BLACKMORES

2014 natural leaders

annual report

contents

page

Annual General Meeting

The 52nd Annual General Meeting of the Company will be held at 11am on Thursday 23 October 2014 at the Blackmores Campus, 20 Jubilee Avenue, Warriewood NSW 2102.

COVER

Evan Hayes, Blackmores Director of Sourcing, BSc BioChem, MSc BioTech, MASM, GAICD, Director of International Probiotics Association.

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

Passion for Natural Health
Our enthusiasm and belief in a natural, holistic approach to health inspires us to excellence in everything we do.

Integrity
We are honest, trustworthy and committed to the highest standards of personal, professional and business behaviour.

Respect
We treat each other with fairness, dignity and compassion and we embrace diversity.

Leadership
As a company, in teams and as individuals, we use our wisdom, experience and knowledge to inspire and influence everyone to be their best.

Social Responsibility
Our actions demonstrate our care, respect and compassion for our people, the broader community and the environment.

About Blackmores

Stevie-Marie Marris, Blackmores Strategic Sourcing Manager.

Australia's leading natural health brand.

Blackmores is passionate about natural health and inspires people to take control of, and invest in, their health and wellbeing. We are leaders in developing and marketing products and services that deliver a more natural approach to health, based on our expertise in vitamins, minerals, herbs and nutrients.

The Company operates in Australia, New Zealand and Asia and currently employs more than 800 people, with a head office and Campus based in Warriewood on Sydney's Northern Beaches. Blackmores became a publicly listed company in May 1985.

Blackmores has been an industry leader in Australia for more than 80 years. The Company had its beginnings in the 1930s, thanks to the vision and passion of one man, Maurice Blackmore (1906-1977), an English immigrant whose ideas about health were ahead of their time.

Maurice Blackmore's belief in the health-giving properties of herbs and minerals led him to develop a whole system of healthcare based on naturopathic principles. His views on natural health, preventative medicine, the environment and recycling were nothing short of radical in the 1930s, and his work opened the doors to new ways of treating illness and maximising health.

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

Leading the company since 1975, Maurice's son Marcus has furthered the vision established by his father. He has overseen the development of Blackmores and made it a world leader in dietary supplements.

Blackmores' heritage and values are coupled with a commitment to superior business performance. Our strategic direction is focused on delivering growth and continuous improvement to maintain and enhance Blackmores' industry leadership position and achieve ongoing success for our company and our shareholders.

ca

Staff from Blackmores Australia, Pure Animal Wellbeing, Blackmores Institute and BioCeuticals at the Blackmores Campus Warriewood, which has a carbon footprint one eighth of that of a comparable development.

npus

Chairman's Introduction

It has been another year of change and transformation within our industry and our business, and Blackmores' ability to anticipate challenges and adapt our strategy continues to improve and has resulted in a good year across the Group.

The key growth indicators within our business may be modest, although I believe we have turned a corner and have promising prospects for the coming year. We have improved momentum in recent months and have made good gains in cash flow, debt reduction and building a new cost structure for the business.

The challenges we faced throughout the year were significant: the changing dynamics of Australian pharmacy, our biggest sales channel; deep discounting that put pressure on margins; currencies we trade in were volatile; and we had to navigate the complexities and uncertainties of our key markets in Asia.

As well as meeting these challenges, we continued to invest in the areas that are core to our business:

- The Blackmores brand remains the most trusted in our core markets and I am truly grateful to our customers and our retailers for their continued support;
- We welcomed eminent researcher Dr Lesley Braun to lead the Blackmores Institute, our research and academic arm;
- We expanded our footprint in Asia with new markets, channels and products and have now established an international headquarters in Singapore which will improve our ability to support our markets in the region;
- Our recent acquisitions, BioCeuticals and Pure Animal Wellbeing, made a positive contribution to our business and have exceeded our expectations;
- We believe our quality program is unrivalled and we have further enhanced our control over our supply chain which has given us even greater confidence in our product quality and sustainability.

In this review of our performance you will note some highly visible achievements such as the outstanding participation in the Blackmores Sydney Running Festival which raises millions of dollars for countless charities, our new flagship stores in Asia and

6 consecutive years

years as "Most Trusted" vitamin and supplement brand in 2014 Readers Digest Survey.

our product innovation from BioCeuticals, to name a few. We have also met some significant milestones in reviewing the structure and alignment of our organisation to make sure we can operate effectively and profitably, and continue to support our growth plans.

None of these initiatives would be possible without our clever, hardworking and passionate staff.

This year our Blackmores Australia staff voted overwhelmingly in favour of our new Enterprise Agreement which details how we work together for the next three years. It demonstrates the trust and confidence we have in each other and I thank our team for their support.

Steering the team is our Chief Executive Officer, Christine Holgate, who has demonstrated outstanding leadership of our company when under pressure in what was clearly a very tough retail environment.

She has had great support from the Board of Directors who I would like to thank for their leadership. We welcome Helen Nash and David Ansell to our Board following the retirement of Bob Stovold. Their individual expertise and commitment to our business has added strength to the Board.

With the encouragement of the Board, our executive team has made an effort to be more accessible to meet with our shareholders so you can better understand our business. Our first Meet the Management Team shareholder event was held at the Blackmores Campus in recent months. We received great feedback and many of the shareholders attending took the time to visit the on-site shop to purchase our products using their Shareholder Discount Card.

Frequently I am reminded by consumers and shareholders who take our products that we are in a business that improves people's lives. I would like to extend my sincere thanks to our customers for your confidence in our products and for sharing your stories that help us improve.

Too often we spend our time considering the feedback from the vocal few who are critical, sceptical or have different approaches to managing their health. Today, I would like to acknowledge and thank the millions of people who choose a more natural approach. We commit to delivering you new and innovative products, trusted and reliable health information and unsurpassed quality – in short, the best of health.

Marcus C Blackmore AM
Chairman

Special thanks

At the October Annual General Meeting we will bid farewell to Verilyn Fitzgerald who will retire after 17 years of outstanding service on our Board of Directors. Verilyn has chaired the People and Remuneration Committee and has set exceptionally high standards for how we reward our people and how we work together.

Chairing a Remuneration Committee is probably the most difficult role a Director can undertake given the ever increasing governance we contend with as a public company. Verilyn has been a tireless champion for our people and our values and has carried out that task with unbelievable diligence.

CEO's Message

Dear Shareholder,

I am pleased to report Blackmores' twelfth consecutive year of sales growth with sales of nearly $350 million, up 6% on the prior year, and $25.4 million net profit after tax which is an increase of 1.8% on last year's profit.

This reflects a much stronger performance over the past nine months and a turnaround from the first quarter of the financial year when we were directly impacted by challenges facing our Australian business and increased raw ingredient costs resulting from the falling Australian dollar.

We responded with stronger brand marketing, a review of unprofitable product lines, investment in the Blackmores Institute, a refreshed Board, strengthened management team, a review of our cost structure and a focus on optimising our working capital.

We committed to four strategic priorities:

- Support Blackmores Australia to build our brand and return the business to profitable growth
- Invest in BioCeuticals, Blackmores Asia and Pure Animal Wellbeing to continue to diversify our business and build new sources of growth
- Build our product leadership position through the valued research and knowledge within Blackmores Institute and a program of product range innovation
- Continue to improve operational effectiveness and transform our cost profile

Michael Evans, Blackmores Head of Product Development.

Financial and Operational Highlights

- Sales of $346.8 million, up 6.2% on the previous year
- Improved profit of $25.4 million, up 1.8% on the previous year
- Net debt decreased by $14.6 million to $54.4 million
- Improved operating cash flow from $22.0 million to $37.5 million, an increase of 70% compared to the previous year
- Net tangible assets per share increased by 9.8% from $3.47 to $3.81

All core areas of the business have made significant progress towards delivery of these strategic priorities – a solid achievement, given our disappointing first quarter financial results, and certainly one that demonstrates the resilience and tenacity of our team and the strength of our brand.

Support our Australian retail business and build our consumer brand

Our Australian retail brand remains our largest and most important business.

In the second half Blackmores Australia returned to profitable growth and maintained the leadership position as number one brand in the market. We were recently awarded Most Trusted vitamin and supplement brand in Australia for the sixth consecutive year in the Reader's Digest survey.

Blackmores worked to optimise the consumer shopping experience and continued the installation of branded merchandising units in retail stores developed to make product selection easier for shoppers supported by trained in-store product advisors.

We furthered our commitment to education of healthcare professionals and pharmacy assistants with an independently-accredited program with the Pharmacy Guild of Australia.

Blackmores collaborated with Australia's most influential fitness expert, Michelle Bridges to develop a range of naturally-sourced dietary supplements and protein products for general health and wellbeing that are sold in leading grocery stores.

We have a reinvigorated digital strategy across the Group in recognition of the growing importance of e-commerce and social media to our consumers and retail partners.

Invest to Grow – BioCeuticals, Blackmores Asia, Pure Animal Wellbeing

BioCeuticals

BioCeuticals made a very strong contribution to the Blackmores Group in the year achieving earnings before interest and taxes (EBIT) of $6.8 million, growth of 45% and exceeding our expectations at acquisition just two years ago.

The BioCeuticals brand of practitioner-only products has delivered sales growth of 14% compared to the previous year, as well as a number of successful launches of new

offerings within their product portfolio, unprofitable lines were discontinued.

BioCeuticals Clinical is a new range of products exclusively distributed through healthcare practitioner clinics. A new range of sports performance products was launched under the IsoWhey® brand portfolio.

The second annual BioCeuticals Research Symposium attracted 350 practitioner delegates and a line-up of presenters including four international speakers. This was a landmark educational event that underpinned the Blackmores Group as the leading natural health authority.

Blackmores Asia

Blackmores Asia achieved 11% sales growth and forged ahead with a strong program of sales-generating activity. EBIT was up 11% even with a continued investment in new strategic initiatives.

Like Blackmores Australia, our business in Asia was faced with several challenges throughout the year. Political instability in Thailand and the resulting impact on consumer confidence has pressured sales growth in our largest export market. Even with these challenges, Blackmores Thailand grew market share and protected its profit contribution to the Group.

A new Blackmores On the Go range was introduced into convenience stores in Thailand, a new channel and opportunity for future growth.

Our Asia markets are complex and evolving – each is at a different level of economic and category development. Our experienced leadership team has a deep understanding of the region and of operating in highly regulated environments.

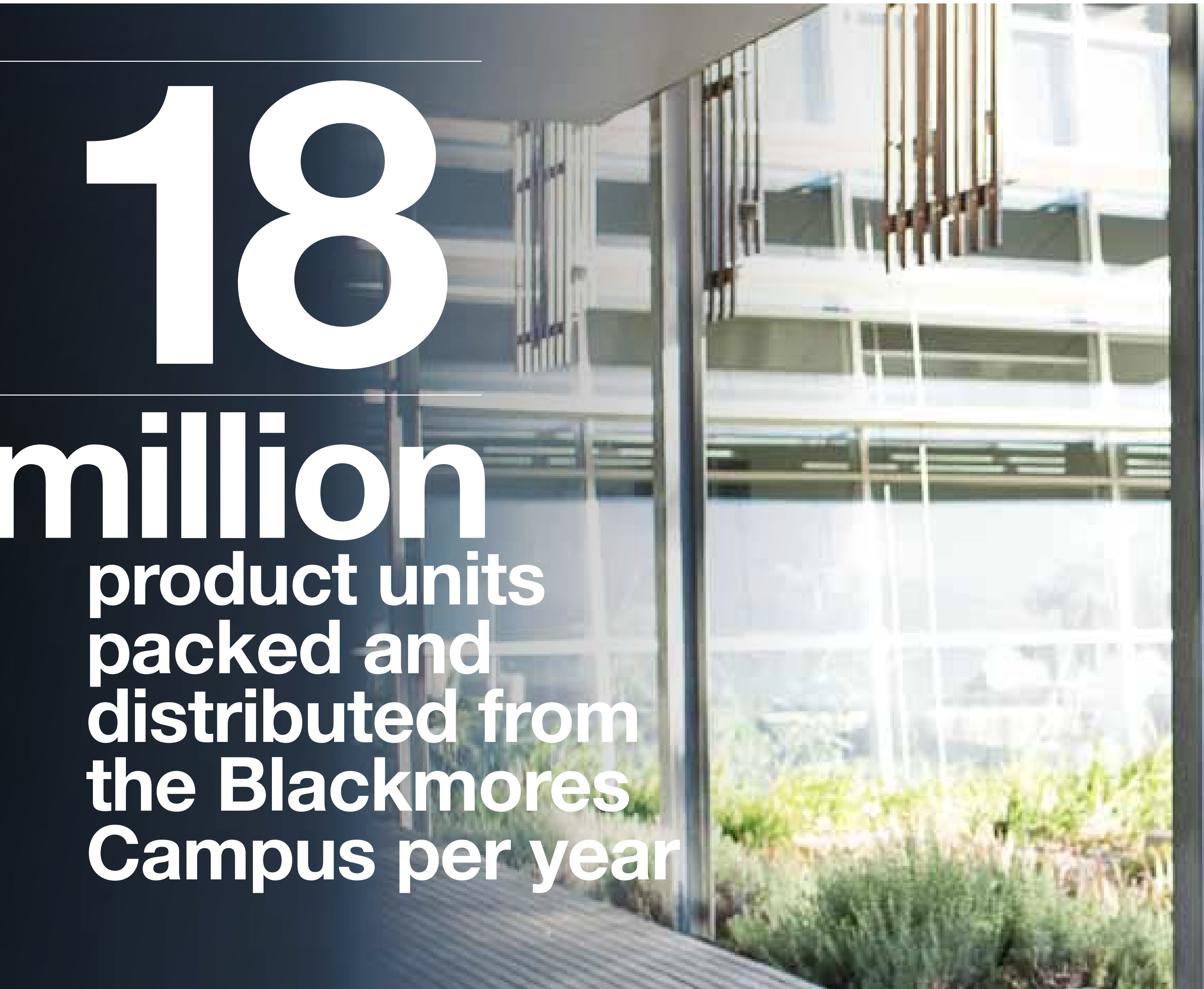
I'm pleased that we are now seeing the benefits of our investment in Blackmores Malaysia in recent years with the market delivering an impressive 75% earnings growth in the year. We launched three Blackmores flagship stores in Malaysia and these present a unique environment to demonstrate our brand values and promote our naturopathic heritage and health expertise. Our continued recognition as Most Trusted brand in Thailand and Malaysia and as a Superbrand in Malaysia reaffirms the relationship we are working to grow with consumers in Asia.

We entered two new markets in the region, Macau and Cambodia, which will be future platforms for growth. These smaller market launches required no further investment from the Group as we were able to leverage existing infrastructure in the region.

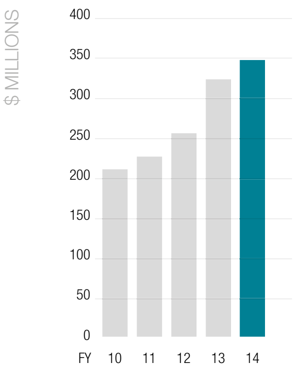
In Asia, the digital environment presents an increasingly important platform for our Asia expansion program. Blackmores has over 400,000 social media friends in the region. We have increased online sales significantly in Asia with transactions through e-commerce retailers in China leading the way representing 35% of total Blackmores sales in that country.

Blackmores signed an agreement to be a premium vitamin supplier to Glamour Sales, a private Pan-Asian

Mark Schultz, Service Delivery Manager, and Mark Wilson, Distribution Manager.

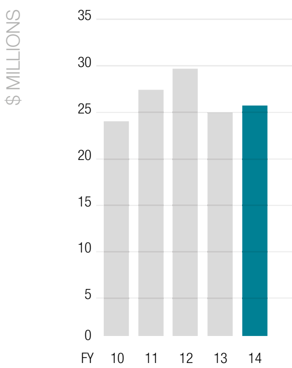


sales



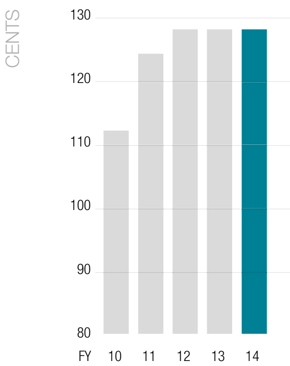
Group revenue from the sale of goods for the year of $346.8 million represented growth of 6.2% on last year's sales result.

net profit after tax



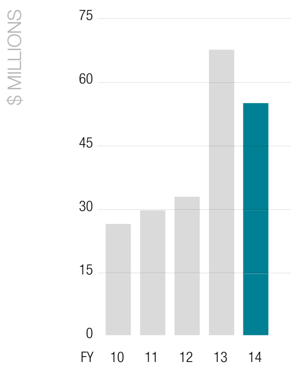
Group Net Profit after Tax (NPAT) was $25.4 million for the year representing growth of 1.8% on last year's reported profit.

dividends



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

net debt



The Group's net debt level was $54.4 million at 30 June 2014. This is compared to $69.0 million in the prior year. Gearing, as measured by Net Debt/(Net Debt + Shareholders' Equity) was 34.3%, compared to 41.3% last year.

earnings per share **149.2 cents**

Earnings per share increased by 0.9% to 149.2 cents.

11 Blackmores markets in the Asia Pacific region.

43% of Blackmores Board members are women.

50% of Blackmores speak Asian languages, and more than 25 languages spoken.

Director of Blackmores Institute, Dr Lesley Braun, at the National Institute of Complementary Medicine laboratory at the University of Western Sydney.

80% employees working for Blackmores are female.

20% staff across the Group have a healthcare qualification.

800+ people employed by Blackmores across the Group

7% staff turnover in Australia.

300+ working in Asia

luxury e-commerce company in China. Blackmores' agreement with Glamour Sales is a key milestone in our ongoing online go-to-market model in China tapping into the booming e-commerce market and growing online shopping needs of Chinese consumers.

Blackmores was honoured to be invited by the Australian Prime Minister to accompany him on his first visit to Indonesia 10 days after his appointment to the role. We were also a strong and active participant in the Australia Week in China activities in April, supporting the Prime Ministerial and Ministerial visits to China and Korea with the aim of improving our access, brand position and quality reputation in Asia.

Blackmores was pleased to learn of the positive conclusion of the Korea-Australia Free Trade Agreement (FTA) negotiations and welcomes a new era of competitive trading between Australia and Korea. We currently face a competitive disadvantage with exports from the US and EU enjoying tariff-free entry while Australian exports face tariffs of up to 8%.

With the formal signing of the Korea-Australia FTA, Korea will provide tariff-free entry for Australia's pharmaceutical, vitamin and health supplement products within three years of entry into force of the agreement.

We are encouraged by the Australian Government's ongoing commitment to review trade agreements across the Asia region.

Pure Animal Wellbeing

Pure Animal Wellbeing (PAW) underlying sales were up 23%, with the successful launch of five new products. Our Animal Health business is making an improved contribution to the Group and continuing to expand in the domestic and export market, recently launching in Hong Kong.

Build our Product Leadership Position

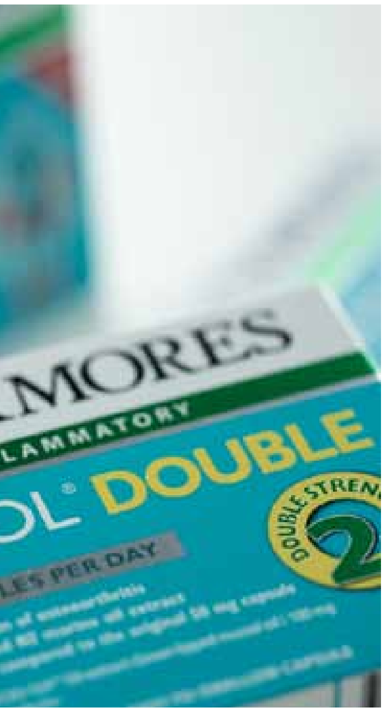
Our desire to optimise our environmental sustainability and consumers' experience with our product resulted in improved operational efficiencies and cost savings. This included a new process to reduce excess packaging from bulk delivery suppliers which removed more than 60 tonnes of waste from our supply chain, reduced handling time and saved on waste disposal costs.

The development of a new recyclable polypropylene pack for larger bottles of capsules and tablets captures the essence of Blackmores' iconic amber glass but in a lighter, more durable material. The trade marked bottle design makes it easier for users to open the bottle and will improve the shelf-life of the product. It's an example of how Blackmores has strived to extend our innovation beyond product formulation.

We are proud that this was recognised with an achievement award by the Australian Packaging Covenant in 2014.

Blackmores Institute

The appointment of eminent researcher Adjunct Associate Professor Lesley Braun



01 Angela Dick, BioCeuticals NSW State Sales Manager.

02 Kaysee Wang, Production Operator, at the Blackmores Campus Warriewood.

03 Richard Henfrey, Chief Operating Officer and Christine Holgate, Chief Executive Officer.

04 Michael Evans, Head of Product Development.

05 Pam Stone, Director of Education for Blackmores Institute.

06 Daniel Mulligan, Line Warden.

07 Alejandra Reyes-Jaime, Edgar Cabal, Vladimir Stajic, Evan Hayes, Wes Ipsen and Alison McClellan from Strategic Sourcing and Product Development.

08 Aimee Amohanga, Assistant Production Operator.

as Director of Blackmores Institute in February highlighted the next phase of development for Blackmores Institute – the research and academic arm of the Blackmores Group.

Blackmores Institute has formed strong partnerships with several higher education institutions to develop accredited education modules for health care professionals and retail staff to ensure they have access to independently assessed, evidence-based education on complementary medicines.

Throughout the year, Blackmores has delivered accredited education to 5,000 healthcare professionals and 10,000 pharmacy assistants as well as offering an e-learning program.

Blackmores' Advisory Service helped more than 50,000 consumers and healthcare professionals throughout the year.

Improve our Operational Effectiveness

Business structure

The organisation design was refined in the latter months of the year to ensure our people structure can accommodate future growth.

Blackmores has made important changes to our Asian business structure to enable achievement of our export goals. This included the establishment of a wholly foreign owned enterprise (WFOE) in China to improve our speed to market and ability to develop our China strategy.

