BLACKMORES

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ANNUAL REPORT 2017

Annual General Meeting

The 54th Annual General Meeting of the Company will be held at 11am on 26 October 2017 at the Blackmores Campus, 20 Jubilee Avenue, Warriewood NSW 2102.

Cover image: Fiona Yeo, Assistant Marketing Manger, Export Sales. Fiona is profiled in this report on page 42.

OUR ANNUAL REPORT 2017

OUR VALUES

Blackmores' values are at the heart of our business. These values, known as PIRLS, are both behavioural and aspirational. They underpin our work practices and are supported by legal policies and procedures.

Passion for Natural Health
Integrity
Respect
Leadership
Social Responsibility

OUR PURPOSE

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

#4 STRATEGIC PRIORITIES

Blackmores is committed to superior business performance. Our strategic direction is focused on delivering growth and continuous improvement to maintain Blackmores' leading position in the industry and to achieve ongoing success for our company, our people and our shareholders.

#1 Consumer Centricity
#2 Asia Growth
#3 Product Leadership
#4 Operational Effectiveness

Blackmores is Australia's leading natural health company. Founded by visionary naturopath Maurice Blackmore in 1932, Blackmores combines traditional naturopathic expertise with scientific research to help people achieve optimal health and wellbeing. Committed to developing innovative natural health products and services of the highest quality, Blackmores reaches consumers in 17 markets around the world.

ABOUT 02

Blackmores' extensive range of vitamins, herbal and mineral supplements, and nutritional foods uses premium ingredients from around the world, with products made to strict Australian manufacturing standards and rigorous quality checks. Blackmores respects the innate link between healthy people and a healthy planet, implementing sustainable packaging and waste-reduction practices and supporting charitable community initiatives.

Industry leaders for 85 years, Blackmores established the Blackmores Institute in 2012 to drive an evidence-based approach to natural health through education, research and professional advisory services. For health professionals and consumers alike, Blackmores is a trusted source of natural health advice.

With a strong naturopathic heritage, Blackmores is an ASX 200 publicly-listed company with a market capitalisation of $1.5 billion. The Group employs 1,000 people across Asia-Pacific and includes BioCeuticals, Australia's leading practitioner range; Pure Animal Wellbeing, natural health products for pets; and Global Therapeutics, Australia's leading provider of Chinese herbal medicine. Blackmores' teams in Asia comprise sales and marketing personnel as well as healthcare professionals. The Blackmores Campus head office and production facility is located on Sydney's Northern Beaches.

OUR BRANDS

GLOBAL FOOTPRINT

Operations and Markets

- COMPANY HEADQUARTERS, OPERATIONS AND SIGNIFICANT REVENUES
- OPERATIONS AND SIGNIFICANT REVENUE
- JOINT VENTURE OPERATIONS OR OPERATIONS AND EMERGING MARKETS
- BRAND PRESENCE

04 HIGHLIGHTS

NO.1 VITAMIN AND SUPPLEMENT COMPANY IN AUSTRALIA – BLACKMORES

NO.1 PRACTITIONER BRAND – BIOCEUTICALS

NO.1 HEALTH FOOD STORE BRAND – FUSION HEALTH

9 CONSECUTIVE YEARS AS AUSTRALIA'S MOST TRUSTED BRAND IN VITAMINS & SUPPLEMENTS

110 NEW PRODUCTS LAUNCHED ACROSS THE GROUP

1.9 MILLION MEMBERS ACROSS ONLINE AND SOCIAL MEDIA PLATFORMS ACROSS THE GROUP

1.2 MILLION EDUCATION TOUCHPOINTS ACROSS THE GROUP

1ST RELEASED INAUGURAL BLACKMORES GROUP SUSTAINABILITY REPORT

Richard Henfrey, Blackmores' newly appointed Chief Executive Officer.

MARCUS BLACKMORE

In February I announced to shareholders that I was taking a sabbatical after 50 years in the business to give me the opportunity to 'clean out the garage', metaphorically speaking. Over the years we accumulate so much – some of it invaluable relics of our rich history and some of it junk – and occasionally it's good to review what we have, so we can focus on our vision for the future and what we will need to get us there.

This is also true for Blackmores. We have refocused on the pillars of growth for our business – our unwavering values, a strong purpose and a clear strategy – and as a result our company has stronger foundations.

My sabbatical was an opportunity for Stephen Chapman to step into the role of Chairman, after more than 20 years serving on the Board, where he did an outstanding job. I'm pleased he will continue to share his extensive business expertise and strong corporate governance experience as he continues in the role.

This will enable me to devote more to the areas of the business where I have been spending an increasing amount of time in recent years, including our invaluable relationships with governments, regulators and business partners in Asia.

As the financial year drew to a close, we announced the news that our CEO of the past nine years, Christine Holgate, would be moving on to take on new challenges as the CEO of Australia Post. While this is disappointing for me personally, Christine leaves behind an exceptionally capable executive team and emerging opportunities that will yield continued growth for our business.

I would like to thank Christine for the wonderful contribution she has made. She has been a change agent with a focus on business transformation and driving a performance culture. She has nurtured our people and our values and enhanced our strategy enabling Blackmores to expand our brand portfolio and our geographic footprint. She has served as a wonderful role model for our staff and for women in corporate life. She leaves Blackmores with our very best wishes and our deepest gratitude.

I am looking forward to working with Richard Henfrey in his new role as Chief Executive Officer of Blackmores.

Our business has had its challenges in the past 12 months, and we have met them standing up and are stronger for it. We are better prepared to grasp the countless opportunities that we have before us as the demand for high quality natural health solutions continues to grow.

As a substantial shareholder, I share the disappointment of our investors that this year's results have not matched last year's exceptional profits; however, I am confident about the future opportunities for Blackmores, knowing that our 'house is in order' and I thank you for your support.

The best of health

Marcus C. Blackmore AM

CHAIRMAN'S INTRODUCTION

Health checks are part of the vernacular at Blackmores. Blackmores Institute and BioCeuticals' innovation teams are constantly investigating the latest in diagnostics to better understand the markers of inflammation or the indicators of compromised wellbeing.

Boards take the same approach when looking at the health of a business, assessing the markers and indicators of how a company is tracking and how robust its underpinnings are to deliver the strategy.

Though the remarkable momentum of recent years was broken by a disappointing first quarter result, I'm pleased with the progress we have made since then to strengthen the core and refine our business strategy for the next phase of growth. We have become a much more diversified and capable business in recent years and we are in a growing global business sector – natural healthcare.

The profit after tax of $58 million this year was disappointing. Whilst lower that the exceptional profit last year it was a solid performance compared to our 2014 and 2015 profits of $25 million and $47 million respectively. Our balance sheet is sound and return on shareholders' equity remain strong.

The board has declared a final dividend of 140 cents per share making the total dividend for the 2017 year 270 cents per share. We believe this is consistent with the profit for the year, our sound financial position and our confidence in the future.

Leadership has also been a theme this year with the Board initiating an evaluation process of internal and external candidates to appoint a new Chief Executive Officer following the resignation of Christine Holgate. The Board was in agreement that for Blackmores to continue our growth journey, we would need a CEO who understands Blackmores' unique culture and heritage, has the ability to define and deliver strategy and has the experience to carry forward our vision for Asia.

The appointment of Richard Henfrey, who was previously Blackmores' Chief Operating Officer, will ensure a seamless transition for our team and the continuation of our growth strategy. He understands the natural healthcare industry, has demonstrated his management capability and he met all of the Board's criteria to become the next leader of our business.

Asia continues to be important to our vision and therefore it was very significant that Blackmores was appointed in July in a key leadership advisory role to the China Association for Quality Inspection (CAQI), a high-level non-profit Chinese organisation with responsibility for product quality inspection.

The recognition as a Vice President Company of CAQI was furthered with the appointment of Peter Osborne, Blackmores' Managing Director, Asia, as Vice Chairman of CAQI's Advisory Committee – the first and only foreign citizen to hold a CAQI board position. This reflects the respect that China has for Australia's stringent regulatory systems and its confidence in the quality of goods manufactured in Australia.

Our commitment to the communities in which we operate and to innovation was remarkably demonstrated this year when Marcus and Caroline Blackmore, through their foundation, made a significant contribution to support research at the National Institute of Complementary Medicine. Together with Blackmores' contribution, this was the largest ever donation received by Western Sydney University and is a strong foundation for our industry's future.

I'd like to thank my fellow Board members who have used their extensive experience to help navigate the challenges of the past year. I particularly thank Marcus Blackmore who, as always, brings great vision, values and passion to this company.

I also thank the Blackmores Executive Team. The decline in executive incentive payments is consistent with our approach to align executive remuneration to shareholder returns. It does not reflect the passion or commitment of this very strong team, who have worked tirelessly to lead our wonderful people through this period of change.

As well as making the recent leadership changes, we have refined the business strategy to pursue the opportunities on our doorstep and to better focus on our strengths and competitive advantages. I look forward to sharing our progress with you as we embark on the next stage of our journey.

Steve Chapman

Stephen Chapman
Chairman

CEO'S YEAR IN REVIEW

GROUP SALES*
$693
MILLION

Following two exceptional years of growth, 2016/2017 was a rebalancing year for the Blackmores Group, delivering $693 million in sales (down 3%) and a net profit after tax (NPAT) of $58 million (down 42%) on the prior year.

After a challenging start to the year, we are pleased with our recent performance. We finished the year in a stronger position than we entered it. We have changed our expense structure to reflect a different trading environment, although we maintained investment in core future growth platforms; we have made appropriate provisions to protect us in future years and, with tight management of our inventory and cash, we exit the year with a strong balance sheet.

TRANSFORMING OUR BUSINESS TO ADDRESS NEW CHALLENGES

In 2015 and 2016 we were pleased to share extraordinary profit results with our shareholders. This was the outcome of strong performances across all brands and markets and was bolstered by the opening of free trade zones in China. The rapid and unprecedented growth compromised our continuity of supply of key ingredients and product lines and in response, inventory was increased in line with the growth trajectory.

Speculation in April 2016 about potential regulatory changes in China impacted the buying patterns of Chinese entrepreneurs and tourists who previously were purchasing through Australian retailers. The decline in sales to Chinese consumers through Australian retailers was significant and came without warning. This was evident in the high levels of stock in the market in the first quarter of the 2016/2017 financial year which could be seen in our first quarter results.

The demand for Blackmores products in China remained strong throughout the year although the route to serve consumers changed significantly. Blackmores responded quickly to the changes in the market by both building a new China Export Team and strengthening our in-country China business and tightly managing our inventory. We closed the year with direct China sales up 71% at $132 million and, including estimated sales through Australian retailers, China accounts for approximately $250 million

Christine Holgate.

* 'Sales' refers to sales net of discounts.

of Group sales.

Although sales recovered as the year progressed, the changed Australian retail environment saw a return to market competition and normalised levels of trading terms, which diminished our profits further on a year to year comparison.

Management responded to the pressure on profits across our Blackmores Australia business by realigning expenses without compromising our growth initiatives. Among these growth initiatives were new businesses in Indonesia and Vietnam, supporting the growth of BioCeuticals and Global Therapeutics; developing a world first online education platform and the fit out of a state-of-the-art distribution centre in Western Sydney that will support future growth for the Group.

STRONG FOUNDATIONS

Business fundamentals are strong and the balance sheet demonstrates the focus on inventory, cash conversion, debt management and working capital.

The investment in infrastructure, including updated technology platforms, automation of processes and the new distribution centre, will support future growth. As we grow globally, these foundations will be more important than ever before as we continue to build scale across our business.

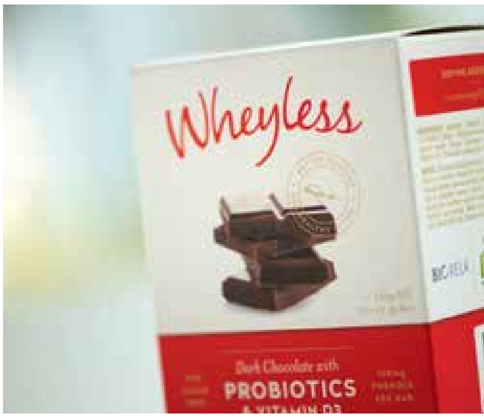
Retail markets are no longer defined by geographic boundaries and so a global approach to channel management and e-commerce has been necessary. Continued investment in this area was undertaken in the year with further work required as we develop these capabilities.

The Group achieved quarter on quarter sales growth over the year supported by healthy consumer demand. Macro global trends towards natural health, ageing populations and fast growing middle classes in key markets in Asia are also encouraging.

Brand health is strong with Blackmores receiving recognition for the ninth year running as most trusted brand in the category by Reader's Digest and maintaining our leadership position in Australia.

New product development has yielded strong results this year with key launches such as shelf-stable probiotics in Australia and line extensions for BioCeuticals delivering increased sales and shelf space.

Blackmores Institute and BioCeuticals continue to lead in education and research, with more than 1.2 million education touchpoints across the Group and 40 research projects underway.



CEO'S YEAR IN REVIEW

SALES $372 MILLION

AUSTRALIA & NEW ZEALAND

Blackmores Australia and New Zealand sales of $372 million, including Pure Animal Wellbeing (2016: $482 million) were down 23% primarily due to Chinese tourists and exporters changing their buying patterns and following a return to market competitive pressures. Excluding the impact of Chinese influenced sales, our Blackmores branded domestic sales were in line with the prior year.

SALES $216 MILLION

ASIA

Our Asia direct sales were $216 million, up 36% highlighting the strategic importance of Asia as a growth platform for the Group.

The particular importance of the China market is evident with Blackmores China direct sales, including sales through our Export division, at $132 million, up 71%.

Many of our other established Asian markets experienced strong growth, securing market share and benefiting from new products, increased investment in the brand and strong support from the Blackmores Institute. In local currencies Thailand was up 8%, Malaysia was up 11%, Singapore was up 13%, Hong Kong up 50%, Taiwan was up 58% and Indonesia added $4 million in sales. As we moved to our planned new operating model in Korea to improve profits, sales there were down 70%.

Excluding the impact of both China and Korea, other Asia sales were $81 million, up 15%.

In the year we launched in Indonesia and have progressed the establishment of a business in Vietnam, where we are preparing to launch with a range of Blackmores products in coming months.

Blackmores Institute expanded its influence across Asia with new partnerships agreed with Rangsit University Thailand, National University of Malaysia and Taylor's University, Malaysia.

SALES $102 MILLION

BIOCEUTICALS GROUP

BioCeuticals and Global Therapeutics delivered sales of $102 million. BioCeuticals achieved sales of almost $80 million which was a 15% increase compared to the prior year. BioCeuticals exceeded the ten year sales and earnings goal, set when the business was acquired in 2012, within five years. On a like-for-like comparison, sales of Global Therapeutics products were up 11% and the business is now successfully integrated into the Blackmores Group. BioCeuticals continues to be the leading practitioner brand in Australia, and with pioneering product innovation it has secured 60% market share in pharmacy in this category. Its education programs are renowned as world-class and they are now in the top 10 health podcasts in the world.

SALES $4 MILLION

NUTRITIONAL FOODS

Sales of $4 million from Blackmores' infant nutrition products through our Bemore partnership with Bega Cheese were particularly impacted by regulatory uncertainty in China. Half of these sales are accounted for in Blackmores' Financial Statements through our partnership with Bega Cheese. Prudent provisions have been taken throughout the year against all finished inventory to reduce the possibility of future potential risks. As we look ahead, there are opportunities emerging to expand further into export markets where consumer demand for high quality product offerings is growing.

CHALLENGES

The Blackmores Group has more than 1,300 products across all brands and markets. Consequently, forecasting demand and product mix is more complex than ever before. In order to ensure the quality of our products is never compromised, there is an average 12 week lead time to produce each product line. The unforeseen disruption in Australia in the first quarter resulted in our inventory peaking in September. Careful management delivered a significant reduction throughout the year with Group inventory down at $85 million at year end. However, in order to protect against future potential uncertainty and ageing inventory, we have included an additional $10 million in provisions above normal levels, impacting earnings by the same amount.

In 2016 when some key products were scarce in Australia we benefited from lowered promotional discounts. Demand and supply of these products has now rebalanced and consequently typical trade spend levels and intense competition has returned. The significant change in Australia highlights the importance of continuing to diversify the business into new markets such as practitioner products and new geographies to ensure we are not reliant on any one business.

Adapting the cost base has been undertaken whilst continuing to invest for future growth and I'm pleased that controlling expenses has been a focus throughout the year with underlying business costs carefully managed to enable funding of the engines that will deliver returns in the medium term, such as our new business in Indonesia, a world class e-learning platform and a state-of-the-art distribution centre.

OUTLOOK

The financial health of the business gives Blackmores a strong entry into the new financial year. The Group exited the 2016/2017 year in a stronger position than we entered it.

Our underlying performance has improved as the year progressed. The balance sheet has significantly strengthened, with inventory and debt reducing and cash generation improving in the last 6 months. We have taken prudent provisions to reduce future risk and our investment in a world-class distribution centre in Western Sydney and in new technology platforms will support the growth we anticipate, including additional volumes from our emerging businesses in Asia.

In line with our updates over the year, reported profits for the full year did not meet those of last year's exceptional results, though represent 25% growth on the very strong 2015 year.

The Board and management expect year-on-year growth this financial year.

We are well-placed for future growth with more than 85 years of deep expertise in natural health, 40 years of experience in Asia, a house of leading and trusted brands, a world-class research and education program, a strong operational base of facilities and infrastructure, supported by a talented team of people.

I'd like to congratulate Richard Henfrey on his appointment as your new CEO. I'm extremely pleased that the Board recognised someone from our leadership team; it will bring stability to the business to have someone who deeply understands our culture, the complexity of the retail environment and the strategic opportunities for our Group, and I respect Richard's leadership and integrity. Although we will face new challenges, I know the company is in strong hands for the future.

On a personal note, I would like to thank all our shareholders, suppliers, customers, business partners, our Executive Team and of course our wonderful staff for their support of me and of our strategy throughout my nine-year tenure as CEO. I will remain a large shareholder reflecting my continued belief in the strong growth prospects for Blackmores.

Christine Holgate
Chief Executive Officer

CEO'S YEAR IN REVIEW

- Blackmores #1 vitamin and supplement brand and Group in Australia*.
- Most Trusted Brand in Australia (nine years running) and key markets in Asia including Malaysia and Singapore**.
- Strengthened our digital footprint, with 1.9 million Blackmores members across our websites and social media in Asia-Pacific.
- Welcomed new brand ambassadors Lauren Burns, taekwondo Olympic gold medallist for Oriental Botanicals and Dr Katrina Warren, celebrity vet, for Pure Animal Wellbeing.
- Opened two new Blackmores flagship stores in Hong Kong, plus increased airport presence in Sydney, Bangkok and Kuala Lumpur.
- Strategic competitive positioning through customer planning days and in-store merchandising.
- Expanded our supermarket reach, launching Blackmores products in Costco and Aldi and was number one vitamin brand in Coles and Woolworths.
- Supported Australia's top athletes through sponsorships with Collingwood Football Club, Collingwood Magpies Netball Team and an elite IsoWhey Sports cycling team.
- Sponsored key sporting events in Australia and Asia, including the Blackmores Sydney Running Festival, Byron Bay Lighthouse Run, Run&Move in Thailand and Penang International Triathlon/Duathlon in Malaysia.

* Source: IRI MarketEdge, Vitamin and Dietary Supplement, Australia Grocery Pharmacy, Estimated Local Demand Sales MAT to 14/05/2017. ** Source: Reader's Digest annual Most Trusted Brand surveys

CONSUMER CENTRICITY

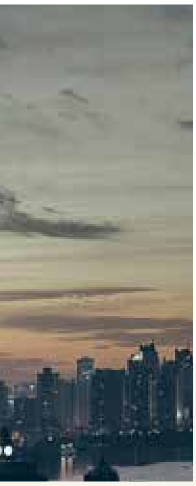
Howard Dawson, Head of Grocery & Emerging Channels, Blackmores Australia.

CEO'S YEAR IN REVIEW

- Asian consumers represent almost 50% of Group sales and show strong loyalty to the Blackmores brand.
- Chinese consumers, both in China and Australia, influence approximately $250 million of Group sales and our business is still growing.
- $60 million in e-commerce sales across Asia, up 31% on prior year.
- Launched in Vietnam via a distribution agreement with the Mesa Group, which has a strong retail network of 150,000 stores.
- Announced a new partnership in Iran with Tasnim Pharma, one of the fastest growing life sciences companies in the Middle East.
- First year of operations in Indonesia through Kalbe Blackmores Nutrition joint venture – 300 staff, 12 cities and 30 products launched.
- Blackmores infant nutrition range was launched in 27 provinces in China, with an infant nutrition flagship store in Changsha, Hunan Province.
- Built international relations by participating in a series of high profile events including the Australia China Economic and Trade Cooperation Forum (ACETCF), Business Council of Australia-China CEO Roundtable, Australia Week in China, and Australia Indonesia Business Week in Indonesia.
- Blackmores was appointed Vice President Company of the China Association for Quality Inspection (CAQI). Blackmores Managing Director for Asia, Peter Osborne was appointed Vice Chairman of their Advisory Committee – the first and only foreign citizen to hold a CAQI board position.

Left: Nurul Imania, Nutritional Health Advisor, Indonesia.

Page 15: Jeff Zhang, Country Manager, China.



#2 ASIA GROWTH

CEO'S YEAR IN REVIEW

- 110 new products launched across the Group, including an innovative fridge-free probiotic range in Australia and market-leading beauty supplements in Asia.
- Explored nutrigenomic testing for personalised nutrition and progressed partnerships in medicinal cannabis through BioCeuticals
- Developed a new herbal extraction process through Global Therapeutics, delivering increased product potency and decreased environmental impact.
- BioCeuticals FX Medicine podcasts were downloaded more than one million times in 100 countries achieving a #2 ranking in its category on iTunes.
- More than 1.2 million educational touchpoints across the Group, reaching healthcare professionals, pharmacy students, retailers and vets.
- Launched an online drug, herb and nutrient interactions portal for health professionals through BioCeuticals in partnership with IM Gateway and the University of Sydney.
- 44 research projects, clinical trials and scholarly activities across the Group, including a diabetes study in Thailand and Malay traditional herbs study in Malaysia.
- Four research symposia in Australia, Thailand and Singapore with 1,860 delegates and esteemed international keynote speakers.
- Blackmores Institute signed Memorandums of Understanding for educational partnerships with the Royal Melbourne Institute of Technology, Rangsit University Thailand, Malaysian Pharmaceutical Society, National University of Malaysia, Taylors University and University of Hawaii.
- Blackmores Institute Advisory Service responded to 35,464 calls, emails, live chats and web posts.
- Blackmores Institute launched a global multi-language online learning platform.

Page 16: Jessica Jong, Product Development Project Manager.

Below: Evan Hayes, Director of Sourcing and Brooke Crabbe, BioCeuticals Regulatory Affairs Manager

CEO'S YEAR IN REVIEW

Right: Siony Castillo and Suma Kennaway, Production Operators.

Main image: Adam Martin and BaLong Nguyen moving inventory to the the new Bungarribee warehouse which will be fully operational in October 2017.

#4 OPERATIONAL EFFECTIVENESS

- Produced more than 4 billion tablets and capsules shipped to 32,691 points of distribution globally.
- Built a state-of-the-art 16,000m^2 warehouse and distribution facility at Bungarribee in Western Sydney, doubling our capacity and supporting long-term growth.
- 800+ batches of product quality checked every month.
- Signed a Memorandum of Understanding with Alibaba for blockchain anti-fraud technology to assure product integrity.
- First manufacturing and raw materials review completed to drive continuous improvement of supply chain, product innovation and sustainable partnerships.
- Launched Supplier Code of Conduct with 100 per cent of inventory suppliers on board.
- Launched inaugural Blackmores Group Sustainability Report to affirm our corporate governance, workplace practices and responsibility to the community.
- 100% reduction in paper forms for accounts payable and human resources recruitment and induction processes.
- Invested in 189 new roles across the Group.
- 185 learning and development sessions for staff, including our Leadership Development Program and Blackmores Business Acumen Academy.

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OPERATING + FINANCIAL REVIEW

Richard Henfrey meeting with Leandro Ravetti, Technical Director at Boundary Bend, one of Blackmores' ingredient suppliers.

GROUP STRATEGY

Blackmores is the leading natural healthcare company across the Asia-Pacific region.

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 to multiple channels including pharmacy, mass merchandisers, grocery, health food stores, practitioners and online. Our animal health range is also sold to vets and wholesalers.

Activities across the Group for the 2017 financial year were aligned to four key strategic priorities:

CONSUMER CENTRICITY

To promote our high quality products, supported by evidence and access to trusted advice, the Group has significantly increased brand investment and our understanding of the consumer in our core markets in Australia and in Asia.

ASIA GROWTH

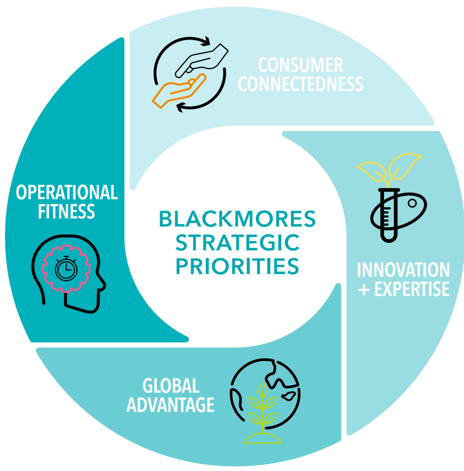
Asia brings access to two billion health conscious consumers. This is an opportunity for Blackmores to grow, increase scale, diversify our earnings and build a natural currency hedge into our business. Blackmores' Asian-based regional structure is fully operational to enable more efficient decision making and improved operational efficiencies.

PRODUCT LEADERSHIP

Blackmores is a clear leader in the area of research and development and we have supported this with increased investment in the Blackmores Institute, a program of product range innovations and the development of independently accredited education programs.

OPERATIONAL EFFECTIVENESS

Improved operational efficiencies were derived from investment in and with our supply chain partners, leveraging our Central Services business model and optimising our increased size into scale benefits.



LOOKING AHEAD

The Group's strategic direction that yielded strong results in recent years has been reviewed by the Board and management in consideration of the changing retail and consumer landscape and the aspirations for future growth. The 2020 Strategic Priorities are:

CONSUMER CONNECTEDNESS

Building deeper connections and leveraging the opportunities that digital technology presents to the category to enhance the consumer experience.

