
The company's marketing efforts received accolades from the Australian Journal of Pharmacy with 'Best Single Healthcare Professional Advertisement' for Blackmores Forbiotic™. The Australian Self Medication Industry Marketing Awards presented Blackmores with 'Best Promotion of an Existing Product' for Blackmores Joint Formula.

Internationally both Blackmores Fish Oil and Blackmores Adult Multivitamins were awarded the 'Customer's Choice' at the 7th Annual Malaysian Guardian Customer's Choice Awards. Our largest international customer, Watson's awarded Blackmores the 'Best Co-op Marketing Campaign' in Malaysia for the second consecutive year.

Investment in the brand continued with the Blackmores Sydney Running Festival and the Blackmores Research Symposium, whilst delivering on a commitment to support the community and the environment.

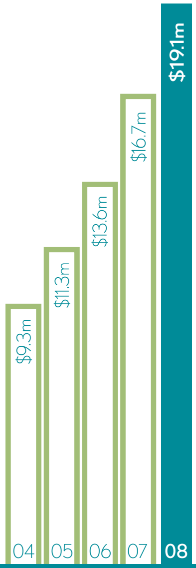
The development of the Blackmores Campus at Warriewood, the company's new purpose built head office, manufacturing and distribution facility, has steadily progressed over the last year. Relocation to this new generation workspace, designed to have a minimal impact on the environment, is scheduled for October 2008.

Sales



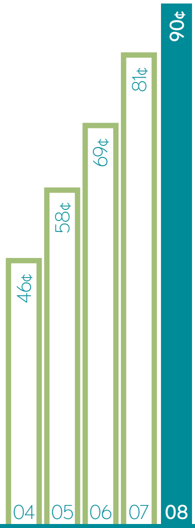
4.2% increase

Net Profit after Tax



14.5% increase

Ordinary Dividends



11% increase

Group revenue from the sale of goods for the year of $178.8 million represented growth of 4.2 per cent 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.

Group Net Profit after Tax (NPAT) was $19.1 million for the year representing growth of 14.5 per cent on last year's reported profit.

Including this year's final dividend of 51 cents per share, total ordinary dividends for the year were 90 cents per share (fully franked). This represents an 11 per cent increase over last year's total ordinary dividends of 81 cents per share.

Chairman's Introduction

It is a pleasure to report to our shareholders on yet another record year for Blackmores.

Our People

We were honoured to be recognised as Asia Money magazine's Best Managed Company in Australia for 2007 in the small cap division. Whilst the publication noted our strong business result, much of the debate about Blackmores business success centres around quality, brand recognition and customer service. No doubt these are vital pre-requisites for our business and our brand leadership, however, we must continually question whether simply doing more of the same will deliver that leadership in the longer term. By the same token, market share, share of voice, head count, price earning ratios, return on capital employed are not the drivers of our business, they are simply business measures.

Quite simply, it is the collective intelligence, imagination and enthusiasm of our people that will determine our business success. For this reason, we need to sustain a workplace environment where the motivation and commitment of our people continue to drive the organisation forward.

Our Products

From the perspective of product, we know that quality alone is not our only competitive advantage, but rather the capacity to develop creative ideas for new and existing products is what differentiates us from our competitors.

In the last 12 months our team has successfully launched a number of products including Conceive Well Gold™, a unique formulation developed to support healthy conception, and Radiance™, a skincare supplement of clinically proven ingredients. This momentum continued with the release of five new products in April, all of which have been welcomed by customers and consumers alike.

Government

The complex regulatory environment presents, as always, a key business challenge. The previous Federal Health Minister, Tony Abbott, remarked that the solution to the escalating costs of health care in our society was to stop people getting sick in the first place.

Blackmores wholeheartedly supports this notion but I am not sure that either the previous or present Federal government necessarily extends that option to people taking more control of their own health, which often leads them to supplementation. Ingrained in the government psyche is a longstanding disease-based system of orthodox health care. However, the good news is that we are gradually seeing more of a shift to a consumer-oriented wellness model. We need a simpler, less costly regulatory model that delivers safe, effective and affordable health solutions to our consumers.

Blackmores is committed to working with government to ensure that complementary medicines are recognised as a vital part of our nation's health system. Under the new Parliamentary Secretary, Senator Jan McLucas, we understand that preventative health is a key focus for the current government.

New Site

We are nearing the final stages of the development of our new site at Warriewood and will commence a progressive move over the coming months. Our staff are very excited about the move and are optimistic about the many benefits that will accrue to our business. It is often said at Blackmores that the success of our company lies with our "People, Product and Passion" and relocating to such a fabulous new site is likely to raise these elements to new levels.

Our commitment to developing the site with a strong charter for sustainability has not been compromised and I am proud that we continue to be working toward a site that is optimal

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for the environment, the community and, importantly, for our staff.

The new premises will accommodate the growth that our business has experienced in recent years and we certainly expect this growth to continue. We are looking forward to the new efficiencies that a combined and streamlined site will provide.

Leadership Team

The Board is in the final stages of a search for a new CEO for the company. This was prompted by the resignation of our COO, Jennifer Tait, effective August 2008. I take this opportunity to sincerely thank Jenny for what has been a wonderful contribution to Blackmores over some 13 years.

Outlook

Like so many businesses dependent on the retail sector, the tougher economic conditions in both our domestic and overseas markets will place challenges before us in the coming year, and whilst our relocation to Warriewood is an added challenge, the underlying business fundamentals are sound and we have an exciting new product pipeline and an optimistic team to meet those challenges.

We have plans afoot to rejuvenate our health store business and our pharmacy customers are actively looking at ways to improve their front-of-shop business given the government pressure to reduce drug delivery costs associated with the PBS.

Growing interest in the practice of integrative medicine augers well for our industry as complementary medicines are seen as mainstream alternatives for drugs. Directors and management are hopeful of marginal growth in sales and profitability for the coming year.

In conclusion, I wish to extend our sincere thanks to our talented staff, our executive management, and our Board, for their great contribution to another strong result.

Marcus C. Blackmore AM
Executive Chairman

New Product Innovation

Seven new products were launched during the financial year, contributing to more than $5.4 million in total sales.

Blackmores Conceive Well™ Gold is the first retail product specifically designed for pre-conception care, formulated with a combination of antioxidants, vitamins, minerals and omega-3 that help to prime the female reproductive system and prepare the body for conception.

Blackmores Radiance™ is a skin supplement for day and night use, containing a combination of clinically proven ingredients to provide 24 hour internal anti-ageing nourishment for the deeper layers of skin to keep it healthy, naturally youthful and glowing.

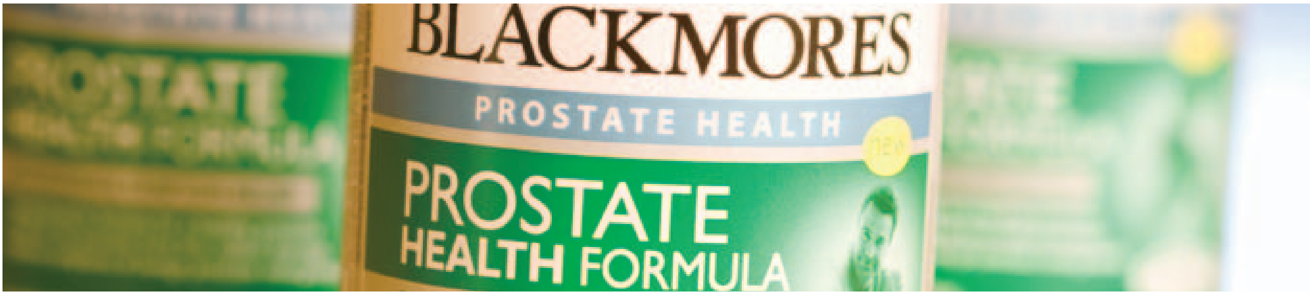
Blackmores Odourless Fish Oil offers all the great benefits of standard fish oil, plus a vanilla-lemon flavour to reduce the fishy aftertaste. It does not contain any polysorbates (artificial chemicals) to lessen 'fishy' reflux, ensuring you can take it with confidence.

Blackmores Vegetarian Glucosamine uses a plant-based source of glucosamine, with a clinically proven dose to relieve arthritis pain. The easy-to-swallow capsule allows new users such as vegetarians or people allergic to shellfish to enter the glucosamine segment at an affordable price.

Blackmores Proactive Multi for 50+ is a comprehensive formula of 24 nutrients specifically developed to support an active lifestyle in Australians over 50. It helps to provide an optimum intake of vitamins and minerals to address key needs and health concerns of this age group, such as brain health, eye health, heart health and bone and joint health.

Blackmores Prostate Health Formula has been formulated with a range of antioxidants, vitamins and minerals to provide comprehensive management of prostate health. It offers relief from the symptoms of medically diagnosed benign prostate enlargement, plus protection from cellular free radical damage.

Blackmores Lutein-Vision Advanced™ is based on the latest eye research and the ingredients that will be used in the ongoing AREDS2 trial to provide macular defence for people at risk of developing poor macular health. It may help reduce the risk of age-related macular damage and protect the retina from free radical damage.



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Growing our Business continued

Blackmores Professional

Blackmores Professional includes a product range sold exclusively through healthcare professionals, selected pharmacies and health food stores. Blackmores has an ongoing commitment to educate and support health professionals who recommend and sell complementary medicines, particularly with our unique Celloid® products.

The introduction of online seminars (webinars) allows practitioners who are time-poor or in remote locations to enjoy access to ongoing professional education at their own convenience. Blackmores Professional was first to market with an innovative interactive training DVD on Celloid® therapy and subscriber numbers to the Professional website continue to grow.

International

Our international business remains important in achieving longer term growth for the company and continues to make a significant contribution. We are optimistic about the future of new markets and are committed to growing existing markets.

Continuing the success of previous new product launches, Blackmores launched a range of new products in the region. In Thailand, Blackmores launched Glucosamine 500 mg in the Arthritis market. In Malaysia, Blackmores launched a number of new products including Bio Magnesium Plus, SugaBal (Sugar Balance) and Lutein Vision Plus.

Singapore is another market where Blackmores launched a number of new products. In 2007 Blackmores launched Grape Seed Forte, and large pack sizes of Buffered C, Echinacea Forte, Bio C and Bio Calcium to meet consumer demand. In 2008 Blackmores launched Ginkgo Forte, Omega Heart, and Omega Brain in this market.

The Blackmores' brand in New Zealand has strengthened in both grocery and pharmacy channels this year and introduced Conceive Well™ Gold to the market. We continue to invest in and support our new business in Taiwan.

Blackmores has an ongoing commitment to our quality assurance program.

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 to substantiate our quality claims and expiry date
- Regulatory evaluation and compliance
- Ongoing training and development of staff in quality principles and Good Manufacturing Practice (GMP)

Building Loyalty & Trust

B your Best

The 'B your Best' communications platform is now being integrated across numerous touch points including advertising, public relations and online. This has created dialogue between Blackmores and the wider community, which is motivating and inspiring people to be happier and healthier. The Blackmores 'B Your Best' health updates, integrated across TV, in-store and online, have been successful in driving brand awareness and promoting greater education and knowledge about health and wellbeing. For those who have selected Blackmores as their wellness partner, they can rely on holistic support, advice and products that will assist them in being their best.

Healthcare Professional Education

Blackmores is committed to providing healthcare professionals with the support and education necessary so complementary medicine can be used safely and effectively. Healthcare professionals now have access to a virtual representative force and advisory service through their own dedicated Blackmores Medical website (www.blackmoresmedical.com.au).

Blackmores continued to educate healthcare professionals about the evidence based products in the Blackmores range, through targeted healthcare professional advertising, a sponsored news column and in person at the General Practitioners Conference and Exhibition in Sydney and Melbourne.

Relationship Marketing

Blackmores has continued to enjoy positive results from its use of innovative marketing campaigns and maintenance of a strong in-store presence. In 2008, relationship marketing was a core strategy, helping to drive deeper loyalty and trust in the Blackmores' brand amongst important stakeholders.

In the past year a number of initiatives were implemented to strengthen these relationships. An extensive e-marketing drive saw Blackmores' online community grow to over 230,000 users, with Blackmores receiving an award from the Complementary Healthcare Council of Australia for Consumer Publication of the year for Blackmores Consumer e-newsletters.

For those who have selected Blackmores as their wellness partner, they can rely on holistic support, advice and products that will assist them in being their best.

Blackmores' website has continued to experience exponential growth in popularity and visitation.

This has achieved greater engagement with consumers and advocates, allowing Blackmores to build on levels of trust, awareness and loyalty to maximise sales. Our Relationship Marketing program is continuing to have positive results with engagement statistics showing that the average user is now spending 8 minutes and 14 seconds on our website, which is four times longer than the industry average.

blackmores.com.au

Blackmores' website has continued to experience exponential growth in popularity and visitation. www.blackmores.com.au was again ranked number one by visits among all other Australian websites in the Hitwise Health and Medical - Pharmaceutical and Medical Products category.

Search engine marketing activities have seen a 40 per cent uplift in site traffic. The website received more than one million visits last year with almost 110,000 visits per month. A number of new sites were launched, including www.blackmores.com.au/radiance, www.preconception.com.au, www.blackmores.com.au/healthylife, and www.blackmores.com.au/omega.

The Blackmores Omega website was recognised for 'Best Practice Design of a Website' in Desktop publication in September. It was commended on the educational and interactive elements on the site as well as the contemporary look and feel.

Successful product campaigns this year included the Men's Performance Multi Online Interactive Game, which achieved more than 70,000 interactions with the product and the Blackmores Radiance™ promotion with over 40,000 entries. This is seven to eight times more successful than the average online campaign for any brand, online, in Australia.

Blackmores Sydney Running Festival

The Blackmores Sydney Running Festival was held on 23 September 2007, attracting a record number of entrants. Over 20,000 people ran over the iconic Sydney Harbour Bridge in one of the four events. With international cricketing champion Glenn McGrath as the face of the event, Blackmores conducted a fully integrated advertising, public relations and promotional campaign resulting in 98 per cent of entrants having an unprompted awareness of Blackmores as the naming rights sponsor.

Education

Our Naturopathic Advisory Service (Freecall 1800 803 760) gives callers the opportunity to talk with a qualified healthcare advisor or email queries through our website (blackmores.com.au/advice). The service has responded to more than 62,000 enquiries this year from consumers, health professionals and pharmacy and health food store staff.

This year, our Education Department presented health information seminars and training to more than 11,500 people. This included a new and very successful in-store program which provided training to many of our key retail customers.

Blackmores' Education Department 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 medicines.

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.

Blackmores' e-learning program continues with the launch of three new modules, making a total of seven modules, giving healthcare professionals, pharmacy and health food store retail assistants and Blackmores' staff an innovative and effective way to build on their product knowledge. Over 2000 people have registered for our e-learning program.

