BLACKMORES

building platforms for growth

Annual Report 2013

AUSTRALIA'S LEADING NATURAL HEALTH COMPANY

Values

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.

Contents

Annual General Meeting

The 51st Annual General Meeting of the Company will be held at 11am on Tuesday 22 October 2013 at the Blackmores Campus, 20 Jubilee Avenue Warriewood NSW 2102.

Cover image: Cristy Schramm and Samuel Teager, leading the Blackmores Running Club.

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 commitment to quality

At Blackmores we are committed to delivering natural healthcare products and services that meet the very highest of quality standards. We make this exacting demand to meet the deserving expectation of our customers.

Blackmores takes the utmost care to maintain control of all aspects of the product lifecycle determining the quality of our products. We are proud to uphold this reputation and tradition which Blackmores has built over more than 80 years, consistently providing high quality products and services to the community.

Follow our nine step journey, throughout this report, which shows the Blackmores commitment to delivering the highest quality natural healthcare products and services.

step 01 IDENTIFY CONSUMER NEEDS

step 02 SEARCH FOR WORLD LEADING QUALITY INGREDIENTS

step 03 DEVELOP FORMULATION

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step 06 INGREDIENT SAFETY CLAIMS AND EVIDENCE

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step 01

Identify consumer needs

The path Blackmores takes to delivering the highest quality products starts with identifying the changing needs of consumers.

Blackmores product development and marketing teams have an in-depth understanding of consumer needs.

By talking directly to our customers and engaging in market research, we can identify what natural health products and services will help them live more active and healthy lives.

Consumers and healthcare professionals are encouraged to contact us through email, live chat, online, social media and by phone. During the past year, over 43,000 people contacted our free Naturopathic Advisory Service.

Our History

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 nearly 800 people, with a head office 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 80 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, preventative medicine, the environment and recycling were nothing short of radical in the 1930s, and his work opened the doors to new ways of treating illness and maximising health.

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

Since taking the reigns of the business in 1975, Maurice's son Marcus has continued the family traditions established by his father. He has overseen the development of Blackmores and made it a world leader in the dietary supplements business.

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.

Passion

Blackmores has a passion for natural health that 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.

chairman

step 2

Search for world leading quality ingredients

We work with the highest quality raw material suppliers selecting and sourcing the very best possible ingredients available. We confirm the quality levels of each material and supplier via our own dedicated Blackmores quality assurance program. The team traces and audits each step of the ingredient life cycle ensuring only the highest quality ingredients are selected for our products.

Blackmores is dedicated to adhering to the most demanding safety and quality standards in the industry.

Chairman's Introduction

We are proud of being voted "Most Trusted Brand" for Vitamins and supplements in Australia, Thailand and Malaysia. In Australia we won the award for the fifth year in a row in the 2013 Readers Digest Awards.

Blackmores was also awarded the prestigious Superbrands Award in the Vitamins & Health Supplements category for 2013 in Malaysia, for the third consecutive year.

We recognise that consumers put their trust in us and the Blackmores team is committed to developing and delivering quality products that improve people's lives.

At Blackmores we understand that trust has to be earned and cannot be bought.

My father Maurice, who opened his first clinic in 1932, would have been so proud of the recognition his dream of holistic healthcare would one day lead to Blackmores being recognised as Australia's leading natural healthcare company, with a presence in ten international markets.

Our pioneering spirit has not changed in 80 years; and we continue to break boundaries.

We are investing in research, development and education. The Blackmores Institute, which was launched recently, brings together our expertise in education and research. The Institute is overseeing our investment in over 25 clinical trials and is partnering with leading hospitals and universities, reflecting our commitment to build the evidence base of complementary medicines and support healthcare professionals.

We have created a movement, a wellness model that is empowering consumers to take a new approach to healthcare. Blackmores as a leader stands up for the industry, and campaigns against undue regulatory reform.

The more orthodox elements of the medical community continue to be challenged by our approach.

However, we never cease to be amazed at the growing community of integrated medical practices or enquiries to Blackmores by General Practitioners, and Specialists wanting to incorporate natural medicine into their practices.

Blackmores welcomes BioCeuticals, the leading brand in the practitioner market, to our company. I am proud of the way that our cultures and passion for natural healthcare have aligned.

We live in uncertain times, and clearly this year's financial results have not met our expectations. The increase in sales reflects the growth of the business, but we continue to experience considerable margin pressure in our domestic market. However, this has been partly overcome by a sterling performance in Asia and other parts of the group.

Our remuneration structure is linked to achievement of year on year growth and shareholder returns. No Executive Director or Senior Executive received an award under our short-term or long-term incentive plans. At the most recent review in June 2013, there were no fee increases granted for Directors' based on the years results.

Blackmores is building platforms for growth: a renewed focus of our brand in the Australian domestic market; expanding our presence in Asia; and developing the BioCeutcials business will provide growth for the future.

I would like to thank my fellow Board members for the continued contribution they make to the success of your company. The role of a Non-Executive Director has not been without its challenges in the past 12 months. However, rest assured that we are being well served by an extremely competent Board, for which I am most grateful.

This year, we bid farewell to our long-serving Director Bob Stovold, who after 17 years of loyal service has decided to step down from the Board at his own behest. Bob has made an outstanding contribution to our Board particularly in his role as Chairman of the Audit Committee.

Bob is one of those rare individuals, demure by nature, but when he speaks everyone takes notice. He has been a wonderful friend to this company. He has given more than required and will be sorely missed.

The Board is well advanced in the search of additional Non-Executive Directors and expect to make an announcement shortly. An update will be given at the Annual General Meeting.

Finally, I would like to thank our Chief Executive Officer Christine Holgate. She provides the team with inspiration and motivation. She has both navigated the challenges with confidence and celebrated the successes with our hard working team of employees in Australia, New Zealand and Asia – my sincere gratitude to them all.

Marcus C. Blackmore AM
CHAIRMAN OF THE BOARD

step 03

Develop formulation

Blackmores products are developed by a highly experienced and dedicated team of formulators including naturopaths, chemists, scientists and product development pharmacists. They base each formulation on their in-depth knowledge of the principles and practise of product formulation along with a rigorous and comprehensive review of the latest scientific advancements in natural medicine.

The Blackmores team often seeks the advice of leading health experts and is committed to using naturally-derived ingredients and excipients where possible.

CEO's Message

We are delivering against our key strategic imperatives and building platforms for growth. Despite a strong headwind in Australia we have delivered eleven years of sales growth. We have a strong brand in Australia and we are growing our Asia business and our practitioner brand BioCeuticals.

Dear Shareholder,

This year we have made strong steps forward continuing the transformation of our business.

In a year that witnessed further turbulence in the Australian retail market which caused challenges for our business and reduced our earnings, it has been important that we have continued to reshape our business and grow new sources of revenues and profits.

I am pleased to report that in 2012/13 we achieved our eleventh year of consecutive record Group sales and made good progress on executing on our strategy.

Financial & Operational Highlights

Highlights of the year included:

- Strong sales of $327m up 25% on the previous year.
- Further progress in our Asia expansion with sales up 14% to $60m and launching in China and Macau.
- A successful transition of our BioCeuticals acquisition, which is performing well and adding profits.
- Launching the Blackmores Institute and partnering with major education establishments.
- Prudent expense management, evidenced in a reduction in corporate expenses and more efficient sourcing costs.
- Strong focus on cash management, with operating cash flow by 6%.

This progress has been made in a year when the challenges in the Australian retail market have intensified, resulting in a reduction of our margins in the market and a $2.8 million increase in stock write-offs; as a result our group net profit declined by 10%.

Expenses were prudently managed, increasing by 2.5% compared to the prior period excluding both BioCeuticals and the impact of the new operating model for New Zealand, which were included for the first time. This coupled with further operational efficiencies, improved treasury management and stronger profit contributions from other businesses, helped mitigate the full impact of lower Australia margins.

Pharmacy customers, our core customer group in Australia, are going through significant structural change. The impact of the increased growth of larger customers as a proportion of the Vitamins category, whilst smaller community pharmacies are declining, has brought new challenges to our business. This coupled with intense competition from other brands, including deep discounting and significant stock write-offs pressure our margins in Australia and caused a 26% decline in EBIT for the business.

The stock write-offs were predominantly taken in the fourth quarter as a result of lower sales for certain unique or new products than previously forecast for our larger customers. Whilst a level of obsolescence is to be expected for any Group that innovates this year was at a higher level. Going forward we have strengthened our processes, in-order to reduce our exposure to higher obsolescence costs in future years.

Strong emphasis was placed on ensuring we optimised our cash in the business, which led to a 6% improvement in our operating cash flows in the year as a result of working capital improvements.

Net debt increased by $36m to $69m in the period including the impact of the $38.6m paid for the BioCeuticals acquisition.

These results highlight the importance of the continued transformation of the company, to ensure that in the future we return to sustainable profitable growth with reduced dependencies on any one market.

Optimise and Grow our Channels

In Australia we have continued to invest in and support our retail core market. We secured 4% sales growth in a period that experienced intense competition and significant change. We have uplifted our investment in consumer marketing, whilst continuing our support for pharmacies to give advice with the deployment of additional merchandising units, enhanced training and increased trade support. We have strengthened our management for our Grocery customers and opened an additional warehouse to improve further our distribution.

Whilst our Australian margins were adversely impacted by changed conditions, our Australian business remains very profitable and the foundations of the company.

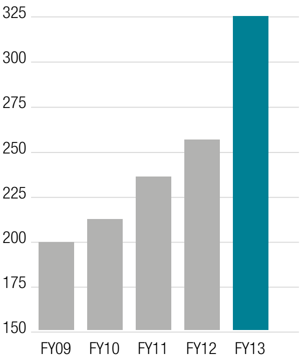
In the year we also deployed a new operating model for New Zealand in partnership with API, our partners in that market. Although the new model resulted in the consolidation of operating expenses for New Zealand for the first time, it also secured a strong revenue contribution and improved earnings, up 50%.

Extend our business in international markets

Our business in Asia continues to go from strength to strength, with record sales up 14% and reported profits up 24% for the region, including a significant investment in establishing our efforts in China. Thailand, Malaysia, Hong Kong, Singapore and Taiwan all achieved record sales years. Sales in Korea were impacted by regulatory changes, which caused some short-term product delays, although we remain confident in the long-term health of this business.

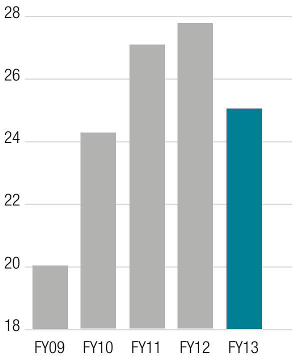
Asia is an increasingly important market for Blackmores' future, providing an important platform to secure further profitable growth, an opportunity to leverage better our capital investments and provide sources of alternative currencies to protect the cost of ingredients, which are sourced from all over the world.

As we move forward we will continue to invest in and grow new markets for our products and services. During the year Blackmores launched in the new international markets of China and Macau. Today we have 75 employees in China; we have 26 different products available for sale and we have secured a 'Wholly Foreign Owned Enterprise' certification. Whilst we will take prudent steps building our cost base in the market, in the longer term China provides a powerful growth opportunity.



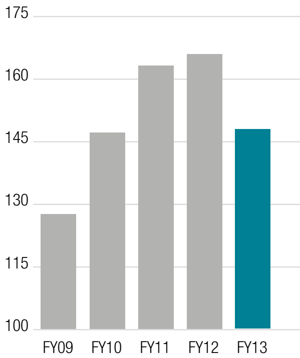
Group revenue from the sale of goods for the year of $327 million represented growth of over 25% on last year's sales result.

SALES



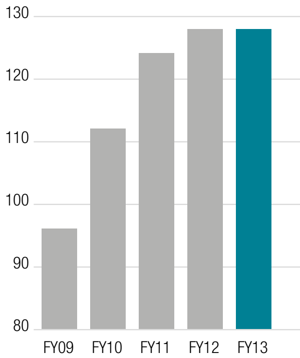
Group Net Profit after Tax (NPAT) was $25 million for the year representing a decline of 10% on last year's reported profit.

NET PROFIT AFTER TAX



Earnings per share decreased by 11% to 147.9c.

EARNINGS PER SHARE



Including this year's final dividend of 83 cents per share, total ordinary dividends for the year were 127 cents per share (fully franked), in line with last year's total ordinary dividends of 127 cents per share.

ORDINARY DIVIDENDS

Regulatory Assessment

step 4

Product formulation and indication compliance assessments are performed early in the development of a product. This complex task is a crucial early step to ensure the development of Blackmores products are compliant with as many markets' unique regulatory requirements as possible. With Blackmores exporting to many different international markets, we work with a network of local and overseas staff to ensure that formulas and product claims meet the requirements of the differing classifications within the regulations of the markets to which we export.

10
INTERNATIONAL MARKETS

Creating New Market Segments.

Blackmores acquired 100% of BioCeuticals in July 2012 for $41.3 million. BioCeuticals is the leading brand of practitioner products in Australia. We are reporting full year financial results for BioCeuticals as part of the Blackmores Group for the first time. I am pleased to report that the transition of the business has gone well evidenced by an 8% increase in sales at $45 million and a strong EBIT contribution of $4.9 million. Taking into account the cost of our increased debt to acquire the business the investment was earnings accretive.

I believe that a core reason to why the BioCeuticals acquisition has been successful; is that there is a strong philosophical alignment between both companies and we share a commitment for quality, innovation and integrity as our guiding principles.

Our Animal Health business grew 27% and contributed almost $4 million in sales.

Building our Iconic Australian Brand

Reflecting the strength and desire for our brand, I am proud to announce that Blackmores has again won in Australia, Thailand and Malaysia the coveted Readers Digest Most Trusted Brand award. This is now the fifth consecutive year for Australia.

During the year we launched the Blackmores Institute, as a centre of excellence for knowledge and research with the aim of furthering understanding and usage of natural medicine. The Institute reflects Blackmores commitment to research, education and evidence-based medicine to the broader community of Australian health professionals and consumers.

To support the efficacy of our products, across the Blackmores Group we are investing in over 25 clinical trials. These include: a large scale clinical trial of Executive B; research into the health benefits of Australian native extracts; the effect of Vitamin B3 on non-melanoma skin cancer; fish oil in supporting work stress; as well as many other important studies with the aim of evidencing the real benefits that complementary medicine can play in our lives.

The Blackmores Institute is partnering with leading educational and research institutes including;

- Southern Cross University
- University of Sydney
- Griffith University
- Monash Alfred Integrated Research Centre
- National Institute of Complementary Medicine and CompleMED, University of Western Sydney

The Blackmores Institute has successfully been accredited by the Royal Australian College of General Practitioners and the Australian Pharmacy Council to provide education on complementary healthcare and is able to award CPD points for a range of courses and education. The Blackmores Institute education program now offers GPs, Pharmacists and Pharmacy Assistants access to a series of online education modules on complementary medicine.

Build our base of operational excellence

The Strategic Sourcing team secured further operational efficiencies whilst building the quality of the supply of our core ingredients. Similarly new supplier negotiations have resulted in cost improvements achieved through combined volumes for Blackmores and BioCeuticals.

To support the future growth of the business and protect the trust in our brand the Blackmores Quality Assurance team has developed a set of guiding Quality principles. Applied across each market and sector of the group, these guidelines dictate consistent standards and policies for therapeutics, foods, pet care, and upcoming initiatives, enabling Blackmores to safeguard the group's reputation for superior quality.

Total operating expenses for Blackmores, excluding both BioCeuticals and the impact of our new operating model for our New Zealand business, which were included for the first time, increased by just 2.5% compared to the prior year. This reflects focused and diligent control across the business and a reduction in corporate costs, to enable further investments to support the launch of the Blackmores Institute, our entry into China and increased marketing expenses.

Develop our Core Product portfolio

Blackmores launched over 120 new products across the Group including Blackmores Kaloba, a ground breaking AUST-R registered product that has been clinically proven for the treatment of acute bronchitis and acute sinusitis.

In a landmark announcement for the natural healthcare industry, we launched the Blackmores and WWF Sustainable Fish Oils Partnership as part of our commitment to achieving the highest possible standard of sustainability for our fish and krill oils range. We launched Blackmores Eco Krill, the first product in the partnership, sourced from sustainable fisheries and is Marine Stewardship Council certified.

Blackmores' iconic glass bottles have also undergone enhancements for improved transportability and less breakages.

Invest in and develop our people

The Blackmores group now employs more than 800 people, with over 300 employees in our Asia markets.

We are proud to support and recognise the value of both gender and cultural diversity. Our commitment to creating a flexible working environment and recruiting on the basis of talent has resulted in a richly diverse workplace. We recognise and value the diverse blend of skills, experience and perspective from individuals irrespective of culture, gender or age:

- over 70% of Blackmores staff are female;
- more than 50% of our Group staff were born overseas and together our employees speak more than 25 different languages;
- 20% of our Australian staff are part time workers, many of whom are enjoying the opportunity to contribute in the work place, balanced with meeting their personal family commitments;
- the average age of our Australian employees is 42; and
- Almost 25% of our staff across our company are qualified healthcare practitioners.

Quality Control

step 3

Blackmores Quality Control processes provide consumers with the confidence that all our products meet our demanding specifications by being rigorously tested during all stages of manufacture.

All Blackmores products are supported by ongoing testing and evaluation to ensure that the product maintains full potency until the end of its shelf life. Products that do not meet our very high quality standards are not accepted.

Blackmores aims to be the model against which all other dietary supplement companies are measured.

Blackmores' conditions of employment continue to support all employees, with many benefits being specifically developed to support and meet the needs of those with family and carer's responsibilities.

Blackmores is proud to champion women in the workplace, and we believe passionately in pay equality for all staff. Women hold some of the most senior and influential leadership roles in the company such as; 33% of the Board Directors, Managing Director of BioCeuticals, Australia Director of Marketing, Director Pharmacy Sales, Director Education, three State Sales Managers, two Country Managers, Company Secretary and Director of People & Communications, apart from myself as Chief Executive.

Our commitment to gender diversity is part of our heritage. In 1963 Sister Esther Mercie Whellan a former registered nurse, was appointed to the Board of Blackmores, which she served tirelessly for 34 years. She was one of the first women appointed to an Australian Board and was a true pioneer for women in leadership.

Dividends

The Board have maintained the final dividend of 83 cents per share (fully franked), given their confidence in the Company's future. This maintains the full year dividend at 127 cents.

Outlook

For Blackmores Australia, the competitive challenges of a heavily discounted marketplace has eroded margins and necessitated transformational changes to the way we do business. Whilst these market dynamics will likely prevail in the coming year, we believe the overall market will grow as complementary medicines become more mainstream and that Blackmores as an industry leader is well positioned to capitalise on this opportunity.

Asia represents a significant and increasing part of our business and we anticipate further profitable growth in the region in the coming year. The acquisition of BioCeuticals has made a very positive contribution to the Group and we expect that to continue.

Our strategic priorities going forward are clear. We need to:

- support our Australian retail business whilst building our consumer brand;
- invest in Asia and BioCeuticals for further profitable growth and develop new additional revenue streams;
- continue to improve operational excellence and transform our cost profile going forward; and
- simplify our organisation and align resources closer to our customers.

We continue to expect sales growth and to improve our profit performance in the coming year. It has been a demanding year and I'd like to thank both our valued shareholders and employees in their continued support of our company.

Christine Holgate
CHIEF EXECUTIVE OFFICER

step 9

Ingredient Safety Claims and Evidence

At Blackmores, uncovering and critically appraising evidence is the starting point for every product we make. This includes published research or our own clinical trials.

Blackmores only produces products that the formulation team have concluded that science and tradition supports as being safe and providing a benefit to our consumers. That means we consider the totality of evidence, traditional and scientific, for each product long before it is developed, manufactured, and put on the shelf.

Corporate Social Responsibility

Community is important to all of us and Blackmores knows that more than most companies. Pulling together in times of need helps a community to survive. Investing in the social fabric of a community helps a community to thrive.

Blackmores has always believed in the strength of a strong community and as an altruistic pioneer, we have a proud track record in supporting communities and supporting those who make a real difference in the community.

During the year Blackmores proudly supported the following organisations and initiatives:

- Aid and International Development Forum Asia-Pacific
- Australian Business and Community Network
- Bilgola Surf Lifesaving Club
- Heart Research Institute
- Kon Kaen University
- Macular Degeneration Foundation of Australia
- Mahidol University Alumni Association
- MINDD Foundation
- Pat Farmer's Vietnam Pole to Pole run
- Quest for Life
- Red Cross
- Siam University
- The McGrath Foundation
- World Wildlife Fund (WWF)
- Yalari Indigenous Scholarship Fund
- YWCA, Thailand

Quest for Life

Blackmores and Quest for Life launched a partnership that will provide more communities around Australia with the opportunity to pursue better physical, emotional, and mental health.