INNOVATION & EXPERTISE

Growing the research capacity of the Blackmores Institute and BioCeuticals and leveraging Blackmores' expertise to increase the knowledge base of natural healthcare for product innovation and accredited education.

GLOBAL ADVANTAGE

Nurturing and growing the Australian heartland business to leverage Blackmores' leadership position in other markets. Continuing to grow across Asia and to explore new frontiers.

OPERATIONAL FITNESS

Streamlining and simplifying operations, building leadership and cross cultural skills and capabilities.

Erika Morvayova – Global Therapeutics Technical Services.

GROUP AND DIVISIONAL RESULTS

Following two exceptional years of growth, 2016/2017 was a rebalancing year for the Blackmores Group, delivering $693 million in sales (down 3%) and a net profit after tax (NPAT) of $58 million (down 42%) on the prior year.

Blackmores introduced a dedicated Australia-based China Export Division in the year to appropriately service the sales made through larger exporters to China. As a result, the Australia and Asia reported sales numbers have been restated to ensure a more informed comparison.

01

AUSTRALIA & NEW ZEALAND

Blackmores Australia and New Zealand sales of $372 million, including Pure Animal Wellbeing (2016: $482 million) were down 23% as Chinese tourists and exporters changed their buying patterns. Underlying domestic sales (excluding sales destined for Chinese consumers) are estimated to be flat. New Zealand sales of $19 million were down 5% compared to the prior year.

Blackmores Australia cemented its leadership position in the category and maintained the number one brand position in our heartland market across the category. Additionally, Blackmores was recognised as the most trusted brand for the ninth consecutive year in the Reader's Digest Most Trusted Brand Survey 2017. Blackmores Australia amplified its brand presence through increased social media activity and sponsorships of the Blackmores Sydney Running Festival and the Australian Open.

02

ASIA

Total Asia sales were $216 million, up 36%.

China direct sales were $132 million, up 71%. This includes $62 million of in-country sales in China, up 46%, as well as $70 million through our Australian China export division, up 141%.

Blackmores Other Asia sales were $84 million, up 4%. All core markets are in growth with smaller markets achieving particularly strong results including Singapore up 13%, Hong Kong up 51% and Taiwan up 58%. Thailand and Malaysia were up 8% and 11% respectively. We pay our respects to our colleagues in Thailand who have been in an official mourning period following the passing of their king during the year.

Blackmores Korea transitioned to a new operating model. Sales are down 70%, though earnings have improved year-on-year and are expected to continue to improve. The impact of Korea's performance and the investment in our new business in Indonesia masked an other wise pleasing performance from our Asia business.

The investment in Indonesia is expected to yield strong returns as the consumer take-up of initial product lines has exceeded expectations since the September 2016 launch.

03

BIOCEUTICALS GROUP

BioCeuticals and Global Therapeutics together delivered sales of $102 million. BioCeuticals achieved sales of $79 million which was a 15% increase compared to the prior year. BioCeuticals exceeded the ten year sales and earnings goal within five years of acquisition. On a like for like comparison, sales of Global Therapeutics products were up 11% and contributed $23 million to the BioCeuticals Group.

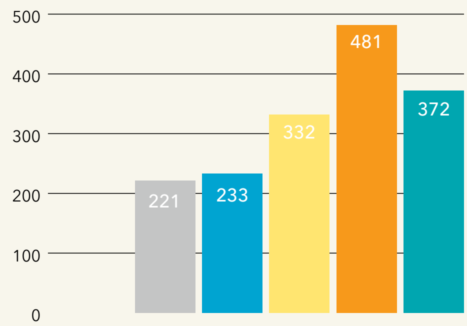
04

NUTRITIONAL FOODS

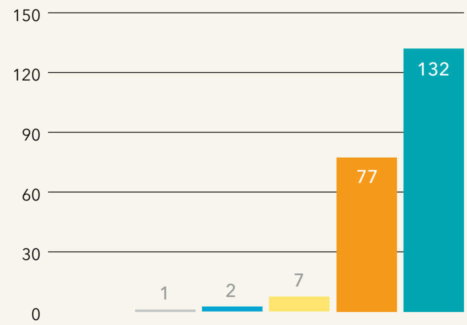
Sales of $4 million from Blackmores' infant nutrition products through our Bemore partnership were impacted by continued regulatory uncertainty in China. Half of these sales are attributable to Blackmores through our partnership with Bega Cheese. Our share of Bemore operating loses totalled $7 million for the year with all finished goods inventory fully provided for. The Partners continue to monitor the operating performance of the joint operation. The Australian market remains highly competitive, however, there are opportunities emerging to expand further into export markets where consumer demand for high quality product offerings is growing.

SALES $MILLIONS

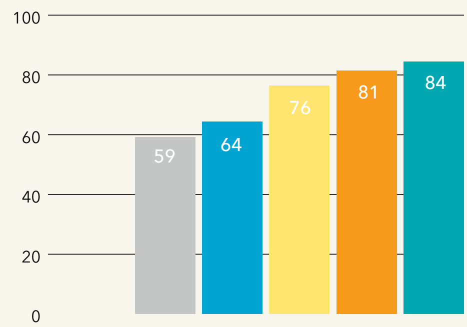
01
AUSTRALIA & NEW ZEALAND SALES



02
CHINA DIRECT SALES

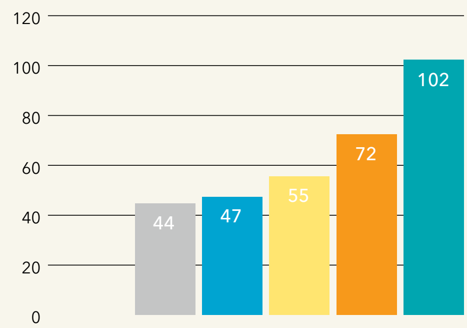


OTHER ASIA SALES

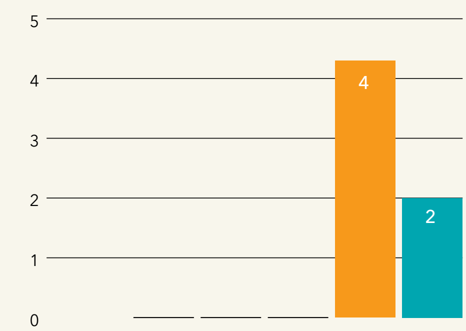


2013
2014
2015
2016
2017

03
BIOCEUTICALS GROUP SALES



04
NUTRITIONAL FOODS SALES



FINANCIAL REVIEW

GROUP FINANCIAL POSITION

The Group finished the 2017 financial year in a strong financial position with pleasing improvements to financial health measures through the second half of the year.

Total net assets remained flat at $179 million. Total current assets decreased by $36 million to $259 million, 12% down on the prior year. The main driver was a managed reduction throughout the year in inventory levels, down $32 million or 27% compared to the prior year after provisions. Strong inventory management led to improved stock turns and a reduction of inventory days. Furthermore, this result reflects a $49 million reduction compared to the peak inventory period reached in September 2016. The year-end position reflects a normalised inventory holding after inventory provisions.

Current liabilities have decreased from $192 million to $143 million largely due to trade and other payables down 21% on the prior year. The lower balances that make up this total reflect lower taxation obligations, accrued incentive payments and outstanding inventory payments to suppliers.

Non-current liabilities have increased from $71 million to $91 million largely due to an increase in gross debt recorded as interest-bearing liabilities.

Net debt has increased from $18 million to $45 million due to higher gross debt required to fund record dividend, taxation and staff incentive payments made during the FY17 year in respect of the prior year. Funding capacity was increased in the year through the addition of a new Asian banking partner to our established Australian lending group.

The debt position of the Group remains low with a 20% gearing ratio maintaining a conservative level of headroom against all debt covenants. Net interest cover at 20.6 times (2016: 80.2 times) continues to reflect a conservative approach to servicing ongoing debt commitments.

Cash generated from operations of $95 million was delivered in the year. This represents a 23% decline versus the prior year, but compares favourably to the 41% decline in EBIT. Pleasingly, cash generation performance over the second half of the financial year was 93% ahead of the same period last year, reflecting an improved balance sheet.

The cash conversion ratio at 101% was a 20% improvement on the prior year and, similarly to cash generation performance, reflected a strong performance over the latest six-month period as working capital and operating expenses were tightly managed.

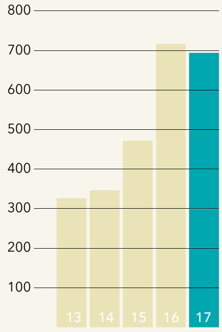
Net profit after tax was $58 million (2016: $100 million) a 42% decrease on the prior year and, similarly, basic earnings per share (EPS) decreased from 580.6 cents per share to 342.6 cents per share, a decrease of 41%. Dividends per share were 270 cents (2016: 410 cents) reflecting a 79% payout ratio. The business delivered strong returns on assets and shareholders' equity at 20% and 33% respectively reflecting continued robust investment returns. Income tax expense was lower than the prior year, reflecting the profit results. Blackmores continued to meet and pay all its taxation obligations in the jurisdictions in which it operates.

Aaron Canning
Chief Financial Officer

SALES

$693 MILLION

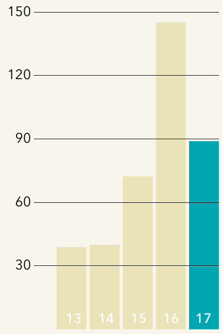
The Group delivered sales of $693 million across all divisions and brands, a 3% decline on last year.



EBIT

$86 MILLION

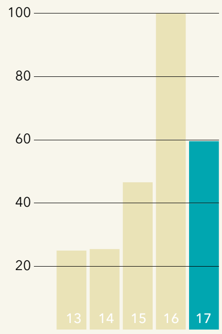
Earnings before interest and taxes of $86 million were down 41% compared to the prior year.



NPAT

$58 MILLION

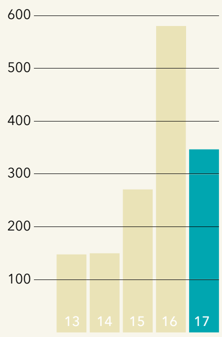
Net profit after tax (NPAT) of $58 million, down 42% on prior year.



EPS

342. 6 CENTS

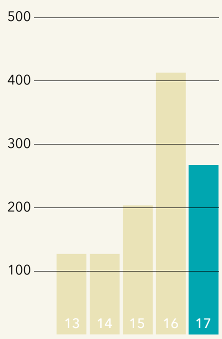
Earnings per share (EPS) of 342.6 cents, were down 41% on prior year.

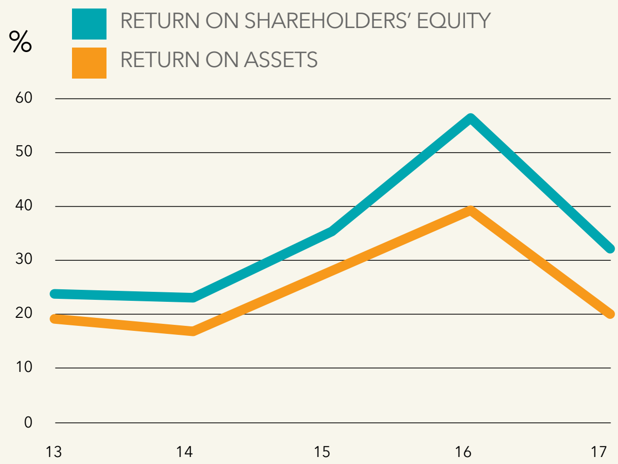


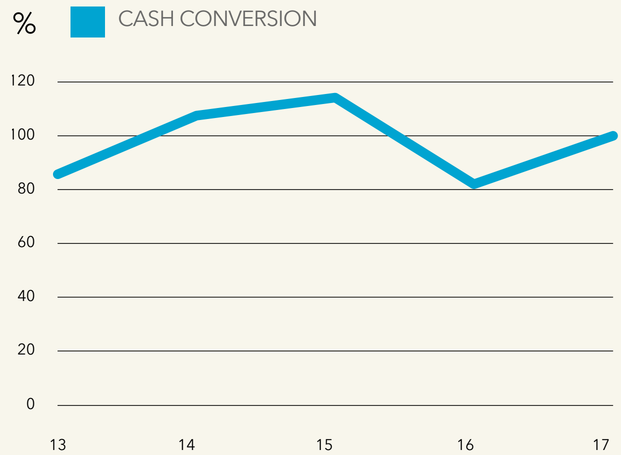
DIVIDENDS PER SHARE

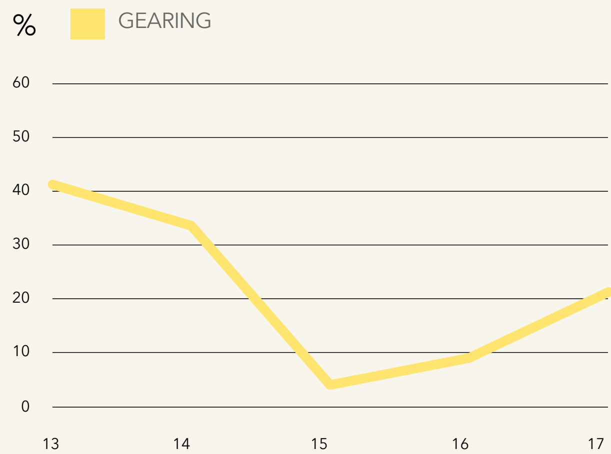
270 CENTS

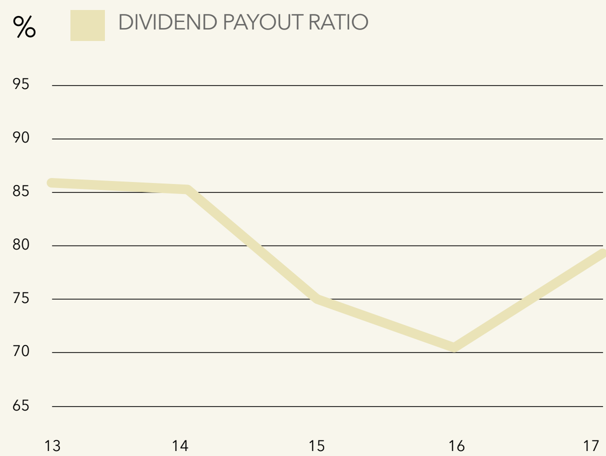
Dividends of 270 cents per share were down 34% compared to prior year.











OPERATING REVIEW

LEVERAGING SCALE

The rapid growth of the past two years yielded strong shareholder returns yet resulted in some 'growing pains' from an operational perspective.

To counter this, the Group has undertaken a major supplier review resulting in significant purchasing efficiencies that will be realised over the coming years. New supplier agreements will better enable Blackmores to accommodate growing volumes and adapt to the demand changes and to maintain continuity of supply without compromising margins, which have been negatively impacted by the volatility of recent years.

Blackmores' commitment to our unrivalled quality standards had previously resulted in supply challenges as demand grew and meant Blackmores paid a premium as our suppliers also reached capacity. The newly negotiated supplier agreements will bring a number of benefits:

- Full compliance to Blackmores' Supplier Code of Conduct
- Upholding commitment to sustainability
- Access to broader selection of raw materials that will enable innovation and new product development
- Better pricing leveraging Blackmores' size and scale

INVESTING IN INFRASTRUCTURE

Blackmores progressed the fit-out of a state-of-the-art distribution centre at Bungarribee in Western Sydney to double the Group's warehousing footprint and accommodate the higher sales volumes. The technology will deliver operational efficiencies and meet future needs as the company expands across the globe.

Supporting technology upgrades is also core to the Group adopting a global mindset to better enable the workforce. This has included investing in systems upgrades that will streamline core business processes such as a paperless accounts payable system, cloud-based technologies, a new human resources management system, warehouse automation and introducing international payment systems such as AliPay.

The introduction of robotics in our packing operation in the 2015/2016 financial year has already delivered strong productivity improvements and reduced workplace health and safety incidents.

Progressed the fit-out of a new 16,000m² world-class warehouse facility to double capacity

32,691 points of distribution

4.0 BILLION tablets/capsules produced

29.3 MILLION units produced

51.8 MILLION units shipped

800 BATCHES of product quality checked each month

Full manufacturing and raw materials review completed

100% of raw material and manufacturing suppliers committed to Blackmores' new Code of Conduct

Blackmores' new
Bungarribee warehouse.

GROUP RISKS

There are countless opportunities in the global health category as well as some inherent risks. Blackmores takes a proactive approach to managing these with a focus on the following core areas to mitigate risk:

- Maintain a robust risk governance framework, overseen by the Audit and Risk Committee of the Blackmores Board.
- Attract and retain strong management teams with local experience in all markets.
- Diversify revenues to ensure less reliance on any one brand, channel or market.
- Ability to identify risks, and the agility and capability to respond accordingly.

The material risks that could affect Blackmores' future financial performance and their potential impacts are summarised in this table:

RISKS	POTENTIAL IMPACTS	RESPONSE
Industry risk	Quality or claims breaches by competitors or suppliers impact the credibility of the industry domestically and internationally.	• High visibility and transparency of our full supply chain and enforcement of Blackmores' own quality standards. • Crisis and communication response plans are continually reviewed, updated and tested to ensure appropriate skills and capabilities are ready to be deployed. • Key government and regulatory relationships are actively maintained.
Supply constraints	Blackmores' high quality and sustainability standards and limited availability of natural ingredients puts pressure on the continuous supply of some key products.	• Improved demand planning and forecasting processes. • Dedicated internal capability focused on sourcing. • Increased direct sourcing of key and scarce ingredients. • Strengthened supplier relationships and contracts balancing volume requirements.
Product quality issue	Financial loss due to: • Delay in restoring supply of product for sale. • Product recall and reformulation costs. • Reduced industry capacity. • Industry concentration reducing competitor tensions and ability to negotiate price and supply.	• Long-term relationships with suppliers, quality audits and supply chain business reviews. • Product testing and validation procedures in place. Every product has passed more than 30 tests and quality assessments. • Retention of samples from every batch for ongoing testing and quality evaluation to cover the whole shelf-life of all products.
Brand damage	Brand damage caused by a product or industry related event resulting in loss of share and value.	• High quality controls throughout the supply chain. • Focus on complaint handling. • Active program to train stakeholders on Blackmores' business values and ethics practices. • Consumer advisory line to provide product information.
Treasury risk	Treasury risks including change in exchange rates, ingredient prices, interest rates and funding causes a financial loss.	• Diversification of currencies and working with supply partners to more effectively use these currencies for Group procurement.
Regulatory changes	Government policy and regulation may change and restrict or limit the ability to sell existing product or ranges in key markets.	• Employing strong, experienced local teams able to actively engage with local governments. • Blackmores actively engages with key stakeholders to monitor and react to regulatory changes in key markets such as China. • Continue to educate and inform stakeholders of the regulatory rules and routes to market in China through both the Australian and China business. • Engagement with industry associations in key markets to encourage informed policy setting and regulation. • Diversification of revenues. • Diversification of routes to market.
Reliance on customers and markets	• Financial loss due to reduced revenue of a key customer or market. • Greater financial cost to serve customers due to aggressive competitors. • Financial loss due to a large bad debt.	• Focus on Blackmores' brand health to drive brand loyalty and consumption. • Drive category solutions to gain consumer loyalty. • Close monitoring of customer payments and continued transparency across markets. • Diversification of revenues.

John Russell, Team Leader (Warehouse) and Alvin Chan, Export and Warehouse Manager – Eastern Creek.

SUSTAINABILITY, COMMUNITY + OUR PEOPLE

32

Amy Wagner, Integrated Communications & Sponsorship Manager, Blackmores Australia.


BLACKMORES
Be a Well Being
BLACKMORES

SUSTAINABILITY

100% of raw material and manufacturing suppliers committed to Blackmores' Code of Conduct

69% of our waste generated is diverted to recovery streams

Silver Partnership recognition with the NSW Office of Environment and Heritage Sustainability Advantage program

40 research projects, clinical trials and scholarly activities across the Group

Healthy People, Healthy Planet

Blackmores has had a long-standing commitment to sustainability and giving back to the communities in which we operate. This started with our founder Maurice Blackmore whose views on preventive medicine, supporting people, the environment and recycling were ahead of his time.

After more than 85 years many of these values and practices are intrinsically woven into both our values and business practices. They extend beyond the protection of the environment incorporating our corporate governance, workplace practices and responsibility to the community.

With the objective to accurately reflect the organisation's sustainability position and bring our customers, staff, suppliers and many other stakeholders with us on this journey towards a healthy future, Blackmores committed to its first Sustainability Report in 2016.

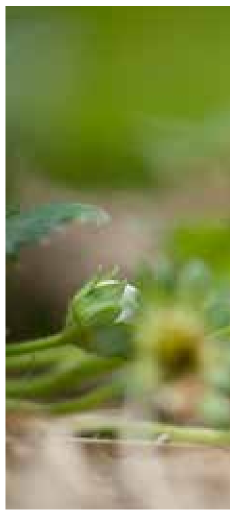
The opportunity enabled Blackmores to understand the organisation's overall sustainability performance, capturing actions that deliver wide societal value including support for health, regional development and respect for the environment by promoting technologies that reduce the emission of greenhouse gases.

The 2017 Sustainability Report, prepared in accordance with the Global Reporting Initiative Standards describes our sustainability initiatives and the reporting of our progress. It will provide our stakeholders with transparency to help us manage our performance and ensure our business continues to grow for generations to come.

STAKEHOLDER ENGAGEMENT, AN ONGOING CONVERSATION

In our quest for sustainable business outcomes, we engage with an increasingly complex range of stakeholders, with diverse expectations of key issues. These stakeholders, both internal and external, play an integral role in the way we identify and prioritise material risks and opportunities for our business.

Stakeholder engagement helps us to identify and prioritise material issues most relevant to our business. This in turn helps us manage key risks and achieve far greater positive impacts on environmental, social and economic issues.

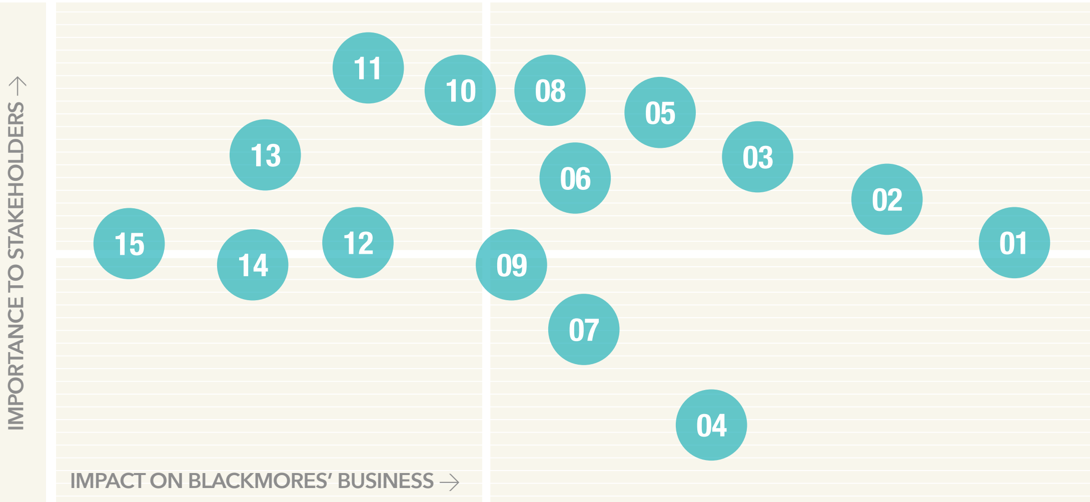


Blackmores' full Sustainability Report is available at blackmoressustainability.com.au

SUSTAINABILITY

Key areas of materiality

FIFTEEN TOPICS CONSIDERED AS PRIORITIES FOR BLACKMORES



1. Work health & safety
2. Water
3. Energy
4. Investment in research
5. Our people
6. Emissions
7. Anti-corruption
8. Effluent & waste
9. Product & service compliance
10. Business performance
11. Supply chain
12. Stakeholder engagement
13. Communities
14. Customer privacy & data protection
15. Materials

SUSTAINABILITY

Sustainability focus areas

To embed sustainability into our business and operations we are focusing our efforts on addressing the most material issues across our four sustainability commitments of:

1
Responsible Facilities Management
To reduce the environmental intensity and carbon footprint of our facilities through innovation, best practice management, staff cooperation and a quest for continual improvement.

2
Sustainable Supply Chain Management
To encourage, support and facilitate an environmentally and socially responsible approach to procurement, supplier management and product accountability and transparency.

3
Industry Leadership
To be a leader in natural health solutions through innovation, research, education and a robust corporate governance framework.

4
People and Community
To foster a responsible workforce; a safe and secure workplace and to maintain our 'licence to operate' in our communities and markets.

1 RESPONSIBLE FACILITIES MANAGEMENT

New warehouse space, Bungarribee, Western Sydney

The lease of a new purpose built 16,000m^2 warehouse in Bungarribee, Western Sydney will future proof us for the growth that we anticipate. Securing this site has provided the opportunity to customise the site for operational efficiencies while ensuring we are providing a workplace that is aligned to our values of supporting employee wellbeing and environmental sustainability. The new state-of-the-art warehouse management system will double our customer order picking capacity and the building includes a staff wellness centre and a range of sustainable features such as storm water reclamation, solar panels on the roof to reduce our purchased energy and additional insulation on roof and within walls to reduce thermal load.

2 SUSTAINABLE SUPPLY CHAIN MANAGEMENT

Published Blackmores Supplier Code of Conduct

Aligned to our existing Code of Conduct we published our comprehensive Supplier Code of Conduct that incorporates sustainability actions. The code provides a basis for how we plan to work with our suppliers who make genuine efforts to improve their sustainability performance over time. Similar to a roadmap, this code aims to identify the extent of our suppliers' sustainable business practices in order to make improvements that are appropriate for their business. All Blackmores Tier 1 Inventory suppliers agreed to this code of conduct.

SUSTAINABILITY HIGHLIGHTS

3 INDUSTRY LEADERSHIP

The Blackmores Way

Over the past 12 months our focus on those behaviours that clearly demonstrate our values ('the PIRLS') has been enhanced. We call these values-based behaviours 'The Blackmores Way' and they are set out in our revised Code of Conduct, which was launched in October 2016.

