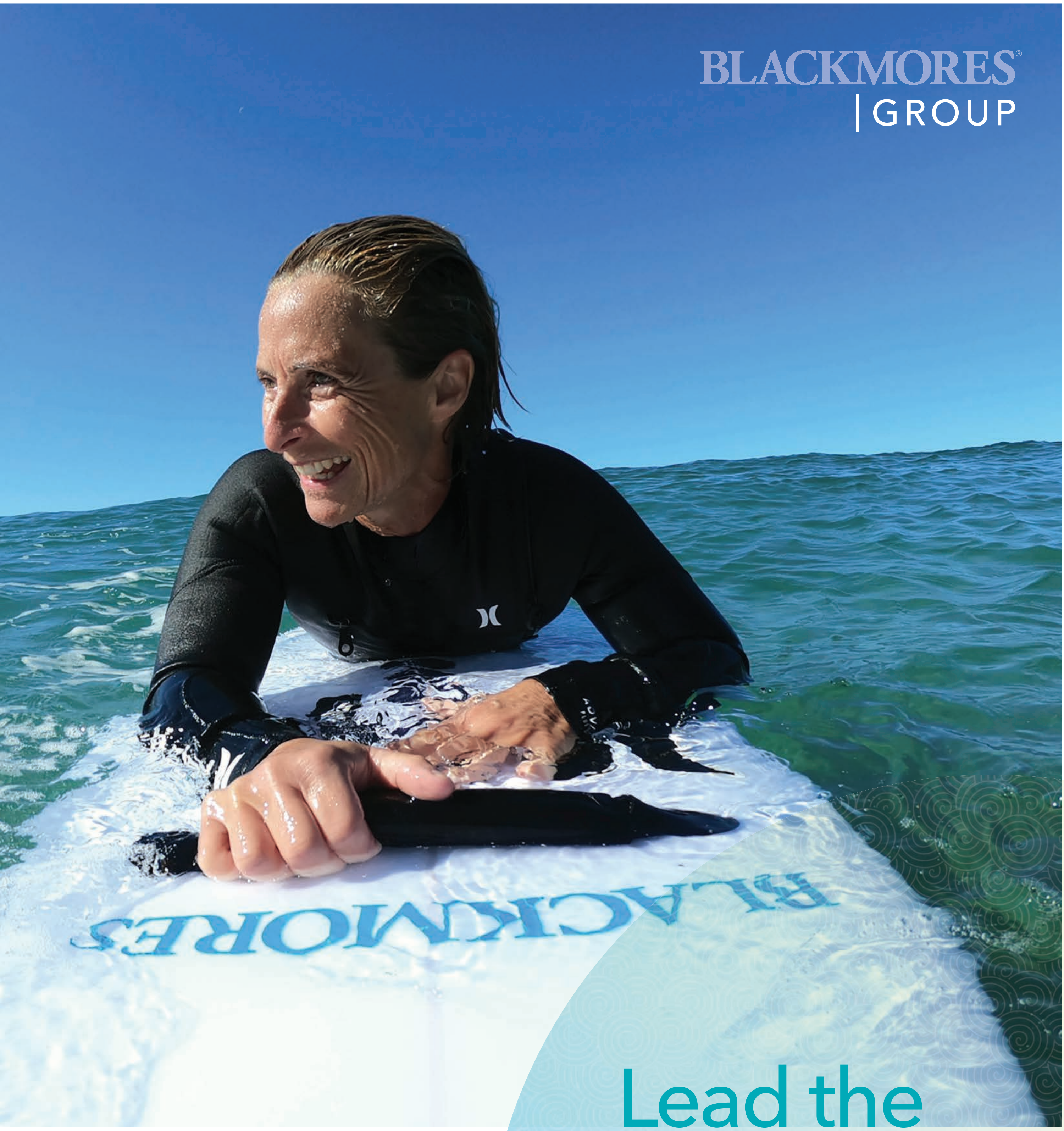


BLACKMORES | GROUP

Lead the wellness revolution

ANNUAL REPORT 2019

About the Blackmores Group

The Blackmores Group is an ASX 200 publicly-listed company employing over 1,400 people, with an extensive presence across the Asia Pacific.

Founded by visionary naturopath Maurice Blackmore, since 1932 we've been leading the wellness revolution by championing innovative natural health solutions and education services to help improve people's lives everywhere, every day.

Our high quality, evidence-based range of brands includes Blackmores – Australia's No.1 natural health brand; BioCeuticals – Australia's leading practitioner range; Impromy – our pharmacy-based weight management program developed in collaboration with CSIRO; Fusion Health & Oriental Botanicals – Australia's leading providers of Chinese herbal medicine; IsoWhey weight management range; and Pure Animal Wellbeing – natural health products for pets.

The Blackmores Institute is the research and education arm of Blackmores, established with a vision to improve and promote the quality use of natural medicine.

At the Blackmores Group we never compromise on quality, always placing the health and safety of our consumers at the heart of our business. We use premium ingredients from around the world, with products made to strict Australian manufacturing standards.

Recognising that you can't have healthy people without a healthy planet, we're strongly committed to embedding sustainability across our business and giving back to the communities in which we operate. The Blackmores Group headquarters and production facility is located on Sydney's Northern Beaches; our Asia regional head office is located in Singapore.

–

COVER

From the lows of a devastating spinal cord injury to becoming the Women's World Adaptive Surfing Champion, Sam Bloom credits Blackmores' long-term support with helping her wellness thrive – mind, body and spirit. Sam is an inspiration to us all in overcoming adversity and proving that anything is possible with good health.

BLACKMORES®

BioCeuticals

impromy™ Developed in collaboration with the CSIRO

FUSION® health
ancient wisdom modern medicine®

Oriental Botanicals®

ISOWHEY®

paw Pure Animal Wellbeing
By BLACKMORES

BLACKMORES INSTITUTE

Annual General Meeting

The 57th Annual General Meeting of the Company will be held at 11am on 31 October 2019 at the Blackmores Campus, 20 Jubilee Avenue, Warriewood NSW 2102.

Contents

Our Purpose

Lead the wellness revolution

1 Overview

Our Vision

A world where people and nature thrive together, for the health and wellness of all.

Our Mission

To champion innovative natural health solutions to bring wellness to billions of people everywhere, every day.

Our Values

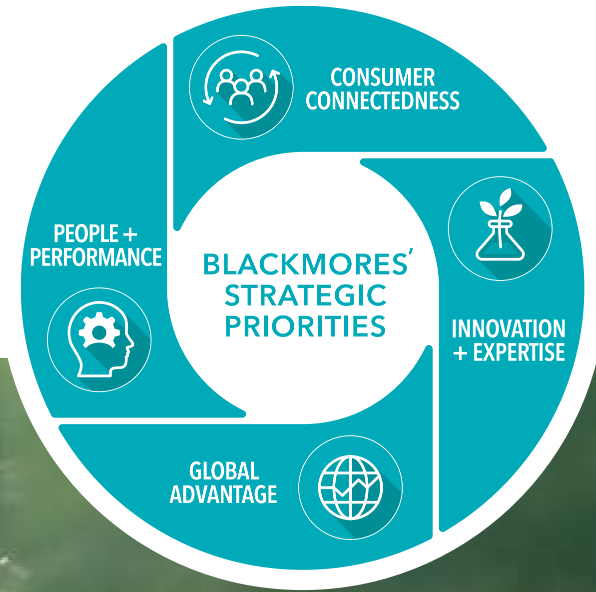
Blackmores' values are at the heart of our business. These values, known as our PIRLS, are both behavioural and aspirational. They underpin our work practices and decisions and are supported by legal policies and procedures.

1. Passion for Natural Health
2. Integrity
3. Respect
4. Leadership
5. Social Responsibility

Four Strategic Priorities

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

1. Consumer Connectedness
2. Innovation & Expertise
3. Global Advantage
4. People & Performance



Financial Year 2019

Highlights

2

No.1

Blackmores is the No.1 vitamin brand in Australia,[1] Thailand, Singapore and Malaysia

11 years

Blackmores has been voted Australia's Most Trusted Brand in vitamins and supplements[2]

$55m

underlying net profit after tax[3] (NPAT)

2.9m

social media fans

The Blackmores Group offers seven innovative brands with 1,500 natural health solutions and services.

2.1m

education touchpoints across the Group

$610m

revenue

71%

waste diverted from landfill

142

new products launched across the Group

4.8b

tablets and capsules produced

1. Nielsen© & IQVIA™, RMS/Sell Out service, Vitamins and Dietary Supplements, Australia Grocery Pharmacy, Domestic Sales, MAT 11/05/2019.
2. Australia's most trusted vitamin and supplement brand as voted by Australians in the 2009-2019 Readers Digest Most Trusted Brand Survey.
3. $53 million reported NPAT including significant items.

Chairman's Introduction

Over the last financial year, the Blackmores Group sold more product than ever before – with record revenue of $610 million.

We achieved domestic sales growth in every market in which we operate – with the exception of New Zealand (down 1%).

Despite this, there's no shying away from the fact that net profit for the full year does not reflect the level of top line sales that was achieved. This is due to our operating expenses growing at a faster rate.

The simple reality is that we need to streamline the business.

That's why we are undertaking a program to realise $60 million in savings over three years. This will enable us to continue investing in key strategic initiatives, build our capability and deliver overall margin improvement.

This process is now underway – with some one-off restructuring costs already reflected in the results.

Underlying net profit was $55 million (excluding significant items, or $53 million including) and a final dividend of 70 cents per share has been declared, making the total dividend 220 cents for 2019.

In addition to reducing costs, we're focused on growing our business – with new products and new markets to diversify our business.

Another pillar to the diversification of our business is our move into manufacturing, with the acquisition of the Braeside facility in October. This will change the shape of our business as we become vertically integrated.

During the year, we entered Pakistan and are achieving significant growth in some of our newer markets – including Vietnam up 157% and Indonesia up 90%.

Many of our more established markets also achieved high levels of growth – including Korea up 28% and Malaysia up 20%.

Our financial position remains solid, with net debt of $94 million and strong operating cash flows.

With a move to half and full-year reporting, we're reinforcing a longer-term growth mindset rather than short-term thinking. We will, of course, continue to update our shareholders at our annual 'Meet the Management' event in May and our Annual General Meeting in October.

At the upcoming AGM, our shareholders will have the opportunity to meet our new CEO – Alastair Symington. We look forward to welcoming Alastair when he joins the business on 16 September.

During the year, we welcomed Christine Holman to the Board. Christine brings more than 20 years of extensive commercial and Board experience across a variety of areas including mergers and acquisitions, finance, sales, technology, digital transformations and marketing.

The Board expects to shortly finalise the appointment of a new Managing Director for Australia and New Zealand.

My first year as Chairman of this great company has certainly had its challenges, but I am looking forward to working with Alastair, the Executive Team and the Board to implement our ambitious strategy for growth and achieve strong returns for you – our shareholders.

Brent W Wallace

Brent Wallace, Chairman of the Board

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6 OPERATING REVIEW
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9 REMUNERATION

Interim CEO Report

Despite a challenging year, I am filled with optimism and confidence in the ability of the Blackmores Group to seize the enormous growth opportunities in front of us.

For more than 87 years, Blackmores has been Australia's leading natural health company.

Our journey started in Queensland in 1932 when my father, Maurice Blackmore, had a vision for better health for all Australians.

His belief in the health-giving property of herbs and minerals led him to develop a whole system of healthcare based on naturopathic principles.

Today, our business looks very different but what we stand for hasn't changed.

This includes our unwavering commitment to education and research. The Blackmores Institute is without peer in the industry.

With a focus on research and education, the Institute's team of researchers, academics, healthcare professionals and educators offers practical healthcare education and resources.

This sets us apart from our competitors. It allows us to better engage with governments and academic institutions, and it reinforces our enviable reputation as the leader of natural health in Australia.

Later this year we will embark on a new chapter for the Blackmores Group with the acquisition of our own manufacturing facility in Braeside, Victoria.

It will give us greater control over our production and will significantly enhance our research and development capabilities.

It will also provide us with greater security over our supply chain – an important step in a constantly evolving industry where a number of manufacturers are being taken over and consolidated.

As Brent has mentioned, there is no denying that the last year has presented a number of challenges for the Blackmores business.

Changes to e-commerce regulations in China have impacted sales made in Australia to overseas consumers.

That's why we are focused on growing our China business through increased engagement with the cross border e-commerce platforms and establishing stronger connections with our customers in China.

This has always been a key part of our China strategy as it delivers higher margins than sales to customers through domestic Australian retailers.

While some companies fear regulatory change both in Australia and abroad, our approach is to embrace it.

We believe Australia's highly regulated environment provides us with an advantage over foreign competitors.


Marcus Blackmore

In our overseas markets, Australia's strict safety protections are recognised and make our products more appealing than products from countries with fewer safeguards.

When I took on the interim CEO role earlier this year, I said that one of the key measures of my success will be how quickly I find a permanent replacement.

I am absolutely delighted that Alastair Symington is joining the Company next month.

Alastair's strong business acumen, combined with his passion for natural health and dynamic personality, makes him the perfect choice to lead Blackmores into the future.

In the meantime, I will continue in the interim CEO role, supported by the strong Executive Team.

Thank you for your support.

The best of health

Marcus C Blackmore

Marcus C Blackmore AM

Alastair Symington

ALASTAIR SYMINGTON
OUR NEW CHIEF EXECUTIVE OFFICER

Alastair will join Blackmores on 16 September 2019, bringing more than 23 years of consumer experience in both senior leadership and sales and marketing roles for some of the world's leading consumer companies.

He has a proven track record of achieving significant sales growth throughout the Asia region, in particular China, with a strong focus on new product development and innovation.

Alastair brings the right mix of knowledge, experience and skill that is required to drive the Blackmores Group's growth strategy and seize on the opportunities available to our business across the Asia Pacific region.

"I am committed to delivering on the Company's strategy to drive substantial top-line growth via a greater presence of Blackmores throughout the region and ensuring that we are more efficient as a business, delivering superior results for shareholders."

– ALASTAIR SYMINGTON

Directors' Profiles

Brent W Wallace
BCOMM (MARKETING), FAICD

Chairman and Independent Non-Executive Director

Mr Wallace joined the Board in October 2005. He is a co-founder and Chairman of Galileo Kaleidoscope (Galkal), which recently merged with Fiftyfive5 to create one of Asia Pacific's biggest independent strategic marketing, brand and consumer insight consulting firms that drives growth for clients.

Mr Wallace has held senior positions in London and Sydney advertising agencies and until 1996 was Managing Director of Ogilvy & Mather in Australia. Mr Wallace has more than 30 years of international experience in marketing, advertising and research insights across a wide variety of organisations and consumer categories.

Mr Wallace was Chairman of the Audit and Risk Committee from 2015 until being appointed Chairman of the Board in October 2018. He also is currently a Governor of the World Wide Fund for Nature, the global environmental group, since 1993, and was a Board Director for 10 years (2006 to 2016). He has also held Board positions on ASX-listed and unlisted technology companies in online procurement, education and information.

Christine Holman
MBA, GAICD

Independent Non-Executive Director

Ms Holman joined the Board in March 2019 and is Chairman of the People and Remuneration Committee.

She brings more than 20 years of extensive commercial and Board experience across a variety of areas including mergers and acquisitions, finance, sales, technology, digital transformations and marketing. She currently serves on the boards of two ASX companies, WiseTech Global Ltd & CSR Ltd, and on the Board of a Federal Government Business Enterprise, the Moorebank Intermodal Company.

Ms Holman's previous roles include the CFO and Commercial Director at Telstra Broadcast Services. She also worked for more than a decade in private investment management, assisting management and Boards of investee companies on strategy, corporate development and mergers and acquisitions.

Ms Holman holds a Master's in Business Administration and a Post Graduate Diploma in Management from Macquarie University and is a Graduate of the Australian Institute of Company Directors' Company Directors Course. Ms Holman has previous ASX-listed experience as a Non-Executive Director with HT&E Ltd and Vocus Ltd.

David Ansell
BA (COMMUNICATION), GAICD

Independent Non-Executive Director

Mr Ansell joined the Board in October 2013 and is a member of both the People and Remuneration and Audit and Risk committees. He has enjoyed 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, was CEO of advertising agency Saatchi & Saatchi, Managing Director of Mars Incorporated in Australia, and President of a global Mars unit based in the United States.

Mr Ansell has a strong operating and supply chain skill set and a deep understanding of brand and customer strategy. He is also Managing Director and Chairman of Jacobs Douwe Egberts ANZ, Australasia's largest pureplay coffee company, where he recently led a major acquisition and integration project. Mr Ansell is also a Board member of the peak body of cycling in this country, Cycling Australia.

John Armstrong
BBUS, MBA, MAICD

Independent Non-Executive Director

Mr Armstrong joined the Board in May 2015 and became Chairman of the Audit and Risk Committee in October 2018. Mr Armstrong has more than 30 years' experience in various financial and commercial management roles. His most recent executive role was at SEEK Limited, an ASX 50 listed leading recruitment and education provider, where he was Chief Financial Officer for over 12 years.

Mr Armstrong's focus was on SEEK's Asian operations and investments, mergers and acquisitions, 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 Lovisa Holdings Ltd (since September 2018). Mr Armstrong has previous ASX listed experience as a Non-Executive Director with Melbourne IT and iProperty Group.

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.

Mr Blackmore 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. He has acted as interim Chief Executive Officer since 1 April 2019.

Year in Review

Blackmores Australia & New Zealand

Blackmores remains the number one vitamin and dietary supplement (VDS) brand in Australia with 15.9% domestic market share[1] and a strong gap over our nearest domestic competitor. Blackmores was again recognised as Australia's most trusted brand for the 11th year running, and our products are now used in more than one-in-five households.[2]

Sales in Australia and New Zealand of $267 million were slightly ahead of the prior year (with a modest gain in Australia and a slight decline in New Zealand).

We are the most recognised brand name in the market and now have the highest brand penetration.[2]

In November 2018, we completed the acquisition of Impromy – an evidence-based weight management program developed in collaboration with the CSIRO. This addition to the portfolio builds on our commitment to the health and wellness category.

Other Asia

FY19 was a particularly strong year for Blackmores in Asia (excluding China) with all markets achieving revenue growth, contributing to an overall 30% increase in sales to $107 million.

Across Asia, we saw strong growth in both well-established and new markets due to increased distribution and new product launches. This includes Vietnam up 157% and Korea up 28%. Indonesia sales were up 90% and pleasingly, the business turned profitable for the first time during the second-half.

We are focused on continuing to diversify into new markets with new products. The business is continuing its evaluation of market entry into India.

China

China sales were impacted during the year by changes to e-commerce laws, which took effect from January 2019. We continue to see an ongoing evolution in the way Chinese consumers access our products, with a shift away from Australian retailers to more direct purchasing from e-commerce platforms in China.

Sales in the China segment, comprising key export accounts and in-country sales were $122 million (down 15% compared to the prior year).

However, our in-country business continues to grow strongly with sales up 22% during the year.

In November 2018, we showcased our brand and products as a major exhibitor at the China International Import Expo (CIIE) in Shanghai – the largest trade expo ever held anywhere in the world and attended by an estimated 500,000 visitors.

The CIIE event was a clear demonstration of China's commitment to open trade to give Chinese consumers access to the world's best products.

November's '11/11 Singles Day' promotion in China saw sales up 65%, with more than 200,000 products sold.

Diversity

Blackmores is committed to diversity and the Company complies with the Equal Opportunity for Women in the Workplace Act 1999.

Across the Group, 70% of employees were women including 40% of the Executive Team, 44% of Senior Executives, 64% of other Management roles.

We have set a target for women to comprise 50% of the Board of Directors and Group Executives by 2025.

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Liming Chow, Production Operator

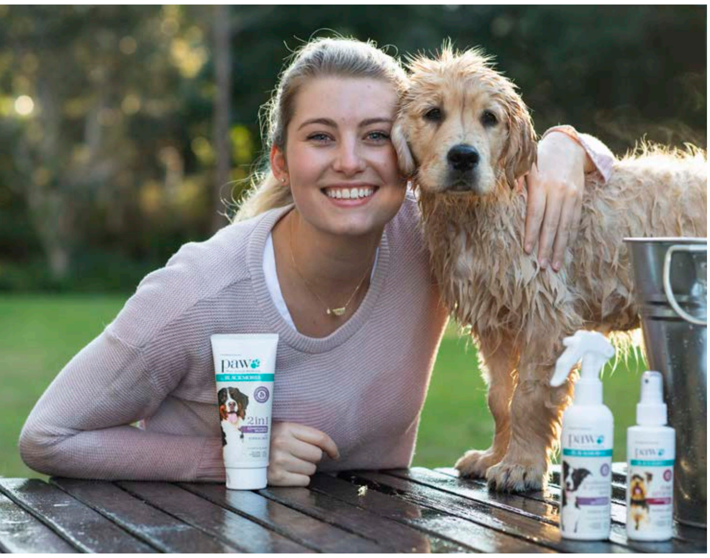
Goh Sue San, Tan Li Li from Blackmores Malaysia

Year in Review

Left to right: Bonnie Donovan from PAW by Blackmores with Buddy

Paul Habekost, Blackmores Institute

Danny Urbinder and Belinda Reynolds from BioCeuticals



Bioceuticals Group

Sales for the BioCeuticals Group (which includes BioCeuticals, IsoWhey and Global Therapeutics' brands) were up 4% compared to the prior year.

BioCeuticals continues to be Australia's clear market leader of practitioner-only products, with the business growing 6% in the year.

BioCeuticals is a leader in innovation with successful new product launches and expanded ranges including ArmaForce and Ultra Muscleze, and a continued focus on clinical services and educational training programmes.

During the year, BioCeuticals commenced a medicinal cannabis trial, in conjunction with the Prince of Wales Hospital and Endeavour College of Natural Therapies. The randomised, double-blind clinical trial is examining tolerability of cannabis oil in patients with glioblastoma multiforme (GBM), a form of brain cancer. Endeavour's Dr Janet Schloss is the lead investigator and Neurosurgeon, Dr Charlie Teo, is the prescribing physician.

The trial has shown very encouraging results and we are confident the research will provide greater insight and evidence for the safe use of medicinal cannabis for cancer patients with a poor prognosis. We are investigating options to bring a cannabis product to market in FY20.

Blackmores Institute

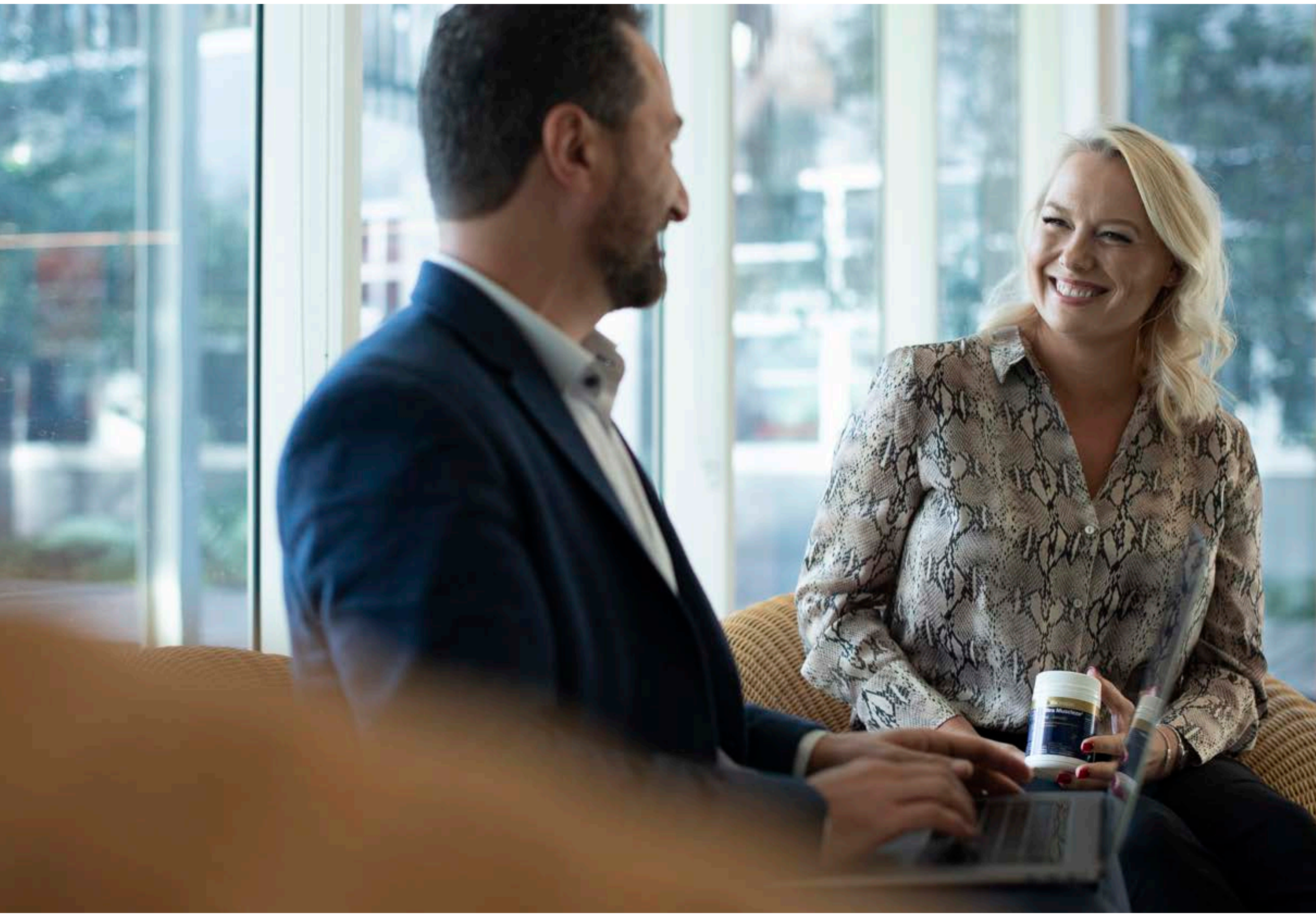
The Blackmores Institute grew its investment in research across Australia and Asia to build the evidence-base for natural medicine, supporting Blackmores Group innovation and informing healthcare practice.

In China, a partnership with leading university, Tsinghua, included the launch of a green paper on the 'Health of Chinese Career Women'.

In Australia, the Institute published an industry first literature review, 'Sustainable Nutrition', looking at the impacts of climate change on nutritional and natural medicine to inform business strategy and encourage industry discussion and action.

The Institute's expert educators developed a professional framework of learning for healthcare advisors across Asia and the Pacific, which included 3 major symposia, several pharmacist masterclasses and an extensive online education portal.

These services received widespread industry acknowledgement winning several awards for excellence including Learn X Live, AITD and Nutraingredients Asia.



Strategic Priorities

We are continuing to invest significantly in our strategic priorities to support the ongoing growth of our business.

Major progress has been made as we prepare to take ownership of the Catalent manufacturing facility (in Braeside, Victoria) on 25 October 2019. This includes increasing the number and volume of Blackmores Group products manufactured on-site.

The acquisition will provide greater control over our supply chain and strengthen our research and development capabilities.

