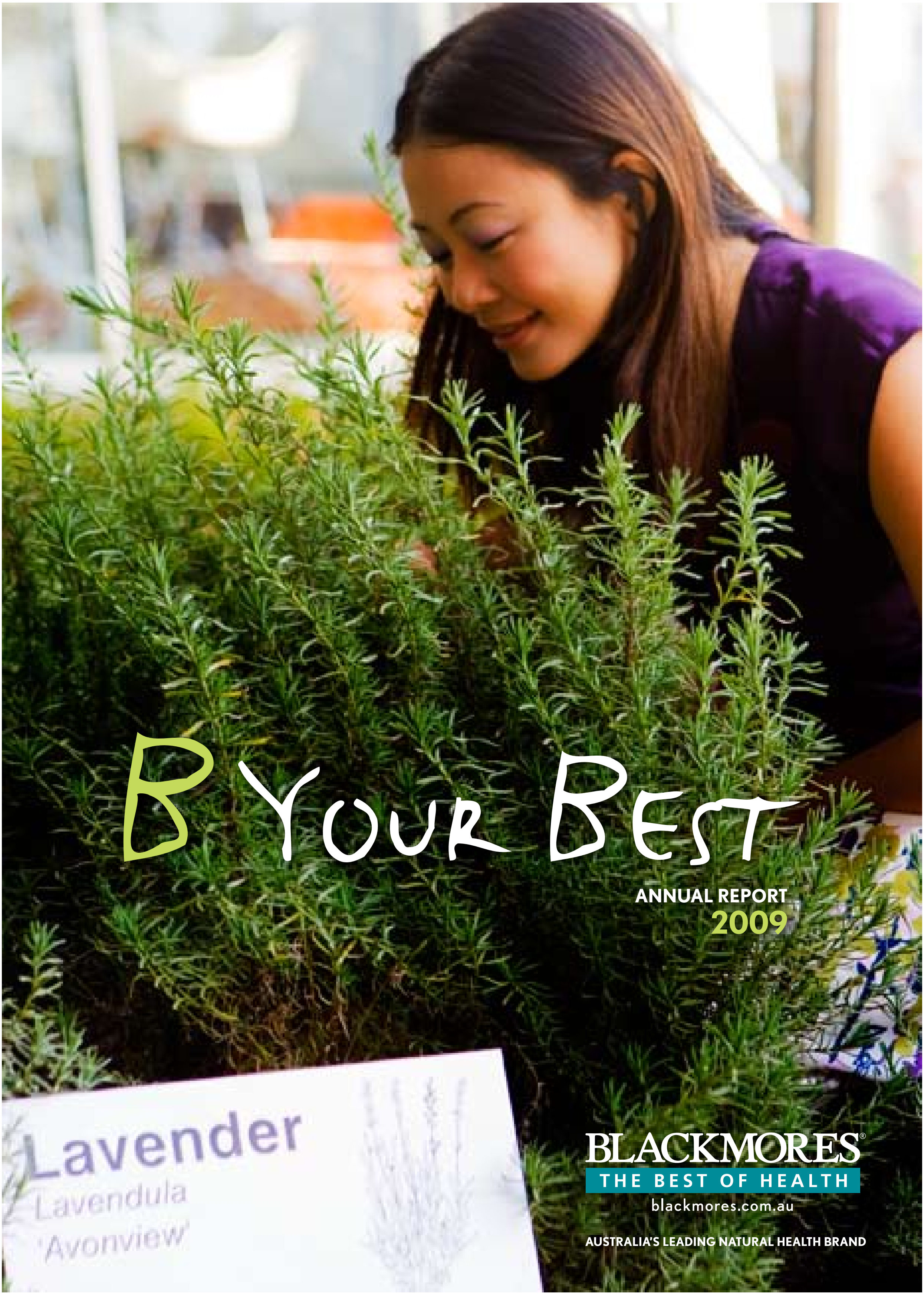


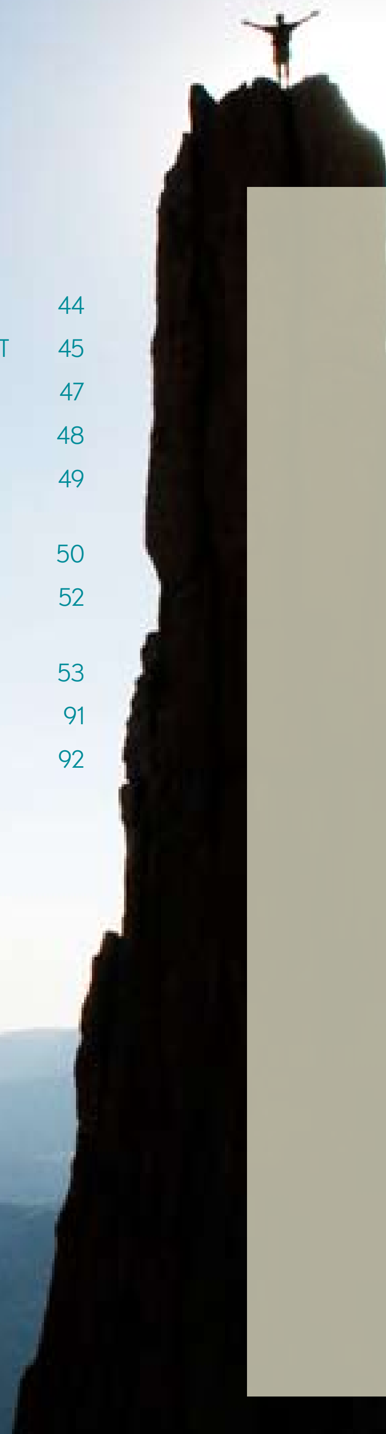
B Your Best

ANNUAL REPORT
2009

BLACKMORES®
THE BEST OF HEALTH
blackmores.com.au

AUSTRALIA'S LEADING NATURAL HEALTH BRAND

CONTENTS



ANNUAL GENERAL MEETING

The 47th Annual General Meeting of the Company will be held at 11am on 22 October 2009 at the Blackmores Campus, 20 Jubilee Avenue, Warriewood NSW 2102.

Cover image: Diana Heng, Blackmores Product Manager, in the Maurice Blackmore Memorial Herb Garden, Warriewood.

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.

OUR HISTORY

AUSTRALIA'S LEADING NATURAL HEALTH BRAND

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, with a main campus based in Warriewood on Sydney's Northern Beaches. Blackmores became a publicly listed company in May 1985.

Blackmores has been an industry leader in Australia for more than 70 years. The company had its beginnings in the 1930s, thanks to the vision and passion of one man, Maurice Blackmore (1906–1977), an English immigrant whose ideas about health were ahead of their 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 he 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 into 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 (Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme) 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.

BNatural

KATIE HAMILL
Blackmores Demand Manager

Blackmores recognises that every day people make choices about their health and wellbeing. We combine scientific evidence with traditional knowledge in the development of new products.

New Blackmores Kids Mineral Minds™ contains essential nutrients necessary for healthy young brains. Studies have shown that up to 76% of Australian school children have low iodine levels, which may impair IQ and reduce school performance.

The product is naturally flavoured without the use of artificial sweeteners, so you know you are giving your child nature's best.

It is a testament to our people and our organisation that we can deliver a successful result through a year of significant change and I would like to extend my personal thanks to the Board, the Executive Team and all Blackmores' staff for their commitment and valued contribution over the last year.

CHAIRMAN'S INTRODUCTION

OUR BUSINESS HAS EXPERIENCED SOME OF THE MOST EXCITING CHANGES IN OUR CORPORATE HISTORY OVER THE LAST 12 MONTHS WITH NEW LEADERSHIP, A REINVIGORATED GROWTH STRATEGY AND THE TRANSITION TO OUR NEW FACILITY.

Being recognised as the Most Trusted Vitamin and Supplement Brand as voted by Australians in the 2009 Reader's Digest Most Trusted Survey, is a timely reminder that, even in times of change, the values that have guided Blackmores for more than 70 years remain relevant.

LEADERSHIP

The appointment of Christine Holgate as Blackmores' Chief Executive Officer (CEO) has brought a renewed enthusiasm and transformed our business strategy. Christine is ably supported by a realigned leadership team including some key appointments who bring energy and experience from a broad range of sectors.

THE BLACKMORES CAMPUS

The Blackmores Campus at Warriewood is fully operational and is the physical embodiment of our commitment to creating an optimal workplace for our people, delivering superior products and minimising our impact on the environment.

The purpose-built facility brings new efficiencies and increased capacity to support our growth ambitions for the future.

INDUSTRY

Industry growth has continued in our Australian, New Zealand and Asian markets despite challenging economic conditions associated with the global financial crisis. With the growing public acceptance of complementary medicine, the global market for these products is predicted to continue to grow.

GOVERNMENT

Regulatory uncertainty continues to be an ongoing challenge, though we are encouraged by the appointment of The Honourable Mark Butler MP as the new Parliamentary Secretary for Health and Mr Michael Smith as the Head of the Office of Complementary Medicine. We are actively contributing to the process of refining the regulations for therapeutic goods and their advertising to ensure the sustainability of a viable, robust industry and the protection of consumer choice.

It is a testament to our people and our organisation that we can deliver a successful result through a year of significant change and I would like to extend my personal thanks to the Board, the Executive Team and all Blackmores' staff for their commitment and valued contribution over the last year.

Marcus C Blackmore AM
CHAIRMAN

YEAR IN REVIEW
from CEO Christine Holgate

DEAR SHAREHOLDER,

For the seventh consecutive year, the Board and management of your Company are pleased to report record profits and sales. On a personal note, I am particularly happy to announce such a strong result in my first report as Chief Executive Officer.

Such a positive sustained record is testament to the strong business fundamentals of Blackmores, including:

- innovative and high quality products;
- a strong brand;
- solid distribution networks;
- Asian presence;
- strategic marketing activity; and
- a high performing team.

For the year ended 30 June 2009, we posted a net profit after tax of $20.8 million, an increase of 9 per cent above last year's performance and well above our expectations.

We also saw Group revenue increase by 12 per cent to $201.2 million, earnings before interest and tax (EBIT) increase by 12 per cent and earnings per share increase by 8 per cent.

This is a particularly good result given the major operational changes undertaken, the level of investment in our new facilities, the challenging economic environment and the volatility of exchange rates.

We are very pleased to also report that our performance last year outpaced the 6 per cent growth that the vitamin, herbal and mineral supplement category in Australia continues to enjoy, particularly in the second half of the year.

PRODUCTS

This year, Blackmores continued to lead the market, supported by innovative new products.

In the second half of the year, we introduced a number of new products to the market, including Joint Formula Advanced, Back Pain Formula and Magnesium Powder and a children's range of our vitamins and supplements.

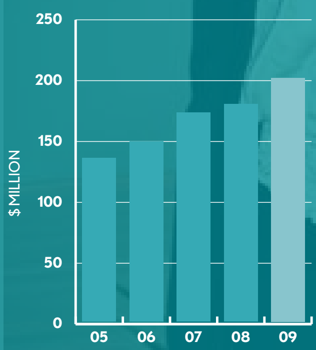
Each of these products, which were developed as a result of Blackmores better understanding our customers' needs, contributed to another record profit.

We recognise the important role our products play in the health of our customers and we are committed to continually improving existing products based on the latest scientific and consumer research, and to developing new breakthrough products.

The 2010 financial year will be no different, with a strong pipeline of products in development, including a new heart health range to be launched in the coming weeks.

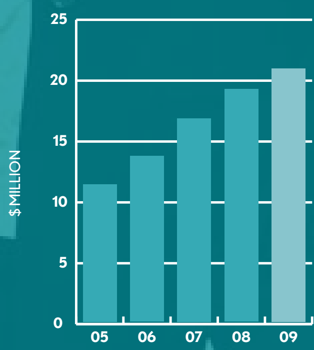
Cont...

SALES



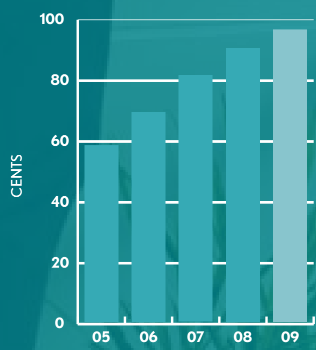
Group revenue from the sale of goods for the year of $200.3 million represented growth of 12.0 per cent over last year's sales result.

NET PROFIT AFTER TAX



Group Net Profit after Tax (NPAT) was $20.8 million for the year representing growth of 8.9 per cent on last year's reported profit.

ORDINARY DIVIDENDS



Including this year's final dividend of 57 cents per share, total ordinary dividends for the year were 96 cents per share (fully franked). This represents a 6.7 per cent increase over last year's total ordinary dividends of 90 cents per share.

YEAR IN REVIEW CONTINUED

BRAND

The Blackmores brand in Australia is synonymous with quality vitamins, minerals and supplements. We have retained our leadership position in the Australian market, while continuing to develop our brand internationally.

Importantly, there is an incredible trust factor associated with the Blackmores brand, which provides us with a significant competitive advantage. This is supported by the results of the 2009 Reader's Digest Australia's Most Trusted Survey, which recognised Blackmores as Australia's Most Trusted Vitamin and Supplement Brand.

Blackmores' successful integrated marketing strategy continues to deliver positive results for the brand and our innovative products.

DISTRIBUTION

The consolidation of the head office, manufacturing and distribution facilities to our new Blackmores Campus at Warriewood has had an enormous impact on our distribution channels – in terms of both supply chain savings and customer service.

It optimises materials handling, storage and order fulfilment, with improved occupational health and safety features.

The customer service benefits will include faster order turnaround with better access to stock.

In addition to the benefits delivered to our distribution chain, the environmental features of the campus will deliver longer-term payback through water and energy self-sufficiency, with a carbon footprint one eighth of that of a comparable development.

ASIA

Sales in the Asian region increased by 23 per cent overall, compared to the previous year, to AU$28.8 million. Our core businesses in Asia delivered positive growth in local currencies, with the result further enhanced by the impact of exchange rates.

Blackmores Malaysia grew sales by 2 per cent in that market. This was a solid performance against a backdrop of -3.1 per cent growth in the Malaysian economy, reduced household spending and the collapse of Malaysia's manufacturing exports. Blackmores enhanced its partnerships in the growing independent pharmacy channel and has a renewed focus on new product launches.

In addition to the benefits delivered to our distribution chain, the environmental features of the campus will deliver longer term payback through water and energy self-sufficiency with a carbon footprint one eighth of that of a comparable development.

Blackmores Thailand achieved 10.8 per cent sales growth in local currency despite the Thai economy experiencing negative economic growth. The result can be attributed to the premium positioning of the Blackmores brand, targeted sales promotions and a strong performance in modern chain pharmacies.

TEAM

The Blackmores team – from our youngest team members right through to the executive ranks – has been critical to the success we have continued to deliver.

In particular, this year, as part of the ongoing review of the business, we have made some significant changes which have further enhanced our performance.

We have realigned the business structure to enable Blackmores to be even more customer focused, with a centralised team delivering new products and driving further innovation.

These initiatives have provided the platform to further enhance our ability to provide our customers with better products and improved service and as a result continue to deliver ongoing positive performance.

OUTLOOK

The Company continues to perform well in all markets. There is plenty of opportunity to grow our business and build on our leadership position.

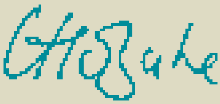
Blackmores is poised to leverage this opportunity.

Reflecting on the year, 2008/09 was most important in preparation for the future - we have strengthened the foundations underpinning our business.

The challenge for the coming year will be to realise the benefits of those efforts, to consolidate our strategy, focus on operational excellence, and to continue to deliver returns to our shareholders.

Management and the Board remain confident this can be achieved.

While the 2010 profit result will reflect a full year of interest and depreciation associated with the new premises and the volatility in exchange rates is expected to continue, we anticipate making a marginal increase in profit in the coming year as the Company continues to invest in new products and its people.



Christine Holgate
CHIEF EXECUTIVE OFFICER

B Innovative

PAM STONE

Naturopath, Director of Education

New products helped drive Blackmores' growth in the second half of the financial year. Pam Stone, Blackmores Naturopath and Director of Education, and her team travelled extensively throughout the year to educate consumers, retail staff and healthcare professionals on our new products. Supporting our product range with credible education and trusted information services is one of the ways Blackmores helps our customers be their best every day. To talk to a qualified naturopath, contact the Blackmores Naturopathic Advisory Service on 1800 803 760.

GROWING OUR BUSINESS

BLACKMORES AUSTRALIA

BLACKMORES INTRODUCED SEVEN NEW HEALTH OFFERINGS TO THE AUSTRALIAN MARKET IN FEBRUARY IN TWO VERY RELEVANT AND HIGH VALUE CATEGORIES – CHILDREN'S HEALTH; AND ARTHRITIS, JOINT, BONE AND MUSCLE HEALTH.

The children's health products include:

DAYCARE DEFENCE™

Young children often pick up colds and stomach germs as they play with friends at daycare. Daycare Defence™ is a great-tasting probiotic powder that helps support a normal immune system and may help reduce the duration and incidence of colds and diarrhoea. It contains no artificial sweeteners, colours or flavours.

KIDS FRUITY FISHIES™

Kid's Fruity Fishies are a source of highly concentrated omega-3 fatty acids developed specifically for children, which may assist with normal behaviour and healthy brain development and may play an important role in learning. They are one-a-day, chewable capsules with no artificial sweeteners, colours or flavours.

KIDS MINERAL MINDS™

Some Australian children have low levels of minerals that are necessary for normal brain development. Kids Mineral Minds™ is a chewable tablet containing minerals such as iodine. An adequate intake of iodine is needed by children for normal IQ development, learning and concentration. Importantly, they don't contain artificial sweeteners, colours or flavours.

KIDS MULTI

Children often go through periods of being fussy eaters making it difficult to ensure that they are getting the nutrients they need as they grow. Blackmores Kids Multi contains 18 essential nutrients for healthy growth and development. It has a great natural strawberry-vanilla flavour with no artificial sweeteners, colours or flavours.

In the arthritis, joint, bone and muscle category, Blackmores launched:

BACK PAIN FORMULA

A natural, effective approach to back pain relief, Blackmores Back Pain Formula can help relieve muscular pain of the back, neck and shoulders. It contains the clinically-trialled ingredient Devil's claw, shown to be gentle on the stomach compared to some pain relief medications and suitable for regular daily use. Results can be expected in as little as 2–4 weeks.

MAGNESIUM POWDER

Blackmores Magnesium Powder provides an easily absorbed form of magnesium. This formula also contains amino acids and B vitamins to assist with the production of energy during exercise. Blackmores Magnesium Powder may help to relieve muscular cramps and spasms and is available in a great-tasting orange flavour that contains no artificial flavours, colours or sweeteners.

GROWING OUR BUSINESS CONTINUED

INTERNATIONAL

This year, Blackmores launched 16 new products in Asia and five in New Zealand and introduced its award-winning website to the Asian region.

In Malaysia, Blackmores launched three new products in the eye and joint health segments and was pleased to be awarded Watson's Best Co-Op Marketing (Health Category) for the second consecutive year. Blackmores was also chosen by Guardian shoppers as the brand of choice for fish oil and adult multivitamins.

Blackmores launched a number of new products in Singapore in the children's and women's health segments.

In Hong Kong, the Blackmores Lutein-Vision launch included the support of a print advertising campaign.

In Thailand, Blackmores was awarded with the Reader's Digest Trusted Brand Award 2009 (Vitamin and Health Supplement Category). Watsons awarded Blackmores with the Health, Wellness and Beauty Award for Best Vitamin C and Best Promotion Support.

We continue to see our newly established business in Taiwan as an opportunity for growth and an important part of our strategy in the region. As a result, our Asian business headquarters will be based in that market from September 2009.

SALES FORCE AUTOMATION

A purpose-designed hardware and software solution was integrated into Blackmores' Australian sales force to streamline operational effectiveness, improve the level of service offered to retail customers and increase the field team's efficiency.

The new system gives sales representatives electronic access to a greater level of information, as well as providing a platform for order processing and data reporting. It enables higher levels of business integration through centralised knowledge management and standardised processes.

The sales force automation project was developed and rolled out nationally over the last year.

SOURCING

From the herb Devil's claw to Blackmores' glass bottles, our Operations Team is responsible for the sourcing and price negotiations of all key materials. The hundreds of ingredients used in Blackmores' products are sourced from all over the world.

