



WELLBEING

ANNUAL REPORT 2016

BLACKMORES®

OUR 2016 ANNUAL REPORT

The 2016 Annual Report of Blackmores Limited provides information on the organisation and company performance for the year 1 July 2015 to 30 June 2016.

Cover image: Caroline Hayes and Edgar Cabal from the procurement and sourcing team, at an olive grove in New South Wales, Australia. Olive leaf extract is traditionally used in western herbal medicine for the relief of coughs and colds and is an ingredient that features in both the Blackmores and BioCeuticals product ranges.

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ANNUAL GENERAL MEETING

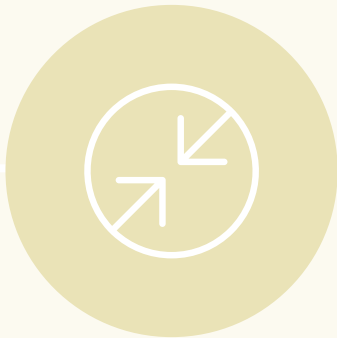
The 54th Annual General Meeting of the Company will be held at 11am on Thursday 27 October 2016 at the Blackmores Campus, 20 Jubilee Avenue, Warriewood NSW 2102.

“

We offer no wonder drug, just the resourceful use of nature.

BLACKMORES LABORATORIES, SINCE 1932

”



OUR VALUES

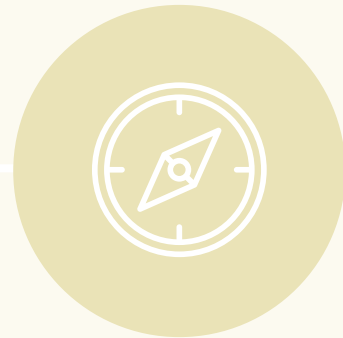
Blackmores' values are at the heart of our business. These values, known as PIRLS, are both behavioural and aspirational. They underpin our work practices and are supported by legal policies and procedures.

Passion for Natural Health
Integrity
Respect
Leadership
Social Responsibility



OUR PURPOSE

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



OUR STRATEGIC PRIORITIES

Blackmores is committed to superior business performance. Our strategic direction is focused on delivering growth and continuous improvement to maintain Blackmores' leading position in the industry and to achieve ongoing success for our company, our people and our shareholders.

Consumer Centricity
Asia Growth
Product Leadership
Operational Effectiveness

ABOUT US

Blackmores is Australia's leading natural health company. Founded by visionary naturopath Maurice Blackmore in 1932, Blackmores combines traditional naturopathic expertise with scientific research to help people achieve optimal health and wellbeing. Committed to developing innovative natural health products and services of the highest quality, Blackmores reaches consumers in 15 countries.

Blackmores' extensive range of vitamins, herbal and mineral supplements, and nutritional foods uses premium ingredients from around the world, with products made to strict Australian manufacturing standards with rigorous quality checks. Blackmores respects the innate link between healthy people and a healthy planet, implementing sustainable packaging and waste-reduction practices and supporting charitable community initiatives.

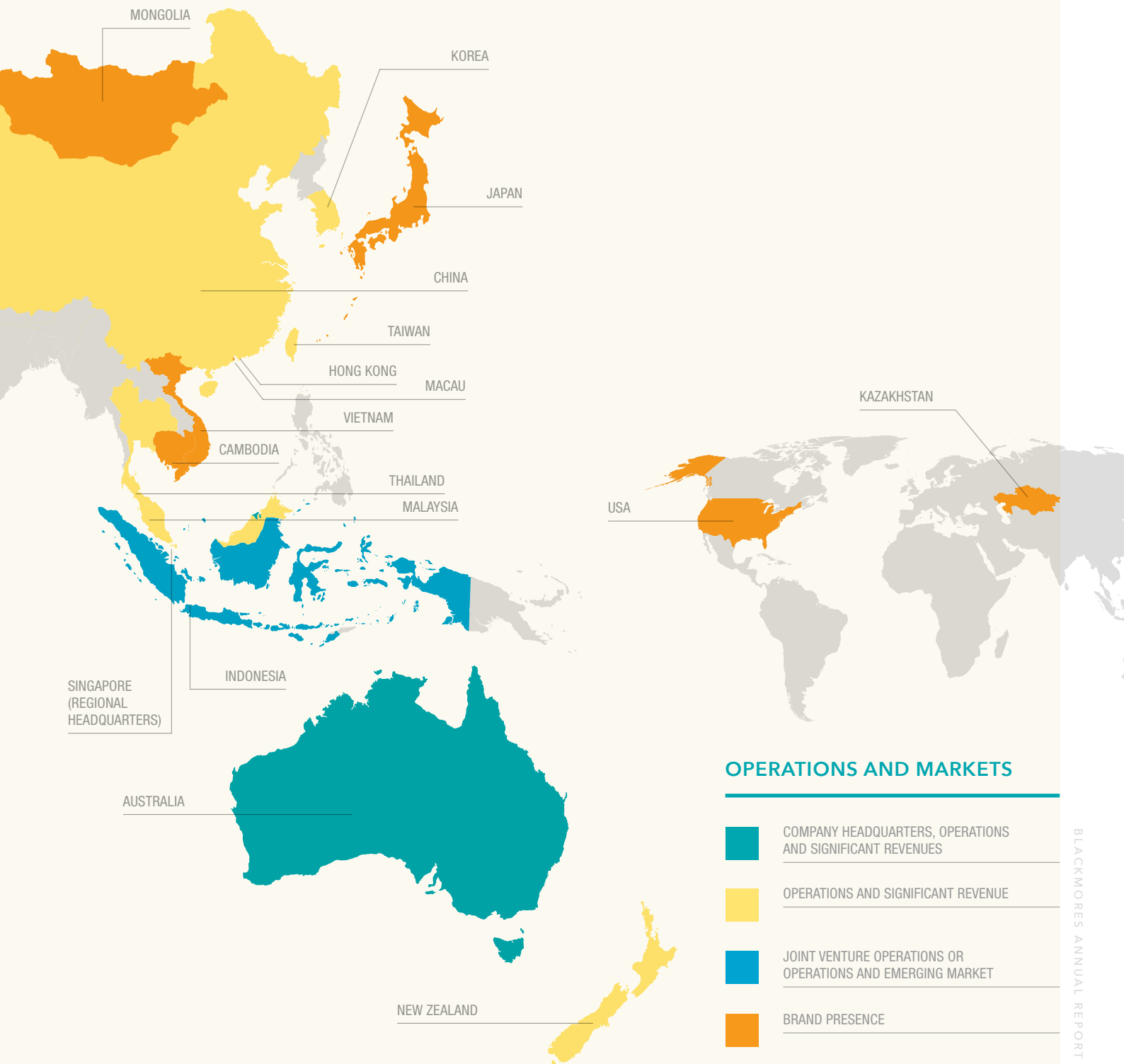
Industry leaders for more than 80 years, Blackmores established the Blackmores Institute to drive an evidence-based approach to natural health through education, research and professional advisory services. For health professionals and consumers alike, Blackmores is a trusted source of natural health advice.

With a strong naturopathic heritage, Blackmores is an ASX 100 publicly listed company with a market capitalisation of \$2.3 billion. The Group manages 1,000 people across Asia-Pacific and includes BioCeuticals, Australia's leading practitioner range; Pure Animal Wellbeing, natural health products for pets; and Global Therapeutics, Australia's leading provider of Chinese herbal medicine. Blackmores' teams in Asia comprise sales and marketing personnel as well as healthcare professionals. The Blackmores Campus head office and production facility is located on Sydney's Northern Beaches.

OUR BRANDS



OUR REACH





VITAMIN AND
SUPPLEMENT
COMPANY IN
AUSTRALIA



8 YEARS
MOST TRUSTED BRAND



117
NEW
PRODUCTS
LAUNCHED ACROSS
THE GROUP



ACQUIRED

Global Therapeutics with market
leading Chinese herbal medicine
brands, Fusion Health and
Oriental Botanicals

**DOUBLED
OPERATIONAL
CAPACITY**



**HIGH
86%**

Recognised as one of
Australia's best employers
through the Aon Hewitt
Best Employer Awards -
employee engagement



50%

GROUP SALES
ESTIMATED TO
COME FROM ASIAN
CONSUMERS

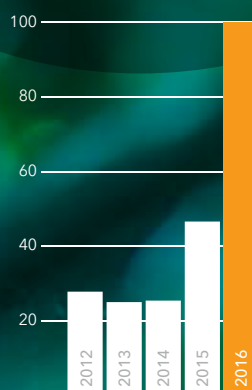


186 NEW ROLES
ACROSS
THE GROUP

NET PROFIT AFTER TAX

100 \$MILLION

Record sales and improved operating leverage enabled net profit after tax (NPAT) to grow to \$100 million, up 115% on the prior year.