In February 2019, we committed to a major streamlining of our business – to simplify and improve our processes and structure. The business is making good progress towards targeting $60 million in savings over three years, allowing us to continue investing in key strategic initiatives, build our capability and deliver overall margin improvement.

Dividend

The Board has declared a final dividend of 70 cents per share (cps), bringing total dividends for the year to 220 cps fully franked. The record date is 28 August 2019 and the dividend is payable on 12 September 2019.

The Dividend Reinvestment Plan (DRP) remains available for the final dividend, allowing shareholders to reinvest distributions in the Company's securities and to support the funding of growth initiatives. Shareholders who elect to participate in the DRP will benefit from a 2.5% discount.

If you wish to participate in the DRP or change your current nomination, you will need to do so by 5pm (AEST) on 29 August 2019. Further information is available at blackmores.com.au/dividend

Outlook

Challenging trading conditions in our channels to China are expected to continue during the first-half of FY20. The impact of changes to China's e-commerce laws and costs associated with restructuring and the Braeside acquisition are expected to result in profit for the first-half being below the prior corresponding period.

The second-half of FY20 is expected to benefit from operational efficiencies as a result of the execution of business improvement initiatives.

Despite a challenging year, the Board remains optimistic about the significant opportunities available to the business and is focused on ensuring these are seized and delivered.

This is a priority shared by the Executive Team and our incoming Chief Executive Officer, Alastair Symington, who will join the Company on 16 September.

Shareholders will have the opportunity to meet Alastair at the Annual General Meeting on 31 October.

Strategic Priorities

In FY19 we continued to focus activity around the four strategic pillars to enable transformation and growth.

To elevate our commitment to invest in our people and processes, to create a high performing achievement culture, in the 2019 financial year the strategic pillar previously known as Operational Fitness was updated to People + Performance. Our focus has shifted to strategically investing in developing capability and processes to set us up for success.

We are a consumer-obsessed business, winning through our global growth platforms.

CONSUMER CONNECTEDNESS

We are a leading influencer and innovator in the global wellness ecosystem.

INNOVATION + EXPERTISE

Outperform in China and become the leading Australian vitamin and dietary supplement company in Asia.

GLOBAL ADVANTAGE

Invest in our people and processes to create a high performing achievement culture.

PEOPLE + PERFORMANCE

CONSUMER CONNECTEDNESS

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

Superkid Casey, aged 3

Key achievements

- Blackmores is the #1 vitamin and supplement brand in Australia,[1] Malaysia, Thailand and Singapore.
- Blackmores voted most trusted vitamin and supplement brand in Australia (11 years running), Malaysia (7 years running) and Singapore (5 years running).[2]
- Compared to last year, 250,000 more people are buying Blackmores in Australia.
- 'Begin Better Every Day' regional consumer marketing campaign rolled out across Asia markets.
- FX Medicine Podcasts downloaded 1.6 million times in 133 countries, leading conversations about the latest in evidence-based and functional medicine.
- 70,000 consumer and practitioner health enquiries responded to by our Advisory and Technical Services teams.
- 29.5 million social connections with motivated, health conscious Australians to #BeAWellbeing.
- Artificial intelligence used to personalise send times for digital communications, so individuals receive emails when they are most likely to open them.
- Key sporting events sponsored in Australia and Asia including the Blackmores Sydney Running Festival, Fusion Health Byron Bay Lighthouse Run, Run for a Reason WA, and Run & Move Thailand.
- Pure Animal Wellbeing digital footprint strengthened with 280,000 new website visitors.

1. Nielsen© & IQVIA™, RMS/Sell Out service, Vitamins and Dietary Supplements, Australia Grocery Pharmacy, Domestic Sales, MAT 11/05/2019.
2. Reader's Digest Most Trusted Brand Annual Surveys.

Craig Wagner, Head of Grocery

"Two global research studies conducted with 13,000 people telling us about their health and wellness concerns to help us give consumers what they want."

INNOVATION + EXPERTISE

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

Key achievements

- BioCeuticals' ground-breaking clinical trial investigating the effect of medicinal cannabis on glioblastoma multiforme led by Endeavour College of Natural Health and supported by Dr Charlie Teo has seen very encouraging results.
- $10 million donated by the Blackmore Foundation (Marcus and Caroline Blackmore's personal philanthropic trust) to Southern Cross University to establish a National Centre for Naturopathic Medicine.
- Blackmores Institute published the scientific literature review 'Sustainable Nutrition' to further understanding of the impact of climate change on nutritional and natural medicine.
- 142 new products launched across the Group, including products tailored for specific market demand including Blackmores Collagen Pro, Blackmores Vitamin C & Echinacea Effervescent and our new BioCeuticals Herbal Extracts range.
- Impromy weight management program (developed in collaboration with the CSIRO) acquired in November 2018.
- 52 clinical trials undertaken across the Blackmores Group exploring natural solutions for cardiovascular health, immunity, gut health and more.
- Two million educational touchpoints with health practitioners, pharmacy students and consumers about evidence-based complementary medicine.
- 1,040 healthcare practitioners attended our research symposia in Australia, Thailand and Vietnam.

> "5,000 Australians undertook BioCeuticals DNA testing to unlock their full health potential with personalised wellness, supported by 1,300 practitioners who completed our DNA testing accreditation."

Madeline Ong, Technical Manager, Global Therapeutics

Claire Briggs and Vladimir Stajic from Blackmores Institute

GLOBAL ADVANTAGE

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

Key achievements

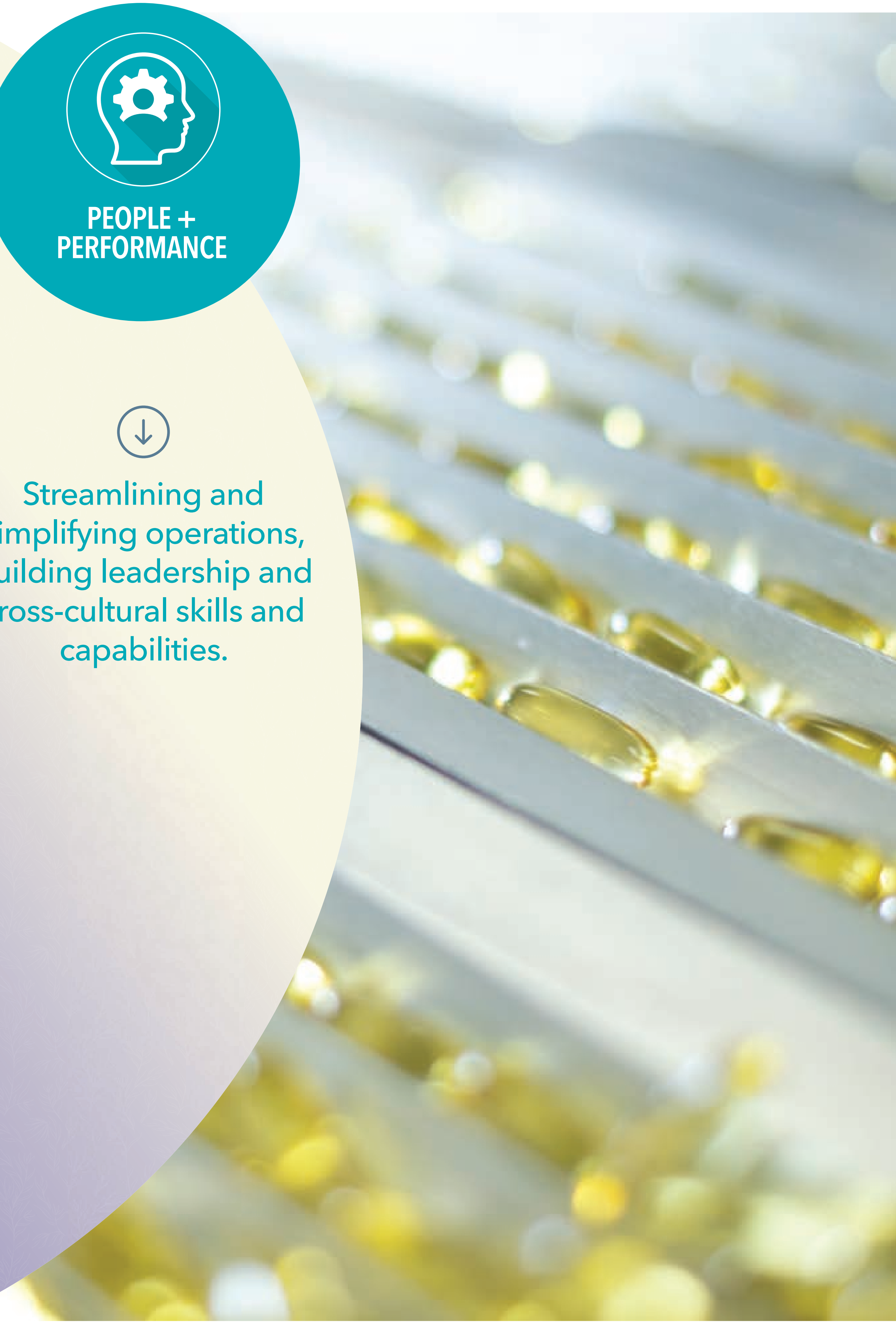
- We partnered with leading academic institutions to build knowledge about complementary medicine, including:
  - Two research fellowships with the University of Technology, Sydney
  - Health journalists' program at Tsinghua University in China
  - Pharmacists' education program with Taylor's University in Malaysia
- Social fan base increased to more than 2.5 million followers in Asia, including 170 million social connections with Chinese consumers inspired to #BeginBetterEveryDay with wellness ambassador Shawn Dou.
- Reinvigorated our engagement strategy with Chinese consumer influencers in Australia, including specialised education, influencer marketing and tailored events.
- Blackmores Institute published a Green Paper on the Health of Chinese Career Women in collaboration with Tsinghua University to help shape public health initiatives, generating significant consumer, media, industry and government interest.
- E-commerce and mobile shopping sales up 66%, comprising more than 40% of our Asia business.
- Blackmores in Thailand remained the #1 VDS brand with a strong focus on new product launches and CSR activities during the year.
- Blackmores remained the #1 VDS brand in Singapore, achieving 38% market share and winning the fish oil category.
- Malaysia achieved 20% growth, reaching 2 million consumers including through CSR campaign Project Kindness to help the socially disadvantaged in urban areas.
- In Taiwan (China) and Korea, we partnered with Costco Wholesale Retail, selling our flagship products.
- Vietnam's strong growth of 157% was driven by our partnership with Pharmacity and we are the leading Australian infant formula brand in the country.
- Indonesia is one of our fastest growing markets, up 90% on last year with Pregnancy & Breast-Feeding Gold our best-seller.
- Blackmores launched in Pakistan, with six products distributed through 400 pharmacies and more than 300 pharmacists trained in complementary medicine.

"Blackmores enjoyed a strong presence at the inaugural China International Import Expo (CIIE) in Shanghai and was the only VDS brand and one of only four Australian companies to be inaugurated as a CIIE Enterprise Alliance member. Our presence generated over 120 million impressions on China media."


Mandy Lee, Nutrition & Health Specialist, Blackmores Hong Kong

PEOPLE + PERFORMANCE

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



Key achievements

- Blackmores Group's new Surry Hills Campus, Sydney, built for growth, collaboration and wellbeing to open in September 2019.
- Preparations for acquisition of Catalent Australia's soft gel and tablet manufacturing facility in October 2019, with a comprehensive program of work undertaken to maximise growth and efficiencies.
- Integrated Business Planning (IBP) process implemented to enhance inventory management, ensuring our consumers are placed at the centre of our business.
- New Leadership Standards developed to guide our people through change and enable focus on execution to unlock growth.
- Cloud-based technology harnessed to build a global financial and supply chain operating system to allow singular access to data across all markets.
- Supplier risk management software implemented to improve supply chain transparency and enhance our shared commitment with suppliers for an ethical supply chain.
- Environmental Management System (EMS) implemented across all our Australian operations.
- 71% of waste diverted from low value landfill and recovered for recycling and reuse.

> "4.8 billion tablets and capsules produced for sale through more than 53,000 points of distribution globally."

From top: Amy Ong, Blackmores Bungarribee Distribution Centre

Paul Brazel and Matthew Vines, Blackmores Bungarribee Distribution Centre

Carlo Falcone, Production Operator

Operating & Financial Review

Jenny Luo, Production Operator

The Group reported record revenue of $610 million (up 1% compared to the prior year) and net profit after tax (NPAT) of $53 million (a 24% decrease on the prior year). The reported profit for the year includes one-off restructuring costs of $1.6m post-tax. Excluding these significant items, underlying NPAT for the year was $55m.

Following a strong first-half, where revenue was growing 11% compared to the prior year, the second-half proved to be more challenging and closed with revenue that was 7% below the same period last year.

Overall, the Group achieved increased sales in all markets – except China which was down 15% due to e-commerce law changes taking effect from January 2019 and New Zealand was down slightly by 1% on the prior year. The greatest challenge the business faced during the year was the ongoing evolution of the way Chinese consumers access our products, with a shift away from Australian retailers to more direct purchasing from China e-commerce platforms.

01 Australia and New Zealand

Blackmores' sales in Australia and New Zealand of $267 million were slightly ahead of the prior year (with a modest gain in Australia and a slight decline in New Zealand).

Having been 19% ahead of the prior year at the end of the first-half, the second-half was significantly impacted by the implementation of the new China e-commerce law with the shift away from purchases being made through Australian retailers.

In Australia, Blackmores is the clear number one VDS brand, with a 15.92% market share[1] and has been voted the most trusted brand for the 11th year in a row[2]. Sales and market share gains were supported by successful new product launches including magnesium powders and immune products, and the acquisition of the Impromy brand during the year.

The earnings before interest and tax (EBIT) result from this segment was down by 20% year-on-year due to a combination of increased levels of investment in our brands, unfavourable moves in raw material pricing and restructuring costs.

02 China

Sales in the China segment, comprising key export accounts and in-country sales, were $122 million, down 15% on the prior year.

China in-country sales to e-commerce platforms were up 22%.

When China-influenced sales through Australian retailers are taken into account, we estimate overall sales to Chinese consumers to be down around 14%.

The weaker performance in this segment was driven by the export business, which was impacted by regulatory change. In addition, during the second-half of the financial year we undertook some deliberate measures to reduce excess stock held by a number of e-commerce platforms, which further contributed to the overall sales decline.

The EBIT result of the China segment declined 40% on the prior year. This result was impacted by the sales performance, higher raw material pricing and increased investment during the year in marketing our brand and building the size and capability of our local team.

03 Other Asia

FY19 was a particularly strong year for Blackmores' sales across Other Asia markets (excluding China), with this segment's revenue growing by 30% in the year to $107 million. This result included some exceptional performances from a number of markets and all delivered underlying sales growth.

Standout results (in local currency terms) included our Indonesia business which grew by 90%. Our newest market, Vietnam, was up 157%.

Some of our more established markets increased growth through additional distribution and new product launches in the year including Korea up 28% and Malaysia delivering 20% growth.

EBIT in this segment also improved significantly year-on-year, more than tripling compared to the prior year due to the sales performance delivering strong operating leverage. Our joint venture business in Indonesia turned profit-making in the year, delivering a small EBIT contribution for the first time.

04 BioCeuticals Group

The BioCeuticals Group includes contributions from the BioCeuticals and Global Therapeutics businesses and together they delivered sales of $113 million, up 4% compared to the prior year.

Within the segment result, BioCeuticals lifted sales by 6% whilst Global Therapeutics' sales declined by 3% for the year.

BioCeuticals remains the clear market leader in practitioner-only products and again delivered a strong pipeline of new products throughout the year.

EBIT grew 10%, slightly ahead of sales as we continue to benefit from improved operating efficiencies across the business.

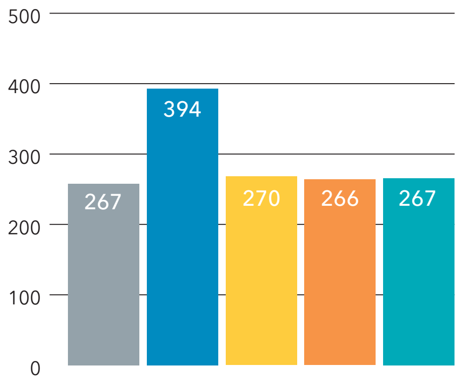
1. Nielsen & IQVIA RMS/Sell Out service, Vitamins and Dietary Supplements, Australia Grocery Pharmacy, Total Retail Sales, Fiscal Year 2019
2. Australia's most trusted vitamin and supplement brand as voted by Australians in the 2009-2019 Readers Digest Most Trusted Brand Surveys.

Operating & Financial Review

Revenue $millions

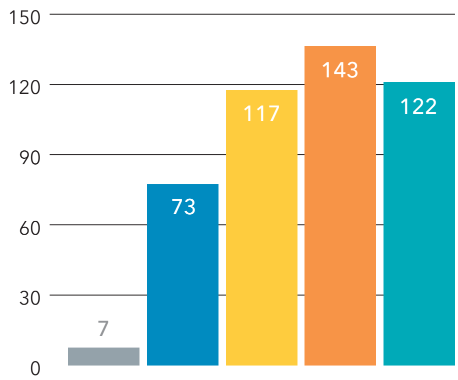
01
Australia & New Zealand

Revenue
$267
Million



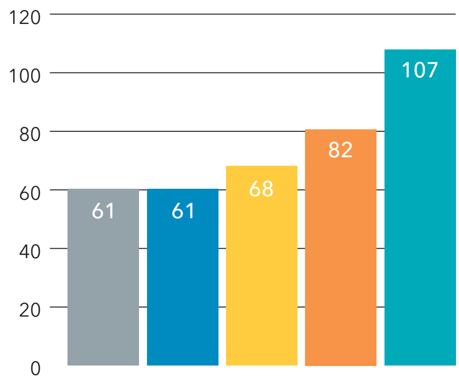
02
China

Revenue
$122
Million



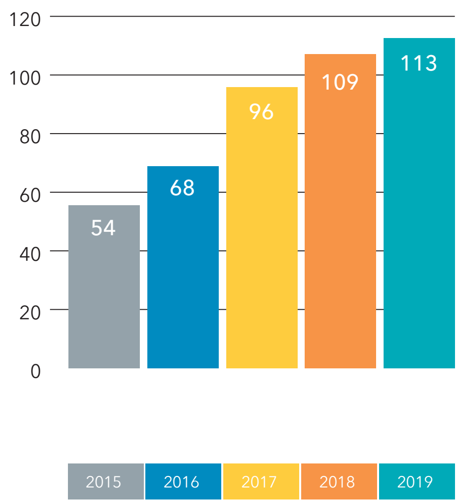
03
Other Asia

Revenue
$107
Million



04
BioCeuticals Group

Revenue
$113
Million



Blackmores is a geographically diverse Group. We have an extensive presence across the Asia Pacific, with operations supporting our seven brands.

Blackmores Group manages 41 warehouse locations and 16 office locations, employing 1,400 people across Asia Pacific. We support more than 40 IT platforms and software systems.

We are accountable to more than 20 regulatory authorities who influence our product ranges and how we communicate with our consumers.

Group headquarters is located at the Blackmores Campus at Warriewood, a 25,000 square metre purpose-built facility where most Blackmores' products are packaged, and quality checked.

The Campus officially opened in 2009 and its design delivers on the vision to be the physical embodiment of the brand: the best environment for employees, for sustainability and for operational efficiency.

Now in its second year of operation, the Blackmores Bungarribee Warehouse in Western Sydney has doubled the Group's warehouse footprint and allows room for future growth. The facility is critical to our customer service proposition, being purposefully designed for high levels of automation and to maximise workflow and efficiencies. The warehouse ships on average 2,500 orders per week.

Our supply chain deals with 1,000 ingredients, 600 product formulations and approximately 1,500 individual product units.

We have a high reliance on natural resources and, accordingly, have a strong sustainability charter.

Our commitment to an ethical supply chain

The Australian legislation around modern day slavery requires that we publicly state the actions we are taking to create visibility in our supply chain by December 2020.

In the 2019 financial year, we implemented a software solution to enable us to work with our suppliers to ensure their business practices align with our commitment to sustainable sourcing.

We're on track to publish results more than a full year earlier in October 2019.

Integrated Business Planning

A key element of being a truly consumer-centric business is ensuring consumers have all our products available to them.

In March 2019, the Blackmores Group implemented an Integrated Business Planning (IBP) process.

The implementation of Integrated Business Planning delivers smooth inventory management through deep connectivity across the Group, critical data and information sharing, and timely and transparent decision-making.

IBP will be the process by which the Executive Team will run and manage the business, enabling better stock management and working collectively to ensure that we have the Right Product, available at the Right Time in the Right Place for our consumers.

Preparing to integrate Catalent Australia's manufacturing facility

Throughout the 2019 financial year, preparations have continued for the upcoming acquisition of Catalent's Braeside manufacturing facility in October 2019.

This acquisition will see Blackmores vertically integrate into manufacturing of products, which will deliver significant benefits across multiple aspects of the business including lowering overall risk of supply, faster and more agile response times for customers, and overall greater control of our supply chain.

Once complete, the acquisition will strengthen Blackmores' quality credentials and new product development capabilities as well as enabling improved management of Blackmores' current and future portfolio of registered products in Asia.

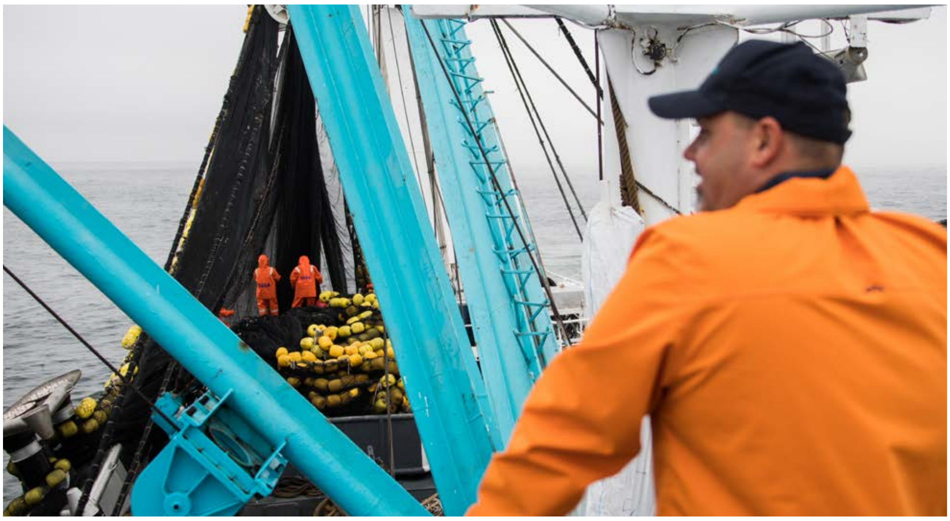
Business reporting improvements

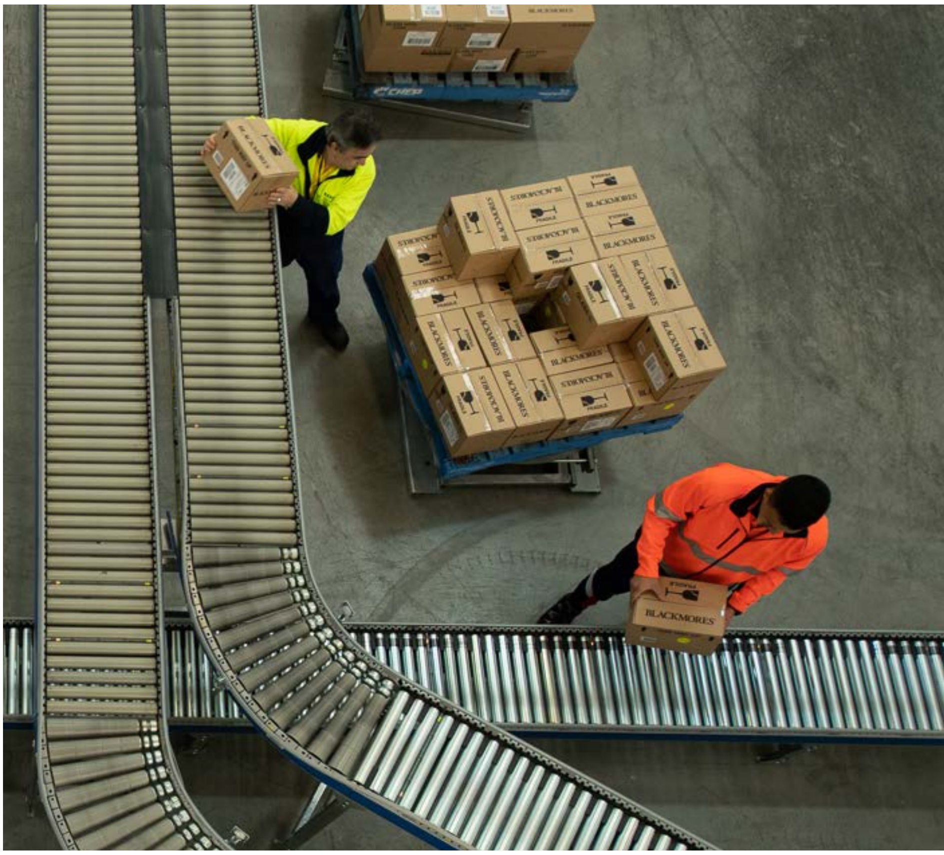
In the 2019 financial year, the business commenced a roll out of a new Oracle enterprise resource planning (ERP) system across our Asian markets. This is a move to consolidate technology platforms and bring in-country finance and supply chain services onto a common, single enterprise platform.

A unified ERP platform is delivering transparency and helping get products into our markets more efficiently. It enables our business to have access to timely and accurate financial and supply chain information across our markets in Asia.

At the close of the financial year, roll outs in both Singapore and China were complete. The remainder of Asia business units will be transitioned in FY20.

Operating & Financial Review





Top: Wes Ipsen, Strategic Sourcing Manager

Bottom: Joakim Karlsson, Blackmores Bungarribee Distribution Centre

Group Financial Position

Aaron Canning

Despite a challenging year for the Group, impacted by China regulatory changes, the financial health of Blackmores remains sound at the end of the 2019 financial year.

Total net assets increased by $14 million to $208 million at June 2019, largely driven by increases in non-current assets and partially offset by increased debt levels, reflecting higher working capital requirements to support our growth priorities.

Current assets increased by $3 million in the year, driven by inventory and partially offset by lower cash levels for the Group.

Inventory at $125 million was $21 million higher than the prior year due to the building of safety stock levels in advance of taking ownership of the Catalent Braeside manufacturing facility (in October 2019), risk mitigation steps taken to ensure continuity of supply and a slowing of demand in China sales in the second-half of the year.

Non-current assets increased by $23 million to $185 million at year end. This reflects the continued investment in our IT systems and the acquisition of the Impromy weight management brand in November 2018.

Current liabilities have decreased by $24 million to $151 million, largely due to the timing of inventory purchasing cycles which were intentionally lower compared to the prior year.

Non-current liabilities at $133 million increased by $36 million from June 2018, driven by increased borrowings to fund higher working capital requirements and the Impromy acquisition.

Net debt at $94 million increased by $45 million, higher than the increase in gross borrowings due to the lower cash position. The cash balance of $25 million was $12 million lower than prior year following the successful repatriation of cash from China during the second-half of the 2019 financial year.

