

TAX REPORT 2021 FINANCIAL YEAR

YEAR ENDED 30 JUNE 2021

INTRODUCTION

Blackmores has been a leading natural health company for more than 85 years, delivering the highest quality natural healthcare products and services in Australia, New Zealand and across Asia.



We deliver our products and services through our operations in Australia, New Zealand, Malaysia, Singapore, Thailand, Indonesia, Hong Kong, South Korea, Taiwan, China, India, Vietnam and the Philippines, employing over 1,200 employees across these countries.

We are committed to positively impacting the physical wellbeing of our customers in these countries and contribute towards the financial health of the countries in which we operate by way of payment of all required local taxation obligations.

We are proud to present in this report details of our tax contributions in the 2021 Financial Year, as well as providing information about our approach to our taxation obligations, our effective tax rates in Australia and internationally, and how our profit relates to our total income tax liability.

We are committed to providing transparent disclosure of our tax payments and obligations to demonstrate our commitment to ensuring we pay our fair share of tax in the countries in which we operate.

This report provides a detailed explanation of our tax profile and follows the guidelines set out in the Tax Transparency Code recommended by the Australian Board of Taxation and adopted by the Australian Federal Government.

Included in this report is information supplementing the disclosure during December 2021 by the Australian Taxation Office of certain financial and tax information relating to Blackmores Limited's 2020 Financial Year under the relevant corporate tax transparency legislation.

Gunther Burghardt
Chief Financial Officer
February 2022

WE ARE COMMITTED TO
POSITIVELY IMPACTING THE
PHYSICAL WELLBEING OF OUR

customers

1. OUR TAX POLICY, STRATEGY AND GOVERNANCE

Blackmores has a strong history of complying with our taxation obligations in the countries in which we operate. We are committed to paying the correct amount of tax commensurate with the economic activity we undertake in the geographies we operate in.

Tax laws can be complex and confusing to interpret, particularly in relation to legislative requirements that can differ substantially by country. We take a conservative approach to managing tax risks, guided by our Tax Risk & Governance Policy.

The key focus of our policy is to:

- Ensure full compliance with all statutory obligations and full disclosure to revenue authorities.
- Maintain documented policies and procedures in relation to tax risk management and conduct thorough risk assessments before implementing any tax planning initiatives.
- Manage tax affairs in a proactive manner.
- Maintain appropriate relations with all relevant revenue authorities.

1.1 TAX RISK MANAGEMENT

We have established a Tax Risk Management framework to plan and manage tax risks that may arise from time to time as part of normal business operations. Where required, we will seek external specialist tax advice from reputable advisers to supplement the opinion of in-house specialists before deciding to undertake a particular transaction or operation.

We seek to obtain a high level of comfort and certainty with respect to resolving all identifiable tax risks. We will not undertake a position in relation to tax where the tax treatment is likely to cause further risk to the business.

Beyond one-off transactions, we regularly seek advice and assurance from our tax advisers on the day-to-day compliance of our tax obligations as well as our annual compliance requirements.

We do not and will not engage in activities which artificially shift profits to low or no tax jurisdictions.

Blackmores has:

- no appetite for overtly aggressive tax planning
- no appetite for non-compliance with taxation laws and regulations
- high appetite to pay all taxes as and when they fall due

