invest

IN YOUR HEALTH

ANNUAL REPORT 2010

BLACKMORES®

THE BEST OF HEALTH

blackmores.com.au

AUSTRALIA'S LEADING NATURAL HEALTH BRAND

Blackmores' Customer Service Manager Nicole Steven and her daughter Charlotte.

contents

ANNUAL GENERAL MEETING

The 48th Annual General Meeting of the Company will be held at 11am on 21 October 2010 at the Blackmores Campus, 20 Jubilee Avenue, Warriewood NSW 2102.

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.

OUR values

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.

Blackmores is committed to promoting these values. We encourage staff to engage in these guidelines with each other, in business dealings and in day-to-day life. The result is a strong and united team working towards a common goal.

OUR *history*

AUSTRALIA'S LEADING NATURAL HEALTH BRAND

Blackmores is passionate about natural health and inspires people to take control of, and invest in, their health and wellbeing.

We are leaders in developing and marketing products and services that deliver a more natural approach to health, based on our expertise in vitamins, minerals, herbs and nutrients.

The Company operates in Australia, New Zealand and Asia and currently employs more than 500 people in the region, with a head office based in Warriewood on Sydney's Northern Beaches. Blackmores became a publicly listed company in May 1985.

Blackmores has been an industry leader in Australia for more than 70 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 in 1938 and worked with colleagues and friends to establish the first naturopathic colleges and professional associations in the country. His beliefs are still valid today and his teachings are incorporated in the training programs of many natural health practitioners.

Since taking the reins 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 dietary supplements business.

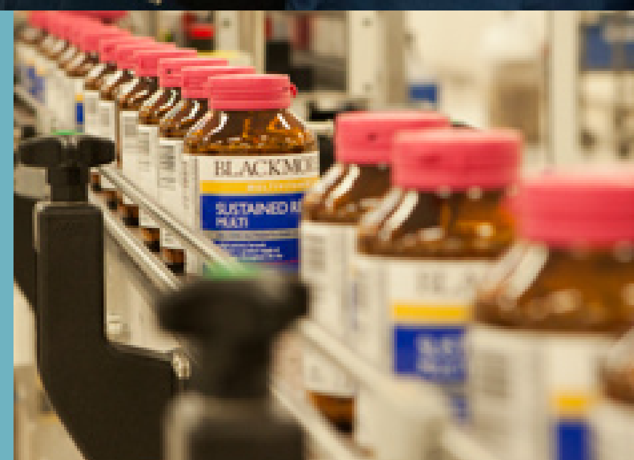
Blackmores' products are developed using a combination of scientific evidence and hundreds of years of traditional knowledge. Our products are made to exacting requirements, under the international PIC/s (Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme) standards 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.

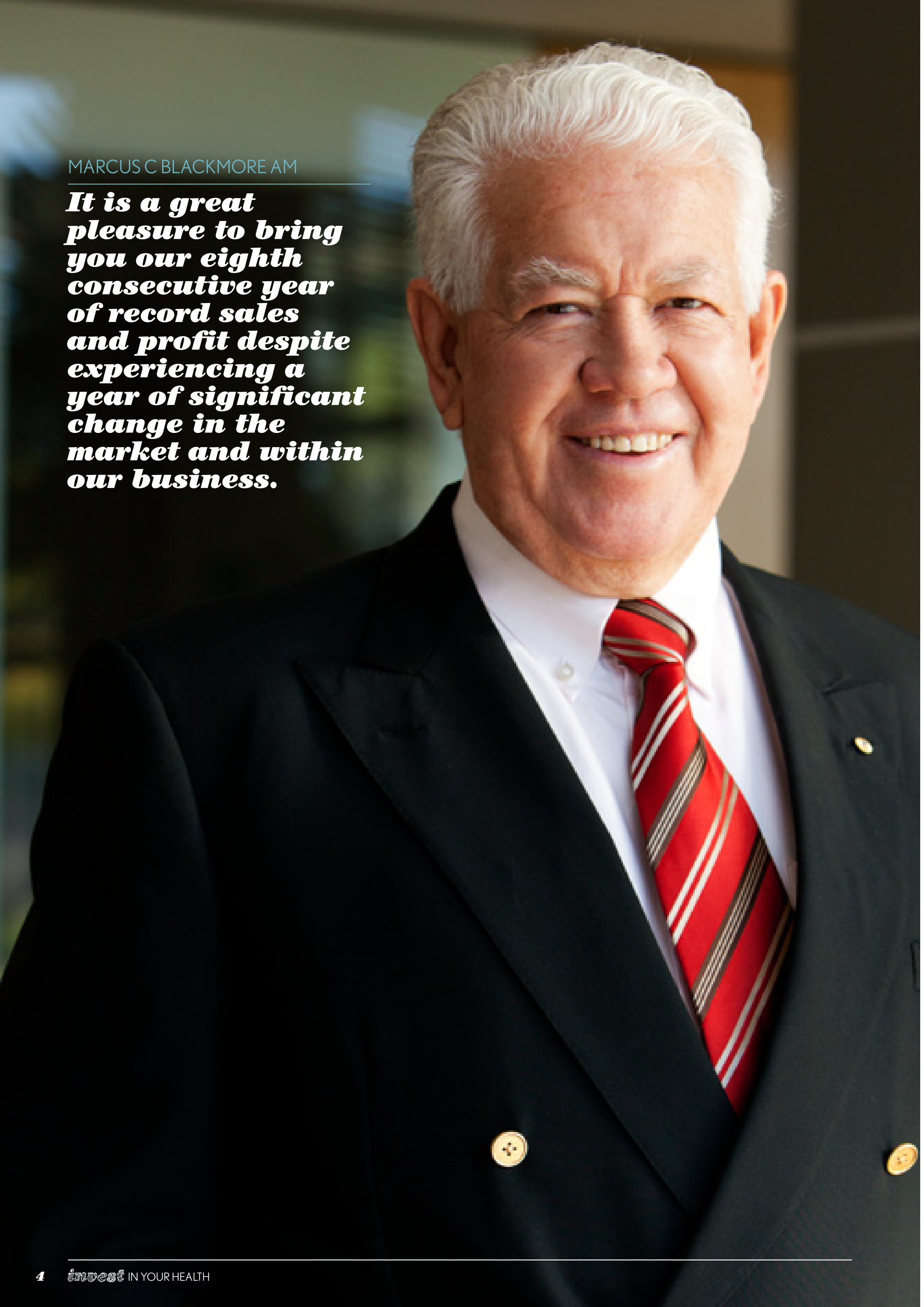
Blackmores' heritage and values are coupled with a commitment to superior business performance. Our strategic direction is focused on delivering growth and continuous improvement to maintain and enhance Blackmores' industry leadership position and achieve ongoing success for our Company and our shareholders.

Hanidah Packeermohd from Blackmores' Production Team

AUSTRALIA'S LEADING NATURAL HEALTH BRAND

Blackmores' heritage and values are coupled with a commitment to superior business performance.





MARCUS C BLACKMORE AM

It is a great pleasure to bring you our eighth consecutive year of record sales and profit despite experiencing a year of significant change in the market and within our business.

CHAIRMAN'S introduction

It's fair to say that the only certainty in the last year has been uncertainty. What is not uncertain is our commitment to our values, to maintaining our strong corporate culture and to our people.

The Director of our Asian business shared an old Chinese proverb with Blackmores' leadership team recently, which roughly translates as 'through several tests you learn your true strength'. I'm sure many in the broader business community found the Global Financial Crisis testing, and we were certainly pleased to successfully navigate that time and deliver another strong result for our shareholders.

We were well-positioned to meet the challenges of the year with our new Campus facility at Warriewood, and reinvigorated management leading our committed and passionate staff.

Christine Holgate has been in the role of Chief Executive Officer for more than 18 months; this year's results have vindicated the Board's decision to appoint a CEO and we are particularly pleased to have Christine as part of the Blackmores family.

Christine has brought continued change since her arrival, though she has worked to protect the values and philosophy that have made Blackmores what it is today. She has the confidence of the Board, our retailers, suppliers and staff, and this is testament to the quality of her business acumen and her ability to lead.

We remain very actively engaged with Government and with the regulator to ensure that the operating environment continues to allow us to grow our businesses and effectively market our products. We have established a very good relationship with Government and with the Opposition – and we will continue to educate them about the benefits of complementary medicines.

We are keen to contribute to the development of health policy as we are of the view that health policy needs to focus not just on the treatment of disease but on health optimisation. We all know that there is a growing body of evidence that herbal, vitamin and mineral supplements can reduce the incidence of chronic disease. We will continue to work closely with the key decision-makers to ensure your interests are well protected.

I would like to thank the Blackmores Board and our wonderful staff members for another outstanding year in our Company's history. Finally, sincere thanks to our shareholders for your continued support of Blackmores and for understanding what we are trying to achieve together.

Marcus C Blackmore

Marcus C Blackmore AM
CHAIRMAN OF THE BOARD

CEO'S YEAR IN *review*

DEAR SHAREHOLDER

Over the past 12 months, Blackmores has embraced a significant amount of change while remaining true to the values that have guided your Company since its inception and I'm pleased to report that it has been a most successful year.

We have implemented a series of new measures to help us get closer to our customers, drive innovation, get the best out of our people, achieve operational excellence and grow our Asian business.

These have all helped us outperform in all of our core markets and deliver another year of record sales and profits.

They have also contributed to an increase in the share price which, coupled with the Company dividends, has resulted in shareholders enjoying a 46% total shareholder return.

FINANCIAL PERFORMANCE

For the year ended 30 June 2010, we posted a net profit after tax of $24.3 million, an increase of 17% on last year.

In addition, our:

- Group revenue increased by 7% to $214.9 million;
- earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 25%; and
- earnings per share increased by 15%.

These results were significantly higher than our expectations at the start of the financial year and slightly ahead of our revised profit expectations.

This was achieved despite the fall in retail growth in Australia, the political uncertainty in Thailand, the impact of the strong Australian dollar on our Asian sales, and the absence of major health concerns such as H1N1.

Two highlights that demonstrate the strength of the business are that our profitability grew faster than our sales and, secondly, EBITDA increased significantly in a year of increased investment.

GETTING CLOSER TO OUR CUSTOMERS

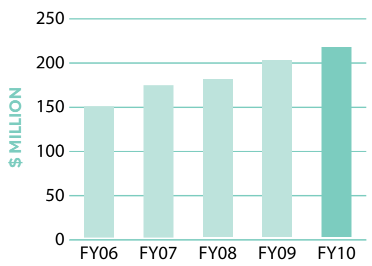
We have taken a number of measures to expand our distribution points and build our customer service proposition, which has further enhanced the value of our brand.

This is supported by the launch of our new website that not only increases information flow about our products, but also provides unprecedented interactivity with our customers.

This places Blackmores at the very heart of our customers' wellbeing and further cements trust in our brand, which has been recognised in the past year with Blackmores again awarded Most Trusted Brand in vitamins and supplements by Reader's Digest in Australia and Thailand.

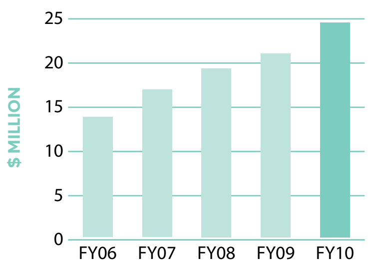
CHRISTINE HOLGATE

We have implemented a series of new measures to help us get closer to our customers, drive innovation, get the best out of our people, achieve operational excellence and grow our Asian business.



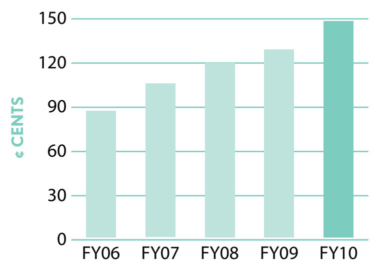
SALES

GROUP REVENUE FROM THE SALE OF GOODS FOR THE YEAR OF $214.9 MILLION REPRESENTED GROWTH OF 7% OVER LAST YEAR'S SALES RESULT.



NET PROFIT AFTER TAX

GROUP NET PROFIT AFTER TAX (NPAT) WAS $24.3 MILLION FOR THE YEAR, REPRESENTING GROWTH OF 17% ON LAST YEAR'S REPORTED PROFIT.



EARNINGS PER SHARE

EARNINGS PER SHARE INCREASED BY 15% TO 146.8c

DRIVING INNOVATION

There has been a real drive in innovation throughout the Company – spanning from product development to the way we deliver to our customers.

In the past year, there have been more than 80 new product launches, including a range of heart health products, Blackmores Sleep Sound, and Cold & Flu Day/Night, which places us in a strong position to further our market leadership.

We have also implemented new product labels, branding and merchandising in Asia, revitalising the look of the brand across retail outlets in the region.

In recent months, not only have we positioned ourselves well in Asia with additional retail partnerships, but we have added a potential new growth platform to the Company with the acquisition of Pure Animal Wellbeing Pty Ltd (PAW) on 2 July 2010.

PAW – acquired for $2 million – develops and markets natural dietary supplements and topical products for dogs and cats that are sold in veterinary clinics and specialty stores in Australia, New Zealand and Korea. PAW provides us with a well positioned entry into the fast growing segment of natural health products for pets.

GROWING OUR ASIAN BUSINESS

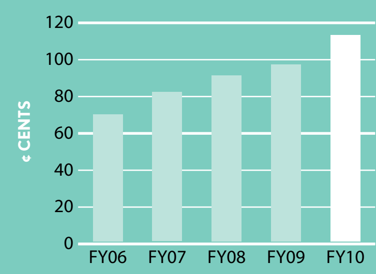
Our Asian business has continued to gain momentum and is now responsible for nearly 15% of Group sales.

This comes despite the impact of the strong Australian dollar, which appreciated significantly in the year. Taking this into account, our Asian business delivered underlying growth of more than 25%.

The Asian growth story can be attributed to expansion of channels with four major retail partners now distributing our products, the growth of the Blackmores brand and increasing the number of products in the market.

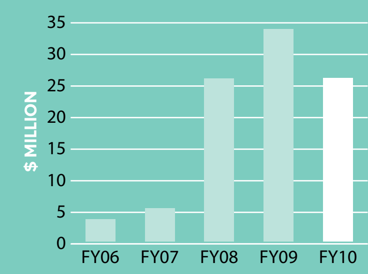
In the last quarter of the financial year, we also entered into a new partnership with Eu Yan Sang, one of Asia's leading healthcare companies with a strong foundation in Traditional Chinese Medicine (TCM) and integrative healthcare. Under this agreement, we have become the first Western brand of dietary supplements in its retail outlets.

This partnership also provides an opportunity to further enhance our knowledge of the TCM market and gain a better insight into how we can integrate the Western and Eastern approaches to health management.



ORDINARY DIVIDENDS

INCLUDING THIS YEAR'S FINAL DIVIDEND OF 70 CENTS PER SHARE, TOTAL ORDINARY DIVIDENDS FOR THE YEAR WERE 112 CENTS PER SHARE (FULLY FRANKED). THIS REPRESENTS A 17% INCREASE OVER LAST YEAR'S TOTAL ORDINARY DIVIDENDS OF 96 CENTS PER SHARE.



DEBT LEVELS

AS A RESULT OF THE INVESTMENT IN THE NEW BLACKMORES CAMPUS, OUR NET DEBT LEVEL WAS $25.8 MILLION AT 30 JUNE 2010. THIS IS COMPARED TO $33.6 MILLION IN THE PRIOR YEAR. GEARING, AS MEASURED BY NET DEBT / (NET DEBT + SHAREHOLDERS' EQUITY) WAS 26.5%, COMPARED TO 36.5% LAST YEAR.

LEVERAGING OPERATIONAL EFFICIENCIES FROM THE NEW FACILITY

Our commitment to operational excellence has been supported by our investment in developing the new Blackmores Campus at Warriewood.

This facility has enabled us to increase volumes to a level that enables us to grow and protect gross margin.

It has enabled Blackmores to support the significant volume growth, particularly driven by Asia, and has allowed the business to enjoy significant efficiency gains. These increased gains are now offsetting the additional cost to the business of developing the new Campus.

While it was expected that the investment in the Campus would take us several years to cover the additional cost to the business, it is pleasing that within the first year we are already seeing it pay for itself.

INVESTING IN OUR PEOPLE

Our people are at the heart of our operations and success.

In recognition of the importance of our team, we have invested in training, alignment of remuneration and reward programs as well as increasing staff numbers.

This commitment to our people has paid dividends with the new Enterprise Agreement supported by 96% of staff.

OUTLOOK

While the challenges of the broader retail and regulatory environment will remain, we are confident we have a strong team and a solid strategy.

The initiatives Blackmores has introduced over the last year to expand our customer reach, to deliver innovative new products, grow the Asian Business and explore new segments have placed the Company well, despite the slowing Australian retail sector.

Blackmores' brand health is strong and consumers continue to look to our products for health solutions they can trust.

It has been an exciting year of significant achievement for the team at Blackmores and I look forward to updating you on our progress as we continue this journey.

C Holgate

Christine Holgate
CHIEF EXECUTIVE OFFICER

GETTING CLOSER TO OUR

customers

Blackmores has taken a fresh approach to servicing the channels that connect the Company to its customers in Australia.

This has resulted in greater points of distribution supported by significant investment in improving customer service, such as increasing the number of customer account managers and offering more education and training to retail staff. Blackmores' valued retailers are now supported with more product merchandisers, a new outbound telephone account management team and enhanced electronic ordering.

NATUROPATHIC ADVISORY SERVICE

The Naturopathic Advisory Service (Freecall 1800 803 760) has been operating for over 20 years. This service provides consumers, retailers and healthcare professionals with the opportunity to talk with a qualified naturopath. Blackmores' naturopaths provided advice and support for over 57,000 people via telephone, mail, online 'click to chat' and personalised email through the online Ask a Naturopath service.

Advisory naturopaths also offer staff a free naturopathic consultation. All new staff are encouraged to take advantage of this opportunity as part of their induction. Blackmores' naturopaths also provided professional support at numerous trade expos and conferences throughout the year.

EDUCATION

The Education Department presented health information seminars and training to nearly 10,000 people during the year. The e-learning program was updated and relaunched in January, with greater functionality to support the expansion of this program and new modules. This new program now has over 1,100 active users.

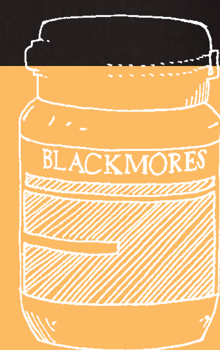
Blackmores' Education Department continued its commitment to professional education and training, with the launch of a healthcare professional webinar and sponsorships at GPCE general practitioner conferences and the Pharmacy Expo. The Company has maintained strong relationships with the Pharmacy Guild of Australia and Pharmaceutical Society of Australia. Through the National Australian Pharmacy Students Association, 565 pharmacy students were trained in evidence-based use of complementary medicines.

In addition, Blackmores Professional delivered education on the unique practitioner-only Celloid® Mineral Therapy range, with a number of training options, including webcasts, with over 1,600 naturopaths and other healthcare professionals trained along with over 800 students. This renewed focus on Celloid education contributed to an 18% lift in sales of Celloid minerals this year.

Andrew O'Keefe, Blackmores' former NSW State Manager, recently appointed CEO of the Go Vita group of retailers

RETAILERS

Blackmores' valued retailers are now supported with more product merchandisers, a new outbound telephone account management team and enhanced electronic ordering.



MOTHER'S DAY CLASSIC

Blackmores proudly supported the Mother's Day Classic – a fun run/walk series across Australia raising funds for the National Breast Cancer Foundation.

BLACKMORES.COM.AU

Blackmores' award-winning website was relaunched to harness the explosion in social media. It uses the latest technology to improve the consumer's experience by providing them with customised content on health and wellbeing. The new site is highly interactive and has become one of Australia's biggest online health communities.

BUILDING OUR BRAND

Blackmores has again been recognised as the Most Trusted Vitamin and Supplement Brand, in both Australia and Thailand, as judged in the 2010 Reader's Digest Most Trusted Survey.

This is the second consecutive win for Australia and the fifth year in a row for Thailand.

The Reader's Digest survey polls a representative sample of consumers (not necessarily just Reader's Digest readers), ranking brands on trust.

Winning the award in both Australia and Thailand is further demonstration of the confidence consumers have in the heritage of the brand and quality of Blackmores' products.

In 2009, Blackmores ranked fifth in terms of most positive sentiment based on a review of more than a million news articles and official ASX announcements published throughout 2009. News included in the review is sourced from a range of news publishers, big and small, including Australia's major news networks, bloggers, corporate PR and government agencies through wotnews.