"Our Code of Conduct should do no more and no less than simply document the values-based behaviours that are the hallmark of how we work together." Marcus Blackmore.

It also sets out the basic behaviours we expect from those with whom we do business including our suppliers, distributors, customers, and others who may act on our behalf. The Blackmores Way is focused on 'doing the right thing' in all locations where we work and is not only at the heart of our brand and reputation, it is a key component of our corporate governance framework. This year it has been brought to life through internal campaigns, staff training and revised policies and procedures.

4 PEOPLE AND COMMUNITY

Blackmores Twilight Community Market

In December 2016, Blackmores Twilight Community Market provided a platform for social enterprises and fair trade organisations with a community or environmental cause to sell goods and raise awareness about their social causes.

Held at our Warriewood Campus, the initiative attracted more than 60 stallholders and more than 2,500 Christmas shoppers were able to feel good about buying gifts that give back to communities in need.

COMMUNITY

Giving back to the community

The Blackmores Group has a long-term commitment to social responsibility and giving back to the communities in which we operate. Our company strives to make a difference by building healthier communities in Australia and overseas.

This year Blackmores supported more than 100 charitable organisations and inspirational individuals who are helping to create a brighter future. Recognising that charity starts at home, Group employees gave $186,000 to a further 91 registered charities of their choice through our matched donations scheme whereby 0.5% of their taxable pay is donated with Blackmores matching this amount.

We hosted a Christmas Twilight Market at Warriewood Campus, welcoming 2,500 visitors who shopped for ethical, fair trade and community-based products and wares.

Runners laced up their shoes for the Blackmores Sydney Running Festival, at the Byron Bay Lighthouse Run sponsored by Global Therapeutics, and at the Blackmores Run&Move event in Thailand, raising a total of $1.4 million for various charitable causes.

Our Malaysia colleagues teamed charitable giving with teamwork and painted the National Cancer Society building in Kuala Lumpur bright yellow, while Executive Team members in Sydney donned superhero costumes to raise $13,000 for Bear Cottage.

Bottom left: Blackmores Malaysia team supporting National Cancer Society Malaysia.

COMMUNITY

Other organisations proudly supported by Blackmores

AUSTRALIA AND NZ

Animal Welfare League
Caring for abandoned, surrendered and neglected animals.

Arthritis New Zealand
Improving the life of every person in New Zealand affected by arthritis.

Bear Cottage
Support, respite and end-of-life care for children with life-limiting conditions and their families.

Be Centre
A leading children's mental health charity providing play therapy.

Bilgola Surf Life Saving Club
Proudly serving the community.

CCNB
Supporting people living with disability or ageing.

Cure Brain Cancer Foundation
Australia's peak organisation for brain cancer research, advocacy and awareness.

Exodus Foundation
Meeting the needs of Sydney's poor and homeless with free meals, counselling and outreach services.

Free to Shine
Working to prevent sex trafficking in South East Asia through community education, scholarship materials and social support.

Guide Dogs Australia
Assisting people who are blind or have a vision impairment to gain freedom and independence.

Homes for Heroes
Contemporary veterans homelessness and assistance program.

Legacy
Enhancing the lives of veteran families through innovative and practical programs.

Lifeline (Northern Beaches)
The leading provider of suicide prevention services in Australia.

Macular Degeneration New Zealand
Providing awareness, education and support to those who suffer from macular degeneration.

Mat Belcher and Will Ryan
Olympic sailors who won silver medals at Rio 2016.

OzHarvest
Australia's leading food rescue charity, supporting people in need and diverting food waste from landfill.

Pollie Pedal
An annual event of politicians riding to help veterans and their families to Soldier On.

Quest for Life Foundation
Providing practical skills and strategies for people to create peace and resilience in their lives.

School for Life Foundation
Empowering rural communities in Uganda to help themselves through the provision of education.

Smith Family (Christmas Appeal)
Helping disadvantaged children get the most out of their education to create better futures for themselves.

The Liora Project
Supporting victims of sex trafficking in India and the Philippines and creating livelihood opportunities for these women.

The Possibility Project
Delivering social justice programs, including livelihood and sanitation programs in India, through social entrepreneurship.

TwoGood
A national provider of beautiful food and lifestyle products to domestic violence refuges and soup kitchens.

United in Compassion
Advocating for patient access to medicinal cannabis in a manner that is safe, effective, affordable, equitable and favourable for patients, for the dignified relief of suffering.

World Wild Fund for Nature
Working to stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature.

ASIA

AiYou Foundation
The world's largest surgical treatment project for orphaned and poor children with congenital heart disease in China.

Bumi Sehat Foundation
Delivering community health services in rural Indonesia with a focus on maternal-child health.

The Cardiac Children Foundation
Under the Royal Patronage of H.R.H. Princess Galayani Vadhana Krom Luang Naradhiwas Rajanagarinda, the Foundation provides medical and emotional support to children with cardiac disease and their families in Thailand.

Caritas (Hong Kong)
Offering health services, education and humanitarian assistance to the poor and distressed in Hong Kong.

Charis Home
A home for orphans and the elderly in Malaysia providing spiritual guidance, shelter, education and healthy community activities.

Formosa Cancer Foundation (Taiwan)
Supporting vulnerable children and their families in Taiwan.

Heart Ali
Founded by Chinese actress Fan Bingbing, Heart Ali supports people suffering from congenital heart disease in Tibet.

National Cancer Society
Providing holistic education, care and support to people affected by cancer in Malaysia.

Project We Care
Encouraging corporate giving and volunteerism for meaningful community causes in Singapore.

Taiwan Breast Cancer Foundation
Strengthening breast cancer prevention and support in Taiwan.

Taiwan Fund for Children and Families
Working to reduce cancer incidence and mortality through public health education and quality treatment.

Tencent Charity Funds
The first online charity in China, Tencent helps a broad range of people and established the country's annual '9th September Charity Day'.

COMMUNITY

AWARDS

The Blackmores Group has been recognised with more than 36 awards for product innovation, industry leadership and our commitment to sustainability, including a recent induction into the Queensland Business Leaders' Hall of Fame.

OUR BEST IN CLASS AWARDS INCLUDE:

- Reader's Digest Most Trusted Brand – Vitamins & Supplements (Australia)
- Reader's Digest Trusted Brand – Platinum Award (Malaysia)
- Brand Laureate – Brand Influencer Award (Malaysia)
- Reader's Digest Trusted Brand (Singapore)
- Superbrand Award (Thailand)
- Complementary Medicines Australia – Vince Russell Retailer of the Year

WE ARE ALSO ESPECIALLY PROUD OF THE FOLLOWING ACCOLADES:

- Australian Packaging Covenant – APC Signatory of the Year
- Australian Pharmaceutical Industries – Excellence in Training
- China Association for Quality Inspection – Product and Service Quality Demonstration Company Certificate
- CEO Magazine Executive of the Year – MD of the Year
- CEO Magazine Executive of the Year – HR Leader of the Year
- Complementary Medicines Australia – Most Outstanding Contribution to Research, Education or Training
- HKABA National Business Awards – Business Excellence
- NSW Business Chamber Awards – Excellence in Export
- NSW Export Awards – Exporter of the Year
- NSW Export Awards – Health & Biotechnology
- NSW Government Sustainability Advantage program – Silver Partner

BUMI SEHAT FOUNDATION: EMPOWERING MATERNAL AND BABY HEALTH IN INDONESIA

Proudly supported by Kalbe Blackmores Nutrition, Bumi Sehat Foundation runs Community Health Education and Childbirth Clinics for impoverished rural populations in Bali and Aceh, drawing on a blend of allopathic and holistic medicine.

Recognising that many of their patients can't afford adequate nutrition, Bumi Sehat – or 'Healthy Mother Earth' – emphasises quality pregnancy nutrition as crucial to the health of mothers and babies.

Bumi Sehat works at a village grassroots level, delivering 29,000 consultations and 575 births per year. Their community health workers see firsthand the positive difference a nutritious diet can make to improving public health and optimising the wellbeing of expectant mothers.

By supporting the work of Bumi Sehat Foundation, Kalbe Blackmores Nutrition is firmly committed to making a difference to maternal-child health in Indonesia.

Learn more at:
bumisehatfoundation.org/bumi-sehat-bali

COMMUNITY

GLOBAL LEADERSHIP: ADVANCING SCIENCE AND INNOVATION IN COMPLEMENTARY MEDICINE

As industry leaders, Blackmores believes it is our responsibility to invest in complementary medicine research and to support innovation in this field.

In March 2017, Blackmores and the Blackmore Foundation, Marcus and Caroline Blackmore's personal philanthropic trust, each gifted $5 million to the National Institute of Complementary Medicine (NICM) at Western Sydney University to further natural health research. This will be paid over seven years. NICM is a global leader in complementary medicine research and policy and has been ranked by the Australian Research Council as operating at higher standards than world's best-practice.

"This very welcome gift will expand our research and clinical trials, and education and training," said NICM Director Professor Alan Bensoussan. "Our country has the lowest level of industry-research collaboration in the OECD and this is a great example of universities and industry collaborating to drive research."

Blackmores' untied gift will not only support the Australian research community, but most importantly, it will advance the global evidence-base and help move research findings into practical healthcare solutions to improve public health. Blackmores is enormously proud of the legacy that this gift to NICM will make toward boosting the understanding and advancement of natural health for now and the future.

PARTNERSHIPS

ACADEMIC INSTITUTIONS

- Australian College of Natural Therapies
- Australasian College of Nutritional and Environmental Medicine
- Australian Research Centre in Complementary and Integrative Medicine at University of Technology Sydney
- Chulalongkorn University, Thailand
- Endeavour College of Natural Health, Australia
- National Institute of Complementary Medicine at Western Sydney University, Australia
- Royal Melbourne Institute of Technology, Australia
- Malaysian Pharmaceutical Society
- National University of Malaysia (Universiti Kebangsaan Malaysia)
- National University of Singapore
- Rangsit University, Thailand
- Taylors University, Malaysia
- University of Hawaii, USA
- University of Sydney, Australia

INDUSTRY ASSOCIATIONS

- ACNEM (Australasian College of Nutritional and Environmental Medicine
- ARONAH (Australian Register of Naturopaths and Herbalists
- Australasian Integrative Medicine Association
- Australian Traditional-Medicine Society
- China Association for Quality Inspection
- China Medical Pharmaceutical Material Association
- Complementary Medicines Australia
- Global Organisation for EPA and DHA Omega-3 (GOED)
- Heart Research Institute
- International Probiotics Association
- Macular Disease Foundation
- MINDD Foundation
- Naturopaths & Herbalists Association of Australia
- Pharmaceutical Society of Australia
- Sports Dietitians Australia
- Sports Medicine Australia

OUR PEOPLE

Page 42 (clockwise): Fiona Yeo, Assistant Marketing Manager, Export Sales. Paul Brazel, Team Leader, Grocery at Bungarribee. Leanne McLean, Advisory Naturopath and Chair of the Staff Liaison Committee with the Australian native bee hive at the Blackmores Campus.

Page 43: Jodie Bauchop – Health & Wellness Coordinator. Edward Allardice, Head of Sales, Global Therapeutics. Kellie Daley, Learning Management System Executive. Danielle Steedman, Advisory Naturopath.

DYNAMIC CROSS-CULTURAL IMMERSIONS, THE BLACKMORES WAY

As Blackmores expands its geographic footprint, our workforce of the future will have greater fluidity, cross-cultural understanding, and dynamism than ever before.

To achieve this, Blackmores is creating unique growth opportunities for employees through career secondments, delivering myriad global benefits across the business.

After three years working as a Senior Product Manager for Blackmores Singapore, Fiona Yeo, 33, was eager for her next challenge. A fluent Mandarin speaker with broad knowledge of the Blackmores Asia business, Fiona was seconded to the Group's newly formed Export Division at Warriewood Campus in Sydney as an Assistant Marketing Manager in 2016.

"It's not just about how Fiona's language and professional skills can strengthen the business, but also about enriching our multicultural workplace, learning from each other's diverse experiences, and building a fluid international team," said Linda Redfearn, Head of Human Resources.

"My secondment has resulted in a deep sense of belonging and I've come to truly know the Blackmores brand beyond products on a Singaporean shelf to the way they are sustainably sourced, manufactured, quality checked and aligned with 85 years of natural health values. It's been a wonderful opportunity to develop my career," said Fiona, who was one of 26 Group employees in a seconded role this year.

WELLNESS AT WORK

Blackmores has a strong focus on the wellbeing of their employees.

Continuous workforce improvement through structured induction and training, refreshing and improving skills and the development of leadership capacity is a priority.

Even with the significant growth of the past five years with double the volumes being packaged and distributed, the acquisition of new companies and additional staff, Workplace Health and Safety incidents have decreased.

- Health and safety incidents are down 42% at the Warriewood Campus compared to the prior year
- Lost time injuries have halved compared to the prior year
- 87% of injuries reported resulted in no impairment

These achievements are the result of a project that commenced seven years ago including the following modifications to infrastructure and processes:

- Shipper designs were modified to reduce cardboard thickness and increase flap score width to reduce the force required to manually erect shippers as an interim measure while robotics were awaiting implementation.
- Introduction of gravity conveyor systems for finished goods shippers to reduce over reaching by production operators during palletising process.
- Stretching was introduced twice per shift to reduce likelihood of injury.
- Mobile hydraulic lift tables were introduced to assist in lifting and moving heavy machine parts.
- Introduction of cap elevators with the purchase of new capping machines on all lines in 2012 to reduce lifting heights of container caps when loading machinery.
- Increased staff training.
- Introduction of four new counting machines in 2015 reduced weights of machine parts (aluminium vs stainless steel parts).
- Introduction of automated packing cells removing almost half of the manual lifting in the production operator role and completely eliminating the two most significant manual handling risks in the Production area.
- Introduction of low platforms to reduce lifting / working heights for shorter operators when handling bulk tablets and capsules.

EXECUTIVE TEAM

01
CHRISTINE HOLGATE

Chief Executive Officer and Managing Director

Christine has more than 30 years of diverse international leadership experience in highly regulated industries, including healthcare, media, telecommunications and finance. Christine was appointed to her current role as Blackmores Chief Executive Officer in November 2008. She has more than 20 years of public board experience as either a Non-Executive Director or CEO and has held senior management positions in Asia, the Americas and Australia.

Christine has three post-graduate diplomas and a Masters Degree in Business Administration (MBA). She is the inaugural Chair of the Board of the Australia-ASEAN Council, a Board Director of Collingwood Football Club, and was a Non-Executive Director of Ten Network Holdings Limited.

In 2015 Christine was recognised in the top 100 Women of Influence in Australia *(Australian Financial Review)*, named CEO of the Year *(CEO Magazine)* and highest performing CEO in Australia *(Daily Telegraph)*, and received the Australian Growth Company Award for Women in Leadership. In 2013 Christine was honoured with the Rotary Paul Harris Award and in 2016 she climbed Mount Kilimanjaro as part of Dr Charlie Teo's Million$Mission to help Cure Brain Cancer.

Christine will be leaving Blackmores on 29 September 2017 after nine successful years leading the Group.

02
RICHARD HENFREY

Chief Operating Officer (Appointed CEO 17 August 2017)

Richard Henfrey has more than 25 years of experience in strategic and business development roles across a wide range of blue chip, start up and strategy consulting businesses in Europe, North America and Australia, including key leadership positions with Telstra. Much of his career has focused on developing and implementing new businesses or change initiatives in the highly regulated industries of healthcare and telecommunications.

Richard joined Blackmores in 2009 as the Director of People and Strategy and became Director of the Strategic Sourcing Division in 2011. He was appointed Chief Operating Officer in 2014. Richard served as Board President of the industry association Complementary Medicines Australia from 2011 to 2015. He leads a positive approach to engagement with regulators and governments to advocate for a greater recognition of complementary medicines in the development of health policy and improved regulation of complementary medicines. Richard is a graduate of the Australian Institute of Company Directors.

03
DAVID FENLON

Managing Director, Australia and New Zealand

David brings more than 30 years of retail and brand experience to Blackmores including an in-depth understanding of grocery and retail channel strategies. With an emphasis on driving business transformation and showcasing leadership, David has held key positions in Tesco throughout Europe and Safeway in the UK. In Australia, he has held key leadership roles with a diverse range of brands.

David joined Blackmores in 2013 as Managing Director of the Australian, New Zealand and Animal Health divisions. Previously he served on the Board of ASX-listed The PAS Group, is a graduate of the Australian Institute of Company Directors, a Director of the Quest For Life Foundation, and is on the Board of the Special Olympics.

04
NATHAN CHEONG

Managing Director, BioCeuticals

With more than 20 years of experience in the complementary medicine industry, Nathan is a qualified Naturopath and Herbalist, holding degrees in Health Science, Science and Social Work, and graduating with majors in Biochemistry and Psychology. Prior to joining BioCeuticals in 2012, Nathan was the General Manager of Herbs of Gold, a subsidiary of Vita Life Science.

Nathan sits on the Board of Complementary Medicines Australia and their Complaints Resolution Panel and Practitioner Medicine Technical Committee. Named *CEO Magazine's* 2016 Managing Director of the Year, he is a graduate of the Australian Institute of Company Directors and Australian Institute of Management. In 2015 Nathan was awarded the Rotary Paul Harris Fellow and in 2016 he climbed Mount Kilimanjaro as part of Dr Charlie Teo's Million$Mission to help Cure Brain Cancer.

05
PETER OSBORNE

Managing Director, Asia

Peter is a former Australian trade diplomat with extensive experience in business development, sales and marketing, trade development, and export and investment. He is responsible for Blackmores' Asia business, including subsidiary companies in Singapore, Thailand, Malaysia, Taiwan, Hong Kong, Korea, China and Japan; joint venture Kalbe Blackmores Nutrition in Indonesia; distribution partnerships in Vietnam, Cambodia, Kazakhstan, Mongolia, Iran and Pakistan; and overall strategy for Blackmores' growth objectives in Asia.

Prior to joining Blackmores in 2009, Peter was one of Australia's most senior trade diplomats working with the Australian Trade Commission in China, Taiwan and Hong Kong. He also spent several years in Fiji as the Trade and Investment Director of the South Pacific Forum Secretariat and served as Expert Adviser to the UN Conference on Trade and Development and the UN Commission for Sustainable Development. Peter has lived in Asia for nearly 30 years and speaks Mandarin-Chinese. Peter is a graduate of the Australian Institute of Company Directors, a Fellow of the Hong Kong Institute of Directors, and the first foreigner to be appointed as Honorary Vice Chairman of the China Association for Quality Inspection in Beijing.

06
CECILE COOPER

Company Secretary and Director of Corporate Affairs

Cecile is an accountant and Company Secretary with more than 30 years of commercial experience. She is responsible for Blackmores' Board administration, secretariat, governance, risk management, compliance and corporate communications initiatives. She has held a variety of senior positions within Blackmores, including Business Manager for Development, marketing and sales.

Cecile is a Chartered Secretary and a Certified Practicing Accountant and has a Bachelor of Business (Accounting) and a Graduate Diploma of Applied Corporate Governance with the Governance Institute of Australia. She is a graduate of the Australian Institute of Company Directors. Cecile serves on the Governance Institute of Australia's Legislation Review Committee and is the Chairman of CCNB Limited. In 2015 she was awarded the Rotary Paul Harris Fellow.

07
AARON CANNING

Chief Financial Officer

Aaron has a wealth of experience gained from working in a variety of general management and financial leadership positions in ASX listed and multinational organisations in Asia, Australia and New Zealand, the UK and the US. Prior to joining Blackmores in December 2014, Aaron worked at Goodman Fielder, Westfield and Diageo Plc. At Goodman Fielder he held several leadership roles including Managing Director Grocery Category, Managing Director Asia Pacific, and Finance Director Asia Pacific. In 2016, Aaron was recognised as CFO of the Year (Runner Up) by *CEO Magazine*.

Aaron has a Bachelor of Commerce degree in Marketing and Management and a post-graduate 1st Class Honours degree in Management. He is a qualified accountant, a fellow of the Association of Chartered Certified Accountants, a member of the Chartered Accountants Association of Australia and New Zealand and graduate of the Australian Institute of Company Directors.

08
DR LESLEY BRAUN

Director, Blackmores Institute

Dr Lesley Braun is an Adjunct Associate Professor at the National Institute of Complementary Medicine (Western Sydney University) and has held research positions at The Alfred Hospital, Monash University. She was Vice President of the National Herbalists Association of Australia, an Academic Board Member of Endeavour College, and former member of key industry groups including the Australian Therapeutic Goods Advisory Council, Advisory Committee for Complementary Medicine (TGA), the Advisory Committee for the Australasian Integrative Medicine Association, and the National e-Health Transition Authority (NeHTA) medicines terminology group.

Lesley is a current member of the Clinical Oncology Society of Australia's Complementary and Integrative Therapies Group Executive, Pharmaceutical Society of Australia, Australian Institute of Company Directors, Australia-China Business Council Health, and Medical Research working group, plus on the course advisory committees for nutrition at Endeavour College and the Think Group. She is the main author of four best-selling textbooks, founding Editor-in-Chief of the journal *Advances in Integrative Medicine*, and a regular columnist for *Australian Journal of Pharmacy*.

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FINANCIAL REPORT 17

5 YEAR HISTORY

$'000	2017	2016	2015	2014	2013
Sales (net of discounts)[1]	**692,790**	717,211	471,615	346,760	326,603
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**94,642**	152,266	78,655	46,055	44,692
Depreciation and amortisation	**8,411**	7,045	6,391	6,266	5,989
Earnings before interest and tax (EBIT)	**86,231**	145,221	72,264	39,789	38,703
Net interest expense	**4,180**	1,810	3,432	4,826	4,752
Profit before tax	**82,051**	143,411	68,832	34,963	33,951
Income tax expense	**24,023**	43,391	22,276	9,534	8,975
Profit after tax	**58,028**	100,020	46,556	25,429	24,976
Net debt	**44,717**	17,793	7,069	54,401	69,043
Shareholders' equity	**177,541**	178,263	132,915	104,226	98,051
Total assets	**412,174**	443,362	293,407	236,594	231,477
Current assets	**258,662**	294,624	187,844	131,376	124,030
Current liabilities	**142,556**	192,279	114,998	58,040	45,035
Net tangible assets (NTA)	**117,330**	116,484	90,809	65,185	58,860
Cash generated from operations	**95,310**	123,022	89,791	49,507	38,308
Number of shares on issue ('000s)	**17,226**	17,225	17,224	17,113	16,972
Earnings per share (EPS) - basic (cents)	**342.6**	580.6	270.7	149.2	147.9
Ordinary dividends per share (cents)	**270.0**	410.0	203.0	127.0	127.0
Share price at 30 June	**$95.84**	$131.39	$75.27	$27.20	$26.94
Net tangible assets (NTA) per share	**$6.81**	$6.76	$5.27	$3.81	$3.47
Cash conversion ratio[2]	**100.7%**	80.8%	114.2%	107.5%	85.7%
Return on shareholders' equity[3]	**32.7%**	56.1%	35.0%	24.4%	25.5%
Return on assets[4]	**20.2%**	39.4%	27.3%	17.0%	19.1%
Dividend payout ratio	**78.8%**	70.6%	75.0%	85.1%	85.9%
Gearing ratio[5]	**20.1%**	9.1%	5.1%	34.3%	41.3%
EBIT to sales	**12.4%**	20.2%	15.3%	11.5%	11.9%
Effective tax rate	**29.3%**	30.3%	32.4%	27.3%	26.4%
Current assets to current liabilities (times)	**1.81**	1.53	1.63	2.25	2.75
Net interest cover (times)	**20.6**	80.2	21.1	8.2	8.1
Gross interest cover (times)	**37.9**	63.9	18.8	7.7	7.9
% change on prior year					
Sales	**(3.4)**	52.2	36.0	6.2	25.2
EBITDA	**(37.8)**	93.6	70.8	3.1	(4.7)
EBIT	**(40.6)**	101.0	81.6	2.8	(7.8)
Profit after tax	**(42.0)**	114.8	83.1	1.8	(10.2)
EPS	**(41.0)**	114.5	81.4	0.9	(10.8)
Ordinary dividends per share	**(34.1)**	102.0	60.0	0.0	0.0

1. Represents revenue from the sale of goods before promotional and other rebates and excludes other revenue items.
2. Calculated as cash generated from operations divided by EBITDA.
3. Calculated as net profit after tax divided by closing shareholders' equity.
4. Calculated as EBIT divided by average total assets.
5. Gearing ratio is calculated as net debt divided by the sum of net debt and shareholders' equity.

DIRECTORS' PROFILES

01 STEPHEN CHAPMAN
BCOMM, MBA, CA, FAICD

Chairman

Mr Chapman is an experienced corporate director, investor and investment banker. He joined the Board in September 1993. He is Chairman of Baron Partners Limited, an Australian investment bank. Mr Chapman is a Non-Executive Director of several ANZ Wealth group subsidiaries, including Chairman of One Path Funds Management Limited and Share Investing Limited. He held the position as Blackmores Deputy Chairman from 24 October 2007 to 1 March 2017 when he was Acting Chairman until 27 June 2017 when he was appointed Blackmores Chairman.

02 MARCUS C BLACKMORE AM
ND, MAICD, D UNIV, D LITT

Executive Director

Mr Blackmore has served on the Board since October 1973. He holds an Honorary Doctorate from Southern Cross University for distinguished leadership in complementary medicines in Australia and an Honorary Doctorate of Letters from Western Sydney University for his distinguished services to business, charity and the broader community.

Marcus is an honorary trustee of the Committee for the Economic Development of Australia (CEDA), an Alumnus of Harvard Business School, and an Honorary Fellow of the Heart Research Institute.

Marcus Blackmore held the position of Chairman up to 28 February 2017.

03 CHRISTINE HOLGATE

Chief Executive Officer and Managing Director

Ms Holgate has more than 30 years of diverse international leadership experience in highly regulated industries, including healthcare, media, telecommunications and finance. Christine was appointed to her current role as Blackmores Chief Executive Officer in November 2008. She has more than 20 years of public board experience as either a Non-Executive Director or CEO and has held senior management positions in Asia, the Americas and Australia. Christine has three post-graduate diplomas and a Masters Degree in Business Administration (MBA). She is the inaugural Chair of the Board of the Australia-ASEAN Council, supporting the development of trade and cultural relations between Australia and the 10 member countries of the ASEAN region. Christine also serves on the Board of Collingwood Football Club and was a Non-Executive Director of Ten Network Holdings Limited for five years, retiring in December 2015.