The gearing ratio has increased from 20% to 31% in the year but remains at modest levels and we continue to maintain a conservative level of headroom against all debt covenants.

During the 2019 year, we undertook a refinancing of our debt facilities and secured an increase to our facilities (now at $305 million, up from $230 million), added new banking partners as well as improved margins and terms which will provide the business with greater flexibility to fund future growth.

With higher gross debt, the Group's net interest cover decreased to 16.1 times, down from 25.9 times. Notwithstanding the decrease, these levels still maintain conservative levels given the Group's ongoing interest commitments.

Cash generated from operations of $52 million represented a $38 million decline on the prior year, largely attributable to higher working capital in the second-half.

Net cash flows from operating activities were $20 million, with interest and tax cash outflows broadly flat compared to the prior year. This also represented a $38 million decline on the prior year. The cash conversion ratio of 57% for the year was below our historical levels.

Reported NPAT was $53 million (2017: $70 million), a 24% decrease on the prior year. Adjusting for significant items relating to restructuring of $1.6 million post-tax, the underlying result was $55 million, a 21% decrease.

Reported basic earnings per share (EPS) decreased 24% to 309.2 cents (2018: 406.4 cents). The EPS adjusted for significant items was down 22% to 318.2 cents.

Dividends per share were 220 cents (2018: 305 cents), reflecting a 71% payout ratio.

Investment returns on the metrics of return on assets and shareholders' equity at 17% and 26% respectively were impacted by profit performance and higher working capital. Income tax expense was lower, reflecting the decline in profit, with a Group effective tax rate of 29.3%, marginally higher than the prior year.

The Group will issue a separate voluntary 2019 Taxation Disclosure report providing further details on the types and amount of taxation paid by the Company.

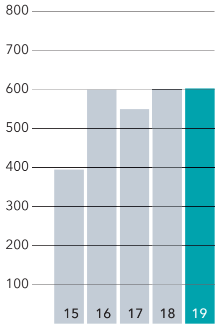
Aaron Canning
Chief Financial Officer

Operating & Financial Review

REVENUE

$610 million

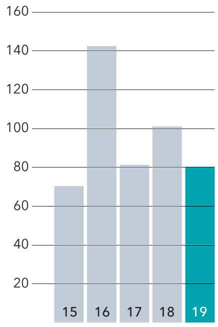
The Group delivered revenue of $610 million across all divisions and brands, a 1% increase on the prior year.



EBIT[1]

$83 million

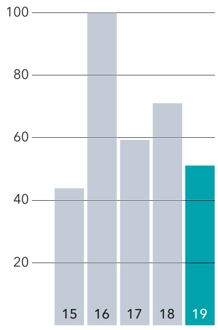
Earnings before interest and taxes of $83 million was down 19% compared to the prior year.



NPAT[1]

$55 million

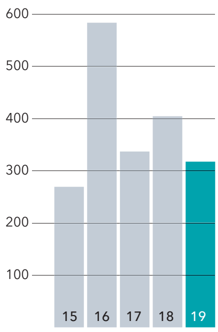
Net profit after tax (NPAT) attributable to shareholders of Blackmores of $55 million, down 21% on the prior year.



EPS[1]

318 cents

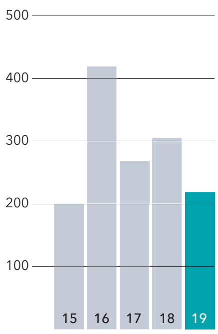
Earnings per share (EPS) of 318 cents, was down 22% on the prior year.



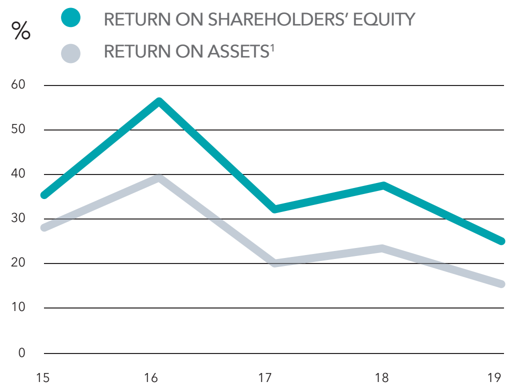
DIVIDENDS PER SHARE

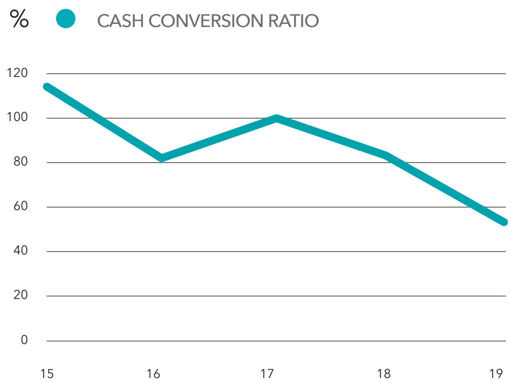
220 cents

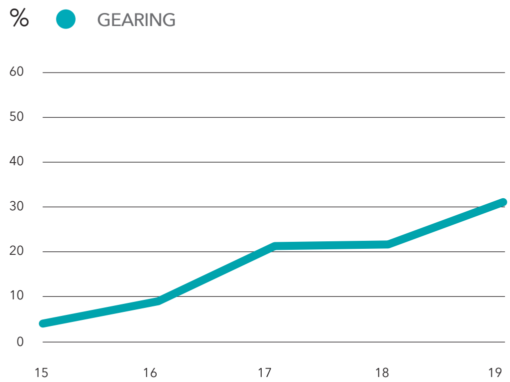
Dividends of 220 cents per share were 28% lower compared to the prior year.

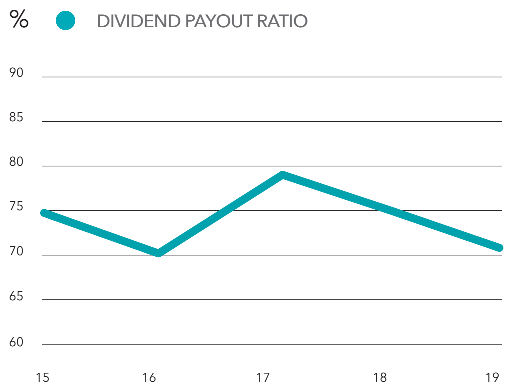


1. FY19 excludes restructuring costs of $2.2m or $1.6m post-tax.









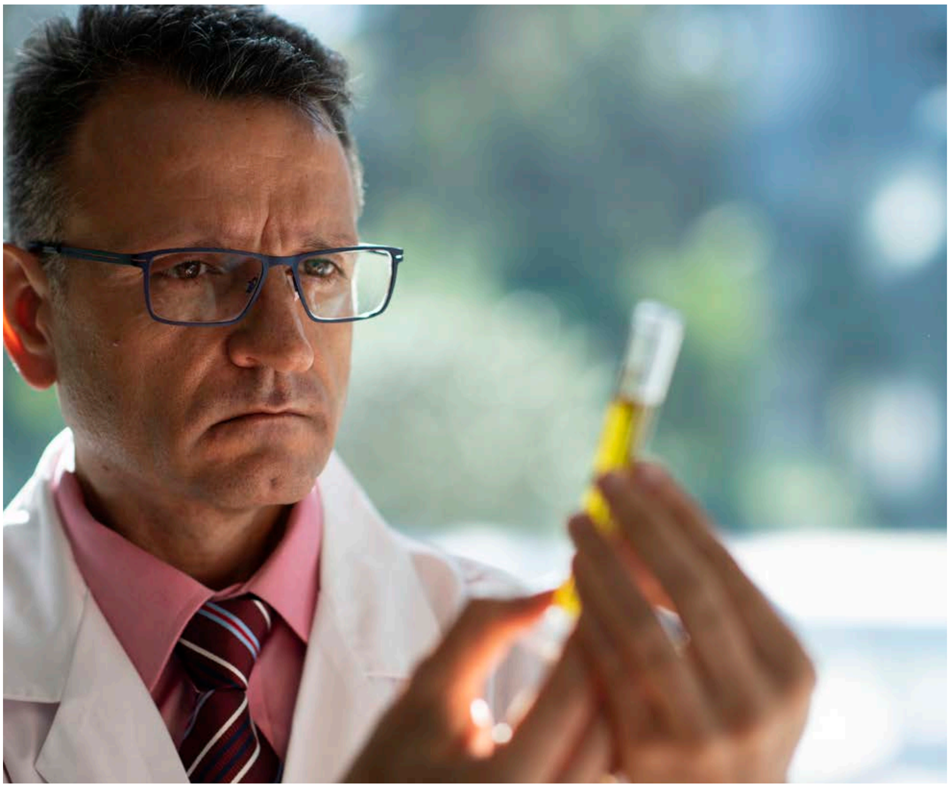
Group Risks

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 including our Supplier Code of Conduct. • 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. The changing natural environment and changing markets as a result of global warming may impact access to some raw materials.	• Acquisition of a manufacturing facility in Victoria to provide greater control over production volumes. • Improved demand planning and forecasting technology and processes. • Dedicated internal capability focused on sourcing. • Direct sourcing of key and scarce ingredients. • Strengthened supplier relationships and contracts balancing volume requirements. • Strong sustainability charter and science-based approach to understanding the resilience of key ingredients. • Regular climate-related scenario assessments undertaken to progress ongoing adaptive measures.
Product quality issue	Financial loss due to: • Delay in restoring supply of product for sale. • Product recall and reformulation costs. • Reduced industry capacity.	• 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 results in loss of share and value.	• High quality controls throughout the supply chain. • Focus on complaint handling. • Crisis training and response plans in place. • Active program to engage stakeholders on Blackmores' business values and ethics practices. • Consumer advisory line to provide product information. • Traceability and technology in the supply chain.
Cyber risk	Co-ordinated attacks on critical infrastructure resulting in system outage or theft of confidential, personal or financial information.	• Ongoing updating of technology with the incorporation of security services. • Compliance program and employee training to prevent a breach.
Financial and treasury risk	Financial and credit risks include negative impact on profit, balance sheet and cash flow. Treasury risks include change in exchange rates, ingredient prices, interest rates and funding cause a financial loss.	• Diversification of currencies and working with supply partners to more effectively use these currencies for Group procurement. • Active ongoing reviews and assessments of customer risk.
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 Chinese businesses. • 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.

More on the Group's approach to understand and address the potential impacts of climate change is outlined on page 41.

Operating & Financial Review



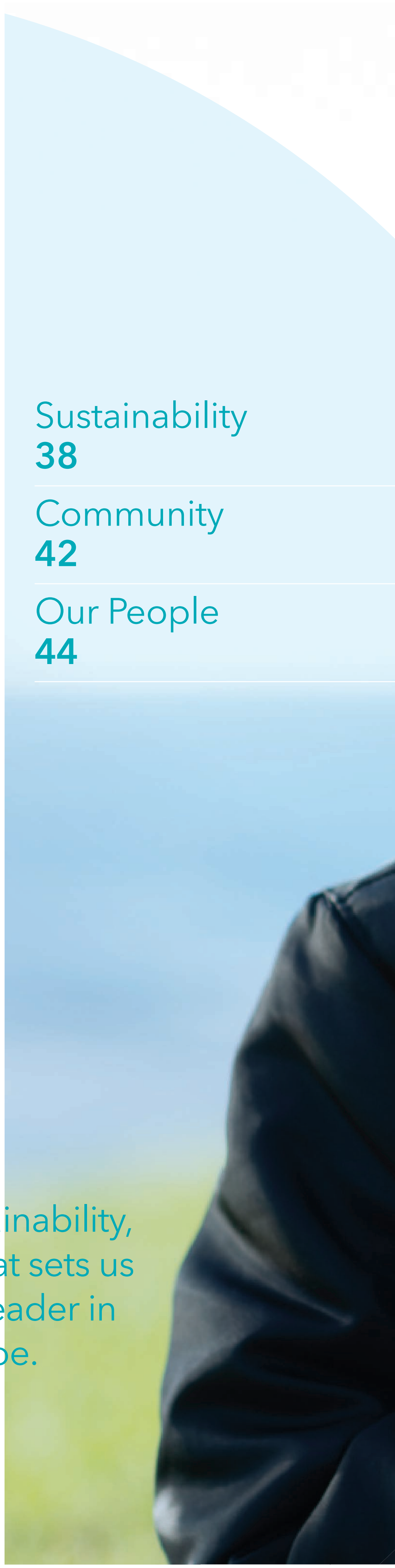
There are countless opportunities in the global health category as well as some inherent risks. Blackmores takes a proactive approach to managing these with a focus on the following core areas to mitigate risk:

- 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.

Top: Vladimir Stajic, Head of Research & Technical Affairs, Blackmores Institute

Bottom: Mia, aged 4, celebrating World Environment Day

The Blackmores Difference



Blackmores' commitment to sustainability, community and our people is what sets us apart. We have always been the leader in our industry – and we always will be.

Indica, aged 9, with Diesel

The Blackmores Difference

Blackmores' sustainability program is guided by the United Nations Sustainable Development Goals and is structured to address the most significant impacts of the business and our greatest opportunities to effect change. Full reporting and targets will be published in October 2019 at blackmoressustainability.com.au

Our sustainability vision is for a world where people and nature thrive together and we are focused on progressing four goals:

1. Tread Lightly
2. Source Responsibly
3. Lead the Change
4. Improve Wellbeing

Sustainability

A team of Blackmores staff volunteers celebrated World Environment Day by planting more than 1,000 native seedlings across our local coastline to prevent dune erosion and support the Greener Communities program at Northern Beaches Council.

Blackmores' founder, Maurice Blackmore, advocated that you can't have healthy people without a healthy planet.

The Blackmores Difference

Key highlights

- Launched Partnering For People with our supply partners, a program to improve supplier transparency and address the risk of modern day slavery in our supply chain, including deployment of supplier risk management software with 73% of supply partners assessed.
- Completed a 2°C Scenario Workshop to inform a Group climate change risk assessment.
- Published 'Sustainable Nutrition', a Blackmores Institute scientific literature review to understand the impact of climate change on nutritional and natural medicine.
- Adopted a Clean Energy Strategy to increase the use of renewable energy and reduce the intensity of our emissions by 20% by 2030.
- Implemented an Environmental Management System modelled on ISO 14001 standard to facilitate continuous improvement in environmental management throughout our facilities and operations.
- 71% waste diverted from low value landfill and recovered for recycling and reuse.
- Featured the Australasian Recycling Label on 16 products.
- Returned more than 18,000 Blackmores glass bottles in Thailand through the B For Earth initiative for recycling. Reused 5,000 bottles for hydroponic planting vessels for edible vegetables used in school education and donated the money raised through recycling to an orphanage supporting the nutrition and welfare of young girls.
- Commissioned a lifecycle assessment of Blackmores' two most significant packaging formats to better understand the environmental footprint of our products.
- Staff contributions to the community increased:
  > Employee contributions through Blackmores' matched donations scheme were $196,000 in the year, with 30% of staff now participating.

  > More than 300 employees donated their time to community initiatives, representing more than 2,000 hours of volunteering.

Sustainability

Edgar Cabal,
Senior Procurement
Manager

Understanding the impact of climate change

Blackmores Group has a reliance on nature for key ingredients in nutritional medicine products and is therefore proactive in addressing the changing natural environment.

Blackmores has taken a strong position to address mitigation, our actions to slow the acceleration of global warming, and adaptation, building resilience into our business model and supply chain to adapt to the changing physical world and changing markets as a result of climate change with a focus on the protection and conservation of natural resources.

The Board has responsibility for considering the potential impacts climate change will present in the future, oversight of the operational strategy to adapt to global warming and the transition to a low-carbon economy, and to targets to reduce the intensity of the Group's emissions.

To inform evidence-based decision-making on the risk of climate change, the Group has:

- Published a scientific literature review on the impact of climate change on nutritional and natural medicine, exploring factors relating to biodiversity, marine sources of ingredients, medicinal plants and changes to human nutritional needs. Read the full report: blackmoresinstitute.org/sustainablenutrition
- Held a Senior Management facilitated 2°C Scenario Workshop and subsequent risk analysis.
- Adopted a Clean Energy Strategy to deliver a targeted reduction in emissions intensity of 20% by 2030.

Blackmores acknowledges the recommendations of the Task Force on Climate-related Financial Disclosures and publishes further information including Scope 1, Scope 2 and Scope 3 greenhouse gas emissions in our annual Sustainability Report, which will be released in October 2019.

The Blackmores Difference

As a values-driven Company, giving back is core to our DNA. The Blackmores Group strives to make a difference by building healthier communities across Asia Pacific and supporting charitable organisations and inspirational individuals who are helping to build a brighter future.

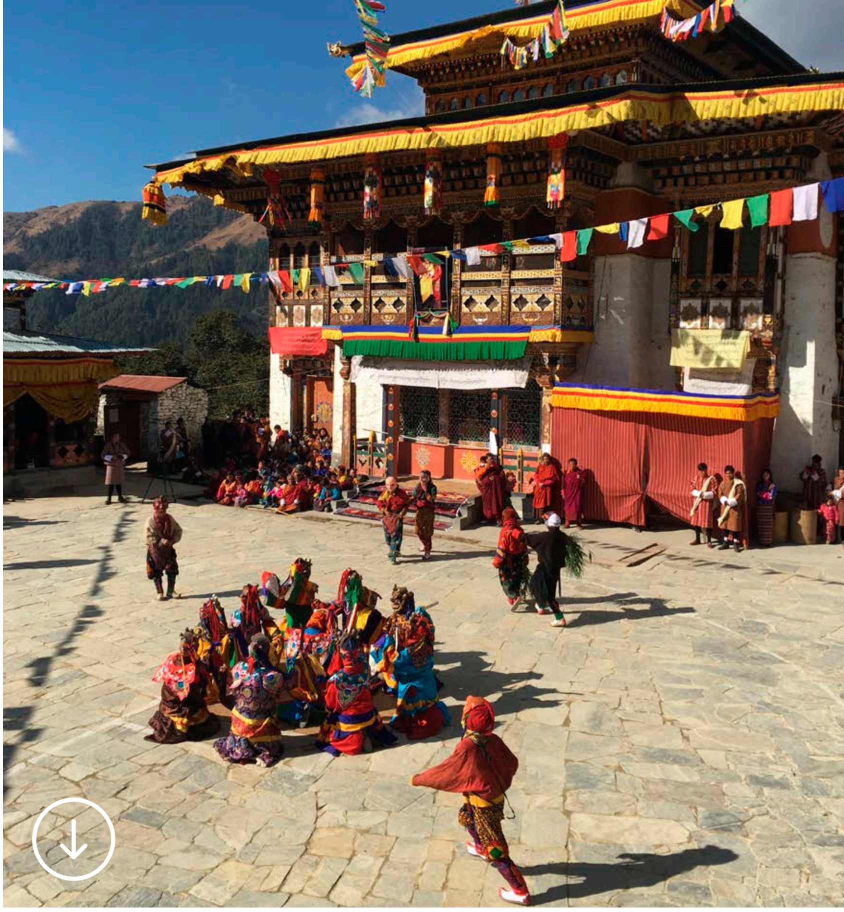
Every year, the Blackmores Sydney Running Festival inspires more than 34,000 people to achieve their health and fitness goals, raising more than $1.5 million for charitable causes in September 2018.

The Blackmores Mercie Whelan Women & Wellbeing Awards in partnership with CCNB celebrate women making an outstanding contribution to their local communities. We also sponsored the 2019 Women's World Adaptive Surfing Champion, Sam Bloom.

In Asia, Malaysia's Project Kindness continued serving healthy meals in soup kitchens to the urban poor and homeless. Thailand's Keep Running Keep Wellbeing initiative once again donated 7,543 pairs of shoes to underprivileged children. And Indonesia's support of Bumi Sehat Foundation continued to help improve maternal and child health in rural communities.

Other charitable initiatives supported by the Blackmores Group to improve community health and wellness include Quest for Life Foundation, The Growth Project, United in Compassion, Auckland City Mission, Guide Dogs Australia, Rotary Australia and more.

"Thailand's Keep Running Keep Wellbeing initiative once again donated 7,543 pairs of shoes to underprivileged children."

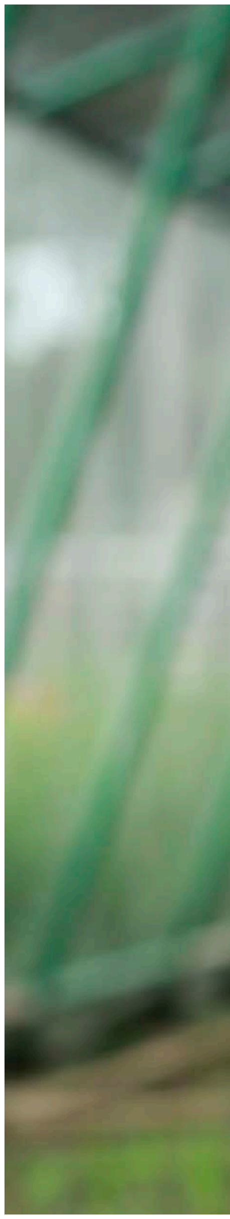


Dorji Lingpa Foundation Making a difference in Bhutan

The tiny nation of Bhutan, nestled high in the Eastern Himalayas, prioritises the health and wellness of its people using a 'Gross National Happiness Index' to measure sustainable development.

Inspired by our Asia Managing Director Peter Osborne, who has done charitable work there for many years, Blackmores staff around the globe rallied together to raise more than $17,000 for the Dorji Lingpa Foundation to benefit a remote monastic community.

Our Executive Director Marcus Blackmore and his wife Caroline matched this amount, increasing the total donation to $34,000 which will be used to help build housing for students and the local village community.



Community

B for Earth
Ensuring for our future generations

The Blackmores 'B for Earth' program in Thailand, now in its fifth year, was born of our longstanding belief that you can't have healthy people without a healthy planet. Last year, consumers returned 18,000 empty Blackmores bottles to do double good – reduce their environmental footprint and support local schoolchildren.

We distributed 5,000 bottles to almost 100 primary schools across Thailand, teaching students how to grow hydroponic vegetable gardens and cook nutritious meals, and awarding five schools with education and wellness scholarships.

The remaining bottles were sold to a recycling factory and the proceeds of 50,000 baht (AUD $2,200) donated to the Rajvithi Home for socially disadvantaged girls aged 5-18 to fund ongoing health and nutrition programs.

Through initiatives like 'B for Earth', Blackmores is proud to help build healthy foundations for today and into the future.

Opposite: Marika Kontellis from CCNB and Caroline Blackmore celebrating the 2019 International Women's Day theme #betterforbalance

Keitkeaw Thisspumee, Blackmores Thailand (right) and friend Sivayut Jariyasatit

Below: Student Raditdanai participating in our B for Earth sustainability program in Thailand

The
Blackmores Difference

Our People

The wellbeing and continued development of our employees is a cornerstone of culture at the Blackmores Group.

Investing in our people

The Blackmores Group is committed to developing the right skills and capability to support our growth ambitions.

During the year, we steadily lifted our people and culture processes, focusing on performance reviews, succession planning and the development of a flexible working philosophy.

To build capability amongst leaders at all levels of the organisation, we've introduced new Leadership Standards. As they are embedded in our people and culture processes, the standards will enable us to identify and develop top talent into the future.

Investing in modern workplaces

At the Blackmores Group, we recognise the need to have modern agile workplaces, to enable collaboration across our brands and markets and attract diverse talent to support our business growth.

In the 2019 financial year, the Blackmores Group has invested in a new state-of-the-art inner city office in Sydney.

Launching in September 2019, the Surry Hills Campus is designed to accommodate business growth and expansion. It will be fully enabled with the right collaboration technology to support teams working together across markets and regions and is designed to provide a best-in-class employee experience.

"Make people happy.
Be the employer of choice."

– MARCUS BLACKMORE

Workplace Health and Safety (WHS)

At Blackmores, a strong WHS culture covers more than just the physical, but also addresses the work-life balance, mental health and overall wellbeing of employees.

In the 2019 financial year, the Blackmores Workplace Health and Safety (WHS) Committee was restructured as the business prepares to add manufacturing to its value chain.

Our Group WHS Committee now comprises a Steering Committee plus eight Safety Improvement Teams (SITs) covering all our locations. The Steering Committee is responsible for setting the direction for WHS throughout the business. Our Safety Improvement Teams are location-based, responsible for WHS improvement plans and performance for their designated site.

This new structure allows us to effectively facilitate co-operation between management and workers in investigating, developing and carrying out measures to ensure workers' health and safety across our sites. The aim of the committee is to ensure that workers' views are heard on WHS matters and to continually improve safety across our business.

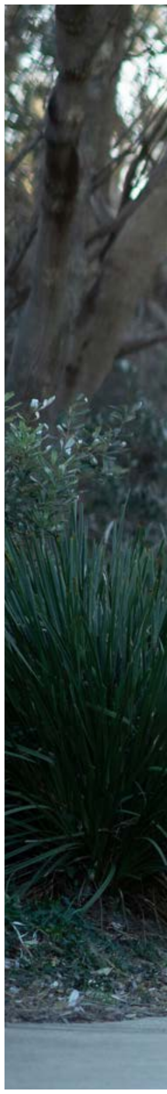
There were 13 reportable injuries, with no fatalities, which is in-line with the prior period. 92% of those reports resulted in short-term impairment only.

A holistic approach to the wellbeing of our people

The commitment to a holistic, all-in approach to the wellbeing of our employees was demonstrated in the number of WHS training and engagement touchpoints for employees across the Group. In the 2019 financial year, there were 7,890 individual WHS-related training touchpoints. Training topics communicated through the WHS Committee included a focus on mental health.

In the 2019 financial year, the WHS ran six mental health education sessions across the business, facilitated by both the Red Cross and Benestar, our Employee Assistance Program partner. The sessions were designed to encourage a dialogue around the importance of mental and emotional health.

Other training focus areas in the 2019 financial year included safe travelling, evacuating our sites, ergonomics and manual handling. To ensure the information was well understood by employees, training was designed as a combination of face-to-face sessions and videos featuring real employees.



Clockwise from left: Mark Lucas and Jamie Haua, Blackmores Bungarribee Distribution Centre

Chang Shin Park, Sales & Marketing Manager, Blackmores Korea

Melissa Lokan, Blackmores Institute and Simone Gibbs, Blackmores procurement team

Pito Hatherley, Blackmores Warriewood Staff Café

Jacqui O'Donnell from PAW by Blackmores with Riley, aged 8, Neve, aged 5, and Bowie

Executive Team

01
Marcus C Blackmore AM

Interim Chief Executive Officer

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.

Mr Blackmore 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. He has acted as interim Chief Executive Officer since 1 April 2019.

02
Adjunct Associate Professor 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 various positions at The Alfred Hospital, Monash University and RMIT 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 National E Health Transition Authority (NeHTA) medicines terminology group, Clinical Oncological Society of Australia (CITIG) and Advisory Committee for the Australasian Integrative Medicine Association.

Lesley is a current member of the Pharmaceutical Society of Australia, Australian Institute of Company Directors, Australia-China Business Council Health, and Medical Research working group, International Women's Forum, plus on the course advisory committees for the nutrition degrees at Endeavour College and the Think Group.