Blackmores was ranked 48 of the top 100 grocery brands in Nielsen research using an analysis system based on a combination of the key consumer metrics – household penetration, average household spend levels and attitude towards the brand.

BLACKMORES SYDNEY RUNNING FESTIVAL

The Blackmores Sydney Running Festival attracted record numbers of participants with more than 32,000 people competing in the marathon, half marathon, 9km bridge run and 3.8km family fun run across the iconic Harbour Bridge to the Sydney Opera House. The event raised more than $1.9 million for charities. Nearly 10,000 people registered for the Blackmores B Your Best training challenge.

DRIVING innovation

Blackmores has delivered a record number of new products in the financial year, with more than 80 new products, new pack sizes and improved product formulations underpinning growth across the Group.

EXECUTIVE SLEEP FORMULA™

A companion product to Executive B Stress Formula™, this product helps people who have stress related sleep problems. Their busy, overactive mind gets in the way of sleep. Formulated with lemon balm, passionflower and hops, it helps calm an overactive mind to transition into restful sleep.

SLEEP SOUND FORMULA™

Many people yearn for a better quality sleep. New Sleep Sound Formula helps you fall asleep, sleep soundly and wake refreshed. It helps improve your wellbeing after sleep, so you wake up ready for the day ahead. It contains a clinically trialled valerian to support your body's natural ability to sleep soundly and deeply. It also contains lemon balm, which has traditionally been used to relieve restlessness and irritability, and magnesium (low magnesium is associated with increased night time wakefulness).

JOINT FORMULA ADVANCED WITH MSM BOOSTER

Blackmores Joint Formula Advanced with MSM Booster combines several key ingredients for the relief of joint pain. It brings together glucosamine sulphate, the most scientifically validated form of glucosamine, chondroitin and MSM. Science on managing joint pain suggests MSM may enhance the pain relieving effect of glucosamine. Not only does it have this triple active formulation but it also comes in a super concentrated dose. Just one teaspoon per day is all you need.

CARDIWELL™ OMEGA Q10

Blackmores has developed a range of products consistent with scientific evidence and recommendations to help people care for their heart. The first step in taking care of your heart is to be proactive about your diet and lifestyle. Blackmores CardiWell™ Omega Q10 has been formulated to complement this approach to heart health. It is a high quality and convenient 2-in-1 formula that provides relevant doses of omega-3 fatty acids and CoQ10.

CHOLESTEROL HEALTH™

For those people who want to improve their heart health and in particular their cholesterol, Blackmores has developed Cholesterol Health™. It contains a therapeutic dose of plant sterols, which have been found to help manage normal cholesterol and thereby support a healthy heart and cardiovascular system.

COLD & FLU DAY/NIGHT

Whether it is you or someone in your family suffering from a cold or flu, we all know the extra strain it can put on our bodies and day-to-day activities. New Blackmores Cold & Flu Day/Night is a dual action herbal combination that provides relief from symptoms such as blocked nose, headaches, coughs, body aches, pains, and fever. It also supports your immune system which fights colds and flu, and may help you to recover from colds more quickly. The day/night formula provides symptom relief during the day and calming relief at night to help promote sleep.

Blackmores' Category Marketing Manager Nicole Blair (L) with Regulatory Affairs Associate, Rosemary Lee (R)

COLD & FLU DAY/NIGHT

Blackmores Cold & Flu Day/Night is a dual action herbal combination that provides relief from symptoms such as blocked nose, headaches, coughs, body aches, pains, and fever.

RESEARCH

Groundbreaking new research published last September revealed iodine supplementation to correct the mild deficiency commonly found in Australian children led to significant improvements in cognitive brain function.

KIDS IMMUNITIES™

Children at school are often exposed to bugs and germs, so they may be at higher risk of catching colds. New Blackmores Kids Immunities™ is a great-tasting chewable tablet formulated with a good dose of vitamin C plus four additional key immune nutrients, vitamins A, D, E and zinc, to support growing kids' immune systems.

TEEN MULTIS

Blackmores Teen Multi for Guys and Teen Multi for Girls include five essential nutrients needed for brain development: iodine, omega-3 fatty acids, iron, zinc and vitamin B12. They also include a comprehensive range of vitamins and minerals for healthy growth and development, normal mood and behaviour, and essential nutrients that support teenage boys' and girls' active and demanding lifestyles and healthy skin.

RESEARCH

Blackmores collaborates with leading Australian and international research institutes, hospitals and universities, including the Heart Research Institute and Southern Cross University.

Blackmores' research program has been developed to explore new indications for existing products and investigate new ingredients and areas of benefit for natural medicine.

The results of two major clinical trials supported by Blackmores were released in the year.

Groundbreaking new research published last September revealed iodine supplementation to correct the mild deficiency commonly found in Australian children led to significant improvements in cognitive brain function. The iodine tablets developed for the New Zealand study were supplied by Blackmores.

The results of the VITATOPS trial were released at the 2010 European Stroke Conference in Barcelona in May this year. The researchers reported that VITATOPS had no clinically significant effect on preventing secondary strokes compared to placebo. Some interesting secondary outcomes were presented, and given the scale of the trial it is anticipated that a number of findings will be published over the coming years.

BLACKMORES RESEARCH SYMPOSIUM

The third Blackmores Research Symposium was held in Sydney from 30 April – 1 May 2010. Leading international and local researchers explored nutrient and lifestyle strategies for conditions at different life-stages from fertility to frailty, presenting on the latest advances in nutritional medicine and discussing the integration of these findings into clinical practice.

INVESTING IN OUR *people*

NEW ENTERPRISE AGREEMENT

Blackmores' staff welcomed a new Enterprise Agreement in December 2009 with an unprecedented 96% of voting staff supporting the new terms of employment; the minimum statutory requirement is 50% plus one vote.

"THIS IS AN OUTSTANDING OUTCOME GIVEN THAT COLLECTIVE BARGAINING AND ENTERPRISE AGREEMENTS CAN OFTEN DIVIDE MANAGEMENT AND EMPLOYEES. IT SHOWS THAT BLACKMORES' BOARD, MANAGEMENT AND STAFF ARE ALL COMMITTED TO WORKING TOGETHER. IT DEMONSTRATES THAT OUR POSITIVE WORKPLACE CULTURE HAS REMAINED STRONG THROUGH A YEAR OF CONSIDERABLE CHANGE."

Christine Holgate, CEO

The new Enterprise Agreement was designed to incorporate features that make Blackmores a family-friendly workplace and to enable all staff to meet their responsibilities outside of the workplace and to achieve greater work life balance.

COMMITMENT TO DIVERSITY

The Blackmores Group has a positive approach to equal opportunity for women in the workplace. Three quarters of Blackmores' workforce is female, half of the senior management team is female and 38% of the Executive Team and 43% of Board members are women.

CLIMATE SURVEY

Blackmores has long recognised the importance of retaining high quality staff and keeping its workforce motivated and engaged. A comprehensive corporate culture survey was undertaken to measure strengths and identify opportunities for further improvement.

The Voice Project at Macquarie University, Blackmores' partner in this climate survey, notes a direct correlation between high engagement and low company turnover and increased productivity.

Blackmores' employee engagement is over 80%, which places the Company in an enviable position and ranks as one of the strongest in Australia.

The Group has a Staff Liaison Committee, with representatives from across the Company elected by employees, that meets regularly and acts as a conduit for communication between staff and management.

The Company is continuously working on recruitment, training and development of staff and implementing initiatives that will help Blackmores continue to be an employer of choice.

80%

EMPLOYEE ENGAGEMENT

Blackmores' employee engagement is over 80%, which places the Company in an enviable position and ranks as one of the strongest in Australia.

Sumon Lahiri (L) with Anthony Wagstaff (R), Channel Managers

OPERATIONAL

excellence

The new Blackmores Campus at Warriewood has been operational for more than a year.

The additional production line increased capacity by 20%, and together with improved product flows from the new layout and a focus on efficiency improvements, Blackmores has realised an extra 26% capacity. The team achieved a new daily record of 82,000 units packed in one day.

The increased capacity has reduced reliance on outsourcing and demonstrates the ability of the new premises to accommodate further growth.

The new site has enabled Blackmores to support the significant volume growth, particularly driven by Asia, and has allowed the business to enjoy significant efficiency gains. These increased gains are now offsetting the additional cost to the business of developing the new Campus.

The ability of the site to self-fund these significant improvements within 18 months of operation and to underpin future growth validates the substantial investment required to develop the new premises.

CARDIWELL™ OMEGA Q10

CardiWell™ Omega Q10 is a high quality and convenient 2-in-1 formula that provides relevant doses of omega-3 fatty acids and CoQ10.

82k UNITS A DAY

The new line, improved product flows and a focus on efficiency improvements have resulted in an extra 26% capacity. This allowed Blackmores to achieve a new daily record of 82,000 units packed in one day.

Dahlia Hussain from Blackmores' Production Team

THE BLACKMORES QUALITY GUARANTEE

At Blackmores, we are committed to producing products to the highest quality standards. We make this exacting demand to meet the deserving expectation of our customers.

DEDICATION TO quality

BLACKMORES' DEDICATION TO QUALITY

At Blackmores, we take quality seriously, because we know our customers deserve the best.

THE BLACKMORES QUALITY GUARANTEE

At Blackmores, we are committed to producing products to the highest quality standards. We make this exacting demand to meet the deserving expectation of our customers.

We take utmost care in maintaining control of all aspects determining the quality of our products whether they are related to the sourcing of ingredients from qualified suppliers or working with world-class leading contract manufacturers.

We are proud to uphold this reputation and tradition which Blackmores has built over 75 years of consistently providing high quality products and services to the community.

HOW DOES BLACKMORES ENSURE THE QUALITY OF OUR PRODUCTS?

The quality journey of EVERY Blackmores product...

1. Product Development

A team of experienced Blackmores scientists, researchers and both natural health and medical practitioners formulate products based on the latest scientific literature in addition to traditional evidence. The Blackmores team often seeks the advice of leading health experts.

We are committed to using naturally-derived ingredients and excipients where possible.

2. Sourcing High Quality Raw Materials

Blackmores' Quality Assurance team ensures that all raw material used in our products are sourced from suppliers which meet Blackmores' high quality standards. This includes regular audits of suppliers where we assess their compliance to material identification, contamination control and implementing appropriate quality systems.

Raw materials are tested to agreed specifications to assure their identity, purity and potency.

Opposite: Darren Dziedziczak, Quality Systems Manager

TEEN MULTI

Teen Multi includes a comprehensive range of vitamins and minerals for healthy growth and development, and normal mood and behaviour.

3. Maintaining Quality Facilities

Blackmores' TGA-licensed packaging facilities are audited by Australia's Therapeutic Goods Administration every two years and we are proud of our strong record of continual compliance.

Our own highly qualified Blackmores Audit Team conducts detailed formal quality audits on our contract manufacturers annually as well as performing internal audits on all our manufacturing processes and quality systems.

'Validation' of our site, equipment and processes ensures that our site has been verified to perform as intended.

Our Quality team meets regularly with our contract manufacturers to ensure ongoing dialogue about the production of our products to maintain consistently high standards and to identify opportunities to continuously improve quality processes.

Blackmores' contract manufacturers are carefully selected to ensure we work in partnership to produce high quality products.

4. Stability

Together with audits of our contract manufacturers we have an ongoing stability program which helps give us confidence that Blackmores' products are true to label through to the end of their shelf life.

5. In Process Tests

Highly trained and qualified technicians evaluate the certificate of analysis provided by our contract manufacturers – this details the test results of every single batch of Blackmores' products.

Additionally, we commission independent chemical and microbiological testing at TGA-licensed laboratories for all our products.

6. Release for Sale

Qualified Quality Control personnel from Blackmores ensure every single product passes a comprehensive quality evaluation before it is released for sale.

7. Ongoing Support and Dedication to Quality

Blackmores' Customer Service and free Naturopathic Advisory Service provide additional support to our customers.

Blackmores investigates all complaints or reports of adverse events.

Blackmores has an ongoing program of extensive staff training to ensure that our team is the most skilled in the industry.

SLEEP SOUND FORMULA

It contains clinically trialled valerian to support your body's natural ability to sleep soundly and deeply. It also contains lemon balm, which has traditionally been used to relieve restlessness and irritability, and magnesium.

SOCIAL responsibility

Blackmores continued its support of the Heart Research Institute, which last September opened a new state-of-the-art facility in Newtown, NSW.

The new facilities will provide the Heart Research Institute (HRI) with the capacity to break new ground in the fight against Australia's number one killer, heart disease. It is a significant milestone in the history of the HRI, heralding a new era of achievements in learning, collaboration and discovery.

Blackmores has donated a percentage of sales from all multivitamin products to the McGrath Foundation.

The McGrath Foundation was co-founded by Jane and Glenn McGrath after Jane's initial recovery from breast cancer. The McGrath Foundation aims to raise money to place McGrath Breast Care Nurses in rural and regional Australia, as well as educating young women to be 'breast aware'. Blackmores is a proud supporter of the McGrath Foundation.

Blackmores continues to donate a percentage of sales of eye health products to the Macular Degeneration Foundation.

These funds contribute to ongoing research and education programs to raise awareness of this widespread condition. The Macular Degeneration Foundation also runs support programs for those assisting people suffering from the condition.

Since moving to Pittwater, where Warriewood is located on the Northern Beaches, Blackmores has committed to principal sponsorship of the Bilgola Surf Life Saving Club. This contributes to beach safety for the community and public 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.

Blackmores' staff raised A$20,000 to support the Samoan village of one of Blackmores' valued employees that was affected by the tsunami. The money raised was shared between two schools – a primary school in Utuali'i and a secondary school in Poutassi. The money was used to purchase important supplies for the schools – windows, concrete, water tanks, paint and timber.

In response to the devastating typhoon in Taiwan, Blackmores made a major donation of multivitamins to the Public Health Bureau in Pingtung County, one of the areas affected by Typhoon Marokot.

Blackmores Thailand has continued to offer two scholarships to medical students at Mahidol University. The team in Thailand has also made generous contributions to the YWCA, Thai Red Cross and helped build a playground for children in a disadvantaged community.

The 'Blackmores B for Earth' campaign continued in Thailand, where shoppers were invited to return an empty Blackmores bottle to receive a discount off their next purchase of a Blackmores product. Three tonnes of empty bottles were returned and revenue collected from recycling the glass was donated to charity. A donation was also made to the 'Rabbit on the Moon Foundation' for earth care activities.

Blackmores Malaysia worked in partnership with the Kuala Selangor Nature Park on a mangrove rehabilitation project and successfully replanted more than 200 saplings.

The team in Malaysia has also contributed generously to eight local children's homes, benefiting 200 children.

Blackmores is proud of its sponsorship program. Other deserving causes that Blackmores supports are Arthritis Australia, the Australian Thyroid Foundation, Cure Cancer Australia, the Gawler Foundation, the MINDD Foundation, Osteoporosis Australia, the Yalari Foundation and the Young Endeavour Youth Scheme.

MATCHED DONATIONS

Employees are encouraged to participate in a charitable scheme whereby 0.5% of their taxable pay is deducted, and the Company matches this amount. Twice yearly, each participating employee nominates a registered charity to receive the donation.

3 tonnes

Three tonnes of empty bottles were returned in Thailand and revenue collected from recycling the glass was donated to charity.

AUSTRALIAN PACKAGING COVENANT

As a signatory to the National Packaging Covenant since 2001, Blackmores is committed to reducing the environmental impact of our packaging, closing the recycling loop and developing economically viable and sustainable recycling systems.

ENVIRONMENTAL sustainability

The Blackmores Campus is working towards a goal of being self-sufficient in terms of water and energy consumption.

The on-site natural gas tri-generation facility produces power, hot water and space heating. The unit captures heat that would otherwise be lost and produces cold water via an absorption chiller using that heat. The facility results in a substantial reduction in carbon dioxide emissions.

The major part of Blackmores' car fleet has been converted to LPG and diesel, resulting in further reduction in carbon dioxide emissions.

As a signatory to the National Packaging Covenant since 2001, Blackmores is committed to reducing the environmental impact of our packaging, closing the recycling loop and developing economically viable and sustainable recycling systems. This covenant has been replaced by a new Australian Packaging Covenant which places a greater emphasis on design to minimise the environmental impact of packaging.

The covenant marks 10 years of continuous improvement in the environmental performance of Blackmores' packaging and waste minimisation. Blackmores has been a finalist for five consecutive years in the Pharmaceutical Packaging Action Award Category of the Evolution Awards, winning twice and twice placed second.

BLACKMORES in Asia

BLACKMORES IN ASIA

Despite weak economic growth in our prime Asian markets and political challenges in Thailand in the second half of the year, Blackmores' Asian business was a major driver of growth, with the contribution from Asia to total profit increasing five-fold this year.

The biggest challenge was the dilution of the impact of sales from Asia as a result of the strong Australian dollar. Despite this effect, Asia now represents nearly 15% of Blackmores' total sales.

As well as the focus on product registrations, new product labels, branding and merchandising were introduced in Asia, revitalising the look of the brand across retail outlets in the region.

EU YAN SANG

Blackmores developed a new partnership with one of Asia's leading healthcare companies with a strong foundation in Traditional Chinese Medicine (TCM) and integrative healthcare. Founded in 1879, Eu Yan Sang manufactures and retails quality Chinese herbs, propietary Chinese medicines, health supplements and health foods in Hong Kong, Macau, China, Malaysia and Singapore.

As part of Blackmores' new relationship with Eu Yan Sang, a select range of Blackmores' products are now stocked in several outlets in Malaysia and Singapore with further launch activity and expanded distribution planned throughout the Eu Yan Sang network.

"The partnership with Eu Yan Sang is important for Blackmores because it gives us the opportunity to better understand Traditional Chinese Medicine, which is a significant segment in Asia," said Christine Holgate, Blackmores' CEO. "It is the marriage of two cultures and two different approaches to natural medicine, both presenting a valued offering to the consumer."

"Blackmores is proud to be the only Western brand ranged in Eu Yan Sang's highly respected retail outlets."

EXPANSION IN THE REGION

Blackmores' strategy across core Asian markets delivered very strong results and set the foundation for further sustainable growth with the building of a strong new Asian leadership team, deeper channel coverage in each market, enhanced distribution and an increased product

BLACKMORES' ASIAN BUSINESS

Blackmores' Asian business was a major driver of growth, with the contribution from Asia to total profit increasing five-fold this year.

Siew Yew Gan, Marketing Manager Malaysia

BLACKMORES IN MALAYSIA

We have implemented new product labels, branding and merchandising in Asia, revitalising the look of the brand across retail outlets in the region.

range, new product pipeline and faster speed to market.

In **Thailand**, Blackmores was awarded Reader's Digest Most Trusted Brand for the fifth consecutive year. An overall brand lift from Thai consumers trusting the quality of Blackmores' products throughout the time when there was widespread concern about H1N1, and through the civil unrest in Bangkok resulted in strong sales.

Blackmores' **Malaysian** business benefited from a significantly improved marketing focus, additional local regulatory affairs expertise and a strong pipeline of new products. The strength of the Blackmores brand in Malaysia was reflected in the high sales of new products such as Joint Formula and the Omega range of concentrated fish oils.

In **Singapore**, a year of solid sales growth and business development have set the stage for future growth, with the establishment of a local Blackmores sales team in Singapore, a new distribution agreement, and an exciting new product pipeline and a key partnership with Eu Yan Sang which will underpin future performance.

In **Hong Kong,** Blackmores more than doubled its points of distribution, moving from one exclusive retailer (Watsons) to four prominent retail partners, including Mannings with 330 stores, CRCare with 46 stores, and Sasa Cosmetics, one of the fastest growing health, cosmetics and beauty retailers in Asia. Blackmores now has a select range in Sasa's top 20 stores and a more extensive product range available on the sasa.com website, focused primarily on online sales to consumers in China.

Blackmores' **Taiwan** business is being repositioned for growth with a new distribution agreement, moving from one exclusive retailer (Watsons) to ranging in Carrefour supermarkets, and new retail partnerships with leading chains including Cosmed, Sasa and Costco planned for the next 12 months.

NEW ZEALAND

Sales in New Zealand were in line with the previous year in local currencies, but reflect an increase in market share. This is a pleasing result considering the challenging economic conditions in the market in the period.

MANAGEMENT *profiles*

EXECUTIVE TEAM

Blackmores' Executive Team combines leaders with significant industry, business and Blackmores experience.

CHRISTINE HOLGATE

Chief Executive Officer

Christine has over 25 years of international sales and marketing experience in highly regulated industries, including telecommunications, finance, media and healthcare. Christine was appointed to her current role as Chief Executive Officer by the Board in November 2008. She has held numerous board and senior management positions, working in Europe, Asia, the Americas and Australia. Christine's prime responsibilities have been leading teams through significant change, growth and start-up. Christine has three 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.