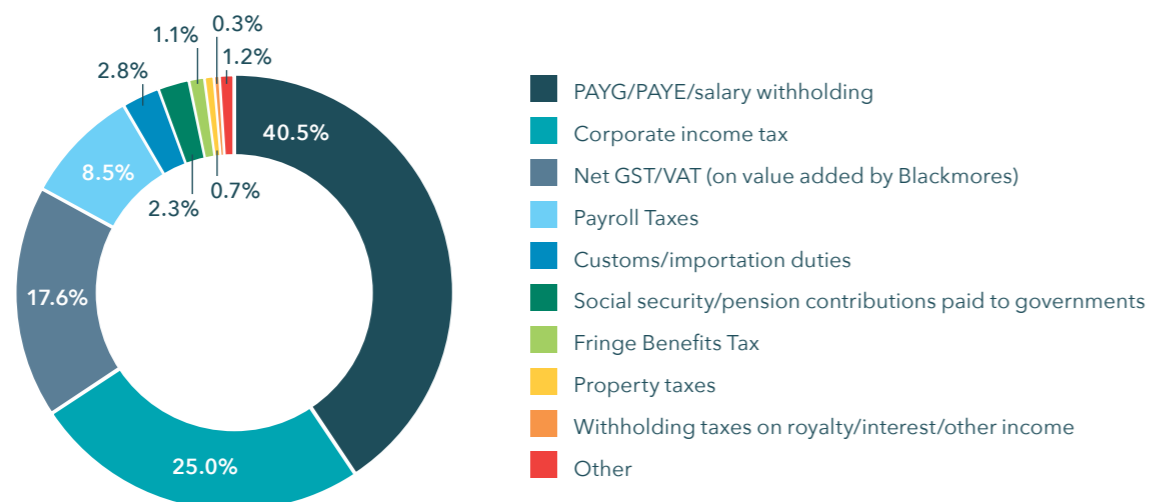
We are committed to working with revenue authorities in an open, transparent and cooperative manner and in accordance with the legislative requirements of the countries where we operate. We believe that this is the best way to ensure we continue to protect our ongoing business interests and deliver long-term sustainable returns for our shareholders.

2. TOTAL TAX CONTRIBUTIONS

In the 2021 Financial Year, Blackmores has made the following tax payments:

	Global (A\$ '000)	Australia (A\$ '000)	Other countries (A\$ '000)
Corporate income tax	18,161	13,804	4,357
Other taxes:			
– Fringe benefits tax	795	752	43
– Payroll taxes	6,198	5,849	349
– Social security/pensions contributions paid to governments	1,697	-	1,697
– Properties taxes	511	440	71
– Withholding taxes on royalty/interest/other income	246	-	246
– Customs/importation duties	2,038	150	1,888
– Net GST/VAT (on value added by Blackmores) ¹	12,822	7,633	5,189
– Other	845	-	845
Taxes collected by Blackmores on behalf of others:			
– PAYG/PAYE/salary withholding	29,426	27,046	2,380
TOTAL	72,739	55,674	17,065

¹ Net GST/VAT is the GST/VAT collected on sales by Blackmores less GST/VAT paid on business inputs purchased by Blackmores. The net GST/VAT represents the tax imposed on the value added by Blackmores (sales price less cost of inputs)



3. EFFECTIVE TAX RATE AND RECONCILIATION OF ACCOUNTING PROFIT TO INCOME TAX PAYABLE

Table 1 (on next page) shows the calculation of the Global and Australian effective tax rates (being accounting income tax expense expressed as a percentage of the profit before tax). It also shows the reconciliation of accounting profit to income tax payable for the 2021 Financial Year.

The effective tax rate is an accounting concept and reflects the income tax accrued on the profit for a particular year. It differs from the actual income tax payable in that year due to timing differences (where the timing of income and expense recognition differs for accounting and tax purposes).

Blackmores' Australian effective tax rate was below the statutory 30% rate in 2021 Financial Year, mainly due to the prior years' capital losses offsetting the gain derived on sale of business during the 2021 Financial Year. As a result, the gain was not subject to tax. The effective tax rate for Blackmores Group was slightly lower than the statutory 30%, mainly due lower tax rates applicable to profits earned by overseas subsidiaries, offset by non-deductible expenses and impacted by the gain on sale.

Our income tax liability is affected by temporary differences such as provisions and accruals of expenditure in our accounts that are not deductible until the expenditure is paid. This is generally in the subsequent financial year. During the 2021 Financial Year the temporary differences decreased our Australian income tax liability and the Group's income tax liability for the year.

The availability of rebates and offsets (foreign income tax offset and research & development tax rebate) reduced our Australian and overall Group income tax liability.