She is the main author of four best-selling textbooks including 'Herbs and Natural Supplements – an evidence based guide', founding Editor-in-Chief of the journal Advances in Integrative Medicine, and was a regular columnist for the Australian Journal of Pharmacy for 20 years.

Lesley is a member with the Menzies Research Catalyse program and was named CEO Magazine's Health & Pharmaceutical Executive of the Year in 2018.

03
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.

Aaron has a Bachelor of Commerce in Marketing and Management and a postgraduate First 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 a graduate of the Australian Institute of Company Directors. Aaron was named CEO Magazine's 2016 CFO of the Year (runner-up).

04
Cecile Cooper

Company Secretary & 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.

05
Tami Cunningham

Chief Marketing & Innovation Officer (interim)

Tami has over 20 years of diverse marketing experience across multiple sectors and regions. She has a strong track record identifying and exploiting business growth opportunities, with a unique mix of strategy, brand and innovation capability based on a deep understanding of customers, commercial drivers and best-in-class process and people leadership.

Prior to joining Blackmores in 2017, Tami was Marketing Director for Mars, where she was a member of the Leadership Team and led the Marketing function across the gum, mints and confectionery portfolio for the Pacific region.

As Blackmores' interim Chief Marketing and Innovation Officer, Tami is responsible for driving a renewed focus on innovation and new product development and engaging consumers across our brands and markets.

Tami has a Bachelor of Economics from the University of Sydney and is passionate about creating values-driven, customer-oriented businesses that inspire with their brand purpose.

06
Jeremy Cowan

Chief Operations Officer

Jeremy joined Blackmores in July 2018 and has strong leadership and strategy capability, linked to his extensive functional and technical acumen across end-to-end supply chain, encompassing sales and operations planning, manufacturing, logistics and procurement. He has a proven record of generating value through supply chain strategies and continuous improvement.

Prior to joining Blackmores, Jeremy had 20 years with Mars Incorporated encompassing multiple segments across, in various Director roles as an Executive Team member based in both Australia and the USA. He also spent 18 months as Asia Pacific Procurement Director of Nando's for 18 months immediately prior to joining Blackmores.

Jeremy has delivered results in both business and functional leadership through developing high performing teams and nurturing a positive culture through communication and interpersonal skills.

07
Jane Franks

Chief People Officer

Jane joined Blackmores in October 2018 in a newly created Chief People Officer role, responsible for developing and executing the Blackmores people strategy. As guardian of the employee value proposition, Jane's role is accountable for a new strategic focus on culture, capability and talent across all markets.

Jane is an accomplished executive with 20 years of experience in the financial services and consumer products sectors across HR, strategy and business management roles. Passionate about people and making a difference, Jane has a strong track record of building partnerships to improve business performance through building strong organisational cultures, improving leadership capability and embedding rigorous talent practices.

Prior to Blackmores, Jane was HR Director for Diageo Australia and before that held senior roles across the Westpac Group, including 11 years within BT Financial Group. Her qualifications include a Bachelor of Business and membership of the Australian Institute of Company Directors and Australian Human Resources Institute.

08
Eric Jeanmaire

Managing Director, Australia & NZ (interim)

Eric has more than 20 years of retail and brand experience in health and beauty multinationals, across both the European and Australian markets. He has a strong focus on understanding consumers and retail partners and building market-leading brands and deep strategic partnerships with retailers in the region.

Prior to joining Blackmores in 2013, Eric was at Colgate Palmolive Australia, where he held several roles in the retail category and business development. As interim Managing Director for the Australia and New Zealand region, Eric is responsible for developing and delivering effective strategies across all brands and categories in the region.

Eric is passionate about developing and contributing to an organisational culture that delivers on business performance and a strong commitment to natural health.

09
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 facilitation and promotion. He is responsible for Blackmores' Asia business, including subsidiary companies in Singapore, Thailand, Malaysia, China, Taiwan (China), Hong Kong (China), Korea, and Japan; joint venture Kalbe Blackmores Nutrition in Indonesia; distribution partnerships in Vietnam, Kazakhstan 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 with postings in Beijing, Shanghai, Hong Kong and Taipei. 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 and worked in Asia for 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 (CAQI) in Beijing.

10
Brett Winn

Chief Information Officer

Brett has 25 years' experience delivering innovative, customer-obsessed technology solutions across a range of industries throughout Asia Pacific. Prior to joining Blackmores in 2016, Brett was Chief Information Officer at Medibank where he created leading tele and population health initiatives to improve access to services and reduce stress on the Australian health system. Brett has also held executive IT positions at CitiPower, PageGroup, Saatchi & Saatchi and McCann Worldgroup.

As Blackmores' Chief Information Officer, Brett is responsible for technology and digital solutions aimed at customer outcomes and innovation, while driving operational efficiencies across the Group. He has an MBA from the University of Technology, Sydney, and is passionate about championing company culture to achieve world-class outcomes.

Brett was named CEO Magazine's Chief Information Officer of the Year in 2018.

2019 Financial Report

Five Year History

$'000	2019	2018	2017	2016	2015
Revenue	**609,502**	601,136	552,160	598,659	388,366
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**91,414**	110,552	94,642	152,266	78,655
Depreciation and amortisation	**10,874**	8,940	8,411	7,045	6,391
Earnings before interest and tax (EBIT)	**80,540**	101,612	86,231	145,221	72,264
Net interest expense	**4,995**	3,930	4,180	1,810	3,432
Profit before tax	**75,545**	97,682	82,051	143,411	68,832
Income tax expense	**22,115**	28,459	24,023	43,391	22,276
(Loss)/gain attributable to non-controlling interests	**(39)**	(782)	(985)	12	-
Profit after tax attributable to shareholders of Blackmores Limited (NPAT)	**53,469**	70,005	59,013	100,008	46,556
Net debt	**94,484**	49,532	44,717	17,793	7,069
Shareholders' equity	**207,292**	192,875	177,541	178,263	132,915
Total assets	**490,928**	464,850	412,174	443,362	293,407
Current assets	**305,526**	302,507	258,662	294,624	187,844
Current liabilities	**150,509**	174,467	142,556	192,279	114,998
Net tangible assets (NTA)	**122,508**	123,869	107,369	116,484	90,809
Cash generated from operations	**51,806**	90,131	95,310	123,022	89,791
Number of shares on issue ('000s)	**17,362**	17,227	17,226	17,225	17,224
Earnings per share (EPS) - basic (cents)	**309.2**	406.4	342.6	580.6	270.7
Ordinary dividends per share (DPS) (cents)	**220**	305	270	410	203
Share price at 30 June	**$89.91**	$142.50	$95.84	$131.39	$75.27
NTA per share	**$7.06**	$7.19	$6.23	$6.76	$5.27
Cash conversion ratio[1]	**56.7%**	81.5%	100.7%	80.8%	114.2%
Return on shareholders' equity[2]	**25.8%**	36.3%	33.2%	56.1%	35.0%
Return on assets[3]	**16.9%**	23.2%	20.2%	39.4%	27.3%
Dividend payout ratio	**71.2%**	75.0%	78.8%	70.6%	75.0%
Gearing ratio[4]	**31.3%**	20.4%	20.1%	7.1%	5.1%
EBIT to revenue ratio	**13.2%**	16.9%	15.6%	24.3%	18.6%
Effective tax rate	**29.3%**	29.1%	29.3%	30.3%	32.4%
Current assets to current liabilities (times)	**2.03**	1.73	1.81	1.53	1.63
Net interest cover (times)	**16.1**	25.9	20.6	80.2	21.1
Gross interest cover (times)	**15.3**	23.4	18.9	63.9	18.8
% change on prior year					
Revenue	**1.4**	8.9	(7.8)	54.1	35.1
EBITDA	**(17.3)**	16.8	(37.8)	93.6	70.8
EBIT	**(20.7)**	17.8	(40.6)	101.0	81.6
NPAT	**(23.6)**	18.6	(41.0)	114.8	83.1
EPS	**(23.9)**	18.6	(41.0)	114.5	81.4
DPS	**(27.9)**	13.0	(34.1)	102.0	60.0

1. Calculated as cash generated from operations divided by EBITDA.
2. Calculated as net profit after tax divided by closing shareholders' equity.
3. Calculated as EBIT divided by average total assets.
4. Gearing ratio is calculated as net debt divided by the sum of net debt and shareholders' equity.

2019 Directors' Report

Directors' Report

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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	4,010,043	-
Christine Holman	1,500	-
Brent Wallace	12,302	-
Total	4,025,645	-

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:

	2019 [1, 2] NUMBER
Senior Executives	
Aaron Canning[2]	3,218
David Fenlon[3]	3,393
Peter Osborne[2]	3,049
Former Executive Director	
Richard Henfrey[2,4]	3,068
Total	**12,728**

1. Includes rights granted under the 2019 financial year (FY19) Long-Term Incentive Plan (LTI). Rights vest provided specific performance objectives and hurdles are met over the three-year period commencing 1 July 2018 to the year ending 30 June 2021.
2. Includes rights granted under the Staff Share Plan. Rights of 32 shares for Aaron Canning, 34 shares for Peter Osborne and 23 shares for Richard Henfrey will vest in the 2020 financial year (FY20).
3. David Fenlon resigned 30 June 2019.
4. Richard Henfrey ceased to be an Executive Director 28 March 2019.

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:	Nominations:	People and Remuneration:
John Armstrong, Chairman	Brent Wallace, Chairman	Christine Holman, Chairman[2]
David Ansell	David Ansell	David Ansell[5]
Stephen Chapman[1]	John Armstrong	Stephen Chapman[1]
Christine Holman[2]	Marcus Blackmore	Jackie McArthur[3]
Jackie McArthur[3]	Stephen Chapman[1]	Helen Nash[6]
Brent Wallace	Richard Henfrey[4]	Brent Wallace
	Christine Holman[2]	
	Jackie McArthur[3]	
	Helen Nash[6]	

1. Stephen Chapman resigned as a Non-Executive Director 27 November 2018.
2. Christine Holman joined as a Non-Executive Director from 18 March 2019.
3. Jackie McArthur was appointed a member of the Committee 27 August 2018 and resigned as a Non-Executive Director 5 August 2019.
4. Richard Henfrey ceased to be an Executive Director 29 March 2019.
5. David Ansell joined as a member of the Committee 25 October 2018.
6. Helen Nash resigned as a Non-Executive Director 5 August 2019.

Directors' Report

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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 with 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, a Fellow of the Association of Chartered Certified Accountants, a 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 2019 and 30 June 2018 and the results herein have been prepared in accordance with Australian Accounting Standards.

The statutory net profit after tax (NPAT) (in thousands) of the Blackmores Group for the financial year was $53,469 (2018: $70,005).

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 26 to 35 inclusive.

DIVIDENDS

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

- A final dividend of 155 cents per share fully franked in respect of the year ended 30 June 2018, as detailed in the Directors' Report for that financial year, was paid on 12 October 2018
- An interim dividend of 150 cents per share fully franked in respect of the year ended 30 June 2019 was paid on 20 March 2019
- On 14 August 2019, Directors declared a final dividend for the year ended 30 June 2019 of 70 cents per share fully franked, payable on 12 September 2019 to shareholders registered on 28 August 2019.

This will bring total ordinary dividends to 220 cents per share fully franked (2018: 305 cents per share fully franked) for the full year.

GROUP STRATEGY

Activities across the Group for the 2019 financial year were aligned to four key strategic priorities:

1. Consumer connectedness
2. Innovation & expertise
3. Global advantage
4. People & performance

Information about these strategic priorities is set out on pages 16 to 25 inclusive.

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 2019.

SUBSEQUENT EVENTS

There has not been any matter or circumstance, other than that referred to in the Consolidated 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 AND RISK

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 'Governance & Board of Directors).

The material risks that could affect Blackmores' future financial performance and their potential impacts are set out in the Operating and Financial Review on page 34.

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 2019

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	12	11	4	4	1	1	4	5
John Armstrong[2]	12	11	4	4	1	1	N/A	2
Marcus Blackmore[2]	12	9	N/A	1	1	1	N/A	2
Stephen Chapman	5	5	2	2	1	1	2	2
Richard Henfrey[2]	8	7	N/A	3	1	1	N/A	3
Christine Holman	5	4	1	1	-	-	3	3
Jackie McArthur	12	12	3	3	1	1	5	5
Helen Nash	12	12	N/A	-	1	1	6	6
Brent Wallace	12	12	4	4	1	1	6	6

1. Reflects the number of meetings held during the time that the Director held office or was a member of the Committee during the year.
2. Attendance at committee meetings 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 7.2 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) Corporations Instrument 2016/191, the amounts in the Directors' Report and the Financial Report are rounded off to (and expressed in) the nearest thousand dollars, unless otherwise indicated.

Amounts in the Remuneration Report are actual.

2019 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.
- FY19 short-term incentives (STI) were not paid to the Executive Director and Senior Executives as performance hurdles were not met.
- Long-term incentives (LTI) were not awarded in the year as the achievement of the three-year EPS growth targets for the FY17 plans, granted in July 2016, were not met.
- No LTI vested in relation to FY18 or FY19 plans.
- Senior Executives received increases to Fixed Annual Remuneration (FAR) during the year due to organisational changes, expanded roles and responsibilities and alignment to appropriate benchmarking.
- Non-Executive Director fees were increased in FY19.
- The CEO resigned during the year and the Executive Director was appointed interim CEO.
- Alastair Symington accepted the role as CEO and MD and will commence in September 2019.
- Brent Wallace was appointed as Chairman of the Board following the retirement of Stephen Chapman from the Board in November 2018.
- The appointment of Christine Holman as a Non-Executive Director in March 2019 brings new skills to the Board and supports our continued commitment to diversity.
- Jane Franks commenced in the new role of Chief People Officer in October 2018.
- Jackie McArthur and Helen Nash resigned as Non-Executive Directors on 5 August 2019.

Introduction from the Chairman of the People and Remuneration Committee

Dear Shareholder,

I am pleased to present to you our 2019 Remuneration Report. This report outlines FY19 performance and remuneration outcomes for Blackmores' 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.

FY19 was a challenging year. A small increase in Net Sales reflects the impact of regulatory changes in China, which continue to evolve. The Australian retail channel experienced sales decline due to the channel shift in servicing China consumers. The reduced sales growth was a significant change from previous years in which Blackmores had experienced strong Net Sales growth. Net Profit down 24%, which reflects the reduced sales, increased investment in brand advertising and promotion programs and one-off costs associated with the business improvement plan. The work to streamline the business will reduce the operating cost base and support the structure of the business in future years.

Net Sales were up 1% and NPAT down 24% on the prior year. The share price decreased 37% during the year. Blackmores' total shareholders return (TSR) was a decrease of 35%, Return on Equity of 26%, Earnings Per Share (EPS) decrease of 24% and dividend decrease of 28%.

As a result, the Executive Directors and Senior Executives did not receive an award under the short-term incentive (STI) plan.

No shares vested under the three-year long-term incentive (LTI) plan. There were no awards to Executive Directors and Senior Executives under this plan due to the non-achievement of the EPS growth hurdle during the FY17 to FY19 performance period.

ALIGNING REMUNERATION WITH BUSINESS PERFORMANCE AND STRATEGY

Over recent years, the Committee has enhanced the remuneration structures. Senior Executives' fixed and performance-based remuneration programs incentivise delivery of the strategy and provide remuneration outcomes which are aligned with shareholder returns. Benchmarking reviews of the CEO, Senior Executive and Non-Executive Director remuneration have ensured that remuneration was commensurate with the appropriate peer group to retain and attract key personnel.

The new role of Chief People Officer reporting to the CEO commenced during the year and has progressed a program of work focused on enhancing our culture, linking our business strategy and further aligning our remuneration structures to shareholder expectations and the delivery of our business objectives.

KEY OUTCOMES FOR FY19 REMUNERATION

1. Consistent with our 'One Blackmores' philosophy, whereby we strive to create a unified culture and set of goals, the FY19 STI plan included three strategic measures of Group Net Sales, China Net Sales and a stock cover measure in addition to the original measure of NPAT growth performance over the prior year.
2. The current hurdle requires positive NPAT growth before any component of the STI can be awarded to a Senior Executive.
3. The FY19 STI plan was further enhanced to ensure Senior Executives were only rewarded for achievement of outcomes if they had displayed leadership behaviours during the year in line with Blackmores' values. This acted as a gateway for the FY19 STI.

2019 Remuneration Report

4. Marcus Blackmore increased the number of days worked per week and his remuneration was increased accordingly.
5. Following the resignation of the CEO in March 2019, Marcus Blackmore was appointed as the interim CEO with no increase to remuneration.
6. Senior Executives' FAR was increased by between 2% and 8%. Full details are on page 57.
7. The FY19 statutory NPAT decrease of 24% did not meet the year-on-year growth requirement set by the Board for the STI plan to be activated and, as a result, there were no awards to Senior Executives. This contrasted with the FY18 payments, where an NPAT increase of 19% met the hurdle rate and, as such, the CEO and Senior Executives did receive an STI payment in that year. The Board considers the STI outcomes for FY19 and FY18 highlight the strong alignment between financial performance, shareholders' interests and remuneration outcomes.
8. Under the long-standing profit share scheme, up to 10% of NPAT is paid to employees of Blackmores. In FY19 this was the equivalent of 15 days' incremental salary. This compares to FY18 in which the equivalent of 26 days' incremental salary was paid.
9. The LTI plan has a three-year performance period. The FY17 plan did not vest due to negative three-year compound annual growth rate (CAGR) in EPS and reflects the disappointing performance over this period. The FY18 and FY19 LTI plans are three-year plans. The total remuneration for the financial year, the details of which are shown on page 65, includes an accounting expense reversal 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.
10. The FY19 LTI plan has a threshold hurdle of 5% three-year CAGR in EPS. In order to receive the maximum award under the plan, an achievement of 25% CAGR is required. The hurdles ensure that Senior 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.
11. Following a review of relevant benchmarks, Non-Executive Director fees were increased by 11% including the increase to statutory superannuation. There was no increase in FY18 other than increases to statutory superannuation. An additional Non-Executive Director, Christine Holman, was appointed during the year.
12. An external Board review is conducted bi-annually and was last completed during FY18. This was an extensive review with all Board members and the Senior Management team involved. This provided the Directors with both collective and individual feedback. The Board strongly believes that a high-performance culture starts in the Boardroom and the review has helped provide the Board and Senior Management team with some focus areas to action over the two-year period. This included elevating culture in the Board agenda and supporting Board and management interactions with extended leadership team participation in meetings.

FY20 CHANGES

1. Alastair Symington has accepted the role of CEO and Managing Director and will commence in September 2019. As disclosed in the announcement to the market, his FY20 fixed remuneration including statutory superannuation will be $1,300,000, FY20 STI plan maximum potential 120% of Total Fixed Remuneration and FY20 LTI plan maximum potential 200% of Total Fixed Remuneration. Following the commencement of employment, a cash payment of up to $300,000 may be made. Subject to all requisite shareholder approvals at the 2019 AGM, Mr Symington may be issued or transferred a number of shares equivalent in value up to $1,000,000 which includes a three-year performance period.
2. The FY20 LTI plan will include an additional measure of Return on Average Invested Capital (ROIC). Introducing ROIC alongside the EPS measure will provide further alignment with enhancement of shareholder returns.
3. There will be no increases to the fixed remuneration of the current Senior Executives in FY20.
4. There will be no increase in Non-Executive Director fees in FY20. The Board will assess the Chairman fees against the relevant benchmark in the second-half of FY20 with a view to potentially closing the current gap against peers. The total Directors' pool is now $1,300,000. The projected FY20 annualised Non- Executive Director fees are $1,100,000. Details of Directors' fees are on page 69.
5. Jackie McArthur and Helen Nash resigned as Non-Executive Directors on 5 August 2019.

On behalf of the Board and Committee, I invite you to read the 2019 Remuneration Report and welcome your feedback on our approach to and disclosure of Blackmores' remuneration arrangements.

Christine Holman
Chairman, People and Remuneration Committee

2019 Remuneration Report

1.

INTRODUCTION

The Directors of Blackmores Limited present the Remuneration Report for the Blackmores Group. The report outlines Blackmores' remuneration framework and the outcomes for the year ended 30 June 2019 (FY19) 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 2019:

Non-Executive Directors	
David Ansell	Non-Executive Director and member of the Audit and Risk Committee, People and Remuneration Committee and Nominations Committee
John Armstrong	Non-Executive Director, Chairman of the Audit and Risk Committee and member of the Nominations Committee
Christine Holman	Non-Executive Director and member of the Audit and Risk Committee, People and Remuneration Committee and Nominations Committee (joined 18 March 2019)
Jackie McArthur	Non-Executive Director and member of the Audit and Risk Committee, People and Remuneration Committee and Nominations Committee (resigned 5 August 2019)
Helen Nash	Non-Executive Director, Chairman of the People and Remuneration Committee and member of the Nominations Committee (resigned 5 August 2019)
Brent Wallace	Non-Executive Director, Chairman of the Board, Chairman of the Nominations Committee, member of the Audit and Risk Committee and the People and Remuneration Committee
Executive Director	
Marcus Blackmore	Executive Director, interim Chief Executive Officer and member of the Nominations Committee
Senior Executives	
Aaron Canning	Chief Financial Officer
David Fenlon	Managing Director Australia and New Zealand (resigned 30 June 2019)
Peter Osborne	Managing Director Asia

2.

SENIOR EXECUTIVE REMUNERATION OUTCOMES TABLE

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 FY19 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 55 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 entitlements due to an increase in the statutory provisions 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 FY19 portion of the fair value of rights granted in FY17, FY18 and FY19 under the LTI plan and the Staff Share Plan. Vesting of FY18 and FY19 rights under the LTI plan and the FY19 rights under the Staff Share Plan remain subject to performance and service conditions being met in the future.

The FY16 rights have vested and were valued at $147.49 in the statutory remuneration table. This differs to the following outcomes table, which includes the FY16 LTI awards valued at $142.50, which was the share price on the 30 June 2018 vesting date.

The FY17 rights under the LTI plan have forfeited as the performance conditions were not met. Both the statutory remuneration table and the following outcomes table include nil value for the FY17 LTI awards.

Included in the statutory remuneration table is a reversal of the expense which had been amortised in FY18 for the FY18 rights. The following table includes nil value.

The FY18 rights under the staff share plan which have vested were valued at $86.21 in the statutory remuneration table. This differs to the following outcomes table, which includes the FY18 share plan awards valued at $148.18, which was the share price on the 31 July 2018 vesting date.

	SALARY AND FEES	STI AND PROFIT SHARE	NON-MONETARY[1]	OTHER[2]	SUPERANNUATION	TOTAL	EQUITY THAT VESTED DURING 2018[3]	TOTAL REMUNERATION RECEIVED
	$	$	$	$	$	$	$	$
Executive Director								
Marcus Blackmore[4]								
2019	**361,616**	**20,954**	**40,582**	**-**	**20,531**	**443,683**	**-**	**443,683**
2018	110,000	29,128	16,677	2,098	15,416	173,319	232,572	405,891
Senior Executives								
Aaron Canning								
2019	**571,288**	**32,945**	**-**	**2,600**	**23,131**	**629,964**	**3,702**	**633,666**
2018	521,657	135,769	-	2,124	23,032	682,582	278,451	961,033
David Fenlon[5]								
2019	**609,317**	**35,157**	**9,519**	**-**	**20,531**	**674,524**	**-**	**674,524**
2018	558,750	122,613	46,345	2,085	20,049	749,842	-	749,842
Peter Osborne								
2019	**603,809**	**33,710**	**-**	**-**	**-**	**637,519**	**3,702**	**641,221**
2018	511,769	106,534	-	-	-	618,303	220,883	839,186
Former Executive Directors								
Richard Henfrey[6]								
2019	**722,053**	**36,855**	**20,139**	**-**	**15,398**	**794,445**	**-**	**794,445**
2018	866,418	265,513	9,401	2,693	23,990	1,168,015	272,390	1,440,405
Christine Holgate								
2018	626,089	-	17,924	-	5,012	649,025	-	649,025
Total								
2019	**2,868,083**	**159,621**	**70,240**	**2,600**	**79,591**	**3,180,135**	**7,404**	**3,187,539**
2018	3,194,683	659,557	90,347	9,000	87,499	4,041,086	1,004,296	5,045,382

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 FY19 year relates to the FY18 Staff Share Plan grant. The value disclosed is based on the share price on the vesting date 31 July 2018.
4. Marcus Blackmore's number of days worked increased in FY19.
5. David Fenlon resigned as a Senior Executive on 30 June 2019.
6. Richard Henfrey ceased as a Executive Director on 29 March 2019.

2019 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 Director fees, executive remuneration and Short-Term Incentive (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 'Governance and Board of Directors'). The charter is reviewed annually by the Committee and the Board.

The People and Remuneration Committee comprises five independent Non-Executive Directors who have experience in both remuneration governance and the Blackmores business. The members during FY19 were Helen Nash (Committee Chairman), David Ansell, Christine Holman, Jackie McArthur, Brent Wallace and Stephen Chapman (resigned 27 November 2018).

Advisors to the Committee

The People and Remuneration Committee has established protocols for engaging and dealing with external advisors and these are 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. During the financial year, the Committee used Mercer Consulting (Australia) Pty Ltd to provide advice on performance-based remuneration. The Board was satisfied that the advice received was free from any undue influence by KMP to whom the advice may relate, as the established protocols were observed and complied with and all remuneration advice and recommendations were provided to the Committee Chairman. The fee paid for the service was $66,000.

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 the achievement of strategic goals, financial targets and operational performance and behaviour gateway

Attracts and retains talented Senior Executives and Directors

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

BLACKMORES' REMUNERATION STRUCTURE

Fixed Remuneration – Not At Risk Component

Fixed Remuneration – Targeted to be reasonable and fair, taking into account Senior Executives' responsibilities and experience benchmarked 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 the prior year and other strategic measures. The STI requires the achievement of year-on-year NPAT growth.

Staff Share Plan – Participation is open to Senior Executives as well as all permanent staff. Under the plan, staff can elect annually to participate and purchase shares. At the end of the financial year, Blackmores provides 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 eligible permanent staff. The scheme allocates up to 10% of 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 addition to the LTI. There are currently no SLTIs in place.

4.