Additionally, we progressed the development of Blackmores International, the new headquarters for our Asia business, based in Singapore. The presence of Blackmores International in Singapore will enable us to be closer to our consumers and retail partners, to optimise our supply chain and distribution partnerships and deliver further operational efficiencies. It will improve Blackmores' access to the best talent pool for our Asia leadership team.

Blackmores Campus

Improved production work-flows from the Blackmores Campus resulted in more than $2 million in savings. Importantly, this helped partially offset increases in the cost of goods as a result of currency fluctuations.

Blackmores' strategic sourcing team continued their

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unrivalled quality program, ensuring Blackmores has full transparency over our supply chain. For example, Blackmores' quality team audit the fisheries catching our krill for Blackmores Eco Krill and keep records of the exact coordinates where each batch of krill are caught meaning we have full visibility of the krill supply chain from catch to capsule so consumers can be assured of Blackmores' quality and environmental sustainability.

Commitment to our People and to a richly diverse workforce

Blackmores now employs more than 800 people across the Group, with more than 300 employees in Asia.

We celebrate and value the importance of diversity in our workforce. Our commitment to creating a flexible working environment and recruiting on the basis of talent has resulted in a richly diverse workplace with a blend of skills, experience and perspective from individuals, irrespective of culture, gender or age.

- 43% of our Board are female
- More than 80% of Blackmores staff in the Group are female
- More than half of our staff speak Asian languages, and more than 25 languages are spoken
- 20% of staff based in Australia are part time workers, many of whom balance work and family commitments
- Almost 20% of our staff have a healthcare qualification

Fair Work Australia endorsed a new Enterprise Agreement for staff from Blackmores Australia, which was convincingly supported by staff. The newly negotiated agreement ensures a working environment which is fair, flexible and practical for staff and which links individual profit share with the interests of our shareholders.

Blackmores' remuneration structure is strongly linked to achievement of year on year profit growth and shareholder returns. Although there was a significant improvement in our performance in the last nine months, no executive was awarded a long term incentive and one executive was awarded a partial short term incentive for the year.

In summary

The business has gone through significant change in recent years. We have increased revenues and built a significant and growing proportion of our earnings from outside our core Australian retail brand, with successful businesses in Asia and BioCeuticals.

Despite the volatility in the Australian market, we have retained clear market leadership, won the coveted Most Trusted brand award for six years and stabilised margin pressure.

We have embarked on a journey of operational effectiveness to protect our competitive advantage whilst delivering returns to our shareholders. We will continue to recognise the importance of our need to transform to strengthen the position of the Group and provide new platforms for profitable growth.

We closed the year in a

much better position than we entered it and have stronger sales momentum, reduced debt, greater cash flows and improved market share in all of our core businesses.

Dividends

The Board has declared a final dividend of 83 cents per share (fully franked), taking total dividends for the year to 127 cents, equal to the previous year.

Outlook

We will aim to continue to deliver improved results to shareholders by leveraging our trusted brand, maintaining our unrivalled quality, innovating in all areas of our business, focusing on the needs of our consumers and exploring new opportunities to continue to grow.

We will focus on delivery of our strategic priorities:

- Continue to be consumer centric as we support our important Australian business and improve our connectivity to customers by expanding our digital platform
- Invest in growth in Asia
- Leverage the knowledge within the Blackmores Institute and BioCeuticals to drive product leadership and innovation and be the authoritative voice of natural health
- Improve our operational effectiveness

Thank you for your continued support of Blackmores.

Christine Holgate
Chief Executive Officer

Community

During the 2013/14 year, Blackmores Australia and New Zealand, Blackmores Asia and BioCeuticals proudly supported the following organisations and initiatives:

- Macular Diseases Foundation of Australia
- Quest for Life Foundation
- Heart Research Institute of Australia
- Australian Business and Community Network
- Bilgola Surf Life Saving Club
- World Wildlife Fund
- Chris O'Brien Lifehouse
- NSW Rural Fire Service
- Tennis Australia
- National Cancer Society Malaysia
- Philippines Typhoon Appeal
- Philippines National Red Cross

Participants in the Blackmores Sydney Running Festival raised nearly $2 million for charities in 2013.

Visit the Blackmores website to watch the Blackmores team makeover at the Quest for Life centre at Bundanoon.

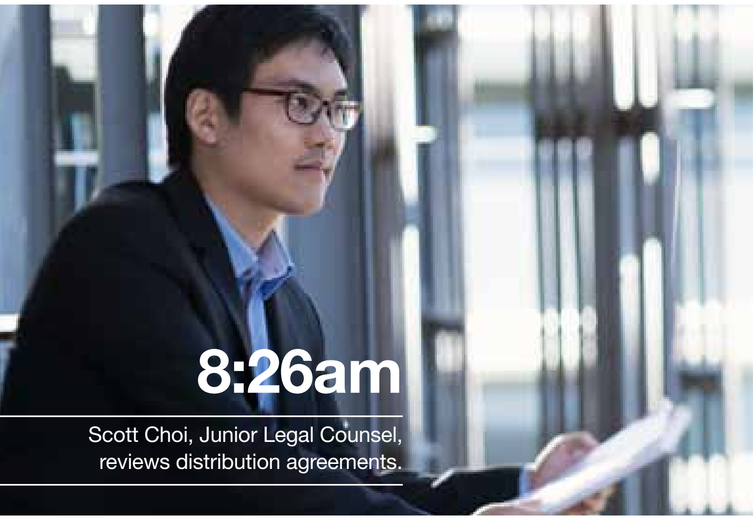
The new Blackmores flagship stores in Malaysia have been an important platform to promote community initiatives including Blackmores' collaboration with the National Cancer Society Malaysia (NCSM), health screening activities and fundraising appeals.

Matched donations

Employees are encouraged to participate in a charitable scheme whereby a percentage of their taxable pay is deducted each payday and placed in an interest-bearing trust account. The Company matches this and twice yearly each participating employee nominates a registered charity to receive the donation.

Community Day

Blackmores staff are given an additional day of leave each year to commit to community service.

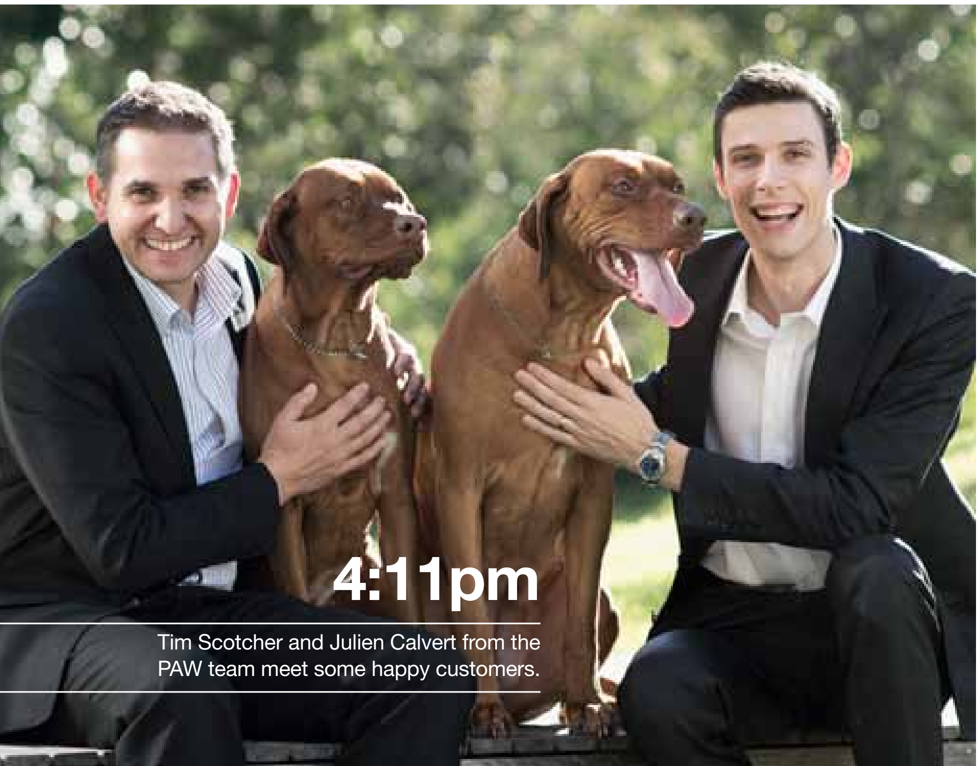


8:26am

Scott Choi, Junior Legal Counsel, reviews distribution agreements.

12:45pm

Vardui Hairapetian, Dahlia Hussain and Elena Irlandez participate in the team stretching exercises in Production at Blackmores Campus.



4:11pm

Tim Scotcher and Julien Calvert from the PAW team meet some happy customers.

3:25pm

Linda Redfearn and Lizzie Grant from HR further develop the performance management program.

Healthy people, healthy planet

Blackmores has a strong commitment to environmental sustainability stemming from the vision of founder, Maurice Blackmore, who had views on recycling that were ahead of their time. Maurice Blackmore understood the link between healthy people and a healthy planet, which is still core to who we are today.

Blackmores received an accolade for their high achievement in reducing the environmental impact of their packaging by the Australian Packaging Covenant (APC). As a signatory to the APC the company actively explores ways to reduce the impact of product packaging, increase recycling rates and develop innovative sustainable packaging solutions.

The Australian Packaging Covenant (APC) is a sustainable packaging initiative which aims to change the culture of business. It is an agreement between government, industry and community groups to find and fund solutions to address packaging sustainability issues.

Blackmores was a founding signatory of the National Packaging Covenant (NPC) which is now called the Australian Packaging Covenant.

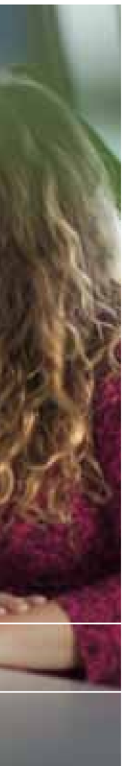
A significant achievement during the year was the introduction of a 'closed loop' process for deliveries to Blackmores' packaging facility at Warriewood which resulted in the removal of more than 60 tonnes of cardboard and plastic waste as well as reducing handling time, reducing waste removal costs and increasing operational efficiencies.

Innovative new packaging

The development of a new recyclable polypropylene pack for larger bottles of capsules and tablets captures the essence of Blackmores' iconic amber glass but in a lighter, more durable material. The trade marked bottle design makes it easier for users to open the bottle and will improve the shelf-life of the product. It's an example of how Blackmores has strived to extend our innovation beyond product formulation. The quality team have full visibility over the composition of materials to ensure the bottles are free of toxic materials that can leach out of other packaging materials including plasticizers, mercury and BPA. The anti-tamper closure ring on the lid of the new tubs has been designed

9:34am

Muy Leng and Kate McFadyen from BioCeuticals talk product innovation with Angela Dick.



9:34am

Junko Yamada, Production Operator, conducts regular quality tests.

12:36pm

Anna Lane takes an outdoor yoga class.

specifically to prevent it from separating from the tub which can be a common threat to wildlife.

Supply chain

Blackmores has partnerships with stewards in sustainability including the World Wildlife Fund and Marine Stewardship Council. This has resulted in a range of Krill products which is certified as sustainable and we are progressing towards achieving a certification for our fish oil supply. This is a huge project that involves extensive dialogue, engagement and change management with suppliers from all over the world.

Blackmores' strategic sourcing team continued their program ensuring Blackmores has an unrivalled quality program whereby we have full transparency over our supply chain. For example, the Blackmores quality team audit the fisheries catching our krill for Blackmores Eco Krill and keeps records of the exact coordinates where each batch of krill are caught meaning we have full visibility of the krill supply chain from catch to capsule so consumers can be assured of Blackmores' quality and environmental sustainability.

Ghost Nets

Blackmores is partnering with WWF to support a conservation project called Ghost Nets. Marine debris enters the northern coastal regions of Australia from South East Asia during the monsoonal seasons. Spanning 3-6km in length, these 'Ghost Nets' or fishing nets, threaten our coastal and marine ecosystems that

Wes Ipsen, Blackmores Strategic Sourcing Quality Manager.

100 km from the Peruvian coast, overseeing responsible sourcing and quality of our fish oil

are integral to the Indigenous communities who depend upon them. Blackmores' support is focused on initiatives to prevent the issue and further raise awareness through a travelling art exhibition featuring pieces made from recycled waste. We are proud to support a local project that helps ensure our unique environment can be shared by future generations to come.

Sustainability in the Community

Blackmores staff participated in the APC Business Clean Up Day with Blackmores staff volunteers managing a broad area within the local community at North Narrabeen.

Blackmores' Asia team is also an enthusiastic contributors and has designed collection bins for empty glass Blackmores bottles which are then sent for recycling. These feature prominently in Blackmores' flagship stores.

Blackmores Campus

Blackmores maintains a facility at Warriewood on Sydney's Northern Beaches designed to reflect the company values, leadership and commitment to quality. It is a sustainable building design, with a carbon footprint just one eighth of a comparable development. It utilises environmentally-friendly, low-volatile and low-emission furnishings including carpets, paints, and furniture.

The building design maximises natural lighting combined with low energy smart lighting systems to reduce artificial lighting needs. The design of the new building also embodies our commitment to environmental sustainability of which the key elements include:

- One of Australia's first Cogent gas-fired generation plants which provides the building energy needs – electrical, heating and cooling, resulting in reduction of carbon dioxide emissions. (Equivalent to taking 1,000 cars off the road).
- Water from the pond located at the main entrance to the building is oxygenised and assists in the water-recycling system that captures, stores and treats rainwater achieving water self-sufficiency nine months of the year.
- Water sensitive urban design practices for the control and treatment of stormwater before it reaches creeks and water bodies.
- Thermally insulated facades and roof, light coloured roofing, natural shading devices (a living façade) to minimise heat loads on the building and subsequent high energy cooling requirements.
- Solar chimneys to facilitate natural ventilation.

01
Christine Holgate
Chief Executive Officer & Managing Director

Christine has 30 years of international sales and marketing experience in highly regulated industries, including telecommunications, finance, media and healthcare. Christine was appointed to her current role as Chief Executive Officer by the Board in November 2008. She has held numerous board and senior management positions, working in Europe, Asia, the Americas and Australia. Christine's prime responsibilities have been leading teams through significant change, growth and start-up. Christine has three postgraduate diplomas in Management, Marketing, and Purchasing and Supply; and a Master's Degree in Business Administration (MBA). Christine is also a Non-Executive Director for Ten Network Holdings Limited. Christine was awarded the 2011 (inaugural) International Executive Study Scholarship by Chief Executive Women and the Women's Leadership Institute Australia, and was honoured with the Rotary Paul Harris Award in 2013.

02
Richard Henfrey
Chief Operating Officer, Central Services

Richard Henfrey has over 25 years of experience in strategic and business development roles in a wide range of blue chip, start up and strategy consulting businesses in Europe, North America and Australia, including key leadership positions with Telstra. Much of his career has focused on developing and implementing new businesses or change initiatives that create significant new value. Richard joined Blackmores as Director of People and Strategy in 2009 and since 2011 he has been leading Blackmores' Strategic Sourcing division. He was appointed Chief Operating Officer in 2014. Richard is also the Board President of the industry association, Complementary Medicines Australia. He leads a positive approach to engagement with regulators and governments for greater recognition of complementary medicines in the development of health policy and regulatory regime.

03
David Fenlon
Managing Director, Australia & NZ

David brings over 20 years of retail experience and a deep understanding of both grocery and smaller retail customers to Blackmores. With an emphasis on business transformation and leadership, David combines his commercial acumen to set strong strategic foundations with his ability to attract, motivate and lead teams, to achieve exceptional operational results. David has held key leadership positions in Tesco in Europe and Safeway in the UK. Here in Australia he led Red Group, a chain of book and stationary stores. More recently David has worked with leadership teams from a diverse range of brands including Jenny Craig, Ecco Shoes, Metallicus and Review.

04
Nathan Cheong
Managing Director, BioCeuticals

With over 14 years' experience in the complementary medicine industry, Nathan first joined BioCeuticals in September 2012 as Director of Sales & Marketing, moving into the Managing Director role earlier this year. Prior to this, Nathan was General Manager of Herbs of Gold, a subsidiary of Vita Life Science. Nathan is a qualified Naturopath and Herbalist, holding degrees in Health Science, Science and Social Work, and graduating with majors in Biochemistry and Psychology. He currently sits on Complementary Medicines Australia's Complaints Resolution Panel and Practitioner Medicine Technical Committee. Nathan is a member of the Australian Institute of Company Directors and Australian Institute of Management.

05
Peter Osborne
Managing Director, Asia

Peter is responsible for Blackmores' Asia business including nine Asian subsidiary companies in Taiwan, Hong Kong, Singapore, Malaysia, Thailand, Korea, and China; distribution partnerships in Macau, Cambodia and Vietnam; and overall strategy for Blackmores' growth objectives in Asia. Prior to joining Blackmores, Peter was one of Australia's most senior trade diplomats working with the Australian Trade Commission in China, Taiwan, and Hong Kong. Peter also spent several years in Fiji as the Trade & Investment Director of the South Pacific Forum Secretariat and served as the South Pacific Expert Adviser on trade development to the UN Conference on Trade and Development and the UN Commission for Sustainable Development. Peter has lived and worked in Asia for over 25 years and speaks Mandarin-Chinese.

06
Cecile Cooper
Company Secretary

Cecile is an accountant and company secretary with over 30 years of commercial experience. She is responsible for Blackmores' board administration, secretariat, governance, risk management, compliance and corporate communications initiatives. She has held a variety of senior positions at Blackmores including Business Manager for Development, Marketing and Sales. Her financial roles at Blackmores have included statutory and management accounting and taxation compliance in the Australian and overseas operations. She is a Chartered Secretary and a Certified Practicing Accountant and holds a Bachelor of Business (Accounting) and a Graduate Diploma of Applied Corporate Governance with the Governance Institute of Australia. She is a graduate of the Australian Institute of Company Directors. In addition, Cecile is the Chair of Community Care (Northern Beaches) Limited and serves on the Governance Institute of Australia's Legislation Review Committee.

07
Chris Last
Chief Financial Officer

Chris has over 24 years of finance experience across a range of consumer and manufacturing industries and joined Blackmores as Chief Financial Officer in 2010. He has extensive experience in the financial management of consumer products and global brand management, including senior roles with Unilever Australasia as Director of Finance for Brand & Customer Development and previously Director of Financial Control. Chris has also held senior positions with the Richemont Group covering global brands including Cartier, Dunhill and Montblanc and was instrumental in establishing their investor relations functions and undertaking corporate transactions. Chris has an Honours degree in Management. He is a Chartered Management Accountant and a member of the UK-based Association of Corporate Treasurers.

08
Dr Lesley Braun
Director, Blackmores Institute

Lesley is an Adjunct Associate Professor of Integrative Medicine at the National Institute of Complementary Medicine and an Adjunct Senior Research Fellow at the Monash/Alfred Psychiatric Research centre. She has also held positions at The Alfred Hospital as a Research Pharmacist and is a member of key industry groups including the Australian Therapeutic Goods Advisory Council, the informal working party for complementary medicine regulation reform (TGA), the Advisory Committee for the Australasian Integrative Medicine Association and on the executive for the complementary and integrative therapies group within COSA. Lesley co-authored the best-selling textbook 'Herbs and Natural Supplements – an evidence based guide', is founding editor-in-chief of the journal 'Advances in Integrative Medicine', and is a regular columnist for the Australian Journal of Pharmacy. She regularly presents at national and international conferences about integrative medicine in addition to undertaking her own complementary medicine research projects.

executive team

This statement should be read in conjunction with the Directors' Report and Remuneration Report at pages 28 to 43 of this Annual Report and the Corporate Governance Principles available on the Blackmores website at blackmores.com.au (go to 'Investor Centre' then click on 'Corporate Governance').

A copy of these principles can also be obtained by contacting the Company Secretary.

Principle 1

Lay solid foundations for management and oversight

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

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

Principle 2

Structure the Board to add value

The Board reviews its composition from time to time to ensure the Board benefits from diversity with regard to gender, skills and experience.

Pages 28 to 29 set out the qualifications, expertise and experience of each Director at the date of this report and their period in office.

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

Mr Marcus Blackmore holds the position of Chairman. Mr Blackmore is also the major shareholder in the Company. Given the depth of his company experience and industry standing, he is considered to be excellently placed to serve as Chairman, notwithstanding that pursuant to the ASX recommendation he is not considered an 'independent' Chairman. The Deputy Chairman and Lead Director, Mr Stephen Chapman, is an independent Director. The Non-Executive Directors regularly meet without Executive Directors present. For these reasons the ASX recommendation for an independent Chairman has not been adopted.

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

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

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

Principle 3

Promote ethical and responsible decision-making

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

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

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

Each year the Blackmores Annual Report provides organisation-wide gender statistics (reported on page 16). The Board's People and Remuneration Committee has adopted a diversity policy and management is required to periodically provide diversity reports to the Committee and Board.

The Company is compliant with the Equal Opportunity for Women in the Workplace Act 1999. A copy of Blackmores 2013-2014 report to the Workplace Gender Equality Agency is available on the Blackmores website.

Principle 4

Safeguard integrity in financial reporting

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

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

corporate governance

This Corporate Governance Statement details Blackmores' corporate governance practices and compliance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd Edition).

Blackmores' procedure on the appointment of external auditors is available on the Blackmores website. The Committee has the opportunity to meet with the external auditors without management present as required.

Principle 5

Make timely and balanced disclosure

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

Principle 6

Respect the rights of shareholders

Blackmores strives to convey to its shareholders and the investing public pertinent information in a detailed, regular, factual and timely manner. Blackmores releases its results to shareholders on a quarterly basis. Regular investor newsletters include company information and updates on the company's operations.

A copy of Blackmores' communication policy is available on Blackmores' website. Shareholders are encouraged to ask questions at the Annual General Meeting to ensure a high level of accountability and identification with Blackmores' strategy and goals.

Principle 7

Recognise and manage risk

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

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

- Strategic Risks such as demand shortfalls and failures to address competitor moves;
- Financial Risks such as debt levels or ineffective financial management; and
- Operational Risks such as asset loss, cost overruns, Workplace Health and Safety and regulatory breach.