CHAIRMAN'S INTRODUCTION

It has been another momentous year for Blackmores, with continued sales and profit growth and a strong financial performance securing us a place in the ASX 100, just over 30 years since we first listed on the Australian Securities Exchange and 84 years since our company was founded.

It has been another momentous year for Blackmores, with continued sales and profit growth and a strong financial performance securing us a place in the ASX 100, just over 30 years since we first listed on the Australian Securities Exchange and 84 years since our company was founded.

I'm often asked why our business has endured through the generations and how we focus on ensuring that we will remain financially sound and relevant to consumers in the years to come. Indeed 'sustainability' as a principle has been bantered about in many boardrooms in recent years.

Reflecting the importance of understanding and sharing our vision for business sustainability, you will note that our inaugural Blackmores Sustainability Report will be available on our website this year. In the interests of minimising our impact on the environment, the full report is online, with an abridged version in this annual report.

Sustainability encompasses so much more than environmental initiatives. It encompasses our commitment to our community, our employees, our shareholders, our governance and our investment in the future of our industry.

I am inspired by one of our international trading partners, Alibaba, who are one of the world's biggest e-commerce merchants. Their vision is to be a company that endures for 102 years, meaning they will span three centuries.

Our strong values and culture combined with our rigorous approach to quality, research and innovation will position us well for our future.

The vision we have for our business is shared by our employees who each act as ambassadors for our brands. Among these valued employees, one quarter hold a healthcare qualification and more than half speak an Asian language as their mother tongue.

The importance of Asia to our Group revenues is very clearly highlighted by the 50 head office employees who are currently electing to learn Mandarin. Though they're all realistic about the time it takes to be proficient in speaking, reading and writing Chinese, it does indicate our employees' commitment to understand and respect the people, culture, and health needs of our growing number of Asian consumers.

All of our staff members have shared in our growing profits



with 44 additional days salary paid to each employee as part of our long-standing profit sharing program, which has always sought to align staff remuneration with shareholder benefits. Our leadership team remuneration is also closely aligned with shareholder value, and you'll note the strong correlation between our healthy profitability and the executive incentives paid as a result.

Our team is always deserving of recognition for their hard-work, commitment to our values and enthusiasm for our business and this year is no exception. I welcome the team from Global Therapeutics to the Blackmores family. Since acquiring this leading Australian herbal medicine company in May, we've come to understand more about the potency and potential for Chinese herbs as powerful medicines and we are excited about the future prospects for their brands Fusion Health and Oriental Botanicals.

A little over a year ago, we advised shareholders of our challenges to meet the growing demand for our product whilst upholding our unrivalled quality standards. To address the supply constraints, our business has changed significantly

with new staff, additional facilities, new supplier partnerships and improved infrastructure. It has been one big team effort and one that wouldn't be possible without the stewardship of our Executive Team and Board. I sincerely thank them for their leadership.

It is impossible for me to note leadership without expressing my great appreciation for our Chief Executive Officer, Christine Holgate. She has received many accolades this year including recognition as CEO of the Year. In my opinion she is deserving of this praise as she has led our company with passion over the past year. It's a passion evident in our broader team and they share my excitement about our future.

The best of health.

Marcus C. Blackmore AM
Chairman



CEO'S YEAR IN REVIEW

717
GROUP SALES
\$M

Dear Shareholder,

I'm delighted to share our full year performance reflecting a year of significant growth across all divisions and brands in the Group delivering Group sales of \$717 million (up 52%) on the prior year and resulting in net profit after tax (NPAT) of \$100 million (up 115%) on the prior year. This follows the previous record year.

Growing consumer demand for our products enabled us to realise further operational benefits and saw the Group double capacity over the year. Importantly, our unrivalled quality standards were extended further into our supply chain and were never compromised whilst productivity and efficiency was boosted.

495
AUS SALES
\$M

AUSTRALIA (INCLUDING PAW)

Our heartland Australian business delivered \$495 million (up 56%) in revenue over the year reflecting the strong growth from our domestic consumers and further boosted by sales to Chinese tourists and exporters to satisfy the appetite for Blackmores' quality products in China.

We estimate that Chinese consumers influenced over \$200 million of our Australian revenues with a combination of sales through Australian retailers and exporters and in-country sales.

Pure Animal Wellbeing, Blackmores' animal health division, achieved \$7 million in sales (up 31%) and maintained a strong leadership position in the natural pet health market.

129
ASIA SALES
\$M

ASIA

In-country sales in Asia of \$129 million (up 54%) were through a range of channels including pharmacy, online retailers and health stores.

Some of our more established markets did experience challenges, though pleasingly maintained top-line growth. Our established Asian markets achieved sales of \$81 million (up 6%) including sales from Thailand and Malaysia.

Singapore, Hong Kong and Taiwan delivered record growth with range extensions, increased distribution and further investment in our brand.

Asia sales were further bolstered by in-country sales in China of \$48 million (up 536%). The expansion of free trade zones and our ability to serve e-commerce customers through our bonded warehouse in China has enabled us to benefit from the growing Chinese demand.

We estimate that Chinese consumers now influence over \$250 million of our Group sales, almost a four-fold increase in the last 12 months. This is evidence of the strong demand for our products in such an important market.

Blackmores experienced challenges in Kores. Excluding Korea, 'Other Asia' sales were up 11%. This, in addition to investment in Blackmores' upcoming launch into Indonesia, and Blackmores International resulted in a reduction in earnings for Blackmores' 'Other Asia' compared to the prior year.

69
BIOCEUTICALS
SALES \$M

BIOCEUTICALS

BioCeuticals, our practitioner-only brand, delivered \$69 million in sales (up 25%). New product innovation and education was central to their success as this brand does not have the benefit of established businesses in Asia. They have also commenced distribution in the United States, a market with a strong network of allied health practitioners. Since acquiring this business in 2012, we have doubled its profitability and paid down all debt required to fund the acquisition. BioCeuticals' growth was particularly pleasing given that this year's results include the payment of incentives and profit share to BioCeuticals employees following their adoption of the Blackmores Enterprise Agreement as well as the investment in new offices to support growth.

23
OTHER SALES
\$M

DEVELOPING BUSINESSES

Developing businesses including New Zealand, Blackmores' contribution from their nutritional foods partnership with Bega, and sales from the recently acquired Global Therapeutics, contributed \$23 million to Group revenue up from \$15 million in the prior year. Sales in New Zealand of \$16 million (up 53%) were positively impacted by a change to our business model in this country including the appointment of a Blackmores sales team.

Our partnership to develop nutritional foods including infant formula with Bega has achieved early sales of \$9 million of which Blackmores has a 50% share.

In May 2016, Blackmores acquired Global Therapeutics, an Australian company, with two brands offering Chinese herbal medicine, Fusion Health and Oriental Botanicals. Each are market leaders in this category in health food stores and pharmacy with an estimated 80% market share of retail Chinese herbal medicine. We are excited about the growth opportunities for these products both in Australia and in Asia. Global Therapeutics contributed \$3 million to our revenues since the acquisition.



CEO'S YEAR IN REVIEW

THE GROUP FOCUSED ON FOUR STRATEGIC PRIORITIES

01 Blackmores Wellbeing Centre at Bondi Junction

02 Raymond Chan, Deputy Managing Director of Blackmores Asia (left) and Jason Zhang, Country Director of Blackmores China

03 Belinda Reynolds, Senior Educator, BioCeuticals

04 Clement Smith, Warehouse Manager, Blackmores

01 Consumer Centricity

- Blackmores #1 vitamin and supplement brand and Group in Australia and number one brand in Thailand, Malaysia, Singapore and Hong Kong.
- Most Trusted Brand in Australia, eight years running.
- Integrated campaigns that have resulted in a step change in brand health metrics.
- Opened a flagship store at Bondi in Sydney – the Blackmores Wellness Centre.
- Opened Blackmores duty free pop-up stores at Sydney, Melbourne, Hong Kong, Shanghai and Gold Coast International airports.
- New operating model in New Zealand with Blackmores sales team.
- Hosted corporate wellness programs in leading organisations attracting more than 3,000 attendees.
- Extended offering qualified naturopaths in pharmacies and health food stores to provide advice to consumers.
- The iconic Blackmores Sydney Running Festival attracted more than 32,000 participants and achieved International Association of Athletics Federation (IAAF) Marathon Gold Label Road Race status.