Christine will be leaving Blackmores on 29 September 2017 after nine years leading the Group.

04 BRENT W WALLACE
BCOMM (MARKETING), FAICD

Independent Director

Mr Wallace joined the Board in October 2005 and is Chair of the Audit and Risk Committee. He is a co-founder and CEO of Galileo Kaleidoscope (Galkal), a company known for its strategic marketing, brand and consumer research and insight solutions. Mr Wallace has more than 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 Governor of World Wildlife Fund, the global environmental group.

05 HELEN NASH
BA (HONS) GAICD

Independent Director

Ms Nash joined the Board of Blackmores in October 2013. Ms Nash has more than 20 years of experience in brands and marketing, including seven years in fast moving consumer goods at Procter & Gamble, followed by three years in publishing at IPC Media.

She held a variety of roles at McDonald's Australia over a nine-year period and most recently held the position of Chief Operating Officer, overseeing restaurant operations, marketing, menu, insights and research and information technology. Ms Nash is currently a Non-Executive Director of Metcash, a Non-Executive Director of Southern Cross Media Group, a Non-Executive Director of Inghams Group Limited, and a former Non-Executive Director of Pacific Brands Limited (2013-2016).

06 DAVID ANSELL
BA (COMMUNICATION), GAICD

Independent Director

Mr Ansell joined the Board in October 2013, following a highly successful career in consumer-facing organisations in Australia, Asia and the United States.

He played a pivotal role in the start-up years of Foxtel and was CEO of renowned advertising agency Saatchi & Saatchi. He has led business units of Mars Incorporated in Australia and in the United States. Mr Ansell has a strong operating and supply chain skill set and a deep understanding of consumer and customer strategy. He is also Managing Director and Chairman of Jacobs Douwe Egberts ANZ, Australasia's largest pure play coffee company, and a Board Member of Cycling Australia.

07 JOHN ARMSTRONG
BBUS, MBA, MAICD

Independent Director

Mr Armstrong joined the Board in May 2015. Mr Armstrong has more than 25 years of experience in various financial and commercial management roles. His most recent executive role was at SEEK Limited, the ASX 100 listed leading recruitment and education provider, where he was the Chief Financial Officer for over 12 years. In recent years, he has also had a focus on SEEK's Asian operations and investments, including directorships of SEEK's business in China, Zhaopin Ltd (a US-listed company), and SEEK Asia, which operates across South East Asia. Prior to SEEK, he held management roles at Carlton & United Breweries and commenced his career at Ernst & Young.

Mr Armstrong is a Non-Executive Director of Melbourne IT and was a Non-Executive Director of ASX listed iProperty Group Ltd until its sale to News Corporation.

DIRECTORS' REPORT 17

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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
David Ansell	1,000	-
John Armstrong	800	-
Marcus Blackmore	4,219,835	-
Stephen Chapman	20,028	-
Christine Holgate[1]	46,002	34,436
Helen Nash	1,487	-
Brent Wallace	12,302	-
Total	**4,301,454**	**34,436**

1. 12,127 share rights granted for the 2016 financial year (FY16) and 15,051 share rights granted for the 2017 financial year (FY17) were forfeited due to Christine Holgate's resignation prior to completion of the service period.

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 54 to 71. for more details. During the year, the following rights to shares were granted:

	2017 NUMBER[1, 2]
Executive Director	
Christine Holgate[3]	15,051
Senior Executives	
Lesley Braun	2,166
Aaron Canning[4]	3,414
Nathan Cheong[4]	2,197
Cecile Cooper[4]	1,994
Dave Fenlon	3,045
Richard Henfrey[4]	3,076
Peter Osborne	2,352
Total	**33,295**

1. Nil share rights vested in FY17.
2. Rights granted during FY17 vest provided specific performance objectives and hurdles are met over the three-year period commencing 1 July 2016 to the year ending 30 June 2019
3. Share rights granted for FY17 were forfeited due to Christine Holgate's resignation prior to completion of the service period.
4. Includes rights granted during FY17 under the Staff Share Plan. Rights to 31 shares for these Senior Executives will vest in the 2018 financial year (FY18).

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 54 to 71.

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:	Brent Wallace, Chairman
	David Ansell
	John Armstrong
	Stephen Chapman
Nominations:	Stephen Chapman, Chairman
	David Ansell
	John Armstrong
	Marcus Blackmore
	Christine Holgate
	Helen Nash
	Brent Wallace
People and Remuneration:	Helen Nash, Chairman
	Stephen Chapman
	Brent Wallace

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

COMPANY SECRETARIES

Cecile Cooper, BBus, Dip Inv Rel (AIRA), CPA, GAICD. Company Secretary and Director Corporate Affairs. Ms Cooper joined Blackmores in 1991. As Company Secretary, Ms Cooper is responsible for company secretarial and corporate governance support across the Group. She has held a variety of positions within Blackmores and her experience includes financial and management experience including enterprise resource planning system implementations, design of business reporting solutions, business management, risk management and compliance. Ms Cooper is the Chairman of CCNB Ltd.

Aaron Canning, BCom(Hons), FCCA, CA, GAICD. Chief Financial Officer. Mr Canning joined Blackmores in 2014 as Chief Financial Officer. He has extensive management experience in Asia, New Zealand, the UK, the USA and Australia from ASX listed and multinational organisations including Goodman Fielder, Westfield and Diageo Plc. His most recent experience was with Goodman Fielder as the Managing Director Grocery Category. Prior to this he was the Managing Director Asia Pacific and Finance Director Asia Pacific. Mr Canning is a qualified accountant, Fellow of the Association of Chartered Certified Accountants, member of the Chartered Accountants Association of Australia and New Zealand and a member of the Australian Institute of Company Directors.

PRINCIPAL ACTIVITIES

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

RESULTS

The financial report for the years ended 30 June 2017 and 30 June 2016 and the results herein have been prepared in accordance with Australian Accounting Standards.

The net profit after tax (NPAT) of the Blackmores Group for the financial year was $58 million (2016: $100 million).

A review of the operations of the Blackmores Group during the financial year and the results of those operations is set out in the Operating and Financial Review on pages 20 to 30 inclusive.

DIVIDENDS

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

- a final dividend of 210 cents per share fully franked in respect of the year ended 30 June 2016, as detailed in the Directors' Report for that financial year, was paid on 21 September 2016
- an interim dividend of 130 cents per share fully franked in respect of the year ended 30 June 2017 was paid on 22 March 2017
- on 29 August 2017, Directors declared a final dividend for the year ended 30 June 2017 of 140 cents per share fully franked, payable on 26 September 2017 to shareholders registered on 12 September 2017.

This will bring total ordinary dividends to 270 cents per share fully franked (2016: 410 cents per share fully franked) for the full year.

CHANGES IN STATE OF AFFAIRS

During the financial year there was no significant change in the state of affairs of the Blackmores Group other than that referred to in the Consolidated Financial Statements or notes thereto and elsewhere in the Annual Report of the Blackmores Group for the year ended 30 June 2017.

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 Blackmores Limited, 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 Board of Blackmores Ltd endorses the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. The Company's Corporate Governance Statement is available on the Blackmores website at blackmores.com.au (Go to 'Investor Centre', then click on 'Corporate Governance').

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 in their role as 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' REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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 & RISK COMMITTEE		NOMINATIONS COMMITTEE		PEOPLE AND REMUNERATION COMMITTEE	
DIRECTORS	HELD[1]	ATTENDED	HELD[1]	ATTENDED	HELD[1]	ATTENDED	HELD[1]	ATTENDED
David Ansell	9	9	4	4	-	-	-	-
John Armstrong	9	9	4	4	-	-	-	-
Marcus Blackmore[2,3]	9	7	-	1	-	-	-	1
Stephen Chapman	9	9	4	4	-	-	3	3
Christine Holgate[2,3]	9	9	-	4	-	-	-	3
Helen Nash[2]	9	9	-	1	-	-	3	3
Brent Wallace	9	9	4	4	-	-	3	3

1. Reflects the number of meetings held during the time that the Director held office during the year.
2. Marcus Blackmore, Christine Holgate and Helen Nash attended the Audit and Risk Committee as invitees.
3. Marcus Blackmore and Christine Holgate attended the People and Remuneration Committee as invitees.

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 Consolidated 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 72 of this Annual Report.

ROUNDING OFF 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.

2017 REMUNERATION REPORT

KEY POINTS

- **Blackmores' remuneration structure aligns Senior Executive remuneration to Group performance**
- **Blackmores' long-standing profit share scheme aligns the remuneration of all employees to profits of the Group**
- **No FY17 short-term incentives (STI) were paid to the Executive Directors or Senior Executives**
- **Long-term incentive (LTI) awards in the year reflect achievement of the three year EPS growth targets for the FY15 plans, granted in July 2014. No LTI vested in relation to FY16 or FY17 plans**
- **Non-Executive Director fixed annual remuneration (FAR) increases have been staged over several years based on independent benchmarking reviews and only when significant gaps existed between Non-Executive Director fees and comparable external benchmarks**
- **Senior Executive FAR increases have been staged over several years based on independent benchmarking reviews. CEO FAR increases have been staged over recent years as it previously sat below the 40th percentile compared to companies of similar market capitalisation**

Introduction from the Chairman of the People and Remuneration Committee

Dear Shareholder,

I am pleased to present to you our 2017 Remuneration Report. This report outlines FY17 performance and remuneration outcomes for Blackmores, the Chief Executive Officer (CEO), direct reports to the CEO (Senior Executives) and Executive and Non-Executive Directors.

Our remuneration structure is linked to the achievement of year-on-year profit growth and shareholder returns. No Executive Director or Senior Executive received an award under the short-term incentive (STI) plan. Shares vested for the first time under the three-year long-term incentive (LTI) plan. Executive Directors and Senior Executives were awarded the maximum under this plan due to the achievement of significant earnings per share (EPS) growth during the FY15 to FY17 performance period.

The Group has grown significantly in size, scope and complexity over the past three years. As a result, salary and fee levels have needed to be adjusted and this has been undertaken in a staged approach over several years. The increases reported in the FY17 remuneration report are part of this staged process.

Fixed Annual Remuneration (FAR) for the CEO and some Senior Executives was increased during the period. The increases reflect the staged approach actioned by the Committee over several years to close the considerable gap in Key Management Personnel (KMP) FAR relative to the median FAR of appropriately selected industry benchmarks. The FY17 portion of the increase was deferred to the last quarter in FY17. The approach to increases of Non-Executive Director Fees has been on the same basis.

Following the exceptional prior year, in FY17 the Blackmores Australian business experienced challenges and rapid changes in the operating environment, particularly the diminishing role played by Australian retailers in servicing demand from Chinese consumers. While other Blackmores business units delivered strong growth in sales and profit this was not enough to offset the shortfall in the Australian business with Group Sales down 3% and NPAT down 42% on the prior year.

Throughout the year management responded to the changing dynamics while maintaining focus on delivering the Group strategy:

- Invested in the Australian consumer – affirmed number one brand status in Australia
- Continued to grow Blackmores' business in Asia – total Asia sales up 36%
- Continued to deliver on the Group strategy of Product Leadership - Delivered 110 new products and launched a leading global education platform
- Advanced operational effectiveness - invested in the new infrastructure and commercial relationships that will deliver economies as a result of our new scale
- Focused on strong capital management, balance sheet and cash management - solid cash generation from operations of $95.3 million, cash conversion ratio of 101%, net debt of $44.7 million and return on shareholder's equity of 33%.

* Source: IRI MarketEdge, Vitamin and Dietary Supplement, Australia Grocery Pharmacy, Estimated Local Demand Sales MAT to 14/05/2017.

2017 REMUNERATION REPORT

Notwithstanding management's focus on adapting the business to the changes in the Australian market, the exceptional FY16 performance was not repeated however strong growth was achieved over the very good FY15 performance.

The share price decreased 27% during the year. Blackmores total shareholders' return (TSR) was a decrease of 25%, EPS decrease of 41% and dividend decrease of 34%.

ALIGNING REMUNERATION WITH BUSINESS PERFORMANCE AND STRATEGY

In recent years the scale and diversity of our business has changed significantly. Between 2014 (FY14) and FY17, the Group NPAT more than doubled. The exceptional growth during this period required more focus by the Committee on performance-based remuneration for those Senior Executives responsible for leading the delivery of Blackmores' strategy and to ensure it aligned remuneration outcomes with shareholder returns. In addition, as outlined in the 2016 Report, the Committee had conducted a comprehensive benchmarking review of the CEO, Senior Executive and Non-Executive Director Remuneration, which considered market capitalisation and the size of the Company. A staged approach was adopted by the Committee to adjust the relevant KMP FAR over several years.

KEY OUTCOMES FOR FY17 REMUNERATION

1. Following the external benchmarking review, the Board increased the Fixed Annual Remuneration (FAR) of the CEO and some Senior Executives whose role and responsibilities had significantly increased with the growth of the Group in the prior year. The CEO's FAR was increased by 26% and some Senior Executive's FAR were increased ranging between 18% and 20%. These increases were deferred until the last quarter of FY17. Other Senior Executives increases were deferred until FY18. Full details are on page 65.
2. The FY17 NPAT decrease of 42% was below the target set by the Board for FY17 and the hurdle rate that requires positive NPAT growth for any component of STI to be awarded. As a result, no STI was awarded to any Senior Executives. This is in contrast to the FY16 payments, where NPAT growth of 115% triggered STI payments of $3,563,981 to Senior Executives. The CEO did not receive a STI payment for FY17. The Board consider the STI outcomes for FY17 and FY16 highlight the strong alignment between financial performance, shareholders' interests and remuneration outcomes. The STI calculation was based on statutory NPAT and the Board did not exercise discretion in changing the calculation for purposes of determining the financial achievement of targets.
3. Under the long-standing profit share scheme, 7.5% of NPAT was paid to employees of Blackmores being equivalent to 16 days' incremental salary. This compares to FY16 which met the conditional requirement of achieving year on year growth whereby an additional 2.5% of NPAT was distributed resulting in a total payment of 44 days incremental salary.
4. Long-term incentive (LTI) awards were eligible to vest in FY17 as the first three year LTI plan came into effect at the beginning of FY15. The Board is very pleased that the FY15 plan vested at the maximum potential based on the performance metric of 32% three-year compound annual growth rate (CAGR) in EPS and reflects the exceptional growth over this period. The FY16 and FY17 LTI plans remain a three-year plan. The total remuneration for the financial year, the details of which are shown on page 65, includes an accounting expense for all vested and unvested performance rights calculated using the value of the number of rights that could vest over the three-year performance period of each LTI plan.
5. As outlined in the 2016 Report, the FY17 LTI achievement hurdles were increased following a review of market benchmarks and further consultation. The LTI plan has an increased threshold hurdle of 5% three-year compound annual growth rate (CAGR) in EPS. In order to receive the maximum award under the plan an achievement of 25% CAGR will be required. These new hurdles will ensure that executive reward is aligned with increasing shareholder value, a continuous focus on the successful achievement of long-term strategic goals and long-term retention of key executive management.
6. To further align Senior Executives with shareholders, a staff share plan was established whereby participants can contribute salary for the purchase of shares throughout the year. At the end of the year, Blackmores will provide an additional benefit by matching these purchased shares on a pre-determined matching ratio subject to capping of the total cost.
7. Non-Executive fee increases have been staged over several years in line with the Company's market capitalisation growth over the period and a review of relevant external benchmarks. The FY17 increase of 26% was deferred to the fourth quarter of FY17. Shareholders approved an increase of $300,000 to the total Directors Fee pool at the FY15 AGM. The total pool is now $1,000,000. The projected FY18 annualised Non-Executive Director fees are $785,000. Full details are on page 68.

FY18 CHANGES TO REMUNERATION

Consistent with our 'One Blackmores' philosophy, whereby we strive to create a unified culture and set of goals, the FY18 STI plan will include a strategic measure component in addition to the current measure of NPAT growth performance over prior year. The current hurdle that requires positive NPAT growth for any component of the STI to be awarded to a Senior Executive remains in place.

The FY18 key terms of Blackmores' newly appointed CEO, Mr Richard Henfrey, were included in the ASX announcement dated 17 August 2017. These are FAR $950,000, participation in the Company's cash based profit share plan, STI maximum potential calculated at 100% of FAR and, subject to shareholder approval at the 2017 AGM, grants to rights in the LTI plan at maximum potential calculated at 150% of FAR.

On behalf of the Board and People and Remuneration Committee, I invite you to read the 2017 Remuneration Report and welcome your feedback on our approach to and disclosure of Blackmores' remuneration arrangements.

Helen Nash
Chairman, People and Remuneration Committee

2017 REMUNERATION REPORT

1.

INTRODUCTION

The Directors of Blackmores Limited present the Remuneration Report (the 'Report') for the Blackmores Group. The Report outlines Blackmores' remuneration framework and the outcomes for the year ended 30 June 2017 (FY17) for Blackmores Key Management Personnel.

The Report has been prepared in accordance with the requirements of section 300A of the *Corporations Act 2001*.

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

Directors – Executive Directors and Non-Executive Directors.

Executive Directors – Marcus Blackmore and the Chief Executive Officer

Senior Executives – Executive Directors and the other company executives who have authority and responsibility for planning, directing and controlling the activities of the Blackmores Group, directly or indirectly.

Key Management Personnel – Non-Executive Directors and Senior Executives

Exercised – Owned.

Granted – Assigned to, but not yet vested.

Vested – Met performance and service criteria and available to be exercised, but not yet owned.

Key Management Personnel

The following table lists all the current Key Management Personnel (KMP) and their titles as at 30 June 2017:

Non-Executive Directors	
David Ansell	Non-Executive Director and member of the Audit and Risk Committee and Nominations Committee
John Armstrong	Non-Executive Director and member of the Audit and Risk Committee and Nominations Committee
Stephen Chapman	Non-Executive Director, Chairman of the Board, Chairman of the Nominations Committee, member of the Audit and Risk Committee and People and Remuneration Committee
Helen Nash	Non-Executive Director, Chairman of the People and Remuneration Committee and member of the Nominations Committee
Brent Wallace	Non-Executive Director, Chairman of the Audit and Risk Committee, member of the People and Remuneration Committee and Nominations Committee
Executive Directors	
Marcus Blackmore	Executive Director, member of the Nominations Committee
Christine Holgate	Chief Executive Officer, Managing Director and member of the Nominations Committee (resigned effective 29 September 2017)
Senior Executives	
Lesley Braun	Director Blackmores Institute
Aaron Canning	Chief Financial Officer
Nathan Cheong	Managing Director BioCeuticals
Cecile Cooper	Company Secretary and Director of Corporate Affairs
David Fenlon	Managing Director Australia and New Zealand
Richard Henfrey	Chief Operating Officer
Peter Osborne	Managing Director Asia

2017 REMUNERATION REPORT

2.

SENIOR EXECUTIVE REMUNERATION OUTCOMES

The following table has been provided to disclose additional non-statutory information to assist shareholders in understanding the total value of the remuneration of Senior Executives, who were KMP of Blackmores during the year.

The table sets out the remuneration that the KMP became entitled to during FY17 and that was either paid or payable during the financial year or will be paid subsequent to the end of the year.

The remuneration outcomes prepared in accordance with accounting standards as required by the *Corporations Act 2001* are contained on page 65 of the Report. The totals in the statutory remuneration table on page 65 of the Report differ to the following table. This is because of the following:

1. Leave movements – the statutory remuneration table shows annual leave and long service leave movements due to an increase in the statutory accruals rather than cash payment.
2. Share-based payments – the accounting standards require the share-based payments expense to be calculated using the fair value of the shares at grant date, amortised over the relevant performance and service period. Included in the statutory remuneration table is the FY17 portion of the fair value of rights granted in FY15, FY16 and FY17 under the LTI plan. Vesting of the FY16 and FY17 rights remains subject to performance and service conditions being met in the future.

The FY15 rights have vested and were valued at $28.92 for one Senior Executive and $25.22 for the other Senior Executives in the statutory remuneration table. This differs to the following outcomes table, which includes the FY15 LTI awards valued at $95.84, which was the share price on 30 June 2017 vesting date.

	SALARY AND FEES $	STI AND PROFIT SHARE $	NON-MONETARY[1] $	OTHER[2] $	SUPERANNUATION $	TOTAL $	EQUITY THAT VESTED DURING 2017[3]
Executive Directors							
Marcus Blackmore[4]							
2017	**304,573**	**17,356**	**20,521**	**3,260**	**17,708**	**363,418**	**712,830**
2016	364,530	368,691	37,901	4,011	19,308	794,441	-
Christine Holgate							
2017	**931,443**	**60,596**	**9,550**	**-**	**19,616**	**1,021,205**	**3,300,349**
2016	872,325	1,037,454	25,596	-	19,308	1,954,683	-
Senior Executives							
Lesley Braun							
2017	**279,876**	**17,119**	**-**	**-**	**19,618**	**316,613**	**586,519**
2016	281,131	286,818	6,713	-	19,308	593,970	-
Aaron Canning							
2017	**474,542**	**28,433**	**5,815**	**1,675**	**27,616**	**538,081**	**492,918**
2016	446,303	512,940	42,017	1,633	27,372	1,030,265	-
Nathan Cheong							
2017	**316,771**	**20,326**	**18,701**	**-**	**19,622**	**375,420**	**553,324**
2016	300,972	347,650	15,352	-	19,308	683,282	-
Cecile Cooper							
2017	**284,765**	**18,222**	**11,652**	**1,882**	**20,384**	**336,905**	**452,776**
2016	261,097	335,871	4,625	2,004	29,372	632,969	-
David Fenlon							
2017	**432,349**	**26,482**	**111,650**	**1,587**	**19,625**	**591,693**	**821,128**
2016	430,848	486,882	82,201	1,748	19,308	1,020,987	-
Richard Henfrey							
2017	**420,586**	**26,482**	**8,060**	**1,784**	**26,124**	**483,036**	**767,899**
2016	419,909	486,882	37,218	1,825	25,808	971,642	-
Peter Osborne							
2017	**363,629**	**29,014**	**-**	**-**	**-**	**392,643**	**625,619**
2016	375,744	391,508	-	-	-	767,252	-
Total							
2017	**3,808,534**	**244,030**	**185,949**	**10,188**	**170,313**	**4,419,014**	**8,313,362**
2016	3,752,859	4,254,696	251,623	11,221	179,092	8,449,491	-

1. 'Non-monetary' includes motor vehicle benefits and any fringe benefits tax paid on these benefits.
2. 'Other' includes insurance and superannuation membership fees.
3. The equity that vested in FY17 year relates to the FY15 LTI grant. The value disclosed is based on the share price on the vesting date 30 June 2017. Mr Blackmore received his LTI as a cash equivalent in lieu of shares.
4. Mr Blackmore's salary and fees include annual and long service leave payments relevant to the period he was on sabbatical.

2017 REMUNERATION REPORT

3.

REMUNERATION GOVERNANCE AND FRAMEWORK

Remuneration Governance

People and Remuneration Committee

The primary responsibility of the People and Remuneration Committee (the 'Committee') is to make recommendations to the Board on remuneration strategy and policy for KMP and other executives of Blackmores that are in the best interests of Blackmores and its shareholders. This includes recommendations related to Non-Executive Directors Fees, executive remuneration and Short-term Incentives (STI) and Long-term Incentive (LTI) schemes. The Committee also advises the Board on remuneration policies and practices for the Company. The responsibilities of the People and Remuneration Committee are 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 by the Committee and the Board.

The People and Remuneration Committee comprises three independent Non-Executive Directors who have experience in both remuneration governance and the Blackmores business. The members during FY17 were Helen Nash (Committee Chairman), Stephen Chapman (Chairman) and Brent Wallace.

Advisors to the Committee

The People and Remuneration Committee has established protocols for engaging and dealing with external advisors and this is included in the Committee's charter. The 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.

The Committee did not use a remuneration consultant in the current financial year. Benchmarking of KMP was conducted by utilising various independent published remuneration surveys.

Remuneration Framework

The remuneration framework links remuneration to both the Group's performance and the individual's performance and behaviour and provides the opportunity to share in the success and profitability of Blackmores in alignment with increased shareholder wealth. The remuneration framework is included in Blackmores' remuneration structure and policies and the key elements of this framework are illustrated here:

BLACKMORES REMUNERATION FRAMEWORK

Rewards for the achievement of strategic goals, financial targets and operational performance

Attract and retain talented Senior Executives and Directors

Align Senior Executives to the enhancement of Blackmores' earnings and shareholder wealth

BLACKMORES REMUNERATION FRAMEWORK

Fixed Remuneration – Not at Risk Component

Fixed Remuneration – It 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.

Performance-based Remuneration – At Risk Component

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 primarily on Blackmores' NPAT performance relative to prior year and requires the achievement of year on year growth.

Staff Share Plan – Participation is open to Senior Executives as well as all permanent Blackmores staff. Under the plan, staff can elect annually to participate and purchase shares. At the end of the financial year, Blackmores will provide an additional benefit by matching these purchased shares on a pre-determined matching ratio subject to capping of the total cost. Exercise of the matched shares is at no cost and vesting takes place once the service condition has been met.

Profit share – Executive Directors and Senior Executives participate in the same cash based profit share plan as all permanent Blackmores staff. The scheme allocates up to 10% of the Group NPAT to eligible employees.

Long-term incentives (LTI) – 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. Marcus Blackmore's incentive is a cash-based equivalent.

Special long-term incentives (SLTI) – From time to time the Board may offer 'one-off' SLTIs to particular Executive Directors and Senior Executives in additionto the LTI. There are currently no SLTIs in place.

4.

SENIOR EXECUTIVE REMUNERATION STRUCTURE

Executive Remuneration Mix

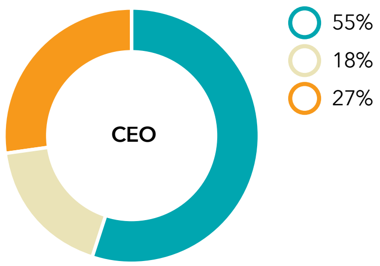
In determining the mix of Senior Executive remuneration, the Board aims to find a balance between:

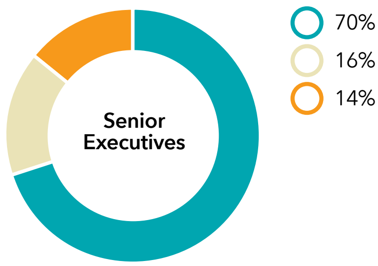
- fixed (not at risk) and performance (at risk) remuneration
- short and long-term remuneration
- remuneration paid in cash and deferred equity.