Blackmores' qualified quality control team travels the world to source premium ingredients to ensure that suppliers meet the Company's high quality standards. Crop failures, changes in supply and demand and foreign exchange rate fluctuations can make the market for therapeutic ingredients highly volatile and their availability can be influenced by these factors.

To counter this, Blackmores establishes multiple sources to provide quality sourcing options and ensure continuity of supply. The team develops strong relationships with these suppliers and works collaboratively in creating ways to streamline and optimise the supply chain, reduce costs, increase value and ensure Blackmores can produce the highest quality product.

PRODUCTION

As part of the planning process for the move to the new Blackmores Campus at Warriewood, the business's capacity requirements were modelled for future growth. The design provided the space for eight lines, an increase from the five that were previously commissioned at the Balgowlah site, and involved a change to the layout of the previously U-shaped production lines into a new smart-flow configuration.

Within the first weeks at the new facility, the first of the additional new lines was incorporated, allowing for a 20 per cent increase in capacity. The new equipment, together with new production line layouts, is providing Blackmores' experienced team with immediate gains in output along with the tools to drive future efficiencies.

BGLOBAL

STEVE VILE AND SARAH GOULD

Supply Chain

Our sourcing team travels the world to source the best ingredients at the most competitive prices to deliver our customers high quality products that represent good value. Our own quality control team sources premium ingredients from across the globe and ensures that suppliers meet Blackmores' high standards. Crop failures, changes in supply and demand and foreign exchange rate fluctuations can make the market for our ingredients very volatile and their availability can be influenced by these factors. Our team has worked tirelessly over the year to ensure an ongoing supply of our customers' favourite products and to continue to optimise our supply chain.

SIMON MARKS

Blackmores Strategic Business Communications Manager

As parents we are constantly looking for ways to help our children be their best. Our new children's range, including Kids Multi, Kids Mineral Minds™, Kids Fruity Fishies™ and Daycare Defence™, has been a real success story this year.

These products were developed using the latest research in childhood nutrition, with advice from leading external organisations including the MINDD Foundation, with our in-house parents overseeing the all-important taste test!

BINSPIRED

INVESTING IN OUR BRAND

AWARDS

- 2008 Sustainable Small Company of the Year, Ethical Investor
- Australia's Most Trusted Vitamin and Supplement Brand, as judged by Australians in the 2009 Reader's Digest Australia's Most Trusted Survey
- Bronze Australian Direct Marketing Association award (Personal Care and Pharmaceutical Category) for the B Your Best Internet Membership Recruitment Campaign
- Complementary Healthcare Council (CHC) Award for Best Consumer Publication – Electronic Winner – Blackmores Email Newsletter
- CHC Award for Most Outstanding Contribution to Research, Education or Training Winner – Pam Stone
- 2008 Packaging Magazine Evolution Awards, where Blackmores was recognised as winner in the Pharmaceutical Packaging Action Award Category

CORPORATE SOCIAL RESPONSIBILITY

Boosting multivitamin sales and supporting the McGrath Foundation

Recent growth in the multivitamin category provided the opportunity for Blackmores to support a new cause-related marketing campaign in the third quarter of the financial year.

The campaign, in which a percentage of sales from all multivitamin products is donated to the McGrath Foundation, involved repackaging all multivitamin products with an attention-grabbing pink lid.

The integrated promotional activity was spearheaded by trusted former international cricketer, Glenn McGrath. This activity included television commercials, radio and print advertising and was supported by an extensive trade promotion.

The McGrath Foundation was co-founded by Jane and Glenn McGrath after Jane's initial recovery from breast cancer. The McGrath Foundation aims to raise money to place McGrath Breast Care Nurses in rural and regional Australia, as well as educating young women to be 'breast aware'. Blackmores is a proud supporter of the McGrath Foundation.

MACULAR DEGENERATION FOUNDATION

Blackmores continues to donate a percentage of sales of eye health products to the Macular Degeneration Foundation. In 2009, this figure reached over $2 million. These funds contribute to ongoing research and education programs to raise awareness of this widespread condition. The Macular Degeneration Foundation also runs support programs for those assisting people suffering from the condition.

INVESTING IN OUR BRAND CONTINUED

THE HEART RESEARCH INSTITUTE

Blackmores continued the principal sponsorship of the Heart Research Institute (HRI) Annual Fundraising Dinner. The guest of honour at the dinner was Her Excellency Professor Marie Bashir AC CVO, Governor of New South Wales. Blackmores was proud to stand alongside the HRI in rewarding outstanding Australian researchers and their achievements in preventing cardiovascular disease.

OTHER SPONSORSHIPS

On moving to Pittwater, where Warriewood is located on the Northern Beaches, Blackmores has committed to principal sponsorship of the Bilgola Surf Life Saving Club. This contributes to beach safety for the community and public through the provision of trained lifesavers. Bilgola Surf Life Saving Club and Blackmores share a common commitment to encouraging the local community to be fit and healthy and embrace Australian beach culture.

Blackmores is proud of its sponsorship program. Other deserving causes that Blackmores supports are Arthritis Australia, the Australian Thyroid Foundation, Cure Cancer Australia, the Gawler Foundation, the MINDD Foundation, Osteoporosis Australia, the Yalari Foundation and the Young Endeavour Youth Scheme.

MATCHED DONATIONS

Employees 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 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 proudly sponsored the establishment of the Blackmores Eye Unit in Mandalay, Myanmar, to save the sight of hundreds of people.

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.

The project has resulted in several major achievements over the last year:

- training and staffing of four ophthalmic technicians;
- purchase of necessary equipment; and
- provision of training for the local ophthalmic surgeons on a regular basis by the Australian team.

Political instability in the area resulted in the transfer of equipment, staff and the training program to an eye clinic in Wachet, Myanmar.

THE TEAM AT WACHET

Case Study

The little girl was only 13 with no memory of seeing. Her distraught mother had devoted her life to her child's needs. She had few facial expressions and very little to say. They had been to the Mandalay Eye and Ear Hospital, expending all of the family resources. There they were told that they could not be helped. The 'free' operation would cost more than their village could raise. As they wept on the bus returning home, a young monk squatted alongside them and listened to their problems. He suggested that they change buses for Sagaing, then catch a taxi up the river to Wachet. He had heard of an Australian team operating there. No charges. The team operated on the girl the following day, as the team believes waiting lists should not exist for children. She was morose for two days after a very successful operation. One does not appreciate how confronting vision is, and to what degree she was reflecting on a childhood lost. Day three was more hopeful – she smiled shyly and asked the Optechs if they could do the other eye.

INVESTING IN OUR BRAND CONTINUED

BLACKMORES.COM.AU

This year, a new free online health check was introduced to the website, where consumers can gauge the quality of their diet and lifestyle and access product recommendations. The campaign also encourages people to contact Blackmores' online Naturopathic Advisory Service.

Blackmores' Web TV and Podcasting initiatives commenced with a series of podcasts directed to special-interest groups within our customer database.

Blackmores proudly accepted an award at the Australian Direct Marketing Association Awards in the Personal Care and Pharmaceutical Category for the B Your Best Internet Membership Recruitment Campaign.

Our email news service was acknowledged at the Complementary Healthcare Council's Awards as Best Consumer Publication in the electronic category.

Blackmores was also recognised for best practice web design in the prestigious *Desktop* magazine. It was commended for educational and interactive elements as well as contemporary design.

Blackmores' membership database now stands at 285,818, an increase of 44 per cent on last year.

BLACKMORES MEDICAL WEBSITE

The Blackmores Medical Website was launched this year, providing a new evidence-based resource on complementary medicine.

The site has been designed as an important information source for doctors and provides useful tools and information such as an interactive complementary medicine interactions tool, the ability to order samples and product and therapeutic information. There is also a resource centre with live newsfeeds, medical blogs and featured videos.

It provides healthcare professionals with important information about how complementary medicines can be safely integrated into the management of common conditions. Membership is free for all Australian healthcare professionals and the site currently has over 1,788 members.

The Blackmores Sydney Running Festival attracted more than 25,000 participants and raised over $1.2 million for charities.

EDUCATION AND ADVISORY

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.

2009 saw the addition of 'click to call' and 'click to chat' options for the advisory service, available from the Blackmores website. These have been well received and utilised by thousands of customers.

The Education Department presented health information seminars and training to more than 11,500 people. The E-learning program expanded to include 11 modules with over 3,000 trade users registered on the program. The E-learning program, and Blackmores' Director of Education, Pam Stone, were recognised with a CHC Award for most outstanding contribution to research, education and training.

Blackmores' Education Department continued its commitment to professional education and training and its 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.

BLACKMORES SYDNEY RUNNING FESTIVAL

The Blackmores Sydney Running Festival was a great success this year, with a record number of 25,500 entries – a 27 per cent increase in participation on 2007.

The event, which invites participants to 'run for a cause' also raised over $1.2 million for charities.

Ambassadors for the 2008 event included *The Today Show* host Lisa Wilkinson, trusted international cricketer Glenn McGrath and former Wallabies captain Phil Kearns. This, combined with an extensive promotional and publicity drive, helped Blackmores achieve record brand exposure and publicity results, with a 17 per cent increase on the 2007 event.

The B Your Best movement was incorporated into the Blackmores Sydney Running Festival with the promotional focus on the B Your Best Training Challenge, for which 6,500 people registered and completed the challenge in preparation for the event.

For the second consecutive year, our Malaysian team leveraged the Blackmores Sydney Running Festival. A team of media representatives from various key daily newspapers and broadcast media, together with a Malaysian celebrity ambassador who represents the National Cancer Society of Malaysia, participated in the run.

BUILDING OUR FUTURE

RESEARCH AND DEVELOPMENT

RESEARCH REMAINS AN IMPORTANT PART OF BLACKMORES' INNOVATION STRATEGY. BLACKMORES' RESEARCH AND DEVELOPMENT TEAM CONTINUES TO SUPPORT AUSTRALIAN RESEARCHERS BY SUPPLYING EITHER FINANCIAL OR PRODUCT ASSISTANCE, WHICH IS CRITICAL IN HELPING TO BUILD AND SUSTAIN RESEARCH INTO COMPLEMENTARY AND ALTERNATIVE MEDICINES WITHIN AUSTRALIA.

In support of the growing investment in Australian research, Blackmores was a sponsor of the International Evidence-based Complementary Medicine Conference held at the University of New England in Armidale, New South Wales, in March 2009.

The 2009 financial year saw Blackmores' long involvement draw to a conclusion in the landmark VITATOPS trial – an international, multi-centre study looking at the effect of several B vitamins in the prevention of secondary stroke. The results of the VITATOPS trial will be known within the next year.

A collaborative study on the effects of three herbs on the relief of pain associated with osteoarthritis of the knee did not show significant improvement on measures of pain.

BLACKMORES RESEARCH SYMPOSIUM

The second Blackmores Research Symposium was held in Sydney in October 2008 and was themed 'Exploring a Lifestyle Prescription for the 21st Century'. The symposium was very successful, building on the themes established at the inaugural conference the previous year.

The delegates represented a wide cross-section including industry, regulators, healthcare professionals, researchers and scientists.

The two keynote speakers were Associate Professor Lynda A Frassetto from the University of California, San Francisco (USA), discussing the relationship of diet and renal function with acid-base balance and the ageing process, and Professor Bruce Armstrong AM from the University of Sydney who spoke on the protective effects of vitamin D on some cancers.

B ACTIVE

PITO HATHERLEY AND IVAN DRETVIC

Blackmores Employees

The in-house gym has been part of Blackmores' commitment to our people for many years. Employees are able to make use of the indoor and outdoor facilities including weights, cardio machines, a yoga and pilates area and a 25 meter lap pool as well as participate in classes run by qualified fitness trainers. Blackmores remains committed to a work environment that fosters satisfied and engaged employees who share a common desire to be their best.

BUILDING OUR FUTURE CONTINUED

THE NEW BLACKMORES CAMPUS

The Blackmores Campus was officially opened in May 2009 and is a world-class facility that includes innovative features to minimise the Company's environmental impact, drive operational efficiencies and to provide resources and amenities that demonstrate Blackmores' balanced approach to health, work and the environment.

The building comprises 3,700 square metres of the 25,000 square metre site, and is the Company's Australian headquarters. It has a carbon footprint one eighth of that of comparable developments.

The Campus has been designed to maintain an atmosphere that inspires passion for natural health and allows staff to be fully productive.

The new production facility has been expanded and now includes another packaging line which provides 20 per cent additional packaging capacity.

The smart flow-through design optimises logistics and supply chain management at all stages, from production through to storage and despatch. This integrated approach allows goods to be handled, stored, picked and despatched faster and more accurately than ever before.

This has flow-on benefits to Blackmores' retail customers which include a higher order fill rate, faster order turnaround, increased fulfilment accuracy and automated order tracking.

ENVIRONMENTAL SUSTAINABILITY

The Blackmores Campus design marks a significant step towards a carbon-neutral future for the business, including a goal of self-sufficiency in water and energy consumption. Generating power on-site from natural gas produces electricity to run the Company's operation and produces hot water as a by-product for use and for heating. This alone results in a reduction in carbon dioxide emissions that is estimated to be equivalent to taking 1,000 cars off the road for a year.

As part of Blackmores' commitment to further reduce carbon emissions and minimise our carbon footprint, the conversion of Blackmores' fleet vehicles to LPG remains on track with three quarters of the fleet

B World-class

The new Blackmores Campus

The Blackmores Campus was officially opened in May 2009 and is a world-class facility that includes innovative features to minimise the Company's environmental impact, drive operational efficiencies and to provide resources and amenities that demonstrate Blackmores' balanced approach to health, work and the environment.

converted already. The remaining cars will be converted by 2010.

As a signatory to the National Packaging Covenant since 2001, Blackmores is committed to reducing the environmental impact of our packaging, closing the recycling loop and developing economically viable and sustainable recycling systems.

The covenant marks eight years of continuous improvement in the environmental performance of Blackmores' packaging and waste minimisation, and this was acknowledged at the 2008 Packaging Magazine Evolution Awards, where Blackmores was recognised as winner in the Pharmaceutical Packaging Action Award Category – our third consecutive year as a finalist and second as winner.

Blackmores Thailand introduced the 'Blackmores B for Earth' promotion. The premise of the promotion was to invite shoppers to return an empty Blackmores bottle to receive a discount off their next purchase of a Blackmores product. Since Blackmores is the only major vitamin and supplements supplier in the Thai market packaging in recyclable glass, this was an important point of difference from our competitors. More than 11,500 empty bottles were collected. The revenue from the recycling was then donated to the Thai Environmental Corporation Foundation.

MANAGEMENT PROFILES

Christine Holgate
CHIEF EXECUTIVE OFFICER

Peter Barraket
DIRECTOR AUSTRALIA

Liz Burrows
DIRECTOR OPERATIONS

Richard Henfrey
DIRECTOR PEOPLE AND STRATEGY

Sue Moore
DIRECTOR PRODUCTS, DEVELOPMENT AND INNOVATION

Peter Osborne
DIRECTOR ASIA

Alison Quesnel
GENERAL MANAGER – NEW ZEALAND

Rananda Rich
(ACTING) CHIEF FINANCIAL OFFICER

Lee Richards
DIRECTOR TECHNOLOGY

Christine Holgate
CHIEF EXECUTIVE OFFICER

Christine has over 24 years of international sales and marketing experience working in highly regulated industries, including telecommunications, finance, media and healthcare. Christine was appointed to her current role as Chief Executive Officer by the Board in November 2008. She has held numerous board and senior management positions working in Europe, Asia, the Americas and Australia. Christine's prime responsibilities have been leading teams through significant change, growth and start up. Christine has three post graduate diplomas in Management, Marketing, and Purchasing and Supply; and a Masters Degree in Business Administration (MBA). Christine is also currently a board member of Aurora Television Limited.

Peter Barraket
DIRECTOR AUSTRALIA

Peter joined Blackmores in 2004 and was appointed Director Australia in May 2009 with responsibility for Australian sales, marketing, education and training and customer service. Prior to that, Peter was Blackmores' Chief Financial Officer and was responsible for leading a number of development and improvement initiatives across the business. During his 15 year career he has developed a broad range of knowledge and skills in the area of financial and business strategy.

Liz Burrows
DIRECTOR OPERATIONS

Liz has over 25 years of 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.

Richard Henfrey
DIRECTOR PEOPLE AND STRATEGY

Richard has over 15 years of experience in strategic and business development roles in highly regulated industries both in Australia, Europe and North America. He has delivered a broad range of growth-driving strategies that optimised performance and created business solutions for numerous organisations.
He is experienced in developing communications and people programs with proven success. Most recently he has worked for Telstra Corporation in a number of roles focused on business improvement and growth.

Sue Moore
DIRECTOR PRODUCTS, DEVELOPMENT AND INNOVATION

Sue has been involved in several strategic projects at Blackmores in recent months, was a key contributor to the organisational review and has a strong understanding of our business. Sue has more than 20 years of experience in consumer healthcare and global product marketing.

Peter Osborne
DIRECTOR ASIA

Peter brings more than 18 years of experience, most recently in Beijing, running the Australian Trade Commission's operations in China. He has extensive experience in trade development, export facilitation, regional trade arrangements and in developing successful market entry, promotional and marketing strategies for products and services in Asia.

Alison Quesnel
GENERAL MANAGER – NEW ZEALAND

Alison has been the General Manager of our business in NZ since 2000. She has considerable management and export experience across a range of categories, sectors and channels. Alison was recently elected to the Board of Natural Products New Zealand, the industry association for dietary supplements in NZ.

Rananda Rich
(ACTING) CHIEF FINANCIAL OFFICER

Financial Controller Rananda Rich led the Finance team while a formal recruitment process was undertaken for the Chief Financial Officer position. Rananda is a Chartered Accountant with more than 12 years of experience in finance in the UK and Australia. She has worked extensively in audit, as well as group financial reporting for a publicly listed top 50 company in Australia.

Lee Richards
DIRECTOR TECHNOLOGY

Lee has more than 30 years of experience in IT, spanning a variety of industries from distribution and manufacturing through to corporate banking. He has been with Blackmores since 2000 and, 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.

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement details Blackmores' corporate governance practices and compliance with the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations (2nd Edition).* This statement should be read in conjunction with the Directors and Remuneration Report at pages 30 to 43 of this Annual Report and the governance documents available on the Blackmores' website at blackmores.com.au (go to 'Investors', then click on 'Corporate Governance'). A copy of the principles can also be obtained by contacting the Company Secretary.

PRINCIPLE 1

Lay solid foundations for management and oversight

The Board has adopted a formal Board Charter which among other matters, sets out the responsibilities, structure and composition of the Board of Directors of the Company. The matters which require approval by the Board are included. A copy of the Board Charter is available on Blackmores' website. A summary of duties for the Chairman and the Chief Executive Officer are reviewed and agreed by the Board and include job descriptions for each role.

Blackmores has comprehensive performance guidelines in place. Underpinned by clearly defined objectives and measures developed though the overall process of performance management, each senior executive has had their performance assessed in line with the program during the period.

PRINCIPLE 2

Structure the Board to add value

The Board reviews its composition from time to time to ensure the Board benefits from an appropriate balance of skills and experience. Pages 30 to 31 set out the qualifications, expertise and experience of each Director at the date of this report and their period of office.

The Board considers all of its Non-Executive Directors to be independent. The Board regularly assesses the independence of each Non-Executive Director. Further details regarding criteria the Board considers in the assessment are contained on Blackmores' website.

There is a procedure in place which provides for Directors to take independent advice at the expense of the entity.

Mr Marcus C Blackmore holds the position of 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'. The Deputy Chairman, Mr Stephen Chapman is an independent Director. The Non-Executive Directors regularly meet without Executive Directors present. For these reasons, the recommendation has not been adopted.

The Board has established a Nominations Committee which comprises the full Board. The Board's policy for the nomination and appointment of Directors is to fulfil its responsibilities to shareholders by ensuring that the Board is comprised of individuals who are best able to discharge their responsibilities as Directors, having regard to the law and the highest standards of governance. A copy of the Committee's Charter is available on Blackmores' website.

A comprehensive self assessment of the Board, its Committees and member performance was conducted internally during the period.

