A photograph of a woman with long dark hair, wearing a light pink sweater and dark green pants, sitting on a thick tree branch. She is looking upwards with a serene expression. The background is a lush green forest with a waterfall cascading over rocks in the distance. The image is framed by a large, semi-transparent circular graphic on the right side, which transitions from a light yellow-green at the top to a bright blue at the bottom.

Connecting
people to the
healing power
of nature

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

Founded by visionary naturopath Maurice Blackmore in 1932, our vision is to connect every person on earth to the healing power of nature by combining our knowledge of nature and science to deliver quality health solutions to people and their pets 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; PAW by Blackmores – natural health products for pets; Fusion Health & Oriental Botanicals – Australia’s leading providers of Chinese herbal medicine; and Impromy – our pharmacy-based weight management program developed in collaboration with CSIRO.

Blackmores Institute is the research and education arm of Blackmores Group: a centre of excellence established to improve and promote the quality use of natural medicine.

At 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 – developing products made to strict Australian therapeutic goods standards at our state-of-the-art manufacturing facility in Braeside, Victoria.

Recognising that you can’t have healthy people without a healthy planet, we’re strongly committed to embedding sustainability across our business. This includes a 2030 zero carbon emissions target and giving back to the communities in which we operate.

BLACKMORES

BioCeuticals

impromy Developed in collaboration with the CSIRO

paw Pure Animal Wellbeing By BLACKMORES

東方藥 Oriental Botanicals

FUSION health ancient wisdom modern medicine

BLACKMORES INSTITUTE

About Us

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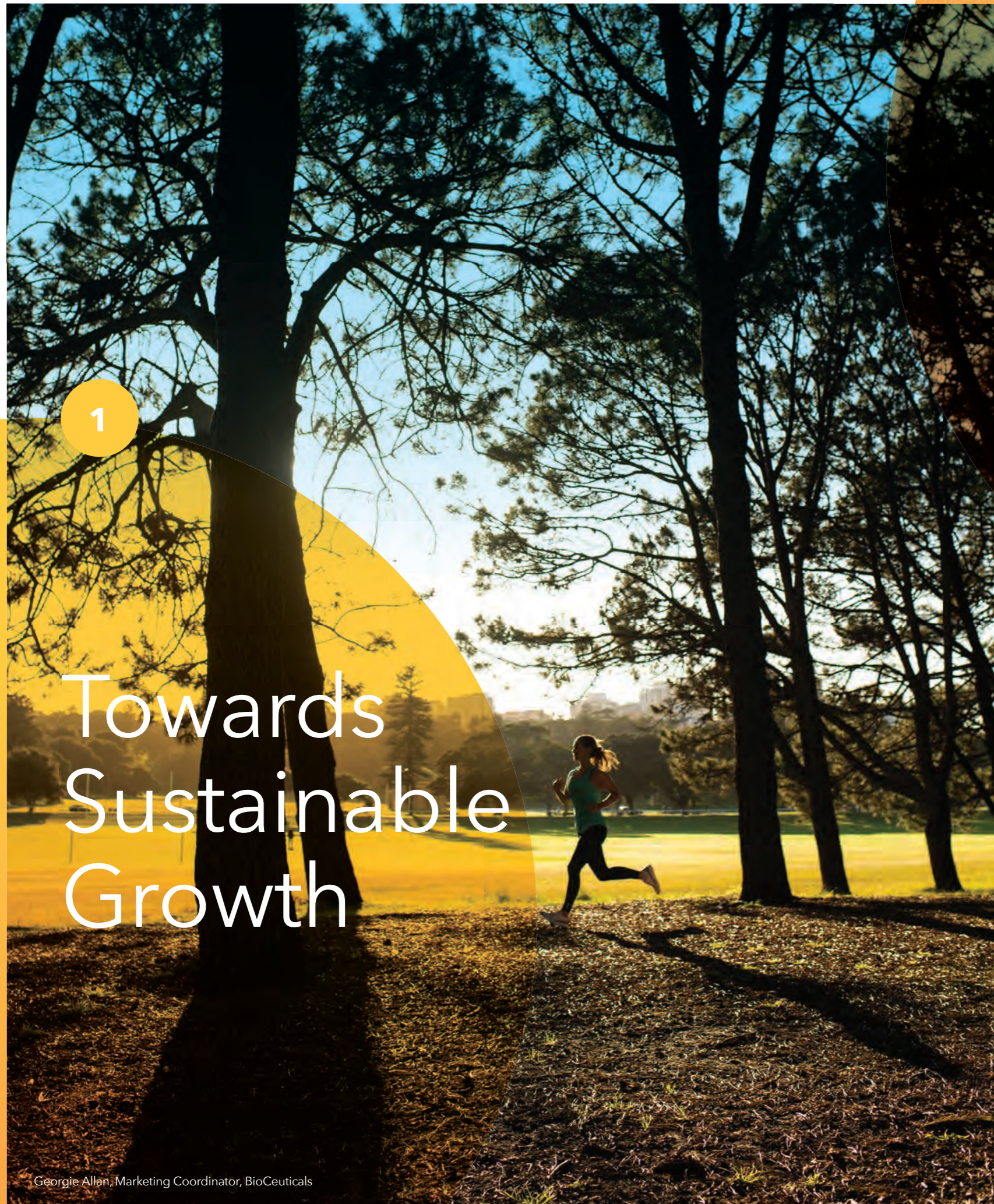
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COVER
Adelynn Goh, National Sales Coordinator,
Blackmores Australia



Towards Sustainable Growth

Georgie Allan, Marketing Coordinator, BioCeuticals

Purpose-led Organisation

Our purpose is as true today as it was in 1932. Our founder, Maurice Blackmore, gave people a choice to invest in and take control of their health and wellbeing through the power of nature.

OUR purpose

We exist so you have a choice to make living well each day a natural way of life.

OUR vision

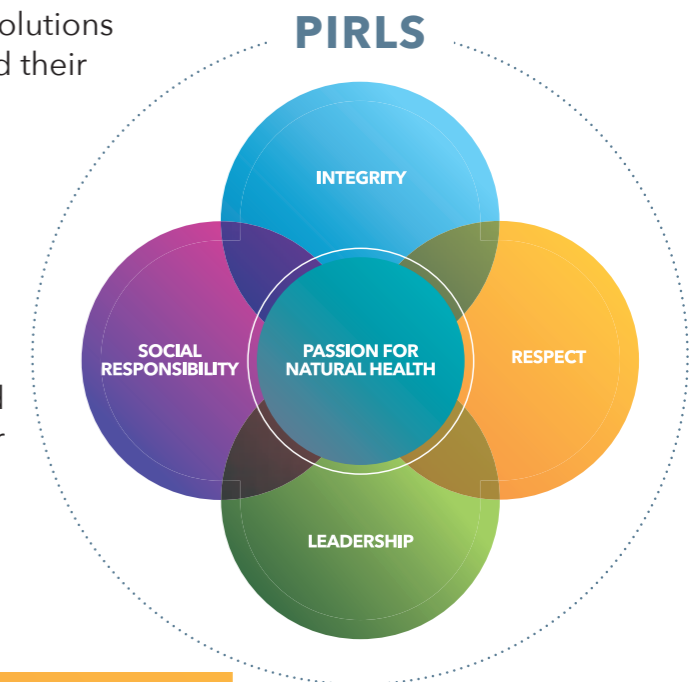
We will connect every person on earth to the healing power of nature.

OUR mission

We combine our knowledge of nature and science to deliver quality solutions to bring wellness to people and their pets everywhere, every day.

OUR values

Our values are the heart of our business. Known as our PIRLS, these are both behavioural and aspirational - underpinning our work practices and decisions and supported by our governance frameworks.



Financial Year 2020

Highlights

63,000



learning modules on complementary medicine

1 in 4 Australian households use our products⁵



2030 Net Zero



carbon emissions target

33,000



points of global distribution

\$2 million



raised for charity by Blackmores Sydney Running Festival

12 years Most Trusted Brand in Australia⁶



#1 market share Blackmores in Australia¹, Thailand², Malaysia³ and Singapore⁴



#1 practitioner brand in Australia⁷



#1 pet supplement brand awareness in Australia⁸

\$568m revenue

\$18.7m underlying net profit after tax⁹

- Nielsen & IQVIA, RMS/Sell Out service, Vitamins and Dietary Supplements, Australia Grocery Pharmacy, Total Retail Sales, Fiscal Year 2020
- IQVIA sell out Thailand as of Q1 2020
- IQVIA sell in data MAT Q1/2020, Malaysia Pharmacy Channel
- Nielsen June 2019
- Nielsen Homescan 21/4/20
- Australia's most trusted vitamin and supplement brand as voted by Australians in the 2009-2020 Reader's Digest Most Trusted Brand Survey
- IQVIA, MAT to 14 June 2020
- Kantar Consumer Brand Health Tracking Study November 2019
- \$18.1 million reported NPAT including significant items

Above: William Gunton, Distribution Operator, Bungarribee
Right: Jingyi Zhang, Senior Product Manager, Blackmores Australia

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- 3 INTRODUCTION
- 4 CEO'S YEAR IN REVIEW
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A MESSAGE FROM
MARCUS BLACKMORE

My father was a visionary. Back in 1967 he said, 'If man persists in ignoring or defying the recycling laws of nature, he will not avoid pollution, malnutrition or starvation'. He would view the events of 2020 as a wake-up call. We can't disrespect our interdependence on the natural world and expect to be immune from the consequences.

Earlier this year Australia was battling devastating bushfires. Then COVID-19 brought the world to a standstill. Climate change is undermining human health and livelihoods globally. Clearly, as our ecosystems falter we are becoming more vulnerable to catastrophes.

For me, recent crises have served as a poignant reminder of the importance of community and giving back. I've been heartened to see people coming together to support one another and their communities on a scale unlike any other that I can remember.

Marking her 100th birthday this year, 'Sister' Mercie Whellan, a former Blackmores General Manager and Chairperson and life-long trusted confidante to my father and myself, donated \$100,000 to the Rural Fire Service (RFS) to support the Australian bushfire recovery. My wife Caroline and I were so touched by Mercie's generosity and appreciation for RFS personnel that we decided to honour the spirit of the Blackmores Group charity matched donation scheme by contributing an additional \$100,000.

Through the personal philanthropic trust run by Caroline and myself, we were also proud to support Quest for Life Foundation founder and close friend Petrea King with a \$500,000 donation in support of her community bushfire trauma and anxiety recovery programs in rural NSW.

This spirit of giving started with my father, Maurice Blackmore, who instilled values that are still an integral part of our company's DNA today. My father was a pioneering naturopath who was passionate about the healing power of nature. He established this company over 88 years ago because he understood that good health relied upon a holistic approach and a harmony of body and mind with the natural world.

Recovering from the COVID-19 pandemic, people are increasingly aware of optimising their health and wellbeing and are searching for a more natural way of living. We are witnessing a major paradigm shift from treating illness to creating wellness.

At Blackmores Group it is our vision to connect everyone with the healing power of nature. We exist so people have a choice. We are the medicine of the future.

It has been a tough year for the Company. Our new CEO Alastair Symington and his new executive leadership team have a strong vision for the business and I am confident we are 'back on the road'. The success of our recent \$141 million capital raising attests to the fact that many of our shareholders share my optimism for the future of Blackmores Group.

I believe we will emerge from this crisis stronger than ever. The important role of nutritional supplements in tandem with preventative health education is undeniable. Through Blackmores Institute we have a responsibility to educate people about the healing power of nature and help them build confidence in a healthy future.

As a market leader, people depend upon us every day. Now, more than ever, we carry an immense responsibility to create change and to lead the industry. We offer no wonder drug, just the resourceful use of nature.

The best of health,

Marcus C Blackmore AM
Executive Director

FY20 has been a year of significant and unparalleled change.

Last year when I wrote to you, our shareholders, I flagged the need to simplify the Blackmores business. In FY20 we have very deliberately undertaken significant change across the whole organisation in order to re-set the business for long-term success.

As we all know, 2020 has definitely been a year like no other, with your Board forced to make tough decisions for the stability and future growth of Blackmores.

We have great confidence in Alastair who joined in September and his reinvigorated executive leadership team, which has strengthened our resolve in the face of the COVID-19 global pandemic challenges.

Less than four months after Alastair had started as CEO the Board met with his new Executive Team and agreed on the three-year Growth Strategy that will see the Group focus on five key global consumer growth platforms.

Our strategic acquisition of the Braeside soft gel and tablet manufacturing facility, which was settled last October, will support our strong focus on growth and product innovation, increased research and development, and crucially greater control over production and quality.

We have begun to shift production from other areas to maximise our Braeside manufacturing facility and to replace third party contracts. This planned transition will take three years to maximise the returns from this facility.

The other big challenge faced by the business in FY20 was a global product re-label, aligned to an Australian Therapeutic Goods Administration (TGA) requirement. So while this is a great marketing opportunity, producing 550 new labels in 12 markets with different regulatory requirements was a massive and complex undertaking, made even more challenging by COVID-19.

Driven by significant increases in ingredient costs and operational challenges with our new acquisition and other factors including COVID-19, we revised our profit forecast in February to \$17-\$21 million after tax, with no dividends payable. When reporting half year results, Alastair presented his vision for the Blackmores Group and the outcomes of the comprehensive strategic review, together with a solid and credible plan for the business going forward.

In May, we also announced a \$117 million capital raising. While capped at \$92 million for Institutional Investors, we experienced significant interest above this amount. For the Share Purchase Plan (SPP, completed in July 2020) for retail shareholders we expected bids up to \$25 million, but these retail bids proved so successful that we scaled up the SPP to \$49 million. We believe that the success of this \$141 million capital raising sends a strong message regarding market support for the Blackmores business and its reinvigorated strategy.

Regardless of the current economic uncertainty, this capital raise gives us a strong balance sheet to strategically invest in the business - including our China business and our significant other Asia markets.

CHAIRMAN'S
REPORT

The Board appreciates your understanding during this challenging period. We are confident we now have the right strategy, the right people, and the right capability to realise our Asia ambition, and generate sustainable growth and profit for all shareholders. Success now clearly depends on delivery of that plan.

As announced at last year's AGM after serving on the Board since 2005 and as Chairman since 2018, I step down very confident in Alastair and his team's clear strategic direction for the future. It has been an honour to serve this great company for the last 15 years.

I'd also like to thank my fellow Directors, the Executive Management Team, our global employees and all of our shareholders for staying the course and remaining committed to the Blackmores Group vision of a world where every person is connected to the healing power of nature.

Brent W Wallace
Chairman



At the Blackmores Group we are committed to ensuring everyone has a choice to make living well each day a natural way of life. This has always been the driving force of our brands, our people and our culture.

At this moment in history, it is more important than ever that we deliver on our promise. This is not only to improve the performance of our company and deliver sustainable and profitable growth – but to do so in a way that underpins our role in an ongoing global health challenge.

There certainly has been a lot to get across since starting as CEO in late September 2019. As soon as I arrived my immediate focus was to stabilise the business while identifying the drivers of future growth.

The past year has been a difficult one. Despite continued strong growth in our International markets, we faced ongoing challenges in ANZ and China. In our biggest market of Australia, we were able to grow domestic market share, but sales remained flat due to continued stagnation of the category. In China our business suffered from lack of product innovation and continued competitive pressure. With the onset of COVID-19 in China and unforeseen setbacks related to the Braeside integration and product re-labelling, in February, we revised our net profit after tax

forecast down to \$17-\$21 million and took the difficult decision to pay no dividends for the first half.

The team continued to push ahead with much needed cost savings initiatives and whilst we delivered savings in line with the goals set out in our Business Improvement Plan (BIP), we were facing the impact of \$17 million in COGS increases linked to negative mix, volume, and price variances at our Braeside plant as well as higher freight charges and the impact of foreign exchange. Costs from the label transition came in at \$7 million, in line with estimates.

As part of an extensive operating review in February, the decision was taken to revise our cost savings targets for the Group. We have now committed that through initiatives like strategic revenue management, leading value position (LVP) and other operational efficiencies, by 2023 our cost base will, be \$50 million lower than 2020. Half of the savings will be reinvested into strategic growth markets in Asia and digital capabilities.

Responding to a global pandemic

2020 will go down as a year in which Blackmores was faced with and initiated unprecedented change.

The onset of COVID-19 in China in January was challenging, presenting a series of complications with the inbound supply of certain raw materials as well as disruption into and across mainland China as all cities went into hard lockdown for a minimum of 35 days. However, in a sense we were fortunate to experience this early exposure to help us anticipate what lay ahead for other countries.

The initiation of our Blackmores Group COVID-19 Response Team in January ensured that we were well prepared to communicate with all employees, customers and suppliers as the pandemic spread. Very early on we put plans into place to protect the health and safety of our employees at the same time ensuring business continuity. We continue to do our best to support local communities and have donated product and personal protective equipment to frontline workers and other vulnerable communities in Australia, China, Singapore and Thailand.

While each of our markets were significantly impacted by the ongoing devastation that the pandemic brought, short term demand for our immune support products was unprecedented. Bioceuticals ArmaForce emerged as the leading product in the category. Blackmores Bio C (vitamin C) sales were considerably up in several key markets.

In Australia we were fortunate to be considered an essential service, enabling our manufacturing operations to continue, and in fact step up production. It is important to give special recognition to our people at our Braeside, Bungarabee and Warriewood sites who, under the steady leadership of our Chief Operating Officer Jeremy Cowan, worked tirelessly through the COVID-19 crisis keeping our manufacturing, production, quality control and distribution operations running.

I am also very proud of the rest of our team which quickly adjusted to a remote, agile working environment. In all markets we have continued to serve our customers and consumers while going through immense change and uncertainty. This resilience and passion for natural health has always been a hallmark of Blackmores Group and it has been no more evident than during these unprecedented times.

Primed for recovery

Thankfully, we are emerging from the COVID-19 pandemic primed for recovery. There were several initiatives undertaken with the Board to ensure that we protect the balance sheet while also setting ourselves up to win in key growth markets across Asia as per our new strategic direction.

In June and July, we successfully raised \$141 million in capital through our placement with institutional investors as well as our Share Purchase Plan with retail shareholders. While some of these funds will go towards much-needed cash reserves during what now appears to be an extended period of severe global economic downturn, the injection of funds also allows us to invest in our key growth markets of India, Indonesia and China, as well as fast track our digital transformation.

Driving productivity and cost savings to fuel growth requires a higher standard of performance more consistently over the long term. Productivity is the fuel to enable us to make these critical investments, while also delivering on our profit and cash flow objectives.



With the addition of our world-class manufacturing facility at Braeside, we have the ability to produce three billion capsules and tablets per annum in-house.

Towards sustainable growth

After a comprehensive strategic review completed with the Board, we launched the Blackmores Group Growth Strategy 2023 in February, which sets a clear vision for our future. While we focus on improving the long-term health of our business we are also conscious of the fact that we live in a world where people and nature must thrive together. This commitment requires that we always act responsibly. I am proud to announce that one of our key sustainability goals is to achieve Net Zero carbon emissions by 2030.

Our four strategic goals are:

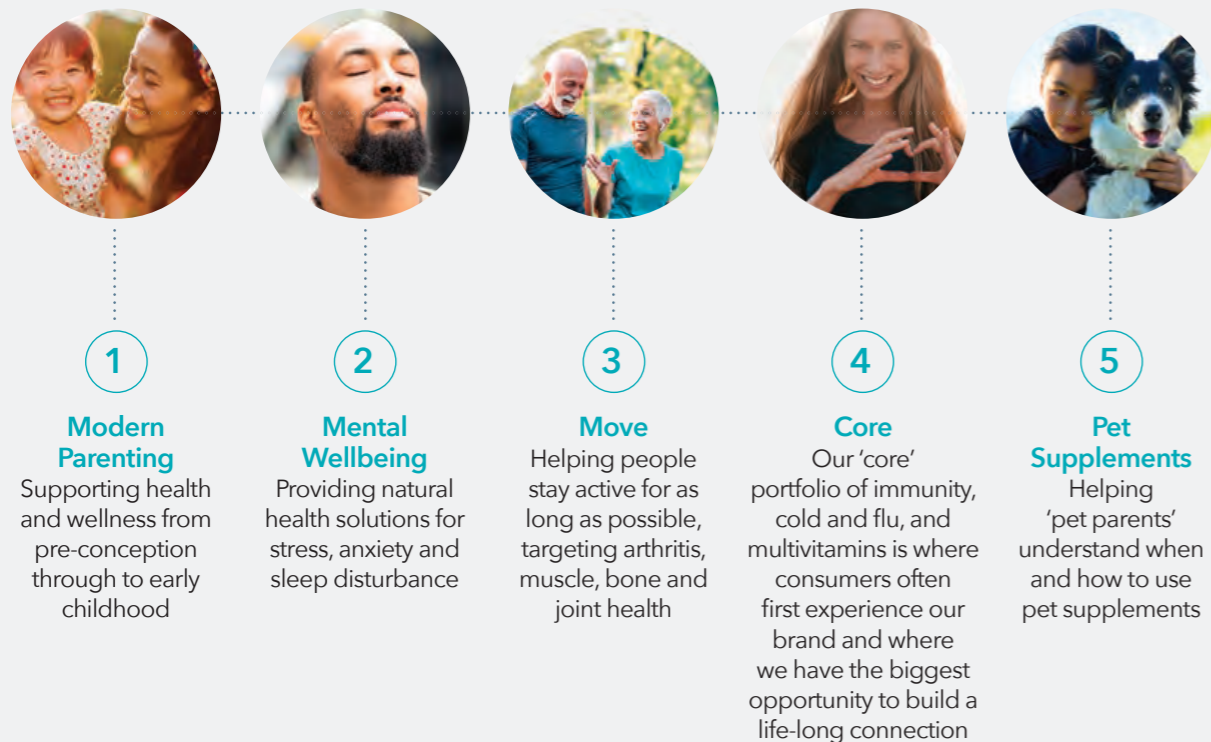
1. **Build a world-class organisation**
2. **Rejuvenate the Blackmores brand in Australia**
3. **Deliver new growth in key countries and categories**
4. **Win with the modern career woman in China**

To achieve these strategic goals, our focus moving forward is centred around transforming our product portfolio to compete in five key consumer growth platforms with our three leadership brands of Blackmores, BioCeuticals and Pure Animal Wellbeing (PAW). Our focus is on winning with consumers and practitioners through the strength of these brands and consumer growth platforms, fuelled by productivity gains, and delivered by an empowered, world-class organisation.

Underpinning our focus markets and brands, the five consumer growth platforms are Modern Parenting, Everyday Mental Wellbeing, Move, Core and Pet Supplements. To support these consumer growth platforms we have established Global Business Units. These lean and agile teams are responsible for building global marketing strategies and tailored innovation utilising local market insights to bring our strategy to life and fully deliver on our commitment to consumers and achieve significant long-term value for shareholders.

Consumer Growth Platforms

We have identified five key priority areas of consumer demand where we already have a presence and recognise strong opportunities for global growth.



Consumer-led innovation

The shift from product-led to consumer-led innovation in consumer, practitioner and animal health allows us to raise the bar to a new standard of category excellence and product innovation across traditional retail, professional and direct-to-consumer channels.

Last year we launched 31 new products across the Group, including Blackmores Cold Shield Nasal Spray which turns into a gel in the nose creating a barrier to shield and protect from airborne germs; Blackmores Vegan Omega-3 Oil which is a fish-free source of this essential fatty acid; BioCeuticals practitioner-only PEA Liquid with 99% pure Palmitoylethanolamide which acts on cannabinoid receptors; and Pure Animal Wellbeing OsteoAdvanced which was the subject of a multi-centre trial.

To win with the modern career woman in China, we have established an Innovation Centre in Shanghai. Here we will integrate local market insights with proven education, research and a high-quality Australian based manufacturing capability to deliver superior products, not just for China but for all modern career woman across the region.

We are excited to announce the launch of a Blackmores premium line of new products, which will launch in China in September 2020. Specifically designed for our Modern Parenting consumer growth platform, this range features highly targeted product formulations meeting consumer needs across conception, pregnancy, breastfeeding and children aged 0-12 years. This range has a unique packaging label and visual identity which represents the premium product positioning alongside our heritage and mission to connect all consumers to health and wellbeing and the healing power of nature. We are excited to delight our consumers with this new range and in turn generate significant net sales potential.



A Blackmores premium line of new products will launch in FY21, specifically designed for our Modern Parenting consumer growth platform covering conception, pregnancy, breastfeeding and children's health.



Building a world-class organisation

In October, we completed the acquisition of a 30,000 sqm soft gel and hard tablet manufacturing facility at Braeside in Victoria.

The addition of this world-class manufacturing facility means that we become more self reliant and are now able to produce three billion capsules and tablets per annum in-house which is more than 70% of our volume.

The strategic importance of this acquisition in the context of an Australian company making, packing and delivering products to more than 12 markets in the region is unique and a clear point of difference. The ability for us to fast-track innovation, respond to customer demands and adapt to change becomes a real competitive advantage, especially as we see global supply chains shifting under an increasing level of uncertainty and a review of many bilateral and multilateral trade agreements.

The integration of any major manufacturing facility comes with a series of challenges. I am very pleased with how our Group Operations Team managed the transition. Initially it was not only bringing planning processes and systems online, but also onboarding more than 300 new employees into the Blackmores Group family. From November to January we saw minimal service disruption and were able to retain most of the former Catalent employees.

It is important for us to execute the necessary cost savings at Braeside, increase site output volumes, and manage product mix to mitigate any potential variances. These improvements are expected to take up to 36 months with site cost variance results to improve sequentially each year.

Leadership

The transformation of our company requires us to unlock organisational capacity, identify breakthrough capabilities and invest to grow.

Despite all the challenges in fiscal year 2020, I believe we have emerged in a much better position than when we entered, starting with stronger leadership at the executive level.

In December we welcomed Kitty Liu as the new Managing Director of China. For the first time, this important position reports directly to the CEO to ensure that we can respond with 'China speed' to changing consumer and customer preferences. At the same time, Dean Garvey, our former Deputy Managing Director for Asia, was promoted to lead our International markets (excluding China) as Managing Director.

In January, Gunther Burghardt joined us as the new Chief Financial Officer. He has already contributed so much in a relatively short period of time including strengthening our internal controls, building a stronger balance sheet, and supporting the complicated integration of our Braeside manufacturing facility.

In February, Ayumi Uyeda, with her impressive background in global consumer health and pharmaceuticals, moved back to Australia from the USA to take up the role of leading our Australia and New Zealand business unit as Managing Director.

Finally, on the eve of Australia's COVID-19 lockdown in March we welcomed Joanne Smith to the role of Chief Marketing & Innovation Officer.

There is a series of initiatives that have been developed to strengthen our organisation design and drive a culture of innovation and accountability to deliver results. This different way of working will enable greater efficiency, speed, and agility by moving resources closer to consumers and retailers in our key growth markets and investing in core capabilities. Our aim is to serve consumers, retailers and practitioners better than the competition.

Stronger discipline combined with our unique heritage will lead the way forward

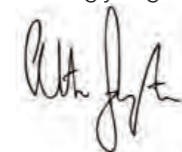
Despite the additional cost variances which will arise from our first full year of Braeside manufacturing ownership, we anticipate full year profit growth in FY21. This profit growth will come predominantly from the second half of the fiscal year, but given the many uncertainties associated with COVID-19 we are not providing full year profit outlook for FY21.

There is great confidence from the Board and management that by implementing our strategic priorities, simplifying our operating model and delivering consumer-led innovation consistently that will put the company back on the path to sustainable, profitable growth and restore future dividends.

We have a wonderful opportunity to build on the vision of our founder Maurice. One that has been delivered by Marcus Blackmore in a way where more people than ever before have a choice to invest in their health and wellbeing by connecting with the healing power of nature.

As we emerge from this global health crisis, our duty to the millions of people who rely on Blackmores Group for natural health solutions is clear and pressing. It is up to our team to take our strong heritage forward and realise the opportunity to provide access to natural health solutions for even more of the world's population.

Wishing you good health,



Alastair Symington, CEO
Blackmores Group



Women represent 55% of our executive leadership team and pay parity is within 1% across our organisation.

Alastair Symington, CEO, and Diana Wei,
Medical & Product Safety Associate



Jittra Poempoon, Production Operator
at Warriewood Campus.

Far right: Encapsulation equipment at
our Braeside manufacturing facility



CEO'S YEAR IN REVIEW

Our trusted relationship with consumers and customers has never been stronger. China's annual 618 shopping festival in June saw Blackmores' gross merchandise value (GMV) up 75% v LY, drawing three million unique visitors to our Tmall Flagship Store during the event. This is the second largest global e-commerce event behind Singles Day (11/11) and a key driver of traffic and awareness for all health brands.

Below: Jeremy Liu, Operation Director, Blackmores China



Kylie Clifton,
Graphic Design
Team Leader,
BioCeuticals



Bonnie Macqueen, Assistant Product Manager, PAW



Karen Latter, Healthcare Professional Educator,
Blackmores Institute



Blackmores Institute

Blackmores Institute, the academic and professional arm of the Group, continues to demonstrate thought leadership in our industry. The Institute published a white paper investigating the evidence-based use of nutritional supplements and herbal medicines to support immune function, as well as a green paper in partnership with Tsinghua University on the mental wellbeing of Chinese career women which received 43.6 billion media impressions.

The Institute also launched a new podcast series 'Natural Health Simplified' offering practical science-based strategies for immunity and healthy living, which was strongly subscribed to by healthcare, professionals and consumers alike.



Leading the education agenda

Blackmores Institute's education and training programs received global recognition, including four coveted Brandon Hall Group Awards - Gold and Bronze for our Superkids retail training, Silver for our CMed program for health professionals in Malaysia, and Bronze for our Thailand retail online education, in addition to two LearnX Awards and an Australian Institute of Training and Development Award.