People, *Product*, Passion

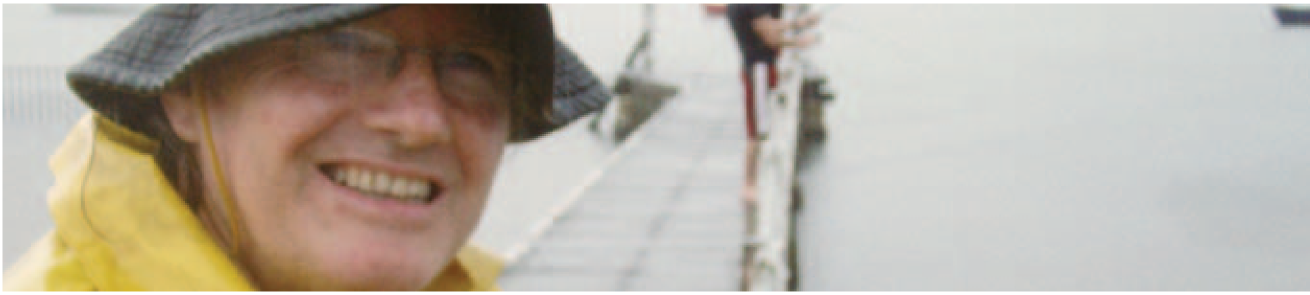
Investing in our People

Blackmores is committed to the welfare and development of its staff, with a number of initiatives being implemented over the last year.

One of the main priorities has been the continued planning and design of the Blackmores Campus at Warriewood, encompassing state-of-the-art facilities to help employees achieve optimum wellness and maintain a healthy work/life balance. By providing outstanding staff facilities and supporting programs, we will maximise staff wellbeing, which reflects Blackmores' unique culture.

Blackmores is dedicated to the development of staff through continued investment in appropriate training courses and programs to encourage superior performance, higher levels of engagement and expansion of the leadership pool. This year, we invested further in our senior development program to inspire strong leadership and best business practice.

Blackmores is widely regarded as working to ensure a secure, family-friendly, supportive and productive workplace for the future. This is reflected in the implementation of a successful 'Stop Smoking' campaign that is based on behavioural change and hypnotherapy. It has also been reflected in the continuing success of our Employee Assistance Program, which was introduced to provide support for employees experiencing personal problems. Blackmores has again been recognised by the Equal Opportunity for Women in the Workplace Agency (EOWA) by having our report highly commended, with a feature on the front cover of EOWA's Leading Edge Initiatives publication.



Blackmores is often recognised for nurturing a unique relationship with staff which is founded on trust, respect for the individual and a passion for natural health.

The Blackmores Campus will offer a new generation workplace that demonstrates the company's leadership in its balanced approach to health, life and the environment.

The New Blackmores Campus

The Blackmores Campus is taking shape with construction at Warriewood, Sydney now well advanced. Towards the end of 2008, the operations from Brookvale and Balgowlah will relocate to the new 25,000 square metre site.

Encapsulating Blackmores' leadership, innovation and commitment to sustainability, the campus provides a distinctive offering. From world-class facilities to drive production and distribution efficiency, and ambient environments to promote healthy motivated staff. The site has also been equipped to minimise its environmental impact.

The design and orientation of the building have been considered to maximise natural light and minimise the impact of the hot western sun. Ventilation has been carefully planned, to provide cross-flow aeration and geothermal cooling to maximise fresh air within the buildings and moderate the inside temperature.

Winter gardens will provide an indoor landscaped environment for meeting areas and break-out spaces. An internal "street" will connect the office areas, reception and staff amenities with the production and distribution warehouse facilities, allowing good access and communication across the company.

The centrally located Blackmores Wellness Centre and Staff Café-Lounge will form the heart of the building. It will incorporate a shop front for Blackmores' products, treatment rooms for massage and naturopathy, and gym facilities including a lap pool, yoga and pilates area.

The Campus will harvest its own rainwater, and have its own electricity generation plant. It will be the first tri-generation plant of its type in Australia and one of a few in the world where all waste heat from the plant engines are fully utilised, providing a hot and cold water service, space heating and lap pool heating. The plant will save about 2,300 tonnes of CO_2 emissions per annum (equivalent to taking about 1,000 cars off the road).

Blackmores move to a consolidated site will result in greater efficiencies for our people, materials and processes.

Research and Development

Blackmores' research and development team works with many of Australia's leading research institutions (such as Alfred Hospital and the Baker Heart Research Institute) and healthcare professionals to develop and test new products. Blackmores has its own research centre at Southern Cross University, which continually reviews studies on all aspects of natural health from around the world.

Blackmores Research Bulletin continued to provide news on the latest in complementary medicine research and events. The 2007 Blackmores Research Symposium was a great success, with national and international speakers showcasing the latest in complementary medicine research. Supported by four leading Australian universities, it provided educational, networking and knowledge sharing opportunities for industry, regulators, health professionals, researchers, scientists and retailers.

To support the world-wide research movement of complementary medicines, Blackmores was proud to be a platinum sponsor of the third International Congress on Complementary Medicine Research in Sydney which brought together more than 600 international researchers and health professionals.

A Commitment to Wellbeing and Sustainability

Macular Degeneration Foundation

Blackmores has continued to donate a percentage of sales of eye health products to the Macular Degeneration Foundation. This key component of Blackmores' support funds research and education programs to raise awareness of the condition. Research undertaken by the Macular Degeneration Foundation with Blackmores' support has helped identify the main needs of the Macular Degeneration community and reduce the incidence and impact of this debilitating condition.

As a result of this initiative, Blackmores has donated over $1.75 million to the foundation. Blackmores also supports the annual fundraising dinner and Macular Degeneration Awareness week.

Blackmores Eye Unit Myanmar

Myanmar (Burma) is one of the poorest countries in South East Asia, with the highest recorded rate of blindness in the world. Blackmores recognises the need to support training programs for local healthcare professionals, to build healthier, self-sufficient communities.

Blackmores is proudly sponsoring the establishment of the Blackmores Eye Unit in Mandalay, Myanmar, to save the sight of hundreds of Burmese.

In conjunction with the Eye Foundation, Australian ophthalmologists including Professor Paul Beaumont are generously donating their services to train local ophthalmic technicians to perform cataract procedures. This ensures the eye hospital's sustainability and better vision for locals into the future.

Heart Research Institute

Blackmores maintained its proud tradition of principal sponsorship of the Heart Research Institute's (HRI) Annual Fundraising Dinner, Marcus Blackmore, in his role as chairman of the HRI, welcomed Tony Abbott, then Minister for Heath and Ageing, as the guest of honour. The evening was an opportunity to reward the outstanding contribution young researchers make to research into cardiovascular disease, and raised $100,000 for the Institute.

Matched Donations

Staff are encouraged to participate in a charitable scheme whereby 0.5 per cent of their taxable pay is deducted each payday and placed in an interest bearing trust account.

The company matches this and twice yearly each participating employee nominates a registered charity to receive the donation.

Blackmores remains committed to supporting causes, organisations and individuals that share our values.

Professor Paul Beaumont, Macular Degeneration Foundation CEO, Julie Heraghty, Blackmores Director of Research & Development and Corporate Affairs, Philip Daffy and Blackmores staff at the 2008 Annual Macular Degeneration Foundation Gala Dinner

Other worthy causes to receive sponsorship from Blackmores throughout the year included the Yalari Foundation, the Petrea King Quest for Life Centre, the MINDD Foundation, Arthritis Australia, the Young Endeavour Youth Scheme, the Gawler Foundation and the Australian Thyroid Foundation.

Environmental Sustainability

In addition to the environmental focus of the Blackmores Campus design, we embrace the need for sustainable and environmentally friendly business practices. Half of Blackmores' fleet vehicles have been converted to LPG, in an effort to reduce carbon emissions and reduce our carbon footprint, with plans to convert the remainder of the fleet by 2010.

Our continued participation in the strengthened National Packaging Covenant (NPC) marks seven years of continuous improvement in the environmental performance of Blackmores' packaging. As a signatory to the Covenant since 2001, we are committed to reducing the environmental impact of our packaging, closing the recycling loop and developing economically viable and sustainable recycling systems. The Covenant also allows us to continue to build on the momentum created by previous actions and is something that we as an organisation are excited by.

Blackmores' commitment to continuous packaging improvement was acknowledged at the 2007 Packaging Magazine Evolution Awards, where Blackmores was recognised with a High Commendation in the Pharmaceutical Packaging Action Award Category.

Environmentally Sensitive Products

Blackmores has a commitment to include the purest and freshest materials in our product that do not compromise the environment.

Quality is one of the cornerstones of the Blackmores business. Blackmores' dedication to producing premium products is reflected in our extensive quality control processes. This commitment extends to the purity of our product. The ingredients we source are from nature, therefore it's vital that correct manufacturing processes are applied to ensure the optimum freshness of our product.

Blackmores' fish oil for instance is as pure, fresh and environmentally friendly as possible. We regularly test our fish oils for impurities to help ensure a high quality product and assess each ingredient based on a stringent list of quality control standards. Our fish oil is sourced from sustainable fish stocks, using whale and dolphin friendly methods.

Management Profiles

1. Jennifer Tait

BSc (Chem), FAICD

Chief Operating Officer and Executive Director

Jennifer was appointed to the position of Chief Operating Officer and Executive Director 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 Harvard Business School. Jennifer is a Fellow of the Australian Institute of Company Directors, Associate Trustee 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.

2. Peter Barraket

BBus, MCom, CPA, GAICD

Chief Financial Officer

Peter was appointed to the position of Chief Financial Officer in November 2006. He joined Blackmores in 2004 as the Corporate Development and Analysis Manager and has been responsible for leading a number of development and improvement initiatives across the business. During his career he has developed a broad range of knowledge and skill in the area of financial and business strategy. Prior to joining Blackmores, Peter spent four years with Goodman Fielder in roles which included Business Development Manager, where he focused on driving a series of business improvement programs. Peter's career also includes six years in the banking industry where he gained proficiency in financial markets knowledge. He is responsible for leading Blackmores' Finance Department.

3. Cecilia Howard

BA Communications, Media, Education, DipEd.

Marketing Director

Cecilia joined Blackmores as Marketing Director in November 2004. Cecilia's career has spanned over 20 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 years working in the United Kingdom. Cecilia leads and sets the strategic direction for Blackmores Marketing which, in addition to the traditional consumer marketing functions, includes responsibility for new product development, public relations, online, training and advisory, and she oversees key international marketing and communication initiatives. Cecilia has over the past year assumed more leadership responsibility in the company for government, industry and regulatory initiatives. She has for the last six months assumed interim responsibility for the Human Resources function.

4. Reg Weine

BBus, 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, and National Business Development Manager Pepsi Cola Bottlers Australia. As Sales Director, Reg sets the strategic direction for the sales function across all markets and trade channels. He is responsible for Blackmores' customer service, trade marketing and the international and national sales teams as well as Blackmores' international operations.

5. Liz Burrows

BPharm, 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.

6. Philip Daffy

BSc (Hons)

Director of Research and Development and Corporate Affairs

Philip has more than 30 years experience in the natural health industry - most of them at Blackmores. Philip's team manages Blackmores' increased investment in clinical research and innovation, 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.

7. Lee Richards

Chief Technology Officer

Lee has more than 30 years experience in IT, spanning a variety of industries from distribution and manufacturing through to corporate banking. Joining the company in 2000 as part of the team assembled to manage the design and rollout of Blackmores' new business system, Lee brought a significant level of technical, management and business expertise with him. He was appointed Chief Technology Officer in February 2001, heading up Blackmores' IT team, and resumed his place on the Executive Committee in January 2007.

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 and Risk Committee performs a central function in achieving this goal. Principle 4 sets out the key responsibilities and duties of the Audit and Risk 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.

Corporate Governance

Principle 8:

Encourage enhanced performance

Principle 8 outlines how Board effectiveness is ensured and maintained. A comprehensive self assessment of the Board and member performance was conducted internally during the period.

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.

Five Year History

$'000	**2008**	2007	2006[2]	2005	2004
Sales	**178,833**	171,653	147,988	134,449	115,724
Operating profit	**27,474**	24,488	19,719	16,522	13,236
Income taxes	**(8,388)**	(7,817)	(6,103)	(5,193)	(3,929)
Profit attributable to shareholders	**19,086**	16,671	13,616	11,329	9,307
Net (cash) / debt	**25,803**	5,268	3,503	5,138	6,020
Shareholders' equity	**50,351**	43,486	36,786	30,601	27,552
Total assets	**116,874**	82,420	68,284	59,235	50,892
Current assets	**61,763**	56,959	48,687	42,779	35,260
Current liabilities	**27,793**	22,628	20,419	27,753	22,503
Net tangible assets	**49,019**	41,869	34,768	28,657	25,991
Profit before interest and taxes (EBIT)	**26,971**	24,242	20,009	16,959	13,762
Depreciation	**1,909**	1,572	1,855	1,881	2,127
Amortisation of intangibles	**–**	–	–	–	56
Net interest [1]	**709**	665	1,057	437	526
Profit before interest, depreciation, amortisation and taxes	**28,880**	25,814	21,864	18,840	15,945
Net operating cashflows	**23,995**	16,795	14,557	11,831	7,352
Number of shares on issue ('000s)	**16,180**	16,035	15,914	15,870	15,850
Earnings per share - basic (cents)	**118.4**	104.3	85.7	71.4	59.5
Ordinary dividends per share (cents)	**90.0**	81.0	69.0	58.0	46.0
Special dividends per share (cents)	**–**	–	–	–	14.0
Share price at 30 June	**$16.40**	$20.56	$13.90	$12.95	$10.00
Net tangible assets (NTA) per share	**$3.03**	$2.61	$2.18	$1.81	$1.64

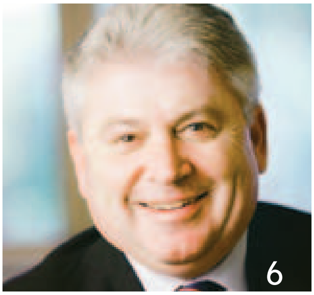
Five Year History

$'000	**2008**	2007	2006[2]	2005	2004
Return on shareholders' equity	**37.9%**	38.3%	37.0%	37.0%	33.8%
Return on assets	**27.1%**	32.2%	31.4%	30.8%	25.4%
Dividend payout ratio	**76.0%**	77.7%	80.5%	81.2%	100.8%
Net debt/(Net debt + shareholders' equity)	**33.9%**	10.8%	8.7%	14.4%	17.9%
EBIT to sales	**15.1%**	14.1%	13.5%	12.6%	11.9%
Effective tax rate	**30.5%**	31.9%	30.9%	31.4%	29.7%
Current assets to current liabilities (times)	**2.22**	2.52	2.38	1.54	1.57
Net interest cover (times)	**38.0**	36.5	18.9	38.8	26.2
Gross interest cover (times)	**22.3**	24.4	16.4	33.3	21.0
% Change on prior year					
Sales	**4.2%**	16.0%	10.1%	16.2%	22.1%
EBIT	**11.3%**	21.2%	18.0%	23.2%	40.4%
Profit before interest, depreciation, amortisation and taxes	**11.9%**	18.1%	16.1%	18.2%	36.6%
Profit attributable to shareholders	**14.5%**	22.4%	20.2%	21.7%	50.1%
Ordinary dividends per share	**11.1%**	17.4%	19.0%	26.1%	31.4%

(1) Net interest includes $1,211,884 (2007: $910,797) of capitalised interest.

(2) 2006 results exclude the impact of the sale of the Blackmores site at Balgowlah, including one-off net profit after tax of $835,000.

Directors' Report



The Directors of Blackmores Limited submit herewith the Annual Financial Report for the financial year ended 30 June 2008.