PRINCIPLE 3

Promote ethical and responsible decision-making

Blackmores has a Code of Conduct to provide Directors and employees guidance on what is acceptable behaviour. Specifically, the Company requires all Directors, managers and employees maintain the highest standards of integrity and honesty. A copy of the Code of Conduct for Directors and employees is available on Blackmores' website.

Blackmores has established a policy with respect to trading in Blackmores' shares by Directors, management and staff. A copy of the policy is available on Blackmores' website.

PRINCIPLE 4

Safeguard integrity in financial reporting

Blackmores is committed to a transparent system for auditing and reporting of the Company's financial performance. The Board has established an Audit and Risk Committee which performs a central function in achieving this goal. A copy of the Committee's Charter is available on Blackmores' website.

The Chair and members of the Committee are independent Directors. The composition and structure of the Committee and membership attendance at meetings of the Committee are set out in the Directors' Report.

Blackmores' procedure on the appointment of external auditors is available on Blackmores' website. Separate discussions with the external auditors are held without management present as required.

PRINCIPLE 5

Make timely and balanced disclosure

Blackmores has established policies to ensure the market is informed of matters in compliance with the ASX Listing Rules disclosure requirements. A copy of the policy is available on Blackmores' website.

PRINCIPLE 6

Respect the rights of shareholders

Blackmores strives to convey to its shareholders and the investing public pertinent information in a detailed, regular, factual and timely manner. A copy of Blackmores' communication policy is available on Blackmores' website. Shareholders are encouraged to ask questions at the Annual General Meeting to ensure a high level of accountability and identification with Blackmores' strategy and goals.

PRINCIPLE 7

Recognise and manage risk

Blackmores has established policies for the oversight of material business risks. The Board has directed management to design, assess, monitor and review the risk management and internal control framework in place to manage these risks.

The key risk categories the control framework monitors and manages are:

- Strategic Risks such as demand shortfalls and failures to address competitor moves
- Financial Risks such as debt levels or ineffective financial management
- Operational Risks such as asset loss, cost overruns, OH & S and regulatory breach

The policies which are in place to manage risk are referenced on Blackmores' website.

The Board has required management to provide a report during the financial year as to whether the material business risks are being managed effectively. During the financial year both the Audit and Risk Committee and Board were provided reports on material risks covering the business assessment of the key inherent risks and the effectiveness of the controls in place to manage and minimise these where possible.

The CEO and the CFO have provided the Board in writing in accordance with s295A of the Corporations Act that the full year financial statements are founded on a sound system of risk management and internal control, which implements the policies adopted by the Board, and that the Company's risk management and internal control systems are operating efficiently and effectively in all material respects in relation to financial reporting risks.

PRINCIPLE 8

Remunerate fairly and responsibly

The Remuneration Report at pages 35 to 43 sets out details of Blackmores' policy and practices of remuneration for Non-Executive Directors and Senior Executives.

The Board has established a People and Remuneration Committee whose primary responsibility is to consider the remuneration strategy and policy and to make recommendations to the Board that are in the best interests of Blackmores and its shareholders. A copy of the Committee's Charter is available on Blackmores' website. The composition and structure of the Committee and membership attendance at meetings of the Committee are set out in the Directors' Report.

Retirement allowances were accrued until 1 October 2003 for Non-Executive Directors appointed prior to this date. No further retirement allowances have accrued to these individuals. Non-Executive Directors appointed after 1 October 2003 do not receive a retirement allowance.

Blackmores has prepared a policy for Board approval prior to the end of December 2009 that prohibits Executives from hedging or limiting the exposure of awards received under employee equity plans to share price risk.

FIVE YEAR HISTORY

	2009	2008	2007	2006[1]	2005
Sales[2]	**200,314**	178,833	171,653	147,988	134,449
Profit before tax	**29,228**	27,474	24,488	19,719	16,522
Income tax expense	**(8,446)**	(8,388)	(7,817)	(6,103)	(5,193)
Profit attributable to shareholders	**20,782**	19,086	16,671	13,616	11,329
Net debt	**33,640**	25,803	5,268	3,503	5,138
Shareholders' equity	**58,563**	50,351	43,486	36,786	30,601
Total assets	**138,572**	116,874	82,420	68,284	59,235
Current assets	**69,607**	61,763	56,959	48,687	42,779
Current liabilities	**34,966**	27,793	22,628	20,419	27,753
Net tangible assets	**56,824**	49,019	41,869	34,768	28,657
Earnings before interest and tax (EBIT)	**30,335**	26,972	24,242	20,009	16,959
Depreciation	**2,444**	1,909	1,572	1,855	1,881
Net interest[3]	**1,871**	709	665	1,057	437
Earnings before interest, depreciation, amortisation and tax	**32,779**	28,881	25,814	21,864	18,840
Net operating cash flows	**20,468**	23,995	16,795	14,557	11,831
Number of shares on issue ('000s)	**16,402**	16,181	16,035	15,914	15,870
Earnings per share – basic (cents)	**127.5**	118.4	104.3	85.7	71.4
Ordinary dividends per share (cents)	**96.0**	90.0	81.0	69.0	58.0
Share price at 30 June	**$16.00**	$16.40	$20.56	$13.90	$12.95
Net tangible assets (NTA) per share	**$3.46**	$3.03	$2.61	$2.18	$1.81

	2009	2008	2007	2006[1]	2005
Return on shareholders' equity[4]	**35.5%**	37.9%	38.3%	37.0%	37.0%
Return on assets[5]	**23.8%**	27.1%	32.2%	31.4%	30.8%
Dividend payout ratio	**75.3%**	76.0%	77.7%	80.5%	81.2%
Gearing ratio[6]	**36.5%**	33.9%	10.8%	8.7%	14.4%
EBIT to sales	**15.1%**	15.1%	14.1%	13.5%	12.6%
Effective tax rate	**28.9%**	30.5%	31.9%	30.9%	31.4%
Current assets to current liabilities (times)	**1.99**	2.22	2.52	2.38	1.54
Net interest cover (times)[7]	**16.2**	38.0	36.5	18.9	38.8
Gross interest cover (times)	**14.2**	22.3	24.4	16.4	33.3
% Change on prior year					
Sales	**12.0%**	4.2%	16.0%	10.1%	16.2%
EBIT	**12.5%**	11.3%	21.2%	18.0%	23.2%
Profit before interest, depreciation, amortisation and taxes	**13.5%**	11.9%	18.1%	16.1%	18.2%
Profit attributable to shareholders	**8.9%**	14.5%	22.4%	20.2%	21.7%
Ordinary dividends per share	**6.7%**	11.1%	17.4%	19.0%	26.1%

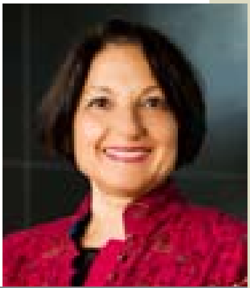
1. 2006 results exclude the impact of the sale of the Blackmores site at Balgowlah, including one-off net profit after tax of $835,000.
2. Represents revenue from the sale of goods and excludes other revenue items.
3. Net interest includes $764,228 (2008: $1,211,884) of capitalised interest.
4. Calculated as net profit after tax divided by closing shareholders' equity.
5. Calculated as EBIT divided by average total assets.
6. Gearing ratio is calculated as net debt dividend by the sum of net debt and shareholders' equity.
7. Net interest cover is calculated after adjusting interest expense for capitalised interest.

DIRECTORS' REPORT

Marcus C Blackmore AM
CHAIRMAN

Stephen J Chapman
DEPUTY CHAIRMAN AND INDEPENDENT DIRECTOR

Verilyn C Fitzgerald
INDEPENDENT DIRECTOR



Naseema Sparks
INDEPENDENT DIRECTOR

Robert L Stovold
INDEPENDENT DIRECTOR

Brent W Wallace
INDEPENDENT DIRECTOR

Christine Holgate
CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR

The Directors of Blackmores Limited (Blackmores) present their Report together with the Financial Statements of the consolidated entity, being Blackmores and the entities it controlled (Blackmores Group) at the end of or during the year ended 30 June 2009.

DIRECTORS' DETAILS

The following changes in the composition of the Board have occurred during the year and up to the date of this Report:

- Christine Holgate joined the Board on 25 November 2008; and
- Jennifer Tait retired from the Board on 28 August 2008.

Details of each Director's qualifications, experience and special responsibilities are set out below.

MARCUS C BLACKMORE AM

ND, MAICD

Chairman

Mr Blackmore has served on the Board since October 1973 and is the 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 Committee, and an honorary trustee of the Committee for the Economic Development of Australia (CEDA).

STEPHEN J CHAPMAN
BCOMM, MBA, CA, FAICD

Deputy Chairman and Independent Director

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.

VERILYN C FITZGERALD
MAICD

Independent Director

Ms Fitzgerald joined the Board in May 1997. She has over 25 years in international corporate management, including 13 years of experience as a Director of public companies in the Health and IT industries in Australia.

NASEEMA SPARKS
BPHARM, MPHARM (PHARMACOL), MBA, GAICD

Independent 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, Ms Sparks has worked in pharma industry, management consulting and advertising in Australia and the UK. Her most recent role was Managing Director of M&C Saatchi.

Ms Sparks is currently a Director of Mitchell Communication Group Limited, Deputy Chair of Osteoporosis Australia and Sydney Dance Company and is National President of Chief Executive Women (CEW).

ROBERT L STOVOLD

Independent Director

Mr Stovold is a qualified accountant with over 35 years of experience in corporate management, mergers and acquisitions and the property industry. He joined the Board in August 1996.

BRENT W WALLACE
BCOMM (MARKETING), GAICD

Independent Director

Mr Wallace joined the Board in October 2005. He is a co-founder and CEO of Galileo Kaleidoscope, a company known for its strategic marketing, brand and consumer research solutions.

Mr Wallace has over 30 years of 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 until 1996 was Managing Director of Ogilvy & Mather in Australia.

Mr Wallace is also a Board Director and Governor of World Wildlife Fund, the global environmental group.

CHRISTINE HOLGATE

Chief Executive Officer and Managing Director

Ms Holgate was appointed to her current role by the Board in November 2008 and has over 24 years of international sales and marketing experience working in highly regulated industries, including telecommunications, finance, media and healthcare. She has held numerous board and senior management positions working in Europe, Asia, the Americas and Australia. Her prime responsibilities have been leading teams through significant change, growth and start up. Ms Holgate has three post graduate diplomas in Management, Marketing, and Purchasing and Supply; and a Masters Degree in Business Administration (MBA). She is also currently a board member of Aurora Television Limited.

JENNIFER A TAIT
BSC (CHEM), FAICD

Ms Tait joined the Board in October 2004 and resigned during the year. She joined Blackmores in 1995 as Director of Operations and was appointed to the position of Chief Operating Officer and General Manager in 2003.

DIRECTORS' REPORT

BOARD MEMBERS' DIRECTORSHIPS

The table below shows the details of other listed public company directorships held by Board members over the last three years.

DIRECTOR	DIRECTORSHIP OF	DATE APPOINTED	DATE RESIGNED
Marcus Blackmore	No public company directorships		
Stephen Chapman	ING Australia Limited	1/1/08	current
	Macquarie Radio Networks Limited	1/11/02	21/11/08
	Hostworks Group Limited	17/2/97	10/3/08
Verilyn Fitzgerald	Independent Practitioner Network Limited	7/8/03	7/10/08
Naseema Sparks	Mitchell Communication Group Limited	12/3/07	current
Robert Stovold	Canberra Investment Corporation Limited	15/8/03	26/5/09
	Port Douglas Reef Resorts Limited	4/6/97	30/8/06
	Somnomed Limited	1/5/95	29/11/06
Brent Wallace	No public company directorships		
Christine Holgate	KeyCorp Limited	16/1/06	13/2/09

DIRECTORS' SHAREHOLDINGS

The following table sets out each Director's relevant interest in all financial instruments issued by Blackmores as at the date of this report.

DIRECTORS	FULLY PAID ORDINARY SHARES	SHARE RIGHTS	OTHER
M Blackmore	4,434,018		
S Chapman	20,914		
V Fitzgerald	10,000		
N Sparks	Nil		
R Stovold	26,723		
B Wallace	11,531		
C Holgate[1]	Nil	8,843	50,360
Total	**4,503,186**	**8,843**	**50,360**

1. Subject to the approval of shareholders at the 2009 Annual General Meeting, Ms Holgate will be granted 50,360 Blackmores shares for nil consideration as part of a special long-term incentive (SLTI). Eligibility for a SLTI was part of the employment contract agreed with Ms Holgate.

SHARE RIGHTS GRANTED TO DIRECTORS AND SENIOR EXECUTIVES

Selected Senior Executives are invited annually by the Board to participate in the Executive Performance Share Plan (EPSP). Under this plan, eligible Executives are granted rights to acquire shares in Blackmores. Refer to page 35 for more details. During the year the following rights to shares were granted:

	2009 NUMBER	2008 NUMBER
C Holgate	**20,189**	-
J Tait	-	7,587
P Barraket	**6,352**	5,216
L Burrows	**4,993**	4,078
P Daffy	**3,530**	3,466
R Henfrey	**1,016**	-
C Howard[2]	**5,986**	4,931
S Moore	**1,130**	-
P Osborne	**679**	-
R Rich[1]	**156**	-
L Richards	**4,835**	3,983
R Weine[2]	**7,035**	5,766

1. Rights granted during the year for R Rich are for the period as acting Chief Financial Officer (1 May 2009 to 30 June 2009).

2. Rights granted during the 2009 year to C Howard and R Weine did not vest as they left employment during the financial 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 Senior Executives of Blackmores.

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 35 to 43.

COMMITTEE MEMBERSHIPS

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

Audit and Risk:	Robert Stovold, Chair
	Stephen Chapman
	Verilyn Fitzgerald
	Brent Wallace
Nominations:	Verilyn Fitzgerald, Chair
	Marcus C Blackmore
	Stephen Chapman
	Naseema Sparks
	Robert Stovold
	Brent Wallace
People and Remuneration:	Verilyn Fitzgerald, Chair
	Marcus C Blackmore
	Stephen Chapman
	Naseema Sparks

COMPANY SECRETARY

Cecile Cooper BBus, Dip Inv Rel (AIRA), GAICD. Cecile joined Blackmores in 1991 as Finance Manager. She has held a variety of positions and her experience includes enterprise resource planning 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. Cecile is a Certified Practising Accountant and Chartered Secretary.

PRINCIPAL ACTIVITIES

The principal activity of the Blackmores Group in the course of the financial year was the development and marketing of health products including vitamins, herbal and mineral nutritional supplements. The Blackmores Group has operations in Australia, 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 Blackmores Group for the financial year was $20.8 million (2008: $19.1 million) which represents a 9% increase over the prior year. Sales for the year were $200.3 million (2008: $178.8 million), an increase of 12% compared to the prior year. Basic earnings per share increased from 118.4 cents per share to 127.5 cents per share (an increase of 8%). Net tangible assets per share increased from $3.03 last year to $3.46 this year. Net debt increased from $25.8 million last year to $33.6 million this year and the gearing ratio increased from 33.9 per cent last year to 36.5 per cent this year.

CHANGES IN STATE OF AFFAIRS

During the financial year there was no significant change in the state of affairs of the Blackmores Group other than that referred to in the financial statements or notes thereto and elsewhere in the Annual Report of Blackmores for the year ended 30 June 2009.

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 Blackmores Group, the results of those operations, or the state of affairs of the Blackmores Group in future financial years.

FUTURE DEVELOPMENTS

Disclosure of additional information not already disclosed elsewhere in the Annual Report of Blackmores for the year ended 30 June 2009 regarding the business strategies, prospects and likely developments in the operations of the Blackmores Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Blackmores Group. Accordingly, this information has not been disclosed in this report.

ENVIRONMENTAL REGULATIONS

The Company monitors its legal obligations and has its own self-imposed policies. The Directors 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.

DIRECTORS' REPORT

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 26 to 27 outlines the Company's current Corporate Governance principles and practices.

DIVIDENDS

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

- A final dividend of 51 cents per share fully franked in respect of the year ended 30 June 2008, as detailed in the Directors' Report for that financial year, was paid on 25 September 2008.
- An interim dividend of 39 cents per share fully franked in respect of the year ended 30 June 2009 was paid on 19 March 2009.
- On 27 August 2009, Directors declared a final dividend for the year ended 30 June 2009 of 57 cents per share fully franked, payable on 24 September 2009 to shareholders registered on 10 September 2009.

This will bring total ordinary dividends to 96 cents per share fully franked (2008: 90 cents per share fully franked) for the full year.

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year, Blackmores paid a premium in respect of a contract insuring the Directors, the Company Secretary and all Executive Officers of the Blackmores Group 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.

Blackmores has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an Officer or auditor of the Blackmores Group against a liability incurred as such an Officer or auditor.

DIRECTORS' MEETINGS

The number of Directors' meetings held (including meetings of Committees of Directors) during the financial year are as follows:

	BOARD OF DIRECTORS		PEOPLE AND REMUNERATION COMMITTEE		AUDIT AND RISK COMMITTEE	
DIRECTORS	HELD[1]	ATTENDED	HELD[1]	ATTENDED	HELD[1]	ATTENDED
M Blackmore	7	7	4	4	-	-
S Chapman	7	6	4	4	3	3
V Fitzgerald	7	7	4	4	3	3
N Sparks	7	7	4	4	-	-
R Stovold	7	7	-	-	3	3
B Wallace	7	7	-	-	3	3
C Holgate	4	4	-	-	-	-
J Tait	1	1	-	-	-	-

1. Reflects the number of meetings held during the time that the Director held office during the year.

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 auditor that it is 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 auditor and having regard to the nature and fees involved in the provision of these non-audit services, the 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 44 of this Annual Report.

ROUNDING OFF OF AMOUNTS

In accordance with the Australian Securities and Investments Commission (ASIC) Class Order 98/0100, dated 10 July 1998, the amounts in the Directors' Report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

REMUNERATION REPORT

REMUNERATION REPORT – AUDITED

To retain our position as Australia's leading natural health brand, and to achieve ongoing success for our company and shareholders, it is important for Blackmores to retain and attract the best and brightest in the industry.

Blackmores renumerates its people fairly and responsibly. Our remuneration policy is transparent and linked to both the individuals' and company performance. These guidelines are underpinned by clearly defined objectives and measures with each Senior Executive assessed in line with our performance management program.

In determining performance conditions, Blackmores aims to align Senior Executive interests with the interests of shareholders and the company, recognising EPS growth as the key driver of shareholder value.

This Remuneration Report forms part of the Directors' Report and sets out information about the remuneration of Blackmores Limited Directors and other Key Management Personnel. Key Management Personnel are the people with the authority and responsibility for planning, directing and controlling the activities of the Blackmores Group, directly or indirectly, including Executive and Non-Executive Directors. The Key Management Personnel include the top five highest-paid Group and Company Executives. The Remuneration Policy and programs detailed in this Report also apply to other senior Blackmores Group management not included as Key Management Personnel. The same group of individuals are classified as Directors and Key Management Personnel for the Blackmores Group and Blackmores.

This Report provides disclosure around the following topics:

1. Remuneration Policy
2. Relationship between Remuneration Policy and the Blackmores Group's Performance
3. Performance-based Remuneration
4. Chief Executive Officer's Remuneration Arrangements
5. Remuneration Disclosures for Directors and Key Management Personnel
6. Share-based Payments
7. Employment Contracts
8. Non-Executive Directors' Remuneration

1. Remuneration Policy

In April 1996 the Board of Directors established a Committee of Directors known as the People and Remuneration Committee. The primary responsibilities of the People and Remuneration Committee are to consider remuneration strategy and policy for Senior Executives and Non-Executive Directors of Blackmores and to make recommendations to the Board that are in the best interests of Blackmores and its shareholders. The People and Remuneration Committee operates in accordance with Blackmores' Corporate Governance Principle 8, particulars of which are available on our website at blackmores.com.au/Investors.

The People and Remuneration Committee obtains specialist external advice about remuneration structure and levels. The advice is used to help it assess the market to ensure that Senior Executives and Non-Executive Directors are being rewarded competitively, given their responsibilities and experience. Executive remuneration packages are also reviewed annually to ensure that an appropriate balance between fixed and incentive pay is achieved.

