BLACKMORES

Annual Report 2012

80 years young

AUSTRALIA'S LEADING NATURAL HEALTH COMPANY

contents

Annual General Meeting

The 50th Annual General Meeting of the Company will be held at 11am on 25 October 2012 at the Blackmores Campus, 20 Jubilee Avenue, Warriewood NSW 2102.

COVER IMAGE – KEITH DUNNE, BLACKMORES COMMERCIAL MANAGER

values

Blackmores' 'PIRLS'

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

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.

80 year history of Australia's leading natural health brand

1932

Maurice Blackmore opens his clinic. The first mineral capsules are made using a mortar and pestle and measuring scales and are filled by hand.

1934

The hand-made dietary colloidal mineral capsules are replaced with tablets and provide the basis for a life-long program of research and development within the Blackmores clinics.

1941

Maurice Blackmore buys a letterpress printing machine for his first venture into publishing 'The Health Bulletin' and sets the metal type himself.

1947

Maurice Blackmore establishes the first accredited naturopathic college in Australia called The Australian Naturopathic College.

1954

Maurice Blackmore establishes The Australian National Naturopathic Association.

1978

Blackmores is the first Australian company to launch skin and hair care products that are 'cruelty-free', ensuring that no animal suffers in their creation.

1979

Blackmores is the first company to launch a range of high potency sustained release vitamins.

1982

To honour Maurice Blackmore's vision and commitment, the Maurice Blackmore Research Foundation is formed for research and education in natural therapies and nutrition.

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.

Blackmores operates in Australia, New Zealand and Asia and currently employs more than 600 people in the region, with a head office based in Warriewood on Sydney's Northern Beaches. The Company 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 his 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 and worked with colleagues and friends to establish the first naturopathic colleges and professional associations in the country. His beliefs are still valid today and his teachings are incorporated into the training programs of many natural health practitioners.

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

Blackmores products are developed using a combination of scientific evidence and hundreds of years of traditional knowledge. Our products are made to exacting requirements, under the international PIC/s (Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme) standards of good manufacturing practice. We use high quality ingredients sourced from around the world. Our product formulations are approved by regulatory bodies where they are sold and are required to meet both our own and various governments' stringent standards of safety, quality and efficacy.

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.

1985
On 2 May 1985 Blackmores lists on the Australian Stock Exchange. That same year Blackmores establishes the first Naturopathic Advisory Service for the public and retailers.

1987
Blackmores sponsors Kay Cottee's successful endeavour to be the first woman to sail on a non-stop solo voyage around the world unassisted.

1996
Blackmores launches online with a website.

1999
Blackmores Executive B Stress Formula television campaign wins an award at the prestigious Cannes International Advertising Festival.

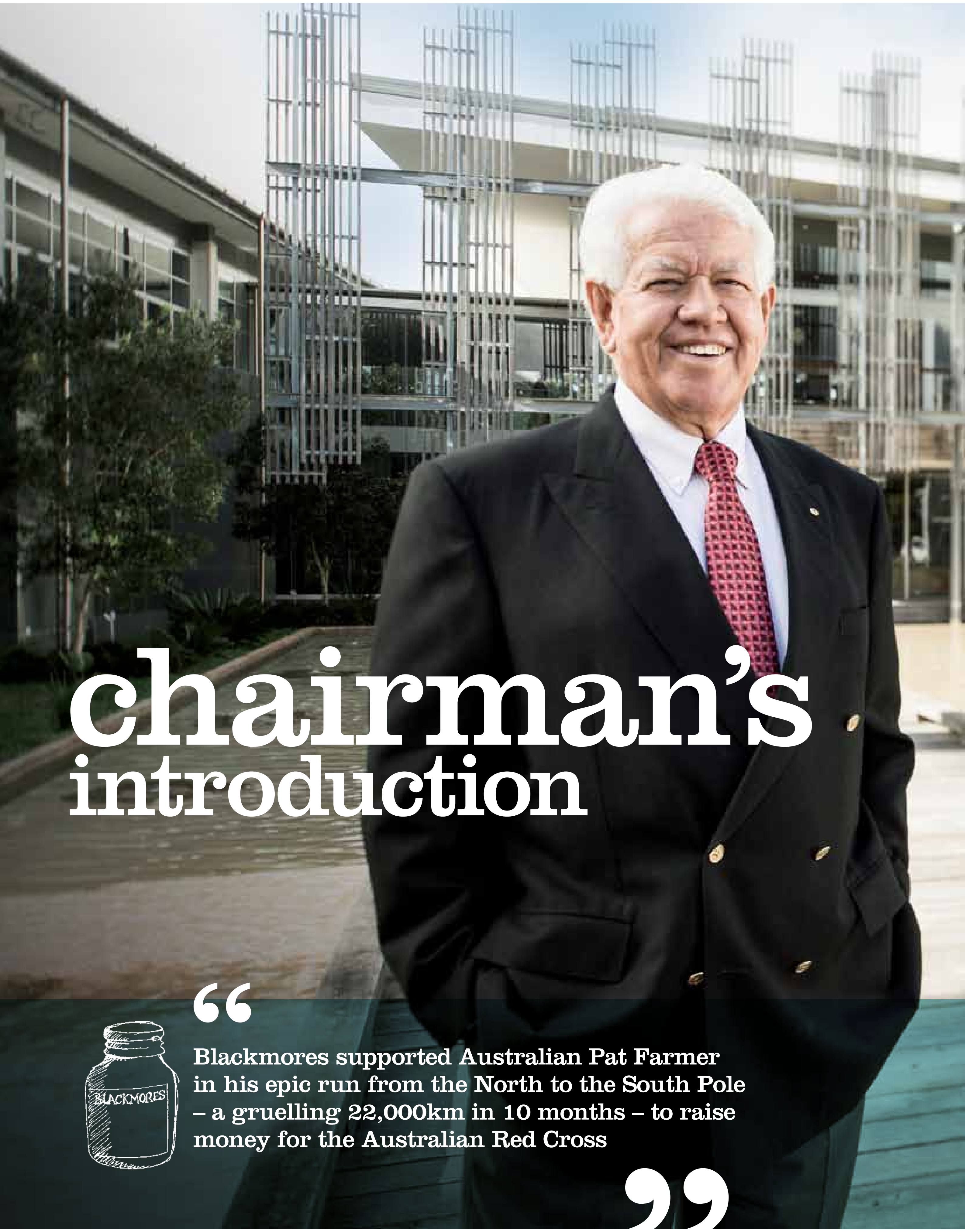
2002
Blackmores launches Macu-Vision®, donating a percentage from product sales to the Macular Degeneration Foundation of Australia for ongoing research.

2004
Blackmores secures the naming rights to the Sydney Marathon Festival that becomes known as the Blackmores Sydney Running Festival.

2006
Blackmores receives the Ethical Investor 2006 Sustainable Small Company of the Year Award.

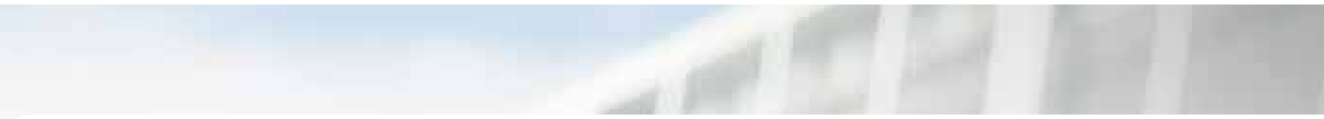
2007
The Blackmores Research Symposium brings together leading international and local researchers to explore the latest advances in nutritional medicine.

2008
Blackmores relocates to a purpose-built Campus at Warriewood which officially opens in May 2009.



chairman's introduction

"Blackmores supported Australian Pat Farmer in his epic run from the North to the South Pole – a gruelling 22,000km in 10 months – to raise money for the Australian Red Cross"



It's our 80th year – a significant milestone in any individual's life and certainly cause for celebration in the corporate world where many businesses have not survived tough trading conditions.

We have more than survived – we are thriving at 80.

Back in 1932, my father, Maurice Blackmore, was practising in his own natural health clinic using a small range of practitioner products he developed and bottled himself.

Today, Blackmores is the leading brand and largest natural health company in Australia. We package more than 18 million bottles through our state of the art facility every year and are sold in nine countries through more than 10,000 retailers.

Yet the Blackmores values and our pioneering spirit have not changed in the last 80 years.

Increasing numbers of consumers turn to natural health solutions to manage their health and the medical community continues to be challenged by our approach to holistic healthcare.

Maurice would no doubt have been proud when the annual Reader's Digest Most Trusted survey again recognised Blackmores as the most trusted brand in the category for 2012, not only in Australia but also in Thailand and Malaysia.

We recognise that trust needs to be earned and the Blackmores team remain committed to ensuring consumer trust in us is well placed.

Our recent acquisition of BioCeuticals in July 2012 was also an important chapter in our evolving history. As the leading brand in the practitioner market, where our company had its origins, they are an important link between our past and our future.

We are pleased with the Group performance and the individual contributions made by our valued Executive Team. Our remuneration structure is strongly linked to achievement of year on year growth and shareholder returns. Accordingly, our short-term incentive payments are down by 66%, long-term incentives were not awarded and, at the most recent review in June 2012, there were no increases granted for Executive Team salaries and Directors' fees.

I am very proud of the results we have delivered this year and would like to thank my fellow Board members for the continued contribution they make to the success of your company. Of particular note I would like to thank Naseema Sparks, who has been a Board member since 2006. Naseema will retire from the Board at the conclusion of this year's Annual General Meeting. She has been a valued Board member and a trusted advisor to our Executive Team and we wish her every success in the future.

Finally, I would like to thank our Chief Executive Officer Christine Holgate, who again has provided strong leadership throughout the year. She has navigated the challenges with confidence and celebrated the successes with our hard working team of employees – my sincere gratitude to them all.

Marcus C. Blackmore AM
Chairman of the Board

ceo message

"The Blackmores Campus achieved 13% increased output including a record 1.75 million units of product moving through the Warriewood facility in March 2012"

The Year in Review

CEO Christine Holgate

Dear Shareholder

I'm pleased to report that in 2011/2012 Blackmores delivered our tenth consecutive year of record sales and profits.

Blackmores' net profit after tax of $27.8 million represented 2% growth, with Group invoiced sales of $261 million, up 11%. This is a solid result considering Australian market conditions, our increased investment in growth initiatives in Australia and Asia, and given that we have incurred a number of one-off expenses during the year.

Our success this year has included:

- New record net profit after tax of $27.8 million
- 11% sales growth to $261 million
- 20% growth from Asia to $53 million
- Asia now represents 20% of Group sales and 26% of Group profits, despite strong AUD
- Preparation for launch into China
- Agreement to acquire the BioCeuticals group of companies
- Solid balance sheet and interest cover on our debt borrowings
- Strong dividends

We have continued to progress our strategic focus areas:

Build our iconic brand

Blackmores has announced our intention to establish the Blackmores Institute with the purpose of creating a centre of excellence in the field of natural health research and education. It will bring together the best minds, knowledge and evidence, and is dedicated to sharing this knowledge with the wider community of healthcare professionals, researchers, industry and consumers.

It is a re-instatement of the Maurice Blackmore Research Foundation which was established in 1982 as a research and educational institution.

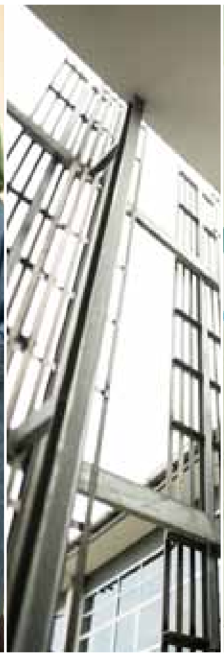
Its core outcomes will include:

- Research funding
- Systematic reviews of natural medicines
- Development of prescribing guidelines
- Hosting research symposia and conferences
- Distributing research updates
- Offering accredited education programs

Blackmores Institute will partner with leading educational and research institutions including:

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

The Institute will also work with the Heart Research Institute, GOED – The Global Organization for EPA and DHA Omega-3s, The Macular Degeneration Foundation of Australia and the Swinburne Centre for Human Psychopharmacology.



Blackmores online

Blackmores' online offering continues to be a core part of our marketing and education program. Our websites now attract more than 375,000 online members.

Adding to this is the development of MyBlackmores, an online personal health system which is the first program in Australia to offer consumers the latest in interactive technology combined with personal health support from a team of qualified naturopaths.

Blackmores was the first Australian vitamin and dietary supplement company to have an App approved and available on Apple's App store.

Significant changes to consumer habits, spurred by the enormous growth in smart phone technology inspired the new Blackmores Mobile App which offers pharmacy assistants and consumers, 'on the go' access to extensive information and advice on Blackmores product range as well as valuable information about common health conditions and how to manage them naturally.

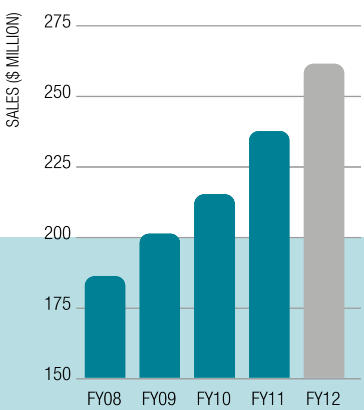
We have launched websites in the Chinese, Korean and Thai languages to reflect and respect the different cultures of our customers.

Blackmores Malaysia has deepened engagement with consumers using digital and social media. This included the launch of a Facebook page with a growing fan base of more than 30,000 people. Across the Asian region, our new Facebook pages have more than 63,000 fans.

Blackmores in the community

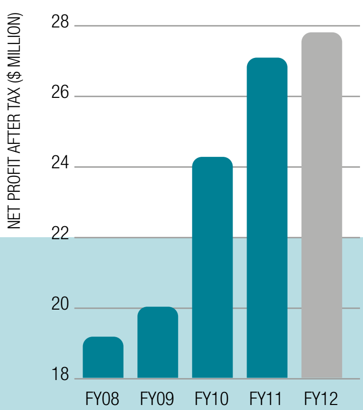
The Blackmores Sydney Running Festival attracted record crowds with 35,000 participants in September 2011. The event raised more than $2.4 million for various charities.

We have continued our support of community-based initiatives across the Group.



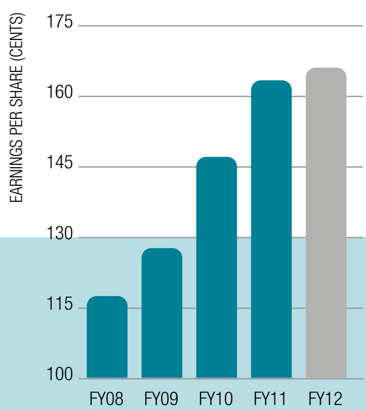
SALES

Group revenue from the sale of goods for the year of $260.8 million represented growth of 11.3% over last year's sales result.



NET PROFIT AFTER TAX

Group Net Profit after Tax (NPAT) of $27.8 million for the year represented growth of 1.8% on last year's reported profit.



EARNINGS PER SHARE

Earnings per share increased by 1.6% to 165.8c.

Development of our core product portfolio

Blackmores leveraged our heritage and brand strength with innovative new products and entry into new categories.

This included 102 new products and 43 renovations to our existing range.

The Group has continued to expand into parallel categories such as animal health, weight management and sport supplements.

This has involved partnering with world leaders in evidence-based natural health products and resulted in the launch of Blackmores Flexagil® in Australia – a registered pain-relief cream.

Pure Animal Wellbeing® by Blackmores (PAW) launched Nutrasticks™ – a range of natural, low allergy healthcare treats with added nutrients for dogs. Sales of PAW products have grown exponentially since Blackmores' acquisition of the brand in 2010.

Blackmores' upcoming product pipeline includes convenient new product packaging formats such as On the Go packs.

Our development strategy is underpinned by our philosophical values and we continue to deliver products without using artificial colours, sweeteners and additives and maintaining a high level of environmental sustainability. The acquisition of BioCeuticals, with significant expertise in a parallel category, will bolster our product development capabilities.

Optimise and grow our channels

We have continued our roll out of new merchandising units in retail outlets in Australia and Asia to make navigating our product range easier for consumers.

Improving the consumer experience was also a key consideration in the design of new packaging for our products in Asia.

Blackmores' growth in Asia continues and is evident in the 23% sales growth (in constant currency) from the region. We have tripled our points of distribution in Asia throughout the year.

Blackmores Thailand grew sales by 26% in local currency compared to the previous year resulting in a 37% increase in EBIT. This was supported by a greater marketing investment for key products and a Blackmores Sydney Running Festival brand campaign to promote exercise to Thai people. Blackmores Thailand leads an annual Health Partner roadshow incorporating education on nutrition and conducting health checks.

The strong sales results from Thailand are even more impressive given the impact of floods in the region earlier in the year. It reflects the passion and hard work of our staff, the commitment of our retail partners and the loyalty of our consumers to Blackmores products.

Blackmores Malaysia received two prestigious awards in 2012 – Superbrands and Reader's Digest Most Trusted Brand. These awards are voted by Malaysian consumers and considered the region's leading barometers of brand performance.

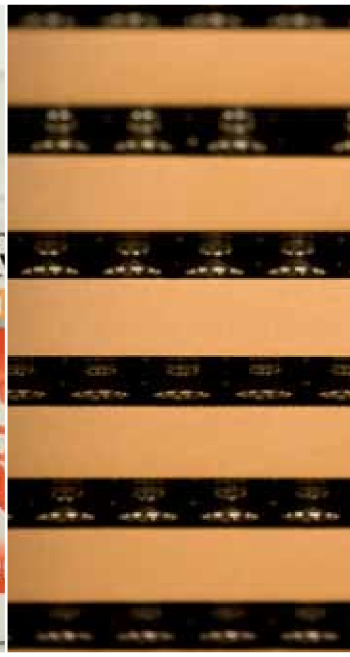
The market in Taiwan faced ongoing challenges associated with regulatory issues so it is pleasing that Blackmores Taiwan finished the year with 6% sales growth.

Some of our highlights in this market include our launch into independent pharmacies and the GP sales channel, the launch of PAW in Taiwan and our inaugural marketing through TV shopping.

Blackmores Hong Kong has experienced a significant lift in sales with 27% growth. Amongst the new product launches was the introduction of the PAW range, while we forged new relationships within the medical channel and released our first television advertisement in Hong Kong.

A core element of our strategy to optimise and grow our existing channels is to strengthen our position in the healthcare practitioner market. Key to this was the development of a new healthcare professional range and introduction of Blackmores products into the medical channel in Asia, including supply to hospitals.

Singapore and Korea have built on their success and have both continued to deliver improved sales and new products.



Perhaps the most exciting development is the preparation for our launch in China including the registration of a range of products for sale in a number of retail channels. By year end we had successfully launched Ao Jia Bao (Blackmores' brand name in Chinese) into the Tmall Flagship store on China's biggest e-commerce platform, Taobao.

This will be followed by the launch of our range in China's biggest retailer Shanghai No.1 Pharmacy. Our small but talented local team will build on this promising start.