SENIOR EXECUTIVE REMUNERATION STRUCTURE

Executive Remuneration Mix

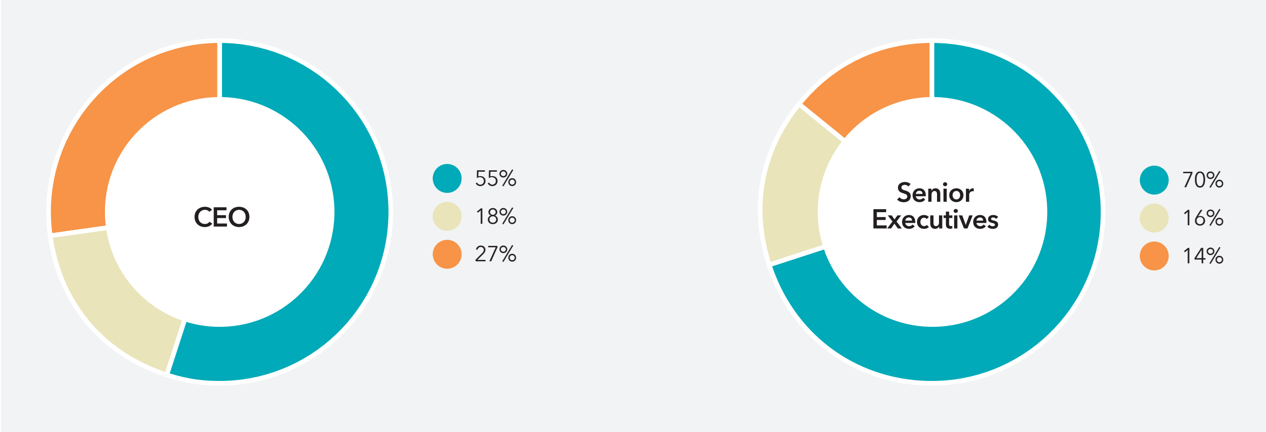
In determining the mix of Senior Executive remuneration, the Board aims to find a balance between:

- 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' remuneration is disclosed in the report as a percentage of total target annual remuneration for FY19, and is as follows:

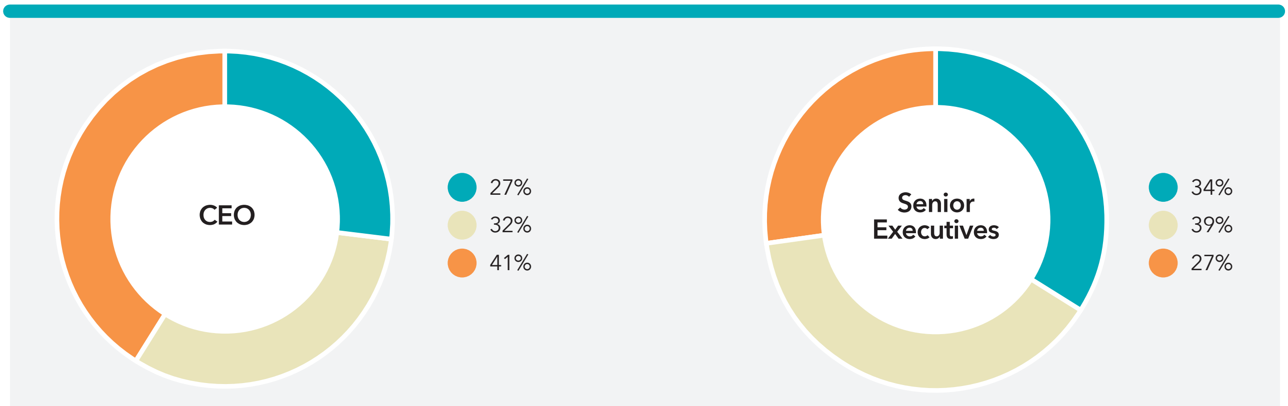
On Target Remuneration Mix

Fixed Remuneration[1] STI / Profit Share LTI[2]



At maximum levels of STI and LTI, the mix of remuneration elements expressed as a % of total remuneration[3] 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 Annual 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 conduct an annual review of remuneration at the end of each financial year for Senior Executives. The process incorporates a comprehensive assessment of market benchmarking, and individual and Company performance. In addition to the annual review of remuneration, Senior Executives received increases during the year due to organisation changes and redefined roles and responsibilities.

2019 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?

	Executive Director	Chief Executive Officer[1]	Senior Executives
Year-on-year NPAT / Net Sales Growth & Stock Cover Measure	% of FAR		
Threshold	0	0	0
	Sliding scale	Sliding scale	Sliding scale
Maximum	80	100	100

What were the performance conditions for FY19?

Measures	Executive Director	Chief Executive Officer	Senior Executives
Financial measures:			
Group NPAT achievement of growth over prior year	60	60	60
Group Net Sales achievement over prior year	20	20	20
China Net Sales achievement over prior year	10	10	10
Stock cover measure	10	10	10
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.

In FY19, the Directors included strategic measures of Group Net Sales and China Net Sales growth over prior year along with a stock cover measure to support customer service levels.

Using these measures of NPAT, Net Sales and stock cover as incentive performance measures 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 and Net Sales growth over prior year along with a stock cover measure aligns remuneration outcomes with shareholders' expectations.

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.

In FY19, a Culture Gateway was introduced related to value-driven behaviours. Should an Executive be considered to have not displayed appropriate behaviour, this could potentially cause the Executive to be removed from the STI program for that year.

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.

1. Chief Executive Officer refers to Richard Henfrey.

2019 Remuneration Report

When are performance conditions tested?	NPAT, Net Sales and the stock cover measure are calculated by Blackmores at the end of the financial year, verified by Blackmores' auditors and published in the Group's Financial Statements before any payment is made. This method was chosen to ensure transparency and consistency with disclosed information. The person to whom a Senior Executive reports assesses that individual's performance by reviewing his or her individual objectives, key tasks and performance indicators and the extent to which they have been achieved. Individual objectives are set at the start of each financial year and are formally reviewed every six months. The Board reviews performance assessments for 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 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 Senior 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 FY19?	For FY19, the Company will match one share for every three shares purchased during the financial year. For FY19, 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 2019 and have purchased shares during the year which remain in the plan.
Why were these performance measures chosen?	When 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 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?	All eligible permanent staff in the Group, including Senior Executives, participate in a profit share plan, whereby up to 10% of 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 Senior 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 FY19?	Under the Company's Collective Agreement, up to 10% of Group NPAT is allocated to staff.
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.

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?	See table below.

% of target performance	Chief Executive Officer[1]	Executive Director and Senior Executives
	% of FAR	
Less than 5	0	0
5	25	10
5 to 10	Sliding scale	Sliding scale
10	50	20
10 to 25	Sliding scale	Sliding scale
25	150	80

What was the performance condition for FY19?	The performance condition is the three-year CAGR in EPS. The performance period for measuring EPS growth is three years (FY19 to FY21).
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. The rights will automatically exercise following vesting, audit clearance of the 2021 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.

1. Chief Executive Officer refers to Richard Henfrey.

2019 Remuneration Report

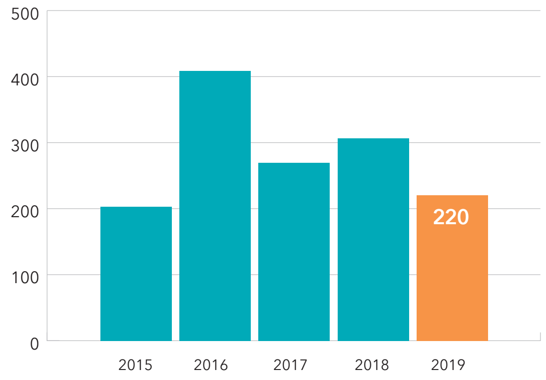
5.

PERFORMANCE AND REMUNERATION OUTCOMES

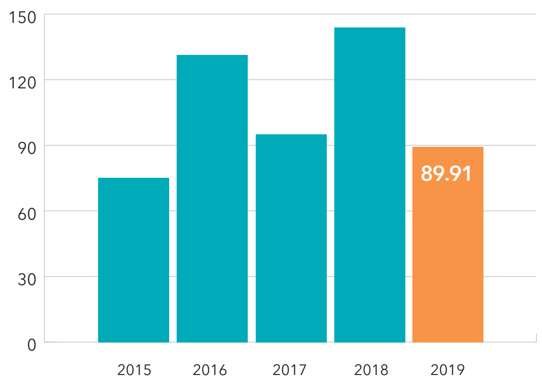
Performance Incentives – Actual Performance 2019 Financial Year

The actual performance is illustrated in the charts below:

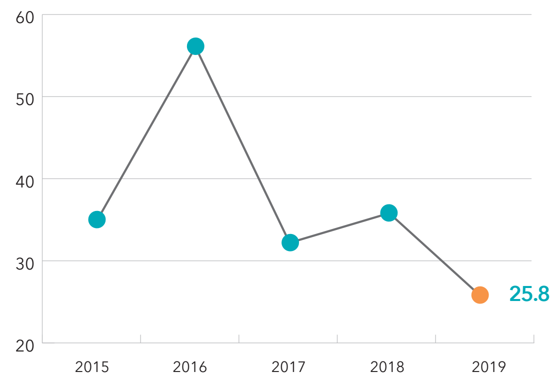
DIVIDEND PER SHARE (CENTS)



SHARE PRICE ($)



RETURN ON EQUITY (%)



Short-Term Incentives (STI)

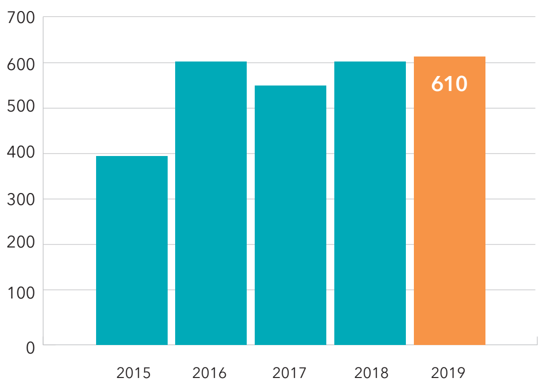
Similar to previous years, NPAT achievement was selected as the key Group performance measure for the STI awards in respect of FY19. The Directors also include strategic measures for the STI awards to align with the key strategic objectives in a year. In respect of FY19, the Directors selected Group Net Sales and China Net Sales achievement and a stock cover measure as the strategic measures.

Blackmores' FY19 statutory NPAT of $53 million represented a 24% decrease on prior year. A requirement of the STI plan is year-on-year growth and as a result, there were no STIs awarded to Senior Executives (2018: $400,991).

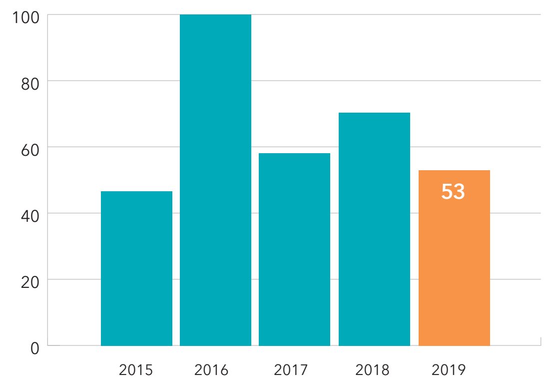
This award is included under the 'STI and Profit Share' column in the remuneration disclosures table on page 65.

Blackmores' NPAT and Net Sales over the past five years are shown in the following graphs:

NET SALES ($M)



NPAT ($M)



2019 Remuneration Report

Long-Term Incentives (LTI)

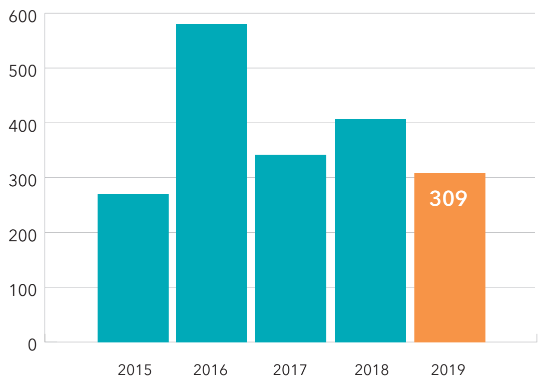
Similar to previous years, EPS achievement was selected as the Group performance measure for the LTI awards in respect of FY19.

The LTI plan includes a three-year performance period. There were no FY17 LTI awards eligible to vest in FY19 due to a failure to meet the performance hurdle. The FY18 and FY19 awards were not eligible to vest in the current year.

The total remuneration for the financial year, the details of which are shown on page 65 includes an accounting expense reversal of $504,006 (2018: expense of $935,849) 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 paid in cash.

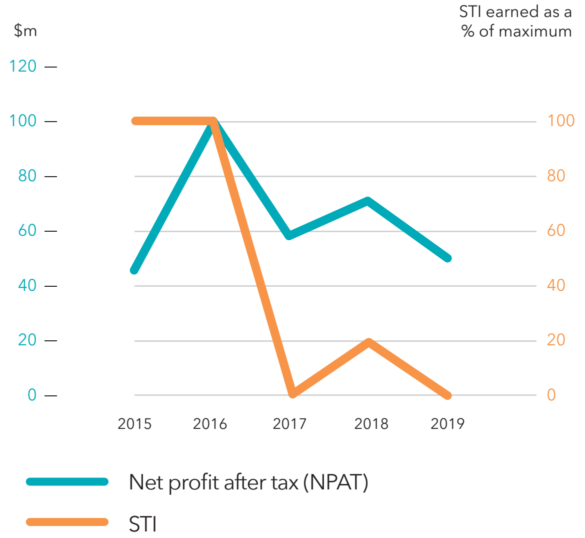
Blackmores' EPS over the past five years is shown in this graph.

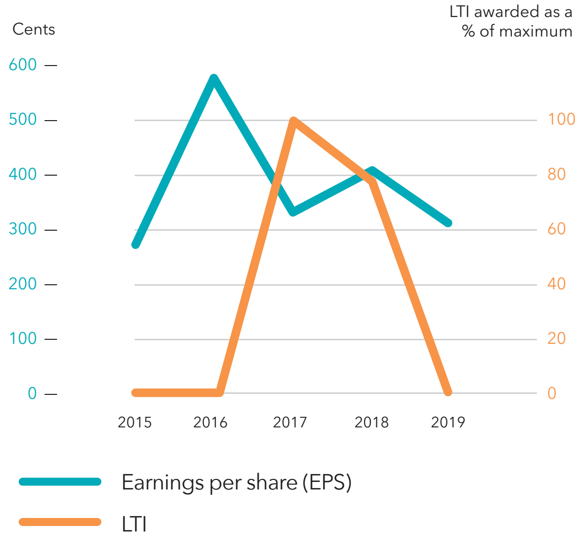
EPS (CENTS)



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. Richard Henfrey was appointed CEO during FY18 and ceased as CEO during FY19. The FY18 LTI award is the incentive plan for his prior role as a Senior Executive and the FY19 STI and LTI as awards are based on the performance hurdles for the Company not being met.





2019 Remuneration Report

6.

SENIOR EXECUTIVE REMUNERATION TABLES – STATUTORY

Statutory Remuneration Table

The following table discloses the remuneration outcomes of the Senior Executives of Blackmores for the financial year ended 30 June 2019. The table has been prepared in accordance with Section 300A of the Corporations Act 2001 and has been audited.

The amounts in the statutory tables 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 FY17 year which have vested and the FY18 and FY19 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 Director								
Marcus Blackmore[7]								
2019	**361,616**	**20,954**	**40,582**	**-**	**20,531**	**-**	**(15,031)**	**428,652**
2018	110,000	29,128	16,677	2,098	15,416	-	148,130	321,449
Senior Executives								
Aaron Canning								
2019	**544,974**	**32,945**	**-**	**46,557**	**23,131**	**5,844**	**(70,674)**	**582,777**
2018	475,777	135,769	-	43,697	23,032	4,544	180,676	863,495
David Fenlon[9]								
2019	**558,260**	**35,157**	**9,519**	**50,446**	**20,531**	**8,091**	**(71,306)**	**610,698**
2018	522,042	122,613	46,345	53,043	20,049	7,966	71,306	843,364
Peter Osborne								
2019	**585,785**	**33,710**	**-**	**52,787**	**-**	**-**	**(53,464)**	**618,818**
2018	471,473	106,534	-	55,466	-	-	144,748	778,221
Former Executive Directors								
Richard Henfrey[8]								
2019	**663,209**	**36,855**	**20,139**	**57,837**	**15,398**	**15,560**	**(286,137)**	**522,861**
2018	826,959	265,513	9,401	73,899	23,990	99,270	390,989	1,690,021
Christine Holgate								
2018	520,384	-	17,924	50,941	5,012	(89,729)	-	504,532
Total								
2019	**2,713,844**	**159,621**	**70,240**	**207,627**	**79,591**	**29,495**	**(496,612)**	**2,763,806**
2018	2,926,635	659,557	90,347	279,144	87,499	22,051	935,849	5,001,082

1. 'STI and profit share' includes amounts paid by way of profit share on 14 December 2018 and 19 June 2019.
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 FY19 share-based payments include the LTI plan and represent the FY19 portion of the fair value of rights granted in FY17, FY18 and FY19. The FY17 rights have vested and there is nil value included in FY19 as the performance conditions were not met. Vesting of the FY18 and FY19 rights remains subject to performance and service conditions as outlined on page 62. The FY19 portion of the FY18 rights includes a reversal of the amount amortised in FY18.
6. The FY19 share-based payments include the Staff Share Plan and represent the FY19 portion of the fair value of rights granted in FY18 and FY19. Vesting of the FY19 plan remains subject to service conditions as outlined on page 62.
7. Marcus Blackmore's LTI plan is paid as a cash equivalent in lieu of shares. Mr Blackmore's performance rights are valued on the share price at 30 June 2019 ($89.91). Other KMP are valued at fair value at grant date. This difference reflects Mr Blackmore's LTI plan being paid as a cash equivalent.
8. Richard Henfrey ceased as an Executive Director on 29 March 2019. Mr Henfrey's FY19 performance rights represent the reversal of the fair value of share-based payments expensed in prior financial years that were forfeited by him as the service period was not met owing to his resignation.
9. David Fenlon resigned as a Senior Executive on 30 June 2019.

2019 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 FY19 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 Director				
Marcus Blackmore				
2019	**98.6**	**4.9**	**-3.5**	**1.4**
2018	44.9	9.1	46.1	55.1
Senior Executives				
Aaron Canning				
2019	**106.5**	**5.7**	**-12.2**	**-6.5**
2018	63.4	15.7	20.9	36.6
David Fenlon[5]				
2019	**105.9**	**5.8**	**-11.7**	**-5.9**
2018	77.0	14.5	8.5	23.0
Peter Osborne				
2019	**103.2**	**5.4**	**-8.6**	**-3.2**
2018	67.7	13.7	18.6	32.3
Former Executive Director				
Richard Henfrey[4]				
2019	**147.7**	**7.0**	**-54.7**	**-47.7**
2018	61.2	15.7	23.1	38.8
Total				
2019	**112.2**	**5.8**	**-18.0**	**-12.2**
2018	68.1	13.2	18.7	31.9

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 FY19 accounting expense of the FY19 portion of the rights granted in FY17, FY18 and FY19. The FY19 portion of the FY18 rights includes a reversal of the amount amortised in FY18.
3. Performance Rights includes the Staff Share Plan and represents the FY19 accounting expense of the FY19 portion of the rights granted in FY19.
4. Richard Henfrey ceased as an Executive Director on 29 March 2019.
5. David Fenlon resigned as a Senior Executive on 30 June 2019.

2019 Remuneration Report

Short-Term Incentives

The following tables show the details of the STI cash bonuses awarded as remuneration to Executive Directors and Senior Executives that were paid for the financial year ended 30 June 2019.

	STI[1,2]		
	INCLUDED IN REMUNERATION[3]	% OF STI AWARD AS A MAXIMUM STI AWARD	% OF MAXIMUM STI AWARD FORFEITED[4]
Executive Director			
Marcus Blackmore	-	-	100
Senior Executives			
Aaron Canning	-	-	100
David Fenlon[4]	-	-	100
Peter Osborne	-	-	100
Former Executive Director			
Richard Henfrey	-	-	100

1. Amounts included in remuneration for the financial year represent the amount related to the financial year based on achievement of personal goals and satisfaction of performance criteria.
2. Amounts forfeited are due to the performance or service criteria not being met in relation to the current financial year.
3. The awards are paid according to the table on page 60.
4. David Fenlon resigned as a Senior Executive on 30 June 2019.

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 FY19 and FY18. The fair value of awards is calculated in accordance with AASB 2 Share-based Payments.

(a) LTI Plan

NAME	GRANT						VESTED				EXERCISED[6]		END OF HOLDING LOCK	
	DATE	NUMBER OF RIGHTS	FAIR VALUE PER RIGHT $	TOTAL FAIR VALUE[1] $	SHARE PRICE $	MAXIMUM VALUE[2] $	DATE	NUMBER OF RIGHTS[3]	% OF NUMBER GRANTED	VALUE[4] $	NUMBER OF RIGHTS	VALUE[5]	DATE	VALUE OF RIGHTS NOT VESTED $
Senior Executives														
Aaron Canning	24/11/15	2,507	147.49	369,757	179.50	450,007	-	-	-	-	1,954	319,753	08/18	-
	17/11/16	3,383	99.19	335,560	113.90	385,324	-	-	-	-	-	-	08/19	-
	17/11/17	3,824	144.39	552,147	162.13	619,985	-	-	-	-	-	-	08/20	619,985
	16/11/18	3,186	124.21	395,733	128.00	407,808	-	-	-	-	-	-	08/20	407,808
David Fenlon[7]	17/11/16	3,045	99.19	302,034	113.90	346,826	-	-	-	-	-	-	08/19	-
	17/11/17	3,716	144.39	536,553	162.13	602,475	-	-	-	-	-	-	08/20	-
	16/11/18	3,393	124.21	421,445	128.00	434,304	-	-	-	-	-	-	08/20	-
Peter Osborne	24/11/15	1,986	147.49	292,915	179.50	356,487	-	-	-	-	1,550	253,642	08/18	-
	17/11/16	2,352	99.19	233,295	113.90	267,893	-	-	-	-	-	-	08/19	-
	17/11/17	2,935	144.39	423,785	162.13	475,852	-	-	-	-	-	-	08/20	475,852
	16/11/18	3,015	124.21	374,493	128.00	385,920	-	-	-	-	-	-	08/20	385,920
Former Executive Director														
Richard Henfrey	24/11/15	2,452	147.49	361,645	179.50	440,134	-	-	-	-	1,912	312,880	08/18	-
	17/11/16	3,045	99.19	302,034	113.90	346,826	-	-	-	-	-	-	08/19	-
	17/11/17	12,852	144.39	1,855,700	162.13	2,083,695	-	-	-	-	-	-	08/20	-
	16/11/18	9,880	124.21	1,227,195	128.00	1,264,640	-	-	-	-	-	-	08/20	-

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. FY19 grant over 1 July 2018 to 30 June 2021).
2. Disclosure of maximum value is required under Section 300A 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.
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. Rights were exercised under the FY16 plan in August 2018.
7. David Fenlon resigned as a Senior Executive on 30 June 2019.

(b) Staff Share Plan

	GRANT				VESTED			EXERCISED	
NAME	DATE	NUMBER OF RIGHTS	FAIR VALUE PER RIGHT $	TOTAL FAIR VALUE[1] $	DATE	NUMBER OF RIGHTS[1]	% OF NUMBER GRANTED	NUMBER OF RIGHTS[2]	VALUE $
Senior Executives									
Aaron Canning	31/7/17	25	86.21	2,155	31/7/18	25	100	25	3,702
	31/7/18	32	141.95	4,542	31/7/19	-	-	-	-
Peter Osborne	31/7/17	25	86.21	2,155	31/7/18	25	100	25	3,702
	31/7/18	34	141.95	4,826	31/7/19	-	-	-	-
Former Executive Director									
Richard Henfrey[3]	31/7/18	23	141.95	3,265	31/7/19	-	-	-	-

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. FY19 grant over 1 July 2018 to 31 July 2019).
2. Rights were exercised under the FY18 plan in August 2018.
3. Richard Henfrey ceased as an Executive Director on 29 March 2019 and his rights balance reflects holdings as at that date.

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 by the Senior Executive providing notice periods as shown in the following table.

<table>
<tr><th>Name</th><th colspan="2">Notice Periods/Termination Payment</th></tr>
<tr><td>Richard Henfrey[1]</td><td colspan="2">Six months' notice (or payment in lieu) including redundancy.
May be terminated immediately for serious misconduct.</td></tr>
<tr><td rowspan="6">Executive Director and Senior Executives[2]</td><td colspan="2">Three months' notice (or payment in lieu).
May be terminated immediately for serious misconduct.</td></tr>
<tr><td colspan="2">Redundancy Payments</td></tr>
<tr><td>Years of continuous service</td><td>Notice periods/Termination payments.</td></tr>
<tr><td>Up to one year</td><td>Two weeks' pay.</td></tr>
<tr><td>Between one and 10 years</td><td>Two weeks' pay plus an additional three weeks of pay for each completed year of service.</td></tr>
<tr><td>10 years or more</td><td>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.</td></tr>
</table>

1. For the purposes of calculating the amount payable for 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.
2. David Fenlon had six months' notice (or payment in lieu).

8.
NON-EXECUTIVE DIRECTORS' 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.

Shareholders at a meeting held on 25 October 2018 determined the maximum total Non-Executive Director fees payable, including Committee fees, to be $1,300,000 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. As reported in the FY18 Annual Report, the Company has grown significantly in size, scope and complexity over recent years. As a result, salary and fee levels were adjusted in a staged approach over several years.

In line with market capitalisation and following a review of relevant external benchmarks, base fees for Non-Executive Directors were increased in FY19 by 18% and Committee fees by 11% effective 1 July 2018. There was no increase in FY18. Fees are in line with the 50th percentile of companies in the peer group.

2019 Remuneration Report

Non-Executive Director fees for FY19 include:

FEES	2019 CHAIRMAN $	2019 MEMBER $	2018 CHAIRMAN $	2018 MEMBER $
Board	**279,615**	**142,350**	240,049	120,450
Audit and Risk	**21,900**	**10,950**	16,425	9,855
People and Remuneration	**21,900**	**10,950**	16,425	9,855
Nominations	**-**	**-**	-	-

The total annual Non-Executive Director remuneration for the Board of six (2018: six) Non-Executive Directors for FY19 was $1,063,979 (2018: $806,307).

The following table discloses the remuneration of the Non-Executive Directors for the financial year ended 30 June 2019.

		SHORT-TERM EMPLOYMENT BENEFITS	POST EMPLOYMENT BENEFITS	
	FEES AND ALLOWANCES $	NON-MONETARY[1] $	SUPERANNUATION $	TOTAL $
Non-Executive Directors				
David Ansell				
2019	**146,688**	**-**	**13,935**	**160,623**
2018	119,000	-	11,305	130,305
John Armstrong				
2019	**146,688**	**-**	**13,935**	**160,623**
2018	119,000	-	11,305	130,305
Christine Holman[2]				
2019	**42,692**	**-**	**4,055**	**46,747**
2018	-	-	-	-
Jackie McArthur[3]				
2019	**146,692**	**-**	**13,935**	**160,627**
2018	20,493	-	1,929	22,422
Helen Nash[3]				
2019	**149,904**	**-**	**14,240**	**164,144**
2018	125,000	-	11,875	136,875
Brent Wallace[4]				
2019	**227,592**	**6,219**	**19,481**	**253,292**
2018	134,000	-	12,730	146,730
Former Non Executive Director				
Stephen Chapman[5]				
2019	**97,692**	**12,453**	**7,778**	**117,923**
2018	220,000	-	19,670	239,670
Total				
2019	**957,948**	**18,672**	**87,359**	**1,063,979**
2018	737,493	-	68,814	806,307

1. 'Non-monetary' includes benefits and any applicable fringe benefits tax.
2. Christine Holman joined as a Non-Executive Director on 18 March 2019.
3. Jackie McArthur and Helen Nash resigned as Non-Executive Directors on 5 August 2019.
4. Brent Wallace was in the role of Chairman from 25 October 2018.
5. Stephen Chapman was in the role of Chairman from 1 March 2017 to 25 October 2018 and resigned as a Non-Executive Director 27 November 2018.