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

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

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

Principle 8

Remunerate fairly and responsibly

The Remuneration Report at pages 33 to 43 sets out details of Blackmores' policy and practices of remuneration for Non-Executive Directors, Executive Directors and Senior Executives.

The Board has established a People and Remuneration Committee whose primary responsibility is to consider the remuneration strategy and policy and to make recommendations to the Board that are in the best interests of Blackmores and its shareholders. The Committee monitors recruitment and development policies which encourage workplace diversity both in gender and skills.

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

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

financial report

5 year history

$'000	2014	2013	2012	2011	2010
Sales[1]	346,760	326,603	260,832	234,423	214,934
Earnings before interest, tax, depreciation and amortisation (EBITDA)	46,055	44,692	46,879	46,587	41,193
Depreciation and amortisation	6,266	5,989	4,922	4,529	4,141
Earnings before interest and tax (EBIT)	39,789	38,703	41,957	42,058	37,052
Net interest expense	4,826	4,752	2,761	2,736	2,321
Profit before tax	34,963	33,951	39,196	39,322	34,731
Income tax expense	9,534	8,975	11,390	12,017	10,434
Profit for the year	25,429	24,976	27,806	27,305	24,297
Net debt	54,401	69,043	33,040	29,832	25,849
Shareholders' equity	104,226	98,051	86,166	79,112	71,790
Total assets	236,594	231,477	174,771	153,130	154,349
Current assets	131,376	124,030	99,993	78,521	80,485
Current liabilities	58,040	45,035	42,024	33,207	34,457
Net tangible assets (NTA)	65,185	58,860	79,629	74,108	68,748
Net operating cash flows	37,491	22,014	20,846	21,635	25,874
Number of shares on issue ('000s)	17,113	16,972	16,780	16,744	16,677
Earnings per share (EPS) – basic (cents)	149.2	147.9	165.8	163.2	146.8
Ordinary dividends per share (cents)	127.0	127.0	127.0	124.0	112.0
Share price at 30 June	$27.20	$26.94	$26.25	$26.70	$22.30
Net tangible assets (NTA) per share	$3.81	$3.47	$4.75	$4.43	$4.12
Return on shareholders' equity[2]	24.4%	25.5%	32.3%	34.5%	33.8%
Return on assets[3]	17.0%	19.1%	25.6%	27.4%	25.3%
Dividend payout ratio	85.1%	85.9%	76.6%	76.0%	76.3%
Gearing ratio[4]	34.3%	41.3%	27.7%	27.4%	26.5%
EBIT to sales	11.5%	11.9%	16.1%	17.9%	17.2%
Effective tax rate	27.3%	26.4%	29.1%	30.6%	30.0%
Current assets to current liabilities (times)	2.25	2.75	2.38	2.36	2.34
Net interest cover (times)	8.2	8.1	15.2	15.4	16.0
Gross interest cover (times)	7.7	7.9	14.3	14.5	13.5
% change on prior year					
Sales	6.2%	25.2%	11.3%	9.1%	7.3%
EBITDA	3.1%	-4.7%	0.6%	13.1%	25.1%
EBIT	2.8%	-7.8%	-0.2%	13.5%	21.6%
Profit for the year	1.8%	-10.2%	1.8%	12.4%	16.9%
EPS	0.9%	-10.8%	1.6%	11.2%	15.1%
Ordinary dividends per share	0.0%	0.0%	2.4%	10.7%	16.7%

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

directors' report

01
Marcus C Blackmore AM
ND, MAICD, D Univ

Chairman

Mr Blackmore has served on the Board since October 1973 and is the Chairman of the Company. He is also an Honorary Doctor of Southern Cross University, a Director of the Young Endeavour Youth Scheme, Deputy Chairman of the Defence Reserves Support Council, an honorary trustee of the Committee for the Economic Development of Australia (CEDA), an Alumnus of Harvard Business School, and an Honorary Fellow of the Heart Research Institute.

02
Christine Holgate

Chief Executive Officer and Managing Director

Ms Holgate was appointed to her current role by the Board in November 2008 and has 30 years of international sales and marketing experience in highly regulated industries, including telecommunications, finance, media and healthcare. She has held numerous board and senior management positions, working in Europe, Asia, the Americas and Australia. Ms Holgate's prime responsibilities have been leading teams through significant change, growth and start-up. Ms Holgate has three post graduate diplomas in Management, Marketing, and Purchasing and Supply and a Masters Degree in Business Administration (MBA). Ms Holgate is a board member of Ten Network Holdings Limited (since 2010). She was previously a Director of KeyCorp Limited.

03
David Ansell
BA (COMMUNICATION), GAICD

Independent Director

Mr Ansell joined the Board in October 2013, following a highly successful career in consumer-facing organisations in Australia, Singapore and the United States. He played a pivotal role in the start-up years of Foxtel and was CEO of Advertising Agency, Saatchi & Saatchi. He has led business units of Mars Incorporated in Australia and most recently in the United States. Mr Ansell has a strong Operating and Supply Chain skill set and a deep understanding of Consumer and Customer Strategy.

04
Stephen Chapman
BCOMM, MBA, CA, FAICD

Deputy Chairman and Lead Independent Director

Mr Chapman is an investment banker and joined the Board in September 1993. He was a founder and is the Executive Chairman of Baron Partners Limited, an Australian investment bank. He is an independent Chairman of E*Trade Australia Limited and is an independent Director of ANZ Wealth Group.

05
Verilyn C Fitzgerald
MAICD

Independent Director

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

06
Helen Nash
BA (HONS) GAICD

Independent Director

Ms Nash joined the board of Blackmores in October 2013. Ms Nash has more than 17 years' experience in brands and marketing, including seven years in fast moving consumer goods at Procter & Gamble, followed by three years in publishing at IPC Media. She has held a variety of roles at McDonald's Australia over a period of nine years and most recently held the position of Chief Operating Officer, overseeing restaurant operations, marketing, menu, insights and research and information technology. Ms Nash is currently a Director of Pacific Brands Limited (since 2013).

07
Brent W Wallace
BCOMM (MARKETING), FAICD

Independent Director

Mr Wallace joined the Board in October 2005. He is a co-founder and CEO of Galileo Kaleidoscope, a company known for its strategic marketing, brand and consumer research solutions. Mr Wallace has over 30 years experience in marketing, advertising and brand development across a wide variety of consumer categories. He has held senior positions in London and Sydney advertising agencies and until 1996 was Managing Director of Ogilvy & Mather in Australia. Mr Wallace is also a Board Director and Governor of World Wildlife Fund, the global environmental group.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Directors' Report

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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	-	-
Marcus Blackmore	4,468,814	-
Stephen Chapman	26,782	-
Verilyn Fitzgerald	11,199	-
Christine Holgate	68,102	-
Helen Nash	-	-
Brent Wallace	13,330	-
Total	**4,588,227**	**-**

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 33 to 43 for more details. During the year, the following rights to shares were granted:

	2014 NUMBER[1]	2013 NUMBER[1]
Executive Director		
Christine Holgate	**25,356**	22,505
Senior Executives		
Lesley Braun[2]	**1,827**	-
Cecile Cooper	**849**	550
Kerry Cunningham	**4,301**	3,817
Nathan Cheong[3]	**234**	-
David Fenlon[4]	**4,926**	-
Richard Henfrey	**5,415**	4,806
Chris Last	**5,189**	4,339
Peter Osborne	**4,409**	3,913
Former Senior Executives[5]		
Neal Mercado[6]	**2,257**	3,433
Gabriel Perera[7]	**2,850**	3,433
Lee Richards[8]	**2,830**	4,284
Jim van Bruinessen[9]	**-**	5,493

1. Nil shares vested in the 2014 and 2013 Financial Years.
2. Rights granted during the 2014 Financial Year for Lesley Braun are for the period as a Senior Executive (3 Feb 2014 to 30 Jun 2014).
3. Rights granted during the 2014 Financial Year for Nathan Cheong are for the period as a Senior Executive (1 Apr 2014 to 30 Jun 2014).
4. Rights granted during the 2014 Financial Year for David Fenlon are for the period as a Senior Executive (19 Sep 2013 to 30 Jun 2014).
5. Neal Mercado, Gabriel Perera and Lee Richards remain in senior management leadership positions within the Blackmores Group.
6. Rights granted during the 2014 Financial Year for Neal Mercado are for the period as a Senior Executive (1 Jul 2013 to 30 Jan 2014).
7. Rights granted during the 2014 Financial Year for Gabriel Perera are for the period as a Senior Executive (1 Jul 2013 to 27 Mar 2014).
8. Rights granted during the 2014 Financial Year for Lee Richards are for the period as a Senior Executive (1 Jul 2013 to 31 Jan 2014).
9. Rights granted during the 2013 Financial Year to Jim van Bruinessen did not vest as he left employment during the 2013 Financial Year.

SHARE OPTIONS

During and since the end of the financial year, no share options were in existence and no new share options were granted to Directors or Senior Executives of Blackmores.

REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

Information about remuneration of Directors and Key Management Personnel is set out in the Remuneration Report of this Directors' Report, on pages 33 to 43.

COMMITTEE MEMBERSHIPS

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

Audit and Risk:	Stephen Chapman, Chair
	David Ansell[1]
	Verilyn Fitzgerald
	Robert Stovold[2]
	Brent Wallace
Nominations:	David Ansell[1]
	Marcus Blackmore
	Stephen Chapman
	Verilyn Fitzgerald
	Christine Holgate
	Helen Nash[1]
	Robert Stovold[2]
	Brent Wallace
People and Remuneration:	Verilyn Fitzgerald, Chair
	Marcus Blackmore
	Stephen Chapman
	Helen Nash[1]
	Brent Wallace

1. David Ansell and Helen Nash joined as Directors 22 October 2013.
2. Robert Stovold retired as a Director 22 October 2013.

COMPANY SECRETARIES

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

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

PRINCIPAL ACTIVITIES

The principal activity of the Blackmores Group in the course of the financial year was the development, sales and marketing of natural health products for humans and animals including vitamins, 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 2013 and 30 June 2014 and the results herein have been prepared in accordance with Australian Accounting Standards.

The net amount of profit attributable to the shareholders (NPAT) of the Blackmores Group for the financial year was $25.4 million (2013: $25.0 million).

DIVIDENDS

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

- a final dividend of 83 cents per share fully franked in respect of the year ended 30 June 2013, as detailed in the Directors' Report for that financial year, was paid on 18 October 2013;
- an interim dividend of 44 cents per share fully franked in respect of the year ended 30 June 2014 was paid on 2 April 2014; and
- on 26 August 2014, Directors declared a final dividend for the year ended 30 June 2014 of 83 cents per share fully franked,

Directors' Report

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

payable on 3 October 2014 to shareholders registered on 12 September 2014.

This will bring total ordinary dividends to 127 cents per share fully franked (2013: 127 cents per share fully franked) for the full year.

CHANGES IN STATE OF AFFAIRS

During the financial year there was no significant change in the state of affairs of the Blackmores Group other than that referred to in the financial statements or notes thereto and elsewhere in the Annual Report of Blackmores for the year ended 30 June 2014.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

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

Operations of the Group

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

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

Activities across the Group for the 2014 financial year aligned to four key strategic priorities:

- The support of the Australia business to build the brand
- The diversification of the business by investment in Bioceuticals, Pure Animal Wellbeing and Asia
- A focus on product leadership through the research and knowledge within the Blackmores Institute, the academic arm of Blackmores, and a program of product range innovations
- A detailed review of processes and costs to improve our operational effectiveness along with an organisation restructure to create consumer facing business units supported by a central services group.

The Blackmores Group NPAT for the financial year was $25.4 million (2013: $25.0 million) which represents a 1.8% increase compared to the prior year. Sales for the year were $346.8 million (2013: $326.6 million), an increase of 6.2% compared to the prior year. Operating cash flow improved by 70% on the prior year as a result of a strong focus on working capital and treasury. Basic earnings per share (EPS) increased from 147.9 cents per share to 149.2 cents per share (an increase of 0.9%).

Strong sales resulted in our 12th year of consecutive sales growth attributable to a consolidation of the Australian business, new product launches and the continued growth of Blackmores in international markets. There was solid sales growth in Asia, New Zealand and BioCeuticals. Asia sales are nearly 20% of Group sales and BioCeuticals represents 13% of Group sales.

Australian invoiced sales were up 6% compared to the prior year. The first quarter of the current financial year was particularly challenging as larger customers and competitors continued to drive the deep discounting in retail that had been experienced in the prior financial year. This placed pressure on our core pharmacy customers. However the remainder of the year saw some stabilising in the trading environment and easing of margin pressures. Coupled with driving a consumer focus and stronger brand marketing, there was a strong sales and profit result in the second half of the year which helped mitigate some of the first quarter decline.

Asia achieved record sales with full year sales up 11% in Australian dollars, a solid result despite the impact of political unrest in Thailand which is the key Blackmores market in the region. Malaysia delivered strong growth, up 75% on prior year, and Blackmores remains the leading vitamin and supplements brand in that market. Sales in China were impacted by regulatory restrictions which limited the importation of most of the product range. Blackmores entered two new markets in the region, Macau and Cambodia.

The BioCeuticals business continues to be strong with a 3% increase in sales to $46 million and a strong EBIT contribution of $6.8 million, up 45% on prior year. Taking into account the cost of our increased debt to acquire the business the investment was earnings accretive.

Total operating expenses for the Blackmores Group for the financial year was $308.0 million (2013: $288.8 million) which represents a 6.6% increase over the prior year in line with the percentage sales increase. The devaluation of the Australian dollar and the Thai Baht and Malaysian Ringgit decoupling increased raw ingredient costs. This was mitigated as the business continued to focus on expense management to minimise waste and fund growth initiatives. In the Asia region, the development of Blackmores International, the new headquarters for our Asia business, based in Singapore was progressed. There was increased investment in Thailand, and further investment in our new China business. The digital platform has been provided additional resources and the development of new websites are well underway.

Improved treasury and working capital management eased the full impact of lower Australia margins and supported a 70% improvement in operating cash flows year on year.

FINANCIAL POSITION OF THE GROUP

Current assets have increased from $124 million to $131 million, an increase of $7 million. Receivables have increased by $7 million or 10%, which reflects the increase in sales in the last quarter of the current year over the prior financial year.

Inventory has decreased by $1 million due to focus on working capital management.

Non-current assets have decreased from $107 million to $105 million, a decrease of $2 million.

Current liabilities have increased from $45 million to $58 million, an increase of $13 million. This was due to an increase in trade payables related to expenditure on inventory and sales and marketing activity in the last months of the financial year. There was also an increase of $2.8 million in tax payable related to a timing difference in payment compared to the prior financial year.

Non-current liabilities have decreased from $88 million to $74 million, a decrease of $14 million due to a decrease in interest-bearing liabilities.

Net debt has decreased from $69 million to $54 million, a decrease of $15 million. This decrease is explained by the positive cash contribution of BioCeuticals enabling the repayment of debt funding incurred for the acquisition of that business in addition to a strong focus on working capital and treasury. As a result of these factors, the gearing ratio has accordingly decreased from 41.3% to 34.3%.

Equity has increased from $98 million to $104 million, an increase of $6 million. This increase is explained by the increase in group NPAT for the year, less dividends, net of equity issued under the Dividend Reinvestment Plan (DRP).

Net tangible assets per share increased from $3.47 last year to $3.81 this year again attributable to a focus on working capital management and the reduction in non-current debt.

Business Strategies and Prospects

Blackmores' strategic imperatives are to:

- Continue to be consumer centric as we support our important Australian business and improve our connectivity to customers by expanding our digital platform
- Invest in growth in Asia
- Leverage the knowledge within the Blackmores Institute and BioCeuticals to drive product leadership and innovation and be the authoritative voice of natural health
- Improve our operational effectiveness

Directors' Report

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Australia is Blackmores' core market and the retail environment it operates in remains challenging and somewhat volatile. There is a clear strategy to ensure profitable growth in the market by focussing on our consumers and developing and executing a channel strategy based on insights and analysis.

Our Asia region will continue to be a strong platform for future growth and the business will adapt and invest to support it. The new international head office for the Asia region will ensure the key decisions that drive growth in the region such as product development and innovation are made close to the consumers in the Asia markets.

Product leadership will be at the forefront of activity utilising both BioCeuticals which is a leader in innovation and knowledge and the skill in the Blackmores Institute. The Blackmores Institute will underpin Blackmores' aim to be recognised as the 'Authoritative Voice in Natural Health'.

Our digital presence will be further developed to build our consumer connectivity.

The Central Services Group enables us to stronger leverage our expertise and infrastructure whilst keeping focused on building quality as a competitive advantage and reducing costs.

The Group's risk framework and reporting is strong and as the growth in the Asia business further takes shape it will ensure our material business risks are identified and assigned to our most senior managers to monitor, audit, improve and report to the Audit and Risk Committee and the Board.

We expect to continue to deliver improved results to shareholders by leveraging our trusted brand, maintaining our unrivalled quality, innovating in all areas of our business, focusing on the needs of our consumers and exploring new opportunities to continue to grow.

SUBSEQUENT EVENTS

There has not been any matter or circumstance, other than that referred to in the Financial Statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Blackmores Group, the results of those operations, or the state of affairs of the Blackmores Group in future financial years.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Blackmores support and have adhered to key principles of corporate governance. The Company's current corporate governance principles are set out on the Company's website at blackmores.com.au (go to 'Investor Centre' then click on 'Corporate Governance'). A separate section in this Annual Report on pages 24 to 25 outlines the Company's current Corporate Governance principles and practices.

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year, Blackmores paid a premium in respect of a contract insuring the Directors, the Company Secretary and all Executive Officers of the Blackmores Group against any liability incurred as such a Director, Company Secretary or Executive Officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. Blackmores has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an Officer or auditor of the Blackmores Group against a liability incurred as such an Officer or auditor.

DIRECTORS' MEETINGS

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

	BOARD OF DIRECTORS		AUDIT & RISK		NOMINATIONS COMMITTEE		PEOPLE AND REMUNERATION COMMITTEE	
DIRECTORS	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
David Ansell	5	5	2	2	1	1	-	-
Marcus Blackmore	7	7	-	-	1	1	5	4
Stephen Chapman	7	6	4	4	1	1	5	5
Verilyn Fitzgerald	7	7	4	4	1	1	5	5
Christine Holgate	7	7	4	4	1	1	5	5
Helen Nash	5	5	-	-	1	1	3	2
Robert Stovold	2	2	2	2	1	1	-	-
Brent Wallace	7	7	4	4	1	1	5	5

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

STATEMENT OF NON-AUDIT SERVICES

The Directors are satisfied that the provision of non-audit services during the year by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 12 to the Financial Statements.

Directors have accepted a statement from the auditor that it is satisfied that the provision of these services did not breach the independence standards included in the Corporations Act 2001. Based on this statement from the auditor and having regard to the nature and fees involved in the provision of these non-audit services, the Directors are satisfied that the provision of non-audit services during the year by the auditor (or other person or firm on the auditor's behalf) did not compromise the audit independence requirements of the Corporations Act 2001.

AUDITOR'S INDEPENDENT DECLARATION

A copy of the Auditor's Independence Declaration is set out on page 44 of this Annual Report.

ROUNDING OFF AMOUNTS

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

Directors' Report

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

REMUNERATION REPORT

Introduction from the Chair of the Board's People and Remuneration Committee

Dear Shareholder,

The Blackmores Board is committed to an executive remuneration framework that is designed to align executive pay to the achievement of the Group's strategy and business objectives to enhance shareholder value.

This report explains how Blackmores' performance for the 2014 financial year has driven remuneration outcomes for senior executives.

CURRENT YEAR PERFORMANCE AND AWARDS

No long term incentives were awarded to senior executives in the year. Only one senior executive was awarded a partial short term incentive based on his performance in leading the Australia and New Zealand division since his appointment in September 2013.

Senior Executive fixed annual remuneration increased effective 1 July 2013 based on business and individual performance and aligned to market remuneration levels. The average Senior Executive fixed remuneration increase was 4.2%. During the year some Senior Executives' positions and responsibilities were changed due to the organisation restructure and fixed remuneration was increased determined by market benchmarks.

The Board determined that no increase would be made to Non-Executive Director fees for the 2014 financial year other than the 0.25% increase for the superannuation guarantee levy. This was the second consecutive year of nil increase for Non-Executive Directors.

KEY CHANGES

As part of the implementation of the Company's strategy, during the financial year the organisation was restructured to ensure continued strong momentum and alignment of resources closer to consumers supported by improved leverage of shared skills and resources. The key changes to remuneration-related matters in 2014 to support this strategy are set out below.

- The Company's profit share scheme was amended during the year. Blackmores Enterprise Agreement known as "Working Together: The Blackmores Enterprise Agreement" was successfully voted by employees for a further three year term. To balance the needs of the employees with those of shareholders an at risk element was included such that payment at the same level as prior years is now dependent on a hurdle of year on year NPAT growth.
- The STI was restructured to introduce performance hurdles against the Board approved Budget for Group, Division, and Business Unit financial targets. In prior financial years the hurdle was Group based. Senior Executives' STI structure is now dependent on their role and the influence and control they have on delivering and achieving results aligned to the Company strategy.
- To ensure alignment with Blackmores' performance incentive program and shareholder's expectation of improved Company performance the LTI hurdle for the current financial year was based on the achievement of at least 4% growth over the average of the prior three years' Earnings Per Share (EPS) rather than the prior financial year as had been required in prior year LTI's.

NON-EXECUTIVE DIRECTORS

- One Non-Executive Director, R Stovold retired during the financial year.
- Two new Non-Executive Directors, D Ansell and H Nash, were appointed to the Board during the year, which is reflected in the overall increase in Non-Executive Director remuneration from the 2013 to 2014 financial year.