Below: Bobby Mehta, Pharmacist Educator & Trainer,
Blackmores Institute





Paul Blackman, Production Operator, Group Operations



Fion Huang, Marketing & New Business Director, Blackmores China



Mei Nila Sari, Marketing Administrator, Kalbe Blackmores Nutrition



Christine Lennon, Business Activity Manager, Group Marketing & Innovation

Blackmores Australia & New Zealand

Revenue
\$227 million

Blackmores remains the number one vitamin and dietary supplement (VDS) brand in Australia with 16.4% market share¹ and a strong gap over our nearest competitor. For the 12th year running, Blackmores was recognised as Australia's most trusted brand² and our products are now used in almost one in four households³.

ANZ sales of \$227 million, down 14.8% to the prior year. In terms of consumption, overall domestic sales were flat as immune support products increased during COVID-19, while large segments like nutritional oils and joint, bone and arthritis were down. The biggest impact came from declining foot traffic of Chinese shoppers in Australia and the effects of COVID-19. Moving forward we see a lot of opportunity to rejuvenate the market and drive growth. Our 'Move' campaign achieved 38% revenue growth in the muscle and energy segment, our 'Choose Well' campaign drove a 10% uplift in sales across the pharmacy channel, and our pet health business achieved baseline growth of 7% driven by the liver, behaviour and digestion segments.

Blackmores China

Revenue
\$103 million

Despite the impact from COVID-19 in China, our market share gained 2% between January and June 2020⁴.

On a full year basis, China sales of \$103 million were down 16% to the prior year - impacted by COVID-19 and the Blackmores label transition.

From December 2019 the emphasis was on reshaping and revitalising our China product offering while at the same time resetting our engagement with the major e-commerce platforms. In May, we achieved category captaincy with Tmall and continue to make improvements in our online experience with Kaola and JD.com. Early signs are very positive with an outstanding 618 e-commerce event and recruitment and conversion on all platforms well ahead of the year prior.

Blackmores also continued to strengthen brand awareness with participation in the second annual China International Import Expo in Shanghai.

Blackmores International

Revenue
\$139 million

Blackmores is the number one VDS brand in Thailand⁵, Malaysia⁶ and Singapore⁷, with strong sales driven by our high-quality brand reputation and 650 in-store product advisors.

International sales of \$139 million were 30% higher than the prior year, with growth opportunities due to the emerging middle-class population, more sophisticated and organised retail and a broader acceptance of the role of natural health.

Our biggest growth market was Indonesia - 36% higher than the prior year - where we benefited from the local knowledge and distribution channels of our joint venture partner Kalbe Farma. Blackmores Infant Formula is a leading infant formula brand in Vietnam achieving \$20 million in sales.

BioCeuticals Group

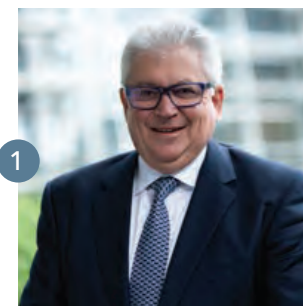
Revenue
\$99 million*

BioCeuticals is the number one practitioner brand in Australia⁸ and has 18% market share of Australia's total VDS cold and flu segment⁹ with demand skyrocketing during the COVID-19 crisis, especially for ArmaForce. Focus on innovation and practitioner recommendation drove sales for the year - up an impressive 7%.

We acknowledge the importance of healthcare professionals in recommending this brand to patients. The eighth BioCeuticals Research Symposium examined how diet, genes and environment can influence endocrine disorders, while our FX Medicine podcast series on evidence-based and functional medicine received 1.2 million downloads in 131 countries.

1 Nielsen & IQVIA, RMS/Sell Out service, Vitamins and Dietary Supplements, Australia Grocery Pharmacy, Total Retail Sales, Fiscal Year 2020
2 2009/2020 Reader's Digest Most Trust Survey
3 Nielsen Homescan 21/4/20
4 SmartPath Online Market Report June 2020
5 IQVIA sell out Thailand as of Q1 2020
6 IQVIA sell in data MAT Q1/2020, Malaysia Pharmacy Channel
7 Nielsen June 2019
8 BioCeuticals #1 practitioner brand in Australia - IQVIA, MAT to 14 June 2020
9 BioCeuticals is the #1 VDS Cold & Flu brand with 18% market share of Australia's Total VDS cold and flu segment - IQVIA MAT to 14 June 2020

* Excludes Global Therapeutics, which is a discontinued operation.



1

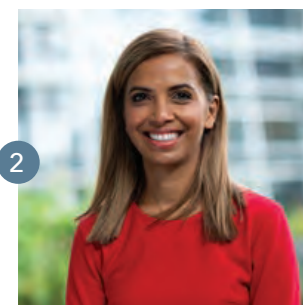
1 Brent W Wallace
BCOMM (MARKETING), FAICD

Chairman and Independent Non-Executive Director
Brent joined the Blackmores Board in October 2005.

He is a founding partner of Fiftyfive5, one of Asia Pacific's biggest independent strategic marketing, brand and consumer insight consulting firms.

Brent has held senior positions in London and Sydney advertising agencies and until 1996 was Managing Director of Ogilvy & Mather in Australia. Brent has more than 30 years of international experience in marketing, advertising and research insights across a wide variety of organisations and consumer categories. In 1997, he founded Galkal a strategy & insight firm which merged with Fiftyfive5 in 2018.

Brent was Chairman of Blackmores' Audit and Risk Committee from 2015 until appointed Chairman of the Board in October 2018. He is currently a Governor of the World Wide Fund for Nature, a global environmental group, since 1993, and was a Non-Executive Board Director from 2006 to 2016. He is also currently a Non-Executive Board Director of The Environmental Defender's Office (EDO) and has held Board positions on ASX-listed and unlisted technology companies in online procurement, education and information.



2

2 Christine Holman
MBA, GAICD

Independent Non-Executive Director

Christine joined the Board in March 2019 and is Chairman of the People and Remuneration Committee and is a member of the Audit Committee and Risk Committee.

Christine is a professional company director and currently, Non-Executive Director of two ASX listed boards, CSR Ltd and Collins Foods.

Christine also sits on the Boards of The McGrath Foundation, The Bradman Foundation, the ICC T20 Cricket World Cup, State Library of NSW Foundation and one Federal Government business entity - The Moorebank Intermodal Company.



3



4



5

In her previous executive capacity, as both CFO & Commercial Director of Telstra Broadcast Services, Christine brings a deep understanding of legacy and emerging technologies. During her time in private investment management, Christine assisted management and the Board of investee companies on strategy development, mergers and acquisitions, leading due diligence teams, managing large complex commercial negotiations and developing growth opportunities.

Christine has an MBA and Post-Graduate Diploma in Management from Macquarie University and is a Graduate of the Australian Institute of Company Directors. Christine is a member of Chief Executive Women (CEW).

Christine has previous ASX-listed experience as a Non-Executive Director with HT&E Ltd, Vocus Ltd and WiseTech Global Ltd.

3 David Ansell
BA (COMMUNICATION), GAICD

Independent Non-Executive Director

David joined the Board in October 2013 and is a member of the People and Remuneration Committee, the Audit Committee and the Risk Committee. He has enjoyed a highly successful career in consumer-facing organisations in Australia, Asia and the United States. David 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.

David 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. David is a former Director of the peak body of cycling in this country, Cycling Australia, where he served for five years until early 2020.

4 John Armstrong
BBUS, MBA, MAICD

Independent Non-Executive Director

John joined the Board in May 2015 and is the Chairman of the Audit Committee and the Risk Committee. He 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.

John's focus was on SEEK's Asia 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.

John has previous ASX listed experience as a Non-Executive Director with Lovisa Holdings Ltd, Melbourne IT and iProperty Group.

5 Marcus C Blackmore AM
ND, MAICD, D UNIV, D LITT

Executive Director

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

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

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



1 Alastair Symington
BECOM, PG DIP INTL. BUS, MAICD

Chief Executive Officer and Managing Director

Alastair joined Blackmores as Group CEO and Managing Director in September 2019. He is a global business leader and brand builder with more than 24 years of consumer goods experience in health and beauty across multiple geographies.

Alastair spent 10 years in a wide range of sales and marketing roles with Nestlé and Gillette in Australia, before joining Procter & Gamble (P&G) in 2005 and moving to Singapore in 2008 where he was responsible for strategy and planning across APAC for the beauty and grooming categories. During this time he led global and regional teams, including as China Managing Director for Wella based in Shanghai. In 2016, Alastair joined Coty as part of the merger between P&G specialty beauty brands and the former Coty company, helping to transform it into the third largest beauty company in the world. In his last role at Coty, he was Senior Vice President of APAC, Latin America and the Middle East.

Alastair has a Bachelor of Economics and a Post-Graduate Diploma in International Business from Monash University, and studied Mandarin while living and working in Shanghai. He is passionate about finding ways to connect more people to holistic health solutions, believing that healthy people and their pets naturally lead to a healthier planet.



2 Ayumi Uyeda

Managing Director, Australia & New Zealand

Ayumi is the Managing Director for Blackmores' ANZ business responsible for our portfolio of brands including Blackmores, BioCeuticals and PAW. An experienced General Manager and pharmacist, Ayumi has held senior roles in the consumer health and pharmaceutical industries across Asia Pacific and the Americas. Prior to joining Blackmores in February 2020, she spent 14 years at Bayer and most recently was Bayer's Global Head Vice President of Aspirin & Aleve (pain and cardio categories) based in New York.

At the age of 14, the book *Strong Medicine* inspired Ayumi to become a pharmacist. Working in hospitals, her love for the science was quickly superseded by rewarding interactions with patients. Today Ayumi excels in building and leading teams designed to drive new in-market business models, including direct-to-consumer e-commerce and healthcare practitioner channels. She is also skilled at completing M&A integrations and carve-outs and leading international teams for new market entry.



3 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 a 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.



4 Cecile Cooper

Company Secretary and Director of Corporate Affairs

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

Cecile is a Chartered Secretary and a Certified Practising Accountant with a Bachelor of Business (Accounting) and a Graduate Diploma of Applied Corporate Governance from the Governance Institute of Australia. She is a graduate of the Australian Institute of Company Directors, serves on the Governance Institute of Australia's Legislation Review Committee, and is the Chairman of CCNB Limited, a not-for-profit community care organisation. Cecile was awarded the Rotary Paul Harris Fellow in 2015.

EXECUTIVE TEAM



5 Dean Garvey

Managing Director, International

An experienced commercial operator, Dean is responsible for driving international growth across our Asia markets (excluding China), including new entries through direct investment or distribution partners. He is based at our international hub in Singapore, leading a team of almost 800 people in Hong Kong, Indonesia, Kazakhstan, Korea, Malaysia, Pakistan, Singapore, Taiwan, Thailand and Vietnam. Prior to this Dean was Blackmores' Deputy Managing Director Asia since 2014, spearheading our joint venture with Kalbe Farma in Indonesia of which he is President Director.

Dean is passionate about learning about new cultures and helping pioneer the natural health industry in Asia. Before joining Blackmores, he was General Manager for Sales & Marketing at Vodafone Australia and held senior roles in M&A advisory both in-house with SingTel Optus and professional services firms. Dean has degrees in commerce and chemical engineering from the University of Sydney and is a Chartered Accountant.

6 Gunther Burghardt

Chief Financial Officer

Gunther Burghardt was appointed CFO in January 2020. He is a successful finance and business leader with more than 25 years' experience in the consumer goods, food and beverage industries. His diverse global career includes leading teams in finance and information technology and in commercial and operations functions.

Prior to joining Blackmores, Gunther was Executive Vice President, Operations, at Treasury Wine Estates (TWE), based in California, USA. At TWE he also held various senior finance roles in Asia, Eastern Europe and Oceania, including Group CFO. Gunther has also held senior roles at Mondelez International (formerly Kraft Foods), Reckitt Benckiser and Procter & Gamble.

Gunther holds a Bachelor of Business Administration, Finance and Accounting from Wilfrid Laurier University in Canada and has fellowship from the University of Melbourne Graduate School of Accounting and industry partnerships. Originally from Canada, he enjoys being active in the great outdoors and believes pets improve wellbeing and engagement with life.

7 Jane Franks

Chief People Officer

Jane joined Blackmores in October 2018 in a newly created CPO role, responsible for developing and executing the Blackmores' people strategy. As guardian of the employee value proposition, she delivers a strategic focus on culture, capability and talent across all global markets. Passionate about people and making a difference, Jane is an accomplished executive with 20 years' experience in the financial services and consumer products sectors across HR, strategy and business management roles. She has a strong track record of building partnerships to improve business performance through change and transformation, improving leadership and organisational capabilities of the future and embedding rigorous talent practices.

Prior to joining Blackmores, Jane was HR Director for Diageo Australia and before that held senior roles across the Westpac Group for over 15 years. She has a Bachelor of Business and membership of the Australian Institute of Company Directors and Australian Human Resources Institute.

8 Jeremy Cowan

Chief Operations Officer

Jeremy joined Blackmores in July 2018 and has a strong record of generating value through supply chain strategies and continuous improvement. His exceptional leadership and strategy capability is linked to extensive functional and technical acumen across end-to-end supply chain, encompassing sales and operations planning, manufacturing, logistics and procurement. He is skilled at developing high performing teams and nurturing positive workplace cultures.

Prior to joining Blackmores, Jeremy was Asia Pacific Procurement Director of Nando's and before that enjoyed a 20-year career with Mars Incorporated in various Director roles across multiple segments based in both Australia and the USA. A keen triathlete who completed his first full Iron Man race in 2018, Jeremy has a Bachelor of Commerce degree from Deakin University with an Accounting and Economics major.

EXECUTIVE TEAM



9 Joanne Smith

Chief Marketing and Innovation Officer

Holding a stellar track record in global brand building and innovation, Joanne drives marketing excellence and consumer-led innovation for Blackmores and is a proud champion of holistic health. With over two decades of commercial and global marketing leadership expertise, Joanne's key strengths include business and brand development, consumer-centric global growth strategies and transformational organisational change.

Prior to joining Blackmores in March 2020, Joanne was Global Marketing Director at DuluxGroup, driving the Selley's brand across Australia, NZ, Asia and the UK. She has also held executive marketing positions with other well-known consumer brands, including Regional Director for Johnson & Johnson (Asia) and Global Marketing Director for Unilever (USA) leading the Dove brand globally. Joanne has a Bachelor's degree in Marketing from the University of Technology Sydney and a MBA with an International Business major.

10 Kitty Liu

Managing Director, China

With a strong marketing pedigree and reputation for great brand strategy and business growth, Kitty has more than two decades of experience with blue chip multi-national organisations including General Mills, Mead Johnson, Yum! and Unilever. She has successfully implemented omni-channel strategies across e-commerce, including JBP experience with Alibaba and Tencent. As VP, Marketing Strategy & Sales Operation for Mead Johnson Nutrition, she reshaped the infant and child nutrition product portfolio and sales strategy in China, achieving double-digit top line growth by gaining share in the winning channels of e-commerce B2C and mother and baby store chains.

Kitty's roll-up her sleeves approach to leadership combined with a MBA means she is passionate about delivering results and keen to foster a performance culture where all team members feel supported to reach their full potential. She is a firm believer in gender equity and the importance of building a strong pipeline of talent to support future business growth.

11 Adjunct Associate Professor Lesley Braun

Director, Blackmores Institute
Lesley 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, the National E Health Transition Authority (NeHTA) medicines terminology group, Clinical Oncological Society of Australia and Advisory Committee for the Australasian Integrative Medicine Association.

Lesley is a current member of the Menzies Research Catalyse Program, Pharmaceutical Society of Australia, Australian Institute of Company Directors, Australia China Business Council Health, and Medical Research working group, International Women's Forum. She also sits on course advisory committees for the nutrition degrees at Endeavour College and Think Group. Lesley 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. She was named *CEO Magazine's* Health & Pharmaceutical Executive of the Year in 2018.

Operating & Financial Review

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OPERATING REVIEW

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GROUP RISK

05

GOVERNANCE AND SAFETY

Jamie Haua, Distribution Operator, Export Dispatch Team, Bungarribee



In January 2020, I was excited to join Blackmores, a company that has been a pioneer in the field of natural medicines and supplements and with a legacy that stretches back many decades.

Blackmores' vision, to connect every person on earth to the healing power of nature, is an inspiring one. In addition to our position as the leader of the vitamins and supplements category in our home market of Australia, Blackmores has significant potential to grow the business across multiple Asian markets for many years into the future.

Blackmores: the start of a turnaround

It is also clear, however that Blackmores is a turnaround story in progress, and the FY20 year saw some significant headwinds which led us to reduce our profit outlook in February to a full year underlying NPAT in the range of \$17-\$21 million. While COVID-19 resulted in an increase in demand for our immunity products, this was offset by impacts to retail foot traffic in some markets including ANZ and lower than expected sales from February to April in China.

Separately, the acquisition of the Braeside manufacturing plant, which was completed at the end of October 2019 saw adverse product mix and volume variances in the second half of the fiscal year as Blackmores began to integrate this facility. In the long term, the acquisition of Braeside will not only protect important product registrations in several Asian growth markets but will also ensure that we can continue to control the high quality of the products we produce - a hallmark of the Blackmores name.

In the next two to three years, however, the business must mitigate the impact of these cost variances with the \$50 million efficiency program we outlined in February (annualised savings by 2023 compared to the 2020 base year). Half of this will come from COGS savings and the other half from operating expense efficiencies. We have laid the foundations for these efficiency programs in the second half of FY20 and we project that they will contribute to profit growth in FY21 and beyond.

H2 was about laying foundations for the return to sustainable growth

While our overall financial results for FY20 are clearly not acceptable, I am very pleased with the measures we have put in place in the second half to start the delivery of our strategic growth programs. This will place Blackmores on a path to sustainable profit growth in the future. I was also encouraged by the strong response to our capital raising from institutional and retail shareholders alike. The funds raised left us with a leverage ratio of 0.7x Net Debt to EBITDA as at 30 June 2020, and this was before the receipt of \$49 million in additional funds from the Shareholder Purchase Plan which closed in early July.

This capital raising ensures that Blackmores has very strong unutilised liquidity available to enable the Company to withstand unforeseen events in the future, and has sufficient capacity to invest in its growth and efficiency priorities.

Full year FY20 results

While total global full year Net Sales were down 3% to \$568 million (excluding the Global Therapeutics business which is now shown as an asset held for sale), the business saw unprecedented growth in the immunity space. The BioCeuticals brand and International markets grew 7% and 30% respectively compared to the prior year. China and Australia however continued to feel the effects of the decline due to regulatory changes and COVID-19 related impacts on both overseas sales to domestic consumers and retail foot traffic, as well as the FY20 destocking related to the label transition.

When all non-trading profit impacts are excluded, Blackmores has posted an underlying NPAT of \$18.7 million. This result is down 65% compared to the prior year. The reported NPAT was \$18.1 million.

We purchased our Braeside Facility in October 2019 giving rise to \$63 million in total assets including a bargain purchase gain of \$6.2 million (which is included in reported but not underlying NPAT). At the full year FY20 there were \$10 million of adverse variances from Braeside as well as \$7 million of adverse purchased price variance and COVID-19 related sea and freight variances.

Cash flow and balance sheet

Our cash conversion of 150% was very strong, as improved planning processes and robust management of receivables provided benefits in net working capital. This also occurred as the business dealt with historically-created overstock positions via non-cash provisions.

Net assets increased by \$99 million in the reporting period. This increase is driven by the acquisition of Braeside as we acquired over \$63 million of assets. Our debt levels dropped by \$34 million after the receipt of funds from the institutional placement.

Current assets were flat on prior year, however cash increased \$23 million due to the capital raise and accounts receivable were down \$46 million as the Company chose to reduce stock levels in a few of its largest customers compared to the prior year-end. The current asset values also include all assets (current and non-current) for Global Therapeutics and IsoWhey/Wheyless as they were held for sale at year end. The investment property at 15 Jubilee Avenue in Warriewood has also been moved into current assets for the year ended 30 June 2020 as the Board approved the sale of the unused piece of property adjacent to our head office. This sale is expected to close during FY21. Inventory levels are down on the prior year due to a strong focus in the business on forecast accuracy as part of the Integrated Business Planning (IBP) process. Additional stock provisions were put in place in the second half as we transitioned BioCeuticals products into the Australian inventory management system and consolidated our warehouse footprint. We exited our Eastern Creek warehouse as part of this program in July and August 2020, which will simplify our supply network and provide efficiencies within the FY21 year.

Non-current assets increased by \$68 million to \$253 million. Property, Plant and Equipment increased by \$58 million, including \$49 million in the acquisition of Braeside. Goodwill and intangibles decreased by \$17 million largely due to the transfer of Global Therapeutics to assets held for sale. A \$29 million 'right of use asset' was also recognised in accordance with the AASB 16 Leases standard.

Current liabilities decreased by \$18 million due to the timing of our payments to suppliers.

Non-current liabilities decreased by \$13 million to \$119 million. While we recognised a lease liability of \$20.6 million in non-current liabilities as part of the new Lease accounting standard, our debt levels decreased by \$34 million due to the injection of \$92 million from the capital raise in June which both reduced debt and increased cash balances.

Cash generated from operations prior to interest and taxes was \$75.9 million during the FY20 financial year, representing an increase of \$24.1 million from the prior financial year. The solid operating cash flow in tandem with the proceeds of the institutional placement funded higher levels of capital expenditure and investment, most notably the Braeside facility in Victoria. Our gearing ratio reduced from 31% to 11% and we also maintain considerable headroom against our leverage covenants with a year-end leverage ratio of close to 0.7x Net Debt to EBITDA.

Higher average net debt during the year and the closure of interest rate swaps in conjunction with the capital raising resulted in an increase in net interest costs during FY20. The much stronger cash and debt positions after the capital raise led us to expect favourable changes in our gearing and leverage ratios in FY21 and leave us well positioned with high levels of available liquidity.

Looking to the future

The second half of FY20 also saw us starting to build important capabilities in strategic revenue management; we began to optimise our investments in trade spend while also announcing to our customers a price increase designed to offset the cost increases of the materials which we purchase to manufacture our products (the price increase is effective in mid Q2 FY21). We will continue to invest in these strategic revenue management capabilities, and along with LVP and active mix management they will help us ensure that that we improve our gross profit margins from their FY20 position.

Wishing you health and wellbeing,

Gunther Burghardt, CFO
Blackmores Group

In a year of significant change, Blackmores Group delivered revenue of \$568 million, which is 3% lower than the previous year, and a Net Profit After Tax (NPAT) of \$18.1 million.

The reported NPAT includes one-off costs associated with redundancy and restructure, Braeside acquisition, costs associated with the divestment of the discontinued operation. Excluding all these items and the Bargain Purchase gain for Braeside the underlying NPAT was \$18.7 million.

Our International business had sales growth of 30% with double digit growth in Malaysia, Singapore and Indonesia. BioCeuticals shows sales growth of 7% with immunity products driving sales. Despite the great performance in these segments, Blackmores continues to feel the impact of the decline in Chinese-influenced sales. This year we not only had a decline in the export market to China due to regulatory changes, but also in-country sales were impacted by COVID-19 and also sales phasing as part of the roll out of our new Blackmores labels. The China-influenced sales in our Australian retailers were also in decline.

While our Australia domestic business was impacted by COVID-19, we still managed to maintain market share.

01

Australia & New Zealand

Australia and New Zealand sales of \$227 million were below the prior year result of \$267 million. New Zealand was 4% higher than prior year. However Australia continued to be impacted by the lower retail foot traffic of Chinese shoppers and the effects of COVID-19.

Blackmores continues to be the number one VDS brand in Australia, growing market share to 16.4%¹ (15.7% FY19) and was voted the most trusted brand² for the twelfth year in a row by the Reader's Digest.

Blackmores brought new products into the category with successful launches of Vitamin C + Elderberry Gummies, Vegan Omega-3 Oil, our Probiotic Plus range, and nasal sprays for cold and allergies.

EBIT was down 49% compared to last year due to the increase of raw material costs and the additional costs from Braeside as we began to integrate the new manufacturing facility.

02

Blackmores China

Sales in the China segment are comprised of key export accounts and in-country sales. Sales were down 16% across the total segment. China in-country sales to e-commerce platforms were down 8% due to the impact of COVID-19, and a reduction in inventory levels and sales to some key customers to enable smooth sell-through of our new labels in coming months. The export business continued to be impacted by regulatory changes and was down 30%.

The EBIT in China for FY20 was negligible as we continued to invest more in brand growth and organisational capabilities, as well as taking some stock provisions.

03

Blackmores International

Our international business which includes all markets outside of ANZ and China has seen strong growth with sales 30% higher than the prior year. Malaysia, Singapore and Indonesia all had double digit growth with Indonesia growing by 36%. The success of Infant Formula in Vietnam contributed \$20 million to revenue. Hong Kong and Korea experienced a drop in sales due to far fewer travellers from China purchasing VDS products in the local markets.

EBIT in this segment posted strong growth of 92%, propelled by the operating leverage associated with strong net revenue growth, coupled with solid gross profit margins and well-controlled costs.

04

BioCeuticals Group

BioCeuticals sales grew, due to increased interest in immunity products as a result of COVID-19. BioCeuticals increased their sales in the second half of the year by 12% on the same period last year. The Global Therapeutic brand is removed from the BioCeuticals Group in the reports as it is held for sale at year end.

BioCeuticals remains the clear market leader in practitioner-only products with market share of 82.5%³, up 1.6pt to the prior year.

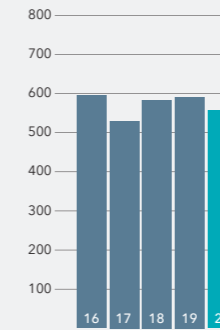
EBIT was down 15.4% on prior year due to the transition to Braeside manufacturing, some inventory provisions and transfer to the new office space closer to the CBD Sydney.

1. Nielsen & IQVIA, RMS/Sell Out service, Vitamins and Dietary Supplements, Australia Grocery Pharmacy, Total Retail Sales, Fiscal Year 2020
2. 2009/2020 Reader's Digest Most Trust Survey
3. IQVIA Scanout Data Domestic & Exporting Performance, Vitamins and Dietary Supplements, MAT to 13 June 2020

Revenue¹

\$568 million

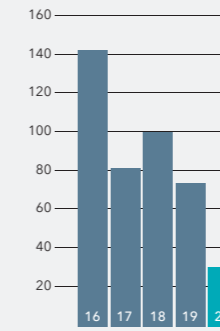
The Group delivered revenue of \$568 million across all divisions and brands, a 3% decrease on the prior year.



EBIT¹

\$29 million

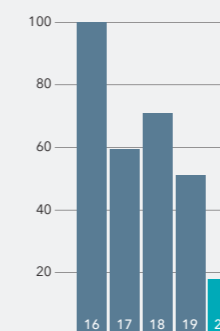
Earnings before interest and taxes of \$29 million was down 62% compared to the prior year.



Reported NPAT²

\$18.1 million

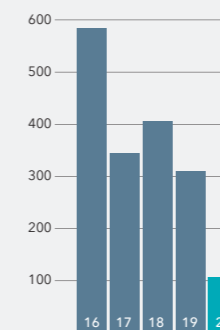
Net profit after tax (NPAT) attributable to shareholders of Blackmores of \$18.1 million, down 66% on the prior year.



EPS²

103.5 cents

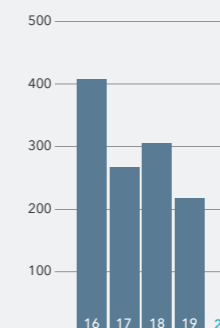
Earnings per share (EPS) of 103.5 cents, was down 70% on the prior year.



Dividends per share

0 cents

No dividend was paid for the year ending 30 June 2020.

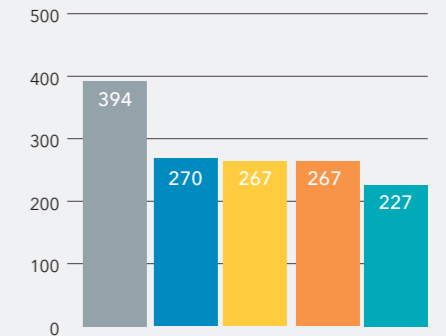


1. Excludes Global Therapeutics as it was an asset held for sale.
2. Includes Global Therapeutics.

01

Australia & New Zealand

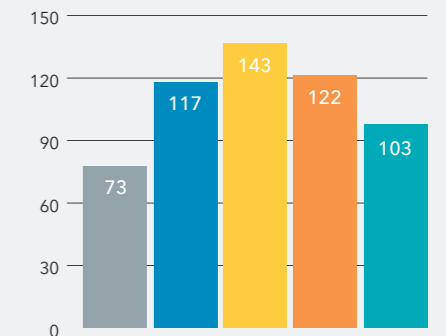
REVENUE \$227 million



02

China

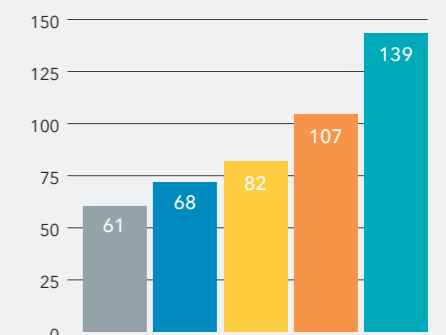
REVENUE \$103 million



03

International

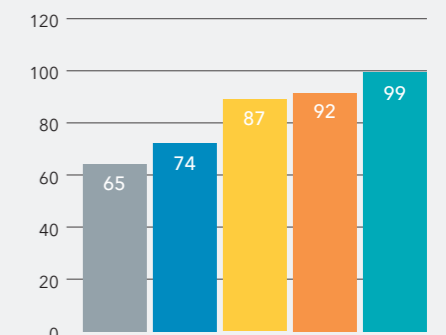
REVENUE \$139 million



04

BioCeuticals Group

REVENUE \$99¹ million



2016 2017 2018 2019 2020

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2 HIGHLIGHTS

3 INTRODUCTION

4 CEO'S YEAR IN REVIEW

5 COMPANY LEADERSHIP

6 OPERATING REVIEW

7 SUSTAINABILITY & COMMUNITY

8 FINANCIAL REPORT

9 REMUNERATION REPORT

Blackmores Group is a geographically diverse company with operations across 12 markets. We have 16 office locations and 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, on Sydney's Northern Beaches, a 25,000 square metre purpose-built facility where most of our products are packaged and quality checked.