2019 Remuneration Report

9.

NON-EXECUTIVE DIRECTORS AND SENIOR EXECUTIVE TRANSACTIONS

Equity Holdings

During FY19 and FY18 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

	BALANCE AT 1/7/18	RECEIVED ON SETTLEMENT OF RIGHTS	NET CHANGE OTHER[1]	BALANCE AT 30/6/19
	NUMBER	NUMBER	NUMBER	NUMBER
Non-Executive Directors				
David Ansell	1,000	-	-	1,000
John Armstrong	800	-	-	800
Stephen Chapman	20,028	-	241	20,269
Christine Holman[2]	-	-	1,500	1,500
Jackie McArthur[3]	-	-	600	600
Helen Nash[3]	1,487	-	-	1,487
Brent Wallace	12,302	-	-	12,302
Executive Director				
Marcus Blackmore	4,001,835	-	8,208	4,010,043
Senior Executives				
Aaron Canning	20,860	1,979	430	23,269
David Fenlon[4]	199	-	-	199
Peter Osborne	7,163	1,575	(900)	7,838
Former Executive Director				
Richard Henfrey[5]	11,936	1,912	(1,564)	12,284
Total	**4,077,610**	**5,466**	**8,515**	**4,091,591**

1. Includes shares issued under the Company's Staff Share Plans.
2. Christine Holman joined as a Non-Executive Director on 18 March 2019.
3. Jackie McArthur and Helen Nash resigned as Non-Executive Directors on 5 August 2019.
4. David Fenlon had six months' notice (or payment in lieu).
5. Richard Henfrey ceased as an Executive Director on 29 March 2019 and his share balance reflects holdings on date of resignation.

Rights to Shares

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

	BALANCE AS AT 1/7/18	GRANTED AS COMPEN-SATION	EXERCISED	NET OTHER CHANGE	BALANCE AS AT 30/6/19	BALANCE VESTED AT 30/6/19	VESTED BUT NOT EXERCISABLE	VESTED AND EXERCISABLE	RIGHTS VESTED DURING YEAR
	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER
Senior Executives									
Aaron Canning	9,186	3,218	(1,979)	(3,383)	7,042	-	-		1,979
David Fenlon[1]	6,761	3,393	-	(10,154)	-	-	-	-	-
Peter Osborne	6,862	3,049	(1,575)	(2,352)	5,984	-	-	-	1,575
Former Executive Director									
Richard Henfrey[2]	17,809	9,903	(1,912)	(22,732)	3,068	-	-	-	1,912
Total	**40,618**	**19,563**	**(5,466)**	**(38,621)**	**16,094**	**-**	**-**	**-**	**5,466**

1. David Fenlon had six months' notice (or payment in lieu).
2. Richard Henfrey ceased as an Executive Director on 29 March 2019.

2019 Remuneration Report

Loan Disclosures

There were no loan balances exceeding $100,000 due from KMP during or at the end of the financial year (2018: $nil).

Other transactions with Key Management Personnel

Transactions entered into during the year with KMP of Blackmores Limited and the Group are on the same terms and conditions as employees or customers dealing on an arms-length basis which includes:

- 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

Brent Wallace
Chairman

Dated in Sydney, 14 August 2019

Auditor's Independence Declaration

Deloitte.

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14 August 2019

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

Dear Board members,

Auditor's Independence Declaration to Blackmores Limited

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

As lead audit partner for the audit of the financial report of Blackmores Limited for the year ended 30 June 2019, 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 faithfully

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Delaney
X Delaney
Partner
Chartered Accountants

Independent Auditor's Report

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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 2019, 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 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 2019 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.

Deloitte.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Promotional and other rebates For the year ended 30 June 2019 the Group recognised promotional and other rebates of $146.4m which have been charged against sales revenue as disclosed in Note 2.1. Accruals for promotional and other rebates as at 30 June 2019 are included within ‘Other creditors and accruals’ in Note 2.4.5. 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 customer sales volumes for the period as well as growth and/or contributions by customers towards promotional activities (known as case deals).	Our audit procedures included, but were not limited to: • Understanding and testing key controls over the recording of promotional and other rebate accruals; • Challenging management’s assumptions and judgements for recording the amount of the promotional and other rebate accruals at balance date; • Testing on a sample basis, the promotional and other rebate accruals to contractual evidence with customers, focussing on the period in which the expense was recorded and the appropriateness of the value of the accrual at balance date by reference to sales volumes, growth and/or contributions by customers towards promotional activities; • Reviewing claim invoices and credit notes issued subsequent to year end in order to assess the accuracy of the promotional and other rebate accrual compared to actual rebates issued; and • Recalculating the promotional and other rebates accrual to test the accuracy of the calculation. We also assessed the appropriateness of the disclosures in Notes 2.1 and 2.4.5 to the financial statements.
Inventory provisioning As at 30 June 2019 the Group has a provision of $7.9m included in the total net inventories of $125.1m as disclosed in Note 2.4.4. 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 inventory on hand 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.	Our audit procedures included, but were not limited to: • Understanding and testing key controls over the inventory provision; • Testing, on a sample basis, the accuracy of the expiry dates; • Challenging management’s assumptions and judgements regarding the slow moving inventory provision; • Assessing historical accuracy of inventory provisioning with reference to inventory write-offs during the year; • Using data analytical techniques to assess the inventory provision by comparing inventory turnover for each stock keeping unit (SKU) based on historical sales data against its remaining shelf life; and • Based on the forecasted sales assessed the months covered for ‘at risk’ inventory items to evaluate if appropriate provisioning is recognised. We also assessed the appropriateness of the disclosures in Note 2.4.4 to the financial statements.

Independent Auditor’s Report

Deloitte.

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 2019, 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 included in pages 54 to 71 of the Director's Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Blackmores Limited, for the year ended 30 June 2019, 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, 14 August 2019

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 1.2 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 6.2 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

Brent Wallace
Chairman

Dated in Sydney, 14 August 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	NOTES	2019 $'000	2018 $'000
Revenue		**609,502**	601,136
Other income		**4,792**	718
Revenue and other income	2.1	**614,294**	601,854
Raw materials and consumables used		**243,987**	232,374
Employee benefits expenses	2.3	**148,846**	137,135
Selling and marketing expenses		**68,616**	59,229
Depreciation and amortisation expenses		**10,874**	8,940
Operating lease rental expenses		**9,503**	9,306
Professional and consulting expenses		**12,483**	11,647
Repairs and maintenance expenses		**7,231**	7,014
Freight expenses		**14,280**	13,546
Bank charges		**1,342**	1,141
Licences and registrations		**4,422**	1,872
Impairment of financial assets	2.4.3	**(235)**	5,686
Other expenses		**12,405**	12,352
Total expenses		**533,754**	500,242
Earnings before interest and tax		**80,540**	101,612
Interest revenue		**258**	416
Interest expense		**(5,253)**	(4,346)
Net interest expense		**(4,995)**	(3,930)
Profit before tax		**75,545**	97,682
Income tax expense	2.5.1	**(22,115)**	(28,459)
Profit after tax		**53,430**	69,223
Profit/(loss) attributable to:			
Owners of the parent		**53,469**	70,005
Non-controlling interests		**(39)**	(782)
		53,430	69,223
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign controlled entities		**2,629**	2,625
Net (loss)/gain on hedging instruments entered into for cash flow hedges (net of tax)		**(509)**	603
Other comprehensive income for the period (net of tax)		**2,120**	3,228
Total comprehensive income for the period		**55,550**	72,451
Total comprehensive income/(expense) attributable to:			
Owners of the parent		**55,578**	73,274
Non-controlling interests		**(28)**	(823)
		55,550	72,451
EARNINGS PER SHARE			
– Basic earnings per share (cents)	4.5.1	**309.2**	406.4
– Diluted earnings per share (cents)	4.5.1	**309.2**	405.7

Notes to the Consolidated Financial Statements are included on pages 82 to 123.

Consolidated Statement of Financial Position

AS AT 30 JUNE 2019

	NOTES	2019 $'000	2018 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2.4.1	**24,516**	36,468
Receivables	2.4.3	**143,877**	150,788
Inventories	2.4.4	**125,104**	103,965
Other assets		**11,674**	10,811
Derivative assets		**355**	475
Total current assets		**305,526**	302,507
NON-CURRENT ASSETS			
Property, plant and equipment	3.1	**80,754**	76,261
Investment property	3.2	**2,160**	2,160
Goodwill and intangible assets	3.3	**80,489**	66,212
Deferred tax assets	2.5.2	**16,532**	12,590
Other financial assets		**1,867**	1,520
Amounts advanced to related parties		**3,600**	3,600
Total non-current assets		**185,402**	162,343
Total assets		**490,928**	464,850
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	2.4.5	**131,833**	157,868
Current tax liabilities		**3,028**	4,246
Provisions	2.6	**9,777**	8,065
Other liabilities		**5,132**	4,085
Derivative liabilities		**739**	203
Total current liabilities		**150,509**	174,467
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	4.3	**119,000**	86,000
Deferred tax liabilities	2.5.2	**11,810**	9,341
Provisions	2.6	**1,137**	1,229
Other liabilities		**753**	483
Total non-current liabilities		**132,700**	97,053
Total liabilities		**283,209**	271,520
Net assets		**207,719**	193,330
EQUITY			
CAPITAL AND RESERVES			
Issued capital	4.4	**53,039**	37,753
Reserves		**4,363**	5,926
Retained earnings		**149,890**	149,196
Equity attributable to shareholders of Blackmores Ltd		**207,292**	192,875
Equity attributable to non-controlling interests		**427**	455
Total equity		**207,719**	193,330

Notes to the Consolidated Financial Statements are included on pages 82 to 123.

Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	NOTES	2019 $'000	2018 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (net of promotional and other rebates)		**692,861**	666,548
Payments to suppliers and employees		**(641,055)**	(576,417)
Cash generated from operations		**51,806**	90,131
Interest and other costs of finance paid		**(6,719)**	(5,634)
Income taxes paid		**(25,255)**	(26,467)
Net cash flows from operating activities		**19,832**	58,030
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**258**	417
Proceeds from disposal of property, plant and equipment		**1,066**	29
Payments for business combinations	6.4	**(8,595)**	-
Payments for property, plant and equipment	3.1	**(14,735)**	(10,773)
Payments for intangible assets	3.3	**(5,154)**	(5,055)
Dividends received		**23**	87
Amounts received from related parties		**-**	511
Net cash used in investing activities		**(27,137)**	(14,784)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank borrowings		**1,449,000**	386,000
Repayments of bank borrowings		**(1,416,000)**	(378,968)
Proceeds from other borrowings		**279**	379
Dividends paid		**(39,925)**	(49,957)
Net cash used in financing activities		**(6,646)**	(42,546)
Net decrease in cash and cash equivalents		**(13,951)**	700
Cash and cash equivalents at the beginning of the year	2.4.1	**36,468**	34,251
Effects of exchange rate changes on the balance of cash held in foreign currencies		**1,999**	1,517
Cash and cash equivalents at the end of the year	2.4.1	**24,516**	36,468

Notes to the Consolidated Financial Statements are included on pages 82 to 123.

Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	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 EQUITY
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 July 2017	37,753	5,167	(415)	(667)	135,703	177,541	1,278	178,819
Profit/(loss) for the year	-	-	-	-	70,005	70,005	(782)	69,223
Other comprehensive income/(expense) for the year (net of tax)	-	-	603	2,666	-	3,269	(41)	3,228
Total comprehensive income for the year	-	-	603	2,666	70,005	73,274	(823)	72,451
Dividends declared	-	-	-	-	(49,957)	(49,957)	-	(49,957)
Share-based payments expense	-	1,259	-	-	-	1,259	-	1,259
Issue of shares under employee Long-Term Incentive plans (net of on-market purchases and tax)	-	(2,687)	-	-	(6,555)	(9,242)	-	(9,242)
Balance as at 30 June 2018	37,753	3,739	188	1,999	149,196	192,875	455	193,330
Balance as at 1 July 2018	**37,753**	**3,739**	**188**	**1,999**	**149,196**	**192,875**	**455**	**193,330**
Profit/(loss) for the year	**-**	**-**	**-**	**-**	**53,469**	**53,469**	**(39)**	**53,430**
Other comprehensive income/(expense) for the year (net of tax)	**-**	**-**	**(509)**	**2,618**	**-**	**2,109**	**11**	**2,120**
Total comprehensive income for the year	**-**	**-**	**(509)**	**2,618**	**53,469**	**55,578**	**(28)**	**55,550**
Dividends declared	**-**	**-**	**-**	**-**	**(52,541)**	**(52,541)**	**-**	**(52,541)**
Share-based payments benefit	**-**	**(1,236)**	**-**	**-**	**-**	**(1,236)**	**-**	**(1,236)**
Issue of shares under Dividend Reinvestment Plan (DRP)	**12,616**	**-**	**-**	**-**	**-**	**12,616**	**-**	**12,616**
Issue of shares under employee Long-Term Incentive plans (net of on-market purchases and tax)	**2,670**	**(2,436)**	**-**	**-**	**(234)**	**-**	**-**	**-**
Balance as at 30 June 2019	**53,039**	**67**	**(321)**	**4,617**	**149,890**	**207,292**	**427**	**207,719**

Notes to the Consolidated Financial Statements are included on pages 82 to 123.

NOTES

to the Financial Statements

FOR THE FINANCIAL YEAR ENDED
30 JUNE 2019

01 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 across Australia, New Zealand and Asia.

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, and herbal and mineral nutritional supplements.

1.1 REPORTING ENTITY

Blackmores Limited (the Company) is a company domiciled in Australia. The Consolidated Annual Financial Report (Financial Report) of Blackmores as at and for the twelve months ended 30 June 2019 comprises Blackmores and its subsidiaries (the Group).

The Financial Report of the Group as at and for the year ended 30 June 2019 is available upon request from the registered office of Blackmores at 20 Jubilee Avenue, Warriewood, NSW 2102 or online at blackmores.com.au.

1.2 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').

The Financial Statements were authorised for issue by the Directors on 14 August 2019.

1.3 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 2018, unless otherwise stated.

The Company is a company of the kind referred to in ASIC Corporations Instrument 2016/191, and in accordance with that Instrument amounts in the Financial Statements are rounded off to (and expressed in) the nearest thousand dollars, unless otherwise indicated.

1.3 BASIS OF PREPARATION (CONT.)

Accounting policies

Goods and services tax

Revenues, expenses and assets are recognised excluding goods and services tax (GST), or equivalent. The net amount of GST recoverable from, or payable to, the taxation authorities is included within receivables or payables. Operating cash flows are included in the Consolidated Statement of Cash Flows inclusive of GST. GST in relation to investing or financing activities which is recoverable from, or payable to, the taxation authorities is classified within operating cash flows.

Foreign currencies

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.

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.

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 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).

1.4 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.

01 GENERAL INFORMATION

1.5 APPLICATION OF NEW AND REVISED STANDARDS

(i) AASB 15 Revenue from Contracts with Customers

In the current year, the Group has applied AASB 15 Revenue from Contracts with Customers (as amended), which is effective for an annual period that begins on or after 1 January 2018. It replaced AASB 118 Revenue and related interpretations. Apart from providing more extensive disclosures for the Group's revenue transactions, the application of AASB 15 has not had a significant impact on the financial position and/or financial performance of the Group.

- Summary of revenue streams
- Revenue from sale of goods is reduced for discounts and promotional and other rebates.

(ii) AASB 9 Financial Instruments

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities.

AASB 9 changes the calculation of impairment losses in financial assets. It impacts the way that the Group calculates the doubtful debt provision, now termed the expected credit loss allowance. The Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. A provision matrix is determined based on historical credit loss rates for each group of customers, adjusted for any material expected changes to the customers' future credit risk.

(iii) AASB 16 Leases

General impact of application

AASB 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the Financial Statements for both lessors and lessees. AASB 16 will supersede the current lease guidance including AASB 117 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of AASB 16 for the Group will be 1 July 2019.

Impact of the new definition of a lease

The Group will make use of the practical expedient available on transition to AASB 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with AASB 117 and Interpretation 4 will continue to apply to those leases entered into or modified before 1 July 2019.

The change in definition of a lease mainly relates to the concept of control. AASB 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset, and
- The right to direct the use of that asset.

The Group will apply the definition of a lease and related guidance set out in AASB 16 to all lease contracts entered into or modified on or after 1 July 2019. In preparation for the first-time application of AASB 16, the Group has carried out an implementation project. The project has shown that the new definition in AASB 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

Impact on lessee accounting

Operating leases

AASB 16 will change how the Group accounts for leases previously classified as operating leases under AASB 117, which were off-balance sheet.

On initial application of AASB 16, for all leases (except as noted below), the Group will:

- Recognise right-of-use assets and lease liabilities in the Consolidated Statement of Financial Position, initially measured at the present value of the future lease payments;
- Recognise depreciation of right-of-use assets and interest on lease liabilities in the Consolidated Statement of Profit or Loss;
- Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the Consolidated Statement of Cash Flows.

Lease incentives (e.g. rent-free periods) will be recognised as part of the measurement of the right-of-use assets and lease liabilities,

1.5 APPLICATION OF NEW AND REVISED STANDARDS (CONT.)

whereas under AASB 117 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under AASB 16, right-of-use assets will be tested for impairment in accordance with AASB 136 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group will opt to recognise a lease expense on a straight-line basis as permitted by AASB 16.

As at 30 June 2019, the Group has non-cancellable operating lease commitments of $22,852.

A preliminary assessment indicates that $22,488 of these arrangements relate to leases other than short-term leases and leases of low-value assets, and hence the Group will recognise a right-of-use asset of $21,352 and a corresponding lease liability of $21,381 in respect of all these leases.

The preliminary assessment indicates that $364 of these arrangements relate to short-term leases and leases of low value assets.

Finance leases

The main differences between AASB 16 and AASB 117 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. AASB 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by AASB 117.

Based on an analysis of the Group's finance leases as at 30 June 2019 on the basis of the facts and circumstances that exist at that date, the Directors of the Company have assessed that this change will not have a material impact on the amounts recognised in the Group's Consolidated Financial Statements.

	EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
1.5.1 Standards and interpretations in issue, not yet adopted		
AASB 16 'Leases'	**1-Jan-19**	30-Jun-20
AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business	**1-Jan-20**	30-Jun-21
AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material	**1-Jan-20**	30-Jun-21
AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework	**1-Jan-20**	30-Jun-21
1.5.2 Standards and interpretations adopted		
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	**1-Jan-18**	30-Jun-19
AASB 9 'Financial Instruments'	**1-Jan-18**	30-Jun-19
AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions	**1-Jan-18**	30-Jun-19

02 OUR OPERATIONS

Blackmores is a 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 and the marketing, sales and distribution of products to customers and consumers.

2.1 REVENUE AND OTHER INCOME

	2019 $'000	2018 $'000
Sales (net of discounts)	**755,880**	746,681
Promotional and other rebates	**(146,378)**	(145,545)
Revenue	**609,502**	601,136
Other income	**4,792**	718
Revenue and other income	**614,294**	601,854

Accounting policies

Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for discounts, estimated customer returns and promotional and other rebates.

Sale of goods

Revenue from the sale of goods is recognised when the performance obligation of the sale has been fulfilled and control of the goods has been transferred to the customer. Specifically, revenue from the sale of goods is recognised when goods are delivered and legal title is passed.

Sale of goods on consignment

Revenue from the sale of goods on consignment is recognised upon the sale of the goods by the consignee. Control of the goods remains with Blackmores until such time as the goods are sold by the consignee.

Discounts, promotional and other rebates

The amount of revenue recognised for a transaction is net of any discounts, promotional and other rebates, which include growth rebates, and/or contributions to customers towards promotional activities.

Key estimates and judgements

Promotional and other rebates

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

For the year ended 30 June 2019, the Group recognised promotional and other rebates of $146,378 (2018: $145,545) which have been charged against sales revenue as disclosed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Accruals for promotional and other rebates as at 30 June 2019 are included within other creditors and accruals in note 2.4.5.

2.2 SEGMENT INFORMATION

Information reported to the Group's Chief Operating Decision Maker for the purpose of resource allocation and assessment of segment performance is largely focused on geographical regions. The reportable segments under AASB 8 are as follows:

ANZ
Comprising the Blackmores, Pure Animal Wellbeing and Impromy brands sold across Australia and New Zealand, also including the benefit of sales made to customers which are ultimately intended for Asian markets.

CHINA
Comprising Blackmores and Pure Animal Wellbeing brands in China (in-country) and the China Export Division.

BIOCEUTICALS GROUP
Comprising the BioCeuticals practitioner brands, Isowhey, Wheyless, Oriental Botanicals and Fusion Health brands.

OTHER ASIA
Comprising the Blackmores and Pure Animal Wellbeing brands in Thailand, Malaysia, Singapore, Hong Kong (China), Taiwan (China), Korea, Indonesia, Vietnam, Pakistan and Kazakhstan.

CORPORATE COSTS
Those costs which cannot be reliably allocated to a specific segment, or which have been incurred for long-term growth opportunities.

2.2.1 Revenue by segment

	2019 $'000	2018 $'000
ANZ[1]	**266,989**	266,922
China	**122,249**	143,287
BioCeuticals Group	**112,903**	108,533
Other Asia	**107,361**	82,394
	609,502	601,136

1. ANZ segment includes 'other' of $528 in 2018 comparatives.

The Group has one customer who contributed more than 10% of the Group's revenue in the year (2018: one).

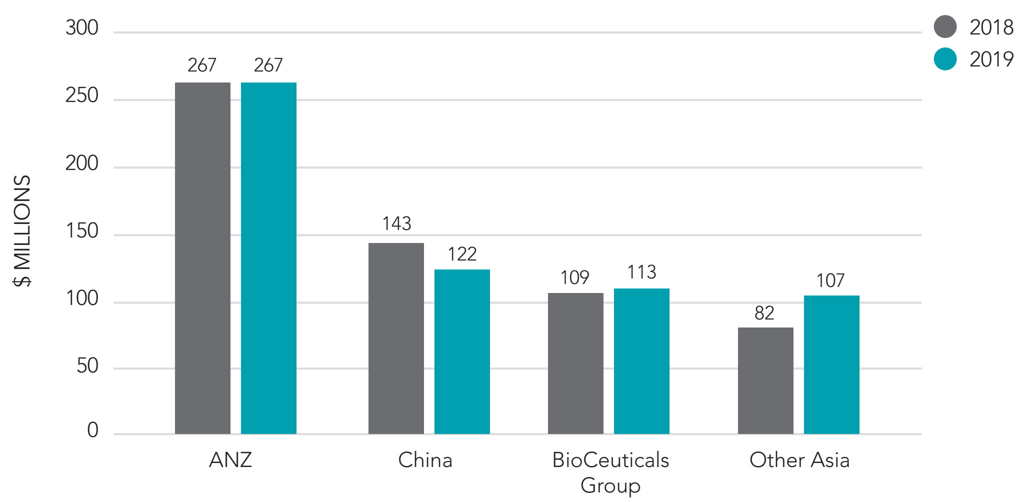
Included in revenue of the Group is revenue of $143,873 (2018: $141,202) which arose from sales to the Group's largest customer. This customer serves both the ANZ and BioCeuticals Group segments.

2.2.2 EBIT by segment

	2019 $'000	2018 $'000
ANZ[1]	**49,782**	62,133
China	**21,465**	35,627
BioCeuticals Group	**17,914**	16,339
Other Asia	**7,479**	2,353
Corporate costs	**(16,100)**	(14,840)
	80,540	101,612

1. ANZ segment includes 'other' in 2018 comparatives.

2.2.3 Revenue history by segment



02 OUR OPERATIONS

2.3 PROFIT FOR THE YEAR

PROFIT FOR THE YEAR HAS BEEN ARRIVED AT AFTER CHARGING:	2019 $'000	2018 $'000
Employee benefits expense		
Post-employment benefits:		
Defined contribution plans	**7,886**	7,184
Share-based payments:		
Equity-settled share-based payments	**(1,236)**	1,259
Cash-settled share-based payments	**(16)**	397
Redundancy payments	**2,195**	-
Other employee expenses	**140,017**	128,295
	148,846	137,135
Provision for stock obsolescence	**3,916**	7,662
Net foreign exchange losses	**-**	943

2.4 WORKING CAPITAL

2.4.1 Cash and cash equivalents

	2019 $'000	2018 $'000
Cash and bank balances	**24,516**	36,468

Accounting policy

Cash and cash equivalents comprise cash on hand, cash at bank, call deposits and overdrafts with an original maturity of three months or less.

2.4 WORKING CAPITAL (CONT.)

2.4.2 Reconciliation of profit after tax to net cash flows from operating activities

	2019 $'000	2018 $'000
Profit after tax	**53,430**	69,223
Non-cash expenses		
Depreciation and amortisation	**10,874**	8,940
Net (profit)/loss on disposal of property plant and equipment	**(658)**	357
Non-cash income		
Revaluation of investments	**(63)**	(130)
Investing cash flow items		
Interest revenue	**(258)**	(417)
Dividend income	**(23)**	(87)
Proceeds from disposal of property, plant and equipment	**(1,066)**	(29)
Decrease/(increase) in assets		
Receivables	**6,911**	(18,642)
Inventories	**(21,139)**	(19,171)
Other current assets	**(863)**	(3,348)
Deferred tax assets	**(3,942)**	(2,630)
Amounts advanced to related parties	**-**	511
(Decrease)/increase in liabilities		
Trade and other payables	**(26,035)**	33,503
Current tax liabilities	**(1,218)**	2,435
Current provisions	**1,712**	(3,484)
Other current liabilities	**1,047**	(261)
Non-current provisions	**(92)**	(143)
Other non-current liabilities	**270**	248
Deferred tax liabilities	**2,469**	(883)
Increase/(decrease) in equity		
Foreign exchange translation of controlled entities	**2,629**	2,625
Equity-settled share-based payments expense	**(1,236)**	1,259
Payment for on-market share purchase	**(2,670)**	(12,293)
(Loss)/gain recognised on cash flow hedges (net of tax)	**(509)**	603
Other items	**262**	(156)
Net cash inflows from operations	**19,832**	58,030

2.4 WORKING CAPITAL (CONT.)

2.4.3 Current receivables

	2019 $'000	2018 $'000
Trade receivables	**143,833**	153,208
Allowance for doubtful debts	**(3,230)**	(6,173)
Allowance for claims	**(2,443)**	(1,249)
Other debtors	**936**	2,405
Goods and services tax recoverable	**4,781**	2,597
	143,877	150,788
Ageing of trade receivables past due not impaired		
0-30 days past due date	**19,853**	22,245
31-60 days past due date	**2,765**	1,484
61-90 days past due date	**2,336**	440
>90 days past due date	**2,987**	3,265
	27,941	27,434
Ageing of impaired receivables		
0-30 days past due date	**29**	18
31-60 days past due date	**38**	12
61-90 days past due date	**39**	18
>90 days past due date	**3,124**	7,370
	3,230	7,418
Allowance for doubtful debts		
Balance at the beginning of the financial year	**6,173**	1,059
(Decrease)/increase to provision	**(235)**	5,686
Amounts written off as uncollectable	**(2,708)**	(572)
Balance at the end of the financial year	**3,230**	6,173

As at 30 June 2019, the Group has two customers (2018: two customers) each comprising amounts greater than 5% (2018: 5%) of the total trade receivables balance. These customers owe the Group more than $55,000 (2018: $52,000) and accounted for approximately 39% (2018: 35%) of all receivables owing.