FUTURE CHANGES TO REMUNERATION POLCIES

- After consideration of market practice and shareholder views, the Board has approved key changes to the Blackmores LTI which will extend the performance period from one to three years. This will commence in the following financial year.
- Any payment under the Company's STI to Senior Executives will be subject to an additional performance hurdle of year on year Group NPAT growth.
- With a view to further aligning the interests of Senior Executives and the long term interests of shareholders the Board has adopted a Clawback Policy. In the event that Blackmores becomes aware of any deliberate misstatement or manipulation of results in its financial statements for any of the immediately preceding three financial years an assessment will be made to determine the impact on incentives awarded to a Senior Executive. The Board may require a repayment or may withhold all or a part of an incentive award or forfeit unvested performance rights.

Verilyn Fitzgerald
Chair – People and Remuneration Committee

Governance

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

Executive Directors
Refers to the Chairman and Chief Executive Officer.

Directors
Executive Directors and Non-Executive Directors.

Key Management
Includes all Directors as well as those Senior Executives who have authority and responsibility for planning, directing and controlling the activities of the Blackmores Group, directly or indirectly.

Granted
Assigned to, but not yet vested.

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

Exercised
Owned.

KEY MANAGEMENT PERSONNEL

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

Non-Executive	
David Ansell	Non-Executive Director and member of the Audit and Risk Committee and Nominations Committee
Stephen Chapman	Non-Executive Director, Deputy Chairman, Chair of the Audit and Risk Committee, member of the People and Remuneration Committee and Nominations Committee
Verilyn Fitzgerald	Non-Executive Director, Chair of the People and Remuneration Committee and member of the Audit and Risk Committee and Nominations Committee
Helen Nash	Non-Executive Director and member of the People and Remuneration Committee and Nominations Committee
Brent Wallace	Non-Executive Director and member of the Audit and Risk Committee, People and Remuneration Committee and Nominations Committee
Executive Directors	
Marcus Blackmore	Chairman of the Board, member of the People and Remuneration Committee and Nominations Committee
Christine Holgate	Chief Executive Officer and Managing Director and member of the Nominations Committee

Directors' Report

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Senior Executives

Lesley Braun	Director Blackmores Institute
Nathan Cheong	Managing Director BioCeuticals
Cecile Cooper	Company Secretary
Kerry Cunningham	Director Special Projects
David Fenlon	Managing Director Australia and New Zealand
Richard Henfrey	Chief Operating Officer
Chris Last	Chief Financial Officer
Peter Osborne	Managing Director Asia

PEOPLE AND REMUNERATION COMMITTEE

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

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

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

ADVISORS TO THE COMMITTEE

The People and Remuneration Committee has established protocols for engaging and dealing with external advisors and this is included in the Committee's charter. The Committee obtains specialist external advice about remuneration structure and levels. The advice is used to support its assessment of the market to ensure that Senior Executives and Non-Executive Directors are being rewarded appropriately, given their responsibilities and experience. Executive remuneration packages are also reviewed annually against suitable benchmarks to ensure that an appropriate balance between fixed and incentive pay is achieved.

The Committee appointed Godfrey Remuneration Group to review the Company's LTI plan and to assess the details against current market practice including the performance metric and vesting scale for Board consideration. Godfrey Remuneration Group has provided a statement confirming the absence of influence from management.

Non-Executive Director Remuneration

REMUNERATION POLICY AND STRUCTURE

Compensation arrangements for Non-Executive Directors are determined by Blackmores after reviewing published remuneration surveys and market information. Non-Executive Directors receive fixed annual fees comprising a Board fee, Committee fee and Committee Chair fee as applicable. No incentive based payments are awarded to Non-Executive Directors.

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

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

NON-EXECUTIVE DIRECTORS' FEES

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

Directors' fees were not increased in the 2014 financial year other than the increase to the superannuation guarantee levy of 0.25% per annum.

Directors' fees paid in respect of the 2014 financial year include:

- the base fee for each Director of $75,401 per annum;
- an additional fee of $7,725 for each Committee membership;
- an additional fee of $5,150 if appointed Chairman of the Committee; and
- superannuation in accordance with the superannuation guarantee levy.

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

For Directors appointed prior to 1 October 2003, a retirement allowance applies of $15,333 per annum, which accrues each year but is capped after nine years of service at $138,000.

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

The following table discloses the remuneration of the Non-Executive Directors for the financial year ended 30 June 2014.

	SHORT-TERM EMPLOYMENT BENEFITS	POST EMPLOYMENT BENEFITS	
	FEES AND ALLOWANCES $	SUPERANNUATION $	TOTAL $
Non-Executive Directors			
David Ansell[1]			
2014	**57,794**	**5,346**	**63,140**
Stephen Chapman			
2014	**131,701**	**12,182**	**143,883**
2013	128,552	11,570	140,122
Verilyn Fitzgerald			
2014	**70,568**	**34,313**	**104,881**
2013	83,171	21,470	104,641
Helen Nash[2]			
2014	**57,794**	**5,346**	**63,140**
Brent Wallace			
2014	**90,851**	**8,404**	**99,255**
2013	87,077	7,837	94,914
Former Non-Executive Directors			
Naseema Sparks[3]			
2014	**-**	**-**	**-**
2013	25,577	2,302	27,879
Robert Stovold[4]			
2014	**26,513**	**2,453**	**28,966**
2013	88,275	7,945	96,220
Total[5]			
2014	**435,221**	**68,044**	**503,265**
2013	412,652	51,124	463,776

1. David Ansell joined as a Non-Executive Director 22 Oct 2013.
2. Helen Nash joined as a Non-Executive Director 22 Oct 2013.
3. Naseema Sparks retired as a Non-Executive Director 25 Oct 2012.
4. Robert Stovold retired as a Non-Executive Director 22 Oct 2013. Shareholders approved a retirement scheme by resolution in 1993 and R Stovold was paid a retirement amount of $138,000 in accordance with this approved scheme. The amount was fully provided and disclosed in prior year's financial statements.
5. There were no increases to the Non-Executive Directors Fees in the financial year 2013. There were no increases to the Non-Executive Directors Fees in the financial year 2014 other than the superannuation guarantee levy increase of 0.25% per annum.

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

Directors' Report

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

REMUNERATION REPORT

Executive Director and Senior Executive Remuneration

REMUNERATION POLICY

Blackmores remunerates its people fairly and responsibly.

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

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

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

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

COMPONENTS OF EXECUTIVE DIRECTOR AND SENIOR EXECUTIVE REMUNERATION

The executive remuneration framework consists of the following components:

Fixed Remuneration

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

Performance-based Remuneration

- Short-term incentives (STI) – comprise cash payments linked to clearly specified annual group targets and individual objectives and behaviours. This element of remuneration is considered to be an effective tool in promoting the interests of Blackmores and its shareholders. The STI scheme is designed around appropriate performance benchmarks based on Blackmores' NPAT performance relative to budget and requires the achievement of year on year growth.
- Profit Share – Executive Directors and Senior Executives participate in the same profit share plan as all permanent Blackmores staff.
- Long-term incentives (LTI) – The Executive Performance Share Plan (EPSP) was approved at Blackmores' Annual General Meeting in October 2011. Participation is open to Executive Directors and Senior Executives determined to be eligible by the Board. Under this plan, rights to acquire shares in Blackmores are granted annually to eligible Senior Executives at no cost and vest provided specific performance hurdles are met. The Chairman's incentive is a cash-based equivalent.
- Special long-term incentives (SLTI) – From time to time the Board may offer 'one-off' SLTIs to particular Executive Directors and Senior Executives in addition to the LTI as outlined above. There are currently no SLTI's in place.

Link to Strategic Objectives and Performance

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

NOT AT RISK REMUNERATION

Remuneration Component	Delivery	Performance Measure	At Risk-weight[1]	Strategic Objective
Fixed Remuneration[2]	Cash, super, benefits	Job Description, Benchmarking Comparison		Staff to execute business plans
Profit Share	Cash based, (Up to $1,000 can be taken as shares)	Percentage Allocation of Group NPAT	Approx. 6% of Fixed	Reward achievement of annual earnings
AT RISK REMUNERATION				
Profit Share	Cash	Percentage allocation of Group NPAT if NPAT growth over prior financial achieved	Approx. 4% of Fixed	Reward achievement and creation of annual earnings growth
STI	Cash paid annually after release of the audited results	**Group Measure[3]** NPAT achievement against budget **Divisional Measure[3]** NPAT achievement against budget **Individual Measure[3]** Financial – (e.g. revenue growth, operational expenditure management) Non-financial (e.g. leadership, employee engagement, project delivery, safety)	**STI at Risk (as a % of Fixed)** Chairman 65% CEO 65% Other KMP 78%	Reward achievement and creation of annual earnings growth Reward achievement of specific division goals Reward the achievement of individual performance goals
LTI	Rights to acquire shares Where regulations prohibit an equity based plan, a cash equivalent is awarded.	**Company Measure** EPS growth over prior years **Individual Condition:** Vested shares are subject to a service condition	CEO 100% Chairman & Other KMP 40%	Reward creation of shareholder wealth. Executives aligned to shareholders

1. Maximum STI and LTI component expressed as a percentage of Fixed Remuneration.
2. Includes Superannuation Guarantee payments.
3. The Group Measure of NPAT is the STI Financial Performance metric which applies to all STI participants. Individual measures also apply to all STI participants however Divisional performance metrics only apply to those participants employed in a Divisional role rather than a Corporate or Central Services role.

Directors' Report

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

REMUNERATION REPORT

REMUNERATION MIX 2014 FINANCIAL YEAR

The following table shows the maximum at risk rewards as a percentage of fixed and total remuneration for the 2014 financial year.

Position	Maximum STI as a % of Fixed Remuneration[1]	Maximum Profit Share as a % of Fixed Remuneration	Maximum LTI as a % of Fixed Remuneration	Ratio at Risk/ Fixed Remuneration[1]	At Risk as % of Total[2]
Chairman	65%	10%	40%	1.15	53%
CEO	65%	10%	100%	1.75	64%
Other KMP	78%	10%	40%	1.28	56%

1. Fixed remuneration includes cash and superannuation and benefits.
2. Total is the Aggregate Reward (Fixed Remuneration plus STI plus Profit Share plus LTI).

PERFORMANCE-BASED REMUNERATION

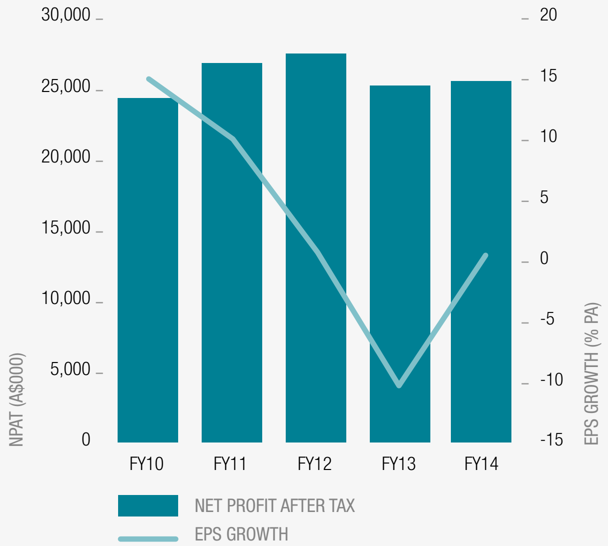
Performance incentives – Actual Performance 2014 Financial Year

Short-term Incentive (STI)
Blackmores' 2014 NPAT of $25.4 million represented a 1.8% increase. Blackmores Managing Director of Australia and New Zealand was awarded a partial STI based on his performance in leading this business unit since his appointment in September 2013.

The amount awarded to the Senior Executives for the 2014 STI is $40,731 (2013: $nil). This award is included under the 'STI and Profit Share' column in the remuneration disclosures table on page 40.

Long-term Incentives (LTI)
Blackmores' 2014 EPS decrease of 6.1% on the prior three year average EPS did not meet the minimum performance target of EPS growth in excess of 4%. There were no awards under the 2014 LTI plan (2013: $nil).

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



SHORT-TERM INCENTIVES (STI) – PERFORMANCE CONDITIONS

Specific information relating to the actual annual performance awards is set out in the table on page 41.

What is the annual incentive and who is eligible to participate?	The STI plan provides eligible employees with a reward for annual performance against measured targets set at the beginning of the performance period. Eligible employees include the Executive Directors, Senior Executives and other nominated employees.			
What is the amount the eligible employee can earn?		Chairman	Chief Executive Officer	Senior Executives
	% of target performance	% of base remuneration		
	Less than 95% 125% Sliding scale between these points	0% 65%	0% 65%	0% 78%
What were the performance conditions for the 2014 financial year?	Measures	Chairman	Chief Executive Officer	Senior Executives
	Group financial measures – Group and Divisional NPAT achievement against budget	100%	70%	80%
	Individual objectives: Financial – (i.e. revenue, new product launches and other specific objectives) Non-financial measures – (i.e. safety, employee engagement and other agreed objectives)	0%	30%	20%
Why were these performance measures chosen?	NPAT performance relative to budget is a well-recognised measure of financial performance and a key driver of shareholder returns. Using NPAT as an incentive performance measure ensures that incentive payments are aligned with Blackmores' business strategy and objectives. The NPAT budget is approved on an annual basis by the Board and incentive targets are set by the Board at levels designed to reward superior performance. Individual performance was selected as a secondary performance condition to ensure that Senior Executives have clear objectives and performance indicators that are linked to Blackmores' performance. Blackmores' policy is that STIs will only be awarded when Blackmores meets agreed performance hurdles. In addition, Senior Executives are not awarded any STI in the instance of the lowest personal performance assessment.			
When are performance conditions tested?	NPAT is calculated by Blackmores at the end of the financial year, verified by Blackmores' auditors and published in the Group's Financial Statements before any payment is made. This method was chosen to ensure transparency and consistency with disclosed information. The person to whom a Senior Executive reports assesses that individual's performance by reviewing his or her individual objectives, key tasks and performance indicators and the extent to which they have been achieved. Individual objectives are set at the start of each financial year and are formally reviewed every six months. The Board reviews performance assessments for Key Management Personnel.			

Directors' Report

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

PROFIT SHARE – PERFORMANCE CONDITION AND OPERATION

Specific information relating to the actual annual performance awards is set out in the table on page 41.

What is the annual incentive and who is eligible to participate?	Senior Executives participate in a profit share plan, whereby up to 10% of the Group NPAT is allocated to all eligible permanent Group staff on a pro-rata basis by reference to their base remuneration. The profit share plan is in addition to the STI award.
What is the amount the executive can earn?	The amount distributed is a percentage of Group NPAT. As the amount is distributed on a pro-rata basis, the amount earned in any year depends on both the Group NPAT achievement and the total number of employees and salaries in the calculation. The approximate maximum amount of base remuneration that can be earned is 10%.
What were the performance conditions for the 2014 financial year?	During the year the Company's Collective Agreement was renegotiated. For the second half of the financial year a performance condition was included in the Company's Collective Agreement. 7.5% of the Group NPAT was allocated and an additional 2.5% allocated conditional upon Group NPAT growth on the prior financial year. For the first half of the financial year the previous Company Collective Agreement did not include a performance condition and 10% of the Group NPAT was allocated.
Why were these performance measures chosen?	NPAT is a well-recognised measure of financial performance and a key driver of shareholder returns. Using NPAT as an incentive performance measure ensures that incentive payments are aligned with Blackmores' business strategy and objectives.
When are performance conditions tested?	Profit share is paid twice a year based on Blackmores' NPAT calculation. All employees, including Senior Executives, may purchase up to $1,000 of Blackmores shares each year under the Staff Share Acquisition Plan with money that would have otherwise been received under the profit share plan. Blackmores' Share Trading Policy prohibits Executives from entering into any transaction which operates to hedge the exposure of unvested shares received under any share incentive plan, unless prior approval is provided by the Board.

LONG TERM INCENTIVES (LTI) – PERFORMANCE CONDITIONS

Specific information relating to the actual annual performance awards is set out in the table on page 41.

What is the annual incentive and who is eligible to participate?	Eligible employees are invited annually by the Board to participate in the Executive Performance Share Plan (EPSP). Under this plan, eligible employees are granted rights to acquire shares in Blackmores. Eligible employees include the Executive Directors, Senior Executives and other nominated employees.

What is the amount the eligible employee can earn?	Measures	Chief Executive Officer	Chairman and Senior Executives
	% of target performance	% of base remuneration	
	Less than or equal to 4% Greater than 16% Sliding scale between these points	0% 100%	0% 40%

What was the performance condition for the 2014 financial year?	The performance condition is EPS growth over the average EPS of the three prior financial years. In determining the performance conditions for Blackmores' LTI plan, the Board has recognised EPS growth to be the key driver of shareholder value, influencing both share price and the capacity to pay increased dividends. Growth in EPS is simple to calculate and basing the vesting of rights on EPS growth encourages Senior Executives to improve Blackmores' financial performance. As Senior Executives increase their shareholding in Blackmores through awards received under the EPSP, their interests become more directly aligned with those of Blackmores' other shareholders. The performance period for measuring EPS growth is 1 year. In addition to this first year performance period, employees are subject to a further 2 year service period holding lock on shares that are issued.

Directors' Report

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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

How does the EPSP operate?	The value of rights granted to eligible employees is equivalent to a percentage of their base remuneration at the time of grant. The number of rights granted equals the value of rights divided by: • the weighted average price of Blackmores shares for the five day trading period commencing seven days after Blackmores' results in respect of the prior financial year (year ended 30 June 2013) are announced to the ASX, less • the amount of any final dividend per share declared as payable in respect of the prior financial year. Rights are automatically exercised following vesting, audit clearance of the Financial Statements and Board approval. These Blackmores shares are issued to participants at zero cost. The number of shares issued is identical to the number of rights exercised and is subject to a further two year holding lock subject to forfeiture if the employee resigns prior to the end of this period. In the case of the Chairman, a cash equivalent is paid in lieu of shares. Where regulations prohibit an equity based plan, a cash equivalent is awarded.
When are performance conditions tested?	Growth in EPS is calculated at the end of the financial year and verified with reference to Blackmores' audited Financial Statements prior to determining the number of rights that will vest. This method was chosen as it is an objective test that is easy to calculate and ensures transparency and consistency with public disclosures. In the event of Blackmores experiencing an unusual decline in NPAT or EPS, the base for the next year will be reset by the Board based on a recommendation from the People and Remuneration Committee.
What happens if the eligible employee ceases employment during the performance period?	If an executive ceases employment during the performance year the rights lapse. Shares issued to the CEO and Senior Executives are subject to restrictions referred to as a 'holding lock'. During this period, executives are entitled to dividend income and have voting rights, but may not sell them or transfer their ownership. If participants are employed by Blackmores at the end of the two year period following vesting, the holding lock is lifted and participants acquire full beneficial and legal ownership of the shares. If the executive resigns or their employment is terminated during the holding lock period (except for reasons such as death, serious injury, disability, illness or involuntary early retirement), shares subject to the holding lock are forfeited.

5 Employment Contracts

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

TERMINATION

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

Name	Notice periods / Termination Payment	
Christine Holgate[1]	Six months notice (or payment in lieu) including redundancy. May be terminated immediately for serious misconduct.	
Senior Executives[2]	Three months notice (or payment in lieu). May be terminated immediately for serious misconduct.	
	Redundancy Payments	
	Years of continuous service	Notice periods / Termination Payments.
	Up to one year	Two weeks pay.
	Between one and 10 years	Two weeks pay plus an additional three weeks of pay for each completed year of service.
	10 years or more	29 weeks pay plus an additional three weeks of pay for each completed year of service following 10 years capped at a maximum of 52 weeks of pay.

1. For the purposes of calculating Christine Holgate's payment, a month of pay is based on her total remuneration package at the time, being base salary, superannuation contributions and other benefits as agreed from time to time.
2. For the purposes of calculating the amount payable for all other Senior Executives, one week of pay is the average amount received by the individual as wages or salary over the four weeks of employment immediately preceding termination of employment.

Directors' Report

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

6 Remuneration disclosures for Executive Directors and Key Management Personnel

6.1 REMUNERATION IN RESPECT OF THE 2014 FINANCIAL YEAR

The following table discloses the remuneration of the Executive Directors and Senior Executives of Blackmores for the financial year ended 30 June 2014.