We have continued to partner with channel experts to better understand emerging trends in retail shopping, such as our strong friendship with television shopping channel CJO in Korea and our new partnership with Taobao.

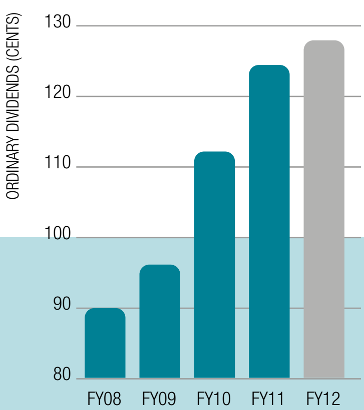
Blackmores has invested to extend our geographic footprint, including our recent launch into China which will be a focus area in 2012/13. We have also worked to improve our operations in existing markets, notably the execution of a new business model in New Zealand.

Invest in and develop our people

Following the recent acquisition of BioCeuticals in July 2012, the Group now employs approximately 600 people speaking over 25 languages, 75% of whom are female.

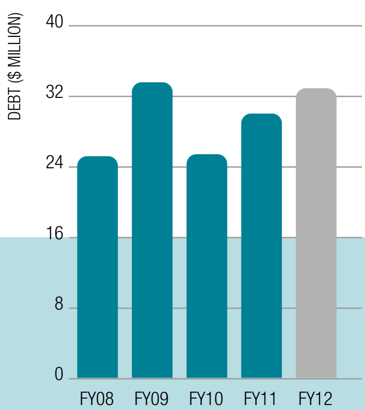
We strive to foster a strong culture of collaboration with our employees:

- 98% support for our current Enterprise Agreement
- High level of positive engagement
- Over 200 qualified healthcare professionals employed across the Group
- Sharing rewards with employees
- Staff turnover less than 10%
- Blackmores won prestigious Employer of Choice for NSW 2011
- Awarded NSW Business of the Year 2011



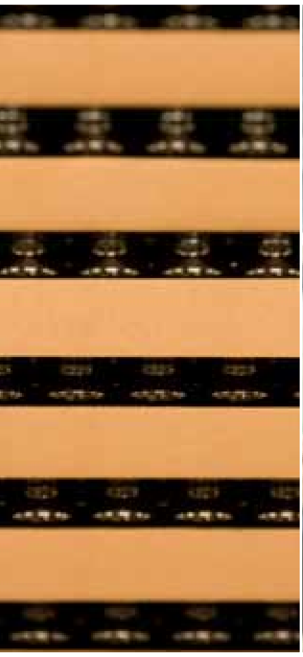
ORDINARY DIVIDENDS

Including this year's final dividend of 83 cents per share, total ordinary dividends for the year were 127 cents per share (fully franked). This represents a 2% increase over last year's total ordinary dividends of 124 cents per share.



NET DEBT

The Group's net debt level was $33.0 million at 30 June 2012. This is compared to $29.8 million in the prior year. Gearing, as measured by Net Debt / (Net Debt + Shareholders' Equity), was 27.7% compared to 27.4% last year.




As a company that has always had a significant number of women in Board and senior positions, we naturally embrace diversity. Diversity at Blackmores recognises and values the diverse blend of skills, experiences and perspectives from individuals irrespective of culture, gender or age.

Our commitment to creating a flexible working environment and to putting the right people with the right skills in the right jobs has resulted in a richly diverse workplace. For example, women comprise 43% of Board positions, 43% of country manager roles and 65% of management roles.

Build our base of operational excellence

Blackmores has continued to invest in our highly qualified team with deep technical knowledge, including 25 people in specialised Quality Assurance roles to protect the superior quality of our products.

We have built a team with a high level of ingredient expertise to ensure we have full visibility over every aspect of our supply chain.

This strategic sourcing program has enabled Blackmores to maintain the highest standards and improve our sustainability performance. Blackmores launched Eco Krill in the latter months of the financial year. We have a commitment to achieve improved sustainable sourcing, including working with the Marine Stewardship Council (MSC) to ensure our Eco Krill only uses krill from sustainable fisheries. We are enormously proud that Blackmores Eco Krill is the only truly sustainably sourced Krill certified by the MSC which is supported by WWF.

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). This represents a 2% increase over last year's total ordinary dividends of 124 cents per share.

New opportunities

After the close of the financial year, we reached an agreement to acquire 100% of the share capital of FIT-BioCeuticals Limited, the leading brand of practitioner products in Australia. This was an important milestone for the Group and one that underpins our growth strategy.

Qualified healthcare practitioners have an important role in advising consumers and the practitioner market is a growing segment with strong margins.

Effective participation in the practitioner market allows Blackmores to grow profitably close to our core. Being the number one brand in the retail vitamins and dietary supplements market and acquiring the leading brand in the practitioner market affirms Blackmores' position as the clear leader in natural health in Australia.

The acquisition was fully debt funded. Even with our additional borrowings, Blackmores' gearing levels are comfortably within our debt targets.

Outlook

Though we note the continued challenges presented by the Australian retail market, we remain on track in the delivery of our strategic plan. We have invested responsibly in recent months in initiatives that will drive future growth and our base business remains solid.

It has been a busy and rewarding year and I'd like to thank each of our valued shareholders for your continued support of our Company.

Christine Holgate
Chief Executive Officer

social responsibility

"Blackmores' Education Team trained more than 11,000 pharmacy assistants, 4,000 general practitioners, 1,500 pharmacists and 650 pharmacy students"

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

- Pat Farmer's Pole to Pole run
- Macular Degeneration Foundation of Australia
- MINDD Foundation
- The McGrath Foundation
- Heart Research Institute
- Australian Business and Community Network
- Elephant Sanctuary Malaysia
- Outing for 200 underprivileged children at FRIM (Forest Research Institute of Malaysia) in Kepong
- Support for Thailand Floods through Red Cross
- Heart Foundation Thailand
- Bilgola Surf Life Saving Club
- Young Endeavour Youth Scheme

Australian Business and Community Network

Blackmores proudly supports the Australian Business and Community Network (ABCN). ABCN's focus is on education and improving opportunities for students and schools that are most in need, providing mentoring and support programs to schools. The Aspirations program is a coaching program for Year 11 students which aims to equip students with the knowledge and tools to make informed decisions about their choices and pathways after school. Students are coached by mentors in facilitated workshops held at company premises.

Staff also participated in a reading program for primary school students that would benefit most from developing their literacy and conversational skills, along with building their vocabulary. Reading mentors provide encouragement for a student to engage further in their schooling and community through improved language skills and personal development.

Though designed to benefit students, the program provides Blackmores participants with coaching and mentoring skills and development, enhanced job satisfaction and increased awareness of the wider community.

Bilgola Surf Life Saving Club

Blackmores is the principal sponsor of the Bilgola Surf Life Saving Club which is located near the Blackmores Campus on Sydney's Northern Beaches. This contributes to beach safety for the community through the provision of trained lifesavers. Bilgola Surf Life Saving Club and Blackmores share a common commitment to encouraging the local community to be fit and healthy and embrace Australian beach culture.

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.

environmental sustainability

“Our distribution team improved order picking efficiency by 20%, while our online communication to Blackmores’ free Naturopathic Advisory Service increased by 15%”

Blackmores has a long-term commitment to sustainability and social responsibility.

We believe as responsible corporate citizens that we must address the issues of environmentally sustainable practices relating to all aspects of our business, demonstrating care, respect and compassion for our people, the broader community and the environment.

We have taken a broad-based approach to reducing waste across all aspects of the business through our involvement with the National Packaging Covenant. As a signatory to the new Australian Packaging Covenant, Blackmores is committed to reducing the environmental impact of our packaging through design, closing the recycling loop and demonstrating a commitment to good product stewardship.

The Covenant marks eleven years of continuous improvement in the environmental performance of Blackmores' packaging and waste minimisation.

As part of Blackmores' commitment to further reduce carbon emissions and minimise our carbon footprint, we have committed to the conversion of all our fleet vehicles to LPG or diesel. At the Blackmores Campus, electricity, heating and cooling are powered by an onsite gas-fired energy generation plant.

Blackmores' approach to product stewardship

Blackmores is aware of the importance of packaging design, selection of packaging materials and choice of minimal but effective secondary and tertiary packaging materials that facilitate production, distribution and retailing of its products. Post-consumer recovery and recyclability are integral to this life cycle approach.

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

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

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

Our recent Marine Stewardship Council (MSC) certification of Blackmores Eco Krill, supported by the World Wildlife Fund demonstrates our progress towards a more sustainable industry.

80 years of and tal

great products
ented people

management profiles

Chris Last

Chief Financial Officer

Chris has over 20 years of experience in finance roles across the consumer and manufacturing industries. His most recent role was Unilever Australasia's Director of Finance for Brand and Customer Development. Chris has also held senior positions with the Richemont Group of global brands including Cartier, Dunhill and Montblanc. Chris holds an honours degree in Management, is a qualified accountant and is a member of the Association of Corporate Treasurers in the UK.

He has a wealth of experience in the financial management of consumer products and global brand management.

Jim van Bruinessen

Director of Sales & Marketing, Australia

Jim brings over 20 years of experience to his role as Director of Sales & Marketing, Australia.

His previous senior roles with Fonterra Australia, Goodman Fielder, Arnotts and Coca-Cola have given him extensive experience in developing strategy for businesses with diverse sales channels, ranging from smaller independent retailers to large chain stores.

Complementing his extensive sales experience, Jim has had responsibility for marketing services at Coca-Cola South Pacific and, as Chief Executive Officer of Lloyd Brooks Pty Ltd, a small FMCG business, developed a suite of new products, media campaigns, brand and communications strategies.

Peter Osborne

Director Asia

Peter brings more than 20 years of experience in Asia, having lived and worked in Taiwan, Hong Kong, Shanghai and Beijing running the Australian Trade Commission's operations in markets in North Asia. He has extensive experience and understanding of Asian business practice, operating in culturally complex business environments and leading teams across multiple markets. A Mandarin Chinese speaker, Peter has led Blackmores' Asian growth strategy since 2009.

Kerry Cunningham

Director People & Communications

Kerry has over 25 years experience in the natural products and pharmaceutical industries. Her career at Blackmores has spanned over 20 years with extensive experience in developing sales and marketing strategies. Kerry was appointed as Director People & Communication in April 2011 incorporating HR, Digital, Corporate Communications, Government Relations, PR and Education. She brings expertise in people and culture to the organisation that now employs over 550 staff globally. She is currently undertaking an MBA and is a mentoring participant in the UNSW Inaugural Mentoring Program supporting the development of students.

Christine Holgate
Chief Executive Officer

Christine has over 25 years of international sales and marketing experience working 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 post graduate diplomas in Management, Marketing, and Purchasing and Supply; and a Masters Degree in Business Administration (MBA). Christine is also currently a board member of Ten Network Holdings Limited.

Richard Henfrey
Director Strategic Sourcing

Richard has over 17 years of experience in strategic and business development roles in highly regulated industries both in Australia, Europe and North America. He has delivered a broad range of growth-driving strategies that optimised performance and created business solutions for numerous organisations.

He joined Blackmores in 2009 as Director of People & Strategy and has implemented numerous business improvement initiatives. In July 2011, Richard was appointed as president of the Complementary Healthcare Council of Australia, the peak industry association for natural healthcare products.

Neal Mercado
Director Product Development

Neal has over 15 years of experience in the global vitamin and dietary supplements industry, with an emphasis on strategic marketing and new product development. He has a proven track record of delivering innovation, and has held a number of roles focused on portfolio management and global product development for multinational corporations including Amway and IdeaSphere.

Gabriel Perera
Director Business Development

Gabriel has over 12 years of senior management, leadership and business building experience. He has expertise in growth strategy, organisational change, M&A, sales and marketing, R&D/innovation, business development, licensing/joint ventures and general management. He is an Ayurvedic herbalist and a qualified lawyer. Gabriel was appointed to the Executive Team of Blackmores Limited in mid 2011.

Lee Richards
Chief of Operations

Lee has more than 30 years of experience in IT, spanning a variety of industries from distribution and manufacturing through to corporate banking. He has been with Blackmores since 2000 and, as part of the team assembled to manage the design and rollout of Blackmores' new business system, Lee brought a significant level of technical, management and business expertise with him.

He was appointed Chief of Operations in 2010, incorporating IT, Production, Distribution and Facilities.

corporate governance

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

This statement should be read in conjunction with the Directors' Report and Remuneration Report at pages 24 to 37 of this Annual Report and the Corporate Governance Principles available on the Blackmores website at blackmores.com.au (go to'Investor Centre', then click on 'Corporate Governance').

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

PRINCIPLE 1

Lay solid foundations for management and oversight

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

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

PRINCIPLE 2

Structure the Board to add value

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

Pages 24 to 25 set out the qualifications, expertise and experience of each Director at the date of this report and their period of 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 has a strong commitment to diversity, believing it positively impacts employee engagement, improves business performance, increases shareholder value and enhances the probability of achievement of corporate objectives.

Each year the Blackmores Annual Report provides organisation-wide gender statistics. The Board's People and Remuneration Committee has adopted a diversity policy which requires measurable objectives and KPIs. Management is required to periodically provide diversity reports to the Committee and Board. A copy of the Diversity Policy is available on the Blackmores website.

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

PRINCIPLE 4

Safeguard integrity in financial reporting

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

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

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

PRINCIPLE 5

Make timely and balanced disclosure

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

PRINCIPLE 6

Respect the rights of shareholders

Blackmores strives to convey to its shareholders and the investing public pertinent information in a detailed, regular, factual and timely manner. A copy of Blackmores' communication policy is available on the 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 30 to 37 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

five year history

$'000	2012	2011	2010	2009	2008
Sales[1]	**260,832**	234,423	214,934	200,314	178,833
Profit before tax	**39,196**	39,322	34,731	29,228	27,474
Income tax expense	**11,390**	12,017	10,434	8,446	8,388
Profit for the year	**27,806**	27,305	24,297	20,782	19,086
Net debt	**33,040**	29,832	25,849	33,640	25,803
Shareholders' equity	**86,280**	79,112	71,790	58,563	50,351
Total assets	**174,771**	153,130	154,349	138,509	116,874
Current assets	**99,993**	78,521	80,485	69,544	61,763
Current liabilities	**41,547**	33,207	34,457	31,903	27,793
Net tangible assets (NTA)	**79,743**	74,108	68,748	56,414	49,019
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**46,879**	46,587	41,193	32,916	28,881
Depreciation and amortisation	**4,922**	4,529	4,141	2,444	1,909
Earnings before interest and tax (EBIT)	**41,957**	42,058	37,052	30,472	26,972
Net interest expense / (revenue)	**2,761**	2,736	2,321	1,244	(502)
Net operating cash-flows	**20,846**	21,635	25,874	20,468	23,995
Number of shares on issue ('000s)	**16,780**	16,744	16,677	16,402	16,181
Earnings per share (EPS) – basic (cents)	**165.8**	163.2	146.8	127.5	118.4
Ordinary dividends per share (cents)	**127.0**	124.0	112.0	96.0	90.0
Share price at 30 June	**$26.25**	$26.70	$22.30	$16.00	$16.40
Net tangible assets (NTA) per share	**$4.75**	$4.43	$4.12	$3.44	$3.03
Return on shareholders' equity[2]	**32.2%**	34.5%	33.8%	35.5%	37.9%
Return on assets[3]	**25.6%**	27.4%	25.3%	23.9%	27.1%
Dividend payout ratio	**76.6%**	76.0%	76.3%	75.3%	76.0%
Gearing ratio[4]	**27.7%**	27.4%	26.5%	36.5%	33.9%
EBIT to sales	**16.1%**	17.9%	17.2%	15.2%	15.1%
Effective tax rate	**29.1%**	30.6%	30.0%	28.9%	30.5%
Current assets to current liabilities (times)	**2.41**	2.36	2.34	2.18	2.22
Net interest cover (times)[5]	**15.2**	15.4	16.0	9.6	38.0
Gross interest cover (times)[5]	**17.7**	14.5	13.5	8.9	22.3
% change on prior year					
Sales	**11.3%**	9.1%	7.3%	12.0%	4.2%
EBITDA	**0.6%**	13.1%	25.1%	14.0%	11.9%
EBIT	**-0.2%**	13.5%	21.6%	13.0%	11.3%
Profit for the year	**1.8%**	12.4%	16.9%	8.9%	14.5%
EPS	**1.6%**	11.2%	15.1%	7.7%	13.6%
Ordinary dividends per share	**2.4%**	10.7%	16.7%	6.7%	11.1%

1. Represents revenue from the sale of goods and excludes other revenue items.
2. Calculated as net profit after tax divided by closing shareholders' equity.
3. Calculated as EBIT divided by average total assets.
4. Gearing ratio is calculated as net debt divided by the sum of net debt and shareholders' equity.
5. Net and gross interest cover is calculated after adjusting interest expense for capitalised interest in 2009 and 2008.

directors' report

The Directors of Blackmores Limited (Blackmores) present their report together with the Financial Statements of the Group, being Blackmores and the entities it controlled (Blackmores Group) at the end of or during the year ended 30 June 2012.

DIRECTORS' DETAILS

Details of each Director's qualifications, experience and special responsibilities are set out below.

Stephen J Chapman

BCOMM, MBA, CA, FAICD

Deputy Chairman and Lead Independent Director

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

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 public companies in the Health and IT industries.

Christine Holgate

Chief Executive Officer and Managing Director

Ms Holgate was appointed to her current role by the Board in November 2008 and has over 25 years of international sales and marketing experience in highly regulated industries, including telecommunications, finance, media and healthcare. She has held numerous board and senior management positions, working in Europe, Asia, the Americas and Australia. Ms Holgate's prime responsibilities have been leading teams through significant change, growth and start-up. Ms Holgate has three post graduate diplomas in Management, Marketing, and Purchasing and Supply; and a Masters Degree in Business Administration (MBA). Ms Holgate is also currently a board member of Ten Network Holdings Limited (since 2010). She was previously a Director of KeyCorp Limited.

Marcus C Blackmore AM

ND, MAICD, D Univ

Chairman

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

Robert L Stovold

Independent Director

Mr Stovold is a qualified accountant with over 35 years of experience in corporate management, mergers and acquisitions and the property industry. He joined the Board in August 1996. Over the past 25 years, Mr Stovold has served as an Independent Director on the boards of a number of listed and unlisted public companies operating in a variety of commercial activities.

Brent W Wallace

BCOMM (MARKETING), GAICD

Independent Director

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

Naseema Sparks

BPHARM, MPHARM (PHARMACO L), MBA, GAICD

Independent Director

Ms Sparks joined the Board in October 2005. She graduated with a Bachelor of Pharmacy followed by a Master of Pharmacology. She also holds an MBA from Melbourne Business School. With a background in pharmaceutical and strategic consulting, Ms Sparks has worked in pharma industry, management consulting and advertising and marketing roles in Australia and the UK. She specialises in media, marketing and communications in the mainstream and digital environments. Ms Sparks is currently a Director of Melbourne IT Limited, PMP Limited and DealsDirect, is on the advisory board of Chartis Australia Ltd and is Deputy Chair of the Sydney Dance Company and Racing NSW. Her previous directorships include Mitchell Communication Group Limited (2007-2010) and she was immediate past President of Chief Executive Women.