In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Information about Directors

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

1. Marcus C Blackmore AM

ND, MAICD

Executive Chairman

Mr Blackmore has served on the Board since 1973 and is the Executive Chairman of the Company. He is also an Honorary Doctor of Southern Cross University, Chairman of the Southern Cross University Foundation, Chairman of the Heart Research Institute, a Director of the Young Endeavour Youth Scheme, Member of the Maritime Ministerial Advisory Council, and an honorary trustee of the Committee for the Economic Development of Australia (CEDA).

2. Stephen J Chapman

BComm, MBA, ACA

Non Executive Deputy Chairman

Mr Chapman is an investment banker and joined the Board in September 1993.

He was a founder and is the Executive Chairman of Baron Partners Limited, an Australian investment bank. He is also a Director of ING Australia Limited and Macquarie Radio Network Limited.

3. Verilyn C Fitzgerald

MAICD

Non Executive Director

Ms Fitzgerald joined the Board in 1997. She has over 25 years in international corporate management, including 12 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.

4. Naseema Sparks

BPharm, MPharm (Pharmacol), MBA, GAICD

Non Executive Director

Ms Sparks joined the Board in 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, Fleishman Hilliard and M&C Saatchi.

Naseema is currently a Director of Mitchell Communication Group Limited and Director of Racing Victoria Ltd, the Deputy Chair of Osteoporosis Australia, Vice President of the Melbourne International Arts Festival, and Vice President of Chief Executive Women (CEW).

5. Robert L Stovold

Non Executive Director

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 Canberra Investment Corporation Limited.

6. Brent W Wallace

BComm (Marketing)

Non Executive Director

Mr Wallace joined the Board in 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 Director of WWF, the global enviromental group and an advisory council member of the AGSM's Centre for Applied Marketing.

7. Jennifer A Tait

BSc (Chem), FAICD

Chief Operating Officer

Jennifer joined the Board in October 2004. 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 Fellow of the Australian Institute of Company Directors and an Associate member of CEDA (Committee for the Economic Development of Australia). She is also a mentor in the Lucy Mentoring Program sponsored by the NSW Office for Women and is a Non-executive Director on the board of the Complementary Healthcare Council of Australia.

Jennifer Tait has resigned from her office as a Director of Blackmores effective 28 August 2008.

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

Key Management Personnel

In addition to the Directors listed above, the Key Management Personnel of Blackmores Limited during the year were as follows:

- Peter Barraket, Chief Financial Officer
- Liz Burrows, Director of Operations
- Philip Daffy, Director of Research & Development and Corporate Affairs
- Cecilia Howard, Marketing Director
- Lee Richards, Chief Technical Officer
- Reg Weine, Director of Sales

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
Stephen Chapman	Macquarie Radio Networks Limited	1/11/02	current
	ING Australia Limited	1/1/08	current
	Hostworks Group Ltd	17/2/97	10/3/08
Verilyn Fitzgerald	Independent Practitioner Network Limited	7/8/03	current
Robert Stovold	Canberra Investment Corporation Ltd	15/8/03	current
	Port Douglas Reef Resorts Ltd	4/6/97	30/8/06
	Somnomed Ltd	1/5/95	29/11/06
Naseema Sparks	Mitchell Communication Group Limited	12/3/07	current
Marcus Blackmore	No public company directorships		
Brent Wallace	No public company directorships		
Jennifer Tait	No public company directorships		

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	4,769,860
S J Chapman	16,781
V C Fitzgerald	10,000
N Sparks	Nil
R L Stovold	20,304
B Wallace	4,235
J A Tait	202,281
Total	**5,023,461**

Remuneration of Directors and Key Management Personnel

Information about remuneration of directors and Key Management Personnel is set out in the Remuneration Report of this Directors' report, on pages 33 to 41.

Committee Memberships

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

Audit & Risk: Robert Stovold, Chairman
Stephen Chapman
Verilyn Fitzgerald
Brent Wallace

Nominations: Verilyn Fitzgerald, Chair
Marcus C Blackmore
Stephen Chapman
Naseema Sparks
Robert Stovold
Brent Wallace
Jennifer Tait

Remuneration: Verilyn Fitzgerald, Chair
Marcus C Blackmore
Stephen Chapman
Naseema Sparks

Company Secretary

Cecile Cooper BBus, Grad.Dip.AppCorpGov, CPA, GAICD. Cecile joined Blackmores in 1991 as Finance Manager. She has held a variety of positions and her experience includes ERP system implementations, design of business reporting solutions and strategic reviews. Cecile's most recent role at Blackmores was as Business Manager for the Professional range of products marketed and sold to healthcare practitioners. She brings extensive financial, cross functional and management experience to her new position in the company secretariat.

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, Thailand and Taiwan 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 $19.1 million (2007: $16.7 million) which represents a 14% increase over the prior year.

Sales for the year were $178.8 million (2007: $171.7 million), an increase of 4% compared to the prior year. Basic earnings per share increased from 104.3 cents per share to 118.4 cents per share (an increase of 14%). Net tangible assets per share increased from $2.61 last year to $3.03 this year.

Net debt increased from $5.3 million last year to $25.8 million this year and Net debt/(Net debt + Shareholders' equity) increased from 10.8 % last year to 33.9% 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 2008.

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 2008 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 2007 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 construction on the site is nearing completion. The Company continues to work to a timetable which would see a phased relocation to a new office, manufacturing and despatch facility at Warriewood commencing late September 2008.

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 Health 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 blackmores.com.au (go to "Investors" then click on "Corporate Governance"). Please note a separate section in this Annual Report on pages 24 to 25 outlining the Company's current Corporate Governance principles.

Dividends

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

- A final dividend of 46 cents per share fully franked in respect of the year ended 30 June 2007, as detailed in the Directors' report for that financial year, was paid on 24 September 2007.
- An interim dividend of 39 cents per share fully franked in respect of the year ended 30 June 2008 was paid on 27 March 2008.
- On 28 August 2008 Directors declared a final dividend for the year ended 30 June 2008 of 51 cents per share fully franked, payable on 25 September 2008 to shareholders registered on 11 September 2008 .

This will bring total ordinary dividends to 90 cents per share fully franked (2007: 81 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.

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.

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, 8 Board meetings, 4 Remuneration Committee meetings, 3 Audit and Risk Committee meetings and Nil Nominations Committee meetings were held.

	BOARD OF DIRECTORS		REMUNERATION COMMITTEE		AUDIT AND RISK COMMITTEE	
Directors	Held	Attended	Held	Attended	Held	Attended
M C Blackmore	8	7	4	3	-	-
S J Chapman	8	8	4	4	3	3
V C Fitzgerald	8	8	4	4	3	3
N Sparks	8	8	4	4	-	-
R L Stovold	8	8	-	-	-	3
B W Wallace	8	8	-	-	3	3
J A Tait	8	8	-	-	-	-

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 7 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.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration is set out on page 42 of this Annual Report.

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.

Remuneration Report – Audited

This Remuneration Report, which forms part of the Directors' Report sets out information about the remuneration of Blackmores Limited Directors and its Key Management Personnel, who are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether Executive or otherwise).

Director and Other Key Management Personnel Details

The following persons acted as directors of the Company during or since the end of the financial year:

Marcus C Blackmore (Chairman)

Stephen J Chapman (Deputy Chairman)

Verilyn Fitzgerald

Naseema Sparks

Robert L Stovold

Brent W Wallace

Jennifer Tait (Chief Operating Officer – resigned from office as a Director of Blackmores effective 28 August 2008)

The following executives are included in Key Management Personnel:

Peter Barraket, Chief Financial Officer

Liz Burrows, Director of Operations

Philip Daffy, Director of Research & Development and Corporate Affairs

Cecilia Howard, Marketing Director

Lee Richards, Chief Technical Officer

Reg Weine, Director of Sales

The Key Management Personnel include the top five highest paid group executives. The remuneration policy and programmes detailed in this report also apply to other Senior Company Management not included as Key Management Personnel.

The disclosures for the consolidated entity are the same as for the Company.

1. **Board Policy for Determining the Nature and Amount of Remuneration of Executive and Non-executive Directors and Key Management Personnel**

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 strategies and policies for Senior Executives (which includes Key Management Personnel) 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 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.

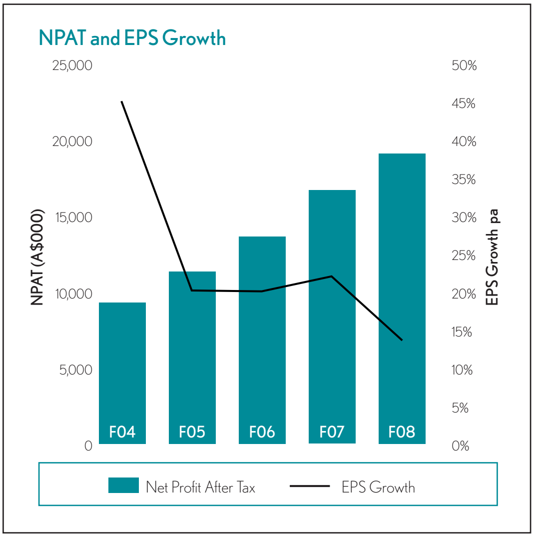
(c) Long Term Incentive Plans: The Company established an Executive Performance Share Plan ("EPSP") which was approved at the Annual General Meeting held in October 2005. This plan has been designed to serve as a longer term incentive for such Senior Executives as are determined eligible by the Board. 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.

(d) Special Long Term Incentives: From time to time the Board may offer a Special Long Term Incentive to Senior Executives in addition to the Long Term Incentive Plans outlined in (c) above.

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 following graph.



NB: The Net Profit After Tax ("NPAT") for F06 above excludes the non-recurring profit on sale of the site at Balgowlah. Further, the F05 NPAT reflects the IFRS restated result. The F04 NPAT and earnings per share ("EPS") are based on the results prepared in accordance with Blackmores previous accounting policies as permitted under Australian Accounting Standards applicable at that time.

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 shown in the table below. 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.

Maximum STI Percentage of Base Remuneration of Participant	NPAT as a Percentage of Budget
0	less than 95%
5	equal to or greater than 95% but less than 100%
15	equal to or greater than 100% but less than 110%
40	equal to or greater than 110% but less than 149%
90	equal to or greater than 150%

(b) As outlined on the page 34, 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:

2008

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

Shares, other than those issued to the Chief Executive Officer or, in the absence of a Chief Executive Officer, the Chief Operating Officer, are subject to a two year holding lock whereby a percentage of the shares are treated as deferred shares. If the Senior Executive resigns or is terminated (except for reasons such as death, serious injury, disability or illness or involuntary early retirement) the deferred shares are treated as forfeited.

2007

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%

For the 2007 year in the case of the Sales Director and Chief Executive Officer or, in the absence of a Chief Executive Officer, the Chief Operating Officer the above percentages of base remuneration were doubled. Shares issued to the Sales Director were subject to a two year holding lock whereby a percentage of the shares were treated as deferred shares. If the Sales Director resigns or is terminated (except for reasons such as death, serious injury, disability or illness or involuntary early retirement) the deferred shares are treated as forfeited.

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

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

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

3.1.4 Performance Conditions for Special Long Term Incentive ("SLTI") Plans

Under this EPSP, as determined by the Board, during the 2007 financial year, the Sales Director was offered shares based on the quantum of earnings per share ("EPS") growth actually delivered over a three year period. The allocation is based on a maximum offer of 25,000 shares and varies depending on the actual compounded annual EPS growth delivered for three years ending 30 June 2009.

Percentage of SLTI Shares to be offered	Annualised Rate of EPS Growth over 3 years ending 30 June 2009
Nil	less than 10%
50	greater than 10% but less than or equal to 14%
75	greater than 14% but less than or equal to 18%
100	greater than 18%

The number of shares to be issued to the Sales Director is determined by multiplying the percentage amount calculated in accordance with the above by the maximum amount of 25,000 shares.

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 and SLTI 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 and SLTI 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 Key Management Personnel. This method was chosen to provide an objective assessment of the Senior Executive's individual performance.

3.3.2 Long Term Incentive Plans and Special Long Term Incentive Plans

Growth in earnings per share is calculated by the Company at the end of the relevant period 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

During the financial year ended 30 June 2006, the Company 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).

Non-Monetary benefits include motor vehicle benefits and notional interest not charged on loans under employee share plans which operated in prior years (see note 2 of 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 financial year ended 30 June 2008:

	SHORT-TERM EMPLOYEE BENEFITS				POST-EMPLOYEE BENEFITS	OTHER LONG-TERM EMPLOYEE BENEFITS	SHARE-BASED PAYMENTS		
	Salary & Fees	1 Bonus	2 Non-Monetary	3 Other	Super-annuation	4 Other	5 Rights	Total	% of Compensation for the Year Consisting of Rights
	$	$	$	$	$	$	$	$	%
M C Blackmore									
2008	**398,055**	**303,765**	**–**	**37,976**	**100,000**	**–**	**–**	**839,796**	**–**
2007	364,314	412,282	4,625	44,224	105,113	20,859	–	951,417	–
S Chapman									
2008	**68,817**	**–**	**–**	**–**	**36,232**	**–**	**–**	**105,049**	**–**
2007	66,500	–	–	–	5,985	–	–	72,485	–
V Fitzgerald									
2008	**77,498**	**–**	**–**	**–**	**6,975**	**–**	**–**	**84,473**	**–**
2007	68,500	–	–	–	6,165	–	–	74,665	–
N Sparks									
2008	**69,140**	**–**	**–**	**–**	**6,223**	**–**	**–**	**75,363**	**–**
2007	63,500	–	–	–	5,715			69,215	–
R Stovold									
2008	**73,119**	**–**	**–**	**–**	**6,581**	**–**	**–**	**79,700**	**–**
2007	65,500	–	–	–	5,895	–	–	71,395	–
B Wallace									
2008	**69,050**	**–**	**–**	**–**	**6,215**	**–**	**–**	**75,265**	**–**
2007	63,500	–	–	–	5,715	–	–	69,215	–
J A Tait									
2008	**310,204**	**119,707**	**16,491**	**31,850**	**41,537**	**17,690**	**123,871**	**661,350**	**18.7**
2007	223,045	194,291	49,267	28,138	41,113	11,152	142,286	689,292	20.6
A Pascoe									
Resigned Dec 06									
2008	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	
2007	123,682	84,014	–	5,108	6,343	13,049	–	232,196	
Total Remuneration									
2008	**1,065,883**	**423,472**	**16,491**	**69,826**	**203,763**	**17,690**	**123,871**	**1,920,996**	
2007	1,038,541	690,587	53,892	77,470	182,044	45,060	142,286	2,229,880	

The following table discloses the remuneration of the Key Management Personnel of the consolidated entity (excluding Directors as disclosed on the previous page) for the financial year ended 30 June 2008. This table ensures compliance with section 300A of the Corporations Act 2001 which requires disclosure of prescribed remuneration details for the Key Management Personnel and the five highest paid Company and Group executives:

	SHORT-TERM EMPLOYEE BENEFITS				POST-EMPLOYEE BENEFITS	OTHER LONG-TERM EMPLOYEE BENEFITS	SHARE-BASED PAYMENTS		
	Salary & Fees	1 Bonus	2 Non-Monetary	3 Other	Superannuation	4 Other	5 Rights	Total	% of Compensation for the Year Consisting of Rights
	$	$	$	$	$	$	$	$	%
P Barraket Chief Financial Officer									
2008	**243,288**	**106,920**	**–**	**24,178**	**13,129**	**7,083**	**42,582**	**437,180**	**9.7**
2007	172,147	123,704	–	22,877	12,686	6,260	58,448	396,122	14.8
L Burrows Director, Operations									
2008	**146,144**	**88,781**	**–**	**16,221**	**56,014**	**5,903**	**33,286**	**346,349**	**9.6**
2007	127,391	112,572	–	16,328	52,613	10,468	41,396	360,768	11.5
P Daffy [6] Director, Research & Development									
2008	**140,402**	**54,033**	**–**	**15,572**	**27,552**	**3,688**	**28,301**	**269,548**	**10.5**
2007	138,874	97,362	–	15,617	58,841	8,738	35,183	354,615	9.9
C Howard Director, Marketing									
2008	**184,232**	**77,385**	**–**	**20,597**	**50,000**	**5,620**	**40,253**	**378,087**	**10.6**
2007	163,851	127,069	–	17,415	42,378	9,104	46,669	406,486	11.5
L Richards Chief Technical Officer									
2008	**175,311**	**87,270**	**18,975**	**17,006**	**13,129**	**7,366**	**32,513**	**351,570**	**9.2**
2007	121,182	97,792	17,610	14,393	12,686	3,318	29,293	296,274	9.9
R Weine Director, Sales									
2008	**220,061**	**90,686**	**50,969**	**19,500**	**13,129**	**5,553**	**91,692**	**491,590**	**18.7**
2007	216,372	163,727	51,048	24,286	12,686	13,534	269,959	751,612	35.9
Total Remuneration									
2008	**1,109,438**	**505,075**	**69,944**	**113,074**	**172,953**	**35,213**	**268,627**	**2,274,324**	
2007	939,817	722,226	68,658	110,916	191,890	51,422	480,948	2,565,877	

Note 1: Amounts included in Bonus column include amounts paid by way of Profit Share on 19 December 2007 and 18 June 2008. The Short Term Incentive Payment was granted on 18 July 2007 and 100% of the bonus vested in the 2008 year. The Short Term Incentive payment was 21% of base remuneration for year ended 30 June 2008 and the maximum percentage was 90%.