	SHORT-TERM EMPLOYMENT BENEFITS				POST-EMPLOYMENT BENEFITS	OTHER LONG-TERM EMPLOYMENT BENEFITS	SHARE-BASED PAYMENTS				
	SALARY AND FEES	STI AND PROFIT SHARE[1]	NON-MONETARY[2]	OTHER[3]	SUPER-ANNUATION	OTHER[4]	SHARES AND RIGHTS[5]	TOTAL	% OF PERFORMANCE BASED REMUNERATION	% OF NON-PERFORMANCE BASED REMUNERATION	% OF REMUNERATION RIGHTS
	$	$	$	$	$	$	$	$	%	%	%
Executive Directors											
Marcus Blackmore											
2014	**333,912**	**25,607**	**-**	**31,821**	**17,775**	**5,589**	**-**	**414,704**	**6.2%**	**93.8%**	**-**
2013	319,669	27,913	-	18,852	16,470	4,356	-	387,260	7.2%	92.8%	-
Christine Holgate[6]											
2014	**594,532**	**48,541**	**-**	**52,284**	**17,775**	**10,021**	**-**	**723,153**	**6.7%**	**93.3%**	**-**
2013	565,324	52,854	-	48,958	16,470	7,203	178,661	869,470	21.8%	78.2%	20.5%
Senior Executives											
Lesley Braun[7]											
2014	**105,291**	**8,391**	**-**	**8,981**	**8,360**	**-**	**-**	**131,023**	**6.4%**	**93.6%**	**-**
2013	-	-	-	-	-	-	-	-	-	-	-
Nathan Cheong[8]											
2014	**61,324**	**-**	**-**	**5,012**	**4,101**	**1,085**	**-**	**71,522**	**-**	**100.0%**	**-**
2013	-	-	-	-	-	-	-	-	-	-	-
Cecile Cooper[9]											
2014	**201,302**	**15,385**	**492**	**21,226**	**17,774**	**19,475**	**-**	**275,654**	**5.6%**	**94.4%**	**-**
2013	165,448	12,147	5,829	11,881	24,179	3,666	-	223,150	5.4%	94.6%	-
Kerry Cunningham											
2014	**244,917**	**19,861**	**-**	**22,932**	**17,685**	**6,552**	**-**	**311,947**	**6.4%**	**93.6%**	**-**
2013	249,449	41,628	-	20,051	16,560	4,361	4,875	336,924	13.8%	86.2%	1.4%
David Fenlon[10]											
2014	**306,310**	**63,855**	**-**	**24,413**	**13,331**	**-**	**-**	**407,909**	**15.7%**	**84.3%**	**-**
2013	-	-	-	-	-	-	-	-	-	-	-
Richard Henfrey											
2014	**298,844**	**26,482**	**29,348**	**32,426**	**23,525**	**6,155**	**-**	**416,780**	**6.4%**	**93.6%**	**-**
2013	272,471	27,583	29,299	25,572	23,820	3,538	23,522	405,805	12.6%	87.4%	5.8%
Chris Last											
2014	**283,873**	**24,199**	**-**	**29,837**	**17,775**	**3,717**	**-**	**359,401**	**6.7%**	**93.3%**	**-**
2013	268,616	24,512	-	26,431	23,170	2,143	21,380	366,252	12.5%	87.5%	5.8%
Peter Osborne											
2014	**278,906**	**22,495**	**-**	**25,197**	**-**	**-**	**-**	**326,598**	**6.9%**	**93.1%**	**-**
2013	263,077	27,569	-	21,923	-	-	-	312,569	8.8%	91.2%	-
Former KMPs and Senior Executives disclosed under the Corporations Act 2001											
Neal Mercado[11]											
2014	**121,597**	**8,942**	**-**	**8,985**	**10,593**	**5,750**	**-**	**155,867**	**5.7%**	**94.3%**	**-**
2013	208,900	19,313	10,273	17,897	16,470	5,795	1,340	279,988	7.4%	92.6%	0.5%
Gabriel Perera[12]											
2014	**161,497**	**9,706**	**-**	**13,669**	**13,331**	**1,805**	**-**	**200,008**	**4.9%**	**95.1%**	**-**
2013	215,550	19,313	-	17,889	16,380	4,315	1,340	274,787	7.5%	92.5%	0.5%
Lee Richards[13]											
2014	**138,093**	**10,507**	**7,038**	**14,296**	**14,566**	**4,973**	**-**	**189,473**	**5.5%**	**94.5%**	**-**
2013	227,245	24,440	24,078	22,586	33,470	6,675	21,721	360,215	12.8%	87.2%	6.0%
Jim van Bruinessen[14]											
2014	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2013	357,675	16,231	-	27,465	16,470	830	-	418,671	3.9%	96.1%	-
Total											
2014	**3,130,398**	**283,971**	**36,878**	**291,079**	**176,591**	**65,122**	**-**	**3,984,039**	**7.1%**	**92.9%**	**-**
2013	3,113,424	293,503	69,479	259,505	203,459	42,882	252,839	4,235,091	11.9%	88.1%	5.0%

1. Amounts included in the 'STI and Profit Share' column include amounts paid by way of profit share on 18 Dec 2013 and 25 Jun 2014. The STI plan for the 2014 financial year was approved by the People and Remuneration Committee on 21 Aug 2013.
2. Non-monetary benefits include motor vehicle benefits.
3. Amounts disclosed as other short-term employment benefits relate to provisions for annual leave.
4. Other amounts shown under other long-term employment benefits relate to provisions for long service leave.
5. The FY13 share-based payments relate to the LTI plan and represent the FY13 portion of the fair value of rights granted in FY11. The amount awarded for the FY13 and FY14 plan was Nil.
6. Christine Holgate's FY13 share-based payment ($178,661) represents the combination of SLTI and LTI plans. The amounts are (a) $41,969, being the FY13 portion of the fair value of rights granted in FY09, and (b) the FY13 portion of the fair value of rights granted under the LTI plan in FY11 ($136,692). The amount awarded for the LTI FY13 and LTI FY14 plan was Nil.
7. Lesley Braun joined 3 Feb 2014.
8. Nathan Cheong was appointed as a Senior Executive 1 Apr 2014.
9. Cecile Cooper was appointed as a Senior Executive 1 Jul 2012.
10. David Fenlon joined 19 Sep 2013.
11. Neal Mercado ceased as a Senior Executive 30 Jan 2014.
12. Gabriel Perera ceased as a Senior Executive 27 Mar 2014.
13. Lee Richards ceased as a Senior Executive 31 Jan 2014.
14. Jim van Bruinessen resigned 11 Jun 2013.

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

Directors' Report

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

REMUNERATION REPORT

6.2 PERFORMANCE RELATED REMUNERATION

The table below shows the performance related remuneration that was paid for the financial year ended 30 June 2014.

	STI		LTI	
	Maximum Remuneration	Received as % of Maximum Remuneration	Maximum Remuneration	Received as % of Maximum Remuneration
	%	%	%	%
Executive Directors				
Marcus Blackmore	65	0	40	0
Christine Holgate	65	0	100	0
Senior Executives				
Lesley Braun	78	0	40	0
Nathan Cheong	78	0	40	0
Cecile Cooper	48	0	10	0
Kerry Cunningham	78	0	40	0
David Fenlon	78	16	40	0
Richard Henfrey	78	0	40	0
Chris Last	78	0	40	0
Neal Mercado	78	0	40	0
Peter Osborne	78	0	40	0
Gabriel Perera	78	0	40	0
Lee Richards	78	0	40	0

6.3 SHARE-BASED PAYMENTS

The table below outlines the rights and shares outstanding to Executive Directors and Senior Executives at 30 June 2014. The fair value of awards is calculated in accordance with AASB 2 Share-based Payments.

NAME	GRANT							VESTING			EXERCISE	END OF HOLDING LOCK	
	DATE	NOTE	NUMBER OF RIGHTS	FAIR VALUE PER RIGHT	TOTAL FAIR VALUE	SHARE PRICE	MAXIMUM VALUE[1]	DATE	NUMBER OF RIGHTS[2,5]	% OF NUMBER GRANTED	VALUE[3]	DATE	VALUE OF RIGHTS NOT VESTED
Executive Director													
Christine Holgate	13/09/10	4	26,699	$22.32	$595,922	$25.53	$681,625	30/06/11	18,369	69%	$0	1/09/13	
	19/11/13	4	25,356	$19.27	$488,610	$21.00	$532,476	30/06/14	0	0%	N/A	N/A	$0.00
Senior Executives													
Lesley Braun	3/03/14	4	1,827	$22.87	$41,783	$25.50	$46,589	30/06/14	0	0%	N/A	N/A	$0.00
Cecile Cooper	19/11/13	4	849	$19.27	$16,360	$21.00	$17,829	30/06/14	0	0%	N/A	N/A	$0.00
Nathan Cheong	19/11/13	4	234	$19.27	$4,509	$21.00	$4,914	30/06/14	0	0%	N/A	N/A	$0.00
Kerry Cunningham	13/09/10	4	1,140	$22.32	$25,445	$25.53	$29,104	30/06/11	655	57%	$0	1/09/13	
	19/11/13	4	4,301	$19.27	$82,880	$21.00	$90,321	30/06/14	0	0%	N/A	N/A	$0.00
David Fenlon	19/11/13	4	4,926	$19.27	$94,924	$21.00	$103,446	30/06/14	0	0%	N/A	N/A	$0.00
Richard Henfrey	13/09/10	4	5,504	$22.32	$122,849	$25.53	$140,517	30/06/11	3,161	57%	$0	1/09/13	
	19/11/13	4	5,415	$19.27	$104,347	$21.00	$113,715	30/06/14	0	0%	N/A	N/A	$0.00
Chris Last	13/09/10	4	5,002	$22.32	$111,645	$25.53	$127,701	30/06/11	2,873	57%	$0	1/09/13	
	19/11/13	4	5,189	$19.27	$99,992	$21.00	$108,969	30/06/14	0	0%	N/A	N/A	$0.00
Peter Osborne	19/11/13	4	4,409	$19.27	$84,961	$21.00	$92,589	30/06/14	0	0%	N/A	N/A	$0.00
Former Senior Executives													
Neal Mercado	13/09/10	4	313	$22.32	$6,986	$25.53	$7,991	30/06/11	180	58%	$0	1/09/13	
	19/11/13	4	2,257	$19.27	$43,492	$21.00	$47,397	30/06/14	0	0%	N/A	N/A	$0.00
Gabriel Perera	13/09/10	4	313	$22.32	$6,986	$25.53	$7,991	30/06/11	180	58%	$0	1/09/13	
	19/11/13	4	2,850	$19.27	$54,920	$21.00	$59,850	30/06/14	0	0%	N/A	N/A	$0.00
Lee Richards	13/09/10	4	5,083	$22.32	$113,453	$25.53	$129,769	30/06/11	2,919	57%	$0	1/09/13	
	19/11/13	4	2,830	$19.27	$54,534	$21.00	$59,430	30/06/14	0	0%	N/A	N/A	$0.00

1. Disclosure of maximum value is required under s300A of the Corporations Act 2001. The value disclosed represents the underlying value of shares at the time of grant multiplied by the number of rights granted to each individual. The minimum value of rights awarded is zero if performance conditions are not achieved.
2. The number of rights vested is equal to the number of rights exercised and the number of shares issued; vesting occurs on 30 Jun and shares are issued in Sep following audit clearance of the Group's results and Board approval.
3. Value of rights at exercise is equal to the number of rights exercised multiplied by the share price at exercise date.
4. Shares are subject to a two year holding lock. If the Senior Executive resigns or their employment is terminated prior to the end of the holding lock (except for reasons such as death, serious injury, disability, illness or involuntary early retirement), these shares will be forfeited.
5. There were nil shares that vested in the FY14 year.

Directors' Report

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

6.4 EQUITY HOLDINGS

During the years ended 30 June 2014 and 30 June 2013 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 Key Management Personnel.

FULLY PAID ORDINARY SHARES OF BLACKMORES LIMITED

2014	BALANCE AT 30/6/13 NUMBER	RECEIVED ON SETTLEMENT OF RIGHTS NUMBER	NET CHANGE OTHER[1] NUMBER	BALANCE AT 30/6/14 NUMBER
Non-Executive Directors				
Stephen Chapman	23,014	-	3,768	26,782
Verilyn Fitzgerald	10,660	-	539	11,199
Brent Wallace	12,689	-	641	13,330
Executive Directors				
Marcus Blackmore	4,449,318	-	19,496	4,468,814
Christine Holgate	73,102	-	(5,000)	68,102
Former Non-Executive Directors				
Robert Stovold[2]	28,127	-	-	28,127
Senior Executives				
Cecile Cooper	40,960	-	113	41,073
Kerry Cunningham	5,126	-	298	5,424
Richard Henfrey	8,457	-	(249)	8,208
Chris Last	4,908	-	60	4,968
Peter Osborne	356	-	-	356
Former Senior Executives				
Neal Mercado[3]	723	-	(723)	-
Gabriel Perera[4]	883	-	39	922
Lee Richards[5]	13,603	-	-	13,603
Total	**4,671,926**	**-**	**18,982**	**4,690,908**

1. Includes shares issued under the Company's Staff Share Acquisition Plan.
2. Robert Stovold's closing balance is at the date of ceasing as a Non-executive Director (22 Oct 2013).
3. Neal Mercado's closing balance is at the date of ceasing as a Senior Executive (30 Jan 2014).
4. Gabriel Perera's closing balance is at the date of ceasing as a Senior Executive (27 Mar 2014).
5. Lee Richard's closing balance is at the date of ceasing as a Senior Executive (31 Jan 2014).

Directors’ Report

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

REMUNERATION REPORT

RIGHTS TO SHARES

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

RIGHTS TO SHARES

2014	GRANTED AS BALANCE AS AT 1/7/11	COMPEN-SATION	EXERCISED	NET OTHER CHANGE[7]	BALANCE BALANCE AS AT 30/6/12	VESTED VESTED AT 30/6/12	BUT NOT EXERCISABLE	RIGHTS VESTED AND EXERCISABLE	VESTED DURING YEAR
	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER
Executive Director									
C Holgate	-	25,356	-	(25,356)	-	-	-	-	-
Senior Executives									
Lesley Braun[1]	-	1,827	-	(1,827)	-	-	-	-	-
Cecile Cooper	-	849	-	(849)	-	-	-	-	-
Kerry Cunningham	-	4,301	-	(4,301)	-	-	-	-	-
Nathan Cheong[2]	-	234	-	(234)	-	-	-	-	-
David Fenlon[3]	-	4,926	-	(4,926)	-	-	-	-	-
Richard Henfrey	-	5,415	-	(5,415)	-	-	-	-	-
Chris Last	-	5,189	-	(5,189)	-	-	-	-	-
Peter Osborne	-	4,409	-	(4,409)	-	-	-	-	-
Former Senior Executives									
Neal Mercado[4]	-	2,257	-	(2,257)	-	-	-	-	-
Gabriel Perera[5]	-	2,850	-	(2,850)	-	-	-	-	-
Lee Richards[6]		2,830	-	(2,830)	-	-	-	-	-
Total (for Key Management Personnel)	**-**	**60,443**	**-**	**(60,463)**	**-**	**-**	**-**	**-**	**-**

1. Rights granted during the financial year ended 30 June 2014 for Lesley Braun are for the period as a KMP (3 Feb 2014 to 30 Jun 2014).
2. Rights granted during the financial year ended 30 June 2014 for Nathan Cheong are for the period as a KMP (1 Apr 2014to 30 Jun 2014).
3. Rights granted during the financial year ended 30 June 2014 for David Fenlon are for the period as a KMP (19 Sep 2013 to 30 Jun 2014).
4. Rights granted during the financial year ended 30 June 2014 for Neal Mercado are for the period as a KMP (1 Jul 2013 to 30 Jan 2014).
5. Rights granted during the financial year ended 30 June 2014 for Gabe Perera are for the period as a KMP (1 Jul 2013 to 27 Mar 2014).
6. Rights granted during the financial year ended 30 June 2014 for Lee RIchards are for the period as a KMP (1 Jul 2013 to 31 Jan 2014).
7. Rights granted did not vest during the financial year ended 30 June 2014

6.5 LOAN DISCLOSURES

There were no loan balances exceeding $100,000 due from Key Management Personnel during or at the end of the financial year (2013: $nil).

6.6 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.

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

On behalf of the Directors

Marcus C Blackmore AM
Director

Dated in Sydney, 26 August 2014

Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

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

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

26 August 2014

Dear Board Members

Blackmores Limited

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

As lead audit partner for the audit of the financial statements of Blackmores Limited for the financial year ended 30 June 2014, 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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Delaney

X Delaney
Partner
Chartered Accountants

Independent Auditor's Report

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

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

Independent Auditor's Report to the Members of Blackmores Limited

Report on the Financial Report

We have audited the accompanying financial report of Blackmores Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 47 to 89.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independent Auditor's Report

Deloitte.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Blackmores Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Blackmores Limited is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

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

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

Report on the remuneration report

We have audited the Remuneration Report included in pages 33 to 43 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Blackmores Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Delaney

X Delaney
Partner
Chartered Accountants
Parramatta, 26 August 2014

Directors' Declaration

The Directors declare that:

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

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

(c) in the Directors' opinion, the attached Financial Statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group; and

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

At the date of this declaration, the Company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the Directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in note 32.1 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

Marcus C Blackmore

Marcus C Blackmore AM
Director

Dated in Sydney, 26 August 2014

Consolidated Statement of Profit or Loss

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	NOTES	2014 $'000	2013 $'000
Sales	5	**346,760**	326,603
Revenue		**346,760**	326,603
Other income	6	**991**	936
Revenue and other income		**347,751**	327,539
Promotional and other rebates		**59,302**	49,487
Changes in inventories of finished goods		**1,809**	5,955
Raw materials and consumables used		**110,692**	100,358
Employee benefits expenses	7	**70,156**	64,060
Selling and marketing expenses		**28,840**	34,141
Depreciation and amortisation expenses	7	**6,266**	5,989
Operating lease rental expense	7	**3,163**	2,707
Professional and consulting expenses		**4,442**	3,853
Repairs and maintenance expenses		**2,869**	2,591
Freight expense		**5,905**	4,973
Bank charges		**845**	840
Other expenses		**13,673**	13,882
Total expenses		**307,962**	288,836
Earnings before interest and tax		**39,789**	38,703
Interest revenue	5	**309**	174
Interest expense	7	**(5,135)**	(4,926)
Net interest expense		**(4,826)**	(4,752)
Profit before tax	7	**34,963**	33,951
Income tax expense	9	**(9,534)**	(8,975)
Profit for the year		**25,429**	24,976
EARNINGS PER SHARE			
– Basic earnings per share (cents)	27	**149.2**	147.9
– Diluted earnings per share (cents)	27	**149.2**	147.9

Notes to the consolidated Financial Statements are included on pages 53 to 89.

Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	NOTES	2014 $'000	2013 $'000
Profit for the year		**25,429**	24,976
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign controlled entities	25.3	**(1,395)**	2,221
Net gain on hedging instruments entered into for cash flow hedges	25.2	**255**	47
Income tax relating to components of other comprehensive income	25.2	**(76)**	(14)
Other comprehensive income for the year, net of tax		**(1,216)**	2,254
Total comprehensive income for the year		**24,213**	27,230

Notes to the consolidated Financial Statements are included on pages 53 to 89.

Consolidated Statement of Financial Position

AS AT 30 JUNE 2014

	NOTES	2014 $'000	2013 $'000
ASSETS			
CURRENT ASSETS			
Cash and bank balances	35.1	**18,599**	17,963
Receivables	13	**70,567**	63,887
Inventories	14	**38,742**	39,892
Tax receivable	21	**-**	69
Other assets		**3,468**	2,219
Total current assets		**131,376**	124,030
NON-CURRENT ASSETS			
Property, plant and equipment	15	**63,613**	65,681
Investment property	16	**2,160**	2,160
Other intangible assets	17	**18,363**	17,933
Goodwill	18	**16,863**	17,575
Deferred tax assets	9.2	**3,815**	3,683
Other financial assets	19	**318**	291
Other assets		**86**	124
Total non-current assets		**105,218**	107,447
Total assets		**236,594**	231,477
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	20	**49,153**	38,369
Tax payable	21	**2,793**	-
Interest-bearing liabilities	22	**-**	6
Other financial liabilities	19	**508**	593
Provisions	23	**5,471**	5,219
Other		**115**	848
Total current liabilities		**58,040**	45,035
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	22	**73,000**	87,000
Provisions	23	**906**	722
Other financial liabilities	19	**245**	396
Other		**177**	273
Total non-current liabilities		**74,328**	88,391
Total liabilities		**132,368**	133,426
Net assets		**104,226**	98,051
EQUITY			
CAPITAL AND RESERVES			
Issued capital	24	**34,502**	30,996
Reserves	25	**3,227**	4,394
Retained earnings	26	**66,497**	62,661
Total equity		**104,226**	98,051

Notes to the consolidated Financial Statements are included on pages 53 to 89.

Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Issued Capital	Equity-Settled Employee Benefits Reserve	Cash flow Hedging Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 30 June 2012	25,348	5,430	(725)	(2,941)	59,054	86,166
Dividends declared	-	-	-	-	(21,369)	(21,369)
Profit for the year	-	-	-	-	24,976	24,976
Gain recognised on cash flow hedges	-	-	47	-	-	47
Income tax related to gain on cash flow hedges	-	-	(14)	-	-	(14)
Foreign currency translation of controlled entities	-	-	-	2,221	-	2,221
Other comprehensive income for the year, net of tax	-	-	33	2,221	-	2,254
Total comprehensive income for the year	-	-	33	2,221	24,976	27,230
Issue of shares under Dividend Reinvestment Plan	5,648	-	-	-	-	5,648
Recognition of share-based payments	-	376	-	-	-	376
Balance as at 30 June 2013	**30,996**	**5,806**	**(692)**	**(720)**	**62,661**	**98,051**
Dividends declared	**-**	**-**	**-**	**-**	**(21,593)**	**(21,593)**
Profit for the year	**-**	**-**	**-**	**-**	**25,429**	**25,429**
Gain recognised on cash flow hedges	**-**	**-**	**255**	**-**	**-**	**255**
Income tax related to gain on cash flow hedges	**-**	**-**	**(76)**	**-**	**-**	**(76)**
Foreign currency translation of controlled entities	**-**	**-**	**-**	**(1,395)**	**-**	**(1,395)**
Other comprehensive income for the year, net of tax	**-**	**-**	**179**	**(1,395)**	**-**	**(1,216)**
Total comprehensive income for the year	**-**	**-**	**179**	**(1,395)**	**25,429**	**24,213**
Issue of shares under Dividend Reinvestment Plan	**3,506**	**-**	**-**	**-**	**-**	**3,506**
Recognition of share-based payments	**-**	**49**	**-**	**-**	**-**	**49**
Balance as at 30 June 2014	**34,502**	**5,855**	**(513)**	**(2,115)**	**66,497**	**104,226**

Notes to the consolidated Financial Statements are included on pages 53 to 89.

Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	NOTES	2014 $'000	2013 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		371,223	346,666
Payments to suppliers and employees		(321,716)	(308,358)
Cash generated from operations		49,507	38,308
Interest and other costs of finance paid		(5,135)	(4,924)
Income taxes paid		(6,881)	(11,370)
Net cash flows from operating activities	35.3	**37,491**	22,014
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		309	174
Net cash outflow on acquisition of subsidiary	38	-	(38,646)
Payments for property, plant and equipment and other intangible assets		(4,658)	(4,803)
Proceeds from disposal of property, plant and equipment		29	85
Dividends received		7	27
Net cash used in investing activities		**(4,313)**	(43,163)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Repayment of)/proceeds from borrowings		(14,000)	42,000
Repayment of lease liability		(6)	(31)
Dividends paid		(18,087)	(15,721)
Proceeds from sale of shares		-	14
Net cash (used in)/provided by financing activities		**(32,093)**	26,262
Net increase in cash and cash equivalents		**1,085**	5,113
Cash and cash equivalents at the beginning of the year		**17,963**	11,960
Effects of exchange rate changes on the balance of cash held in foreign currencies		(449)	890
Cash and cash equivalents at the end of the year	35.1	**18,599**	17,963

Notes to the consolidated Financial Statements are included on pages 53 to 89.