The People and Remuneration Committee has established a remuneration policy in order to:

- encourage a strong and long-term commitment to Blackmores;
- attract and retain talented Senior Executives and Directors; and
- enhance Blackmores' earnings and shareholder wealth.

Fixed and performance-related remuneration are structured to provide an incentive to Senior Executives to maximise Blackmores' profitability and increase returns to shareholders. Performance-related remuneration provides Executives with tangible incentives to meet Blackmores' objectives. Participation in incentive plans provides Senior Executives with the opportunity to share in the success and profitability of Blackmores and aligns Executives' interests with those of shareholders.

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 8 of this report.

SENIOR EXECUTIVE REMUNERATION

(a) Fixed remuneration reflects core performance requirements and expectations and is targeted to be reasonable and fair, taking into account Executives' responsibilities, competitive market practice and the size and scale of Blackmores' operations.

(b) Short-term incentives (STI) comprise cash payments linked to clearly specified annual performance targets. This element of remuneration is considered to be an effective tool in promoting the interests of Blackmores and its shareholders. The short-term incentive scheme is designed around appropriate performance benchmarks based on Blackmores' NPAT performance relative to budget and rewards only for materially improved Company performance.

(c) Senior Executives participate in the same profit share plan as all permanent Australian Blackmores staff.

(d) Long-term incentives (LTI): The Executive Performance Share Plan was approved at Blackmores' Annual General Meeting in November 2008. Participation is open to Senior Executives determined eligible by the Board. Under this plan, rights to acquire shares in Blackmores are granted annually to eligible Senior Executives at no cost and vest provided specific performance hurdles are met.

REMUNERATION REPORT

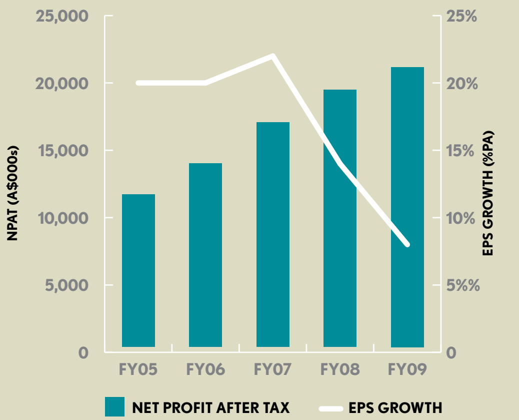
(e) Special long-term incentives: From time to time the Board may offer 'one-off' special long-term incentives (SLTIs) to particular Senior Executives in addition to the LTIs outlined in (d) above. During the 2009 financial year, the Chief Executive Officer and the Sales Director were entitled to awards under SLTIs. The Sales Director, Mr Weine, left employment during the financial year and forfeited his interest in the SLTI.

2. Relationship between Remuneration Policy and the Blackmores Group's Performance

Consistent with Blackmores' remuneration policy, the performance-based components of Senior Executive remuneration are designed to align the interests of the Senior Executives with the interests of Blackmores and its shareholders, with the objectives of growing Blackmores' earnings and increasing shareholder wealth. Performance-based remuneration is periodically reviewed and revised to ensure it continues to drive these objectives. NPAT and earnings per share (EPS) have been identified as key drivers of shareholder value and have consistently been used as performance measures in short-term and long-term incentive plans. Blackmores' policy is that short-term and long-term incentives will only be awarded when Blackmores meets performance hurdles.

Blackmores' earnings (NPAT) and consequences of Blackmores' performance on shareholder wealth are illustrated in the following graph.

NPAT AND EPS GROWTH



Note: NPAT for the financial year 2006 excludes non-recurring profit realised on sale of the site of Blackmores' former premises at 23 Roseberry Street, Balgowlah, NSW. Financial year 2005 NPAT is restated to reflect the introduction of A-IFRS accounting standards.

3. Performance-based Remuneration

3.1 SHORT-TERM INCENTIVES (STI)

3.1.1 PERFORMANCE CONDITIONS

(a) Under the current remuneration policy, unless Blackmores' NPAT is at least 95 per cent of budgeted NPAT for the relevant financial year, no STI payments will be made. If this target is reached, STI payments are made according to a sliding scale based on actual NPAT relative to budget as shown in the table below. STI percentages vary depending on Senior Executives' roles and seniority.

NPAT AS A PERCENTAGE OF BUDGET (AS % OF BASE REMUNERATION)	CHIEF EXECUTIVE OFFICER MAXIMUM STI	SENIOR EXECUTIVES MAXIMUM STI
less than 95%	0%	0%
equal to or greater than 95% but less than 100%	21%	13%
equal to or greater than 100% but less than 110%	39.4%	38%
equal to or greater than 110% but less than 120%	55.4%	58%
equal to or greater than 120% but less than 125%	63.4%	64%
equal to or greater than 125%	65%	65%

STI awards also reflect individual performance against objectives. Typical individual performance conditions include financial-based targets and team development skills. The person to whom a Senior Executive reports assesses that individual's performance by reviewing his or her individual objectives, key tasks and performance indicators and the extent to which they have been achieved. Individual objectives are set at the start of each financial year and are formally reviewed every six months. The Board oversees performance assessments for Key Management Personnel.

(b) As mentioned on page 35 under Section 1(c), Senior Executives participate in a profit share plan, whereby 10 per cent of Blackmores' Australian NPAT is allocated to all eligible permanent Australian staff on a pro-rata basis by reference to base remuneration.

3.1.2 RATIONALE FOR PERFORMANCE CONDITIONS

NPAT performance relative to budget is a well-recognised measure of financial performance and a key driver of shareholder returns. Using NPAT as an incentive performance measure ensures that incentive payments are aligned with Blackmores' business strategy and objectives.

The NPAT budget is approved on an annual basis by the Board and incentive targets are set by the Board at levels designed to reward stretch performance. NPAT is calculated by Blackmores at the end of the financial year and verified by reference to Blackmores' audited financial statements before any payment is made. This method was chosen to ensure transparency and consistency with disclosed information.

Individual performance was selected as a secondary performance condition to ensure that Senior Executives have clear objectives and performance indicators that are linked to Blackmores' performance.

3.1.3 STI OPPORTUNITY AWARDED AND FORFEITED

The table below shows the percentage of STI opportunity awarded in respect of the 2009 performance period.

NAME	% AWARDED OF THE MAXIMUM AVAILABLE[1]
Cecilia Howard[2]	0.0
Reg Weine[2]	0.0
Christine Holgate	58.2
All other Senior Executives	55.4

1. All Senior Executives were awarded the maximum STI attributable based on the Companys NPAT.

2. Cecilia Howard and Reg Weine left employment during the financial year.

3.2 LONG-TERM INCENTIVES (LTI)

3.2.1 PERFORMANCE CONDITIONS

Selected Senior Executives are invited annually by the Board to participate in the Executive Performance Share Plan (EPSP). Under this plan, eligible Executives are granted rights to acquire shares in Blackmores. The value of rights granted to Senior Executives is equivalent to a percentage of their base remuneration at the time of grant.

The number of rights granted to a Senior Executive is equivalent to 40 per cent of their base remuneration (or 100 per cent in the case of the CEO) divided by:

- the weighted average price of Blackmores' shares for the five day trading period commencing seven days after Blackmores' results in respect of the prior financial year (year ended 30 June 2008) are announced to the ASX, less
- the amount of any final dividend per share declared as payable (for the year ended 30 June 2008).

The number of rights vesting to Senior Executives is determined according to EPS growth in the financial year following grant as described in the table below.

EPS GROWTH (% OF NUMBER GRANTED)	NUMBER OF RIGHTS VESTING
greater than 4% but less than or equal to 8%	25%
greater than 8% but less than or equal to 12%	50%
greater than 12% but less than or equal to 16%	75%
greater than 16%	100%

Note: Rananda Rich acted in the role of Chief Financial Officer for the last two months of the financial year. The number of rights vesting to her will be one quarter of the percentages shown in the table above.

In the case of the Chief Executive Officer, rights vest in line with EPS growth as follows:

EPS GROWTH (% OF NUMBER GRANTED)	NUMBER OF RIGHTS VESTING
Greater than 4% but less than or equal to 5%	25.0%
Greater than 5% but less than or equal to 6%	31.3%
Greater than 6% but less than or equal to 7%	37.5%
Greater than 7% but less than or equal to 8%	43.8%
Greater than 8% but less than or equal to 9%	50.0%
Greater than 9% but less than or equal to 10%	56.3%
Greater than 10% but less than or equal to 11%	62.5%
Greater than 11% but less than or equal to 12%	68.8%
Greater than 12% but less than or equal to 13%	75.0%
Greater than 13% but less than or equal to 14%	81.3%
Greater than 14% but less than or equal to 15%	87.5%
Greater than 15% but less than or equal to 16%	93.8%
Greater than 16%	100.0%

Rights are automatically exercised following vesting, audit clearance of the financial statements and Board approval, and Blackmores shares are issued to participants at zero cost. The number of shares issued is identical to the number of rights exercised.

Shares issued to Senior Executive participants are split into two tranches as follows.

- Tranche 1 (50 per cent): participants have full beneficial and legal ownership of the shares issued.
- Tranche 2 (50 per cent): shares are subject to restrictions referred to as a 'holding lock'. During this period, participants are entitled to dividend income and have voting rights, but may not sell them or transfer their ownership. If participants are employed by Blackmores at the end of the two year period following vesting, the holding lock is lifted and participants acquire full beneficial and legal ownership of the shares. If a Senior Executive resigns or their employment is terminated during the holding lock period (except for reasons such as death, serious injury, disability, illness or involuntary early retirement), shares subject to the holding lock are forfeited.

Shares issued to senior managers are not subject to a holding lock.

REMUNERATION REPORT

3.2.2 RATIONALE FOR PERFORMANCE CONDITIONS

In determining the performance conditions for Blackmores' LTI plan, the Board has recognised EPS growth to be 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 basing vesting of rights on EPS growth encourages Senior Executives to improve Blackmores' financial performance. As Senior Executives increase their shareholding in Blackmores through awards received under the EPSP, their interests become more directly aligned with those of Blackmores' other shareholders.

Growth in EPS is calculated at the end of the financial year and verified with reference to Blackmores' audited financial statements prior to determining the number of rights that will vest. This method was chosen as it is an objective test, is easy to calculate and ensures transparency and consistency with public disclosures.

In the event of Blackmores experiencing an unusual decline in NPAT (EPS), the base for the next year will be reset by the Board in consultation with the People and Remuneration Committee.

3.3 STAFF SHARE ACQUISITION PLAN

Blackmores established a Staff Share Acquisition Plan during the financial year ended 30 June 2006. The plan is open to all employees, including Senior Executives, who may purchase up to $1,000 of Blackmores' shares tax free each year (subject to taxable income threshold limits) with money that would have otherwise been received under the profit share plan (refer to Section 3.1.1(b) of this Remuneration Report).

Blackmores has prepared a policy for Board approval prior to the end of December 2009 that prohibits Executives from hedging or limiting the exposure of awards received under employee equity plans to share price risk.

4. Chief Executive Officer's Remuneration Arrangements

ELEMENT	DESCRIPTION
Employment contract	Continuing contract with no fixed term
Termination clause	Six months of written notice (Company or employee initiated)
Fixed remuneration	$600,000 (inclusive of superannuation and applicable fringe benefits tax)
Profit share	As described under section Section 3.1.1(b)
STI	Annual STI opportunity is between 0% and 65% of Ms Holgate's fixed remuneration. See Section 3.1 for a description and explanation of why the STI performance conditions and their methods of assessment were selected.
LTI	LTI opportunity is between 0% and 100% of Ms Holgate's fixed remuneration. See Section 3.2 for a description and explanation of why the LTI performance conditions and their methods of assessment were selected.
SLTI	Subject to the approval of shareholders at the 2009 Annual General Meeting, Ms Holgate will be granted 50,360 Blackmores shares for nil consideration. Shares will be issued to Ms Holgate within 30 days of the date of shareholder approval and will vest subject to a service condition enforced by the following holding locks: • 30,216 shares will be subject to a holding lock ending 30 days after the audit clearance of the Company's 2011 financial statements; and • 20,144 shares will be subject to a holding lock ending 30 days after the audit clearance of the Company's 2013 financial statements. Eligibility for a SLTI was part of the contract agreed with Ms Holgate and announced to the ASX on 24 September 2008.

5. Remuneration Disclosures for Directors and Key Management Personnel

The following table discloses the remuneration of the Directors of Blackmores for the financial year ended 30 June 2009.

	SHORT-TERM EMPLOYMENT BENEFITS				POST-EMPLOYMENT BENEFITS	OTHER LONG-TERM EMPLOYMENT BENEFITS	SHARE-BASED PAYMENT				
	SALARY AND FEES	STI AND PROFIT SHARE[1]	NON-MONETARY[2]	OTHER[3]	SUPERANNUATION	OTHER[4]	SHARES AND RIGHTS	TOTAL	% OF PERFORMANCE BASED REMUNERATION	% OF NON-PERFORMANCE BASED REMUNERATION	% OF REMUNERATION IN RIGHTS
	$	$	$	$	$	$	$	$	%		
Marcus Blackmore Chairman[5]											
2009	**383,550**	**330,164**	**-**	**45,164**	**99,999**	**11,512**	**-**	**870,389**	**37.9%**	**62.1%**	**-**
2008	398,055	303,765	-	37,976	100,000	-	-	839,796	36.2%	63.8%	-
Stephen Chapman Non-Executive Director											
2009	**54,709**	**-**	**-**	**-**	**65,001**	**-**	**-**	**119,710**	**-**	**100.0%**	**-**
2008	68,817	-	-	-	36,232	-	-	105,049	-	100.0%	-
Verilyn Fitzgerald Non-Executive Director											
2009	**95,550**	**-**	**-**	**-**	**8,599**	**-**	**-**	**104,149**	**-**	**100.0%**	**-**
2008	77,498	-	-	-	6,975	-	-	84,473	-	100.0%	-
Naseema Sparks Non-Executive Director											
2009	**71,555**	**-**	**-**	**-**	**6,439**	**-**	**-**	**77,994**	**-**	**100.0%**	**-**
2008	69,140	-	-	-	6,223			75,363	-	100.0%	-
Robert Stovold Non-Executive Director											
2009	**76,550**	**-**	**-**	**-**	**6,889**	**-**	**-**	**83,439**	**-**	**100.0%**	**-**
2008	73,119	-	-	-	6,581	-	-	79,700	-	100.0%	-
Brent Wallace Non-Executive Director											
2009	**71,550**	**-**	**-**	**-**	**6,439**	**-**	**-**	**77,989**	**-**	**100.0%**	**-**
2008	69,050	-	-	-	6,215	-	-	75,265	-	100.0%	-
Christine Holgate Chief Executive Officer (joined 25 Nov 08)[6]											
2009	**342,735**	**179,109**	**-**	**27,922**	**10,308**	**-**	**225,421**	**785,495**	**51.5%**	**48.5%**	**3.8%**
2008	-	-	-	-	-	-	-	-	-	-	-
Jennifer Tait Chief Operating Officer (left 28 Aug 08)[6]											
2009	**68,152**	**-**	**-**	**4,039**	**3,436**	**523**	**-**	**76,150**	**-**	**100.0%**	**-**
2008	310,204	119,707	16,491	31,850	41,537	17,690	123,871	661,350	36.8%	63.2%	18.7%
Total remuneration											
2009	**1,164,351**	**509,273**	**-**	**77,125**	**207,110**	**12,035**	**225,421**	**2,195,315**	**33.5%**	**66.5%**	**1.4%**
2008	1,065,883	423,472	16,491	69,826	203,763	17,690	123,871	1,920,996	28.5%	71.5%	6.4%

Notes to this table are shown on page 41.

REMUNERATION REPORT

The following table discloses the remuneration of the Key Management Personnel of Blackmores (excluding Directors disclosed on the previous page) for the financial year ended 30 June 2009.

	SHORT-TERM EMPLOYMENT BENEFITS				POST-EMPLOYMENT BENEFITS	OTHER LONG-TERM EMPLOYMENT BENEFITS	SHARE-BASED PAYMENT				
	SALARY AND FEES	STI AND PROFIT SHARE[1]	NON-MONETARY[2]	OTHER[3]	SUPERANNUATION	OTHER[4]	SHARES AND RIGHTS	TOTAL	% OF PERFORMANCE BASED REMUNERATION	% OF NON-PERFORMANCE BASED REMUNERATION	% OF REMUNERATION IN RIGHTS
	$	$	$	$	$	$	$	$	%		
Peter Barraket Director Australia (formerly Chief Financial Officer)											
2009	**243,505**	**134,901**	**-**	**23,004**	**13,744**	**4,963**	**32,731**	**452,848**	**37.0%**	**63.0%**	**7.2%**
2008	243,288	106,920	-	24,178	13,129	7,083	56,776	451,374	36.3%	63.7%	12.6%
Liz Burrows Director Operations											
2009	**107,933**	**102,945**	**-**	**16,373**	**99,999**	**4,731**	**25,668**	**357,649**	**36.0%**	**64.0%**	**7.2%**
2008	146,144	88,781	-	16,221	56,014	5,903	44,381	357,444	37.3%	62.7%	12.4%
Richard Henfrey Director People and Strategy (Joined 4 May 09)[7]											
2009	**46,868**	**22,660**	**4,036**	**3,418**	**3,436**	**-**	**2,816**	**83,234**	**30.6%**	**69.4%**	**3.4%**
2008	-	-	-	-	-	-	-	-	-	-	-
Sue Moore Director Products, Development and Innovation (joined 1 May 09)											
2009	**44,039**	**24,287**	**-**	**6,243**	**3,436**	**-**	**3,131**	**81,136**	**33.8%**	**66.2%**	**3.9%**
2008	-	-	-	-	-	-	-	-	-	-	-
Peter Osborne Director Asia (joined 18 May 09)											
2009	**26,352**	**14,292**	**-**	**2,588**	**2,703**	**-**	**1,882**	**47,817**	**33.8%**	**66.2%**	**3.9%**
2008	-	-	-	-	-	-	-	-	-	-	-
Rananda Rich Acting Chief Financial Officer (1 May 09 to 30 Jun 09)											
2009	**30,472**	**8,720**	**-**	**1,944**	**2,380**	**105**	**710**	**44,331**	**21.3%**	**78.7%**	**1.6%**
2008	-	-	-	-	-	-	-	-	-	-	-
Lee Richards Director Technology											
2009	**178,291**	**99,633**	**18,975**	**11,972**	**13,744**	**6,073**	**24,948**	**353,636**	**35.2%**	**64.8%**	**7.1%**
2008	175,311	87,270	18,975	17,006	13,129	7,366	43,351	362,408	36.0%	64.0%	12.0%

	SHORT-TERM EMPLOYMENT BENEFITS				POST-EMPLOYMENT BENEFITS	OTHER LONG-TERM EMPLOYMENT BENEFITS	SHARE-BASED PAYMENT				
	SALARY AND FEES	STI AND PROFIT SHARE[1]	NON-MONETARY[2]	OTHER[3]	SUPERANNUATION	OTHER[4]	SHARES AND RIGHTS	TOTAL	% OF PERFORMANCE BASED REMUNERATION	% OF NON-PERFORMANCE BASED REMUNERATION	% OF REMUNERATION IN RIGHTS
	$	$	$	$	$	$	$	$	%		
Philip Daffy Director Research and Development (1 Jul 08 – 30 Apr 09)[5]											
2009	**129,900**	**82,626**	**-**	**10,677**	**4,239**	**2,601**	**19,732**	**249,775**	**41.0%**	**59.0%**	**7.9%**
2008	140,402	54,033	-	15,572	27,552	3,688	37,735	278,982	32.9%	67.1%	13.5%
Cecilia Howard Director Marketing (left 29 May 2009)[8]											
2009	**372,013**	**11,624**	**-**	**17,436**	**30,645**	**-**	**26,457**	**458,175**	**8.3%**	**91.7%**	**5.8%**
2008	184,232	77,385	-	20,597	50,000	5,620	53,671	391,505	33.5%	66.5%	13.7%
Reg Weine Director Sales (left 2 April 2009)[6, 8]											
2009	**387,078**	**13,198**	**38,226**	**14,338**	**10,308**	**-**	**(220,154)**	**242,994**	**-85.2%**	**185.2%**	**-90.6%**
2008	220,061	90,686	50,969	19,500	13,129	5,553	176,434	576,332	46.3%	53.7%	30.6%
Total remuneration											
2009	**1,566,451**	**514,886**	**61,237**	**107,993**	**184,634**	**18,473**	**(82,079)**	**2,371,595**	**18.2%**	**81.8%**	**-3.5%**
2008	1,109,438	505,075	69,944	113,074	172,953	35,213	412,348	2,418,045	37.9%	62.1%	17.1%

1. Amounts included in the 'STI and Profit Share' column include amounts paid by way of profit share on 17 December 2008 and 24 June 2009. The STI plan for the 2009 financial year was approved by the Remuneration Committee on 20 August 2008; awards will be paid following audit clearance of the Company's financial year 2009 results and Board approval.