02 Asia Growth

- Asian consumers represent almost 50% of Group sales and shows strong desire for the Blackmores brand.
- Of that, Chinese consumers influence over \$250 million of Group sales and our business is still growing.
- Invested in Thailand with more than 50 new in-store product advisors.
- Established joint venture with Kalbe Farma to facilitate entry into the Indonesian market.
- Blackmores regional headquarters in Singapore expanded operations enabling improved decision making and customer management in Asia.
- Hosted events for our shareholders on 'Doing Business in China' to assist with understanding of this complex market in Sydney, Melbourne and Shanghai.
- CEO appointed Chair of Australia-ASEAN Council.

03 Product Leadership

- 117 new products launched across the Group.
- Explored partnerships in medicinal cannabis through BioCeuticals.
- BioCeuticals launched in the USA, the largest practitioner market in the world, through a leading distributor.
- BioCeuticals FX Medicine podcasts downloaded more than 65,000 times in 40 countries achieving a number three ranking in its category on iTunes.
- Launch of BioCeuticals Liposomals range was a market first.
- Blackmores Institute provided 25,000 healthcare professionals with accredited training across the Group in the last year.
- 447,816 education touchpoints across the Group.
- Grass roots approach to training with thousands participating in local training hubs in key markets.
- Developed and delivered an accredited course in evidence-based complementary medicine partnering with Griffith University.
- 24 research projects including clinical trials underway across Blackmores Group.
- Successful publication of clinical trial using Blackmores Insolar®.
- Blackmores Institute expanded presence in Asia and NZ.
- Launched medicinal foods, including infant formula, in partnership with Bega.
- Acquisition of Global Therapeutics – leading Chinese herbal medicine brand in Australia and supporting growing consumer interest in Chinese medicine.

04 Operational Effectiveness

- Doubled our capacity to overcome supply challenges.
- Doubled production output to meet growth and invested further in automation and staff.
- Slow moving and obsolete stock at a 10 year low.
- Progressed directed sourcing of scarce and key ingredients.
- Extended our supplier base including stronger supplier partnerships.
- Secured dual manufacturing supply of core products with partners in trusted markets including Germany and Canada.
- New efficiency-driving technology installed including robotics and multi-head counters.
- Hosted supplier quality awards.
- Expanded our warehousing footprint.
- Invested in 186 new roles across the Group including the addition of a production night shift and new front-line health advisory roles.
- Increased investment in staff training.



CEO'S YEAR IN REVIEW

OUTLOOK

We have proven demand for our brand across the Asia Pacific region and have been positively impacted by external dynamics, including the expansion of free trade zones in China and growing consumer interest in our category. Our population is ageing and governments are faced with rising healthcare costs. Many of our neighbours in Asia are seeing significant demographic changes with a growing middle class and two child families in China.

Consumers universally are changing, with moves towards personalised health, an increasing role of digital technologies in product purchase and the evolution of food as medicine.

Blackmores is well positioned to benefit from these trends with our commitment to sustainability, ingredient traceability, proven efficacy and quality, we have strong consumer demand, high staff engagement and multiple routes to market.

These opportunities are balanced by an increasingly complex business environment, including an evolving regulatory landscape in Asia and volatility in the Australian wholesale market as a result of changing retail dynamics.

We're continuing to invest in long-term growth platforms for the Group, including our new business in Indonesia.

The Board remains confident in our strategic priorities and we will continue to diversify our revenues, invest in new opportunities and progress the ongoing re-shaping of our business.

Thank you for your support of Blackmores.



Christine Holgate
Chief Executive Officer

Clockwise from top right

Duncan MacKellar, Blackmores Campus team, ensuring effective paper recycling
Isabella Truong, Advisory Pharmacist, Blackmores Institute

Julien Calvet, General Manager, Pure Animal Wellbeing and Felicia Tam, Veterinarian, Pure Animal Wellbeing

Susan Mahoney, Social Media Manager, Blackmores

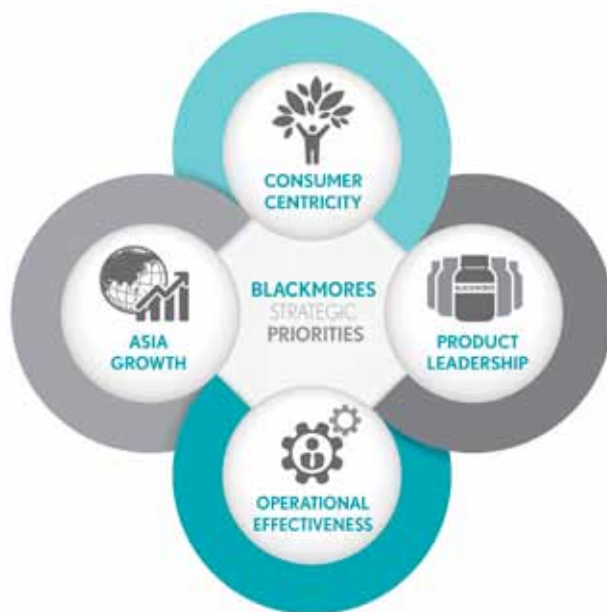
Amie Skilton, Senior Educator, BioCeuticals

Soane Nofo'Akifolau, Distribution Operator, Pick To Light, and Graeme Fookes, Warehouse Operations Support and Inventory Controller, Blackmores



OPERATING + FINANCIAL REVIEW

Anita Wolf, Marketing Manager,
Global Therapeutics



01 GROUP STRATEGY

Blackmores is the leading natural healthcare company across the Asia Pacific region.

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

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

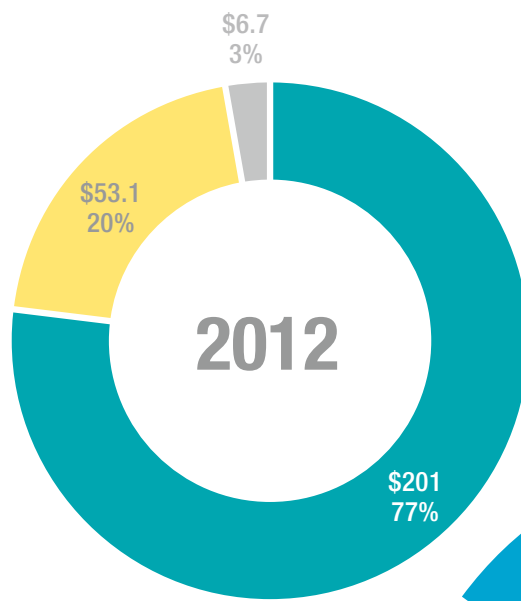
Activities across the Group for the 2016 financial year were aligned to four key strategic priorities:

- **Consumer Centricity** - To promote our high quality products, supported by evidence and access to trusted advice, the Group significantly increased brand investment and our understanding of the consumer in our core markets in Australia and in Asia.