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 8.5% (2007: 7.9%) 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 amounts shown under other long-term employee benefits relate to provisions for untaken long service leave earned during the relevant period.

Note 5: Shares

The following share based payment arrangements are included in the current and prior year amounts on the previous pages.

NAME	SHARE GRANT DATE	GRANT DATE FAIR VALUE	VESTED %	NO. GRANTED	MAXIMUM NO. OF SHARES	AMOUNT OF SHARE BASED COMPENSATION			
		$				2007 $	2008 $	2009 $	2010 $
Jennifer Tait	18 September 2006	14.25	100	(***) 9,985	9,985	142,286			
	16 October 2007	21.77	100	5,690	7,587		123,871		
Peter Barraket	18 September 2006	14.25	100	(***) 1,184	1,184	16,872			
	19 January 2007	19.95	100	(***) 2,084	2,084	41,576			
	16 October 2007 (**)	21.77	50	3,912	5,216		42,582	21,291	21,291
Liz Burrows	18 September 2006	14.25	100	(***) 2,905	2,905	41,396			
	16 October 2007 (**)	21.77	50	3,058	4,078		33,286	16,643	16,644
Phil Daffy	18 September 2006	14.25	100	(***) 2,469	2,469	35,183			
	16 October 2007 (**)	21.77	50	2,600	3,466		28,301	14,151	14,150
Cecilia Howard	18 September 2006	14.25	100	(***) 3,275	3,275	46,669			
	16 October 2007 (**)	21.77	50	3,698	4,931		40,253	20,126	20,126
Lee Richards	18 September 2006	14.25	100	(***) 1,264	1,264	18,012			
	19 December 2006	17.85	100	(***) 632	632	11,281			
	16 October 2007 (**)	21.77	50	2,987	3,983		32,513	16,257	16,257
Reg Weine	18 September 2006	14.25	100	(***) 4,067	4,067	57,955			
	22 June 2007 (**)	20.03	50	(***) 4,357	4,357	45,087	21,092	21,092	
	22 June 2007 (*)	20.03	0	25,000	25,000	166,917		83,458	
	16 October 2007 (**)	21.77	75	4,324	5,766		70,600	11,767	11,766
Total Share Based Payments				83,491		623,234	392,498	204,785	100,234

(*) 25,000 rights in Blackmores shares were granted as part of compensation to the Sales Director, R Weine. These rights remain unvested as at 30 June 2008, were issued for no consideration and do not have an exercise price. These share rights vest on June 30 2009 subject to the achievement of certain non-market based conditions relating to the continued employment of the employee and company performance as set out below:

Percentage of Share Rights offered	Annualised Rate of EPS Growth over 3 years ending 30 June 2009
100	greater than 18%
75	greater than 14% but less than or equal to 18%
50	greater than 10% but less than or equal to 14%
0	less than 10%

(**) Shares that are not fully vested have been issued subject to a two year holding lock whereby a percentage of the shares are treated as deferred shares. If the Senior Executive resigns or is terminated (except for reasons such as death, serious injury, disability or illness or involuntary early retirement) the deferred shares are treated as forfeited.

(***) Shares issued during the year ended 30 June 2008 in settlement of rights. The price of the shares issued in settlement of these rights on 10 September 2007 was $21.74.

Note 6: P Daffy is employed on a four days per week basis.

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

5.2 Employment contracts

The following persons have employment contracts: Jennifer Tait, Peter Barraket, Liz Burrows, Philip Daffy, Cecilia Howard, Lee Richards and 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 two weeks notice for less than three years of continuous service through to a maximum of four weeks notice after five years of service. The period of notice is increased by one week if the employee is over 45 years old and has completed at least two years of continuous service with the Company. Where termination is due to redundancy the Company must pay a severance payment specified in minimum weeks of pay according to years of service. These redundancy minimums range from two weeks pay for less than one year of service through to 29 weeks pay for less than ten years of service. The entitlement increases by an additional one week of pay for each completed year of service following ten 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 of each element made up of the total remuneration for the top Senior Executives for the financial year ended 30 June 2008 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 $66,550 per annum, however, any accrued retirement allowance relating to the year in question is applied to reduce this base fee.
- Additional fee of $5,000 for each committee membership.
- Additional fee of $5,000 if appointed chairman of the committee.
- For Directors appointed prior to 1 October 2003, a retirement allowance of $15,333 per annum accrues each year but is capped after 9 years' service at $138,000.
- A Non-executive Director who is also deputy chairman receives 150% of the relevant base fee.

Shareholders at a meeting held on 24 October 2007 determined the maximum total Directors' fees payable to be $600,000 per year, to be distributed as the Board determines.

Information about amounts paid to individual Directors is provided in section 5 of this Remuneration Report.

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
Executive Chairman
Dated in Sydney, 12 September 2008

Deloitte.

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

12 September 2008

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 30 June 2008, 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

P G Forrester
Partner
Chartered Accountants

Member of
Deloitte Touche Tohmatsu

Liability limited by a scheme approved under Professional Standards Legislation.

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Independent Auditor's Report to the Members of Blackmores Limited

Report on the Financial Report

We have audited the accompanying financial report of Blackmores Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, cash flow statement and statement of recognised income and expense for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 45 to 86.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Member of
Deloitte Touche Tohmatsu

Liability limited by a scheme approved under Professional Standards Legislation.

Deloitte.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

(a) 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 2008 and of their performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 33 to 41 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Blackmores Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

P Forrester

PG Forrester
Partner
Chartered Accountants
Parramatta, 12 September 2008

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 Company and 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 Section 295(5) of the Corporations Act 2001.

On behalf of the Directors,

Marcus C. Blackmore
Director
Sydney, 12 September 2008

Income statement
For The Financial Year Ended 30 June 2008

	Note	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	COMPANY 2008 $'000	COMPANY 2007 $'000
Continuing operations					
Revenue	3	**180,223**	172,896	**167,748**	158,516
Other income	3	**363**	–	**363**	2
Promotional and other rebates		**(13,587)**	(13,881)	**(10,950)**	(11,453)
Changes in inventories of finished goods and work in progress		**2,886**	(304)	**2,386**	383
Raw materials and consumables used		**(60,982)**	(56,819)	**(61,101)**	(56,926)
Employee benefits expense		**(39,940)**	(37,438)	**(36,619)**	(34,164)
Depreciation and amortisation expenses		**(1,909)**	(1,572)	**(1,822)**	(1,504)
Finance costs		**(442)**	(444)	**(611)**	(640)
Selling and marketing expenses		**(23,812)**	(23,638)	**(18,213)**	(18,697)
Operating lease rental expenses		**(2,682)**	(2,509)	**(2,568)**	(2,374)
Professional and consulting expenses		**(2,454)**	(1,551)	**(2,013)**	(1,325)
Repairs and maintenance expenses		**(1,630)**	(1,577)	**(1,608)**	(1,556)
Freight expenses		**(2,631)**	(2,415)	**(2,603)**	(2,396)
Other expenses		**(5,929)**	(6,260)	**(7,332)**	(6,018)
Profit Before Income Tax Expense	3	**27,474**	24,488	**25,057**	21,848
Income tax expense	4	**(8,388)**	(7,817)	**(7,592)**	(6,699)
Profit Attributable to Equity Holders of the Parent		**19,086**	16,671	**17,465**	15,149
Earnings Per Share					
– Basic (cents per share)	25	**118.4**	104.3		
– Diluted (cents per share)	25	**118.1**	104.1		

Notes to the financial statements are included in pages 50 to 86.

Balance Sheet
As At 30 June 2008

	Note	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	COMPANY 2008 $'000	COMPANY 2007 $'000
Current Assets					
Cash and cash equivalents		**12,153**	10,129	**8,139**	6,499
Trade and other receivables	8	**28,216**	29,020	**23,652**	25,931
Other financial assets	9	**1,777**	1,178	**1,777**	1,178
Inventories	10	**17,506**	15,213	**15,142**	13,182
Other	11	**2,111**	1,419	**1,803**	1,209
Total Current Assets		**61,763**	56,959	**50,513**	47,999
Non-Current Assets					
Property, plant and equipment	12	**53,769**	23,818	**53,623**	23,658
Deferred tax assets	4 (b)	**1,332**	1,617	**1,332**	1,614
Other	13	**10**	26	**3,869**	3,871
Total Non-Current Assets		**55,111**	25,461	**58,824**	29,143
Total Assets		**116,874**	82,420	**109,337**	77,142
Current Liabilities					
Trade and other payables	14	**21,035**	17,121	**19,187**	16,087
Borrowings	15	**–**	–	**2,597**	–
Current tax liabilities	16	**3,407**	2,723	**3,220**	2,454
Provisions	17	**3,351**	2,784	**3,347**	2,784
Total Current Liabilities		**27,793**	22,628	**28,351**	21,325
Non-Current Liabilities					
Borrowings	18	**37,956**	15,397	**37,956**	19,002
Deferred tax liabilities	4 (b)	**174**	235	**–**	–
Provisions	19	**600**	674	**600**	674
Total Non-Current Liabilities		**38,730**	16,306	**38,556**	19,676
Total Liabilities		**66,523**	38,934	**66,907**	41,001
Net Assets		**50,351**	43,486	**42,430**	36,141
Equity					
Issued capital	22	**19,264**	17,401	**19,264**	17,401
Reserves	23	**1,257**	1,657	**3,377**	2,732
Retained earnings	24	**29,830**	24,428	**19,789**	16,008
Total Equity		**50,351**	43,486	**42,430**	36,141

Notes to the financial statements are included in pages 50 to 86.

Statement of Recognised Income and Expense
For The Financial Year Ended 30 June 2008

		CONSOLIDATED		COMPANY	
	Note	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000
Increase in hedging reserve arising on recognition of unrealised gains on interest rate swaps	23	**599**	741	**599**	741
(Decrease) in foreign currency translation reserve arising on translation of foreign operations	23	**(1,045)**	(295)	**–**	–
Related income tax on items taken to equity	23	**(180)**	(353)	**(180)**	(353)
Net (expense)/income recognised directly in equity		**(626)**	93	**419**	388
Profit for the period		**19,086**	16,671	**17,465**	15,149
Total recognised income and expense for the period		**18,460**	16,764	**17,884**	15,537
Attributable to equity holders of the parent company		**18,460**	16,764	**17,884**	15,537

Notes to the financial statements are included in pages 50 to 86.

Cash Flow Statement

For The Financial Year Ended 30 June 2008

		CONSOLIDATED		COMPANY	
	Note	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Cash Flows From Operating Activities					
Receipts from customers		206,239	193,301	**183,071**	170,339
Payments to suppliers and employees		(173,705)	(168,598)	**(151,750)**	(148,292)
Interest and other costs of finance paid		(440)	(999)	**(456)**	(978)
Income tax paid		(8,099)	(6,909)	**(6,949)**	(6,042)
Net cash provided by operating activities	35(c)	23,995	16,795	**23,916**	15,027
Cash Flows From Investing Activities					
Amounts advanced to related parties		**–**	–	**(847)**	–
Interest and bill discount received		**503**	329	**503**	322
Dividends received		**–**	–	**458**	–
Payment for property, plant and equipment		**(32,980)**	(7,916)	**(32,891)**	(7,855)
Proceeds from sale of property, plant and equipment		**5**	6	**5**	5
Net cash used in investing activities		**(32,472)**	(7,581)	**(32,772)**	(7,528)
Cash Flows From Financing Activities					
Proceeds from borrowings		**22,559**	11,381	**22,559**	11,351
Repayment of borrowings		**–**	(6,000)	**(258)**	(6,000)
Dividends paid		**(11,822)**	(10,818)	**(11,822)**	(10,818)
Other		**17**	49	**17**	49
Net cash provided by/(used in) financing activities		**10,754**	(5,388)	**10,496**	(5,418)
Net Increase In Cash and Cash Equivalents Held		**2,277**	3,826	**1,640**	2,081
Cash And Cash Equivalents At The Beginning Of The Financial Year		**10,129**	6,497	**6,499**	4,418
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(253)**	(194)	**–**	–
Cash And Cash Equivalents At The End Of The Financial Year	35(a)	**12,153**	10,129	**8,139**	6,499

Notes to the financial statements are included in pages 50 to 86.

1. General Information

Blackmores Limited (the Company) is a public company listed on the Australian Securities Exchange (trading under the symbol 'BKL'), incorporated in Australia and operating in Australia, Asia and New Zealand.

Blackmores Limited's registered office and its principal place of business is as follows:

23 Roseberry Street
Balgowlah NSW 2093
Telephone (02) 9951 0111

The consolidated entity's principal activity is the development and marketing of health products including vitamins, herbal and mineral nutritional supplements.

2. Summary of Accounting Policies

Adoption of new and revised Accounting Standards

In the current year, the consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. Details of the impact of the adoption of these new accounting standards are set out in the individual policy notes below. The consolidated entity has also adopted the following standards as listed below which only impacted on the consolidated entity's financial statements with respect to disclosure.

- AASB 101 'Presentation of Financial Statements' (revised October 2006)
- AASB 7 'Financial Instruments: Disclosures'

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 Interpretations, 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 financial statements and notes of the Company and the consolidated entity comply with International Financial Reporting Standards ('IFRS').

The financial report includes the separate financial statements of the Company and the consolidated financial statements of the consolidated entity.