PETER BARRAKET

Director Australia

Peter joined Blackmores in 2004 and was appointed Director Australia in May 2009 with responsibility for Australian sales, marketing, education and training and customer service. Prior to that, Peter was Blackmores' Chief Financial Officer and was responsible for leading a number of development and improvement initiatives across the business. During his 18-year career, he has developed a broad range of knowledge and skills in the area of financial and business strategy.

LIZ BURROWS

Director Operations

Liz has over 26 years of quality assurance experience in the medical device and pharmaceutical manufacturing industries in Australia and South-East Asia. She joined Blackmores in 1997 and held the roles of Quality Assurance Manager and Logistics Manager prior to her current role. Her career has included conducting manufacturing process improvement and quality audits in many different countries.

RICHARD HENFREY

Director People and Strategy

Richard has over 16 years of experience in strategic and business development roles in highly regulated industries 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 is experienced in developing communications and people programs with proven success. Most recently he has worked for Telstra Corporation in a number of roles focused on business improvement and growth.

CHRIS LAST

Chief Financial Officer

Chris joins Blackmores with 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 is experienced in the financial management of consumer products and global brand management.

SUE MOORE

Director Products, Development and Innovation

Sue has been involved in several strategic projects at Blackmores prior to her appointment as Director of Products, Development and Innovation and was a key contributor to the organisational review in 2009 with a strong understanding of Blackmores' business. Sue has more than 20 years of experience in consumer healthcare and global product marketing.

PETER OSBORNE

Director Asia

Peter brings more than 19 years of experience, most recently in Beijing, running the Australian Trade Commission's operations in China. He has extensive experience in trade development, export facilitation, regional trade arrangements and in developing successful market entry, promotional and marketing strategies for products and services in Asia.

ALISON QUESNEL

General Manager – New Zealand

Alison has been the General Manager of our business in New Zealand since 2000. She has considerable management and export experience across a range of categories, sectors and channels. Alison is a member of the board of Natural Products New Zealand, the industry association for dietary supplements in New Zealand.

LEE RICHARDS

Director Technology

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 Technology Officer in February 2001.

awards

READER'S DIGEST MOST TRUSTED VITAMIN AND SUPPLEMENT BRAND 2010 (AUSTRALIA)

– winner Blackmores

READER'S DIGEST MOST TRUSTED VITAMIN AND SUPPLEMENT BRAND 2010 (THAILAND)

– winner Blackmores

2009 PITTWATER SUSTAINABILITY IN BUSINESS AWARD FOR A MEDIUM/LARGE BUSINESS

– winner Blackmores Campus

BPN SUSTAINABILITY AWARDS – SMALL COMMERCIAL CATEGORY

– Awarded to Blackmores Campus, Watermark Architecture and Interiors

AUSTRALIAN INSTITUTE OF ARCHITECTS SUSTAINABLE ARCHITECTURE AWARD

– Awarded to Watermark Architecture and Interiors for Blackmores Campus

BLACKMORES: HIGHLY COMMENDED AS BEST MANUFACTURER AT THE FOURTH ANNUAL LOGISTICS MAGAZINE MERCURY AWARDS

awards

VIRIDIAN VISION AWARDS 2010 – ENERGY EFFICIENCY AND GLASS INNOVATION

– Awarded to Watermark Architecture and Interiors for Blackmores Campus

COMPLEMENTARY HEALTHCARE COUNCIL OF AUSTRALIA

Lady Cilento Award

– winner 2009: Philip Daffy (Blackmores)

Most Outstanding Marketing Campaign of the Year

– Blackmores Children's Range Launch

Most Outstanding Contribution to Research Training and Education

– Blackmores Research Symposium

CORPORATE GOVERNANCE statement

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 36 to 48 of this Annual Report and the Corporate Governance Principles available on the Blackmores website at blackmores.com.au (go to'Investors 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 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 36 to 37 set out the qualifications, expertise and experience of each Director at the date of this report and their period of office.

The Board considers all of its Non-Executive Directors to be independent. The Board regularly assesses the independence of each Non-Executive Director. Further details regarding criteria the Board considers in the assessment are contained on Blackmores' website.

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 ASX guidelines he is not considered 'independent'. 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 recommendation has not been adopted.

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 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 internally during May 2009.

PRINCIPLE 3

Promote ethical and responsible decision-making

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

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

PRINCIPLE 4

Safeguard integrity in financial reporting

Blackmores is committed to a transparent system for auditing and reporting of the Company'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 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 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 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 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.
- Operational Risks such as asset loss, cost overruns, OH & S and regulatory breach.

The policies which are in place to manage risk are referenced on 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 reports on material risks, including an assessment of the inherent risks, and the effectiveness of controls in place to manage such risk 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 Company'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 41 to 48 sets out details of Blackmores' policy and practices of remuneration for Non-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.

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

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.

FINANCIAL statements

FIVE YEAR HISTORY

$'000	2010	2009	2008	2007	2006[1]
Sales[2]	**214,934**	200,314	178,833	171,653	147,988
Profit before tax	**34,731**	29,228	27,474	24,488	19,719
Income tax expense	**(10,434)**	(8,446)	(8,388)	(7,817)	(6,103)
Profit attributable to shareholders	**24,297**	20,782	19,086	16,671	13,616
Net debt	**25,849**	33,640	25,803	5,268	3,503
Shareholders' equity	**71,790**	58,563	50,351	43,486	36,786
Total assets	**154,349**	138,509	116,874	82,420	68,284
Current assets	**82,985**	69,544	61,763	56,959	48,687
Current liabilities	**34,457**	31,903	27,793	22,628	20,419
Net tangible assets	**68,818**	56,414	49,019	41,869	34,768
Earnings before interest tax, depreciation and amortisation (EBITDA)	**40,887**	32,779	28,881	25,814	21,864
Depreciation and amortisation	**4,141**	2,444	1,909	1,572	1,855
Earnings before interest and tax (EBIT)	**36,746**	30,335	26,972	24,242	20,009
Net interest[3]	**2,015**	3,023	709	665	1,057
Net operating cash flows	**25,874**	20,468	23,995	16,795	14,557
Number of shares on issue ('000s)	**16,677**	16,402	16,181	16,035	15,914
Earnings per share (EPS) – basic (cents)	**146.8**	127.5	118.4	104.3	85.7
Ordinary dividends per share (cents)	**112.0**	96.0	90.0	81.0	69.0
Share price at 30 June	**$22.30**	$16.00	$16.40	$20.56	$13.90
Net tangible assets (NTA) per share	**$4.13**	$3.44	$3.03	$2.61	$2.18
Return on shareholders' equity[4]	**33.8%**	35.5%	37.9%	38.3%	37.0%
Return on assets[5]	**25.1%**	23.8%	27.1%	32.2%	31.4%
Dividend payout ratio	**76.3**	75.3%	76.0%	77.7%	80.5%
Gearing ratio[6]	**26.5%**	36.5%	33.9%	10.8%	8.7%
EBIT to sales	**17.1%**	15.1%	15.1%	14.1%	13.5%
Effective tax rate	**30.0%**	28.9%	30.5%	31.9%	30.9%
Current assets to current liabilities (times)	**2.41**	2.18	2.22	2.52	2.38
Net interest cover (times)[7]	**18.2**	10.0	38.0	36.5	18.9
Gross interest cover (times)[7]	**15.0**	9.2	22.3	24.4	16.4
% change on prior year					
Sales	**7.3%**	12.0%	4.2%	16.0%	10.1%
EBIT	**21.1%**	12.5%	11.3%	21.2%	18.0%
EBITDA	**24.7%**	13.5%	11.9%	18.1%	16.1%
Profit attributable to shareholders	**16.9%**	8.9%	14.5%	22.4%	20.2%
EPS	**15.1%**	7.7%	13.6%	21.7%	20.0%
Ordinary dividends per share	**16.7%**	6.7%	11.1%	17.4%	19.0%

1. 2006 results exclude the impact of the sale of the Blackmores site at Balgowlah, including one-off net profit after tax of $835,000.
2. Represents revenue from the sale of goods and excludes other revenue items.
3. Net interest includes $nil (2009: $1,916,028) of capitalised interest.
4. Calculated as net profit after tax divided by closing shareholders' equity.
5. Calculated as EBIT divided by average total assets.
6. Gearing ratio is calculated as net debt divided by the sum of net debt and shareholders' equity.
7. Net and gross interest cover is calculated after adjusting interest expense for capitalised interest.

DIRECTORS' *report*

The Directors of Blackmores Limited (Blackmores) present their report together with the Financial Statements of the consolidated entity, being Blackmores and the entities it controlled (Blackmores Group) at the end of or during the year ended 30 June 2010.

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 also a Director of ING Australia Limited.

VERILYN C FITZGERALD
MAICD

Independent Director

Ms Fitzgerald joined the Board in May 1997. She has over 25 years in international corporate management, including 14 years of experience as a Director of public companies in the Health and IT industries in Australia.

NASEEMA SPARKS
BPHARM, MPHARM (PHARMACOL), MBA, GAICD

Independent Director

Ms Sparks joined the Board in October 2005. She graduated as 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 in Australia and the UK. Her most recent role was Managing Director of M&C Saatchi. Ms Sparks is currently a Director of Mitchell Communication Group Limited and PMP Limited, Deputy Chair of Osteoporosis Australia and Sydney Dance Company and is National President of Chief Executive Women (CEW).

MARCUS C BLACKMORE AM
ND, MAICD

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, member of the Maritime Ministerial Advisory Committee, Deputy Chairman of Defence Reserves Support Council and an honorary trustee of the Committee for the Economic Development of Australia (CEDA).

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 co-founder and CEO of Galileo Kaleidoscope, a company known for its strategic marketing, brand and consumer research solutions. Mr Wallace has over 30 years 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.

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.

BOARD MEMBERS' DIRECTORSHIPS

The table below shows the details of other listed public company directorships held by Board members over the last three years.

DIRECTOR	DIRECTORSHIP OF	DATE APPOINTED	DATE RESIGNED
Marcus Blackmore	No public company directorships		
Stephen Chapman	ING Australia Limited	1/01/2008	current
	Macquarie Radio Networks Limited	1/11/2002	21/11/2008
	Hostworks Group Ltd	17/02/1997	10/03/2008
Verilyn Fitzgerald	Independent Practitioner Network Limited	7/08/2003	7/10/2008
Christine Holgate	KeyCorp Limited	16/01/2006	13/02/2009
	Ten Network Holdings Limited	1/04/2010	current
Naseema Sparks	Mitchell Communication Group Limited	12/03/2007	current
	PMP Limited	17/08/2010	current
Bob Stovold	Canberra Investment Corporation Ltd	15/08/2003	26/05/2009
Brent Wallace	No public company directorships		

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	4,479,278	-
S Chapman	22,055	-
V Fitzgerald	10,216	-
C Holgate	59,203	31,030
N Sparks	-	-
R Stovold	27,910	-
B Wallace	12,161	-
Total	**4,610,823**	**31,030**

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 Executives are granted rights to acquire shares in Blackmores. Refer to page 41 for more details. During the years, the following rights to shares were granted:

	2010 NUMBER	2009 NUMBER
C Holgate	**33,081**	20,189
P Barraket	**6,718**	6,352
G Burgoyne [2]	**5,744**	-
L Burrows	**5,408**	4,993
P Daffy	**-**	3,530
R Henfrey	**6,294**	1,016
C Howard [3]	**-**	5,986
C Last	**1,155**	-
S Moore	**6,502**	1,130
P Osborne	**-**	679
R Rich [1]	**136**	156
L Richards	**5,405**	4,835
R Weine [3]	**-**	7,035

1. Rights granted during the 2010 and 2009 financial years for R Rich are for the period as acting Chief Financial Officer (1 May 2009 to 3 September 2009).

2. Rights granted during the 2010 year to G Burgoyne did not vest as he left employment during the 2010 financial year.

3. Rights granted during the 2009 year to C Howard and R Weine did not vest as they left employment during the 2009 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 41 to 48.

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, Chair
	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. Cecile 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. Cecile 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 marketing of health products including vitamins, herbal, mineral and nutritional supplements. The Blackmores Group has operations in Australia, Malaysia, Thailand and Taiwan and sells through independent distributors in other parts of Asia and in New Zealand.

REVIEW OF OPERATIONS

The net amount of profit attributable to the shareholders of the Blackmores Group for the financial year was $24.3 million (2009: $20.8 million) which represents a 17% increase over the prior year. Sales for the year were $214.9 million (2009: $200.3 million), an increase of 7% compared to the prior year. Basic earnings per share increased from 127.5 cents per share to 146.8 cents per share (an increase of 15%). Net tangible assets per share increased from $3.44 last year to $4.13 this year. Net debt decreased from $33.6 million last year to $25.8 million this year and the gearing ratio decreased from 36.5% last year to 26.5% this year.

CHANGES IN STATE OF AFFAIRS

During the financial year, there was no significant change in the state of affairs of the Blackmores Group other than that referred to in the Financial Statements or notes thereto and elsewhere in the Annual Report of Blackmores for the year ended 30 June 2010.

SUBSEQUENT EVENTS

In July 2010, the Blackmores Group acquired the issued capital of Pure Animal Wellbeing Pty Ltd (PAW), a privately held Australian natural animal health company for a purchase price of AUD $2 million payable in cash. Building on Blackmores' core expertise in natural health, vitamins and dietary supplements, PAW provides Blackmores with a well positioned entry into the fast growing segment of natural health products for pets.

There has not been any other 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 elsewhere in the Annual Report of Blackmores for the year ended 30 June 2010 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 Company 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.

OCCUPATIONAL 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

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

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'). Please note, a separate section in this Annual Report on pages 32 to 33 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 57 cents per share fully franked in respect of the year ended 30 June 2009, as detailed in the Directors' Report for that financial year, was paid on 24 September 2009.
- An interim dividend of 42 cents per share fully franked in respect of the year ended 30 June 2010 was paid on 25 March 2010.
- On 19 August 2010, Directors declared a final dividend for the year ended 30 June 2010 of 70 cents per share fully franked, payable on 20 September 2010 to shareholders registered on 2 September 2010.

This will bring total ordinary dividends to 112 cents per share fully franked (2009: 96 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' 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	-	-	1	1	3	2
S Chapman	9	9	3	2	1	1	3	3
V Fitzgerald	9	9	3	3	1	1	3	3
C Holgate	9	8	-	-	1	1	-	-
N Sparks	9	8	-	-	1	1	3	3
R Stovold	9	9	3	2	1	1	-	-
B Wallace	9	9	3	3	1	1	-	-

1. Reflects the number of meetings held during the time that the Director held office during the year.

STATEMENT OF NON-AUDIT SERVICES

The Directors are satisfied that the provision of non-audit services during the year by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 7 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 49 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

REMUNERATION REPORT – AUDITED

To retain our position as Australia's leading natural health brand, and to achieve ongoing success for our Company and shareholders, it is important for Blackmores to retain and attract the best and brightest in the industry.

Blackmores remunerates its people fairly and responsibly. Our remuneration policy is transparent and linked to both the individuals' and Company performance. These guidelines are underpinned by clearly defined objectives and measures with each Senior Executive assessed in line with our performance management program.

In determining performance conditions, Blackmores aims to align Senior Executive interests with the interests of shareholders and the Company, recognising EPS growth as the key driver of shareholder value.

This Remuneration Report forms part of the Directors' Report and sets out information about the remuneration of Blackmores Limited Directors and other Key Management Personnel. Key Management Personnel are the people with the authority and responsibility for planning, directing and controlling the activities of the Blackmores Group, directly or indirectly, including Executive and Non-Executive Directors. The Key Management Personnel include the top five highest-paid Group and Company Executives. The Remuneration Policy and programs detailed in this Report also apply to other senior Blackmores Group management not included as Key Management Personnel. The same group of individuals are classified as Directors and Key Management Personnel for the Blackmores Group and Blackmores.

This Report provides disclosure around the following topics:

1. Remuneration Policy
2. Relationship between Remuneration Policy and the Blackmores Group's Performance
3. Performance-based Remuneration
4. Remuneration Disclosures for Directors and Key Management Personnel
5. Share-based Payments
6. Employment Contracts
7. Non-Executive Directors' Remuneration

1. REMUNERATION POLICY

In April 1996, the Board of Directors established a Committee of Directors now known as the People and Remuneration Committee. The primary responsibilities of the People and Remuneration Committee are to consider remuneration strategy and policy for Senior Executives and Non-Executive Directors of Blackmores and to make recommendations to the Board that are in the best interests of Blackmores and its shareholders. The People and Remuneration Committee operates in accordance with Blackmores' Corporate Governance Principle 8, particulars of which are available on the Company's website at blackmores.com.au (go to 'Investor Centre' then click on 'Corporate Governance').

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 to ensure that an appropriate balance between fixed and incentive pay is achieved.

The People and Remuneration Committee has established a remuneration policy in order to:

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

Fixed and performance-related remuneration are structured to provide an incentive to Senior Executives to maximise Blackmores' profitability and increase returns to shareholders. Performance-related remuneration provides Executives with tangible incentives to meet Blackmores' objectives. Participation in incentive plans provides Senior Executives with the opportunity to share in the success and profitability of Blackmores and aligns Executives' interests with those of shareholders.

The Board's current policy regarding remuneration for Senior Executives is summarised below. Non-Executive Directors are remunerated on a different basis to Senior Executives, as set out in Section 7 of this report.

SENIOR EXECUTIVE REMUNERATION

(a) Fixed remuneration reflects core performance requirements and expectations and is targeted to be reasonable and fair, taking into account Executives' responsibilities, competitive market practice and the size and scale of Blackmores' operations.

(b) Short-term incentives (STI) comprise cash payments linked to clearly specified annual performance targets. 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.

(c) Senior Executives participate in the same profit share plan as all permanent Australian Blackmores staff.

(d) Long-term incentives (LTI): The Executive Performance Share Plan (EPSP) was approved at Blackmores' Annual General Meeting in November 2008. Participation is open to Senior Executives determined 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.

(e) Special long-term incentives (SLTI): From time to time the Board may offer 'one-off' SLTIs to particular Senior Executives in addition to the LTIs outlined in (d) above.

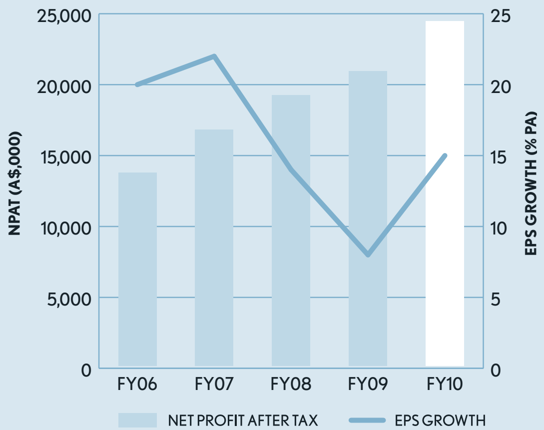
2. RELATIONSHIP BETWEEN REMUNERATION POLICY AND THE BLACKMORES GROUP'S PERFORMANCE

Consistent with Blackmores' remuneration policy, the performance-based components of Senior Executive remuneration are designed to align the interests of the Senior Executives with the interests of Blackmores and its shareholders, with the objectives of growing Blackmores' earnings and increasing shareholder wealth. Performance-based remuneration is periodically reviewed and revised to ensure it continues to drive these objectives. NPAT and EPS have been identified as key drivers of shareholder value and have consistently been used as performance measures in short-term and long-term incentive plans. Blackmores' policy is that short-term and long-term incentives will only be awarded when Blackmores meets performance hurdles.

Blackmores' earnings (NPAT) and consequences of Blackmores' performance on shareholder wealth are illustrated in the following graph.

NPAT AND EPS GROWTH

Note: NPAT for the financial year 2006 excludes non-recurring profit realised



on sale of the site of Blackmores' former premises at 23 Roseberry Street, Balgowlah, NSW.

3. PERFORMANCE-BASED REMUNERATION

3.1 SHORT-TERM INCENTIVES (STI)

3.1.1 PERFORMANCE CONDITIONS

(a) Under the current remuneration policy, unless Blackmores' NPAT is at least 95% of budgeted NPAT for the relevant financial year, no STI payments will be made. If this target is reached, STI payments are made according to a sliding scale based on actual NPAT relative to budget as shown in the table below.