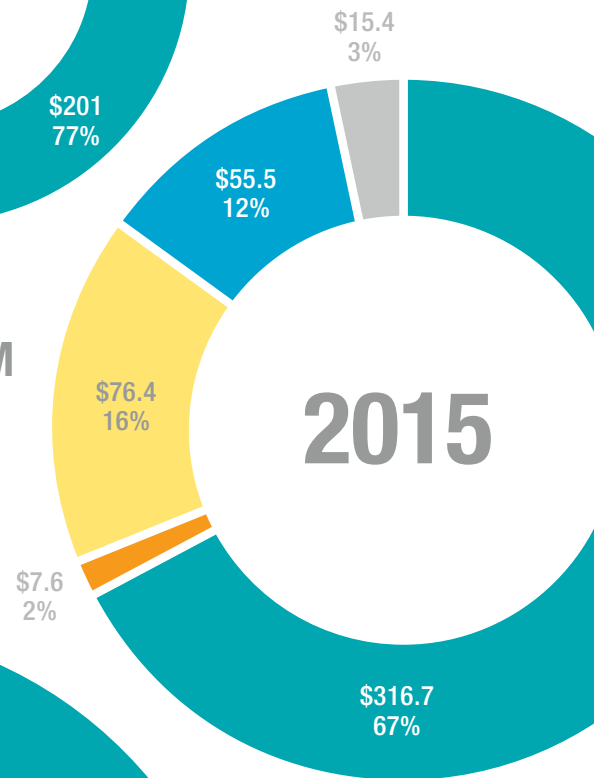
- **Asia Growth** - Asia brings access to two billion health conscious consumers, this is an opportunity for Blackmores to grow, increase scale, diversify our earnings and build a natural hedge into our business. Blackmores' Asian-based regional structure is fully operational to enable more efficient decision making and improved operational efficiencies.
- **Product Leadership** - Blackmores is a clear leader in the area of research and development and we have supported this with increased investment in the Blackmores Institute, a program of product range innovations and the development of independently accredited education programs.
- **Operational Effectiveness** - Improved operational efficiencies were derived from investment in and with our supply chain partners, leveraging our Central Services business model and optimising our increased size into scale benefits.

**5
YEAR**

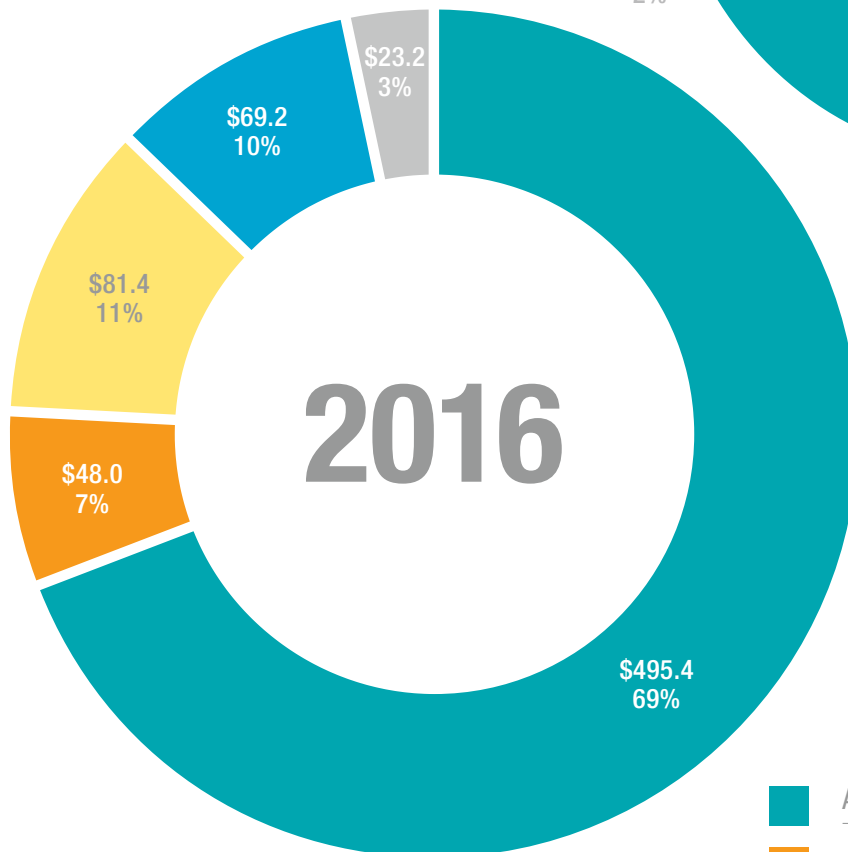
DIVERSIFICATION OF REVENUE BY SEGMENT (\$M)



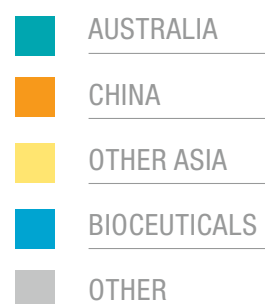
**GROUP
SALES
\$260.8M**




**GROUP
SALES
\$471.6M**



**GROUP SALES
\$717.2M**





02 GROUP AND DIVISIONAL RESULTS

GROUP AND DIVISIONAL RESULTS

Group Sales for the year were \$717.2 million (2015: \$471.6 million), an increase of 52% compared with the prior year and our 14th consecutive year of sales growth.

Sales in Australia, our heartland market, were up 56% compared to the prior year and were stimulated by a growing consumer demand for high quality, natural wellness products. We have launched new products and improved our service of retail customers while investing in our brand through integrated marketing activity. The Australian business continued to benefit from increased sales through Chinese tourists and entrepreneurs shopping in Australia and Chinese Australian consumers purchasing for relatives and friends and shipping to China. Excluding the impact of these sales, the Australian consumer business remains very healthy with sales up approximately 10%.

By combining the contribution from these consumers with our in-country revenues from Asia, the Asian consumer accounts for almost 50% of Group sales. This demonstrates the growing demand for our brand outside Australia and highlights the importance of our Asia growth strategy.

Increased sales to China have been supported by the Wholly Foreign-Owned Enterprise (WFOE) established in recent years. The opening of free trade zones in 2014 and further expansion across the current year has created a substantial opportunity for the company, especially as Blackmores is one of only a few companies in this category to secure a licence to directly trade within the zones.

We are encouraged by the Australian Government's commitment to improved trade relations within the Asian region, which we believe will continue to support further growth. Asia is a key region for Blackmores, providing an important platform to secure long-term profitable growth.

Blackmores Asia achieved record sales, with full year sales up 54% to \$129.4 million and EBIT up 79% to \$14.9 million. In-country sales from Asia now comprise 18% of Group revenue.

Blackmores Korea experienced sales challenge. This, coupled with the investment in Blackmores' upcoming launch into Indonesia, resulted in a reduction in earnings for the 'Other Asia' segment compared to the prior year.

Our growing revenue from Asia has helped create a natural hedge whereby the impact of changes to off-shore revenues as a result of foreign exchange fluctuations are partially offset by the procurement benefits to the Group. Our growing businesses in Asia have afforded the Group many scale benefits which have improved our operating efficiencies. We have grown our workforce considerably to support the growth, creating new jobs in Australia and Asia. Overall this has bolstered the returns we have delivered to our shareholders.

BioCeuticals sales grew 25%, with strong growth in the practitioner-only range. This performance, combined with successful new product launches and a close management of the cost base, delivered EBIT growth of 9% on the prior year. This EBIT result includes the payment of incentives and profit share to BioCeuticals employees following their adoption of the Blackmores Enterprise Agreement. Excluding this, underlying BioCeuticals EBIT is up 28%. BioCeuticals represents approximately 10% of Group revenue.

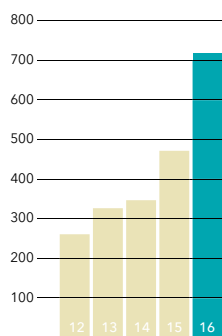
Blackmores New Zealand, Global Therapeutics and Blackmores' proportion of our Nutritional Foods partnership with Bega are reported as part of the 'Other' segment. These businesses have contributed \$23 million in sales, up from \$15 million the prior year.

OPERATING + FINANCIAL REVIEW



SALES

Significant growth across all divisions and brands in the Group delivering Group sales of \$717 million, up 52% on the prior year



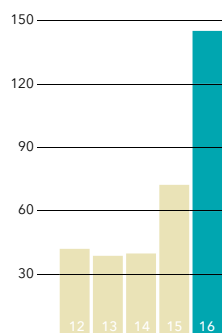
717

\$MILLION

↑ 52%

EBIT

Earnings before interest and taxes of \$145 million, up 101% on the prior year.



145

\$MILLION

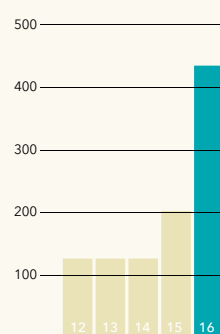
↑ 101%

03

FINANCIAL REVIEW

DIVIDENDS PER SHARE

Dividends of 410 cents per share more than doubled in the 12 months.