Directors' Report

for the financial year ended 30 June 2012

DIRECTORS' SHAREHOLDINGS

The following table sets out each Director's relevant interest in all financial instruments issued by Blackmores as at the date of this report.

DIRECTORS	FULLY PAID ORDINARY SHARES	SHARE RIGHTS
M Blackmore	4,407,278	-
S Chapman	22,055	-
V Fitzgerald	10,216	-
C Holgate	88,602	-
N Sparks	-	-
R Stovold	27,910	-
B Wallace	12,161	-
Total	**4,568,222**	**-**

SHARE RIGHTS GRANTED TO DIRECTORS AND SENIOR EXECUTIVES

Selected Senior Executives are invited annually by the Board to participate in the Executive Performance Share Plan (EPSP). Under this plan, eligible Senior Executives are granted rights to acquire shares in Blackmores. Refer to the Remuneration Report on pages 29 to 37 for more details. During the year, the following rights to shares were granted:

	2012 NUMBER	2011 NUMBER
Executive Director		
C Holgate	**22,850**	26,699
Senior Executives		
K Cunningham[1]	**3,876**	1,140
R Henfrey	**4,880**	5,504
C Last	**4,406**	5,002
N Mercado[2]	**3,137**	313
P Osborne	**3,974**	4,574
G Perera[3]	**3,137**	313
L Richards	**4,350**	5,083
J Van Bruinessen	**5,165**	-
Former Senior Executives		
P Barraket[4]	**-**	5,421
S Moore[4]	**-**	5,252

1. Rights granted during the 2011 financial year for K Cunningham are for the period as a Senior Executive (1 April 2011 to 30 June 2011).
2. Rights granted during the 2011 financial year for N Mercado are for the period as a Senior Executive (1 June 2011 to 30 June 2011).
3. Rights granted during the 2011 financial year for G Perera are for the period as a Senior Executive (1 June 2011 to 30 June 2011).
4. Rights granted during the 2011 year to P Barraket and S Moore did not vest as they left employment during the 2011 financial year.

SHARE OPTIONS

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

REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

Information about remuneration of Directors and Key Management Personnel is set out in the Remuneration Report of this Directors' Report, on pages 29 to 37.

COMMITTEE MEMBERSHIPS

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

Audit and Risk:	Robert Stovold, Chair
	Stephen Chapman
	Verilyn Fitzgerald
	Brent Wallace
Nominations:	Verilyn Fitzgerald
	Marcus Blackmore
	Stephen Chapman
	Christine Holgate
	Naseema Sparks
	Robert Stovold
	Brent Wallace
People and Remuneration:	Verilyn Fitzgerald, Chair
	Marcus Blackmore
	Stephen Chapman
	Naseema Sparks

Company Secretary

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.

PRINCIPAL ACTIVITIES

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

REVIEW OF OPERATIONS

The net amount of profit attributable to the shareholders ('NPAT') of the Blackmores Group for the financial year was \$27.8 million (2011: \$27.3 million) which represents a 1.8% increase over the prior year. Sales for the year were \$260.8 million (2011: \$234.4 million), an increase of 11.3% compared to the prior year. Basic earnings per share ('EPS') increased from 163.2 cents per share to 165.8 cents per share (an increase of 1.6%). Net tangible assets per share increased from \$4.43 last year to \$4.75 this year. Net debt increased from \$29.8 million last year to \$33.0 million this year and the gearing ratio increased from 27.4% last year to 27.7% this year.

Directors' Report

for the financial year ended 30 June 2012

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 2012.

SUBSEQUENT EVENTS

On 5 July 2012, Blackmores acquired 100% of the issued share capital of FIT-BioCeuticals Limited for a maximum of $40 million which was fully debt-funded. Refer to Note 39 to the Financial Statements on page 86 for further information.

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.

FUTURE DEVELOPMENTS

Disclosure of additional information not already disclosed in the Annual Report of Blackmores for the year ended 30 June 2012 regarding the business strategies, prospects and likely developments in the operations of the Blackmores Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Blackmores Group. Accordingly, this information has not been disclosed in this report.

ENVIRONMENTAL REGULATIONS

The Company monitors its legal obligations and has its own self-imposed policies. The Directors believe that the Group complies with all aspects of the environmental laws. The Company is a party to the National Packaging Covenant, an agreement between industry and government which ensures that the management of packaging and paper throughout their lifecycle produces sustainable, cost-effective benefits to the environment.

WORKPLACE HEALTH AND SAFETY

The Company's Occupational Health and Safety Committee meets monthly and monitors the business by conducting regular audits of the premises. Any safety matters raised either by staff, the audits or from an investigation of any workers' compensation claims are reviewed and, where appropriate, changes made to operating procedures. Staff are encouraged to make safety suggestions to their departmental representatives. All Committee members are given the necessary training for the position.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Blackmores support and have adhered to key principles of corporate governance. The Company's current corporate governance principles are set out on the Company's website at blackmores.com.au (go to 'Investor Centre' then click on 'Corporate Governance'). A separate section in this Annual Report on pages 20 to 21 outlines the Company's current Corporate Governance principles and practices.

DIVIDENDS

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

- a final dividend of 80 cents per share fully franked in respect of the year ended 30 June 2011, as detailed in the Directors' Report for that financial year, was paid on 15 September 2011;
- an interim dividend of 44 cents per share fully franked in respect of the year ended 30 June 2012 was paid on 22 March 2012; and
- on 29 August 2012, Directors declared a final dividend for the year ended 30 June 2012 of 83 cents per share fully franked, payable on 16 October 2012 to shareholders registered on 2 October 2012.

This will bring total ordinary dividends to 127 cents per share fully franked (2011: 124 cents per share fully franked) for the full year.

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' Report

for the financial year ended 30 June 2012

DIRECTORS' MEETINGS

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

	BOARD OF DIRECTORS		AUDIT AND RISK COMMITTEE		NOMINATIONS COMMITTEE		PEOPLE AND REMUNERATION COMMITTEE	
DIRECTORS	HELD[1]	ATTENDED	HELD[1]	ATTENDED	HELD[1]	ATTENDED	HELD[1]	ATTENDED
M Blackmore	9	9	-	-	-	-	4	3
S Chapman	9	8	3	2	-	-	4	4
V Fitzgerald	9	9	3	2	-	-	4	4
C Holgate[2]	9	9	3	3	-	-	4	4
N Sparks	9	8	-	-	-	-	4	2
R Stovold	9	9	3	3	-	-	-	-
B Wallace	9	9	3	3	-	-	-	-

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

STATEMENT OF NON-AUDIT SERVICES

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

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration is set out on page 38 of this Annual Report.

ROUNDING OFF OF AMOUNTS

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

Remuneration Report

INTRODUCTION FROM THE CHAIRMAN OF THE BOARD'S PEOPLE AND REMUNERATION COMMITTEE

Dear Shareholder,

We are pleased to present Blackmores' 2012 Remuneration Report (Report).

To help you better understand our remuneration policies, practises and resulting payments and awards, we have made some changes to our Report to better demonstrate the alignment of Senior Executive remuneration to delivery of improved returns to shareholders.

KEY CHANGES TO REMUNERATION POLICY IN 2012

There have been four changes to the incentive schemes in place for the year:

- In October 2011, Shareholders at the Annual General Meeting approved the introduction of an Employee Share Plan Trust to award shares under the Company's long term incentive (LTI) plan. The changes made to the share plan rules have enhanced the administration of the plan, including features such as the management of forfeited shares by participants as a result of misconduct events or not meeting tenure requirements.
- The maximum payment levels of the CEO and Senior Executives' long term incentive (LTI) and short term incentive (STI) performance hurdles were aligned. The performance criteria remained essentially the same. The Senior Executive LTI calculation was changed from a straight line formula to a table of growth hurdles in 1% increments. This aligns with the existing award methodology for the CEO's LTI.
- Payment under the STI requires the achievement of year on year growth.
- Participants receiving the lowest personal component performance rating, including personal objectives and behaviours, are no longer eligible to receive any STI. Achieving such a rating would override any potential payment awarded based on company performance.

REMUNERATION GOVERNANCE

The Company made changes during the period to ensure the Group continues to meet high standards of governance and regulatory requirements. Changes include the engagement and reporting lines of remuneration consultants to the People and Remuneration Committee.

Blackmores is focused on the transparency and effective communication of remuneration policies and practises in alignment with ASX guidelines. Both our Board and management have actively sought comment from shareholders and the investment community this financial year which will be incorporated into the ongoing review and design of our remuneration practises.

We encourage your feedback as the Committee strives to improve and evolve our policies and practises to ensure we meet our shareholders' expectations and reward our employees for achievement of the Group's strategic goals.

Verilyn Fitzgerald
Chair – People and Remuneration Committee

THE REPORT IS PRESENTED IN THE FOLLOWING SECTIONS:

1. KEY TERMS

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

Executive Directors	Refers to the Chairman and Chief Executive Officer and Managing Director.
Directors	Executive Directors and Non-Executive Directors.
Key Management Personnel	Includes all Directors as well as those 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, including the five highest remunerated Executives of the Company and the Group.

NON-EXECUTIVE DIRECTORS

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

Remuneration Report

EXECUTIVE DIRECTORS

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

SENIOR EXECUTIVES

Kerry Cunningham	Director, People and Communication
Richard Henfrey	Director, Strategic Sourcing
Chris Last	Chief Financial Officer
Neal Mercado	Director, Product Development
Peter Osborne	Director, Asia
Gabriel Perera	Director, Business Development
Lee Richards	Chief of Operations
Jim van Bruinessen	Director, Sales and Marketing Australia

2. GOVERNANCE

PEOPLE AND REMUNERATION COMMITTEE

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

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

- Verilyn Fitzgerald – Chairman
- Marcus Blackmore
- Stephen Chapman
- Naseema Sparks

ADVISORS TO THE COMMITTEE

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

While not related specifically to remuneration for KMPs, the Company did engage Career Capital to advise on leadership competencies.

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

3. NON-EXECUTIVE DIRECTORS REMUNERATION

REMUNERATION POLICY AND STRUCTURE

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

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

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

NON-EXECUTIVE FEES

Directors' Fees paid in respect to the financial year 2012 include:

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

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

Directors' Fees were increased by 4% in the financial year 2012 in line with benchmark CPI indicators.

Directors' Fees will not be increased in the financial year 2013.

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 2012.

Remuneration Report

	SHORT-TERM EMPLOYMENT BENEFITS	POST EMPLOYMENT BENEFITS	
	FEES AND ALLOWANCES $	SUPERANNUATION $	TOTAL $
Non-Executive Directors			
Stephen Chapman			
2012	**128,624**	**11,144**	**139,768**
2011	117,342	21,836	139,178
Verilyn Fitzgerald			
2012	**50,886**	**54,600**	**105,486**
2011	52,995	50,941	103,936
Naseema Sparks			
2012	**83,172**	**7,485**	**90,657**
2011	82,567	7,431	89,998
Robert Stovold			
2012	**88,325**	**7,949**	**96,274**
2011	87,682	7,891	95,573
Brent Wallace			
2012	**83,172**	**7,485**	**90,657**
2011	82,567	7,431	89,998
Total			
2012[1]	**434,179**	**88,663**	**522,842**
2011	423,153	95,530	518,683

1.The Non-Executive Fees were increased effective 1 July 2011. The previous increase was effective 1 July 2010.

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

4. EXECUTIVE DIRECTOR AND SENIOR EXECUTIVE REMUNERATION

REMUNERATION POLICY

Blackmores remunerates its people fairly and responsibly.

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

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

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

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

COMPONENTS OF EXECUTIVE DIRECTOR AND SENIOR EXECUTIVE REMUNERATION

The executive remuneration framework consists of the following components:

Fixed Remuneration

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

Performance-based Remuneration

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

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

(c) Long-term incentives (LTI) – The Executive Performance Share Plan (EPSP) was approved at Blackmores' Annual General Meeting in October 2011. Participation is open to Executive Directors and Senior Executives determined to be eligible by the Board. Under this plan, rights to acquire shares in Blackmores are granted annually to eligible Senior Executives at no cost and vest provided specific performance hurdles are met. The Chairman's incentive is a cash-based equivalent.

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

LINK TO STRATEGIC OBJECTIVES AND PERFORMANCE

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

Remuneration Report

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

PERFORMANCE-BASED REMUNERATION

PERFORMANCE INCENTIVES – ACTUAL PERFORMANCE 2012 FINANCIAL YEAR

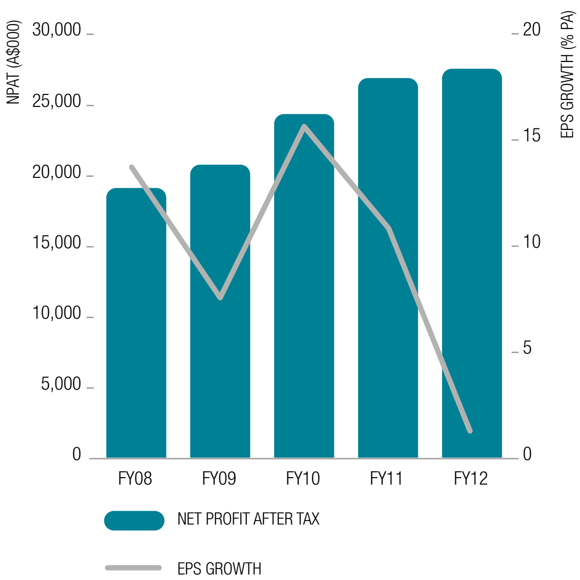
Short-term incentive (STI)
Blackmores' 2012 NPAT of $27.7 million represented 1.8% growth and met the minimum performance target set by the Board.

The amount awarded to the Senior Executives for the 2012 STI is $259,624, down by 66% on the prior financial year. The award is included under the 'STI and Profit Share' column in the remuneration disclosures table on page 36.

Long-term incentives (LTI)
Blackmores' 2012 EPS growth of 1.6% did not meet the minimum performance target of EPS growth in excess of 4%. There were no awards under the 2012 LTI plan.

The 2012 amount shown under the 'Share-Based Payment' column in the remuneration table on page 36 relates to prior year LTI awards and represents the fair value of grants in 2010 financial year and 2011 financial year.

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



Remuneration Report

SHORT-TERM INCENTIVES (STI) – PERFORMANCE CONDITIONS

Specific information relating to the actual annual performance awards is set out in the table on page 36.

What is the annual incentive and who is eligible to participate?	The STI plan provides eligible employees with a reward for annual performance against measured targets set at the beginning of the performance period. Eligible employees include the Executive Directors, Senior Executives and other nominated employees.			
What is the amount the executive can earn?		Chairman	Chief Executive Officer	Senior Executives
	% of target performance	% of base remuneration		
	Less than 95% 125% Sliding scale between these points	0% 65%	0% 65%	0% 78%
What were the performance conditions for the 2012 financial year?	**Measures**	**Chairman**	**Chief Executive Officer**	**Senior Executives**
	Group financial measures – Group NPAT achievement against budget	100%	70%	83%
	Individual objectives: Financial – (i.e. revenue, new product launches and other specific objectives) Non-financial measures – (i.e. safety, employee engagement and other agreed objectives)	0%	30%	17%
Why were these performance measures chosen?	NPAT performance relative to budget is a well-recognised measure of financial performance and a key driver of shareholder returns. Using NPAT as an incentive performance measure ensures that incentive payments are aligned with Blackmores' business strategy and objectives. The NPAT budget is approved on an annual basis by the Board and incentive targets are set by the Board at levels designed to reward superior performance. Individual performance was selected as a secondary performance condition to ensure that Senior Executives have clear objectives and performance indicators that are linked to Blackmores' performance. Blackmores' policy is that STIs will only be awarded when Blackmores meets agreed performance hurdles. In addition, Senior Executives are not awarded any STI in the instance of the lowest personal performance assessment.			
When are performance conditions tested?	NPAT is calculated by Blackmores at the end of the financial year, verified by Blackmores' auditors and published in the Group's Financial Statements before any payment is made. This method was chosen to ensure transparency and consistency with disclosed information. The person to whom a Senior Executive reports assesses that individual's performance by reviewing his or her individual objectives, key tasks and performance indicators and the extent to which they have been achieved. Individual objectives are set at the start of each financial year and are formally reviewed every six months. The Board reviews performance assessments for Key Management Personnel.			

Remuneration Report

PROFIT SHARE – PERFORMANCE CONDITIONS AND OPERATION

Specific information relating to the actual annual performance awards is set out in the table on page 36.

What is the annual incentive and who is eligible to participate?	Executive Directors and Senior Executives participate in a profit share plan, whereby 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.
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 36.

<table>
<tr><td>What is the annual incentive and who is eligible to participate?</td><td colspan="3">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.</td></tr>
<tr><td rowspan="3">What is the amount the executive can earn?</td><td>Measures</td><td>Chief Executive Officer</td><td>Chairman & Senior Executives</td></tr>
<tr><td>% of target performance</td><td colspan="2">% of base remuneration</td></tr>
<tr><td>Less than or equal to 4%
Greater than 16%
Sliding scale between these points</td><td>0%
100%</td><td>0%
40%</td></tr>
<tr><td>What is the performance condition and period?</td><td colspan="3">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.
The performance condition is EPS growth over the prior financial year. In determining the performance conditions for Blackmores' LTI plan, the Board has recognised EPS growth to be the key driver of shareholder value, influencing both share price and the capacity to pay increased dividends.
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.</td></tr>
<tr><td>How does the EPSP operate?</td><td colspan="3">The value of rights granted to executives is equivalent to a percentage of their base remuneration at the time of grant.
The number of rights granted equals the value of rights divided by:
• the weighted average price of Blackmores' shares for the five day trading period commencing seven days after Blackmores' results in respect of the prior financial year are announced to the ASX less
• the amount of any final dividend per share declared as payable in respect of the prior financial year.
Rights are automatically exercised following vesting, audit clearance of the Financial Statements and Board approval. These Blackmores shares are issued to participants at zero cost.
The number of shares issued is identical to the number of rights exercised and are subject to a further two year holding lock subject to forfeiture if the employee resigns or is terminated prior to the end of this period.
In the case of the Chairman, a cash equivalent is paid in lieu of shares. Where regulations prohibit an equity based plan, a cash equivalent is awarded.</td></tr>
</table>

Remuneration Report

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

When is the performance condition tested?	Growth in EPS is calculated at the end of the financial year and verified with reference to Blackmores' audited Financial Statements prior to determining the number of rights that will vest. This method was chosen as it is an objective test that is easy to calculate and ensures transparency and consistency with public disclosures.
What happens if the executive ceases employment during the performance period?	If an executive ceases employment during the performance year the rights lapse. Shares issued to the CEO and Senior Executives are subject to restrictions referred to as a 'holding lock'. During this period, executives are entitled to dividend income and have voting rights, but may not sell them or transfer their ownership. If participants are employed by Blackmores at the end of the two year period following vesting, the holding lock is lifted and participants acquire full beneficial and legal ownership of the shares. If the executive resigns or their employment is terminated during the holding lock period (except for reasons such as death, serious injury, disability, illness or involuntary early retirement), shares subject to the holding lock are forfeited.