The financial statements were authorised for issue by the Directors on 12 September 2008.

Basis of Preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

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 financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

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 comprises cash on hand and cash in banks. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(b) Financial Assets

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the Company financial statements.

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest income is recognised by applying the effective interest rate.

(c) Impairment of financial assets

Financial assets, other than those at fair value through profit and loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial assets, including uncollectible trade receivables, is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment is reversed through profit and loss to the extent that the carrying amount of the investment at the date that the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

The consolidated entity derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the consolidated entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the consolidated entity recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the consolidated entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the consolidated entity continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(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, and associated land, in the course of construction for production or administrative purposes, is carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the consolidated entity's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Plant and equipment, and leasehold improvements are measured at cost less accumulated depreciation and impairment. Construction in progress is stated at cost. Cost includes expenditure that is directly attributable to the acquisition or construction of the item.

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 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 are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit and loss.

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 Long Lived Assets

At each reporting date, the consolidated entity reviews the carrying amounts of its 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.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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.

Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest rate method, with interest recognised on an effective yield basis. The effective interest rate is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

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.

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 exceed the cost of acquisition, the deficiency is credited to profit or 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. In the separate financial statements of the Company, intra-group transactions are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction values of the intra-group transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

(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 until such a time as the assets are substantially ready for their intended use.

All other borrowing costs are recognised in profit or loss in the period in which they are 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 straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

(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 (legal or constructive), as a result of a past event, 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 Benefits

A liability is recognised 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.

Liabilities recognised 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.

Liabilities recognised 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 employees have rendered service entitling them to the contributions.

(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.

Dividend and Interest Revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(o) Foreign Currency

Individual Subsidiaries

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of Blackmores Limited, and the presentation currency for the consolidated financial statements.

Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

Foreign operations

On consolidation, the assets and liabilities of the consolidated entity's foreign 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, in which case the exchange rates at the dates of the transactions are used. 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 with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. 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.

At each reporting date, the consolidated entity revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with corresponding adjustment to the equity-settled employee benefits reserve.

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) Income Tax

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).

Deferred Tax

Deferred tax is accounted for using the 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.

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.

(s) 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. Further details of derivative financial instruments are disclosed in note 36 to the financial statements.

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 or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations. Derivatives not designated into an effective hedge relationship are classified as a current asset or current liability.

The fair value of a hedging derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge Accounting

The consolidated entity designates certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges or hedges of net investments in foreign operations. Hedges of foreign currency risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedging transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the consolidated entity documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 36 contains details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in note 23.

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 item that is attributable to the hedged risk.

Hedge accounting is discontinued when the consolidated entity revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash Flow Hedges

The effective portions of changes in the fair value of derivatives that are designated and qualify as cash flow hedges 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.

Hedge accounting is discontinued when the consolidated entity revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. 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. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Hedges of Net Investments in Foreign Operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any net gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in the foreign currency translation reserve; the gain or loss relating to the ineffective portion is recognised immediately to profit or loss and included in the 'other expense or other income' line of the income statement.

Gains and losses deferred in the foreign currency translation reserve are recognised in profit or loss when the foreign operation is disposed of.

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.

Embedded Derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

(t) Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the accounting policies, 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 provision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

As described in note 2(e), the consolidated entity reviews the useful lives of property, plant and equipment at the end of each annual reporting period.

(u) Standards and Interpretations Issued not Yet Effective

At the date of authorisation of the financial report, the following Standards and Interpretations were in issue but not yet effective:

Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the consolidated entity and the Company's financial report:

STANDARD/INTERPRETATION	EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER
• AASB 101 'Presentation of Financial Statements' (revised September 2007), AASB 2007–8 'Amendments to Australian Accounting Standards arising from AASB 101'	1 January 2009
• AASB 8 'Operating Segments', AASB 2007–3 'Amendments to Australian Accounting Standards arising from AASB 8'	1 January 2009

Initial application of the following Standards and Interpretations is not expected to have any material impact on the financial report of the consolidated entity and the Company:

STANDARD/INTERPRETATION	EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER
• AASB 123 "Borrowing Costs" (revised), AASB 2007–6 "Amendments to Australian Accounting Standards arising from AASB Interpretation 123."	1 January 2009
• AASB 3 "Business Combinations" (2008), AASB 127 "Consolidated and Separate Financial Statements" and AASB 2008–3 "Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127"	AASB 3 (business combinations occurring after the beginning of annual reporting periods beginning 1 July 2009), AASB 127 and AASB 2008–3 (1 July 2009)
• AASB 2008–1 "Amendments to Australian Accounting Standards – Share Based Payments: Vesting Conditions and Cancellations"	1 January 2009
• AASB 2008–2 "Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation"	1 January 2009
• AASB Interpretation 12 "Service Concession Arrangements", AASB Interpretation 4 "Determining whether an Arrangement contains a Lease" (revised), AASB Interpretation 129 "Service Concession Arrangements: Disclosure" (revised), AASB 2007–2 "Amendments to Australian Accounting Standards arising from AASB Interpretation 12"	1 January 2008
• AASB Interpretation 13 "Customer Loyalty Programmes"	1 July 2008
• AASB Interpretation 14 "AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"	1 January 2008

The initial application of the expected issue of an Australian equivalent accounting standard to the following standard is not expected to have a material impact on the financial report of the Group and the company:

STANDARD/INTERPRETATION	EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER
• Improvements to IFRSs (2008)	1 January 2009
• Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 27 "Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"	1 January 2009
• IFRIC 15 "Agreements for the Construction of Real Estate"	1 January 2009
• IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"	1 October 2008
• Eligible Hedge Items (an amendment to IAS 39 "Financial Instruments: Recognition and Measurement")	1 July 2009

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000

3. Profit Before Income Tax

a) Operating Revenue

Revenue from continuing operations consisted of the following:				
Revenue from sale of goods	**178,833**	171,653	**165,079**	157,280
Interest revenue from bank deposits	**503**	329	**501**	286
Interest on amounts due from controlled entities	**–**	–	**97**	36
Dividends from subsidiaries	**–**	–	**1,184**	–
Royalties	**887**	914	**887**	914
	180,223	172,896	**167,748**	158,516

b) Profit Before Income Tax

Profit/(loss) before income tax has been arrived at after crediting/(charging) the following gains and losses:				
Gain/(loss) on disposal of property, plant and equipment	**–**	(15)	**–**	2
Net foreign exchange gains/(losses)	**234**	(601)	**234**	(601)
Net exchange gains/(losses) on forward exchange contracts	**129**	(116)	**129**	(116)
	363	(732)	**363**	(715)
Gains per above	**363**	–	**363**	2
Losses per above	**–**	(732)	**–**	(717)
	363	(732)	**363**	(715)
Profit/(loss) before income tax has been arrived at after charging the following expenses:				
Cost of sales	**65,566**	63,674	**66,186**	63,095
Finance costs:				
Interest on bank overdrafts and loans	**1,212**	994	**1,212**	959
Interest on amounts due to controlled entities	**–**	–	**173**	241
Other finance costs	**442**	361	**438**	351
Total interest expense	**1,654**	1,355	**1,823**	1,551
Less: amounts included in the cost of qualifying assets	**(1,212)**	(911)	**(1,212)**	(911)
	442	444	**611**	640
Impairment of receivables				
Trade receivables	**50**	36	**50**	36
Intercompany receivables	**–**	–	**1,573**	–
	50	36	**1,623**	36
Depreciation of non-current assets	**1,869**	1,538	**1,804**	1,495
Amortisation of non-current assets	**40**	34	**18**	9
	1,909	1,572	**1,822**	1,504

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
3. Profit Before Income Tax continued				
Research and development costs immediately expensed	**1,201**	1,090	**1,201**	1,090
Operating lease minimum lease payments	**2,682**	2,509	**2,568**	2,374
Employee benefit expense				
Post employment benefits:				
Defined contribution plans	**2,120**	1,952	**2,005**	1,833
Share-based payments:				
Equity settled share-based payments	**644**	754	**644**	754
Other employee benefits	**37,176**	34,732	**33,970**	31,577
	39,940	37,438	**36,619**	34,164
4. Income Taxes				
(a) Income tax recognised in profit				
Tax expense comprises:				
Current tax expense in respect of the current year	**8,279**	7,587	**7,612**	6,991
Adjustments recognised in the current year in relation to the current tax of prior years	**62**	231	**(125)**	102
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	**47**	(198)	**105**	(394)
Previously unrecognised deferred taxes associated with subsidiaries	**–**	197	**–**	–
Total tax expense	**8,388**	7,817	**7,592**	6,699
The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:				
Profit before income tax expense	**27,474**	24,488	**25,057**	21,848
Income tax expense calculated at 30%	**8,242**	7,346	**7,517**	6,554
Effect of different tax rates on tax on overseas income	**77**	43	**77**	43
Effect of revenue that is exempt from taxation	**(19)**	–	**(375)**	–
Effect of expenses that are not deductible in determining taxable profit	**261**	313	**261**	313
Previously unrecognised deferred taxes associated with subsidiaries	**–**	197	**–**	–
Effect of tax concessions (research and development)	**(30)**	(30)	**(30)**	(30)
Effect of provision for impairment of intercompany loans not recognised as a deferred tax asset	**–**	–	**472**	–
Effect of interest capitalised on land for accounting purposes	**(205)**	(283)	**(205)**	(283)
	8,326	7,586	**7,717**	6,597
Under/(over) provision of income tax in previous year	**62**	231	**(125)**	102
Income tax expense	**8,388**	7,817	**7,592**	6,699

	CONSOLIDATED			
	Opening Balance	(Charged)/ credited to Income	(Charged) to Equity	**Closing Balance**
	$'000	$'000	$'000	**$'000**

4. Income Taxes continued

(b) Deferred tax balances

Deferred tax assets/(liabilities) arise from the following:

	Opening Balance $'000	(Charged)/ credited to Income $'000	(Charged) to Equity $'000	**Closing Balance $'000**
Temporary differences 2008				
Property, plant and equipment	(418)	(215)	–	**(633)**
Prepayments	(8)	(19)	–	**(27)**
Future withholding tax payable	(197)	25	–	**(172)**
Provisions	1,526	247	–	**1,773**
Accruals	817	(73)	–	**744**
Cash Flow and fair value hedges	(356)	–	(177)	**(533)**
Website development	16	44	–	**60**
Foreign currency monetary items	37	(89)	–	**(52)**
Other	(35)	33	–	**(2)**
	1,382	**(47)**	**(177)**	**1,158**
Presented in the balance sheet as follows:				
Deferred tax (liability)				**(174)**
Deferred tax asset				**1,332**
				1,158
Temporary differences 2007				
Property, plant and equipment	(460)	42	–	(418)
Prepayments	(17)	9	–	(8)
Future withholding tax payable	–	(197)	–	(197)
Provisions	1,411	115	–	1,526
Accruals	597	220	–	817
Cash Flow and fair value hedges	63	(66)	(353)	(356)
Website development	18	(2)	–	16
Foreign currency monetary items	(39)	76	–	37
Other	(36)	1	–	(35)
	1,537	198	(353)	1,382
Presented in the balance sheet as follows:				
Deferred tax (liability)				(235)
Deferred tax asset				1,617
				1,382

	COMPANY			
	Opening Balance	(Charged)/ credited to Income	(Charged) to Equity	**Closing Balance**
	$'000	$'000	$'000	**$'000**

4. Income Taxes continued

Temporary differences 2008				
Property, plant and equipment	(418)	(215)	–	**(633)**
Prepayments	(8)	(19)	–	**(27)**
Provisions	1,526	247	–	**1,773**
Accruals	817	(73)	–	**744**
Cash Flow and fair value hedges	(356)	–	(177)	**(533)**
Website development	16	44	–	**60**
Foreign currency monetary items	37	(89)	–	**(52)**
	1,614	**(105)**	**(177)**	**1,332**
Presented in the balance sheet as follows:				
Deferred tax (liability)				**–**
Deferred tax asset				**1,332**
				1,332
Temporary differences 2007				
Property, plant and equipment	(460)	42	–	(418)
Prepayments	(17)	9	–	(8)
Provisions	1,411	115	–	1,526
Accruals	597	220	–	817
Cash Flow and fair value hedges	63	(66)	(353)	(356)
Website development	18	(2)	–	16
Foreign currency monetary items	(39)	76	–	37
	1,573	394	(353)	1,614
Presented in the balance sheet as follows:				
Deferred tax (liability)				–
Deferred tax asset				1,614
				1,614

	CONSOLIDATED		COMPANY	
Unrecognised deferred tax assets	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000
The following deferred tax assets have not been brought to account as assets:				
Tax losses – capital (no expiry date)	**758**	758	**758**	758
Tax losses – revenue (expiry – 2011)	**33**	33	**–**	–
Tax losses – revenue (expiry – 2012)	**143**	143	**–**	–
Tax losses – revenue (expiry – 2013)	**202**	–	**–**	–
Tax losses – revenue (no expiry date)	**350**	355	**248**	235
	1,486	1,289	**1,006**	993

5. Key Management Personnel Compensation

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

	CONSOLIDATED		COMPANY	
	2008 $	2007 $	**2008 $**	2007 $
Short term employee benefits	**3,373,203**	3,702,108	**3,373,203**	3,702,108
Post-employment benefits	**376,716**	373,934	**376,716**	373,934
Other long term benefits	**52,903**	96,482	**52,903**	96,482
Termination benefits	**–**	–	**–**	–
Share-based payments	**392,498**	623,234	**392,498**	623,234
	4,195,320	4,795,758	**4,195,320**	4,795,758

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.

6. 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.

As required by AASB 2 the fair value of the shares issued is determined as the market price at grant date. During the year the Company granted entitlements to an allocation of ordinary shares provided specific objectives and allocations are met. The number of ordinary shares that will be issued for no consideration in relation to the services performed during the financial year ended 30 June 2008 is 29,515. The minimum number of shares that could be granted under the entitlement was 9,838 and the maximum number of ordinary shares that could be granted was 39,353 (2007: *). These shares had a fair value at grant date of $21.77 per share (2007:**)

* 39,062 was the actual maximum amount of shares granted in 2007.

** Due to a number of changes in the senior management team during 2007 several grant dates applied, as a result the following fair values applied to the number of shares listed below:

SHARES NUMBER	GRANT DATE	GRANT DATE FAIR VALUE $
31,989	18 September 2006	14.25
4,357	22 June 2007	20.03
2,084	19 January 2007	19.95
632	19 December 2006	17.85

6. Executive and Employee Share and Options Plan Continued

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			
		Greater than 4% but less than or equal to 8%	Greater than 8% but less than or equal to 12%	Greater than 12% but less than or equal to 16%	Greater than 16%
Chief Executive Officer	**2008 ****	**10**	**20**	**30**	**40**
	2007	10	20	30	40
Key Management Personnel	**2008 ***	**10**	**20**	**30**	**40**
	2007	5	10	15	20
Sales Director	**2008 ***	**10**	**20**	**30**	**40**
	2007 *	10	20	30	40
Other Senior Executives	**2008**	**2.5**	**5**	**7.5**	**10**
	2007	2.5	5	7.5	10

* Shares are subject to a two year holding lock whereby a percentage of the shares are treated as deferred shares. If the Senior Executive resigns or is terminated (except for reasons other than death, serious injury, disability or illness or involuntary early retirement) the deferred shares are treated as forfeited.