Consolidating our warehousing

Now in its third year of operation, our Bungarribee Distribution Centre in Western Sydney has doubled the Group's warehouse footprint. The facility is critical to our customer service, being purposefully designed for high levels of automation and to maximise workflow and efficiencies.

To start realising the true benefits of this site, we closed our Eastern Creek Warehouse and transitioned all brands to Bungarribee and onto one financial and supply planning IT platform. The consolidation of our warehouse operations will deliver \$3.7 million in annualised savings as well as improve order response times.

Integrated Business Planning (IBP)

Our newly implemented IBP process continued to evolve. IBP is the central planning process through which we will significantly increase our ability to match demand with supply and launch innovation. We have clearly started to see business benefits over the last 12 months, with more predictable demand, improved customer service and stock levels, and ongoing and steady improvement in working capital.

Leading Value Position (LVP)

Our LVP work identified areas across our business where value can be unlocked to help fuel our refreshed strategy and ambitions. This important work will continue into FY21, with a strong focus on improving efficiencies, reducing waste and creating a leaner and more agile business.

COVID-19 supply

We congratulate our Group Operations and Supply teams for managing a very complex and unpredictable response to COVID-19. Supply of raw materials, packaging and consumables and distribution within our markets was challenging during the height of the pandemic.

We experienced unprecedented demand for our immunity products and despite some stock shortages early on, we adapted quickly, achieving operational continuity and output for high stock availability to fulfil customer and consumer demand. Much of this was due to our new Braeside facility (see opposite page) which allowed us to scale up quickly.

Commitment to an ethical supply chain

We have a high reliance on natural resources and accordingly have a strong sustainability charter. Our supply chain deals with 1,000 ingredients, 600 product formulations and approximately 1,500 individual product units. You can read more about our commitment to an ethical supply chain in our Sustainability section on pages 36-37.



Continuous coater machine, the first of its kind in Australia, generating 350 kilograms of tablets per hour at our Braeside manufacturing facility



Braeside manufacturing capability and competitive advantage

A major FY20 milestone for Blackmores Group was the official handover of Catalent Australia's manufacturing plant with its 300 employees, located at Braeside in Victoria.

Braeside gives us significant manufacturing capability and the capacity to vertically integrate our supply chain - which will be a great competitive advantage. In the 18 months leading up to the 25 October 2019 handover from Catalent to Blackmores' ownership, there were some significant volume swings within the product mix at the Braeside site from both Blackmores as well as existing Catalent customers. Optimal product mix is critical to overall efficiency of the factory, and we therefore have some ongoing work to do on this which sits hand-in-hand with our maturing IBP process to unlock the full potential of this great facility.

Since acquiring Braeside, our Demand and Supply team have focused on introducing the right volume and mix of products to optimise the facility, successfully transferring 100 of our products to the factory.

Our three-year program to drive efficiencies and optimise the facility has included the installation of a new high-volume, state-of-the-art tablet press and continuous coater, a technological first in Australia. Specialising in solid dose tablet manufacturing, this innovative technology has vastly improved efficiency, producing up to 250,000 tablets per hour from a single machine which effectively doubles our capacity. Our popular Blackmores Glucosamine Sulphate 1500 and BioCeuticals ArmaForce products were

the first to go high speed. However, when demand for our immunity products skyrocketed the capacity to switch to our popular immunity lines was invaluable.

Owning our own factory gives us greater production and product design capability, assurance of supply and ownership of intellectual property. It also allows us to rapidly vary production lines to comply with individual country safety and quality requirements, fast tracking registration and entry into new markets. For many Asia markets, product registration is linked to the factory of manufacturer so owning our own plant gives greater certainty.

In particular, Braeside will enable us to develop a Halal certified range of products for our growth market of Indonesia where local laws require a wide range of products including vitamins and dietary supplements to be Halal certified. This will have flow-on benefits in other markets with large Muslim populations keen for Blackmores Halal, including Malaysia and Singapore.

There are various risks that could have a material impact on the achievement of Blackmores' strategic and future prospects. Below are those risks that Blackmores considers of greatest materiality to the business, and existing mitigations.

Risks	Description	Response
Laws, regulations and geopolitical landscape	Blackmores operates in a highly regulated industry in all markets in which goods are manufactured and sold. Varying geopolitical landscapes and regulations impact many aspects of our operations, including taxation, production, manufacturing, pricing, marketing, advertising, distribution and product sales. Remaining compliant with, abreast of and responsive to changes (some of which can significantly impact the nature of operations in these markets) requires diligent and ongoing monitoring by the business.	<ul style="list-style-type: none"> Blackmores Compliance Framework, ERM Framework and supporting company policies, standards and procedures Specialised and experienced resources and teams - both in-market and within corporate operations to oversee and educate stakeholders of relevant regulatory requirements Executive Team oversight via the Risk, Assurance and Compliance Committee (RACC); and, where required, targeted external and internal audit reviews Third party specialist advisors for new and emerging markets Relationships and active engagement (where relevant) with key government, industry and regulatory bodies to stay abreast of regulatory changes Flexible supply chain practices and specialised technical and quality team oversight Diversified category and product base Diversified customer base and route to market
Climate and sustainability	Our high quality and sustainability standards together with limited availability of natural ingredients, puts pressure on the continuous supply of some key products Blackmores' ability to effectively respond to and manage the impacts of climate related change and changing markets as a result of global warming may impact access to some raw materials.	<ul style="list-style-type: none"> 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 Specialised and experienced internal sourcing and procurement teams overseeing Supplier Quality Assurance (SQA) and selection program Strengthened supplier relationships and contracts balancing volume requirements and broadening raw material supplier base Flexible manufacturing via a combination of Blackmores-owned facilities and outsourced arrangements Improved demand planning and forecasting technology and processes
Brand and reputation	The strength of Blackmores' brand portfolio is key to business success. Managing the reputation of brands, and mitigating events that may damage brands (e.g. inaccurate media coverage, product quality issues, counterfeit product, third-party supplier negligence or incidents, unsatisfactory supplier performance etc.) is critical to Blackmores' ongoing success.	<ul style="list-style-type: none"> Defined company (and brand specific) values, mission and strategy supported by company policies, standards and procedures Supplier Quality Assurance (SQA) and selection program, long term supplier relationships, and Chain of Responsibility audits and training Specialised and experienced technical quality / assurance / product safety teams overseeing over 30 tests and quality assessments on every product Product supply chain traceability technology and ongoing testing over the shelf life of every production batch Crisis Management, Business Continuity, Disaster Recovery, Complaints Handling and Product Recall procedures Consumer advisory line supporting all consumer product information queries Consumer insights and innovation team monitoring brand health, media (including social/digital) and consumer trends Brand and intellectual property protection strategies
Data and information security	Data/information security is essential to protect business critical intellectual property and data privacy. Continuing advances in technology, systems and communication channels mean increasing amounts of private and confidential data are now stored electronically. This, together with increasing cyber-crime, heightens the need for robust data security measures.	<ul style="list-style-type: none"> Information Security Policy, supporting framework and specialised resources Restricted and segregated management of sensitive business / supplier / customer data Ongoing technology and software updates with the incorporation of security services Data classification and encryption (where relevant) Compliance program and annual employee cyber / information security training to educate users and prevent cyber attacks Periodic user access and general system vulnerability / penetration testing Crisis, Business Continuity and Disaster Recovery Plans

Risks	Description	Response
Financial and treasury	Major events in financial markets (e.g. currency, interest rates, FX, cost of capital, banking/commercial credit etc.), economic, political, social and/or major business event (e.g. product recall, pandemic etc.) can significantly impact the business' profitability, cash flow and results. Our ability to hold sufficient liquidity to ensure the fulfilment of all payment obligations, and the management of capital and availability of funding, are important requirements to support business operations and growth.	<ul style="list-style-type: none"> Treasury policy and supporting processes Monthly 12 month rolling analysis and projections of financial results including scenario analysis across key factors (e.g. leverage ratios, FX movements etc.) Hedging of FX exposures (as required) Diversified supply base, customer base and route to market Active and ongoing reviews and assessments of customer risk
Key partnerships	Blackmores relies on select key markets and customers (distributors and retailers) to support sales and delivery of strategic initiatives. Suboptimal performance of these markets or key customers, and/or detrimental shifts in market power, could have a significant impact on Blackmores' ability to deliver against strategic initiatives.	<ul style="list-style-type: none"> Multi-regional and diversified customer base with a focus on continued channel expansion Focus on Blackmores' brand health, category growth through innovation, continued marketing focus and customer loyalty initiatives driving demand Defined and formally agreed customer terms of engagement Investment in strong and multifaceted customer relationships via joint business planning processes to support and align internal and partner incentives Quarterly performance reviews
Business transformation	The business continues to focus on transformation initiatives that support effective and efficient end-to-end processes. Delivery of these initiatives will be critical to Blackmores' ability to optimise our existing asset base while sustaining growth.	<ul style="list-style-type: none"> Defined company, brand and market focused strategy, targets and implementation plan Execute Team led Transformation Office overseeing resource allocation and governance of key projects and initiatives Defined people and culture strategy and initiatives including workforce planning, leadership framework, talent management and training program
People and culture	Blackmores' ability to deliver on strategic targets is reliant on retaining and attracting experienced, skilled, and motivated talent. It also requires strong, resilient, and effective leaders as the business grows at pace.	<ul style="list-style-type: none"> Defined and implemented people and culture strategy and supporting programs Rolling 12-18 months workforce and succession planning process Talent management cycle Incentive and reward programs aligned to Blackmores' vision and growth initiatives Defined leadership framework and standards Focused attraction and retention to prioritise skills and capabilities critical to business growth
Consumer and marketplace	Unanticipated changes in consumer preferences and demand, or competitive pressures that significantly alter the market landscape (e.g. growth online channels, acquisitions, aggressive price wars) can have adverse effects on the business' ability to capture growth opportunities or effectively manage inventory and supply.	<ul style="list-style-type: none"> Dedicated consumer insights and innovation teams tracking consumer trends, conducting product research, and managing innovation pipeline Defined strategic focus on high growth categories, markets and channels Brand portfolio and product strategy, including pricing guidelines, portfolio rationalisation, prioritisation and targeted investment in consumer marketing Integrated business planning processes, including portfolio reviews and global volume alignment processes Trusted brand positioning and strong consumer loyalty Competitor and marketplace monitoring Online channel development and capability uplift, joint business partner planning, and direct to consumer marketing
Significant business interruption	Blackmores' scope of operations exposes it to a range of business disruption risks, such as environmental catastrophes, pandemics, natural and man-made hazards and incidents, or politically motivated violence. Significant business disruption could result in Blackmores' sites or employees being harmed or threatened, loss of key infrastructure, impacts to supply chain, manufacturing and inventory shortages or loss, and financial or reputation loss.	<ul style="list-style-type: none"> Crisis, Business Continuity and Disaster Recovery plans and training Primarily cloud-based, resilient and failover safe IT systems supporting remote working capabilities Dedicated health and safety team oversight, audit programs and training Preventative repair and maintenance program Multi-regional and global sourcing and production capability Comprehensive insurance program

As our business continues to grow, so does the importance of rigorous corporate governance, compliance, risk management and product safety.

In accordance with our commitment to continuous improvement, we enhanced our overall governance framework in FY20 by strengthening focus on risk management throughout the organisation.

This included:

- Separating the Board Audit and Risk Committees
- Reviewing the Board and Committee Charters
- Establishing a Risk, Assurance and Compliance Committee comprised of Executive Team members
- Enhancing our Group Risk Management Framework
- Aligning our Group Risk Profile with our refreshed strategy
- Launching a 'Speak Up' portal powered by Whispli to empower our people and others to safely – and anonymously if needed – report any inappropriate, unethical or improper conduct in our workplace or supply chain.

Work Health & Safety

We decentralised our WH&S Committee structure to increase focus on safety at each of our sites globally, with plans underway to adopt a new WH&S Management System to help us better identify and manage workplace risks.

We experienced fewer safety incidents (65 v 82 in FY19), but more Lost Time Injuries (LTI) (10 v 8). Distribution remains our greatest safety risk with 22 incidents and 4 LTI, however improvements are expected following the consolidation of our warehousing in modern, automated facilities at Bungarribee.

Our 12-month rolling safety schedule focused on priority areas including the prevention of strains and sprains, manual handling practices, mental health and site safety checks. To embed our safe workplace culture, employees completed mandatory quarterly learning modules on our B!Safe, B!Healthy Policy, mental health and wellbeing, and ergonomics to support teams working from home through the COVID-19 pandemic.

Mental health and Employee Assistance Program

Blackmores Group recognises that mental wellbeing is every bit as important as physical health and fitness. We have 39 employees across key sites trained as accredited Mental Health First Aiders by Mental Health First Aid Australia to provide fellow co-workers with initial support, referrals to professional help, and on-site assistance in a crisis situation. Our Benestar Employee Assistance Program provides our people with free and confidential counselling services to help them overcome any stress and challenges and achieve optimal wellness.

Product safety

As Australia's most trusted VDS brand committed to best-in-class consumer healthcare, Group product safety and pharmacovigilance is core to our business and the integrity of our global brands.

Our Pharmacovigilance and Product Safety Program is underpinned by a legal and regulatory framework which governs the safety analyses of our products from research and development through to post-marketing monitoring. We recently invested in a new quality management system, with enhanced features to rapidly identify any consumer reaction trends and ensure compliance reporting to the regulators. We remain dedicated to not merely comply with regulations, but to uphold consistent safety principles across our entire portfolio.

George O'Neil, Global Marketing Director – Core and Christine Sidebottom, Head of Medical & Product Safety



COVID-19:
Ensuring our
people's safety
and wellbeing

Following the global outbreak of COVID-19 in January, Blackmores Group quickly assembled a fully resourced Business Continuity Management Team (BCMT) comprised of senior functional leaders operating within the Australian Inter-Service Incident Management System framework to steer our business response, and we were one of the first Australian companies to disclose the expected impact on our financial performance.

The BCMT were guided by the core principle of ensuring the safety and wellbeing of our people. During the Response Phase we developed and implemented protocols to protect the health of employees in all affected markets and ensure the continuity of our operations functions in Australia. Our Board Directors were appointed to working groups to assist management and met weekly.

Office staff worked from home with the global business adapting well to operating in a virtual environment. This was supported by regular high level communication updates from the CEO and BCMT, as well as a 'Stories of our People from the Frontline' series aimed at inspiring resilience, connectivity and continuity across the business throughout the pandemic.

A global employee sentiment survey conducted in May showed that 91% of our people felt the Company had prioritised employees' health and safety during the crisis and 88% felt well informed about the pandemic and how it affected the business. Despite working from home, 92% of employees said they felt well connected with colleagues which was in part enabled by the high uptake of remote video technology.

In early June, our ANZ business entered the Recovery Phase, with some offices re-opening in accordance with the latest Government and Health Authority advice, including increased cleaning regimes and social distancing measures.

Although consumer activity decreased and overall sales fell as a result of COVID-19 there was huge demand for our immunity products, underscoring the trust consumers place in the Blackmores brand. Entering FY21, we look forward to the Thrive Phase and emerging from this health crisis with an even stronger mission to connect every person to the healing power of nature.

Alex Lintner Nolan, Social Media Manager, Blackmores Australia



Sustainability, Community & Our People

01

SUSTAINABILITY

02

COMMUNITY

03

OUR PEOPLE

In 2019, Blackmores Group committed to a program to progress our four sustainability goals including clear commitments and targets. These are aligned to the biggest environmental and social risks, impacts and opportunities for our Group and are guided by the UN Sustainable Development Goals.

The acquisition of the Braeside manufacturing facility has grown our environmental footprint significantly, challenging the achievement of these targets. Nevertheless, the Group remains committed to delivery of the targets.



Reconnected with nature at our first Forest Bathing event



Top left: Amie Skilton, Senior Educator, BioCeuticals

Bottom right: Colin Dimitroff, Environment & Sustainability Manager

Inspired the next generation to take Climate Action



Re-homed 300kg of clothes at the Blackmores Campus Clothing Swap for the Planet



Educated staff to be Recycling Ninjas in National Recycling Week masterclasses



Key Highlights

1 Began the transition to renewable energy at our major sites. By the end of 2020, a minimum of 50% of power to the Blackmores Campus, and 20% at Braeside, Surry Hills and Bungarrabee sites, will be green sources.

2 In May 2020, Blackmores Group committed to Net Zero carbon emissions by 2030.

3 Executive Team and key senior management developed a Group Climate Resilience Action Plan spearheaded by a 3-4 Degree Scenario Planning Workshop.

4 Blackmores Group recognised with the CMA Sustainability Award 2019.

5 Progressed *Partnering for People* initiative to assess and address the risk of modern slavery in our supply chain, including the release of our enterprise level Human Rights Policy.

6 Added better recycling information to more than 100 products and assessed 193 products using the Australasian Recycling Label PREP tool.



7 Blackmores Sydney Running Festival in September 2019 adopted new 'greener event' principles which eliminated 7,000 single-use plastic bottles, disposed of 300,000 biodegradable cups at a specialised waste plant and added new recycling facilities at the recovery village. 1,000 kilograms of discarded clothing was donated to charity and the event reached the milestone of \$20 million raised for charities since the event started.

8 Partnered industry-wide to address modern slavery risk through Complementary Medicines Australia's Modern Slavery Working Group.



9 New bulk tablet transfer technology at Blackmores' Braeside manufacturing facility eliminated the need for 20 tonnes of cardboard and kept 21,000 single use plastic bags out of landfill.



10 Educated 39 suppliers with webinars on addressing modern slavery risk.

- 1 OUR MISSION
- 2 HIGHLIGHTS
- 3 INTRODUCTION
- 4 CEO'S YEAR IN REVIEW
- 5 COMPANY LEADERSHIP
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- 7 SUSTAINABILITY & COMMUNITY
- 8 FINANCIAL REPORT
- 9 REMUNERATION REPORT

As a values-led company, giving back to improve people's wellbeing is at the heart of what we do. Blackmores Group strives to make a difference by building healthier communities across Asia Pacific and supporting charitable organisations who are helping to create a brighter future.

In Australia, we responded to the catastrophic bushfire season which destroyed more than 6.3 million hectares of land. Through matched employee donations, online sales proceeds and staff bake sales, Blackmores Group donated more than \$85,000 to Australian Red Cross and local charities involved in the recovery process.

In Indonesia, we continued our two-year partnership with Bumi Sehat Foundation to support maternal and child health for rural communities in Aceh, Bali and Papua by delivering culturally appropriate health education and essential pregnancy nutrients.

In Thailand, our annual Keep Running Keep Wellbeing in-store campaign saw 7,543 pairs of shoes donated to rural school children and our ongoing B for Earth initiative saw consumers return 20,455 empty Blackmores bottles to be recycled, with proceeds funding education scholarships for nine disadvantaged students, noting that the regular nutrition component of this program was paused due to COVID-19 restrictions.

The 2020 Blackmores Mercie Whellan Women+Wellbeing Awards shone an inspirational light on women who have made an outstanding contribution to the health of others, with a focus on mental wellbeing. These awards were held to coincide with International Women's Day, which was celebrated by our people across the business.

Our BioCeuticals team provided practitioner-only products to Hands On Health Australia, an interdisciplinary healthcare charity reaching 30,000 patients worldwide per year, and sponsored an Aboriginal Women's Retreat with our qualified naturopaths and nutritionists volunteering their time. We also provided leadership mentoring through the Growth Project, helping small charities maximise their impact on the world.

1. Gregory Howard, Regulatory Affairs Associate
2. Marinah Azam, Demand Planner, Blackmores International
3. George Casha, Bungarribee Distribution Manager
4. Christina Ly, CI Engineer, Braeside
5. Golnoosh Torabian, Regulatory Affairs Associate
6. Sarah Tait, Quality Compliance Officer
7. Panomprai Bunchai, Product Advisor, Blackmores Thailand
8. Tanveer Mannan, IT Applications Services Manager

International Women's Day 2020 was celebrated by our people across Asia Pacific.



Responding to a global pandemic

COVID-19 created an unprecedented global pandemic, forcing millions of health and emergency workers onto the frontline. Blackmores Group threw our support behind this tireless workforce, helping protect their wellbeing with product care packages.

In Australia, we joined hands with #Feed the Frontline, providing ER and ICU hospital workers Blackmores Bio C for immunity and Vitamin E Cream to repair skin damage caused by continuous handwashing.

In China, we extended this support to emergency crew, couriers and sanitation workers, as well as honoured health workers with a Blackmores Wishing Tree at the Shanghai Nightlife Festival hosted by the China International Import Expo Bureau.

In Singapore, we supported the city's most vulnerable population by donating Blackmores Bio C to migrant workers.

In Thailand, we joined a national people's initiative, the 'Happiness Pantry', contributing food and products.



Blackmores Sydney Running Festival

2019 was a record-breaking year for the Blackmores Sydney Running Festival, with over 40,000 participants achieving their health and fitness goals and 17,000 people jumping aboard our online training program. More than \$2 million was raised for charity, with the event underpinned by sustainable initiatives including refillable water stations and biodegradable cups. We also launched a national partnership with parkrun, with almost 400 weekly events across the country encouraging people to exercise regularly in nature.



As a purpose-led, performance-driven organisation, Blackmores Group strives to create remarkable employee experiences through supporting a diverse and inclusive culture, creating leadership that inspires high performance, and providing everyone with opportunities to achieve their professional, personal and wellbeing goals.

Our diverse and inclusive culture

As pioneers in natural health and champions of wellbeing, Blackmores has a fundamental responsibility to our people to support a culture where all perspectives are heard, valued and respected. By embracing individuality, a diverse and inclusive culture allows employees to optimise their wellness and overall contribution to the business. It also ensures a genuine reflection and understanding of our very diverse consumer base across all of our current and future markets.

In FY20, we progressed towards attaining a Workplace Gender Equality Agency (WGEA) citation and becoming a WGEA Employer of Choice for Gender Equality (EOCGE) by implementing gender equality policies, improving female representation in senior leadership - now at 54% in Australia, and reducing pay gaps - now proudly within 1% across the organisation.

With a 70% female workforce and 55% female Executive Team, we believe it's important to have women in decision-making positions yet equally important to stand side-by-side with men championing positive change. Our flexible working 'FlexFit' philosophy and gender-equal policies for parental leave and domestic violence are major enablers for women and parity, while also supporting gender equity and showing all employees they are valued.

Leadership success factors

Our leadership inspires an empowering and winning culture consistent with our values, underpinned by Leadership Success Factors which are built into everything we do to help guide our people towards the behaviours and capabilities needed to positively impact the organisation.

- 1. Relentless focus on the future
- 2. Make it happen
- 3. Invest in people
- 4. Empower and inspire

Delivering faster growth through optimal capability

We are investing in our people through innovative, tailored learning journeys focused on the holistic and functional skills required to succeed. Our development philosophy of 70% on-the-job learning, 20% coaching and mentoring, and 10% structured training empowers our people to build and improve capability to support their growth and fulfilment. Enabled by digital learning communities, our programs launched in FY20 - which will be embedded throughout all our markets in FY21 - included:

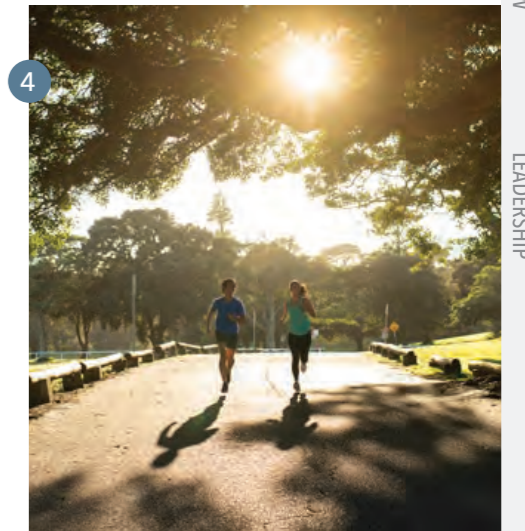
- **Resilience in the Workplace:** Improving self-awareness and mental agility via a collaborative seven-day digital course;
- **Blackmores Faculty:** Drawing on in-house expertise to design and deliver tailored development programs including our Group Sales Capability Curriculum and Group Marketing Curriculum.

Integrating our Braeside team

We welcomed 300 new team members at Braeside, implementing a 'people, culture, change' strategy to successfully integrate critical talent across manufacturing, product development and supply chain with almost 100% retention. Braeside employees are included in core Group policies and benefits and covered by one of three Enterprise Agreements, including the broader Blackmores & BioCeuticals Working Together Agreement for office staff.

Employee engagement surveys for continuous workplace improvement

Blackmores Group is continuously improving our workplace culture based on employee sentiment, deeming this especially critical through periods of change and transformation. Our regular and diverse channels of employee feedback include quarterly 'pulse' check-in surveys to gain ongoing real-time insight. While some gain comfort to share their voice via these confidential surveys, we also offer our people opportunities to engage in robust round-table discussions with our CEO and Executive Team as an equally valuable channel.



1. Noah Nofu'Akifolau, Team Leader, Bungarribee 2. Ketkanok Surintaraporn, Sales Administrative; Krishanat Phattayakorn, Commercial Analyst; and Kasorn Pungwirawat, Supply Chain Manager - Blackmores Thailand 3. Matt Riley, E-Commerce Manager, Blackmores Australia; Michelle Gough, Financial Controller & Investor Relations Manager; and Kiran Hajos, Human Resources Director ANZ 4. Ian Gonzaga, Technical Support, BioCeuticals, and Georgie Allan, Marketing Coordinator, BioCeuticals 5. Lauren Dewsbury, Technical Support, BioCeuticals 6. Kane Mangan, Outbound CRM, BioCeuticals, with Polar.

Financial Report 2020

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5 YEAR HISTORY	DIRECTORS' REPORT	REMUNERATION REPORT	AUDITOR'S INDEPENDENCE DECLARATION
73	78	80	81
INDEPENDENT AUDITOR'S REPORT	DIRECTORS' DECLARATION	CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
82	83	84	127
CONSOLIDATED STATEMENT OF CASH FLOWS	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	NOTES TO THE FINANCIAL STATEMENTS	COMPANY INFORMATION

Georgie Allen, Marketing Coordinator, BioCeuticals and
Ian Gonzaga, Technical Support, BioCeuticals

5 YEAR HISTORY

\$'000	2020	2019	2018	2017	2016
Revenue ¹	568,353	588,914	579,535	530,550	595,705
Earnings before interest, tax, depreciation and amortisation (EBITDA) ^{1,8}	50,676	87,322	106,556	90,773	151,766
Depreciation and amortisation ¹	21,293	10,768	8,848	8,223	7,032
Earnings before interest and tax (EBIT) ^{1,8}	29,383	76,554	97,708	82,550	144,734
Net interest expense ¹	5,913	4,995	3,931	4,182	1,810
Profit before tax	23,470	71,559	93,778	78,372	142,924
Income tax expense	7,411	20,947	27,281	22,962	43,179
Discontinued operations	2,962	2,818	2,726	2,618	274
Gain/(loss) attributable to non-controlling interests	907	(39)	(782)	(985)	12
Profit after tax attributable to shareholders of Blackmores Limited (Reported NPAT) ²	18,114	53,469	70,005	59,013	100,008
Net debt	37,345	94,484	49,532	44,717	17,793
Shareholders' equity	305,295	207,292	192,875	177,541	178,263
Total assets	561,132	493,624	464,850	412,174	443,362
Current assets	307,862	308,222	302,507	258,662	294,624
Current liabilities	135,006	153,205	174,467	142,556	192,279
Net tangible assets (NTA)	233,815	122,508	123,860	107,369	116,484
Cash generated from operations	75,870	51,806	90,131	95,310	123,022
Number of shares on issue ('000s) ⁷	18,678	17,362	17,227	17,226	17,225
Earnings per share (EPS) - basic (cents) ²	103.5	309.2	406.4	342.6	580.6
Ordinary dividends per share (DPS) (cents)	-	220	305	270	410
Share price at 30 June	\$77.95	\$78.95	\$142.50	\$95.84	\$131.39
NTA per share	\$12.52	\$7.06	\$7.19	\$6.23	\$6.76
Cash conversion ratio ³	149.7%	59.3%	81.5%	100.7%	80.8%
Return on shareholders' equity ⁴	5.9%	25.8%	36.3%	33.2%	56.1%
Return on assets ⁵	5.6%	16.0%	22.3%	20.2%	39.4%
Dividend payout ratio	-	71.2%	75.0%	78.8%	70.6%
Gearing ratio ⁶	10.9%	31.3%	20.4%	20.1%	9.1%
EBIT to revenue ratio	5.2%	13.0%	16.9%	15.6%	24.3%
Effective tax rate	31.6%	29.3%	29.1%	29.3%	30.3%
Current assets to current liabilities (times)	2.28	2.01	1.73	1.81	1.53
Net interest cover (times)	5.0	15.3	24.9	19.7	80.2
Gross interest cover (times)	4.8	14.6	23.4	18.9	63.9
% change on prior year					
Revenue	(3.5%)	1.6%	9.2%	(10.9%)	54.1%
EBITDA	(42.0%)	(18.1%)	17.4%	(37.8%)	93.6%
EBIT	(61.6%)	(21.6%)	18.4%	(40.6%)	101.0%
NPAT	(66.1%)	(23.6%)	18.6%	(41.0%)	114.8%
EPS	(70.4%)	(27.9%)	18.6%	(41.0%)	114.5%
DPS	(100%)	(27.9%)	13.0%	(34.1%)	102.0%

1. Excluding the discontinued operation (Global Therapeutics).

2. Including the discontinued operation.

3. Calculated as cash generated from operations divided by EBITDA.

4. Calculated as net profit after tax divided by closing shareholders' equity.

5. Calculated as EBIT divided by average total assets.

6. Gearing ratio is calculated as net debt divided by the sum of net debt and shareholders' equity.

7. Number of shares on issue at year end.

8. The Group adopted AASB 16 Leases effective 1 July 2019 resulting in an increase to EBITDA of \$7,283 and EBIT of \$531 for continuing operations in FY20. Prior periods have not been restated, refer to note 3.7 in the financial report.