NPAT AS A PERCENTAGE OF BUDGET	CHIEF EXECUTIVE OFFICER MAXIMUM STI	SENIOR EXECUTIVES MAXIMUM STI
	(AS % OF BASE REMUNERATION)	
less than 95%	0%	0%
equal to or greater than 95% but less than 100%	21%	13%
equal to or greater than 100% but less than 110%	39.4%	38%
equal to or greater than 110% but less than 120%	55.4%	58%
equal to or greater than 120% but less than 125%	63.4%	64%
equal to or greater than 125%	65.0%	65%

STI awards also reflect individual performance against objectives. Typical individual performance conditions include financial-based targets and team development measures. 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.

(b) As mentioned on page 41 under Section 1(c), Senior Executives participate in a profit share plan, whereby 10% of the NPAT is allocated to all eligible permanent Australian staff on a pro-rata basis by reference to base remuneration.

3.1.2 RATIONALE FOR PERFORMANCE CONDITIONS

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. NPAT is calculated by Blackmores at the end of the financial year and verified by reference to Blackmores' audited financial statements before any payment is made. This method was chosen to ensure transparency and consistency with disclosed information.

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.

3.1.3 STI OPPORTUNITY AWARDED AND FORFEITED

The table below shows the percentage of STI opportunity awarded in respect of the 2010 performance period.

NAME	% AWARDED OF THE MAXIMUM AVAILABLE [1]
Greg Burgoyne [2]	0.0
Christine Holgate	75.4
All other Senior Executives	76.9

1. All Senior Executives except Greg Burgoyne were awarded the maximum STI attributable based on the Group's NPAT.

2. Greg Burgoyne left employment during the financial year.

3.2 LONG -TERM INCENTIVES (LTI)

3.2.1 PERFORMANCE CONDITIONS

Selected Senior Executives are invited annually by the Board to participate in the EPSP. Under this plan, eligible Executives are granted rights to acquire shares in Blackmores. The value of rights granted to Senior Executives is equivalent to a percentage of their base remuneration at the time of grant.

The number of rights granted to a Senior Executive other than the CEO are equivalent to 40% of their base remuneration (or 100% in the case of the CEO) divided by:

- the weighted average price of Blackmores' shares for the five day trading period commencing seven days after Blackmores' results in respect of the prior financial year (year ended 30 June 2009) are announced to the ASX, less
- the amount of any final dividend per share declared as payable (for the year ended 30 June 2009).

The number of rights vesting to Senior Executives other than the CEO are determined according to EPS growth in the financial year calculated according to the following formula:

$$\frac{(5\% + (\text{EPS Growth\% less } 4\%) \times 2.5)}{40}$$

provided that EPS growth is at least equal to 4%.

An example of the number of rights vesting at various levels of EPS growth is shown in the following table:

EPS GROWTH (% OF NUMBER GRANTED)	NUMBER OF RIGHTS VESTING (% OF TOTAL)
less than 4%	0%
4%	12.5%
8%	37.5%
12%	62.5%
16%	87.5%
equal to or greater than 18%	100.0%

Note: Rananda Rich acted in the role of Chief Financial Officer for the period 1 April 2009 to 3 September 2009. The number of rights vesting to her will be one quarter of the percentages shown in the table above.

In the case of the Chief Executive Officer, rights vest in line with EPS growth as follows:

EPS GROWTH (% OF NUMBER GRANTED)	NUMBER OF RIGHTS VESTING (% OF TOTAL)
less than or equal to 4%	0%
greater than 4% but less than or equal to 5%	25.0%
greater than 5% but less than or equal to 6%	31.3%
greater than 6% but less than or equal to 7%	37.5%
greater than 7% but less than or equal to 8%	43.8%
greater than 8% but less than or equal to 9%	50.0%
greater than 9% but less than or equal to 10%	56.3%
greater than 10% but less than or equal to 11%	62.5%
greater than 11% but less than or equal to 12%	68.8%
greater than 12% but less than or equal to 13%	75.0%
greater than 13% but less than or equal to 14%	81.3%
greater than 14% but less than or equal to 15%	87.5%
greater than 15% but less than or equal to 16%	93.8%
greater than 16%	100.0%

Rights are automatically exercised following vesting, audit clearance of the financial statements and Board approval, and Blackmores shares are issued to participants at zero cost. The number of shares issued is identical to the number of rights exercised.

Shares issued to Senior Executives are subject to restrictions referred to as a 'holding lock'. During this period, participants 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 a Senior 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.

In the case of the Chairman and Peter Osborne a cash equivalent is paid in lieu of shares.

3.2.2 RATIONALE FOR PERFORMANCE CONDITIONS

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 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.

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, is easy to calculate and ensures transparency and consistency with public disclosures.

In the event of Blackmores experiencing an unusual decline in NPAT (EPS), the base for the next year will be reset by the Board in consultation with the People and Remuneration Committee.

3.3 STAFF SHARE ACQUISITION PLAN

Blackmores established a Staff Share Acquisition Plan during the financial year ended 30 June 2006. The plan is open to all employees, including Senior Executives, who may purchase up to $1,000 of Blackmores' shares tax free each year (subject to taxable income threshold limits) with money that would have otherwise been received under the profit share plan (refer to Section 3.1.1(b) of this Remuneration Report).

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.

4. REMUNERATION DISCLOSURES FOR DIRECTORS AND KEY MANAGEMENT PERSONNEL

The following table discloses the remuneration of the Directors of Blackmores for the financial year ended 30 June 2010.

	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]	SUPERANNUATION	OTHER [4]	SHARES AND RIGHTS	TOTAL	% OF PERFORMANCE-BASED-REMUNERATION	% OF NON-PERFORMANCE-BASED-REMUNERATION	% OF REMUNERATION IN RIGHTS
	$	$	$	$	$	$	$	$	%	%	%
Marcus Blackmore Chairman [5,9]											
2010	**354,578**	**365,413**	**2,927**	**24,391**	**48,968**	**5,938**	**-**	**802,215**	**45.6%**	**54.4%**	**-**
2009	383,550	330,164	-	45,164	99,999	11,512	-	870,389	37.9%	62.1%	-
Stephen Chapman Non-Executive Director											
2010	**99,713**	**-**	**-**	**-**	**19,996**	**-**	**-**	**119,709**	**-**	**100.0%**	**-**
2009	54,709	-	-	-	65,001	-	-	119,710	-	100.0%	-
Verilyn Fitzgerald Non-Executive Director											
2010	**81,550**	**-**	**-**	**-**	**7,340**	**-**	**-**	**88,890**	**-**	**100.0%**	**-**
2009	95,550	-	-	-	8,599	-	-	104,149	-	100.0%	-
Naseema Sparks Non-Executive Director											
2010	**71,550**	**-**	**-**	**-**	**6,439**	**-**	**-**	**77,989**	**-**	**100.0%**	**-**
2009	71,555	-	-	-	6,439	-	-	77,994	-	100.0%	-
Robert Stovold Non-Executive Director											
2010	**76,550**	**-**	**-**	**-**	**6,889**	**-**	**-**	**83,439**	**-**	**100.0%**	**-**
2009	76,550	-	-	-	6,889	-	-	83,439	-	100.0%	-
Brent Wallace Non-Executive Director											
2010	**71,550**	**-**	**-**	**-**	**6,439**	**-**	**-**	**77,989**	**-**	**100.0%**	**-**
2009	71,550	-	-	-	6,439	-	-	77,989	-	100.0%	-
Christine Holgate Chief Executive Officer (joined 25 Nov 08) [6]											
2010	**597,290**	**364,222**	**-**	**46,331**	**14,461**	**1,164**	**383,919**	**1,407,387**	**41.7%**	**58.3%**	**15.8%**
2009	342,735	179,109	-	27,922	10,308	-	225,421	785,495	51.5%	48.5%	3.8%
Jenny Tait Chief Operating Officer (left 28 Aug 08)											
2010	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2009	68,152	-	-	4,039	3,436	523	-	76,150	-	100.0%	-
Total remuneration											
2010	**1,352,781**	**729,635**	**2,927**	**70,722**	**110,532**	**7,102**	**383,919**	**2,657,618**	**35.8%**	**64.2%**	**1.2%**
2009	1,164,351	509,273	-	77,125	207,110	12,035	225,421	2,195,315	33.5%	66.5%	1.4%

Notes to this table are shown on page 46.

The following table discloses the remuneration of the Key Management Personnel of Blackmores (excluding Directors disclosed in the previous table) for the financial year ended 30 June 2010.

	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]	SUPERANNUATION	OTHER [4]	SHARES AND RIGHTS	TOTAL	% OF PERFORMANCE-BASED-REMUNERATION	% OF NON-PERFORMANCE-BASED-REMUNERATION	% OF REMUNERATION IN RIGHTS
	$	$	$	$	$	$	$	$	%	%	%
Peter Barraket Director Australia											
2010	**276,385**	**186,642**	**-**	**22,727**	**14,461**	**5,348**	**52,638**	**558,201**	**42.9%**	**57.1%**	**9.4%**
2009	243,505	134,901	-	23,004	13,744	4,963	32,731	452,848	37.0%	63.0%	7.2%
Liz Burrows Director Operations											
2010	**179,790**	**150,747**	**-**	**20,477**	**46,516**	**9,977**	**41,950**	**449,457**	**42.9%**	**57.1%**	**9.3%**
2009	107,933	102,945	-	16,373	99,999	4,731	25,668	357,649	36.0%	64.0%	7.2%
Richard Henfrey Director People and Strategy (joined 4 May 09) [7]											
2010	**240,923**	**181,887**	**18,546**	**21,955**	**20,961**	**398**	**32,755**	**517,425**	**41.5%**	**58.5%**	**6.3%**
2009	46,868	22,660	4,036	3,418	3,436	-	2,816	83,234	30.6%	69.4%	3.4%
Chris Last Chief Financial Officer (joined 27 Apr 10)											
2010	**47,967**	**30,787**	**-**	**4,332**	**3,705**	**-**	**6,783**	**93,574**	**40.2%**	**59.8%**	**7.2%**
2009	-	-	-	-	-	-	-	-	-	-	-
Sue Moore Director Products, Development & Innovation (joined 1 May 09)											
2010	**261,485**	**178,559**	**-**	**32,938**	**14,461**	**410**	**33,898**	**521,751**	**40.7%**	**59.3%**	**6.5%**
2009	44,039	24,287	-	6,243	3,436	-	3,131	81,136	33.8%	66.2%	3.9%
Peter Osborne Director Asia (joined 18 May 09) [9]											
2010	**254,066**	**255,805**	**-**	**20,687**	**7,230**	**-**	**470**	**538,258**	**47.6%**	**52.4%**	**0.1%**
2009	26,352	14,292	-	2,588	2,703	-	1,882	47,817	33.8%	66.2%	3.9%

	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]	SUPERANNUATION	OTHER [4]	SHARES AND RIGHTS	TOTAL	% OF PERFORMANCE-BASED-REMUNERATION	% OF NON-PERFORMANCE-BASED-REMUNERATION	% OF REMUNERATION IN RIGHTS
	$	$	$	$	$	$	$	$	%	%	%
Lee Richards Chief Technical Officer											
2010	**195,289**	**155,746**	**16,785**	**26,360**	**14,461**	**11,944**	**41,588**	**462,173**	**42.7%**	**57.3%**	**9.0%**
2009	178,291	99,633	18,975	11,972	13,744	6,073	24,948	353,636	35.2%	64.8%	7.1%
Greg Burgoyne Chief Financial Officer (joined 1 Sep 2009, left 26 May 2010)											
2010	**225,421**	**11,654**	**-**	**17,274**	**13,278**	**-**	**-**	**267,627**	**4.4%**	**95.6%**	**0.0%**
2009	-	-	-	-	-	-	-	-	-	-	-
Philip Daffy Director Research and Development (1 Jul 08 - 30 Apr 09) [5]											
2010	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2009	129,900	82,626	-	10,677	4,239	2,601	19,732	249,775	41.0%	59.0%	7.9%
Cecilia Howard Director Marketing (left 29 May 2009) [8]											
2010	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2009	372,013	11,624	-	17,436	30,645	-	26,457	458,175	8.3%	91.7%	5.8%
Rananda Rich Acting Chief Financial Officer (1 May 09 - 3 Sep 09)											
2010	**20,951**	**7,506**	**-**	**2,509**	**2,249**	**92**	**691**	**33,998**	**24.1%**	**75.9%**	**2.0%**
2009	30,472	8,720	-	1,944	2,380	105	710	44,331	21.3%	78.7%	1.6%
Reg Weine Director Sales (left 2 April 2009) [6,8]											
2010	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2009	387,078	13,198	38,226	14,338	10,308	-	(220,154)	242,994	-85.2%	185.2%	-90.6%
Total remuneration											
2010	**1,702,277**	**1,159,333**	**35,331**	**169,259**	**137,322**	**28,169**	**210,773**	**3,442,464**	**39.8%**	**60.2%**	**6.1%**
2009	1,566,451	514,886	61,237	107,993	184,634	18,473	(82,079)	2,371,595	18.2%	81.8%	-3.5%

1. Amounts included in the 'STI and Profit Share' column include amounts paid by way of profit share on 16 December 2009 and 23 June 2010. The STI plan for the 2010 financial year was approved by the People and Remuneration Committee on 20 August 2009. Awards will be paid following audit clearance of the Company's financial year 2010 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. Effective 29 May 2009, Marcus Blackmore reduced his employment from five days to three days per week. Philip Daffy was employed four days per week.

6. Christine Holgate's FY10 share-based payment ($383,919) represents the combination of (a) $160,939, being the FY10 portion of SLTI shares and (b) the FY10 portion of the fair value of rights granted in FY09 and FY10 ($222,980).

Reg Weine's FY09 share-based payment (-$220,154) represents the combination of (a) reversal of the fair value of share-based payments (-$250,375), expensed in respect of Mr Weine in prior financial years that were forfeited by him on termination of his employment in FY09 and (b) the FY09 portion of the fair value of awards granted to Mr Weine in previous years expensed during FY09 ($30,221).

7. FY09 Salary and Fees include a $10,000 sign-on payment.

8. Salary and Fees include a $100,000 termination payment each for Cecilia Howard and Reg Weine.

9. Marcus Blackmore's FY09 and FY10 and Peter Osborne's FY10 STI and Profit Share includes the cash equivalent of the share-based LTI scheme fully expensed in the year awarded.

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

5. SHARE-BASED PAYMENTS

The table below outlines the rights and shares outstanding to Senior Executives at 30 June 2010. The fair value of awards is calculated in accordance with AASB 2 Share-based Payments.

	GRANT							VESTING			EXERCISE	END OF HOLDING LOCK	
NAME	DATE	NOTE	NUMBER OF RIGHTS	FAIR VALUE PER RIGHT	TOTAL FAIR VALUE	SHARE PRICE	MAXIMUM VALUE [1]	DATE	NUMBER OF RIGHTS [2]	% OF NUMBER GRANTED	VALUE [3]	DATE [2]	VALUE OF RIGHTS FORFEITED
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	9/11	
	25/11/08	5	20,144	$10.42	$209,900	$13.90	$280,002	22/10/09	20,144	100.0%	$421,010	9/11	
	20/2/09	4	20,189	$10.12	$204,311	$12.00	$242,268	30/6/09	8,843	43.8%	$168,990	30/6/11	
	9/12/09	4	33,081	$18.67	$617,622	$21.14	$699,332	30/6/10	31,030	94%	N/A	30/6/12	$45,737
Peter Barraket	16/10/07	6	2,608	$21.77	$56,776	$21.77	$56,776	30/6/08	1,956	75%	$34,034	17/9/10	
	11/9/08		3,176	$17.51	$55,614	$18.20	$57,803	30/6/09	794	25%	$15,173	9/09	
	11/9/08	6	3,176	$17.51	$55,614	$18.20	$57,803	30/6/09	794	25%	$15,173	30/6/11	
	9/12/09	6	6,718	$18.67	$125,425	$21.14	$142,019	30/6/10	5,496	82%	N/A	30/6/12	$27,251
Greg Burgoyne	9/12/09		5,744	$18.67	$107,240	$21.14	$121,428	N/A		0%	N/A	N/A	$121,830
Liz Burrows	16/10/07	6	2,039	$21.77	$44,389	$21.77	$44,389	30/6/08	1,529	75%	$26,605	17/9/10	
	11/9/08		2,497	$17.51	$43,724	$18.20	$45,445	30/6/09	624	25%	$11,925	9/09	
	11/9/08	6	2,496	$17.51	$43,707	$18.20	$45,427	30/6/09	624	25%	$11,925	30/6/11	
	9/12/09	6	5,408	$18.67	$100,967	$21.14	$114,325	30/6/10	4,422	82%	N/A	30/6/12	$21988
Richard Henfrey	16/6/09		508	$16.63	$8,446	$16.66	$8,463	30/6/09	127	25%	$2,427	9/09	
	16/6/09	6	508	$16.63	$8,446	$16.66	$8,463	30/6/09	127	25%	$2,427	30/6/11	
	9/12/09	6	6,294	$18.67	$117,509	$21.14	$133,055	30/6/10	5,149	82%	N/A	30/6/12	$25,534
Chris Last	30/4/10	6	1,155	$21.53	$24,867	$23.66	$27,327	30/6/10	945	82%	N/A	30/6/12	$4,683
Sue Moore	16/6/09		565	$16.63	$9,394	$16.66	$9,413	30/6/09	141	25%	$2,695	9/09	
	16/6/09	6	565	$16.63	$9,394	$16.66	$9,413	30/6/09	141	25%	$2,695	30/6/11	
	9/12/09	6	6,502	$18.67	$121,392	$21.14	$137,452	30/6/10	5,320	82%	N/A	30/6/12	$26,359
Peter Osborne	16/6/09		340	$16.63	$5,653	$16.66	$5,664	30/6/09	85	25%	$1,624	9/09	
	16/6/09	6	339	$16.63	$5,636	$16.66	$5,648	30/6/09	85	25%	$1,624	30/6/11	
Rananda Rich	11/9/08		156	$18.20	$2,839	$18.20	$2,839	30/6/09	39	25%	$745	9/09	
	9/12/09	6	136	$18.67	$2,539	$21.14	$2,875	30/6/10	111	82%	N/A	30/6/12	$558
Lee Richards	16/10/07	6	1,991	$21.77	$43,344	$21.77	$43,344	30/6/08	1,494	75%	$25,987	17/9/10	
	11/9/08		2,418	$17.51	$42,341	$18.20	$44,008	30/6/09	604	25%	$11,542	9/09	
	11/9/08	6	2,417	$17.51	$42,323	$18.20	$43,989	30/6/09	605	25%	$11,562	30/6/11	
	9/12/09	6	5,405	$18.67	$100,911	$21.14	$114,262	30/6/10	4,422	82%	N/A	30/6/12	$21,921

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 vesting 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 Company'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 CEO resigns or if employment ceases for reasons such as serious misconduct, then the deferred shares are forfeited.

5. Shares were issued to the CEO under the terms of the employment contract agreed with Ms Holgate and approved by shareholders at the 2009 Annual General Meeting and are subject to a service condition enforced by holding locks.

6. 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.

REMUNERATION REPORT

6. EMPLOYMENT CONTRACTS

The following Senior Executives have employment contracts:

Peter Barraket, Liz Burrows, Richard Henfrey, Christine Holgate, Chris Last, Peter Osborne, Rananda Rich, Lee Richards and Sue Moore. No contract is for a fixed term.

6.1 TERMINATION

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

NAME	YEARS OF CONTINUOUS SERVICE	NOTICE PERIOD PROVIDED BY BLACKMORES OR SENIOR EXECUTIVE
Christine Holgate	N/A	Six months
Senior Executives	N/A	Three months

In the event of termination by the Company, Christine Holgate is also entitled to an additional cash payment, its value dependent on predefined termination dates. Amounts payable range from a minimum of $nil to a maximum of $420,000.

Where termination is due to redundancy, Blackmores must pay a severance payment according to years of service as shown in the table below.

NAME	YEARS OF CONTINUOUS SERVICE	NOTICE PERIOD PROVIDED BY BLACKMORES OR SENIOR EXECUTIVE
Christine Holgate	N/A	Six months pay
Senior Executives	Up to one year	Two weeks pay
	Between one and 10 years	Two weeks pay plus an additional three weeks of pay for each completed year of service
	10 years or more	29 weeks pay plus an additional three weeks of pay for each completed year of service following 10 years, capped at a maximum of 52 weeks of pay

For the purposes of calculating Christine Holgate's payment, a month's 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.

For the purposes of calculating the amount payable for all other Senior Executives, one week's pay is the average amount received by the individual as wages or salary over the four weeks of employment immediately preceding termination of employment.