Accounting policy

Trade and other receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method, less an allowance for impairment. They generally have terms of up to 60 days.

A provision for doubtful debts is recognised for expected credit losses for trade receivables. The expected credit losses are estimated using a provision matrix based on the Group's historical credit loss experience, shared credit risk characteristics and days past due adjusted for any material expected changes to the customers' future credit risk. The provision for doubtful debts is the difference between the asset's carrying amount and the future expected credit losses.

Refer to note 5.5 for more detail on how the Group manages credit risk.

Customers who wish to trade on credit terms are subject to extensive credit verification procedures. Receivables balances are monitored closely and management takes appropriate steps if a receivable becomes overdue and/or impaired.

2.4 WORKING CAPITAL (CONT.)

2.4.4 Inventories

	2019 $'000	2018 $'000
Ingredients	**19,304**	21,274
Raw materials	**33,022**	30,759
Finished goods	**72,778**	51,932
	125,104	103,965

The provision at balance date to cover inventory write downs is $7,924 (2018: $11,611) and is included in the balance above.

Accounting policy

Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate proportion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each 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.

Key estimates and judgements

Management must exercise judgement regarding the provision for inventory write downs. Management assesses slow moving or obsolete inventory on a regular basis and a provision is raised to write down inventory to its net realisable value. Significant judgement is required in estimating the value of slow moving and potentially obsolete inventory as many items 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. This could have an impact on the level of inventory provision required. In addition, there is a recoverability risk associated with new product launches regarding forecasting of demand, including the possible change in demand between the time the inventory order is placed with the supplier and the ultimate date of sale of the inventory to the customer.

2.4.5 Trade and other payables

	2019 $'000	2018 $'000
Trade payables[1]	**79,360**	98,723
Other creditors and accruals	**48,907**	56,144
Goods and services tax (GST) payable	**3,566**	3,001
	131,833	157,868

1. The average credit period on purchases ranges from 30 to 90 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.

Accounting policy

Refer to note 5, Our Financial Risk Management.

02 OUR OPERATIONS

2.5 INCOME TAXES

2.5.1 Income tax recognised in profit or loss

	2019 $'000	2018 $'000
Current tax		
Current tax expense in respect of the current year	**19,847**	25,257
Current year adjustments in relation to prior years' current tax	**(469)**	(171)
Deferred tax		
Benefit relating to the origination and reversal of temporary differences	**1,969**	3,242
Current year adjustments in relation to prior years' deferred tax	**768**	131
Total income tax expense	**22,115**	28,459
Reconciliation of prima facie income tax expense to income tax expense recognised in profit or loss		
Profit before tax	**75,543**	97,682
Income tax expense calculated at 30%	**22,663**	29,305
Tax-effect of reconciling items		
Non-deductible expenses	**470**	473
Tax concessions	**(281)**	(229)
Prior year tax losses now utilised	**(914)**	(1,089)
Tax losses not recognised	**314**	4
Rate differential on overseas operations	**(774)**	(101)
Other	**338**	136
	21,816	28,499
(Over)/under provision of income tax in previous year	**299**	(40)
Income tax expense recognised in profit or loss	**22,115**	28,459

The tax rate used for the 2019 and 2018 reconciliations is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

Accounting policy

Income tax payable represents the amount expected to be paid to taxation authorities on taxable income for the period, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

2.5 INCOME TAXES (CONT.)

2.5.2 Deferred tax balances

Deferred tax balances arise from the following:

	OPENING BALANCE $'000	MOVEMENT $'000	FILING DIFFERENCES $'000	CLOSING BALANCE $'000
Temporary differences 2019				
Property, plant and equipment	**(522)**	**(36)**	**171**	**(387)**
Prepayments and other	**(26)**	**(5)**	**-**	**(31)**
Provisions	**6,242**	**804**	**31**	**7,077**
Accruals	**3,520**	**(279)**	**626**	**3,867**
Cash flow hedges[1]	**286**	**141**	**-**	**427**
Foreign currency monetary items	**(541)**	**470**	**3**	**(68)**
Capitalised expenses	**(14)**	**(13)**	**23**	**(4)**
Indefinite life intangible assets	**(9,339)**	**(1,402)**	**-**	**(10,741)**
Carried forward tax losses[2]	**1,788**	**1,297**	**(281)**	**2,804**
Other	**1,855**	**(272)**	**195**	**1,778**
	3,249	**705**	**768**	**4,722**

1. Cash flow hedges movement was recognised in other comprehensive income.
2. Unutilised tax losses were recognised as deferred tax assets during 2019. The recognition was dependent on future taxable profits of the relevant entities in excess of the profits arising from the reversal of existing taxable temporary differences. The likelihood of sufficient future taxable profits is supported by historic increases in sales and operating profits of the relevant entities and further projected increases prior to expiry of the losses.

	OPENING BALANCE $'000	MOVEMENT $'000	FILING DIFFERENCES $'000	CLOSING BALANCE $'000
Temporary differences 2018				
Property, plant and equipment	(32)	(132)	(358)	(522)
Prepayments and other	103	(129)	-	(26)
Provisions	3,537	2,493	212	6,242
Accruals	3,305	34	181	3,520
Cash flow hedges	146	140	-	286
Foreign currency monetary items	(542)	(12)	13	(541)
Capitalised expenses	(20)	(17)	23	(14)
Indefinite life intangible assets	(9,339)	-	-	(9,339)
Carried forward tax losses	-	1,788	-	1,788
Other	2,578	(783)	60	1,855
	(264)	3,382	131	3,249

Presented in the Consolidated Statement of Financial Position as follows:

	2019 $'000	2018 $'000
Deferred tax asset	**16,532**	12,590
Deferred tax liability	**(11,810)**	(9,341)
	4,722	3,249

02 OUR OPERATIONS

2.5 INCOME TAXES (CONT.)

2.5.3 Unrecognised deferred tax assets

	2019 $'000	2018 $'000
The following tax losses have not been brought to account as deferred tax assets:		
Capital (no expiry date)	**1,035**	1,230
Revenue (expiry: 2019-2027)	**26**	327
	1,061	1,557

Accounting policy

Deferred tax arises when there are temporary differences between the carrying amount of assets and liabilities and the corresponding tax base of those items. Deferred taxes are not recognised for temporary differences relating to:

- The initial recognition of assets and liabilities that are not a business combination that affects neither taxable income nor accounting profit;
- The initial recognition of goodwill; and
- Investments in subsidiaries where the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable amounts will be available against which the assets can be utilised. During the year ended 30 June 2018, tax losses of $658 and $1,130 were recognised with respect to Blackmores Korea and Kalbe Blackmores Nutrition, respectively. Tax losses of $573 were recognised during the year ended 30 June 2019 for Blackmores Taiwan. No tax losses for the year ended 30 June 2019 were recognised for Blackmores Korea or Kalbe Blackmores Nutrition.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is realised or the liability is settled based on tax rates and tax laws that have been enacted or substantively enacted by reporting date.

Deferred tax assets and liabilities are offset 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.

2.6 PROVISIONS

	2019 $'000	2018 $'000
Current		
Employee benefits	**9,005**	7,917
Redundancy	**772**	-
Directors' retirement	**-**	148
	9,777	8,065
Non-current		
Employee benefits	**1,137**	1,229

Accounting policy

Provisions are recognised when the Group has:

- A present obligation (legal or constructive) as a result of a past event, and
- It is probable that the Group will be required to settle the obligation, and
- When 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. When 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 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.

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.

2.7 REMUNERATION STRUCTURE

2.7.1 Key Management Personnel compensation

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

	2019 $	2018 $
Short-term employee benefits	**4,127,952**	4,693,176
Post-employment benefits	**166,950**	156,313
Other long-term benefits	**29,495**	22,051
Share-based payments	**(496,612)**	935,849
	3,827,785	5,807,389

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.

02 OUR OPERATIONS

2.7 REMUNERATION STRUCTURE (CONT.)

2.7.2 Share-based payments

Accounting policy

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 the Black-Scholes 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.

Executive and Employee Share Option Plan

The Executive Performance Share Plan was approved at the Blackmores Annual General Meeting in October 2018. 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 2018 to the year ending 30 June 2021. If the performance and employment vesting conditions are met, the minimum number of rights that could be vested under the entitlement is 5,937 (2018: 6,724) and the maximum number of rights that could be vested is 44,196 (2018: 49,487). Several grant dates applied to these rights; as a result, the following fair values applied to the number of rights listed below.

	NUMBER OF RIGHTS	GRANT DATE	EXPIRY DATE	EXERCISE PRICE	FAIR VALUE AT GRANT DATE
Share rights series					
Grants in the 2019 year					
Granted	**44,196**	**16-Nov-18**	**30-Jun-21**	**N/A**	**$124.21**
Grants in the 2018 year					
Granted	49,487	17-Nov-17	30-Jun-20	N/A	$144.39

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

	2019 NUMBER OF RIGHTS	2019 WEIGHTED AVERAGE EXERCISE PRICE	2018 NUMBER OF RIGHTS	2018 WEIGHTED AVERAGE EXERCISE PRICE
Balance at the beginning of the year	**99,472**		175,463	
Granted	**44,196**		49,487	
Forfeited	**(24,341)**		(10,722)	
Exercised	**(16,544)**	**N/A**	(114,756)	N/A
Expired	**-**		-	
Balance at the end of the year	**102,783**		99,472	
Exercisable at the end of the year	**102,783**		99,472	

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 2019 financial year will be determined in September 2021.

2.7 REMUNERATION STRUCTURE (CONT.)

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

2019 rate of EPS growth

Percentage of participant's base remuneration

		CHIEF EXECUTIVE OFFICER[1]	SENIOR EXECUTIVES	OTHER SENIOR COMPANY MANAGEMENT
5.0%		25	10	5
5.0% to 10.0%	pro-rata between	25 to 50	10 to 20	5 to 10
10.0%		50	20	10
10.0% to 25.0%	pro-rata between	50 to 150	20 to 80	10 to 40
25.00%		150	80	40
Greater than 25.0%		150	80	40

1. Chief Executive Officer refers to Richard Henfrey.

2018 rate of EPS growth

Percentage of participant's base remuneration

		CHIEF EXECUTIVE OFFICER	SENIOR EXECUTIVES	OTHER SENIOR COMPANY MANAGEMENT
5.0%		25	10	5
5.0% to 10.0%	pro-rata between	25 to 50	10 to 20	5 to 10
10.0%		50	20	10
10.0% to 25.0%	pro-rata between	50 to 150	20 to 80	10 to 40
25.00%		150	80	40
Greater than 25.0%		150	80	40

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. 551 shares were issued during the year ended 30 June 2019 (2018: 812 shares). In July 2019, 695 shares (2018: 511 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 2019.

The second plan is open to all eligible employees including Senior Executives and enables them to purchase up to $10 thousand of Blackmores' shares each year out of after-tax pay. For every three purchased shares acquired using the employees' contributions, subject to employment vesting conditions and capping applied under the plan, the Company will provide one extra share. The vesting date for the year ended 30 June 2019 is 31 July 2019. The maximum cost of the shares provided by the Company for the 2019 financial year has been set at $500 thousand.

Options plan

At 1 July 2018 and at 1 July 2017 there were no share options outstanding. None were issued during the years ended 30 June 2019 (2018: nil) and as at 30 June 2019 (2018: nil) there were no unexercised share options.

The compensation of each member of the Key Management Personnel of the Group and a discussion of the compensation policies of the Company are detailed in the Remuneration Report on pages 54 to 71.

03 OUR INVESTMENTS

The Blackmores Group carries investments in property, plant and equipment, investment property, and goodwill and intangible assets.

3.1 PROPERTY, PLANT AND EQUIPMENT

	FREEHOLD LAND AND BUILDINGS[1] $'000	PLANT AND EQUIPMENT $'000	LEASEHOLD IMPROVEMENTS $'000	TOTAL $'000
Year-ended 30 June 2018				
Cost	49,847	78,206	4,519	132,572
Accumulated depreciation	(8,730)	(45,740)	(1,841)	(56,311)
Net carrying amount	41,117	32,466	2,678	76,261
Movement				
Net carrying amount at the beginning of the year	42,056	28,951	3,200	74,207
Additions	-	10,142	631	10,773
Disposals and write offs	-	(119)	(268)	(387)
Depreciation	(939)	(6,472)	(959)	(8,370)
Other (including foreign exchange movements)	-	(36)	74	38
Net carrying amount at the end of the year	41,117	32,466	2,678	76,261
Assets under construction included above:	-	3,382	-	3,382
Year ended 30 June 2019				
Cost	**49,487**	**90,575**	**5,682**	**145,744**
Accumulated depreciation	**(9,660)**	**(52,501)**	**(2,829)**	**(64,990)**
Net carrying amount	**39,827**	**38,074**	**2,853**	**80,754**
Movement				
Net carrying amount at the beginning of the year	**41,117**	**32,466**	**2,678**	**76,261**
Additions	**-**	**13,573**	**1,162**	**14,735**
Disposals and write offs	**(360)**	**(48)**	**-**	**(408)**
Depreciation	**(930)**	**(8,014)**	**(971)**	**(9,915)**
Other (including foreign exchange movements)	**-**	**97**	**(16)**	**81**
Net carrying amount at the end of the year	**39,827**	**38,074**	**2,853**	**80,754**
Assets under construction included above:	**-**	**8,074**	**368**	**8,442**

1. Freehold land and buildings includes $12,488 of non-depreciable land (2018: $12,848).

3.1 PROPERTY, PLANT AND EQUIPMENT (CONT.)

Accounting policies

Carrying value

The Group's property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of property in the course of construction includes borrowing, holding and development costs until the asset is complete.

Depreciation

Assets are depreciated on a straight-line basis over their estimated useful lives. Leasehold improvements are amortised over the shorter of the remaining period of the individual leases or the estimated useful life of the improvement to the Group. Useful lives are reassessed each period.

Freehold land and property in the course of construction are not depreciated. The expected useful lives are as follows:

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

Proceeds from sale of assets

The gross proceeds from asset sales are recognised at the date that an unconditional contract of sale is exchanged with the purchaser. The net gain/(net loss) is recognised in the Consolidated Statement of Profit or Loss.

Impairment

Property, plant and equipment are tested for impairment in accordance with the policy for impairment of non-financial assets disclosed in note 3.3.

3.2 INVESTMENT PROPERTY

	2019 $'000	2018 $'000
Cost	**2,160**	2,160

Investment property relates to land at 15 Jubilee Avenue, Warriewood, NSW 2102, which was acquired during the financial year ended 30 June 2010.

Accounting policies

Investment property is defined as property held to earn rental income and/or for capital appreciation. It is measured initially at its cost, including transaction costs such as legal fees and property transfer taxes. Deprecation is not charged on Blackmores' investment property as it related to non-depreciable land. The investment property is tested annually for impairment. No impairment losses have been recognised on the investment property and the Directors are confident that the carrying amount of the investment property will be recovered in full. Investment property is derecognised upon disposal with any resulting gain or loss being recognised in profit or loss in the period in which the property is derecognised.

03 OUR INVESTMENTS

3.3 GOODWILL AND INTANGIBLE ASSETS

	GOODWILL $'000	BRANDS $'000	OTHER INDEFINITE LIFE INTANGIBLE ASSETS[1] $'000	OTHER INTANGIBLE ASSETS[2] $'000	TOTAL $'000
Year-ended 30 June 2018					
Cost	29,461	28,613	5,490	6,674	70,238
Accumulated amortisation	-	-	-	(4,026)	(4,026)
Net carrying amount	29,461	28,613	5,490	2,648	66,212
Net carrying amount at the beginning of the year	29,461	28,613	2,613	1,067	61,754
Additions	-	-	2,877	2,178	5,055
Amortisation	-	-	-	(571)	(571)
Other (including foreign exchange revaluation)	-	-	-	(26)	(26)
Net carrying amount at the end of the year	29,461	28,613	5,490	2,648	66,212
Allocated to cash generating unit					
BioCeuticals	20,849	15,313	264	680	37,106
Global Therapeutics	7,597	13,300	1,160	-	22,057
Blackmores Australia	1,015	-	2,566	1,968	5,549
China	-	-	1,500	-	1,500
	29,461	28,613	5,490	2,648	66,212
Year ended 30 June 2019					
Cost	**34,500**	**30,244**	**7,515**	**13,261**	**85,520**
Accumulated amortisation	**-**	**-**	**-**	**(5,031)**	**(5,031)**
Net carrying amount	**34,500**	**30,244**	**7,515**	**8,230**	**80,489**
Net carrying amount at the beginning of the year	**29,461**	**28,613**	**5,490**	**2,648**	**66,212**
Assets obtained through business combinations	**5,039**	**1,631**	**-**	**3,327**	**9,997**
Additions	**-**	**-**	**2,025**	**3,129**	**5,154**
Amortisation	**-**	**-**	**-**	**(959)**	**(959)**
Other (including foreign exchange revaluation)	**-**	**-**	**-**	**85**	**85**
Net carrying amount at the end of the year	**34,500**	**30,244**	**7,515**	**8,230**	**80,489**
Allocated to cash generating unit					
BioCeuticals	**20,849**	**15,313**	**264**	**680**	**37,106**
Global Therapeutics	**7,597**	**13,300**	**1,160**	**-**	**22,057**
Blackmores Australia	**6,054**	**1,631**	**3,091**	**6,166**	**16,942**
China	**-**	**-**	**3,000**	**-**	**3,000**
Other Asia	**-**	**-**	**-**	**1,384**	**1,384**
	34,500	**30,244**	**7,515**	**8,230**	**80,489**

1. Other indefinite life intangible assets relate to registrations, trademarks, and formulations.
2. Other intangible assets relate to patents, capitalised website costs, customer relationships and royalty streams.

3.3 GOODWILL AND INTANGIBLE ASSETS (CONT.)

Accounting policies

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the share of the net identifiable assets acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Intangible assets

Intangible assets are measured at cost less accumulated amortisation and impairment losses (if any).

Where acquired in a business combination, cost represents the fair value at the date of acquisition. Intangible assets with finite lives are amortised on a straight-line basis over their estimated useful lives.

An internally-generated intangible asset arising from development is only recognised once the feasibility, intention and ability to complete the intangible asset can be demonstrated. Any expenditure on research activities is recognised as an expense when incurred.

Useful lives are reassessed each period. The useful lives of intangible assets have been assessed as follows:

Patents:	20 years
Research partnerships:	14 years
Customer relationships:	10 years
Royalty stream:	5 years
Capitalised website development:	3 years

Impairment

Intangible assets are tested for impairment in accordance with the policy for impairment of non-financial assets disclosed in this note.

Impairment of non-financial assets

The carrying amounts of the Group's property, plant and equipment (refer to note 3.1), goodwill and intangible assets (refer to note 3.3) are reviewed for impairment as follows:

Property, plant and equipment and finite life intangibles – When there is an indication that the asset may be impaired (assessed at least each reporting date) or when there is an indication that a previously recognised impairment may have changed.

Goodwill and indefinite life intangibles – At least annually and when there is an indication that the asset may be impaired.

Calculation of recoverable amount

In assessing impairment, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to dispose (FVLCTD). For an asset that does not generate largely independent cash inflows, the recoverable amount is assessed at the cash generating unit (CGU) level, which is the smallest group of assets generating cash inflows independent of other CGUs that benefit from the use of the respective asset. Goodwill is allocated to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments and grouped at the lowest levels for which goodwill is monitored for internal management purposes.

An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognised in the Consolidated Statement of Profit or Loss.

Impairment losses recognised in respect of a CGU will be allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of other assets in the CGU on a pro-rata basis to their carrying amounts.

Reversal of impairment

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

03 OUR INVESTMENTS

3.3 GOODWILL AND INTANGIBLE ASSETS (CONT.)

Critical judgements and estimates

The ranges of rates used in determining recoverable amounts are set out below:

	2019 %	2018 %
Long-term growth rate	**2.0**	2.0
Post-tax discount rate	**8.4**	8.4

The Group believes that any reasonably possible change in the key assumptions applied would not cause the carrying value of assets to exceed their recoverable amount and result in a material impairment based on current economic conditions and CGU performance.

The key assumptions used in the value-in-use calculation were applied consistently across all CGUs.

The recoverable amounts of these cash generating units are determined using 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 uses a terminal value calculation. Budgeted sales growth is expected to be in line with sales growth in the category. Budgeted margins are expected to remain consistent.

Cash flow projections are based on estimated growth in EBITDA 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 Board believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

3.4 COMMITMENTS FOR EXPENDITURE

	2019 $'000	2018 $'000
Catalent business combination[1]		
Not longer than 1 year	**48,000**	-
Longer than 1 year and not longer than 5 years	**-**	43,200
	48,000	43,200
Operating leases[2]		
Not longer than 1 year	**8,028**	6,286
Longer than 1 year and not longer than 5 years	**14,824**	10,212
Longer than 5 years	**-**	95
	22,852	16,593
Plant and equipment		
Not longer than 1 year	**19,867**	3,152
	19,867	3,152
Promotional services		
Not longer than 1 year	**1,246**	2,558
Longer than 1 year and not longer than 5 years	**750**	-
	1,996	2,558
Sponsorship		
Not longer than 1 year	**65**	131
	65	131
Research and development contracts		
Not longer than 1 year	**2,762**	1,414
Longer than 1 year and not longer than 5 years	**4,688**	4,035
Longer than 5 years	**600**	600
	8,050	6,049

1. Blackmores Limited is committed to the acquisition of Catalent Australia on or before 25 October 2019.
2. Operating leases relate to business premises and the Group's motor vehicle fleet with lease terms of up to five years. The majority of 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.

04 OUR FINANCING

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 strategy remains unchanged since 2018.

4.1 CAPITAL MANAGEMENT

The capital structure of the Group consists of net debt and equity.

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'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 financial year was as follows:

	2019 $'000	2018 $'000
Debt	**119,000**	86,000
Cash and cash equivalents	**(24,516)**	(36,468)
Net debt	**94,484**	49,532
Equity	**207,292**	192,875
Total capital	**301,776**	242,407
Gearing ratio	**31.3%**	20.4%

(Net debt as a % of total capital)

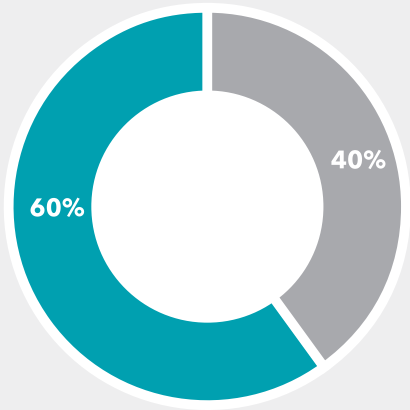
4.2 FINANCING FACILITIES

	2019 $'000	2018 $'000
Unsecured bank overdraft facility, reviewed annually and payable at call	-	-
Unsecured revolving term debt facility under Common Terms Deed	**119,000**	86,000
	119,000	86,000
Unrestricted access was available to the Group at the reporting date for the following unused lines of credit:		
Bank loan facilities	**181,000**	134,000
Bank overdrafts	**5,000**	10,000
	186,000	144,000

The maturity profile of current bank loan facilities is as follows:

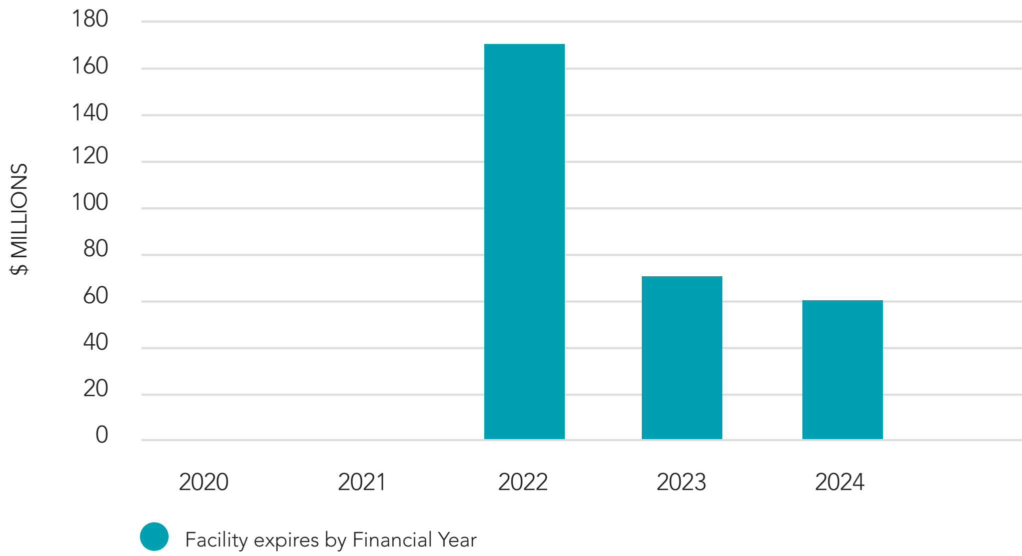
Debt facilities

Total debt facilities as at 30 June 2019 are as follows:



Maturity profile

The maturity profile of existing bank loan facilities by financial year is as follows:



Bank loan facilities may be drawn at any time, subject to the terms of the lending agreements. The above facilities are subject to certain financial covenants and undertakings. No covenants have been breached during the financial year (2018: nil).

04 OUR FINANCING

4.3 INTEREST-BEARING LIABILITIES

	2019 $'000	2018 $'000
Non-current		
Unsecured at amortised cost		
Bank loan	**119,000**	86,000

Funding activities

On 8 April 2019, Blackmores Limited entered into new funding arrangements with Bank of China, HSBC Bank Australia Limited, National Australia Bank Limited and Westpac Banking Corporation with maturity dates of April 2022, April 2023 and April 2024. The funds are available for general corporate purposes.

4.3.1 Reconciliation of liabilities arising from financing activities

	2019 $'000	2018 $'000
Interest-bearing liabilities		
Balance at the start of the year	**86,000**	78,968
Net cash inflows	**33,000**	7,032
Balance at the end of the year	**119,000**	86,000

Accounting policies

All bank loans are initially recognised at the fair value of the consideration received, less directly attributable transaction costs.

After initial recognition, interest-bearing loans are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

4.4 ISSUED CAPITAL

	2019 NUMBER	2019 ISSUED CAPITAL $'000	2018 NUMBER	2018 ISSUED CAPITAL $'000
Fully paid ordinary shares				
Balance at beginning of financial year	**17,226,619**	**37,753**	17,225,807	37,753
Issue of shares under Executive and employee share plans (note 2.7)	**17,095**	**2,670**	812	-
Issue of shares under Dividend Reinvestment Plan (DRP)	**117,797**	**12,616**	-	-
Balance at end of financial year	**17,361,511**	**53,039**	17,226,619	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 2.7 to the Consolidated Financial Statements.