For over 20 years the Quest for Life centre has provided a range of life-changing residential programs that offer holistic, practical strategies to encourage, empower, and educate people living with emotional and physical trauma.

Our partnership will allow Quest for Life to further the reach of that work, including sharing skills and techniques with an extended online community, and increasing the number of participants in their life-changing and healing programs.

Blackmores Sydney Running Festival

The Blackmores Sydney Running Festival is an important date in the running calendar. Blackmores is proud to be the naming rights partner of this iconic event which encourages people to move more and go the extra mile to raise funds for charities. The Blackmores Sydney Running Festival in September 2012 attracted record crowds with over 35,000 participants. The event raised over $2 million for a wide range of charities.

Malaysia 80 Deeds

Malaysia marked Blackmores' 80 year anniversary by launching the 80 Deeds campaign and donating a total of RM80,000 worth of supplements to 25 aged care homes and under privileged children's homes in the Klang Valley and Selangor. The team in Malaysia also reached out to 150 underprivileged children in Kidzania through the "Gift of Joy" collaboration.

Supporting Foodbank

In a first for Australia Blackmores has begun donating vitamins and supplements to Australians in need, with a collaborative partnership with Australia's largest hunger relief agency, Foodbank.

Matched Donations

Blackmores encourages our employees to participate in a charitable scheme whereby a percentage of their taxable pay is deducted each fortnight and is placed in an interest bearing trust account. Blackmores matches this and twice yearly each participating employee nominates a registered charity to receive the donation. Last year the total charity contributions for both employee and employer combined was $143,629.

step

Quality Assurance and Approval

Blackmores Quality Assurance System provides the bedrock on which our products are built. Our Quality Standards ensure that we build quality into our products at each and every step of the product development cycle process to provide a consistent and high quality product every time.

We also commission independent chemical and microbiological testing at TGA-licensed laboratories for all our products.

Highly trained and qualified technicians evaluate the certificate of analysis provided by our contract manufacturers. This details the test results of every single batch of Blackmores products.

Environmental Sustainability

At Blackmores our philosophy is based on healthy people and a healthy planet. We respect and embrace nature for the betterment of mankind and care passionately about future generations.

As Australia's leading natural health company, we believe that we have a responsibility as good corporate citizens to address the issues of environmentally sustainable practices relating to all aspects of our business, demonstrating care, respect and compassion for our people, the broader community and the environment.

We have a proud history of being pioneers, especially in the area of environmental sustainability. We are constantly evolving and seeking the latest advances in natural health-care that are respectful of the earth. In 1978 we were the first company to launch a skin and hair care range that was 'cruelty-free'.

Last year Blackmores launched our Sustainable Fish Oils Partnership with the World Wildlife Fund (WWF) as part of our commitment to achieving the highest possible standard of sustainability for our fish and krill oils.

Blackmores has also worked with the Marine Stewardship Council to ensure Blackmores Eco Krill only uses krill sourced from sustainable fisheries.

The medicinal herbs in the Maurice Blackmore Memorial Garden are used for educational purposes, while culinary herbs are grown to include in healthy meals in the staff café.

step 08

Regulatory Governing Body approval

The complementary medicines we produce can vary in classification from a food to a dietary supplement to a drug depending on the market they are sold in.

The team of Regulatory Affairs associates works with local and overseas regulatory authorities to gain the appropriate approval type for our products in each specific market.

We work with a variety of different regulatory and government bodies to understand the complexities of each market's requirements and successfully achieve compliant registrations.

Blackmores Commitment to Product Stewardship

Blackmores recognises the vital role packaging plays in modern society by ensuring that products are protected and preserved, waste is minimised, and quality, health and safety are assured.

The majority of Blackmores' products are packaged in glass with a polypropylene tamper-evident lid. Where products are placed in cartons, the recyclability of the carton is clearly indicated. A small number of products are packaged in blisters for on-shelf differentiation or in high-density polyethylene jars for bulk packs to minimise weight and breakages.

Blackmores has used glass as its preferred container since the early 1960s based on its superior contents protection, recyclability and premium presentation on shelf.

Recognising that a product's life cycle necessitates a shared responsibility. Blackmores maintains an ongoing dialogue with downstream and upstream suppliers, and customers, on its approach to sustainable packaging, including disposal, recyclability and minimisation of packaging waste.

Blackmores is committed to reducing the environmental impact of our packaging through better design and improved recycling. Blackmores is proud to be a signatory to the Australian Packaging Covenant. The Covenant marks ten years of continuous improvement in the environmental performance of Blackmores' packaging and waste minimisation.

Blackmores was one of the first businesses in Australia to implement paperless order picking. We continue to adopt new logistics strategies to enhance productivity performance and reliability. We encourage our retail customers to embrace electronic invoicing to reduce the environmental impact of paper billing.

The flexible storage system design includes selective, double-deep and narrow aisle racking with capacity for 5,000 pallets.

campus

step 6

Meet Consumer Need

Blackmores is passionate about natural health and we are committed to delivering the best natural health products to our consumers.

To support our quality products we offer a free naturopathic advisory service, where customers can receive personal health advice, access information on products, and provide feedback.

Blackmores invests in educating pharmacy and health food store staff and provides point of sale materials to support our products.

We also understand that consumers want to be able to self-select products. Blackmores helps them by providing detailed product information including ingredient and condition specific information.

The Blackmores Campus

Our world-class facility is a new generation workplace that demonstrates Blackmores' balanced approach to health, work, life and the environment. The facility uses low-emission, low-impact products to create a healthier workplace that has been kind to the environment.

The Blackmores Campus includes innovative features to minimise our environmental impact and drive operational efficiencies. The Blackmores Campus was one of Australia's first to use a Cogent gas-fired generation plant which provides the building's energy needs – electricity, heating and cooling. The resulting reduction in carbon dioxide emissions is the equivalent of taking 1,000 cars off the road. Excess heat from the site is harvested and used to generate hot water and heating for the site.

Water from the pond located at the main entrance to the building is oxygenised and assists in the water recycling system that captures, stores and treats rainwater, achieving self-sufficiency for nine months of the year.

As part of Blackmores' commitment to further reduce carbon emissions and minimise our carbon footprint, we have converted all of the company's fleet vehicles to LPG or diesel. Staff are encouraged to walk, cycle or use public transport to get to work and the company promotes a car pooling program.

The Blackmores Campus in Warriewood packaged nearly 18 million units during the year. The Blackmores production team set a new record packing 500,499 units in a single week.

corporate governance

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' Report and Remuneration Report at pages 24 to 36 of this Annual Report and the Corporate Governance Principles available on the Blackmores website at blackmores.com.au (go to 'Investor Centre' then click on 'Corporate Governance').

A copy of these 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 the 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 diversity with regard to gender, skills and experience.

Pages 24 to 25 set out the qualifications, expertise and experience of each Director at the date of this report and their period in office.

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

Mr Marcus 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 the ASX recommendation he is not considered an 'independent' Chairman. The Deputy Chairman and Lead Director, Mr Stephen Chapman, is an independent Director. The Non-Executive Directors regularly meet without Executive Directors present. For these reasons the ASX recommendation for an independent Chairman has not been adopted.

The Board considers all of its Non-Executive Directors to be independent. The Board regularly assesses the independence of each Non-Executive Director. The Company does not consider length of tenure as a relevant disqualifying criteria for independence and values the experience gained by the Directors in serving on the Board.

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 the Blackmores website.

The Chairman of the Board evaluates the performance of individual Directors and the Board collectively on an ongoing basis. Periodically, a comprehensive review of Board and member performance is conducted. An assessment of the Board, its Committees and member performance was conducted during the year.

PRINCIPLE 3

Promote ethical and responsible decision-making

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

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

Blackmores is a leader in diversity and is proud to have achieved the diversity objectives set by the ASX and we are committed to championing and celebrating the richness of diversity, believing it positively impacts employee engagement, improves business performance, increases shareholder value and enhances the probability of achievement of corporate objectives. Blackmores regularly reviews policies to ensure that the Company not only matches but excels against the ASX Diversity Recommendations. We are committed to create programs that prepare women to take on senior roles within the business, assist Indigenous Australians and encourage people with disabilities to access employment opportunities and career advancement.

Each year the Blackmores Annual Report provides organisation-wide gender statistics (reported on page 10). The Board's People and Remuneration Committee has adopted a diversity policy and management is required to periodically provide diversity reports to the Committee and Board. A copy of the Diversity Policy is available on the Blackmores website.

The Company is compliant with the Equal Opportunity for Women in the Workplace Act 1999.

PRINCIPLE 4

Safeguard integrity in financial reporting

Blackmores is committed to a transparent system for auditing and reporting of the Group'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 the 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 the Blackmores website. The Committee has the opportunity to meet with the external auditors 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 the 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; and
- Operational Risks such as asset loss, cost overruns, Workplace Health and Safety and regulatory breach.

The policies which are in place to manage risk are referenced on the 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 the Board were provided with reports on material risks, including an assessment of the inherent risks, and the effectiveness of controls in place to manage such risks where possible.

The CEO and the Chief Financial Officer 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 Group'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 29 to 36 sets out details of Blackmores' policy and practices of remuneration for Non-Executive Directors, 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. The Committee monitors recruitment and development policies which encourage workplace diversity both in gender and skills.

The Committee has established processes to ensure remuneration advisors are engaged by and work under the guidance of the Committee.

A copy of the Committee's Charter is available on the Blackmores website. The composition and structure of the Committee and membership attendance at meetings of the Committee are set out in the Directors' Report.

financial report

contents

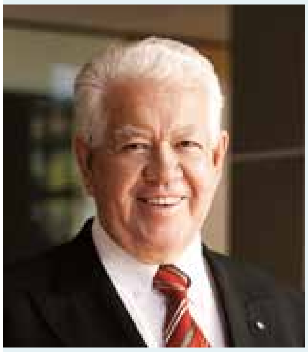
five year history

$'000	2013	2012	2011	2010	2009
Sales[1]	326,603	260,832	234,423	214,934	200,314
Profit before tax	33,951	39,196	39,322	34,731	29,228
Income tax expense	8,975	11,390	12,017	10,434	8,446
Profit for the year	24,976	27,806	27,305	24,297	20,782
Net debt	69,043	33,040	29,832	25,849	33,640
Shareholders' equity	98,051	86,166	79,112	71,790	58,563
Total assets	231,477	174,771	153,130	154,349	138,509
Current assets	124,030	99,993	78,521	80,485	69,544
Current liabilities	45,035	42,024	33,207	34,457	31,903
Net tangible assets (NTA)	58,859	79,629	74,108	68,748	56,414
Earnings before interest, tax, depreciation and amortisation (EBITDA)	44,692	46,879	46,587	41,193	32,916
Depreciation and amortisation	5,989	4,922	4,529	4,141	2,444
Earnings before interest and tax (EBIT)	38,703	41,957	42,058	37,052	30,472
Net interest expense	4,752	2,761	2,736	2,321	1,244
Net operating cash flows	22,014	20,846	21,635	25,874	20,468
Number of shares on issue ('000s)	16,972	16,780	16,744	16,677	16,402
Earnings per share (EPS) - basic (cents)	147.9	165.8	163.2	146.8	127.5
Ordinary dividends per share (cents)	127.0	127.0	124.0	112.0	96.0
Share price at 30 June	$26.94	$26.25	$26.70	$22.30	$16.00
Net tangible assets (NTA) per share	$3.47	$4.75	$4.43	$4.12	$3.44
Return on shareholders' equity[2]	25.5%	32.3%	34.5%	33.8%	35.5%
Return on assets[3]	19.1%	25.6%	27.4%	25.3%	23.9%
Dividend payout ratio	85.9%	76.6%	76.0%	76.3%	75.3%
Gearing ratio[4]	41.3%	27.7%	27.4%	26.5%	36.5%
EBIT to sales	11.9%	16.1%	17.9%	17.2%	15.2%
Effective tax rate	26.4%	29.1%	30.6%	30.0%	28.9%
Current assets to current liabilities (times)	2.75	2.38	2.36	2.34	2.18
Net interest cover (times)[5]	8.1	15.2	15.4	16.0	9.6
Gross interest cover (times)[5]	7.9	14.3	14.5	13.5	8.9
% change on prior year					
Sales	25.2%	11.3%	9.1%	7.3%	12.0%
EBITDA	-4.7%	0.6%	13.1%	25.1%	14.0%
EBIT	-7.8%	-0.2%	13.5%	21.6%	13.0%
Profit for the year	-10.2%	1.8%	12.4%	16.9%	8.9%
EPS	-10.8%	1.6%	11.2%	15.1%	7.7%
Ordinary dividends per share	0.0%	2.4%	10.7%	16.7%	6.7%

1. Represents revenue from the sale of goods and excludes other revenue items.
2. Calculated as net profit after tax divided by closing shareholders' equity.
3. Calculated as EBIT divided by average total assets.
4. Gearing ratio is calculated as net debt divided by the sum of net debt and shareholders' equity.
5. Net and gross interest cover is calculated after adjusting interest expense for capitalised interest in 2009.

directors' report

01
Marcus C Blackmore AM



04
Robert L Stovold

06
Christine Holgate

02
Stephen J Chapman

05
Brent W Wallace

03
Verilyn C Fitzgerald

The Directors of Blackmores Limited (Blackmores) present their report together with the Financial Statements of the Group, being Blackmores and the entities it controlled (Blackmores Group) at the end of or during the year ended 30 June 2013.

01

Marcus C Blackmore AM

ND, MAICD, D Univ

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, a Director of the Young Endeavour Youth Scheme, Deputy Chairman of the Defence Reserves Support Council, an honorary trustee of the Committee for the Economic Development of Australia (CEDA) and an Alumnus of Harvard Business School.

02

Stephen J Chapman

BCOMM, MBA, CA, FAICD

Deputy Chairman and Lead 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 an independent Chairman of E*Trade Australia Limited and is an independent Director of ANZ Wealth Group.

03

Verilyn C Fitzgerald

MAICD

Independent Director

Ms Fitzgerald joined the Board in May 1997. She has spent over 25 years working in international corporate management and has experience as a Director of listed and unlisted companies in the Health and IT industries.

04

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. Over the past 25 years, Mr Stovold has served as an Independent Director on the boards of a number of listed and unlisted public companies operating in a variety of commercial activities.

05

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.

06

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 25 years of international sales and marketing experience 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. Ms Holgate's 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). Ms Holgate is also currently a board member of Ten Network Holdings Limited (since 2010). She was previously a Director of KeyCorp Limited.

Directors' Report

for the financial year ended 30 June 2013

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
M Blackmore	4,449,318	-
S Chapman	23,014	-
V Fitzgerald	10,660	-
C Holgate	73,102	-
R Stovold	28,127	-
B Wallace	12,689	-
Total	4,596,910	-

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 Senior Executives are granted rights to acquire shares in Blackmores. Refer to the Remuneration Report on pages 29 to 36 for more details. During the year, the following rights to shares were granted:

	2013 NUMBER[1]	2012 NUMBER
Executive Director		
C Holgate	22,505	22,850
Senior Executives		
C Cooper	550	-
K Cunningham	3,817	3,876
R Henfrey	4,806	4,880
C Last	4,339	4,406
N Mercado	3,433	3,137
P Osborne	3,913	3,974
G Perera	3,433	3,137
L Richards	4,284	4,350
Former Senior Executives		
J van Bruinessen[2]	5,493	5,165

1. There will be no shares that vest in the 2013 Financial Year.
2. Rights granted during the 2013 year to J van Bruinessen did not vest as he left employment during the 2013 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 29 to 36.

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 Blackmore
	Stephen Chapman
	Christine Holgate
	Naseema Sparks[1]
	Robert Stovold
	Brent Wallace
People and Remuneration:	Verilyn Fitzgerald, Chair
	Marcus Blackmore
	Stephen Chapman
	Naseema Sparks[1]
	Brent Wallace

1. Naseema Sparks retired as a Director 25 October 2012.

Company Secretaries

Cecile Cooper, BBus, Dip Inv Rel (AIRA), GAICD. Ms Cooper 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 business management. Ms Cooper is a Certified Practising Accountant and Chartered Secretary.

Alan Dworkin, CA, ACSA, GAICD. Mr Dworkin was appointed Joint Company Secretary of Blackmores Limited in December 2012. Mr Dworkin has been the Chief Financial Officer and Company Secretary of FIT-BioCeuticals Limited since October 2008. Mr Dworkin is a Chartered Accountant and Chartered Secretary.

Chris Last, BSc, AMCA, MCT, GAICD. Mr Last joined Blackmores in 2010 as Chief Financial Officer. Prior to this he has over 20 years' experience across a range of consumer and manufacturing industries including Unilever and Richemont's Cartier, Montblanc and Dunhill brands. Mr Last qualified in the UK as a Chartered Management Accountant and a member of the Association of Corporate Treasurers.

PRINCIPAL ACTIVITIES

The principal activity of the Blackmores Group in the course of the financial year was the development and sales and marketing of health products for humans and animals including vitamins, herbal and mineral nutritional supplements. The Blackmores Group has operations in Australia, New Zealand and Asia.

RESULT

The financial report for the years ended 30 June 2012 and 30 June 2013 and the results herein have been prepared in accordance with Australian Accounting Standards.

The net amount of profit attributable to the shareholders ('NPAT') of the Blackmores Group for the financial year was $25.0 million (2012: $27.8 million).

DIVIDENDS

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

- a final dividend of 83 cents per share fully franked in respect of the year ended 30 June 2012, as detailed in the Directors' Report for that financial year, was paid on 16 October 2012;
- an interim dividend of 44 cents per share fully franked in respect of the year ended 30 June 2013 was paid on 4 April 2013; and
- on 27 August 2013, Directors declared a final dividend for the year ended 30 June 2013 of 83 cents per share fully franked, payable on 18 October 2013 to shareholders registered on 30 September 2013.

This will bring total ordinary dividends to 127 cents per share fully franked (2012: 127 cents per share fully franked) for the full year.

Directors' Report

for the financial year ended 30 June 2013

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 2013.

REVIEW OF OPERATIONS AND FINANCIAL RESULT

The review complements the financial report and has been prepared in accordance with the recently released guidance note set out in RG247.

Operations of the Entity

Blackmores has operations in Australia, New Zealand and Asia. Blackmores operations include product innovation and formulation, sourcing of the highest quality ingredients, quality programs to ensure compliance with standards of good manufacturing practice and the marketing, sales and distribution of products to customers and consumers.

Our operations are structured to service and deliver multiple channels including pharmacy, mass merchandisers, grocery, health food stores and practitioners. Our pet care range is also sold to vets and wholesalers.

The Blackmores Group NPAT for the financial year was $25.0 million (2012: $27.8 million) which represents a 10.2% decrease compared to the prior year. Sales for the year were $326.6 million (2012: $260.8 million), an increase of 25.2% compared to the prior year. Operating cash-flow improved by 6% on the prior year as a result of improved treasury management. Basic earnings per share ('EPS') decreased from 165.8 cents per share to 147.9 cents per share (a decrease of 10.8%).

Very strong sales resulted in our 11th year of consecutive sales growth and were a reflection of the continued transformation of Blackmores by extending into new segments and international markets. There was solid sales growth in Asia, New Zealand and BioCeuticals, which was acquired 5 July 2012. Asia sales now represent nearly 20% of Group sales and BioCeuticals represents 14% of Group sales.

Whilst, Australian invoiced sales were up to 4% compared to the prior year. Australian retail, particularly pharmacy, our core customer group, is going through a challenging period and significant change. The impact of the increased growth of larger customers at the expense of smaller traditional pharmacies has brought new challenges to the business.

This coupled with intense competition from other brands, evidenced by deep discounting, has pressurised margins in Australia and resulted in stock write-offs which increased by $2.8 million, causing a 26% decline in earnings in this business.

Asia achieved record sales with full year sales up 14% in Australian dollars. Blackmores' two key markets in the region, Thailand and Malaysia, both delivered impressive growth, which contributed significantly to the Group and supported the brand's continued progress in China. Sales in Korea were impacted by regulatory changes, which cause some short-term product delays, although we remain confident in the long-term health of this business.

The transition of the BioCeuticals business has gone well, evidenced by a 8% increase in sales to $45 million and a strong EBIT contribution of $4.9million. Taking into account the cost of our increased debt to acquire the business the investment was earnings accretive.

Total operating expenses for the Blackmores Group for the financial year was $288.8 million (2012: $220.1 million) which represents a 31.2% increase over the prior year. This year's results capture expenses relating to the consolidation of BioCeuticals. Excluding BioCeuticals and the impact of a new operating model in New Zealand, expenses increased by 2.5% compared to the prior year and reflect focused and diligent control.

Improved treasury and working capital management mitigated the full impact of lower Australia margins and supported a 6% improvement in operating cash flows year on year.