Blackmores' target of fixed and at risk components of the current Senior Executives disclosed in the Report as a percentage of total target annual remuneration for FY17, is as follows:

On Target Remuneration Mix

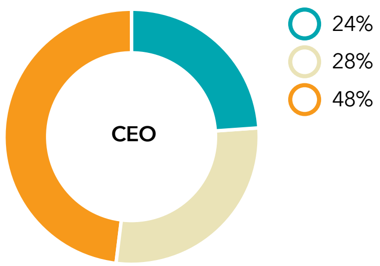
Fixed Remuneration[1] STI / Profit Share LTI[3]

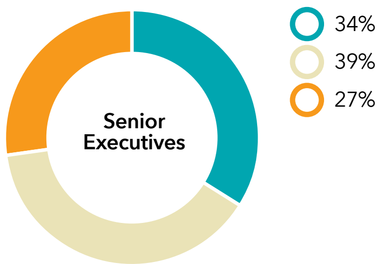




At maximum levels of STI and LTI the mix of remuneration elements expressed as a % of total remuneration[2] is as follows:

Remuneration Mix at Maximum Reward





1. Fixed remuneration includes cash, non-monetary benefits and superannuation.
2. Total is the Aggregate Reward (Fixed Remuneration plus STI plus Profit Share plus LTI).
3. LTI value is expressed as the % of Fixed Annual remuneration as at the start of the three-year performance period.

Fixed Annual Remuneration (FAR)

FAR includes base salary, non-monetary benefits (including fringe benefits tax and superannuation).

The Committee and the Board conducts an annual review of remuneration at the end of each financial year for Senior Executives. The process incorporates a comprehensive assessment of market benchmarking, individual and company performance. No Executives received increases as part of the annual review. Some Executives received deferred increases in the last quarter of FY17.

2017 REMUNERATION REPORT

Short-term Incentives (STI) – Performance Conditions

Specific information relating to the actual annual performance awards is set out in the table on page 66.

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 eligible employee can earn?

	Chairman	Chief Executive Officer	Senior Executives
Year on year EBIT/NPAT Growth	% of FAR		
Less than 4%	0%	0%	0%
	Sliding scale	Sliding scale	Sliding scale
>60.4%	80%	100%	100%

What were the performance conditions for FY16?

Measures	Chairman	Chief Executive Officer	Senior Executives – Group Roles	Senior Executives – Divisional Heads
Financial measures:				
Group NPAT achievement of growth over prior year	100%	100%	100%	30%
Divisional EBIT achievement of growth over prior year	-	-	-	70%
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)	N/A	Personal multiplier of 0 – 1.25 applied to the outcome of financial measures	Personal multiplier of 0 – 1.25 applied to the outcome of financial measures	

Why were these performance measures chosen?

NPAT performance over prior year is a well-recognised measure of financial performance and a key driver of shareholder returns. It is the primary measure considered by Directors in determining the level of dividend payments to shareholders. Using NPAT as an incentive performance measure ensures that incentive payments are aligned with Blackmores' business strategy and objectives.

The incentive targets are set by the Board at levels designed to reward superior performance.

A requirement of NPAT growth over prior year aligns remuneration outcomes with shareholders' expectations.

Similarly, EBIT as an incentive measure rewards divisional heads for the performance of the businesses under their direct management.

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 and Divisional EBIT 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 an 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 KMP.

Does the Board have an Executive Clawback Policy?

The Board has adopted a Clawback Policy that is applicable to KMP with a view to further aligning the interests of KMP with the long-term interests of Blackmores. In the event of any deliberate misstatement or manipulation of results in the financial statements for any of the immediately preceding three financial years, after assessment, the Board may require that KMP to repay all or a part of the STI Award and may withhold the payment or allocation of all or a part of an unpaid STI.

Staff Share Plan – Performance Conditions and Operation

Specific information relating to the actual annual performance awards is set out in the table on page 66.

What is the annual incentive and who is eligible to participate?	All eligible permanent staff in the Group, including Senior Executives, can elect to contribute between $1,000 and $10,000 to be used to purchase shares in the Company. At the end of the financial year, the Company will provide a benefit by applying a matching ratio to the shares purchased by each participant for that financial year.
What is the amount the executive can earn?	The total benefit an executive can earn is determined by the number of matched shares the Company will provide. This number is subject to capping and a maximum cost to the Company.
What were the performance conditions for FY17?	For FY17, the Company will match one share for every three shares purchased during the financial year. For FY17 the Board has capped the total cost to the Company for the matched shares at $500,000. An executive must be employed by the Company at 30 June 2017 and have purchased shares during the year which remain in the plan.
Why were these performance measures chosen?	As Senior Executives increase their shareholding in Blackmores, their interests become more directly aligned with those of Blackmores' other shareholders.
When are performance conditions tested?	Matched shares are provided each July following the completion of the annual service period.

Profit Share – Performance Conditions and Operation

Specific information relating to the actual annual performance awards is set out in the table on page 66.

What is the annual incentive and who is eligible to participate?	Senior Executives participate in a profit share plan, whereby up to 10% of the Group NPAT is allocated to all eligible permanent Group staff on a pro-rata basis by reference to their fixed annual remuneration. The profit share plan is in addition to the STI award.
What is the amount the executive can earn?	The amount distributed is a percentage of Group NPAT. As the amount is distributed on a pro-rata basis, the amount earned in any year depends on both the Group NPAT achievement and the total number of employees and salaries in the calculation. The approximate maximum amount of fixed annual remuneration that can be earned is 17%.
What were the performance conditions for FY17?	Under the Company's Collective Agreement, 7.5% of Group NPAT is allocated and an additional 2.5% of Group NPAT is allocated conditional on the achievement of Group NPAT growth on the prior financial year.
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.

2017 REMUNERATION REPORT

Long-term Incentives (LTI) – Performance Conditions

Specific information relating to the actual annual performance awards is set out in the table on page 66.

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 employees 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 eligible employee can earn?		Chief Executive Officer	Chairman and Senior Executives
	% of target performance	% of FAR	
	Less than 5.0% 5.0% 5.0% to 10.0% 10.0% 10.0% to 25.0% 25.0%	0% 25% Sliding scale 50% Sliding scale 200%	0% 10% Sliding scale 20% Sliding scale 80%
What was the performance condition for FY17?	The performance condition is the three-year compound annual growth rate in EPS. The performance period for measuring EPS growth is three years (FY17 to FY19).		
Why were these performance measures chosen?	In determining the performance conditions for Blackmores' LTI plan, the Board has recognised EPS growth to be the key driver of shareholder value, influencing both share price and the capacity to pay increased dividends. Growth in EPS is simple to calculate and basing 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 eligible employees 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 2019 Financial Statements, Board approval and the first trading window. These Blackmores shares are issued to participants at zero cost. The number of shares issued is identical to the number of rights exercised. In the case of the Executive Director, Marcus Blackmore, a cash equivalent is paid in lieu of shares. Where regulations prohibit an equity based plan, a cash equivalent is awarded.		
When are performance conditions tested?	Compounded annual growth in EPS is calculated at the end of the three-year performance period 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 eligible employee ceases employment during the performance period?	If an executive ceases employment during the three-year performance period, the rights lapse. In certain circumstances the board has discretion to allow a portion of rights to vest for a 'good leaver'.		
Does the Board have an Executive Clawback Policy?	The Board has adopted a Clawback Policy that is applicable to KMP with a view to further aligning the interests of KMP with the long-term interests of Blackmores. In the event of any deliberate misstatement or manipulation of results in the financial statements for any of the immediately preceding three financial years, after assessment, the Board may require KMP to repay all or a part of the LTI Award, forfeit all or any unvested LTI; and withhold all or part LTI to the extent it has not been given to that KMP.		

2017 REMUNERATION REPORT

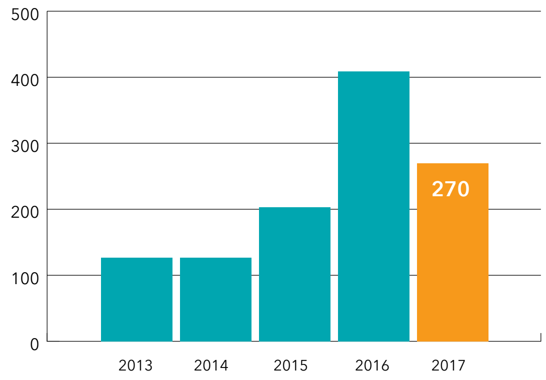
5.

PERFORMANCE AND REMUNERATION OUTCOMES

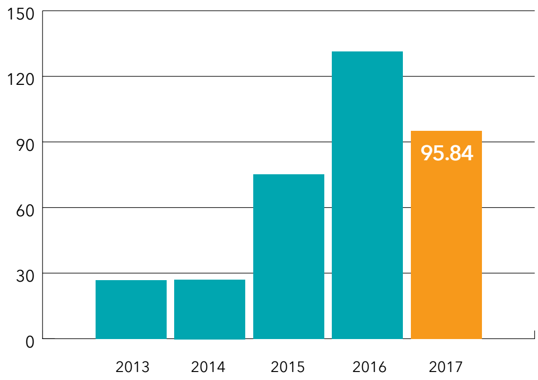
Performance Incentives – Actual Performance 2017 Financial Year

The exceptional FY16 performance was not repeated in FY17, however there was good growth compared to the FY15 year. The actual performance is illustrated in the charts below:

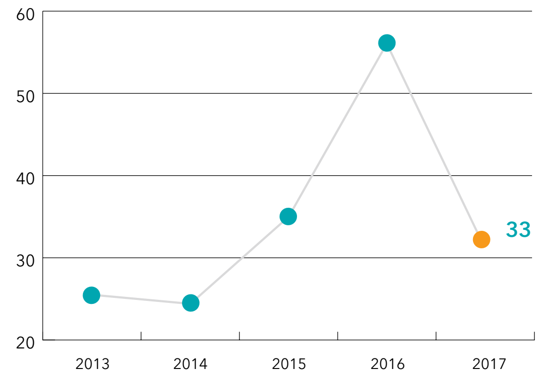
DIVIDEND PER SHARE (CENTS)



SHARE PRICE ($)



RETURN ON EQUITY (%)



Short-term Incentives (STI)

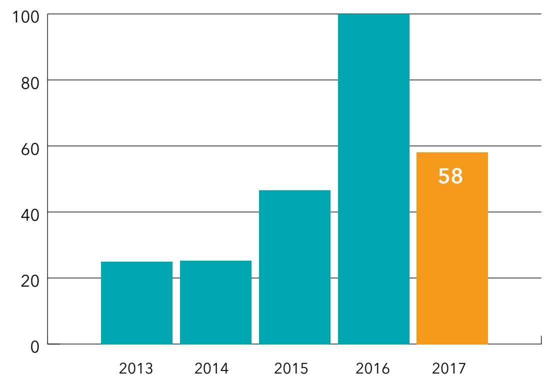
Similar to previous years, NPAT achievement was selected as the Group performance measure for the STI awards in respect of FY17.

Blackmores FY17 NPAT of $58 million represented a 42% decrease on prior year.

The amount awarded to the Senior Executives for the FY17 STI was $Nil (2016: $3,563,981). This award is included under the 'STI and Profit Share' column in the remuneration disclosures table on page 65.

Blackmores NPAT over the past five years is shown in the following graph.

NPAT ($M)



2017 REMUNERATION REPORT

Long-term Incentives (LTI)

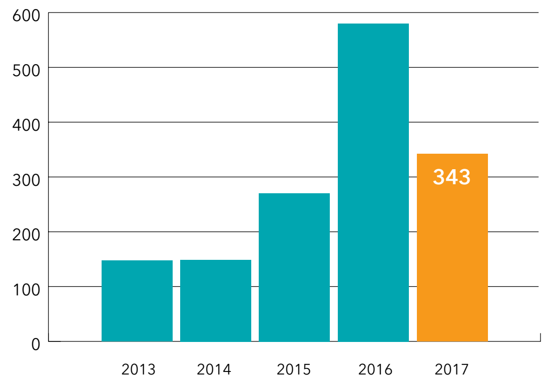
Similar to previous years, EPS achievement was selected as the Group performance measure for the LTI awards in respect of FY17.

A new LTI Plan that came into effect in FY15 included a three-year performance period. The FY15 LTI awards were eligible to vest in FY17. The FY16 and F17 awards were not eligible to vest in FY17.

The total remuneration for the financial year, the details of which are shown on page 65, includes an accounting expense of $960,764 (2016: $2,026,265) for these performance rights. This amount has been calculated based on an assessment of the achievement of the performance hurdle over the three-year performance period and represents one third of the total value of the unvested rights. In the case of the Executive Director Marcus Blackmore, the incentive is cash based.

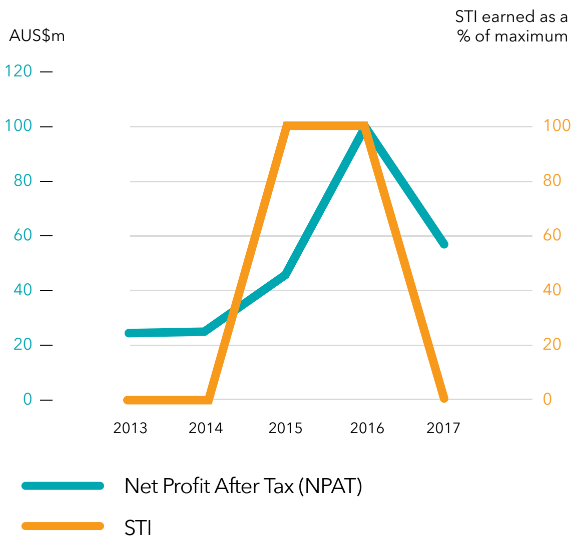
Blackmores EPS over the past five years is shown in this graph.

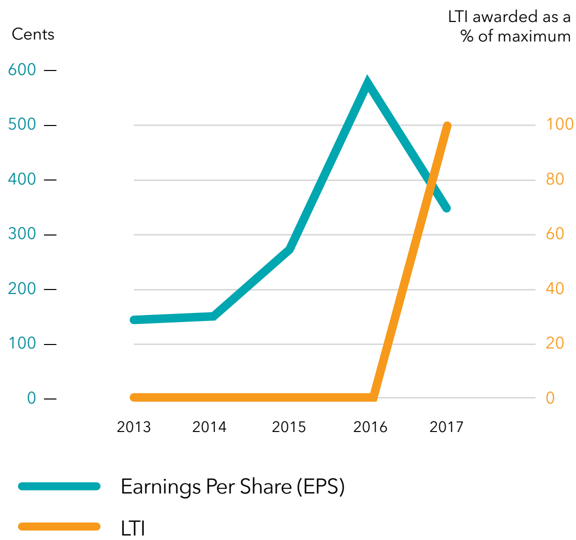
EPS (CENTS)



CEO Remuneration Outcomes – Five Year History

The Group's remuneration framework is designed to reward Senior Executives based on the achievement of the Group's performance goals and to share in the success and profitability of Blackmores in alignment with increased shareholder wealth. The history of the CEO performance related remuneration over the past five years illustrates this linkage to business performance.





6.

SENIOR EXECUTIVE REMUNERATION TABLES – STATUTORY

Statutory Remuneration

The following table discloses the remuneration outcomes of the Senior Executives of Blackmores for the financial year ended 30 June 2017. The table has been prepared in accordance with Section 300A of the *Corporations Act 2001* and has been audited.

The amounts in statutory table differ to the remuneration table on page 57 because of the following:

1. Leave movements – annual leave and long service leave movements due to an increase in the statutory accruals rather than cash payments.
2. Share-based payments – The accounting standards require share-based payments expense to be calculated using the fair value of the shares at grant date, amortised over the relevant performance and service period. The statutory remuneration table includes the accounting value for LTI grants for the FY15 year which have vested and the FY16 and FY17 years which have not yet vested.

	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] $	PERFORMANCE RIGHTS[5,6] $	TOTAL $
Executive Directors								
Marcus Blackmore								
2017	**169,165**	**17,356**	**20,521**	**23,537**	**17,708**	**2,599**	**582,116**	**833,002**
2016	357,770	368,691	37,901	33,418	19,308	7,088	166,433	990,609
Christine Holgate[7]								
2017	**856,348**	**60,596**	**9,550**	**86,323**	**19,616**	**18,183**	**(306,712)**	**743,904**
2016	775,198	1,037,454	25,596	68,229	19,308	33,161	885,696	2,844,642
Senior Executives								
Lesley Braun								
2017	**265,998**	**17,119**	**-**	**27,693**	**19,618**	**1,949**	**93,140**	**425,517**
2016	267,401	286,818	6,713	11,612	19,308	1,401	137,188	730,441
Aaron Canning								
2017	**435,717**	**28,433**	**5,815**	**38,551**	**27,616**	**2,023**	**113,941**	**652,096**
2016	421,343	512,940	42,017	36,168	27,372	961	172,832	1,213,633
Nathan Cheong								
2017	**312,613**	**20,326**	**18,701**	**35,537**	**19,622**	**4,383**	**94,564**	**505,746**
2016	284,143	347,650	15,352	28,145	19,308	2,800	134,276	831,674
Cecile Cooper								
2017	**260,630**	**18,222**	**11,652**	**32,011**	**20,384**	**22,119**	**81,841**	**446,859**
2016	240,275	335,871	4,625	33,221	29,372	25,902	117,394	786,660
David Fenlon								
2017	**409,158**	**26,482**	**111,650**	**34,627**	**19,625**	**2,989**	**72,026**	**676,557**
2016	407,735	486,882	82,201	35,621	19,308	2,264	72,026	1,106,037
Richard Henfrey								
2017	**391,626**	**26,482**	**8,060**	**34,823**	**26,124**	**9,700**	**130,433**	**627,248**
2016	366,955	486,882	37,218	40,615	25,808	12,970	187,905	1,158,353
Peter Osborne								
2017	**346,485**	**29,014**	**-**	**27,611**	**-**	**-**	**99,415**	**502,525**
2016	317,937	391,508	-	28,661	-	-	152,515	890,621
Total								
2017	**3,447,740**	**244,030**	**185,949**	**340,713**	**170,313**	**63,945**	**960,764**	**5,413,454**
2016	3,438,757	4,254,696	251,623	315,690	179,092	86,547	2,026,265	10,552,670

1. 'STI and Profit Share' includes amounts paid by way of profit share on 21 December 2016 and 28 June 2017.
2. 'Non-monetary' includes motor vehicle benefits and any fringe benefits tax paid on these benefits.
3. 'Other' shown in short-term employment benefits relates to provisions for annual leave.
4. 'Other' shown in long-term employment benefits relates to provisions for long service leave.
5. The FY17 share-based payments includes the LTI plan and represent the FY17 portion of the fair value of rights granted in FY15, FY16 and FY17. The FY15 rights have vested. Vesting of the FY16 and FY17 rights remains subject to performance and service conditions as outlined on page 62. Marcus Blackmore's LTI plan is paid as a cash equivalent in lieu of shares. Mr Blackmore's performance rights are proportionately higher than other KMP as his rights are valued on the share price at 30 June 2017 ($95.84). Other KMP are valued at fair value at grant date. This difference reflects Mr Blackmore's LTI plan being paid as a cash equivalent.
6. The FY17 share-based payments include the Staff Share Plan and represent the FY17 portion of the fair value of rights granted in FY17. Vesting of the FY17 plan remains subject to service conditions as outlined on page 62.
7. Christine Holgate's FY17 share-based payments (-$306,712) represent the combination of (a) reversal of the fair value of share-based payments ($596,204) expensed in prior financial years that were forfeited by her as the result of her resignation and therefore the service period that will not be met and (b) the FY17 portion of the fair value awards granted to Ms Holgate in previous years expensed during FY17 ($289,492).

2017 REMUNERATION REPORT

Performance Related Remuneration

Statutory Performance Related Remuneration Table

The following table shows an analysis of the non-performance and performance related (STI, Profit Share and LTI) components of the FY17 remuneration mix detailed in the Statutory Remuneration table.

	NON-PERFORMANCE RELATED REMUNERATION[1] %	STI AND PROFIT SHARE %	PERFORMANCE RIGHTS[2,3] %	TOTAL PERFORMANCE RELATED REMUNERATION %
Executive Directors				
Marcus Blackmore				
2017	**28.0%**	**2.1%**	**69.9%**	**72.0%**
2016	46.0%	37.2%	16.8%	54.0%
Christine Holgate[4]				
2017	**133.1%**	**8.1%**	**-41.2%**	**-33.1%**
2016	32.4%	36.5%	31.1%	67.6%
Senior Executives				
Lesley Braun				
2017	**74.1%**	**4.0%**	**21.9%**	**25.9%**
2016	42.0%	39.3%	18.8%	58.0%
Aaron Canning				
2017	**78.2%**	**4.4%**	**17.5%**	**21.8%**
2016	43.5%	42.3%	14.2%	56.5%
Nathan Cheong				
2017	**77.3%**	**4.0%**	**18.7%**	**22.7%**
2016	42.1%	41.8%	16.1%	51.9%
Cecile Cooper				
2017	**77.6%**	**4.1%**	**18.3%**	**22.4%**
2016	42.4%	42.7%	14.9%	57.6%
David Fenlon				
2017	**85.4%**	**3.9%**	**10.6%**	**14.6%**
2016	49.5%	44.0%	6.5%	50.5%
Richard Henfrey				
2017	**75.0%**	**4.2%**	**20.8%**	**25.0%**
2016	41.7%	42.0%	16.2%	58.3%
Peter Osborne				
2017	**74.4%**	**5.8%**	**19.8%**	**25.6%**
2016	38.9%	44.0%	17.1%	61.1%
Total				
2017	**77.7%**	**4.5%**	**17.7%**	**22.3%**
2016	40.5%	40.3%	19.2%	59.0%

1. Non-performance related remuneration includes the accounting expense from all of the columns in the 'Statutory Remuneration Table' other than 'STI and Profit Share' and the LTI 'Performance Rights'.
2. Performance Rights includes the LTI plan and represents the FY17 accounting expense of the FY17 portion of the rights granted in FY15, FY16 and FY17.
3. Performance Rights includes the Staff Share Plan and represents the FY17 accounting expense of the FY17 portion of the rights granted in FY17.
4. Christine Holgate's Performance Rights represent the combination of (a) reversal of the fair value of share-based payments expensed in prior financial years that were forfeited by her as the service period will not be met owing to her resignation and (b) the FY17 portion of the fair value awards granted to Ms Holgate in previous years expensed during FY17.

2017 REMUNERATION REPORT

Short-term Incentives

The threshold potential award was not achieved in respect of Group financial measure being Group NPAT achievement over prior year. No Executive Directors or Senior Executives were eligible for an STI payment for FY17 and 100% of maximum STI award was forfeited.

Share-based payments

The table below outlines the rights over ordinary shares in the Company that were granted as compensation to Executive Directors and Senior Executives during FY17, FY16 and FY15. The fair value of awards is calculated in accordance with AASB 2 Share-based Payments.

(a) LTI Plan

NAME	GRANT						VESTED				EXERCISED	END OF HOLDING LOCK	
	DATE	NUMBER OF RIGHTS	FAIR VALUE PER RIGHT $	TOTAL FAIR VALUE[2] $	SHARE PRICE $	MAXIMUM VALUE[1] $	DATE	NUMBER OF RIGHTS[3]	% OF NUMBER GRANTED	VALUE[4] $	VALUE[5]	DATE	VALUE OF RIGHTS NOT VESTED $
Executive Director													
Christine Holgate[6]	7/11/14	34,436	25.22	868,476	32.22	1,109,528	30/6/17	34,436	100%	868,476	-	09/2017	-
	24/11/15	12,127	147.49	1,788,611	179.50	2,176,797	-	-	-	-	-	09/2018	-
	17/11/16	15,051	99.19	1,492,909	113.90	1,714,309	-	-	-	-	-	09/2019	-
Senior Executives													
Lesley Braun	7/11/14	6,120	25.22	154,346	32.22	197,186	30/6/17	6,120	100%	154,346	-	09/2017	-
	24/11/15	1,744	147.49	257,223	179.50	313,048	-	-	-		-	09/2018	313,048
	17/11/16	2,166	99.19	214,846	113.90	246,707	-	-	-		-	09/2019	246,707
Aaron Canning	10/12/14	5,143	28.92	148,736	32.65	167,919	30/6/17	5,143	100%	148,736	-	09/2017	-
	24/11/15	2,507	147.49	369,757	179.50	450,007	-	-	-		-	09/2018	450,007
	17/11/16	3,383	99.19	335,560	113.90	385,324	-	-	-		-	09/2019	385,324
Nathan Cheong	7/11/14	5,773	25.22	145,595	32.22	186,006	30/6/17	5,773	100%	145,595	-	09/2017	-
	24/11/15	1,744	147.49	257,223	179.50	313,048	-	-	-		-	09/2018	313,048
	17/11/16	2,166	99.19	214,846	113.90	246,707	-	-	-		-	09/2019	246,707
Cecile Cooper	7/11/14	4,724	25.22	119,139	32.22	152,207	30/6/17	4,724	100%	119,139	-	09/2017	-
	24/11/15	1,580	147.49	233,034	179.50	283,610	-	-	-		-	09/2018	283,610
	17/11/16	1,963	99.19	194,710	113.90	223,586	-	-	-		-	09/2019	223,586
David Fenlon	7/11/14	8,568	25.22	216,085	32.22	276,061	30/6/17	8,568	100%	216,085	-	09/2017	-
	17/11/16	3,045	99.19	302,034	113.90	346,826	-	-	-		-	09/2019	346,826
Richard Henfrey	7/11/14	8,012	25.22	202,063	32.22	258,147	30/6/17	8,012	100%	202,063	-	09/2017	-
	24/11/15	2,452	147.49	361,645	179.50	440,134	-	-	-		-	09/2018	440,134
	17/11/16	3,045	99.19	302,034	113.90	346,826	-	-	-		-	09/2019	346,826
Peter Osborne	7/11/14	6,528	25.22	164,636	32.22	210,332	30/6/17	6,528	100%	164,636	-	09/2017	-
	24/11/15	1,986	147.49	292,915	179.50	356,487	-	-	-		-	09/2018	356,487
	17/11/16	2,352	99.19	233,295	113.90	267,893	-	-	-		-	09/2019	267,893

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 total value of rights granted in the year is the fair value of the rights calculated at the time of grant. This amount is allocated to remuneration over the vesting period (i.e. FY17 grant over 1 July 2016 to 30 June 2019).
3. 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.
4. Value of rights vested is equal to the fair value per right multiplied by the number of rights vested
5. Value of rights at exercise is equal to the number of rights exercised multiplied by the share price at exercise date.
6. The fair value of Ms Holgate share rights which were forfeited due to Ms Holgate's resignation prior to completion of the service period were FY16 $2,176,797 and FY17 $1,714,309.