7. NON-EXECUTIVE DIRECTORS' REMUNERATION

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. 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. Directors' Fees paid in respect to the financial year 2010 are as follows:

- the base fee for each Director is $66,550 per annum;
- additional fee of $5,000 applies for each Committee membership;
- additional fee of $5,000 applies if appointed Chairman of the Committee;

Directors' Fees have been increased effective 1 July 2010 as follows:

- the base fee for each Director is $73,205 per annum;
- additional fee of $7,500 applies for each Committee membership;
- additional fee of $5,000 applies if appointed Chairman of the Committee;

A Non-Executive Director, who is also deputy Chairman, receives 150% of the relevant base fee.

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 24 October 2007 determined the maximum total Non-Executive Directors' fees payable to be $600,000 per year, to be distributed as the Board determines and Board fees were last increased on 24 October 2007 and 1 July 2010.

Information about amounts paid to individual Directors is provided in Section 4 of this Remuneration Report.

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, 19 AUGUST 2010

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

The Barrington
Level 10
10 Smith Street
Parramatta NSW 2150
PO Box 38
Parramatta NSW 2124 Australia

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

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

19 August 2010

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 year ended 30 June 2010, 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

P G Forrester
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

The Barrington
Level 10
10 Smith Street
Parramatta NSW 2150
PO Box 38
Parramatta NSW 2124 Australia

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

Independent Auditor's Report to the Members of Blackmores Limited

Report on the Financial Report

We have audited the accompanying financial report of Blackmores Limited, which comprises the statement of financial position as at 30 June 2010, and 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 52 to 98.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's 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 company's and consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 41 to 48 of the directors' report for the year ended 30 June 2010. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Blackmores Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

P Forrester

P G Forrester
Partner
Chartered Accountants

Parramatta, 19 August 2010

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) the attached Financial Statements are in compliance with International Financial Reporting Standards, as stated in note 2 to the Financial Statements;

(c) in the Directors' opinion, the attached Financial Statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; 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 s295(5) of the Corporations Act 2001.

On behalf of the Directors,

Marcus C Blackmore AM
DIRECTOR
Dated in Sydney, 19 August 2010

INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

		CONSOLIDATED		COMPANY	
	NOTES	**2010 $'000**	2009 $'000	**2010 $'000**	2009 $'000
Sales	3	**214,934**	200,314	**198,412**	182,665
Royalties	3	**873**	882	**873**	882
Other income	3	**1,286**	519	**1,286**	511
Revenue and other income		**217,093**	201,715	**200,571**	187,513
Promotional and other rebates		**19,054**	18,581	**14,404**	14,203
Changes in inventories of finished goods and work in progress		**5,194**	(2,437)	**3,261**	(1,618)
Raw materials and consumables used		**65,748**	71,338	**69,765**	69,145
Employee benefits expense		**48,179**	42,212	**43,359**	38,041
Depreciation and amortisation expense		**4,141**	2,444	**4,048**	2,338
Selling and marketing expenses		**19,134**	21,078	**14,863**	16,431
Operating lease rental expenses		**1,034**	2,289	**820**	2,066
Professional and consulting expenses		**2,198**	2,753	**1,962**	2,458
Repairs and maintenance expenses		**1,992**	1,795	**1,929**	1,764
Freight expenses		**3,006**	3,091	**2,990**	3,070
Bank charges		**881**	662	**875**	657
Other expenses		**9,786**	7,574	**9,728**	7,277
Total expenses		**180,347**	171,380	**168,004**	155,832
Earnings before interest and tax		**36,746**	30,335	**32,567**	31,681
Interest revenue		**427**	265	**454**	279
Interest expense		**(2,442)**	(1,372)	**(2,442)**	(1,372)
Net interest expense		**(2,015)**	(1,107)	**(1,988)**	(1,093)
Profit before tax	3	**34,731**	29,228	**30,579**	30,588
Income tax expense	4	**(10,434)**	(8,446)	**(9,242)**	(7,631)
Profit attributable to equity holders of the parent		**24,297**	20,782	**21,337**	22,957
Earnings per share					
– Basic earnings per share (cents)	21	**146.8**	127.5		
– Diluted earnings per share (cents)	21	**146.4**	127.2		

Notes to the consolidated Financial Statements are included on pages 58 to 98.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	CONSOLIDATED		COMPANY	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Profit attributable to equity holders of the parent	**24,297**	20,782	**21,337**	22,957
Other comprehensive income				
Gain/(loss) recognised on cash flow hedges	**533**	(2,743)	**533**	(2,743)
Foreign currency translation of controlled entities	**341**	910	**-**	-
Transfer to hedge reserve from capital work in progress	**-**	418	**-**	418
Income tax relating to components of other comprehensive income	**(160)**	823	**(160)**	823
Other comprehensive income for the year (net of tax)	**714**	(592)	**373**	(1,502)
Total comprehensive income for the year	**25,011**	20,190	**21,710**	21,455

Notes to the consolidated Financial Statements are included on pages 58 to 98.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2010

		CONSOLIDATED		COMPANY	
	NOTES	**2010 $'000**	2009 $'000	**2010 $'000**	2009 $'000
ASSETS:					
CURRENT ASSETS					
Cash and cash equivalents	29 (a)	**21,507**	13,716	**14,610**	9,165
Receivables	8	**36,494**	38,348	**30,584**	32,062
Other financial assets	9	**-**	35	**-**	35
Inventories	10	**22,555**	16,072	**19,294**	14,708
Other		**2,430**	1,373	**2,028**	1,011
Total current assets		**82,985**	69,544	**66,516**	56,981
NON-CURRENT ASSETS					
Receivables	8	**-**	-	**-**	181
Property, plant and equipment	11	**66,218**	66,804	**66,024**	66,605
Investment property	12	**2,160**	-	**2,160**	-
Intangible assets	13	**646**	410	**646**	410
Deferred tax assets	4 (b)	**2,326**	1,739	**2,326**	1,739
Investments	14	**-**	-	**3,584**	3,639
Other		**14**	12	**-**	-
Total non-current assets		**71,364**	68,965	**74,740**	72,574
Total assets		**154,349**	138,509	**141,256**	129,555
LIABILITIES:					
CURRENT LIABILITIES					
Trade and other payables	15	**26,575**	25,820	**23,921**	23,862
Current tax liabilities	17	**3,992**	2,119	**3,516**	1,785
Other financial liabilities	9	**660**	1,109	**660**	1,109
Provisions	18	**3,230**	2,855	**3,229**	2,854
Total current liabilities		**34,457**	31,903	**31,326**	29,610
NON-CURRENT LIABILITIES					
Borrowings	16	**47,356**	47,356	**47,356**	47,356
Deferred tax liabilities	4 (b)	**5**	5	**-**	-
Provisions	18	**741**	682	**741**	682
Total non-current liabilities		**48,102**	48,043	**48,097**	48,038
Total liabilities		**82,559**	79,946	**79,423**	77,648
Net assets		**71,790**	58,563	**61,833**	51,907
EQUITY:					
CAPITAL AND RESERVES					
Issued capital	19	**25,348**	21,680	**25,348**	21,680
Reserves	20	**2,470**	876	**3,363**	2,110
Retained earnings		**43,972**	36,007	**33,122**	28,117
Total equity		**71,790**	58,563	**61,833**	51,907

Notes to the consolidated Financial Statements are included on pages 58 to 98.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	SHARE CAPITAL	EQUITY-SETTLED EMPLOYEE BENEFITS RESERVE	HEDGE RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	RETAINED EARNINGS	TOTAL
CONSOLIDATED	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 30 June 2008	19,264	2,551	826	(2,120)	29,830	50,351
Dividends declared	-	-	-	-	(14,629)	(14,629)
Profit for the year	-	-	-	-	20,782	20,782
Other comprehensive income for the year	-	-	(1,502)	910	-	(592)
Total comprehensive income for the year	-	-	(1,502)	910	20,782	20,190
Issue of shares under Dividend Reinvestment Plan	2,416	-	-	-	-	2,416
Recognition of share-based payments	-	235	-	-	-	235
Transfer to retained earnings on winding up of foreign controlled entity	-	-	-	(24)	24	-
Balance as at 30 June 2009	21,680	2,786	(676)	(1,234)	36,007	58,563
Dividends declared	-	-	-	-	(16,332)	(16,332)
Profit for the year	-	-	-	-	24,297	24,297
Other comprehensive income for the year	-	-	373	341	-	714
Total comprehensive income for the year	-	-	373	341	24,297	25,011
Issue of shares under Dividend Reinvestment Plan	3,668	-	-	-	-	3,668
Recognition of share-based payments	-	880	-	-	-	880
Balance as at 30 June 2010	25,348	3,666	(303)	(893)	43,972	71,790
COMPANY	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 30 June 2008	19,264	2,551	826	-	19,789	42,430
Dividends declared	-	-	-	-	(14,629)	(14,629)
Profit for the year	-	-	-	-	22,957	22,957
Other comprehensive income for the year	-	-	(1,502)	-	-	(1,502)
Total comprehensive income for the year	-	-	(1,502)	-	22,957	21,455
Issue of shares under Dividend Reinvestment Plan	2,416	-	-	-	-	2,416
Recognition of share-based payments	-	235	-	-	-	235
Balance as at 30 June 2009	21,680	2,786	(676)	-	28,117	51,907
Dividends declared	-	-	-	-	(16,332)	(16,332)
Profit for the year	-	-	-	-	21,337	21,337
Other comprehensive income for the year	-	-	373	-	-	373
Total comprehensive income for the year	-	-	373	-	21,337	21,710
Issue of shares under Dividend Reinvestment Plan	3,668	-	-	-	-	3,668
Recognition of share-based payments	-	880	-	-	-	880
Balance as at 30 June 2010	25,348	3,666	(303)	-	33,122	61,833

Notes to the consolidated Financial Statements are included on pages 58 to 98.

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

		CONSOLIDATED		COMPANY	
	NOTES	**2010 $'000**	2009 $'000	**2010 $'000**	2009 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		237,522	223,062	219,557	194,916
Payments to suppliers and employees		(200,399)	(190,487)	(185,391)	(164,408)
Cash generated from operations		37,123	32,575	34,166	30,508
Interest and other costs of finance paid		(1,942)	(2,619)	(1,942)	(2,615)
Income taxes paid		(9,307)	(9,488)	(8,258)	(8,650)
Net cash provided by operating activities	29 (c)	25,874	20,468	23,966	19,243
CASH FLOWS FROM INVESTING ACTIVITIES					
Amounts advanced to related parties		-	-	(380)	(151)
Interest received		427	265	424	263
Dividends received		-	-	-	1,302
Payment for property, plant and equipment		(3,742)	(17,021)	(3,741)	(16,876)
Payment for investment property		(2,160)	-	(2,160)	-
Proceeds from sale of property, plant and equipment		-	137	-	137
Net cash used in investing activities		(5,475)	(16,619)	(5,857)	(15,325)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		-	11,900	-	11,900
Repayment of borrowings		-	(2,500)	-	(2,580)
Dividends paid		(12,664)	(12,212)	(12,664)	(12,212)
Net cash used in financing activities		(12,664)	(2,812)	(12,664)	(2,892)
Net increase in cash and cash equivalents held		7,735	1,037	5,445	1,026
Cash and cash equivalents at the beginning of the year		13,716	12,153	9,165	8,139
Effect of exchange rate changes on the balance of cash held in foreign currencies		56	526	-	-
Cash and cash equivalents at the end of the year	29 (a)	21,507	13,716	14,610	9,165

Notes to the consolidated Financial Statements are included on pages 58 to 98.

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 marketing of health products including vitamins, herbal, mineral and nutritional supplements.

2. SUMMARY OF ACCOUNTING POLICIES

Reporting Entity
Blackmores Limited (Blackmores) is a company domiciled in Australia. The consolidated Financial Statements (Financial Statements) of Blackmores as at and for the year ended 30 June 2010 comprise Blackmores and its subsidiaries (the Group).

Statement of Compliance
The 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. Accounting Standards include Australian equivalents to International Financial Reporting Standards (A-IFRS). Compliance with the A-IFRS ensures that the Financial Statements and notes of the Company and the Group comply with International Financial Reporting Standards (IFRS).

The Financial Statements include the separate Financial Statements of the Company and the consolidated Financial Statements of the Group.

The Financial Statements were authorised for issue by the Directors on 19 August 2010.

Basis of Preparation
The Financial Statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is 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.

Significant Accounting Policies
Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. The following significant accounting policies have been adopted in the preparation and presentation of the Financial Statements:

(A) 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 Statement of Financial Position.

(B) FINANCIAL ASSETS

Recognition

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (FVTPL).

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.

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.

Impairment of Financial Assets

Financial assets, other than those at fair value through profit and loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where 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 impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial assets, including uncollectible trade receivables, is reduced by the impairment loss through the use of an 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 the Income Statement.

With the exception of available-for-sale equity instruments, 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 is reversed through the Income Statement to the extent that the carrying amount of the investment at the date that the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

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.

(C) 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.

(D) 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.

The gain or loss arising on 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 the Income Statement.

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

(E) IMPAIRMENT OF INTANGIBLE ASSETS EXCLUDING GOOD WILL

At each reporting date, the Group reviews the carrying amounts of its 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 the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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 in the Income Statement immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent 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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the Income Statement immediately.

(F) FINANCIAL INSTRUMENTS ISSUED BY THE COMPANY

Classification as Debt or Equity

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

Equity Instruments

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

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Financial Liabilities

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

Financial Liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other income' line item in the income statement. Fair value is determined in the manner described in note 30.

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.

Derecognition of Financial Liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

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.

Dividends

Dividends are classified as distributions of profit.

(G) BASIS OF CONSOLIDATION

The consolidated Financial Statements incorporate the Financial Statements of the Company (the parent entity) and entities controlled by the Company (its controlled entities) referred to as 'the Group' in the 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. Consistent accounting policies are employed in the preparation and presentation of the consolidated Financial Statements.

The consolidated Financial Statements include the information and results of each controlled entity from the date on which the Company obtains control and until such time as the Company ceases to control such entity.

In preparing the consolidated Financial Statements, all intercompany balances and transactions, and unrealised profits arising within the Group are eliminated in full. In the separate Financial Statements of the Company, intra-group transactions are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction values of the intra-group transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

(H) BORROWING COSTS

Borrowing costs directly attributable to buildings under construction and the associated land are capitalised as part of the cost of those assets until such a time as the assets are substantially ready for their intended use.

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

(I) 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.

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.

(J) PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, the future sacrifice of economic benefits is probable and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, 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.

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 recovery will be received and the amount of the receivable can be measured reliably.

Onerous Contracts

Present obligations arising under onerous contracts are recognised 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 under it.

(K) 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.

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.

(L) REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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 entity;
- the costs incurred or expected to be incurred in respect of the transaction can be measured reliably.

Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement.

Dividend and Interest Revenue

Dividend revenue from investments is recognised when the Group's right to receive payment has been established.

Interest revenue 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.

(M) FOREIGN CURRENCIES

Individual Controlled Entities

The individual Financial Statements of each controlled 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 results and financial position of each entity are expressed in Australian Dollars ('$'), which is the functional currency of Blackmores Limited, and the presentation currency for the consolidated financial statements.

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 recorded at the rates of exchange prevailing on the dates of the transactions. At each Statement of Financial Position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the Statement of Financial Position 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 are recognised in the Income Statement 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 where they are regarded as an adjustment to interest costs on foreign currency borrowings; and
- 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, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in the Income Statement on disposal of the net investment.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Foreign Operations

For the purpose of presenting consolidated Financial Statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing at the reporting date. 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 the foreign currency translation reserve, and recognised in the Income Statement on disposal of the foreign operation.

(N) SHARE-BASED PAYMENTS

Equity-settled share-based payments with 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.

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 equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(O) GOODS AND SERVICES 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 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 as operating cash flows.

(P) TAXATION

Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit 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.

Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the 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.

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.

Current and Deferred Tax for the Period

Current and deferred tax is recognised as an expense or income in the Income Statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(Q) 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 30 to the 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 the Income Statement 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.

The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

The fair value of a hedging derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be settled within 12 months. Other derivatives are presented as current assets or current liabilities.

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 that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 30 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 Statement of Changes in Equity.

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 item that is attributable to the hedged risk.

Hedge accounting is discontinued when the Group revokes the hedging relationship, 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.

Cash Flow Hedges

The effective portions of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts deferred in equity are recycled to profit or loss in the periods when the hedged item is recognised in profit or loss and are classified in the same line 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 deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

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

Hedges of Net Investments in Foreign Operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any net gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in the foreign currency translation reserve; the gain or loss relating to the ineffective portion is recognised immediately in the 'Other Expenses' line of the Income Statement.

Gains and losses deferred in the foreign currency translation reserve are recognised in the Income Statement when the foreign operation is disposed of.

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 the Income Statement.

(R) INVESTMENT PROPERTY

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

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

(S) INTANGIBLE ASSETS

Intangible Assets Acquired Separately

Intangible assets 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 annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated Intangible Assets

Research and development expenditure

In accordance with AASB 138.54 expenditure on research activities is recognised as an expense in the period in which it is incurred.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Website development expenditure

The recently launched Blackmores website was developed as both an information/advertising tool and as another means of selling our products. The website has the capability of generating direct revenues for the Company by enabling orders to be placed online. This is considered to be an important growth channel for the business going forward.

As advised by UIG Interpretation 132, since we concluded that the website is both generating probable future economic benefits and has a measureable cost, it satisfies the criteria set out in AASB 138.51 for recognition as an internally generated intangible asset.

Expenditure during the Planning Stage is expensed as incurred in accordance with AASB 138.54-.56 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 138.57-.64.

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

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. The website is estimated to have a useful life of three years.

(T) BUSINESS COMBINATIONS

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

(U) CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. 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 provision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

As described in note 2(d), the Group reviews the useful lives of property, plant and equipment at the end of each annual reporting period.

(V) ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

(i) 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 period 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 (ii).

Standards and Interpretations affecting presentation and disclosure

STANDARD / INTERPRETATION	NATURE OF CHANGE REQUIRED
• AASB 101 Presentation of Financial Statements (revised September 2007), AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101, AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101	AASB 101 (September 2007) has introduced terminology changes (including revised titles for the Financial Statements) and changes in the format and content of the Financial Statements.
• AASB 8 Operating Segments, AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8	AASB 8 is a disclosure Standard that has resulted in a redesignation of the Group's reportable segments (see note 27).
• AASB 2009-2 Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments	The amendments to AASB 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.
• Accounting Amendments to AASB 107 Statement of Cash Flows (adopted in advance of effective date of 1 January 2010)	The amendments (part of AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project) specify that only expenditures that result in a recognised asset in the Statement of Financial Position can be classified as investing activities in the Statement of Cash Flows. Consequently, cash flows in respect of development costs that do not meet the criteria in AASB 138 Intangible Assets for capitalisation as part of an internally generated intangible asset (and, therefore, are recognised in profit or loss as incurred) have been reclassified from investing to operating activities in the Statement of Cash Flows. Prior year amounts have been restated for consistent presentation.

Standards and Interpretations affecting the reported results or financial position

No standards or interpretations adopted in the current period impacted on the results or financial position in the current or prior reported period.

(ii) 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 2008-1 Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of vesting conditions for the purposes of AASB 2, introduce the concept of 'non-vesting' conditions, and clarify the accounting treatment for cancellations.
• AASB 123 Borrowing Costs (as revised in 2007) and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123	The principal change to AASB 123 was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these Financial Statements because it has always been the Group's accounting policy to capitalise borrowing costs incurred on qualifying assets.
• AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project and AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	In addition to the changes affecting amounts reported in the Financial Statements described at (i) above, the amendments have led to a number of changes in the detail of the Group's accounting policies – some of which are changes in terminology only, and some of which are substantive but have had no material effect on amounts reported.
• AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project and AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	In addition to the amendments to AASB 5 and AASB 107 described earlier in this section, the amendments have led to a number of changes in the detail of the Group's accounting policies – some of which are changes in terminology only, and some of which are substantive but have had no material effect on amounts reported.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

STANDARD / INTERPRETATION	NATURE OF CHANGE REQUIRED
• AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	This alters the manner in which business combinations and changes in ownership interest in subsidiaries are accounted for.
• AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The amendments deal with the measurement of the cost of investments in subsidiaries, jointly controlled entities and associates when adopting A-IFRS for the first time and with the recognition of dividend income from subsidiaries in a parent's separate financial statements.
• AASB 2008-2 Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations Arising on Liquidation	The revisions to AASB 132 Financial Instruments: Presentation amend the criteria for debt/equity classification by permitting certain puttable financial instruments and instruments (or components of instruments) that impose on an entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation, to be classified as equity, subject to specified criteria being met.