5. EMPLOYMENT CONTRACTS

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

TERMINATION

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

<table>
<tr><th>Name</th><th colspan="2">Notice periods / Termination Payment</th></tr>
<tr><td>Christine Holgate[1]</td><td colspan="2">Six months notice (or payment in lieu) including redundancy.
In the event of termination by the Company, Christine Holgate is also entitled to an additional cash payment of $280,000.
In the event of voluntary resignation she will not be entitled to the above payment.
May be terminated immediately for serious misconduct.</td></tr>
<tr><td rowspan="6">Senior Executives[2]</td><td colspan="2">Three months notice (or payment in lieu).
May be terminated immediately for serious misconduct.</td></tr>
<tr><td colspan="2">Redundancy Payments</td></tr>
<tr><td>Years of continuous service</td><td>Notice periods / Termination Payments.</td></tr>
<tr><td>Up to one year</td><td>Two weeks pay.</td></tr>
<tr><td>Between one and 10 years</td><td>Two weeks pay plus an additional three weeks of pay for each completed year of service.</td></tr>
<tr><td>10 years or more</td><td>29 weeks pay plus an additional three weeks of pay for each completed year of service following 10 years capped at a maximum of 52 weeks of pay.</td></tr>
</table>

1. For the purposes of calculating 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.

Remuneration Report

6. REMUNERATION DISCLOSURES FOR EXECUTIVE DIRECTORS AND KEY MANAGEMENT PERSONNEL

The following table discloses the remuneration of the Executive Directors and Senior Executives of Blackmores for the financial year ended 30 June 2012.

	SHORT-TERM EMPLOYMENT BENEFITS				POST-EMPLOYMENT BENEFITS	OTHER LONG-TERM EMPLOYMENT BENEFITS	SHARE-BASED PAYMENT				
	SALARY AND FEES	STI AND PROFIT SHARE[1]	NON-MONETARY[2]	OTHER[3]	SUPER-ANNUATION	OTHER[4]	SHARES AND RIGHTS[5]	TOTAL	% OF PERFORMANCE BASED REMUNERATION	% OF NON-PERFORMANCE BASED REMUNERATION	% OF REMUNERATION RIGHTS
	$	$	$	$	$	$	$	$	%	%	%
Executive Directors											
Marcus Blackmore[6]											
2012	**381,624**	**68,794**	**141**	**31,065**	**15,775**	**6,750**	**-**	**504,149**	**13.6%**	**86.4%**	**-**
2011	345,257	256,968	-	29,700	42,896	6,429	-	681,250	37.7%	62.3%	-
Christine Holgate[7]											
2012	**591,749**	**141,817**	**-**	**51,949**	**15,775**	**4,835**	**371,812**	**1,177,937**	**40.0%**	**60.0%**	**31.6%**
2011	603,059	281,980	-	49,313	15,199	2,785	520,612	1,472,948	43.6%	56.4%	35.3%
Senior Executives											
Kerry Cunningham[8]											
2012	**227,047**	**40,194**	**-**	**20,378**	**21,877**	**5,665**	**4,874**	**320,035**	**14.1%**	**85.9%**	**1.5%**
2011	63,700	28,336	-	6,952	3,800	14,377	4,874	122,039	27.2%	72.8%	0.0%
Richard Henfrey											
2012	**281,388**	**50,563**	**16,548**	**24,785**	**24,875**	**2,343**	**55,574**	**456,076**	**23.3%**	**76.7%**	**12.2%**
2011	282,775	139,319	9,438	26,197	24,249	1,334	56,278	539,590	36.2%	63.8%	10.4%
Chris Last[9]											
2012	**257,823**	**41,193**	**-**	**23,420**	**21,509**	**1,210**	**28,162**	**373,317**	**18.6%**	**81.4%**	**7.5%**
2011	299,250	126,431	-	21,893	23,799	399	28,162	499,934	30.9%	69.1%	5.6%
Neal Mercado[10]											
2012	**195,399**	**33,591**	**5,136**	**17,734**	**15,775**	**5,246**	**1,339**	**274,220**	**12.7%**	**87.3%**	**0.5%**
2011	17,483	5,918	-	3,209	1,267	2,234	1,339	31,450	23.1%	76.9%	0.0%
Peter Osborne[6]											
2012	**270,046**	**47,379**	**-**	**-**	**-**	**-**	**-**	**317,425**	**14.9%**	**85.1%**	**0.0%**
2011	258,714	190,253	-	-	-	-	471	449,438	42.4%	57.6%	0.1%
Gabriel Perera[10]											
2012	**205,631**	**32,591**	**1,741**	**21,110**	**20,870**	**5,164**	**1,339**	**288,446**	**11.8%**	**88.2%**	**0.5%**
2011	14,877	6,085	886	3,939	2,100	380	1,339	29,606	25.1%	74.9%	0.0%
Lee Richards											
2012	**231,019**	**45,202**	**24,044**	**23,860**	**24,775**	**6,810**	**49,247**	**404,957**	**23.3%**	**76.7%**	**12.2%**
2011	254,934	128,572	27,351	16,731	15,199	9,551	52,772	505,110	35.9%	64.1%	10.4%
Jim van Bruinessen[11]											
2012	**345,803**	**53,369**	**-**	**27,854**	**15,775**	**-**	**-**	**442,801**	**12.1%**	**87.9%**	**0.0%**
2011	-	-	-	-	-	-	-	-	-	-	-
Former KMPs and Senior Executives disclosed under the Corporations Act 2001											
Peter Barraket[12]											
2012	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2011	512,017	16,410	-	18,087	15,199	20,159	-	581,872	2.8%	97.2%	0.0%
Liz Burrows[13]											
2012	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2011	16,775	10,974	118	19,600	54,003	5,562	11,186	118,218	18.7%	81.3%	9.5%
Sue Moore[12]											
2012	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2011	358,278	15,872	-	25,953	14,685	-	-	414,788	3.8%	96.2%	0.0%
Total											
2012	**2,987,529**	**554,693**	**47,610**	**242,155**	**177,006**	**38,023**	**512,347**	**4,559,363**	**22.5%**	**77.5%**	**10.3%**
2011	3,027,119	1,207,118	37,793	221,574	212,396	63,210	677,033	5,446,243	31.6%	68.4%	9.5%

1. Amounts included in the 'STI and Profit Share' column include amounts paid by way of profit share on 21 December 2011 and 27 June 2012. The STI plan for the 2012 financial year was approved by the People and Remuneration Committee on 16 August 2011. Awards for the 2012 financial year will be paid following audit clearance of the Group's financial year 2012 results and Board approval.
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 FY12 share-based payments relate to the LTI plan and represent the FY12 portion of the fair value of rights granted in FY10 and FY11. The amount awarded for the FY12 plan was Nil.
6. Marcus Blackmore's and Peter Osborne's FY11 STI and Profit Share includes the cash equivalent of the share-based LTI plan.
7. Christine Holgate's FY12 share-based payment ($371,812) represents the combination of SLTI and LTI plans. The amounts are (a) $41,969, being the FY12 portion of the fair value of SLTI rights granted in FY09, and (b) the FY12 portion of the fair value of rights granted under the LTI plan in FY10 and FY11 ($329,843). The amount awarded for the LTI FY12 plan was Nil.
8. Kerry Cunningham was appointed as a Senior Executive 1 April 2011.
9. Chris Last's FY11 Salary and Fees include a $30,000 one-off performance-based payment.
10. Neal Mercado and Gabriel Perera were appointed as Senior Executives 1 June 2011.
11. Jim van Bruinessen joined 28 July 2011.
12. Peter Barraket and Sue Moore resigned 8 April 2011. Salary and Fees include a $211,015 termination payment to P Barraket and $130,392 to S Moore.
13. Liz Burrows' amounts are for the period as Senior Executive to 8 November 2010 when she took a new role in the Group.

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.

Remuneration Report

7. SHARE-BASED PAYMENTS

The table below outlines the rights and shares outstanding to Senior Executives at 30 June 2012. The fair value of awards is calculated in accordance with AASB 2 Share-based Payments.

NAME	GRANT							VESTING			EXERCISE	END OF HOLDING LOCK	
	DATE	NOTE	NUMBER OF RIGHTS	FAIR VALUE PER RIGHT	TOTAL FAIR VALUE	SHARE PRICE	MAXIMUM VALUE[1]	DATE	NUMBER OF RIGHTS[2,6]	% OF NUMBER GRANTED	VALUE[3]	DATE	VALUE OF RIGHTS NOT VESTED
Executive Director													
Christine Holgate	25/11/08	5	30,216	$11.81	$356,851	$13.90	$420,002	22/10/09	30,216	100.0%	$631,514	17/09/11	
	25/11/08	5	20,144	$10.42	$209,900	$13.90	$280,002	22/10/09	20,144	100.0%	$421,010	09/2013	
	9/12/09	4	33,081	$18.67	$617,622	$21.14	$699,332	30/06/10	31,030	94%	$761,476	2/09/12	
	13/09/10	4	26,699	$22.32	$595,922	$25.53	$681,625	30/06/11	18,369	69%	$551,070	1/09/13	
	29/05/12	4	22,850	$23.52	$537,432	$26.00	$594,100	30/06/12	0	0%	N/A	N/A	$599,813
Senior Executives													
Kerry Cunningham	13/09/10	4	1,140	$22.32	$25,445	$25.53	$29,104	30/06/11	655	57%	$19,650	1/09/13	
	29/05/12	4	3,876	$23.52	$91,164	$26.00	$100,776	30/06/12	0	0%	N/A	N/A	$101,745
Richard Henfrey	9/12/09	4	6,294	$18.67	$117,509	$21.14	$133,055	30/06/10	5,149	82%	$126,356	2/09/12	
	13/09/10	4	5,504	$22.32	$122,849	$25.53	$140,517	30/06/11	3,161	57%	$94,830	1/09/13	
	29/05/12	4	4,880	$23.52	$114,778	$26.00	$126,880	30/06/12	0	0%	N/A	N/A	$128,100
Chris Last	30/04/10	4	1,155	$21.53	$24,867	$23.66	$27,327	30/06/10	945	82%	$23,190	2/09/12	
	13/09/10	4	5,002	$22.32	$111,645	$25.53	$127,701	30/06/11	2,873	57%	$86,190	1/09/13	
	29/05/12	4	4,406	$23.52	$103,629	$26.00	$114,556	30/06/12	0	0%	N/A	N/A	$115,658
Neal Mercado	13/09/10	4	313	$22.32	$6,986	$25.53	$7,991	30/06/11	180	58%	$5,400	1/09/13	
	29/05/12	4	3,137	$23.52	$73,782	$26.00	$81,562	30/06/12	0	0%	N/A	N/A	$82,346
Peter Osborne	29/05/12	4	3,974	$23.52	$93,468	$26.00	$103,324	30/06/12	0	0%	N/A	N/A	$104,318
Gabriel Perera	13/09/10	4	313	$22.32	$6,986	$25.53	$7,991	30/06/11	180	58%	$5,400	1/09/13	
	29/05/12	4	3,137	$23.52	$73,782	$26.00	$81,562	30/06/12	0	0%	N/A	N/A	$82,346
Lee Richards	9/12/09	4	5,405	$18.67	$100,911	$21.14	$114,262	30/06/10	4,422	82%	$108,516	2/09/12	
	13/09/10	4	5,083	$22.32	$113,453	$25.53	$129,769	30/06/11	2,919	57%	$87,570	1/09/13	
	29/05/12	4	4,350	$23.52	$102,312	$26.00	$113,100	30/06/12	0	0%	N/A	N/A	$114,188
Jim van Bruinessen	29/05/12	4	5,165	$23.52	$121,481	$26.00	$134,290	30/06/12	0	0%	N/A	N/A	$135,581

1. Disclosure of maximum value is required under s300A of the Corporations Act 2001. The value disclosed represents the underlying value of shares at the time of grant multiplied by the number of rights granted to each individual. The minimum value of rights awarded is zero if performance conditions are not achieved.
2. The number of rights vested is equal to the number of rights exercised and the number of shares issued; vesting occurs on 30 June and shares are issued in September following audit clearance of the Group's results and Board approval.
3. Value of rights at exercise is equal to the number of rights exercised multiplied by the share price at exercise date.
4. Shares are subject to a two year holding lock. If the Senior Executive resigns or their employment is terminated prior to the end of the holding lock (except for reasons such as death, serious injury, disability, illness or involuntary early retirement), these shares will be forfeited.
5. Shares were issued to the CEO under the terms of the employment contract agreed with Christine Holgate and approved by shareholders at the 2009 Annual General Meeting and are subject to a service condition enforced by holding locks.
6. There were nil shares that vested in the FY12 year.

PERFORMANCE-BASED INCENTIVE

	STI		LTI	
	MAXIMUM REMUNERATION	RECEIVED AS % OF MAXIMUM REMUNERATION	MAXIMUM REMUNERATION	RECEIVED AS % OF MAXIMUM REMUNERATION
	%	%	%	%
Executive Directors				
Marcus Blackmore	65	14	40	0
Christine Holgate	65	20	100	0
Senior Executives				
Kerry Cunningham	78	8	40	0
Richard Henfrey	78	8	40	0
Chris Last	78	6	40	0
Neal Mercado	78	8	40	0
Peter Osborne	78	8	40	0
Gabriel Perera	78	8	40	0
Lee Richards	78	8	40	0

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

On behalf of the Directors

Marcus C Blackmore AM
Director

Dated in Sydney, 29 August 2012

Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
ABN: 74 490 121 060

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Parramatta NSW 2124 Australia

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

29 August 2012

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 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Delaney

X Delaney
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Touche Tohmatsu Limited

Independent Auditor's Report

Deloitte Touche Tohmatsu
ABN: 74 490 121 060

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Independent Auditor's Report to the Members of Blackmores Limited

Report on the Financial Report

We have audited the accompanying financial report of Blackmores Limited, which comprises the statement of financial position as at 30 June 2012, the income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 40 to 86.

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 company'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 company'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.

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 2012 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 consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 3.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 29 to 37 of the directors' report for the year ended 30 June 2012. 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 2012, complies with section 300A of the Corporations Act 2001.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Delaney

X Delaney
Partner
Chartered Accountants
Parramatta, 29 August 2012

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Touche Tohmatsu Limited

INDEPENDENT AUDITOR'S REPORT

Directors' Declaration

The Directors declare that:

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

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

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

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

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

On behalf of the Directors

Marcus C Blackmore AM
Director

Dated in Sydney, 29 August 2012

Consolidated Income Statement

for the financial year ended 30 June 2012

	NOTES	2012 $'000	2011 $'000
Sales	5	**260,832**	234,423
Royalties	5	**681**	844
Membership	5	**54**	-
Revenue		**261,567**	235,267
Other income	6	**533**	1,325
Revenue and other income		**262,100**	236,592
Promotional and other rebates		**32,478**	22,907
Changes in inventories of finished goods		**3,422**	2,047
Raw materials and consumables used		**76,551**	69,920
Employee benefits expense		**54,910**	52,730
Selling and marketing expenses		**24,462**	22,102
Depreciation and amortisation expenses		**4,922**	4,529
Operating lease rental expenses		**1,664**	1,391
Professional and consulting expenses		**4,011**	3,303
Repairs and maintenance expenses		**2,221**	2,375
Freight expenses		**4,149**	3,278
Bank charges		**642**	621
Other expenses		**10,711**	9,331
Total expenses		**220,143**	194,534
Earnings before interest and tax		**41,957**	42,058
Interest revenue	5	**172**	161
Interest expense	7	**(2,933)**	(2,897)
Net interest expense		**(2,761)**	(2,736)
Profit before tax	7	**39,196**	39,322
Income tax expense	9	**(11,390)**	(12,017)
Profit for the year		**27,806**	27,305
EARNINGS PER SHARE			
– Basic earnings per share (cents)	26	**165.8**	163.2
– Diluted earnings per share (cents)	26	**165.8**	162.9

Notes to the consolidated Financial Statements are included on pages 46 to 86.

Consolidated Statement of Comprehensive Income

for the financial year ended 30 June 2012

	NOTES	2012 $'000	2011 $'000
Profit for the year		**27,806**	27,305
Other comprehensive income			
Exchange differences on translating foreign operations	24.3	**113**	(2,161)
Net (loss)/gain on hedging instruments entered into for cash-flow hedges	24.2	**(568)**	146
Other comprehensive income for the year, net of tax		**(455)**	(2,015)
Total comprehensive income for the year		**27,351**	25,290

Notes to the consolidated Financial Statements are included on pages 46 to 86.

Consolidated Statement of Financial Position

as at 30 June 2012

	NOTES	2012 $'000	2011 $'000
ASSETS:			
CURRENT ASSETS			
Cash and bank balances	34.1	**11,960**	10,168
Receivables	13	**53,698**	43,030
Inventories	14	**31,786**	23,749
Other assets		**2,549**	1,574
Total current assets		**99,993**	78,521
NON-CURRENT ASSETS			
Receivables	13	**-**	2,500
Property, plant and equipment	15	**65,916**	64,926
Investment property	16	**2,160**	2,160
Other intangible assets	17	**2,257**	2,012
Goodwill	37.4	**657**	657
Deferred tax assets	9.2	**3,623**	2,335
Other financial assets	19	**144**	-
Other assets		**21**	19
Total non-current assets		**74,778**	74,609
Total assets		**174,771**	153,130
LIABILITIES:			
CURRENT LIABILITIES			
Trade and other payables	18	**34,937**	25,843
Current tax liabilities	20	**2,117**	3,570
Other financial liabilities	19	**-**	141
Provisions	21	**4,456**	3,653
Other		**37**	-
Total current liabilities		**41,547**	33,207
NON-CURRENT LIABILITIES			
Borrowings	22	**45,000**	40,000
Deferred tax liabilities	9.2	**-**	5
Provisions	21	**908**	792
Other financial liabilities	19	**1,036**	14
Total non-current liabilities		**46,944**	40,811
Total liabilities		**88,491**	74,018
Net assets		**86,280**	79,112
EQUITY:			
CAPITAL AND RESERVES			
Issued capital	23	**25,348**	25,348
Reserves	24	**1,764**	1,594
Retained earnings	25	**59,168**	52,170
Total equity		**86,280**	79,112

Notes to the consolidated Financial Statements are included on pages 46 to 86.