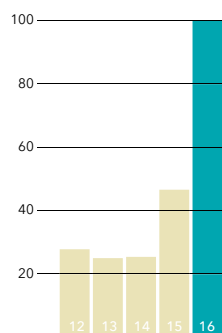
410

CENTS

↑ 102%

NPAT

Net profit after tax (NPAT) to grow to \$100 million, up 115% on the prior year.



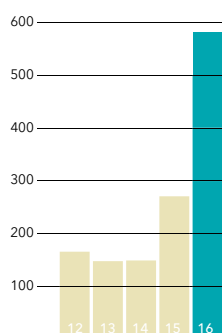
100

\$MILLION

↑ 115%

EPS

Earnings per share of 580.6 cents, up 114.5% on prior year.



580.6

CENTS

↑ 114.5%

GROUP FINANCIAL POSITION

Total current assets increased by \$107 million to \$295 million, 57% up on the prior year. This reflects an increase in working capital commensurate with growth in the business with inventory increasing by \$78 million to \$116 million largely due to higher inventory levels to meet consumer demand.

Current liabilities have increased from \$115 million to \$192 million reflecting both the increased inventory purchases, higher employee incentives and increased income tax obligations.

Non-current liabilities have increased from \$45 million to \$61 million largely due to an increase in interest-bearing liabilities. Net debt remains low at \$18 million but has increased marginally from the \$7 million reported in the prior year. This increase includes \$23 million of debt funding required to acquire Global Therapeutics.

The business has continued to generate strong net operating cash flows at \$83.7 million, 18% growth over the prior period. This was due to a strong trading performance, improved treasury capability offset by direct purchasing of raw materials to secure quality ingredients.

The cash conversion ratio of 81% reflected a continued focus on operational effectiveness initiatives whilst the company built inventory levels, invested in packaging robotics and acquired Global Therapeutics.

The Group gearing ratio at 9.1% remained low (2015: 5.1%) and net interest cover at 80.2 times (2015: 21.1 times) provides significant cover within our existing banking covenants even after the acquisition of Global Therapeutics.

Equity increased from \$133 million to \$181 million, a \$48 million increase due to growth in Group NPAT, reserves, retained earnings and our interest in PT Kalbe Blackmores Nutrition, our Indonesian joint venture.

Group NPAT was \$100.0 million (2015: \$46.6 million) a 115% increase on the prior year and similarly Basic earnings per share (EPS) increased from 270.7 cents per share to 580.6 cents per share, an increase of 114.5%.

Our focus on delivery of shareholder returns has resulted in industry leading return on assets at 39.9% and return on equity of 56.1% and highlights a continued trajectory of year on year improvement.

OPERATING + FINANCIAL REVIEW



Suki Petgo, Assistant Production Operator (left) and Elena Irlandez, Production Operator, Blackmores

24
HOUR
OPERATION



25K
POINTS OF
DISTRIBUTION



486
MILLION
CAPSULES



04 OPERATING REVIEW

GROUP OPERATIONAL REVIEW

In the prior year, Blackmores was constrained by an inability to maintain stock to meet the rapidly growing demand for our products from consumers in Asia. A number of initiatives, from investing in the company's capacity programs through to putting in additional partnership arrangements with suppliers and customers, have been executed in the year.

We are also holding inventory of scarce raw materials to give us access in a growing market to mitigate against the vulnerability of having core product lines out of stock.

Total expenses for the year were \$454 million representing a 43% increase over the prior year. Total sales growth of 52% was the primary contributor with sales-related expenses of raw materials and freight up 46% to \$225 million. The remaining expenses increased by \$66 million to \$229 million included employee performance related incentives which were \$16 million greater than the prior year.

OPERATIONAL HIGHLIGHTS

Unprecedented consumer demand for products has continued.

To protect our unrivalled quality standards and build capacity, the Group has:

- Increased staff and shifts at the Blackmores Campus packaging facility.
- Audited and secured more quality-approved suppliers.
- Completed extensive quality audits of new suppliers.
- Doubled warehouse footprint including new leased facilities at Eastern Creek in Western Sydney.
- Invested in new plant equipment including quadruple head counters, increasing packing speed from 4,000 tablets per minute to 13,000 tablets per minute.
- Installed four new robotic packing cell.

RESULTING IN RECORD OUTPUTS

In the past 12 months, the Group produced 486 million tablets and capsules and shipped 43 million units which we delivered to more than 25,000 retail partners.

OPERATING + FINANCIAL REVIEW

BLACKMORES
CAM

There are countless opportunities in the global health category as well as some inherent risks. Blackmores takes a proactive approach to managing these with a focus on the following core areas to mitigate risk:

- Robust risk governance framework overseen by the Audit and Risk Committee of the Blackmores' Board.
- Attract and retain strong management teams with local experience in all markets.
- Diversify revenues to ensure less reliance on any one brand, channel or market.
- Ability to identify risks, and the agility and capability to respond accordingly.

The material risks that could impact Blackmores achieving future financial performance and outcomes are summarised as follows:

RISKS	POTENTIAL IMPACTS	RESPONSE
Industry risk	Quality or claims breaches by competitors or suppliers impact the credibility of the industry domestically and internationally.	<ul style="list-style-type: none"> • High visibility and transparency of our full supply chain and enforcement of Blackmores' own quality standards. • Crisis and communication response plans are continually reviewed, updated and tested to ensure appropriate skills and capabilities are ready to be deployed. • Key government and regulatory relationships are actively maintained.
Supply constraints	Blackmores' high quality and sustainability standards and limited availability of natural ingredients puts pressure on the continuous supply of some key products.	<ul style="list-style-type: none"> • Increased inventory on hand. • Increased direct sourcing of key and scarce ingredients. • Customer service line activated to assist consumers finding the products through stores and online merchants. • Strengthened supplier relationships.
Product quality issue	Financial loss due to: <ul style="list-style-type: none"> • Delay in restoring supply of product for sale. • Product recall and reformulation costs. • Reduced industry capacity. • Industry concentration reducing competitor tensions and ability to negotiate price and supply. 	<ul style="list-style-type: none"> • Long term relationships with suppliers, quality audits and supply chain business reviews. • Product testing and validation procedures in place. Every product has passed more than 30 tests and quality assessments. • Retention of samples from every batch for ongoing testing and quality evaluation to cover the whole shelf-life of all products.
Brand damage	Brand damage caused by a product or industry related event resulting in loss of share and value.	<ul style="list-style-type: none"> • High quality controls throughout the supply chain. • Focus on complaint handling. • Active program to train stakeholders on Blackmores' business values and ethics practices. • Consumer advisory line to provide product information.
Treasury risk	Treasury risks including change in exchange rates, ingredient prices, interest rates and funding causes a financial loss.	<ul style="list-style-type: none"> • Diversification of currencies and working with supply partners to more effectively use these currencies for Group procurement.
Regulatory changes	Government policy and regulation may change and restrict or limit the ability to sell existing product or ranges in key markets.	<ul style="list-style-type: none"> • Employing strong, experienced local teams able to actively engage with local governments. • Blackmores actively engages with key stakeholders to monitor and react to regulatory changes in key markets such as China. • Continue to educate and inform stakeholders of the regulatory rules and routes to market in China through both the Australian and China business • Engagement with industry associations in key markets to encourage informed policy setting and regulation. • Diversification of revenues. • Diversification of routes to market.
Reliance on customers and markets	<ul style="list-style-type: none"> • Financial loss due to reduced revenue of a key customer or market. • Greater financial cost to serve customers due to aggressive competitors. • Financial loss due to a large bad debt. 	<ul style="list-style-type: none"> • Focus on Blackmores' brand health to drive brand loyalty and consumption. • Drive category solutions to gain consumer loyalty. • Close monitoring of customer payments and continued transparency across markets. • Diversification of revenues.

05 GROUP RISKS

SUSTAINABILITY



Raphael Maufay, Gardener & Handyman, Blackmores



SUSTAINABILITY

Understanding the innate connection between healthy people and a healthy planet

As a company that relies on the bounty of our natural environment, it is fitting that Blackmores is committed to practices that affirm environmental sustainability.

However, our approach to sustainability extends beyond the protection of the environment and incorporates our corporate governance, workplace practices and responsibility to the community.