(iii) Standards and Interpretations in issue not yet adopted

At the date of authorisation of the Financial Statements, the following Standards and Interpretations were in issue but not yet effective. Initial application of the following Standards will not affect any of the amounts recognised in the Financial Statements, but will change the disclosures presently made in relation to the Financial Statements.

STANDARD / INTERPRETATION	EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
• AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 January 2010	30 June 2011
• AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions	1 January 2010	30 June 2011
• AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues	1 January 2010	30 June 2011
• AASB 124 Related Party Disclosures (revised December 2009), AASB 2009-12 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
• AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013	30 June 2014
• AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	1 January 2011	30 June 2012
• Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010	30 June 2011

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

3. PROFIT FOR THE YEAR

	CONSOLIDATED		COMPANY	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
(a) Operating Revenue				
Revenue from continuing operations consisted of the following:				
Revenue from sale of goods	214,934	200,314	198,412	182,665
Interest revenue from bank deposits	427	265	424	263
Interest on amounts due from controlled entities	-	-	30	16
Dividends from subsidiaries	-	-	-	3,455
Royalties	873	882	873	882
	216,234	201,461	199,739	187,281
(b) Profit Before Income Tax				
Profit before income tax has been arrived at after crediting/(charging) the following gains and losses:				
Loss on disposal of property, plant and equipment	(36)	(96)	(37)	(80)
Net foreign exchange gains	1,286	519	1,286	511
Net exchange losses on forward exchange contracts	(1,499)	(1,758)	(1,499)	(1,758)
	(249)	(1,335)	(250)	(1,327)
Gains per above	1,286	519	1,286	511
Losses per above	(1,535)	(1,854)	(1,536)	(1,838)
	(249)	(1,335)	(250)	(1,327)
Profit before income tax has been arrived at after charging/(crediting) the following expenses:				
Cost of sales	80,722	76,970	82,743	75,587
Interest expense:				
Interest on bank loans	1,888	3,163	1,888	3,163
Net settlement of interest rate swap	554	125	554	125
	2,442	3,288	2,442	3,288
Less: amounts capitalised into the cost of qualifying assets[1]	-	(1,916)	-	(1,916)
Total interest expense	2,442	1,372	2,442	1,372
1. The weighted average capitalisation rate on funds borrowed is nil (2009: 6.92%).				
Impairment of receivables:				
Trade receivables	425	-	425	-
Intercompany receivables current	-	-	264	-
Intercompany loan non-current	-	-	602	-
	425	-	1,291	-
Impairment of investments:				
Investment in subsidiary	-	-	55	-
Depreciation of non-current assets	4,037	2,444	3,944	2,338
Amortisation of non-current assets	104	-	104	-
	4,141	2,444	4,048	2,338
Operating lease minimum lease payments	1,034	2,289	820	2,066

3. PROFIT FOR THE YEAR (CONTINUED)

	CONSOLIDATED		COMPANY	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Employee benefit expense				
Post-employment benefits:				
Defined contribution plans	**2,579**	2,318	**2,408**	2,168
Share-based payments:				
Equity-settled share-based payments	**880**	235	**880**	235
Other employee benefits	**44,720**	39,659	**40,071**	35,638
	48,179	42,212	**43,359**	38,041

4. INCOME TAXES

	CONSOLIDATED 2010	CONSOLIDATED 2009	COMPANY 2010	COMPANY 2009
(a) Income Tax Recognised in Profit				
Tax expense comprises:				
Current tax expense in respect of the current year	**11,281**	8,601	**10,084**	7,804
Adjustments recognised in the current year in relation to the current tax of prior years	**(100)**	(402)	**(95)**	(589)
Deferred tax (benefit)/expense relating to the origination and reversal of temporary differences	**(747)**	247	**(747)**	416
Total tax expense	**10,434**	8,446	**9,242**	7,631
The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the Financial Statements as follows:				
Profit before income tax expense	**34,731**	29,228	**30,579**	30,588
Income tax expense calculated at 30%	**10,419**	8,768	**9,174**	9,176
Effect of different tax rates on tax on overseas income	**(41)**	(28)	**-**	-
Effect of foreign tax credits	**(50)**	(22)	**(50)**	(22)
Effect of revenue that is exempt from taxation	**-**	-	**-**	(1,036)
Effect of expenses that are not deductible in determining taxable profit	**421**	147	**363**	147
Effect of tax concessions	**(40)**	(18)	**(24)**	(18)
Utilisation of tax losses not recognised as an asset	**(13)**	(23)	**-**	-
Effect of interest capitalised on land for accounting purposes	**-**	(21)	**-**	(21)
Other items	**(162)**	45	**(126)**	(6)
	10,534	8,848	**9,337**	8,220
Over provision of income tax in previous year	**(100)**	(402)	**(95)**	(589)
Income tax expense	**10,434**	8,446	**9,242**	7,631

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	CONSOLIDATED			
	OPENING BALANCE $'000	(CHARGED)/ CREDITED TO INCOME $'000	CREDITED/ (CHARGED) TO EQUITY $'000	CLOSING BALANCE $'000
(b) Deferred Tax Balances				
Deferred tax assets/(liabilities) arise from the following:				
TEMPORARY DIFFERENCES 2010				
Property, plant and equipment	**(911)**	**(22)**	**-**	**(933)**
Prepayments and other	**(25)**	**(9)**	**-**	**(34)**
Provisions	**1,534**	**440**	**-**	**1,974**
Accruals	**774**	**338**	**-**	**1,112**
Cash flow hedges	**290**	**-**	**(160)**	**130**
Website development	**57**	**3**	**-**	**60**
Foreign currency monetary items	**20**	**(3)**	**-**	**17**
Other	**(5)**	**-**	**-**	**(5)**
	1,734	**747**	**(160)**	**2,321**
Presented in the Statement of Financial Position as follows:				
Deferred tax (liability)				**(5)**
Deferred tax asset				**2,326**
				2,321
TEMPORARY DIFFERENCES 2009				
Property, plant and equipment	(633)	(278)	-	(911)
Prepayments and other	(27)	2	-	(25)
Future withholding tax payable	(172)	172	-	-
Provisions	1,773	(239)	-	1,534
Accruals	744	30	-	774
Cash flow hedges	(533)	-	823	290
Website development	60	(3)	-	57
Foreign currency monetary items	(52)	72	-	20
Other	(2)	(3)	-	(5)
	1,158	(247)	823	1,734
Presented in the Statement of Financial Position as follows:				
Deferred tax (liability)				(5)
Deferred tax asset				1,739
				1,734

4. INCOME TAXES (CONTINUED)

	COMPANY			
	OPENING BALANCE	(CHARGED)/ CREDITED TO INCOME	CREDITED/ (CHARGED) TO EQUITY	CLOSING BALANCE
	$'000	$'000	$'000	$'000
TEMPORARY DIFFERENCES 2010				
Property, plant and equipment	(911)	(22)	-	(933)
Prepayments and other	(25)	(9)	-	(34)
Provisions	1,534	440	-	1,974
Accruals	774	338	-	1,112
Cash flow hedges	290	-	(160)	130
Website development	57	3	-	60
Foreign currency monetary items	20	(3)	-	17
	1,739	747	(160)	2,326
Presented in the Statement of Financial Position as follows:				
Deferred tax (liability)				-
Deferred tax asset				2,326
				2,326
TEMPORARY DIFFERENCES 2009				
Property, plant and equipment	(633)	(278)	-	(911)
Prepayments and other	(27)	2	-	(25)
Provisions	1,773	(239)	-	1,534
Accruals	744	30	-	774
Cash flow hedges	(533)	-	823	290
Website development	60	(3)	-	57
Foreign currency monetary items	(52)	72	-	20
	1,332	(416)	823	1,739
Presented in the Statement of Financial Position as follows:				
Deferred tax (liability)				-
Deferred tax asset				1,739
				1,739

	CONSOLIDATED		COMPANY	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
UNRECOGNISED DEFERRED TAX ASSETS				
The following deferred tax assets have not been brought to account as assets:				
Tax losses – capital (no expiry date)	758	758	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	-	-	-
Tax losses – revenue (no expiry date)	307	321	248	248
	1,682	1,596	1,006	1,006

5. KEY MANAGEMENT PERSONNEL COMPENSATION

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

	CONSOLIDATED		COMPANY	
	2010 $	2009 $	2010 $	2009 $
Short-term employee benefits	5,222,265	3,801,316	4,956,084	3,801,316
Post-employment benefits	247,854	391,744	247,854	391,744
Other long-term benefits	35,271	30,508	35,271	30,508
Termination benefits	-	200,000	-	200,000
Share-based payment	594,692	143,342	594,222	143,342
	6,100,082	4,566,910	5,833,431	4,566,910

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 which accompanies these Financial Statements.

6. SHARE-BASED PAYMENTS

Executive and Employee Share Option Plan

The Executive Performance Share Plan was approved at Blackmores' Annual General Meeting in November 2008. Participation is open to Senior Executives determined eligible by the Board. Under this plan, rights to acquire shares in the Company are granted annually to eligible Senior Executives at no cost and vest provided specific performance hurdles are met.

The fair value of rights granted is calculated in accordance with AASB 2 Share-based Payments. During the year, the Company granted entitlements to an allocation of ordinary shares provided specific objectives and hurdles are 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 2010 is 63,800 (2009: 16,019). The minimum number of rights that could be vested under the entitlement was 13,278 (2009: 12,223) and the maximum number of rights that could be vested was 73,140 (2009: 48,898).

Due to a number of changes in the senior management team during the 2010 and 2009 financial years, several grant dates applied; as a result the following fair values applied to the number of rights listed below:

	RIGHTS VESTED	GRANT DATE	EXPIRY DATE	FAIR VALUE AT GRANT DATE $	ISSUE PRICE $
GRANTS IN THE 2010 YEAR					
	62,855	9 December 2009	30 June 2010	18.67	
	945	30 April 2010	30 June 2010	21.53	
GRANTS IN THE 2009 YEAR					
	5,104	11 September 2008	30 June 2009	17.51	19.11
	1,366	11 September 2008	30 June 2009	18.20	19.11
	8,843	20 February 2009	30 June 2009	10.12	19.11
	706	16 June 2009	30 June 2009	16.63	19.11

The allocation is based on a percentage of the Senior Executive'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 2010 and shares are subsequently issued in September following audit clearance of the Company's result and Board approval. The issue price for share rights granted in the 2010 financial year will be determined in September 2010.

6. SHARE-BASED PAYMENTS (CONTINUED)

Chief Executive Officer

RATE OF EPS GROWTH	PERCENTAGE OF PARTICIPANT'S BASE REMUNERATION 2010	2009
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

2010

The Percentage of Base Remuneration at levels of EPS Growth for the 2010 financial year is 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 percentage is one quarter of Senior Executives.

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

RATE OF EPS GROWTH	PERCENTAGE OF PARTICIPANT'S BASE REMUNERATION	
	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

2009

RATE OF EPS GROWTH	PERCENTAGE OF PARTICIPANT'S BASE REMUNERATION	
	SENIOR EXECUTIVES	OTHER SENIOR COMPANY MANAGEMENT
greater than 4% but less than or equal to 8%	10.0	2.5
greater than 8% but less than or equal to 12%	20.0	5.0
greater than 12% but less than or equal to 16%	30.0	7.5
greater than 16%	40.0	10.0

Shares allocated to Key Management Personnel are subject to a two year holding lock whereby a percentage of the shares are 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 of base remuneration amount 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 (year ended 30 June 2009) are announced to the ASX; less
- the amount of any final dividend per share declared as payable for the year ended 30 June 2009.

Special Long Term Incentive
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 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 Company's 2011 financial statements;
- 20,144 shares are subject to a holding lock ending 30 days after the audit clearance of the Company's 2013 financial statements.

A share-based payment expense of $160,939 (2009: $195,591) was recorded in relation to these shares for the year ended 30 June 2010. This amount has been included in the total remuneration for Christine Holgate as set out in the Key Management Personnel Remuneration Disclosure on page 44 of the Directors' Report.

Special Issue of Fully Paid Shares
A special issue of 8,840 fully paid shares was made to employees during the year being 20 shares each to all eligible employees employed as at 30 June 2009 for nil consideration.

Issue of Share Rights to Key Management Personnel
During the financial year ended 30 June 2007, 25,000 rights in Blackmores shares were granted as part of compensation to the Sales Director, Reg Weine. These rights did not vest as Reg Weine left employment during the 2009 financial year.

Staff Share Acquisition Plan
The Company 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. 3,213 shares were issued during the year ended 30 June 2010 (2009: 4,389 shares). In July 2010, 3,108 shares (2009: 2,890 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 2010.

Options Plan
At 1 July 2009 and at 1 July 2008 there were no share options outstanding, none were issued during the years ended 30 June 2010 and 2009 and as at 30 June 2010 and 2009 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 these Financial Statements.

Rights Issued in the Current Year
Rights issued in the current year have been disclosed in the Remuneration Report.

7. REMUNERATION OF AUDITOR

	CONSOLIDATED		COMPANY	
	2010 $	2009 $	2010 $	2009 $
Auditor of the Parent Entity				
Auditing or reviewing the Financial Statements	211,700	210,500	211,700	210,500
Taxation services	89,763	102,617	89,763	102,617
Other non-audit services[1]	60,685	41,331	60,685	41,331
	362,148	354,448	362,148	354,448
Related Practice of the Parent Company Auditor				
Auditing the financial statements	84,859	92,029	-	-
Taxation services	31,417	16,718	-	-
	116,276	108,747	-	-

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.

8. RECEIVABLES

	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Current				
Current trade and other receivables[1]	34,915	36,168	27,780	29,450
Allowance for doubtful debts	(589)	(177)	(589)	(177)
Allowance for claims	(392)	(203)	(215)	(140)
	33,934	35,788	26,976	29,133
Amounts due from controlled entities (note 28 (g))	-	-	1,372	429
Allowance for amounts due from controlled entities	-	-	(264)	-
Payment on account on a building contract	2,500	2,500	2,500	2,500
Goods and services tax (GST) recoverable	60	60	-	-
	36,494	38,348	30,584	32,062
Non-current				
Interest bearing loans to controlled entities (note 28 (g))	-	-	602	181
Allowance for loans to controlled entities	-	-	(602)	-
	-	-	-	181

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.

The concentration of risk is limited due to the customer base generally being large and unrelated. At 30 June 2010, the Group had five customers (2009: three customers) each comprising amounts greater than 5% of the total trade receivables. These customers owed the Group more than $1.7 million (2009: $1.8 million) each and accounted for approximately 48% (2009: 42%) of all receivables owing.

Ageing of Past Due but Not Impaired (Excluding Intercompany Balances)				
0 - 30 days past due date	2,997	1,258	1,833	318
30 - 60 days past due date	1,263	899	-	4
60 - 90 days past due date	1,554	758	666	17
> 90 days past due date	115	81	60	31
Total	5,929	2,996	2,559	370

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 by review of the balances outstanding and restrictive action is taken where necessary.

The credit risk of the Company is not materially different to that of the Group.

	CONSOLIDATED		COMPANY	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Ageing of Impaired Trade Receivables (Excluding Intercompany Balances)				
0 - 30 days	177	40	177	40
31 - 60 days	-	4	-	4
61 - 90 days	58	13	58	13
> 90 days	354	120	354	120
Total	589	177	589	177

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of $64,007 (2009: $34,477) 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.

Movement in the Allowance for Doubtful Debts (Excluding Intercompany Balances)				
Balance at the beginning of the year	177	185	177	185
Impairment losses recognised on trade receivables	425	-	425	-
Amounts written off as uncollectable	(13)	(8)	(13)	(8)
Balance at the end of the year	589	177	589	177
Movement in the Allowance for Doubtful Debts on Intercompany Balances				
Balance at the beginning of the year	-	-	-	1,573
Impairment losses recognised on intercompany trade receivable	-	-	264	-
Impairment losses recognised on intercompany loan receivable	-	-	602	-
Amounts written off as uncollectable	-	-	-	(1,573)
Balance at the end of the year	-	-	866	-

9. OTHER CURRENT FINANCIAL ASSETS AND LIABILITIES

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

Assets				
Foreign currency forward contracts	-	35	-	35
Liabilities				
Interest rate swaps	433	966	433	966
Foreign currency forward contracts	227	143	227	143
	660	1,109	660	1,109

The weighted average interest rates related to interest rate swaps were 5.92% (2009: 5.92%).

10. INVENTORIES

	CONSOLIDATED		COMPANY	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Raw materials at net realisable value	**8,550**	7,300	**8,550**	7,300
Finished goods at net realisable value	**14,005**	8,772	**10,744**	7,408
	22,555	16,072	**19,294**	14,708

The cost of inventories recognised as an expense during the period in respect of continuing operations was $80,722,000 (2009: $76,970,000) for the Group and $82,743,000 (2009: $75,587,000) for the Company.

There were no write downs of inventory below cost during the financial year (2009: nil).

11. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED 2010	CONSOLIDATED 2009	COMPANY 2010	COMPANY 2009
Cost	**82,350**	79,735	**81,657**	79,108
Accumulated depreciation	**(16,132)**	(12,931)	**(15,633)**	(12,503)
	66,218	66,804	**66,024**	66,605
Freehold Land	**12,845**	12,767	**12,845**	12,767
Buildings	**34,064**	34,399	**34,064**	34,399
Leasehold Improvements	**102**	128	**54**	59
Plant and Equipment	**17,846**	19,140	**17,700**	19,010
Capital Work In Progress	**1,361**	370	**1,361**	370
	66,218	66,804	**66,024**	66,605

CONSOLIDATED	FREEHOLD LAND AT COST $'000	BUILDINGS AT COST $'000	LEASEHOLD IMPROVE-MENTS AT COST $'000	PLANT AND EQUIPMENT AT COST $'000	CAPITAL WORK IN PROGRESS $'000	TOTAL $'000
Cost						
Balance at 30 June 2008	12,394	32,183	590	13,755	6,130	65,052
Additions	373	10,706	77	4,155	370	15,681
Category transfers	-	(8,104)	-	14,234	(6,130)	-
Disposals	-	(13)	(18)	(1,033)	-	(1,064)
Net foreign currency exchange differences arising on translation of financial statements of foreign operations	-	-	18	48	-	66
Balance at 30 June 2009	12,767	34,772	667	31,159	370	79,735
Additions	**78**	**609**	**7**	**1,314**	**1,416**	**3,424**
Category transfers	**-**	**-**	**-**	**425**	**(425)**	**-**
Disposals	**-**	**-**	**-**	**(887)**	**-**	**(887)**
Other	**-**	**-**	**-**	**69**	**-**	**69**
Net foreign currency exchange differences arising on translation of financial statements of foreign operations	**-**	**-**	**(1)**	**10**	**-**	**9**
Balance at 30 June 2010	**12,845**	**35,381**	**673**	**32,090**	**1,361**	**82,350**

CONSOLIDATED	FREEHOLD LAND AT COST $'000	BUILDINGS AT COST $'000	LEASEHOLD IMPROVE-MENTS AT COST $'000	PLANT AND EQUIPMENT AT COST $'000	CAPITAL WORK IN PROGRESS $'000	TOTAL $'000
Accumulated Depreciation/Amortisation						
Balance at 30 June 2008	-	-	(496)	(10,787)	-	(11,283)
Disposals	-	6	8	818	-	832
Depreciation and amortisation expense	-	(379)	(43)	(2,022)	-	(2,444)
Net foreign currency exchange differences arising on translation of financial statements of foreign operations	-	-	(8)	(28)	-	(36)
Balance at 30 June 2009	-	(373)	(539)	(12,019)	-	(12,931)
Disposals	**-**	**-**	**-**	**849**	**-**	**849**
Depreciation and amortisation expense	**-**	**(944)**	**(31)**	**(3,062)**	**-**	**(4,037)**
Net foreign currency exchange differences arising on translation of financial statements of foreign operations	**-**	**-**	**-**	**(13)**	**-**	**(13)**
Balance at 30 June 2010	**-**	**(1,317)**	**(570)**	**(14,245)**	**-**	**(16,132)**
Net Book Value						
As at 30 June 2009	12,767	34,399	128	19,140	370	66,804
As at 30 June 2010	**12,845**	**34,064**	**102**	**17,846**	**1,361**	**66,218**

COMPANY	FREEHOLD LAND AT COST $'000	BUILDINGS AT COST $'000	LEASEHOLD IMPROVE-MENTS AT COST $'000	PLANT AND EQUIPMENT AT COST $'000	CAPITAL WORK IN PROGRESS $'000	TOTAL $'000
Cost						
Balance at 30 June 2008	12,394	32,183	521	13,368	6,130	64,596
Additions	373	10,706	-	4,087	370	15,536
Category transfers	-	(8,104)	-	14,234	(6,130)	-
Disposals	-	(13)	-	(1,011)	-	(1,024)
Balance at 30 June 2009	12,767	34,772	521	30,678	370	79,108
Additions	**78**	**609**	**7**	**1,221**	**1,416**	**3,331**
Category transfers	**-**	**-**	**-**	**425**	**(425)**	**-**
Disposals	**-**	**-**	**-**	**(851)**	**-**	**(851)**
Other	**-**	**-**	**-**	**69**	**-**	**69**
Balance at 30 June 2010	**12,845**	**35,381**	**528**	**31,542**	**1,361**	**81,657**
Accumulated Depreciation/Amortisation						
Balance at 30 June 2008	-	-	(450)	(10,523)	-	(10,973)
Disposals	-	6	-	802	-	808
Depreciation and amortisation expense	-	(379)	(12)	(1,947)	-	(2,338)
Balance at 30 June 2009	-	(373)	(462)	(11,668)	-	(12,503)
Disposals	**-**	**-**	**-**	**814**	**-**	**814**
Depreciation and amortisation expense	**-**	**(944)**	**(12)**	**(2,988)**	**-**	**(3,944)**
Balance at 30 June 2010	**-**	**(1,317)**	**(474)**	**(13,842)**	**-**	**(15,633)**
Net Book Value						
As at 30 June 2009	12,767	34,399	59	19,010	370	66,605
As at 30 June 2010	**12,845**	**34,064**	**54**	**17,700**	**1,361**	**66,024**

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	CONSOLIDATED		COMPANY	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Aggregate depreciation allocated:				
Buildings at cost	944	379	944	379
Leasehold improvements	31	43	12	12
Plant and equipment	3,062	2,022	2,988	1,947
	4,037	2,444	3,944	2,338

12. INVESTMENT PROPERTY

Cost of investment property	2,160	-	2,160	-
At cost				
Balance at beginning of year	-	-	-	-
Additions	2,160	-	2,160	-
Balance at end of year	2,160	-	2,160	-

Investment property in the form of a plot of land at 15 Jubilee Avenue, Warriewood, NSW 2102 was acquired during the financial year. At the date of the signing of these 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.