Notes

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

1 GENERAL INFORMATION

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

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

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

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

2 APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

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

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

Standards affecting presentation and disclosure

Standard/Interpretation	Nature of change required
• AASB 2011-4 'Amendments to Australian Accounting Standards to remove individual key management Personnel Disclosure Requirements'	This standard removed the individual key management personnel disclosure requirements in AASB 124 'related party disclosures'. As a result the Group only discloses the key management personnel compensation in total and for each of the categories required in AASB 124. In the current year the individual key management personnel disclosure previously required by AASB 124 (note 34.2 to note 34.5 in the 30 June 2013 financial statements) is now disclosed in the remuneration report due to an amendment to Corporations Regulations 2001 issued in June 2013.

Standards and Interpretations affecting the reported results or financial position

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

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

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

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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

Standard/Interpretation	Nature of change required
AASB 12 'Disclosure of Interests in Other Entities'	Requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. In high-level terms, the required disclosures are grouped into the following broad categories: Significant judgments and assumptions – such as how control, joint control, significant influence has been determined - Interests in subsidiaries – including details of the structure of the group, risks associated with structured entities, changes in control, and so on - Interests in joint arrangements and associates – the nature, extent and financial effects of interests in joint arrangements and associates (including names, details and summarised financial information) - Interests in unconsolidated structured entities – information to allow an understanding of the nature and extent of interests in unconsolidated structured entities and to evaluate the nature of, and changes in, the risks associated with its interests in unconsolidated structured entities. AASB 12 lists specific examples and additional disclosures which further expand upon each of these disclosure objectives, and includes other guidance on the extensive disclosures required.
AASB 127 'Separate Financial Statements (2011)'	Amended version of AASB 127 which now only deals with the requirements for separate financial statements, which have been carried over largely unamended from AASB 127 'Consolidated and Separate Financial Statements'. Requirements for consolidated Financial Statements are now contained in AASB 10 'Consolidated Financial Statements'. The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and joint ventures are accounted for either at cost, or in accordance with AASB 9 'Financial Instruments'. The Standard also deals with the recognition of dividends, certain group reorganisations and includes a number of disclosure requirements.
AASB 128 'Investments in Associates and Joint Ventures (2011)'	This Standard supersedes AASB 128 'Investments in Associates' and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.
AASB 13 'Fair Value Measurement' and related 'AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13'	Replaces the guidance on fair value measurement in existing AASB accounting literature with a single standard. The AASB defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, AASB 13 does not change the requirements regarding which items should be measured or disclosed at fair value. AASB 13 applies when another AASB requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements). With some exceptions, the standard requires entities to classify these measurements into a 'fair value hierarchy' based on the nature of the inputs: - Level 1 – quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date - Level 2 – inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly - Level 3 – unobservable inputs for the asset or liability. Entities are required to make various disclosures depending upon the nature of the fair value measurement (e.g. whether it is recognised in the Financial Statements or merely disclosed) and the level in which it is classified.
AASB 119 'Employee Benefits (2011)', 'AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (2011)' and 'AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements'	An amended version of AASB 119 'Employee Benefits' with revised requirements for pensions and other post-employment benefits, termination benefits and other changes. The key amendments include: - Requiring the recognition of changes in the net defined benefit liability (asset) including immediate recognition of defined benefit cost, disaggregation of defined benefit cost into components, recognition of remeasurements in other comprehensive income, plan amendments, curtailments and settlements (eliminating the 'corridor approach' permitted by the existing AASB 119) - Introducing enhanced disclosures about defined benefit plans - Modifying accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affect the recognition and measurement of termination benefits - Clarifying various miscellaneous issues, including the classification of employee benefits, current estimates of mortality rates, tax and administration costs and risk-sharing and conditional indexation features - Incorporating other matters submitted to the IFRS Interpretations Committee.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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

2.3 STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

At the date of authorisation of the Financial Statements, a number of Standards and Interpretations were on issue but not yet effective. In the Directors' opinion, the following Standards on issue but not yet effective are most likely to impact the amounts reported by the Group in future financial periods:

Standard/Interpretation	Effective for annual periods beginning on or after	Expected to be initially applied in the financial year ending
Interpretation 21 'Levies'	1 January 2014	30 June 2015
AASB 9 'Financial Instruments' and the relevant amending standards	1 January 2018	30 June 2019
IFRS 15 'Revenue from Contracts with Customers'	1 January 2017	30 June 2018

Interpretation 21 clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. The Directors do not anticipate any material impact arising from the application of this Interpretation.

AASB 9 introduces new requirements for the classification and measurement of financial assets, hedge accounting and impairment of financial asset. The Directors do not anticipate the application of AASB 9 to have a material impact on the financial results of the Group.

IFRS 15 Revenue from Contracts with Customers outlines a single comprehensive model for entities to use in accounting for revenue from contracts with customers, which will supersede current revenue recognition guidance included in IAS 18 Revenue, IAS 11 Construction Contracts and related Interpretations. The key principle of this standard is that an entity will recognise revenue when it transfers promised goods or services to customers for an amount that reflects its expected consideration. The Standard introduces more prescriptive and detailed implementation guidance than was included in IAS 18, IAS 11, and the related Interpretations. The directors are yet to assess the impact of the application at IFRS 15.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 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 2014 comprises Blackmores and its subsidiaries (the Group).

The Consolidated Annual Financial Report of the Group as at and for the year ended 30 June 2013 is available upon request from the registered office of Blackmores at 20 Jubilee Avenue, Warriewood, NSW 2102 or online at blackmores.com.au.

3.2 STATEMENT OF COMPLIANCE

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

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

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

The Financial Statements were authorised for issue by the Directors on 26 August 2014.

3.3 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.

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

The Company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the Financial Statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

3.4 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.

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

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

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

3.5 CASH AND CASH EQUIVALENTS

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

3.6 FINANCIAL INSTRUMENTS

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

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

3.6.1 Financial Assets

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

3.6.1.1 Effective Interest Method

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

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

3.6.1.2 Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

3 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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

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

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

3.6.1.3 AFS Financial Assets

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

3.6.1.4 Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3.6.1.5 Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

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

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

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

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

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

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

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

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3.6.1.6 Derecognition of Financial Assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

3 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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

3.6.2 Financial Liabilities and Equity Instruments

3.6.2.1 Classification as Debt or Equity

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

3.6.2.2 Equity Instruments

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

3.6.2.3 Financial Liabilities

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

3.6.2.4 Financial Liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other income' line item in the Consolidated Statement of Profit or Loss. Fair value is determined in the manner described in note 35.

3.6.2.5 Other Financial Liabilities

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

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

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3.6.2.6 Derecognition of Financial Liabilities

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

3.6.2.7 Transaction Costs on the Issue of Equity Instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

3.6.2.8 Dividends

Dividends are classified as distributions of profit.

3.6.3 Derivative Financial Instruments

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

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

3.6.3.1 Hedge Accounting

The Group designates certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

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

3.6.3.2 Fair Value Hedges

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

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

3 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

3.6.3.3 Cash Flow Hedges

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

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 as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

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

3.6.3.4 Derivatives That Do Not Qualify For Hedge Accounting

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

3.7 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first-in-first-out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

3.8 PROPERTY, PLANT AND EQUIPMENT

Property, and associated land, in the course of construction for production or administrative purposes, is carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Plant and equipment and leasehold improvements are measured at cost less accumulated depreciation and impairment. Construction in progress is stated at cost. Cost includes expenditure that is directly attributable to the acquisition or construction of the item.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight-line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Freehold land is not depreciated. The following estimated useful lives are used in the calculation of depreciation:

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

3.9 IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS OTHER THAN GOODWILL

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3.10 BORROWING COSTS

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

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

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

3.11 LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

3 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

3.11.1 The Group as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

3.12 PROVISIONS

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.12.1 Onerous Contracts

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

3.13 EMPLOYEE BENEFITS

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

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

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

3.13.1 Defined Contribution Plans

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

3.14 REVENUE RECOGNITION

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

3.14.1 Sale of Goods

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

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

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

3.14.2 Dividend and Interest Income

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

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.15 FOREIGN CURRENCIES

3.15.1 Individual Controlled Entities

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

3.15.2 Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

- exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

3.15.3 Foreign Operations

For the purpose of presenting consolidated Financial Statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

3 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

recognised in other comprehensive income and accumulated in equity (attributed to noncontrolling interests as appropriate).

3.16 SHARE-BASED PAYMENTS

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

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

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

3.17 GOODS AND SERVICE TAX

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

3.18 TAXATION

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

3.18.1 Current Tax

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

3.18.2 Deferred Tax

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

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

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

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

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

3.18.3 Current and Deferred Tax for the Year

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

3.19 INVESTMENT PROPERTY

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

Depreciation is provided on investment property, including freehold buildings but excluding land. Depreciation is calculated on a straight-line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

3 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3.20 INTANGIBLE ASSETS

3.20.1 Intangible Assets Acquired Separately

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

3.20.2 Internally-generated Intangible Assets

3.20.2.1 Research and development expenditure

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

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

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

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

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

Brand names recognised by the Company have an indefinite useful life and are not amortised. Each period, the useful life of this asset is reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy stated in note 3.9.

3.20.2.2 Website development expenditure

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

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

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

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

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

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

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

3.20.3 Intangible Assets Acquired in a Business Combination

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

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

3.20.4 Derecognition of Intangible Assets

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

3.21 BUSINESS COMBINATIONS

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

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

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

3 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

based payment arrangements of the acquire are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and

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

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

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

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

3.22 GOODWILL

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business (see 3.21 above) less accumulated impairment losses, if any.

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

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

3.23 INTERESTS IN JOINT ARRANGEMENTS

Under AASB 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under AASB 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement.

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

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

4.1 USEFUL LIVES OF PROPERTY PLANT AND EQUIPMENT

As described in note 3.8, the Group reviews the useful lives of property, plant and equipment at the end of each financial year. No changes were made during the current year.

4.2 RECOVERABILITY OF INTERNALLY GENERATED INTANGIBLE ASSETS

The Directors considered the recoverability of the Group's internally generated intangible assets arising from its website development projects, which are included in the Consolidated Statement of Financial Position at 30 June 2014 at $460 thousand (30 June 2013: $686 thousand).

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

4.3 IMPAIRMENT OF GOODWILL

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

The carrying amount of goodwill at 30 June 2014 was $16,863 thousand (30 June 2013: $17,575 thousand).

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

5 REVENUE

	2014 $'000	2013 $'000
Revenue from continuing operations consisted of the following:		
Revenue from sale of goods	**346,760**	326,603
Interest revenue from bank deposits	**309**	174
	347,069	326,777

6 OTHER INCOME

	2014 $'000	2013 $'000
Dividends received	**7**	27
Net foreign exchange gains	**984**	909
	991	936

7 PROFIT FOR THE YEAR

	2014 $'000	2013 $'000
Profit for the year has been arrived at after charging:		
Cost of sales	**127,622**	118,852
Interest expense:		
Interest on bank loans	**2,504**	2,922
Net settlement of interest rate swap	**639**	496
Bank margin activation and undrawn facility fees	**1,993**	1,508
	5,135	4,926
Depreciation of non-current assets	**5,760**	5,455
Amortisation of non-current assets	**506**	534
Total depreciation and amortisation expense	**6,266**	5,989
Operating lease minimum lease payments	**3,163**	2,707
Research and development costs expensed as incurred	**9,162**	9,708
Employee benefits expense:		
Post-employment benefits:		
Defined contribution plans	**4,120**	3,720
Share-based payments:		
Equity-settled share-based payments	**49**	376
Other employee benefits	**65,987**	59,964
	70,156	64,060
Provisions for stock obsolescence	**2,890**	4,000
Loss on disposal of non-current assets	**6**	19

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

8 SEGMENT INFORMATION

Information reported to the Group's Chief Operating Decision Maker for the purposes of resource allocation and assessment of segment performance is largely focused on brands and geographical regions. The BioCeuticals brand is predominantly based in Australia. Our larger Asian markets – Thailand and Malaysia, are presented as separate segments with the remainder of the Asian markets aggregated as the 'Other Asia' segment. The Group's reportable segments under AASB 8 are therefore as follows:

Australia
BioCeuticals
Thailand
Malaysia
Other Asia
Other

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

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

SEGMENT REVENUES

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

	EXTERNAL SALES		INTER-SEGMENT[1]		TOTAL	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Australia	**221,485**	209,136	**28,826**	24,600	**250,311**	233,736
BioCeuticals	**46,122**	44,688	**1,303**	-	**47,425**	44,688
Thailand	**31,291**	30,039	**-**	-	**31,291**	30,039
Malaysia	**20,290**	17,804	**-**	-	**20,290**	17,804
Other Asia[2]	**15,057**	12,435	**-**	-	**15,057**	12,435
Other[3]	**12,515**	12,501	**-**	-	**12,515**	12,501
Total of all segments	**346,760**	326,603	**30,129**	24,600	**376,889**	351,203
Eliminations[4]					**(30,129)**	(24,600)
Consolidated revenue (excluding interest revenue and other income)					**346,760**	326,603

The Group had two customers who contributed more than 10% of the Group's revenue in the year. Included in external sales of the Australian segment of $221,485 thousand (2013: $209,136 thousand) are sales of $72,898 thousand (2013: $57,012 thousand) and $37,425 thousand (2013: $40,962 thousand) which arose from sales to the Group's two largest customers.

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

SEGMENT RESULTS

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

	2014 $'000	2013 $'000
Australia	**34,097**	35,491
BioCeuticals	**6,809**	4,696
Thailand	**8,626**	8,484
Malaysia	**2,743**	1,564
Other Asia	**(6,790)**	(5,857)
Other	**(1,279)**	(2,061)
Corporate Costs	**(4,417)**	(3,614)
Earnings before interest and tax	**39,789**	38,703

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

8 SEGMENT INFORMATION (CONT.)

OTHER SEGMENT INFORMATION FOR THE YEAR ENDED 30 JUNE

	INTEREST REVENUE		INTEREST EXPENSE		ADDITIONS TO NON-CURRENT ASSETS		DEPRECIATION AND AMORTISATION		OTHER NON-CASH EXPENSES[1]	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Australia	**85**	64	**3,133**	2,851	**3,422**	4,454	**5,689**	5,518	**1,676**	3,520
BioCeuticals	**206**	80	**2,145**	2,166	**290**	163	**266**	227	**140**	58
Thailand	**115**	5	**24**	-	**29**	146	**78**	101	**139**	250
Malaysia	**66**	57	**-**	-	**159**	10	**54**	33	**369**	734
Other Asia	**10**	59	**6**	-	**67**	61	**83**	54	**471**	798
Other	**-**	-	**-**	-	**1**	5	**96**	56	**(69)**	626
Inter-segment	**(173)**	(91)	**(173)**	(91)	**-**	-	**-**	-	**-**	-
Total of all segments	**309**	174	**5,135**	4,926	**3,968**	4,839	**6,266**	5,989	**2,726**	5,986

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

9 INCOME TAXES

9.1 INCOME TAX RECOGNISED IN PROFIT OR LOSS

	2014 $'000	2013 $'000
Current tax:		
Current tax expense in respect of the current year	**10,629**	9,167
Adjustments recognised in the current year in relation to the current tax of prior years	**(337)**	(132)
Deferred tax:		
Deferred tax benefit relating to the origination and reversal of temporary differences	**(749)**	(60)
Total income tax expense recognised in the current year relating to continuing operations	**9,534**	8,975
The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the consolidated Financial Statements as follows:		
Profit before tax	**34,963**	33,951
Income tax expense calculated at 30%	**10,489**	10,185
Effect of expenses that are not deductible in determining taxable profit	**104**	237
Effect of tax concessions	**(916)**	(976)
Effect of withholding tax on intercompany dividend	**292**	298
Effect of tax losses recognised	**(21)**	(384)
Effect of tax losses not recognised	**193**	-
Other items	**(270)**	(253)
	9,871	9,107
Over provision of income tax in previous year	**(337)**	(132)
Income tax expense recognised in profit or loss	**9,534**	8,975

The tax rate used for the 2014 and 2013 reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

9 INCOME TAXES (CONT.)

9.2 Deferred Tax Balances

Deferred tax assets arise from the following:

	OPENING BALANCE $'000	RECOGNISED IN PROFIT OR LOSS $'000	RECOGNISED IN OTHER COMPREHENSIVE INCOME $'000	FILING DIFFERENCES[1] $'000	ACQUISITIONS $'000	CLOSING BALANCE $'000
Temporary Differences 2014						
Property, plant and equipment	**(129)**	**90**	**-**	**86**	**-**	**47**
Prepayments and other	**(181)**	**26**	**-**	**12**	**-**	**(143)**
Provisions	**2,945**	**182**	**-**	**(758)**	**-**	**2,369**
Accruals	**130**	**128**	**-**	**(23)**	**-**	**235**
Cash flow hedges	**297**	**-**	**(76)**	**-**	**-**	**221**
Website development	**78**	**(22)**	**-**	**9**	**-**	**65**
Foreign currency monetary items	**(128)**	**48**	**-**	**(10)**	**-**	**(90)**
Capitalised expenses	**255**	**254**	**-**	**-**	**-**	**509**
Tax losses recognised	**246**	**-**	**-**	**(108)**	**-**	**138**
Other	**170**	**43**	**-**	**251**	**-**	**464**
	3,683	**749**	**(76)**	**(541)**	**-**	**3,815**
Presented in the consolidated Statement of Financial Position as follows:						
Deferred tax asset						**3,815**
Deferred tax liability						**-**
						3,815
Temporary Differences 2013						
Property, plant and equipment	(78)	(51)	-	-	-	(129)
Prepayments and other	(277)	(5)	-	101	-	(181)
Provisions	2,655	43	-	-	247	2,945
Accruals	604	(538)	-	-	64	130
Cash flow hedges	311	-	(14)	-	-	297
Website development	50	28	-	-	-	78
Foreign currency monetary items	(10)	(118)	-	-	-	(128)
Capitalised expenses	91	164	-	-	-	255
Tax losses recognised	62	139	7	-	38	246
Other	215	(56)	-	11	-	170
	3,623	(394)	(7)	112	349	3,683
Presented in the consolidated Statement of Financial Position as follows:						
Deferred tax asset						3,683
Deferred tax liability						-
						3,683

1. The filing differences arose on the lodgement of the Income Tax Return.

Unrecognised Deferred Tax Assets

	2014 $'000	2013 $'000
The following deferred tax assets have not been brought to account as assets:		
Tax losses - capital (no expiry date)	**1,230**	758
Tax losses - revenue (expiry: 2013)	**-**	1
Tax losses - revenue (expiry: 2014)	**1**	1
Tax losses - revenue (expiry: 2015)	**1**	1
Tax losses - revenue (expiry: 2016)	**-**	1
Tax losses - revenue (expiry: 2017)	**67**	77
Tax losses - revenue (expiry: 2018)	**34**	34
Tax losses - revenue (expiry: 2019)	**57**	56
Tax losses - revenue (expiry: 2020)	**102**	101
Tax losses - revenue (expiry: 2021)	**124**	123
Tax losses - revenue (no expiry date)	**-**	248

A deferred tax asset has not been recognised in relation to Taiwan unused tax losses as it is probable that future taxable profit will not be available against which the tax may be utilised.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

10 KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2014 $	2013 $
Short-term employee benefits	**4,177,547**	4,148,563
Post-employment benefits	**244,635**	254,583
Other long-term benefits	**65,122**	42,882
Share-based payments	**-**	252,839
	4,487,304	4,698,867

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

11 SHARE-BASED PAYMENTS

Executive and Employee Share Option Plan

The Executive Performance Share Plan was approved at Blackmores' Annual General Meeting in October 2011. Participation is open to employees determined to be eligible by the Board. Under this plan, rights to acquire shares in the Company are granted annually to eligible employees at no cost and vest provided specific performance hurdles are met.

The fair value of rights granted is calculated in accordance with AASB 2 'Share-based Payments'. During the year, the Company granted entitlements to an allocation of ordinary shares provided specific objectives and hurdles were met. The number of ordinary shares that will be issued for nil consideration in relation to the services performed during the financial year ended 30 June 2014 is nil (2013: nil). The minimum number of rights that could be vested under the entitlement was 19,211 (2013: 17,060) and the maximum number of rights that could be vested was 76,841 (2013: 68,244).