** In the absence of a Chief Executive Officer, the Chief Operating Officer.

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.

Issue of Share Rights to Key Management Personnel

During the prior year 25,000 rights in Blackmores shares were granted as part of compensation to the Sales Director, Reg Weine. These rights remain unvested as at 30 June 2008. These rights represent an equity-settled share-based payment, with the fair value at grant date of each right being determined as $20.03. These rights were issued for no consideration and do not have an exercise price.

These share rights vest over a period of three years, subject to the achievement of certain non-market based conditions relating to the continued employment of the employee and company performance as set out below:

PERCENTAGE OF SHARE RIGHTS OFFERED	ANNUALISED RATE OF EPS GROWTH OVER 3 YEARS
100	greater than 18%
75	greater than 14% but less than or equal to 18%
50	greater than 10% but less than or equal to 14%
Nil	less than 10%

A share-based payment expense of $Nil (2007:$166,917) was recorded in relation to these rights for the year ended 30 June 2008 with a corresponding credit recorded in the employee equity-settled reserve account. This amount has been included in the total remuneration for Reg Weine as set out in the Key Management Personnel Remuneration Disclosure on page 38 of the Directors Report.

Staff Share Acquisition Plan

The Company has 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. 3,782 shares were issued during the year ended 30 June 2008 (2007: 4,932 shares).

6. Executive and Employee Share and Options Plan Continued

Options Plan

At 1 July 2007 and at 1 July 2006 there were no share options outstanding, none were issued during the years ended 30 June 2008 and 2007 and as at 30 June 2008 and 2007 there were no unexercised share options.

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 Remuneration Report which accompanies these financial statements.

7. Remuneration of Auditors

	CONSOLIDATED		COMPANY	
	2008 $	2007 $	**2008 $**	2007 $
(a) Auditor of the parent entity:				
Auditing or reviewing the financial report	**208,700**	174,300	**208,700**	174,300
Taxation services	**88,994**	26,300	**88,994**	26,300
Other non-audit services *	**42,326**	20,764	**42,326**	20,764
	340,020	221,364	**340,020**	221,364
(b) Related practice of the parent company auditor:				
Auditing the financial report	**83,876**	94,534	**–**	–
Taxation services	**44,290**	60,158	**–**	–
Other non-audit services *	**–**	1,586	**–**	–
	128,166	156,278	**–**	–

The auditor of Blackmores Limited is Deloitte Touche Tohmatsu.

* Other non-audit services is comprised of fees in relation to the provision of accounting advice and consulting services.

8. Current Trade and Other Receivables

	$'000	$'000	**$'000**	$'000
Current trade and other receivables	**28,414**	29,330	**22,737**	24,089
Allowance for doubtful debts	**(185)**	(180)	**(185)**	(180)
Allowance for claims	**(140)**	(140)	**(140)**	(140)
	28,089	29,010	**22,412**	23,769
Amounts due from controlled entities (note 32 (h))	**–**	–	**2,738**	2,162
Allowance for doubtful debts from controlled entities	**–**	–	**(1,573)**	–
Goods and services tax (GST) recoverable	**127**	10	**75**	–
	28,216	29,020	**23,652**	25,931

The average credit period on sale of goods is 30 days from the end of the month of invoice. No interest is charged on trade receivables and the consolidated entity does not hold any collateral over these balances. Trade receivables consist of a large number of customers spread across several retail channels and geographical regions.

The concentration of risk is limited due to the customer base generally being large and unrelated. At 30 June 2008, the consolidated entity had 5 customers (2007: 5 customers) each comprising amounts greater than 5% of the total trade receivables. These customers owed the consolidated entity more than $1.4 million each and accounted for approximately 55% (2007: 51%) of all receivables owing.

8. Current Trade and Other Receivables continued

	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	COMPANY 2008 $'000	COMPANY 2007 $'000
Aging of past due but not impaired				
30 – 60 days	**2**	90	**2**	87
60 – 90 days	**33**	109	**33**	109
90 days +	**32**	149	**32**	149
Total	**67**	348	**67**	345

An allowance has been made for estimated irrecoverable trade receivable amounts arising from the past sale of goods, determined by reference to past default experience. In determining the recoverability of a trade receivable, the consolidated entity considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The consolidated entity manages credit risk by review of the balances outstanding and restrictive action is taken where necessary.

The credit risk of the Company is not materially different to that of the consolidated entity.

The average age of overdue receivables not impaired is 170 days (2007: 175 days).

Aging of impaired trade receivables

	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	COMPANY 2008 $'000	COMPANY 2007 $'000
0 – 30 days	**111**	–	**111**	–
30 – 60 days	**–**	3	**–**	3
60 – 90 days	**11**	27	**11**	27
90 days +	**63**	149	**63**	149
Total	**185**	180	**185**	180

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of $41,710 (2007: $49,024) which have been placed into liquidation. The consolidated entity does not hold any collateral over these balances. The directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Movement in the allowance for doubtful debts

	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	COMPANY 2008 $'000	COMPANY 2007 $'000
Balance at the beginning of the year	**180**	144	**180**	144
Impairment losses recognised on trade receivables	**50**	36	**50**	36
Impairment losses recognised on intercompany loan receivable	**–**	–	**1,573**	–
Amounts written off as uncollectable	**(45)**	–	**(45)**	–
Balance at the end of the year	**185**	180	**1,758**	180

9. Other Current Financial Assets

	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	COMPANY 2008 $'000	COMPANY 2007 $'000
Derivatives that are designated and effective as hedging instruments carried at fair value:				
Interest rate swaps	**1,777**	1,178	**1,777**	1,178

10. Current Inventories

	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	COMPANY 2008 $'000	COMPANY 2007 $'000
Raw materials	**6,258**	6,555	**6,258**	6,555
Work in progress	**–**	1	**–**	1
Finished goods	**11,248**	8,657	**8,884**	6,626
	17,506	15,213	**15,142**	13,182

11. Other Current Assets

	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	COMPANY 2008 $'000	COMPANY 2007 $'000
Other current assets and prepayments	**2,111**	1,419	**1,803**	1,209

12. Property, Plant and Equipment

	CONSOLIDATED					
	Freehold Land at cost	Buildings at cost*	Leasehold Improvements at cost	Plant and Equipment at cost	Capital Work in Progress	**Total**
	$'000	$'000	$'000	$'000	$'000	**$'000**
Gross Carrying Amount						
Balance at 30 June 2006	11,069	1,626	508	12,740	–	25,943
Additions	593	5,587	–	–	1,736	7,916
Category transfers	–	–	84	690	(774)	–
Disposals	–	(1)	(30)	(292)	–	(323)
Net foreign currency exchange differences arising on translation of financial statements of self-sustaining foreign operations	–	–	(4)	(13)	–	(17)
Balance at 30 June 2007	11,662	7,212	558	13,125	962	33,519
Additions	732	24,971	2	80	6,089	31,874
Category transfers	–	–	37	884	(921)	–
Disposals	–	–	–	(309)	–	(309)
Net foreign currency exchange differences arising on translation of financial statements of self-sustaining foreign operations	–	–	(7)	(25)	–	(32)
Balance at 30 June 2008	**12,394**	**32,183**	**590**	**13,755**	**6,130**	**65,052**
Accumulated Depreciation/ Amortisation						
Balance at 30 June 2006	–	(1)	(435)	(8,003)	–	(8,439)
Disposals	–	1	9	291	–	301
Depreciation expense	–	–	(34)	(1,538)	–	(1,572)
Net foreign currency exchange differences arising on translation of financial statements of self-sustaining foreign operations	–	–	1	8	–	9
Balance at 30 June 2007	–	–	(459)	(9,242)	–	(9,701)
Disposals	–	–	–	305	–	305
Depreciation expense	–	–	(40)	(1,869)	–	(1,909)
Net foreign currency exchange differences arising on translation of financial statements of self-sustaining foreign operations	–	–	3	19	–	22
Balance at 30 June 2008	**–**	**–**	**(496)**	**(10,787)**	**–**	**(11,283)**
Net Book Value						
As at 30 June 2007	11,662	7,212	99	3,883	962	23,818
As at 30 June 2008	**12,394**	**32,183**	**94**	**2,968**	**6,130**	**53,769**

* Buildings gross carrying amount includes capital work in progress related to the new building in the amount of $32,183,269 (2007: $7,211,515).

12. Property, Plant and Equipment continued

COMPANY

	Freehold Land at cost	Buildings at cost*	Leasehold Improvements at cost	Plant and Equipment at cost	Capital Work in Progress	**Total**
	$'000	$'000	$'000	$'000	$'000	**$'000**
Gross Carrying Amount						
Balance at 30 June 2006	11,069	1,626	427	12,424	–	25,546
Additions	593	5,587	–	–	1,675	7,855
Category transfers	–	(1)	63	651	(713)	–
Disposals	–	–	(6)	(283)	–	(289)
Balance at 30 June 2007	11,662	7,212	484	12,792	962	33,112
Additions	732	24,971	–	–	6,089	31,792
Category transfers	–	–	37	884	(921)	–
Disposals	–	–	–	(308)	–	(308)
Balance at 30 June 2008	**12,394**	**32,183**	**521**	**13,368**	**6,130**	**64,596**
Accumulated Depreciation/ Amortisation						
Balance at 30 June 2006	–	–	(421)	(7,815)	–	(8,236)
Disposals	–	–	–	286	–	286
Depreciation expense	–	–	(11)	(1,493)	–	(1,504)
Balance at 30 June 2007	–	–	(432)	(9,022)	–	(9,454)
Disposals	–	–	–	303	–	303
Depreciation expense	–	–	(18)	(1,804)	–	(1,822)
Balance at 30 June 2008	**–**	**–**	**(450)**	**(10,523)**	**–**	**(10,973)**
Net Book Value						
As at 30 June 2007	11,662	7,212	52	3,770	962	23,658
As at 30 June 2008	**12,394**	**32,183**	**71**	**2,845**	**6,130**	**53,623**

* Buildings gross carrying amount includes capital work in progress related to the new building in the amount of $32,183,269 (2007: $7,211,515).

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:				
Buildings	**–**	–	**–**	–
Leasehold improvements	**40**	34	**18**	11
Plant and equipment	**1,869**	1,538	**1,804**	1,493
	1,909	1,572	**1,822**	1,504

13. Other Non-Current Financial Assets

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Loans due under employee share plans	**–**	17	**–**	2
Shares in subsidiaries at cost	**–**	–	**3,869**	3,869
Other non-current assets	**10**	9	**–**	–
	10	26	**3,869**	3,871

14. Current Trade and Other Payables

The average credit period is 30 days from the end of the month of invoice. The consolidated entity has financial risk management policies in place to ensure all payables are paid within the credit timeframe.

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Trade payables	**9,086**	6,589	**8,615**	6,087
Goods and services tax (GST) payable	**–**	212	**–**	212
Other creditors and accruals	**11,949**	10,320	**10,572**	9,788
	21,035	17,121	**19,187**	16,087

15. Current Borrowings

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Secured:				
At amortised cost (2007: at amortised cost)				
Bank bills	**–**	–	**–**	–
Unsecured:				
Amounts due to controlled entities (i)	**–**	–	**2,597**	–
	–	–	**2,597**	–

i) Amounts repayable to related parties within the consolidated entity. Interest is charged at 9.45%p.a. (2007: 9.45%)

16. Current Tax Liabilities

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Income tax payable	**3,407**	2,723	**3,220**	2,454
	3,407	2,723	**3,220**	2,454

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
17. Current Provisions				
Employee benefits	**2,577**	2,325	**2,573**	2,325
Directors' retirement (Note 20)	**414**	414	**414**	414
Make good provision (Notes 20, 29)	**169**	45	**169**	45
Surplus lease space (Notes 20, 29)	**191**	–	**191**	–
	3,351	2,784	**3,347**	2,784
18. Non-Current Borrowings				
Secured:				
At amortised cost (2007: at amortised cost)				
Bank bills (i) (ii)	**37,956**	15,397	**37,956**	15,397
Unsecured:				
At amortised cost (2007: at amortised cost)				
Amounts due to controlled entities (iii)	**–**	–	**–**	3,605
	37,956	15,397	**37,956**	19,002

Summary of borrowing arrangements:

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 deferred tax assets.

iii) Amounts repayable to related parties within the consolidated entity. Interest is charged at 9.45% per annum (2007: 9.45%) and the loan is repayable upon liquidation of the related party.

	CONSOLIDATED		COMPANY	
19. Non-Current Provisions	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000
Employee benefits	**600**	483	**600**	483
Surplus lease space (Notes 20, 29)	**–**	191	**–**	191
	600	674	**600**	674

20. Provisions

	CONSOLIDATED AND COMPANY		
	Make Good Provision	Surplus Lease Space (i)	Directors' Retirement Benefits (ii)
	$'000	$'000	$'000
Balance at 30 June 2007	45	191	414
Additional provisions recognised	277	–	–
Payments made	(108)	–	–
Reductions resulting from the re-measurement of the estimated future sacrifice or the settlement of the provision without cost to the entity	(45)	–	–
Balance at 30 June 2008	**169**	**191**	**414**
Current (Note 17)	**169**	**191**	**414**
Non-Current (Note 19)	**–**	**–**	**–**

(i) The provision for surplus lease space (onerous contracts) 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.

Directors appointed prior to 1 October 2003 receive a retirement allowance of $15,333 per annum that is capped after 9 years' service at $138,000.

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
21. Capitalised Borrowing Costs				
Borrowing costs capitalised during the financial year	**1,212**	911	**1,212**	911

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	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
22. Issued Capital				
16,181,132 fully paid ordinary shares (2007: 16,035,873)	**19,264**	17,401	**19,264**	17,401
	19,264	17,401	**19,264**	17,401

	COMPANY 2008		COMPANY 2007	
	Number '000	**$'000**	Number '000	$'000
Fully Paid Ordinary Share Capital				
Balance at beginning of financial year	**16,035**	**17,401**	15,914	15,932
Issue of shares under executive and employee share plans (Notes 6, 32 (c))	**43**	**–**	32	–
Issue of shares under dividend reinvestment plan	**102**	**1,863**	89	1,469
Balance at end of financial year	**16,180**	**19,264**	16,035	17,401

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 6 to the financial statements.

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
23. Reserves				
Employee Equity-Settled Benefits Reserve	**2,551**	1,907	**2,551**	1,907
Hedging Reserve	**826**	825	**826**	825
Foreign Currency Translation Reserve	**(2,120)**	(1,075)	**–**	–
	1,257	1,657	**3,377**	2,732
Employee Equity-Settled Benefits Reserve				
Balance at beginning of financial year	**1,907**	1,153	**1,907**	1,153
Movements	**644**	754	**644**	754
Balance at end of financial year	**2,551**	1,907	**2,551**	1,907
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 6 to the financial statements.				
Hedging Reserve				
Balance at beginning of financial year	**825**	437	**825**	437
Gain/(loss) recognised on cash flow hedges:				
Interest rate swaps	**599**	741	**599**	741
Income tax related to gains/losses recognised in equity	**(180)**	(353)	**(180)**	(353)
Transferred to capital work in progress	**(418)**	–	**(418)**	–
Balance at end of financial year	**826**	825	**826**	825

23. Reserves continued

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		COMPANY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Foreign Currency Translation Reserve				
Balance at beginning of financial year	**(1,075)**	(780)	**–**	–
Translation of foreign operations	**(1,045)**	(295)	**–**	–
Balance at end of financial year	**(2,120)**	(1,075)	**–**	–

Exchange differences relating to foreign currency monetary items forming part of the net investment in a self-sustaining foreign operation and the translation of self-sustaining foreign controlled entities are brought to account by entries made directly to the foreign currency translation reserve, as described in Note 2 (o).