Key strategic initiatives were undertaken including investment in building the brand incorporating integrated marketing and sales activity, the establishment of the Blackmores Institute, which is the research and education centre of excellence for Blackmores, and the growth of Blackmores' presence in China. A new operating model in New Zealand was implemented and we leased a distribution warehouse at Eastern Creek in Sydney.

Financial Position of the Entity

Current assets have increased from $100 million to $124 million, an increase of $24 million. Excluding the impact of the acquisition of BioCeuticals, current assets have increased by $9 million. Receivables have increased by $4 million or 7%, which is in line with the 8% increase in sales, excluding BioCeuticals. Inventory has increased by $2 million as the business continues to grow.

Non-current assets have increased from $75 million to $107 million, an increase of $32 million. This increase is due to the recognition of identifiable intangible assets and goodwill of $33 million following the acquisition of BioCeuticals.

Current liabilities have increased from $42 million to $45 million, an increase of $3 million. After adjusting for the impact of the acquisition of BioCeuticals, current liabilities are in line with the prior year.

Non-current liabilities have increased from $47 million to $88 million, an increase of $41 million. This increase is due to the debt funding of the acquisition of BioCeuticals.

Equity has increased from $86 million to $98 million, an increase of $12 million. This increase is explained by the group NPAT for the year and the increase in the foreign currency translation reserve due to exchange rate movements, less dividends (net of equity issued under the DRP).

Net debt has increased from $33 million to $69 million, an increase of $36 million. This increase is explained by the debt funding incurred for the acquisition of BioCeuticals, less the cash saved on dividend payments by reactivating the DRP. As a result of these factors, the gearing ratio has accordingly increased from 27.7% to 41.3%.

Net tangible assets per share decreased from $4.75 last year to $3.47 this year as a result of the recognition of $33 million of intangible assets and goodwill arising from the acquisition of BioCeuticals. Intangible assets are excluded from the calculation of net tangible assets per share, while the debt funding incurred due to the acquisition is included in the calculation of net tangible assets per share.

Business Strategies and Prospects

Blackmores strategic imperatives in 2013 were:

- Build the Blackmores brand
- Develop our core product portfolio
- Optimise and grow our channels
- Extend our business and our brand into new segments, and international markets
- Invest in and develop our people
- Build our base of operational excellence

Australia remains the core market for the Blackmores Group and it is important that we continue to support and drive the business. The short and medium term provides both challenges and opportunities. Changes to our industry and competitive pressures continue. Channel and category management initiatives will ensure we differentiate our offering and meet our consumer expectations. Continued investment in marketing to underpin the brand and innovation and new product initiatives to support our leadership position based on product quality and service.

The industry is highly regulated and there have been recent proposed regulatory changes which we consider would have been detrimental to our industry and our consumers. Blackmores' 80 years of industry experience ensures we can provide a leadership role using our strong relationships with regulators and industry associations to ensure there is appropriate consultation on policy formulation and regulatory reforms.

Directors' Report

for the financial year ended 30 June 2013

Asia becomes increasingly important to our future and as we go forward we will invest further and build our strength. Our growth in China will be overseen by experienced Blackmores personnel and risks will be mitigated by utilising the most appropriate distribution and investment model in key regions.

Our risk framework and reporting is strong and ensures our material business risks are identified and assigned to our most senior managers to monitor, audit, improve and report to the Audit and Risk Committee and the Board.

As we continue to transform the company, we will continue to target and grow our international presence, ensuring that we return to sustainable profitable growth with reduced dependencies on any one market.

Going forward we will support our Australian retail business, invest in Asia and BioCeuticals for further profitable growth, improve operational excellence and simplify our organisation and align resources closer to our customers.

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.

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 'Investor Centre' then click on 'Corporate Governance'). A separate section in this Annual Report on pages 20 to 21 outlines the Company's current Corporate Governance principles and practices.

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		AUDIT AND RISK COMMITTEE		NOMINATIONS COMMITTEE		PEOPLE AND REMUNERATION COMMITTEE	
DIRECTORS	HELD[1]	ATTENDED	HELD[1]	ATTENDED	HELD[1]	ATTENDED	HELD[1]	ATTENDED
M Blackmore	8	8	-	-	1	1	3	1
S Chapman	8	7	3	3	1	1	3	3
V Fitzgerald	8	7	3	3	1	1	3	3
C Holgate[2]	8	8	3	3	1	1	3	3
N Sparks	2	2	-	-	-	-	1	-
R Stovold	8	8	3	3	1	1	-	-
B Wallace	8	8	3	3	1	1	2	2

1. Reflects the number of meetings held during the time that the Director held office during the year.
2. C. Holgate's attendance at the Audit and Risk Committee and People and Remuneration Committee was as an invitee.

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 12 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 37 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.

Directors' Report

for the financial year ended 30 June 2013

REMUNERATION REPORT

In 2012 we changed the structure and layout of the report to provide greater clarity to shareholders on Blackmores' executive remuneration. Based on positive shareholder feedback this year's report follows the same format. No changes were made to the incentive programs this year.

The financial year has been a challenging one and the minimum performance targets set by the Board were not achieved.

- No Executive Director or Senior Executive received an award under our Short Term Incentive Plan
- No Executive Director or Senior Executive received an award under our Long Term Inventive Plan

These outcomes evidence the strong link between Blackmores' performance incentive program and shareholder returns.

REMUNERATION GOVERNANCE

Blackmores is focused on the transparency and effective communication of remuneration policies and practices in alignment with ASX guidelines. Regular reviews of our Remuneration strategy are undertaken and the Board and management actively seek comment from shareholders and the investment community to ensure there is alignment of business outcomes and shareholder interests.

The Board believes the structure and governance of remuneration at Blackmores will support business outcomes, reward our employees for achievement of the group's strategic goals and align to shareholders interests.

The Report is presented in the Following Sections:

1. Key Terms
2. Governance
3. Non-Executive Directors Remuneration
4. Executive Director and Senior Executive Remuneration
5. Employment Contracts
6. Remuneration Disclosures for Executive Directors and Key Management Personnel
7. Share-based Payments

1. KEY TERMS

In this Report the following terms and phrases have the meanings indicated below:

Executive Directors	Refers to the Chairman and Chief Executive Officer.
Directors	Executive Directors and Non-Executive Directors.
Key Management Personnel	Includes all Directors as well as those Senior Executives who have authority and responsibility for planning, directing and controlling the activities of the Blackmores Group, directly or indirectly.
Granted	Assigned to, but not yet vested.
Vested	Met performance criteria and available to be exercised, but not yet owned.
Exercised	Owned.

KEY MANAGEMENT PERSONNEL

The following table lists all the current Key Management Personnel (KMP) referred to in this Report.

NON-EXECUTIVE DIRECTORS

Stephen Chapman	Non-Executive Director, Deputy Chairman, member of the Audit and Risk Committee, People and Remuneration Committee and Nominations Committee
Verilyn Fitzgerald	Non-Executive Director, Chair of the People and Remuneration Committee and Nominations Committee and member of the Audit and Risk Committee
Robert Stovold	Non-Executive Director and Chair of the Audit and Risk Committee and member of the Nominations Committee
Brent Wallace	Non-Executive Director and member of the Audit and Risk Committee, People and Remuneration Committee and Nominations Committee

EXECUTIVE DIRECTORS

Marcus Blackmore	Chairman of the Board, member of the People and Remuneration Committee and Nominations Committee
Christine Holgate	Chief Executive Officer and Managing Director and member of the Nominations Committee

SENIOR EXECUTIVES

Cecile Cooper	Director, People and Communication and Company Secretary
Kerry Cunningham	Managing Director BioCeuticals
Richard Henfrey	Director, Strategic Sourcing
Chris Last	Chief Financial Officer
Neal Mercado	Director, Product Development
Peter Osborne	Director, Asia
Gabriel Perera	Director, Business Development
Lee Richards	Chief of Operations

2. GOVERNANCE

PEOPLE AND REMUNERATION COMMITTEE

The Board of Directors has 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 KMP of Blackmores and to make recommendations to the Board that are in the best interests of Blackmores and its shareholders. The composition and function of the People and Remuneration Committee is set out in the Committee's charter which can be viewed or downloaded from the Company's website at blackmores.com.au (go to 'Investor Centre', then click on 'Corporate Governance'). The charter is reviewed annually.

The People and Remuneration Committee comprises three Non-Executive Directors and the Executive Chairman who have substantial experience in both remuneration governance and the Blackmores business. The members are:

- Verilyn Fitzgerald – Chair
- Marcus Blackmore
- Stephen Chapman
- Brent Wallace

Directors' Report

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REMUNERATION REPORT (CONT.)

ADVISORS TO THE COMMITTEE

The People and Remuneration Committee obtains specialist external advice about remuneration structure and levels. The advice is used to support its assessment of the market to ensure that Senior Executives and Non-Executive Directors are being rewarded appropriately, given their responsibilities and experience. Executive remuneration packages are also reviewed annually against suitable benchmarks to ensure that an appropriate balance between fixed and incentive pay is achieved.

During the period no remuneration recommendations defined by the Corporations Act, were provided by remuneration advisors engaged by the Company, or requested by the People and Remuneration Committee.

3. NON-EXECUTIVE DIRECTORS REMUNERATION

REMUNERATION POLICY AND STRUCTURE

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. No incentive based payments are awarded to Non-Executive Directors.

Blackmores makes superannuation contributions on behalf of Non-Executive Directors in accordance with statutory obligations and each Non-Executive Director may sacrifice their fees in return for additional superannuation contributions paid by Blackmores.

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.

NON-EXECUTIVE FEES

Directors' fees paid in respect to the financial year 2013 include:

- the base fee for each Director of $75,401 per annum;
- an additional fee of $7,725 for each Committee membership;
- an additional fee of $5,150 if appointed Chairman of the Committee.

A Non-Executive Director, who is also Deputy Chairman, receives 150% of the relevant base fee. Members of the Nominations Committee do not receive any additional fees.

Directors' fees were not increased in the financial year 2013.

Directors' fees will not be increased in the financial year 2014.

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 of service at $138,000.

Shareholders at a meeting held on 21 October 2010 determined the maximum total Non-Executive Directors' fees payable, including committee fees, to be $700,000 per year, to be distributed as the Board determines.

The following table discloses the remuneration of the Non-Executive Directors for the financial year ended 30 June 2013.

	SHORT-TERM EMPLOYMENT BENEFITS	POST EMPLOYMENT BENEFITS	
	FEES AND ALLOWANCES $	SUPERANNUATION $	TOTAL $
Non-Executive Directors			
Stephen Chapman			
2013	**128,552**	**11,570**	**140,122**
2012	128,624	11,144	139,768
Verilyn Fitzgerald			
2013	**83,171**	**21,470**	**104,641**
2012	50,886	54,600	105,486
Robert Stovold			
2013	**88,275**	**7,945**	**96,220**
2012	88,325	7,949	96,274
Brent Wallace			
2013	**87,077**	**7,837**	**94,914**
2012	83,172	7,485	90,657
Former Non-Executive Director			
Naseema Sparks[1]			
2013	**25,577**	**2,302**	**27,879**
2012	83,172	7,485	90,657
Total[2]			
2013	**412,652**	**51,124**	**463,776**
2012	434,179	88,663	522,842

1. N Sparks retired as a Non-Executive Director 25 October 2012.
2. There were no increases to Non-Executive Director Fees in the financial years 2013 or 2012. The previous increase was effective 1 July 2010.

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.

4. EXECUTIVE DIRECTOR AND SENIOR EXECUTIVE REMUNERATION

REMUNERATION POLICY

Blackmores remunerates its people fairly and responsibly.

The People and Remuneration Committee has established a remuneration policy aimed at achieving the following objectives:

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

Blackmores' remuneration policy is transparent and linked to both the individual's and Group's performance. These guidelines are underpinned by clearly defined objectives and measures, with each Senior Executive assessed in line with the performance management program.

Fixed and performance-related remuneration provides Executives with tangible incentives to meet Blackmores' objectives and to share in the success and profitability of Blackmores in alignment with the interests of shareholders.

COMPONENTS OF EXECUTIVE DIRECTOR AND SENIOR EXECUTIVE REMUNERATION

The executive remuneration framework consists of the following components:

Fixed Remuneration

Reflects core performance requirements and expectations and is targeted to be reasonable and fair, taking into account Senior Executives' responsibilities and experience compared with competitive market benchmarking against companies with relative size and scale of Blackmores' operations. This component of remuneration includes superannuation.

Directors' Report
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REMUNERATION REPORT (CONT.)

Performance-based Remuneration

(a) Short-term incentives (STI) – comprise cash payments linked to clearly specified annual group targets and individual objectives and behaviours. This element of remuneration is considered to be an effective tool in promoting the interests of Blackmores and its shareholders. The STI scheme is designed around appropriate performance benchmarks based on Blackmores' NPAT performance relative to budget and requires the achievement of year on year growth.

(b) Profit Share – Executive Directors and Senior Executives participate in the same profit share plan as all permanent Blackmores staff.

(c) Long-term incentives (LTI) – The Executive Performance Share Plan (EPSP) was approved at Blackmores' Annual General Meeting in October 2011. Participation is open to Executive Directors and Senior Executives determined to be 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. The Chairman's incentive is a cash-based equivalent.

(d) Special long-term incentives (SLTI) – From time to time the Board may offer 'one-off' SLTIs to particular Executive Directors and Senior Executives in addition to the LTI as outlined in (c) above.

LINK TO STRATEGIC OBJECTIVES AND PERFORMANCE

The following diagram illustrates how the performance-based components are structured to align with Blackmores' strategic objectives. The performance-based remuneration section provides further details of the relationship between the incentive plans and performance.

PERFORMANCE-BASED COMPONENTS

	SHORT-TERM INCENTIVES (STI)	PROFIT SHARE	LONG-TERM INCENTIVES (LTI)	SPECIAL LONG-TERM INCENTIVES (SLTI)
Delivery	Cash based award	Cash based award (Up to $1,000 can be taken in shares)	Rights to acquire shares Where regulations prohibit an equity based plan, a cash equivalent is awarded	Rights to acquire shares
Performance Measure	Company Measure: Achievement of Group NPAT against budget Individual Measure: Financial measures such as revenue growth, operational expenditure management Non-financial measures such as employee engagement, project delivery, safety	Company Measure: Percentage allocation of Group NPAT	Company Measure: EPS growth over prior year Individual Condition: Vested shares are subject to a service condition	Company Measure: EPS growth over prior year Revenue Growth over prior year Individual Condition: Vested shares are subject to a service condition
Strategic Objective	• Reward achievement of revenue growth, annual earnings growth and achievement of specific divisional and individual goals	• Reward achievement and creation of shareholder wealth • Supports employee engagement	• Reward creation of shareholder wealth	• Reward creation of shareholder wealth

PERFORMANCE-BASED REMUNERATION

PERFORMANCE INCENTIVES – ACTUAL PERFORMANCE 2013 FINANCIAL YEAR

Short-term Incentive (STI)

Blackmores' 2013 NPAT of $25.0 million represented a 10.2% decrease and did not meet the minimum performance target set by the Board.

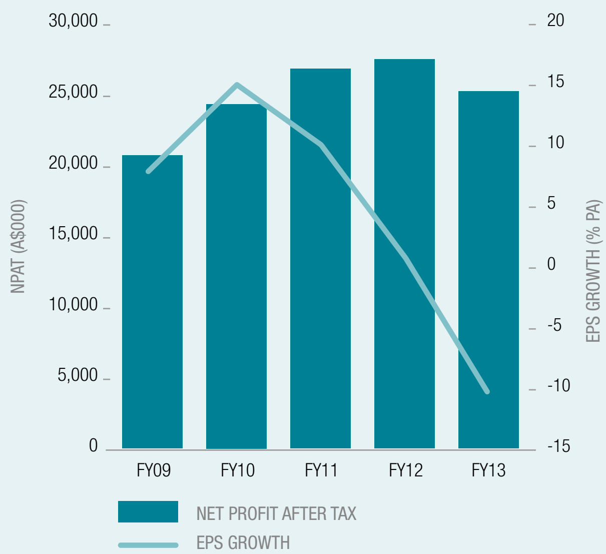
The amount awarded to the Senior Executives for the 2013 STI is $Nil, down by 100% on the prior financial year. This award is included under the 'STI and Profit Share' column in the remuneration disclosures table on page 35.

Long-term Incentives (LTI)

Blackmores' 2013 EPS decrease of 10.8% did not meet the minimum performance target of EPS growth in excess of 4%. There were no awards under the 2013 LTI plan.

The 2013 amount shown under the 'Share-Based Payment' column in the remuneration table on page 35 relates to prior year LTI awards and represents the fair value of grants in the 2011 financial year.

Blackmores EPS and NPAT performance is illustrated in the following graph.



Directors' Report

for the financial year ended 30 June 2013

REMUNERATION REPORT (CONT.)

SHORT TERM INCENTIVES (STI) – PERFORMANCE CONDITIONS

Specific information relating to the actual annual performance awards is set out in the table on page 35.

What is the annual incentive and who is eligible to participate?	The STI plan provides eligible employees with a reward for annual performance against measured targets set at the beginning of the performance period. Eligible employees include the Executive Directors, Senior Executives and other nominated employees.

What is the amount the executive can earn?		Chairman	Chief Executive Officer	Senior Executives
	% of target performance	% of base remuneration		
	Less than 95% 125% Sliding scale between these points	0% 65%	0% 65%	0% 78%
What were the performance conditions for the 2013 financial year?	Measures	Chairman	Chief Executive Officer	Senior Executives
	Group financial measures – Group NPAT achievement against budget	100%	70%	83%
	Individual objectives: Financial – (i.e. revenue, new product launches and other specific objectives) Non-financial measures - (i.e. safety, employee engagement and other agreed objectives)	0%	30%	17%

Why were these performance measures chosen?	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 superior performance. 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. Blackmores' policy is that STIs will only be awarded when Blackmores meets agreed performance hurdles. In addition, Senior Executives are not awarded any STI in the instance of the lowest personal performance assessment.
When are performance conditions tested?	NPAT is calculated by Blackmores at the end of the financial year, verified by Blackmores' auditors and published in the Group's Financial Statements before any payment is made. This method was chosen to ensure transparency and consistency with disclosed information. 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 reviews performance assessments for Key Management Personnel.

Directors' Report

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REMUNERATION REPORT (CONT.)

PROFIT SHARE – PERFORMANCE CONDITIONS AND OPERATION

Specific information relating to the actual performance awards is set out in the table on page 35.

What is the annual incentive and who is eligible to participate?	All eligible permanent Group staff including Executive Directors and Senior Executives participate in a profit share plan, whereby 10% of the Group NPAT is allocated to a pro-rata basis by reference to their base remuneration. The profit share plan is in addition to the STI award.
Why were these performance measures chosen?	NPAT 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.
When are performance conditions tested?	Profit share is paid twice a year based on Blackmores' NPAT calculation. All employees, including Senior Executives, may purchase up to $1,000 of Blackmores' shares each year under the Staff Share Acquisition Plan with money that would have otherwise been received under the profit share plan. Blackmores' Share Trading Policy prohibits Executives from entering into any transaction which operates to hedge the exposure of unvested shares received under any share incentive plan, unless prior approval is provided by the Board.

LONG TERM INCENTIVES (LTI) – PERFORMANCE CONDITIONS

Specific information relating to the actual annual performance awards is set out in the table on page 35.

What is the annual incentive and who is eligible to participate?	Eligible employees are invited annually by the Board to participate in the Executive Performance Share Plan (EPSP). Under this plan, eligible Senior Executives are granted rights to acquire shares in Blackmores. Eligible employees include the Executive Directors, Senior Executives and other nominated employees.		
What is the amount the executive can earn?	Measures	Chief Executive Officer	Chairman and Senior Executives
	% of target performance	% of base remuneration	
	Less than or equal to 4% Greater than 16% Sliding scale between these points	0% 100%	0% 40%
What is the performance condition and period?	The performance period for measuring EPS growth is one year. In addition to this first year performance period, employees are subject to a further two year service period holding lock on shares that are issued. The performance condition is EPS growth over the prior financial year. 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. 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. Growth in EPS is simple to calculate and basing the 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.		
How does the EPSP operate?	The value of rights granted to executives is equivalent to a percentage of their base remuneration at the time of grant. The number of rights granted equals the value of rights 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 are announced to the ASX less • the amount of any final dividend per share declared as payable in respect of the prior financial year. Rights are automatically exercised following vesting, audit clearance of the Financial Statements and Board approval. These Blackmores shares are issued to participants at zero cost. The number of shares issued is identical to the number of rights exercised and are subject to a further two year holding lock and are subject to forfeiture if the employee resigns or is terminated prior to the end of this period. In the case of the Chairman, a cash equivalent is paid in lieu of shares. Where regulations prohibit an equity based plan, a cash equivalent is awarded.		

Directors' Report

for the financial year ended 30 June 2013

REMUNERATION REPORT (CONT.)