(b) Staff Share Plan

NAME	GRANT				VESTED		
	Date	Number of rights	Fair value per right	Total fair value[1]	Date	Number of rights[2]	% of number granted
Senior Executive							
Aaron Canning	31/7/16	31	$152.58	$4,730	31/7/17	-	-
Nathan Cheong	31/7/16	31	$152.58	$4,730	31/7/17	-	-
Cecile Cooper	31/7/16	31	$152.58	$4,730	31/7/17	-	-
Richard Henfrey	31/7/16	31	$152.58	$4,730	31/7/17	-	-

1. The total value of rights granted in the year is the fair value of the rights calculated at the time of grant. This amount is allocated to remuneration over the vesting period (i.e. FY17 grant over 1 July 2016 to 31 July 2017).
2. There were nil rights that vested in the FY17 year.

2017 REMUNERATION REPORT

7.

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. May be terminated immediately for serious misconduct.	
Senior Executives[2]	Three months' notice (or payment in lieu).[3] 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.
3. David Fenlon has six months' notice (or payment in lieu).

8.

NON-EXECUTIVE DIRECTOR REMUNERATION

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. 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. No further retirement allowances have accrued to these individuals. Non-Executive Directors appointed after 1 October 2003 do not receive a retirement allowance.

Shareholders at a meeting held on 29 October 2015 determined the maximum total Non-Executive Directors' fees payable, including committee fees, to be $1,000,000 per year, to be distributed as the Board determines.

Compensation arrangements for Non-Executive Directors are determined by Blackmores after reviewing published remuneration surveys and market information. The Company has grown significantly in size, scope and complexity over the past three years. As a result, salary and fee levels have needed to be adjusted and this has been undertaken in a staged approach over several years. The increases reported in the FY17 remuneration report are part of this staged process.

In line with market capitalisation and following a review of relevant external benchmarks, base fees for Non-Executive Directors were increased in FY17 by 25.75% and committee fees by 0.42% effective 1 April 2017. Fees are below the 50th percentile of companies of comparable market capitalisation.

2017 REMUNERATION REPORT

Non-Executive Directors' fees levels for FY17 include:

FEES	2017[1] CHAIRMAN $	2017[1] MEMBER $	2016 CHAIRMAN $	2016 DEPUTY CHAIRMAN[4] $	2016 MEMBER $
Board[2,3]	**239,615**	**120,450**	-	47,894	95,787
Audit and Risk	**16,425**	**9,855**	16,356	-	9,813
People and Remuneration	**16,425**	**9,855**	16,356	-	9,813
Nomination	**-**	**-**	-	-	-

1. FY17 Non-Executive Directors' fee levels are as at 1 April 2017, and the Chairman's fees as at 1 March 2017.
2. Chairman was an Executive Director during FY16 and up to 1 March 2017.
3. Effective 1 March 2017, Chairman's fees were set at double Board member fees with no additional committee fees payable.
4. Effective 1 March 2017, the Deputy Chairman role was vacated.

The total annual Non-Executive Director remuneration for the Board of five Non-Executive Directors for FY17 was $663,565 (2016: $561,761).

The following table discloses the remuneration of the Non-Executive Directors for the financial year ended 30 June 2017.

		SHORT-TERM EMPLOYMENT BENEFITS	POST EMPLOYMENT BENEFITS	
	FEES AND ALLOWANCES $	NON-MONETARY[1] $	SUPERANNUATION $	TOTAL $
Non-Executive Directors				
David Ansell				
2017	**102,002**	**4,827**	**9,689**	**116,518**
2016	96,438	4,235	9,170	109,843
John Armstrong				
2017	**102,002**	**-**	**9,689**	**111,691**
2016	96,438	-	9,170	105,608
Stephen Chapman[2,3]				
2017	**172,631**	**-**	**16,421**	**189,052**
2016	86,623	10,352	8,337	105,312
Helen Nash				
2017	**107,983**	**-**	**10,257**	**118,240**
2016	102,413	6,882	9,738	119,033
Brent Wallace				
2017	**116,954**	**-**	**11,110**	**128,064**
2016	111,375	-	10,590	121,965
Total				
2017	**601,572**	**4,827**	**57,166**	**663,565**
2016	493,287	21,469	47,005	561,761

1. 'Non-monetary' includes benefits and any applicable fringe benefits tax.
2. Stephen Chapman was on an unpaid leave of absence from 14 April 2015 to 30 November 2015.
3. Stephen Chapman was in the role of Chairman from 1 March 2017.

2017 REMUNERATION REPORT

9.

NON-EXECUTIVE DIRECTORS AND SENIOR EXECUTIVE TRANSACTIONS

EQUITY HOLDINGS

During FY17 and FY16 there were no share options in existence. There have been no share options issued since the end of the financial year.

SHARES

The table below outlines the fully paid ordinary shares of Blackmores Limited held by KMP.

FULLY PAID ORDINARY SHARES OF BLACKMORES LIMITED

2017	BALANCE AT 1/7/16	RECEIVED ON SETTLEMENT OF RIGHTS	NET CHANGE OTHER[1]	BALANCE AT 30/6/17
	NUMBER	NUMBER	NUMBER	NUMBER
Non-Executive Directors				
David Ansell	1,000	-	-	1,000
John Armstrong	-	-	800	800
Stephen Chapman	20,028	-	-	20,028
Helen Nash	1,000	-	487	1,487
Brent Wallace	12,302	-	-	12,302
Executive Directors				
Marcus Blackmore	4,219,835	-	-	4,219,835
Christine Holgate	45,002	-	1,000	46,002
Senior Executives				
Leslie Braun	7,855	-	-	7,855
Aaron Canning	15,512	-	101	15,613
Nathan Cheong	-	-	94	94
Cecile Cooper	40,804	-	301	41,105
Richard Henfrey	7,547	-	94	7,641
Peter Osborne	190	-	400	590
Total	**4,371,075**	**-**	**3,277**	**4,374,352**

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

RIGHTS TO SHARES

The table below outlines the rights to fully paid ordinary shares of Blackmores Limited held by KMP.

2017	BALANCE AS AT 1/7/16	GRANTED AS COMPEN-SATION	EXERCISED	FORFEITED	NET OTHER CHANGE	BALANCE AS AT 30/6/17	BALANCE VESTED AT 30/6/17	VESTED BUT NOT EXERCISABLE	VESTED AND EXERCISABLE	RIGHTS VESTED DURING YEAR
	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER
Executive Director										
Christine Holgate	46,563	15,051	-	(27,178)	-	34,436	34,436	34,436	-	34,436
Senior Executives										
Lesley Braun	7,864	2,166	-	-	-	10,030	6,120	6,120	-	6,120
Aaron Canning	7,650	3,414	-	-	-	11,064	5,143	5,143		5,143
Nathan Cheong	7,517	2,197	-	-	-	9,714	5,773	5,773	-	5,773
Cecile Cooper	6,304	1,994	-	-	-	8,298	4,724	4,724	-	4,724
David Fenlon	8,568	3,045	-	-	-	11,613	8,568	8,568	-	8,568
Richard Henfrey	10,464	3,076	-	-	-	13,540	8,012	8,012	-	8,012
Peter Osborne	8,514	2,352	-	-	-	10,866	6,528	6,528	-	6,528
Total	**103,444**	**33,295**	**-**	**(27,178)**	**-**	**109,561**	**79,304**	**79,304**	**-**	**79,304**

LOAN DISCLOSURES

There were no loan balances exceeding $100,000 due from KMP during or at the end of the financial year (2016: $nil).

OTHER TRANSACTIONS WITH KEY MANAGEMENT

Transactions entered into during the year with KMP of Blackmores Limited and the Group are on the same basis as normal employee, supplier or customer relationship on the same terms and conditions and those dealings on an arm's length basis which include:

- the receipt of 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
- terms and conditions of employment
- purchases of goods and services
- expense reimbursement.

No interest was paid to or received from KMP.

Signed in accordance with a Resolution of the Directors made pursuant to s298(2) of the *Corporations Act 2001*.

On behalf of the Directors

Steve Chapman

Stephen Chapman
Chairman

Dated in Sydney, 29 August 2017

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

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

29 August 2017

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 2017, 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

XDelaney

X Delaney
Partner
Chartered Accountants

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Independent Auditor's Report to the Members of Blackmores Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Blackmores Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

Deloitte.

<table>
<tr><th>Key Audit Matter</th><th>How the scope of our audit responded to the Key Audit Matter</th></tr>
<tr><td>Promotional and other rebates
For the year ended 30 June 2017 the Group recognised promotional and other rebates of $143.5m (2016: $118.8m) which have been charged against sales revenue as disclosed in Notes 4.1 and 5.

Accruals for promotional and other rebates as at 30 June 2017 are included within 'Other creditors and accruals' in Note 19.

Recognition of rebate accruals at balance date requires management to exercise significant judgement in respect to the amount of the required accruals which are based on customers' sales volumes for the period as well as growth and/or contributions by customers towards promotional activities (known as case deals).</td><td>Our audit procedures included but were not limited to:

• Understanding and testing key controls over the recording of promotional and the other rebate accruals and expense charged against sales revenue;
• Challenging management's assumptions and judgements for recording the amount of the rebate accruals at balance date;
• Testing on a sample basis, the promotional and other rebate accruals and expense charged against sales revenue to contractual evidence with customers, focussing on the period in which the expense was recorded and the appropriateness of the expense or accrual at balance date by reference to sales volumes, growth and/or contributions by customers towards promotional activities;
• Reviewing invoices and credit notes issued subsequent to year end in order to assess the accuracy of the rebate accrual compared to actual rebates issued; and
• Recalculating the rebates accrual to test the accuracy of the calculation.

We also assessed the appropriateness of the related disclosures in Notes 4.1, 5 and 19 to the financial statements.</td></tr>
<tr><td>Inventory provisioning

As at 30 June 2017 the Group has a provision of $14.1m (2016: $2.1m), against total inventories of $98.9m (2016: $118.6m) as disclosed in Notes 4.2 and 14.

Significant judgement is required in estimating the value of slow moving and potentially obsolete items, some of which have a limited shelf life.

Furthermore, there is uncertainty over changes in consumer preferences and spending patterns, which are primarily driven by wider trends in the wellness sector which may impact inventory provisioning requirements.

There is a recoverability risk associated with new product launches and significant judgement is required in forecasting demand, including the possible change in demand between the time the inventory order is placed with the supplier and the ultimate date of sale.</td><td>Our audit procedures included but were not limited to:

• Understanding and testing key controls over the inventory provision;
• Testing the accuracy of the inventory ageing;
• Challenging management's assumptions and judgements regarding the slow moving inventory provision;
• Recalculating the provision to assess whether the methodology applied is appropriate and consistent with the pattern of historical and forecast sales; and
• Using data analytical techniques to assess the inventory provision by comparing inventory turnover for each stock keeping unit (SKU) based on both historical and forecast sales data against its remaining shelf life.

We also assessed the appropriateness of the related disclosures in Notes 4.2 and 14 to the financial statements.</td></tr>
</table>

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Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

Deloitte.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report of Blackmores Limited included in pages 54 to 71 of the Director's Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Blackmores Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Delaney

X Delaney
Partner
Chartered Accountants
Parramatta, 29 August 2017

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 2 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*.

At the date of this declaration, the Company is within the class of companies affected by ASIC Corporations Legislative Instrument 2016/785. The nature of the deed of cross guarantee is such that each company that is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the Directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in note 32 to the Financial Statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

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

Steve Chapman

Stephen Chapman
Director

Dated in Sydney, 29 August 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	NOTES	2017 $'000	2016 $'000
Sales (net of discounts)	5	**692,790**	717,211
Promotional and other rebates		**(143,547)**	(118,771)
Other income	6	**545**	1,086
Revenue and other income		**549,788**	599,526
Raw materials and consumables used		**236,184**	214,263
Employee benefits expenses	7	**120,209**	134,933
Selling and marketing expenses		**51,141**	49,177
Depreciation and amortisation expenses	7	**8,411**	7,045
Operating lease rental expenses	7	**7,942**	4,496
Professional and consulting expenses		**8,923**	9,168
Repairs and maintenance expenses		**5,172**	4,683
Freight expenses		**9,809**	10,906
Bank charges		**1,300**	2,099
Other expenses		**14,466**	17,535
Total expenses		**463,557**	454,305
Earnings before interest and tax		**86,231**	145,221
Interest revenue		**384**	462
Interest expense	7	**(4,564)**	(2,272)
Net interest expense		**(4,180)**	(1,810)
Profit before tax		**82,051**	143,411
Income tax expense	9.1	**(24,023)**	(43,391)
Profit after tax		**58,028**	100,020
Profit attributable to:			
Owners of the parent		**59,013**	100,008
Non-controlling interests		**(985)**	12
		58,028	100,020
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign controlled entities		**(1,922)**	(838)
Net (loss)/gain on hedging instruments entered into for cash flow hedges, net of tax		**(39)**	537
Other comprehensive income for the year, net of tax		**(1,961)**	(301)
Total comprehensive income for the year		**56,067**	99,719
Total comprehensive income attributable to:			
Owners of the parent		**57,119**	99,690
Non-controlling interests		**(1,052)**	29
		56,067	99,719
EARNINGS PER SHARE			
– Basic earnings per share (cents)	27	**342.6**	580.6
– Diluted earnings per share (cents)	27	**340.1**	576.2

Notes to the Consolidated Financial Statements are included on pages 82 to 117.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	NOTES	2017 $'000	2016 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	35.1	**34,251**	37,653
Receivables	13	**132,146**	134,636
Inventories	14	**84,794**	116,486
Other assets		**7,471**	5,849
Total current assets		**258,662**	294,624
NON-CURRENT ASSETS			
Property, plant and equipment	15	**74,207**	67,626
Investment property	16	**2,160**	2,160
Other intangible assets	17	**32,293**	32,736
Goodwill	18	**29,461**	29,371
Deferred tax assets	9.2	**9,960**	12,257
Other assets		**1,320**	628
Amounts advanced to related parties	33	**4,111**	3,960
Total non-current assets		**153,512**	148,738
Total assets		**412,174**	443,362
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	19	**124,365**	160,478
Current tax liabilities	20	**1,811**	24,204
Provisions	22	**11,549**	7,588
Other liabilities		**4,831**	9
Total current liabilities		**142,556**	192,279
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	21	**78,968**	55,446
Provisions	22	**1,372**	1,134
Other liabilities		**235**	3,655
Deferred tax liabilities	9.2	**10,224**	10,255
Total non-current liabilities		**90,799**	70,490
Total liabilities		**233,355**	262,769
Net assets		**178,819**	180,593
EQUITY			
CAPITAL AND RESERVES			
Issued capital	23	**37,753**	37,753
Reserves	24	**4,085**	5,252
Retained earnings	25	**135,703**	135,258
Equity attributable to shareholders of Blackmores Ltd		**177,541**	178,263
Equity attributable to non-controlling interests	26	**1,278**	2,330
Total equity		**178,819**	180,593

Notes to the Consolidated Financial Statements are included on pages 82 to 117.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	NOTES	2017 $'000	2016 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**763,413**	766,436
Payments to suppliers and employees		**(668,103)**	(643,414)
Cash generated from operations		**95,310**	123,022
Interest and other costs of finance paid		**(5,897)**	(4,375)
Income taxes paid		**(43,779)**	(34,971)
Net cash flows from operating activities	35.3	**45,634**	83,676
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**384**	462
Net cash outflow on acquisition of subsidiaries		**-**	(22,661)
Payments for property, plant and equipment and other intangible assets		**(14,567)**	(13,846)
Amounts advanced to related parties		**(151)**	(3,960)
Proceeds from disposal of property, plant and equipment		**30**	41
Dividends received		**92**	25
Net cash used in investing activities		**(14,212)**	(39,939)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from bank borrowings		**23,727**	11,357
Net proceeds from other borrowings		**1,100**	2,500
Dividends paid	28	**(58,568)**	(57,704)
Proceeds from issue of equity to non-controlling interests		**-**	2,301
Net cash used in financing activities		**(33,741)**	(41,546)
Net increase in cash and cash equivalents		**(2,319)**	2,191
Cash and cash equivalents at the beginning of the year		**37,653**	36,931
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(1,083)**	(1,469)
Cash and cash equivalents at the end of the year	35.1	**34,251**	37,653

Notes to the Consolidated Financial Statements are included on pages 82 to 117.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Issued Capital	Equity-Settled Employee Benefits Reserve	Cash Flow Hedging Reserve	Foreign Currency Translation Reserve	Retained Earnings	Attributable to owners of Blackmores Ltd	Non-controlling interest	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 July 2015	37,753	6,933	(913)	2,043	87,099	132,915	-	132,915
Reclassification to retained earnings	-	(5,855)	-	-	5,855	-	-	-
Dividends declared	-	-	-	-	(57,704)	(57,704)	-	(57,704)
Profit for the period	-	-	-	-	100,008	100,008	12	100,020
Gain recognised on cash flow hedges	-	-	767	-	-	767	-	767
Income tax related to gain on cash flow hedges	-	-	(230)	-	-	(230)	-	(230)
Foreign currency translation of controlled entities	-	-	-	(855)	-	(855)	17	(838)
Other comprehensive income for the year, net of tax	-	-	537	(855)	-	(318)	17	(301)
Total comprehensive income for the year	-	-	537	(855)	100,008	99,690	29	99,719
Recognition of share-based payments	-	3,362	-	-	-	3,362	-	3,362
Equity issued to holders of non-controlling interests	-	-	-	-	-	-	2,301	2,301
Balance as at 30 June 2016	**37,753**	**4,440**	**(376)**	**1,188**	**135,258**	**178,263**	**2,330**	**180,593**
Dividends declared	**-**	**-**	**-**	**-**	**(58,568)**	**(58,568)**	**-**	**(58,568)**
Profit for the period	**-**	**-**	**-**	**-**	**59,013**	**59,013**	**(985)**	**58,028**
Loss recognised on cash flow hedges	**-**	**-**	**(56)**	**-**	**-**	**(56)**	**-**	**(56)**
Income tax related to loss on cash flow hedges	**-**	**-**	**17**	**-**	**-**	**17**	**-**	**17**
Foreign currency translation of controlled entities	**-**	**-**	**-**	**(1,855)**	**-**	**(1,855)**	**(67)**	**(1,922)**
Other comprehensive income for the year, net of tax	**-**	**-**	**(39)**	**(1,855)**	**-**	**(1,894)**	**(67)**	**(1,961)**
Total comprehensive income for the year	**-**	**-**	**(39)**	**(1,855)**	**59,013**	**57,119**	**(1,052)**	**56,067**
Recognition of share-based payments	**-**	**727**	**-**	**-**	**-**	**727**	**-**	**727**
Balance as at 30 June 2017	**37,753**	**5,167**	**(415)**	**(667)**	**135,703**	**177,541**	**1,278**	**178,819**

Notes to the Consolidated Financial Statements are included on pages 82 to 117.

NOTES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

1 GENERAL INFORMATION

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

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

20 Jubilee Avenue
Warriewood NSW 2102
Telephone +61 2 9910 5000

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

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 REPORTING ENTITY

Blackmores Limited (the Company) is a company domiciled in Australia. The Consolidated Financial Report (Financial Report) of Blackmores as at and for the twelve months ended 30 June 2017 comprises Blackmores and its subsidiaries (the Group).

The Consolidated Annual Financial Report of the Group as at and for the year ended 30 June 2017 is available upon request from the registered office of Blackmores at 20 Jubilee Avenue, Warriewood, NSW 2102 or online at blackmores.com.au

2.2 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').

As a consequence of an IFRS Interpretation Committee (IFRIC) agenda decision issued in November 2016, management has amended its accounting policy to recognise a deferred tax liability on indefinite life intangibles acquired as part of a business combination. The amendment resulted in an increase of $5.0 million to goodwill and deferred tax liabilities as at the beginning of the earliest comparative period. An additional increase of $4.3 million related to Global Therapeutics business combination as at 30 June 2016. Therefore, as at 30 June 2016, goodwill and deferred tax liabilities increased by $9.3 million.

The Financial Statements were authorised for issue by the Directors on 29 August 2017.

2.3 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.

The accounting policies and methods of computation in the preparation of the Consolidated Financial Statements are consistent with those adopted and disclosed in the Consolidated Financial Statements for the year ended 30 June 2016, unless otherwise stated.

The Company is a company of the kind referred to in ASIC Class Order 98/100, 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.

2.4 BASIS OF CONSOLIDATION

The Consolidated Financial Statements incorporate the Financial Statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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 intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.5 CASH AND CASH EQUIVALENTS

Cash is comprised of cash on hand and cash at bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition. Bank overdrafts are shown within borrowings in current liabilities in the Consolidated Statement of Financial Position.

2.6 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.

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

2.6.1.1 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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

2.6.1.2 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.

2.6.1.3 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.

2.6.2 Financial Liabilities and Equity Instruments

2.6.2.1 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.

2.6.2.2 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.

2.6.2.3 Financial Liabilities

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

2.6.2.4 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 Statement of Profit or Loss and Other Comprehensive Income. Fair value is determined in the manner described in note 36.

2.6.2.5 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.

2.6.3 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.

2.6.3.1 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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.

2.6.3.2 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 Statement of Profit or Loss and Other Comprehensive Income 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 nonfinancial 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.

2.7 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.

2.8 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
- Motor vehicles 4-5 years

2.9 IMPAIRMENT OF NON-CURRENT ASSETS

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.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) other than goodwill 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.

2.10 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

2.11 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.

2.11.1 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.

2.12 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.

2.12.1 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 exceeds the economic benefits estimated to be received from the contract.

2.13 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.

2.14 REVENUE RECOGNITION

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

2.14.1 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.

2.14.2 Promotional and other rebates

Recognition of rebates requires management to exercise significant judgement with respect to the amount of the required accruals which are based on customers' sales volumes for the period as well as growth and/or contributions by customers towards promotional activities (known as case deals).

2.14.3 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 at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

2.14.4 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.

2.15 FOREIGN CURRENCIES

2.15.1 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 the Company, and the presentation currency for the Consolidated Financial Statements.

2.15.2 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.

2.15.3 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, unless exchange rates fluctuate

2 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

significantly, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

2.16 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.

2.17 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.

2.18 TAXATION

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

2.18.1 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 Statement of Profit or Loss and Other Comprehensive Income because of items of income or expense that is 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.

2.18.2 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.

2.18.3 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.

2.19 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, investment property will continue to be measured on a cost basis. Investment property will be depreciated where applicable.

Depreciation is provided on 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

2.20 INTANGIBLE ASSETS

2.20.1 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.

2.20.2 Internally-generated Intangible Assets

2.20.2.1 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.

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.

Brand names recognised by the Company have an indefinite useful life and are not amortised. Each period, the useful life of this asset is reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy stated in note 2.9.

2.20.2.2 Website Development Expenditure

Website development expenditure is recognised as an intangible asset to the extent that the above recognition criteria is met and the website will generate probable future economic benefits. Otherwise, it is expensed as incurred.

2.20.3 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.

2.20.4 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.

2.21 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 acquire 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.

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.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

2.22 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 note 2.21 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.

2.23 INTERESTS IN JOINT OPERATIONS

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

When a Group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the AASBs applicable to the particular assets, liabilities, revenues and expenses.

3 APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

3.1 STANDARDS AND INTERPRETATIONS AFFECTING AMOUNTS REPORTED IN THE CURRENT PERIOD (AND/OR PRIOR PERIODS)

Standards affecting presentation and disclosure

There are no new and/or revised Standards and Interpretations adopted in these Financial Statements affecting presentation or disclosure.

Standards and Interpretations affecting the reported results or financial position

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

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

There are no new Standards and Interpretations adopted in these Financial Statements.

3.3 STANDARDS AND INTERPRETATIONS IN ISSUE, NOT YET ADOPTED

At the date of authorisation of the Financial Statements, a number of Standards and Interpretations were on issue but not yet effective. The assessment of the impact of these standards is ongoing and as at the date of this report we have not quantified the impact. In the Directors' opinion, the following Standards on issue but not yet effective are most likely to impact the amounts reported by the Group in future financial periods:

Standard/Interpretation	Effective for annual periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', AASB 2015-8 'Amendments to Australian Accounting Standards – Effective date of AASB 15'	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2020
AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'	1 January 2017	30 June 2018
AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'	1 January 2017	30 June 2018
AASB 9 'Financial Instruments'	1 January 2018	30 June 2019

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the accounting policies, which are described in note 2, 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 PROMOTIONAL AND OTHER REBATES

For the year ended 30 June 2017 the Group recognised promotional and other rebates of $143.5m (2016: $118.8m) which have been charged against sales revenue as disclosed in the Consolidated Statement of Profit and Loss and other Comprehensive Income.

Accruals for promotional and other rebates as at 30 June 2017 are included within 'Other creditors and accruals' in note 19.

Recognition of rebate accruals at balance date requires management to exercise significant judgement in respect of the amount of the required accruals which are based on customers' sales volumes for the period as well as growth and/or contributions by customers towards promotional activities (known as case deals).

4.2 INVENTORY

Inventories are stated at the lower of cost and net realisable value. The Directors assess slow moving or obsolete inventory on a regular basis and a provision is raised to write down inventory to net realisable value as described in note 2.7.

As at 30 June 2017 the Group has a provision of $14.1m (2016: $2.1m), against total inventories of $98.9m (2016: $118.6m) as disclosed in note 14.

Significant judgement is required in estimating the value of slow moving and potentially obsolete items, some of which have a limited shelf life.

Furthermore, there is uncertainty over changes in consumer preferences and spending patterns, which are primarily driven by wider trends in the wellness sector which may impact inventory provisioning requirements.

There is a recoverability risk associated with new product launches and significant judgement is required in forecasting demand, including the possible change in demand between the time the inventory order is placed with the supplier and the ultimate date of sale.