Directors' Report 2020

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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	1,413	-
John Armstrong	1,213	-
Marcus Blackmore	3,659,102	-
Christine Holman	2,913	-
Alastair Symington ¹	18,536	35,622
Brent Wallace	12,715	-
Total	3,695,892	35,622

1. A Symington's holdings include 13,650 Restricted Shares and 35,622 Share Rights under the Executive Performance Share Plan.

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 48 to 71 for more details

	2020' NUMBER
Executive Director	
Alastair Symington	35,622
Senior Executive	
Gunther Burghardt	6,098
Total	41,720

1. Includes rights granted under the 2020 financial year (FY20) Long-Term Incentive Plan (LTI). Rights vest provided specific performance objectives and hurdles are met over the three-year period commencing 1 July 2019 to the year ending 30 June 2022.

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 48 to 71.

COMMITTEE MEMBERSHIPS

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

Audit ¹ :	Nominations:	People and Remuneration:	Risk ¹ :
John Armstrong, Chairman	Brent Wallace, Chairman	Christine Holman, Chairman ⁵	John Armstrong, Chairman
David Ansell	David Ansell	David Ansell	David Ansell
Christine Holman	John Armstrong	Jackie McArthur ²	Christine Holman
Jackie McArthur ²	Marcus Blackmore	Helen Nash ³	Brent Wallace
Brent Wallace	Christine Holman	Brent Wallace	
	Jackie McArthur ²		
	Helen Nash ³		
	Alastair Symington ⁴		

1. The Audit and Risk Committee was renamed Audit Committee and a separate Risk Committee was created effective February 2020.

2. Jackie McArthur resigned as a Non-Executive Director 5 August 2019.

3. Helen Nash resigned as a Non-Executive Director 5 August 2019. Ms Nash was the Chairman of the People and Remuneration Committee.

4. Alastair Symington joined as an Executive Director 16 September 2019.

5. Christine Holman was appointed Chairman of the People and Remuneration Committee 12 August 2019.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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.

Group Legal Counsel, **Nimalan Rutnam** B.Com (Madras); LL.B (Hons) (London); LL.M (Sydney) joined Blackmores in 2018. He has extensive experience in the FMCG, Life Sciences & Health Care sectors and has legal experience across the UK, Asia, Australia & New Zealand both whilst he was General Counsel at Procter & Gamble Australasia (2002-2012) and as Managing Principal of his legal & corporate Advisory practise (2012-2017) advising clients such as Mars; iNova Pharmaceuticals, Bausch & Lomb; Coty; Kellogg's, JDE Coffees, Adventist Healthcare & Biersdorf. Nimalan has served on the Boards of several Industry Associations and Not for Profit Organisations, namely, The Grameen Foundation, The Sydney Peace Foundation (a foundation of the Sydney University) & Together For Humanity. Nimalan was also a Visiting Scholar at the Department of Peace & Conflict Studies, Faculty of Arts & Political Sciences, Sydney University. Nimalan is a qualified Barrister at law (England & Wales); a Solicitor of the High Court of Australia & the Supreme Court of NSW and a Public Notary. Nimalan is a member of the Law Society of NSW and The Law Council of Australia.

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 2020 and 30 June 2019 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 \$18,114 (2019: \$53,469).

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 22 to 33 inclusive.

DIVIDENDS

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

- A final dividend of 70 cents per share fully franked in respect of the year ended 30 June 2019, as detailed in the Directors' Report for that financial year, was paid on 12 September 2019
- On 24 August 2020, Directors declared that no dividend will be paid for the year ended 30 June 2020.

This will bring total ordinary dividends to nil cents per share fully franked (2019: 220 cents per share fully franked) for the full year.

GROUP STRATEGY

A refreshed strategy was approved during the 2020 financial year. Activities across the Group for the 2020 financial year were re-aligned to four key priorities:

- 1. Build a world-class organisation**
- 2. Rejuvenate the Blackmores brand in Australia**
- 3. Deliver new growth in key countries and categories**
- 4. Win with the modern career woman in China**

Launched in February 2020, we are confident that our new strategic direction will deliver significant long-term value for shareholders.

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 2020.

EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Sale of Wheyless & IsoWhey Brands

On 14 August 2020, Blackmores Group entered into an asset sale agreement to sell the IsoWhey and Wheyless brands. The sale price of \$1.09 million covers the IsoWhey/Wheyless brands, product formulas, customer agreements and digital assets. There are no people transferring with the sale. An additional payment will be made to cover the value of stock transferring with the sale. The transaction is expected to complete before 14 September 2020.

Sale of 15 Jubilee Avenue Warriewood, NSW

On 5 August 2020, Blackmores entered a contract for sale of land with an 180 day settlement period for the investment property at 15 Jubilee Avenue Warriewood, NSW 2102 for \$5.2 million ex GST. The transaction is expected to complete in February 2021.

Share Purchase Plan

On 8 July 2020, Blackmores completed a Share Purchase Plan which was announced on 27 May 2020. This plan raised \$49 million, a total of 669,812 new fully paid ordinary shares. The shares were issued at \$72.50 a share on 14 July 2020. This completed the \$141 million Equity Raise which consisted of a \$92 million Institutional placement completing 28 May 2020 and the Share Purchase Plan of \$49 million completed 8 July 2020.

Impact of COVID-19 Pandemic

The full impact of the COVID-19 pandemic continues to evolve at the date of this report. Management is actively monitoring the global situation and its impact on the Group's financial condition, liquidity, operations, suppliers and industry. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Group is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition or liquidity for the 2020-21 financial year.

Although the Company cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material adverse effect on the Company's results of future operations, financial position and liquidity for 2020-21.

Final dividend

No final dividend was declared as described in note 4.5.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

There has not been any other matters or circumstances, 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').

DIRECTORS' MEETINGS

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

DIRECTORS	BOARD OF DIRECTORS		AUDIT & RISK COMMITTEE ¹		RISK COMMITTEE ¹		NOMINATIONS COMMITTEE		PEOPLE AND REMUNERATION COMMITTEE	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
David Ansell	24	23	4	4	2	2	9	9	4	4
John Armstrong ³	24	24	4	4	2	2	9	9	N/A	3
Marcus Blackmore ³	24	24	-	-	-	-	9	9	N/A	1
Christine Holman	24	23	4	4	2	2	9	9	4	4
Jackie McArthur ^{2,4}	2	2	-	-	-	-	-	-	-	-
Helen Nash ^{2,5}	2	2	-	-	-	-	-	-	-	-
Alastair Symington ^{2,3,6}	22	22	N/A	3	N/A	2	9	9	N/A	3
Brent Wallace	24	24	4	4	2	2	9	9	4	4

- The Audit and Risk Committee was renamed Audit Committee and a separate Risk Committee was created effective February 2020.
- Reflects the number of meetings held during the time that the Director held office or was a member of the Committee during the year.
- Attendance at committee meetings as invitees.
- Jackie McArthur resigned as a Non-Executive Director 5 August 2019.
- Helen Nash resigned as a Non-Executive Director 5 August 2019.
- Alastair Symington joined as an Executive Director 16 September 2019.

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 dollars.

1 OUR MISSION

2 HIGHLIGHTS

3 INTRODUCTION

4 CEO'S YEAR IN REVIEW

5 COMPANY LEADERSHIP

6 OPERATING REVIEW

7 SUSTAINABILITY & COMMUNITY

8 FINANCIAL REPORT

9 REMUNERATION REPORT

Key Points

- Blackmores' remuneration structure aligns Senior Executive remuneration to Group performance.
- FY20 Short-Term Incentives (STI) were not paid to the Executive Director and Executive Team, including the CEO, as the gateway NPAT performance hurdle was not met.
- Long-Term Incentives (LTI) were not awarded in the year as the achievement of the three-year EPS growth targets for the FY18 plan, granted in November 2017, were not met.
- No LTI vested in relation to FY19 or FY20 LTI plans.
- The Executive Team, including the CEO, received no increase to Fixed Annual Remuneration (FAR) during the year, with the exception of the Chief Operations Officer whose salary was adjusted to take into account an increased portfolio, including responsibility for the Braeside manufacturing facility and supply chain.
- Non-Executive Director fees were not increased in FY20.
- Blackmores' long-standing profit share scheme which aligns the remuneration of all employees to profits of the Group paid out at \$1.5 million, equivalent to 4 days incremental salary. This compares to FY19 in which \$5 million was paid out, equivalent to 15 days' incremental salary.
- Jackie McArthur and Helen Nash resigned as Non-Executive Directors on 5 August 2019.
- Peter Osborne ceased in the role of Managing Director Asia on 20 December 2019.
- Aaron Canning ceased in the role of Chief Financial Officer on 6 January 2020.
- Considerable changes have been made to the Executive Team over the past 12 months to execute Blackmores' new strategy and transformation program. Each role has been filled with strong high performing leaders with multi-market transformation experience, and a deep connection to Blackmores' vision, values, and purpose. New Executive Team members appointed over the past 12 months are listed below.
- Alastair Symington commenced in the role of Chief Executive Officer and Managing Director on 16 September 2019.
- Dean Garvey, formerly in the role of Deputy Managing Director Asia, was appointed to the new role of Managing Director International on 1 December 2019.
- Kitty Liu commenced in the new role of Managing Director China on 1 December 2019.
- Gunther Burghardt commenced in the role of Chief Financial Officer on 6 January 2020.
- Ayumi Uyeda commenced in the new role of Managing Director Australia and New Zealand on 5 February 2020.
- Joanne Smith commenced in the new role of Chief Marketing and Innovation Officer on 2 March 2020.
- A minimum shareholding requirement for both Non-Executive Directors and the Executive Team including the CEO, was put in place commencing June 2020 and August 2020 respectively.
- A review of the reward framework for FY21 was undertaken by the People and Remuneration Committee to align remuneration outcomes considering the materially changed business performance in FY20, current economic environment and execution of the new Blackmores strategy that envisages a three-year transformation program.

Letter from the Chairman of the People and Remuneration Committee

Dear Shareholder,

I am pleased to present to you our 2020 Remuneration Report. This report outlines FY20 performance and remuneration outcomes for Blackmores' Key Management Personnel (KMP) who include the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), Executive and Non-Executive Directors. Aggregated remuneration information has also been provided for the direct reports to the CEO (Other Executives). Our remuneration structure is linked to the achievement of year-on-year profit growth and shareholder returns.

FY20 was a challenging year for the Company, which dealt with issues related to the bush fires in Australia, the global COVID-19 pandemic, as well as a label transition on its largest brand (Blackmores). In addition, while the acquisition of the Braeside manufacturing facility will help Blackmores protect its vital product registrations in many Asian markets, the initial months of Blackmores' ownership of the site (since late October 2019), highlighted adverse product mix and volume variances which will need to be resolved over time. The combination of these factors led to a full year FY20 underlying NPAT of \$18.7 million which was down 65% compared to the prior year. When one-off costs and benefits outside of normal trading are taken into account (such as restructuring, capital raise costs and exclusion of a one-time gain related to the purchase of land, assets and intangibles at Braeside, as well as JobKeeper), the resulting reported NPAT for full year FY20 after one-time P&L impacts was \$18.1 million which was down 66% compared to the prior year.

Net Sales, including Global Therapeutics, decreased by 4% with the impact of the decline in overseas sales to domestic consumers trade felt in both halves of the year in China and ANZ, (as well as COVID-19 impacts on non-immunity products in the second half (H2) of FY20), partly offset by robust growth in Indonesia and a number of other South East Asian markets.

At the time of the half year (H1) results released in February 2020 and for a few months afterwards, the acquisition of Braeside created pressure on Blackmores' senior leverage ratios. To ensure its sustainability and adequate unutilised debt facilities, the Company embarked on a capital raising program which resulted in the issuance of \$92 million in shares as part of an institutional placement in early June. An additional Share Purchase Plan, which closed in early July (just after the 30 June, 2020 balance sheet date) brought in an additional \$49 million of capital which will leave the majority of Blackmores' debt facilities unutilised by the end of July 2020.

In the context of this performance, while the business paid a minor amount of profit share in the first half (H1) of FY20, it did not pay any profit share to its employees in the second half (H2) of FY20 nor did it make any payments as part of its Short-Term Incentive (STI) plan as the hurdles were not met. Long-Term Incentive (LTI) plans issued in FY20 or prior year did not accrue in the current year as both Return on Invested Capital (ROIC) and EPS measures were down compared to the prior year and below the minimum thresholds required under the LTI plan. The CEO, CFO, Executive Director and the Other Executives, therefore, did not receive an award under the STI or LTI plans in FY20.

The appointment of Alastair Symington as Blackmores' new Chief Executive Officer and Managing Director brings the right mix of knowledge, multi-market experience and skill that is required to drive the Blackmores Group's growth strategy and seize on the opportunities available in the business across the APAC region. The appointment of Gunther Burghardt as Blackmores' Chief Financial Officer and the other newly hired members of Blackmores' Executive Team aligns with the strategy of attracting best in class talent to support Blackmores' growth strategy and transformation program.

The Blackmores Board is committed to a process to renew its composition in an orderly fashion over the medium term, having already announced that the current Board Chairman, Brent Wallace, intends to step down from the Board. The Board is in advanced discussions to appoint a new, independent Non-Executive Chairman and to recruit a further independent Non-Executive Director. Upon completion of the transition, Blackmores will have a Board comprising an independent, Non-Executive Chairman and a clear majority of independent, Non-Executive Directors.

ALIGNING REMUNERATION WITH BUSINESS PERFORMANCE AND STRATEGY

Over recent years, the Committee has continued to work hard to ensure that the total remuneration structures incentivise delivery of the strategy and provide remuneration outcomes which are aligned with shareholder returns. Benchmarking reviews of the CEO, Executive Team, Executive Directors and Non-Executive Directors have ensured that remuneration has been commensurate with the appropriate peer group to retain and attract key personnel.

Under the FY20 STI plan, the Group needed to achieve threshold NPAT performance of \$53.4 million in addition to the Board determining that appropriate standards had been achieved with regards to brand reputation, safety and quality. These acted as quantitative and qualitative gateways under the plan. Performance of the Group against pre-determined annual targets and individual performance determined the amount of STI award available to each Senior Executive. A portion of STI awards was to be deferred into performance rights, above a threshold award amount of \$50,000. Half of the amount above the \$50,000 threshold was to be delivered in cash and the other half deferred into performance rights. These rights were to vest into shares based on continuous employment after one year.

Under the FY20 LTI plan, an additional measure of Return on Average Invested Capital (ROIC), was introduced to the plan. Alongside the Earnings Per Share (EPS) measure, the introduction of the ROIC measure provides further alignment with enhancement of shareholder returns. The two measures are equally weighted 50/50 and the outcome of each measure is calculated at the end of the three-year LTI performance period.

Letter from the Chairman of the People and Remuneration Committee (cont.)

FY21 Reward Framework Review

With the change in CEO and Executive Team, a revised Group Strategy and a material change in business performance in FY20, the People and Remuneration Committee, on behalf of the Board, engaged Ernst & Young to support a review of the STI and LTI framework.

Proposed changes to the Remuneration Framework following the independent Ernst & Young review are noted below under FY21 Changes.

KEY OUTCOMES FOR FY20 REMUNERATION

1. Fixed remuneration

With the exception of the Chief Operations Officer, whose salary was adjusted to take into account an increased portfolio, including responsibility for the Braeside manufacturing facility and supply chain, there was no increase in FY20 to the fixed remuneration of the current Executive Team, including the CEO. The fixed remuneration of new members of the Executive Team appointed during the course of FY20 was benchmarked based on independent work undertaken by Mercer in FY19.

2. STI plan

Group NPAT performance in FY20 did not meet the gateway threshold requirement set by the Board for the FY20 STI plan to be activated. As a result, there were no awards made to the Executive Team, including the CEO. The FY20 NPAT threshold set by the Board was \$53.4 million and the NPAT achieved for FY20 was \$18.1 million. The Board considers that the STI outcomes highlight the strong alignment between financial performance, shareholders' interests and remuneration outcomes.

3. LTI plan

The LTI plan has a three-year performance period. The FY18 plan did not vest due to the threshold performance hurdle of 5% three-year compounded annual growth rate (CAGR) in EPS not being met. As such, no vesting of performance rights occurred in FY20. The FY19 and FY20 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.

As outlined in the previous section, an additional measure of ROIC was introduced to the FY20 plan. The EPS and ROIC measures in the FY20 plan are equally weighted 50/50. The EPS measure has a threshold performance hurdle of 5% three-year CAGR in EPS. In order to receive the maximum award under the EPS measure, an achievement of 10% CAGR is required. The ROIC measure has a threshold performance hurdle of 18.1% three-year ROIC. In order to receive the maximum award under the ROIC measure, an achievement of 21% ROIC 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.

4. Profit Share plan

Under the long-standing Profit Share plan, up to 10% of NPAT is paid to employees of Blackmores. In FY20, a payment of \$1.5 million, equivalent to 4 days incremental salary, based on profit of \$18 million for the first half of the year. Based on full year profit of \$18.1 million, no further Profit Share payment was made in the second half of the year. Therefore, Profit Share for the full year remains at the four days incremental salary of \$1.5 million. This compares to FY19 in which the equivalent of 15 days' incremental salary was paid, being a total of \$5 million.

5. Impact of COVID-19 on remuneration

There has been no unintended variable reward outcome in FY20 for the Executive Team, including the CEO as a result of the COVID-19 pandemic. Significantly higher costs associated with manufacturing and other factors, including the COVID-19 pandemic, has had a material impact on the Blackmores Group results in FY20; however, the Blackmores Board has not used discretion by awarding STI, LTI, or any other incentive or bonus payment to the Executive Team.

While navigating the challenges the business has faced over the year, the immediate priority has been to protect Blackmores' cash position. In consultation with the Board, Blackmores made the difficult decision to introduce a 20% reduction in hours and remuneration for all Australian and New Zealand based employees, with the exclusion of specific roles directly involved in 'Make, Pack, Check and Deliver' tasks that are critical in our ability to supply our customers. These terms also applied to the Board and Executive Team members.

This took effect from 1 May 2020 and was anticipated to remain in place for four months to 3 September 2020. Since the introduction of the reduced pay and hours conditions, Blackmores became eligible under the Australian Federal Government's JobKeeper program, which enabled a reduction to the time period of reduced pay and hours from four months to just six weeks, and as such, employees went back to full pay from 15 June 2020. The total amount received for JobKeeper in FY20 in Australia and a similar scheme in Singapore was \$1 million.

With uncertainty surrounding the pandemic, in the spirit of Blackmores and in line with the Company values, we greatly appreciate the shared sacrifice of Blackmores' employees and we were very pleased to be able to lift the reduced conditions much earlier than we had originally anticipated.

Letter from the Chairman of the People and Remuneration Committee (cont.)

6. Board and committee review

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 Executive 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 Executive Team with some focus areas to action over the past two-year period. This included elevating culture to the Board Charter in FY20, with culture being included in the Board agenda, supporting Board and management interactions with extended leadership team participation in meetings. An external independent performance review of Board and the Committees will be conducted in FY21.

7. KMP assessment

Due to changes in organisation and Executive Team structure in FY20, a process to review and assess Key Management Personnel (KMP) was undertaken for FY20 KMP disclosure purposes. The review used the definition of KMP from the Australian Accounting Standard (AASB 124) Related Party Disclosures to inform the assessment of each Executive Team role against the definition. KMP for FY20 disclosure purposes, are listed in the Introduction section of the Remuneration Report, including 'Other Executive' Team members, who are non-KMP and have been included in the Remuneration Report for non-KMP aggregated reporting purposes.

FY21 CHANGES

1. There will be no increases to the fixed remuneration of the current Executive Team members, including the CEO, in FY21.

2. FY21 STI reward framework

Under the FY21 STI plan, STI awards will be delivered to the Executive Team as 50% cash and 50% equity in the form of performance rights, which will be deferred. No dividends are paid on unvested shares. A Gateway threshold performance level of 90% of reported EBIT (excluding the outcome of the contingent liability detailed in note 7.4 in the notes to the Consolidated Financial Statements) must be met before the plan will activate. Performance measures will comprise Group financial, Group strategic and Group non-financial targets, weighted 70%, 20%, 10%, respectively. The Group financial measures will comprise Reported EBIT, Net Sales and Total Average Working Capital + Cash Conversion, weighted 50%, 25%, 25% respectively. The Group strategic measures will be aligned to the 2023 strategy, linked to FY21 deliverables and the Group non-financial measures will be aligned to key strategic pillars and current priorities including culture, safety and sustainability goals. Threshold, target and stretch performance measures have been set. Corresponding payout levels are at a minimum of 50% of STI outcome at threshold, and up to a maximum total payout opportunity, as applicable to each Executive Team member. The deferred STI value in equity will be determined based on a dollar value divided by the VWAP for 14 trading days prior to and 14 trading days after the announcement of the Company's audited financial results in August 2021.

3. FY21 LTI reward framework

Under the FY21 LTI plan, the two performance measures of EPS and ROIC (excluding the outcome of the contingent liability detailed in note 7.4 in the notes to the Consolidated Financial Statements) will be maintained as dual measures of LTI outcomes, split 50/50. Outcomes will be paid in equity in the form of performance rights. The performance period to remain unchanged at three years commencing 1 July 2020 to 30 June 2023. The measurement period will use a CAGR approach, which means that FY23 CAGR outcome will determine vesting for FY21. No dividends are paid on unvested shares. LTI value will be determined based on a dollar value divided by the VWAP for 14 trading days prior to and 14 trading days after, the announcement of the Group's audited financial results in August 2020.

EPS measure

Performance Level	Annual EPS Growth Rate	Vesting %
Below Threshold	10%	0
Threshold	10%	50%
Between Threshold and Target	10% -15%	50% - 100% pro rata
Target	15%	Capped at 100%
Stretch	25%	Capped at 100%

ROIC measure

Performance Level	ROIC %	Vesting %
Below Threshold	Less than 7%	0
Threshold	7%	50%
Between Threshold and Target	7% - 9%	50 -100% pro rata
Target	9%	Capped at 100%
Stretch	11%	Capped at 100%

LTI payout outcomes (% of FAR)

	Threshold	Target	Stretch
CEO	50%	100%	200%
Executive Team	10%	20%	80%
Senior Manager	5%	10%	40%

4. There will be no increase in Non-Executive Director fees in FY21, with the exception of the Board Chairman fee as outlined below and in section 8 of the report. All other Non-Executive Director fees have remained static since 1 July 2018.

5. An independent review of Non-Executive Director fees was conducted in FY20. As a result of the current Board Chairman fee being below the 50th percentile of companies in the peer group, the Board has decided to increase the Chairman fee to \$305,000 per annum, inclusive of superannuation, on the appointment of the new Chairman. The total Directors' pool remains unchanged at \$1,300,000 and allows for six Non-Executive Directors.

6. Upon the appointment of the new Board Chairman, Marcus Blackmore will step down as Executive Director and will become a Non-Executive Director. At that time, he will be paid in accordance with Non-Executive Director fees and any rights to LTI will be forfeited. Current Non-Executive Director fees are provided in section 8 of the report and the projected FY21 annualised Non-Executive Director fees are \$1 million.

7. Minimum shareholding requirements

In order to assist in aligning the interests of Non-Executive Directors and the Executive Team including the CEO with the interests of the Company's shareholders, the Board approved a Minimum Shareholding Requirement (MSR) Policy Guideline in June and August 2020, respectively. Under the guideline, Non-Executive Directors and the Executive Team, including the CEO are encouraged to build minimum shareholding in the Company and maintain it during their tenure. In summary, the policy requires Non-Executive Directors to build minimum shareholding equal to 100% of the annual Non-Executive Director base fees including superannuation but not including Committee fees, within 3 years of their appointment. For determining whether the minimum shareholding has been met, the calculation is based on the share price at the time of purchase. For the CEO and the Executive Team, the policy requires shareholdings equal to 100% and 50% respectively of their total fixed remuneration within 5 years of their appointment.

I would like to take this opportunity to thank all the employees at Blackmores for their commitment and support through what can only be described as an extraordinary year in the history of the Company. The future is challenging but exciting, and together with a world class team, and the support of our loyal shareholders, I have no doubt that we will deliver on our FY23 Strategy.

On behalf of the Board and Committee, I invite you to read the 2020 Remuneration Report and welcome your feedback on our approach to and disclosure of Blackmores' remuneration arrangements.



Christine Holman
Chairman, People and Remuneration Committee

- 1/ Introduction
- 2/ Senior Executive Remuneration Outcomes Table
- 3/ Remuneration Governance and Framework
- 4/ Senior Executive Remuneration Structure
- 5/ Performance and Remuneration Outcomes
- 6/ Senior Executive Remuneration Tables - Statutory
- 7/ Employment Contracts
- 8/ Non-Executive Directors' Remuneration
- 9/ Non-Executive Directors' and Senior Executive Transactions

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 2020 (FY20) 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 executives defined as KMP who have authority and responsibility for planning, directing and controlling the activities of the Blackmores Group, directly or indirectly.

Key Management Personnel (KMP) - CEO and CFO, Executive Directors and Non-Executive Directors

Other Executives (non-KMP) - Executive Team members who are not KMP as defined by AASB 124.

Executive Team - Senior Executives and Other Executives (non-KMP).

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 2020:

Non-Executive Directors

David Ansell	Non-Executive Director and member of the Audit Committee, Risk Committee, People and Remuneration Committee and Nominations Committee
John Armstrong	Non-Executive Director, Chairman of the Audit Committee, Risk Committee and member of the Nominations Committee
Christine Holman	Non-Executive Director, Chairman of the People and Remuneration Committee (effective 12 August 2019), member of the Audit Committee, Risk Committee and Nominations Committee
Brent Wallace	Non-Executive Director, Chairman of the Board, Chairman of the Nominations Committee, member of the Audit Committee, Risk Committee and People and Remuneration Committee

Executive Directors

Marcus Blackmore	Executive Director, Interim Chief Executive Officer (from 1 April 2019 until 16 September 2019) and member of the Nominations Committee
Alastair Symington	Chief Executive Officer and Managing Director (joined 16 September 2019) and member of the Nominations Committee

Senior Executive

Gunther Burghardt	Chief Financial Officer (joined 6 January 2020)
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2020 REMUNERATION REPORT

Other Executives (non-KMP)

Current Other Executives (non-KMP) and their titles as at 30 June 2020 are listed in the following table. These executives are not KMP as defined by AASB 124. In some cases, where aspects of remuneration apply to other senior roles within Blackmores, the term 'executive' is also used.

Other Executives (non-KMP)

Lesley Braun	Director of Blackmores Institute
Cecile Cooper	Company Secretary and Chief Governance Officer
Jeremy Cowan	Chief Operations Officer
Jane Franks	Chief People Officer
Dean Garvey	Managing Director International
Kitty Liu	Managing Director China (joined 1 December 2019)
Joanne Smith	Chief Marketing and Innovation Officer (joined 2 March 2020)
Ayumi Uyeda	Managing Director Australia and New Zealand (joined 5 February 2020)
Brett Winn	Chief Information Officer

FY19 Remuneration Report feedback

At the FY19 AGM, Blackmores recorded a yes vote of 96.1% on the resolution to adopt the FY19 remuneration report. Feedback received from shareholders indicated that some disclosures lacked transparency and some remuneration practices may have been out of alignment with market practice and shareholder expectations. The Board takes these concerns seriously and has proactively sought to address shareholder concerns. The following table summarises the concerns raised and how Blackmores has addressed those concerns.

Subject	Key concerns	Actions to address key concerns
CEO contract and Remuneration	<ul style="list-style-type: none"> The CEO's fixed remuneration was higher than the median for total fixed remuneration of the Company's index bracket peers in FY19. High fixed remuneration is viewed with scepticism as such remuneration is not directly linked to performance and may serve as a crutch when performance has fallen below expectations. 	<ul style="list-style-type: none"> We acknowledge that the CEO's total target reward was higher than peers, however the Board is satisfied that the remuneration level was appropriately benchmarked and positioned - aligned with the strategy of attracting world class talent with the right mix of knowledge, multi-market experience and skills that are required to drive Blackmores' growth strategy and transformation program. In FY21, The CEO's remuneration mix at maximum reward is set at 23% (Fixed Remuneration), 31% (STI/Profit share) and 46% (LTI) which is balanced and strengthens the link between performance and reward outcomes. As outlined in the report, there will be no increase to the CEO's fixed remuneration in FY21 and no variable reward payable if threshold achievement outcomes are not met under Blackmores' Short-Term and Long-Term incentive plans.
Disclosure of STI financial targets	<ul style="list-style-type: none"> There is insufficient disclosure and transparency on STI financial targets and the assessment of outcomes which causes difficulty for shareholders to determine whether targets are sufficiently rigorous and aligned with shareholder expectations. The Company has not provided specific disclosures regarding performance hurdles under the STI plan, particularly in terms of the actual financial targets and outcomes under the 'individual objectives' component. 	<ul style="list-style-type: none"> FY20 STI disclosures, are outlined in the Chairman's introductory letter on page 50, item number 2. FY21 STI changes are outlined in the Chairman's introductory letter on page 51, item number 2.
Disclosure of LTI performance hurdles	<ul style="list-style-type: none"> The Company has not disclosed the EPS and ROIC performance hurdles that apply to the CEO's FY20 LTI grant for which it is seeking approval for at the 2019 AGM. 	<ul style="list-style-type: none"> At the time, the delay in disclosure was due to the acquisition of Catalent Australia's manufacturing facility in Braeside, Victoria, pending the full financials upon completion of the acquisition in late October 2019. The detail was subsequently disclosed in February 2020 and is provided on page 62. FY21 LTI hurdles are provided in the Chairman's introductory letter on page 51, item number 3.