These elements have underpinned our business for more than 80 years, though we have more recently developed a framework that will help us manage our performance to ensure our business continues to grow for generations to come.

Sustainability is integral to our core business objectives. To embed sustainability in our business and operations we are focusing our efforts on addressing the most material issues across our four sustainability commitments of:

Responsible Facility Management - To reduce the environmental intensity and carbon footprint of our facilities and operations.

Sustainable Supply Chain Management - To encourage, support and facilitate an environmentally and socially responsible approach to supply chain management.

Industry Leadership - To be a leader in natural health solutions through innovation, research and education.

People & Community - To give back and build a supportive workforce, community and marketplace. Importantly, we are committed to sharing our vision and knowledge with suppliers, business partners, government and shareholders.

For Blackmores' inaugural full sustainability report, visit blackmoressustainability.com.au



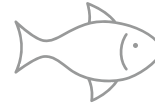
**86% EMPLOYEE
ENGAGEMENT SCORE
AND RECOGNITION
AS AN AON HEWITT
EMPLOYER OF
CHOICE AWARD**



**447,816
TOUCHPOINTS
EDUCATING OUR
CONSUMERS AND
CUSTOMERS**



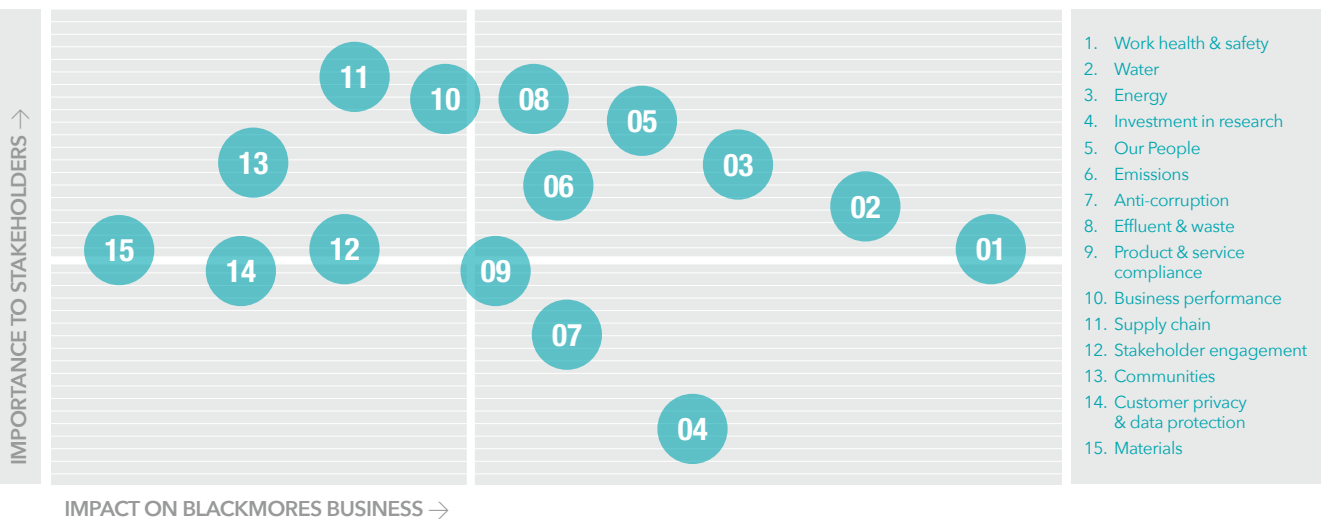
**OUR PARTNERSHIP
WITH THE WORLD
WIDE FUND FOR
NATURE TO ENSURE
OUR FISH IS SOURCED
SUSTAINABLY**



**INCREASING THE
AMOUNT OF WASTE
DIVERTED FROM
LANDFILL FROM
43% TO 71%**



KEY AREAS OF MATERIALITY - FIFTEEN TOPICS CONSIDERED AS PRIORITIES FOR BLACKMORES



Edouard Picherit, Category Manager, Blackmores and Emma Gaukrodger, Health & Wellness Administrator, Blackmores, train for the annual Blackmores Sydney Running Festival which has raised millions of dollars for charity.

COMMUNITY





COMMUNITY

Building healthier communities

Blackmores has a long-term commitment to social responsibility and giving back to the communities in which we operate. Our company strives to make a difference by building healthier communities in Australia and overseas.

This year Blackmores supported 50+ charitable organisations and inspirational individuals who are helping to create a brighter future.

ORGANISATIONS INCLUDE:

- Dr Charlie Teo's Cure Brain Cancer
- Quest for Life Foundation
- Heart Research Institute
- Macular Disease Foundation
- United in Compassion
- Arthritis New Zealand
- First 1000 Days (China)
- Heart Ali (China).

The iconic Blackmores Sydney Running Festival continues to raise millions of dollars for charity, whilst the inaugural Blackmores Community Open Day provided a strong platform for local community organisations to showcase their services and raise funds for their cause.

The Blackmores Employee Matched Donations Scheme, whereby staff are encouraged to donate 0.5% of their taxable pay with Blackmores matching the amount, generated \$188,770 for 87 charities. Staff also hosted regular fundraising events such as bake sales and BBQ days to support other worthy causes of their own choosing such as the Fred Hollows Foundation, Young Endeavour Youth Scheme, Defence Reserves and Big Red Run to fight diabetes.

We believe that everyone can make a difference.



EDUCATION AND ACADEMIC PARTNERSHIPS

- National Institute of Complementary Medicine (NICM) Scholars Program - Building future leaders through educational scholarships
- Rangsit University - Strengthening pharmaceutical education in Thailand
- RMIT - Integrating complementary medicine education into allied health degrees
- NICM, Western Sydney University
- University of Technology Sydney, ARCCIM
- Chulalongkorn University, Thailand
- Taylor's University, Malaysia
- UKM Pharmacy Faculty (National University of Malaysia)

INDUSTRY PARTNERSHIPS

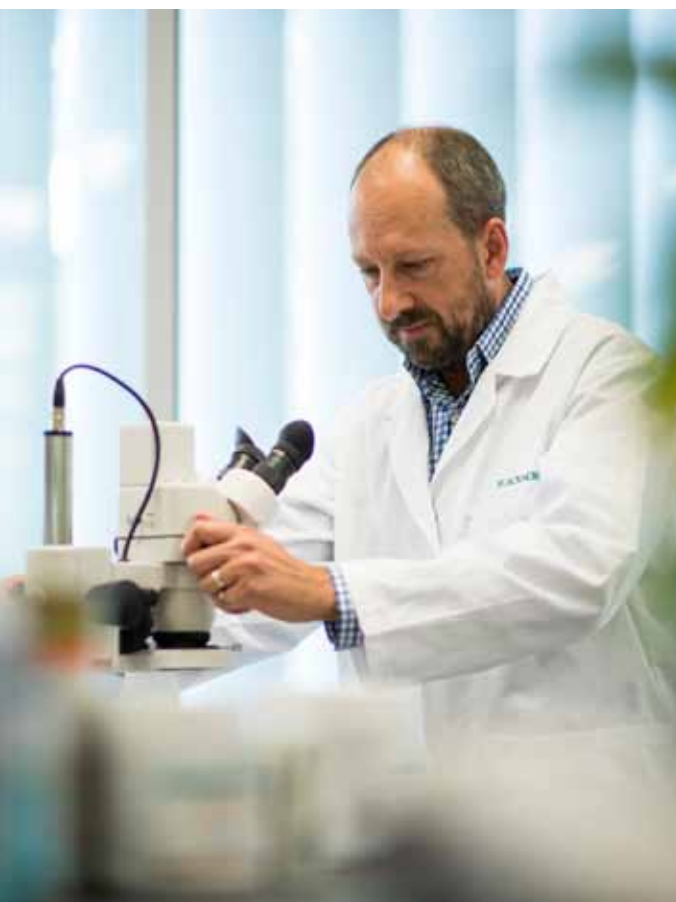
- Malaysian Pharmaceutical Society
- Pharmaceutical Society of Australia (PSA)
- Pharmacy Guild of Australia
- Complementary Medicines Australia
- Australasian Integrative Medicine Association (AIMA)

Blackmores Community Open Day attracted more than 4,000 visitors to the Warriewood Campus, raising funds for local not-for-profit organisations.