TABLE 1. RECONCILIATION OF ACCOUNTING PROFIT TO INCOME TAX PAYABLE

	Group A\$ '000	2021	
		%	Australia A\$ '000
Profit before tax	47,482		8,571
Profit before tax - continuing operations	42,262		3,351
Profit before tax - discontinued operations	5,220		5,220
Prima facie tax at 30%	14,245		2,571
Effect of (non-assessable income)/non-deductible expenses in determining taxable profit	4,507		1,085
Effect of tax concessions	(136)		(154)
Effect of impairment	1,652		1,652
Unbooked carried forward tax losses utilised	(3,024)		(2,050)
Tax losses not recognised	97		-
Rate differential on overseas operations	(3,267)		-
Effect of intra-group dividend	-		(395)
Other items	(336)		(782)
	13,738		1,927
Under/(over) provision of income tax expense in previous year	230		(99)
Income tax expense recognised in profit or loss	13,968		1,828
Income tax expense recognised in profit or loss - continuing operations	13,398		1,258
Income tax expense recognised in profit or loss - discontinued operations	570		570
Effective tax rate		29.4%	21.3%
<i>Temporary differences:</i>			
Property, plant and equipment	47		481
Prepayments and other	(118)		(118)
Provisions	(257)		(513)
Accruals	1,479		274
Foreign currency monetary items	944		944
Capitalised expenses	(206)		(206)
Prior year tax losses utilised	(2,281)		-
Other	(1,260)		(45)
Income tax payable (before rebates and offsets)	12,316		2,645
Less: tax rebates and offsets	(754)		(754)
Income tax payable for current year	11,562		1,891
Company tax payable - 1 July 2020	1,879		(179)
Prior years' adjustments	32		373
Less: company tax paid during 2021	(18,262)		(13,804)
Company tax payable/(receivable) - 30 June 2021	(4,789)		(11,719)

4. INTERNATIONAL RELATED PARTY DEALINGS

Blackmores operates in a number of markets including Australia, New Zealand and various Asian countries.

The corporate income tax rates of the overseas countries in which Blackmores operates are:

- New Zealand - 28%
- Thailand - 20%
- Malaysia - 24%
- Singapore - 17%
- China - 25%
- South Korea - 22%
- Taiwan - 20%
- Hong Kong - 16.5%
- Indonesia - 25%
- India - 26%
- Vietnam - 20%
- The Philippines - 25%

The key business dealings between the Blackmores Australian operations and overseas controlled entities relate to:

- Sales of finished products to overseas controlled entities
- Licensing of brand names, trademarks and other intellectual properties owned by Blackmores Australia for use by overseas controlled entities
- Providing funds and loans to overseas controlled entities for short term and working capital requirements
- Receiving dividends from overseas controlled entities
- General business support to overseas controlled entities

All international related party dealings are conducted in accordance with Australian transfer pricing laws and the arm's length methodologies prescribed by the Organisation of Economic Cooperation and Development (OECD).

5. DISCLOSURE OF 2020 COMPANY TAX INFORMATION BY THE AUSTRALIAN TAXATION OFFICE

The Australian Taxation Office (“ATO”) is required by law to disclose to the public certain financial and tax information about large corporate entities. The source of this information is the annual company tax return lodged with the ATO.

The following is the information regarding Blackmores Limited Tax Consolidated Group for the 2020 financial year:

Company name	Blackmores Limited
ABN	35 009 713 437
Total income	\$587,123,489
Taxable income	\$32,576,962
Tax payable	\$6,636,906

The above information only provides a partial picture of the Australian income tax profile of the Blackmores Group. Conclusions drawn from the above information could be misleading and do not necessarily reflect the true tax position of the Blackmores Group and the level of its Australian income tax contribution. In particular, the Effective Tax Rate cannot be calculated from this information alone.

To give a more complete picture of the Australian income tax profile of the Blackmores Group, set out below is further financial information to supplement the information disclosed by the ATO.

Further income tax disclosure - 2020 Financial Year

OPERATING PROFIT

The Australian operating profit of Blackmores Limited (and members of its Australian Tax Consolidated Group) was:

Total income	587,123,487	\$
Total expenses	565,516,996	
Operating profit	21,606,493	
Expected tax (at 30%)	6,481,947.90	
Tax payable	6,636,906.00	

Tax payable is determined by firstly applying the company tax rate of 30% to taxable income (which differs from operating profit), and then reduced by any tax credits and offsets available under Australian tax law. Below are explanations of the difference between the operating profit and taxable income of Blackmores Limited Australian Tax Consolidated Group and the tax credits and offsets available to it during the 2020 financial year.