24. Retained Earnings

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Balance at beginning of financial year	**24,428**	20,044	**16,008**	13,146
Net profit attributable to members of the parent entity	**19,086**	16,671	**17,465**	15,149
Dividends paid (Note 26)	**(13,684)**	(12,287)	**(13,684)**	(12,287)
Balance at end of financial year	**29,830**	24,428	**19,789**	16,008

25. Earnings Per Share

	CONSOLIDATED	
	2008 Cents per Share	2007 Cents per Share
Basic earnings per share	**118.4**	104.3
Diluted earnings per share	**118.1**	104.1

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:

	2008 $'000	2007 $'000
Earnings (reconciles directly to net profit in the income statement)	**19,086**	16,671
	2008 Number	2007 Number
The weighted average number of ordinary shares on issue during the financial year used in the calculation of basic earnings per share	**16,120,100**	15,989,396

25. Earnings Per Share continued

Diluted Earnings per Share

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

	2008 $'000	2007 $'000
Earnings (reconciles directly to net profit in the income statement)	**19,086**	16,671
	2008 Number	2,007 Number
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**16,120,100**	15,989,396
Shares deemed to be issued for no consideration in respect of: Employee share plans	**46,020**	23,085
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	**16,166,120**	16,012,481

26. Dividends

	2008		**2007**	
Recognised amounts	**Cents per Share**	**Total $'000**	Cents per Share	Total $'000
Fully Paid Ordinary Shares				
Final dividend for year ended 30 June 2007 (2007: 30 June 2006)				
– fully franked at 30% corporate tax rate	**46**	**7,396**	42	6,686
Interim dividend for year ended 30 June 2008 (2007: 30 June 2007)				
– fully franked at 30% corporate tax rate	**39**	**6,288**	35	5,601
		13,684		12,287
Unrecognised Amounts:				
Fully paid ordinary shares				
Final dividend – fully franked at 30% corporate tax rate	**51**	**8,252**	46	7,377

The final dividend in respect of ordinary shares for the year ended 30 June 2008 has not been recognised in this financial report because the final dividend was declared, determined or publicly recommended subsequent to 30 June 2008. 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.

	COMPANY	
	2008 $'000	2007 $'000
Adjusted franking account balance (tax paid basis)	**7,720**	6,737
Impact on franking account balance of dividends not recognised	**(3,537)**	(3,162)
Income tax consequences of unrecognised amounts	**–**	–

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
27. Commitments for Expenditure				
Forward Foreign Exchange Contracts				
Not longer than 1 year	**7,203**	3,948	**7,203**	3,948
Research and Development Contracts				
Not longer than 1 year	**110**	315	**110**	315
Building Construction Contracts				
Not longer than 1 year	**11,200**	32,000	**11,200**	32,000
	18,513	36,263	**18,513**	36,263

Lease commitments:
Non-cancellable operating lease commitments are disclosed in note 29 of the financial statements.

28. Contingent Liabilities

Guarantee from Blackmores Limited to Pittwater Council in respect of construction of the new building	**–**	738	**–**	738
Guarantees from Blackmores Limited for the issuance of performance guarantees	**207**	207	**207**	207
	207	945	**207**	945

Variation claims by building contractor
The Company has received variations from the building contractor in respect of the construction of the Company's new building at Warriewood. There are a number of these claims that the Directors believe are not justified in their totality and will be addressed as per the contractual arrangements. No liability has been recorded in relation to these variation claims as at 30 June 2008.

29. Leases

Operating Leases

Leasing arrangements
Operating leases relate to business premises and the Company motor vehicle fleet with lease terms of between 3 to 5 years. All operating lease contracts contain market review clauses in the event that the Company/consolidated entity exercises its option to renew. The Company/consolidated entity does not have an option to purchase the leased asset at the expiry of the lease period.

Non-cancellable operating lease payments				
Not longer than 1 year	**1,684**	2,035	**1,643**	1,960
Longer than 1 year and not longer than 5 years	**895**	1,259	**895**	1,222
	2,579	3,294	**2,538**	3,182

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
29. Leases continued				
In respect of non-cancellable operating leases the following liabilities have been recognised:				
Current (Note 17)	**360**	45	**360**	45
Non-current (Note 19)	**–**	191	**–**	191
	360	236	**360**	236

30. Subsidiaries

		OWNERSHIP INTEREST	
Name of entity	Country of Incorporation	**2008 %**	2007 %
Parent Entity			
Blackmores Limited	Australia		
Controlled Entities			
Blackmores Nominees Pty Limited	Australia	**100**	100
Pat Health Limited	Hong Kong	**100**	100
Blackmores (Taiwan) Limited	Taiwan	**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**	100
PT Blackmores Indonusa*	Indonesia	**100**	100
Blackmores (NZ) Limited**	New Zealand	**100**	100
Abundant Earth Limited***	United Kingdom	**–**	100

* These companies did not trade during the 2008 or 2007 years.

** This company did not trade during the 2007 or 2008 years and will be liquidated in 2009.

*** This company did not trade during the 2007 or 2008 years and was liquidated in 2008.

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

Economic Dependency

The consolidated entity is not significantly dependent upon any other entity.

31. Segment Information

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. Segment Information continued

Segment Revenues

	EXTERNAL SALES		INTER-SEGMENT (i)		OTHER		TOTAL	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000
Australia	**151,811**	145,127	**9,696**	8,471	**501**	321	**162,008**	153,919
New Zealand	**3,615**	3,650	**173**	241	**846**	863	**4,634**	4,754
Asia	**23,355**	22,843	**–**	–	**1**	7	**23,356**	22,850
Other	**53**	34	**–**	–	**41**	51	**94**	85
Total of all segments							**190,092**	181,608
Eliminations							**(9,869)**	(8,712)
Consolidated							**180,223**	172,896

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

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

Segment Results	**2008 $'000**	2007 $'000
Australia	**23,202**	21,202
New Zealand	**857**	1,051
Asia	**1,859**	2,136
Other	**27**	33
Total of all segments	**25,945**	24,422
Eliminations	**1,529**	66
Profit before tax	**27,474**	24,488
Income tax expense	**(8,388)**	(7,817)
Profit for the year	**19,086**	16,671

	ASSETS*		LIABILITIES**	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Segment Assets and Liabilities				
Australia	**109,337**	77,177	**66,905**	41,035
New Zealand	**2,695**	3,605	**172**	33
Asia	**13,591**	12,367	**4,833**	3,691
Total of all segments	**125,623**	93,149	**71,910**	44,759
Eliminations	**(8,749)**	(10,729)	**(5,387)**	(5,825)
Consolidated	**116,874**	82,420	**66,523**	38,934

* Includes investments in and receivables from group companies.

** Includes amounts payable to group companies.

31. Segment Information continued

Other Segment Information

	AUSTRALIA		NEW ZEALAND		ASIA		OTHER	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000
Acquisition of segment assets	**31,792**	7,855	**–**	–	**82**	61	**–**	–
Depreciation and amortisation of segment assets	**1,822**	1,504	**–**	–	**87**	68	**–**	–
Other non-cash expenses *	**901**	369	**(58)**	(197)	**(76)**	(34)	**–**	–

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

32. 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 controlled entities are disclosed in Note 30 to the financial statements.

(b) Key Management Personnel Remuneration

Details of Key Management Personnel's remuneration are disclosed in note 5, note 6 and in the Remuneration Report which accompanies these financial statements.

(c) Key Management Personnel's Equity Holdings

Key Management Personnel's Employee Share Plans, Shareholdings and Share Rights:

There were no options unexercised as at 1 July 2006 and no issues since that date.

Fully paid ordinary shares of Blackmores Limited:

	Balance at 1/7/07	Received on Settlement of Rights	Net Change Other	Balance at 30/6/08
2008	No.	No.	No.	No.
M C Blackmore	4,869,120	–	(99,260)	4,769,860
S Chapman	16,388	–	393	16,781
V Fitzgerald	10,000	–	–	10,000
N Sparks	–	–	–	–
R Stovold	19,397	–	907	20,304
B Wallace	2,035	–	2,200	4,235
J Tait	192,296	9,985	–	202,281
P Barraket	122	3,268	493	3,883
L Burrows	7,483	2,905	537	10,925
P Daffy	50,106	2,469	(8,000)	44,575
C Howard	5,699	3,275	471	9,445
L Richards	12,150	1,896	–	14,046
R Weine	50	8,424	4,132	12,606
Total (for Key Management Personnel)	**5,184,846**	**32,222**	**(98,127)**	**5,118,941**

32. Related Party and Key Management Personnel Disclosures continued

2007	Balance at 1/7/06	Received on Settlement of Rights	Net Change Other	Balance at 30/6/07
	No.	No.	No.	No.
M C Blackmore	4,968,390	–	(99,270)	4,869,120
S Chapman	16,388	–	–	16,388
V Fitzgerald	20,000	–	(10,000)	10,000
N Sparks	–	–	–	–
R Stovold	18,500	–	897	19,397
B Wallace	2,000	–	35	2,035
J Tait	189,139	9,221	(6,064)	192,296
P Barraket	50	–	72	122
L Burrows	4,569	2,572	342	7,483
P Daffy	51,821	2,285	(4,000)	50,106
C Howard	2,437	3,020	242	5,699
L Richards	12,150	–	–	12,150
R Weine	462	3,527	(3,939)	50
A Pascoe[1]	19,838	3,938	(11,217)	12,559
Total (for Key Management Personnel)	**5,305,744**	**24,563**	**(132,902)**	**5,197,405**

1 A. Pascoe's closing share balance is at the date of his resignation (22 December 2006).

Rights to Shares:

2008	Balance at 1/7/07	Granted as Comp-ensation	Excer-cised	Net Other Change	Balance at 30/6/08	Balance vested at 30/6/08	Vested but not Excer-cisable	Vested and Excer-cisable	Rights Vested during Year
	No.	No.	No.	No.	No.	No.	No.	No.	No.
J Tait	9,985	5,690	(9,985)	–	5,690	5,690	–	5,690	5,690
P Barraket	3,268	3,912	(3,268)	–	3,912	1,956	–	1,956	1,956
L Burrows	2,905	3,058	(2,905)	–	3,058	1,529	–	1,529	1,529
P Daffy	2,469	2,600	(2,469)	–	2,600	1,300	–	1,300	1,300
C Howard	3,275	3,698	(3,275)	–	3,698	1,849	–	1,849	1,849
L Richards	1,896	2,987	(1,896)	–	2,987	1,494	–	1,494	1,494
R Weine	33,424	4,324	(8,424)	–	29,324	3,243	–	3,243	3,243
Total (for Key Management Personnel)	**57,222**	**26,269**	**(32,222)**	**–**	**51,269**	**17,061**	**–**	**17,061**	**17,061**

32. Related Party and Key Management Personnel Disclosures continued

2007	Balance at 1/7/06	Granted as Compensation	Excercised	Net Other Change	Balance at 30/6/07	Balance vested at 30/6/07	Vested but not Excercisable	Vested and Excercisable	Rights Vested during Year
	No.	No.	No.	No.	No.	No.	No.	No.	No.
J Tait	9,221	9,985	(9,221)	–	9,985	9,985	–	9,985	9,985
P Barraket	–	3,268	–	–	3,268	3,268	–	3,268	3,268
L Burrows	2,572	2,905	(2,572)	–	2,905	2,905	–	2,905	2,905
P Daffy	2,285	2,469	(2,285)	–	2,469	2,469	–	2,469	2,469
C Howard	3,020	3,275	(3,020)	–	3,275	3,275	–	3,275	3,275
L Richards	–	1,896	–	–	1,896	1,896	–	1,896	1,896
R Weine	3,527	33,424	(3,527)	–	33,424	6,318	–	6,318	6,318
A Pascoe[1]	3,938	4,256	(3,938)	(4,256)	–	–	–	–	–
Total (for Key Management Personnel)	**24,563**	**61,478**	**(24,563)**	**(4,256)**	**57,222**	**30,116**	**–**	**30,116**	**30,116**

1 A. Pascoe's Net Other Change is rights forfeiture due to resignation (22 December 2006).

d) Loan Disclosures

Loans to Key Management Personnel

	Balance at beginning	Interest Charged	Interest Not Charged	Write-Off	Balance at end	No. in Group
	$	$	$	$	$	
2008	**3,999**	**–**	**80**	**–**	**–**	**1**
2007	12,249	–	608	–	3,999	1

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 controlled entities; and
– other entities in the wholly-owned group.

The ultimate parent entity in the wholly-owned group is Blackmores Limited. During the financial year ended 30 June 2008, the following transactions occurred between Blackmores Limited and its other related parties:

32. Related Party and Key Management Personnel Disclosures continued

Sales of inventory to overseas entities	2008 $	2007 $
Blackmores (Singapore) Pte Limited*	**638,186**	545,191
Blackmores (Malaysia) Sdn Bhd*	**4,371,853**	3,665,033
Blackmores (Thailand) Limited*	**4,080,804**	4,056,427
Blackmores Limited (Taiwan) Limited*	**368,172**	245,152
Pat Health Limited*	**142,457**	203,799
The following balances arising from transactions between Blackmores Limited and its other related parties are outstanding at reporting date:		
Trade receivable amounts due (to)/from:		
Blackmores Nominees Pty Limited*	**–**	14,306
Blackmores (Singapore) Pte Limited*	**73,351**	119,538
Blackmores (Malaysia) Sdn Bhd*	**262,733**	502,138
Blackmores (Thailand) Limited*	**541,752**	700,003
Blackmores Limited (Taiwan) Limited*	**220,512**	26,968
Pat Health Limited*	**66,480**	73,833
Loan amounts due (to)/from:		
Blackmores Limited (Taiwan) Limited**	**1,572,835**	725,616
Blackmores (NZ) Limited***	**(2,596,944)**	(3,604,930)

* Amounts receivable from or payable to these related parties are interest free, unsecured and are subordinate to other liabilities. The amounts outstanding will be settled in cash. No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

** Amounts receivable from this related party are unsecured and are subordinate to other liabilities. Interest is charged monthly on the outstanding loan balance currently at 8.956%. Amounts outstanding are impaired to the value of the principal and interest due of $1.6m (2007: $nil) at the reporting date. No guarantees have been given or received.

*** Amounts payable to this related party are unsecured and are subordinate to other liabilities. Interest is charged monthly on the outstanding loan balance currently at 9.45%, two percentage points above the New Zealand Prime Lending rate. The amounts outstanding will be settled in cash. No guarantees have been given or received.

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 on the previous page at (d).

h) Balances with Related Parties
No balances have been written off and no provision for doubtful debts has been made against any balances with related parties, with the exception of the Taiwan loan which is impaired to the value of the principal and interest due of $1.6m (2007: $nil) at the reporting date.

i) Controlling Entities
The parent entity in the consolidated entity is Blackmores Limited.