Consolidated Statement of Changes in Equity

for the financial year ended 30 June 2012

	Issued Capital $'000	Equity-Settled Employee Benefits Reserve $'000	Cash-flow Hedging Reserve $'000	Foreign Currency Translation Reserve $'000	Retained Earnings $'000	Total $'000
Balance as at 30 June 2010	25,348	3,666	(303)	(893)	43,972	71,790
Payment of dividends	-	-	-	-	(19,107)	(19,107)
Profit for the year	-	-	-	-	27,305	27,305
Other comprehensive income for the year, net of tax	-	-	146	(2,161)	-	(2,015)
Total comprehensive income for the year	-	-	146	(2,161)	27,305	25,290
Recognition of share-based payments	-	1,139	-	-	-	1,139
Balance as at 30 June 2011	**25,348**	**4,805**	**(157)**	**(3,054)**	**52,170**	**79,112**
Payment of dividends	**-**	**-**	**-**	**-**	**(20,808)**	**(20,808)**
Profit for the year	**-**	**-**	**-**	**-**	**27,806**	**27,806**
Other comprehensive income for the year, net of tax	**-**	**-**	**(568)**	**113**	**-**	**(455)**
Total comprehensive income for the year	**-**	**-**	**(568)**	**113**	**27,806**	**27,351**
Recognition of share-based payments	**-**	**625**	**-**	**-**	**-**	**625**
Balance as at 30 June 2012	**25,348**	**5,430**	**(725)**	**(2,941)**	**59,168**	**86,280**

Notes to the consolidated Financial Statements are included on pages 46 to 86.

Consolidated Statement of Cash-flows

for the financial year ended 30 June 2012

	NOTES	2012 $'000	2011 $'000
CASH-FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**273,666**	247,828
Payments to suppliers and employees		**(235,997)**	(210,786)
Cash generated from operations		**37,669**	37,042
Interest and other costs of finance paid		**(2,930)**	(2,897)
Income taxes paid		**(13,893)**	(12,510)
Net cash generated by operating activities	34.3	**20,846**	21,635
CASH-FLOWS FROM INVESTING ACTIVITIES			
Interest received		**172**	161
Net cash outflow on acquisition of subsidiary	34.5	**-**	(1,968)
Payments for property, plant and equipment		**(4,993)**	(3,396)
Payments for acquisition of investments		**(144)**	-
Proceeds from bank guarantee		**1,504**	-
Proceeds from disposal of property, plant and equipment		**47**	16
Dividends received		**15**	-
Net cash used in investing activities		**(3,399)**	(5,187)
CASH-FLOWS FROM FINANCING ACTIVITIES			
Proceeds from/(repayment) of borrowings		**5,000**	(7,356)
Dividends paid		**(20,808)**	(19,107)
Other		**(199)**	(135)
Net cash used in financing activities		**(16,007)**	(26,598)
Net increase/(decrease) in cash and cash equivalents		**1,440**	(10,150)
Cash and cash equivalents at the beginning of the year		**10,168**	21,507
Effects of exchange rate changes on the balance of cash held in foreign currencies		**352**	(1,189)
Cash and cash equivalents at the end of the year	34.3	**11,960**	10,168

Notes to the consolidated Financial Statements are included on pages 46 to 86.

Notes to the Financial Statements

for the financial year ended 30 June 2012

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 1054 'Australian Additional Disclosures' and AASB 2011-1 'Amendments to Australian Accounting Standards arising from Trans-Tasman Convergence Project'	AASB 1054 sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards. This Standard contains disclosure requirements that are in addition to IFRSs in areas such as compliance with Australian Accounting Standards, the nature of Financial Statements (general purpose or special purpose), audit fees, imputation (franking) credits and the reconciliation of net operating cash-flow to profit (loss). AASB 2011-1 makes amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards. The Standard deletes various Australian-specific guidance and disclosures from other Standards (Australian-specific disclosures retained are now contained in AASB 1054), and aligns the wording used to that adopted in IFRSs.

STANDARDS AND INTERPRETATIONS AFFECTING THE REPORTED RESULTS OR FINANCIAL POSITION

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

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

The following new and revised Standards and Interpretations have also been adopted in these Financial Statements. 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 2009-12 'Amendments to Australian Accounting Standards'	The application of AASB 2009-12 makes amendments to AASB 8 'Operating Segments' as a result of the issuance of AASB 124 'Related Party Disclosures' (2009). The amendment to AASB 8 requires an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The Standard also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2009-12 has not had any material effect on amounts reported in the Group's consolidated Financial Statements.
• AASB 2010-5 'Amendments to Australian Accounting Standards'	The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2010-5 has not had any material effect on amounts reported in the Group's consolidated Financial Statements.

Notes to the Financial Statements

for the financial year ended 30 June 2012

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

Standard / Interpretation	Nature of change required
• AASB 2010-6 'Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets'	The application of AASB 2010-6 makes amendments to AASB 7 'Financial Instruments – Disclosures' to introduce additional disclosure requirements for transactions involving transfer of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred and derecognised but the transferor retains some level of continuing exposure in the asset. To date, the Group has not entered into any transfer arrangements of financial assets that are derecognised but with some level of continuing exposure in the asset. Therefore, the application of the amendments has not had any material effect on the disclosures made in the consolidated Financial Statements. The application of AASB 20109-6 has not had any material effect on amounts reported in the Group's consolidated Financial Statements.
• AASB 10 'Consolidated Financial Statements'	Requires a parent to present consolidated Financial Statements as those of a single economic entity, replacing the requirements previously contained in AASB 127 'Consolidated and Separate Financial Statements' and Interpretation 112 'Consolidation – Special Purpose Entities'. The Standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated Financial Statements. The application of AASB 10 has not had any material effect on amounts reported in the Group's consolidated Financial Statements.
• AASB 11 'Joint Arrangements'	Replaces AASB 131 'Interests in Joint Ventures'. Requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement. Joint arrangements are either joint operations or joint ventures: • A **joint operation** is a joint arrangement whereby the parties that have joint control of the arrangement (joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint operators recognise their assets, liabilities, revenue and expenses in relation to its interest in a joint operation (including their share of any such items arising jointly). • A **joint venture** is a joint arrangement whereby the parties that have joint control of the arrangement (joint venturers) have rights to the net assets of the arrangement. A joint venturer applies the equity method of accounting for its investment in a joint venture in accordance with AASB 128 'Investments in Associates and Joint Ventures (2011)'. Unlike AASB 131, the use of 'proportionate consolidation' to account for joint ventures is not permitted.
• AASB 12 'Disclosure of Interests in Other Entities'	Requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash-flows. In high-level terms, the required disclosures are grouped into the following broad categories: • **Significant judgements and assumptions** – such as how control, joint control, significant influence has been determined • **Interests in subsidiaries** – including details of the structure of the group, risks associated with structured entities, changes in control, and so on • **Interests in joint arrangements and associates** – the nature, extent and financial effects of interests in joint arrangements and associates (including names, details and summarised financial information) • **Interests in unconsolidated structured entities** – information to allow an understanding of the nature and extent of interests in unconsolidated structured entities and to evaluate the nature of, and changes in, the risks associated with its interests in unconsolidated structured entities. AASB 12 lists specific examples and additional disclosures which further expand upon each of these disclosure objectives, and includes other guidance on the extensive disclosures required.

Notes to the Financial Statements

for the financial year ended 30 June 2012

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

Standard / Interpretation	Nature of change 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 affects 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 2012

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

2.3 STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET EFFECTIVE

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

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
• AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'	1 January 2012	30 June 2013
• AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'	1 January 2012	30 June 2013
• AASB 9 'Financial Instruments (December 2009)', AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9'	1 January 2013	30 June 2014
• AASB 9 'Financial Instruments (December 2010)' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	1 January 2013	30 June 2014
• AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014

At the date of authorisation of the Financial Statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	1 January 2014	30 June 2015
• Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)	1 January 2013	30 June 2014
• Mandatory Effective Date of IFRS 9 and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)	1 January 2015	30 June 2016

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 STATEMENT OF COMPLIANCE

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

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

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

The Financial Statements were authorised for issue by the Directors on 29 August 2012.

3.2 BASIS OF PREPARATION

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

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Financial Statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

3.2.1 EARLY ADOPTION OF ACCOUNTING STANDARDS

The Directors have elected under s.334 (5) of the Corporations Act 2001 to adopt AASB 9, AASB 2009-11, AASB 2010-7, AASB 10, AASB 11, AASB 12, AASB 127, AASB 128, AASB 13, AASB 2011-8, AASB 119, AASB 2011-10, AASB 2011-11 and AASB 2011-2 in advance of their effective dates. The Standards are not required to be applied until annual reporting periods beginning on or after 1 July 2012. The impact of the adoption of these standards is disclosed in note 2.2 to the consolidated Financial Statements.

The following significant accounting policies have been adopted in the preparation and presentation of the consolidated Financial Statements.

3.3 BASIS OF CONSOLIDATION

The consolidated Financial Statements incorporate the Financial Statements of the Company and entities controlled by the Company (its subsidiaries) referred to as 'the Group' in the

Notes to the Financial Statements

for the financial year ended 30 June 2012

3 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

consolidated Financial Statements. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated Income Statement from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

3.4 CASH AND CASH EQUIVALENTS

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

3.5 FINANCIAL INSTRUMENTS

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

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

3.5.1 FINANCIAL ASSETS

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

3.5.1.1 Effective Interest Method

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

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

3.5.1.2 Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the statement of comprehensive income. Fair value is determined in the manner described in note 35.

3.5.1.3 AFS Financial Assets

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

3.5.1.4 Loans and Receivables

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

3.5.1.5 Impairment of Financial Assets

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

For AFS equity instruments, including listed or unlisted shares, objective evidence of impairment includes information

Notes to the Financial Statements

for the financial year ended 30 June 2012

3 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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 of 60 days, 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.

3.5.1.6 Derecognition of Financial Assets

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

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

3.5.2 FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

3.5.2.1 Classification as Debt or Equity

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

3.5.2.2 Equity Instruments

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

3.5.2.3 Financial Liabilities

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

3.5.2.4 Financial Liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

Notes to the Financial Statements

for the financial year ended 30 June 2012

3 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

- it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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

3.5.2.5 Other Financial Liabilities

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

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

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

3.5.2.6 Derecognition of Financial Liabilities

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

3.5.2.7 Transaction Costs on the Issue of Equity Instruments

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

3.5.2.8 Dividends

Dividends are classified as distributions of profit.

3.5.3 DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including forward foreign exchange contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in note 35 to the consolidated Financial Statements.

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

3.5.3.1 Hedge Accounting

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

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

Note 35 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.

3.5.3.2 Fair Value Hedges

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

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

3.5.3.3 Cash-flow Hedges

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

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

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

3.5.3.4 Hedges of Net Investments in Foreign Operations

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

Notes to the Financial Statements

for the financial year ended 30 June 2012

3 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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

3.5.3.5 Derivatives That Do Not Qualify For Hedge Accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss.

3.6 INVENTORIES

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

3.7 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

3.8 IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS OTHER THAN GOODWILL

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

3.9 BORROWING COSTS

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

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

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

3.10 LEASING

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

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

Notes to the Financial Statements

for the financial year ended 30 June 2012

3 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

3.11 PROVISIONS

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

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

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

3.11.1 ONEROUS CONTRACTS

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

3.12 EMPLOYEE BENEFITS

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

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

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

3.12.1 DEFINED CONTRIBUTION PLANS

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

3.13 REVENUE RECOGNITION

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

3.13.1 SALE OF GOODS

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

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

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

3.13.2 ROYALTIES

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

3.13.3 DIVIDEND AND INTEREST INCOME

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

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

3.14 FOREIGN CURRENCIES

3.14.1 INDIVIDUAL CONTROLLED ENTITIES

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

3.14.2 FOREIGN CURRENCY TRANSACTIONS

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

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

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

3.14.3 FOREIGN OPERATIONS

For the purpose of presenting consolidated Financial Statements, the assets and liabilities of the Group's foreign

Notes to the Financial Statements

for the financial year ended 30 June 2012

3 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

operations are translated at exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to noncontrolling interests as appropriate).

3.15 SHARE-BASED PAYMENTS

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

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

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

3.16 GOODS AND SERVICE TAX

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

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

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

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

3.17 TAXATION

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

3.17.1 CURRENT TAX

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

3.17.2 DEFERRED TAX

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

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

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

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

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

3.17.3 CURRENT AND DEFERRED TAX FOR THE YEAR

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

3.18 INVESTMENT PROPERTY

Investment property, which is property held to earn rentals and/or for capital appreciation is measured initially at its cost, including transaction costs. Subsequent to initial recognition, 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

Notes to the Financial Statements

for the financial year ended 30 June 2012

3 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

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

3.19 INTANGIBLE ASSETS

3.19.1 INTANGIBLE ASSETS ACQUIRED SEPARATELY

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

3.19.2 INTERNALLY-GENERATED INTANGIBLE ASSETS

3.19.2.1 Research and development expenditure

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

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

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

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

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

3.19.2.2 Website development expenditure

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

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

These websites generate probable future economic benefits and have a 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.

3.19.3 INTANGIBLE ASSETS ACQUIRED IN A BUSINESS COMBINATION

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

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

3.19.4 DERECOGNITION OF INTANGIBLE ASSETS

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

3.20 BUSINESS COMBINATIONS

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

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

Notes to the Financial Statements

for the financial year ended 30 June 2012

3 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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

3.21 GOODWILL

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

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

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

3.22 INTERESTS IN JOINT VENTURES

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

When a group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the Financial Statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

The Group's interests in assets where the Group does not have joint control are accounted for in accordance with the substance of the Group's interest. Where such arrangements give rise to an undivided interest in the individual assets and liabilities of the joint venture, the Group recognises its undivided interest in each asset and liability and classifies and presents those items according to their nature.

3.23 GOVERNMENT GRANTS

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

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

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

4.1 USEFUL LIVES OF PROPERTY PLANT AND EQUIPMENT

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

4.2 RECOVERABILITY OF INTERNALLY GENERATED INTANGIBLE ASSET

The Directors considered the recoverability of the Group's internally generated intangible assets arising from its website development projects, which are included in the consolidated Statement of Financial Position at 30 June 2012 at $626,000 (30 June 2011: $809,000).

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

4.3 ASSUMPTIONS FOR PAW AND OTHER INTANGIBLES IMPAIRMENT REVIEW

The recoverable amount of the goodwill and other intangibles relating to the acquisition of PAW in the 2011 year is based on value in use calculations. Those calculations use cash-flow projections based on the five year plan approved by management. The discount rate used in the calculations is 7% which reflects a market estimate of the Blackmores Group's weighted average cost of capital.

Notes to the Financial Statements

for the financial year ended 30 June 2012

5 REVENUE

	2012 $'000	2011 $'000
REVENUE FROM CONTINUING OPERATIONS CONSISTED OF THE FOLLOWING:		
Revenue from sale of goods	**260,832**	234,423
Interest revenue from bank deposits	**172**	161
Royalties	**681**	844
Membership income	**54**	-
	261,739	235,428

6 OTHER INCOME

	2012 $'000	2011 $'000
(Loss)/gain on disposals of property, plant and equipment	**(73)**	5
Government grants received for market development[1]	**-**	21
Dividends received	**15**	-
Net foreign exchange gains	**518**	1,299
Net exchange losses on forward exchange contracts	**(439)**	(1,391)
	21	(66)
Other income per above	**533**	1,325
Losses per above	**(512)**	(1,391)
	21	(66)

1. No unfulfilled conditions or contingencies attached to this assistance existed as at 30 June 2011.

7 PROFIT FOR THE YEAR

	2012 $'000	2011 $'000
PROFIT FOR THE YEAR HAS BEEN ARRIVED AT AFTER CHARGING/(CREDITING):		
Cost of sales	**86,482**	78,790
Interest expense:		
Interest on bank loans	**2,140**	2,090
Net settlement of interest rate swap	**207**	282
Bank margin activation and undrawn facility fees	**586**	525
Total interest expense	**2,933**	2,897
Depreciation of non-current assets	**4,472**	4,211
Amortisation of non-current assets	**450**	318
Total depreciation and amortisation expense	**4,922**	4,529
Operating lease minimum lease payments	**1,664**	1,391
Research and development costs expensed as incurred	**6,700**	3,952
Employee benefits expense		
Post-employment benefits:		
Defined contribution plans	**3,076**	2,809
Share-based payments:		
Equity-settled share-based payments	**625**	1,139
Termination benefits	**607**	405
Other employee benefits	**50,602**	48,377
	54,910	52,730

Notes to the Financial Statements

for the financial year ended 30 June 2012

8 SEGMENT INFORMATION

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

Australia
Thailand
Malaysia
Other Asia
New Zealand
Other

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

SEGMENT REVENUES FOR THE YEAR ENDED 30 JUNE

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

	EXTERNAL SALES		INTER-SEGMENT[1]		OTHER REVENUE		TOTAL	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Australia	**201,024**	185,100	**21,241**	15,670	**54**	-	**222,319**	200,770
Thailand	**24,624**	20,349	**-**	-	**-**	-	**24,624**	20,349
Malaysia	**15,080**	13,400	**-**	-	**-**	-	**15,080**	13,400
Other Asia[2]	**13,372**	10,662	**-**	-	**-**	-	**13,372**	10,662
New Zealand	**4,264**	3,520	**-**	-	**681**	837	**4,945**	4,357
Other	**2,468**	1,392	**-**	-	**-**	7	**2,468**	1,399
Total of all segments	**260,832**	234,423	**21,241**	15,670	**735**	844	**282,808**	250,937
Eliminations[3]							**(21,241)**	(15,670)
Consolidated revenue (excluding interest revenue and other income)							**261,567**	235,267

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 Korea, Singapore, Hong Kong, Taiwan and China.
3. This is the total of adjustments to revenue as a result of the intercompany consolidation eliminations.

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

INFORMATION ABOUT MAJOR CUSTOMERS

The Group had two customers who contributed more than 10% of the Group's revenue in 2012. Included in external sales of the Australian segment of $201,024,000 (2011: $185,100,000) are sales of $50,984,272 (2011: $36,323,064) and $36,403,440 (2011: $35,849,532) which arose from sales to the Group's two largest customers. No other single customer contributed 10% or more to the Group's revenue for both 2012 and 2011.

EXTERNAL SALES TO CUSTOMERS FOR THE YEAR ENDED 30 JUNE

	2012 $'000	2011 $'000
Australia	**201,024**	185,100
Thailand	**24,624**	20,349
Malaysia	**15,080**	13,400
Other Asia	**13,372**	10,662
New Zealand	**8,323**	8,370
Other	**2,468**	1,462
Total of all segments	**264,891**	239,343

Notes to the Financial Statements

for the financial year ended 30 June 2012

8 SEGMENT INFORMATION (CONT.)

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

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

SEGMENT RESULTS FOR THE YEAR ENDED 30 JUNE

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

	2012 $'000	2011 $'000
Australia	**21,490**	22,180
Thailand	**5,512**	4,200
Malaysia	**1,912**	1,205
Other Asia	**(231)**	(61)
New Zealand	**425**	425
Other	**(1,302)**	(644)
Profit after tax	**27,806**	27,305

Segment profit represents the net profit after tax 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.