LONG TERM INCENTIVES (LTI) – PERFORMANCE CONDITIONS (CONT.)

When is the performance condition tested?	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 that is easy to calculate and ensures transparency and consistency with public disclosures.
What happens if the executive ceases employment during the performance period?	If an executive ceases employment during the performance year the rights lapse. Shares issued to the CEO and Senior Executives are subject to restrictions referred to as a 'holding lock'. During this period, executives 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 the 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.

5. EMPLOYMENT CONTRACTS

The remuneration and other terms of employment are covered in employment contracts. No contract is for a fixed term.

TERMINATION

Executive Directors and Senior Executives' contracts can be terminated by Blackmores or the Senior Executive providing notice periods as shown in the following table.

Name	Notice periods / Termination Payment	
Christine Holgate[1]	Six months notice (or payment in lieu) including redundancy. In the event of termination by the Company, Christine Holgate is also entitled to an additional cash payment of $280,000. In the event of voluntary resignation she will not be entitled to the above payment. May be terminated immediately for serious misconduct.	
Senior Executives[2]	Three months notice (or payment in lieu). May be terminated immediately for serious misconduct.	
	Redundancy Payments	
	Years of continuous service	Notice periods / Termination Payments
	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 three weeks of pay for each completed year of service following 10 years capped at a maximum of 52 weeks of pay.

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

Directors' Report

for the financial year ended 30 June 2013

REMUNERATION REPORT (CONT.)

6. REMUNERATION DISCLOSURES FOR EXECUTIVE DIRECTORS AND KEY MANAGEMENT PERSONNEL

The following table discloses the remuneration of the Executive Directors and Senior Executives of Blackmores for the Financial year ended 30 June 2013.

	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]	SUPER-ANNUATION	OTHER[4]	SHARES AND RIGHTS[5]	TOTAL	% OF PERFORM-ANCE BASED REMUNERATION	% OF NON-PER-FORMANCE BASED REMUNERATION	% OF REMUNERATION RIGHTS
	$	$	$	$	$	$	$	$	%	%	%
Executive Directors											
Marcus Blackmore											
2013	**319,669**	**27,913**	**-**	**18,852**	**16,470**	**4,356**	**-**	**387,260**	**7.2%**	**92.8%**	**-**
2012	381,624	68,794	141	31,065	15,775	6,750	-	504,149	13.6%	86.4%	-
Christine Holgate[6]											
2013	**565,324**	**52,854**	**-**	**48,958**	**16,470**	**7,203**	**178,661**	**869,470**	**21.8%**	**78.2%**	**20.5%**
2012	591,749	141,817	-	51,949	15,775	4,835	371,812	1,177,937	40.0%	60.0%	31.6%
Senior Executives											
Cecile Cooper[7]											
2013	**165,448**	**12,147**	**5,829**	**11,881**	**24,179**	**3,666**	**-**	**223,150**	**5.4%**	**94.6%**	**0.0%**
Kerry Cunningham											
2013	**249,449**	**41,628**	**-**	**20,051**	**16,560**	**4,361**	**4,875**	**336,924**	**13.8%**	**86.2%**	**1.4%**
2012	227,047	40,194	-	20,378	21,877	5,665	4,874	320,035	14.1%	85.9%	1.5%
Richard Henfrey											
2013	**272,471**	**27,583**	**29,299**	**25,572**	**23,820**	**3,538**	**23,522**	**405,805**	**12.6%**	**87.4%**	**5.8%**
2012	281,388	50,563	16,548	24,785	24,875	2,343	55,574	456,076	23.3%	76.7%	12.2%
Chris Last											
2013	**268,616**	**24,512**	**-**	**26,431**	**23,170**	**2,143**	**21,380**	**366,252**	**12.5%**	**87.5%**	**5.8%**
2012	257,823	41,193	-	23,420	21,509	1,210	28,162	373,317	18.6%	81.4%	7.5%
Neal Mercado											
2013	**208,900**	**19,313**	**10,273**	**17,897**	**16,470**	**5,795**	**1,340**	**279,988**	**7.4%**	**92.6%**	**0.5%**
2012	195,399	33,591	5,136	17,734	15,775	5,246	1,339	274,220	12.7%	87.3%	0.5%
Peter Osborne											
2013	**263,077**	**27,569**	**-**	**21,923**	**-**	**-**	**-**	**312,569**	**8.8%**	**91.2%**	**0.0%**
2012	273,502	47,379	-	21,923	-	-	-	342,804	13.8%	86.2%	0.0%
Gabriel Perera											
2013	**215,550**	**19,313**	**-**	**17,889**	**16,380**	**4,315**	**1,340**	**274,787**	**7.5%**	**92.5%**	**0.5%**
2012	205,631	32,591	1,741	21,110	20,870	5,164	1,339	288,446	11.8%	88.2%	0.5%
Lee Richards											
2013	**227,245**	**24,440**	**24,078**	**22,586**	**33,470**	**6,675**	**21,721**	**360,215**	**12.8%**	**87.2%**	**6.0%**
2012	231,019	45,202	24,044	23,860	24,775	6,810	49,247	404,957	23.3%	76.7%	12.2%
Former KMP's and Senior Executives disclosed under the Corporations Act 2001											
Jim van Bruinessen[8]											
2013	**357,675**	**16,231**	**-**	**27,465**	**16,470**	**830**	**-**	**418,671**	**3.9%**	**96.1%**	**0.0%**
2012	345,803	53,369	-	27,854	15,775	-	-	442,801	12.1%	87.9%	0.0%
Total											
2013	**3,113,424**	**293,503**	**69,479**	**259,505**	**203,459**	**42,882**	**252,839**	**4,235,091**	**11.9%**	**88.1%**	**5.0%**
2012	2,990,985	554,693	47,610	264,078	177,006	38,023	512,347	4,584,742	22.5%	77.5%	10.3%

1. Amounts included in the 'STI and Profit Share' column include amounts paid by way of profit share on 19 December 2012 and 26 June 2013. The STI plan for the 2013 financial year was approved by the People and Remuneration Committee on 22 August 2012. No Awards for the 2013 financial year will be paid.
2. Non-monetary benefits include motor vehicle benefits.
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. The FY13 share-based payments relate to the LTI plan and represent the FY13 portion of the fair value of rights granted in FY11. The amount awarded for the FY12 and FY13 plan was $nil.
6. Christine Holgate's FY13 share-based payment ($178,661) represents the combination of SLTI and LTI plans. The amounts are (a) $41,969, being the FY13 portion of the fair value of rights granted in FY09, and (b) the FY13 portion of the fair value of rights granted under the LTI plan in FY11 ($136,692). The amount awarded for the LTI FY12 and LTI FY13 plan was $nil.
7. Cecile Cooper was appointed as a Senior Executive 1 July 2012. Salary represents a 4 day week.
8. Jim van Bruinessen joined 28 July 2011 and resigned 11 June 2013.

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.

Directors' Report

for the financial year ended 30 June 2013

REMUNERATION REPORT (CONT.)

7. SHARE-BASED PAYMENTS

The table below outlines the rights and shares outstanding to Senior Executives at 30 June 2013. 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[2,6]	% OF NUMBER GRANTED	VALUE[3]	DATE	VALUE OF RIGHTS NOT VESTED
Executive Director													
Christine Holgate	25/11/08	5	20,144	$10.42	$209,900	$13.90	$280,002	22/10/09	20,144	100.0%	$0	09/2013	
	9/12/09	4	33,081	$18.67	$617,622	$21.14	$699,332	30/06/10	31,030	94%	$0	2/09/12	
	13/09/10	4	26,699	$22.32	$595,922	$25.53	$681,625	30/06/11	18,369	69%	$0	1/09/13	
	3/10/12	4	22,505	$27.94	$628,790	$31.26	$703,506	30/06/13	0	0%	N/A	N/A	$0.00
Senior Executives													
Cecile Cooper	3/10/12	4	550	$27.94	$15,367	$31.26	$17,193	30/06/13	0	0%	N/A	N/A	$0.00
Kerry Cunningham	13/09/10	4	1,140	$22.32	$25,445	$25.53	$29,104	30/06/11	655	57%	$0	1/09/13	
	3/10/12	4	3,817	$27.94	$106,647	$31.26	$119,319	30/06/13	0	0%	N/A	N/A	$0.00
Richard Henfrey	9/12/09	4	6,294	$18.67	$117,509	$21.14	$133,055	30/06/10	5,149	82%	$0	2/09/12	
	13/09/10	4	5,504	$22.32	$122,849	$25.53	$140,517	30/06/11	3,161	57%	$0	1/09/13	
	3/10/12	4	4,806	$27.94	$134,280	$31.26	$150,236	30/06/13	0	0%	N/A	N/A	$0.00
Chris Last	30/04/10	4	1,155	$21.53	$24,867	$23.66	$27,327	30/06/10	945	82%	$0	2/09/12	
	13/09/10	4	5,002	$22.32	$111,645	$25.53	$127,701	30/06/11	2,873	57%	$0	1/09/13	
	3/10/12	4	4,339	$27.94	$121,232	$31.26	$135,637	30/06/13	0	0%	N/A	N/A	$0.00
Neal Mercado	13/09/10	4	313	$22.32	$6,986	$25.53	$7,991	30/06/11	180	58%	$0	1/09/13	
	3/10/12	4	3,433	$27.94	$95,918	$31.26	$107,316	30/06/13	0	0%	N/A	N/A	$0.00
Peter Osborne	3/10/12	4	3,913	$27.94	$109,329	$31.26	$122,320	30/06/13	0	0%	N/A	N/A	$0.00
Gabriel Perera	13/09/10	4	313	$22.32	$6,986	$25.53	$7,991	30/06/11	180	58%	$0	1/09/13	
	3/10/12	4	3,433	$27.94	$95,918	$31.26	$107,316	30/06/13	0	0%	N/A	N/A	$0.00
Lee Richards	9/12/09	4	5,405	$18.67	$100,911	$21.14	$114,262	30/06/10	4,422	82%	$0	2/09/12	
	13/09/10	4	5,083	$22.32	$113,453	$25.53	$129,769	30/06/11	2,919	57%	$0	1/09/13	
	3/10/12	4	4,284	$27.94	$119,695	$31.26	$133,918	30/06/13	0	0%	N/A	N/A	$0.00
Former Senior Executives													
Jim van Bruinessen	3/10/12	4	5,493	$27.94	$153,474	$31.26	$171,711	N/A		0%	N/A	N/A	$0.00

1. Disclosure of maximum value is required under s300A of the Corporations Act 2001. The value disclosed represents the underlying 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 vested 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 Group'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 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.
5. Shares were issued to the CEO under the terms of the employment contract agreed with Christine Holgate and approved by shareholders at the 2009 Annual General Meeting and are to a service condition enforced by holding locks.
6. There were nil shares that vested in the FY13 year.

PERFORMANCE-BASED INCENTIVE

	STI		LTI	
	MAXIMUM REMUNERATION	RECEIVED AS % OF MAXIMUM REMUNERATION	MAXIMUM REMUNERATION	RECEIVED AS % OF MAXIMUM REMUNERATION
	%	%	%	%
Executive Directors				
Marcus Blackmore	65	0	40	0
Christine Holgate	65	0	100	0
Senior Executives				
Cecile Cooper	32.5	0	10	0
Kerry Cunningham	78	0	40	0
Richard Henfrey	78	0	40	0
Chris Last	78	0	40	0
Neal Mercado	78	0	40	0
Peter Osborne	78	0	40	0
Gabriel Perera	78	0	40	0
Lee Richards	78	0	40	0

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 AM
Director

Dated in Sydney, 27 August 2013

Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Eclipse Tower
Level 19
60 Station Street
Parramatta NSW 2150
PO Box 38
Parramatta NSW 2124 Australia

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

27 August 2013

Dear Board Members

Blackmores Limited

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

As lead audit partner for the audit of the financial statements of Blackmores Limited for the financial year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Delaney

X Delaney
Partner
Chartered Accountants

Independent Auditor's Report

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Independent Auditor's Report to the Members of Blackmores Limited

Report on the Financial Report

We have audited the accompanying financial report of Blackmores Limited, which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, 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 40 to 83.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 3, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply 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. Those 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 of the financial report that gives a true and fair view, 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.

Independent Auditor's Report

Deloitte.

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 consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report of Blackmores Limited complies with International Financial Reporting Standards as disclosed in Note 3.

Report on the remuneration report

We have audited the Remuneration Report included in pages 29 and 36 of the directors' report for the year ended 30 June 2013. 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.

Opinion

In our opinion the Remuneration Report of Blackmores Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

X Delaney
Partner
Chartered Accountants
Parramatta, 27 August 2013

Directors' Declaration

The Directors declare that:

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

(b) in the Directors' opinion, the attached Financial Statements are in compliance with International Financial Reporting Standards, as stated in note 3 to the Financial Statements;

(c) 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 Group; and

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

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

On behalf of the Directors

Marcus C Blackmore AM
Director

Dated in Sydney, 27 August 2013

Consolidated Statement of Profit or Loss

for the financial year ended 30 June 2013

	NOTES	2013 $'000	2012 $'000
Sales	5	**326,603**	260,832
Royalties	5	**-**	681
Membership	5	**-**	54
Revenue		**326,603**	261,567
Other income	6	**936**	533
Revenue and other income		**327,539**	262,100
Promotional and other rebates		**49,487**	32,478
Changes in inventories of finished goods		**5,955**	3,422
Raw materials and consumables used		**100,358**	76,551
Employee benefits expense		**64,060**	54,910
Selling and marketing expenses		**34,141**	24,462
Depreciation and amortisation expenses		**5,989**	4,922
Operating lease rental expenses		**2,707**	1,664
Professional and consulting expenses		**3,853**	4,011
Repairs and maintenance expenses		**2,591**	2,221
Freight expenses		**4,973**	4,149
Bank charges		**840**	642
Other expenses		**13,882**	10,711
Total expenses		**288,836**	220,143
Earnings before interest and tax		**38,703**	41,957
Interest revenue	5	**174**	172
Interest expense	7	**(4,926)**	(2,933)
Net interest expense		**(4,752)**	(2,761)
Profit before tax	7	**33,951**	39,196
Income tax expense	9	**(8,975)**	(11,390)
Profit for the year		**24,976**	27,806
EARNINGS PER SHARE			
– Basic earnings per share (cents)	27	**147.9**	165.8
– Diluted earnings per share (cents)	27	**147.9**	165.8

Notes to the consolidated Financial Statements are included on pages 46 to 83.

Consolidated Statement of Comprehensive Income

for the financial year ended 30 June 2013

	NOTES	2013 $'000	2012 $'000
Profit for the year		**24,976**	27,806
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign controlled entities	25.3	**2,221**	113
Net gain/(loss) on hedging instruments entered into for cash flow hedges	25.2	**47**	(738)
Income tax relating to components of other comprehensive income	25.2	**(14)**	170
Other comprehensive income for the year, net of tax		**2,254**	(455)
Total comprehensive income for the year		**27,230**	27,351

Notes to the consolidated Financial Statements are included on pages 46 to 83.

Consolidated Statement of Financial Position

as at 30 June 2013

	NOTES	2013 $'000	2012 $'000
ASSETS:			
CURRENT ASSETS			
Cash and bank balances	35.1	**17,963**	11,960
Receivables	13	**63,956**	53,698
Inventories	14	**39,892**	31,786
Other assets		**2,219**	2,549
Total current assets		**124,030**	99,993
NON-CURRENT ASSETS			
Property, plant and equipment	15	**65,681**	65,916
Investment property	16	**2,160**	2,160
Other intangible assets	17	**17,933**	2,257
Goodwill	18	**17,575**	657
Deferred tax assets	9.2	**3,683**	3,623
Other financial assets	19	**291**	144
Other assets		**124**	21
Total non-current assets		**107,447**	74,778
Total assets		**231,477**	174,771
LIABILITIES:			
CURRENT LIABILITIES			
Trade and other payables	20	**38,369**	34,937
Current tax liabilities	21	**-**	2,117
Interest-bearing liabilities	22	**6**	-
Other financial liabilities	19	**593**	363
Provisions	23	**5,219**	4,570
Other		**848**	37
Total current liabilities		**45,035**	42,024
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	22	**87,000**	45,000
Provisions	23	**722**	908
Other financial liabilities	19	**396**	673
Other		**273**	-
Total non-current liabilities		**88,391**	46,581
Total liabilities		**133,426**	88,605
Net assets		**98,051**	86,166
EQUITY:			
CAPITAL AND RESERVES			
Issued capital	24	**30,996**	25,348
Reserves	25	**4,394**	1,764
Retained earnings	26	**62,661**	59,054
Total equity		**98,051**	86,166

Notes to the consolidated Financial Statements are included on pages 46 to 83.

Consolidated Statement of Changes in Equity

for the financial year ended 30 June 2013

	Issued Capital	Equity-Settled Employee Benefits Reserve	Cash flow Hedging Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 30 June 2011	25,348	4,805	(157)	(3,054)	52,170	79,112
Impact of initial adoption of Thailand Financial Reporting Standard No 16 Provisions for employee benefits	-	-	-	-	(114)	(114)
Adjusted Balance as at 01 July 2011	25,348	4,805	(157)	(3,054)	52,056	78,998
Dividends Declared	-	-	-	-	(20,808)	(20,808)
Profit for the year	-	-	-	-	27,806	27,806
Loss recognised on cash flow hedges	-	-	(812)	-	-	(812)
Income tax related to loss on cash flow hedges	-	-	244	-	-	244
Foreign currency translation of controlled entities	-	-	-	113	-	113
Other comprehensive income for the year, net of tax	-	-	(568)	113	-	(455)
Total comprehensive income for the year	-	-	(568)	113	27,806	27,351
Recognition of share-based payments	-	625	-	-	-	625
Balance as at 30 June 2012	**25,348**	**5,430**	**(725)**	**(2,941)**	**59,054**	**86,166**
Dividends declared	**-**	**-**	**-**	**-**	**(21,369)**	**(21,369)**
Profit for the year	**-**	**-**	**-**	**-**	**24,976**	**24,976**
Gain recognised on cash flow hedges	**-**	**-**	**47**	**-**	**-**	**47**
Income tax related to gain on cash flow hedges	**-**	**-**	**(14)**	**-**	**-**	**(14)**
Foreign currency translation of controlled entities	**-**	**-**	**-**	**2,221**	**-**	**2,221**
Other comprehensive income for the year, net of tax	**-**	**-**	**33**	**2,221**	**-**	**2,254**
Total comprehensive income for the year	**-**	**-**	**33**	**2,221**	**24,976**	**27,230**
Issue of shares under Dividend Reinvestment Plan	**5,648**	**-**	**-**	**-**	**-**	**5,648**
Recognition of share-based payments	**-**	**376**	**-**	**-**	**-**	**376**
Balance as at 30 June 2013	**30,996**	**5,806**	**(692)**	**(720)**	**62,661**	**98,051**

Notes to the consolidated Financial Statements are included on pages 46 to 83.

Consolidated Statement of Cash Flows

for the financial year ended 30 June 2013

	NOTES	2013 $'000	2012 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**346,666**	273,666
Payments to suppliers and employees		**(308,358)**	(235,997)
Cash generated from operations		**38,308**	37,669
Interest and other costs of finance paid		**(4,924)**	(2,930)
Income taxes paid		**(11,370)**	(13,893)
Net cash flows from operating activities	35.3	**22,014**	20,846
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**174**	172
Net cash outflow on acquisition of subsidiary	38.5	**(38,646)**	-
Payments for property, plant and equipment		**(4,803)**	(4,993)
Payments for acquisition of investments		**-**	(144)
Proceeds from bank guarantee		**-**	1,504
Proceeds from disposal of property, plant and equipment		**85**	47
Dividends received		**27**	15
Net cash used in investing activities		**(43,163)**	(3,399)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**42,000**	5,000
Repayment of lease liability		**(31)**	-
Dividends paid		**(15,721)**	(20,808)
Proceeds from sale of shares		**14**	-
Other		**-**	(199)
Net cash provided by (used in) financing activities		**26,262**	(16,007)
Net increase in cash and cash equivalents		**5,113**	1,440
Cash and cash equivalents at the beginning of the year		**11,960**	10,168
Effects of exchange rate changes on the balance of cash held in foreign currencies		**890**	352
Cash and cash equivalents at the end of the year	35.1	**17,963**	11,960

Notes to the consolidated Financial Statements are included on pages 46 to 83.

Notes to the Financial Statements

for the financial year ended 30 June 2013

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 +61 2 9910 5000

The Group's principal activity is the development and sales and marketing of health products for humans and animals including vitamins, herbal and mineral nutritional supplements.

2. APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

2.1 STANDARDS AND INTERPRETATIONS AFFECTING PRESENTATION IN THE CURRENT PERIOD (AND/OR PRIOR PERIODS)

The following new and revised Standards and Interpretations have been adopted in the current year and have affected the presentation in these Financial Statements. Details of other Standards and Interpretations adopted in these Financial Statements but that have had no effect on the amounts reported are set out in section 2.2.