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 2017 was $29.4m (30 June 2016: $29.4m).

5 REVENUE

	2017 $'000	2016 $'000
Sale of goods (net of discounts)	**692,790**	717,211
Promotional and other rebates	**(143,547)**	(118,771)
Revenue	**549,243**	598,440

6 OTHER INCOME

	2017 $'000	2016 $'000
Government grant	**423**	1,020
Dividends received	**92**	25
Proceeds from the disposal of fixed assets	**30**	41
	545	1,086

7 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2017 $'000	2016 $'000
Interest expense		
Interest on bank loans	**2,554**	1,085
Net settlement of interest rate swaps	**111**	410
Bank margin activation and undrawn facility fees	**1,899**	777
Total interest expense	**4,564**	2,272
Depreciation of non-current assets	**7,901**	6,480
Amortisation of non-current assets	**510**	565
Total depreciation and amortisation expense	**8,411**	7,045
Operating lease minimum payments	**7,942**	4,496
Research and development costs expensed as incurred	**3,592**	10,200
Employee benefits expense		
Post-employment benefits:		
Defined contribution plans	**6,632**	6,280
Share-based payments:		
Equity-settled share-based payments	**781**	3,362
Cash-settled share-based payments	**614**	-
Other employee benefits	**112,182**	125,291
	120,209	134,933
Provision for stock obsolescence	**17,917**	3,027
Net foreign exchange losses	**1,816**	2,877
Loss on disposal of non-current assets	**30**	358

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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. The Group's reportable segments under AASB 8 are therefore as follows:

ANZ (Australia and New Zealand)
China (In country and China Export Division)
Other Asia
BioCeuticals Group
Other
Corporate Costs

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

The accounting policies of the reportable segments are the same as the Group's accounting policies.

SEGMENT REVENUES

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

	2017 $'000	2016 $'000
ANZ[1]	**371,962**	481,967
China (In country and China Export Division)	**132,091**	77,291
Other Asia[2]	**84,384**	81,360
BioCeuticals Group[3]	**102,311**	72,267
Other[4]	**2,042**	4,326
Total Segment Revenue[5]	**692,790**	717,211

The Group had one customer (2016: one) who contributed more than 10% of the Group's revenue in the year. Included in external sales of the Australian segment of $371,962 thousand (2016: $481,967 thousand) are sales of $162,103 thousand (2016: $183,875 thousand) which arose from sales to the Group's largest customer.

1. ANZ segment revenue also includes Pure Animal Wellbeing and the benefit of sales made to Australian and New Zealand customers which we believe are ultimately intended for Asian Markets.
2. Other Asia comprises the markets of Thailand, Malaysia, Singapore, Hong Kong, Taiwan, Korea, Indonesia, Kazakhstan and Cambodia.
3. BioCeuticals Group comprises FIT-BioCeuticals Ltd and Global Therapeutics Pty Ltd.
4. Other comprises Bemore Partnership.
5. Excludes interest revenue and other income.

SEGMENT RESULTS

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

	2017 $'000	2016 $'000
ANZ	**62,912**	117,046
China (In country and China Export Division)	**27,904**	25,753
Other Asia	**895**	2,310
BioCeuticals Group	**14,316**	9,951
Other	**(6,965)**	(818)
Corporate Costs	**(12,831)**	(9,021)
Earnings before interest and tax	**86,231**	145,221

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.

9 INCOME TAXES

9.1 INCOME TAX RECOGNISED IN PROFIT OR LOSS

	2017 $'000	2016 $'000
Current tax:		
Current tax expense in respect of the current year	**27,239**	47,475
Adjustments recognised in the current year in relation to the current tax of prior years	**(968)**	789
Deferred tax:		
Deferred tax benefit relating to the origination and reversal of temporary differences	**(3,092)**	(4,727)
Adjustments recognised in the current year in relation to the deferred tax of prior years	**844**	(146)
Total income tax expense recognised in the current year relating to continuing operations	**24,023**	43,391
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	**82,051**	143,411
Income tax expense calculated at 30%	**24,615**	43,023
Effect of expenses that are not deductible in determining taxable profit	**288**	523
Effect of tax concessions	**(290)**	(362)
Effect of withholding tax on intercompany dividend	**155**	957
Effect of tax losses recognised	**(4)**	(735)
Effect of tax losses not recognised	**1,086**	788
Rate differential on overseas operations	**(1,541)**	(1,265)
Other items	**(162)**	(181)
	24,147	42,748
(Over)/under provision of income tax in previous year	**(124)**	643
Income tax expense recognised in profit or loss	**24,023**	43,391

The tax rate used for the 2017 and 2016 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 2017

9 INCOME TAXES (CONT.)

9.2 DEFERRED TAX BALANCES

Deferred tax assets arise from the following:

	OPENING BALANCE	CURRENT YEAR MOVEMENT RECOGNISED IN PROFIT OR LOSS	CURRENT YEAR MOVEMENT RECOGNISED IN OTHER COMPREHENSIVE INCOME	FILING DIFFERENCES RECOGNISED IN PROFIT OR LOSS	ACQUISITIONS	CLOSING BALANCE
	$'000	$'000	$'000	$'000	$'000	$'000
Temporary differences 2017						
Property, plant and equipment	**(69)**	**16**	**-**	**21**	**-**	**(32)**
Prepayments and other	**(62)**	**165**	**-**	**-**	**-**	**103**
Provisions	**3,820**	**(10)**	**-**	**(273)**	**-**	**3,537**
Accruals	**6,638**	**(3,595)**	**-**	**262**	**-**	**3,305**
Cash flow hedges	**163**	**-**	**(17)**	**-**	**-**	**146**
Foreign currency monetary items	**(351)**	**(191)**	**-**	**-**	**-**	**(542)**
Capitalised expenses	**(4)**	**(20)**	**-**	**4**	**-**	**(20)**
Indefinite life intangible assets	**(9,339)**	**-**	**-**	**-**	**-**	**(9,339)**
Other	**1,205**	**543**	**-**	**830**	**-**	**2,578**
	2,002	**(3,092)**	**(17)**	**844**	**-**	**(264)**
Presented in the Consolidated Statement of Financial Position as follows:						
Deferred tax asset						**9,960**
Deferred tax liability						**(10,224)**
						(264)
Temporary differences 2016						
Property, plant and equipment	(10)	20	-	(79)	-	(69)
Prepayments and other	(114)	52	-	-	-	(62)
Provisions	4,579	(930)	-	69	102	3,820
Accruals	2,033	4,085	-	435	85	6,638
Cash flow hedges	393	-	(230)	-	-	163
Foreign currency monetary items	(475)	98	-	26	-	(351)
Capitalised expenses	32	(3)	-	(33)	-	(4)
Tax losses recognised	12	(12)	-	-	-	-
Indefinite life intangable assets	(5,001)	-	-	-	(4,338)	(9,339)
Other	61	1,417	-	(272)	-	1,205
	510	4,727	(230)	146	(4,151)	2,002
Presented in the Consolidated Statement of Financial Position as follows:						
Deferred tax asset						12,257
Deferred tax liability						(10,255)
						2,002

UNRECOGNISED DEFERRED TAX ASSETS

	2017 $'000	2016 $'000
The following deferred tax assets have not been brought to account as assets:		
Tax losses - capital (no expiry date)	**1,230**	1,230
Tax losses - revenue (expiry: 2017)	**-**	34
Tax losses - revenue (expiry: 2018)	**15**	67
Tax losses - revenue (expiry: 2019)	**69**	120
Tax losses - revenue (expiry: 2020)	**122**	147
Tax losses - revenue (expiry: 2021)	**29**	572
Tax losses - revenue (expiry: 2022)	**487**	-
Tax losses - revenue (expiry: 2023)	**-**	-
Tax losses - revenue (expiry: 2024)	**-**	-
Tax losses - revenue (expiry: 2025)	**-**	-
Tax losses - revenue (expiry: 2026)	**127**	-
Tax losses - revenue (expiry: 2027)	**186**	-
Tax losses - revenue (no expiry date)	**-**	-
	2,265	2,170

10 KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2017 $	2016 $
Short-term employee benefits	**4,824,831**	8,775,522
Post-employment benefits	**227,479**	226,097
Other long-term benefits	**63,945**	86,547
Share-based payments	**960,764**	2,026,265
	6,077,019	11,114,431

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 2016. 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'. Under the Company Executive Performance Share Plan, during the year the Company granted entitlements to an allocation of ordinary shares provided specific performance objectives and hurdles are met over the three year period commencing 1 July 2016 to the year ending 30 June 2019. If the performance and employment vesting conditions are met, the minimum number of rights that could be vested under the entitlement is 6,481 (2016: 6,780) and the maximum number of rights that could be vested is 51,851 (2016: 40,673). Several grant dates applied to these rights; as a result the following fair values applied to the number of rights listed below.

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

SHARE RIGHTS SERIES	NUMBER OF RIGHTS	GRANT DATE	VESTING DATE	EXERCISE PRICE	FAIR VALUE AT GRANT DATE
GRANTS IN THE 2017 YEAR					$
Granted	**51,851**	**17 Nov 2016**	**30 Jun 2019**	**N/A**	**99.19**
GRANTS IN THE 2016 YEAR					$
Granted	40,673	25 Nov 2015	30 Jun 2018	N/A	147.49

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

	2017		2016	
	NUMBER OF RIGHTS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF RIGHTS	WEIGHTED AVERAGE EXERCISE PRICE
Balance at the beginning of the year	**157,999**		117,326	
Granted during the year	**51,851**		40,673	
Forfeited during the year	**(34,387)**		-	
Exercised during the year	**-**	**N/A**	-	N/A
Expired during the year	**-**		-	
Balance at the end of the year	**175,463**		157,999	
Exercisable at the end of the year	**175,463**		157,999	

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 at 30 June three years after grant and shares are subsequently issued in September of that year following audit clearance of the Group's result and Board approval. The issue price for share rights granted in the 2017 financial year will be determined in September 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

11 SHARE-BASED PAYMENTS (CONT.)

2017

RATE OF EPS GROWTH		PERCENTAGE OF PARTICIPANT'S BASE REMUNERATION		
		CHIEF EXECUTIVE OFFICER	SENIOR EXECUTIVES	OTHER SENIOR COMPANY MANAGEMENT
5.0%		**25.0**	**10.0**	**5.0**
5.0% to 10.0%	prorata between	**25.0 to 50.0**	**10.0 to 20.0**	**5.0 to 10.0**
10.0%		**50.0**	**20.0**	**10.0**
10.0% to 25.0%	prorata between	**50.0 to 200.0**	**20.0 to 80.0**	**10.0 to 40.0**
25.0%		**200.0**	**80.0**	**40.0**
Greater than 25.0%		**200.0**	**80.0**	**40.0**

2016

RATE OF EPS GROWTH		PERCENTAGE OF PARTICIPANT'S BASE REMUNERATION		
		CHIEF EXECUTIVE OFFICER	SENIOR EXECUTIVES	OTHER SENIOR COMPANY MANAGEMENT
3.90%		25.0	10.0	5.0
3.9% to 7.8%	prorata between	25.0 to 50.0	10.0 to 20.0	5.0 to 10.0
7.80%		50.0	20.0	10.0
7.8% to 17.9%	prorata between	50.0 to 150.0	20.0 to 60.0	10.0 to 30.0
17.90%		150.0	60.0	30.0
Greater than 17.9%		150.0	60.0	30.0

Share-Based Conditions

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.

Staff Share Acquisition Plans

The Group has established two Staff Share Acquisition Plans. The first plan is open to all eligible 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. 651 shares were issued during the year ended 30 June 2017 (2016: 872 shares). In July 2017, 726 shares (2016: 651 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 2017.

The second plan, established in the 2017 financial year, is open to all eligible employees including Senior Executives and enables them to purchase up to $10,000 of Blackmores shares each year out of after tax pay. For every three purchased shares acquired using the employees contributions, subject to employment vesting condition and scaling applied under the plan, the company will provide one extra share. The vesting date for the year ended 30 June 2017 is 31 July 2017. The maximum cost of the shares provided by the Company for 2017 financial year has been set at $500,000.

Options Plan

At 1 July 2016 and at 1 July 2015 there were no share options outstanding, none was issued during the years ended 30 June 2017 (2016: nil) and as at 30 June 2017 there were no unexercised share options (2016: nil).

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.

12 REMUNERATION OF AUDITOR

	2017 $	2016 $
Auditor of the Parent Entity		
Auditing or reviewing the Financial Statements	**322,672**	316,065
Taxation services	**90,000**	110,000
Other non-audit services[1]	**512,000**	253,293
	924,672	679,358
Network Firm of the Parent Company Auditor		
Auditing the Financial Statements	**219,793**	228,335
	219,793	228,335

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 RECEIVABLES

	2017 $'000	2016 $'000
Current		
Current trade and other receivables[1]	**132,616**	135,518
Allowance for doubtful debts	**(1,059)**	(1,218)
Allowance for claims	**(1,061)**	(1,096)
	130,496	133,204
Goods and services tax (GST) recoverable	**1,650**	1,432
	132,146	134,636

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.

At 30 June 2017, the Group had two customers (2016: two customers) each comprising amounts greater than 5% of the total trade receivables. These customers owed the Group more than $36,000 thousand (2016: $46,000 thousand) and accounted for approximately 28% (2016: 35%) of all receivables owing.

	2017 $'000	2016 $'000
Ageing of Past Due But Not Impaired		
0 - 30 days past due date	**26,698**	17,440
31 - 60 days past due date	**8,035**	3,125
61 - 90 days past due date	**254**	1,717
> 90 days past due date	**1,704**	1,443
Total	**36,691**	23,725

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 2017

13 RECEIVABLES (CONT.)

	2017 $'000	2016 $'000
Ageing of Impaired Trade Receivables		
0 - 30 days past due date	**14**	16
31 - 60 days past due date	**198**	711
61 - 90 days past due date	**14**	481
> 90 days past due date	**925**	10
Total	**1,151**	1,218

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of $357 thousand (2016: $31 thousand). 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

	2017 $'000	2016 $'000
Balance at the beginning of the year	**1,218**	169
Amounts written off as uncollectable	**(287)**	(1,107)
Increase in provision	**128**	2,156
Balance at the end of the year	**1,059**	1,218

14 INVENTORIES

	2017 $'000	2016 $'000
Ingredients	**13,524**	9,873
Raw materials	**27,784**	50,300
Finished goods	**43,486**	56,313
	84,794	116,486

The provision at balance date to cover inventory write downs is $14,141 thousand (2016: $2,107 thousand).

15 PROPERTY, PLANT AND EQUIPMENT

	2017 $'000	2016 $'000
Cost	**124,170**	110,000
Accumulated depreciation	**(49,963)**	(42,374)
	74,207	67,626
Carrying amounts of:		
Freehold land	**12,848**	12,848
Buildings	**29,208**	30,123
Leasehold improvements	**3,200**	1,132
Plant and equipment	**22,464**	19,899
Motor vehicles	**52**	121
Capital work in progress	**6,435**	3,503
	74,207	67,626

15 PROPERTY, PLANT AND EQUIPMENT (CONT.)

	FREEHOLD LAND $'000	BUILDINGS $'000	LEASEHOLD IMPROVE-MENTS $'000	PLANT AND EQUIPMENT $'000	MOTOR VEHICLES $'000	CAPITAL WORK IN PROGRESS $'000	TOTAL $'000
Cost							
Balance at 30 June 2015	**12,848**	**36,983**	**826**	**47,687**	**314**	**1,277**	**99,935**
Additions	-	-	1,086	8,946	-	3,503	13,535
Additions obtained through business combinations	-	-	147	399	15	-	561
Category transfers	-	-	26	1,251	-	(1,277)	-
Disposals	-	-	(378)	(3,579)	(73)	-	(4,030)
Net foreign currency exchange differences arising on translation of financial statements of foreign operations	-	-	(25)	24	-	-	(1)
Balance at 30 June 2016	**12,848**	**36,983**	**1,682**	**54,728**	**256**	**3,503**	**110,000**
Additions	-	16	2,751	5,438	-	6,290	14,495
Category transfers	-	-	215	3,143	-	(3,358)	-
Disposals	-	-	(44)	(132)	(69)	-	(245)
Net foreign currency exchange differences arising on translation of financial statements of foreign operations	-	-	(7)	(73)	-	-	(80)
Balance at 30 June 2017	**12,848**	**36,999**	**4,597**	**63,104**	**187**	**6,435**	**124,170**
Accumulated Depreciation							
Balance at 30 June 2015	**-**	**(5,929)**	**(476)**	**(32,638)**	**(157)**	**-**	**(39,200)**
Disposals	-	-	250	3,321	60	-	3,631
Assets obtained through business combinations	-	-	(84)	(262)	(6)	-	(352)
Depreciation expense	-	(931)	(252)	(5,265)	(32)	-	(6,480)
Net foreign currency exchange differences arising on translation of financial statements of foreign operations	-	-	12	15	-	-	27
Balance at 30 June 2016	**-**	**(6,860)**	**(550)**	**(34,829)**	**(135)**	**-**	**(42,374)**
Disposals	-	-	23	106	57	-	186
Depreciation expense	-	(931)	(877)	(6,036)	(57)	-	(7,901)
Net foreign currency exchange differences arising on translation of financial statements of foreign operations	-	-	7	119	-	-	126
Balance at 30 June 2017	**-**	**(7,791)**	**(1,397)**	**(40,640)**	**(135)**	**-**	**(49,963)**
Net Book Value							
As at 30 June 2016	12,848	30,123	1,132	19,899	121	3,503	67,626
As at 30 June 2017	**12,848**	**29,208**	**3,200**	**22,464**	**52**	**6,435**	**74,207**

No impairment losses have been recognised in the current year (2016: $nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

16 INVESTMENT PROPERTY

	2017 $'000	2016 $'000
Cost of investment property	**2,160**	2,160
At Cost		
Balance at beginning of year	**2,160**	2,160
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

	2017 $'000	2016 $'000
Cost	**35,824**	35,629
Accumulated amortisation	**(3,531)**	(2,893)
	32,293	32,736

	CAPITALISED WEBSITE $'000	REGISTRATIONS[1] $'000	TRADEMARKS[1] $'000	FORMULATIONS[1] $'000	ROYALTY STREAM $'000	BRANDS[1] $'000	PATENTS $'000	TOTAL $'000
Cost								
Balance at 30 June 2015	**2,670**	**893**	**288**	**272**	**450**	**15,313**	**972**	**20,858**
Additions	-	-	-	-	-	-	-	-
Additions from internal development	311	-	-	-	-	-	-	311
Assets obtained through business combination	-	-	1,160	-	-	13,300	-	14,460
Effect of foreign currency exchange differences	-	-	-	-	-	-	-	-
Balance at 30 June 2016	**2,981**	**893**	**1,448**	**272**	**450**	**28,613**	**972**	**35,629**
Additions	69	-	-	-	-	-	-	69
Category reclass	108	3	(96)	-	96	-	-	111
Effect of foreign currency exchange differences	15	-	-	-	-	-	-	15
Balance at 30 June 2017	**3,173**	**896**	**1,352**	**272**	**546**	**28,613**	**972**	**35,824**
Accumulated Amortisation								
Balance at 30 June 2015	**(1,940)**	**-**	**-**	**-**	**(278)**	**-**	**(110)**	**(2,328)**
Amortisation expense	(392)	-	-	-	(90)	-	(83)	(565)
Effect of foreign currency exchange differences	-	-	-	-	-	-	-	-
Balance at 30 June 2016	**(2,332)**	**-**	**-**	**-**	**(368)**	**-**	**(193)**	**(2,893)**
Amortisation expense	(342)	-	-	-	(103)	-	(65)	(510)
Category reclass	(111)	-	-	-	-	-	-	(111)
Effect of foreign currency exchange differences	(17)	-	-	-	-	-	-	(17)
Balance at 30 June 2017	**(2,802)**	**-**	**-**	**-**	**(471)**	**-**	**(258)**	**(3,531)**
Net Book Value								
As at 30 June 2016	649	893	1,448	272	82	28,613	779	32,736
As at 30 June 2017	**371**	**896**	**1,352**	**272**	**75**	**28,613**	**714**	**32,293**

1. These assets are considered to be of indefinite life and therefore do not require amortisation, but are subject to impairment testing.

17 OTHER INTANGIBLE ASSETS (CONT.)

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

Capitalised website development	3 years
Patents	20 years
Royalty stream	5 years

The amortisation expense has been included in the line item 'depreciation and amortisation expenses' in the Consolidated Statement of Profit or Loss.

18 GOODWILL

	2017 $'000	2016 $'000
Cost		
Balance at beginning of the year	**29,371**	21,864
Additional amounts recognised from business combinations occuring during the year (note 38)	**90**	7,507
Balance at end of the year	**29,461**	29,371

18.1 ALLOCATION OF GOODWILL TO CASH-GENERATING UNITS

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

	2017 $'000	2016 $'000
Pure Animal Wellbeing	**1,015**	1,015
BioCeuticals	**20,849**	20,849
Global Therapeutics	**7,597**	7,507
	29,461	29,371

Intangible assets with indefinite lives have been allocated for impairment testing purposes to the following cash-generating units:

	2017 $'000	2016 $'000
Pure Animal Wellbeing	**1,189**	1,189
BioCeuticals	**15,481**	15,481
Global Therapeutics	**14,460**	14,460
	31,130	31,130

Pure Animal Wellbeing, BioCeuticals and Global Therapeutics

The recoverable amounts of these cash-generating units are determined on a value in use calculation. This calculation uses 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, BioCeuticals and Global Therapeutics 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 post-tax discount rate used for Pure Animal Wellbeing, BioCeuticals and Global Therapeutics is 8%.

19 TRADE AND OTHER PAYABLES

	2017 $'000	2016 $'000
Trade payables[1]	**75,820**	102,096
Goods and services tax (GST) payable	**3,608**	4,339
Other creditors and accruals	**44,937**	54,043
	124,365	160,478

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.

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

20 CURRENT TAX LIABILITIES

	2017 $'000	2016 $'000
Income tax payable	**1,669**	24,093
Withholding tax payable	**142**	111
	1,811	24,204

21 INTEREST BEARING LIABILITIES

	2017 $'000	2016 $'000
Non-current		
Secured - at amortised cost:		
Bank bills[1,2]	**78,968**	55,446

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.

22 PROVISIONS

	2017 $'000	2016 $'000
Current		
Employee benefits	**8,566**	7,440
Directors' retirement benefits	**148**	148
Other	**2,835**	-
	11,549	7,588
Non-current		
Employee benefits	**1,372**	1,134

23 ISSUED CAPITAL

	2017 $'000	2016 $'000
17,225,807 fully paid ordinary shares (2016: 17,225,156)	**37,753**	37,753

	2017 NUMBER '000	2017 ISSUED CAPITAL $'000	2016 NUMBER '000	2016 ISSUED CAPITAL $'000
Fully Paid Ordinary Shares				
Balance at beginning of financial year	**17,225**	**37,753**	17,224	37,753
Issue of shares under Executive and employee share plans (notes 11, 34.3)	**1**	**-**	1	-
Balance at end of financial year	**17,226**	**37,753**	17,225	37,753

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.

24 RESERVES

	2017 $'000	2016 $'000
Equity-settled employee benefits reserve	**5,167**	4,440
Cash flow hedging reserve	**(415)**	(376)
Foreign currency translation reserve	**(667)**	1,188
	4,085	5,252

24.1 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	**4,440**	6,933
Reclassification to retained earnings	**-**	(5,855)
Recognition of share-based payments (net of tax)	**727**	3,362
Balance at end of year	**5,167**	4,440

24.2 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	**(376)**	(913)
Net (loss)/gain on revaluation (net of tax)	**(39)**	537
Balance at end of year	**(415)**	(376)

24.3 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 2.15 to the Consolidated Financial Statements.

Balance at beginning of year	**1,188**	2,043
Exchange differences arising on translating the foreign controlled entities	**(1,855)**	(855)
Balance at end of year	**(667)**	1,188

25 RETAINED EARNINGS

	2017 $'000	2016 $'000
Retained earnings	**135,703**	135,258
Balance at the beginning of the year	**135,258**	87,099
Reclassification of equity-settled employee benefit reserve	**-**	5,855
Profit for the year	**59,013**	100,008
Payment of dividends	**(58,568)**	(57,704)
Balance at end of year	**135,703**	135,258

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

26 EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

	2017 $'000	2016 $'000
Balance at the beginning of the year	**2,330**	-
Non-controlling interests arising on the incorporation of Kalbe Blackmores Nutrition	**-**	2,301
Share of (loss)/profit for the year	**(985)**	12
Share of other comprehensive (expense)/income	**(67)**	17
Balance at end of year	**1,278**	2,330

27 EARNINGS PER SHARE

	2017 CENTS PER SHARE	2016 CENTS PER SHARE
Basic earnings per share	**342.6**	580.6
Diluted earnings per share	**340.1**	576.2

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:

	2017 $'000	2016 $'000
Earnings (reconciles directly to profit for the year in the Consolidated Statement of Profit or Loss)	**59,013**	100,008
	2017 NUMBER	**2016 NUMBER**
Weighted average number of ordinary shares on issue during the financial year used in the calculation of basic earnings per share	**17,225,802**	17,225,093

Diluted Earnings per Share

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

	2017 $'000	2016 $'000
Earnings (reconciles directly to profit for the year in the Consolidated Statement of Profit or Loss)	**59,013**	100,008
	2017 NUMBER	**2016 NUMBER**
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**17,225,802**	17,225,093
Shares deemed to be issued for no consideration in respect of:		
Employee share plans	**126,079**	132,673
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	**17,351,881**	17,357,766

28 DIVIDENDS

	2017 CENTS PER SHARE	TOTAL $'000	2016 CENTS PER SHARE	TOTAL $'000
Recognised Amounts				
Fully paid ordinary shares				
Final dividend for year ended 30 June 2016 (2016: 30 June 2015)				
– fully franked at 30% corporate tax rate	**210**	**36,174**	135	23,254
Interim dividend for year ended 30 June 2017 (2016: 30 June 2016)				
– fully franked at 30% corporate tax rate	**130**	**22,394**	200	34,450
	340	**58,568**	335	57,704
Unrecognised Amounts				
Fully paid ordinary shares				
Final dividend – fully franked at 30% corporate tax rate	**140**	**24,117**		

The final dividend in respect of ordinary shares for the year ended 30 June 2017 has not been recognised in these Consolidated Financial Statements because the final dividend was declared subsequent to 30 June 2017.

