

TAX REPORT

FOR 2016 FINANCIAL YEAR
(YEAR ENDED 30 JUNE 2016)

INTRODUCTION

Blackmores has been a leading natural health company for more than 80 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, Japan and China, employing more than 1,000 employees across these countries.

We not only positively impact the physical wellbeing of our customers in these countries, we also contribute towards the financial health of the countries in which we operate through contributions to the public finances by way of payment of all required local taxation obligations.

We are proud to present in this report the details of our tax contributions in the 2016 Financial Year, as well as providing information about our approach to our taxation obligations, our effective tax rate in Australia and internationally, and how our profit relates to our total income tax liability.

We are committed to providing transparency 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 Australian Federal Government.



Aaron Canning
Chief Financial Officer
October 2016

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 level of economic activity we undertake across all of the geographies that we operate.

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 the management of tax risks as guided by our Tax Risk & Governance Policy. This policy is subject to annual review and approval by the Blackmores Board through the Audit & Risk Committee.

The key focus of this 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 the completion of 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.

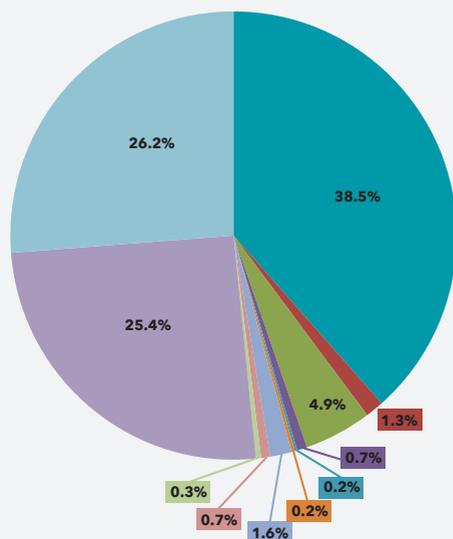
We do not and will not engage in activities which artificially shift profits to low or no tax jurisdictions.

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 this is the best way to ensure we continue to protect our ongoing business interests and develop long-term sustainable returns for our shareholders.

2. TOTAL TAX CONTRIBUTIONS

In the 2016 Financial Year, Blackmores has made the following tax payments:

	Global (A\$ '000)	Australia (A\$ '000)	Other countries (A\$ '000)
Corporate income tax¹	31,773	26,149	5,624
Other taxes:			
- Fringe Benefits Tax	1,095	1,064	31
- Payroll Taxes	4,042	4,042	-
- Social security/ pension contributions paid to governments	594	-	594
- Property taxes	145	145	-
- Stamp duties	199	196	3
- Withholding taxes on dividends/royalty/other income	1,298	-	1,298
- Customs/importation duties	538	80	458
- Net GST/VAT (on value added by Blackmores) ²	21,675	18,809	2,866
- Other	308	-	308
Taxes collected by Blackmores on behalf of others:			
- PAYG/PAYE/salary withholding	20,959	19,882	1,077
Total	82,626	70,367	12,259



Tax paid by category 2016 Financial Year

- Corporate income tax (38.5%)
- Fringe Benefits Tax (1.3%)
- Payroll Taxes (4.9%)
- Social security/ pension contributions paid to governments (0.7%)
- Property taxes (0.2%)
- Stamp duties (0.2%)
- Withholding taxes on dividends/royalty/ other income (1.6%)
- Customs/importation duties (0.7%)
- Other (0.3%)
- PAYG/PAYE/salary withholding (25.4%)
- Net GST/VAT (on value added by Blackmores) (26.2%)

¹ Corporate income tax is net of tax offsets/rebates such as Research & Development tax offset.

² 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 (see appendix) 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 2016 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).

The key factor driving Blackmores' Australian effective tax rate below the statutory 30% rate is the receipt of exempt dividend income from overseas controlled entities (dividends from foreign companies are exempt by law). However, Blackmores Group bears the income tax burden of these dividends as the profit from which the dividend was paid has been subject to income tax and withholding tax (where applicable) in the source country.

In addition, our income tax liability is affected by temporary differences such as provisions and accruals of expenditures in our accounts that are not deductible for tax purposes until the expenditures are paid. This is generally in the subsequent financial year.

4. INTERNATIONAL RELATED PARTY DEALINGS

Blackmores operates in Australia, New Zealand and across the Asian region.

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

- New Zealand - 28%
- Thailand - 20%
- Malaysia - 24%
- Singapore - 17%
- China - 25%
- South Korea - 22%
- Taiwan - 17%
- Hong Kong - 16.5%

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

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

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

APENDIX

TABLE 1. RECONCILIATION OF ACCOUNTING PROFIT TO INCOME TAX PAYABLE

	Group		Australia	
	A\$ '000	%	A\$ '000	%
Profit before tax	143,411		137,362	
Prima facie tax at 30%	43,023		41,209	
Effect of expenses that are not deductible in determining taxable profit	523		353	
Effect of tax concessions	(362)		(316)	
Effect of withholding tax on intercompany dividend	957		-	
Effect of tax losses recognised	(735)		-	
Effect of tax losses not recognised	788		-	
Rate differential on overseas operations	(1,265)		-	
Exempt overseas dividend income	-		(3,018)	
Other items	(181)		318	
	42,748		38,546	
Under/(over) provision of income tax in previous year	643		332	
Income tax expense recognised in profit or loss	43,391		38,878	
Effective tax rate		30.3%		28.3%
Temporary difference				
Property, plant and equipment	20		52	
Prepayments and other	52		52	
Provisions	(930)		(1,156)	
Accruals	4,085		2,986	
Website development	38		38	
Foreign currency monetary items	98		98	
Capitalised expenses	(3)		(3)	
Tax loss recognised	(12)		-	
Other	908		(747)	
Income tax payable (before rebates and offsets)	47,647		40,198	
Less: tax rebates and offsets	(1,472)		(1,472)	
Less: Under/over provision of income tax in previous year	(643)		(332)	
Income tax payable for current year	45,532		38,394	
Less: tax instalments paid/withholding tax	(21,736)		(17,588)	
Add: Income tax provision inherited from acquired entity (re pre-acquisition profit)	408		408	
Income tax payable	24,204		21,214	