STANDARDS AFFECTING PRESENTATION AND DISCLOSURE

Standard / Interpretation	Nature of change required
Amendments to AASB 101 'Presentation of Financial statements'	The amendments require entities to group items presented in other comprehensive income on the basis of whether they are potentially classifiable to profit or loss subsequently. It also required tax associated with items presented before tax to be shown separately for each of the two groups of OCI items.

STANDARDS AND INTERPRETATIONS AFFECTING THE REPORTED RESULTS OR FINANCIAL POSITION

There are no new and revised Standards and Interpretations adopted in these Financial Statements affecting the reported results or financial position.

2.2 STANDARDS AND INTERPRETATIONS ADOPTED WITH NO EFFECT ON THE FINANCIAL STATEMENTS

The following new and revised Standards and Interpretations have also been adopted in these Financial Statements and in previous years. Their adoption has not had any significant impact on the amounts reported in these Financial Statements but may affect the accounting for future transactions or arrangements.

Standard / Interpretation	Nature of change required
AASB 10 'Consolidated Financial Statements'	Requires a parent to present consolidated Financial Statements as those of a single economic entity, replacing the requirements previously contained in AASB 127 'Consolidated and Separate Financial Statements' and Interpretation 112 'Consolidation - Special Purpose Entities'. The Standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated Financial Statements. The application of AASB 10 has not had any material effect on amounts reported in the Group's consolidated Financial Statements.
AASB 11 'Joint Arrangements'	Replaces AASB 131 'Interests in Joint Ventures'. Requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement. Joint arrangements are either joint operations or joint ventures: • A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint operators recognise their assets, liabilities, revenue and expenses in relation to its interest in a joint operation (including their share of any such items arising jointly). • A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (joint venturers) have rights to the net assets of the arrangement. A joint venturer applies the equity method of accounting for its investment in a joint venture in accordance with AASB 128 'Investments in Associates and Joint Ventures (2011)'. Unlike AASB 131, the use of 'proportionate consolidation' to account for joint ventures is not permitted.

Notes to the Financial Statements

for the financial year ended 30 June 2013

2. APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS (CONT.)

Standard / Interpretation	Nature of change required
AASB 12 'Disclosure of Interests in Other Entities'	Requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. In high-level terms, the required disclosures are grouped into the following broad categories: • Significant judgements and assumptions – such as how control, joint control, significant influence has been determined • Interests in subsidiaries – including details of the structure of the group, risks associated with structured entities, changes in control, and so on • Interests in joint arrangements and associates – the nature, extent and financial effects of interests in joint arrangements and associates (including names, details and summarised financial information) • Interests in unconsolidated structured entities - information to allow an understanding of the nature and extent of interests in unconsolidated structured entities and to evaluate the nature of, and changes in, the risks associated with its interests in unconsolidated structured entities. AASB 12 lists specific examples and additional disclosures which further expand upon each of these disclosure objectives, and includes other guidance on the extensive disclosures required.
AASB 127 'Separate Financial Statements (2011)'	Amended version of AASB 127 which now only deals with the requirements for separate financial statements, which have been carried over largely unamended from AASB 127 'Consolidated and Separate Financial Statements'. Requirements for consolidated Financial Statements are now contained in AASB 10 'Consolidated Financial Statements'. The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and joint ventures are accounted for either at cost, or in accordance with AASB 9 'Financial Instruments'. The Standard also deals with the recognition of dividends, certain group reorganisations and includes a number of disclosure requirements.
AASB 128 'Investments in Associates and Joint Ventures (2011)'	This Standard supersedes AASB 128 'Investments in Associates' and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.
AASB 13 'Fair Value Measurement' and related 'AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13'	Replaces the guidance on fair value measurement in existing AASB accounting literature with a single standard. The AASB defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, AASB 13 does not change the requirements regarding which items should be measured or disclosed at fair value. AASB 13 applies when another AASB requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements). With some exceptions, the standard requires entities to classify these measurements into a 'fair value hierarchy' based on the nature of the inputs: • Level 1 – quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date • Level 2 – inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly • Level 3 – unobservable inputs for the asset or liability. Entities are required to make various disclosures depending upon the nature of the fair value measurement (e.g. whether it is recognised in the Financial Statements or merely disclosed) and the level in which it is classified.

Notes to the Financial Statements

for the financial year ended 30 June 2013

2.3 STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

At the date of authorisation of the Financial Statements, the following Standards and Interpretations were in issue but not yet effective.

Standard/Interpretation	Effective for annual periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant standards	1 January 2015	30 June 2016
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'	1 January 2013	30 June 2014
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'	1 January 2014	30 June 2015
AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits (2011)', AASB 2011-10 Amendments to Australian Accounting Standards Arising from AASB 119 (2011)	1 January 2013	30 June 2014

At the date of authorisation of the Financial Statements, there were no IASB Standards and IFRIC Interpretations on issue.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 STATEMENT OF COMPLIANCE

These Financial Statements are general purpose Financial Statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations and comply with other requirements of the law.

The Financial Statements comprise the consolidated Financial Statements of the Group. For the purposes of preparing the consolidated Financial Statements, the Company is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the Financial Statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

The Financial Statements were authorised for issue by the Directors on 27 August 2013.

3.2 BASIS OF PREPARATION

The consolidated Financial Statements have been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the following accounting policies. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Various comparative balances have been reclassified to align with current year presentation. These amendments have no material impact on the Financial Statements.

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

3.3 BASIS OF CONSOLIDATION

AASB 10 replaces the parts of AASB 127 Consolidated and Separate Financial Statements that deal with consolidated financial statements and Interpretation 112 Consolidation – Special Purpose Entities. AASB 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in AASB 10, all of the three criteria, including (a) an investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns, must be met. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Much more guidance has been included in AASB 10 to explain when an investor has control over an investee.

The application of AASB 10 has not changed the assessment of control over the subsidiaries of the company and the amounts reported in the Group's consolidated financial statements remain unaffected.

Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

3.4 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 interest-bearing liabilities in current liabilities in the consolidated Statement of Financial Position.

3.5 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3.5.1 Financial Assets

Financial assets are classified into the following specified categories: financial assets at 'fair value through profit or loss' (FVTPL), 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases

Notes to the Financial Statements

for the financial year ended 30 June 2013

or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

3.5.1.1 Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

3.5.1.2 Financial Assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the statement of comprehensive income. Fair value is determined in the manner described in note 36.

3.5.1.3 AFS Financial Assets

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset.

3.5.1.4 Loans and Receivables

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, except for short-term receivables when the recognition of interest would be immaterial.

3.5.1.5 Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when 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 affected.

For AFS equity instruments, including listed or unlisted shares, objective evidence of impairment includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicate that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment for unlisted shares classified as available-for-sale.

For all other financial assets, including redeemable notes classified as available-for-sale and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the reporting period.

For financial assets measured at amortised cost, 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 loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under

Notes to the Financial Statements

for the financial year ended 30 June 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

3.5.1.5 Impairment of Financial Assets (CONT.)

the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3.5.1.6 Derecognition of Financial Assets

The Group 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 Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

3.5.2 Financial Liabilities and Equity Instruments

3.5.2.1 Classification as Debt or Equity

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

3.5.2.2 Equity Instruments

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.

3.5.2.3 Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

3.5.2.4 Financial Liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other income' line item in the consolidated Income Statement. Fair value is determined in the manner described in note 36.

3.5.2.5 Other Financial Liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method 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, to the net carrying amount on initial recognition.

3.5.2.6 Derecognition of Financial Liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.5.2.7 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.

3.5.2.8 Dividends

Dividends are classified as distributions of profit.

3.5.3 Derivative Financial Instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including forward foreign exchange contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in note 36 to the consolidated Financial Statements.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

3.5.3.1 Hedge Accounting

The Group 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 exchange 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 Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Note 36 sets out details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedge reserve in equity are also detailed in the consolidated Statement of Changes in Equity.

Notes to the Financial Statements

for the financial year ended 30 June 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

3.5.3.2 Fair Value Hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the consolidated Income Statement relating to the hedged item.

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

3.5.3.3 Cash Flow Hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the consolidated Income Statement as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

3.5.3.4 Hedges of Net Investments in Foreign Operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated under the heading of foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the other income line item.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operation.

3.5.3.5 Derivatives That Do Not Qualify For Hedge Accounting

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

3.6 INVENTORIES

Inventories are stated 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 necessary to make the sale.

3.7 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 Group'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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the 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 profit or loss.

Freehold land is not depreciated. 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

3.8 IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS OTHER THAN GOODWILL

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 immediately in profit or loss unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless

Notes to the Financial Statements

for the financial year ended 30 June 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.9 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.10 LEASING

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.

3.10.1 The Group as Lessee

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.

3.11 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, 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 (where the effect of the time value of money is material).

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 reimbursement will be received and the amount of the receivable can be measured reliably.

3.11.1 Onerous Contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable cost of meeting the obligations under the contract exceed the economic benefits estimated to be received from the contract.

3.12 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 short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

3.12.1 Defined Contribution Plans

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

3.13 REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns.

3.13.1 Sale of Goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of the revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or expected to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from the sale of goods is recognised when goods are delivered and legal title is passed.

3.13.2 Dividend and Interest Income

Dividend income from investments is recognised when the Group's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and 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 on initial recognition.

3.14 FOREIGN CURRENCIES

3.14.1 Individual Controlled Entities

The individual Financial Statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated Financial Statements, the financial results and financial position of each Group entity are expressed in Australian Dollars ('$'), which is the functional currency of Blackmores Limited, and the presentation currency for the consolidated Financial Statements.

3.14.2 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 recognised at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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.

Notes to the Financial Statements

for the financial year ended 30 June 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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

- exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets when 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 (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

3.14.3 Foreign Operations

For the purpose of presenting consolidated Financial Statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

3.15 SHARE-BASED PAYMENTS

Equity-settled share-based payments to 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 and holding lock periods, based on the Group's estimate of equity instruments that will eventually vest with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with corresponding adjustment to the equity-settled employee benefits reserve.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

3.16 GOODS AND SERVICE 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 consolidated Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

3.17 TAXATION

Income tax expense represents the sum of the tax currently payable and the movement in deferred tax.

3.17.1 Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit for the year as reported in the consolidated Income Statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3.17.2 Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated Financial Statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3.17.3 Current and Deferred Tax for the Year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.18 INVESTMENT PROPERTY

Investment property, which is property held to earn rentals and/or for capital appreciation is measured initially at its cost, including transaction costs. Subsequent to initial recognition, the investment property will continue to be measured on a cost basis. The investment property will be depreciated where applicable.

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for the financial year ended 30 June 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Depreciation is provided on an investment property, 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. 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.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3.19 INTANGIBLE ASSETS

3.19.1 Intangible Assets Acquired Separately

Intangible assets with finite lives acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

3.19.2 Internally-generated Intangible Assets

3.19.2.1 Research and Development Expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3.19.2.2 Website Development Expenditure

The Group has developed and operates a number of websites. These belong to one of two categories, those which are capable of generating revenue and those which are not.

Those which fit into the first category were developed to act as both information/advertising tools and as an additional means of selling our products. These websites also have the capability of generating direct revenues for the Group by enabling orders to be placed online. This is considered to be an important growth channel for the business going forward.

These websites generate probable future economic benefits and have a measurable cost and therefore satisfy the criteria set out in AASB 138 for recognition as an internally-generated intangible asset. Expenditure on the development of those websites which belong to the second category and do not have these revenue generating capabilities does not meet the recognition criteria and thus is expensed as incurred.

Expenditure during the Planning Stage is expensed as incurred in accordance with AASB 138 on the basis that it is akin to research.

Expenditure during the Application and Infrastructure Development Stage, the Graphical Design Stage and the Content Development Stage, when the expenditure can be directly attributed and is necessary to creating, producing or preparing the website for it to be capable of operating in the manner intended by management, is included in the cost of the website recognised as an intangible asset. This is considered to be similar to the Development Stage as outlined in AASB 138.

Expenditure relating to content development to the extent that content is developed to advertise and promote the Group's own products and services is expensed as incurred. Similarly any further expenditure once the website enters the Operating Stage is expensed as incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Each website is estimated to have a useful life of three years.

3.19.3 Intangible Assets Acquired in a Business Combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3.19.4 Derecognition of Intangible Assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

3.20 BUSINESS COMBINATIONS

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and

Notes to the Financial Statements

for the financial year ended 30 June 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Noncurrent Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3.21 GOODWILL

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business (see 3.20 above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit.

3.22 INTERESTS IN JOINT OPERATIONS

AASB 11 replaces AASB 131 Interests in Joint Ventures and Interpretation 113 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. AASB 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under AASB 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under AASB 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, AASB 131 Interests in Joint Ventures had three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under AASB 131 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises and measures the assets and liabilities (and the related revenues and expenses) in relation to its interest in the arrangement in accordance with the applicable Standards.

3.23 GOVERNMENT GRANTS

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government assistance which does not have conditions attached specifically relating to the operating activities of the Group is recognised in accordance with the accounting policies above.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 USEFUL LIVES OF PROPERTY PLANT AND EQUIPMENT

As described in note 3.7, the Group reviews the useful lives of property, plant and equipment at the end of each financial year. No changes were made during the current year.

4.2 RECOVERABILITY OF INTERNALLY GENERATED INTANGIBLE ASSET

The Directors considered the recoverability of the Group's internally generated intangible assets arising from its website development projects, which are included in the consolidated Statement of Financial Position at 30 June 2013 at $686,000 (30 June 2012: $626,000).

The websites continue to gain popularity in a very satisfactory manner with monthly increases in the number of subscribers and activity levels. This level of engagement has reconfirmed the Directors' previous estimates of anticipated revenues from the projects. The Directors remain confident that the carrying amount of the assets will be recovered in full.

4.3 IMPAIRMENT OF GOODWILL

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill at 30 June 2013 was $17.6 million (2012: $0.7 million).

4.4 DEFERRED TAX ASSETS

During the year, tax losses of AUD $139,297 relating to Pat Health Limited (a subsidiary in Hong Kong) were recognised as a deferred tax asset for the first time.

The subsidiary's results have improved for each of the last three years as the business grows in scale. It recorded an underlying profit in the 2012/13 year and future cash flows are forecast to continue to improve.

As a result, management believe that it is appropriate that these tax losses be recognised as a deferred tax asset.

Notes to the Financial Statements

for the financial year ended 30 June 2013

5. REVENUE

	2013 $'000	2012 $'000
REVENUE FROM CONTINUING OPERATIONS CONSISTED OF THE FOLLOWING:		
Revenue from sale of goods	**326,603**	260,832
Interest revenue from bank deposits	**174**	172
Royalties	**-**	681
Membership income	**-**	54
	326,777	261,739

6. OTHER INCOME

	2013 $'000	2012 $'000
Dividends received	**27**	15
Net foreign exchange gain	**909**	518
Net exchange losses on forward exchange contracts	**(512)**	(439)
	424	94
Other income per above	**936**	533
Losses per above	**(512)**	(439)
	424	94

7. PROFIT FOR THE YEAR

	2013 $'000	2012 $'000
PROFIT FOR THE YEAR HAS BEEN ARRIVED AT AFTER CHARGING:		
Cost of sales	**118,852**	90,439
Interest expense:		
Interest on bank loans	**2,922**	2,140
Net settlement of interest rate swaps	**496**	207
Bank margin activation and undrawn facility fees	**1,508**	586
Total interest expense	**4,926**	2,933
Depreciation of non-current assets	**5,455**	4,472
Amortisation of non-current assets	**534**	450
Total depreciation and amortisation expense	**5,989**	4,922
Operating lease minimum lease payments	**2,707**	1,664
Research and development costs expensed as incurred	**7,859**	7,859
Employee benefits expense		
Post-employment benefits:		
Defined contribution plans	**3,720**	3,076
Share-based payments:		
Equity-settled share-based payments	**376**	625
Termination benefits	**-**	607
Other employee benefits	**59,964**	50,602
	64,060	54,910

Notes to the Financial Statements

for the financial year ended 30 June 2013

8. SEGMENT INFORMATION

Information reported to the Group's Chief Operating Decision Maker for the purposes of resource allocation and assessment of segment performance is largely focused on geographical regions. Our largest Asian market (Thailand) is disclosed as a separate segment as its EBIT is greater than 10% of the Group's EBIT. The remaining Asian markets are aggregated as the 'Other Asia' segment. The Group's reportable segments under AASB 8 are therefore as follows:

Australia
Thailand
Other Asia
BioCeuticals
Other

The principal activity of each segment is the development and/or marketing of health products including vitamins, herbal, mineral and nutritional supplements.

SEGMENT REVENUES FOR THE YEAR ENDED 30 JUNE

The following is an analysis of the Group's revenues from continuing operations by reportable segment.

	EXTERNAL SALES		INTER-SEGMENT[1]		OTHER REVENUE		TOTAL	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Australia	**209,136**	201,024	**24,600**	21,241	**-**	54	**233,736**	222,319
Thailand	**30,039**	24,624	**-**	-	**-**	-	**30,039**	24,624
Other Asia[2]	**30,239**	28,452	**-**	-	**-**	-	**30,239**	28,452
BioCeuticals	**44,688**	-	**-**	-	**-**	-	**44,688**	-
Other	**12,501**	6,732	**-**	-	**-**	681	**12,501**	7,413
Total of all segments	**326,603**	260,832	**24,600**	21,241	**-**	735	**351,203**	282,808
Eliminations[3]							**(24,600)**	(21,241)
Consolidated revenue (excluding interest revenue and other income)							**326,603**	261,567

1. Intersegment sales are recorded at cost plus a margin determined on an individual basis for each market. Pricing is initially set using a budgeted exchange rate and reviewed each quarter.
2. Other Asia comprises the markets of Malaysia, Singapore, Korea, Hong Kong, China and Taiwan.
3. This is the total of adjustments to revenue as a result of the intercompany consolidation eliminations.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

INFORMATION ABOUT MAJOR CUSTOMERS

The Group had two customers who contributed more than 10% of the Group's revenue in 2013. Included in external sales of the Australian segment of $209,136,000 (2012: $201,024,000) are sales of $57,012,194 (2012: $50,984,272) and $40,962,541 (2012: $36,403,440) which arose from sales to the Group's two largest customers. No other single customer contributed 10% or more to the Group's revenue for both 2013 and 2012.

EXTERNAL SALES TO CUSTOMERS FOR THE YEAR ENDED 30 JUNE

	2013 $'000	2012 $'000
Australia	**209,136**	201,024
Thailand	**30,039**	24,624
Other Asia	**30,239**	28,452
BioCeuticals	**44,688**	-
Other	**12,501**	9,278
Total of all segments	**326,603**	263,378

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

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

Notes to the Financial Statements

for the financial year ended 30 June 2013

8. SEGMENT INFORMATION (CONT.)

SEGMENT RESULTS FOR THE YEAR ENDED 30 JUNE

The following is an analysis of the Group's EBIT results from continuing operations by reportable segment.

	2013 $'000	2012 $'000
Australia[1]	**32,395**	43,716
Thailand	**7,989**	5,458
Other Asia	**(1,641)**	(331)
BioCeuticals	**4,873**	-
Other	**(1,362)**	(1,592)
Corporate costs	**(3,551)**	(5,294)
Earnings before interest and tax	**38,703**	41,957
Net interest expense	**(4,752)**	(2,761)
Profit before tax	**33,951**	39,196
Income tax expense	**(8,975)**	(11,390)
Profit for the year	**24,976**	27,806

Segment profit represents EBIT earned by each segment. This is the measure reported to the Chief Operating Decision Maker for the purposes of resource allocation and assessment of segment performance.

1. Central costs that support the whole Group, including product development, strategic sourcing, production and distribution, finance, IT, human resources, public relations and business development have been allocated to each segment based on that segment's usage of the central function.

OTHER SEGMENT INFORMATION FOR THE YEAR ENDED 30 JUNE

	AUSTRALIA		THAILAND		OTHER ASIA		BIOCEUTICALS		OTHER	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Interest revenue	**64**	174	**5**	5	**116**	53	**80**	-	**-**	-
Interest expense	**2,853**	2,933	**-**	-	**-**	60	**2,166**	-	**-**	-
Additions to non-current assets	**4,454**	5,041	**146**	51	**71**	179	**163**	-	**5**	-
Depreciation and amortisation	**5,518**	4,738	**101**	132	**87**	38	**227**	-	**56**	14
Other non-cash expenses[1]	**3,520**	3,066	**250**	(27)	**1,531**	771	**58**	-	**626**	73

1. Other non-cash expenses relate to provisions raised in respect of doubtful debts and inventory obsolescence/inventory write-offs, long term incentives and other provisions and accruals.