Kerryn Hoffman, Product Manager
BioCeuticals; Nicole Hoyek, Marketing
Manager, BioCeuticals; Carlotta Trabattoni,
Brand Manager, BioCeuticals

Darren Dziedziczak, Head of Quality &
Regulatory, Blackmores

The Blackmores Sydney Running Festival in
2015 supports numerous worthy charities, in
2015 raising more than \$1.5 million.



COMMUNITY



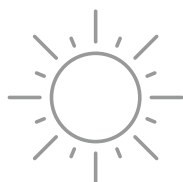
24 ACTIVE RESEARCH PROJECTS,
CLINICAL TRIALS AND SCHOLARLY
ACTIVITIES ACROSS THE GROUP



60,000+ EDUCATION TOUCHPOINTS
WITH HEALTHCARE PROFESSIONALS,
VETERINARIANS, PHARMACY
STUDENTS AND RETAIL STAFF



5 RESEARCH SYMPOSIA
WITH **1,400 ATTENDEES**



AUSTRALIAN CLINICAL TRIAL USING
BLACKMORES INSOLAR, SHOWED
VITAMIN B3 DERIVATIVE **CUT THE**
RISK OF NEW SKIN CANCERS BY 23%



ESTABLISHED THE BLACKMORES
INSTITUTE RESEARCH COUNCIL

Blackmores Group proudly supports

HEALTH AND WELLBEING

- Arthritis NZ
- Australia's Biggest Morning Tea – Cancer Council
- Avanti IsoWhey Sports Cycling Team
- Be Centre
- Bear Cottage
- Bloody Long Walk
- Burdekin Association
- Cerebral Palsy Alliance
- CCNB
- Cure Brain Cancer Charity
- Epilepsy Awareness Day
- Exodus Foundation
- First 1000 Days (China)
- Heart Ali (China)
- Heart Research Institute
- Lifeline
- Macular Degeneration Foundation
- Macular Degeneration NZ
- Men's Health Week
- MiNDD Foundation
- Northern Beaches Interchange
- Quest For Life
- Rainbow Rain (China)
- Raise Foundation
- Sydney Skinny
- United in Compassion

THE EARTH

- Boomerang Bags
- Clean-Up Day Australia
- Eco Art
- Living Ocean
- Marine Rescue
- Permaculture Northern Beaches
- Planet Ark
- World Wide Fund for Nature

OUR COMMUNITY

- Avalon Computer Pals
- Bilgola SLSC
- Bungan Board Riders
- Collingwood FC
- Holly Wawn
- Koori Kinnections
- Mat Belcher & Will Ryan, Olympic sailors

- Mona Vale Hospital Auxiliary
- Manly Warringah Pittwater Community Aid Service
- Oxfam 100km Walk
- People's Association Singapore
- Red Cross Australia
- Red Cross Thailand
- Rural Fire Service
- Sam Bloom
- Salvation Army Toy & Book Appeal
- Tennis Australia
- Vinnies CEO Sleepout
- Animal Welfare League
- German Shepherd Dogs in Need (Australia)
- Sydney Wildlife

Awards and Recognition

Blackmores' winning commitment to delivering high quality innovative products and services underpinned by sustainable business growth and strong leadership was recognised by more than 35 awards across Asia-Pacific in 2016.

For the eighth year running in Australia, Blackmores received the Reader's Digest Most Trusted Brand award in the Vitamins and Supplements category, as well as the prestigious Superbrands award in Malaysia, Singapore and Thailand.

Our business awards included Australian Growth Company of the Year (Health and Life Sciences), Premier's NSW Export Award (Healthcare and BioTechnology) and AusCham Australia China Business Award.

We also received an Australian Packaging Covenant (High Performer) for our sustainable packaging solutions.

- Most Trusted Brand Australia
- Most Trusted Brand NZ (Highly Commended)
- Most Trusted Brand (Malaysia)
- Most Trusted Brand (Singapore)
- Superbrands Award (Malaysia)
- Superbrands (Singapore)
- Superbrands (Thailand)
- VIP.com Most Popular Brand (China)
- CanStar Blue (Australia)
- Brand Laureate Best Choice award 2015-2016 under the Nutritional Supplement category (Malaysia)
- MIA-2016 Top SKU Award (Vitamin E Cream) (China)
- Watson's Health Wellness & Beauty Award (Thailand)
- InStyle Magazine's Reader's Best Pick (BKL Fish Oil 1000) (Thailand)
- NZSME Award for best integrative marketing campaign – Kids Gummies
- ABA Product Excellence (PawDerm technology)
- Australian Customer Service Awards (Silver) (BioCeuticals)
- Natural Food Awards – Best Superfood – IsoWhey Wholefoods Superfood Sprinkle
- PopSugar – Best Sports Product – IsoWhey Sports Electrolyte Formula
- PopSugar – Best Protein Balls – IsoWhey Wholefoods Protein Balls
- Australian Packaging Design Awards – Gold Award – Health & Beauty (IsoWhey)
- ADMA AC&E Award
- iAB award (Digital)

INDUSTRY GROWTH & EXPORT

- Australian Packaging Covenant – High Achiever
- Premier's NSW Export Awards – Healthcare & BioTechnology – Blackmores
- Australian Export Award – Healthcare & BioTechnology – Blackmores (53rd, 2015)
- JD.com – The Best Growth Award
- Australian Growth Company Awards: Australian Growth Company of the Year (Health & Life Sciences) – Blackmores
- Hong Kong Business Excellence Award
- AusCham Australia China Business Award

WINNING LEADERSHIP & EMPLOYEE OF CHOICE

- AON Hewitt Employer of Choice (finalist)
- ABA Employer of Choice (PAW)
- Rotary Foundation – Paul Harris Fellows (Nathan Cheong & Cecile Cooper)
- Australian Growth Company Awards: Women in Leadership Award – Christine Holgate
- CEO Magazine Award – CEO of the Year – Christine Holgate

EXECUTIVE TEAM

01



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08



01

CHRISTINE HOLGATE

Chief Executive Officer and Managing Director

Christine has more than 30 years of diverse international leadership experience in highly regulated industries, including healthcare, media, telecommunications and finance. Christine was appointed to her current role as Blackmores Chief Executive Officer in November 2008. She has more than 20 years of public board experience as either a Non-Executive Director or CEO and has held senior management positions in Asia, the Americas and Australia.

Christine has three post-graduate diplomas and a Masters Degree in Business Administration (MBA). She is the inaugural Chair of the Board of the Australia-ASEAN Council, supporting the development of trade and cultural relations between Australia and the 10 member countries of the ASEAN region. Christine also serves on the Board of Collingwood Football Club and was a Non-Executive Director of Ten Network Holdings Limited for five years, retiring in December 2015.

In 2015 Christine was recognised in the top 100 Women of Influence in Australia by the *Australian Financial Review* and named CEO of the Year by *CEO Magazine*. She was also named the highest performing CEO in Australia by the *Daily Telegraph* and received the Australian Growth Company Award for Women in Leadership. In 2013 Christine was honoured with the Rotary Paul Harris Award and she recently climbed Mount Kilimanjaro as part of Dr Charlie Teo's Million\$Mission to help Cure Brain Cancer.

02

RICHARD HENFREY

Chief Operating Officer

Richard Henfrey has more than 25 years of experience in strategic and business development roles across a wide range of blue chip, start up and strategy consulting businesses in Europe, North America and Australia, including key leadership positions with Telstra. Much of his career has focused on developing and implementing new businesses or change initiatives in the highly regulated industries of healthcare and telecommunications.

Richard joined Blackmores in 2009 as the Director of People and Strategy and became Director of the Blackmores Strategic Sourcing division in 2011. He was appointed Chief Operating Officer in 2014. Richard is a Board Member of the industry association Complementary Medicines Australia and served as Board President from 2011 to 2015. He leads a positive approach to engagement with regulators and governments to advocate for a greater recognition of complementary medicines in the development of health policy and improved regulation of complementary medicines. Richard is a graduate of the Australian Institute of Company Directors.

03

DAVID FENLON

Managing Director, Australia and New Zealand

David brings more than 25 years of retail experience to Blackmores including an in-depth understanding of grocery and retail channel strategies. With an emphasis on driving business transformation and showcasing leadership, David has held key positions in Tesco throughout Europe and Safeway in the UK. In Australia, he has held key leadership roles with a diverse range of brands.