SEGMENT ASSETS AS AT 30 JUNE

	CURRENT		NON-CURRENT	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Australia	**73,336**	60,433	**76,081**	76,143
Thailand	**13,654**	9,226	**525**	586
Malaysia	**8,592**	6,936	**126**	65
Other Asia	**5,724**	3,889	**1,470**	1,180
New Zealand	**3,363**	56	**-**	-
Other	**1,274**	151	**1,900**	1,860
Total of all segments	**105,943**	80,691	**80,102**	79,834
Eliminations[1]	**(5,950)**	(2,170)	**(5,324)**	(5,225)
Total assets	**99,993**	78,521	**74,778**	74,609

1. This relates to consolidation adjustments for the elimination of intercompany investments and loans.

OTHER SEGMENT INFORMATION FOR THE YEAR ENDED 30 JUNE

	AUSTRALIA		THAILAND		MALAYSIA		OTHER ASIA		NEW ZEALAND		OTHER	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Interest revenue	**174**	204	**5**	1	**52**	5	**1**	1	**-**	-	**-**	-
Interest expense	**2,933**	2,897	**-**	-	**-**	-	**60**	50	**-**	-		-
Additions to non-current assets	**5,041**	4,445	**51**	140	**33**	16	**146**	39	**-**	-	**-**	-
Depreciation and amortisation	**4,738**	4,345	**132**	120	**23**	21	**15**	11	**-**	-	**14**	32
Other non-cash expenses[1]	**2,998**	2,453	**59**	70	**284**	463	**487**	141	**-**	-	**73**	-

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

Notes to the Financial Statements

for the financial year ended 30 June 2012

9 INCOME TAXES

	2012 $'000	2011 $'000
9.1 INCOME TAX RECOGNISED IN PROFIT OR LOSS		
CURRENT TAX:		
Current tax expense in respect of the current year	**12,906**	12,411
Adjustments recognised in the current year in relation to the current tax of prior years	**(223)**	(385)
DEFERRED TAX:		
Deferred tax benefit relating to the origination and reversal of temporary differences	**(1,293)**	(9)
Total income tax expense recognised in the current year relating to continuing operations	**11,390**	12,017

The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the consolidated Financial Statements as follows:

	2012 $'000	2011 $'000
Profit before tax	**39,196**	39,322
Income tax expense calculated at 30%	**11,759**	11,797
Effect of different tax rates on tax on overseas income	**(99)**	(58)
Effect of expenses that are not deductible in determining taxable profit	**380**	357
Effect of tax concessions	**(662)**	(12)
Effect of revenue exempt from tax	**-**	(7)
Effect of withholding tax on intercompany dividend	**162**	161
Effect of tax losses recognised	**(60)**	-
Effect of tax losses not recognised	**275**	275
Other items	**(142)**	(111)
	11,613	12,402
Over provision of income tax in previous year	**(223)**	(385)
Income tax expense recognised in profit or loss	**11,390**	12,017

The tax rate used for the 2012 and 2011 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 2012

9 INCOME TAXES (CONT.)

9.2 DEFERRED TAX BALANCES

Deferred tax assets/(liabilities) arise from the following:

	OPENING BALANCE $'000	RECOGNISED IN PROFIT OR LOSS $'000	RECOGNISED IN OTHER COMPREHENSIVE INCOME $'000	ACQUISITIONS $'000	CLOSING BALANCE $'000
Temporary differences 2012					
Property, plant and equipment	**(500)**	**422**	**-**	**-**	**(78)**
Prepayments and other	**(207)**	**(70)**	**-**	**-**	**(277)**
Provisions	**2,010**	**645**	**-**	**-**	**2,655**
Accruals	**860**	**(256)**	**-**	**-**	**604**
Cash-flow hedges	**67**	**-**	**244**	**-**	**311**
Website development	**61**	**(11)**	**-**	**-**	**50**
Foreign currency monetary items	**16**	**(26)**	**-**	**-**	**(10)**
Capitalised expenses	**28**	**63**	**-**	**-**	**91**
Tax losses recognised	**-**	**62**	**-**	**-**	**62**
Other	**(5)**	**220**	**-**	**-**	**215**
	2,330	**1,049**	**244**	**-**	**3,623**
Presented in the consolidated Statement of Financial Position as follows:					
Deferred tax asset					**3,623**
Deferred tax liability					**-**
					3,623
Temporary differences 2011					
Property, plant and equipment	(933)	433	-	-	(500)
Prepayments and other	(34)	(173)	-	-	(207)
Provisions	1,974	32	-	4	2,010
Accruals	1,112	(252)	-	-	860
Cash-flow hedges	130	-	(63)	-	67
Website development	60	1	-	-	61
Foreign currency monetary items	17	(1)	-	-	16
Capitalised expenses	-	28			28
Other	(5)	-	-	-	(5)
	2,321	68	(63)	4	2,330
Presented in the consolidated Statement of Financial Position as follows:					
Deferred tax asset					2,335
Deferred tax liability					(5)
					2,330

UNRECOGNISED DEFERRED TAX ASSETS

	2012 $'000	2011 $'000
The following deferred tax assets have not been brought to account as assets:		
Tax losses - capital (no expiry date)	**758**	758
Tax losses - revenue (expiry: 2015)	**33**	33
Tax losses - revenue (expiry: 2016)	**143**	143
Tax losses - revenue (expiry: 2017)	**202**	202
Tax losses - revenue (expiry: 2018)	**139**	139
Tax losses - revenue (expiry: 2019)	**100**	100
Tax losses - revenue (expiry: 2020)	**125**	131
Tax losses - revenue (expiry: 2021) Taiwan	**182**	-
Tax losses - revenue (no expiry date)	**362**	387
	2,044	1,893

Notes to the Financial Statements

for the financial year ended 30 June 2012

10 KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2012 $	2011 $
Short-term employee benefits	**4,266,166**	4,575,350
Post-employment benefits	**265,669**	307,926
Other long-term benefits	**38,023**	63,210
Termination benefits	**-**	341,407
Share-based payments	**512,347**	677,033
	5,082,205	5,964,926

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

11 SHARE-BASED PAYMENTS

EXECUTIVE AND EMPLOYEE SHARE OPTION PLAN

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

The fair value of rights granted is calculated in accordance with AASB 2 'Share-based Payments'. During the year, the Company granted entitlements to an allocation of ordinary shares provided specific objectives and hurdles were met. The number of ordinary shares that will be issued for nil consideration in relation to the services performed during the financial year ended 30 June 2012 is nil (2011: 32,960). The minimum number of rights that could be vested under the entitlement was 17,073 (2011: 11,329) and the maximum number of rights that could be vested was 69,591 (2011: 59,498).

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 2012 YEAR					$
Granted 29 May 2012	**69,591**	**29 May 2012**	**30 June 2012**	**N/A**	**23.52**
GRANTS IN THE 2011 YEAR					$
Granted 13 September 2010	52,104	13 September 2010	30 June 2011	30.00	22.32
Granted 9 December 2010	7,394	9 December 2010	30 June 2011	30.00	25.55

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

SHARE RIGHTS SERIES	NUMBER OF RIGHTS	2012 WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF RIGHTS	2011 WEIGHTED AVERAGE EXERCISE PRICE
Balance at the beginning of the year	**32,960**		63,800	
Granted during the year	**69,591**		59,498	
Forfeited during the year	**(69,591)**		(26,538)	
Exercised during the year	**(32,960)**	**30.00**	(63,800)	24.54
Expired during the year	**-**		-	
Balance at the end of the year	**-**		32,960	
Exercisable at the end of the year	**-**		32,960	

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

Share rights are vested as at 30 June 2012 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 2012 financial year will be determined in September 2012.

Notes to the Financial Statements

for the financial year ended 30 June 2012

11 SHARE-BASED PAYMENTS (CONT.)

CHIEF EXECUTIVE OFFICER

	PERCENTAGE OF PARTICIPANT'S BASE REMUNERATION	
Rate of EPS growth	2012	2011
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
2012

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

2011

The Percentage of Base Remuneration at levels of EPS Growth for the 2011 financial year was determined by the following formula:

5% + (EPS Growth% less 4%) x 2.5), provided that EPS Growth is at least equal to or greater than 4%.
Senior Management's percentage is one quarter of Senior Executives.

Examples of Percentage of Base Remuneration at levels of EPS Growth are:

	PERCENTAGE OF PARTICIPANT'S BASE REMUNERATION	
Rates of EPS growth	SENIOR EXECUTIVES	OTHER SENIOR COMPANY MANAGEMENT
less than 4%	-	-
equal to 4%	5.0	1.25
equal to 5%	7.5	1.88
equal to 6%	10.0	2.50
equal to 7%	12.5	3.13
equal to 8%	15.0	3.75
equal to 9%	17.5	4.38
equal to 10%	20.0	5.00
equal to 11%	22.5	5.63
equal to 12%	25.0	6.25
equal to 13%	27.5	6.88
equal to 14%	30.0	7.50
equal to 15%	32.5	8.13
equal to 16%	35.0	8.75
equal to 17%	37.5	9.38
equal to or greater than 18%	40.0	10.00

Notes to the Financial Statements

for the financial year ended 30 June 2012

11 SHARE-BASED PAYMENTS (CONT.)

SENIOR EXECUTIVE ANIMAL HEALTH DIVISION 2012 AND 2011

The allocation is based on a percentage of the Senior Executive's base remuneration. The allocation is primarily payable only if actual sales revenue exceeds 150% of budgeted revenue for the Animal Health Division. Thereafter assuming this initial criteria is met the allocation then varies depending on the performance of actual EBIT compared to stretch EBIT target, which is also in excess of that budgeted for the business. The minimum payout is 0% and the maximum potential payout is 100% of the Executive's base remuneration.

SHARE-BASED CONDITIONS

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

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

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

SPECIAL LONG-TERM INCENTIVES

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

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

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

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

A share-based payment expense of $41,969 (2011: $160,939) was recorded in relation to these shares for the year ended 30 June 2012. This amount has been included in the total remuneration for Christine Holgate as set out in the Key Management Personnel Remuneration Disclosure on page 36 of the Directors' Report.

STAFF SHARE ACQUISITION PLAN

The Group has established a Staff Share Acquisition Plan. The plan is open to all employees including Senior Executives and enables them to purchase up to $1,000 of Blackmores shares tax free (subject to taxable income thresholds) each year with money that would have otherwise been paid as profit share. 2,509 shares were issued during the year ended 30 June 2012 (2011: 3,141 shares). In July 2012, 2,214 shares (2011: 2,411 shares) will be issued to employees, including Senior Executives, for profit share entitlement that would otherwise have been paid in cash during the year ended 30 June 2012.

OPTIONS PLAN

At 1 July 2011 and at 1 July 2010 there were no share options outstanding, none were issued during the years ended 30 June 2012 and 2011 and as at 30 June 2012 and 2011 there were no unexercised share options.

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

Notes to the Financial Statements

for the financial year ended 30 June 2012

12 REMUNERATION OF AUDITOR

	2012 $	2011 $
Auditor of the Parent Entity		
Auditing or reviewing the Financial Statements	**244,000**	238,904
Taxation services	**3,002**	12,205
Other non-audit services[1]	**49,351**	16,475
	296,353	267,584
Network Firm of the Parent Company Auditor		
Auditing the Financial Statements	**88,051**	80,946
Taxation services	**32,759**	38,820
Other non-audit services[1]	**1,274**	-
	122,084	119,766

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

	2012 $'000	2011 $'000
Current		
Current trade and other receivables[1]	**54,736**	44,175
Allowance for doubtful debts	**(689)**	(478)
Allowance for claims	**(587)**	(746)
	53,460	42,951
Goods and services tax (GST) recoverable	**238**	79
	53,698	43,030
Non-current		
Payment on account on a building contract	**-**	2,500

1. The average credit period on sale of goods is 30 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 2012, the Group had four customers (2011: four customers) each comprising amounts greater than 5% of the total trade receivables. These customers owed the Group more than $2.7 million (2011: $2.2 million) each and accounted for approximately 47% (2011: 60%) of all receivables owing.

AGEING OF PAST DUE BUT NOT IMPAIRED

	2012	2011
0 - 30 days past due date	**191**	1,393
31 - 60 days past due date	**25**	80
61 - 90 days past due date	**4**	4
> 90 days past due date	**107**	41
Total	**327**	1,518

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

Notes to the Financial Statements

for the financial year ended 30 June 2012

13 TRADE AND OTHER RECEIVABLES (CONT.)

	2012 $'000	2011 $'000
AGEING OF IMPAIRED TRADE RECEIVABLES		
0 - 30 days	**51**	196
31 - 60 days	**21**	54
61 - 90 days	**9**	15
> 90 days	**608**	213
Total	**689**	478

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of $600,800 (2011: $60,602) which have been placed into liquidation. The Group does not hold any collateral over these balances. The Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

	2012 $'000	2011 $'000
MOVEMENT IN THE ALLOWANCE FOR DOUBTFUL DEBTS		
Balance at the beginning of the year	**478**	589
Impairment losses recognised on trade receivables	**-**	-
Amounts written off as uncollectable	**(39)**	(38)
Provision increase/(release)	**250**	(73)
Balance at the end of the year	**689**	478

14 INVENTORIES

	2012 $'000	2011 $'000
Ingredients	**2,068**	-
Raw materials	**11,367**	7,569
Finished goods	**18,351**	16,180
	31,786	23,749

The cost of inventories recognised as an expense during the period in respect of continuing operations was approximately $86,482,000 (2011: $78,790,000).

There were no write downs of inventory below cost during the financial year (2011: $nil).

Inventories of $370,656 (2011: $nil) are expected to be recovered after more than twelve months.

15 PROPERTY, PLANT AND EQUIPMENT

	2012 $'000	2011 $'000
Cost	**88,700**	84,141
Accumulated depreciation	**(22,784)**	(19,215)
	65,916	64,926
Carrying Amounts Of:		
Freehold land	**12,848**	12,848
Buildings	**33,802**	33,496
Leasehold improvements	**101**	93
Plant and equipment	**18,466**	17,246
Capital work in progress	**699**	1,243
	65,916	64,926

Notes to the Financial Statements

for the financial year ended 30 June 2012

15 PROPERTY, PLANT AND EQUIPMENT (CONT.)

	FREEHOLD LAND AT COST $'000	BUILDINGS AT COST $'000	LEASEHOLD IMPROVEMENTS AT COST $'000	PLANT AND EQUIPMENT AT COST $'000	CAPITAL WORK IN PROGRESS $'000	TOTAL $'000
Cost						
Balance at 30 June 2010	12,845	35,381	673	32,090	1,291	82,280
Additions	3	394	45	1,342	1,229	3,013
Acquisitions through business combinations	-	-	-	13	-	13
Category transfers	-	-	-	1,277	(1,277)	-
Disposals	-	-	-	(1,056)	-	(1,056)
Other	-	-	-	-	-	-
Net foreign currency exchange differences arising on translation of financial statements of foreign operations	-	-	(23)	(86)	-	(109)
Balance at 30 June 2011	**12,848**	**35,775**	**695**	**33,580**	**1,243**	**84,141**
Additions	**-**	**74**	**47**	**3,852**	**458**	**4,431**
Acquisitions through business combinations	**-**	**-**	**-**	**-**	**-**	**-**
Category transfers	**-**	**(54)**	**-**	**1,056**	**(1,002)**	**-**
Disposals	**-**	**-**	**(189)**	**(828)**	**-**	**(1,017)**
Other[1]	**-**	**1,131**	**-**	**-**	**-**	**1,131**
Net foreign currency exchange differences arising on translation of financial statements of foreign operations	**-**	**-**	**2**	**12**	**-**	**14**
Balance at 30 June 2012	**12,848**	**36,926**	**555**	**37,672**	**699**	**88,700**

1. Represents the net amount of a reclassification from non-current receivables relating to building improvements and proceeds received from the calling of a bank guarantee which was applied against the cost of the building to which the guarantee related.

	FREEHOLD LAND AT COST $'000	BUILDINGS AT COST $'000	LEASEHOLD IMPROVEMENTS AT COST $'000	PLANT AND EQUIPMENT AT COST $'000	CAPITAL WORK IN PROGRESS $'000	TOTAL $'000
Accumulated Depreciation						
Balance at 30 June 2010	-	(1,317)	(570)	(14,245)	-	(16,132)
Acquisitions through business combinations	-	-	-	(10)	-	(10)
Disposals	-	-	-	1,040	-	1,040
Depreciation expense	-	(962)	(47)	(3,202)	-	(4,211)
Net foreign currency exchange differences arising on translation of financial statements of foreign operations	-	-	15	83	-	98
Balance at 30 June 2011	**-**	**(2,279)**	**(602)**	**(16,334)**	**-**	**(19,215)**
Acquisitions through business combinations	**-**	**-**	**-**	**-**	**-**	**-**
Disposals	**-**	**-**	**188**	**674**	**-**	**862**
Depreciation expense	**-**	**(845)**	**(38)**	**(3,588)**	**-**	**(4,471)**
Net foreign currency exchange differences arising on translation of financial statements of foreign operations	**-**	**-**	**(2)**	**42**	**-**	**40**
Balance at 30 June 2012	**-**	**(3,124)**	**(454)**	**(19,206)**	**-**	**(22,784)**
Net Book Value						
As at 30 June 2011	12,848	33,496	93	17,246	1,243	64,926
As at 30 June 2012	**12,848**	**33,802**	**101**	**18,466**	**699**	**65,916**

	2012 $'000	2011 $'000
Aggregate Depreciation Allocated:		
Buildings	**845**	962
Leasehold improvements	**38**	47
Plant and equipment	**3,588**	3,202
	4,471	4,211

No impairment losses have been recognised in the current year (2011: $nil).

Notes to the Financial Statements

for the financial year ended 30 June 2012

16 INVESTMENT PROPERTY

	2012 $'000	2011 $'000
Cost of investment property	**2,160**	2,160
At Cost		
Balance at beginning of year	**2,160**	2,160
Additions	**-**	-
Balance at end of year	**2,160**	2,160

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

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

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

17 OTHER INTANGIBLE ASSETS

	2012 $'000	2011 $'000
Cost	**3,130**	2,434
Accumulated amortisation and impairment	**(873)**	(422)
	2,257	2,012

	CAPITALISED WEBSITE DEVELOPMENT $'000	REGISTRA-TIONS[1,2] $'000	TRADE-MARKS[1,2] $'000	FORMU-LATIONS[1,2] $'000	DISTIBUTION AGREEMENT[1] $'000	ROYALTY STREAM $'000	TOTAL $'000
Cost							
Balance at 30 June 2010	820	-	-	-	-	-	820
Additions from internal development	384	-	-	-	-	-	384
Acquisitions through business combinations	-	797	120	272	41	-	1,230
Balance at 30 June 2011	**1,204**	**797**	**120**	**272**	**41**	**-**	**2,434**
Additions	**-**	**-**	**-**	**-**	**-**	**450**	**450**
Additions from internal development	**246**	**-**	**-**	**-**	**-**	**-**	**246**
Acquisitions through business combinations	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 30 June 2012	**1,450**	**797**	**120**	**272**	**41**	**450**	**3,130**
Accumulated Amortisation							
Balance at 30 June 2010	(104)	-	-	-	-	-	(104)
Amortisation expense	(291)	-	-	-	(27)	-	(318)
Balance at 30 June 2011	**(395)**	**-**	**-**	**-**	**(27)**	**-**	**(422)**
Amortisation expense	**(429)**	**-**	**-**	**-**	**(14)**	**(8)**	**(451)**
Balance at 30 June 2012	**(824)**	**-**	**-**	**-**	**(41)**	**(8)**	**(873)**
Net Book Value							
As at 30 June 2011	809	797	120	272	14	-	2,012
As at 30 June 2012	**626**	**797**	**120**	**272**	**-**	**442**	**2,257**

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

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

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

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

Notes to the Financial Statements

for the financial year ended 30 June 2012

18 TRADE AND OTHER PAYABLES

	2012 $'000	2011 $'000
Trade payables[1]	**14,204**	10,051
Goods and services tax (GST) payable	**894**	625
Other creditors and accruals	**19,839**	15,167
	34,937	25,843

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.