	COMPANY	
	2017 $'000	2016 $'000
Adjusted franking account balance	**28,538**	21,075

29 COMMITMENTS FOR EXPENDITURE

	2017 $'000	2016 $'000
Research and Development Contracts		
Not longer than 1 year	**70**	348
Longer than 1 year and not longer than 5 years	**70**	145
	140	493
Plant and equipment		
Not longer than 1 year	**8,190**	3,906
	8,190	3,906
Promotional Services		
Not longer than 1 year	**2,150**	3,862
Longer than 1 year and not longer than 5 years	**4,026**	5,773
	6,176	9,635
Sponsorship		
Not longer than 1 year	**998**	1,198
Longer than 1 year and not longer than 5 years	**4,087**	5,378
Longer than 5 years	**1,200**	-
	6,285	6,576

Lease Commitments

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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

	2017 $'000	2016 $'000
Not later than 1 year	**4,642**	5,414
Later than 1 year and not later than 5 years	**8,374**	12,389
	13,016	17,803

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

31 CONTINGENT LIABILITIES

Blackmores is currently undergoing a detailed review of exemption claims that have been made under the various free trade agreements in place between Australia and the countries with which Blackmores trades. This review is ongoing and includes a review of potential risks and opportunities pertaining to the use of and compliance to detailed requirements relating to different export classification codes. As at the signing date, no conclusions have been reached and discussion with relevant external regulatory bodies are continuing. A reliable estimate of potential risks or probable outflows as an outcome of the completion of this review cannot be determined. Accordingly no liability has been recorded in the accounts for 30 June 2017.

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 INTEREST 2017 %	OWNERSHIP INTEREST 2016 %	PRINCIPAL ACTIVITY
Blackmores Nominees Pty Limited[1]	Australia	100	100	Management of employee share plans
Pat Health Limited	Hong Kong	100	100	Marketing of natural health products
Blackmores Beijing Co., Limited	China	100	100	Marketing of natural health products
Blackmores China Co., Limited	China	100	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 (Singapore) Pte Limited	Singapore	100	100	Marketing of natural health products
Blackmores (Malaysia) Sdn Bhd	Malaysia	100	100	Marketing of natural health products
Blackmores Holdings Limited	Thailand	100	100	Holding company
Blackmores Limited	Thailand	100	100	Marketing of natural health products
Blackmores Korea Limited	Korea	100	100	Marketing of natural health products
Blackmores International Pte. Limited	Singapore	100	100	Regional head office
PT Kalbe Blackmores Nutrition	Indonesia	50	50	Marketing of natural health products
FIT-BioCeuticals Limited	Australia	100	100	Marketing of natural health products
FITBioCeuticals (NZ) Limited[1]	New Zealand	100	100	Marketing of natural health products
PharmaFoods Pty Limited[1]	Australia	100	100	Marketing of natural health products
FIT-BioCeuticals Limited	United Kingdom	100	100	Marketing of natural health products
FIT-BioCeuticals (HK) Limited	Hong Kong	100	100	Marketing of natural health products
Hall Drug Technologies Pty Limited[1]	Australia	100	100	Marketing of natural health products
Blackmores SPV Co Pty Limited	Australia	100	100	Holding company
New Century Herbals Pty Limited[1]	Australia	100	100	Holding company
Global Therapeutics Pty Limited[1]	Australia	100	100	Marketing of natural health products
Blackmores Japan Limited	Japan	100	-	Marketing of natural health products

1. These wholly owned subsidiaries have entered into a deed of cross guarantee with Blackmores Limited pursuant to ASIC class order 98/1418 and are relieved from the requirement to prepare and lodge an audited financial report.

Companies incorporated outside Australia carry on business in the country of incorporation.

Economic Dependency

The Group is not significantly dependent upon any other entity.

32 SUBSIDIARIES AND OTHER RELATED COMPANIES (CONT.)

32.1 FINANCIAL SUPPORT

The Consolidated Statement of Profit or Loss and the Consolidated Statement of Financial Position of the entities party to the deed of cross guarantee are:

Statement of Profit or Loss

	2017 $'000	2016 $'000
Sales	**597,844**	620,937
Promotional and other rebates	**(111,701)**	(86,744)
Other income	**3,497**	11,079
Revenue and other income	**489,640**	545,272
Raw materials and consumables used	**229,429**	213,207
Employee benefits expense	**94,527**	112,303
Selling and marketing expenses	**32,087**	31,685
Depreciation and amortisation expenses	**7,683**	6,544
Operating lease rental expenses	**6,142**	3,262
Professional and consulting expenses	**7,062**	7,390
Repairs and maintenance expenses	**4,138**	3,886
Freight expenses	**7,253**	8,431
Bank charges	**1,239**	2,041
Impairment of loan to related party	**7,200**	-
Other expenses	**17,634**	16,367
Total expenses	**414,394**	405,116
Earnings before interest and tax	**75,246**	140,156
Interest revenue	**166**	252
Interest expense	**(4,366)**	(2,231)
Net interest expense	**(4,200)**	(1,979)
Profit before tax	**71,046**	138,177
Income tax expense	**(19,420)**	(39,744)
Profit for the year	**51,626**	98,433
Profit attributable to:		
Owners of the parent	**51,626**	98,433
Non-controlling interests	**-**	-
	51,626	98,433
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Net (loss)/gain on hedging instruments entered into for cash flow hedges, net of tax	**(39)**	537
Other comprehensive income for the year, net of tax	**(39)**	537
Total comprehensive income for the year	**51,587**	98,970
Total comprehensive income attributable to:		
Owners of the parent	**51,587**	98,970
Non-controlling interests	**-**	-
	51,587	98,970

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

32 SUBSIDIARIES AND OTHER RELATED COMPANIES (CONT.)

32.1 FINANCIAL SUPPORT (CONT.)

Statement of Financial Position

	2017 $'000	2016 $'000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**12,565**	10,512
Receivables	**117,952**	129,554
Inventories	**70,950**	99,429
Other assets	**6,544**	4,493
Total current assets	**208,011**	243,988
NON-CURRENT ASSETS		
Property, plant and equipment	**72,291**	66,126
Investment property	**2,160**	2,160
Other intangible assets	**31,011**	31,450
Goodwill	**19,464**	19,374
Deferred tax assets	**9,136**	8,864
Other financial assets	**10,883**	15,588
Total non-current assets	**144,945**	143,562
Total assets	**352,956**	387,550
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	**113,635**	147,012
Current tax payable	**1,435**	21,902
Other financial liabilities	**481**	-
Provisions	**11,878**	8,844
Total current liabilities	**127,429**	177,758
NON-CURRENT LIABILITIES		
Interest-bearing liabilities	**75,000**	52,000
Provisions	**1,372**	1,134
Other financial liabilities	**199**	1,139
Deferred tax liability	**843**	1,160
Total non-current liabilities	**77,414**	55,433
Total liabilities	**204,843**	233,191
Net assets	**148,113**	154,359
EQUITY		
CAPITAL AND RESERVES		
Issued capital	**37,753**	37,753
Reserves	**4,115**	3,419
Retained earnings	**106,245**	113,187
Total equity	**148,113**	154,359

33 JOINT OPERATIONS

The Group has the following interest in joint operations:

Bemore Partnership Pty Ltd

The following amounts are included in the Group's Financial Statements in relation to the joint operation, representing the Group's 50% share of Bemore Partnership Pty Ltd:

	2017 $'000	2016 $'000
Sales (net of discounts)	**2,042**	4,329
Promotional and other rebates	**(1,061)**	(1,075)
Revenue and other income	**981**	3,254
Raw materials and consumables	**6,433**	1,945
Operating expenses	**1,513**	2,127
Loss before interest	**(6,965)**	(818)
Interest income	**6**	4
Net loss for the period	**(6,959)**	(814)

	30 June 2017 $'000	30 June 2016 $'000
Cash and cash equivalents	**217**	822
Receivables	**556**	626
Inventory	**-**	5,029
Total assets	**773**	6,477
Other payables	**97**	510
Provisions	**567**	-
Payables to Joint operators[1]	**682**	1,781
Loans from Joint operators[1]	**7,200**	5,000
Total liabilities	**8,546**	7,291
Net liabilities	**(7,773)**	(814)
Accumulated losses	**(7,773)**	(814)

1. Included in these balances are amounts owing to the Blackmores Group of $4,111 thousand (2016: $3,960 thousand).

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 LOAN DISCLOSURES

There were no loan balances exceeding $100,000 due from Key Management Personnel during or at the end of the financial year (2016: nil).

34.3 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.

34.4 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 (2016: $nil).

Other related party transactions

During the financial year ended 30 June 2017, 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 $48,400 (2016: $100,675) 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 (2016: $nil).

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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:

	2017 $'000	2016 $'000
Cash and bank balances	**34,251**	37,653
Cash and cash equivalents	**34,251**	37,653

35.2 FINANCING FACILITIES

	2017 $'000	2016 $'000
Unsecured bank overdraft facility, reviewed annually and payable at call:		
• amount used	**-**	570
• amount unused	**5,000**	4,430
	5,000	5,000
Unsecured revolving term debt facility under Common Terms Deed:		
• amount used	**78,968**	55,446
• amount unused	**157,933**	82,060
	236,901	137,506

The Group restructured borrowings during the year to unsecured debt under a Common Terms Deed with three banks.

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.

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

	2017 $'000	2016 $'000
Profit for the year	**58,028**	100,020
Loss on disposal of non-current assets	**30**	358
Interest revenue disclosed as investing cash flow	**(384)**	(462)
Dividend income disclosed as investing cash flow	**(92)**	(25)
Proceeds from disposal of property, plant and equipment disclosed as investing cash flow	**(30)**	(41)
Depreciation and amortisation of non-current assets	**8,411**	7,045
Revaluation of investments	**(724)**	(67)
Share-based payments	**781**	3,362
Other[1]	**(1,632)**	(743)
(Decrease)/increase in current tax liability	**(22,393)**	11,330
Increase/(decrease) in deferred tax balances	**2,267**	(4,830)
Decrease in deferred tax balances related to hedge reserve in equity	**17**	(230)
Movements in working capital:		
• Current receivables	**2,490**	(24,212)
• Current inventories	**31,692**	(73,845)
• Other assets	**(2,315)**	(481)
• Current trade payables	**(36,113)**	62,927
• Provisions	**4,199**	1,412
• Other liabilities	**1,402**	2,158
Net cash flows from operating activities	**45,634**	83,676

1. Includes foreign exchange translation of controlled entities.

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 2016.

The capital structure of the Group consists of net debt (borrowings as disclosed in note 21 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 23, 24 and 25 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 is 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 established a debt facility in Singapore during 2016 to assist with Asian funding.

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.

Gearing ratio

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

	NOTE	2017 $'000	2016 $'000
Debt[1]		**78,968**	55,446
Cash and cash equivalents		**(34,251)**	(37,653)
Net debt		**44,717**	17,793
Equity[2]		**177,541**	178,263
Net debt to (net debt plus equity) ratio		**20.1%**	9.1%

1. Debt is defined as long and short-term borrowings, as detailed in note 21.
2. Equity includes all capital and reserves that are managed as capital.

Categories of financial instruments

	NOTE	2017 $'000	2016 $'000
Financial Assets			
Cash and bank balances		**34,251**	37,653
Loans and receivables		**132,146**	134,636
Other financial assets	36.8	**1,165**	471
		167,562	172,760
Financial Liabilities			
Derivative instruments in designated hedge accounting relationships		**580**	834
Loans and payables		**203,333**	215,924
		203,913	216,758

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 2.6 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 forward exchange contracts.

The Group is mainly exposed to New Zealand Dollar (NZD), United States Dollar (USD), and Canadian Dollar (CAD).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

36 FINANCIAL INSTRUMENTS (CONT.)

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:

	LIABILITIES		ASSETS	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
United States Dollar (USD)	**12,380**	19,363	**790**	3,045
New Zealand Dollar (NZD)	**2,132**	10,917	**-**	297
Euro (EUR)	**248**	832	**-**	-
Canadian Dollar (CAD)	**934**	690	**-**	-
Swiss Franc (CHF)	**(4)**	93	**-**	-
British Pound (GBP)	**4**	-	**-**	-
Chinese Yuan (CNY)	**-**	4	**2**	57
Japanese Yen (JPY)	**11**	17	**-**	-
South Korean Won (KRW)	**-**	47	**-**	-
Thai Baht (THB)	**-**	5	**-**	12
Singapore Dollars (SGD)	**-**	2	**-**	-
Malaysian Ringgit (MYR)	**-**	7	**-**	-
Taiwan Dollars (TWD)	**35**	-	**-**	-

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. A positive number below indicates an increase in profit or equity where the Australian dollar strengthens 10% against the relevant currency. For a 10% weakening of the Australian dollar against the relevant currency, there would be a comparable impact on the profit or equity, and the balances below would be negative.

	PROFIT/ (LOSS)			
	10% INCREASE		10% DECREASE	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
USD impact	**1,117**	1,483	**(1,211)**	(1,813)
NZD impact	**194**	965	**(237)**	(1,180)
EUR impact	**23**	75	**(28)**	(93)
CAD impact	**85**	63	**(104)**	(76)
CHF impact	**-**	9	**-**	(10)
GBP impact	**-**	-	**-**	-
CNY impact	**-**	(5)	**-**	6
JPY impact	**1**	2	**(1)**	(2)
KRW impact	**-**	4	**-**	(5)
TWD impact	**3**	-	**(4)**	-

This is mainly attributable to the exposure outstanding on foreign currency payables in the Group at the end of the reporting period.

	EQUITY			
	10% INCREASE		10% DECREASE	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
USD impact	**(1,260)**	(2,499)	**845**	2,098
THB impact	**(500)**	-	**739**	-
MYR impact	**(196)**	-	**292**	-
NZD impact	**-**	(24)	**-**	73

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

Option contracts

The Group did not utilise any option contracts during the year, so there were no open contracts at 30 June 2017 (2016: $nil).

Forward foreign exchange contracts

The Group utilised forward foreign exchange contracts during the year. At 30 June 2017 there were open contracts of USD8.0m, MYR8.0m and THB160m (2016: NZD2.0m, USD18.5m and MYR1.2m). These contracts are a partial hedge for upcoming raw material purchases and intercompany payments.

36 FINANCIAL INSTRUMENTS (CONT.)

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.

	2017 $'000	2016 $'000
Financial Liabilities		
Borrowings	**(78,968)**	(55,446)
Interest rate swap[1]	**75,000**	20,000
Net exposure	**(3,968)**	(35,446)

1. Represents the notional amount of the interest rate swaps.

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	2017 %	2016 %	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Less than 1 year	**0.00**	5.61	**-**	5,000	**-**	(90)
1 to 2 years	**1.86**	-	**35,000**	-	**(14)**	-
2 to 5 years	**2.16**	1.89	**40,000**	15,000	**(150)**	(20)
> 5 years	**0.00**	-	**-**	-	**-**	-
	2.02	2.82	**75,000**	20,000	**(164)**	(110)

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 2017, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's net profit would decrease by $677 thousand (2016: $273 thousand) or increase by $677 thousand (2016: $273 thousand) respectively as a result of changes in the interest rates applicable to commercial bank bills.

For the year ended 30 June 2017, 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 $502 thousand or decrease by $683 thousand respectively (2016: increase by $154 thousand or decrease by $166 thousand respectively) mainly as a result of the changes in the fair value of the interest rate swap.

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 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.

The Group entered into $75m in new interest rate swaps during the 2017 financial year (2016: $15m), $5m matured during the year (2016: $39m) and $15m was terminated during the 2017 financial year (2016: $nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

36 FINANCIAL INSTRUMENTS (CONT.)

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 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.

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

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 RATE %	<1 MONTH $'000	1-3 MONTHS $'000	3 MONTHS TO 1 YEAR $'000	1-5 YEARS $'000	5 YEARS $'000	TOTAL $'000
2017							
Trade and other payables	**0.00**	**-**	**124,365**	**-**	**-**	**-**	**124,365**
Borrowings	**2.05**	**-**	**-**	**-**	**78,968**	**-**	**78,968**
		-	**124,365**	**-**	**78,968**	**-**	**203,333**
2016							
Trade and other payables	0.00	-	160,478	-	-	-	160,478
Borrowings	2.73	-	-	-	55,446	-	55,446
		-	160,478	-	55,446	-	215,924

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 $'000	1-3 MONTHS $'000	3 MONTHS TO 1 YEAR $'000	1-5 YEARS $'000	5 YEARS $'000	TOTAL $'000
2017						
Net settled:						
Interest rate swaps	**(49)**	**-**	**(152)**	**(155)**	**-**	**(355)**
	(49)	**-**	**(152)**	**(155)**	**-**	**(355)**
2016						
Net settled:						
Interest rate swaps	(84)	-	(74)	40	-	(118)
	(84)	-	(74)	40	-	(118)

36 FINANCIAL INSTRUMENTS (CONT.)

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.

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).

2017	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	-	-	1,165	1,165
Asset-backed securities reclassified from fair value through profit or loss	-	-	-	-
Total	-	-	1,165	1,165
Financial Liabilities at FVTPL				
Derivative financial liabilities	580	-	-	580
Total	580	-	-	580

2016	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	-	-	471	471
Asset-backed securities reclassified from fair value through profit or loss	-	-	-	-
Total	-	-	471	471
Financial liabilities at FVTPL				
Derivative financial liabilities	-	110	-	110
Total	-	110	-	110

There were no transfers between Levels 1 and 2.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

37 ASSETS PLEDGED AS SECURITY

In accordance with the security arrangements of liabilities, as disclosed in note 21 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.

38 BUSINESS COMBINATIONS

2017

No subsidiaries were acquired during the financial year ended 30 June 2017.

2016

Acquisition of Global Therapeutics

On 10 May 2016, the Group signed an agreement to acquire 100% of the issued capital of Global Therapeutics Pty Limited and 100% of New Century Herbals Pty Limited (together 'Global Therapeutics').

The Group paid cash of $22.9m and acquired net assets with a fair value of $15.4m, resulting in Goodwill on Acquisition of $7.5m.

During the financial year ended 30 June 2017, adjustments to provisional accounting were made, which increased goodwill by $0.1m to $7.6m at balance date.

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 2 for a summary of the significant accounting policies relating to the Group.

	2017 $'000	2016 $'000
Financial position		
Assets		
Current assets	**175,691**	207,705
Non-current assets	**156,829**	154,191
Total assets	**332,520**	361,896
Liabilities		
Current liabilities	**114,732**	160,735
Non-current liabilities	**94,669**	61,096
Total liabilities	**209,401**	221,831
Equity		
Issued capital	**37,753**	37,753
Retained earnings	**81,180**	98,808
Reserves	**4,186**	3,504
Total equity	**123,119**	140,065
Financial performance		
Profit for the year	**40,938**	91,164
Other comprehensive income	**(39)**	537
Total comprehensive income	**40,899**	91,701

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, Blackmores International and Blackmores (Taiwan) Ltd, all wholly owned subsidiaries of the Group, as well as for Bemore Partnership.

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

Blackmores is currently undergoing a detailed review of exemption claims that have been made under the various free trade agreements in place between Australia and the countries with which Blackmores trades. This review is ongoing and includes a review of potential risks and opportunities pertaining to the use of and compliance to detailed requirements relating to different export classification codes. As at the signing date, no conclusions have been reached and discussion with relevant external regulatory bodies are continuing. A reliable estimate of potential risks or probable outflows as an outcome of the completion of this review cannot be determined. Accordingly no liability has been recorded in the accounts for 30 June 2017.

Commitments for the acquisition of property, plant and equipment by the Parent Entity

	2017 $'000	2016 $'000
Plant and equipment		
Not longer than 1 year	**8,190**	3,906

40 EVENTS AFTER THE REPORTING PERIOD

Final dividend

The Directors declared a fully franked final dividend of 140 cents per share on 29 August 2017 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 29 August 2017.

ADDITIONAL INFORMATION

NUMBERS OF HOLDERS OF EQUITY SECURITIES AS AT 31 JULY 2017

ORDINARY SHARE CAPITAL

17,226,533 fully paid ordinary shares are held by 20,795 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	18,626
1,001 - 5,000	1,527
5,001 - 10,000	112
10,001 - 100,000	81
100,001 and over	15
Total	**20,361**
Holdings less than a marketable parcel	434

SUBSTANTIAL SHAREHOLDERS

FULLY PAID ORDINARY SHAREHOLDERS	NUMBER	PERCENTAGE
Marcus C Blackmore	4,219,835	24.50

TWENTY LARGEST HOLDERS OF QUOTED EQUITY SECURITIES AS AT 31 JULY 2017

FULLY PAID ORDINARY SHAREHOLDERS	NUMBER	PERCENTAGE
Mr M C Blackmore	3,316,401	19.25
Citicorp Nominees Pty Limited	996,409	5.78
HSBC Custody Nominees (Australia) Limited	968,032	5.62
Dietary Products Aust Pty Limited	601,270	3.49
Milton Corporation Limited	367,014	2.13
JP Morgan Nominees Australia Limited	343,275	1.99
Blackmore Foundation Pty Limited	278,200	1.61
National Nominees Limited	218,002	1.27
Mrs E M Whellan	191,934	1.11
Ms J A Tait	118,813	0.69
Mrs P G Wright	116,812	0.68
Mr R Shepherd	115,000	0.67
Rathvale Pty Limited	103,205	0.60
Blackmore Superannuation Fund	99,230	0.58
BNP Paribas Nominees Pty Ltd (DRP)	98,953	0.57
HSBC Custody Nominees (Aust) Ltd – GSCO ECA	61,268	0.36
BNP Paribas Nominees Pty Ltd (Agency Lending A/C)	60,223	0.35
Citicorp Nominees Pty Limited (Colonial First State Inv A/c)	45,342	0.26
Ms C Holgate	45,002	0.26
Ms C Cooper	40,164	0.23
Total	**8,184,549**	**47.50**

COMPANY INFORMATION

Company Secretary

The Company Secretaries are Cecile Cooper and Aaron Canning.

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% 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 Board 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 contact Dee Henz, Group Financial Controller and Investor Relations Manager on +61 2 9910 5162.

COMPANY INFORMATION

Board of Directors

Directors who are Executives of the Group:

Marcus C Blackmore
Christine Holgate (Chief Executive Officer)
– resigned, effective 29 September 2017

Directors who are not Executives of the Group:

David Ansell
John Armstrong
Stephen Chapman (Chairman of Directors)
Helen Nash
Brent Wallace

Auditor

Deloitte Touche Tohmatsu

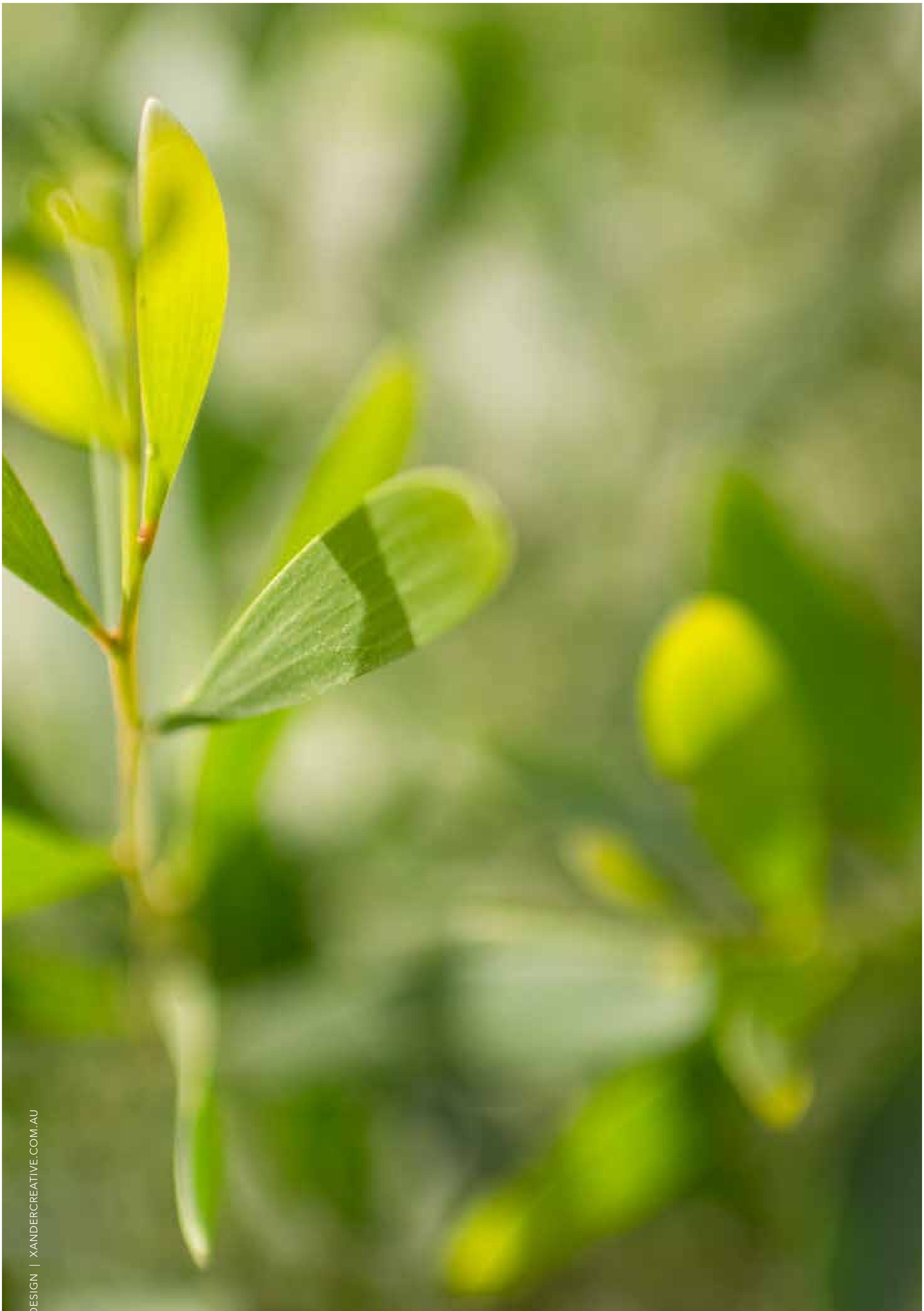
Solicitor

David Lemon

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.

NOTES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