2. Non-monetary benefits include motor vehicle benefits and notional interest not charged on loans under employee share plans which operated in prior years. Notional interest benefit is based on an estimate of the interest forgone by Blackmores.

3. Amounts disclosed as other short-term employment benefits relate to provisions for annual leave.

4. Other amounts shown under other long-term employment benefits relate to provisions for long service leave.

5. Effective 29 May 2009, Marcus Blackmore reduced his employment from five days to three days per week. Philip Daffy was employed four days per week.

6. Christine Holgate's FY09 share-based payment ($225,421) represents the combination of (a) $195,591, being the FY09 portion of SLTI shares and (b) the FY09 portion of the fair value of rights granted in FY09 ($29,830).

Jennifer Tait's FY08 share-based payment ($123,871) represents the fair value of rights granted in the FY08 financial year.

Reg Weine's FY09 share-based payment (-$220,154) represents the combination of (a) reversal of the fair value of share-based payments ($250,375), expensed in respect of Mr Weine in prior financial years that were forfeited by him on termination of his employment in FY09 and (b) the FY09 portion of the fair value of awards granted to Mr Weine in previous years expensed during FY09 ($30,221).

7. Salary and Fees include a $10,000 sign-on payment.

8. Salary and Fees include a $100,000 termination payment each for Reg Weine and Cecilia Howard.

REMUNERATION REPORT

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

6. Share-based Payments

The table below outlines the rights and shares outstanding to Senior Executives at 30 June 2009. The fair value of awards is calculated in accordance with AASB 2 'Share-based Payments'.

NAME	GRANT							VESTING			EXERCISE	END OF HOLDING LOCK	
	DATE	NOTE	NUMBER OF RIGHTS	FAIR VALUE PER RIGHT	TOTAL FAIR VALUE	SHARE PRICE	MAXIMUM VALUE[1]	DATE	NUMBER OF RIGHTS[2]	% OF NUMBER GRANTED	VALUE[3]	DATE	VALUE OF RIGHTS LAPSED
Christine Holgate	20/2/09	4	20,189	$10.12	$204,311	$12.00	$242,268	30/6/09	8,843	43.8%	N/A	30/6/11	$181,536
Jennifer Tait	16/10/07		7,587	$21.77	$165,169	$21.77	$165,169	30/6/08	5,690	75%	$91,040	17/9/08	
Peter Barraket	16/10/07		2,608	$21.77	$56,776	$21.77	$56,776	30/6/08	1,956	75%	$31,296	17/9/08	
	16/10/07	5	2,608	$21.77	$56,776	$21.77	$56,776	30/6/08	1,956	75%	$31,296	17/9/10	
	11/9/08		3,176	$17.51	$55,614	$18.20	$57,803	30/6/09	794	25%	N/A	Sep-09	$38,112
	11/9/08	5	3,176	$17.51	$55,614	$18.20	$57,803	30/6/09	794	25%	N/A	30/6/11	$38,112
Liz Burrows	16/10/07		2,039	$21.77	$44,389	$21.77	$44,389	30/6/08	1,529	75%	$24,464	17/9/08	
	16/10/07	5	2,039	$21.77	$44,389	$21.77	$44,389	30/6/08	1,529	75%	$24,464	17/9/10	
	11/9/08		2,497	$17.51	$43,724	$18.20	$45,445	30/6/09	624	25%	N/A	Sep-09	$29,968
	11/9/08	5	2,496	$17.51	$43,707	$18.20	$45,427	30/6/09	624	25%	N/A	30/6/11	$29,952
Philip Daffy	16/10/07		1,733	$21.77	$37,727	$21.77	$37,727	30/6/08	1,300	75%	$20,800	17/9/08	
	16/10/07	5	1,733	$21.77	$37,727	$21.77	$37,727	30/6/08	1,300	75%	$20,800	17/9/10	
	11/9/08		1,765	$17.51	$30,906	$18.20	$32,123	30/6/09	441	25%	N/A	Sep-09	$21,184
	11/9/08	5	1,765	$17.51	$30,906	$18.20	$32,123	30/6/09	441	25%	N/A	30/6/11	$21,184
Richard Henfrey	16/6/09		508	$16.63	$8,446	$16.66	$8,463	30/6/09	127	25%	N/A	Sep-09	$6,096
	16/6/09	5	508	$16.63	$8,446	$16.66	$8,463	30/6/09	127	25%	N/A	30/6/11	$6,096
Cecilia Howard	16/10/07		2,466	$21.77	$53,685	$21.77	$53,685	30/6/08	1,849	75%	$29.584	17/9/08	
	16/10/07		2,465	$21.77	$53,663	$21.77	$53,663	30/6/08	1,849	75%	$29.584	15/4/09	
	11/9/08		5,986	$17.51	$106,252	$18.20	$108,945	N/A		0%	N/A	N/A	$95,297
Sue Moore	16/6/09		565	$16.63	$9,394	$16.66	$9,413	30/6/09	141	25%	N/A	Sep-09	$6,784
	16/6/09	5	565	$16.63	$9,394	$16.66	$9,413	30/6/09	141	25%	N/A	30/6/11	$6,784
Peter Osborne	16/6/09		340	$16.63	$5,653	$16.66	$5,664	30/6/09	85	25%	N/A	Sep-09	$4,080
	16/6/09	5	339	$16.63	$5,636	$16.66	$5,648	30/6/09	85	25%	N/A	30/6/11	$4,064
Rananda Rich	11/9/08		156	$18.20	$2,839	$18.20	$2,839	30/6/09	39	25%	N/A	Sep-09	$1,872
Lee Richards	16/10/07		1,992	$21.77	$43,355	$21.77	$43,355	30/6/08	1,494	75%	$23,896	17/9/08	
	16/10/07	5	1,991	$21.77	$43,344	$21.77	$43,344	30/6/08	1,494	75%	$23,896	17/9/10	
	11/9/08		2,418	$17.51	$42,341	$18.20	$44,008	30/6/09	604	25%	N/A	Sep-09	$29,024
	11/9/08	5	2,417	$17.51	$42,323	$18.20	$43,989	30/6/09	605	25%	N/A	30/6/11	$28,992
Reg Weine	16/10/07		4,325	$21.77	$94,155	$21.77	$94,155	30/6/08	3,243	75%	$51,888	17/9/08	
	16/10/07		1,441	$21.77	$31,371	$21.77	$31,371	30/6/08	1,081	75%	$17,296	6/4/09	
	22/6/07		8,424	$20.01	$168,586	$20.03	$168,733	30/6/07	2,106	25%	$45,784	6/4/09	
	22/6/07	6	25,000	$21.77	$544,250	$20.03	$500,750	N/A		N/A	N/A	N/A	$312,500
	11/9/08		7,035	$17.51	$124,871	$18.20	$128,037	N/A		0%	N/A	N/A	$87,938

1. Disclosure of maximum value is required under s300A of the Corporations Act 2001. The value disclosed represents the underlying rights value of shares at the time of grant multiplied by the number of rights granted to each individual. The minimum value of rights awarded is zero if performance conditions are not achieved.

2. The number of rights vesting is equal to the number of rights exercised and the number of shares issued; vesting occurs on 30 June and shares are issued in September following audit clearance of the Company's results and Board approval.

3. Value of rights at exercise is equal to the number of rights exercised multiplied by the share price at exercise date.

4. Shares are subject to a two year holding lock. If the CEO resigns or if employment ceases for reasons such as serious misconduct, then the deferred shares are forfeited.

5. Shares are subject to a two year holding lock. If the Senior Executive resigns or their employment is terminated prior to the end of the holding lock (except for reasons such as death, serious injury, disability, illness or involuntary early retirement), these shares will be forfeited.

6. 25,000 rights to acquire Blackmores shares were granted as part of compensation to Mr Weine in the 2007 financial year. These rights did not vest as Mr Weine left employment during the 2009 financial year. Mr Weine's share-based compensation for the 2009 financial year (shown in the table in Section 5) is negative because it represents the reversal of the cost of share-based compensation disclosed in the 2007 and 2008 financial years.

7. Employment Contracts

The following Senior Executives have employment contracts: Peter Barraket, Liz Burrows, Philip Daffy, Richard Henfrey, Christine Holgate, Peter Osborne, Ranända Rich, Lee Richards and Sue Moore. No contract is for a fixed term.

7.1 TERMINATION

Senior Executives' contracts can be terminated by Blackmores or the Senior Executive providing the following notice periods.

NAME	YEARS OF CONTINUOUS SERVICE	NOTICE PERIOD PROVIDED BY BLACKMORES OR SENIOR EXECUTIVE
Christine Holgate	N/A	Six months
Richard Henfrey	N/A	Three months
Peter Osborne	N/A	Three months
Sue Moore	N/A	Three months
All other Senior Executives	Up to three years	Minimum two weeks
	Between three and five years	Minimum three weeks
	Five years or more	Minimum four weeks
	Employee over 45 years of age with at least two years of continuous service	One week in addition to applicable notice period disclosed above

In the event of termination by the Company, Christine Holgate is also entitled to an additional cash payment, its value dependent on predefined termination dates. Amounts payable range from a minimum of $nil to a maximum of $420,000.

Where termination is due to redundancy, Blackmores must pay a severance payment according to years of service as shown in the table below.

NAME	YEARS OF CONTINUOUS SERVICE	REDUNDANCY PAYMENT
Christine Holgate	N/A	Six months pay
All other Senior Executives	Up to one year	Two weeks pay
	Between one and 10 years	Two weeks pay plus an additional three weeks of pay for each completed year of service
	10 years or more	29 weeks pay plus an additional one week of pay for each completed year of service following 10 years

For the purposes of calculating Christine Holgate's payment, a month's pay is based on her total remuneration package at the time, being base salary, superannuation contributions and other benefits as agreed from time to time. Dependent upon the circumstances in which the redundancy occurs, Christine Holgate may be entitled to additional redundancy payments as shown in the table above for other Senior Executives.

For the purposes of calculating the amount payable for all other Senior Executives, one week's pay is the average amount received by the individual as wages or salary over the four weeks of employment immediately preceding termination of employment.

8. Non-Executive Directors' Remuneration

Compensation arrangements for Non-Executive Directors are determined by Blackmores after reviewing published remuneration surveys and market information. Non-Executive Directors receive fixed annual fees comprising a Board fee, Committee fee and Committee Chair fee as applicable. Retirement allowances were accrued until 1 October 2003 for Non-Executive Directors appointed prior to this date. No further retirement allowances have accrued to these individuals. Non-Executive Directors appointed after 1 October 2003 do not receive a retirement allowance. Details are as follows:

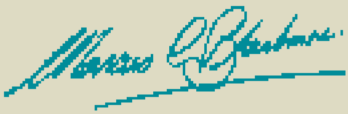
- The base fee for each Director is $66,550 per annum;
- Additional fee of $5,000 applies for each Committee membership;
- Additional fee of $5,000 applies if appointed Chairman of the Committee;
- For Directors appointed prior to 1 October 2003, a retirement allowance applies of $15,333 per annum, which accrues each year but is capped after nine years' service at $138,000; and
- A Non-Executive Director, who is also deputy Chairman, receives 150 per cent of the relevant base fee.

Shareholders at a meeting held on 24 October 2007 determined the maximum total Non-Executive 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 s298(2) of the Corporations Act 2001

On behalf of the Directors



Marcus C Blackmore
DIRECTOR
Dated in Sydney, 27 August 2009

DECLARATION OF INDEPENDENCE

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

The Barrington
Level 10
10 Smith Street
Parramatta NSW 2150
PO Box 38
Parramatta NSW 2124 Australia

DX 28485
Tel: +61 (0) 2 9840 7000
Fax: +61 (0) 2 9840 7001
www.deloitte.com.au

The Board of Directors
Blackmores Limited
20 Jubilee Avenue
WARRIEWOOD NSW 2102

27 August 2009

Dear Board Members

Auditor's Independence Declaration to 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 year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

P G Forrester
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of
Deloitte Touche Tohmatsu

INDEPENDENT AUDIT REPORT

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

The Barrington
Level 10
10 Smith Street
Parramatta NSW 2150
PO Box 38
Parramatta NSW 2124 Australia

DX 28485
Tel: +61 (0) 2 9840 7000
Fax: +61 (0) 2 9840 7001
www.deloitte.com.au

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 2009, and the income statement, cash flow statement and statement of changes in equity 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 47 to 90.

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.

INDEPENDENT AUDIT REPORT

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 2009 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 in pages 35 to 43 of the directors' report for the year ended 30 June 2009. 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 2009, complies with section 300A of the Corporations Act 2001.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

P G Forrester
Partner
Chartered Accountants

Parramatta, 27 August 2009

DIRECTORS' DECLARATION

DATED IN SYDNEY, 27 AUGUST 2009

The Directors declare that:

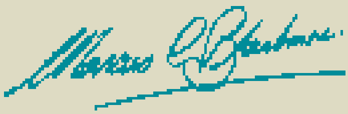
(a) in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(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 s295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors made pursuant to s295(5) of the Corporations Act 2001.

On behalf of the Directors,



Marcus C Blackmore
DIRECTOR
Dated in Sydney, 27 August 2009

INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	NOTE	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	COMPANY 2009 $'000	COMPANY 2008 $'000
CONTINUING OPERATIONS					
Revenue	3	**201,196**	179,720	**187,002**	167,150
Other income	3	**519**	363	**511**	363
Sales and other income		**201,715**	180,083	**187,513**	167,513
Promotional and other rebates		**18,581**	13,587	**14,203**	10,950
Changes in inventories of finished goods and work in progress		**(2,437)**	(2,886)	**(1,618)**	(2,386)
Raw materials and consumables used		**71,338**	60,982	**69,145**	61,101
Employee benefits expense		**42,212**	39,940	**38,041**	36,619
Depreciation and amortisation expense		**2,444**	1,909	**2,338**	1,822
Selling and marketing expenses		**21,078**	23,812	**16,431**	18,213
Operating lease rental expenses		**2,289**	2,682	**2,066**	2,568
Professional and consulting expenses		**2,753**	2,454	**2,458**	2,013
Repairs and maintenance expenses		**1,795**	1,630	**1,764**	1,608
Freight expenses		**3,091**	2,631	**3,070**	2,603
Bank charges		**662**	442	**657**	438
Other expenses		**7,574**	5,929	**7,277**	7,332
Total expenses		**171,380**	153,112	**155,832**	142,881
Earnings before interest and tax		**30,335**	26,971	**31,681**	24,632
Interest revenue		**265**	503	**279**	598
Interest expense		**(1,372)**	-	**(1,372)**	(173)
Net interest (expense)/revenue		**(1,107)**	503	**(1,093)**	425
Profit before tax	3	**29,228**	27,474	**30,588**	25,057
Income tax expense	4	**(8,446)**	(8,388)	**(7,631)**	(7,592)
Profit for the year attributable to equity holders of the parent		**20,782**	19,086	**22,957**	17,465
EARNINGS PER SHARE					
– Basic (cents per share)	19	**127.5**	118.4		
– Diluted (cents per share)	19	**127.2**	118.1		

Notes to the financial statements are included on pages 53 to 90.

BALANCE SHEET
AS AT 30 JUNE 2009

	NOTE	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	COMPANY 2009 $'000	COMPANY 2008 $'000
CURRENT ASSETS					
Cash and cash equivalents	27(a)	**13,716**	12,153	**9,165**	8,139
Receivables	8	**38,411**	28,216	**32,062**	23,652
Other financial assets	9	**35**	1,777	**35**	1,777
Inventories	10	**16,072**	17,506	**14,708**	15,142
Other		**1,373**	2,111	**1,011**	1,803
Total current assets		**69,607**	61,763	**56,981**	50,513
NON-CURRENT ASSETS					
Receivables	8	**-**	-	**181**	-
Property, plant and equipment	11	**67,214**	53,769	**67,015**	53,623
Investments	12	**-**	-	**3,639**	3,869
Deferred tax assets	4 (b)	**1,739**	1,332	**1,739**	1,332
Other		**12**	10	**-**	-
Total non-current assets		**68,965**	55,111	**72,574**	58,824
Total assets		**138,572**	116,874	**129,555**	109,337
CURRENT LIABILITIES					
Payables	13	**25,820**	21,035	**23,862**	19,187
Borrowings	14	**3,000**	-	**3,000**	2,597
Current tax liabilities	15	**2,119**	3,407	**1,785**	3,220
Other financial liabilities	9	**1,109**	-	**1,109**	-
Provisions	16	**2,918**	3,351	**2,854**	3,347
Total current liabilities		**34,966**	27,793	**32,610**	28,351
NON-CURRENT LIABILITIES					
Borrowings	14	**44,356**	37,956	**44,356**	37,956
Deferred tax liabilities	4 (b)	**5**	174	**-**	-
Provisions	16	**682**	600	**682**	600
Total non-current liabilities		**45,043**	38,730	**45,038**	38,556
Total liabilities		**80,009**	66,523	**77,648**	66,907
Net assets		**58,563**	50,351	**51,907**	42,430
EQUITY					
Issued capital	17	**21,680**	19,264	**21,680**	19,264
Reserves	18	**876**	1,257	**2,110**	3,377
Retained earnings		**36,007**	29,830	**28,117**	19,789
Total equity		**58,563**	50,351	**51,907**	42,430

Notes to the financial statements are included on pages 53 to 90.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	ISSUED CAPITAL	EQUITY-SETTLED EMPLOYEE BENEFITS RESERVE	HEDGE RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	RETAINED EARNINGS	TOTAL EQUITY
	$'000	$'000	$'000	$'000	$'000	$'000
CONSOLIDATED						
Balance as at 1 July 2007	17,401	1,907	825	(1,075)	24,428	43,486
Gain recognised on cash flow hedges	-	-	599	-	-	599
Income tax related to gains on cash flow hedges	-	-	(180)	-	-	(180)
Foreign currency translation of controlled entities	-	-	-	(1,045)	-	(1,045)
Net income recognised directly in equity	-	-	419	(1,045)	-	(626)
Transfer of hedge reserve to capital work in progress	-	-	(418)	-	-	(418)
Profit for the year	-	-	-	-	19,086	19,086
Total recognised income and expense	-	-	1	(1,045)	19,086	18,042
Issue of shares under Dividend Reinvestment Plan	1,863	-	-	-	-	1,863
Recognition of share-based payments	-	644	-	-	-	644
Dividend declared	-	-	-	-	(13,684)	(13,684)
Balance as at 30 June 2008	**19,264**	**2,551**	**826**	**(2,120)**	**29,830**	**50,351**
Loss recognised on cash flow hedges	**-**	**-**	**(2,743)**	**-**	**-**	**(2,743)**
Income tax related to gains on cash flow hedges	**-**	**-**	**823**	**-**	**-**	**823**
Foreign currency translation of controlled entities	**-**	**-**	**-**	**910**	**-**	**910**
Net income recognised directly in equity	**-**	**-**	**(1,920)**	**910**	**-**	**(1,010)**
Transfer to hedge reserve from capital work in progress	**-**	**-**	**418**	**-**	**-**	**418**
Profit for the year	**-**	**-**	**-**	**-**	**20,782**	**20,782**
Total recognised income and expense	**-**	**-**	**(1,502)**	**910**	**20,782**	**20,190**
Issue of shares under Dividend Reinvestment Plan	**2,416**	**-**	**-**	**-**	**-**	**2,416**
Recognition of share-based payments	**-**	**235**	**-**	**-**	**-**	**235**
Transfer to retained earnings on winding up of foreign controlled entity	**-**	**-**	**-**	**(24)**	**24**	**-**
Dividend declared	**-**	**-**	**-**	**-**	**(14,629)**	**(14,629)**
Balance as at 30 June 2009	**21,680**	**2,786**	**(676)**	**(1,234)**	**36,007**	**58,563**

	ISSUED CAPITAL	EQUITY-SETTLED EMPLOYEE BENEFITS RESERVE	HEDGE RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	RETAINED EARNINGS	TOTAL EQUITY
	$'000	$'000	$'000	$'000	$'000	$'000
COMPANY						
Balance as at 1 July 2007	17,401	1,907	825	-	16,008	36,141
Gain recognised on cash flow hedges	-	-	599	-	-	599
Income tax related to gains on cash flow hedges	-	-	(180)	-	-	(180)
Net income recognised directly in equity	-	-	419	-	-	419
Transfer of hedge reserve to capital work in progress	-	-	(418)	-	-	(418)
Profit for the year	-	-	-	-	17,465	17,465
Total recognised income and expense	-	-	1	-	17,465	17,466
Issue of shares under Dividend Reinvestment Plan	1,863	-	-	-	-	1,863
Recognition of share-based payments	-	644	-	-	-	644
Dividend declared	-	-	-	-	(13,684)	(13,684)
Balance as at 30 June 2008	**19,264**	**2,551**	**826**	**-**	**19,789**	**42,430**
Loss recognised on cash flow hedges	**-**	**-**	**(2,743)**	**-**	**-**	**(2,743)**
Income tax related to gains on cash flow hedges	**-**	**-**	**823**	**-**	**-**	**823**
Net income recognised directly in equity	**-**	**-**	**(1,920)**	**-**	**-**	**(1,920)**
Transfer to hedge reserve from capital work in progress	**-**	**-**	**418**	**-**	**-**	**418**
Profit for the year	**-**	**-**	**-**	**-**	**22,957**	**22,957**
Total recognised income and expense	**-**	**-**	**(1,502)**	**-**	**22,957**	**21,455**
Issue of shares under Dividend Reinvestment Plan	**2,416**	**-**	**-**	**-**	**-**	**2,416**
Recognition of share-based payments	**-**	**235**	**-**	**-**	**-**	**235**
Dividend declared	**-**	**-**	**-**	**-**	**(14,629)**	**(14,629)**
Balance as at 30 June 2009	**21,680**	**2,786**	**(676)**	**-**	**28,117**	**51,907**

Notes to the financial statements are included on pages 53 to 90.

CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

		CONSOLIDATED		COMPANY	
	NOTE	2009 $'000	2008 $'000	2009 $'000	2008 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		**223,062**	206,239	**194,916**	183,071
Payments to suppliers and employees		**(190,487)**	(173,705)	**(164,408)**	(151,750)
Interest and other costs of finance paid		**(2,619)**	(440)	**(2,615)**	(456)
Income tax paid		**(9,488)**	(8,099)	**(8,650)**	(6,949)
Net cash provided by operating activities	27(c)	**20,468**	23,995	**19,243**	23,916
CASH FLOWS FROM INVESTING ACTIVITIES					
Amounts advanced to related parties		**-**	-	**(151)**	(847)
Interest received		**265**	503	**263**	503
Dividends received		**-**	-	**1,302**	458
Payments for property, plant and equipment		**(17,021)**	(32,980)	**(16,876)**	(32,891)
Proceeds from sale of property, plant and equipment		**137**	5	**137**	5
Net cash used in investing activities		**(16,619)**	(32,472)	**(15,325)**	(32,772)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		**11,900**	22,559	**11,900**	22,559
Repayment of borrowings		**(2,500)**	-	**(2,580)**	(258)
Dividends paid		**(12,212)**	(11,822)	**(12,212)**	(11,822)
Other		**-**	17	**-**	17
Net cash (used in)/provided by financing activities		**(2,812)**	10,754	**(2,892)**	10,496
Net increase in cash and cash equivalents held		**1,037**	2,277	**1,026**	1,640
Cash and cash equivalents at the beginning of the financial year		**12,153**	10,129	**8,139**	6,499
Effects of exchange rate changes on the balance of cash held in foreign currencies		**526**	(253)	**-**	-
Cash and cash equivalents at the end of the financial year	27(a)	**13,716**	12,153	**9,165**	8,139

Notes to the financial statements are included on pages 53 to 90.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

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 are as follows:

20 Jubilee Avenue
Warriewood NSW 2102
Telephone (02) 9910 5000

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

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 27 August 2009.

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 is comprised of cash on hand and cash at bank. 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

Investments in controlled entities are recognised at their cost of acquisition in the Company's financial statements less any impairment losses.

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.

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 the Income Statement.

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 the Income Statement 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

DERECOGNITION OF FINANCIAL ASSETS

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.

(c) 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.

(d) 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 Income Statement.

The following estimated useful lives are used in the calculation of depreciation:

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

(e) 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 the Income Statement 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 the Income Statement immediately.

(f) 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. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

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.

(g) Principles of Consolidation

The consolidated financial statements incorporate the financial statements of the Company (the parent entity) and entities controlled by the Company (its controlled entities) referred to as 'the consolidated entity' in the financial statements. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

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

On acquisition, the assets, liabilities and contingent liabilities of a controlled entity 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 the Income Statement in the period of acquisition.

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.

(h) 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 the Income Statement in the period in which they are incurred.

(i) 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.

(j) Research and Development Costs

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

(k) 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 cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(l) Employee Benefits

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

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.

(m) 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. It is measured at the fair value of the consideration received or receivable, net of discounts and customer returns.

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 consolidated entity'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.

(n) Foreign Currency

INDIVIDUAL CONTROLLED ENTITIES

The individual financial statements of each controlled 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 the Income Statement 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 the Income Statement 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 the Income Statement on disposal of the foreign operation.

(o) 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 equity instruments 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 the Income Statement 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.

(p) 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.

(q) 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. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

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 controlled entities 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 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.

(r) 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 28 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 the Income Statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the Income Statement 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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 the hedged item, along with its risk management objectives and its strategy for undertaking various hedge 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 28 contains details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedge reserve are also detailed in the Statement of Changes in Equity.

FAIR VALUE HEDGES

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement 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 the Income Statement 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 the Income Statement.

Amounts deferred in equity are recycled in the Income Statement in the periods when the hedged item is recognised in the Income Statement and are classified in the same line as the recognised hedged item. 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 the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the Income Statement.

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 in the 'Other Expenses' line of the Income Statement.

Gains and losses deferred in the foreign currency translation reserve are recognised in the Income Statement 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 the Income Statement.

(s) 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(d), the consolidated entity reviews the useful lives of property, plant and equipment at the end of each annual reporting period.

(t) 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', AASB 2007-10 'Further 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
AASB 2009-2 'Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments'	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 123.'	1 January 2009
AASB 3 'Business Combinations' (revised), AASB 127 'Consolidated and Separate Financial Statements' (revised) 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 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Process'	1 January 2009
AASB 2008-6 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process'	1 July 2009
AASB 2008-7 'Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'	1 January 2009
AASB 2008-8 'Amendments to Australian Accounting Standards – Eligible Hedged Items'	1 July 2009
AASB Interpretation 15 'Agreements for the Construction of Real Estate'	1 January 2009
AASB Interpretation 16 'Hedges of a Net Investment in a Foreign Operation'	1 October 2008
AASB Interpretation 17 'Distributions of Non-cash Assets to Owners and AASB 2008-13 'Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners'	1 July 2009
AASB 2009-4 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	1 July 2009
AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	1 January 2010
AASB Interpretation 18 'Transfers of Assets from Customers'	1 July 2009

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
'Group cash-settled Share-based Payment Transactions – Amendments to IFRS 2'	1 January 2010

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

3. PROFIT BEFORE INCOME TAX

	CONSOLIDATED		COMPANY	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
(a) Operating Revenue				
Revenue from continuing operations consisted of the following:				
Revenue from sale of goods	200,314	178,832	182,665	165,079
Interest revenue from bank deposits	265	503	263	501
Interest on amounts due from controlled entities	-	-	16	97
Dividends from subsidiaries	-	-	3,455	1,184
Royalties	882	888	882	887
	201,461	180,223	187,281	167,748
(b) Profit Before Income Tax				
Profit before income tax has been arrived at after crediting/(charging) the following gains and losses:				
Loss on disposal of property, plant and equipment	(96)	-	(80)	-
Net foreign exchange gains	410	234	402	234
Net exchange (losses)/gains on forward exchange contracts	(1,649)	129	(1,649)	129
	(1,335)	363	(1,327)	363
Gains per above	519	363	511	363
Losses per above	(1,854)	-	(1,838)	-
	(1,335)	363	(1,327)	363
Profit before income tax has been arrived at after charging/(crediting) the following expenses:				
Cost of sales	76,970	65,566	75,587	66,186
Interest expense:				
Interest on bank overdrafts and loans	3,163	1,567	3,163	1,567
Fair value loss/(gain) on interest rate swap	125	(355)	125	(355)
Interest on amounts due to controlled entities	-	-	-	173
	3,288	1,212	3,288	1,385
Less: amounts capitalised into the cost of qualifying assets[1]	(1,916)	(1,212)	(1,916)	(1,212)
Total interest expense	1,372	-	1,372	173
Impairment of receivables				
Trade receivables	-	50	-	50
Intercompany receivables	-	-	-	1,573
	-	50	-	1,623
Depreciation of non-current assets	2,401	1,869	2,326	1,804
Amortisation of non-current assets	43	40	12	18
	2,444	1,909	2,338	1,822

1. The weighted average capitalisation rate on funds borrowed is 6.92% (2008: 7.14%).

	CONSOLIDATED		COMPANY	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Research and development costs immediately expensed	**318**	1,201	**318**	1,201
Operating lease minimum lease payments	**2,289**	2,682	**2,066**	2,568
Employee benefit expense				
Post-employment benefits:				
Defined contribution plans	**2,318**	2,120	**2,168**	2,005
Share-based payments:				
Equity-settled share-based payments	**235**	644	**235**	644
Other employee benefits	**39,659**	37,176	**35,638**	33,970
	42,212	39,940	**38,041**	36,619

4. INCOME TAXES

(a) Income Tax Recognised in Profit				
Tax expense comprises:				
Current tax expense in respect of the current year	**8,601**	8,279	**7,804**	7,612
Adjustments recognised in the current year in relation to the current tax of prior years	**(402)**	62	**(589)**	(125)
Deferred tax expense relating to the origination and reversal of temporary differences	**247**	47	**416**	105
Total tax expense	**8,446**	8,388	**7,631**	7,592
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	**29,228**	27,474	**30,588**	25,057
Income tax expense calculated at 30%	**8,768**	8,242	**9,176**	7,517
Effect of different tax rates on tax on overseas income	**(28)**	77	**(28)**	77
Effect of revenue that is exempt from taxation	**-**	(19)	**(1,036)**	(375)
Effect of expenses that are not deductible in determining taxable profit	**147**	261	**147**	261
Effect of tax concessions	**(18)**	(30)	**(18)**	(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	**(21)**	(205)	**(21)**	(205)
	8,848	8,326	**8,220**	7,717
(Over)/under provision of income tax in previous year	**(402)**	62	**(589)**	(125)
Income tax expense	**8,446**	8,388	**7,631**	7,592

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

4. INCOME TAXES (CONTINUED)

	CONSOLIDATED			
	OPENING BALANCE	(CHARGED)/ CREDITED TO INCOME	CREDITED/ (CHARGED) TO EQUITY	CLOSING BALANCE
	$'000	$'000	$'000	$'000
(b) Deferred Tax Balances				
Deferred tax assets/(liabilities) arise from the following:				
Temporary differences 2009				
Property, plant and equipment	(633)	(278)	-	(911)
Prepayments and other	(27)	2	-	(25)
Future withholding tax payable	(172)	172	-	-
Provisions	1,773	(239)	-	1,534
Accruals	744	30	-	774
Cash flow hedges	(533)	-	823	290
Website development	60	(3)	-	57
Foreign currency monetary items	(52)	72	-	20
Other	(2)	(3)	-	(5)
	1,158	(247)	823	1,734
Presented in the balance sheet as follows:				
Deferred tax (liability)				(5)
Deferred tax asset				1,739
				1,734
Temporary differences 2008				
Property, plant and equipment	(418)	(215)	-	(633)
Prepayments and other	(8)	(19)	-	(27)
Future withholding tax payable	(197)	25	-	(172)
Provisions	1,526	247	-	1,773
Accruals	817	(73)	-	744
Cash flow hedges	(353)	-	(180)	(533)
Website development	16	44	-	60
Foreign currency monetary items	37	(89)	-	(52)
Other	(35)	33	-	(2)
	1,385	(47)	(180)	1,158
Presented in the balance sheet as follows:				
Deferred tax (liability)				(174)
Deferred tax asset				1,332
				1,158

	COMPANY			
	OPENING BALANCE	(CHARGED)/ CREDITED TO INCOME	CREDITED/ (CHARGED) TO EQUITY	CLOSING BALANCE
	$'000	$'000	$'000	$'000
Temporary differences 2009				
Property, plant and equipment	**(633)**	**(278)**	**-**	**(911)**
Prepayments and other	**(27)**	**2**	**-**	**(25)**
Provisions	**1,773**	**(239)**	**-**	**1,534**
Accruals	**744**	**30**	**-**	**774**
Cash flow hedges	**(533)**	**-**	**823**	**290**
Website development	**60**	**(3)**	**-**	**57**
Foreign currency monetary items	**(52)**	**72**	**-**	**20**
	1,332	**(416)**	**823**	**1,739**
Presented in the balance sheet as follows:				
Deferred tax (liability)				**-**
Deferred tax asset				**1,739**
				1,739
Temporary differences 2008				
Property, plant and equipment	(418)	(215)	-	(633)
Prepayments and other	(8)	(19)	-	(27)
Provisions	1,526	247	-	1,773
Accruals	817	(73)	-	744
Cash flow hedges	(353)	-	(180)	(533)
Website development	16	44	-	60
Foreign currency monetary items	37	(89)	-	(52)
	1,617	(105)	(180)	1,332
Presented in the balance sheet as follows:				
Deferred tax (liability)				-
Deferred tax asset				1,332
				1,332

	CONSOLIDATED		COMPANY	
UNRECOGNISED DEFERRED TAX ASSETS	2009 $'000	2008 $'000	2009 $'000	2008 $'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	**-**	-
Tax losses – revenue (expiry – 2012)	**-**	143	**-**	-
Tax losses – revenue (expiry – 2013)	**-**	202	**-**	-
Tax losses – revenue (expiry – 2015)	**33**	-	**-**	-
Tax losses – revenue (expiry – 2016)	**143**	-	**-**	-
Tax losses – revenue (expiry – 2017)	**202**	-	**-**	-
Tax losses – revenue (expiry – 2018)	**139**	-	**-**	-
Tax losses – revenue (no expiry date)	**321**	350	**248**	248
	1,596	1,486	**1,006**	1,006

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

5. KEY MANAGEMENT PERSONNEL COMPENSATION

	CONSOLIDATED		COMPANY	
	2009 $	2008 $	2009 $	2008 $
The aggregate compensation made to Key Management Personnel of the consolidated entity and the Company is set out below:				
Short-term employee benefits	**3,801,316**	3,373,203	**3,801,316**	3,373,203
Post-employment benefits	**391,744**	376,716	**391,744**	376,716
Other long-term benefits	**30,508**	52,903	**30,508**	52,903
Termination benefits	**200,000**	-	**200,000**	-
Share-based payment	**143,342**	536,219	**143,342**	536,219
	4,566,910	4,339,041	**4,566,910**	4,339,041

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 Executive Performance Share Plan was approved at Blackmores' Annual General Meeting in November 2008. Participation is open to Senior Executives determined eligible by the Board. Under this plan, rights to acquire shares in the Company are granted annually to eligible Senior Executives at no cost and vest provided specific performance hurdles are met.

The fair value of rights granted is calculated in accordance with AASB 2 'Share-based Payments'. During the year, the Company granted entitlements to an allocation of ordinary shares provided specific objectives and hurdles are met. The number of ordinary shares that will be issued for nil consideration in relation to the services performed during the financial year ended 30 June 2009 is 16,019 (2008: 29,513). The minimum number of rights that could be vested under the entitlement was 12,223 (2008: 9,838) and the maximum number of rights that could be vested was 48,898 (2008: 39,353).

Grants in the 2009 Year

Due to a number of changes in the senior management team during 2009, several grant dates applied; as a result the following fair values applied to the number of rights listed below:

	RIGHTS VESTED	GRANT DATE	GRANT DATE FAIR VALUE $
	5,104	11 September 2008	17.51
	1,366	11 September 2008	18.20
	8,843	20 February 2009	10.12
	706	16 June 2009	16.63
GRANTS IN THE 2008 YEAR	RIGHTS VESTED		
	29,513	16 October 2007	21.77

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:

Chief Executive Officer

	PERCENTAGE OF PARTICIPANT'S BASE REMUNERATION	
RATE OF EPS GROWTH	2009	2008
Greater than 4% but less than or equal to 5%	25.0	-
Greater than 5% but less than or equal to 6%	31.3	-
Greater than 6% but less than or equal to 7%	37.5	-
Greater than 7% but less than or equal to 8%	43.8	-
Greater than 8% but less than or equal to 9%	50.0	-
Greater than 9% but less than or equal to 10%	56.3	-
Greater than 10% but less than or equal to 11%	62.5	-
Greater than 11% but less than or equal to 12%	68.8	-
Greater than 12% but less than or equal to 13%	75.0	-
Greater than 13% but less than or equal to 14%	81.3	-
Greater than 14% but less than or equal to 15%	87.5	-
Greater than 15% but less than or equal to 16%	93.8	-
Greater than 16%	100.0	-

Chief Operating Officer and Other Senior Executives

	PERCENTAGE OF PARTICIPANT'S BASE REMUNERATION	
RATE OF EPS GROWTH	2009	2008
Greater than 4% but less than or equal to 8%	10.0	10.0
Greater than 8% but less than or equal to 12%	20.0	20.0
Greater than 12% but less than or equal to 16%	30.0	30.0
Greater than 16%	40.0	40.0

Other Senior Company Management

	PERCENTAGE OF PARTICIPANT'S BASE REMUNERATION	
RATE OF EPS GROWTH	2009	2008
Greater than 4% but less than or equal to 8%	2.5	2.5
Greater than 8% but less than or equal to 12%	5.0	5.0
Greater than 12% but less than or equal to 16%	7.5	7.5
Greater than 16%	10.0	10.0

Shares allocated to Key Management Personnel 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.

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 seven days after Blackmores' results in respect of the prior financial year (year ended 30 June 2008) are announced to the ASX; less
- the amount of any final dividend per share declared as payable for the year ended 30 June 2008.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

6. EXECUTIVE AND EMPLOYEE SHARE AND OPTIONS PLAN (CONTINUED)

Issue of Share Rights to Key Management Personnel

During the financial year ended 30 June 2007, 25,000 rights in Blackmores shares were granted as part of compensation to the Sales Director, Reg Weine. These rights did not vest as Reg Weine left employment during the 2009 financial year.

A share-based payment expense of ($250,375) (2008:$Nil) was recorded in relation to these rights for the year ended 30 June 2009 with a corresponding debit 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 41 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. 4,063 shares were issued during the year ended 30 June 2009 (2008: 3,782 shares). In July 2009, 2,890 shares will be issued to employees, including Senior Executives, for profit share entitlement that would otherwise have been paid in cash during the year ended 30 June 2009.

Options Plan

At 1 July 2008 and at 1 July 2007 there were no share options outstanding, none were issued during the years ended 30 June 2009 and 2008 and as at 30 June 2009 and 2008 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.

Special Long-term Incentive

Subject to the approval of shareholders at the 2009 Annual General Meeting, Christine Holgate will be granted 50,360 Blackmores shares for nil consideration as part of a special long-term incentive (SLTI). Eligibility for a SLTI was part of the employment contract agreed with Ms Holgate.

Shares will be issued to Ms Holgate within 30 days of the date of shareholder approval and will vest subject to a service condition enforced by the following holding locks:

30,216 shares will be subject to a holding lock ending 30 days after the audit clearance of the Company's 2011 financial statements;

20,144 shares will be subject to a holding lock ending 30 days after the audit clearance of the Company's 2013 financial statements.