2020 REMUNERATION REPORT

Subject	Key concerns	Actions to address key concerns
Minimum shareholder requirements	<ul style="list-style-type: none"> Minimum shareholder requirements are not disclosed. What is Blackmores' policy on minimum shareholder requirements? 	<ul style="list-style-type: none"> A minimum shareholder requirement policy guideline has been approved by the Board for both Non-Executive Directors, the CEO and the Executive Team and is outlined in the Chairman's introductory letter on page 52, item number 7.
Board structure	<ul style="list-style-type: none"> What are the changes to Board structure? 	<ul style="list-style-type: none"> Changes to Blackmores' Board structure in FY21 is outlined in the Chairman's introductory letter on pages 49 and 52, item number 6.
NED Fee Review	<ul style="list-style-type: none"> NED fees in excess of median 	<ul style="list-style-type: none"> An independent review of Non-Executive Director fees was conducted in FY20 by Ernst & Young. As a result of the review, NED fees including Committee fees which are in line with the 50th percentile of companies in the peer group will remain at current levels with no changes in FY21, which is two years in a row that fees have remained static. The review found that the current Board Chairman fee is below the 50th percentile of companies in the peer group and as such the Board has decided to increase the Chairman fee to \$305,000 per annum, inclusive of superannuation, on the appointment of the new Chairman. The total Directors' pool remains unchanged at \$1,300,000 and allows for six Non-Executive Directors.
CEO & KMP Benchmarking	<ul style="list-style-type: none"> Benchmarking the CEO's remuneration along with other executive KMP is not adequately disclosed resulting in inconsistent assessment of pay against the market and the Company's policy. 	<ul style="list-style-type: none"> Blackmores has not disclosed benchmarking data; rather overall practice. CEO and Executive Team remuneration were structured on work conducted by Mercer in FY19. That benchmarking was used to determine the remuneration packages of the CEO and Executive Team. As such, no specific benchmarking was done in FY20 for the CEO or the new Executive Team members. FY21 fixed remuneration will remain unchanged and stay at FY20 levels for the CEO and the Executive Team. In FY21, benchmarking will be undertaken of the CEO and the Executive Team remuneration by the Board.
Profit Share	<p>This year, the Company has not disclosed the portion of FY19 NPAT distributed to employees but notes that this is the equivalent of 15 days' incremental salary (FY18: 26 days).</p>	<ul style="list-style-type: none"> Detail on the amount of profit share paid in FY20 and FY19 is outlined in the Chairman's introductory letter on page 50, item number 4. As currently designed, profit share ensures that all employees of Blackmores share in the profits of the Company in a fair and equitable way.
The accrual of Dividends	<p>Accrual of dividends on unvested shares is inconsistent with shareholder interests and local market practices, noting that there can be no assertion of any present entitlement to dividends prior to determination of vesting, when the participant satisfies the vesting conditions.</p>	<ul style="list-style-type: none"> There are no accrual or payment of dividends on unvested share rights.

2020 REMUNERATION REPORT

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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 the Senior Executives, who were KMP of Blackmores during the year.

The table sets out the remuneration that the KMP became entitled to during FY20 and that was either paid or payable during the financial year or will be paid subsequent to the end of the year.

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

1. Leave movements - the statutory remuneration table shows annual leave and long service leave 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 FY20 portion of the fair value of rights granted in FY18, FY19 and FY20 under the LTI plan and the Staff Share Plan. Vesting of FY19 and FY20 rights under the LTI plan and the FY20 rights under the Staff Share Plan remain subject to performance and service conditions being met in the future.

The FY17 rights under the LTI plan were 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.

The FY18 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 FY18 LTI awards.

The FY19 rights under the staff share plan which have vested were valued at \$141.95 in the statutory remuneration table. This differs to the following outcomes table, which includes the FY19 share plan awards valued at \$89.68, which was the share price on the 31 July 2019 vesting date.

	SALARY AND FEES \$	STI AND PROFIT SHARE \$	NON-MONETARY ¹ \$	OTHER ² \$	SUPERANNUATION \$	TOTAL \$	EQUITY THAT VESTED DURING 2020 ³ \$	TOTAL REMUNERATION RECEIVED \$
Executive Directors								
Marcus Blackmore ⁴								
2020	354,857	5,588	10,314	4,836	21,003	396,598	-	396,598
2019	361,616	20,954	40,582	-	20,531	443,683	-	443,683
Alastair Symington ⁵								
2020	974,007	9,687	42,041	300,000	21,003	1,346,738	-	1,346,738
Senior Executive								
Gunther Burghardt ⁶								
2020	274,122	-	33,912	-	10,501	318,535	-	318,535
Former Executive Director								
Richard Henfrey ⁷								
2019	722,053	36,855	20,139	-	15,398	794,445	-	794,445
Former Senior Executives								
Aaron Canning ⁸								
2020	407,059	8,796	2,930	2,923	11,066	432,774	2,870	435,644
2019	571,288	32,945	-	2,600	23,131	629,964	3,702	633,666
David Fenlon ⁹								
2019	609,317	35,157	9,519	-	20,531	674,524	-	674,524
Peter Osborne ¹⁰								
2020	830,392	9,333	-	-	-	839,725	3,049	842,774
2019	603,809	33,710	-	-	-	637,519	3,702	641,221
Total								
2020	2,840,437	33,404	89,197	307,759	63,573	3,334,370	5,919	3,340,289
2019	2,868,083	159,621	70,240	2,600	79,591	3,180,135	7,404	3,187,539

1. 'Non-monetary' includes benefits such as relocation and accommodation benefits and any fringe benefits tax paid on these benefits.
2. 'Other' includes insurance and superannuation membership fees for Marcus Blackmore and Aaron Canning. \$300,000 for Alastair Symington is contractual sign-on cash payment made to Mr Symington following commencement of employment.
3. The equity that vested in FY20 year relates to the FY19 Staff Share Plan grant. The value disclosed is based on the share price on the vesting date 31 July 2019.
4. Marcus Blackmore's number of days worked increased in FY19.

5. Alastair Symington joined as Chief Executive Officer and Managing Director on 16 September 2019.
6. Gunther Burghardt joined as Chief Financial Officer on 6 January 2020.
7. Richard Henfrey ceased as an Executive Director on 29 March 2019.
8. Aaron Canning ceased as a Senior Executive on 6 January 2020.
9. David Fenlon ceased as a Senior Executive on 30 June 2019.
10. Peter Osborne ceased as a Senior Executive on 20 December 2019.

2020 REMUNERATION REPORT

Other Executives (non-KMP)

The following table has been provided to disclose non-statutory remuneration information to assist shareholders in understanding the total value of the remuneration of Other Executives who are members of the Executive Team, but were not KMP of Blackmores during the year.

The table sets out the remuneration to which the non-KMP executives became entitled during FY20 and that was either paid or payable during the financial year or will be paid subsequent to the end of the year.

	SALARY AND FEES \$	STI AND PROFIT SHARE \$	NON-MONETARY ¹ \$	OTHER ² \$	SUPERANNUATION \$	TOTAL \$	EQUITY THAT VESTED DURING 2020 ³ \$	TOTAL REMUNERATION RECEIVED \$
2020 ⁴	3,053,489	38,133	283,320	5,215	130,372	3,510,529	2,870	3,513,399
2019 ⁵	1,780,566	239,995	130,979	4,143	97,524	2,253,207	3,702	2,256,909

1. 'Non-monetary' includes benefits such as relocation and accommodation benefits and any fringe benefits tax paid on these benefits.
2. 'Other' includes insurance and superannuation membership fees.
3. The equity that vested in FY20 year relates to the FY19 Staff Share Plan grant. The value disclosed is based on the share price on the vesting date 31 July 2019. 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 2019.
- 4/5. Being the first year of aggregated reporting, the change in quantum of total remuneration between 2019 and 2020 is exaggerated due to changes in the inclusion and exclusion of Executives in KMP and Executives who have departed the business during the course of FY19 and FY20. It was always envisaged that the first year of aggregated reporting would reflect such a disparity. FY21 will provide a more balanced and consistent comparison to FY20 to ensure shareholders have line of sight to total Other Executives (non-KMP) Remuneration.

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, 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 currently comprises three independent Non-Executive Directors who have experience in both remuneration governance and the Blackmores business.

The members during FY20 were Helen Nash (Committee Chairman, resigned 5 August 2019), Christine Holman (Committee Chairman, from 12 August 2019), David Ansell, Jackie McArthur (resigned 5 August 2019) and Brent Wallace.

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, Executive Team members 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 engaged Ernst & Young to provide advice on performance-based remuneration. The Board was satisfied that the advice received was free from any undue influence by KMP or other executives 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 in FY20 was \$62,000.

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) - Comprises cash payments (and where applicable there is a deferral of a portion of the award into equity), 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 Group level performance benchmarks based on quantitative and qualitative gateway measures and a Group STI pool is determined based on three key performance measures: Group NPAT, Group Net Sales, and Group Operating Cash Conversion.

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 may provide an additional benefit by matching these purchased shares on a pre-determined matching ratio, subject to capping of the total cost. Exercise of the matched shares is at no cost and vesting takes place once the service condition has been met.

Profit share - Executive Directors and Senior Executives participate in the same cash-based profit share plan as all 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. In the case of Marcus Blackmore (Executive Director) and Kitty Liu (Managing Director China), a cash equivalent is paid in lieu of shares

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, nor recommended for FY21.

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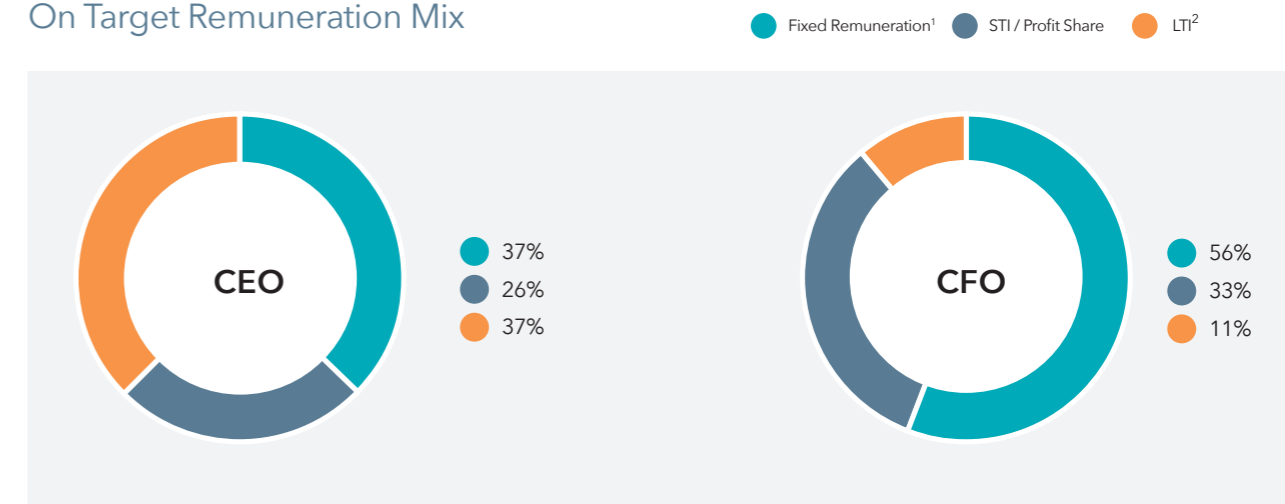
SENIOR EXECUTIVE REMUNERATION STRUCTURE

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.

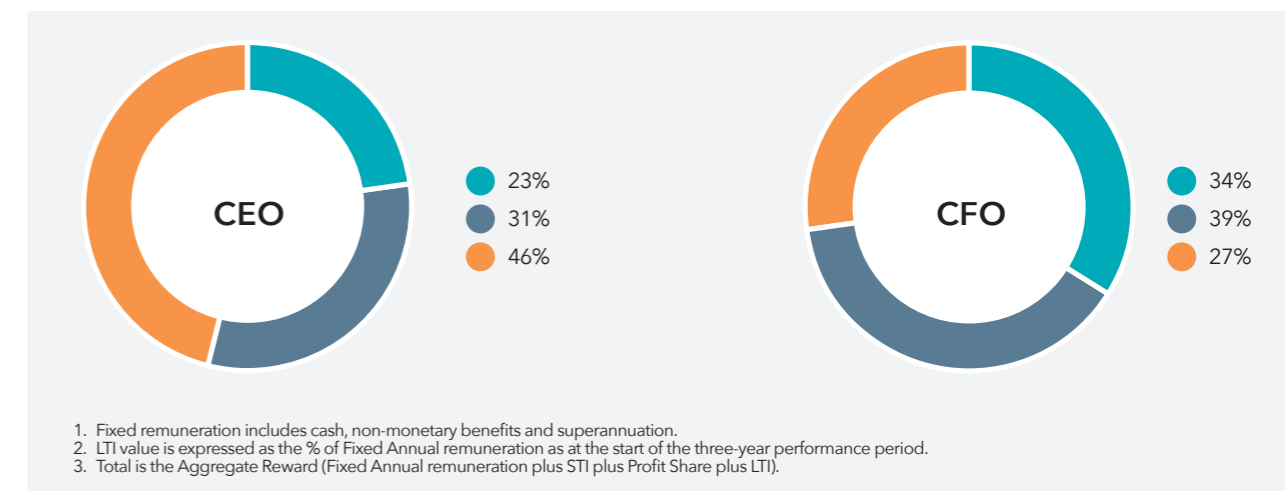
Blackmores' target of fixed and at-risk components of the current Senior Executives' remuneration is disclosed in the report as a percentage of total target annual remuneration for FY20 and is as follows:

On Target Remuneration Mix



At maximum levels of STI and LTI, the mix of remuneration elements expressed as a % of total remuneration³ is as follows:

Remuneration Mix at Maximum Reward



Fixed Annual Remuneration (FAR)

FAR includes base salary, superannuation, and any non-monetary benefits such as motor vehicle benefits (including fringe benefits tax).

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. Senior Executives received no increase to FAR during the FY20 year.

2020 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 cash award 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. Where applicable to the amount of award payable, there is a deferral of a portion of the cash award into equity.

	Chief Executive Officer	% of FAR	Chief Financial Officer
What is the amount the eligible employee can earn?	Target 60		50
	Maximum 120		100

What were the performance conditions for FY20? **Gateway measures:** In order for any STI to be paid, certain minimum threshold levels of performance (gateways) at the Group level must be met for:

- Quantitative: Group Net Profit after Tax (NPAT); and
- Qualitative: A discretionary gateway determined by the Board to decide whether Blackmores has performed satisfactorily in the areas of brand reputation, safety, and quality.

Group STI pool: Once the gateways have been achieved, a Group STI pool is determined based on three key performance measures:

- Group NPAT (weighting: 50% of the overall pool)
- Group Net Sales (weighting: 25% of the overall pool)
- Group Operating Cash Conversion (weighting: 25% of the overall pool)

Each of the above three measures has its own corresponding threshold, target and stretch performance levels and corresponding payout level.

Local Market / Functional pool: Each local market / function is then allocated a proportion of the Group pool relative to other markets / functions.

Individual assessment: Individual performance is rated against individual KPIs and an individual bonus payment multiplier is used to determine an individual's STI % outcome.

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.

Group measures ensure that employees are working towards overall Group objectives and performance. The pool funding mechanism is based on overall Group performance against three key business metrics.

Individual performance drives performance at local market/function level which contributes to Group level performance. The plan aims to drive a performance culture and allows for greater differentiation at both the local market/function and individual levels and recognises contributions that have led to success of the broader Blackmores Group.

Blackmores' policy is that STI awards will only be paid when Blackmores meets the required gateway and performance hurdles.

In addition, Senior Executives are not awarded any STI in the instance of the lowest personal performance assessment.

When are performance conditions tested? Performance conditions are tested and 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 to 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.

2020 REMUNERATION REPORT

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 normally 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 the maximum capped total cost to the Company. In order to be eligible to receive matching shares, an Executive must be employed by the Company at 30 June and have purchased shares during the year which remain in the plan as at the vesting date (which is normally 31 July).

What were the performance conditions for FY20? The matching ratio is normally one share for every three shares purchased during the financial year. The total cost to the Company is capped at \$500,000 for the matched shares. For FY20, the Company did not apply the matched shares component of the Staff Share 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 following completion of the annual service period and subject to vesting (vesting date is normally 31 July and the issuing of matched shares normally occurs no later than 15 August).

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 FY20? 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.

2020 REMUNERATION REPORT

Long-Term Incentives (LTI) - performance conditions

What is the amount the eligible employee can earn?	Chief Executive Officer	Senior Executives
% of target performance	% of FAR	
Measure: Rate of EPS growth		
Less than 5	0	0
5	50	10
5 to 10	50 - 100 pro rata	10 - 40 pro rata
10	100	40
Greater than 10	100	40
Measure: Return on Average Invested Capital		
Less than 18.1	0	0
18.1	50	10
18.1 to 21	50 - 100 pro rata	10 - 40 pro rata
21	100	40
Greater than 21	100	40

What were the performance condition for FY20?

- Three-year Earnings Per Share (EPS) CAGR. Weighting: 50%
- Three-year Return on Average Invested Capital (ROIC). Weighting: 50%

The three-year performance period for the EPS and ROIC measures is FY20 - FY22.

Why were these performance measures chosen?

EPS performance measure:

- In determining the EPS performance measure 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.

ROIC performance measure:

- The introduction of ROIC performance measure will allow Blackmores to assess its efficiency at allocating the capital under its control to profitable investments, giving a sense of how well Blackmores is using its money to generate returns. ROIC focuses on managing both the financial returns and the invested capital base used to generate those returns.

ROIC, alongside a traditional profitability measure such as EPS, provides a means to base the level of profitability generated - once capital has been taken into account. It ensures alignment with the long-term focus on return and ensures improvement of execution standards.

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 volume 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 results 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 2022 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 Marcus Blackmore (Executive Director) and Kitty Liu (Managing Director China), 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 and ROIC 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'.

2020 REMUNERATION REPORT

Long-Term Incentives (LTI) - performance conditions (cont.)

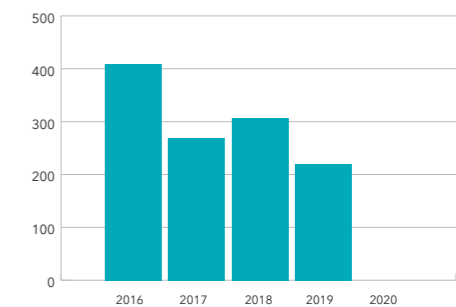
Does the Board have an Executive Clawback Policy?

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.

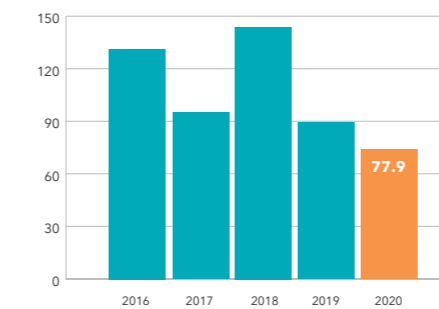
5/ PERFORMANCE AND REMUNERATION OUTCOMES

Performance Incentives - Actual Performance 2020 Financial Year

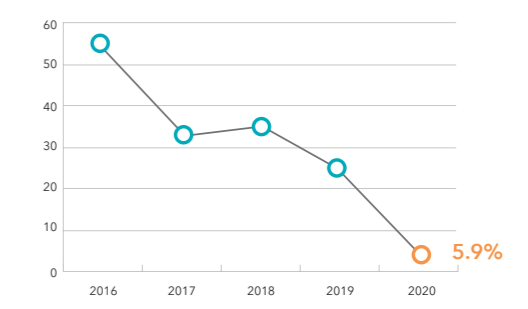
DIVIDEND PER SHARE (CENTS)



SHARE PRICE (\$)



RETURN ON EQUITY (%)



Short-Term Incentives (STI)

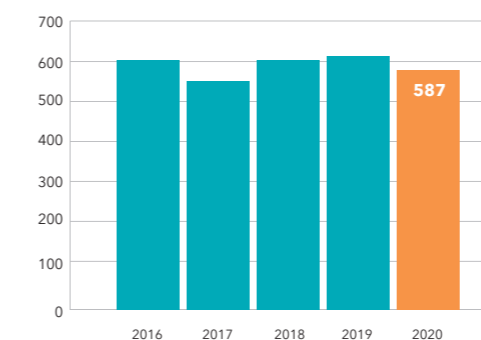
Similar to previous years, NPAT achievement was selected as the key Group performance measure for the STI awards in respect of FY20. The Directors also include strategic measures for the STI awards to align with the key strategic objectives in a year. In respect of FY20, the Directors selected Group Net Sales and Group Operating Cash Conversion as other strategic measures.

Blackmores' FY20 statutory NPAT of \$18.1 million represented a 66% 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 in FY20 (2019: \$0).

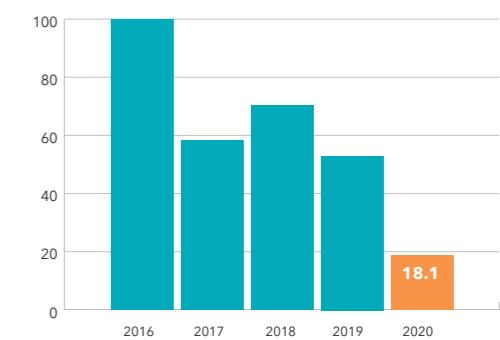
This award is included under the 'STI and Profit Share' column in the remuneration disclosures table on page 65.

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

NET SALES (\$M)



NPAT (\$M)



*Includes Global Therapeutics.

2020 REMUNERATION REPORT

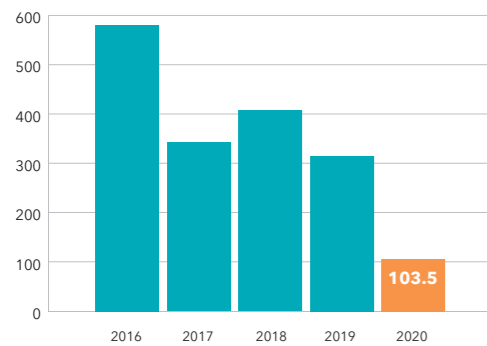
Long-Term Incentives (LTI)

EPS achievement was selected as the Group performance measure for the LTI awards in previous years. Under the FY20 LTI plan, an additional measure of Return on Average Invested Capital (ROIC), was introduced to the plan. The two measures (EPS and ROIC) are equally weighted 50/50.

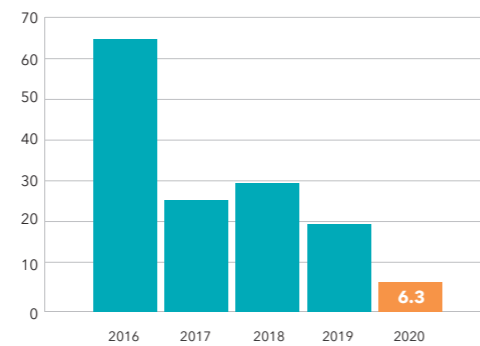
The LTI plan includes a three-year performance period. Due to a failure to meet the EPS performance hurdle, there were no FY18 LTI awards eligible to vest in FY20. The FY19 and FY20 awards were not eligible to vest in the current year.

The total remuneration for the financial year, the details of which are shown on page 65 includes an accounting expense of nil (2019: expense reversal of \$504,006) 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 Marcus Blackmore (Executive Director) and Kitty Liu (Managing Director China), a cash equivalent is paid in lieu of shares.

EPS (CENTS)



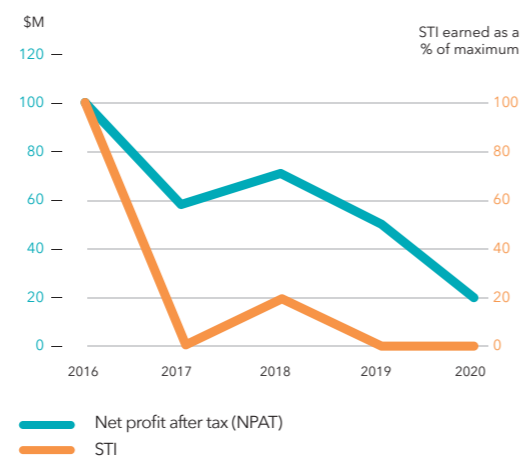
ROIC (%)



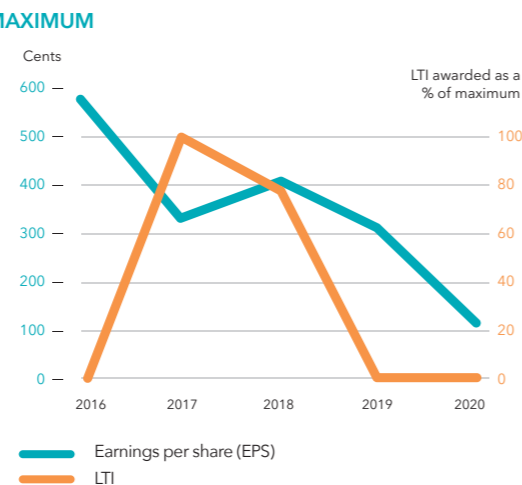
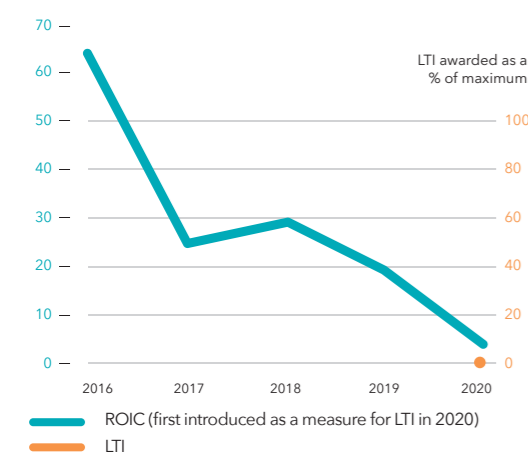
CEO remuneration outcomes - Five-year history

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. Alastair Symington was appointed CEO during FY20 and the non-awarding of FY20 STI and LTI is based on the performance hurdles for the Company not being met.

STI EARNED AS A % OF MAXIMUM



ROIC (%)



2020 REMUNERATION REPORT

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SENIOR EXECUTIVE REMUNERATION TABLES - STATUTORY

The following table discloses the remuneration outcomes of the Senior Executives of Blackmores for the financial year ended 30 June 2020. 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 56 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 FY18 year which did not vest and the FY19 and FY20 years which have not yet vested.

	SHORT-TERM EMPLOYMENT BENEFITS				POST-EMPLOYMENT BENEFITS	OTHER LONG-TERM EMPLOYMENT BENEFITS	SHARE-BASED PAYMENT	TOTAL \$
	SALARY AND FEES \$	STI AND PROFIT SHARE ¹ \$	NON-MONETARY ² \$	OTHER ³ \$	SUPER-ANNUATION \$	OTHER ⁴ \$	PERFORMANCE RIGHTS ^{5,6} \$	
Executive Directors								
Marcus Blackmore ⁷								
2020	354,857	5,588	15,150	-	21,003	-	-	396,598
2019	361,616	20,954	40,582	-	20,531	-	(15,031)	428,652
Alastair Symington ⁸								
2020	974,007	9,687	42,041	377,899	21,003	-	-	1,424,637
Senior Executive								
Gunther Burghardt ⁹								
2020	274,122	-	33,912	13,238	10,501	-	-	331,773
Former Executive Director								
Richard Henfrey ¹⁰								
2019	663,209	36,855	20,139	57,837	15,398	15,560	(286,137)	522,861
Former Senior Executives								
Aaron Canning ¹¹								
2020	381,499	8,796	5,853	23,185	12,466	42,680	378	474,857
2019	544,974	32,945	-	46,557	23,131	5,844	(70,674)	582,777
David Fenlon ¹²								
2019	558,260	35,157	9,519	50,446	20,531	8,091	(71,306)	610,698
Peter Osborne ¹³								
2020	717,857	9,333	-	28,048	-	-	402	755,640
2019	585,785	33,710	-	52,787	-	-	(53,464)	618,818
Total								
2020	2,702,342	33,404	96,956	442,370	64,973	42,680	780	3,383,505
2019	2,713,844	159,621	70,240	207,627	79,591	29,495	(496,612)	2,763,806

1. 'STI and profit share' includes amounts paid by way of profit share in December 2019.
2. 'Non-monetary' includes benefits such as relocation and accommodation benefits and any fringe benefits tax paid on these benefits.
3. 'Other' shown in short-term employment benefits relates to provisions for annual leave, with the exception of the \$377,899 amount showing for Alastair Symington, of which \$77,899 relates to provision for annual leave and \$300,000 relates to contractual sign-on cash payment made to Mr Symington following commencement of employment.
4. 'Other' shown in long-term employment benefits relates to provisions for long service leave.
5. The FY20 share-based payments include the LTI plan and represent the FY20 portion of the fair value of rights granted in FY18, FY19 and FY20. The FY18 rights have not vested and there is nil value included in FY20 as the performance conditions were not met. Vesting of the FY19 and FY20 rights remains subject to performance and service conditions as outlined on page 62.
6. The FY20 share-based payments include the Staff Share Plan and represent the FY20 portion of the fair value of rights granted in FY19.
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. Alastair Symington joined as Chief Executive Officer and Managing Director on 16 September 2019.
9. Gunther Burghardt joined as Chief Financial Officer on 6 January 2020.
10. Richard Henfrey ceased as an Executive Director on 29 March 2019.
11. Aaron Canning ceased as a Senior Executive on 6 January 2020.
12. David Fenlon ceased as a Senior Executive on 30 June 2019.
13. Peter Osborne ceased as a Senior Executive on 20 December 2019.