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

SHARE RIGHTS SERIES	NUMBER OF RIGHTS	GRANT DATE	EXPIRY DATE	EXERCISE PRICE $	FAIR VALUE AT GRANT DATE
GRANTS IN THE 2014 YEAR					
Granted 19 November 2013	**75,014**	**19 Nov 2013**	**30 June 2014**	**N/A**	**19.27**
Granted 3 March 2014	**1,827**	**3 Mar 2014**	**30 June 2014**	**N/A**	**22.87**
GRANTS IN THE 2013 YEAR					
Granted 3 October 2012	68,244	3 Oct 2012	30 June 2013	N/A	27.94

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

	2014		2013	
	NUMBER OF RIGHTS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF RIGHTS	WEIGHTED AVERAGE EXERCISE PRICE
Balance at the beginning of the year	**-**		-	
Granted during the year	**76,841**		68,244	
Forfeited during the year	**(76,841)**		(68,244)	
Exercised during the year	**-**	**N/A**	-	N/A
Expired during the year	**-**		-	
Balance at the end of the year	**-**		-	
Exercisable at the end of the year	**-**		-	

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

Share rights are vested as at 30 June 2014 and shares are subsequently issued in September following audit clearance of the Group's result and Board approval. The issue price for share rights granted in the 2014 financial year will be determined in September 2014.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

11 SHARE-BASED PAYMENTS (CONT.)

CHIEF EXECUTIVE OFFICER
2014 AND 2013

	PERCENTAGE OF PARTICIPANT'S BASE REMUNERATION	
Rate of EPS growth	2014	2013
greater than 4% but less than or equal to 5%	**25.0**	25.0
greater than 5% but less than or equal to 6%	**31.3**	31.3
greater than 6% but less than or equal to 7%	**37.5**	37.5
greater than 7% but less than or equal to 8%	**43.8**	43.8
greater than 8% but less than or equal to 9%	**50.0**	50.0
greater than 9% but less than or equal to 10%	**56.3**	56.3
greater than 10% but less than or equal to 11%	**62.5**	62.5
greater than 11% but less than or equal to 12%	**68.8**	68.8
greater than 12% but less than or equal to 13%	**75.0**	75.0
greater than 13% but less than or equal to 14%	**81.3**	81.3
greater than 14% but less than or equal to 15%	**87.5**	87.5
greater than 15% but less than or equal to 16%	**93.8**	93.8
greater than 16%	**100.0**	100.0

SENIOR EXECUTIVES AND OTHER SENIOR COMPANY MANAGEMENT
2014 AND 2013

	PERCENTAGE OF PARTICIPANT'S BASE REMUNERATION			
Rate of EPS growth	2014		2013	
	SENIOR	OTHER SENIOR	SENIOR	OTHER SENIOR
greater than 4% but less than or equal to 5%	**10.0**	**2.5**	10.0	2.5
greater than 5% but less than or equal to 6%	**12.5**	**3.1**	12.5	3.1
greater than 6% but less than or equal to 7%	**15.0**	**3.8**	15.0	3.8
greater than 7% but less than or equal to 8%	**17.5**	**4.4**	17.5	4.4
greater than 8% but less than or equal to 9%	**20.0**	**5.0**	20.0	5.0
greater than 9% but less than or equal to 10%	**22.5**	**5.6**	22.5	5.6
greater than 10% but less than or equal to 11%	**25.0**	**6.3**	25.0	6.3
greater than 11% but less than or equal to 12%	**27.5**	**6.9**	27.5	6.9
greater than 12% but less than or equal to 13%	**30.0**	**7.5**	30.0	7.5
greater than 13% but less than or equal to 14%	**32.5**	**8.1**	32.5	8.1
greater than 14% but less than or equal to 15%	**35.0**	**8.8**	35.0	8.8
greater than 15% but less than or equal to 16%	**37.5**	**9.4**	37.5	9.4
greater than 16%	**40.0**	**10.0**	40.0	10.0

Share-Based Conditions

Shares allocated to Key Management Personnel are subject to a two-year holding lock whereby a percentage of the shares is treated as deferred shares. If the Senior Executive resigns or is terminated (except for reasons other than death, serious injury, disability or illness or involuntary early retirement) the deferred shares are treated as forfeited.

The number of shares to be issued to a Senior Executive is determined by dividing the percentage amount of base remuneration calculated in accordance with the above by:

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

11 SHARE-BASED PAYMENTS (CONT.)

Special Long-Term Incentives

At the 2009 Annual General Meeting, shareholders approved the grant to Christine Holgate of 50,360 Blackmores shares for nil consideration as part of a Special Long Term Incentive (SLTI). Eligibility for a SLTI was part of the employment contract agreed with Ms Holgate.

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

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

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

A share-based payment expense of $nil (2013: $41,969) was recorded in relation to these shares for the year ended 30 June 2014. This amount has been included in the total remuneration for Christine Holgate as set out in the Key Management Personnel Remuneration Disclosure on page 40 of the Directors' Report.

Staff Share Acquisition Plan

The Group has established a Staff Share Acquisition Plan. The plan is open to all employees including Senior Executives and enables them to purchase up to $1,000 of Blackmores shares tax free (subject to taxable income thresholds) each year with money that would have otherwise been paid as profit share. 1,703 shares were issued during the year ended 30 June 2014 (2013: 2,278 shares). In July 2014, 1,555 shares (2013: 1,695 shares) were issued to employees, including Senior Executives, for profit share entitlement that would otherwise have been paid in cash during the year ended 30 June 2014.

Options Plan

At 1 July 2013 and at 1 July 2012 there were no share options outstanding, none were issued during the years ended 30 June 2014 (2013: nil) and as at 30 June 2014 there were no unexercised share options (2013: nil).

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

12 REMUNERATION OF AUDITOR

	2014 $	2013 $
Auditor of the Parent Entity		
Auditing or reviewing the Financial Statements	**279,201**	251,321
Other non-audit services[1]	**14,100**	38,024
	293,301	289,345
Network Firm of the Parent Company Auditor		
Auditing the Financial Statements	**130,826**	124,413
Taxation services	**70,430**	35,597
Other non-audit services[1]	**-**	12,325
	201,256	172,335

The auditor of Blackmores Limited is Deloitte Touche Tohmatsu.

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

13 TRADE AND OTHER RECEIVABLES

	2014 $'000	2013 $'000
Current		
Current trade and other receivables[1]	**71,329**	65,136
Allowance for doubtful debts	**(688)**	(820)
Allowance for claims	**(800)**	(986)
	69,841	63,330
Goods and services tax (GST) recoverable	**723**	557
Other receivables	**3**	-
	70,567	63,887

1. The average credit period on sale of goods is 60 days from the end of the month of invoice. No interest is charged on trade receivables and the Group does not hold any collateral over these balances. Trade receivables consist of a large number of customers spread across several retail channels and geographic regions.

At 30 June 2014, the Group had 5 customers (2013: 4 customers) each comprising amounts greater than 5% of the total trade receivables. These customers owed the Group $44,084 thousand (2013: $37,767 thousand) in total and accounted for approximately 65% (2013: 61%) of all receivables owing.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

13 TRADE AND OTHER RECEIVABLES (CONT.)

	2014 $'000	2013 $'000
Ageing of Past Due but Not Impaired		
0 - 30 days past due date	**9,849**	12,955
31 - 60 days past due date	**717**	936
61 - 90 days past due date	**166**	47
> 90 days past due date	**900**	684
Total	**11,632**	14,622

An allowance has been made for estimated irrecoverable trade receivable amounts arising from the past sale of goods, determined by reference to past default experience. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The Group manages credit risk with regular review of the balances outstanding and restrictive action is taken where necessary.

Ageing of Impaired Trade Receivables

0 - 30 days	**12**	228
31 - 60 days	**64**	43
61 - 90 days	**53**	40
> 90 days	**559**	509
Total	**688**	820

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of $555,569 (2013: $641,817). The Group does not hold any collateral over these balances. The Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Movement in the Allowance for Doubtful Debts

Balance at the beginning of the year	**820**	689
Provision obtained through business combination	**-**	109
Amounts written off as uncollectable	**(137)**	(173)
Provision increase	**5**	195
Balance at the end of the year	**688**	820

14 INVENTORIES

Ingredients	**1,458**	2,035
Raw materials	**17,034**	15,798
Finished goods	**20,250**	22,059
	38,742	39,892

The cost of inventories recognised as an expense during the period in respect of continuing operations was approximately $127,622 thousand (2013: $118,852 thousand).

This included $2,890 thousand (2013: $4,000 thousand) in respect of provisions to write down inventory to net realisable value. The provision at balance date for inventory write down is $3,070 thousand (2013: $3,100 thousand).

15 PROPERTY, PLANT AND EQUIPMENT

Cost	**96,976**	93,537
Accumulated depreciation	**(33,363)**	(27,856)
	63,613	65,681
Carrying amounts of:		
Freehold land	**12,848**	12,848
Buildings	**31,985**	32,916
Leasehold improvements	**316**	375
Plant and equipment	**17,985**	18,530
Motor Vehicles	**116**	147
Capital work in progress	**363**	865
	63,613	65,681

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

15 PROPERTY, PLANT AND EQUIPMENT (CONT.)

	FREEHOLD LAND $'000	BUILDINGS $'000	LEASEHOLD IMPROVE-MENTS $'000	PLANT AND EQUIPMENT $'000	EQUIPMENT LEASES $'000	MOTOR VEHICLES $'000	CAPITAL WORK IN PROGRESS $'000	TOTAL $'000
Cost								
Balance at 30 June 2012	12,848	36,926	555	37,672	-	-	699	88,700
Additions	-	9	209	3,194	-	93	854	4,359
Additions obtained through business combinations	-	-	172	1,506	22	409	-	2,109
Category transfers	-	48	-	640	-	-	(688)	-
Disposals	-	-	(227)	(1,315)	(22)	(171)	-	(1,735)
Net foreign currency exchange differences arising on translation of financial statements of foreign operations	-	-	18	86	-	-	-	104
Balance at 30 June 2013	**12,848**	**36,983**	**727**	**41,783**	**-**	**331**	**865**	**93,537**
Additions	-	-	16	3,372	-	23	331	3,742
Category transfers	-	-	-	833	-	-	(833)	-
Disposals	-	-	-	(197)	-	(63)	-	(260)
Net foreign currency exchange differences arising on translation of financial statements of foreign operations	-	-	(8)	(37)	-	2	-	(43)
Balance at 30 June 2014	**12,848**	**36,983**	**735**	**45,754**	**-**	**293**	**363**	**96,976**
Accumulated Depreciation								
Balance at 30 June 2012	-	(3,124)	(454)	(19,206)	-	-	-	(22,784)
Assets obtained through business combinations	-	-	(51)	(926)	(15)	(233)	-	(1,225)
Disposals	-	-	227	1,306	15	88	-	1,635
Depreciation expense	-	(943)	(46)	(4,427)	-	(39)	-	(5,455)
Net foreign currency exchange differences arising on translation of financial statements of foreign operations	-	-	(27)	-	-	-	-	(27)
Balance at 30 June 2013	**-**	**(4,067)**	**(352)**	**(23,253)**	**-**	**(184)**	**-**	**(27,856)**
Disposals	-	-	-	182	-	44	-	226
Depreciation expense	-	(931)	(75)	(4,725)	-	(29)	-	(5,760)
Net foreign currency exchange differences arising on translation of financial statements of foreign operations	-	-	8	27	-	(8)	-	27
Balance at 30 June 2014	**-**	**(4,998)**	**(419)**	**(27,769)**	**-**	**(177)**	**-**	**(33,363)**
Net Book Value								
As at 30 June 2013	12,848	32,916	375	18,530	-	147	865	65,681
As at 30 June 2014	**12,848**	**31,985**	**316**	**17,985**	**-**	**116**	**363**	**63,613**

	2014 $'000	2013 $'000
Aggregate Depreciation Allocated:		
Buildings	**931**	943
Leasehold improvements	**75**	46
Plant and equipment	**4,725**	4,427
Motor Vehicles	**29**	39
	5,760	5,455

No impairment losses have been recognised in the current year (2013: $nil).

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

16 INVESTMENT PROPERTY

	2014 $'000	2013 $'000
At Cost		
Balance at beginning of year	2,160	2,160
Balance at end of year	2,160	2,160

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

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

The Group assesses at the end of each reporting period for any indication of impairment. If any indication of impairment is found, the asset will be tested for impairment. To date no impairment losses have been recognised and the Directors remain confident that the carrying amount of the investment property will be recovered in full.

17 OTHER INTANGIBLE ASSETS

	2014	2013
Cost	20,300	19,371
Accumulated amortisation and impairment	(1,937)	(1,438)
	18,363	17,933

	CAPITALISED WEBSITE $'000	REGISTRATIONS[1] $'000	TRADEMARKS[1] $'000	FORMULATIONS[1] $'000	DISTRIBUTION AGREEMENT $'000	ROYALTY STREAM $'000	BRANDS[1] $'000	PATENTS $'000	TOTAL $'000
Cost									
Balance at 30 June 2012	1,450	797	120	272	41	450	-	-	3,130
Additions from internal development	480	-	-	-	-	-	-	-	480
Assets obtained through business combination	-	-	168	-	-	-	15,313	260	15,741
Effect of foreign currency exchange differences	20	-	-	-	-	-	-	-	20
Balance at 30 June 2013	**1,950**	**797**	**288**	**272**	**41**	**450**	**15,313**	**260**	**19,371**
Additions	-	96	-	-	-	-	-	-	96
Additions from internal development	130	-	-	-	-	-	-	-	130
Allocated from goodwill (note 18)	-	-	-	-	-	-	-	712	712
Effect of foreign currency exchange differences	(9)	-	-	-	-	-	-	-	(9)
Balance at 30 June 2014	**2,071**	**893**	**288**	**272**	**41**	**450**	**15,313**	**972**	**20,300**
Accumulated Amortisation									
Balance at 30 June 2012	(824)	-	-	-	(41)	(8)	-	-	(873)
Amortisation expense	(409)	-	-	-	-	(90)	-	(35)	(534)
Effect of foreign currency exchange differences	(31)	-	-	-	-	-	-	-	(31)
Balance at 30 June 2013	**(1,264)**	**-**	**-**	**-**	**(41)**	**(98)**	**-**	**(35)**	**(1,438)**
Amortisation expense	(354)	-	-	-	-	(90)	-	(62)	(506)
Effect of foreign currency exchange differences	7	-	-	-	-	-	-	-	7
Balance at 30 June 2014	**(1,611)**	**-**	**-**	**-**	**(41)**	**(188)**	**-**	**(97)**	**(1,937)**
Net Book Value									
As at 30 June 2013	686	797	288	272	-	352	15,313	225	17,933
As at 30 June 2014	**460**	**893**	**288**	**272**	**-**	**262**	**15,313**	**875**	**18,363**

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

17 OTHER INTANGIBLE ASSETS (CONT.)

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

Capitalised website development	3 years
Distribution agreement	18 months
Royalty stream	5 years
Patents	20 years

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

18 GOODWILL

	2014 $'000	2013 $'000
Cost		
Balance at beginning of the year	**17,575**	657
Additional amounts recognised from business combinations occurring during the year	**-**	16,918
Patent recognised during the year (note 38)	**(712)**	-
Balance at end of the year	**16,863**	17,575

18.1 ALLOCATION OF GOODWILL TO CASH-GENERATING UNITS

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:
– Pure Animal Wellbeing
– BioCeuticals

Pure Animal Wellbeing

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

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

BioCeuticals

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

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

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

Budgeted sales growth	Budgeted sales growth is expected to be in line with sales growth in the category
Budgeted margins	Budgeted margins are expected to remain consistent
Discount rate	The discount rate (pre-tax) used for Pure Animal Wellbeing is 14.7% and BioCeuticals is 13.8%

19 OTHER FINANCIAL ASSETS AND LIABILITIES

	2014 $'000	2013 $'000
Assets		
Investment in shares	**318**	291
Investment in Pharmalink Pty Ltd, which is carried at fair value.		
Liabilities - interest rate swaps		
Current	**508**	593
Non Current	**245**	396
	753	989

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

The weighted average interest rates related to interest rate swaps were 4.06% (2013: 4.85%).

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

20 TRADE AND OTHER PAYABLES

	2014 $'000	2013 $'000
Trade payables[1]	**25,928**	23,086
Goods and services tax (GST) payable	**1,866**	537
Other creditors and accruals	**21,359**	14,746
	49,153	38,369

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

21 CURRENT TAX ASSETS AND LIABILITIES

Income tax receivable	**-**	69
Income tax payable	**2,793**	-

22 INTEREST BEARING LIABILITIES

Current		
Finance Lease Liability	**-**	6
Non-current		
Secured - at amortised cost:		
Bank bills[1,2]	**73,000**	87,000

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

23 PROVISIONS

Current

Employee benefits[1]	**5,178**	4,805
Directors' retirement benefits[2]	**293**	414
	5,471	5,219

Non-current

Employee benefits[1]	**906**	722

Reconciliations

	DIRECTORS' RETIREMENT BENEFITS $'000
Balance at 30 June 2013	**414**
Additional provisions recognised	**17**
Reductions arising from payments made	**(138)**
Balance at 30 June 2014	**293**
Current	**293**
Non-current	**-**
	293

1. The provision for employee benefits represents annual leave and vested long service leave entitlements accrued.
2. The provision for Directors' retirement benefits represents amounts set aside as Directors' retirement allowances in accordance with a resolution passed by shareholders at the 4 November 1993 Annual General Meeting. Directors appointed prior to 1 October 2003 receive a retirement allowance of $15,333 per annum that is capped after nine years' service at $138,000.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

24 ISSUED CAPITAL

	2014 $'000	2013 $'000
17,113,392 fully paid ordinary shares (2013: 16,972,069)	**34,502**	30,996

	2014 NUMBER '000	2014 ISSUED CAPITAL $'000	2013 NUMBER '000	2013 ISSUED CAPITAL $'000
Fully Paid Ordinary Shares				
Balance at beginning of financial year	**16,972**	**30,996**	16,780	25,348
Issue of shares under Executive and employee share plans (notes 11)	**2**	**-**	2	-
Issue of shares under Dividend Reinvestment Plan	**139**	**3,506**	190	5,648
Balance at end of financial year	**17,113**	**34,502**	16,972	30,996

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

Employee Share Plans

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

25 RESERVES

	2014 $'000	2013 $'000
Equity-settled employee benefits reserve	**5,855**	5,806
Cash flow hedging reserve	**(513)**	(692)
Foreign currency translation reserve	**(2,115)**	(720)
	3,227	4,394

25.1 EQUITY-SETTLED EMPLOYEE BENEFITS RESERVE

The equity-settled employee benefits reserve arises on the grant of share rights to Executives and employees under various share plans. Further information about share-based payments to Executives and employees is in note 11 to the consolidated Financial Statements

Balance at beginning of year	**5,806**	5,430
Recognition of share-based payments (net of tax)	**49**	376
Balance at end of year	**5,855**	5,806

25.2 CASH FLOW HEDGING RESERVE

The hedge reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

Balance at beginning of year	**(692)**	(725)
Net gain on revaluation (net of tax)	**179**	33
Balance at end of year	**(513)**	(692)

25.3 FOREIGN CURRENCY TRANSLATION RESERVE

Exchange differences relating to foreign currency monetary items forming part of the net investment in a foreign operation and the translation of foreign controlled entities are brought to account by entries made directly to the foreign currency translation reserve, as described in note 3.15 to the consolidated Financial Statements.

Balance at beginning of year	**(720)**	(2,941)
Exchange differences arising on translating the foreign controlled entities	**(1,395)**	2,221
Balance at end of year	**(2,115)**	(720)

26 RETAINED EARNINGS

Retained earnings	**66,497**	62,661
Balance at the beginning of the year	**62,661**	59,054
Profit for the year	**25,429**	24,976
Payment of dividends	**(21,593)**	(21,369)
Balance at end of year	**66,497**	62,661

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

27 EARNINGS PER SHARE

	2014 CENTS PER SHARE	2013 CENTS PER SHARE
Basic earnings per share	**149.2**	147.9
Diluted earnings per share	**149.2**	147.9

Basic Earnings per Share

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

	2014 $'000	2013 $'000
Earnings (reconciles directly to profit for the year in the Consolidated Statement of Profit or Loss)	**25,429**	24,976
	2014 NUMBER	**2013 NUMBER**
Weighted average number of ordinary shares on issue during the financial year used in the calculation of basic earnings per share	**17,044,406**	16,886,995

Diluted Earnings per Share

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

	2014 $'000	2013 $'000
Earnings (reconciles directly to profit for the year in the Consolidated Statement of Profit or Loss)	**25,429**	24,976
	2014 NUMBER	**2013 NUMBER**
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**17,044,406**	16,886,995
Shares deemed to be issued for no consideration in respect of:		
Employee share plans	**60**	19
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	**17,044,466**	16,887,014

28 DIVIDENDS

	2014 CENTS PER SHARE	TOTAL $'000	2013 CENTS PER SHARE	TOTAL $'000
Recognised Amounts				
FULLY PAID ORDINARY SHARES				
Final dividend for year ended 30 June 2013 (2013: 30 June 2012) – fully franked at 30% corporate tax rate	**83**	**14,088**	83	13,929
Interim dividend for year ended 30 June 2014 (2013: 30 June 2013) – fully franked at 30% corporate tax rate	**44**	**7,500**	44	7,440
Dividend Reinvestment Plan residual payments	**-**	**5**	-	-
	127	**21,593**	127	21,369
Unrecognised Amounts				
FULLY PAID ORDINARY SHARES				
Final dividend – fully franked at 30% corporate tax rate	**83**	**14,205**		

The final dividend in respect of ordinary shares for the year ended 30 June 2014 has not been recognised in these consolidated Financial Statements because the final dividend was declared subsequent to 30 June 2014. On the basis that Directors will continue to publicly recommend dividends in respect of ordinary shares subsequent to reporting date, in future consolidated Financial Statements the amount disclosed as 'recognised' will be the final dividend in respect of the prior financial year, and the interim dividend in respect of the current financial year.

	COMPANY	
	2014 $'000	2013 $'000
Adjusted franking account balance	**11,777**	12,071

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

29 COMMITMENTS FOR EXPENDITURE

	2014 $'000	2013 $'000
Research and Development Contracts		
Not longer than 1 year	562	590
Longer than 1 year and not longer than 5 years	88	377
	650	967
Plant and Equipment		
Not longer than 1 year	577	565
	577	565
Promotional Services		
Not longer than 1 year	-	290
Longer than 1 year and not longer than 5 years	-	500
	-	790
Sponsorship		
Not longer than 1 year	568	282
Longer than 1 year and not longer than 5 years	920	129
Longer than 5 years	-	27
	1,488	438

Lease Commitments

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

30 OPERATING LEASES

Leasing Arrangements

Operating leases relate to business premises and the Group's motor vehicle fleet with lease terms of between three and six years. All operating lease contracts contain market review clauses in the event that the Group exercises its option to renew. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

Non-cancellable Operating Lease Payments

	2014 $'000	2013 $'000
Not later than 1 year	2,203	2,311
Later than 1 year and not later than 5 years	3,724	4,280
Later than 5 years	65	218
	5,992	6,809

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

31 CONTINGENT LIABILITIES

The Directors do not believe there are any contingent liabilities as at 30 June 2014.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

32 SUBSIDIARIES

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

NAME OF ENTITY	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST 2014 %	2013 %	PRINCIPAL ACTIVITY
Blackmores Nominees Pty Limited[1]	Australia	**100**	100	Management of employee share plans
Pat Health Limited	Hong Kong	**100**	100	Marketing of natural health products
Blackmores Beijing Co., Limited	China	**100**	100	Marketing of natural health products
Blackmores (Taiwan) Limited	Taiwan	**100**	100	Marketing of natural health products
Pure Animal Wellbeing Pty Limited	Australia	**100**	100	Holder of intellectual property for Animal Health Division
Blackmores (New Zealand) Limited	New Zealand	**100**	100	Marketing of natural health products
Blackmores (Singapore) Pte Limited	Singapore	**100**	100	Marketing of natural health products
Blackmores (Malaysia) Sdn Bhd	Malaysia	**100**	100	Marketing of natural health products
Blackmores Holdings Limited	Thailand	**100**	100	Holding Company
Blackmores (Thailand) Limited	Thailand	**100**	100	Marketing of natural health products
Blackmores South Korea Limited	Korea	**100**	100	Service agent for Blackmores Limited
Blackmores International Pte. Limited[2]	Singapore	**100**	-	Regional head office
FIT-BioCeuticals Limited[1]	Australia	**100**	100	Marketing of natural health products
FIT-BioCeuticals (NZ) Limited	New Zealand	**100**	100	Marketing of natural health products
MD Nutritionals Limited[3]	New Zealand	**-**	100	Marketing of natural health products
PharmaFoods Pty Ltd[1]	Australia	**100**	100	Marketing of natural health products
FIT-BioCeuticals Limited	United Kingdom	**100**	100	Marketing of natural health products
FIT-BioCeuticals Limited	Hong Kong	**100**	100	Marketing of natural health products
Hall Drug Technologies Pty Ltd[1]	Australia	**100**	100	Marketing of natural health products

1. These wholly owned subsidiaries have entered into a deed of cross guarantee with Blackmores Limited pursuant to ASIC class order 98/1418 and are relieved from the requirement to prepare and lodge an audited financial report.
2. This company was incorporated during the 2014 financial year, and did not trade during the year.
3. This company was sold on 20 January 2014 for the total consideration of NZD11 thousand.