RECONCILIATION BETWEEN OPERATING PROFIT AND TAXABLE INCOME

Items of income and expenses may have different treatment for financial reporting and taxation purposes. In addition, there are items which are not included in financial reporting but are specifically included in the income tax calculation under Australian tax law.

The difference between the Operating profit and the Taxable income of Blackmores Group’s Australian operation for 2020 is explained as follows:

Operating profit	21,606,493	\$
Taxable income	32,576,962	
Difference	10,970,469	
Explained by:		
- Permanent differences ¹	(4,638,221)	
- Temporary differences ²	8,743,617	
- Eligible Research & Development expenditure ³	6,865,073	
	10,970,469	

RECONCILIATION BETWEEN TAX ON TAXABLE INCOME AND TAX PAYABLE

Under Australian tax law, company tax is applied to the company’s taxable income.

The information below explains the difference between the company tax otherwise applicable to Blackmores Limited’s 2020 taxable income and the actual tax payable:

Taxable income	32,576,962	\$
Company tax otherwise payable (at 30%)	9,773,089	
Tax Payable	6,636,906	
Difference	3,136,183	
Explained by:		
- Research & Development tax rebate (at 38.5%) ³	2,643,053	
- Credit for withholding tax paid to overseas Revenue Authorities ⁴	493,130	
	3,136,183	

1. Permanent differences are income items that are exempt from taxation and expense items that no tax deductions are allowed. Examples of permanent differences are non-deductible entertainment expenses, fines and penalties, expenses that are capital in nature and give rise to an enduring benefit (e.g. intellectual property costs).

The main permanent differences during the 2020 financial year related to exempt dividends received from overseas subsidiaries (out of profits already subject to income tax in the countries they operate in), non-assessable accounting gain on bargain asset purchase recognised during 2020 financial year, offset by non-deductible expenses.

2. Temporary differences are income and expense items that are subject to tax in a reporting period earlier or later than the period they are reported for financial reporting purposes. Examples of temporary differences include employee leave and bonus provisions (deductible in the reporting period when they are paid and not when they accrue), debts that are not expected to be recovered but have yet to be written off (only deductible when the debt is formally written off).

The main temporary differences during the 2020 financial year related provisions for stock obsolescence and other stock related deductions.

The overall impact of the temporary differences increased the taxable income for 2020 financial year.

3. The Research & Development initiative by the Federal Government provides tax rebates to encourage the undertaking of research and development activities in Australia. Where such activities qualify under the initiative, 8.5% of the expenditure is provided as a rebate to offset the income tax liability.

The rebate is calculated by firstly adding back the qualifying expenditure to the operating profit, then applying the company tax rate to the increased operating profit (resulting in the company tax being inflated by 30% of the qualifying expenditure). A tax rebate of 38.5% of the qualifying R&D expenditure is then given, resulting in a net Research & Development tax rebate equal to 8.5% of the qualifying R&D expenditure.

Below is a sample calculation of a R&D tax rebate:

Profit and loss statement	
Sales	\$1,100.00
Qualifying R&D expenditure	(\$100.00)
Other operating expenses	(\$900.00)
Operating profit	\$100.00
Company tax calculation:	
Operating profit	\$100.00
Add:	
Qualifying R&D expenditure	\$100.00
Taxable income	\$200.00
Tax on taxable income (at 30%)	\$60.00
Less:	
R&D tax rebate (38.5% of qualifying R&D expenditure)	(\$38.50)
Tax payable	\$21.50
Tax payable (without R&D tax rebate) (30% of operating profit)	\$30.00
Tax payable (with R&D tax rebate)	\$21.50
R&D tax rebate (8.5% of qualifying R&D expenditure)	\$8.50

4. Certain payments from Blackmores Group's overseas operations to Blackmores Limited are subject to withholding tax in the countries where the payments are originated. The withholding tax can be offset against Australian income tax payable on such payments when received by Blackmores Limited.

CONNECTING EVERY
PERSON ON EARTH TO
THE HEALING POWER OF

nature

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