As this is the year of initial recognition, the investment property has been measured at cost. The cost of the purchased investment property comprises purchase price and any directly attributable expenditure. Directly attributable expenditure includes professional fees for legal services, property transfer taxes and other transaction costs.

13. OTHER INTANGIBLE ASSETS

	CONSOLIDATED		COMPANY	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Cost	750	410	750	410
Accumulated amortisation and impairment	(104)	-	(104)	-
	646	410	646	410

	CONSOLIDATED	
	CAPITALISED WEBSITE DEVELOP-MENT $'000	TOTAL $'000
Cost		
Balance at 30 June 2008	-	-
Additions from internal development	410	410
Disposals	-	-
Balance at 30 June 2009	410	410
Additions from internal development	340	340

13. OTHER INTANGIBLE ASSETS (CONTINUED)

	CONSOLIDATED	
	CAPITALISED WEBSITE DEVELOP-MENT $'000	TOTAL $'000
Disposals	-	-
Balance at 30 June 2010	750	750
Accumulated Amortisation		
Balance at 30 June 2008	-	-
Disposals	-	-
Amortisation expense	-	-
Balance at 30 June 2009	-	-
Disposals	-	-
Amortisation expense	(104)	(104)
Balance at 30 June 2010	(104)	(104)
Net Book Value		
As at 30 June 2009	410	410
As at 30 June 2010	646	646

	COMPANY	
Cost		
Balance at 30 June 2008	-	-
Additions from internal development	410	410
Disposals	-	-
Balance at 30 June 2009	410	410
Additions from internal development	340	340
Disposals	-	-
Balance at 30 June 2010	750	750
Accumulated Amortisation		
Balance at 30 June 2008	-	-
Disposals	-	-
Amortisation expense	-	-
Balance at 30 June 2009	-	-
Disposals	-	-
Amortisation expense	(104)	(104)
Balance at 30 June 2010	(104)	(104)
Net Book Value		
As at 30 June 2009	410	410
As at 30 June 2010	646	646

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

Note: No amortisation expense was incurred in the prior year as this asset had not yet come into use.

14. INVESTMENTS

	CONSOLIDATED		COMPANY	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Shares in subsidiaries at cost	-	-	3,639	3,639
Impairment of investment in subsidiary	-	-	(55)	-
	-	-	3,584	3,639

An impairment loss of $55,000 was recognised in relation to the parent entity's investment in its wholly owned subsidiary Blackmores (Taiwan) Ltd. This impairment loss was recognised due to Blackmores (Taiwan) Ltd having negative equity and has resulted in the carrying value of the investment being reduced to nil in the current financial period.

15. TRADE AND OTHER PAYABLES

Trade payables[1]	11,054	11,124	10,754	10,728
Goods and services tax (GST) payable	75	203	69	194
Other creditors and accruals	15,446	14,493	13,098	12,934
Intercompany payable	-	-	-	6
	26,575	25,820	23,921	23,862

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 timeframe.

16. BORROWINGS

Non-current				
Secured:				
At amortised cost (2009: at amortised cost)				
Bank bills[1,2]	47,356	47,356	47,356	47,356
	47,356	47,356	47,356	47,356

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 Financial Statements, effectively all non-current assets of the Group have been pledged as security, except deferred tax assets.

17. CURRENT TAX LIABILITIES

Income tax payable	3,992	2,119	3,516	1,785

18. PROVISIONS

Current				
Employee benefits	2,816	2,441	2,815	2,440
Directors' retirement[1]	414	414	414	414
	3,230	2,855	3,229	2,854
Non-current				
Employee benefits	741	682	741	682

Reconciliations

	CONSOLIDATED	COMPANY
	DIRECTORS' RETIREMENT BENEFITS[1] $'000	DIRECTORS' RETIREMENT BENEFITS[1] $'000
Balance at 30 June 2009	414	414
Additional provisions made	-	-
Payments made	-	-
Balance at 30 June 2010	414	414
Current	414	414
Non-current	-	-
	414	414

1. 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.

19. ISSUED CAPITAL

	CONSOLIDATED		COMPANY	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
16,677,351 fully paid ordinary shares (2009: 16,401,873)	25,348	21,680	25,348	21,680

	CONSOLIDATED AND COMPANY			
	2010 NUMBER '000	2010 SHARE CAPITAL $'000	2009 NUMBER '000	2009 SHARE CAPITAL $'000
Fully Paid Ordinary Shares				
Balance at beginning of financial year	16,402	21,680	16,181	19,264
Issue of shares under Executive and employee share plans (notes 6, 28 (c))	78	-	34	-
Issue of shares under dividend reinvestment plan	197	3,668	187	2,416
Balance at end of financial year	16,677	25,348	16,402	21,680

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

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

Employee Share Plans
Further details of the Company's Executive and employee share plans are contained in note 6 to the Financial Statements.

20. RESERVES

	CONSOLIDATED		COMPANY	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Equity-settled employee benefits reserve	3,666	2,786	3,666	2,786
Hedge reserve	(303)	(676)	(303)	(676)
Foreign currency translation reserve	(893)	(1,234)	-	-
	2,470	876	3,363	2,110

20. RESERVES (CONTINUED)

Nature and Purpose of Reserves

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 6 to the Financial Statements.

HEDGE 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.

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 2 (m).

21. EARNINGS PER SHARE

	CONSOLIDATED	
	2010 CENTS PER SHARE	2009 CENTS PER SHARE
Basic earnings per share	146.8	127.5
Diluted earnings per share	146.4	127.2

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:

	2010 $'000	2009 $'000
Earnings (reconciles directly to profit attributable to equity holders of the parent in the Income Statement)	24,297	20,782

	2010 NUMBER	2009 NUMBER
The weighted average number of ordinary shares on issue during the financial year used in the calculation of basic earnings per share	16,556,169	16,298,766

Diluted Earnings per Share

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

	2010 $'000	2009 $'000
Earnings (reconciles directly to profit attributable to equity holders of the parent in the Income Statement)	24,297	20,782

	2010 NUMBER	2009 NUMBER
Weighted average number of ordinary shares used in the calculation of basic earnings per share	16,556,169	16,298,766
Shares deemed to be issued for no consideration in respect of:		
Employee share plans	35,479	38,293
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	16,591,648	16,337,059

22. DIVIDENDS

	2010 CENTS PER SHARE	TOTAL $'000	2009 CENTS PER SHARE	TOTAL $'000
Recognised Amounts				
FULLY PAID ORDINARY SHARES				
Final dividend for year ended 30 June 2009 (2009: 30 June 2008)				
– fully franked at 30% corporate tax rate	57	9,370	51	8,273
Interim dividend for year ended 30 June 2010 (2009: 30 June 2009)				
– fully franked at 30% corporate tax rate	42	6,962	39	6,356
	99	16,332	90	14,629
Unrecognised Amounts				
FULLY PAID ORDINARY SHARES				
Final dividend – fully franked at 30% corporate tax rate	70	11,674		

The final dividend in respect of ordinary shares for the year ended 30 June 2010 has not been recognised in these Financial Statements because the final dividend was declared subsequent to 30 June 2010. On the basis that Directors will continue to publicly recommend dividends in respect of ordinary shares subsequent to reporting date, in future financial statements the amount disclosed as 'recognised' will be the final dividend in respect of the prior financial year, and the interim dividend in respect of the current financial year.

	COMPANY	
	2010 $'000	2009 $'000
Adjusted franking account balance (tax paid basis)	11,600	9,146
Impact on franking account balance of dividends not recognised	(5,003)	(4,007)

23. COMMITMENTS FOR EXPENDITURE

	CONSOLIDATED		COMPANY	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Research and Development Contracts				
Not longer than 1 year	-	50	-	50
Building Construction Contracts				
Not longer than 1 year	-	378	-	378

Lease Commitments

Non-cancellable operating lease commitments are disclosed in note 24 of the Financial Statements.

24. OPERATING LEASES

LEASING ARRANGEMENTS

Operating leases relate to business premises and the Company'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 Company/Group exercises its option to renew. The Company/Group does not have an option to purchase the leased asset at the expiry of the lease period.

Non-cancellable Operating Lease Payments

	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Not longer than 1 year	800	765	710	693
Longer than 1 year and not longer than 5 years	618	667	574	562
	1,418	1,432	1,284	1,255

25. CONTINGENT LIABILITIES

Variation Claims by Building Contractor
The Company has received variations from the building contractor in respect of the construction of the Company's new building at Warriewood. There are a number of these claims that the Directors believe are not justified in their totality and will be addressed as per the contractual arrangements. No liability has been recorded in relation to these variation claims as at 30 June 2010.

26. SUBSIDIARIES

NAME OF ENTITY	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST	
		2010 %	2009 %
Parent Entity			
Blackmores Limited	Australia		
Controlled Entities			
Blackmores Nominees Pty Limited	Australia	**100**	100
Pat Health Limited	Hong Kong	**100**	100
Blackmores (Taiwan) Limited	Taiwan	**100**	100
Blackmores (New Zealand) Limited[1,2]	New Zealand	**100**	-
Blackmores (Singapore) Pte Limited	Singapore	**100**	100
Blackmores (Malaysia) Sdn Bhd	Malaysia	**100**	100
Blackmores (Thailand) Limited	Thailand	**100**	100
Blackmores Holdings Limited[2]	Thailand	**100**	100
PT Blackmores Indonusa[2,3]	Indonesia	**100**	100

1. This company was incorporated during the year ended 30/06/2010.
2. These companies did not trade during the 2010 or 2009 financial years.
3. This company was in the process of being wound up at the end of the 2010 financial year.

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.

27. SEGMENT INFORMATION

ADOPTION OF AASB 8 OPERATING SEGMENTS

The Group has adopted AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 with effect from 1 January 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The adoption of AASB 8 has not resulted in any change to the Group's reportable segments.

Information reported to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of performance is specifically focused on geographical areas. The Group's reportable segments under AASB 8 are as follows:

- Australia
- Asia
- New Zealand
- Other

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

SEGMENT REVENUES FOR THE YEAR ENDED 30 JUNE 2010

	EXTERNAL SALES		INTER-SEGMENT[1]		OTHER		TOTAL	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000	**2010 $'000**	2009 $'000	**2010 $'000**	2009 $'000
Australia	**179,567**	167,552	**15,092**	11,113	**-**	-	**194,659**	178,665
New Zealand	**3,721**	3,967	**-**	-	**848**	849	**4,569**	4,816
Asia	**31,614**	28,762	**-**	-	**-**	-	**31,614**	28,762
Other	**32**	33	**-**	-	**25**	33	**57**	66
Total of all segments	**214,934**	200,314	**15,092**	11,113	**873**	882	**230,899**	212,309
Eliminations[2]							**(15,092)**	(11,113)
Consolidated revenue (excluding interest revenue and other income)							**215,807**	201,196

Included in external sales of the Australian segment of $179,567,000 (2009: $167,552,000) is sales of approximately $29,059,932 (2009: $23,439,150) which arose from sales to the Group's largest customer.

1. Intersegment sales are recorded at cost plus 10%. Pricing is set using a budgeted exchange rate and reviewed each month.
2. This is the total of adjustments to revenue as a result of the intercompany consolidation eliminations.

EXTERNAL SALES TO CUSTOMERS FOR THE YEAR ENDED 30 JUNE 2010

	EXTERNAL SALES	
	2010 $'000	2009 $'000
Australia	**179,567**	167,552
New Zealand	**8,485**	8,487
Asia	**31,614**	28,762
Other	**32**	33
Total of all segments	**219,698**	204,834

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

Additional disclosure has been provided in the above 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 2010

	2010 $'000	2009 $'000
Australia	**21,502**	19,876
New Zealand	**467**	479
Asia	**2,448**	354
Other	**14**	17
Total of all segments	**24,431**	20,726
Eliminations	**(134)**	56
Profit attributable to equity holders of the parent	**24,297**	20,782

27. SEGMENT INFORMATION (CONTINUED)

SEGMENT ASSETS AND LIABILITIES FOR THE YEAR ENDED 30 JUNE 2010

	ASSETS		LIABILITIES	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Australia	141,255	129,555	79,423	77,648
New Zealand	-	-	-	-
Asia	19,016	14,248	5,197	2,944
Total of all segments	160,271	143,803	84,620	80,592
Eliminations[1]	(5,922)	(5,294)	(2,061)	(646)
Consolidated	154,349	138,509	82,559	79,946

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

OTHER SEGMENT INFORMATION FOR THE YEAR ENDED 30 JUNE 2010

	AUSTRALIA		NEW ZEALAND		ASIA		OTHER	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Interest revenue	454	279	-	-	3	1	-	-
Interest expense	(2,442)	(1,372)	-	-	(30)	(8)	-	-
Additions to non-current assets	5,831	15,946	-	-	93	145	-	-
Depreciation and amortisation	4,048	2,338	-	-	93	106	-	-
Other non-cash expenses[1]	1,877	728	-	174	608	657	-	-

1. Other non-cash expenses relate to changes in the doubtful debt provision, employee share plan and other provisions and accruals.

28. RELATED PARTY AND KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Equity Interests In Related Parties

EQUITY INTERESTS IN SUBSIDIARIES

Details of the percentage of ordinary shares held in controlled entities are disclosed in note 26 to the Financial Statements.

(b) Key Management Personnel Remuneration

Details of Key Management Personnel's remuneration are disclosed in note 5, note 6 and in the Remuneration Report which accompanies these Financial Statements.

(c) Key Management Personnel's Equity Holdings

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

During the years ended 30 June 2010 and 30 June 2009 there were no share options in existence. There have been no share options issued since the end of the financial year.

FULLY PAID ORDINARY SHARES OF BLACKMORES LIMITED

2010	BALANCE AT 1/7/09	RECEIVED ON SETTLEMENT OF RIGHTS	NET CHANGE OTHER[1]	BALANCE AT 30/6/10
	NUMBER	NUMBER	NUMBER	NUMBER
M Blackmore	4,434,018	-	45,260	4,479,278
S Chapman	20,914	-	1,141	22,055
V Fitzgerald	10,000	-	216	10,216
N Sparks	-	-	-	-
R Stovold	26,723	-	1,187	27,910
B Wallace	11,531	-	630	12,161
C Holgate[2]	-	8,843	50,360	59,203
P Barraket	11,872	1,588	(3,339)	10,121
G Burgoyne[3]	-	-	-	-
L Burrows	15,024	1,248	910	17,182
R Henfrey	100	254	(80)	274
C Last	-	-	441	441
S Moore	-	282	20	302
P Osborne	-	170	67	237
R Rich[4]	671	-	61	732
L Richards	17,033	1,209	20	18,262
Total (for Key Management Personnel)	4,547,886	13,594	96,894	4,658,374

1. Includes 20 fully paid shares which were issued to all eligible employees employed as at 30 June 2009 for nil consideration.
2. Shareholders at the 2009 Annual General Meeting approved the grant of 50,360 shares to C Holgate for nil consideration as part of a SLTI. Eligibility for a SLTI was part of the employment contract agreed with C Holgate.
3. G Burgoyne's closing share balance is at the date of his resignation (28 May 2010).
4. R Rich's closing share balance is at the date of ceasing as acting Chief Financial Officer (3 Sep 2009).

2009	BALANCE AT 1/7/08	RECEIVED ON SETTLEMENT OF RIGHTS	NET CHANGE OTHER	BALANCE AT 30/6/09
	NUMBER	NUMBER	NUMBER	NUMBER
M Blackmore	4,769,860	-	(335,842)	4,434,018
S Chapman	16,781	-	4,133	20,914
V Fitzgerald	10,000	-	-	10,000
N Sparks	-	-	-	-
R Stovold	20,304	-	6,419	26,723
B Wallace	4,235	-	7,296	11,531
C Holgate	-	-	-	-
J Tait[1]	202,281	5,690	-	207,971
P Barraket	3,883	3,912	4,077	11,872
L Burrows	10,925	3,058	1,041	15,024
P Daffy	44,575	2,600	-	47,175
R Henfrey	-	-	100	100
C Howard[2]	9,445	3,698	983	14,126
S Moore	-	-	-	-
P Osborne	-	-	-	-
R Rich	-	562	109	671
L Richards	14,046	2,987	-	17,033
R Weine[3]	12,606	4,324	(13,693)	3,237
Total (for Key Management Personnel)	5,118,941	26,831	(325,377)	4,820,395

1. J Tait received 5,690 shares as settlement of rights after her resignation (28 August 2008), being for the rights vested in 2008. The closing share balance includes these shares.
2. C Howard's closing share balance is at the date of her resignation (29 May 2009).
3. R Weine's closing share balance is at the date of his resignation (2 April 2009).

28. RELATED PARTY AND KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

RIGHTS TO SHARES

2010	BALANCE AS AT 1/7/09	GRANTED AS COMPENSATION	EXERCISED	NET OTHER CHANGE	BALANCE AS AT 30/6/10	BALANCE VESTED AT 30/6/10	VESTED BUT NOT EXERCISABLE	VESTED AND EXERCISABLE	RIGHTS VESTED DURING YEAR
	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER
C Holgate	8,843	33,081	(8,843)	(2,051)	31,030	31,030	-	31,030	31,030
P Barraket	1,588	6,718	(1,588)	(1,222)	5,496	5,496	-	5,496	5,496
G Burgoyne	-	5,744	-	(5,744)	-	-	-	-	-
L Burrows	1,248	5,408	(1,248)	(986)	4,422	4,422	-	4,422	4,422
R Henfrey	254	6,294	(254)	(1,145)	5,149	5,149	-	5,149	5,149
C Last	-	1,155	-	(210)	945	945	-	945	945
S Moore	282	6,502	(282)	(1,182)	5,320	5,320	-	5,320	5,320
P Osborne	170	-	(170)	-	-	-	-	-	-
R Rich [1]	39	136	(39)	(25)	111	111	-	111	111
L Richards	1,209	5,405	(1,209)	(983)	4,422	4,422	-	4,422	4,422
Total (for Key Management Personnel)	13,633	70,443	(13,633)	(13,548)	56,895	56,895	-	56,895	56,895

2009	BALANCE AS AT 1/7/08	GRANTED AS COMPENSATION	EXERCISED	NET OTHER CHANGE	BALANCE AS AT 30/6/09	BALANCE VESTED AT 30/6/09	VESTED BUT NOT EXERCISABLE	VESTED AND EXERCISABLE	RIGHTS VESTED DURING YEAR
	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER
C Holgate	-	20,189	-	(11,346)	8,843	8,843	-	8,843	8,843
J Tait	5,690	-	(5,690)	-	-	-	-	-	-
P Barraket	3,912	6,352	(3,912)	(4,764)	1,588	1,588	-	1,588	1,588
L Burrows	3,058	4,993	(3,058)	(3,745)	1,248	1,248	-	1,248	1,248
P Daffy	2,600	3,530	(2,600)	(2,648)	882	882	-	882	882
R Henfrey	-	1,016	-	(762)	254	254	-	254	254
C Howard	3,698	5,986	(3,698)	(5,986)	-	-	-	-	-
S Moore	-	1,130	-	(848)	282	282	-	282	282
P Osborne	-	679	-	(509)	170	170	-	170	170
R Rich [1]	-	156	-	(117)	39	39	-	39	39
L Richards	2,987	4,835	(2,987)	(3,626)	1,209	1,209	-	1,209	1,209
R Weine [2]	29,324	7,035	(4,324)	(32,035)	-	-	-	-	-
Total (for Key Management Personnel)	51,269	55,901	(26,269)	(66,386)	14,515	14,515	-	14,515	14,515

1. Rights granted and vested during the financial year ended 30 June 2010 and 30 June 2009 for R Rich are for the period as acting Chief Financial Officer (1 May 2009 to 3 September 2009).