9. INCOME TAXES

9.1 INCOME TAX RECOGNISED IN PROFIT OR LOSS

	2013 $'000	2012 $'000
Current tax:		
Current tax expense in respect of the current year	**9,167**	12,906
Adjustments recognised in the current year in relation to the current tax of prior years	**(132)**	(223)
Deferred tax:		
Deferred tax benefit relating to the origination and reversal of temporary differences	**(60)**	(1,293)
Total income tax expense recognised in the current year relating to continuing operations	**8,975**	11,390
The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the consolidated Financial Statements as follows:		
Profit before tax	**33,951**	39,197
Income tax expense calculated at 30%	**10,185**	11,759
Effect of expenses that are not deductible in determining taxable profit	**237**	380
Effect of tax concessions	**(976)**	(662)
Effect of withholding tax on intercompany dividend	**298**	162
Effect of tax losses recognised	**(384)**	(60)
Effect of tax losses not recognised	-	274
Other items	**(253)**	(240)
	9,107	11,613
Over provision of income tax in previous year	**(132)**	(223)
Income tax expense recognised in profit or loss	**8,975**	11,390

The tax rate used for the 2013 and 2012 reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

Notes to the Financial Statements

for the financial year ended 30 June 2013

9. INCOME TAXES (CONT.)

9.2 DEFERRED TAX BALANCES

Deferred tax assets arise from the following:

	OPENING BALANCE	RECOGNISED IN PROFIT OR LOSS	RECOGNISED IN OTHER COMPREHENSIVE INCOME	ACQUISITIONS	CLOSING BALANCE
	$'000	$'000	$'000	$'000	$'000
Temporary differences 2013					
Property, plant and equipment	**(78)**	**(51)**	**-**	**-**	**(129)**
Prepayments and other	**(277)**	**96**	**-**	**-**	**(181)**
Provisions	**2,655**	**43**	**-**	**247**	**2,945**
Accruals	**604**	**(538)**	**-**	**64**	**130**
Cash flow hedges	**311**		**(14)**	**-**	**297**
Website development	**50**	**28**	**-**	**-**	**78**
Foreign currency monetary items	**(10)**	**(118)**	**-**	**-**	**(128)**
Capitalised expenses	**91**	**164**	**-**	**-**	**255**
Tax losses recognised	**62**	**139**	**7**	**38**	**246**
Other	**215**	**(45)**	**-**	**-**	**170**
	3,623	**(282)**	**(7)**	**349**	**3,683**
Presented in the consolidated Statement of Financial Position as follows:					
Deferred tax asset					**3,683**
Deferred tax liability					**-**
					3,683
Temporary differences 2012					
Property, plant and equipment	(500)	422	-	-	(78)
Prepayments and other	(207)	(70)	-	-	(277)
Provisions	2,010	645	-	-	2,655
Accruals	860	(256)	-	-	604
Cash flow hedges	67	-	244	-	311
Website development	61	(11)	-	-	50
Foreign currency monetary items	16	(26)	-	-	(10)
Capitalised expenses	28	63	-	-	91
Tax losses recognised	-	62	-	-	62
Other	(5)	220	-	-	215
	2,330	1,049	244	-	3,623
Presented in the consolidated Statement of Financial Position as follows:					
Deferred tax asset					3,623
Deferred tax liability					-
					3,623

UNRECOGNISED DEFERRED TAX ASSETS

	2013 $'000	2012 $'000
The following deferred tax assets have not been brought to account as assets:		
Tax losses - capital (no expiry date)	**758**	758
Tax losses - revenue (expiry: 2013)	**1**	-
Tax losses - revenue (expiry: 2014)	**1**	-
Tax losses - revenue (expiry: 2015)	**1**	33
Tax losses - revenue (expiry: 2016)	**1**	143
Tax losses - revenue (expiry: 2017)	**77**	202
Tax losses - revenue (expiry: 2018)	**34**	139
Tax losses - revenue (expiry: 2019)	**56**	100
Tax losses - revenue (expiry: 2020)	**101**	125
Tax losses - revenue (expiry: 2021)	**123**	182
Tax losses - revenue (no expiry date)	**248**	362
	1,401	2,044

Notes to the Financial Statements

for the financial year ended 30 June 2013

10. KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2013 $'000	2012 $'000
Short-term employee benefits	**4,148,563**	4,291,545
Post-employment benefits	**254,583**	265,669
Other long-term benefits	**42,882**	38,023
Termination benefits	**-**	-
Share-based payments	**252,839**	512,347
	4,698,867	5,107,584

The compensation of each member of the Key Management Personnel of the Group and a discussion of the compensation policies of the Company are detailed in the Directors' Report and Remuneration Report which accompany these consolidated Financial Statements.

11. SHARE-BASED PAYMENTS

Executive and Employee Share Option Plan

The Executive Performance Share Plan was approved at Blackmores' Annual General Meeting in October 2011. Participation is open to Senior Executives determined to be 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 were 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 2013 is nil (2012: nil). The minimum number of rights that could be vested under the entitlement was 17,060 (2012:17,073) and the maximum number of rights that could be vested was 68,244 (2012: 69,591).

The following share-based payment arrangements were in existence during the current and prior reporting periods:

SHARE RIGHTS SERIES	NUMBER OF RIGHTS	GRANT DATE	EXPIRY DATE	EXERCISE PRICE	FAIR VALUE AT GRANT
GRANTS IN THE 2013 YEAR					**$**
Granted 3 October 2012	**68,244**	**3 Oct 2012**	**30 June 2013**	**N/A**	**27.94**
GRANTS IN THE 2012 YEAR					**$**
Granted 29 May 2012	69,591	29 May 2012	30 June 2012	N/A	23.52

The following reconciles the share-based arrangements outstanding at the beginning and end of the year:

	NUMBER OF RIGHTS	2013 WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF RIGHTS	2012 WEIGHTED AVERAGE EXERCISE PRICE
Balance at the beginning of the year	**-**		32,960	
Granted during the year	**68,244**		69,591	
Forfeited during the year	**(68,244)**		(69,591)	
Exercised during the year	**-**	**N/A**	(32,960)	30.00
Expired during the year	**-**		-	
Balance at the end of the year	**-**		-	
Exercisable at the end of the year	**-**		-	

The allocation is based on a percentage of the Senior Executive's and Senior Manager's base remuneration and the allocation varies depending on the actual EPS growth delivered for the relevant year as follows:

Share rights are vested as at 30 June 2013 and shares are subsequently issued in September following audit clearance of the Group's result and Board approval. The issue price for share rights granted in the 2013 financial year will be determined in September 2013.

Notes to the Financial Statements

for the financial year ended 30 June 2013

11. SHARE-BASED PAYMENTS (CONT.)

CHIEF EXECUTIVE OFFICER

2013 and 2012

	PERCENTAGE OF PARTICIPANT'S BASE REMUNERATION 2013
Rate of EPS growth	
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**

SENIOR EXECUTIVES AND OTHER SENIOR COMPANY MANAGEMENT

2013 and 2012

	PERCENTAGE OF PARTICIPANT'S BASE REMUNERATION	
	SENIOR EXECUTIVES	OTHER SENIOR COMPANY MANAGEMENT
Rate of EPS growth		
greater than 4% but less than or equal to 5%	10.0	2.5
greater than 5% but less than or equal to 6%	12.5	3.1
greater than 6% but less than or equal to 7%	15.0	3.8
greater than 7% but less than or equal to 8%	17.5	4.4
greater than 8% but less than or equal to 9%	20.0	5.0
greater than 9% but less than or equal to 10%	22.5	5.6
greater than 10% but less than or equal to 11%	25.0	6.3
greater than 11% but less than or equal to 12%	27.5	6.9
greater than 12% but less than or equal to 13%	30.0	7.5
greater than 13% but less than or equal to 14%	32.5	8.1
greater than 14% but less than or equal to 15%	35.0	8.8
greater than 15% but less than or equal to 16%	37.5	9.4
greater than 16%	40.0	10.0

Notes to the Financial Statements

for the financial year ended 30 June 2013

11. SHARE-BASED PAYMENTS (CONT.)

Share-Based Conditions

Shares allocated to Key Management Personnel are subject to a two-year holding lock whereby a percentage of the shares is 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 of base remuneration 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 are announced to the ASX, less
- the amount of any final dividend per share declared as payable for the prior financial year.

Special Long-Term Incentives

At the 2009 Annual General Meeting, shareholders approved the grant to Christine Holgate of 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.

The shares were issued to Ms Holgate in November 2009 and will vest subject to a service condition enforced by the following holding locks:

30,216 shares are subject to a holding lock ending 30 days after the audit clearance of the Group's 2011 consolidated Financial Statements. These shares have vested;

20,144 shares are subject to a holding lock ending 30 days after the audit clearance of the Group's 2013 consolidated Financial Statements. These shares have vested.

A share-based payment expense of $41,969 (2012: $41,969) was recorded in relation to these shares for the year ended 30 June 2013. This amount has been included in the total remuneration for Christine Holgate as set out in the Key Management Personnel Remuneration Disclosure on page 35 of the Directors' Report.

Staff Share Acquisition Plan

The Group 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 (subject to taxable income thresholds) each year with money that would have otherwise been paid as profit share. 2,278 shares were issued during the year ended 30 June 2013 (2012: 2,509 shares). In July 2013, 1,695 shares (2012: 2,214 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 2013.

Options Plan

At 1 July 2012 and at 1 July 2011 there were no share options outstanding, none were issued during the years ended 30 June 2013 and 2012 and as at 30 June 2013 and 2012 there were no unexercised share options.

The compensation of each member of the Key Management Personnel of the Group and a discussion of the compensation policies of the Company are detailed in the Remuneration Report which accompanies these consolidated Financial Statements.

Notes to the Financial Statements

for the financial year ended 30 June 2013

12. REMUNERATION OF AUDITOR

	2013 $	2012 $
Auditor of the Parent Entity		
Auditing or reviewing the Financial Statements	**251,321**	244,000
Taxation services	**-**	3,002
Other non-audit services[1]	**38,024**	49,351
	289,345	296,353
Network Firm of the Parent Company Auditor		
Auditing the Financial Statements	**124,413**	88,051
Taxation services	**35,597**	32,759
Other non-audit services[1]	**12,325**	1,274
	172,335	122,084

The auditor of Blackmores Limited is Deloitte Touche Tohmatsu.

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

13. TRADE AND OTHER RECEIVABLES

	2013 $'000	2012 $'000
Current		
Current trade and other receivables[1]	**65,136**	54,736
Allowance for doubtful debts	**(820)**	(689)
Allowance for claims[2]	**(986)**	(587)
	63,330	53,460
Goods and services tax (GST) recoverable	**557**	238
Other receivables	**69**	-
	63,956	53,698

1. The average credit period on sale of goods is 60 days from the end of the month of invoice. No interest is charged on trade receivables and the Group does not hold any collateral over these balances. Trade receivables consist of a large number of customers spread across several retail channels and geographic regions.
2. The cost of inventories recognised as an expense includes $1.1 million (2012: $1.0 million) in respect of costs of inventory returns from customers. The provision at balance date to cover these returns is $1.0 million (2012: $0.6 million).

At 30 June 2013, the Group had four customers (2012: four customers) each comprising amounts greater than 5% of the total trade receivables. These customers owed the Group more than $3.2 million (2012: $2.7 million) each and accounted for approximately 61% (2012: 47%) of all receivables owing.

AGEING OF PAST DUE BUT NOT IMPAIRED

	2013	2012
0 - 30 days past due date	**12,955**	7,033
31 - 60 days past due date	**936**	25
61 - 90 days past due date	**47**	4
> 90 days past due date	**684**	107
Total	**14,622**	7,169

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 Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The Group manages credit risk with regular review of the balances outstanding and restrictive action is taken where necessary.

Notes to the Financial Statements

for the financial year ended 30 June 2013

13. TRADE AND OTHER RECEIVABLES (CONT.)

	2013 $'000	2012 $'000
AGEING OF IMPAIRED TRADE RECEIVABLES		
0 - 30 days	**228**	51
31 - 60 days	**43**	21
61 - 90 days	**40**	9
> 90 days	**509**	608
Total	**820**	689

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of $641,817 (2012: $600,800) which have been placed into liquidation. The Group does not hold any collateral over these balances. The Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

MOVEMENT IN THE ALLOWANCE FOR DOUBTFUL DEBTS		
Balance at the beginning of the year	**689**	478
Provision obtained through business combination	**109**	-
Amounts written off as uncollectable	**(173)**	(39)
Provision increase	**195**	250
Balance at the end of the year	**820**	689

14. INVENTORIES

Ingredients	**2,035**	2,068
Raw materials	**15,798**	11,367
Finished goods	**22,059**	18,351
	39,892	31,786

The cost of inventories recognised as an expense during the period in respect of continuing operations was approximately $118,852,000 (2012: $90,439,000).

This included $4.0 million (2012: $1.2 million) in respect of provisions to write down inventory to net realisable value. The provision at balance date to cover inventory write downs is $3.1 million (2012: $1.6 million).

15. PROPERTY, PLANT AND EQUIPMENT

	2013 $'000	2012 $'000
Cost	**93,537**	88,700
Accumulated depreciation	**(27,856)**	(22,784)
	65,681	65,916
Carrying Amounts of:		
Freehold land	**12,848**	12,848
Buildings	**32,916**	33,802
Leasehold improvements	**375**	101
Plant and equipment	**18,530**	18,466
Motor Vehicles	**147**	-
Capital work in progress	**865**	699
	65,681	65,916

Notes to the Financial Statements

for the financial year ended 30 June 2013

15. PROPERTY, PLANT AND EQUIPMENT (CONT.)

	FREEHOLD LAND AT COST	BUILDINGS AT COST	LEASEHOLD IMPROVE-MENTS AT COST	PLANT AND EQUIPMENT AT COST	EQUIPMENT LEASES AT COST	MOTOR VEHICLES AT COST	CAPITAL WORK IN PROGRESS AT COST	TOTAL AT COST
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost								
Balance at 30 June 2011	12,848	35,775	695	33,580	-	-	1,243	84,141
Additions	-	74	47	3,852	-	-	458	4,431
Category transfers	-	(54)	-	1,056	-	-	(1,002)	-
Disposals	-	-	(189)	(828)	-	-	-	(1,017)
Other	-	1,131	-	-	-	-	-	1,131
Net foreign currency exchange differences arising on translation of financial statements of foreign operations	-	-	2	12	-	-	-	14
Balance at 30 June 2012	**12,848**	**36,926**	**555**	**37,672**	**-**	**-**	**699**	**88,700**
Additions	**-**	**9**	**209**	**3,194**	**-**	**93**	**854**	**4,359**
Additions obtained through business combinations	**-**	**-**	**172**	**1,506**	**22**	**409**	**-**	**2,109**
Category transfers	**-**	**48**	**-**	**640**	**-**	**-**	**(688)**	**-**
Disposals	**-**	**-**	**(227)**	**(1,315)**	**(22)**	**(171)**	**-**	**(1,735)**
Net foreign currency exchange differences arising on translation of financial statements of foreign operations	**-**	**-**	**18**	**86**	**-**	**-**	**-**	**104**
Balance at 30 June 2013	**12,848**	**36,983**	**727**	**41,783**	**-**	**331**	**865**	**93,537**
Accumulated Depreciation								
Balance at 30 June 2011	-	(2,279)	(602)	(16,334)	-	-	-	(19,215)
Acquisitions through business combinations	-	-	-	-	-	-	-	-
Disposals	-	-	188	674	-	-	-	862
Depreciation expense	-	(845)	(38)	(3,588)	-	-	-	(4,471)
Net foreign currency exchange differences arising on translation of financial statements of foreign operations	-	-	(2)	42	-	-	-	40
Balance at 30 June 2012	**-**	**(3,124)**	**(454)**	**(19,206)**	**-**	**-**	**-**	**(22,784)**
Assets obtained through business combinations	**-**	**-**	**(51)**	**(926)**	**(15)**	**(233)**	**-**	**(1,225)**
Disposals	**-**	**-**	**227**	**1,306**	**15**	**88**	**-**	**1,635**
Depreciation expense	**-**	**(943)**	**(46)**	**(4,427)**	**-**	**(39)**	**-**	**(5,455)**
Net foreign currency exchange differences arising on translation of financial statements of foreign operations	**-**	**-**	**(27)**	**-**	**-**	**-**	**-**	**(28)**
Balance at 30 June 2013	**-**	**(4,067)**	**(352)**	**(23,253)**	**-**	**(184)**	**-**	**(27,856)**
Net Book Value								
As at 30 June 2012	12,848	33,802	101	18,466	-	-	699	65,916
As at 30 June 2013	**12,848**	**32,916**	**375**	**18,530**	**-**	**147**	**865**	**65,681**

	2013 $'000	2012 $'000
Aggregate Depreciation Allocated:		
Buildings	**943**	845
Leasehold improvements	**47**	38
Plant and equipment	**4,427**	3,588
Motor Vehicles	**39**	-
	5,455	4,471

No impairment losses have been recognised in the current year (2012: $nil).

Notes to the Financial Statements

for the financial year ended 30 June 2013

16. INVESTMENT PROPERTY

	2013 $'000	2012 $'000
Cost of investment property	**2,160**	2,160
At Cost		
Balance at beginning of year	**2,160**	2,160
Additions	**-**	-
Balance at end of year	**2,160**	2,160

Investment property in the form of a plot of land at 15 Jubilee Avenue, Warriewood, NSW 2102 was acquired during the financial year ended 30 June 2010. At the date of the signing of these consolidated Financial Statements there were no plans to use this land for the production of goods or services or for administrative purposes, nor for sale in the ordinary course of business.

In line with the Group's accounting policy on investment property, this property has been measured at cost. The cost of the purchased investment property comprises its purchase price and any directly attributable expenditure. Directly attributable expenditure includes professional fees for legal services, property transfer taxes and other transaction costs. As the property in question is freehold land, no depreciation is recognised in relation to it.

This investment property is tested for impairment annually. To date no impairment losses have been recognised and the Directors remain confident that the carrying amount of the investment property will be recovered in full.

17. OTHER INTANGIBLE ASSETS

	2013 $'000	2012 $'000
Cost	**19,371**	3,130
Accumulated amortisation and impairment	**(1,438)**	(873)
	17,933	2,257

	CAPITALISED WEBSITE	REGISTRATIONS[1,2]	TRADEMARKS[1,2]	FORMULATIONS[1,2]	DISTRIBUTION AGREEMENT[1]	ROYALTY DEVELOPMENT	BRANDS[1,2]	PATENTS[1]	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost									
Balance at 30 June 2011	1,204	797	120	272	41	-	-	-	2,434
Additions	-	-	-	-	-	450	-	-	450
Additions from internal development	246	-	-	-	-	-	-	-	246
Balance at 30 June 2012	**1,450**	**797**	**120**	**272**	**41**	**450**	**-**	**-**	**3,130**
Additions from internal development	**480**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**480**
Assets obtained through business combination	**-**	**-**	**168**	**-**	**-**	**-**	**15,313**	**260**	**15,741**
Effect of foreign currency exchange differences	**20**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**20**
Balance at 30 June 2013	**1,950**	**797**	**288**	**272**	**41**	**450**	**15,313**	**260**	**19,371**
Accumulated Amortisation									
Balance at 30 June 2011	(395)	-	-	-	(27)	-	-	-	(422)
Amortisation expense	(429)	-	-	-	(14)	(8)	-	-	(451)
Balance at 30 June 2012	**(824)**	**-**	**-**	**-**	**(41)**	**(8)**	**-**	**-**	**(873)**
Amortisation expense	**(409)**	**-**	**-**	**-**	**-**	**(90)**	**-**	**(35)**	**(534)**
Effect of foreign currency exchange differences	**(31)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(31)**
Balance at 30 June 2013	**(1,264)**	**-**	**-**	**-**	**(41)**	**(98)**	**-**	**(35)**	**(1,438)**
Net Book Value									
As at 30 June 2012	626	797	120	272	-	442	-	-	2,257
As at 30 June 2013	**686**	**797**	**288**	**272**	**-**	**352**	**15,313**	**225**	**17,933**

1. These assets were acquired in a business combination.
2. These assets are considered to be of indefinite life and therefore do not require amortisation, but are subject to impairment testing.

Notes to the Financial Statements

for the financial year ended 30 June 2013

17. OTHER INTANGIBLE ASSETS (CONT.)

The following useful lives are used in the calculation of amortisation expense:

Capitalised website development	3 years
Distribution agreement	18 months
Royalty stream	5 years

The amortisation expense has been included in the line item 'depreciation and amortisation expenses' in the consolidated Income Statement.