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 has Indemnified others

	2008 $'000	2007 $'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	–	14
Total Assets	–	14
Current Liabilities		
Loan from Blackmores Limited	–	14
Total Liabilities	–	14

35. Notes to the Cash Flows Statement

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'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 and cash equivalents	12,153	10,129	8,139	6,499
Bank overdraft	–	–	–	–
	12,153	10,129	8,139	6,499
(b) Financing Facilities				
Secured bank overdraft facility, reviewed annually and payable at call:				
• amount used	–	–	–	–
• amount unused	2,500	2,500	2,500	2,500
	2,500	2,500	2,500	2,500
Secured bank bill acceptance facility, reviewed annually:				
• amount used	37,956	15,397	37,956	15,397
• amount unused	25,044	47,603	25,044	47,603
	63,000	63,000	63,000	63,000

35. Notes to the Cash Flows Statement continued

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
(c) Reconciliation of Profit From Ordinary Activities After Related Income Tax to Net Cash Flows From Operating Activities				
Profit for the year	**19,086**	16,671	**17,465**	15,149
(Gain)/loss on sale of non-current assets	**–**	15	**–**	(2)
Interest income received and receivable	**(503)**	(329)	**(598)**	(322)
Dividends received and receivable	**–**	–	**(1,184)**	–
Depreciation and amortisation of non-current assets	**1,909**	1,572	**1,822**	1,504
Impairment of intercompany loan	**–**	–	**1,573**	–
Unrealised foreign exchange gain/(loss)	**(273)**	254	**(273)**	254
Capitalisation of interest expense to borrowings	**–**	–	**156**	217
Equity-settled share-based payment	**644**	754	**644**	754
Other	**(191)**	74	**23**	(45)
Increase/(decrease) in current tax liability	**605**	1,083	**767**	1,051
Increase/(decrease) in deferred tax balances	**249**	145	**281**	(41)
Increase/(decrease) in deferred tax balances related to hedge reserve in equity	**(180)**	(353)	**(180)**	(353)
Changes in net assets and liabilities:				
(Increase)/decrease in assets:				
• Current receivables	**358**	(3,051)	**1,282**	(2,075)
• Current inventories	**(2,477)**	(916)	**(1,961)**	(1,408)
• Other debtors and prepayments	**360**	(378)	**380**	(482)
• Amounts receivable from subsidiaries	**–**	–	**272**	(352)
Increase/(decrease) in liabilities:				
• Current trade payables	**3,914**	1,216	**2,958**	1,140
• Current provisions	**208**	(38)	**203**	(38)
• Non-current provisions	**286**	76	**286**	76
Net cash from operating activities	**23,995**	16,795	**23,916**	15,027

(d) Non-cash financing and investing activities

Dividend payments during the financial year totalled $13,685,090 (2007: $12,287,023) of which $1,862,981 (2007: $1,468,786) relates to shares created under the Dividend Reinvestment Plan. The balance of $11,822,109 (2007: $10,818,237) was paid as cash to equity holders of the parent.

During the financial year the Company received a non-cash dividend of $726,787 (2007: $nil) from Blackmores (NZ) Limited and made a non cash payment of $713,369 (2007: $nil) on the outstanding loan balance due to Blackmores (NZ) Ltd.

36. Financial Instruments

(a) Capital Risk Management

The consolidated entity manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to stakeholders through optimisation of the debt and equity balance.

The consolidated entity's overall strategy remains unchanged from 2007.

36. Financial Instruments continued

The capital structure of the consolidated entity consists of debt which includes borrowings disclosed in notes 15 and 18, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 22, 23 and 24 respectively.

The consolidated entity operates globally, primarily through the Company and subsidiary companies established in the markets in which the consolidated entity trades. None of the entities within the group are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand the consolidated entity's manufacturing and distribution assets, as well as make the routine outflows of tax, dividends and repayment of maturing debt. The consolidated entity's policy is to borrow centrally, using a variety of capital market issues and borrowing facilities, to meet anticipated funding requirements.

Gearing ratio

The consolidated entity's Audit and Risk Committee reviews the capital structure of the consolidated entity and the Company on a semi-annual basis. Based upon recommendations of the committee the consolidated entity and the Company will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or redemption of existing debt with third parties and, if appropriate, related parties.

The gearing ratio at the end of the year was as follows:

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Financial assets				
Debt (i)	**37,956**	15,397	**37,956**	19,002
Cash and cash equivalents	**(12,153)**	(10,129)	**(8,139)**	(6,499)
Net debt	**25,803**	5,268	**29,817**	12,503
Equity (ii)	**50,351**	43,486	**42,430**	36,141
Net debt to (net debt plus equity) ratio	**33.9%**	10.8%	**41.3%**	25.7%

(i) Debt is defined as long and short-term borrowings, as detailed in notes 15 and 18.

(ii) Equity includes all capital and reserves

(b) Financial Risk Management

The consolidated entity seeks to minimise the effects of currency risk and interest rate risk, by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the consolidated entity's policies, approved by the Board of Directors, which provide written principles on foreign exchange risk, interest rate risk, and the use of financial derivatives.

(c) 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 and financial liability are disclosed in Note 2 to the financial statements.

(d) Market Risk Management

The consolidated entity and the Company undertake activities that expose them primarily to the financial risks of changes in foreign currency exchange rates (refer note 36(e)) and interest rates (refer note 36(f)). The consolidated entity and the Company enter into a variety of derivative financial instruments to manage their exposure to foreign currency and interest rate risk, including:

- foreign exchange forward contracts to hedge the exchange rate risk arising on the export of goods to overseas subsidiaries; and
- interest rate swaps to mitigate the risk of rising interest rates.

At a consolidated and Company level, market risk exposures are measured using sensitivity analysis and stress scenario analysis.

There has been no change to the consolidated entity's and the Company's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

36. Financial Instruments continued

(e) Foreign Currency Risk Management

The consolidated entity and the Company undertakes certain transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The Company is mainly exposed to Thai Baht (THB), Malaysian Ringgit (MYR), New Zealand dollar (NZD) and Taiwan dollar (TWD).

At the consolidated entity level the extent of exposure to foreign currencies is similar to that of the Company.

The Australian dollar carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities relating to intercompany balances at the reporting date is as follows:

	LIABILITIES		ASSETS	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Thai Baht	**–**	–	**542**	700
Malaysian Ringgit	**–**	–	**263**	502
New Zealand dollar	**(2,597)**	(3,605)	**–**	–
Taiwan dollar	**–**	–	**221**	753
Other	**–**	–	**140**	193

Forward Foreign Exchange Contracts

It is the policy of the consolidated entity and the Company to enter into forward foreign exchange contracts to cover the risk associated with certain anticipated sales arising in the next twelve months.

At the reporting date (2007: nil) there are no outstanding forward foreign exchange contracts. A number of forward foreign exchange contracts were entered into shortly after the reporting date, and these were in line with the policies of the consolidated entity.

Foreign Currency Sensitivity Analysis

The following table details the Company's sensitivity to a 10% increase and decrease in the Australian Dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

A positive number indicates an increase in profit and in equity when the Australian Dollar strengthens against the respective currency. For a weakening of the Australian Dollar against the respective currency there would be an equal and opposite impact on the profit and other equity, and the balance below would be negative.

	CONSOLIDATED ENTITY AND COMPANY	
Profit and Equity	**2008 $'000**	2007 $'000
THB Impact	**(54)**	(70)
MYR Impact	**(26)**	(50)
NZD Impact	**260**	361
TWD Impact	**(22)**	(75)

From time to time during the reporting period the Company and the consolidated entity entered into Foreign Currency Forward Exchange contracts in order to minimise the foreign currency risk.

36. Financial Instruments continued

(f) Interest Rate Risk Management

The consolidated entity and the Company is exposed to interest rate risk as it borrows funds on a floating interest rate basis. The risk is managed by the consolidated entity by the use of interest rate swap contracts. In 2006 the Company entered into an interest rate swap 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.

The following table sets out the consolidated entity's and the company's exposure to interest rate risk.

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Financial assets				
Cash and cash equivalents	**12,153**	10,129	**8,139**	6,499
Loans receivable	**–**	–	**1,573**	726
	12,153	10,129	**9,712**	7,225
Financial liabilities				
Borrowings	**(37,956)**	(15,397)	**(37,956)**	(15,397)
Loans payable	**–**	–	**(2,597)**	(3,605)
	(37,956)	(15,397)	**(40,553)**	(19,002)
	(25,803)	(5,268)	**(30,841)**	(11,777)
Interest rate swap *	**30,000**	30,000	**30,000**	30,000
Net exposure	**4,197**	24,732	**(841)**	18,223

* Represents the notional amount of the Interest rate swap

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

	AVERAGE CONTRACTED FIXED INTEREST RATE		FAIR VALUE NOTIONAL PRINCIPAL AMOUNT		FAIR VALUE	
Outstanding fixed for floating contracts	**2008 %**	2007 %	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000
Less than 1 Year	**–**	–	**–**	–	**–**	–
1 to 2 years	**–**	–	**–**	–	**–**	–
2 to 5 years	**5.92**	5.92	**30,000**	30,000	**1,777**	1,178
5 years +	**–**	–	**–**	–	**–**	–

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is the Australian Bank Bill Swap Bid Rate. All interest rate swap contracts are designated as cash flow hedges.

The consolidated entity and the Company will settle the difference between fixed and floating interest on a net basis.

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

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based upon the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

For the reporting period, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the consolidated entity's other equity reserves would increase by $474 thousand or decrease by $482 thousand respectively (2007: increase by $595 thousand or decrease by $605 thousand respectively) mainly as a result of the changes in the fair value of the interest rate swap.

36. Financial Instruments continued

The sensitivity in respect of the interest rate swap and third party borrowings did not have an impact on net profit for 2008 and 2007 of the consolidated entity and the Company because the interest expense relating to third party borrowings and the interest rate swap is capitalised in capital work in progress until completion of the asset.

At the company level the sensitivity to interest rate risk is similar to that of the consolidated entity.

(g) 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 and/or the Company. The consolidated entity and the Company has adopted a policy of only dealing with creditworthy counterparties. The consolidated entity and the Company only transacts with entities that have a positive credit history. The information used to determine creditworthiness is supplied by independent rating agencies where available and, if not available, the consolidated entity and the Company uses publicly available financial information, trade references and its own trading record to rate its major customers.

The quality of trade receivables have been discussed under note 8.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the consolidated entity's and the Company's maximum exposure of credit risk.

There has been no change to the consolidated entity's and the Company's exposure to credit risk or the manner in which it manages and measures the risk from the previous period.

(h) Liquidity Risk Management

Liquidity risk arises from the possibility that the Company and the consolidated entity may be unable to settle a transaction on the due date.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the consolidated entity's and the Company's short, medium, and long term funding and liability management requirements. The consolidated entity and the Company manages liquidity risk by maintaining adequate reserves and balancing facilities by continually monitoring forecast and actual cash flows.

The following tables detail the Company's and the consolidated entity's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Company and the consolidated entity can be required to pay. The table includes both interest and principal cash flows.

CONSOLIDATED

	Weighted average effective interest rate	1–3 months	3 months to 1 year	1–5 years	5+ years
	%	$'000	$'000	$'000	$'000
2008					
Trade and Other Payables	**0.00%**	**21,035**	**–**	**–**	**–**
Borrowings	**7.00%**	**–**	**2,620**	**48,438**	**–**
		21,035	**2,620**	**48,438**	**–**
2007					
Trade and Other Payables	0.00%	16,909	–	–	–
Borrowings	7.00%	171	2,216	24,250	–
		17,080	2,216	24,250	–

36. Financial Instruments continued

COMPANY

	Weighted average effective interest rate	1–3 months	3 months to 1 year	1–5 years	5+ years
	%	$'000	$'000	$'000	$'000
2008					
Trade and Other Payables	**0.00%**	**19,187**	**–**	**–**	**–**
Borrowings	**7.00%**	**3,605**	**2,620**	**48,438**	**–**
		22,792	**2,620**	**48,438**	**–**
2007					
Trade and Other Payables	0.00%	15,875	–	–	–
Borrowings	7.00%	171	2,216	27,855	–
		16,046	2,216	27,855	–

There has been no change to the consolidated entity's and the Company's exposure to liquidity risks or the manner in which it manages and measures the risk from the previous period.

(i) Fair value of financial instruments

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values, determined in accordance with the accounting policies disclosed in Note 2 to the financial statements.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions
- the fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Derivatives

Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Interest rate swaps are measured at present value of future cash flows estimated and discounted based upon the applicable yield curves derived from quoted interest rates.

37. Assets pledged as security

In accordance with the security arrangements of liabilities, as disclosed in note 18 to the financial statements, all non-current assets of the consolidated entity, except goodwill and deferred tax assets, have been pledged as security. The holder of the security does not have the right to sell or repledge the assets.

Additional Information

Number of Holders of Equity Securities as at 29 August 2008:

Ordinary Share Capital

16,185,195 fully paid ordinary shares are held by 5,824 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	3,707
1,001	–	5,000	1,835
5,001	–	10,000	166
10,001	–	100,000	100
100,001 and over			16
Total			5,824
Holdings less than a marketable parcel			71

Substantial Shareholders

		FULLY PAID	
Date of Notice	Ordinary Shareholders	Number	Percentage
26 March 2007	Marcus C Blackmore	4,869,120	30.36%

Twenty Largest Holders of Quoted Equity Securities as at 29 August 2008

	FULLY PAID	
Ordinary Shareholders	Number	Percentage
Mr M C Blackmore	3,994,302	24.68
Dietary Products (Aust) Pty Ltd	576,132	3.56
JP Morgan Nominees Aust Ltd	397,810	2.46
National Nominees Limited	363,131	2.24
Milton Corporation Limited	305,115	1.89
Gowing Bros Limited	207,363	1.28
Ms J A Tait	202,281	1.25
Blackmore Foundation Pty Ltd	200,000	1.24
Ms E M Whellan	182,868	1.13
Queensland Investment Corporation	178,811	1.10
Citicorp Nominees Pty Ltd (Cwlth Bank Off Super A/c)	155,000	0.96
ANZ Nominees	148,600	0.92
Mr R Shepherd	115,000	0.71
Trans State Nominees Pty Ltd	109,150	0.67
Rathvale Pty Ltd	100,411	0.62
Mrs Q H E Praeger	94,980	0.59
Invia Custodian Pty Ltd (A/c S McClay)	94,302	0.58
Mrs P G Wright	78,868	0.49
HSBC Custody Nominees	78,322	0.48
P G Wright, M G Wright and J G Wright	76,688	0.47
Total	**7,659,134**	**47.32**

Company Information

Company Secretary

The Company Secretary is Cecile Cooper B Bus, CPA, GAICD

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. Terms and Conditions of the Plan are available on our website at blackmores.com.au – (go to 'Investors' then click on 'Dividend Reinvestment Plan'; or contact the Company's share registry, Computershare Investor Services on 1300 855 080.

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).

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.

The annual report is available on our website at blackmores.com.au – (go to 'Investors' then click on 'Annual Report').

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 Peter Barraket, Chief Financial Officer, on (02) 9951 0111.

Board of Directors:

Directors who are executives of the Group:

Marcus C Blackmore
(Chairman of Directors)

Jennifer A Tait (Chief Operating Officer) – resigned from office of Director 28 August 2008.

Directors who are not executives of the Group:

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

Auditors:

Deloitte Touche Tohmatsu

Solicitors:

David Lemon

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

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