2. During the financial year ended 30 June 2007 25,000 rights in Blackmores shares were granted as part of compensation to the Sales Director, Reg Weine. These rights did not vest as Reg Weine left employment during the financial year ended 30 June 2009.

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

(e) 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.

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(f) Transactions Within the Wholly-Owned Group
The wholly-owned Group includes:

– the ultimate parent entity in the wholly-owned Group;
– wholly-owned controlled entities; and
– other entities in the wholly-owned Group.

The ultimate parent entity in the wholly-owned Group is Blackmores Limited. During the financial year ended 30 June 2010, the following transactions occurred between Blackmores Limited and its other related parties:

SALES OF INVENTORY TO OVERSEAS ENTITIES

	2010 $	2009 $
Blackmores (Singapore) Pte Limited[1]	838,233	910,244
Blackmores (Malaysia) Sdn Bhd[1]	5,978,290	4,081,360
Blackmores (Thailand) Limited[1]	7,924,780	5,817,713
Blackmores (Taiwan) Limited[1]	112,973	145,514
Pat Health Limited[1]	213,321	159,647

Transactions and balances between the Company and its subsidiaries were eliminated in the preparation of consolidated financial statements for the Group to the extent of the Group's share in profits and losses of the subsidiary resulting from these transactions.

(g) Balances with Related Parties
The following balances arising from transactions between Blackmores Limited and its other related parties are outstanding at reporting date:

TRADE RECEIVABLE AMOUNTS DUE FROM/(TO) – CURRENT

	2010 $	2009 $
Blackmores Nominees Pty Limited[1]	-	-
Blackmores (Singapore) Pte Limited[1]	151,068	108,869
Blackmores (Malaysia) Sdn Bhd[1]	270,033	(6,241)
Blackmores (Thailand) Limited[1]	410,781	60,260
Blackmores (Taiwan) Limited[1]	264,007	188,015
Pat Health Limited[1]	276,209	72,141

LOAN AMOUNTS DUE FROM – NON-CURRENT

	2010 $	2009 $
Blackmores (Taiwan) Limited[2]	602,454	181,618

Outstanding balances between the Company and its subsidiaries were eliminated in the preparation of consolidated financial statements for the Group.

1. Amounts receivable from or payable to these related parties are interest free, unsecured and are subordinate to third parties. The amounts outstanding will be settled in cash. No guarantees have been given or received. In 2010, a provision was made against the full amount of the Taiwan receivable (2009: nil).

2. Amounts receivable from this related party are unsecured and are subordinate to other liabilities. Interest is charged monthly on the outstanding loan balance currently at 7.776% based on prime lending rate at July each year plus 3 percentage point margin (2009: 9.316%). The amounts outstanding will be settled in cash. No guarantees have been given or received. In 2010 a provision was made against the full amount of this loan (2009: nil).

With the exception of the loan to, and receivable from Blackmores (Taiwan) Limited, no balances have been written off and no provision for doubtful debts has been made against any balances with related parties.

(h) Controlling Entities
The parent entity in the Group is Blackmores Limited.

29. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash and Cash Equivalents

For the purposes of the 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 Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	CONSOLIDATED		COMPANY	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Cash at bank and on hand	15,507	13,716	8,610	9,165
Cash at call	6,000	-	6,000	-
Cash and cash equivalents	21,507	13,716	14,610	9,165

(b) Financing Facilities

Secured bank overdraft facility, reviewed annually and payable at call:				
• amount used	-	-	-	-
• amount unused	2,500	2,500	2,500	2,500
Secured bank bill acceptance facility, reviewed annually[1]:				
• amount used	47,356	47,356	47,356	47,356
• amount unused	7,644	20,644	7,644	20,644
	55,000	68,000	55,000	68,000

The Group has access to financing facilities at the reporting date as indicated above. The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The Group expects to maintain a current debt to equity ratio of between 20% and 35%.

1. On 28 June 2010, a new financing agreement was signed. The total facility was reduced to $55,000,000 of which $42,000,000 was the amount drawn down on 2 July 2010.

(c) Reconciliation of Profit for the Year to Net Cash Flows from Operating Activities

Profit attributable to equity holders of the parent	24,297	20,782	21,337	22,957
Loss on disposal of non-current assets	37	96	37	80
Interest income received and receivable	(427)	(265)	(454)	(279)
Dividends received and receivable	-	-	-	(3,455)
Depreciation and amortisation of non-current assets	4,141	2,444	4,048	2,338
Impairment of intercompany investment	-	-	55	-
Impairment of intercompany loan	-	-	602	-
Unrealised foreign exchange loss/(gain)	121	492	108	(1)
Equity-settled share-based payment	880	292	880	292
Other	199	(88)	-	(97)
Increase/(decrease) in current tax liability	1,873	(1,289)	1,731	(1,435)
Increase in deferred tax balances	(587)	(576)	(587)	(407)
(Decrease)/increase in deferred tax balances related to hedge reserve in equity	(160)	823	(160)	823
Movements in working capital:				
• Current receivables	1,740	(7,695)	2,157	(6,646)
• Current inventories	(6,483)	1,434	(4,586)	434
• Other debtors and prepayments	(1,060)	(415)	(1,016)	(360)
• Amounts receivable from subsidiaries	-	-	(685)	742
• Current trade payables	755	4,785	65	4,669
• Provisions	548	(352)	434	(412)
Net cash from operating activities	25,874	20,468	23,966	19,243

(d) Non-cash Financing and Investing Activities

Dividend payments during the financial year totalled $16,331,411 (2009: $14,628,560) of which $3,667,291 (2009: $2,416,372) relates to shares created under the Dividend Reinvestment Plan. The balance of $12,664,120 (2009: $12,212,188) was paid as cash to equity holders of the parent.

In the prior year, the Company received a non-cash dividend of $2,152,524 from Blackmores (NZ) Limited and made a non-cash principal reduction of $2,628,148 on the outstanding loan balance due to Blackmores (NZ) Limited.

30. FINANCIAL INSTRUMENTS

(a) Capital Risk 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 2009.

The capital structure of the Group consists of net debt which includes borrowings disclosed in note 16, cash and cash equivalents disclosed in note 29 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 19 and 20 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 and the Company on a semi-annual basis. Based upon recommendations of the Committee, the Group and the Company will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or redemption of existing debt with third parties and, if appropriate, related parties.

GEARING RATIO

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

	CONSOLIDATED		COMPANY	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Debt[1]	47,356	47,356	47,356	47,356
Cash and cash equivalents	(21,507)	(13,716)	(14,610)	(9,165)
Net debt	25,849	33,640	32,746	38,191
Equity[2]	71,790	58,563	61,833	51,907
Net debt to (net debt plus equity) ratio	26.5%	36.5%	34.6%	42.4%

1. Debt is defined as long and short-term borrowings, as detailed in note 16.
2. Equity includes all capital and reserves that are managed as capital.

CATEGORIES OF FINANCIAL INSTRUMENTS

Financial Assets				
Cash and bank balances	21,507	13,716	14,610	9,165
Loans and receivables	36,494	38,348	30,584	32,062
	58,001	52,064	45,194	41,227
Financial Liabilities				
Fair value through profit or loss – designated as at FVTPL	433	966	433	966
Derivative instruments in designated hedge accounting relationships	227	143	227	143
Loans and payables	73,931	73,176	71,277	71,218
	74,591	74,285	71,937	72,327

30. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial Risk Management Objectives
The Group's Corporate Treasury function provides services to the business, co-ordinates 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.

(c) 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 2 to the Financial Statements.

(d) Market Risk
The Group and the Company undertake activities that expose them primarily to the financial risks of changes in foreign currency exchange rates (refer note 30 (e)) and interest rates (refer note 30 (f)). The Group and the Company enter into a variety of derivative financial instruments to manage their exposure to foreign currency and interest rate risk, including:

- forward foreign exchange contracts to hedge the exchange rate risk arising on the export of goods to overseas subsidiaries; and
- interest rate swaps to mitigate the risk of rising interest rates.

At a Group and Company level, market risk exposures are measured using sensitivity analysis and stress scenario analysis.

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

(e) Foreign Currency Risk Management
The Group and the Company undertake certain transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arises. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The Company is mainly exposed to Thai Baht (THB), Malaysian Ringgit (MYR), Hong Kong Dollar (HKD), Taiwan Dollar (TWD) and Singapore Dollar (SGD).

At Group level, the extent of exposure to foreign currencies is similar to that of the Company.

The Australian Dollar carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities relating to intercompany balances at the reporting date is as follows:

	LIABILITIES		ASSETS	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Thai Baht	-	-	411	60
Malaysian Ringgit	-	(6)	270	-
Hong Kong Dollar	-	-	276	72
Taiwan Dollar	-	-	866	188
Singapore Dollar	-	-	151	109

FOREIGN CURRENCY SENSITIVITY ANALYSIS
The following table details the Company'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 AND EQUITY	
	2010 $'000	2009 $'000
THB impact	41	6
MYR impact	27	1
HKD impact	28	7
TWD impact	87	19
SGD impact	15	11

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

FORWARD FOREIGN EXCHANGE CONTRACTS
It is the policy of the Group and the Company to enter into forward foreign exchange contracts to cover the risk associated with certain anticipated sales to foreign controlled entities arising in the next 12 months.

The following table details the forward foreign currency contracts outstanding as at the reporting date:

GROUP AND COMPANY								
OUTSTANDING CONTRACTS	AVERAGE EXCHANGE RATE		FOREIGN CURRENCY		CONTRACT VALUE		FAIR VALUE	
	2010	2009	2010 FC'000	2009 FC'000	**2010 $'000**	2009 $'000	**2010 $'000**	2009 $'000
SELL THAI BAHT								
Less than 3 months	29.94	28.91	36,000	36,000	1,202	1,245	(126)	(69)
3 to 6 months	26.79	28.81	42,000	36,000	1,568	1,250	-	(74)
SELL MALAYSIAN RINGGITS								
Less than 3 months	2.96	2.81	3,000	3,600	1,013	1,283	(87)	10
3 to 6 months	2.74	2.76	3,300	3,600	1,204	1,304	(15)	25
					4,987	5,082	(227)	(108)

(f) Interest Rate Risk Management
The Group and the Company are exposed to interest rate risk as they borrow 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 and the Company's exposure to interest rate risk.

	CONSOLIDATED		COMPANY	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Financial Liabilities				
Borrowings	(47,356)	(47,356)	(47,356)	(47,356)
Interest rate swap[1]	30,000	30,000	30,000	30,000
Net exposure	(17,356)	(17,356)	(17,356)	(17,356)

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

30. FINANCIAL INSTRUMENTS (CONTINUED)

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

OUTSTANDING FIXED FOR FLOATING CONTRACTS

	AVERAGE CONTRACTED FIXED INTEREST RATE		NOTIONAL PRINCIPAL AMOUNT		FAIR VALUE	
	2010 %	2009 %	**2010 $'000**	2009 $'000	**2010 $'000**	2009 $'000
Less than 1 year	-	-	-	-	-	-
1 to 2 years	5.92	-	30,000	-	(433)	-
2 to 5 years	-	5.92	-	30,000	-	(966)
> 5 years	-	-	-	-	-	-

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 and the Company 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 upon 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 2010, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's and the Company's net profit would decrease by $236,778 or increase by $236,778 respectively as a result of changes in the interest rates applicable to commercial bank bills.

For the year ended 30 June 2010, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's and the Company's other equity reserves would increase by $105,000 or decrease by $400,000 respectively (2009: increase by $295,000 or decrease by $419,000 respectively) mainly as a result of the changes in the fair value of the interest rate swap.

The sensitivity in respect of the interest rate swap and third party borrowings did not have an impact on net profit of the Group and the Company for 2008 because the interest expense relating to third party borrowings and the interest rate swap was capitalised in capital work in progress until completion of the asset.

At the Company level, the sensitivity to interest rate risk is similar to that of the Group.

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 reporting period.

In 2006, the Company 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 expires in January 2012.

(g) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and/or the Company. The Group and the Company have adopted a policy of only dealing with creditworthy counterparties. The Group and the Company only transact 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 and the Company use publicly available financial information, trade references and their own trading record to rate their major customers.

The quality of trade receivables has been discussed in note 8.

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 financial statements, net of any allowances for losses, represents the Group's and the Company's maximum exposure to credit risk.

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

(h) Liquidity Risk Management

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

LIQUIDITY AND INTEREST RISK TABLES
The following tables detail the Company's and the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Company and the Group can be required to pay. The table includes 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**
CONSOLIDATED							
2010							
Trade and other payables	0.00	-	26,500	-	-	-	26,500
Borrowings	5.39	-	-	2,552	52,459	-	55,011
		-	26,500	2,552	52,459	-	81,511
2009							
Trade and other payables	0.00	-	25,617	-	-	-	25,617
Borrowings	4.88	-	-	2,311	51,977	-	54,287
		-	25,617	2,311	51,977	-	79,904
COMPANY							
2010							
Trade and other payables	0.00	-	23,852	-	-	-	23,852
Borrowings	5.39	-	-	2,552	52,459	-	55,011
		-	23,852	2,552	52,459	-	78,863
2009							
Trade and other payables	0.00	-	23,668	-	-	-	23,668
Borrowings	4.88	-	-	2,311	51,977	-	54,287
		-	23,668	2,311	51,977	-	77,955

There has been no change to the Group's and the Company'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.

30. FINANCIAL INSTRUMENTS (CONTINUED)

	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
CONSOLIDATED							
2010							
Non-interest bearing	0.00	43,048	-	-	-	-	43,048
Variable interest rate instruments	4.00	8,953	-	-	-	-	8,953
Fixed interest rate instruments	5.30	6,000					6,000
		58,001	-	-	-	-	58,001
2009							
Non-interest bearing	0.00	42,804	-	-	-	-	42,804
Variable interest rate instruments	2.50	9,260	-	-	-		9,260
Fixed interest rate instruments	-	-				-	-
		52,064	-	-	-	-	52,064
COMPANY							
2010							
Non-interest bearing	0.00	30,584	-	-	-	-	30,584
Variable interest rate instruments	4.00	8,610	-	-	-	-	8,610
Fixed interest rate instruments	5.30	6,000	-	-	-	-	6,000
		45,194	-	-	-	-	45,194
2009							
Non-interest bearing	0.00	32,243	-	-	-	-	32,243
Variable interest rate instruments	2.50	9,165	-	-	-	-	9,165
Fixed interest rate instruments	-	-	-	-	-	-	-
		41,408	-	-	-	-	41,408

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 reporting period.

The following table details the Group's and the Company'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
2010						
Net settled:						
Interest rate swaps	(76)	-	(216)	(150)	-	(442)
Forward exchange contracts	(70)	(143)	(15)	-	-	(227)
	(146)	(143)	(231)	(150)	-	(670)
2009						
Net settled:						
Interest rate swaps	(203)	-	(590)	(1,207)	-	(2,000)
Forward exchange contracts	(22)	(37)	(49)	-	-	(108)
	(225)	(37)	(639)	(1,207)	-	(2,108)

(i) Fair Value of Financial Instruments

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the 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 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; and
- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives and option pricing models for optional derivatives.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

30. FINANCIAL INSTRUMENTS (CONTINUED)

FAIR VALUE MEASUREMENTS RECOGNISED IN THE 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).

	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:				
Unquoted equities	-	-	-	-
Asset-backed securities reclassified from fair value through profit or loss	-	-	-	-
Total	-	-	-	-
Financial liabilities at FVTPL				
Derivative financial liabilities	-	433	-	433
Financial liabilities designated at fair value through profit or loss	-	227	-	227
Total	-	660	-	660

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

DERIVATIVES

Forward foreign currency exchange contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

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.

31. ASSETS PLEDGED AS SECURITY

In accordance with the security arrangements of liabilities, as disclosed in note 16 to the Financial Statements, all non-current assets of the Group, except deferred tax assets, have been pledged as security. The holder of the security does not have the right to sell or repledge the assets.

32. EVENTS AFTER THE REPORTING PERIOD

FINAL DIVIDEND

The Directors declared a fully franked final dividend of 70 cents per share on 19 August 2010 as described in note 22.

ACQUISITION OF SUBSIDIARY – Pure Animal Wellbeing Pty Ltd

On 1 July 2010, the Group signed an agreement to acquire 100% of the issued capital of Pure Animal Wellbeing Pty Ltd for a purchase price of $2,000,000, payable in cash.

Pure Animal Wellbeing Pty Ltd develops and markets natural dietary supplements and topical products for dogs and cats which are sold in veterinary clinics and specialty stores in Australia, New Zealand and Korea.

Other than the matters disclosed above, 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.

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.

33. APPROVAL OF FINANCIAL STATEMENTS

The Financial Statements were approved by the Board of Directors and authorised for issue on 19 August 2010.

ADDITIONAL INFORMATION

NUMBER OF HOLDERS OF EQUITY SECURITIES AS AT 9 AUGUST 2010:

ORDINARY SHARE CAPITAL

16,680,459 fully paid ordinary shares are held by 6,748 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	4,385
1,001 – 5,000	2,057
5,001 – 10,000	180
10,001 – 100,000	112
100,001 and over	14
Total	**6,748**
Holdings less than a marketable parcel	269

SUBSTANTIAL SHAREHOLDERS

DATE OF NOTICE	ORDINARY SHAREHOLDERS	FULLY PAID NUMBER	FULLY PAID PERCENTAGE
27 February 2009	Marcus C Blackmore	4,470,388	27.34

TWENTY LARGEST HOLDERS OF QUOTED EQUITY SECURITIES AS AT 9 AUGUST 2010

ORDINARY SHAREHOLDERS	FULLY PAID NUMBER	FULLY PAID PERCENTAGE
Mr M C Blackmore	3,541,020	21.23
Dietary Products (Aust) Pty Ltd	588,592	3.53
Citicorp Nominees Pty Limited	440,187	2.64
Milton Corporation Limited	347,066	2.08
National Nominees Limited	325,241	1.95
Gowing Bros Limited	207,363	1.24
Blackmore Foundation Pty Limited	200,000	1.20
Mrs E M Whellan	186,822	1.12
Ms J A Tait	177,213	1.06
Blackmore Superannuation Fund	144,503	0.87
JP Morgan Nominees Australia Limited	128,320	0.77
Mr R Shepherd	115,000	0.69
Rathvale Pty Limited	102,005	0.61
Mr J P Machale	100,000	0.60
ANZ Nominees Limited	91,522	0.55
Mrs P G Wright	88,989	0.53
P G Wright, M G Wright and J G Wright	86,530	0.52
RBC Dexia Investor Services Australia Nominees Pty Limited	84,792	0.51
Invia Custodian Pty Ltd (A/C S McClay)	64,242	0.39
Ms C Holgate	59,203	0.35
Total	**7,078,610**	**42.44**

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 25 per cent off the recommended retail price. All shareholders have been given details of the plan, but please contact the Company Secretary 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 Report').

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 Chris Last, Chief Financial Officer, on 61 2 9910 5106.

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

Dr Alister Webster, Founder of Pure Animal Wellbeing
This image courtesy of Summerton Photography

PURE ANIMAL WELLBEING

In recent months we have added a potential new growth platform to the Company with the aquisition of Pure Animal Wellbeing Pty Ltd (PAW).

BLACKMORES®

THE BEST OF HEALTH

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BLACKMORES LIMITED

AUSTRALIA'S LEADING NATURAL HEALTH BRAND

ACN 009 713 437

20 JUBILEE AVENUE

WARRIEWOOD NSW 2102, AUSTRALIA

TEL : 61 2 9910 5000

FAX: 61 2 9910 5555

BLACKMORES.COM.AU