2020 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 FY20 remuneration mix detailed in the Statutory Remuneration table.

	NON-PERFORMANCE-RELATED REMUNERATION ¹ %	STI AND PROFIT SHARE %	PERFORMANCE RIGHTS ^{2,3} %	TOTAL PERFORMANCE-RELATED REMUNERATION %
Executive Directors				
Marcus Blackmore				
2020	98.6%	1.4%	0.0%	1.4%
2019	98.6%	4.9%	-3.5%	1.4%
Alastair Symington ⁴				
2020	99.3%	0.7%	0.0%	0.7%
Senior Executive				
Gunther Burghardt ⁵				
2020	100.0%	0.0%	0.0%	0.0%
Former Executive Director				
Richard Henfrey ⁶				
2019	147.7%	7.0%	-54.7%	-47.7%
Former Senior Executives				
Aaron Canning ⁷				
2020	98.1%	1.9%	0.1%	1.9%
2019	106.5%	5.7%	-12.1%	-6.5%
David Fenlon ⁸				
2019	105.9%	5.8%	-11.7%	-5.9%
Peter Osborne ⁹				
2020	98.7%	1.3%	0.1%	1.3%
2019	103.2%	5.4%	-8.6%	-3.2%
Total				
2020	99.0%	1.0%	0.0%	1.0%
2019	112.2%	5.8%	-18.0%	-12.2%

- 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'.
- Performance Rights includes the LTI plan and represents the FY20 accounting expense of the FY20 portion of the rights granted in FY18, FY19 and FY20. The FY20 portion of the FY19 rights includes a reversal of the amount amortised in FY19.
- Performance Rights includes the Staff Share Plan and represents the FY20 accounting expense of the FY20 portion of the rights granted in FY20.
- Alastair Symington joined as Chief Executive Officer and Managing Director on 16 September 2019.
- Gunther Burghardt joined as Chief Financial Officer on 6 January 2020.
- Richard Henfrey ceased as an Executive Director on 29 March 2019.
- Aaron Canning ceased as a Senior Executive on 6 January 2020.
- David Fenlon ceased as a Senior Executive on 30 June 2019.
- Peter Osborne ceased as a Senior Executive on 20 December 2019.

2020 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 2020.

	STI		
	INCLUDED IN REMUNERATION ^{1,3}	% OF STI AWARD AS A MAXIMUM STI AWARD	% OF MAXIMUM STI AWARD FORFEITED ²
Executive Directors			
Marcus Blackmore	-	-	100
Alastair Symington ⁴	-	-	100
Senior Executive			
Gunther Burghardt ⁵	-	-	100
Former Senior Executives			
Aaron Canning ⁶	-	-	100
Peter Osborne ⁷	-	-	100

- 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.
- Amounts forfeited are due to the performance or service criteria not being met in relation to the current financial year.
- The awards are paid according to the table on page 60.
- Alastair Symington joined as Chief Executive Officer and Managing Director on 16 September 2019.
- Gunther Burghardt joined as Chief Financial Officer on 6 January 2020.
- Aaron Canning ceased as a Senior Executive on 6 January 2020.
- Peter Osborne ceased as a Senior Executive on 20 December 2019.

Share-based payments

The table below outlines the shares and rights over ordinary shares in the Company that were granted as compensation to Executive Directors and Senior Executives during FY20 and FY19. 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	VALUE OF RIGHTS NOT VESTED ⁵	
	DATE	NUMBER OF RIGHTS	FAIR VALUE PER RIGHT ¹	TOTAL FAIR VALUE ¹	SHARE PRICE ²	MAXIMUM VALUE ³	DATE	NUMBER OF RIGHTS	% OF NUMBER GRANTED	VALUE ⁴	NUMBER OF RIGHTS	VALUE ⁵		DATE
Executive Director														
Alastair Symington ⁴	31/10/19	13,650	86.56	1,181,544	73.26	1,000,000	-	-	-	-	-	-	09/22	-
	19/12/19	35,622	81.47	2,902,124	84.74	3,018,608	-	-	-	-	-	-	08/22	-
Senior Executive														
Gunther Burghardt ⁷	26/6/20	6,098	75.29	459,118	77.23	470,949	-	-	-	-	-	-	08/22	-
Former Senior Executives														
Aaron Canning ⁸	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	-	-	-	-	-	-	08/21	407,808
Peter Osborne ⁹	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	-	-	-	-	-	-	08/21	385,920

- 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. FY20 grant over 1 July 2019 to 30 June 2022).
- 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.
- 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.
- Value of rights vested is equal to the fair value per right multiplied by the number of rights vested.
- Value of rights at exercise is equal to the number of rights exercised multiplied by the share price at exercise date.
- Alastair Symington joined as Chief Executive Officer and Managing Director on 16 September 2019. 13,650 number relates to grant of contractual sign-on shares.
- Gunther Burghardt joined as Chief Financial Officer on 6 January 2020.
- Aaron Canning ceased as a Senior Executive on 6 January 2020.
- Peter Osborne ceased as a Senior Executive on 20 December 2019.

2020 REMUNERATION REPORT

(b) Staff share plan

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

- 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).
- Richard Henfrey ceased as an Executive Director on 29 March 2019 and his rights balance reflects holdings as at that date.
- Aaron Canning ceased as a Senior Executive on 6 January 2020 and his rights balance reflects holdings as at that date.
- Peter Osborne ceased as a Senior Executive on 20 December 2019 and his rights balance reflects holdings as at that date.

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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.

Name	Notice Periods/Termination Payment
CEO and CFO	Six months' notice (or payment in lieu). May be terminated immediately for serious misconduct.
Executive Director and Senior Executives	Three months' notice (or payment in lieu). May be terminated immediately for serious misconduct.
	Redundancy Payments¹
	Years of continuous service
	Termination payments
	Up to one year
	Two weeks' pay.
	Between one and 10 years
	Two weeks' pay plus an additional three weeks of pay for each completed year of service.
	10 years or more
	29 weeks' pay plus an additional three weeks of pay for each completed year of service following 10 years capped at a maximum of 52 weeks of pay.

- 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.

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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.

At a meeting held on 25 October 2018, shareholders 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. The pool value remains unchanged and allows for six Non-Executive Directors.

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 FY20. Fees are in line with the 50th percentile of companies in the peer group, with the exception of the Board Chairman fee which is below the 50th percentile.

2020 REMUNERATION REPORT

Non-Executive Director fees (inclusive of superannuation) for FY20 include:

FEES	2020		2019	
	CHAIRMAN \$	MEMBER \$	CHAIRMAN \$	MEMBER \$
Board	279,615	142,350	279,615	142,350
Audit and Risk ¹	21,900	10,950	21,900	10,950
People and Remuneration	21,900	10,950	21,900	10,950
Nominations	-	-	-	-

1. The Audit and Risk Committee was renamed Audit Committee. Risk Committee was created February 2020. There are no additional fees for the Risk Committee.

The total annual Non-Executive Director remuneration for the Board of three (2019: six) Non-Executive Directors for FY20 was \$803,690 (2019: \$1,063,979).

The following table discloses the remuneration of the Non-Executive Directors for the financial year ended 30 June 2020.

	FEES AND ALLOWANCES \$	SHORT-TERM EMPLOYMENT BENEFITS	POST EMPLOYMENT BENEFITS	TOTAL \$
		NON-MONETARY ¹ \$	SUPERANNUATION \$	
Non-Executive Directors				
David Ansell				
2020	146,538	-	13,921	160,459
2019	146,688	-	13,935	160,623
John Armstrong				
2020	146,538	134	13,921	160,593
2019	146,688	-	13,935	160,623
Christine Holman ²				
2020	155,116	-	14,736	169,852
2019	42,692	-	4,055	46,747
Brent Wallace ³				
2020	254,000	-	20,882	274,882
2019	227,592	6,219	19,481	253,292
Former Non-Executive Directors				
Stephen Chapman ⁴				
2019	97,692	12,453	7,778	117,923
Jackie McArthur ⁵				
2020	17,308	-	1,644	18,952
2019	146,692	-	13,935	160,627
Helen Nash ⁵				
2020	17,308	-	1,644	18,952
2019	149,904	-	14,240	164,144
Total				
2020	736,808	134	66,748	803,690
2019	957,948	18,672	87,359	1,063,979

- 'Non-monetary' includes benefits and any applicable fringe benefits tax.
- Christine Holman joined as a Non-Executive Director on 18 March 2019 and was appointed Chairman of the People and Remuneration Committee on 12 August 2019.
- Brent Wallace was in the role of Chairman from 25 October 2018.
- Stephen Chapman was in the role of Chairman from 1 March 2017 to 25 October 2018 and resigned as a Non-Executive Director on 27 November 2018.
- Jackie McArthur and Helen Nash resigned as Non-Executive Directors on 5 August 2019.

2020 REMUNERATION REPORT

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NON-EXECUTIVE DIRECTORS AND SENIOR EXECUTIVE TRANSACTIONS

Equity holdings

During FY20 and FY19 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 30/6/19 NUMBER	RECEIVED ON SETTLEMENT OF RIGHTS NUMBER	NET CHANGE OTHER' NUMBER	BALANCE AT 30/6/20 NUMBER
Non-Executive Directors				
David Ansell	1,000	-	-	1,000
John Armstrong	800	-	-	800
Christine Holman	1,500	-	1,000	2,500
Brent Wallace	12,302	-	-	12,302
Executive Directors				
Marcus Blackmore	4,010,042	-	(351,766)	3,658,276
Alastair Symington ²	-	-	18,123	18,123
Senior Executive				
Gunther Burghardt ³	-	-	500	500
Former Non-Executive Directors				
Jackie McArthur ⁴	600	-	-	600
Helen Nash ⁴	1,487	-	-	1,487
Former Senior Executives				
Aaron Canning ⁵	23,269	32	2,082	25,383
Peter Osborne ⁶	7,838	34	(7,427)	445
Total	4,058,838	66	(337,488)	3,721,416

1. Includes shares issued under the Company's Staff Share Plans.
2. Alastair Symington joined as Chief Executive Officer and Managing Director on 16 September 2019. These shares include 13,650 restricted shares.
3. Gunther Burghardt joined as Chief Financial Officer on 6 January 2020.
4. Jackie McArthur and Helen Nash resigned as Non-Executive Directors on 5 August 2019 and their share balance reflects holdings at that date.
5. Aaron Canning ceased as a Senior Executive on 6 January 2020 and his share balance reflects holdings as at that date.
6. Peter Osborne ceased as a Senior Executive on 20 December 2019 and his share balance reflects holdings as at that date.

Rights to shares

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

	BALANCE AS AT 1/7/19 NUMBER	GRANTED AS COMPEN- SATION NUMBER	EXERCISED NUMBER	NET OTHER CHANGE NUMBER	BALANCE AS AT 30/6/20 NUMBER	BALANCE VESTED AT 30/6/20 NUMBER	VESTED BUT NOT EXERCISABLE NUMBER	VESTED AND EXERCISABLE NUMBER	RIGHTS VESTED DURING YEAR NUMBER
Executive Director									
Alastair Symington ¹	-	35,622	-	-	35,622	-	-	-	-
Senior Executive									
Gunther Burghardt ²	-	6,098	-	-	6,098	-	-	-	-
Former Senior Executives									
Aaron Canning ³	7,042	-	(32)	(7,010)	-	-	-	-	32
Peter Osborne ⁴	5,984	-	(34)	(5,950)	-	-	-	-	34
Total	13,026	41,720	(66)	(12,960)	41,720	-	-	-	66

1. Alastair Symington joined as Chief Executive Officer and Managing Director on 16 September 2019.
2. Gunther Burghardt joined as Chief Financial Officer on 6 January 2020.
3. Aaron Canning ceased as a Senior Executive on 6 January 2020.
4. Peter Osborne ceased as a Senior Executive on 20 December 2019.

2020 REMUNERATION REPORT

Loan disclosures

There were no loan balances exceeding \$100,000 due from KMP during or at the end of the financial year (2019: \$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, 24 August 2020

1 OUR MISSION

2 HIGHLIGHTS

3 INTRODUCTION

4 CEO'S YEAR IN REVIEW

5 COMPANY LEADERSHIP

6 OPERATING REVIEW

7 SUSTAINABILITY & COMMUNITY

8 FINANCIAL REPORT

9 REMUNERATION REPORT



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24 August 2020

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 2020, 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

Liability Limited by a scheme approved under Professional Standards Legislation
 Member of Deloitte Asia Pacific Limited and the Deloitte organisation.

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 2020, 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 2020 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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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.

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Acquisition accounting</p> <p>On 25 October 2019, the Group acquired Catalent Australia Pty Limited's manufacturing facility in Braeside Victoria (the "transaction") for consideration of \$57.0m as disclosed in Note 3.5. Based on the purchase price allocation performed by management the net assets acquired exceeded the total consideration paid and therefore a bargain purchase gain of \$6.2m was recognised in profit and loss as disclosed in Note 3.5.</p> <p>As a bargain purchase gain was determined, in accordance with Australian Accounting Standards the Group was required to:</p> <ul style="list-style-type: none"> Reassess whether all of the assets acquired and all of the liabilities assumed had been correctly identified; and Review the procedures used to measure the amounts recognised under AASB 3 Business Combinations (AASB 3) to determine that the measurements appropriately reflected consideration of all available information as of the acquisition date. <p>Significant judgement is required in determining the fair value of assets acquired, liabilities assumed and any separately identifiable intangible assets on acquisition during the purchase price allocation and during reassessment exercises performed by management and external valuers engaged by the Group as management's experts.</p>	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> Evaluating management's assessment of the transaction in accordance with AASB 3; Reading the sale and purchase agreement to understand key terms and conditions; Evaluating completeness of the assets and liabilities identified in the acquisition accounting against the sale and purchase agreement and our understanding of the business acquired; Assessing management's purchase price allocation in relation to the acquisition, including relevant information that management obtained from valuation experts in relation to the identification and valuation of identifiable assets acquired and liabilities assumed; Challenging management's reassessment, in accordance with AASB 3, of assets acquired and liabilities assumed following the identification of the bargain purchase gain; In conjunction with our valuation specialists challenging the work performed by management's experts by: <ul style="list-style-type: none"> Assessing the competence and capability of management's expert; Assessing the appropriateness of the process undertaken to identify assets acquired and liabilities assumed; Assessing the appropriateness of the models utilised in the valuation of identifiable assets acquired; Validating the assumptions used in the models against historical performance and industry benchmarks; Subjecting the key assumptions to sensitivity analysis; and Evaluating the useful lives associated with the acquired tangible assets and separately identifiable intangible assets including assessment of management's estimation and whether it is consistent with Group policy and/or the relevant accounting standards. <p>We also assessed the appropriateness of the disclosures in Note 3.5 to the financial statements.</p>



<p>Promotional and other rebates</p> <p>For the year ended 30 June 2020 the Group recognised promotional and other rebates of \$144.5m which have been charged against sales revenue as disclosed in Note 2.1.</p> <p>Accruals for promotional and other rebates as at 30 June 2020 are included within 'Other creditors and accruals' in Note 2.5.5.</p> <p>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 a combination of actual and forecast customer sales volumes for the period as well as growth and/or contributions by customers towards promotional activities (known as case deals).</p>	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> 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 accruals compared to actual rebates issued; and Recalculating the promotional and other rebate accruals to test the accuracy of the calculation. <p>We also assessed the appropriateness of the disclosures in Notes 2.1 and 2.5.5 to the financial statements.</p>
<p>Inventory provisioning</p> <p>As at 30 June 2020 the Group has a provision of \$16.4m included in the total net inventories of \$120.7m as disclosed in Note 2.5.4.</p> <p>Significant judgement is required in estimating the value of slow moving and potentially obsolete items, some of which have a limited shelf life.</p> <p>Furthermore, there is uncertainty over changes in consumer preferences and spending patterns, which have been driven by wider trends in the health and wellness sector which may impact inventory provisioning requirements.</p> <p>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 is produced by the Group or an order is placed with a supplier and the ultimate date of sale.</p>	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> 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. <p>We also assessed the appropriateness of the disclosures in Note 2.5.4 to the financial statements.</p>

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Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, 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

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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.

- 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, actions taken to eliminate threats or safeguards applied.

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 48 to 71 of the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Blackmores Limited, for the year ended 30 June 2020, 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, 24 August 2020

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, 24 August 2020

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FOR THE FINANCIAL YEAR ENDED
30 JUNE 2020

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	NOTES	2020 \$'000	2019' \$'000
Revenue	2.1	568,353	588,914
Other income	2.1	4,537	4,551
Gain arising from bargain purchase	3.5	6,243	-
Revenue and other income		579,133	593,465
Raw materials and consumables used		235,876	235,269
Employee benefits expenses	2.3	160,760	143,504
Selling and marketing expenses		58,506	67,270
Depreciation and amortisation expenses		21,293	10,768
Operating lease rental expenses		-	7,077
Facility outgoings		7,845	5,872
Professional and consulting expenses		14,847	12,261
Repairs and maintenance expenses		9,234	7,221
Freight expenses		14,173	13,927
Bank charges		1,063	1,233
Licences and registrations		6,218	4,204
Impairment of financial assets		1,725	(269)
Loss on derecognition of receivables		227	-
Insurance		6,088	1,690
Stamp duty		1,801	179
Other expenses		10,094	6,705
Total expenses		549,750	516,911
Earnings before interest and tax		29,383	76,554
Interest revenue		258	258
Interest expense		(6,171)	(5,253)
Net interest expense		(5,913)	(4,995)
Profit before tax		23,470	71,559
Income tax expense	2.6.1	(7,411)	(20,947)
Profit after tax from continuing operations		16,059	50,612
Profit from discontinued operations	3.6	2,962	2,818
Profit/(loss) attributable to:²			
Owners of the parent		18,114	53,469
Non-controlling interests		907	(39)
		19,021	53,430
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign controlled entities		(503)	2,629
Net loss on hedging instruments entered into for cash flow hedges (net of tax)		(905)	(509)
Other comprehensive expense for the period, net of tax		(1,408)	2,120
Total comprehensive income for the period		17,613	55,550
Total comprehensive income / (expense) attributable to:²			
Owners of the parent		16,696	55,578
Non-controlling interests		917	(28)
		17,613	55,550
EARNINGS PER SHARE			
From continuing operations			
- Basic earnings per share (cents)	4.5.1	86.6	292.9
- Diluted earnings per share (cents)	4.5.1	86.6	292.9
From continuing and discontinued operations			
- Basic earnings per share (cents)	4.5.1	103.5	309.2
- Diluted earnings per share (cents)	4.5.1	103.5	309.2

Notes to the Consolidated Financial Statements are included on pages 84 to 125.

1. In accordance with AASB 5 non-current assets held for sale and discontinued operations, the comparatives have been restated for discontinued operations that have arisen during the year. Refer to note 3.6.

2. The discontinued operations had no profit/(loss) or other comprehensive income/(expense) relating to non-controlling interests.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	NOTES	2020 \$'000	2019 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2.5.1	47,655	24,516
Receivables	2.5.3	97,859	143,877
Inventories	2.5.4	120,716	125,104
Other assets		10,963	14,370
Derivative assets		12	355
Assets held for sale	3.6	30,657	-
Total current assets		307,862	308,222
NON-CURRENT ASSETS			
Property, plant and equipment	3.1	139,244	80,754
Right-of-use assets	3.7	28,894	-
Investment property	3.2	-	2,160
Goodwill and intangible assets	3.3	63,756	80,489
Deferred tax assets	2.6.2	19,627	16,532
Other financial assets		1,749	1,867
Amounts advanced to related parties		-	3,600
Total non-current assets		253,270	185,402
Total assets		561,132	493,624
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	2.5.5	101,846	134,529
Current tax liabilities		1,855	3,028
Lease liabilities	3.7	7,186	-
Provisions	2.7	14,797	9,777
Other liabilities		882	5,132
Liabilities directly associated with assets held for sale	3.6	6,676	-
Derivative liabilities		1,764	739
Total current liabilities		135,006	153,205
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	4.3	85,000	119,000
Lease liabilities	3.7	20,632	-
Deferred tax liabilities	2.6.2	10,559	11,810
Provisions	2.7	1,449	1,137
Other liabilities		1,847	753
Total non-current liabilities		119,487	132,700
Total liabilities		254,493	285,905
Net assets		306,639	207,719
EQUITY			
CAPITAL AND RESERVES			
Issued capital	4.4	146,388	53,039
Reserves		3,112	4,363
Retained earnings		155,795	149,890
Equity attributable to shareholders of Blackmores Ltd		305,295	207,292
Equity attributable to non-controlling interests		1,344	427
Total equity		306,639	207,719

Notes to the Consolidated Financial Statements are included on pages 84 to 125.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	NOTES	2020' \$'000	2019' \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (net of promotional and other rebates)		691,877	692,861
Payments to suppliers and employees		(616,007)	(641,055)
Cash generated from operations		75,870	51,806
Interest and other costs of finance paid		(6,172)	(6,719)
Income taxes paid		(7,620)	(25,255)
Net cash flows from operating activities		62,078	19,832
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		258	258
Proceeds from disposal of property, plant and equipment		88	1066
Payments for business combinations	3.5	(56,512)	(8,595)
Payments for property, plant and equipment	3.1	(22,793)	(14,735)
Payments for intangible assets	3.3	(592)	(5,154)
Dividends received		36	23
Net cash used in investing activities		(79,515)	(27,137)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank borrowings		953,000	1,449,000
Repayments of bank borrowings		(987,000)	(1,416,000)
Proceeds from other borrowings		7,478	279
Repayments from other borrowings		(6,143)	-
Repayments of lease liabilities		(7,962)	-
Dividends paid		(9,917)	(39,925)
Proceeds from the issue of share capital (net of transaction costs)		90,991	-
Net cash from/(used) in financing activities		40,447	(6,646)
Net increase / (decrease) in cash and cash equivalents		23,010	(13,951)
Cash and cash equivalents at the beginning of the year	2.5.1	24,516	36,468
Effects of exchange rate changes on the balance of cash held in foreign currencies		133	1,999
Cash and cash equivalents at the end of the year	2.5.1	47,659	24,516
	NOTES	2020 \$'000	2019 \$'000
Cash held by continuing operations	2.5.1	47,655	24,509
Cash held by discontinued operations	3.6	4	7
		47,659	24,516

Notes to the Consolidated Financial Statements are included on pages 84 to 125.

1. The above Consolidated Statement of Cash Flows includes both continuing and discontinued operations. Amounts relating to discontinued operations are disclosed in note 3.6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	EQUITY-SETTLED ISSUED CAPITAL	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 2018	37,753	3,739	188	1,999	149,196	192,875	455	193,330
Profit/(loss) for the period	-	-	-	-	53,469	53,469	(39)	53,430
Other comprehensive income/(expense) for the period (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
Balance at 1 July 2019	53,039	67	(321)	4,617	149,890	207,292	427	207,719
Profit for the period	-	-	-	-	18,114	18,114	907	19,021
Other comprehensive income/(expense) for the period (net of tax)	-	-	(905)	(513)	-	(1,418)	10	(1,408)
Total comprehensive income for the period	-	-	(905)	(513)	18,114	16,696	917	17,613
Dividends declared	-	-	-	-	(12,209)	(12,209)	-	(12,209)
Share-based payments benefit	-	234	-	-	-	234	-	234
Issue of shares under Dividend Reinvestment Plan (DRP)	2,291	-	-	-	-	2,291	-	2,291
Issue of shares under employee Long-Term Incentive plans (net of on market purchases and tax)	67	(67)	-	-	-	-	-	-
Issue of shares under Capital Raise (net of transaction costs)	90,991	-	-	-	-	90,991	-	90,991
Balance as at 30 June 2020	146,388	234	(1,226)	4,104	155,795	305,295	1,344	306,639

Notes to the Consolidated Financial Statements are included on pages 84 to 125.

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, manufacture, 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 Financial Report (Financial Report) of Blackmores as at and for the twelve months ended 30 June 2020 comprises Blackmores and its subsidiaries (the Group).

The Consolidated Annual Financial Report of the Group as at and for the year ended 30 June 2020 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 and 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 24 August 2020.

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 2019, 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 the nearest thousand dollars, unless otherwise indicated.

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.

1.3 BASIS OF PREPARATION (CONT.)

Accounting policies

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.

1.5 APPLICATION OF NEW AND REVISED STANDARDS

In the current year, the Group has applied AASB 16 Leases which was effective for an annual period that began on or after 1 January 2019. AASB 16 Leases replaced existing accounting requirements for leases under AASB 117 Leases.

Under previous requirements, leases were classified based on their nature as either finance leases, which are recognised on the Consolidated Statement of Financial Position, or operating leases, which are not recognised on the Consolidated Statement of Financial Position.

Under the current standard, the Group's accounting for operating leases as a lessee resulted in the recognition of a right-of-use (ROU) asset and an associated lease liability on the Consolidated Statement of Financial Position. The lease liability represents the present value of future lease payments, with the exception of low value and short-term leases. An interest expense is also recognised on the lease liabilities and a depreciation charge will be recognised for the ROU assets. The Group's accounting for leases as a lessor remains unchanged under AASB 16. The Group has adopted AASB 16 retrospectively from 1 July 2019, but has not restated comparatives for the 2019 reporting period as permitted under the specific transitional provisions in the standard.

On 1 July 2019, the Group had non-cancellable undiscounted operating lease commitments of \$33,585 predominantly relating to its retail premises, warehousing facilities and distribution centres. In accordance with the standard, \$32,092 has been recognised as ROU assets and \$32,114 in associated lease liabilities. As disclosed in note 3.7, the impact of the new standard materially 'grossed-up' the Group's Consolidated Statement of Financial Position impacting key financial ratios.

	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 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 a 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

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 goods manufacturing and the marketing, sales and distribution of products to customers and consumers.

2.1 REVENUE AND OTHER INCOME

	NOTE	2020 \$'000	2019 \$'000
Sales (net of discounts)		712,880	724,565
Promotional and other rebates		(144,527)	(135,651)
Revenue		568,353	588,914
Other income		4,537	4,551
Gain arising from bargain purchase	3.5	6,243	-
Revenue and other income		579,133	593,465

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 based on a combination of actual and forecast customers' sales volumes for the period as well as growth and/or contributions by customers towards promotional activities.

For the year ended 30 June 2020 the continuing operations within the Group recognised promotional and other rebates of \$144,527 (2019: \$135,651) which have been charged against sales revenue as disclosed in the Consolidated Statement of Profit and Loss and Other Comprehensive Income.

Accruals for promotional and other rebates as at 30 June 2020 are included within Other creditors and accruals in note 2.5.5.

Other Income

Other income relates to government grants and assistance income including JobKeeper, Job Support Scheme (JSS) and R&D tax credits as well as dividend income, asset disposals and exchange variances. Refer to note 7.3.

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 which are considered variable consideration.

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 includes growth rebates, and /or contributions to customers towards promotional activities.

2.2 SEGMENT INFORMATION

Information reported to the Group's Chief Operating Decision Maker (CEO) 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, including the benefit of sales made to customers which are ultimately intended for Asian markets and manufacturing within our Braeside facility acquired in Oct 2019.

CHINA

Comprising Blackmores and Pure Animal Wellbeing brand in China (in country) and China Export Division.

BIOCEUTICALS GROUP

Comprising the BioCeuticals practitioner brands, IsoWhey and Wheyless. Oriental Botanicals and Fusion Health brands form part of the discontinued operations and are excluded from the Group for segment reporting.

INTERNATIONAL

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

	2020 \$'000	2019 \$'000
ANZ	227,369	266,989
China	102,933	122,249
BioCeuticals Group ¹	98,924	92,315
International	139,127	107,361
	568,353	588,914

1. BioCeuticals Group has been adjusted to exclude Global Therapeutics which is classified as a discontinued operation.

The Group has one customer who contributed more than 10% of the Group's revenue in the year (2019: One).

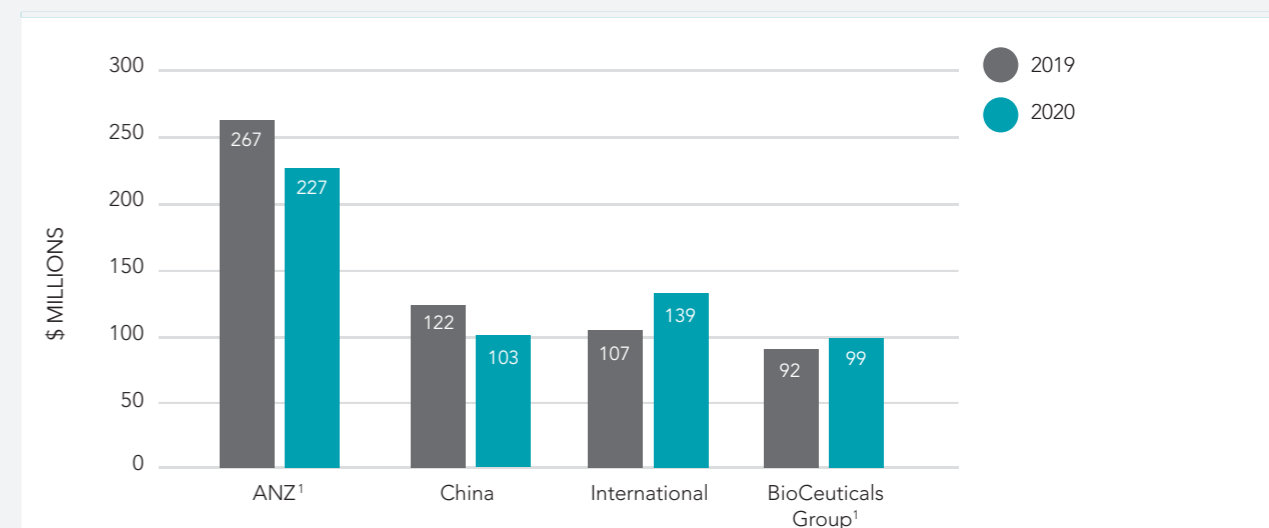
Included in revenue of the Group is revenue of \$145,978 (2019: \$143,873) which arose from sales to the Group's largest customer. This customer is within both the ANZ and BioCeuticals Group segments.