4.5 SHAREHOLDER RETURNS

4.5.1 Earnings per share

	2019 $'000	2018 $'000
Profit attributable to shareholders of Blackmores Limited	**53,469**	70,005
	Number	**Number**
WANOS[1] used in the calculation of basic EPS[1]	**17,295,235**	17,226,563
WANOS[1] used in the calculation of diluted EPS[2]	**17,295,256**	17,254,843
	Cents	**Cents**
Basic EPS	**309.2**	406.4
Diluted EPS	**309.2**	405.7

1. Weighted average number of ordinary shares.
2. The variance in the WANOS used in the calculation of the basic EPS and the diluted EPS is attributable to employee share plans.

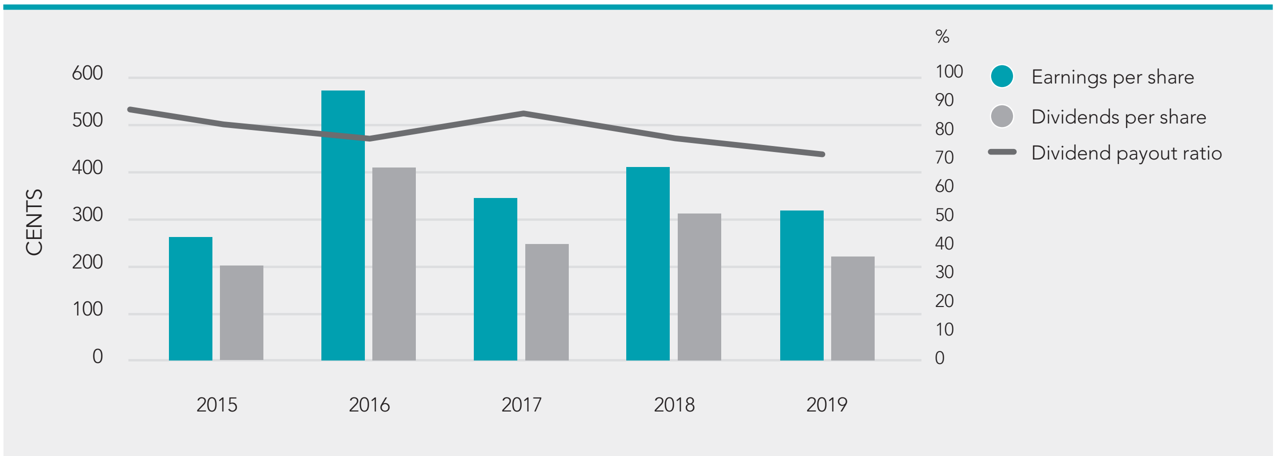
4.5.2 Dividends

	2019 CENTS PER SHARE	TOTAL $'000	2018 CENTS PER SHARE	TOTAL $'000
Recognised amounts				
Fully paid ordinary shares				
Final dividend for year ended 30 June 2018 (2018: 30 June 2017)				
– fully franked at 30% corporate tax rate	**155**	**26,587**	140	24,117
Interim dividend for year ended 30 June 2019 (2018: 30 June 2018)				
– fully franked at 30% corporate tax rate	**150**	**25,954**	150	25,840
	305	**52,541**	290	49,957
Unrecognised amounts				
Fully paid ordinary shares				
Final dividend for year ended 30 June 2019 (2018: 30 June 2018)				
– fully franked at 30% corporate tax rate	**70**	**12,154**		

4.5.3 Franking account balance

	COMPANY	
	2019 $'000	2018 $'000
Adjusted franking account balance	**29,591**	32,350

4.5.4 Shareholder returns history



05 OUR FINANCIAL RISK MANAGEMENT APPROACH

5.1 CATEGORIES OF FINANCIAL INSTRUMENTS

	CLASSIFICATION	NOTE	2019 $'000	2018 $'000
Financial assets				
Cash and cash equivalents	Amortised cost	2.4.1	**24,516**	36,468
Loans and receivables	Amortised cost	2.4.3	**143,877**	150,788
Unquoted equity investments	Available-for-sale	5.7	**1,503**	1,355
Derivative financial assets	Fair value through profit or loss	5.7	**355**	475
Financial liabilities				
Derivative financial liabilities	Fair value through profit or loss	5.7	**739**	203
Interest-bearing borrowings	Amortised cost	4.3	**119,000**	86,000
Trade payables	Amortised cost	2.4.5	**131,833**	157,868

Accounting policies

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.

5.1.1 Financial assets

Non-derivative financial assets are classified into the following specified categories: 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.

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. 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.

Impairment of financial assets

In relation to the impairment of financial assets, AASB 9 requires an expected credit loss model instead of an incurred credit loss model under AASB139. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date.

AASB 9 requires the Group to measure the loss allowance for financial instruments at an amount equal to the lifetime expected credit losses. A lifetime expected loss allowance has been calculated for trade receivables through the use of an expected credit loss model. The model is based on the Group's historical credit loss experience, shared credit risk characteristics and days past due adjusted for any material expected changes to the customers' future credit risk.

The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account.

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

5.1 CATEGORIES OF FINANCIAL INSTRUMENTS (CONT.)

5.1.2 Financial liabilities and equity instruments

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.

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.

Financial liabilities

Non-derivative financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and 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.

Derecognition of financial liabilities

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

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 notes 5.3 and 5.4 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.

Hedge accounting

The Group designates certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risks, as either fair value hedges, cash flow hedges or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk. Notes 5.3 and 5.4 set 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.

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

5.2 FINANCIAL RISK MANAGEMENT OBJECTIVES

The Group's Corporate Treasury function provides services to the business, co-ordinates 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.

05 OUR FINANCIAL RISK MANAGEMENT

5.3 FOREIGN CURRENCY RISK MANAGEMENT

Sources of risk	The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise.
Risk management	Exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts.

The Group's material exposure to foreign currencies includes New Zealand Dollar (NZD), United States Dollar (USD), Euro (EUR) and Canadian Dollar (CAD). Other currencies include Swiss Franc (CHF), British Pound (GBP), Japanese Yen (JPY), Malaysian Ringgit (MYR), Thai Baht (THB), and Taiwan Dollars (TWD); however the exposure to these currencies is immaterial.

	LIABILITIES 2019 $'000	LIABILITIES 2018 $'000	ASSETS 2019 $'000	ASSETS 2018 $'000
USD	**12,447**	17,980	**1,102**	2,509
NZD	**2,000**	4,549	**2**	912
CAD	**834**	836	**-**	-
EUR	**399**	350	**-**	-
Other	**495**	198	**236**	216

The table above excludes the impact of derivatives.

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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
USD impact	**1,031**	1,406	**(1,261)**	(1,719)
NZD impact	**182**	331	**(222)**	(404)
CAD impact	**76**	76	**(93)**	(93)
EUR impact	**36**	32	**(44)**	(39)
Other	**16**	(2)	**(20)**	2

The following forward foreign exchange contracts were still open at the reporting date, in local currency:

	NOTIONAL PRINCIPAL AMOUNT		FAIR VALUE	
CURRENCY	2019 $'000	2018 $'000	2019 $'000	2018 $'000
USD	**14,160**	10,952	**252**	547
MYR	**3,838**	1,457	**(26)**	(45)
THB	**5,780**	2,776	**(227)**	(5)
NZD	**5,210**	4,267	**39**	(82)
CAD	**632**	307	**14**	2
KRW	**1,101**	-	**(8)**	-

In 2019, there was hedge ineffectiveness of $nil (2018: $7) which was included within other expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

5.4 INTEREST RATE RISK MANAGEMENT

Sources of risk	The Group is exposed to interest rate risk as it borrows funds on a floating interest rate basis.
Risk management	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.

	2019 $'000	2018 $'000
Financial liabilities		
Borrowings	**(119,000)**	(86,000)
Interest rate swaps[1]	**53,000**	75,000
Net exposure	**(66,000)**	(11,000)

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	
	2019 %	2018 %	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Outstanding fixed or floating contracts						
Less than 1 year	**2.21**	1.86	**23,000**	35,000	**(23)**	19
1 to 2 years	**2.38**	2.16	**10,000**	40,000	**(277)**	(31)
2 to 5 years	**1.44**	0.00	**20,000**	-	**(202)**	-
> 5 years	**0.00**	0.00	**-**	-	**-**	-
	1.95	2.02	**53,000**	75,000	**(502)**	12

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.

The sensitivity analysis below has 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 2019, 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 $648 (2018: $575) or increase by $648 (2018: $575) respectively as a result of changes in the interest rates applicable to commercial bank bills.

For the year ended 30 June 2019, 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 $370 or decrease by $375 respectively (2018: increase by $365 or decrease by $369 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 $30,000 of new interest rate swaps during the 2019 financial year (2018: $nil), $35,000 matured during the year (2018: $nil) and $17,000 were terminated during the 2019 financial year (2018: $nil).

05 OUR FINANCIAL RISK MANAGEMENT

5.5 CREDIT RISK MANAGEMENT

Sources of risk	The Group is exposed to counterparty credit risk from trade and other receivables.
Risk management	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. 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. The Group's increased exposure to credit risk is commensurate with the recent strong growth of the China segment. The China business has continued to evolve with a relatively high concentration of customers operating in a dynamic and high growth environment. This has resulted in an increased level of payment default risk in comparison to prior years. The Group continues to manage and measure risk with respect to the collectability of all receivables.

5.6 LIQUIDITY RISK MANAGEMENT

Sources of risk	Exposure to liquidity risk derives from the Group's operations and from the external interest-bearing liabilities that it holds.
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 Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities and through the continual monitoring of forecast and actual cash flows.

Liquidity and interest risk tables

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

	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE %	1 MONTH $'000	1-3 MONTHS $'000	3 MONTHS TO 1 YEAR $'000	1-5 YEARS $'000	5 YEARS $'000	TOTAL $'000
2019							
Trade and other payables	**0.00**	**-**	**131,833**	**-**	**-**	**-**	**131,833**
Borrowings	**2.63**	**-**	**-**	**-**	**119,000**	**-**	**119,000**
		-	**131,833**	**-**	**119,000**	**-**	**250,833**
2018							
Trade and other payables	0.00	-	157,868	-	-	-	157,868
Borrowings	3.05	-	-	-	86,000	-	86,000
		-	157,868	-	86,000	-	243,868

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

5.6 LIQUIDITY RISK MANAGEMENT (CONT.)

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 instruments 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
2019						
Net settled:						
Interest rate swaps	**(95)**	**(55)**	**(166)**	**(222)**	**-**	**(538)**
2018						
Net settled:						
Interest rate swaps	(55)	-	(97)	(25)	-	(177)

5.7 FAIR VALUE MEASUREMENTS

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 is determined with reference to quoted market prices;
- The fair value of derivative instruments is 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) is 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).

		2019 $'000	2018 $'000
Financial assets			
Unquoted equities	Level 3	**1,503**	1,355
Foreign exchange derivatives	Level 1	**355**	449
Interest rate derivatives	Level 1	**-**	26
		1,858	1,830
Financial liabilities			
Foreign exchange derivatives	Level 1	**(267)**	(60)
Interest rate derivatives	Level 1	**(472)**	(143)
		(739)	(203)

06 OUR GROUP STRUCTURE

6.1 PARENT ENTITY INFORMATION

	2019 $'000	2018 $'000
Financial position		
Assets		
Current assets	**174,576**	189,113
Non-current assets	**175,291**	159,631
Total assets	**349,867**	348,744
Liabilities		
Current liabilities	**105,969**	125,619
Non-current liabilities	**136,791**	107,448
Total liabilities	**242,760**	233,067
Equity		
Issued capital	**53,039**	37,753
Retained earnings	**54,102**	74,699
Reserves	**(34)**	3,225
Total equity	**107,107**	115,677
Financial performance		
Profit for the year	**32,032**	52,191
Other comprehensive income	**(509)**	603
Total comprehensive income	**31,523**	52,794

6.1.1 Commitments for expenditure – parent entity

	2019 $'000	2018 $'000
Catalent transaction[1]		
Not longer than 1 year	**48,000**	-
Longer than 1 year and not longer than 5 years	**-**	43,200
	48,000	43,200
Operating leases[2]		
Not longer than 1 year	**5,504**	4,373
Longer than 1 year and not longer than 5 years	**12,765**	8,301
Longer than 5 years	**-**	95
	18,269	12,769
Plant and equipment		
Not longer than 1 year	**19,867**	3,152
	19,867	3,152
Promotional services		
Not longer than 1 year	**1,030**	2,550
Longer than 1 year and not longer than 5 years	**730**	-
	1,760	2,550
Sponsorship		
Not longer than 1 year	**65**	-
	65	-
Research and development contracts		
Not longer than 1 year	**2,440**	996
Longer than 1 year and not longer than 5 years	**4,270**	3,660
Longer than 5 years	**600**	600
	7,310	5,256

1. Blackmores Limited is committed to the acquisition of Catalent Australia on or before 25 October 2019.
2. Operating leases relate to business premises and the Group's motor vehicle fleet with lease terms of up to five years. The majority of 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.

6.1 PARENT ENTITY INFORMATION (CONT.)

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 Pte. Ltd 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.

6.2 SUBSIDIARIES

NAME OF ENTITY	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST 2019 %	OWNERSHIP INTEREST 2018 %	PRINCIPAL ACTIVITY
Blackmores Nominees Pty Limited[2]	Australia	100	100	Management of employee share plans
Pat Health Limited	Hong Kong (China)	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 (China)	100	100	Marketing of natural health products
Pure Animal Wellbeing Pty Limited	Australia	100	100	Holder of intellectual property for PAW
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[1]	Indonesia	50	50	Marketing of natural health products
FIT-BioCeuticals Limited	Australia	100	100	Marketing of natural health products
FIT BioCeuticals (NZ) Limited[2]	New Zealand	100	100	Marketing of natural health products
PharmaFoods Pty Limited[2]	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 (China)	100	100	Marketing of natural health products
Hall Drug Technologies Pty Limited[2]	Australia	100	100	Marketing of natural health products
Blackmores SPV Co Pty Limited	Australia	100	100	Holding company
New Century Herbals Pty Limited[2]	Australia	100	100	Holding company
Global Therapeutics Pty Limited[2]	Australia	100	100	Marketing of natural health products
Blackmores Japan Limited	Japan	100	100	Marketing of natural health products

1. PT Kalbe Blackmores Nutrition is consolidated into the Group at 100%, and the 50% of profit or loss attributable to non-controlling interests is recognised in equity.
2. 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.

06 OUR GROUP STRUCTURE

6.2 SUBSIDIARIES (CONT.)

6.2.1 Controlled entities

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:

	2019 $'000	2018 $'000
Revenue	**514,281**	518,861
Other income	**2,981**	631
Revenue and other income	**517,262**	519,492
Raw materials and consumables used	**243,957**	225,817
Employee benefits expenses	**110,443**	106,718
Selling and marketing expenses	**36,586**	34,084
Depreciation and amortisation expenses	**9,494**	7,939
Operating lease rental expenses	**7,181**	7,321
Professional and consulting expenses	**8,852**	8,471
Repairs and maintenance expenses	**5,717**	5,856
Freight expenses	**7,315**	8,641
Bank charges	**1,195**	1,042
Licences and registrations	**4,166**	1,698
Other expenses	**9,362**	13,774
Total expenses	**444,268**	421,361
Earnings before interest and tax	**72,994**	98,131
Interest revenue	**197**	209
Interest expense	**(5,339)**	(4,198)
Net interest expense	**(5,142)**	(3,989)
Profit before tax	**67,852**	94,142
Income tax expense	**(19,976)**	(29,291)
Profit after tax	**47,876**	64,851
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)	**(509)**	603
Other comprehensive (expense)/income for the period (net of tax)	**(509)**	603
Total comprehensive income for the period	**47,367**	65,454

6.2 SUBSIDIARIES (CONT.)

6.2.1 Controlled entities (cont.)

	2019 $'000	2018 $'000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	-	2,713
Receivables	123,609	145,522
Inventories	101,537	89,194
Other assets	10,796	8,916
Total current assets	235,942	246,345
NON-CURRENT ASSETS		
Property, plant and equipment	78,708	74,224
Investment property	2,160	2,160
Goodwill and other intangible assets	75,984	63,092
Deferred tax assets	8,390	7,166
Other financial assets	3,959	10,752
Total non-current assets	169,201	157,394
Total assets	405,143	403,739
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	101,124	141,023
Current tax liabilities	2,194	4,103
Provisions	9,176	7,704
Other liabilities	478	150
Total current liabilities	112,972	152,980
NON-CURRENT LIABILITIES		
Interest-bearing liabilities	119,000	86,000
Provisions	1,137	1,229
Other liabilities	35	108
Deferred tax liabilities	11,374	10,096
Total non-current liabilities	131,546	97,433
Total liabilities	244,518	250,413
Net assets	160,625	153,326
EQUITY		
CAPITAL AND RESERVES		
Issued capital	53,039	37,753
Reserves	4,240	3,152
Retained earnings	103,346	112,421
Total equity	160,625	153,326

06 OUR GROUP STRUCTURE

6.3 JOINT OPERATIONS

Blackmores' joint operation is a 50:50 partnership with Bega Cheese Limited, Bemore Partnership Pty Ltd which, was set up in 2016 to facilitate the Group's entry into the nutritional foods category.

During the financial year ended 30 June 2018, the operations of the partnership were suspended.

Bega Cheese Limited continues to supply Blackmores Group with infant formula and the Blackmores Group continues to market and sell infant formula through its subsidiaries.

Bemore Partnership Pty Ltd

There have been no transactions in the partnership during the year ended 30 June 2019.

Accounting policy

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 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.

When a Group entity undertakes its activities under joint operations, the Group, as a joint operator, recognises its share of assets, liabilities, revenue and expenses in its financial statements.

6.4 BUSINESS COMBINATIONS

2019

No subsidiaries were acquired during the financial year ended 30 June 2019.

2018

No subsidiaries were acquired during the financial year ended 30 June 2018.

In October 2019, Blackmores Limited will acquire 100% of Catalent Australia, a tablet and soft-gel capsule manufacturing facility in Victoria for $48,000.

On 28 November 2018, Blackmores Group acquired the Impromy weight management product portfolio for $8,595.

	30 June 2019 $'000
Net consideration transferred	
Cash	8,595
Assets acquired arising at date of acquisition	
Non-current assets	
Brands	1,631
Other intangible assets	3,327
	4,958
Goodwill arising on acquisition	
Consideration paid in cash	8,595
Less: Fair value of identifiable net assets acquired	(4,958)
	3,637

Impact of acquisition on results of the Group.

The impact of the acquisition on the results of the Group is immaterial for the year ended 30 June 2019.

6.4 BUSINESS COMBINATIONS (CONT.)

Accounting policy

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

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 exceed 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.

6.5 CONTINGENT LIABILITIES

Blackmores has been in discussions with a relevant authority in one of the countries in which it trades pertaining to the historical use of and compliance to export classification codes and related exemptions claimed under free trade agreements between the periods of 2009 to 2014. These discussions have been ongoing for over 3 years. The relevant authority recently issued assessments for approximately $10 million (AUD). Blackmores has initiated an appeal process for those assessments. Blackmores considers that it has correctly interpreted and complied with all relevant requirements under the free trade agreement and is pursuing all legal avenues of objection. It remains unclear when a resolution to this matter will be reached. As at the date of signing, no legal liability exists in relation to the assessments under applicable law of that jurisdiction. A reliable estimate of potential risks or probable outflows, if any, cannot be determined. Accordingly, applying AASB 137 Provisions, Contingent Liabilities and Contingent Assets, no liability has been recorded in the accounts as at 30 June 2019.

07 OTHER

7.1 RELATED PARTY AND KEY MANAGEMENT PERSONNEL DISCLOSURES

7.1.1 Equity interests in subsidiaries

Details of the percentage of ordinary shares held in controlled entities are disclosed in note 6.2 to the Consolidated Financial Statements.

7.1.2 Loan disclosures

There were no loan balances exceeding $100,000 due from Key Management Personnel during or at the end of the financial year (2018: $nil).

7.1.3 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.

7.1.4 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 (expressed in actual dollars) 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 (2018: $nil).

Other related party transactions

During the financial year ended 30 June 2019, 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 $nil (2018: $72,525) were charged.
- Fiftyfive5 Pty Ltd, a company of which Brent Wallace is a Director, performed certain consulting services for the Company for which fees of $255,818 (2018: $nil) were charged.

Balances with related parties

$105,818 was owed to Fiftyfive5 Pty Ltd, of a company of which Brent Wallace is a Director at 30 June 2019.

No other balances are outstanding at the end of the financial year with related parties that are not members of the Group (2018: $nil).

7.2 REMUNERATION OF AUDITOR

	2019 $	2018 $
Auditor of the parent entity		
Auditing or reviewing the Financial Statements	**320,774**	325,944
Taxation services	**90,801**	112,398
Other non-audit services[1]	**98,068**	149,500
	509,643	587,842
Network firm of the parent company auditor		
Auditing or reviewing the Financial Statements	**285,255**	246,493
Taxation services	**17,278**	-
Other non-audit services[1]	**18,620**	-
	321,153	246,493

The auditor of Blackmores Limited is Deloitte Touche Tohmatsu.

1. Other non-audit services is comprised of fees in relation to consulting and assurance services.

7.3 EVENTS AFTER THE REPORTING PERIOD

Final dividend

The Directors declared a fully franked final dividend of 70 cents per share on 14 August 2019 as described in note 4.5.2.

7.4 APPROVAL OF FINANCIAL STATEMENTS

The Consolidated Financial Statements were approved by the Board of Directors and authorised for issue on 14 August 2019.

ADDITIONAL INFORMATION

Number of holders of equity securities as at 26 July 2019

Ordinary share capital

17,362,206 fully paid ordinary shares are held by 17,868 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	16,297
1,001 - 5,000	1,379
5,001 - 10,000	99
10,001 - 100,000	78
100,001 and over	15
Total	**17,868**
Holdings less than a marketable parcel	513

Substantial shareholders

FULLY PAID ORDINARY SHAREHOLDERS	NUMBER	PERCENTAGE
Marcus C Blackmore	4,010,043	23.10%

Twenty largest holders of quoted equity securities as at 26 July 2019

FULLY PAID ORDINARY SHAREHOLDERS	NUMBER	PERCENTAGE
Mr M C Blackmore	3,159,609	18.20
HSBC Custody Nominees (Australia) Limited	1,626,089	9.37
JP Morgan Nominees Australia Limited	840,742	4.84
Citicorp Nominees Pty Limited	766,112	4.41
National Nominees Limited	614,741	3.54
Dietary Products (Aust) Pty Limited	601,270	3.46
Milton Corporation Limited	368,664	2.12
Blackmore Foundation Pty Limited	337,709	1.95
BNP Paribas Nominees Pty Ltd (Agency Lending A/C)	199,405	1.15
National Nominees Limited (N A/C)	160,350	0.92
Mrs E M Whellan	149,934	0.86
BNP Paribas Nominees Pty Ltd (DRP)	124,800	0.72
Mrs P G Wright	120,196	0.69
Rathvale Pty Limited	103,205	0.59
Marcus Blackmore Holdings P/L (Blackmore S/F A/C)	99,230	0.57
Mr R Shepherd	88,179	0.51
Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	44,787	0.26
Netwealth Investments Limited (Wrap Services A/C)	41,859	0.24
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd DRP	38,881	0.22
BNP Paribas Nominees Pty Ltd (IB AU Noms Retail Client DRP)	38,702	0.22
Total	**9,524,464**	**54.86**

COMPANY INFORMATION

Company Secretary

The Company Secretaries are Cecile Cooper and Aaron Canning.

Principal Place of Business

20 Jubilee Avenue
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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 registrar 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 Blackmore

Directors who are not Executives of the Group:

David Ansell
John Armstrong
Christine Holman (appointed 18 March 2019)
Brent Wallace (Chairman of Directors)

Auditor

Deloitte Touche Tohmatsu

Solicitor

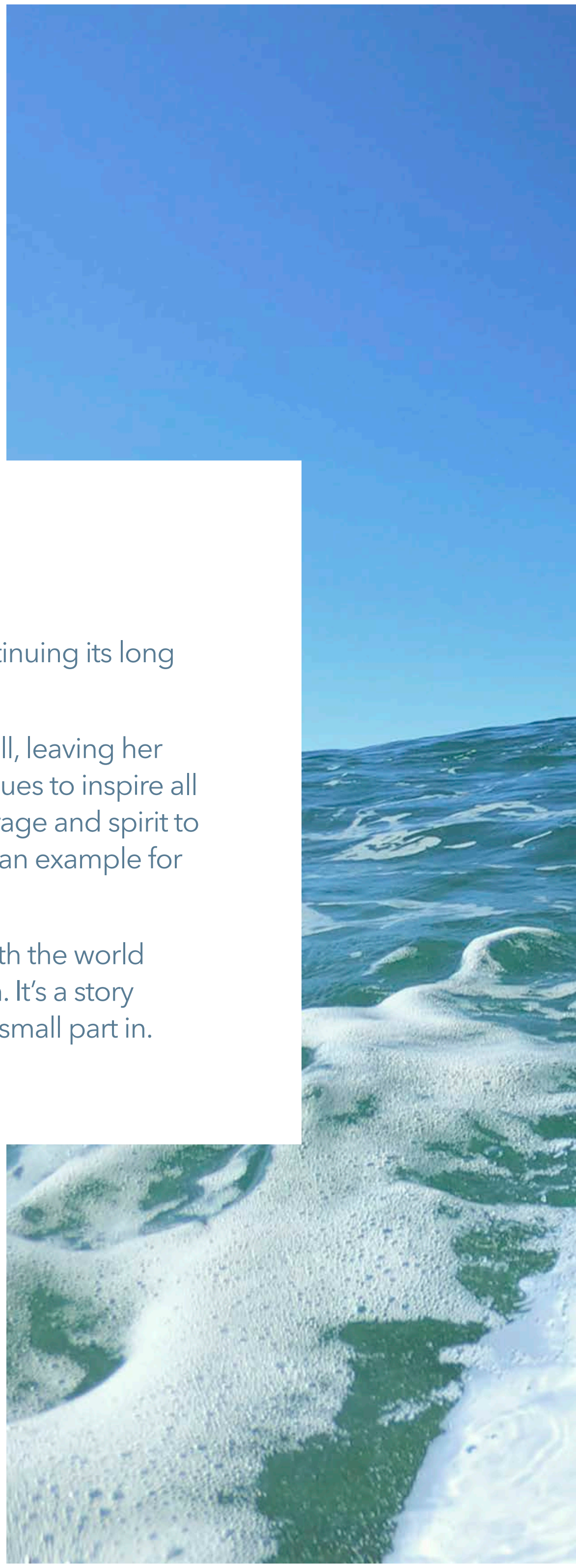
David Lemon

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.

The Blackmores Investor App is downloadable by texting the word 'Blackmores' to 0400 813 813 (Aust and NZ).

NOTES



Surfing with Sam

Blackmores Group is proud to be continuing its long lasting partnership with Sam Bloom.

Sam's story of survival after a horrific fall, leaving her paralysed from the chest down, continues to inspire all of us at Blackmores. Her amazing courage and spirit to continuously strive to be her best sets an example for all to follow.

This year, Sam's story will be shared with the world with the making of a major feature film. It's a story Blackmores is proud to have played a small part in.

BLACKMORES® | GROUP

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