18. GOODWILL

	2013 $'000	2012 $'000
Cost		
Balance at beginning of the year	**657**	657
Additional amounts recognised from business combinations occurring during the year (note 38)	**16,918**	-
Balance at end of the year	**17,575**	657

18.1 ALLOCATION OF GOODWILL TO CASH-GENERATING UNITS

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

	2013 $'000	2012 $'000
Pure Animal Wellbeing	**657**	657
BioCeuticals	**16,918**	-
	17,575	657

Pure Animal Wellbeing

The recoverable amount of this cash-generating unit is determined based on a value in use calculation. Those calculations use cash flow projections based on the five year plan approved by management and endorsed by the board.

Cash flow projections are based on estimated growth in EBITDA (net of tax) and estimated working capital changes. The cash flows beyond that five-year period have been extrapolated using a steady 2% per annum growth rate which is the projected long-term inflation rate. The Directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

BioCeuticals

The recoverable amount of this cash-generating unit is determined based on a value in use calculation. Those calculations use cash flow projections based on the five year plan approved by management and endorsed by the board, and also use a terminal value calculation.

Cash flow projections are based on estimated growth in EBITDA (net of tax) and estimated working capital changes. The cash flows beyond that five-year period have been extrapolated using a steady 2% per annum growth rate which is the projected long-term inflation rate. The Directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

The key assumptions used in the value in use calculations for Pure Animal Wellbeing and BioCeuticals cash-generating units are as follows:

Budgeted sales growth	Budgeted sales growth is expected to be in line with sales growth in the category.
Budgeted Margins	Budgeted margins are expected to remain consistent.
Discount rate	The discount rate used for Pure Animal Wellbeing and BioCeuticals was 9.5%

19. OTHER FINANCIAL ASSETS AND LIABILITIES

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

	2013 $'000	2012 $'000
Assets		
Investments	**291**	144
Liabilities – interest rate swaps		
Current	**593**	363
Non Current	**396**	673
	989	1,036

The weighted average interest rates related to interest rate swaps were 4.06% (2012: 4.85%).

20. TRADE AND OTHER PAYABLES

	2013 $'000	2012 $'000
Trade payables[1]	**23,086**	14,204
Goods and services tax (GST) payable	**537**	894
Other creditors and accruals	**14,746**	19,839
	38,369	34,937

1. The average credit period on purchases is 30 days from the end of the month of invoice. The Group has financial risk management policies in place to ensure all payables are paid within the credit time-frame.

Notes to the Financial Statements

for the financial year ended 30 June 2013

21. CURRENT TAX LIABILITIES

	2013 $'000	2012 $'000
Income tax payable	**-**	2,117

22. INTEREST BEARING LIABILITIES

	2013 $'000	2012 $'000
Current		
Finance Lease Liability	**6**	-
Non-current		
Secured – at amortised cost:		
Bank bills[1,2]	**87,000**	45,000

Summary of borrowing arrangements:

1. Secured by registered mortgage debentures and a floating charge over certain assets of the Group.
2. In accordance with the security arrangements of liabilities, as disclosed in this note to the consolidated Financial Statements, effectively all assets of the Parent Entity have been pledged as security.

23. PROVISIONS

	2013 $'000	2012 $'000
Current		
Employee benefits[1]	**4,805**	3,626
Directors' retirement benefits[2]	**414**	414
Employee Redundancy[3]	**-**	530
	5,219	4,570
Non-current		
Employee benefits[1]	**722**	908

Reconciliations

	DIRECTORS' RETIREMENT BENEFITS $'000	EMPLOYEE REDUNDANCY $'000
Balance at 30 June 2012	**414**	530
Additional provisions recognised	**-**	-
Reductions arising from payments made	**-**	(530)
Balance at 30 June 2013	**414**	-
Current	**414**	-
Non-current	**-**	-
	414	-

1. The provision for employee benefits represents annual leave and vested long service leave entitlements accrued.
2. 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.
3. The provision for employee redundancy represents amounts owing at year end to a number of employees who were entitled to redundancy payments at year end.

24. ISSUED CAPITAL

	2013 $'000	2012 $'000
16,972,069 fully paid ordinary shares (2012: 16,779,761)	**30,996**	25,348

Notes to the Financial Statements

for the financial year ended 30 June 2013

24. ISSUED CAPITAL (CONT.)

	2013 NUMBER	2013 SHARE CAPITAL	2012 NUMBER	2012 SHARE CAPITAL
	'000	$'000	'000	$'000
Fully Paid Ordinary Shares				
Balance at beginning of financial year	**16,780**	**25,348**	16,744	25,348
Issue of shares under Executive and employee share plans	**2**	**-**	36	-
Issue of shares under dividend reinvestment plan	**190**	**5,648**	-	-
Balance at end of financial year	**16,972**	**30,996**	16,780	25,348

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

Employee Share Plans

Further details of the Group's Executive and employee share plans are contained in note 11 to the consolidated Financial Statements.

25. RESERVES

	2013 $'000	2012 $'000
Equity-settled employee benefits reserve	**5,806**	5,430
Cash flow hedging reserve	**(692)**	(725)
Foreign currency translation reserve	**(720)**	(2,941)
	4,394	1,764

25.1 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 in note 11 to the consolidated Financial Statements.

Balance at beginning of year	**5,430**	4,805
Recognition of share-based payments	**376**	625
Balance at end of year	**5,806**	5,430

25.2 CASH FLOW HEDGING 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.

Balance at beginning of year	**(725)**	(157)
Net gain/(loss) on revaluation	**33**	(568)
Balance at end of year	**(692)**	(725)

25.3 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 3.14 to the consolidated Financial Statements.

Balance at beginning of year	**(2,941)**	(3,054)
Exchange differences arising on translating the foreign controlled entities	**2,221**	113
Balance at end of year	**(720)**	(2,941)

26. RETAINED EARNINGS

Retained earnings	**62,661**	59,054
Balance at the beginning of the year	**59,054**	52,170
Impact of initial adoption of Thailand Financial Reporting Standard No 16 Provisions for employee benefits	**-**	(114)
Adjusted opening Retained earnings	**59,054**	52,056
Profit for the year	**24,976**	27,806
Payment of dividends	**(21,369)**	(20,808)
Balance at end of year	**62,661**	59,054

Notes to the Financial Statements

for the financial year ended 30 June 2013

27. EARNINGS PER SHARE

	2013 CENTS PER SHARE	2012 CENTS PER SHARE
Basic earnings per share	**147.9**	165.8
Diluted earnings per share	**147.9**	165.8

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:

	2013 $'000	2012 $'000
Earnings (reconciles directly to profit for the year in the consolidated Statement of profit or loss)	**24,976**	27,806

	2013 NUMBER	2012 NUMBER
Weighted average number of ordinary shares on issue during the financial year used in the calculation of basic earnings per share	**16,886,995**	16,772,819

Diluted Earnings per Share

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

	2013 $'000	2012 $'000
Earnings (reconciles directly to profit for the year in the consolidated Statement of profit or loss)	**24,976**	27,806

	2013 NUMBER	2012 NUMBER
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**16,886,995**	16,772,819
Shares deemed to be issued for no consideration in respect of:		
Employee share plans	**19**	2,214
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	**16,887,014**	16,775,033

28. DIVIDENDS

RECOGNISED AMOUNTS	2013 CENTS PER SHARE	TOTAL $'000	2012 CENTS PER SHARE	TOTAL $'000
FULLY PAID ORDINARY SHARES				
Final dividend for year ended 30 June 2012 (2012: 30 June 2011)				
– fully franked at 30% corporate tax rate	**83**	**13,929**	80	13,424
Interim dividend for year ended 30 June 2013 (2012: 30 June 2012)				
– fully franked at 30% corporate tax rate	**44**	**7,440**	44	7,384
	127	**21,369**	124	20,808
Unrecognised Amounts				
FULLY PAID ORDINARY SHARES				
Final dividend – fully franked at 30% corporate tax rate	**83**	**14,088**		

The final dividend in respect of ordinary shares for the year ended 30 June 2013 has not been recognised in these consolidated Financial Statements because the final dividend was declared subsequent to 30 June 2013. On the basis that Directors will continue to publicly recommend dividends in respect of ordinary shares subsequent to reporting date, in future consolidated Financial Statements 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 2013 $'000	COMPANY 2012 $'000
Adjusted franking account balance	**12,071**	14,283

Notes to the Financial Statements

for the financial year ended 30 June 2013

29. COMMITMENTS FOR EXPENDITURE

	2013 $'000	2012 $'000
Research and Development Contracts		
Not longer than 1 year	**590**	640
Longer than 1 year and not longer than 5 years	**377**	1,114
Longer than 5 years	**-**	-
	967	1,754
Plant and Equipment		
Not longer than 1 year	**565**	-
Longer than 1 year and not longer than 5 years	**-**	-
Longer than 5 years	**-**	-
	565	-
Promotional Services		
Not longer than 1 year	**290**	250
Longer than 1 year and not longer than 5 years	**500**	750
Longer than 5 years	**-**	-
	790	1,000
Sponsorship		
Not longer than 1 year	**282**	372
Longer than 1 year and not longer than 5 years	**129**	314
Longer than 5 years	**27**	55
	438	741

Lease Commitments

Non-cancellable operating lease commitments are disclosed in note 30 of the consolidated Financial Statements.

30. OPERATING LEASES

Leasing Arrangements

Operating leases relate to business premises and the Group's 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 Group exercises its option to renew. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

Non-cancellable Operating Lease Payments

	2013 $'000	2012 $'000
Not later than 1 year	**2,311**	1,426
Later than 1 year and not later than 5 years	**4,280**	1,247
Later than 5 years	**218**	-
	6,809	2,673

No liabilities have been recognised in respect of non-cancellable operating leases.

31. CONTINGENT LIABILITIES

The Directors do not believe there are any contingent liabilities as at 30 June 2013.

Notes to the Financial Statements

for the financial year ended 30 June 2013

32. SUBSIDIARIES

Details of the Group's subsidiaries at the end of the financial year are as follows.

NAME OF ENTITY	COUNTRY OF INCORPORATION	OWNERSHIP 2013	INTEREST 2012	PRINCIPAL ACTIVITY
Blackmores Nominees Pty Limited	Australia	100	100	Management of employee share plans
Pat Health Limited	Hong Kong	100	100	Marketing of natural health products
Blackmores China[1]	China	100	-	Marketing of natural health products
Blackmores (Taiwan) Limited	Taiwan	100	100	Marketing of natural health products
Pure Animal Wellbeing Pty Limited	Australia	100	100	Holder of intellectual property for Animal Health Division
Blackmores (New Zealand) Limited	New Zealand	100	100	Marketing of natural health products
Blackmores Korea Ltd	Korea	100	100	Marketing of natural health products
Blackmores (Singapore) Pte Limited	Singapore	100	100	Marketing of natural health products
Blackmores (Malaysia) Sdn Bhd	Malaysia	100	100	Marketing of natural health products
Blackmores (Thailand) Limited	Thailand	100	100	Marketing of natural health products
Blackmores Holdings Limited[2]	Thailand	100	100	Holding Company
FIT-BioCeuticals Limited[3]	Australia	100	-	Marketing of natural health products
FIT-BioCeuticals (NZ) Limited	New Zealand	100	-	Marketing of natural health products
MD Nutritionals Limited	New Zealand	100	-	Marketing of natural health products
PharmaFoods Pty Ltd	Australia	100	-	Marketing of natural health products
FIT-BioCeuticals Limited	United Kingdom	100	-	Marketing of natural health products
FIT-BioCeuticals Limited	Hong Kong	100	-	Marketing of natural health products
Hall Drug Technologies Pty Ltd	Australia	100	-	Marketing of natural health products

1. This company was incorporated on 8 April 2013 but has not commenced trading as at 30 June 2013.
2. This company did not trade during the 2013 or 2012 financial years.
3. FIT-BioCeuticals Limited and its controlled entities were acquired on 5 July 2012.

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

Economic Dependency

The Group is not dependent upon any other entity.

33. JOINT OPERATIONS

The Group has the following significant interest in a joint operation:
In the financial year ended 30 June 2011 the Group entered into a long-term joint operations arrangement with an established supplier of internet-based personalised health clubs and related services. The initial term of the agreement covers a five year period and determines that the partner will provide services covering web design, maintenance and hosting. In terms of the joint operations, all revenue generated from the membership and advertising will be shared equally. Blackmores will be responsible for promotional services to the value of not less than $250,000 per year in addition to the ancillary services and support required.

There has been no change in the Group's ownership or voting interests in these joint arrangements for the reported years.

The following amounts are included in the Group's Financial Statements in relation to the joint operations.

	2013 $'000	2012 $'000
Income	**-**	54
Expenses	**362**	606

34. RELATED PARTY AND KEY MANAGEMENT PERSONNEL DISCLOSURES

34.1 EQUITY INTERESTS IN RELATED PARTIES

EQUITY INTERESTS IN SUBSIDIARIES

Details of the percentage of ordinary shares held in controlled entities are disclosed in note 32 to the consolidated Financial Statements.

34.2 KEY MANAGEMENT PERSONNEL REMUNERATION

Details of Key Management Personnel's remuneration are disclosed in note 10, note 11 and in the Remuneration Report which accompanies these consolidated Financial Statements.

34.3 KEY MANAGEMENT PERSONNEL'S EQUITY HOLDINGS

KEY MANAGEMENT PERSONNEL'S EMPLOYEE SHARE PLANS, SHAREHOLDINGS AND SHARE RIGHTS

During the years ended 30 June 2013 and 30 June 2012 there were no share options in existence. There have been no share options issued since the end of the financial year.

Notes to the Financial Statements

for the financial year ended 30 June 2013

34. RELATED PARTY AND KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT.)

FULLY PAID ORDINARY SHARES OF BLACKMORES LIMITED

2013	BALANCE AT 1/7/12 NUMBER	RECEIVED ON SETTLEMENT OF RIGHTS NUMBER	NET CHANGE OTHER[1] NUMBER	BALANCE AT 30/6/13 NUMBER
Non-Executive Directors				
S Chapman	**22,055**	**-**	**959**	**23,014**
V Fitzgerald	**10,216**	**-**	**444**	**10,660**
R Stovold	**27,910**	**-**	**217**	**28,127**
B Wallace	**12,161**	**-**	**528**	**12,689**
Executive Directors				
M Blackmore	**4,407,278**	**-**	**42,040**	**4,449,318**
C Holgate	**88,602**	**-**	**(15,500)**	**73,102**
Senior Executives				
C Cooper	**40,605**	**-**	**355**	**40,960**
K Cunningham	**5,089**	**-**	**37**	**5,126**
R Henfrey	**8,584**	**-**	**(127)**	**8,457**
C Last	**4,670**	**-**	**238**	**4,908**
N Mercado	**723**	**-**	**-**	**723**
P Osborne	**319**	**-**	**37**	**356**
G Perera	**826**	**-**	**57**	**883**
L Richards	**25,603**	**-**	**(12,000)**	**13,603**
Former KMP				
N Sparks	**-**	**-**	**-**	**-**
J van Bruinessen	**-**	**-**	**-**	**-**
Total (for Key Management Personnel)	**4,654,641**	**-**	**17,285**	**4,671,926**

1. Includes shares issued under the Company's Staff Share Acquisition Plan.

FULLY PAID ORDINARY SHARES OF BLACKMORES LIMITED

2012	BALANCE AT 1/7/11 NUMBER	RECEIVED ON SETTLEMENT OF RIGHTS NUMBER	NET CHANGE OTHER[1] NUMBER	BALANCE AT 30/6/12 NUMBER
Non-Executive Directors				
S Chapman	22,055	-	-	22,055
V Fitzgerald	10,216	-	-	10,216
N Sparks	-	-	-	-
R Stovold	27,910	-	-	27,910
B Wallace	12,161	-	-	12,161
Executive Directors				
M Blackmore	4,479,278	-	(72,000)	4,407,278
C Holgate	90,233	18,369	(20,000)	88,602
Senior Executives				
K Cunningham	4,073	1,016	-	5,089
R Henfrey	5,423	3,161	-	8,584
C Last	1,431	2,873	366	4,670
N Mercado	167	556	-	723
P Osborne	282	-	37	319
G Perera	205	584	37	826
L Richards	22,684	2,919	-	25,603
Total (for Key Management Personnel)	**4,676,118**	**29,478**	**(91,560)**	**4,614,036**

1. Includes shares issued under the Company's Staff Share Acquisition Plan.

Notes to the Financial Statements
for the financial year ended 30 June 2013

34. RELATED PARTY AND KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT.)

RIGHTS TO SHARES

2013	BALANCE AS AT 1/7/12	GRANTED AS COMPEN-SATION	EXERCISED	NET OTHER CHANGE	BALANCE AS AT 30/6/13	BALANCE VESTED AT 30/6/13	VESTED BUT NOT EXERCISABLE	VESTED AND EXERCISABLE	RIGHTS VESTED DURING YEAR
	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER
Executive Director									
C Holgate	-	**22,505**	-	**(22,505)**	-	-	-	-	-
Senior Executives									
C Cooper[1]	-	**550**	-	**(550)**	-	-	-	-	-
K Cunningham	-	**3,817**	-	**(3,817)**	-	-	-	-	-
R Henfrey	-	**4,806**	-	**(4,806)**	-	-	-	-	-
C Last	-	**4,339**	-	**(4,339)**	-	-	-	-	-
N Mercardo	-	**3,433**	-	**(3,433)**	-	-	-	-	-
P Osborne	-	**3,913**	-	**(3,913)**	-	-	-	-	-
G Perera	-	**3,433**	-	**(3,433)**	-	-	-	-	-
L Richards	-	**4,284**	-	**(4,284)**	-	-	-	-	-
Former Senior Executives									
J van Bruinessen[2]	-	**5,493**	-	**(5,493)**	-	-	-	-	-
Total (for Key Management Personnel)	**-**	**56,573**	**-**	**(56,573)**	**-**	**-**	**-**	**-**	**-**

2012	BALANCE AS AT 1/7/11	GRANTED AS COMPEN-SATION	EXERCISED	NET OTHER CHANGE	BALANCE AS AT 30/6/12	BALANCE VESTED AT 30/6/12	VESTED BUT NOT EXERCISABLE	VESTED AND EXERCISABLE	RIGHTS VESTED DURING YEAR
	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER
Executive Director									
C Holgate	18,369	22,850	(18,369)	(22,850)	-	-	-	-	-
Senior Executives									
K Cunningham	1,016	3,876	(1,016)	(3,876)	-	-	-	-	-
R Henfrey	3,161	4,880	(3,161)	(4,880)	-	-	-	-	-
C Last	2,873	4,406	(2,873)	(4,406)	-	-	-	-	-
N Mercado	556	3,137	(556)	(3,137)	-	-	-	-	-
G Perera	584	3,137	(584)	(3,137)	-	-	-	-	-
L Richards	2,919	4,350	(2,919)	(4,350)	-	-	-	-	-
J van Bruinessen	-	5,165	-	(5,165)	-	-	-	-	-
Total (for Key Management Personnel)	**29,478**	**51,801**	**(29,478)**	**(51,801)**	**-**	**-**	**-**	**-**	**-**

1. Rights granted and vested during the financial year ended 30 June 2013 for C Cooper are for the period as a KMP (1 July 2012 to 30 June 2013).
2. Rights granted during the financial year ended 30 June 2013 for J van Bruinessen did not vest as J van Bruinessen left employment prior to the end of the financial year.

33.4 LOAN DISCLOSURES

There were no loan balances from Key Management Personnel during or at the end of the financial year (2012: $nil).

33.5 OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

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.

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

Notes to the Financial Statements

for the financial year ended 30 June 2013

34. RELATED PARTY AND KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT.)

34.6 RELATED PARTY TRANSACTIONS

The immediate parent and ultimate controlling party of the Group is Blackmores Limited (incorporated in Australia).

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below:

TRADING TRANSACTIONS

During the year, group entities did not enter into any trading transactions with related parties that are not members of the Group (2012: $nil).

OTHER RELATED PARTY TRANSACTIONS

During the financial year ended 30 June 2013, the following transactions occurred between the Group and its other related parties:

- Galileo Kaleidoscope Pty Ltd, a company of which Brent Wallace is a Director, performed certain consulting services for the Company for which fees of $255,513 were charged.

BALANCES WITH RELATED PARTIES

No balances outstanding at the end of the financial year with related parties that are not members of the Group (2012: $nil).

EQUITY INTEREST IN SUBSIDIARIES

Details of the percentage of ordinary shares held in controlled entities are disclosed in note 32 to the consolidated Financial Statements.

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

35.1 RECONCILIATION OF CASH AND CASH EQUIVALENTS

For the purposes of the consolidated Statement of Cash Flows, 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 consolidated Statement of Cash Flows is reconciled to the related items in the consolidated Statement of Financial Position as follows:

	2013 $'000	2012 $'000
Cash and bank balances	**17,963**	11,960
Cash at call	**-**	-
Cash and cash equivalents	**17,963**	11,960
35.2 FINANCING FACILITIES		
Secured bank overdraft facility, reviewed annually and payable at call:		
• amount used	**-**	-
• amount unused	**5,000**	5,000
	5,000	5,000
Secured bank bill acceptance facility, reviewed annually:		
• amount used	**87,000**	45,000
• amount unused	**26,000**	10,000
	113,000	55,000

The Group has access to financing facilities at reporting date as indicated above. The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The Group expects to maintain a current debt to equity ratio of between 30% and 50%.