2.2.2 EBIT by segment

	2020 \$'000	2019 \$'000
ANZ	25,563	49,782
China	244	21,465
BioCeuticals Group ¹	11,777	13,928
International	14,333	7,479
Corporate costs	(22,534)	(16,100)
	29,383	76,554

1. BioCeuticals Group has been adjusted to exclude Global Therapeutics which is classified as a discontinued operation.

2.2.3 Revenue history by segment



1. BioCeuticals Group has been adjusted to exclude Global Therapeutics which is classified as a discontinued operation.

02 Our Operations

2.3 PROFIT FOR THE YEAR

PROFIT FOR THE YEAR HAS BEEN ARRIVED AT AFTER CHARGING:	NOTE	2020 \$'000	2019 \$'000
Employee benefits expense			
Defined contribution plans		9,098	7,520
Redundancy payments		2,844	1,818
Other employee expenses		148,584	135,418
Share-based payments:			
Equity-settled share-based payments		234	(1,236)
Cash-settled share-based payments		-	(16)
		160,760	143,504
Other:			
Provision for stock obsolescence		16,357	3,864
Interest rate swaps cancelled due to capital raise		925	-
Bargain gain arising on acquisition of Catalent	3.5	(6,243)	-
Acquisition costs - Catalent including stamp duty		3,146	-
Transformation costs		2,288	-
Share placement costs		531	-
Professional fees on divestment - Global Therapeutics		425	-

2.4 OTHER FINANCIAL INFORMATION

	2020 \$'000	2019 \$'000
Cost of goods sold	280,592	252,703

Cost of Goods Sold (COGS) represents the Group's internal measurement for the cost of goods sold in the period. It differs from the cost of raw materials and consumables used measure, in that it includes the allocation of direct labour and overheads relating to production at the Braeside facility and packing at the Warriewood facility. In the statutory presentation in the Statement of Profit or Loss, which is presented by nature, these costs appear within employee benefits, depreciation and amortisation and other expense line items. Since the acquisition of Braeside and the Group's move into manufacturing, COGS provides additional useful information for the users of our Financial Statements to understand the costs associated with our operations and how they compare to prior periods.

2.5 WORKING CAPITAL

2.5.1 Cash and cash equivalents

	2020 \$'000	2019 \$'000
Cash and cash equivalents (as presented in the Consolidated Statement of Financial Position)	47,655	24,516
Cash and cash equivalents (included within assets held for sale)	4	-

Accounting policy

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

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

	2020 \$'000	2019 \$'000
Profit after tax	19,021	53,430
Non-cash expenses		
Depreciation and amortisation	21,497	10,874
Net loss /(profit) on disposal of property plant and equipment	443	(658)
Non-cash income		
Revaluation of investments	100	(63)
Investing cash flow items		
Interest revenue	(258)	(258)
Dividend income	(36)	(23)
Proceeds from disposal of property, plant and equipment	(88)	(1,066)
Decrease/(increase) in assets		
Receivables	44,115	6,911
Inventories	1,468	(21,139)
Other current assets	3,254	(863)
Deferred tax assets	(3,417)	(3,942)
Amounts advanced to related parties	3,600	-
(Decrease)/increase in liabilities		
Trade and other payables	(30,993)	(26,035)
Current tax liabilities	(1,173)	(1,218)
Current provisions	5,536	1,712
Other current liabilities	(4,250)	1,047
Non-current provisions	312	(92)
Other non-current liabilities	1,094	270
Deferred tax liabilities	3,177	2,469
Increase/(decrease) in equity		
Foreign exchange translation of controlled entities	(503)	2,629
Equity-settled share-based payments expense	234	(1,236)
Payment for on market share purchase	(67)	(2,670)
Loss recognised on cash flow hedges, net of tax	(905)	(509)
Other items	(83)	262
Net cash inflows from operations	62,078	19,832

02 Our Operations

2.5 WORKING CAPITAL (CONT.)

2.5.3 Current receivables

	2020 \$'000	2019 \$'000
Trade receivables	98,355	143,833
Allowance for doubtful debts	(4,127)	(3,230)
Allowance for claims	(3,220)	(2,443)
Other debtors	2,091	2,040
Goods and services tax recoverable	4,760	3,677
	97,859	143,877
Ageing of trade receivables past due not impaired		
0-30 days past due date	11,881	19,853
31-60 days past due date	946	2,765
61-90 days past due date	69	2,336
>90 days past due date	118	2,987
	13,014	27,941
Ageing of impaired receivables		
0-30 days past due date	6	29
31-60 days past due date	9	38
61-90 days past due date	494	39
>90 days past due date	3,618	3,124
	4,127	3,230
Allowance for doubtful debts		
Balance at the beginning of the financial year	3,230	6,173
Assets obtained through business combinations	19	-
Assets held for sale	(318)	(34)
Increase/(decrease) to allowance	2,921	(3,178)
Amounts written off as uncollectable	(1,725)	269
Balance at the end of the financial year	4,127	3,230

As at 30 June 2020 the Group has two customers (2019: two customers) each comprising amounts greater than 5% (2019: 5%) of the total trade receivables balance. These customers owe the Group more than \$31,643 (2019:\$55,000) and accounted for approximately 32% (2019: 39%) 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.

An allowance for doubtful debts is recognised for expected credit losses for trade receivables. The expected credit losses are estimated using a matrix based on the Group's historical credit loss experience, shared risk characteristics and days past due adjusted for any material changes to the customers' future credit risk. The historical loss rate is then adjusted for current and forward-looking macroeconomic information affecting the Group, including the impact of the COVID-19 pandemic.

The allowance for doubtful debts is the difference between the asset's carrying amount and the future expected credit losses. Refer 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.

2.5 WORKING CAPITAL (CONT.)

2.5.4 Inventories

	2020 \$'000	2019 \$'000
Ingredients	26,449	19,304
Raw materials	27,711	33,022
Finished goods	66,556	72,778
	120,716	125,104

The provision at balance date to cover inventory write downs is \$16,357 (2019: \$7,924) and is included in the balance above.

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.

Management have considered the implications of COVID-19 and extended holding periods of inventory which could impact the value of slow moving and potentially obsolete inventory, as well as resulting in additional holding costs. As a result, additional provisions have been recognised in 2020.

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.

2.5.5 Trade and other payables

	2020 \$'000	2019 \$'000
Trade payables ¹	46,414	79,360
Other creditors and accruals	50,927	51,603
Goods and services tax (GST) payable	4,505	3,566
	101,846	134,529

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

2.6 INCOME TAXES

2.6.1 Income tax recognised in profit or loss

	2020 \$'000	2019 \$'000
Current tax		
Current tax expense	5,554	19,847
Adjustments recognised in the current year adjustments in relation to the current tax of prior years	(551)	(469)
Deferred tax		
Charge relating to the origination and reversal of temporary differences	3,059	1,969
Current year adjustments in relation to prior years' deferred tax	689	768
Total income tax expense	8,751	22,115
Income tax expense is attributable to:		
Profit from continuing operations (as reported in the Consolidated Statement of Profit or Loss)	7,411	20,947
Profit from discontinued operations (refer note 3.6)	1,340	1,168
Total income tax expense	8,751	22,115
Reconciliation between tax expense and profit before income tax		
Profit before income tax expense - continuing operations	23,470	71,559
Profit before income tax expense - discontinued operations (refer note 3.6)	4,302	3,986
Profit before income tax expense	27,772	75,545
Income tax expense using the Australian corporate tax rate of 30%	8,332	22,663
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income		
Non deductible expenses	1,290	470
Tax concessions	(335)	(281)
Tax losses recognised	-	(914)
Tax losses not recognised	451	314
Impact of differences in offshore tax rates	(346)	(774)
Other	(779)	338
	8,613	21,816
Adjustments relating to prior years	138	299
Income tax expense	8,751	22,115

The tax rate used for the 2020 and 2019 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.

2.6 INCOME TAXES (CONT.)

2.6.2 Deferred tax balances

Deferred tax balances arise from the following:

	OPENING BALANCE \$'000	MOVEMENT \$'000	FILING DIFFERENCES \$'000	ACQUISITIONS \$'000	TRANSFERRED TO HELD FOR SALE \$'000	CLOSING BALANCE \$'000
Temporary differences 2020						
Property, plant and equipment	(387)	(984)	473	(885)	3	(1,780)
Prepayments and other	(31)	148	75	(147)	-	45
Provisions	7,077	2,509	162	1,462	(306)	10,904
Accruals	3,867	26	129	129	(19)	4,132
Cash flow hedges ¹	427	489	-	-	-	916
Foreign currency monetary items	(68)	(425)	146	-	-	(347)
Capitalised expenses	(4)	572	212	-	-	780
Indefinite life intangible assets	(10,741)	-	-	(1,864)	4,428	(8,177)
Carried forward tax losses ²	2,804	549	(169)	-	-	3,184
Other	1,778	175	(339)	(2,203)	-	(589)
	4,722	3,059	689	(3,508)	4,106	9,068

- Cash flow hedges movement was recognised in other comprehensive income.
- Unutilised tax losses were recognised as deferred tax assets during 2020. 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	ACQUISITIONS \$'000	TRANSFERRED TO HELD FOR SALE \$'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	2,107	768	(1,402)	-	4,722

- Cash flow hedges movement was recognised in other comprehensive income.
- 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.

Presented in the Consolidated Statement of Financial Position as follows:

	2020 \$'000	2019 \$'000
Deferred tax asset	19,627	16,532
Deferred tax liability	(10,559)	(11,810)

02 Our Operations

2.6 INCOME TAXES (CONT.)

2.6.3 Unrecognised deferred tax assets

	2020 \$'000	2019 \$'000
The following tax losses have not been brought to account as deferred tax assets:		
Capital (no expiry date)	1,959	1,035
Revenue (expiry FY20: 2021-2030)	1,036	26
	2,995	1,061

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 is not a business combination affecting 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 2020, deferred tax assets of \$123, \$1,920 and \$28 were recognised with respect to tax losses incurred by Pat Health Limited, Blackmores China and Blackmores Taiwan respectively (In 2019, Deferred tax assets of \$250 and \$459 were recognised with respect to tax losses incurred by Blackmores International and Blackmores Taiwan respectively. No tax losses were recognised as deferred tax assets for Pat Health Limited and Blackmores China).

Deferred tax assets and liabilities are measured at the tax rates 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.

2.7 PROVISIONS

	2020 \$'000	2019 \$'000
Current		
Employee benefits	13,906	9,005
Other	891	772
	14,797	9,777
Non-current		
Employee benefits	1,449	1,137

2.7 PROVISIONS (CONT.)

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 cashflows (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.

2.8 REMUNERATION STRUCTURE

2.8.1 Key Management Personnel compensation

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

	2020 \$	2019 \$
Short-term employee benefits	4,012,014	4,127,952
Post-employment benefits	131,721	166,950
Other long-term benefits	42,680	29,495
Share-based payments	780	(496,612)
	4,187,195	3,827,785

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.

2.8.2 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.

02 Our Operations

2.8 REMUNERATION STRUCTURE (CONT.)

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 as determined eligible by the Board. Under this plan, rights to acquire shares in the Company are granted annually to eligible Senior Executives at no cost and vest provided specific performance hurdles are met.

The fair value of rights granted is calculated in accordance with AASB 2 'Share-based Payments'. 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 2019 to the year ending 30 June 2022. If the performance and employment vesting conditions are met, the minimum number of rights that could be vested under the entitlement is 24,964 (2019: 5,937) and the maximum number of rights that could be vested is 107,148 (2019: 44,196). 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 2020 year					
Granted - Long-Term Incentives	23,226	26-Jun-20	30-Jun-22	N/A	\$75.29
Granted - Long-Term Incentives	83,922	19-Dec-19	30-Jun-22	N/A	\$81.47
Grants in the 2019 year					
Granted	44,196	16-Nov-18	30-Jun-21	N/A	\$124.21

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

	NUMBER OF RIGHTS	2020 WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF RIGHTS	2019 WEIGHTED AVERAGE EXERCISE PRICE
Balance at the beginning of the year	102,783		99,472	
Granted during the year	107,148		44,196	
Forfeited during the year	(63,422)		(24,341)	
Exercised during the year	-	N/A	(16,544)	N/A
Expired during the year	-		-	
Balance at the end of the year	146,509		102,783	
Exercisable at the end of the year	146,509		102,783	

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.

2.8 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 and ROIC for the relevant year as follows:

Percentage of participant's base remuneration

2020 rate of EPS growth	CHIEF EXECUTIVE OFFICER ¹	SENIOR EXECUTIVES	OTHER SENIOR COMPANY MANAGEMENT
Less than 5%	0%	0%	0%
5%	50%	10%	5%
5% to 10%	50% to 100%	10% to 40%	5% to 20%
10%	100%	40%	20%
Greater than 10%	100%	40%	20%

1. Chief Executive Officer refers to Alastair Symington

Percentage of participant's base remuneration

2019 rate of EPS growth	CHIEF EXECUTIVE OFFICER ¹	SENIOR EXECUTIVES	OTHER SENIOR COMPANY MANAGEMENT
5.0%	25%	10%	5%
5.0% to 10.0%	25% to 50%	10% to 20%	5% to 10%
10.0%	50%	20%	10%
10.0% to 25.0%	50% to 150%	20% to 80%	10% to 40%
Greater than 25.0%	150%	80%	40%

1. Chief Executive Officer refers to Richard Henfrey.

2020 ROIC¹

2020 ROIC ¹	CHIEF EXECUTIVE OFFICER ²	SENIOR EXECUTIVES	OTHER SENIOR COMPANY MANAGEMENT
Less than 18.1%	0%	0%	0%
18.1%	50%	10%	5%
18.1% to 21%	50% to 100%	10% to 40%	5% to 20%
Greater than 21%	100%	40%	20%

1. ROIC measure was introduced to the plan in FY20. Refer Remuneration Report for details regarding ROIC measures on page 62.

2. Chief Executive Officer refers to Alastair Symington.

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. 699 shares were issued during the year ended 30 June 2020 (2019: 551 shares). In July 2020, nil shares (2019: 695 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 2020.

The second plan is open to all eligible employees including Senior Executives and enables them to purchase up to \$10,000 of Blackmores shares each year out of after-tax pay. For every three purchased shares acquired using the employees' contributions, subject to employment vesting conditions and capping applied under the plan, the Company will provide one extra share. The vesting date for the year ended 30 June 2020 is 31 July 2020. The maximum cost of the shares provided by the Company for the 2020 financial year has been set at \$500,000.

Options plan

At 1 July 2019 and at 1 July 2018 there were no share options outstanding. None were issued during the year ended 30 June 2020 (2019: nil) and as at 30 June 2020 (2019: 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 48 to 71.

03 Our Investments

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

3.1 PROPERTY, PLANT AND EQUIPMENT

	FREEHOLD LAND AND BUILDINGS' \$'000	PLANT AND EQUIPMENT \$'000	LEASEHOLD IMPROVEMENTS \$'000	TOTAL \$'000
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 financial year	39,827	38,074	2,853	80,754
Assets under construction included above	-	8,074	368	8,442

	FREEHOLD LAND AND BUILDINGS' \$'000	PLANT AND EQUIPMENT \$'000	LEASEHOLD IMPROVEMENTS \$'000	TOTAL \$'000
Year ended 30 June 2020				
Cost	77,877	123,671	8,068	209,616
Accumulated depreciation	(10,998)	(56,459)	(2,915)	(70,372)
Net carrying amount	66,879	67,212	5,153	139,244
Movement				
Net carrying amount at the beginning of the financial year	39,827	38,074	2,853	80,754
Transferred to assets held for sale	-	(226)	(42)	(268)
Assets obtained through business combinations (refer to note 3.5)	28,000	21,475	-	49,475
Additions	393	18,665	3,686	22,744
Disposals and write-offs	-	(365)	(166)	(531)
Depreciation	(1,341)	(10,434)	(1,181)	(12,956)
Other (including foreign exchange movements)	-	23	3	26
Net carrying amount at the end of the financial year	66,879	67,212	5,153	139,244
Assets under construction included above	-	12,092	-	12,092

1. Freehold land and buildings includes \$25,688 of non-depreciable land (2019: \$12,488).

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/amortisation and accumulated impairment losses. The cost of property in the course of construction includes borrowings, 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 reporting 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	4-10 years
Leasehold improvements	3-10 years

Proceeds from sale of assets

The gross proceeds from asset sales are recognised at the date that control transfers to the purchaser. The net gain/(net loss) is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

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

	NOTE	2020 \$'000	2019 \$'000
Cost		-	2,160
Movement			
Net carrying amount at the beginning of the financial year	3.6	2,160	2,160
Transferred to assets held for sale		(2,160)	-
Net carrying amount at the end of the financial year		-	2,160

On 29 January 2020, the Directors authorised the sale of the land at 15 Jubilee Avenue, Warriewood NSW 2102 which was acquired as an investment property during the financial year ended 30 June 2010. The land was sold subsequent to year-end. Refer to note 7.5.

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. Depreciation 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 the profit and 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 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
Movement					
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 financial 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
International	-	-	-	1,384	1,384
	34,500	30,244	7,515	8,230	80,489
Year-ended 30 June 2020					
Cost	26,903	16,041	6,355	21,055	70,354
Accumulated amortisation/impairment	-	-	(300)	(6,298)	(6,598)
Net carrying amount	26,903	16,041	6,055	14,757	63,756
Movement					
Net carrying amount at the beginning of the financial year	34,500	30,244	7,515	8,230	80,489
Transferred to assets held for sale	(7,597)	(14,203)	(1,160)	-	(22,960)
Assets obtained through business combinations	-	-	-	7,202	7,202
Additions	-	-	-	592	592
Amortisation	-	-	-	(1,285)	(1,285)
Impairment	-	-	(300)	-	(300)
Other (including foreign exchange movements)	-	-	-	18	18
Net carrying amount at the end of the financial year	26,903	16,041	6,055	14,757	63,756
Allocated to cash generating unit					
BioCeuticals	20,849	14,410	264	636	36,159
ANZ	6,054	1,631	2,791	5,721	16,197
China	-	-	3,000	-	3,000
International	-	-	-	1,198	1,198
Braeside	-	-	-	7,202	7,202
	26,903	16,041	6,055	14,757	63,756

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

3.3 GOODWILL AND INTANGIBLE ASSETS (CONT.)

Critical judgements and estimates

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

	2020 %	2019 %
Long-term growth rate	2.0	2.0
Post-tax discount rate (BioCeuticals, ANZ)	5.6	6.9
Post-tax discount rate (Braeside)	16.4	-

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 Cash Generating Unit (CGU) performance.

The recoverable amount of the CGU is determined on a value-in-use calculation. This calculation uses cash flow projections based on the five-year plan approved by management and endorsed by the Board, and also 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.

The Braeside Manufacturing plant represents a separate CGU and in accordance with AASB 136 Impairment of Assets, Blackmores conducted an impairment test on the site at 30 June 2020 by assessing its Value In Use (VIU).

A discounted cash-flow methodology was used to estimate the expected future economic benefits discounted to present value. Blackmores used a WACC of 16.4% which included a risk free rate of 2.6% and a pre-tax cost of debt of 2.9%.

The assumptions on growth relate to the incremental revenue expected from increased utilisation of current site capacity from FY21 onward. Braeside is also a Halal registered site which is supportive of its volume growth potential in the future and its valuation. The implied headroom of the CGU, estimated by comparing the VIU with the carrying value of the CGU as at valuation date, is \$59.4 million. No impairment is required in the year ended 30 June 2020.

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	Customer database and royalty streams	5 years
Research partnerships	14 years	Software and capitalised website development	2-3 years
Customer relationships	10 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.

03 Our Investments

3.3 GOODWILL AND INTANGIBLE ASSETS (CONT.)

Accounting policies (cont.)

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 and Other Comprehensive Income. 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 an 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.

3.4 COMMITMENTS FOR EXPENDITURE

	2020 \$'000	2019 \$'000
Catalent Business Combination ¹		
Not longer than 1 year	465	48,000
Capital projects		
Not longer than 1 year	5,451	19,867
Promotional Services		
Not longer than 1 year	1,067	1,246
Longer than 1 year and not longer than 5 years	360	750
	1,427	1,996
Sponsorship		
Not longer than 1 year	48	65
Longer than 1 year and not longer than 5 years	10	-
	58	65
Research and Development Contracts		
Not longer than 1 year	1,599	2,762
Longer than 1 year and not longer than 5 years	1,417	4,688
Longer than 5 years	31	600
	3,047	8,050

1. Blackmores Limited completed the acquisition of Catalent Australia on 25 October 2019.

3.5 BUSINESS COMBINATIONS

Acquisition of Catalent Australia

On 25th October 2019, Blackmores Ltd confirmed settlement on the acquisition of Catalent Australia's manufacturing facility in Braeside Victoria.

The acquisition cost includes a completion payment of \$33,000 and a further capital payment of \$23,512 attributable to upgrades and expansions since April 2018 and customary working capital adjustments.

A final payment of \$465 is expected to be made in relation to taxation adjustments.

The acquisition represents Blackmores' expansion into soft-gel and tablet manufacturing and will support the Group's strong focus on growth and product innovation in addition to protecting the Group's portfolio of brands.

	NOTE	2020 \$'000
Consideration Transferred		56,977
Assets acquired at the date of acquisition		
Current assets		
Cash at bank		2,533
Receivables		11,235
Inventories		16,024
Other assets		495
		30,287
Non-current assets		
Property, plant and equipment		49,475
Intangible assets		7,202
Deferred tax assets		1,442
		58,119
Total assets		88,406
Current liabilities		
Trade and other payables		15,345
Provisions		4,603
		19,948
Non-current liabilities		
Deferred tax liabilities		4,951
Provisions		287
Other liabilities		-
		5,238
Total Liabilities		25,186
Identifiable net assets		63,220
Gain arising from bargain purchase		
Consideration paid or payable in cash		56,977
Less: Fair value of the identifiable net assets acquired		63,220
Gain arising from bargain purchase	2.1	6,243

At the date of this report the accounting for the business combination is final, except for tax balances which are considered provisional.

Impact of acquisition on results of the Group

The impact of the acquisition on the results of the Group for the year ended 30 June 2020 included recognition of a gain resulting from the bargain purchase of \$6,243 in the Consolidated Statement of Profit and Loss and Other Comprehensive Income. Acquisition-related costs amounting to \$3,146 are not included as part of the consideration transferred and have been recognised as an expense in the Consolidated Statement of Profit and Loss and Other Comprehensive Income. The adverse impact of the acquisition on the operating results of the Group for the year ended 30 June 2020 was \$9,629 and considered material.

The bargain gain resulted primarily as a result of increases in property values between contract execution in April 2018 through to settlement in late October 2019.

03 Our Investments

3.6 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

At the half-year ended 31 December 2019, Blackmores announced the divestment of non-core brands as part of the new strategy. As a result, the Board approved to divest The Global Therapeutics business (which includes the Fusion and Oriental Botanicals brands) and the IsoWhey and Wheyless brands. Negotiations with several interested parties have subsequently taken place. These operations are expected to be sold within the next 12 months, and have been classified as assets held for sale and presented separately in the Consolidated Statement of Financial Position.

The Global Therapeutics business was a separate CGU and is presented as a discontinued operation and presented separately in the Consolidated Statement of Profit and Loss and Other Comprehensive Income. The profit for the Global Therapeutics business for the reporting period is set out below including comparative information.

Prior to the year end, the Board also approved for management to sell the Investment Property 15 Jubilee Warriewood, NSW 2102. This is also held as an asset held for sale in the Consolidated Statement of Financial Position. Refer to note 7.5 Events after the reporting period.

	2020 \$'000	2019 \$'000
Revenue	19,190	20,588
Other income	(83)	241
Revenue and other income	19,107	20,829
Raw materials and consumables used	7,886	8,718
Employee benefits expenses	4,149	5,342
Selling and marketing expenses	1,153	1,346
Depreciation and amortisation expenses	204	106
Operating lease rental expenses	-	69
Facility outgoings	2	26
Professional and consulting expenses	151	222
Repairs and maintenance expenses	3	10
Freight expenses	358	353
Bank charges	84	109
Licences and registrations	185	218
Impairment of financial assets	318	34
Insurance	119	96
Other expenses	191	194
Total expenses	14,803	16,843
Earnings before interest and tax	4,304	3,986
Interest revenue	-	-
Interest expense	(2)	-
Net interest expense	(2)	-
Profit before tax	4,302	3,986
Income tax expense	(1,340)	(1,168)
Profit after tax from discontinued operation	2,962	2,818

1. Blackmores Limited completed the acquisition of Catalent Australia on 25 October 2019.

3.6 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (CONT.)

The following assets and liabilities of the disposable group are classified as held for sale at 30 June 2020.

	GLOBAL THERAPEUTICS	INVESTMENT PROPERTY	ISOWHEY/ WHEYLESS BRANDS	TOTAL
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	4	-	-	4
Receivables	1,903	-	-	1,903
Inventories	2,691	-	229	2,920
Other assets	153	-	-	153
Total current assets	4,751	-	229	4,980
NON-CURRENT ASSETS				
Property, plant and equipment	193	2,160	-	2,353
Right-of-use assets	42	-	-	42
Goodwill and intangible assets	22,057	-	903	22,960
Deferred tax assets	322	-	-	322
Total non-current assets	22,614	2,160	903	25,677
Total assets	27,365	2,160	1,132	30,657

LIABILITIES

CURRENT LIABILITIES

Trade and other payables	1,689	-	-	1,689
Provisions	517	-	-	517
Lease liabilities	25	-	-	25
Total current liabilities	2,231	-	-	2,231

NON-CURRENT LIABILITIES

Lease liabilities	17	-	-	17
Deferred tax liability	4,428	-	-	4,428
Total non-current liabilities	4,445	-	-	4,445
Total liabilities	6,676	-	-	6,676
Net assets	20,689	2,160	1,132	23,981

	2020 \$'000	2019 \$'000
Cash flows from/(used in) discontinued operations		
Cashflow from operating activities	4,856	2,710
Cashflows from investing activities	(4,746)	(2,723)
Cashflow from financing activities	(113)	-
Net decrease in cash and cash equivalents	(3)	(13)

03 Our Investments

3.7 LEASES

	PROPERTY \$'000	PLANT AND EQUIPMENT \$'000	FLEET \$'000	TOTAL \$'000
Right-of-use assets				
Year-ended 30 June 2020				
Cost	31,557	2,647	1,356	35,560
Accumulated depreciation	(5,675)	(477)	(514)	(6,666)
Net carrying amount	25,882	2,170	842	28,894
Movement				
Net carrying amount at the beginning of the financial year	-	-	-	-
Assets obtained through business combinations	-	2,398	-	2,398
Additions	31,585	248	1,424	33,257
Depreciation	(5,699)	(476)	(577)	(6,752)
Disposals	-	-	-	-
Other (including foreign exchange movements)	(4)	-	(5)	(9)
Net carrying amount at the end of the financial year	25,882	2,170	842	28,894
Lease liabilities				
Current	6,031	717	438	7,186
Non-current	18,767	1,526	339	20,632
Total lease liabilities	24,798	2,243	777	27,818

	2020 \$'000 Continued Operations	2020 \$'000 Discontinued Operations
Amounts recognised in the profit and loss		
Depreciation expense on right-of-use assets	6,752	81
Interest expense on lease liabilities	531	2
Expense relating to short-term or low value assets	1,786	10

Cash flow

The cash outflow during the year for leases relating to continued operations was \$8,358. The cash outflow relating to discontinued operations was \$105.

	MATURITY ANALYSIS \$'000						Total
	Year 1	Year 2	Year 3	Year 4	Year 5	Onwards	
Continued operations	7,186	5,210	5,188	4,700	2,641	2,893	27,818
Discontinued operations	25	11	6	-	-	-	42

The Group has adopted AASB 16 retrospectively from 1 July 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

(a) Adjustments recognised on adoption of AASB 16

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 2.63%.

3.7 LEASES (CONT.)

	30 June 2019 \$'000
(Operating lease commitments disclosed as at 30 June 2019 Discounted using the lessee's incremental borrowing rate of at the date of initial application)	33,585
Less short-term / low value leases recognised on a straight-line basis as an expense	(1,471)
Lease liability recognised as at 1 July 2019	32,114
Of which are:	
Current lease liabilities	7,283
Non-current lease liabilities	24,831
	32,114

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Consolidated Statement of Financial Position as at 30 June 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

	2020 \$'000	2019 \$'000
Recognised right of use assets	28,894	21,359

The recognised right-of-use assets primarily relate to property but also include plant and equipment and fleet.

The change in accounting policy affected the following items in the balance sheet on 1 July 2019.