19 OTHER FINANCIAL ASSETS AND LIABILITIES

Assets		
Investments	**144**	-
Liabilities		
Interest rate swaps	**1,036**	155

Derivatives and hedging instruments (designated as effective) are carried at fair value:
The weighted average interest rates related to interest rate swaps were 4.85% (2011: 5.68%).

20 CURRENT TAX LIABILITIES

Income tax payable	**2,117**	3,570

21 PROVISIONS

Current		
Employee benefits[1]	**3,512**	3,239
Directors' retirement benefits[2]	**414**	414
Employee Redundancy[3]	**530**	-
	4,456	3,653
Non-current		
Employee benefits[1]	**908**	792

Reconciliations

	DIRECTORS' RETIREMENT BENEFITS $'000	EMPLOYEE REDUNDANCY $'000
Balance at 30 June 2011	**414**	-
Additional provisions recognised	**-**	607
Reductions arising from payments made	**-**	(77)
Balance at 30 June 2012	**414**	530
Current	**414**	530
Non-current	**-**	-
	414	530

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

22 BORROWINGS

Non-current		
Secured – at amortised cost:		
Bank bills[1,2]	**45,000**	40,000

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.

Notes to the Financial Statements

for the financial year ended 30 June 2012

23 ISSUED CAPITAL

	2012 $'000	2011 $'000
16,779,761 fully paid ordinary shares (2011: 16,744,292)	**25,348**	25,348

	2012 NUMBER '000	2012 SHARE CAPITAL $'000	2011 NUMBER '000	2011 SHARE CAPITAL $'000
Fully Paid Ordinary Shares				
Balance at beginning of financial year	**16,744**	**25,348**	16,677	25,348
Issue of shares under Executive and employee share plans (notes 11, 33.3)	**36**	**-**	67	-
Balance at end of financial year	**16,780**	**25,348**	16,744	25,348

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

Employee Share Plans

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

24 RESERVES

	2012 $'000	2011 $'000
Equity-settled employee benefits reserve	**5,430**	4,805
Cash-flow hedging reserve	**(725)**	(157)
Foreign currency translation reserve	**(2,941)**	(3,054)
	1,764	1,594

24.1 EQUITY-SETTLED EMPLOYEE BENEFITS RESERVE

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

Balance at beginning of year	**4,805**	3,666
Recognition of share-based payments	**625**	1,139
Balance at end of year	**5,430**	4,805

24.2 CASH-FLOW HEDGING RESERVE

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

Balance at beginning of year	**(157)**	(303)
Net (loss)/gain on revaluation	**(568)**	146
Balance at end of year	**(725)**	(157)

24.3 FOREIGN CURRENCY TRANSLATION RESERVE

Exchange differences relating to foreign currency monetary items forming part of the net investment in a foreign operation and the translation of foreign controlled entities are brought to account by entries made directly to the foreign currency translation reserve, as described in note 3.14 to the consolidated Financial Statements.

Balance at beginning of year	**(3,054)**	(893)
Exchange differences arising on translating the foreign controlled entities	**113**	(2,161)
Balance at end of year	**(2,941)**	(3,054)

25 RETAINED EARNINGS

	2012 $'000	2011 $'000
Retained earnings	**59,168**	52,170
Balance at the beginning of the year	**52,170**	43,972
Profit for the year	**27,806**	27,305
Payment of dividends	**(20,808)**	(19,107)
Balance at end of year	**59,168**	52,170

NOTES TO THE FINANCIAL STATEMENTS

Notes to the Financial Statements

for the financial year ended 30 June 2012

26 EARNINGS PER SHARE

	2012 CENTS PER SHARE	2011 CENTS PER SHARE
Basic earnings per share	**165.8**	163.2
Diluted earnings per share	**165.8**	162.9

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:

	2012 $'000	2011 $'000
Earnings (reconciles directly to profit for the year in the consolidated Income Statement)	**27,806**	27,305

	2012 NUMBER	2011 NUMBER
Weighted average number of ordinary shares on issue during the financial year used in the calculation of basic earnings per share	**16,772,819**	16,733,395

Diluted Earnings per Share

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

	2012 $'000	2011 $'000
Earnings (reconciles directly to profit for the year in the consolidated Income Statement)	**27,806**	27,305

	2012 NUMBER	2011 NUMBER
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**16,772,819**	16,733,395
Shares deemed to be issued for no consideration in respect of: Employee share plans	**2,214**	28,055
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	**16,775,033**	16,761,450

27 DIVIDENDS

RECOGNISED AMOUNTS	2012 CENTS PER SHARE	TOTAL $'000	2011 CENTS PER SHARE	TOTAL $'000
Fully Paid Ordinary Shares				
Final dividend for year ended 30 June 2011 (2011: 30 June 2010)				
– fully franked at 30% corporate tax rate	**80**	**13,424**	70	11,740
Interim dividend for year ended 30 June 2012 (2011: 30 June 2011)				
– fully franked at 30% corporate tax rate	**44**	**7,384**	44	7,367
	124	**20,808**	114	19,107
Unrecognised Amounts				
Fully Paid Ordinary Shares				
Final dividend – fully franked at 30% corporate tax rate	**83**	**13,929**		

The final dividend in respect of ordinary shares for the year ended 30 June 2012 has not been recognised in these consolidated Financial Statements because the final dividend was declared subsequent to 30 June 2012. 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.

	2012 $'000	2011 $'000
Adjusted franking account balance	**9,907**	7,586

Notes to the Financial Statements

for the financial year ended 30 June 2012

28 COMMITMENTS FOR EXPENDITURE

	2012 $'000	2011 $'000
Research and Development Contracts		
Not longer than 1 year	**640**	95
Longer than 1 year and not longer than 5 years	**1,114**	120
Longer than 5 years	**-**	-
	1,754	215
Plant and equipment		
Not longer than 1 year	**-**	1,436
Longer than 1 year and not longer than 5 years	**-**	-
Longer than 5 years	**-**	-
	-	1,436
Promotional Services		
Not longer than 1 year	**250**	250
Longer than 1 year and not longer than 5 years	**750**	1,000
Longer than 5 years	**-**	-
	1,000	1,250
Sponsorship		
Not longer than 1 year	**372**	347
Longer than 1 year and not longer than 5 years	**314**	599
Longer than 5 years	**55**	82
	741	1,028

Lease Commitments

Non-cancellable operating lease commitments are disclosed in note 29 of the consolidated Financial Statements.

29 OPERATING LEASES

	2012 $'000	2011 $'000

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.

	2012 $'000	2011 $'000
Non-cancellable Operating Lease Payments		
Not later than 1 year	**1,426**	998
Later than 1 year and not later than 5 years	**1,247**	1,159
Later than 5 years	**-**	-
	2,673	2,157

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

30 CONTINGENT LIABILITIES

The Directors do not believe there are any contingent liabilities as at 30 June 2012.

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31 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 2012	2011	PRINCIPAL ACTIVITY
Blackmores Nominees Pty Limited	Australia	100	100	Management of employee share plans
Pat Health Limited	Hong Kong	100	100	Marketing of natural health products
Blackmores (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[1]	New Zealand	100	100	Marketing of natural health products
Blackmores Korea Ltd[2]	Korea	100	-	Marketing of natural health products
Blackmores (Singapore) Pte Limited	Singapore	100	100	Marketing of natural health products
Blackmores (Malaysia) Sdn Bhd	Malaysia	100	100	Marketing of natural health products
Blackmores (Thailand) Limited	Thailand	100	100	Marketing of natural health products
Blackmores Holdings Limited[3]	Thailand	100	100	Holding Company

1. This company commenced trading during the 2012 financial year.
2. This company was incoporated and commenced trading during the 2012 financial year.
3. This company did not trade during the 2012 or 2011 financial years.

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

Economic Dependency

The Group is not significantly dependent upon any other entity.

32 JOINT VENTURES

The Group has the following significant interest in joint ventures:

In the financial year ended 30 June 2011 the Group entered into a long-term joint venture arrangement with an established supplier of internet-based personalised health clubs and related services. The initial term of the agreement covers a 5 year period and determines that the partner will provide services covering web design, maintenance and hosting. In terms of the joint venture arrangement, all revenue generated from the membership and advertising will be shared equally. Blackmores will be responsible for promotional services to the value of not less than $250,000 per year in addition to the ancillary services and support required.

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

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

	2012 $'000	2011 $'000
Income	**54**	-
Expenses	**606**	-

33 RELATED PARTY AND KEY MANAGEMENT PERSONNEL DISCLOSURES

33.1 EQUITY INTERESTS IN RELATED PARTIES

EQUITY INTERESTS IN SUBSIDIARIES

Details of the percentage of ordinary shares held in controlled entities are disclosed in note 31 to the consolidated Financial Statements.

33.2 KEY MANAGEMENT PERSONNEL REMUNERATION

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

33.3 KEY MANAGEMENT PERSONNEL'S EQUITY HOLDINGS

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

During the years ended 30 June 2012 and 30 June 2011 there were no share options in existence. There have been no share options issued since the end of the financial year.

Notes to the Financial Statements

for the financial year ended 30 June 2012

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

FULLY PAID ORDINARY SHARES OF BLACKMORES LIMITED

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

1. The settlement rights of K Cunningham, N Mercado and G Perera are for the period 1 July 2010 to 30 June 2011.

FULLY PAID ORDINARY SHARES OF BLACKMORES LIMITED

2011	BALANCE 1/7/10 NUMBER	RECEIVED ON SETTLEMENT RIGHTS NUMBER	NET CHANGE OTHER[1] NUMBER	BALANCE AT 30/6/11 NUMBER
Non-Executive Directors				
S Chapman	22,055	-	-	22,055
V Fitzgerald	10,216	-	-	10,216
N Sparks	-	-	-	-
R Stovold	27,910	-	-	27,910
B Wallace	12,161	-	-	12,161
Executive Directors				
M Blackmore	4,479,278	-	-	4,479,278
C Holgate	59,203	31,030	-	90,233
Senior Executives	-	-		
K Cunningham[2]	4,073	-	-	4,073
R Henfrey	274	5,149	-	5,423
C Last	441	945	45	1,431
N Mercado[3]	167	-		167
P Osborne	237	-	45	282
G Perera[3]	205	-	-	205
L Richards	18,262	4,422	-	22,684
Former KMPs and Senior Executives				
P Barraket[4,5]	10,121	5,496	(6,245)	9,372
L Burrows[6]	17,182	4,422	-	21,604
S Moore[4,5]	302	5,320	(5,461)	161
Total (for Key Management Personnel)	**4,662,087**	**56,784**	**(11,616)**	**4,707,255**

1. Includes shares issued under the Company's Staff Share Acquisition Plan.
2. K Cunningham's opening share balance is at the date of appointment as a KMP (1 Apr 2011).
3. N Mercado's and G Perera's opening share balance is at the date of appointment as KMPs (1 Jun 2011).
4. P Barraket's and S Moore's closing share balances are at the date of their resignation (8 Apr 2011).
5. P Barraket's and S Moore's Net Change Other includes shares that were subject to forfeiture under the Rules of the Executive Performance Share Plan.
6. L Burrows' closing balance is at the date of ceasing as a KMP (8 Nov 2010).

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

RIGHTS TO SHARES

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

2011	BALANCE AS AT 1/7/10 NUMBER	GRANTED AS COMPEN-SATION NUMBER	EXERCISED NUMBER	NET OTHER CHANGE NUMBER	BALANCE AS AT 30/6/11 NUMBER	BALANCE VESTED AT 30/6/11 NUMBER	VESTED BUT NOT EXERCISABLE NUMBER	VESTED AND EXERCISABLE NUMBER	RIGHTS VESTED DURING YEAR NUMBER
Executive Director									
C Holgate	31,030	26,699	(31,030)	(8,330)	18,369	18,369	-	18,369	18,369
Senior Executives									
K Cunningham[1]	-	1,140	-	(485)	655	655	-	655	655
R Henfrey	5,149	5,504	(5,149)	(2,343)	3,161	3,161	-	3,161	3,161
C Last	945	5,002	(945)	(2,129)	2,873	2,873	-	2,873	2,873
N Mercado[2]	-	313	-	(133)	180	180		180	180
G Perera[2]	-	313	-	(133)	180	180		180	180
L Richards	4,422	5,083	(4,422)	(2,164)	2,919	2,919	-	2,919	2,919
Former KMPs and Senior Executives									
P Barraket	5,496	5,421	(5,496)	(5,421)	-	-	-	-	-
L Burrows	4,422	-	(4,422)	-	-	-	-	-	-
S Moore	5,320	5,252	(5,320)	(5,252)	-	-	-	-	-
Total (for Key Management Personnel)	**56,784**	**54,727**	**(56,784)**	**(26,390)**	**28,337**	**28,337**	**-**	**28,337**	**28,337**

1. Rights granted and vested during the financial year ended 30 June 2011 for K Cunningham are for the period as a KMP (1 April to 30 June 2011).
2. Rights granted and vested during the financial year ended 30 June 2011 for N Mercado and G Perera are for the period as a KMP (1 June to 30 June 2011).
3. J van Bruinessen joined 28 July 2011.

33.4 LOAN DISCLOSURES

There were no loan balances exceeding $100,000 due from Key Management Personnel during or at the end of the financial year (2011: $nil).

33.5 OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

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

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

Notes to the Financial Statements

for the financial year ended 30 June 2012

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

33.6 RELATED PARTY TRANSACTIONS

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

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

TRADING TRANSACTIONS

During the year, group entities did not enter into any trading transactions with related parties that are not members of the Group (2011: $nil).

OTHER RELATED PARTY TRANSACTIONS

During the financial year ended 30 June 2012, 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 $237,280 were charged. Of this, $59,477 remained outstanding at the end of the financial year and is in line with normal trading terms.
- Baron Partners Limited, a company of which Stephen Chapman is a Director, performed certain consulting services for the Company for which fees of $50,000 were charged and paid.

BALANCES WITH RELATED PARTIES

Other than the $59,477 disclosed above, there were no balances outstanding at the end of the financial year with related parties that are not members of the Group (2011: $nil).

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties.

EQUITY INTEREST IN SUBSIDIARIES

Details of the percentage of ordinary shares held in controlled entities are disclosed in note 31 to the consolidated Financial Statements.

34 NOTES TO THE CONSOLIDATED STATEMENT OF CASH-FLOWS

34.1 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:

	2012 $'000	2011 $'000
Cash and bank balances	**11,960**	10,168
Cash at call	**-**	-
Cash and cash equivalents	**11,960**	10,168
34.2 FINANCING FACILITIES		
Secured bank overdraft facility, reviewed annually and payable at call:		
• amount used	**-**	-
• amount unused	**5,000**	5,000
	5,000	5,000
Secured bank bill acceptance facility, reviewed annually:		
• amount used	**45,000**	40,000
• amount unused	**10,000**	15,000
	55,000	55,000

The Group has access to financing facilities at reporting date as indicated above. The Group expects to meet its other obligations from operating cash-flows and proceeds of maturing financial assets.

Notes to the Financial Statements

for the financial year ended 30 June 2012

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

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

	2012 $'000	2011 $'000
Profit for the year	**27,806**	27,305
Loss on disposal of non-current assets	**73**	(5)
Interest revenue disclosed as investing cash-flow	**(172)**	(161)
Dividend income disclosed as investing cash-flow	**(15)**	-
Depreciation and amortisation of non-current assets	**4,922**	4,529
Unrealised foreign exchange gain	**-**	(227)
Share-based payments	**625**	1,139
Other	**(222)**	(949)
Decrease in current tax liability	**(1,453)**	(422)
Increase in deferred tax balances	**(1,293)**	(9)
Increase/(decrease) in deferred tax balances related to hedge reserve in equity	**244**	(63)
Movements in working capital:		
• Current receivables	**(10,668)**	(8,787)
• Current inventories	**(8,037)**	(1,015)
• Other debtors and prepayments	**(977)**	914
• Current trade payables	**9,094**	(898)
• Provisions	**919**	284
Net cash from operating activities	**20,846**	21,635

34.4 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:

- the Group acquired $122,000 of equipment under a technology fund made available by the Group's telecommunications provider under the provisions of a new contract negotiated during the financial year.

35 FINANCIAL INSTRUMENTS

35.1 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 2011.

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 34) and equity of the Group (comprising issued capital, reserves and retained earnings as disclosed in notes 23, 24 and 25 respectively).

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

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

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

Notes to the Financial Statements

for the financial year ended 30 June 2012

35 FINANCIAL INSTRUMENTS (CONT.)

GEARING RATIO

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

	2012 $'000	2011 $'000
Debt[1]	**45,000**	40,000
Cash and bank balances	**(11,960)**	(10,168)
Net debt	**33,040**	29,832
Equity[2]	**86,280**	79,112
Net debt to (net debt plus equity) ratio	**27.7%**	27.4%

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

	2012 $'000	2011 $'000
Financial Assets		
Cash and bank balances	**11,960**	10,168
Loans and receivables	**53,698**	45,530
Available-for-sale financial assets	**144**	-
	65,802	55,698
Financial Liabilities		
Derivative instruments in designated hedge accounting relationships	**1,036**	155
Loans and payables	**79,937**	65,843
	80,973	65,998

35.2 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.

35.3 SIGNIFICANT ACCOUNTING POLICIES

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset and financial liability, are disclosed in note 3.5 to the consolidated Financial Statements.

35.4 FOREIGN CURRENCY RISK MANAGEMENT

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

The Group is mainly exposed to Thai Baht (THB), Malaysian Ringgit (MYR), Hong Kong Dollar (HKD), Taiwan Dollar (TWD), Singapore Dollar (SGD), Korean Won (WON), New Zealand Dollar (NZD) and United States Dollar (USD).

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

	ASSETS		LIABILITIES	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
United States Dollar (USD)	**79**	1,526	**-**	-
Thai Baht (THB)	**6,215**	4,104	**-**	-
Malaysian Ringgit (MYR)	**1,504**	1,757	**-**	-
Singapore Dollar (SGD)	**848**	1,231	**-**	-
Hong Kong Dollar (HKD)	**179**	145	**-**	-
Taiwan Dollar (TWD)	**117**	279	**-**	-
Korean Won (WON)[1]	**88**	-	**-**	-
New Zealand Dollar (NZD)	**159**	-	**-**	-

1. This exposure represents sales made in the offline channel which are made in WON. The majority of sales to Korean customers are made in AUD.