7. REMUNERATION OF AUDITOR

	CONSOLIDATED		COMPANY	
	2009 $	2008 $	2009 $	2008 $
Auditor of the Parent Entity				
Auditing or reviewing the financial report	**179,500**	208,700	**179,500**	208,700
Taxation services	**102,617**	88,994	**102,617**	88,994
Other non-audit services[1]	**41,331**	42,326	**41,331**	42,326
	323,448	340,020	**323,448**	340,020
Related Practice of the Parent Company Auditor				
Auditing the financial report	**92,029**	83,876	**-**	-
Taxation services	**16,718**	44,290	**-**	-
	108,747	128,166	**-**	-

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

The auditor of Blackmores Limited is Deloitte Touche Tohmatsu.

8. RECEIVABLES

	CONSOLIDATED		COMPANY	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Current				
Current trade and other receivables[1]	**36,168**	28,414	**29,450**	22,737
Allowance for doubtful debts	**(177)**	(185)	**(177)**	(185)
Allowance for claims	**(140)**	(140)	**(140)**	(140)
	35,851	28,089	**29,133**	22,412
Amounts due from controlled entities (note 26 (f))	**-**	-	**429**	1,165
Payment on account on a building contract	**2,500**	-	**2,500**	-
Goods and services tax (GST) recoverable	**60**	127	**-**	75
	38,411	28,216	**32,062**	23,652
Non-current				
Interest bearing loans to controlled entities (note 26 (f))	**-**	-	**181**	1,573
Allowance for loans to controlled entities	**-**	-	**-**	(1,573)
	-	-	**181**	-

1. 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 2009, the consolidated entity had three customers (2008: five customers) each comprising amounts greater than 5 per cent of the total trade receivables. These customers owed the consolidated entity more than $1.8 million each and accounted for approximately 42 per cent (2008: 55 per cent) of all receivables owing.

Ageing of Past Due but Not Impaired (Excluding Intercompany Balances)				
0–30 days past due date	**-**	2	**-**	2
30–60 days past due date	**54**	33	**54**	33
> 60 days past due date	**140**	32	**140**	32
Total	**194**	67	**194**	67

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 165 days (2008: 170 days).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

8. RECEIVABLES (CONTINUED)

	CONSOLIDATED		COMPANY	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Aging of Impaired Trade Receivables (Excluding Intercompany Balances)				
0–30 days	120	111	120	111
31–60 days	7	-	7	-
61–90 days	3	11	3	11
>90 days	47	63	47	63
Total	177	185	177	185

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of $34,477 (2008: $41,710) 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.

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	COMPANY 2009 $'000	COMPANY 2008 $'000
Movement in the Allowance for Doubtful Debts (Excluding Intercompany Balances)				
Balance at the beginning of the year	185	180	185	180
Impairment losses recognised on trade receivables	-	50	-	50
Amounts written off as uncollectable	(8)	(45)	(8)	(45)
Balance at the end of the year	177	185	177	185
Movement in the Allowance for Doubtful Debts on Intercompany Balances				
Balance at the beginning of the year	-	-	1,573	-
Impairment losses recognised on intercompany loan receivable	-	-	-	1,573
Amounts written off as uncollectable	-	-	(1,573)	-
Balance at the end of the year	-	-	-	1,573

9. OTHER CURRENT FINANCIAL ASSETS AND LIABILITIES

Derivatives and hedging instruments (designated as effective) are carried at fair value:

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	COMPANY 2009 $'000	COMPANY 2008 $'000
Assets				
Interest rate swaps	-	1,777	-	1,777
Foreign currency exchange contracts	35	-	35	-
	35	1,777	35	1,777
Liabilities				
Interest rate swaps	966	-	966	-
Foreign currency exchange contracts	143	-	143	-
	1,109	-	1,109	-

10. INVENTORIES

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	COMPANY 2009 $'000	COMPANY 2008 $'000
Raw materials at net realisable value	7,300	6,258	7,300	6,258
Finished goods at net realisable value	8,772	11,248	7,408	8,884
	16,072	17,506	14,708	15,142

11. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED					
	FREEHOLD LAND AT COST	BUILDINGS AT COST[1]	LEASEHOLD IMPROVE-MENTS 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 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 foreign operations	-	-	(7)	(25)	-	(32)
Balance at 30 June 2008	**12,394**	**32,183**	**590**	**13,755**	**6,130**	**65,052**
Additions	**373**	**10,706**	**77**	**4,155**	**780**	**16,091**
Category transfers	**-**	**(8,104)**	**-**	**14,234**	**(6,130)**	**-**
Disposals	**-**	**(13)**	**(18)**	**(1,033)**	**-**	**(1,064)**
Net foreign currency exchange differences arising on translation of financial statements of foreign operations	**-**	**-**	**18**	**48**	**-**	**66**
Balance at 30 June 2009	**12,767**	**34,772**	**667**	**31,159**	**780**	**80,145**
Accumulated Depreciation/ Amortisation						
Balance at 30 June 2007	-	-	(459)	(9,242)	-	(9,701)
Disposals	-	-	-	305	-	305
Depreciation and amortisation expense	-	-	(40)	(1,869)		(1,909)
Net foreign currency exchange differences arising on translation of financial statements of foreign operations	-	-	3	19	-	22
Balance at 30 June 2008	**-**	**-**	**(496)**	**(10,787)**	**-**	**(11,283)**
Disposals	**-**	**6**	**8**	**818**	**-**	**832**
Depreciation and amortisation expense	**-**	**(379)**	**(43)**	**(2,022)**	**-**	**(2,444)**
Net foreign currency exchange differences arising on translation of financial statements of foreign operations	**-**	**-**	**(8)**	**(28)**	**-**	**(36)**
Balance at 30 June 2009	**-**	**(373)**	**(539)**	**(12,019)**	**-**	**(12,931)**
Net Book Value						
As at 30 June 2008	12,394	32,183	94	2,968	6,130	53,769
As at 30 June 2009	**12,767**	**34,399**	**128**	**19,140**	**780**	**67,214**

1. In 2008 buildings gross carrying amount included capital work in progress related to the new building and associated plant and equipment of $32,183,269.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	COMPANY					
	FREEHOLD LAND AT COST	BUILDINGS AT COST[1]	LEASEHOLD IMPROVE-MENTS 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 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
Additions	373	10,706	-	4,087	780	15,946
Category transfers	-	(8,104)	-	14,234	(6,130)	-
Disposals	-	(13)	-	(1,011)	-	(1,024)
Balance at 30 June 2009	12,767	34,772	521	30,678	780	79,518
Accumulated Depreciation/ Amortisation						
Balance at 30 June 2007	-	-	(432)	(9,022)	-	(9,454)
Disposals	-	-	-	303	-	303
Depreciation and amortisation expense	-	-	(18)	(1,804)	-	(1,822)
Balance at 30 June 2008	-	-	(450)	(10,523)	-	(10,973)
Disposals	-	6	-	802	-	808
Depreciation and amortisation expense	-	(379)	(12)	(1,947)	-	(2,338)
Balance at 30 June 2009	-	(373)	(462)	(11,668)	-	(12,503)
Net Book Value						
As at 30 June 2008	12,394	32,183	71	2,845	6,130	53,623
As at 30 June 2009	12,767	34,399	59	19,010	780	67,015

1. In 2008 buildings gross carrying amount included capital work in progress related to the new building and associated plant and equipment of $32,183,269.

	CONSOLIDATED		COMPANY	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:				
Buildings at cost	379	-	379	-
Leasehold improvements	43	40	12	18
Plant and equipment	2,022	1,869	1,947	1,804
	2,444	1,909	2,338	1,822

12. INVESTMENTS

Shares in subsidiaries at cost	-	-	3,639	3,869

13. PAYABLES

Trade payables[1]	**11,124**	9,086	**10,728**	8,615
Goods and services tax (GST) payable	**203**	-	**194**	-
Other creditors and accruals	**14,493**	11,949	**12,934**	10,572
Intercompany payable	**-**	-	**6**	-
	25,820	21,035	**23,862**	19,187

1. The average credit period on purchases 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.

14. BORROWINGS

Current				
Secured:				
At amortised cost (2008: at amortised cost)				
Bank bills	**3,000**	-	**3,000**	-
Unsecured:				
Amounts due to controlled entities[1]	**-**	-	**-**	2,597
	3,000	-	**3,000**	2,597

1. Amounts repayable to related parties within the consolidated entity. Interest was charged at 9.45 per cent in the prior year. No interest was charged in the current year as the related party was liquidated.

Non-current				
Secured:				
At amortised cost (2008: at amortised cost)				
Bank bills[1,2]	**44,356**	37,956	**44,356**	37,956
	44,356	37,956	**44,356**	37,956

Summary of borrowing arrangements:
1. Secured by registered mortgage debentures and a floating charge over certain assets of the consolidated entity.
2. 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 deferred tax assets.

15. CURRENT TAX LIABILITIES

Income tax payable	**2,119**	3,407	**1,785**	3,220

16. PROVISIONS

	CONSOLIDATED		COMPANY	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Current				
Employee benefits	**2,441**	2,577	**2,440**	2,573
Directors' retirement	**414**	414	**414**	414
Make good provision	**-**	169	**-**	169
Surplus lease space	**-**	191	**-**	191
Other current provisions	**63**	-	**-**	-
	2,918	3,351	**2,854**	3,347
Non-current				
Employee benefits	**682**	600	**682**	600

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

16. PROVISIONS (CONTINUED)

Reconciliations

	CONSOLIDATED			
	MAKE GOOD PROVISION[1]	SURPLUS LEASE SPACE[2]	DIRECTORS' RETIREMENT BENEFITS[3]	OTHER
	$'000	$'000	$'000	$'000
Balance at 30 June 2008	169	191	414	-
Additional provisions made	-	-	-	63
Payments made	(169)	-	-	-
Reductions resulting from the re-measurement of the estimated future sacrifice or the settlement of the provision without cost to the entity	-	(191)	-	-
Balance at 30 June 2009	-	-	414	63
Current	-	-	414	63
Non-current	-	-	-	-
	-	-	414	63

	COMPANY		
	MAKE GOOD PROVISION[1]	SURPLUS LEASE SPACE[2]	DIRECTORS' RETIREMENT BENEFITS[3]
	$'000	$'000	$'000
Balance at 30 June 2008	169	191	414
Additional provisions made	-	-	-
Payments made	(169)	-	-
Reductions resulting from the re-measurement of the estimated future sacrifice or the settlement of the provision without cost to the entity	-	(191)	-
Balance at 30 June 2009	-	-	414
Current	-	-	414
Non-current	-	-	-
	-	-	414

1. The consolidated entity had operating leases that required the asset to be returned to the lessor in a certain condition. A provision was raised for the present value of the future expected cost at lease expiry. The lease expired during the current financial year and the provision is no longer required.

2. The provision for surplus lease space (onerous contracts) represents the present value of the future lease payments that the consolidated entity is obligated to make in respect of surplus lease space under non-cancellable operating lease agreements, less estimated future sub-lease revenue. The leases expired during the current financial year and the provision is no longer required.

3. 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 nine years' service at $138,000.

17. ISSUED CAPITAL

	CONSOLIDATED		COMPANY	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
16,401,873 fully paid ordinary shares (2008: 16,181,132)	**21,680**	19,264	**21,680**	19,264

	CONSOLIDATED AND COMPANY			
	2009 NUMBER '000	$'000	2008 NUMBER '000	$'000
Fully Paid Ordinary Shares				
Balance at beginning of financial year	**16,181**	19,264	**16,036**	17,401
Issue of shares under Executive and employee share plans (Notes 6, 26 (c))	**34**	-	**43**	-
Issue of shares under dividend reinvestment plan	**187**	2,416	**102**	1,863
Balance at end of financial year	**16,402**	21,680	**16,181**	19,264

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

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

Employee Share Plans

Further details of the Company's Executive and employee share plans are contained in note 6 to the financial statements.

18. RESERVES

	CONSOLIDATED		COMPANY	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Equity-settled employee benefits reserve	**2,786**	2,551	**2,786**	2,551
Hedge reserve	**(676)**	826	**(676)**	826
Foreign currency translation reserve	**(1,234)**	(2,120)	**-**	-
	876	1,257	**2,110**	3,377

Nature and Purpose of Reserves

EQUITY-SETTLED EMPLOYEE BENEFITS RESERVE

The equity-settled employee benefits reserve arises on the grant of share rights to Executives and employees under various share plans. Further information about share-based payments to Executives and employees is shown in note 6 to the financial statements.

HEDGE RESERVE

The hedge 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.

FOREIGN CURRENCY TRANSLATION RESERVE

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

19. EARNINGS PER SHARE

	CONSOLIDATED	
	2009 CENTS PER SHARE	2008 CENTS PER SHARE
Basic earnings per share	**127.5**	118.4
Diluted earnings per share	**127.2**	118.1

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:

	2009 $'000	2008 $'000
Earnings (reconciles directly to net profit after tax in the Income Statement)	**20,782**	19,086
	2009 NUMBER	**2008 NUMBER**
The weighted average number of ordinary shares on issue during the financial year used in the calculation of basic earnings per share	**16,298,766**	16,120,100

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

	2009 $'000	2008 $'000
Earnings (reconciles directly to net profit after tax in the Income Statement)	**20,782**	19,086
	2009 NUMBER	**2008 NUMBER**
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**16,298,766**	16,120,100
Shares deemed to be issued for no consideration in respect of: Employee share plans	**38,293**	46,020
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	**16,337,059**	16,166,120

20. DIVIDENDS

	2009		2008	
	CENTS PER SHARE	TOTAL $'000	CENTS PER SHARE	TOTAL $'000
Recognised Amounts				
FULLY PAID ORDINARY SHARES				
Final dividend for year ended 30 June 2008 (2008: 30 June 2007)				
– fully franked at 30 per cent corporate tax rate	**51**	**8,273**	46	7,396
Interim dividend for year ended 30 June 2009 (2008: 30 June 2008)				
– fully franked at 30 per cent corporate tax rate	**39**	**6,356**	39	6,288
	90	**14,629**	85	13,684
Unrecognised Amounts				
FULLY PAID ORDINARY SHARES				
Final dividend – fully franked at 30 per cent corporate tax rate	**57**	**9,351**		

The final dividend in respect of ordinary shares for the year ended 30 June 2009 has not been recognised in this financial report because the final dividend was declared subsequent to 30 June 2009. 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	
	2009 $'000	2008 $'000
Adjusted franking account balance (tax paid basis)	9,146	7,720
Impact on franking account balance of dividends not recognised	(4,007)	(3,537)

21. COMMITMENTS FOR EXPENDITURE

	CONSOLIDATED		COMPANY	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Forward Foreign Exchange Contracts				
Not longer than 1 year	5,082	-	5,082	-
Research and Development Contracts				
Not longer than 1 year	50	110	50	110
Building Construction Contracts				
Not longer than 1 year	378	11,200	378	11,200
	5,510	11,310	5,510	11,310

Lease Commitments

Non-cancellable operating lease commitments are disclosed in note 22 to the financial statements.

22. LEASES

Operating Leases

LEASING ARRANGEMENTS

Operating leases relate to business premises and the Company motor vehicle fleet with lease terms of between three and six 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	765	1,684	693	1,643
Longer than 1 year and not longer than 5 years	667	895	562	895
	1,432	2,579	1,255	2,538
In Respect of Non-cancellable Operating Leases, the Following Liabilities Have been Recognised				
Current (note 16)	-	360	-	360
	-	360	-	360

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

23. CONTINGENT LIABILITIES

	CONSOLIDATED		COMPANY	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Guarantees from Blackmores Limited for the issuance of performance guarantees	-	207	-	207

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 2009.

24. SUBSIDIARIES

		OWNERSHIP INTEREST	
NAME OF ENTITY	COUNTRY OF INCORPORATION	2009 %	2008 %
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) Ltd.	Thailand	100	100
Blackmores Holdings Limited[1]	Thailand	100	100
PT Blackmores Indonusa[1]	Indonesia	100	100
Blackmores (NZ) Limited[2]	New Zealand	-	100

1. These companies did not trade during the 2009 or 2008 years.

2. This company was liquidated on 23 May 2009.

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.

25. 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.

Geographic Segment Revenues

	EXTERNAL SALES		INTER-SEGMENT[1]		OTHER		TOTAL	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Australia	**167,552**	151,811	**11,113**	9,696	**-**	-	**178,665**	161,507
New Zealand	**3,967**	3,615	**-**	173	**849**	846	**4,816**	4,634
Asia	**28,762**	23,353	**-**	-	**-**	1	**28,762**	23,354
Other	**33**	53	**-**	-	**33**	41	**66**	94
Total of all segments	**200,314**	178,832	**11,113**	9,869	**882**	888	**212,309**	189,589
Eliminations							**(11,113)**	(9,869)
Consolidated revenue (excluding interest revenue and other income)							**201,196**	179,720

1. Inter-segment sales are recorded at cost plus 10 per cent. Pricing is set using a budgeted exchange rate and reviewed at regular intervals, currently once a year.

External Sales to Customers (Unaudited)

	EXTERNAL SALES	
	2009 $'000	2008 $'000
Australia	**167,552**	151,811
New Zealand	**8,487**	8,459
Asia	**28,762**	23,353
Other	**33**	53
Total of all segments	**204,834**	183,676

External sales represents the sale of goods when the significant risks and rewards of ownership of the goods has transferred to the buyer. In New Zealand, the buyer of Blackmores goods sells these products to a customer base that is equivalent to the customer base represented by external sales made in Australia and Asia. Blackmores has an agency arrangement with the buyer in New Zealand and earns royalty revenue on sales made to this customer base.

Additional disclosure has been provided in the above table so that external sales to the equivalent customer base can be compared on a geographical basis on a like-for-like basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

25. SEGMENT INFORMATION (CONTINUED)

Geographic Segment Results

	2009 $'000	2008 $'000
Australia	26,527	23,202
New Zealand	565	857
Asia	2,038	1,859
Other	17	27
Total of all segments	29,147	25,945
Unallocated	81	1,529
Profit before tax	29,228	27,474
Income tax expense	(8,446)	(8,388)
Profit for the year	20,782	19,086

Geographic Segment Assets and Liabilities

	ASSETS[1]		LIABILITIES[2]	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Australia	129,555	109,337	77,648	66,907
New Zealand	-	2,695	-	172
Asia	14,311	13,591	3,007	4,831
Total of all segments	143,866	125,623	80,655	71,910
Eliminations	(5,294)	(8,749)	(646)	(5,387)
Consolidated	138,572	116,874	80,009	66,523

1. Includes investments in and receivables from controlled entities.

2. Includes amounts payable to controlled entities.

Other Geographic Segment Information

	AUSTRALIA		NEW ZEALAND		ASIA		OTHER	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Acquisition of segment assets	15,946	31,792	-	-	145	82	-	-
Depreciation and amortisation	2,338	1,822	-	-	106	87	-	-
Impairment losses	-	50	-	-	-	-	-	-
Other non-cash expenses[1]	922	901	174	(58)	(248)	(76)	-	-

1. Other non-cash expenses relate to changes in the obsolescence provision, employee share plan and other provisions and accruals.

26. 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 24 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

During the years ended 30 June 2009 and 30 June 2008 there were no share options in existence. There have been no share options issued since the end of the financial year.

Subject to the approval of shareholders at the 2009 Annual General Meeting, Christine Holgate will be granted 50,360 Blackmores shares for nil consideration as part of a special long term incentive (SLTI). Eligibility for a SLTI was part of the employment contract agreed with Ms Holgate.

Fully Paid Ordinary Shares of Blackmores Limited:

2009	BALANCE AT 1/7/08	RECEIVED ON SETTLEMENT OF RIGHTS	NET CHANGE OTHER	BALANCE AT 30/6/09
	NUMBER	NUMBER	NUMBER	NUMBER
M C Blackmore	4,769,860	-	(335,842)	4,434,018
S Chapman	16,781	-	4,133	20,914
V Fitzgerald	10,000	-	-	10,000
N Sparks	-	-	-	-
R Stovold	20,304	-	6,419	26,723
B Wallace	4,235	-	7,296	11,531
C Holgate	-	-	-	-
J Tait[1]	202,281	5,690	-	207,971
P Barraket	3,883	3,912	4,077	11,872
L Burrows	10,925	3,058	1,041	15,024
P Daffy	44,575	2,600	-	47,175
R Henfrey	-	-	-	-
C Howard[2]	9,445	3,698	983	14,126
S Moore	-	-	-	-
P Osborne	-	-	-	-
R Rich	-	-	671	671
L Richards	14,046	2,987	-	17,033
R Weine[3]	12,606	4,324	(13,693)	3,237
Total (for Key Management Personnel)	5,118,941	26,269	(324,915)	4,820,295

1. J Tait received 5,690 shares as settlement of rights after her resignation (28 August 2008), being for the rights vested in 2008. The closing share balance includes these shares.