Right-of-use assets - increase by \$32,092
Lease liabilities - increase by \$32,114

The net impact on retained earnings on 1 July 2019 was not material.

(i) Practical expedients applied - In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying AASB 117 and Interpretation 4 Determining whether an Arrangement contains a Lease.

(b) The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses, equipment and cars. Rental contracts are typically made for fixed periods of 3 to 8 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until the 2020 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the Consolidated Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the period of the lease.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Consolidated Statement of Profit or Loss and Other Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate at the commencement date
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets primarily comprise of IT related equipment.

(i) Extension and termination options - Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The extension and termination options held are exercisable only by the Group and not by the respective lessor.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

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.

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 raise capital 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:

	2020 \$'000	2019 \$'000
Debt	85,000	119,000
Cash and cash equivalents	(47,655)	(24,516)
Net debt	37,345	94,484
Equity	305,296	207,292
Total capital	342,641	301,776
Gearing ratio	10.9%	31.3%

(Net debt as a % of total capital)

4.2 FINANCING FACILITIES

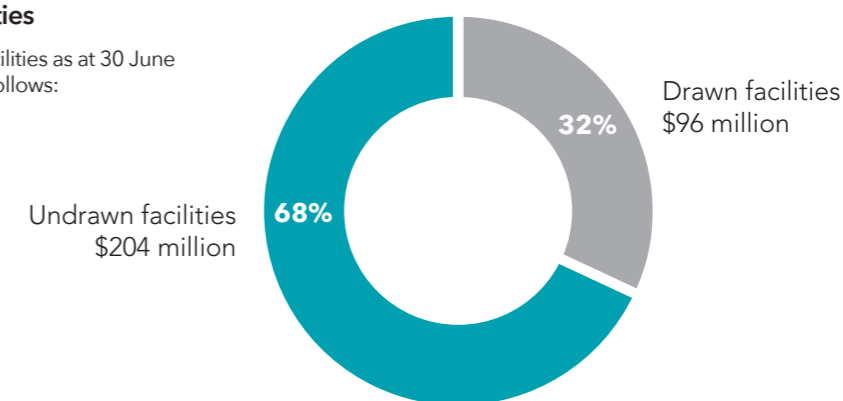
	2020 \$'000	2019 \$'000
Unsecured revolving letter of credit facility under Common Terms Deed	10,879	-
Unsecured revolving term debt facility under Common Terms Deed	85,000	119,000
	95,879	119,000
Unrestricted access was available to the Group at the reporting date to the following unused lines of credit:		
Bank loan facilities	204,121	181,000
Bank overdrafts	5,000	5,000
	209,121	186,000

Receivables purchase agreement

The Group has entered into an uncommitted non-recourse receivables purchase agreement to sell certain domestic receivables, from time to time, to an unrelated entity in exchange for cash. The receivables are derecognised where the risks and rewards of the receivables have been transferred. As at 30 June 2020, receivables totalling \$2.31 million had been sold under this arrangement (2019: Nil).

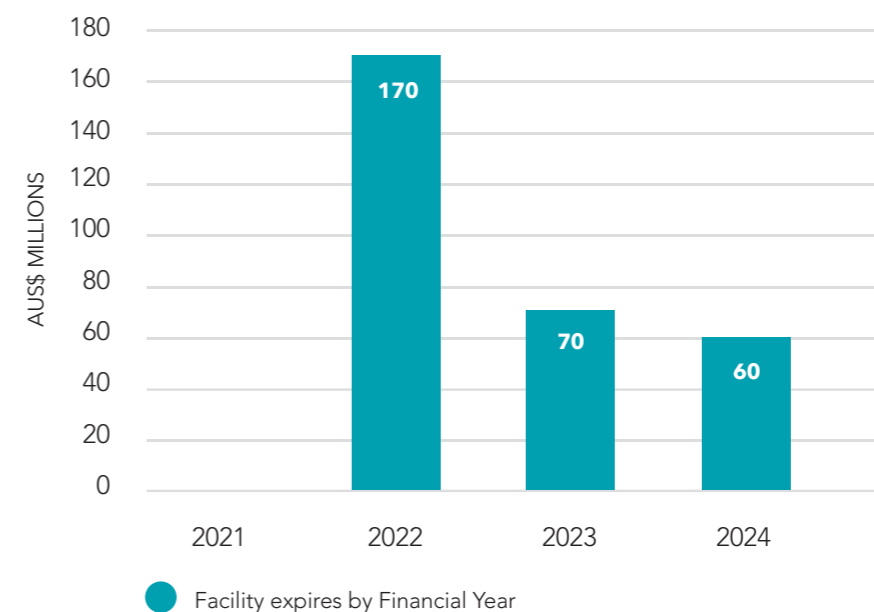
Debt facilities

Total debt facilities as at 30 June 2020 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 (2019: Nil).

04 Our Financing

4.3 INTEREST-BEARING LIABILITIES

	2020 \$'000	2019 \$'000
Non-current		
Unsecured at amortised cost		
Bank loan	85,000	119,000

Funding activities

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

4.3.1 Reconciliation of liabilities arising from financing activities

	2020 \$'000	2019 \$'000
Interest-bearing liabilities		
Balance at the start of the year	119,000	86,000
Net cash (outflows) / inflows	(34,000)	33,000
Balance at the end of the financial year	85,000	119,000

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

	2020 NUMBER	2020 ISSUED CAPITAL \$'000	2019 NUMBER	2019 ISSUED CAPITAL \$'000
Fully paid ordinary shares				
Balance at beginning of financial year	17,361,515	53,039	17,226,619	37,753
Issue of shares under Executive and Employee Share Plans (note 2.8)	14,345	67	17,099	2,670
Issue of shares under Dividend Reinvestment Plan (DRP)	33,077	2,291	117,797	12,616
Issue of shares under Capital Raise	1,268,966	92,000	-	-
Transaction costs	-	(1,009)	-	-
Balance at end of financial year	18,677,903	146,388	17,361,515	53,039

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 2.8 to the Consolidated Financial Statements.

4.5 SHAREHOLDER RETURNS

4.5.1 Earnings per share

	2020 \$'000	2019 \$'000
From continuing operations		
Profit attributable to shareholders of Blackmores Limited	15,152	50,651
	Number	Number
WANOS ¹ used in the calculation of basic EPS ²	17,494,831	17,295,235
WANOS ¹ used in the calculation of diluted EPS ²	17,494,831	17,295,256
	Cents	Cents
Basic EPS	86.6	292.9
Diluted EPS	86.6	292.9
From continuing and discontinued operations		
Profit attributable to shareholders of Blackmores Limited	18,114	53,469
	Number	Number
WANOS ¹ used in the calculation of basic EPS ²	17,494,831	17,295,235
WANOS ¹ used in the calculation of diluted EPS ²	17,494,831	17,295,256
	Cents	Cents
Basic EPS	103.5	309.2
Diluted EPS	103.5	309.2

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.

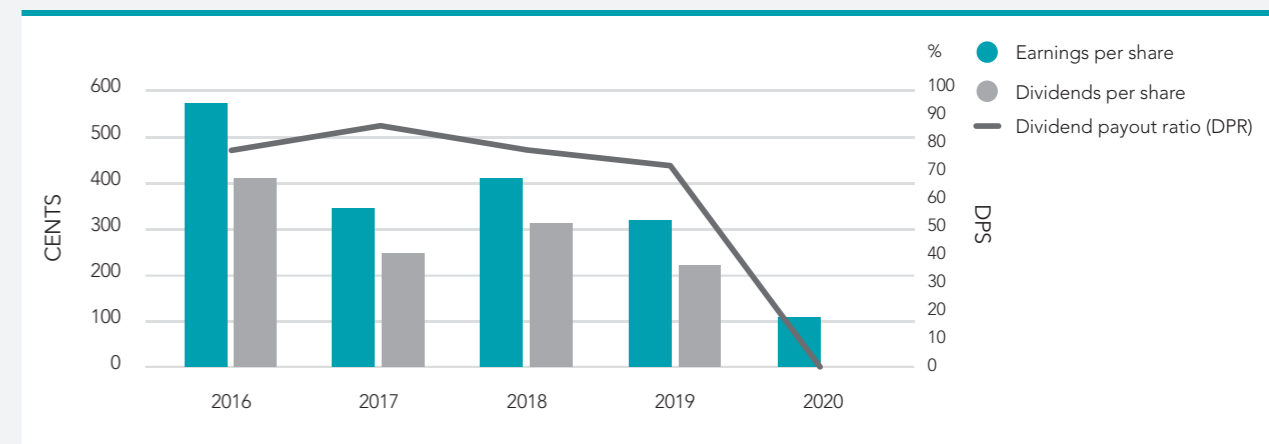
4.5.2 Dividends

	2020 CENTS PER SHARE	TOTAL \$'000	2019 CENTS PER SHARE	TOTAL \$'000
Recognised amounts				
Fully paid ordinary shares				
Final dividend for year ended 30 June 2019 (2019: 30 June 2018)				
- fully franked at 30% corporate tax rate	70	12,209	155	26,587
Interim dividend for year ended 30 June 2020 (2019: 30 June 2019)				
- fully franked at 30% corporate tax rate	-	-	150	25,954
	70	12,209	305	52,541
Unrecognised amounts				
Fully paid ordinary shares				
Final dividend for year ended 30 June 2020 (2019: 30 June 2019)				
- fully franked at 30% corporate tax rate	-	-	-	-

4.5.3 Franking account balance

	2020 \$'000	2019 \$'000
Adjusted franking account balance	31,202	29,591

4.5.4 Shareholder returns history



05 Our Financial Risk Management

5.1 CATEGORIES OF FINANCIAL INSTRUMENTS

	CLASSIFICATION	NOTE	2020 \$'000	2019 \$'000
Financial assets				
Cash and cash equivalents	Amortised cost	2.5.1	47,655	24,516
Receivables	Amortised cost	2.5.3	97,859	143,877
Unquoted equity investments	Fair value through profit or loss	5.7	1,382	1,503
Derivative financial assets	Fair value through profit or loss	5.7	12	355
Financial liabilities				
Derivative financial liabilities	Fair value through profit or loss	5.7	1,764	739
Interest bearing borrowings	Amortised cost	4.3	85,000	119,000
Trade payables	Amortised cost	2.5.5	101,846	134,529

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

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or profit or loss); and
- Those to be measured at amortised cost.

The classification depends on the Group's business model for managing financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held.

Loans and receivables

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost.

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. 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.

The Group measures the loss allowance for trade receivables using the simplified approach under AASB 9 at an amount equal to the lifetime expected credit losses. A lifetime expected credit 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.

5.1 CATEGORIES OF FINANCIAL INSTRUMENTS (CONT.)

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.

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

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the Consolidated Statement of Profit or Loss and Other Comprehensive Income as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or 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, coordinates access to domestic and international financial markets and monitors and manages the financial risks relating to the operations of the Group. The Group seeks to minimise the effects of currency risk and interest rate risk by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on foreign exchange risk, interest rate risk and the use of financial derivatives. Compliance with policies and exposure limits is reviewed internally on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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.

Blackmores undertakes transactions denominated in foreign currencies which exposes it to foreign exchange rate risk. The currencies which Blackmores has a material exposure to include the United States Dollar (USD), Euro (EUR), New Zealand Dollar (NZD) and Canadian Dollar (CAD). It also undertakes transactions in Swiss Franc (CHF), Korean Won (KRW), Malaysian Ringgit (MYR), Thai Baht (THB) and Taiwan Dollars (TWD), amongst others. Blackmores enters into derivative financial instruments to manage this risk, including forward foreign exchange contracts.

CURRENCY	LIABILITIES	LIABILITIES	ASSETS	ASSETS
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
USD	8,094	12,447	2,039	1,102
EUR	485	399	31	-
NZD	1,598	2,000	669	2
CAD	165	834	-	-
Other	604	495	10	236

The table above excludes the impact of derivatives.

Fluctuations in the Australian dollar relative to the USD, EUR, NZD, CAD or other foreign currencies may impact on Blackmores' cash flows, financial performance and profitability. 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.

CURRENCY	PROFIT / (LOSS)			
	10% INCREASE		10% DECREASE	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
USD impact	550	1,031	(673)	(1,261)
EUR impact	(71)	36	(188)	(44)
NZD impact	84	182	(103)	(222)
CAD impact	15	76	(18)	(93)
Other impact	54	16	(66)	(20)

The table above excludes the impact of derivatives.

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

CURRENCY	NOTIONAL PRINCIPAL AMOUNT		FAIR VALUE	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
USD	25,505	14,160	(1,316)	252
MYR	-	3,838	-	(26)
THB	-	5,780	-	(227)
NZD	1,170	5,210	(2)	39
CAD	-	632	-	14
KRW	-	1,101	-	(8)

In conjunction with the capital raising during the period, the Group reviewed its forecasted debt levels over the next two years and this has resulted in some hedge ineffectiveness. As a result of this ineffectiveness, a loss of \$925 (2019: nil) was reclassified from other comprehensive income to the Income Statement. Amounts reclassified are recorded within other income and expenses. There was no other material ineffectiveness of hedging relationships.

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.

	2020 \$'000	2019 \$'000
Financial liabilities		
Borrowings	(85,000)	(119,000)
Interest rate swaps ¹	30,000	53,000
Net exposure	(55,000)	(66,000)

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

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

	AVERAGE CONTRACTED FIXED INTEREST RATE		NOTIONAL PRINCIPAL AMOUNT		FAIR VALUE	
	2020 %	2019 %	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Outstanding fixed or floating contracts						
Less than 1 year	-	2.21%	-	23,000	-	(23)
1 to 2 years	-	2.38%	-	10,000	-	(277)
2 to 5 years	0.88%	1.44%	30,000	20,000	(433)	(202)
> 5 years	-	0.00%	-	-	-	-
	0.88%	1.95%	30,000	53,000	(433)	(502)

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 2020, 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 \$821 (2019: \$648) or increase by \$821 (2019: \$648) respectively as a result of changes in the interest rates applicable to commercial bank bills.

For the year ended 30 June 2020, 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 \$306 or decrease by \$310 respectively (2019: increase by \$370 or decrease by \$375 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 \$40,000 of new interest rate swaps during the 2020 financial year (2019: \$30,000), \$23,000 matured during the year (2019: \$30,000) and \$40,000 were terminated during the 2020 financial year (2019: \$17,000).

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 impact of COVID-19 on a global basis. 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 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 management of the Group's short-term, medium-term 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 YEAR \$'000	1-5 YEARS \$'000	>5 YEARS \$'000	TOTAL \$'000
2020					
Trade and other payables	-	101,846	-	-	101,846
Borrowings	1.57	-	85,000	-	85,000
Lease liabilities	2.63	7,186	17,739	2,893	27,818
		109,032	102,739	2,893	214,664
2019					
Trade and other payables	-	134,529	-	-	134,529
Borrowings	2.63	-	119,000	-	119,000
		134,529	119,000	-	253,529

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

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 instrument that settle on a net basis and the undiscounted gross inflows/(outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

	<1 MONTH \$'000	1-3 MONTHS \$'000	3 MONTHS TO 1 YEAR \$'000	1-5 YEARS \$'000	>5 YEARS \$'000	TOTAL \$'000
2020						
Net settled:						
Interest rate swaps	(53)	(54)	(160)	(210)	-	(477)
2019						
Net settled:						
Interest rate swaps	(95)	(55)	(166)	(222)	-	(538)

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

Fair value measurements recognised in the Consolidated Statement of Financial Position

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

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

		2020 \$'000	2019 \$'000
Financial assets			
Unquoted equities	Level 3	1,382	1,503
Foreign exchange derivatives	Level 2	12	355
		1,394	1,858
Financial liabilities			
Foreign exchange derivatives	Level 2	1,372	267
Interest rate derivatives	Level 2	392	472
		1,764	739

06 Our Group Structure

6.1 PARENT ENTITY INFORMATION

	2020 \$'000	2019 \$'000
Financial position		
Assets		
Current assets	102,850	174,576
Non-current assets	278,813	175,291
Total assets	381,663	349,867
Liabilities		
Current liabilities	87,563	105,969
Non-current liabilities	108,756	136,791
Total liabilities	196,319	242,760
Equity		
Issued capital	146,388	53,039
Retained earnings	39,315	54,102
Reserves	(359)	(34)
Total equity	185,344	107,107
Financial performance		
Profit for the year	2,577	32,032
Other comprehensive income	(905)	(509)
Total comprehensive income	1,672	31,523
6.1.1 Commitments for expenditure - parent entity		
Catalent transaction¹		
Not longer than 1 year	465	48,000
IT infrastructure and software		
Not longer than 1 year	3,420	2,494
Longer than 1 year and not longer than 5 years	2,851	6,271
	6,271	8,765
Capital projects		
Not longer than 1 year	5,451	19,867
Promotional services		
Not longer than 1 year	1,020	1,030
Longer than 1 year and not longer than 5 years	360	730
	1,380	1,760
Sponsorship		
Not longer than 1 year	20	65
Research and development contracts		
Not longer than 1 year	1,487	2,440
Longer than 1 year and not longer than 5 years	1,229	4,270
Longer than 5 years	-	600
	2,716	7,310

1. Blackmores Limited acquired Catalent Australia on 24 October 2019.

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. 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		PRINCIPAL ACTIVITY
		2020 %	2019 %	
Blackmores Nominees Pty Limited	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	Holding company
Blackmores SPV Co Pty Limited	Australia	100	100	Holding company
New Century Herbals Pty Limited ²	Australia	100	100	Marketing of natural health products
Global Therapeutics Pty Limited ²	Australia	100	100	Marketing of natural health products
Blackmores Japan Limited	Japan	100	100	Marketing of natural health products
Catalent Australia Holdings Pty Ltd ²	Australia	100	0	Holding company
Catalent Australia Pty Ltd ²	Australia	100	0	Manufacturing 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 requirements 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 Other Comprehensive Income and the Consolidated Statement of Financial Position of the entities party to the deed of cross guarantee are:

	2020 \$'000	2019' \$'000
Revenue	467,747	493,693
Other income	2,675	2,740
Gain arising from bargain purchase	6,243	-
Revenue and other income	476,665	496,433
Raw materials and consumables used	235,001	235,239
Employee benefits expenses	121,924	105,101
Selling and marketing expenses	23,348	35,240
Depreciation and amortisation expenses	17,317	9,388
Operating lease rental expenses	-	4,870
Facility outgoings	5,920	4,388
Professional and consulting expenses	11,031	8,630
Repairs and maintenance expenses	7,753	5,707
Freight expenses	6,902	6,962
Bank charges	907	1,086
Licences and registrations	5,823	3,948
Impairment of financial assets	1,613	-
Loss on derecognition of receivables	227	-
Insurance	5,832	1,573
Stamp duty	1,755	112
Other expenses	8,139	5,311
Total expenses	453,492	427,555
Earnings before interest and tax	23,173	68,878
Interest revenue	59	197
Interest expense	(5,927)	(5,339)
Net interest expense	(5,868)	(5,142)
Profit before tax	17,305	63,736
Income tax expense	(5,344)	(18,808)
Profit after tax from continuing operations	11,961	44,928
Profit from discontinued operations	2,962	2,818
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)	(905)	(509)
Other comprehensive expense for the period, net of tax	(905)	(509)
Total comprehensive income for the period	14,018	47,237

1. In accordance with AASB 5 non-current assets held for sale and discontinued operations, the comparatives have been restated for discontinued operations that have arisen during the year. Refer to note 3.6.

6.2 SUBSIDIARIES (CONT.)

6.2.1 Controlled entities (cont.)

	2020 \$'000	2019 \$'000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	11,231	-
Receivables	86,375	123,609
Inventories	101,192	101,537
Other assets	8,867	10,796
Derivative assets	12	-
Assets held for sale	30,657	-
Total current assets	238,334	235,942
NON-CURRENT ASSETS		
Property, plant and equipment	138,108	78,708
Right-of-use assets	26,667	-
Investment property	-	2,160
Goodwill and intangible assets	52,235	75,984
Deferred tax assets	10,424	8,390
Other financial assets	8,247	3,959
Total non-current assets	235,681	169,201
Total assets	474,015	405,143
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	79,398	101,124
Current tax liabilities	-	2,194
Lease liabilities	7,954	-
Provisions	14,902	9,176
Other liabilities	391	478
Liabilities directly associated with assets held for sale	6,676	-
Derivative liabilities	918	-
Total current liabilities	110,239	112,972
NON-CURRENT LIABILITIES		
Interest-bearing liabilities	85,000	119,000
Lease liabilities	17,614	-
Deferred tax liabilities	5,251	11,374
Provisions	1,538	1,137
Other liabilities	321	35
Total non-current liabilities	109,724	131,546
Total liabilities	219,963	244,518
Net assets	254,052	160,625
EQUITY		
CAPITAL AND RESERVES		
Issued capital	146,388	53,039
Reserves	3,858	4,240
Retained earnings	103,806	103,346
Total equity	254,052	160,625

06 Our Group Structure

6.3 JOINT OPERATIONS

Bemore Partnership Pty Ltd

There have been no transactions in the partnership during the year ended 30 June 2020.

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

During the financial year ended 30 June 2020, Bemore Partnership Pty Ltd was deregistered following suspension of the operations of the partnership in 2018.

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.

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.

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 (2019: 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 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 (2019: \$nil).

Other related party transactions

During the financial year ended 30 June 2020, the following transactions occurred between the Group and its other related parties:

- Fiftyfive5 Pty Ltd, a company of which Brent Wallace is a Director, performed certain consulting services for the Company for which fees of \$62,876 (2019: \$255,818) were charged.

Balances with related parties

No balances were outstanding at the end of the financial year with related parties that are not members of the Group (2019: nil).

07 Other

7.2 REMUNERATION OF AUDITOR

	2020 \$	2019 \$
Auditor of the parent entity		
Auditing or reviewing the Financial Statements	455,534	320,774
Taxation services	61,000	90,801
Other non-audit services ¹	48,500	98,068
	565,034	509,643
Network firm of the parent company auditor		
Auditing or reviewing the Financial Statements	322,170	285,255
Taxation services	-	17,278
Other non-audit services ¹	55,511	18,620
	377,681	321,153

The auditor of Blackmores Limited is Deloitte Touche Tohmatsu.

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

7.3 CONTINGENT ASSETS

Blackmores Limited determined that from June 2020 it satisfied the eligibility criteria for the Federal Government's JobKeeper payment, a scheme to provide businesses that suffered a downturn in revenue as a result of COVID-19 with wage support to their employees. The key eligibility criteria for JobKeeper payment is that a business' turnover (calculated with reference to GST turnover as defined under the GST Law) is forecasted to decrease by a minimum percentage compared to the comparative period in 2019. Blackmores forecasted that its June 2020 revenue decreased by more than the requisite percentage compared to June 2019. Based on these forecasts, Blackmores Limited was eligible for a \$2 million JobKeeper payment for June 2020 and this was received on 17 July 2020.

The external sales to third parties for the Blackmores entity did decrease in June 2020 compared with the prior year broadly in line with the forecasts created in early May by management which forecasted JobKeeper eligibility, in part due to COVID-related out of stocks on immunity products experienced in that month and also as it made sense to finish the year with lower inventory in key trading partners as COVID-19 is causing higher variability in sales to consumers of products within the portfolio. However due to a technicality in the JobKeeper legislation, the value of foreign-issued shares from Blackmores capital raising in early June appeared on its business activity statement as "GST-free Supply" and meant that the revenue decline compared to prior year shown on the business activity statement was lower than the revenue decline from external trading. Blackmores is reaching out to the relevant authorities to resolve this unintended consequence of capital raisings and its impact on JobKeeper legislation, but until this is resolved it has excluded \$1.4 million of pre-tax income from JobKeeper related to the Blackmores entity in its 2020 accounts. Included within the year-end accounts are the BioCeuticals JobKeeper amounts (the business was eligible based on May month actual results due to COVID-19 related out of stocks of Armaforce), as well as benefits from the Singapore based Job Support Scheme (JSS). Total benefits from these two programs included in the year-end accounts are \$1 million pre-tax recorded in other income, and these have been excluded from Underlying NPAT (but are included in Reported NPAT).

Given the uncertainty surrounding the eligibility, Blackmores has not recognised the June 2020 JobKeeper payment in its Consolidated Statement of Profit and Loss for the year ended 30 June 2020 or recognised as an asset in the Consolidated Statement of Financial Position at 30 June 2020.

7.4 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 with 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 4 years. The relevant authority has issued assessments for approximately \$11 million (AUD). In the year ended 30 June 2020, corresponding bank guarantees totalling \$11 million (AUD) have been issued by the Group. Blackmores has initiated an appeal process for these assessments. Blackmores considers that it has correctly interpreted and complied with all relevant requirements under the free trade agreement and continues to pursue all legal avenues of objection. It remains unclear when a resolution to this matter will be reached. As at the date of signing, based on current legal advice received no legal liability exists in relation to the assessments under applicable laws 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 at 30 June 2020.

7.5 EVENTS AFTER THE REPORTING PERIOD

Sale of Wheyless & IsoWhey Brands

On 14 August 2020, Blackmores Group entered into an asset sale agreement to sell the IsoWhey and Wheyless brands. The sale price of \$1.09 million covers the IsoWhey / Wheyless brands, product formulas, customer agreements and digital assets. There are no people transferring with the sale. An additional payment will be made to cover the value of stock transferring with the sale. The transaction is expected to complete before 14 September 2020.

Sale of 15 Jubilee Avenue Warriewood, NSW

On 5 August 2020, Blackmores entered a contract for sale of land with an 180 day settlement period for the investment property at 15 Jubilee Avenue Warriewood, NSW 2102 for \$5.2 million ex GST. The transaction is expected to complete in February 2021.

Share Purchase Plan

On 8 July 2020, Blackmores completed a Share Purchase Plan which was announced on 27 May 2020. This plan raised \$49 million, a total of 669,812 new fully-paid ordinary shares. The shares were issued at \$72.50 a share on 14 July 2020. This completed the \$141 million Equity Raise which consisted of a \$92 million institutional placement completed 28 May 2020 and the Share Purchase Plan of \$49 million completed 8 July 2020.

Impact of COVID-19 pandemic

The full impact of the COVID-19 pandemic continues to evolve at the date of this report. Management is actively monitoring the global situation and its impact on the Group's financial condition, liquidity, operations, suppliers and industry. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Group is not able to accurately estimate the effects of the COVID-19 outbreak on its results of operations, financial condition or liquidity for the 2020-21 financial year.

Although the Group cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues it may have a material adverse effect on the Group's results of future operations, financial position and liquidity for 2020-21.

Final dividend

No final dividend was declared as described in note 4.5.

Other than the foregoing, no other matter or circumstance has arisen since 30 June 2020 that has significantly affected or may significantly affect the consolidated entity's operations, the result of those operations, or the consolidated entity's state of affairs in future years.

7.6 APPROVAL OF FINANCIAL STATEMENTS

The Consolidated Financial Statements were approved by the Board of Directors and authorised for issue on 24 August 2020.

Additional Information

Number of holders of equity securities as at 29 July 2020

Ordinary share capital

19,347,715 fully paid ordinary shares are held by 17,829 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	16,109
1,001 - 5,000	1,527
5,001 - 10,000	103
10,001 - 100,000	76
100,001 and over	14
Total	17,829
Holdings less than a marketable parcel	622

Substantial shareholders

FULLY PAID ORDINARY SHAREHOLDERS	NUMBER	PERCENTAGE
Marcus C Blackmore	3,659,102	18.91%
FIL Limited	1,511,394	7.81%

Twenty largest holders of quoted equity securities as at 29 July 2020

FULLY PAID ORDINARY SHAREHOLDERS	NUMBER	PERCENTAGE
Mr M C Blackmore	3,409,525	17.62
HSBC Custody Nominees (Australia) Limited	2,260,308	11.68
JP Morgan Nominees Australia Limited	2,179,596	11.27
Citicorp Nominees Pty Limited	924,934	4.78
National Nominees Limited	792,806	4.10
Blackmore Foundation Pty Limited	696,535	3.60
BNP Paribas Nominees Pty Ltd (Agency Lending A/C)	207,007	1.07
Mrs E M Whellan	150,347	0.78
BNP Paribas Nominees Pty Ltd (DRP)	143,422	0.74
Mrs P G Wright	121,824	0.63
Rathvale Pty Limited	113,088	0.58
Marcus Blackmore Holdings P/L (Blackmore S/F A/C)	99,230	0.51
Mr R Shepherd	88,179	0.46
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd DRP	53,786	0.28
Powerwrap Limited (Scheme - IML Trades A/C)	46,235	0.24
Netwealth Investments Limited (Wrap Services A/C)	39,800	0.21
Mr John Taylor	35,465	0.18
Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	33,303	0.17
Ms Margaret Dittman	32,191	0.17
Total	11,427,581	59.07

Company Information

Company Secretary

The Company Secretaries are Cecile Cooper and Nimalan Rutnam.

Principal Place of Business

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

Registered Office

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

Share Registry

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

Telephone +61 2 8234 5000
Facsimile +61 2 8234 5050

Securities Exchange Listing

Blackmores Limited's ordinary shares are quoted by the Australian Securities Exchange Limited, listing code BKL.

Direct Payment to Shareholders' Bank Accounts

Dividends may be paid directly to bank, building society or credit union accounts in Australia. These payments are electronically credited on the dividend date and confirmed by mail. The Company encourages you to participate in this arrangement, so please contact our share registry.

Change of Address

Shareholders who have changed address should advise our share 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 Michelle Gough Group Financial Controller and Investor Relations Manager on +61 2 9910 5308.

COMPANY INFORMATION

Board of Directors

Directors who are Executives of the Group:

Marcus Blackmore
Alastair Symington

Directors who are not Executives of the Group:

David Ansell
John Armstrong
Christine Holman
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).



BLACKMORES®
| GROUP

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Australia's Leading Natural Health Company

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