Notes to the Financial Statements

for the financial year ended 30 June 2013

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONT.)

35.3 RECONCILIATION OF THE PROFIT FOR THE YEAR TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2013 $'000	2012 $'000
Profit for the year	**24,976**	27,806
Loss on disposal of non-current assets	**19**	73
Interest revenue disclosed as investing cash flow	**(174)**	(172)
Dividend income disclosed as investing cash flow	**(27)**	(15)
Depreciation and amortisation of non-current assets	**5,989**	4,922
Revaluation of investments	**(147)**	-
Share-based payments	**376**	625
Other	**1,215**	(260)
Decrease in current tax liability	**(2,670)**	(1,453)
Increase/(decrease) in deferred tax balances	**289**	(1,293)
(Decrease)/increase in deferred tax balances related to hedge reserve in equity	**(14)**	244
Movements in working capital:		
• Current receivables	**(4,226)**	(10,630)
• Current inventories	**(3,139)**	(8,037)
• Other debtors and prepayments	**541**	(977)
• Current trade payables	**(811)**	9,094
• Provisions	**(369)**	919
• Lease incentives	**186**	-
Net cash flows from operating activities	**22,014**	20,846

35.4 NON-CASH TRANSACTIONS

During the current year, the Group entered into the following non-cash investing and financing activity which is not reflected in the consolidated Statement of Cash Flows:

During the year, 190,030 (2012: $nil) shares were issued under the Dividend Reinvestment Plan. Dividends settled in shares rather than cash during the year totalled $5,648.000 (2012: $nil).

The Group acquired $35,004 (2012: $122,000) of equipment under a technology fund made available by the Group's telecommunications provider under the provisions of a new contract negotiated during the financial year.

36. FINANCIAL INSTRUMENTS

36.1 CAPITAL MANAGEMENT

The Group 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 Group's overall strategy remains unchanged from 2012.

The capital structure of the Group consists of net debt (interest-bearing liabilities as disclosed in note 22 offset by cash and cash equivalents as disclosed in note 35) and equity of the Group (comprising issued capital, reserves and retained earnings as disclosed in notes 24, 25 and 26 respectively).

The Group operates globally, primarily through the Company and subsidiary companies established in the markets in which the Group 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 Group's production and distribution assets, as well as make the routine outflows of tax, dividends and repayment of maturing debt. The Group's policy is to borrow centrally, using a variety of capital market issues and borrowing facilities, to meet anticipated funding requirements.

The Group's Audit and Risk Committee reviews the capital structure of the Group on a semi-annual basis. Based upon recommendations of the Committee, the Group 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.

Notes to the Financial Statements
for the financial year ended 30 June 2013

36. FINANCIAL INSTRUMENTS (CONT.)

GEARING RATIO

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

	2013 $'000	2012 $'000
Debt[1]	**87,006**	45,000
Cash and bank balances	**(17,963)**	(11,960)
Net debt	**69,043**	33,040
Equity[2]	**98,051**	86,280
Net debt to (net debt plus equity) ratio	**41.3%**	27.7%

1. Debt is defined as long and short-term interest-bearing liabilities, as detailed in note 22.
2. Equity includes all capital and reserves that are managed as capital.

CATEGORIES OF FINANCIAL INSTRUMENTS

	2013 $'000	2012 $'000
Financial Assets		
Cash and bank balances	**17,963**	11,960
Loans and receivables	**63,956**	53,698
Other financial assets	**291**	144
	82,210	65,802
Financial Liabilities		
Derivative instruments in designated hedge accounting relationships	**989**	1,036
Loans and payables	**125,968**	79,937
	126,957	80,973

36.2 FINANCIAL RISK MANAGEMENT OBJECTIVES

The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets and monitors and manages the financial risks relating to the operations of the Group.

The Group 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 Group'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. Compliance with policies and exposure limits is reviewed internally on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

36.3 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 3.5 to the consolidated Financial Statements.

36.4 FOREIGN CURRENCY RISK MANAGEMENT

The Group undertakes transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising options and forward exchange contracts.

The Group is mainly exposed to Thai Baht (THB), Malaysian Ringgit (MYR), Singapore Dollar (SGD), New Zealand Dollar (NZD) and United States Dollar (USD).

The Australian Dollar carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	ASSETS		LIABILITIES	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
United States Dollar (USD)	**-**	-	**1,532**	1,885
Thai Baht (THB)	**13,945**	8,873	**-**	-
Malaysian Ringgit (MYR)	**7,443**	5,076	**-**	-
Singapore Dollar (SGD)	**1,959**	1,304	**-**	-
Hong Kong Dollar (HKD)	**664**	476	**-**	-
Taiwan Dollar (TWD)	**225**	143	**-**	-
Korean Won (WON)	**4**	88	**-**	-
New Zealand Dollar (NZD)	**-**	-	**1,669**	3,940
Euro (EUR)	**-**	-	**152**	-

Notes to the Financial Statements

for the financial year ended 30 June 2013

36. FINANCIAL INSTRUMENTS (CONT.)

FOREIGN CURRENCY SENSITIVITY ANALYSIS

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

	PROFIT/(LOSS)	
	2013 $'000	2012 $'000
USD impact	**(139)**	(171)
THB impact	**1,268**	807
MYR impact	**677**	461
SGD impact	**178**	119
HKD impact	**60**	43
TWD impact	**20**	13
WON impact	**-**	8
NZD impact	**(152)**	(358)
EUR impact	**(14)**	-

From time to time during the year, the Group entered into NZD forward exchange contracts in order to minimise the foreign currency risk.

The Group's sensitivity to foreign currency has reduced during the current year due to the continued operation of the new NZ business model which included opening of NZD bank accounts to take advantage of the natural hedge between this business and purchases of raw materials denominated in NZD.

OPTION CONTRACTS

The Group did not utilise any option contracts during the year, so there were no open contracts at 30 June 2013 (2012: $nil).

FORWARD FOREIGN EXCHANGE CONTRACTS

While the Group utilised forward foreign exchange contracts during the year, there were no open contracts at 30 June 2013 (2012: $nil).

36.5 INTEREST RATE RISK MANAGEMENT

The Group is exposed to interest rate risk as it borrows funds on a floating interest rate basis. The risk is managed by the Group by the use of interest rate swap contracts.

The following table sets out the Group's exposure to interest rate risk.

	2013 $'000	2012 $'000
Financial Liabilities		
Borrowings	**(87,000)**	(45,000)
Finance Lease	**(6)**	-
Interest rate swap[1]	**49,000**	25,000
Net exposure	**(38,006)**	(20,000)

1. Represents the notional amount of the interest rate swaps. An additional $24m in interest rate swaps were transacted this year to hedge the increased debt required to fund the acquisition of BioCeuticals.

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	2013 %	2012 %	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Less than 1 year	**5.07**	-	**5,000**	-	**(593)**	-
1 to 2 years	**4.52**	5.07	**15,000**	5,000	**(295)**	(134)
2 to 5 years	**3.65**	4.79	**29,000**	20,000	**(101)**	(902)
> 5 years	**-**	-	**-**	-	**-**	-
	4.06	4.85	**49,000**	25,000	**(989)**	(1,036)

Notes to the Financial Statements

for the financial year ended 30 June 2013

36. FINANCIAL INSTRUMENTS (CONT.)

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 Group 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 on 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 ended 30 June 2013, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's net profit after tax would decrease by $323,964 (2012: $162,899) or increase by $323,964 (2012: $162,899) respectively as a result of changes in the interest rates applicable to commercial bank bills.

For the year ended 30 June 2013, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's other equity reserves would increase by $414,000 or decrease by $478,000 respectively (2012: increase by $329,000 or decrease by $334,000 respectively) mainly as a result of the changes in the fair value of the interest rate swap.

The Group's sensitivity to interest rates has increased during the current year due to the higher level of debt due to funding of the BioCeuticals acquisition. There has been no change to the manner in which the Group manages and measures the risk from the previous year.

INTEREST RATE SWAP CONTRACTS

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued variable rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

During the financial year 2013, the Group entered into three interest rate swaps with a notional amount of $8 million each (total $24 million) to partially hedge the funding of the debt for the BioCeuticals acquisition. Two swaps, each for $8 million are at a fixed rate of 3.28% and another swap of $8 million is at 3.17% and all mature on 1 July 2015.

In previous years, the Group entered into interest rate swaps as follows:

- $5 million at a fixed rate of 5.07% expiring in January 2014
- $5 million at a fixed rate of 5.61% expiring in January 2017
- $7 million at a fixed rate of 4.58% expiring in January 2015
- $8 million at a fixed rate of 4.47% expiring in January 2015

36.6 CREDIT RISK MANAGEMENT

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group only transacts with entities that have a positive credit history. The information used to determine creditworthiness is supplied by independent rating agencies where available and, if not available, the Group uses publicly available financial information, trade references and their own trading record to rate their major customers.

Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased. The quality of trade receivables has been discussed in note 13.

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

The carrying amount of financial assets recorded in the consolidated Financial Statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk.

There has been no change to the Group's exposure to credit risk or the manner in which it manages and measures the risk from the previous year.

Notes to the Financial Statements

for the financial year ended 30 June 2013

36. FINANCIAL INSTRUMENTS (CONT.)

36.7 LIQUIDITY RISK MANAGEMENT

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities and through the continual monitoring of forecast and actual cash flows.

LIQUIDITY AND INTEREST RISK TABLES

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

	WEIGHTED AVERAGE EFFECTIVE INTEREST	<1 MONTH	1-3 MONTHS	3 MONTHS TO 1 YEAR	1-5 YEARS	>5 YEARS	TOTAL
	Rate %	$'000	$'000	$'000	$'000	$'000	$'000
2013							
Trade and other payables	**0.00**	**-**	**37,832**	**-**	**-**	**-**	**37,832**
Borrowings	**3.61**	**-**	**-**	**3,137**	**87,000**	**-**	**90,137**
		-	**37,832**	**3,137**	**87,000**	**-**	**127,969**
2012							
Trade and other payables	0.00	-	34,043	-	-	-	34,043
Borrowings	4.54	-	-	2,043	45,000	-	47,043
		-	34,043	2,043	45,000	-	81,086

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

The following table details the Group'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.

	<1 MONTH	1-3 MONTHS	3 MONTHS TO 1 YEAR	1-5 YEARS	>5 YEARS	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000
2013						
Net settled:						
Interest rate swaps	**(146)**	**-**	**(409)**	**(630)**	**-**	**(1,185)**
	(146)	**-**	**(409)**	**(630)**	**-**	**(1,185)**
2012						
Net settled:						
Interest rate swaps	(78)	-	(271)	(811)	-	(1,160)
	(78)	-	(271)	(811)	-	(1,160)

36.8 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the consolidated Financial Statements approximate their fair values.

VALUATION TECHNIQUES AND ASSUMPTIONS APPLIED FOR THE PURPOSE OF MEASURING FAIR VALUE

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 derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives and option pricing models for optional derivatives; and
- 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.

Notes to the Financial Statements

for the financial year ended 30 June 2013

36. FINANCIAL INSTRUMENTS (CONT.)

FAIR VALUE MEASUREMENTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2013	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
Financial Assets at FVTPL:				
Derivative financial assets	**-**	**-**	**-**	**-**
Non-derivative financial assets held for trading	**-**	**-**	**-**	**-**
Available-for-sale Financial Assets:				
Unquoted equities	**-**	**291**	**-**	**291**
Asset-backed securities reclassified from fair value through profit or loss	**-**	**-**	**-**	**-**
Total	**-**	**291**	**-**	**291**
Financial Liabilities at FVTPL:				
Derivative financial liabilities	**-**	**989**	**-**	**989**
Total	**-**	**989**	**-**	**989**

2012	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
Financial Assets at FVTPL:				
Derivative financial assets	-	-	-	-
Non-derivative financial assets held for trading	-	-	-	-
Available-for-sale Financial Assets:				
Unquoted equities	-	144	-	144
Asset-backed securities reclassified from fair value through profit or loss	-	-	-	-
Total	-	144	-	144
Financial Liabilities at FVTPL:				
Derivative financial liabilities	-	1,036	-	1,036
Total	-	1,036	-	1,036

There were no transfers between Levels 1, 2 and 3 in the period.

DERIVATIVES

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

37. ASSETS PLEDGED AS SECURITY

In accordance with the security arrangements of liabilities, as disclosed in note 22 to the consolidated Financial Statements, all assets of the Parent Entity have been pledged as security. The holder of the security does not have the right to sell or repledge the assets.

Notes to the Financial Statements

for the financial year ended 30 June 2013

38. BUSINESS COMBINATIONS

38.1 SUBSIDIARIES ACQUIRED

2013 – Acquisition of FIT-BioCeuticals Ltd

On 5 July 2012, the Group signed an agreement to acquire 100% of the issued capital of FIT-BioCeuticals Ltd ("BioCeuticals") and the results of the BioCeuticals Group have been consolidated by the Blackmores Group from this date. The acquisition was made for an initial cash payment of $38.4 million and a completion cash payment of $2.2 million (representing adjustments relating to the completion statement ($0.8 million) and working capital ($1.4 million)) was made in September upon finalisation of the company's 2012 result. A further amount, not exceeding $2 million, may become payable over a three year period upon successful product registration and certain revenue targets for new products being met and an amount of $712,500 has been recognised as the fair value of this obligation. The BioCeuticals business will continue to be run as a separate business for the foreseeable future.

BioCeuticals is an established Australian leader in the practitioner-only supplements market. It develops and markets a range of nutritional supplements to integrative medicine practitioners, natural health professionals, pharmacists and health food stores primarily in Australia and New Zealand.

	2013 $'000	2012 $'000
38.2 CONSIDERATION TRANSFERRED		
Cash	**40,577**	-
Deferred Consideration	**713**	-
Total Consideration	**41,290**	-

Acquisition-related costs of $634,000 have been excluded from the consideration transferred. Of this $276,000 was incurred and expensed prior to 1 July 2012. The remaining $358,000 has been recognised as an expense in profit and loss within the 'other expenses line'.

38.3 ASSETS ACQUIRED AND LIABILITIES ASSUMED AT THE DATE OF ACQUISITION

	2013 $'000	2012 $'000
Current assets		
Cash and cash equivalents	**1,931**	-
Trade and other receivables[1]	**5,838**	-
Inventory	**4,969**	-
Other	**306**	-
Non-current assets		
Trade and other receivables	**127**	-
Property, plant and equipment	**884**	-
Intangible Assets	**15,741**	-
Other	**349**	-
Current liabilities		
Trade and other creditors	**(4,854)**	-
Current tax liability	**(484)**	-
Interest-bearing liabilities	**(31)**	-
Non-current liabilities		
Trade and other creditors	**(178)**	-
Provisions	**(220)**	-
Interest-bearing liabilities	**(6)**	-
	24,372	-

1. Trade receivables acquired with a fair value of $5,965,000 had gross contractual amounts of $6,074,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected is $109,000.

38.4 GOODWILL ARISING ON ACQUISITION

	2013 $'000	2012 $'000
Consideration transferred	**41,290**	-
Less: fair value of identifiable net assets acquired	**(24,372)**	-
Goodwill arising on acquisition	**16,918**	-

Goodwill arose on the acquisition of BioCeuticals because the consideration paid for the combination effectively included amounts in relation to expected future revenue and profit growth, future market development and the combined workforce of BioCeuticals.

These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

38.5 NET CASH OUTFLOW ON ACQUISITION OF SUBSIDIARIES

	2013 $'000	2012 $'000
Consideration paid in cash	**40,577**	-
Less: cash and cash equivalent balances acquired	**(1,931)**	-
	38,646	-

Impact of acquisition on the results of the Group

Included in the profit for the year is $2.2m attributable to BioCeuticals. Revenue for the year includes $44.7m in respect of BioCeuticals.

2012 – No subsidiaries were acquired during the financial year ended 30 June 2012.

Notes to the Financial Statements

for the financial year ended 30 June 2013

39. PARENT ENTITY INFORMATION

The accounting policies of the Parent Entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated Financial Statements. Refer to note 3 for a summary of the significant accounting policies relating to the Group.

	2013 $'000	2012 $'000
FINANCIAL POSITION		
Assets		
Current assets	**81,490**	76,282
Non-current assets	**117,568**	77,981
Total assets	**199,058**	154,263
Liabilities		
Current liabilities	**34,250**	36,454
Non-current liabilities	**92,832**	45,908
Total liabilities	**127,082**	82,362
Equity		
Issued capital	**30,996**	25,348
Retained earnings	**35,866**	41,848
Reserves		
Equity-settled employee benefits reserve	**5,806**	5,430
Hedge reserve	**(692)**	(725)
Total equity	**71,976**	71,901
FINANCIAL PERFORMANCE		
Profit for the year	**15,386**	24,204
Other comprehensive income	**33**	(568)
Total comprehensive income	**15,419**	23,636

GUARANTEES ENTERED INTO BY THE PARENT ENTITY IN RELATION TO THE DEBTS OF ITS SUBSIDIARIES

The Company has provided Letters of Support in relation to Pat Health Ltd and Blackmores (Taiwan) Ltd, both wholly owned subsidiaries of the Group.

The directors have a reasonable expectation that the Company will have sufficient financial accommodation to enable payment of the subsidiaries' debts as and when they fall due for a period of at least 12 months from the date of signing the local Financial Statements of the abovementioned entities.

CONTINGENT LIABILITIES

The Directors do not believe there are any contingent liabilities as at 30 June 2013.

COMMITMENTS FOR THE ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT BY THE PARENT ENTITY

Plant and equipment		
Not longer than 1 year	**565**	-
Longer than 1 year and not longer than 5 years	**-**	-
Longer than 5 years	**-**	-
	565	-

40. EVENTS AFTER THE REPORTING PERIOD

FINAL DIVIDEND

The Directors declared a fully franked final dividend of 83 cents per share on 27 August 2013 as described in note 28.

41. APPROVAL OF FINANCIAL STATEMENTS

The consolidated Financial Statements were approved by the Board of Directors and authorised for issue on 27 August 2013.

Additional Information

NUMBER OF HOLDERS OF EQUITY SECURITIES AS AT 13 AUGUST 2013:

ORDINARY SHARE CAPITAL

16,781,975 fully paid ordinary shares are held by 7,208 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	5,516
1,001 – 5,000	2,041
5,001 – 10,000	175
10,001 – 100,000	103
100,001 and over	16
Total	7,851
Holdings less than a marketable parcel	184

SUBSTANTIAL SHAREHOLDERS

ORDINARY SHAREHOLDERS	NUMBER	FULLY PAID PERCENTAGE
Marcus C Blackmore	4,407,278	26.26

TWENTY LARGEST HOLDERS OF QUOTED EQUITY SECURITIES AS AT 13 AUGUST 2013

ORDINARY SHAREHOLDERS	NUMBER	FULLY PAID PERCENTAGE
Mr M C Blackmore	3,504,224	20.65
Citicorp Nominees Pty Limited	643,234	3.79
Dietary Products (Aust) Pty Ltd	601,270	3.54
Milton Corporation Limited	378,014	2.23
RBC Investor Services Australia Nominees Pty Limited	329,914	1.94
JP Morgan Nominees Australia Limited	205,573	1.21
Blackmore Foundation Pty Limited	205,473	1.21
HSBC Custody Nominees (Australia) Limited	192,070	1.13
Ms E M Whellan	191,934	1.13
Ms J A Tait	177,213	1.04
Blackmore Superannuation Fund	150,790	0.89
Mr R Shepherd	115,000	0.68
National Nominees Limited	114,312	0.67
Rathvale Pty Limited	102,005	0.60
Gowing Bros Limited	101,798	0.60
Mrs P G Wright	92,860	0.55
Superlife Trustee Nominees Ltd	87,350	0.52
Ms C Holgate	73,102	0.43
P G Wright, M G Wright and J G Wright	51,058	0.30
Mirrabooka Investments Limited	50,474	0.30
Total	**7,367,688**	**43.41**

Company Information

COMPANY SECRETARY

The Company Secretaries are Cecile Cooper, Alan Dworkin and Chris Last.

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 30 per cent off the recommended retail price. All shareholders have been given details of the plan, but please contact the Company Secretary on +61 2 9910 5137 if you would like more information.

CORPORATE GOVERNANCE PRINCIPLES

The Corporate Governance Principles adopted by the Company are available on our website at blackmores.com.au (go to '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 Reports').

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 Adrian Sturrock, Investor Relations Manager, on +61 2 9910 5373.

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

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

Design and production by xander | xandercreative.com.au

Notes

BLACKMORES®

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