2. C Howard's closing share balance is at the date of her resignation (29 May 2009).

3. R Weine's closing share balance is at the date of his resignation (2 April 2009).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

26. RELATED PARTY AND KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

2008	BALANCE AT 1/7/07	RECEIVED ON SETTLEMENT OF RIGHTS	NET CHANGE OTHER	BALANCE AT 30/6/08
	NUMBER	NUMBER	NUMBER	NUMBER
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

Rights to Shares

2009	BALANCE AT 1/7/08	GRANTED AS COMPENSATION	EXERCISED	NET OTHER CHANGE	BALANCE AT 30/6/09	BALANCE VESTED AT 30/6/09	VESTED BUT NOT EXERCISABLE	VESTED AND EXERCISABLE	RIGHTS VESTED DURING YEAR
	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER
C Holgate	-	20,189	-	(11,346)	8,843	8,843	-	8,843	8,843
J Tait	5,690	-	(5,690)	-	-	-	-	-	-
P Barraket	3,912	6,352	(3,912)	(4,764)	1,588	1,588	-	1,588	1,588
L Burrows	3,058	4,993	(3,058)	(3,745)	1,248	1,248	-	1,248	1,248
P Daffy	2,600	3,530	(2,600)	(2,648)	882	882	-	882	882
R Henfrey	-	1,016	-	(762)	254	254	-	254	254
C Howard	3,698	5,986	(3,698)	(5,986)	-	-	-	-	-
S Moore	-	1,130	-	(848)	282	282	-	282	282
P Osborne	-	679	-	(509)	170	170	-	170	170
R Rich[1]	-	156	-	(117)	39	39	-	39	39
L Richards	2,987	4,835	(2,987)	(3,626)	1,209	1,209	-	1,209	1,209
R Weine[2]	29,324	7,035	(4,324)	(32,035)	-	-	-	-	-
Total (for Key Management Personnel)	**51,269**	**55,901**	**(26,269)**	**(66,386)**	**14,515**	**14,515**	**-**	**14,515**	**14,515**

1. Rights granted and vested during the year for R Rich are for the period as acting Chief Financial Officer (1 May 2009 to 30 June 2009).

2. During the financial year ended 30 June 2007, 25,000 rights in Blackmores shares were granted as part of compensation to the Sales Director, R Weine. These rights did not vest as R Weine left employment during the 2009 financial year.

2008	BALANCE AT 1/7/07	GRANTED AS COMPENSA-TION	EXERCISED	NET OTHER CHANGE	BALANCE AT 30/6/08	BALANCE VESTED AT 30/6/08	VESTED BUT NOT EXERCISABLE	VESTED AND EXERCISABLE	RIGHTS VESTED DURING YEAR
	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER
J Tait	9,985	7,587	(9,985)	(1,897)	5,690	5,690	-	5,690	5,690
P Barraket	3,268	5,216	(3,268)	(1,304)	3,912	3,912	-	3,912	3,912
L Burrows	2,905	4,078	(2,905)	(1,020)	3,058	3,058	-	3,058	3,058
P Daffy	2,469	3,466	(2,469)	(866)	2,600	2,600	-	2,600	2,600
C Howard	3,275	4,931	(3,275)	(1,233)	3,698	3,698	-	3,698	3,698
L Richards	1,896	3,983	(1,896)	(996)	2,987	2,987	-	2,987	2,987
R Weine	33,424	5,766	(8,424)	(1,442)	29,324	4,324	-	4,324	4,324
Total (for Key Management Personnel)	57,222	35,027	(32,222)	(8,758)	51,269	26,269	-	26,269	26,269

d) Loan Disclosures

LOANS TO KEY MANAGEMENT PERSONNEL

	BALANCE AT BEGINNING $	INTEREST CHARGED $	INTEREST NOT CHARGED $	WRITE-OFF $	BALANCE AT END $	NO. IN GROUP
2009	-	-	-	-	-	-
2008	3,999	-	80	-	-	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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

26. RELATED PARTY AND KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(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 2009, the following transactions occurred between Blackmores Limited and its other related parties:

SALES OF INVENTORY TO OVERSEAS ENTITIES	2009 $	2008 $
Blackmores (Singapore) Pte Limited[1]	**910,244**	638,186
Blackmores (Malaysia) Sdn Bhd[1]	**4,081,360**	4,371,853
Blackmores (Thailand) Limited[1]	**5,817,713**	4,080,804
Blackmores (Taiwan) Limited[1]	**145,514**	368,172
Pat Health Limited[1]	**159,647**	142,457

The following balances arising from transactions between Blackmores Limited and its other related parties are outstanding at reporting date:

TRADE RECEIVABLE AMOUNTS DUE FROM /(TO):	2009 $	2008 $
Blackmores Nominees Pty Limited[1]	**-**	-
Blackmores (Singapore) Pte Limited[1]	**108,869**	73,351
Blackmores (Malaysia) Sdn Bhd[1]	**(6,241)**	262,733
Blackmores (Thailand) Limited[1]	**60,260**	541,752
Blackmores (Taiwan) Limited[1]	**188,015**	220,512
Pat Health Limited[1]	**72,141**	66,480

LOAN AMOUNTS DUE FROM /(TO):	2009 $	2008 $
Blackmores (Taiwan) Limited[2]	**181,618**	1,572,835
Blackmores (NZ) Limited[3]	**-**	(2,596,944)

1. 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 year for bad or doubtful debts in respect of the amounts owed by related parties.

2. 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 9.316 per cent based on prime lending rate at July each year plus 3 percentage point margin (2008: 8.956 per cent). The amounts outstanding will be settled in cash. No guarantees have been given or received. No expense has been recognised in the year for bad or doubtful debts in respect of the amounts owed by related parties (2008: Amounts outstanding were impaired to the value of $1.6 million).

3. Amounts payable to this related party in 2008 were unsecured and were subordinate to other liabilities. Interest was charged monthly on the outstanding loan balance currently at 9.45 per cent, two percentage points above the New Zealand prime lending rate. The amount outstanding was settled during the financial year.

(g) 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 original Taiwan loan which was impaired to the value of the principal and interest due of $1,572,835 (2008: $1,572,835) and written off during the year.

(h) Controlling Entities

The parent entity in the consolidated entity is Blackmores Limited.

27. NOTES TO THE CASH FLOW STATEMENT

(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:

	CONSOLIDATED		COMPANY	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Cash and cash equivalents	**13,716**	12,153	**9,165**	8,139

(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	**47,356**	37,956	**47,356**	37,956
• amount unused	**20,644**	25,044	**20,644**	25,044
	68,000	63,000	**68,000**	63,000

The consolidated entity has access to financing facilities at reporting date as indicated above. The consolidated entity expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The consolidated entity expects to maintain a current debt to equity ratio.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

27. NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

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

	CONSOLIDATED		COMPANY	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Profit for the year	**20,782**	19,086	**22,957**	17,465
Loss on sale of non-current assets	**96**	-	**80**	-
Interest income received and receivable	**(265)**	(503)	**(279)**	(598)
Dividends received and receivable	**-**	-	**(3,455)**	(1,184)
Depreciation and amortisation of non-current assets	**2,444**	1,909	**2,338**	1,822
Impairment of intercompany loan	**-**	-	**-**	1,573
Unrealised foreign exchange loss/(gain)	**492**	(273)	**(1)**	(273)
Capitalisation of interest expense to borrowings	**-**	-	**-**	156
Equity-settled share-based payment	**292**	644	**292**	644
Other	**(88)**	(191)	**(97)**	23
(Decrease)/increase in current tax liability	**(1,289)**	605	**(1,435)**	767
(Decrease)/increase in deferred tax balances	**(576)**	249	**(407)**	281
Increase/(decrease) in deferred tax balances related to hedge reserve in equity	**823**	(180)	**823**	(180)
Changes in net assets and liabilities:				
(Increase)/decrease in assets:				
• Current receivables	**(7,695)**	358	**(6,646)**	1,282
• Current inventories	**1,434**	(2,477)	**434**	(1,961)
• Other debtors and prepayments	**(415)**	360	**(360)**	380
• Amounts receivable from subsidiaries	**-**	-	**742**	272
Increase/(decrease) in liabilities:				
• Current trade payables	**4,785**	3,914	**4,669**	2,958
• Provisions	**(352)**	494	**(412)**	489
Net cash from operating activities	**20,468**	23,995	**19,243**	23,916

(d) Non-cash Financing and Investing Activities

Dividend payments during the financial year totalled $14,628,560 (2008: $13,685,090) of which $2,416,372 (2008: $1,862,981) relates to shares created under the Dividend Reinvestment Plan. The balance of $12,212,188 (2008: $11,822,109) was paid as cash to equity holders of the parent.

During the financial year, the Company received a non-cash dividend of $2,152,524 (2008: $726,787) from Blackmores (NZ) Limited and made a non-cash principal reduction of $2,628,148 (2008: $713,369) on the outstanding loan balance due to Blackmores (NZ) Limited.

28. 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 2008.

The capital structure of the consolidated entity consists of debt which includes borrowings disclosed in note 14, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 17 and 18 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	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Financial Assets				
Debt[1]	**47,356**	37,956	**47,356**	40,553
Cash and cash equivalents	**(13,716)**	(12,153)	**(9,165)**	(8,139)
Net debt	**33,640**	25,803	**38,191**	32,414
Equity[2]	**58,563**	50,351	**51,907**	42,430
Net debt to (net debt plus equity) ratio	**36.5%**	33.9%	**42.4%**	43.3%

1. Debt is defined as long and short-term borrowings, as detailed in note 14.

2. 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

28. FINANCIAL INSTRUMENTS (CONTINUED)

(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 28(e)) and interest rates (refer note 28(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 :

- forward foreign exchange 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 markets risks or the manner in which it manages and measures the risk from the previous year.

(e) Foreign Currency Risk Management

The consolidated entity and the Company undertake certain transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arises. 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	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Thai Baht	-	-	60	542
Malaysian Ringgit	(6)	-	-	263
New Zealand Dollar	-	(2,597)	-	-
Taiwan Dollar	-	-	188	221
Other	-	-	181	140

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 to foreign controlled entities arising in the next 12 months.

The following table details the forward foreign currency contracts outstanding as at the reporting date (2008: nil):

OUTSTANDING CONTRACTS	AVERAGE EXCHANGE RATE		FOREIGN CURRENCY		CONTRACT VALUE		FAIR VALUE	
	2009	2008	2009	2008	2009	2008	2009	2008
			FC'000	FC'000	$'000	$'000	$'000	$'000
Consolidated and Company								
SELL THAI BAHT								
Less than 3 months	28.91	n/a	36,000	n/a	1,245	n/a	(69)	n/a
3 to 6 months	28.81	n/a	36,000	n/a	1,250	n/a	(74)	n/a
SELL MALAYSIAN RINGGITS								
Less than 3 months	2.81	n/a	3,600	n/a	1,283	n/a	10	n/a
3 to 6 months	2.76	n/a	3,600	n/a	1,304	n/a	25	n/a
					5,082		(108)	n/a

Foreign Currency Sensitivity Analysis

The following table details the Company's sensitivity to a 10 per cent increase and decrease in the Australian Dollar against the relevant foreign currencies. 10 per cent 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 year end for a 10 per cent 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 on equity and the balance below would be negative.

	CONSOLIDATED ENTITY AND COMPANY	
	PROFIT AND EQUITY	
	2009 $'000	2008 $'000
THB impact	(6)	(54)
MYR impact	1	(26)
NZD impact	-	260
TWD impact	(19)	(22)

From time to time during the year, the Company and the consolidated entity entered into foreign currency forward exchange contracts in order to minimise the foreign currency risk.

(f) Interest Rate Risk Management

The consolidated entity and the Company are exposed to interest rate risk as they borrow 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 per cent 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	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Financial Liabilities				
Borrowings	(47,356)	(37,956)	(47,356)	(37,956)
Interest rate swap[1]	30,000	30,000	30,000	30,000
Net exposure	(17,356)	(7,956)	(17,356)	(7,956)

1. Represents the notional amount of the interest rate swap

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

28. FINANCIAL INSTRUMENTS (CONTINUED)

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		NOTIONAL PRINCIPAL AMOUNT		FAIR VALUE	
OUTSTANDING FIXED FOR FLOATING CONTRACTS	2009 %	2008 %	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Less than 1 year	-	-	-	-	-	-
1 to 2 years	-	-	-	-	-	-
2 to 5 years	**5.92**	5.92	**30,000**	30,000	**(966)**	1,777
>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 year. 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 year, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the consolidated entity's and the Company's net profit would decrease by $117,000 or increase by $117,000 respectively as a result of changes in the interest rates applicable to commercial bank bills.

For the year, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the consolidated entity's and the Company's other equity reserves would increase by $295,000 or decrease by $419,000 respectively (2008: increase by $474,000 or decrease by $482,000 respectively) mainly as a result of the changes in the fair value of the interest rate swap.

The sensitivity in respect of the interest rate swap and third party borrowings did not have an impact on net profit of the consolidated entity and the Company for 2008 because the interest expense relating to third party borrowings and the interest rate swap was 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 have adopted a policy of only dealing with creditworthy counterparties. The consolidated entity and the Company only transact 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 use publicly available financial information, trade references and their own trading record to rate their major customers.

The quality of trade receivables has been discussed in 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 to 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 year.

(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 manage liquidity risk by maintaining adequate reserves and banking facilities through the continual monitoring of 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.

	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE %	1-3 MONTHS $'000	3 MONTHS TO 1 YEAR $'000	1-5 YEARS $'000	> 5 YEARS $'000
CONSOLIDATED					
2009					
Trade and other payables	**0.00**	**25,617**	**-**	**-**	**-**
Borrowings	**4.88**	**-**	**5,311**	**48,977**	**-**
		25,617	**5,311**	**48,977**	**-**
2008					
Trade and other payables	0.00	21,035	-	-	-
Borrowings	7.00	-	2,620	48,438	-
		21,035	2,620	48,438	-
COMPANY					
2009					
Trade and other payables	**0.00**	**23,668**	**-**	**-**	**-**
Borrowings	**4.88**	**-**	**5,311**	**48,977**	**-**
		23,668	**5,311**	**48,977**	**-**
2008					
Trade and other payables	0.00	19,187	-	-	-
Borrowings	7.00	3,605	2,620	48,438	-
		22,792	2,620	48,438	-

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 year.

The table on the following page details the Group's and the Company's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows/(outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

28. FINANCIAL INSTRUMENTS (CONTINUED)

	LESS THAN 1 MONTH $'000	1-3 MONTHS $'000	3 MONTHS TO 1 YEAR $'000	1-5 YEARS $'000	> 5 YEARS $'000
2009					
Net settled:					
Interest rate swaps	(203)	-	(590)	(1,207)	-
Forward exchange contracts	(22)	(37)	(49)	-	-
	(225)	(37)	(639)	(1,207)	-
2008					
Net settled:					
Interest rate swaps	138	-	(428)	(2,000)	-
Forward exchange contracts	-	-	-	-	-
	138	-	(428)	(2,000)	-

(i) Fair Value of Financial Instruments

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

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; and
- 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

Forward foreign currency exchange 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.

29. ASSETS PLEDGED AS SECURITY

In accordance with the security arrangements of liabilities, as disclosed in note 14 to the financial statements, all non-current assets of the consolidated entity, except deferred tax assets, have been pledged as security. The holder of the security does not have the right to sell or repledge the assets.

30. SUBSEQUENT EVENTS

With the exception of the final dividend declared for the year ended 30 June 2009, as described in note 20, 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.

ADDITIONAL INFORMATION

NUMBER OF HOLDERS OF EQUITY SECURITIES AS AT 21 AUGUST 2009:

Ordinary Share Capital

16,404,763 fully paid ordinary shares are held by 6,222 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	3,956
1,001 - 5,000	1,969
5,001 - 10,000	172
10,001 - 100,000	109
100,001 and over	16
Total	6,222
Holdings less than a marketable parcel	93

SUBSTANTIAL SHAREHOLDERS

		FULLY PAID	
DATE OF NOTICE	ORDINARY SHAREHOLDERS	NUMBER	PERCENTAGE
27 February 2009	Marcus C Blackmore	4,470,388	27.34

TWENTY LARGEST HOLDERS OF QUOTED EQUITY SECURITIES AS AT 21 AUGUST 2009

	FULLY PAID	
ORDINARY SHAREHOLDERS	NUMBER	PERCENTAGE
Mr M C Blackmore	3,547,874	21.63
Dietary Products (Aust) Pty Ltd	576,132	3.51
National Nominees Limited	369,521	2.25
Citicorp Nominees Pty Limited (CFS Developing Companies A/C)	311,048	1.90
Milton Corporation Limited	305,115	1.86
Ms J A Tait	207,971	1.27
Gowing Bros Limited	207,363	1.26
Blackmore Foundation Pty Ltd	200,000	1.22
JP Morgan Nominees Australia Limited	193,330	1.18
Mrs E M Whellan	182,868	1.11
Citicorp Nominees Pty Ltd	146,603	0.89
Mr R Shepherd	115,000	0.70
Blackmore Superannuation Fund	109,428	0.67
Trans State Nominees Pty Ltd	109,150	0.67
Rathvale Pty Limited	102,005	0.62
Mr J P Machale	100,000	0.61
Mrs Q H E Praeger	94,980	0.58
Mrs P G Wright	84,379	0.51
P G Wright, M G Wright and J G Wright	82,047	0.50
Invia Custodian Pty Ltd (A/c S McClay)	73,802	0.45
Total	**7,118,616**	**43.39**

COMPANY INFORMATION

COMPANY SECRETARY

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

PRINCIPAL PLACE OF BUSINESS

20 Jubilee Avenue
Warriewood NSW 2102
Telephone 61 2 9910 5000

REGISTERED OFFICE

20 Jubilee Avenue
Warriewood NSW 2102
Telephone 61 2 9910 5000

SHARE REGISTRY

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

Telephone 61 2 8234 5000
Facsimile 61 2 8234 5050

SECURITIES EXCHANGE LISTING

Blackmores Limited's ordinary shares are quoted by the Australian Securities 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 products for personal use at 25 per cent 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 Greg Burgoyne, Chief Financial Officer, on 61 2 9910 5106.

COMPANY INFORMATION

Board of Directors

Directors who are Executives of the Group:

Marcus C Blackmore (Chairman of Directors)

Christine Holgate (Chief Executive Officer)

Directors who are not Executives of the Group

Stephen J Chapman

Verilyn C Fitzgerald

Robert L Stovold

Naseema Sparks

Brent W Wallace

Auditor

Deloitte Touche Tohmatsu

Solicitor

David Lemon

Bank

National Australia Bank Limited

Blackmores Online

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

THIS ANNUAL REPORT IS PRINTED
ON PAPER WHICH IS ELEMENTAL
CHLORINE-FREE AND USES PULP DERIVED
FROM SUSTAINABLE FORESTS.

DESIGNED AND PRODUCED
BY DOPPIO DESIGN

Ours is a planet of infinite variety and contradiction,
for on its surface grow innumerable herbs and
wildflowers that are Nature's own medicine chest.

Each living organism is balanced in harmony,
both within itself and as part of the total pattern.

However, our world is not perfect.

There are things which disturb our ecological
balance and leave our body struggling to regain its
instinctive harmony.

At Blackmores we believe that good health can only
Be achieved through adherence to natural laws.

For over seventy years we have developed a range
of products that improve health and wellbeing by
restoring the natural balance.

We offer no wonder drug,
just the resourceful use of Nature.

BLACKMORES®
THE BEST OF HEALTH
blackmores.com.au

BLACKMORES LIMITED
AUSTRALIA'S LEADING NATURAL HEALTH BRAND
ACN 009 713 437

20 JUBILEE AVENUE
WARRIEWOOD NSW 2102, AUSTRALIA

TEL : 61 2 9910 5000
FAX: 61 2 9910 5555

BLACKMORES.COM.AU