Notes to the Financial Statements

for the financial year ended 30 June 2012

35 FINANCIAL INSTRUMENTS (CONT.)

FOREIGN CURRENCY SENSITIVITY ANALYSIS

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

	PROFIT OR LOSS		EQUITY	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
USD impact[1]	**8**	153	**-**	-
THB impact[2]	**622**	410	**-**	-
MYR impact[2]	**150**	176	**-**	-
SGD impact[2]	**85**	176	**-**	-
HKD impact[2]	**18**	15	**-**	-
TWD impact[2]	**12**	28	**-**	-
WON impact[2]	**9**	-	**-**	-
NZD impact[2]	**16**	-	**-**	-

1. This is attributable to the exposure outstanding on the USD Bank Account in the consolidated Balance Sheet of the Group at the end of the financial year.
2. These are attributable to the exposures outstanding on the cash balances held in these currencies in the Group at the end of the financial year.

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

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

OPTION CONTRACTS

While the Group utilised option contracts during the year, there were no open contracts at 30 June 2012 (2011: $nil).

FORWARD FOREIGN EXCHANGE CONTRACTS

While the Group utilised forward foreign exchange contracts during the year, there were no open contracts at 30 June 2012 (2011: $nil).

35.5 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.

	2012 $'000	2011 $'000
Financial Liabilities		
Borrowings	**(45,000)**	(40,000)
Interest rate swap[1]	**25,000**	30,000
Net exposure	**(20,000)**	(10,000)
Forward setting interest rate swaps[1,2]	**-**	10,000

1. Represents the notional amount of the interest rate swaps.
2. On 24 June 2011, the Group transacted into forward setting interest rate swaps that settled and came into effect in January 2012.

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	2012 %	2011 %	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Less than 1 year	**-**	5.92	**-**	30,000	**-**	(141)
1 to 2 years	**5.07**	-	**5,000**	-	**(134)**	-
2 to 5 years	**4.79**	5.07	**20,000**	5,000	**(902)**	5
> 5 years	**-**	5.61	**-**	5,000	**-**	(19)
			25,000	40,000	**(1,036)**	(155)

NOTES TO THE FINANCIAL STATEMENTS

Notes to the Financial Statements

for the financial year ended 30 June 2012

35 FINANCIAL INSTRUMENTS (CONT.)

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

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

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

INTEREST RATE SENSITIVITY ANALYSIS

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

For the year ended 30 June 2012, 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 $232,712 (2011: $212,087) or increase by $232,712 (2011: $212,087) respectively as a result of changes in the interest rates applicable to commercial bank bills.

For the year ended 30 June 2012, 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 $329,000 or decrease by $334,000 respectively (2011: increase by $242,000 or decrease by $237,000 respectively) mainly as a result of the changes in the fair value of the interest rate swap

The Group's sensitivity to interest rates has decreased during the current year due to the longer remaining term to maturity of the interest rate swap portfolio. There has been no change to the manner in which the Group manages and measures the risk from the previous year.

INTEREST RATE SWAP CONTRACTS

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

In 2006, the Group entered into an interest rate swap with a notional amount of $30 million, a fixed rate of 5.92% and a forward start date of January 2007. This contract expired in January 2012.

During the financial year ended 30 June 2011 the Group entered into two interest rate swaps with a notional amount of $5 million each. These had fixed rates of 5.07% and 5.61% respectively and a forward start date of January 2012. These contracts expire in January 2014 and January 2017 respectively.

During the financial year ended 30 June 2012 the Group entered into two further interest rate swaps with notional amounts of $7 million and $8 million. These had fixed rates of 4.58% and 4.47% respectively. These contracts expire in January 2015.

35.6 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 high 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.

35.7 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.

Notes to the Financial Statements

for the financial year ended 30 June 2012

35 FINANCIAL INSTRUMENTS (CONT.)

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
2012							
Trade and other payables	**0.00**	**-**	**34,043**	**-**	**-**	**-**	**34,043**
Borrowings	**4.54**	**-**	**-**	**2,043**	**45,000**	**-**	**47,043**
		-	**34,043**	**2,043**	**45,000**	**-**	**81,086**
2011							
Trade and other payables	0.00	-	25,218	-	-	-	25,218
Borrowings	5.78	-	-	2,310	44,620	-	46,930
		-	25,218	2,310	44,620	-	72,148

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 expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	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
2012							
Non-interest bearing	**0.00**	**53,863**	**-**	**-**	**-**	**-**	**53,863**
Variable interest rate instruments	**0.92**	**11,795**	**-**	**-**	**-**	**-**	**11,795**
Fixed interest rate instruments	**0.00**	**-**	**-**	**-**	**-**	**-**	**-**
		65,658	**-**	**-**	**-**	**-**	**65,658**
2011							
Non-interest bearing	0.00	46,312	-	-	-	-	46,312
Variable interest rate instruments	0.92	9,386	-	-	-	-	9,386
Fixed interest rate instruments	0.00	-	-	-	-	-	-
		55,698	-	-	-	-	55,698

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the financial year.

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

	<1 MONTH $'000	1-3 MONTHS $'000	3 MONTHS TO 1 YEAR $'000	1-5 YEARS $'000	>5 YEARS $'000	TOTAL $'000
2012						
Net settled:						
Interest rate swaps	**(78)**	**-**	**(271)**	**(811)**	**-**	**(1,160)**
Foreign exchange forward exchange contracts	**-**	**-**	**-**	**-**	**-**	**-**
	(78)	**-**	**(271)**	**(811)**	**-**	**(1,160)**
2011						
Net settled:						
Interest rate swaps	(66)	-	(81)	(77)	-	(224)
Foreign exchange forward exchange contracts	-	-	-	-	-	-
	(66)	-	(81)	(77)	-	(224)

Notes to the Financial Statements

for the financial year ended 30 June 2012

35 FINANCIAL INSTRUMENTS (CONT.)

35.8 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).

2012	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
Financial Assets at FVTPL:				
Derivative financial assets	-	-	-	-
Non-derivative financial assets held for trading	-	-	-	-
Available-for-sale Financial Assets:				
Quoted equities	**144**	-	-	**144**
Asset-backed securities reclassified from fair value through profit or loss	-	-	-	-
Total	**144**	-	-	**144**
Financial liabilities at FVTPL:				
Derivative financial liabilities	-	**1,036**	-	**1,036**
Total	-	**1,036**	-	**1,036**
2011				
Financial Assets at FVTPL:				
Derivative financial assets	-	-	-	-
Non-derivative financial assets held for trading	-	-	-	-
Available-for-sale Financial Assets:				
Quoted equities	-	-	-	-
Asset-backed securities reclassified from fair value through profit or loss	-	-	-	-
Total	-	-	-	-
	-	-	-	-
Financial liabilities at FVTPL:				
Derivative financial liabilities	-	155	-	155
Total	-	155	-	155

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

DERIVATIVES

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

Notes to the Financial Statements

for the financial year ended 30 June 2012

36 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.

37 BUSINESS COMBINATIONS

37.1 SUBSIDIARIES ACQUIRED

2012

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

2011

Acquisition of Pure Animal Wellbeing Pty Limited.

On 2 July 2010, the Group signed an agreement to acquire 100% of the issued capital of Pure Animal Wellbeing Pty Ltd ("PAW") for a purchase price of $2,000,000 payable in cash. The results of PAW have been consolidated by the Group from this date. Subsequently, during the prior reporting period the PAW business and operations were incorporated into the Blackmores business in the form of the PAW Animal Health Division.

PAW developed and marketed natural dietary supplements and topical products for dogs and cats which were sold in veterinary clinics and speciality stores in Australia, New Zealand and Korea. Blackmores' PAW Animal Health Division now performs these activities and now also sells into Canada.

PAW was acquired so as to provide Blackmores with a well-positioned entry into the fast growing segment of natural health products for pets.

	2012 $'000	2011 $'000
37.2 CONSIDERATION TRANSFERRED		
Cash and cash equivalents transferred	-	2,000
37.3 ASSETS ACQUIRED AND LIABILITIES ASSUMED AT THE DATE OF ACQUISITION		
Current assets		
Cash and cash equivalents	-	32
Trade receivables	-	74
Inventory	-	180
Non-current assets		
Property, plant and equipment	-	6
Intangible assets	-	1,230
Current liabilities		
Trade and other creditors	-	(166)
Provisions	-	(13)
	-	1,343

The receivables acquired (which principally comprised trade receivables) in this transaction with a fair value of $77,000 had a gross contractual amount of $77,000. The best estimate at acquisition date of the contractual cash-flows not expected to be collected are $nil.

37.4 GOODWILL ARISING ON ACQUISITION

The goodwill recognised on acquisition is subject to impairment testing on an annual basis. At the end of the financial year the Directors were satisfied that no impairment was necessary in this financial year (2011:nil).

	2012 $'000	2011 $'000
Consideration transferred	-	2,000
Less: fair value of identifiable net assets acquired	-	(1,343)
Goodwill arising on acquisition[1]	-	657

Goodwill arose in the acquisition of PAW because the consideration paid for the business combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of PAW. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

1. The goodwill arising on the acquisition represents the only goodwill in the Group's books at the reporting date.

37.5 NET CASH OUTFLOW ON ACQUISITION OF SUBSIDIARIES

	2012 $'000	2011 $'000
Consideration paid in cash	-	2,000
Less: cash and cash equivalent balances acquired	-	(32)
	-	1,968

Notes to the Financial Statements

for the financial year ended 30 June 2012

38 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.

	2012 $'000	2011 $'000
FINANCIAL POSITION		
Assets		
Current assets	**76,282**	60,495
Non-current assets	**77,981**	78,003
Total assets	**154,263**	138,498
Liabilities		
Current liabilities	**36,454**	29,259
Non-current liabilities	**45,908**	40,792
Total liabilities	**82,362**	70,051
Equity		
Issued capital	**25,348**	25,348
Retained earnings	**41,848**	38,451
Reserves		
Equity-settled employee benefits reserve	**5,430**	4,805
Hedge reserve	**(725)**	(157)
Total equity	**71,901**	68,447
FINANCIAL PERFORMANCE		
Profit for the year	**24,204**	24,437
Other comprehensive income	**(568)**	146
Total comprehensive income	**23,636**	24,583

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

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

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

CONTINGENT LIABILITIES

The Directors do not believe there are any contingent liabilities as at 30 June 2012.

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

	2012 $'000	2011 $'000
Plant and equipment		
Not longer than 1 year	**-**	1,436
Longer than 1 year and not longer than 5 years	**-**	-
Longer than 5 years	**-**	-
	-	1,436

Notes to the Financial Statements

for the financial year ended 30 June 2012

39 EVENTS AFTER THE REPORTING PERIOD

FINAL DIVIDEND

The Directors declared a fully franked final dividend of 83 cents per share on 29 August 2012 as described in note 27.

ACQUISITION OF SUBSIDIARY – FIT-BIOCEUTICALS LIMITED

On 5 July 2012, the Group signed an agreement to acquire 100% of the issued capital of FIT-BioCeuticals Limited and its controlled entities. The purchase price is an initial cash payment up to a maximum of $40 million and will be fully debt funded from additional bank facilities. An amount of $38.4 million was paid on completion and an additional payment of up to $1.6 million will be payable soon after completion if certain conditions are met in relation to earnings for the 2012 financial year. A further amount not exceeding $2 million may become payable over a three year period upon successful product registration and certain revenue targets for new products being met. The purchase price is also subject to a post completion working capital adjustment mechanism.

Additional funding expiring in July 2015 was granted via a three year committed facility to support acquisition finance of up to $43 million. The amount drawn down on 5 July 2012 was $38.4 million.

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

Further disclosures in relation to the business combination have not been made as the initial accounting for the business combination is incomplete at the time the Financial Statements were authorised for issue.

Other than the matters disclosed in the previous paragraphs, there has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the Group's operations, the result of those operations or the Group's state of affairs in future financial years.

40 APPROVAL OF FINANCIAL STATEMENTS

The consolidated Financial Statements were approved by the Board of Directors and authorised for issue on 29 August 2012.

Additional Information

NUMBER OF HOLDERS OF EQUITY SECURITIES AS AT 10 AUGUST 2012:

ORDINARY SHARE CAPITAL

16,781,975 fully paid ordinary shares are held by 7,497 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	5,213
1,001 – 5,000	1,970
5,001 – 10,000	186
10,001 – 100,000	112
100,001 and over	16
Total	7,497
Holdings less than a marketable parcel	132

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 10 AUGUST 2012

		FULLY PAID
ORDINARY SHAREHOLDERS	NUMBER	PERCENTAGE
Mr M C Blackmore	3,468,020	20.67
Citicorp Nominees Pty Limited	594,727	3.54
Dietary Products (Aust) Pty Ltd	588,592	3.51
Milton Corporation Limited	372,166	2.22
JP Morgan Nominees	259,406	1.55
HSBC Custody Nominees	231,101	1.38
Blackmore Foundation Pty Limited	200,000	1.19
Ms E M Whellan	186,822	1.11
Ms J A Tait	177,213	1.06
National Nominees Limited	164,445	0.98
Mr M C Blackmore (Superannuation Fund)	144,503	0.86
Mr R Shepherd	115,000	0.69
RBC Dexia Investor Services Australia Nominees Pty Limited	103,658	0.62
Rathvale Pty Limited	102,005	0.61
Gowing Bros Limited	101,798	0.61
Mrs P G Wright	88,989	0.53
Ms C Holgate	88,602	0.53
P G Wright, M G Wright and J G Wright	63,530	0.38
Trans State Nominees Pty Ltd (A/C McPhee Family)	59,150	0.35
UBS Wealth Management Australia Nominees Pty Ltd	51,512	0.31
Total	**7,161,239**	**42.70**

Company Information

COMPANY SECRETARY

The Company Secretary is Cecile Cooper.

PRINCIPAL PLACE OF BUSINESS

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

REGISTERED OFFICE

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

SHARE REGISTRY

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

SECURITIES EXCHANGE LISTING

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

DIRECT PAYMENT TO SHAREHOLDERS' BANK ACCOUNTS

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

CHANGE OF ADDRESS

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

TAX FILE NUMBER

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

SHAREHOLDER DISCOUNT PLAN

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

CORPORATE GOVERNANCE PRINCIPLES

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

ANNUAL REPORT MAILING

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

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

TO CONSOLIDATE SHAREHOLDINGS

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

INVESTOR INFORMATION

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

COMPANY INFORMATION

BOARD OF DIRECTORS

Directors who are Executives of the Group:

Marcus C Blackmore (Chairman of Directors)

Christine Holgate (Chief Executive Officer)

Directors who are not Executives of the Group:

Stephen J Chapman

Verilyn C Fitzgerald

Robert L Stovold

Naseema Sparks

Brent W Wallace

AUDITOR

Deloitte Touche Tohmatsu

SOLICITOR

David Lemon

BANK

National Australia Bank Limited

BLACKMORES ONLINE

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

Design and production by xander | xandercreative.com.au


Food Remedies
Living Naturally with Blackmores
Blackmores Nature & Health Journal
Living Naturally with BLACKMORES
BLACKMORES
CAMPUS
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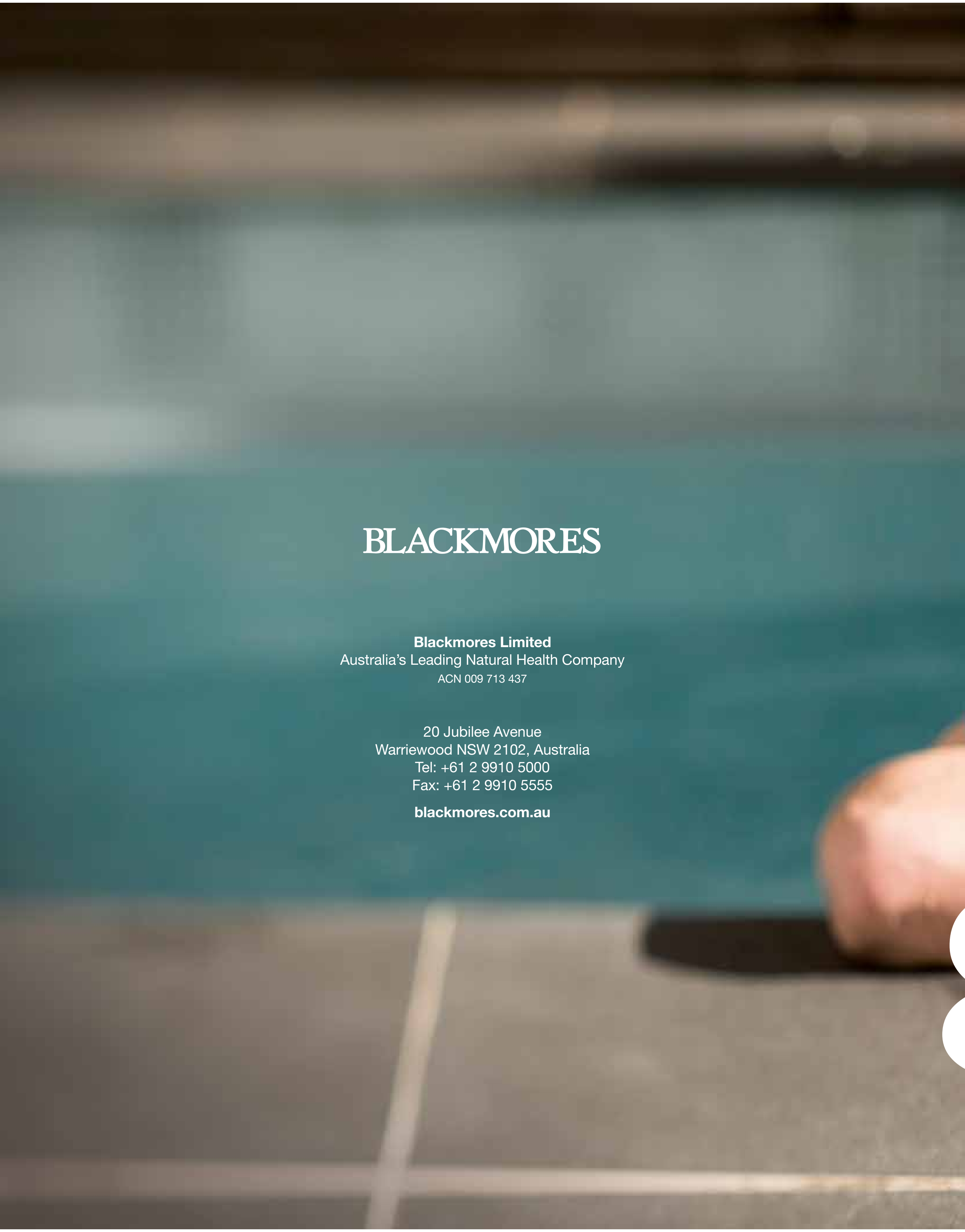
NATUROPATHY
THE DEPARTMENT OF
Osteopathy
DIPLOMA
Diploma of Osteopathy
B 27506



BLACKMORES

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