Companies incorporated outside Australia carry on business in the country of incorporation. All overseas entities have been audited by overseas firms of Deloitte Touche Tohmatsu, except the overseas entities owned by FIT-BioCeuticals Limited.

Economic Dependency

The Group is not significantly dependent upon any other entity.

32.1 FINANCIAL SUPPORT

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

	2014 $'000
Sales	304,062
Revenue	**304,062**
Other income	4,857
Revenue and other income	**308,919**
Promotional and other rebates	46,983
Changes in inventories of finished goods	1,737
Raw materials and consumables used	112,384
Employee benefits expense	60,920
Selling and marketing expenses	21,538
Depreciation and amortisation expenses	6,007
Operating lease rental expense	2,640
Professional and consulting expenses	3,769
Repairs and maintenance expenses	2,807
Freight expense	5,780
Bank charges	824
Other expenses	12,748
Total expenses	**278,137**
Earnings before interest and tax	**30,782**
Interest revenue	288
Interest expense	(5,130)
Net interest expense	**(4,842)**
Profit before tax	**25,940**
Income tax expense	(6,462)
Profit for the year	**19,478**

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

32 SUBSIDIARIES (CONT.)

32.1 FINANCIAL SUPPORT (CONT.)

	2014 $'000
ASSETS	
CURRENT ASSETS	
Cash and bank balances	6,385
Receivables	65,937
Inventories	31,191
Other assets	3,056
Total current assets	**106,569**
NON-CURRENT ASSETS	
Property, plant and equipment	63,170
Investment property	2,160
Other intangible assets	18,316
Goodwill	16,863
Deferred tax assets	3,509
Other financial assets	5,584
Total non-current assets	**109,602**
Total assets	**216,171**
LIABILITIES	
CURRENT LIABILITIES	
Trade and other payables	52,902
Tax payable	1,900
Other financial liabilities	508
Provisions	6,989
Other	92
Total current liabilities	**62,391**
NON-CURRENT LIABILITIES	
Interest-bearing liabilities	73,000
Provisions	906
Other financial liabilities	245
Other	177
Total non-current liabilities	**74,328**
Total liabilities	**136,719**
Net assets	**79,452**
EQUITY	
CAPITAL AND RESERVES	
Issued capital	34,502
Reserves	5,265
Retained earnings	39,685
Total equity	**79,452**

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

33 JOINT OPERATION

The Group has the following interest in a joint operation:

In the financial year ended 30 June 2011 the Group entered into joint operations arrangement with an established supplier of internet-based personalised health clubs and related services. The joint operations arrangement finished at 30 June 2014.

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

	2014 $'000	2013 $'000
Expenses	**238**	362

34 RELATED PARTY AND KEY MANAGEMENT PERSONNEL DISCLOSURES

34.1 Equity Interests in Related Parties

EQUITY INTERESTS IN SUBSIDIARIES

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

34.2 Loan Disclosures

There were no loan balances exceeding $100,000 due from Key Management Personnel during or at the end of the financial year (2013: nil).

34.3 Other Transactions with Key Management Personnel

Key Management Personnel received dividends on their shareholdings, whether held privately or through related entities or through the employee share plans in the same manner as all ordinary shareholders.

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

34.4 Related Party Transactions

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

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

TRADING TRANSACTIONS

During the year, group entities did not enter into any trading transactions with related parties that are not members of the Group (2013: $nil).

OTHER RELATED PARTY TRANSACTIONS

During the financial year ended 30 June 2014, the following transactions occurred between the Group and its other related parties:

- Galileo Kaleidoscope Pty Ltd, a company of which Brent Wallace is a Director, performed certain consulting services for the Company for which fees of $374,714 (2013: $255,513) were charged.

BALANCES WITH RELATED PARTIES

No balances outstanding at the end of the financial year with related parties that are not members of the Group (2013: $nil).

EQUITY INTEREST IN SUBSIDIARIES

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

35 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

35.1 RECONCILIATION OF CASH AND CASH EQUIVALENTS

For the purposes of the consolidated Statement of Cash Flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the consolidated Statement of Cash Flows is reconciled to the related items in the consolidated Statement of Financial Position as follows:

	2014 $'000	2013 $'000
Cash and bank balances	**18,599**	17,963
Cash and cash equivalents	**18,599**	17,963

35.2 FINANCING FACILITIES

	2014 $'000	2013 $'000
Secured bank overdraft facility, reviewed annually and payable at call:		
• amount used	**-**	-
• amount unused	**5,000**	5,000
	5,000	5,000
Secured bank bill acceptance facility, reviewed annually:		
• amount used	**73,000**	87,000
• amount unused	**40,000**	26,000
	113,000	113,000

The Group has access to financing facilities at reporting date as indicated above. The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The Group expects to maintain a current debt to equity ratio of between 30% and 45%, excluding the impact of acquisitions.

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

	2014 $'000	2013 $'000
Profit for the year	**25,429**	24,976
Loss on disposal of non-current assets	**6**	19
Interest revenue disclosed as investing cash flow	**(309)**	(174)
Dividend income disclosed as investing cash flow	**(7)**	(27)
Depreciation and amortisation of non-current assets	**6,266**	5,989
Revaluation of investments	**(27)**	(147)
Share-based payments	**49**	376
Other	**158**	1,215
Increase/ (decrease) in current tax liability	**2,861**	(2,670)
(Increase)/ decrease in deferred tax balances	**(132)**	289
Decrease in deferred tax balances related to hedge reserve in equity	**(76)**	(14)
Movements in working capital:		
• Current receivables	**(7,468)**	(4,226)
• Current inventories	**953**	(3,139)
• Other debtors and prepayments	**(1,226)**	541
• Current trade payables	**10,670**	(811)
• Provisions	**463**	(369)
• Deferred Income	**(23)**	-
• Lease incentives	**(96)**	186
Net cash flows from operating activities	**37,491**	22,014

35.4 NON-CASH TRANSACTIONS

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

During the year, 139,620 (2013: 190,030) shares were issued under the Dividend Reinvestment Plan. Dividends settled in shares rather than cash during the year totalled $3,506 thousand (2013: $5,648 thousand).

The Group acquired $23 thousand (2013: $35 thousand) of equipment under a technology fund made available by the Group's telecommunications provider under the provisions of a new contract negotiated during the financial year.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

36 FINANCIAL INSTRUMENTS

36.1 CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2013.

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

The Group operates globally, primarily through the Company and subsidiary companies established in the markets in which the Group trades. None of the entities within the Group are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand the Group's production and distribution assets, as well as make the routine outflows of tax, dividends and repayment of maturing debt. The Group's policy is to borrow centrally, using a variety of capital market issues and borrowing facilities, to meet anticipated funding requirements.

The Group's Audit and Risk Committee reviews the capital structure of the Group on a semi-annual basis. Based upon recommendations of the Committee, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or redemption of existing debt with third parties and, if appropriate, related parties.

GEARING RATIO

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

	2014 $'000	2013 $'000
Debt[1]	**73,000**	87,006
Cash and bank balances	**(18,599)**	(17,963)
Net debt	**54,401**	69,043
Equity[2]	**104,226**	98,051
Net debt to (net debt plus equity) ratio	**34.3%**	41.3%

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

CATEGORIES OF FINANCIAL INSTRUMENTS

	2014 $'000	2013 $'000
Financial Assets		
Cash and bank balances	**18,599**	17,963
Loans and receivables	**70,567**	63,956
Other financial assets	**318**	291
	89,484	82,210
Financial Liabilities		
Derivative instruments in designated hedge accounting relationships	**753**	989
Loans and payables	**122,153**	125,375
	122,906	126,364

36.2 FINANCIAL RISK MANAGEMENT OBJECTIVES

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

The Group seeks to minimise the effects of currency risk and interest rate risk by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on foreign exchange risk, interest rate risk and the use of financial derivatives. Compliance with policies and exposure limits is reviewed internally on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

36.3 SIGNIFICANT ACCOUNTING POLICIES

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset and financial liability, are disclosed in note 3.6 to the consolidated Financial Statements.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

36 FINANCIAL INSTRUMENTS (CONT.)

36.4 FOREIGN CURRENCY RISK MANAGEMENT

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

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

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

	LIABILITIES		ASSETS	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
United States Dollar (USD)	**2,772**	1,654	**278**	2
New Zealand Dollar (NZD)	**4,096**	2,731	**330**	206
Euro (EUR)	**217**	214	**-**	-
Canadian Dollar (CAD)	**124**	447	**-**	-
Swiss Franc (CHF)	**10**	-	**-**	-

FOREIGN CURRENCY SENSITIVITY ANALYSIS

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian Dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to Key Management Personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit or equity where the Australian dollar strengthens 10% against the relevant currency. For a 10% weakening of the Australian dollar against the relevant currency, there would be a comparable impact on the profit or equity, and the balances below would be negative.

	PROFIT/ (LOSS)			
	10% increase		10% decrease	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
USD impact	**227**	150	**(277)**	(184)
NZD impact	**342**	229	**(418)**	(280)
EUR impact	**20**	19	**(24)**	(24)
CAD impact	**11**	41	**(14)**	(50)
CHF impact	**1**	-	**(1)**	-

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

	EQUITY			
	10% increase		10% decrease	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
USD impact	**(85)**	-	**89**	-
NZD impact	**(157)**	-	**235**	-
CAD impact	**(24)**	-	**37**	-

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

OPTION CONTRACTS

The Group did not utilise any option contracts during the year, so there were no open contracts at 30 June 2014 (2013: $nil).

FORWARD FOREIGN EXCHANGE CONTRACTS

The Group utilised forward foreign exchange contracts during the year. At 30 June 2014 there were open contracts of NZD2.4m, USD0.8m and CAD 0.3m (2013: $nil). These contracts are a partial hedge for upcoming raw material purchases.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

36 FINANCIAL INSTRUMENTS (CONT.)

36.5 INTEREST RATE RISK MANAGEMENT

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

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

	2014 $'000	2013 $'000
Financial Liabilities		
Borrowings	**(73,000)**	(87,000)
Finance Lease	**-**	(6)
Interest rate swap[1]	**59,000**	49,000
Net exposure	**(14,000)**	(38,006)

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

The following table details the notional amounts and remaining terms of interest rate swap contracts outstanding as at reporting date:

	AVERAGE CONTRACTED FIXED INTEREST RATE		NOTIONAL PRINCIPAL AMOUNT		FAIR VALUE	
OUTSTANDING FIXED FOR FLOATING CONTRACTS	2014 %	2013 %	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Less than 1 year	**4.52**	5.07	**15,000**	5,000	**(508)**	(593)
1 to 2 years	**3.24**	4.52	**24,000**	15,000	**(169)**	(295)
2 to 5 years	**3.91**	3.65	**20,000**	29,000	**(76)**	(101)
> 5 years	**-**	-	**-**	-	**-**	-
	3.79	4.06	**59,000**	49,000	**(753)**	(989)

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is the Australian bank bill swap bid rate. All interest rate swap contracts are designated as cash flow hedges.

The Group will settle the difference between fixed and floating interest on a net basis.

All other financial assets and liabilities (in the current and prior financial years) are non-interest bearing.

INTEREST RATE SENSITIVITY ANALYSIS

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to Key Management Personnel and represents management's assessment of the possible change in interest rates.

For the year ended 30 June 2014, 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 $457,458 (2013: $462,806) or increase by $457,458 (2013: $462,806) respectively as a result of changes in the interest rates applicable to commercial bank bills.

For the year ended 30 June 2014, 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 $316,000 or decrease by $418,000 respectively (2013: increase by $414,000 or decrease by $478,000 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.

During the financial year 2014, the Group entered into two interest rate swaps with a notional amount of $8m at 3.35% and $7m at 3.33% (total $15 million) to mature on 1 July 2016.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

36 FINANCIAL INSTRUMENTS (CONT.)

36.6 CREDIT RISK MANAGEMENT

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

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

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

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

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

36.7 LIQUIDITY RISK MANAGEMENT

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

LIQUIDITY AND INTEREST RISK TABLES

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

	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE %	<1 MONTH $'000	1-3 MONTHS $'000	3 MONTHS TO 1 YEAR $'000	1-5 YEARS $'000	5 YEARS $'000	TOTAL $'000
2014							
Trade and other payables	**0.00**	**-**	**47,287**	**-**	**-**	**-**	**47,287**
Borrowings	**3.58**	**-**	**-**	**2,616**	**73,000**	**-**	**75,616**
		-	**47,287**	**2,616**	**73,000**	**-**	**122,903**
2013							
Trade and other payables	0.00	-	37,832	-	-	-	37,832
Borrowings	3.61	-	-	3,137	87,000	-	90,137
		-	37,832	3,137	87,000	-	127,969

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

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

	<1 MONTH $'000	1-3 MONTHS $'000	3 MONTHS TO 1 YEAR $'000	1-5 YEARS $'000	5 YEARS $'000	TOTAL $'000
2014						
Net settled:						
Interest rate swaps	**(157)**	**-**	**(342)**	**(305)**	**-**	**(804)**
	(157)	**-**	**(342)**	**(305)**	**-**	**(804)**
2013						
Net settled:						
Interest rate swaps	(146)	-	(409)	(630)	-	(1,185)
	(146)	-	(409)	(630)	-	(1,185)

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

36 FINANCIAL INSTRUMENTS (CONT.)

36.8 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The fair values of financial assets and financial liabilities are determined as follows:

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

FAIR VALUE MEASUREMENTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

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

2014	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
Available-for-sale Financial Assets:				
Unquoted equities	-	318	-	318
Asset-backed securities reclassified from fair value through profit or loss	-	-	-	-
Total	-	318	-	318
Financial liabilities at FVTPL:				
Derivative financial liabilities	-	753	-	753
Total	-	753	-	753

2013	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
Available-for-sale Financial Assets:				
Unquoted equities	-	291	-	291
Total	-	291	-	291
Financial liabilities at FVTPL:				
Derivative financial liabilities	-	989	-	989
Total	-	989	-	989

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

DERIVATIVES

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

37 ASSETS PLEDGED AS SECURITY

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

38 BUSINESS COMBINATIONS

2014

No subsidiaries were acquired during the financial year ended 30 June 2014.

2013

Acquisition of FIT-BioCeuticals Pty Ltd

On 5 July 2012, the Group signed an agreement to acquire 100% of the issued capital of FIT-BioCeuticals Ltd ("BioCeuticals") and the results of the BioCeuticals Group have been consolidated by the Blackmores Group from this date. The acquisition was made for an initial cash payment of $38.4 million and a completion cash payment of $2.2 million (representing adjustments relating to the completion statement ($0.8 million) and working capital ($1.4 million) was made in September 2012 upon finalisation of the company's 2012 result. A further amount of $750,000 was paid during the 2014 financial year, upon successful registration of certain products of which $712,500 has been capitalised to Patents.

39 PARENT ENTITY INFORMATION

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

	2014 $'000	2013 $'000
FINANCIAL POSITION		
Assets		
Current assets	**94,106**	81,490
Non-current assets	**115,224**	117,568
Total assets	**209,330**	199,058
Liabilities		
Current liabilities	**67,211**	34,250
Non-current liabilities	**74,141**	92,832
Total liabilities	**141,352**	127,082
Equity		
Issued capital	**34,502**	30,996
Retained earnings	**28,134**	35,866
Reserves		
Equity-settled employee benefits reserve	**5,855**	5,806
Hedge reserve	**(513)**	(692)
Total equity	**67,978**	71,976
FINANCIAL PERFORMANCE		
Profit for the year	**13,861**	15,386
Other comprehensive income	**179**	33
Total comprehensive income	**14,040**	15,419

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 Blackmores Holdings Limited, Pat Health Ltd, and Blackmores (Taiwan) Ltd, wholly owned subsidiaries of the Group.

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

CONTINGENT LIABILITIES

The Directors do not believe there are any contingent liabilities as at 30 June 2014.

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

	2014	2013
Plant and equipment		
Not longer than 1 year	**577**	565
Longer than 1 year and not longer than 5 years	**-**	-
Longer than 5 years	**-**	-
	577	565

40 EVENTS AFTER THE REPORTING PERIOD

FINAL DIVIDEND

The Directors declared a fully franked final dividend of 83 cents per share on 26 August 2014 as described in note 28.

41 APPROVAL OF FINANCIAL STATEMENTS

The consolidated Financial Statements were approved by the Board of Directors and authorised for issue on 26 August 2014.

Additional Information

NUMBER OF HOLDERS OF EQUITY SECURITIES AS AT 7 AUGUST 2014:

ORDINARY SHARE CAPITAL

17,114,947 fully paid ordinary shares are held by 7,464 shareholders.

All issued ordinary shares carry one vote per share, and are entitled to participate in dividends.

There are no options in existence.

There are no restricted securities.

There is no current on-market buy-back.

DISTRIBUTION OF HOLDERS OF EQUITY SECURITIES

SPREAD OF HOLDINGS	NO. OF ORDINARY SHAREHOLDERS
1 – 1,000	5,217
1,001 – 5,000	1,969
5,001 – 10,000	165
10,001 – 100,000	98
100,001 and over	15
Total	7,464
Holdings less than a marketable parcel	176

SUBSTANTIAL SHAREHOLDERS

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

TWENTY LARGEST HOLDERS OF QUOTED EQUITY SECURITIES AS AT 7 AUGUST 2014

FULLY PAID ORDINARY SHAREHOLDERS	NUMBER	PERCENTAGE
Mr M C Blackmore	3,454,668	20.19
Citicorp Nominees Pty Limited	763,322	4.46
RBC Investor Services Australia Nominees	729,222	4.26
Dietary Products (Aust) Pty Ltd	601,270	3.51
Milton Corporation Limited	378,014	2.21
Blackmore Superannuation Fund	214,942	1.26
Blackmore Foundation Pty Limited	205,473	1.20
Ms E M Whellan	191,934	1.12
Ms J A Tait	177,213	1.04
UBS Nominees Pty Limited	176,953	1.03
JP Morgan Nominees Australia Limited	120,517	0.70
Superlife Trustee Nominees Ltd	116,150	0.68
Mr R Shepherd	115,000	0.67
Rathvale Pty Limited	102,505	0.60
Gowing Bros Limited	101,798	0.59
HSBC Custody Nominees	99,378	0.58
P G Wright, M G Wright and J G Wright	97,837	0.57
Mrs P G Wright	97,558	0.57
Mirrabooka Investments Limited	70,000	0.41
Ms C Holgate	68,102	0.40
Total	**7,881,856**	**46.05**

Company Information

Company Secretary

The Company Secretaries are Cecile Cooper and Chris Last.

Principal Place of Business

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

Registered Office

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

Share Registry

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000
(GPO Box 7045 Sydney NSW 1115)
Telephone +61 2 8234 5000
Facsimile +61 2 8234 5050

Securities Exchange Listing

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

Direct Payment to Shareholders' Bank Accounts

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

Change of Address

Shareholders who have changed address should advise our share registry in writing.

Tax File Number

There may be benefit to shareholders in lodging their tax file number with the share registry.

Shareholder Discount Plan

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

Corporate Governance Principles

The Corporate Governance Principles adopted by the Company are available on our website at blackmores.com.au (go to 'Investors', then click on 'Corporate Governance') or contact the Company Secretary.

Annual Report Mailing

Shareholders who do not want the annual report or who are receiving more than one copy should advise the share registrar in writing. These shareholders will continue to receive all other shareholder information.

The annual report is available on our website at blackmores.com.au (go to 'Investors', then click on 'Annual Reports').

To Consolidate Shareholdings

Shareholders who want to consolidate their separate shareholdings into one account should advise the share registrar in writing.

Investor Information

Securities analysts and institutional investors seeking information about the Company should, in the first instance, contact Adrian Sturrock, Investor Relations Manager, on +61 2 9910 5373.

Company Information

Board of Directors

Directors who are Executives of the Group:

Marcus C Blackmore (Chairman of Directors)
Christine Holgate (Chief Executive Officer)

Directors who are not Executives of the Group:

David Ansell
Stephen Chapman
Verilyn Fitzgerald
Helen Nash
Brent Wallace

Auditor

Deloitte Touche Tohmatsu

Solicitor

David Lemon

Bank

National Australia Bank Limited

Blackmores Online

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

NOTES

BLACKMORES®

Blackmores Limited
Australia's Leading Natural Health Company
ACN 009 713 437

20 Jubilee Avenue
Warriewood NSW 2102, Australia
Tel: +61 2 9910 5000
Fax: +61 2 9910 5555

blackmores.com.au