David recently served on the Board of ASX-listed The PAS Group. He is a member of the Australian Institute of Company Directors and a Director of the Quest For Life Foundation.

04

NATHAN CHEONG

Managing Director, BioCeuticals

With more than 15 years of experience in the complementary medicine industry, Nathan is a qualified Naturopath and Herbalist, holding degrees in Health Science, Science and Social Work, and graduating with majors in Biochemistry and Psychology. Prior to joining BioCeuticals in 2012, Nathan was the General Manager of Herbs of Gold, a subsidiary of Vita Life Science.

Nathan sits on the Complementary Medicines Australia's Complaints Resolution Panel and Practitioner Medicine Technical Committee, and is a member of the Australian Institute of Company Directors and Australian Institute of Management. In 2015 he was awarded the Rotary Paul Harris Fellow and he recently climbed Mount Kilimanjaro as part of Dr Charlie Teo's Million\$Mission to help Cure Brain Cancer.

05

PETER OSBORNE

Managing Director, Asia

Peter is a former Australian trade diplomat with extensive experience in business development, sales and marketing, trade development, and export and investment facilitation and promotion. He is responsible for Blackmores' Asia business, including subsidiary companies in Singapore, Thailand, Malaysia, Taiwan, Hong Kong, Korea and China; joint venture Kalbe Blackmores Nutrition in Indonesia; distribution partnerships in Vietnam, Cambodia, Kazakhstan and Mongolia; and overall strategy for Blackmores' growth objectives in Asia.

Prior to joining Blackmores in 2009, Peter was one of Australia's most senior trade diplomats working with the Australian Trade Commission in China, Taiwan, and Hong Kong. He also spent several years in Fiji as the Trade and Investment Director of the South Pacific Forum Secretariat and served as the South Pacific Expert Adviser on trade development to the UN Conference on Trade and Development and the UN Commission for Sustainable Development. Peter has lived and worked in Asia for over 25 years and speaks Mandarin-Chinese. Peter is a graduate of the Australian Institute of Company Directors and a Fellow of the Hong Kong Institute of Directors.

06

CECILE COOPER

Company Secretary and Director of Corporate Affairs

Cecile is an accountant and Company Secretary with more than 30 years of commercial experience. She is responsible for Blackmores' board administration, secretariat, governance, risk management, compliance and corporate communications initiatives. She has held a variety of senior positions within Blackmores, including Business Manager for Development, marketing and sales.

Cecile is a Chartered Secretary and a Certified Practising Accountant and has a Bachelor of Business (Accounting) and a Graduate Diploma of Applied Corporate Governance with the Governance Institute of Australia. She is a graduate of the Australian Institute of Company Directors. Cecile serves on the Governance Institute of Australia's Legislation Review Committee and is the Chairman of CCNB Limited.

In 2015 she was awarded the Rotary Paul Harris Fellow.

07

AARON CANNING

Chief Financial Officer

Aaron has a wealth of experience gained from working in a variety of general management and financial leadership positions in ASX listed and multinational organisations in Asia, Australia and New Zealand, the UK and the US. Prior to joining Blackmores in December 2014, Aaron worked at Goodman Fielder, Westfield and Diageo Plc. At Goodman Fielder he held several leadership roles including Managing Director Grocery Category, Managing Director Asia Pacific, and Finance Director Asia Pacific.

Aaron has a Bachelor of Commerce degree in Marketing and Management and a Postgraduate 1st Class Honours degree in Management. He is a qualified accountant, a Fellow of the Association of Chartered Certified Accountants and graduate of the Australian Institute of Company Directors.

08

DR LESLEY BRAUN

Director, Blackmores Institute

Dr Braun is an Adjunct Associate Professor at the National Institute of Complementary Medicine (Western Sydney University) and an Adjunct Senior Research Fellow at the Monash/Alfred Psychiatric Research Centre. She has held research positions at The Alfred Hospital and was Vice President of the National Herbalists Association of Australia and an Academic Board Member of Endeavour College.

Lesley is a member of key industry groups including the Australian Therapeutic Goods Advisory Council, the Advisory Committee for the Australasian Integrative Medicine Association, and the National E Health Authority (NeHTA) medicines terminology group. She is a member of the Clinical Oncology Society of Australia's Complementary and Integrative Therapies Group Executive and a member of the Pharmaceutical Society of Australia. Lesley is the main author of the best-selling textbook *'Herbs and Natural Supplements - an evidence based guide'*, founding editor-in-chief of the journal *'Advances in Integrative Medicine'*, and a regular columnist for the *Australian Journal of Pharmacy*.

FINANCIAL REPORT

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5 YEAR HISTORY

\$'000	2016	2015	2014	2013	2012
Sales ¹	717,211	471,615	346,760	326,603	260,832
Earnings before interest, tax, depreciation and amortisation (EBITDA)	152,266	78,655	46,055	44,692	46,879
Depreciation and amortisation	7,045	6,391	6,266	5,989	4,922
Earnings before interest and tax (EBIT)	145,221	72,264	39,789	38,703	41,957
Net interest expense	1,810	3,432	4,826	4,752	2,761
Profit before tax	143,411	68,832	34,963	33,951	39,196
Income tax expense	43,391	22,276	9,534	8,975	11,390
Profit for the year	100,020	46,556	25,429	24,976	27,806
Net debt	17,793	7,069	54,401	69,043	33,040
Shareholders' equity	178,263	132,915	104,226	98,051	86,166
Total assets	434,023	293,407	236,594	231,477	174,771
Current assets	294,624	187,844	131,376	124,030	99,993
Current liabilities	192,279	114,998	58,040	45,035	42,024
Net tangible assets (NTA)	115,568	90,809	65,185	58,860	79,629
Net operating cash flows	83,676	71,127	37,491	22,014	20,846
Number of shares on issue ('000s)	17,225	17,224	17,113	16,972	16,780
Earnings per share (EPS) - basic (cents)	580.6	270.7	149.2	147.9	165.8
Ordinary dividends per share (cents)	410	203.0	127.0	127.0	127.0
Share price at 30 June	\$131.39	\$75.27	\$27.20	\$26.94	\$26.25
Net tangible assets (NTA) per share	\$6.71	\$5.27	\$3.81	\$3.47	\$4.75
Cash conversion ratio ²	80.8%	114.2%	107.5%	85.7%	80.4%
Return on shareholders' equity ³	56.1%	35.0%	24.4%	25.5%	32.3%
Return on assets ⁴	39.9%	27.3%	17.0%	19.1%	25.6%
Dividend payout ratio	70.6%	75.0%	85.1%	85.9%	76.6%
Gearing ratio ⁵	9.1%	5.1%	34.3%	41.3%	27.7%
EBIT to sales	20.2%	15.3%	11.5%	11.9%	16.1%
Effective tax rate	30.3%	32.4%	27.3%	26.4%	29.1%
Current assets to current liabilities (times)	1.53	1.63	2.25	2.75	2.38
Net interest cover (times)	80.2	21.1	8.2	8.1	15.2
Gross interest cover (times)	63.9	18.8	7.7	7.9	14.3
% change on prior year					
Sales	52.2%	36.0%	6.2%	25.2%	11.3%
EBITDA	93.6%	70.8%	3.1%	(4.7%)	0.6%
EBIT	101.0%	81.6%	2.8%	(7.8%)	(0.2%)
Profit for the year	114.8%	83.1%	1.8%	(10.2%)	1.8%
EPS	114.5%	81.4%	0.9%	(10.8%)	1.6%
Ordinary dividends per share	102.0%	60.0%	0.0%	0.0%	2.4%

1. Represents sale of goods before promotional and other rebates and excludes other revenue items.

2. Calculated as cash generated from operations divided by EBITDA.

3. Calculated as net profit after tax divided by closing shareholders' equity.

4. Calculated as EBIT divided by average total assets.

5. Gearing ratio is calculated as net debt divided by the sum of net debt and shareholders' equity.

DIRECTORS' PROFILES

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01

MARCUS C BLACKMORE AM

ND, MAICD, D Univ

**Chairman of the Board
Executive Director**

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, National Chairman of the Defence Reserves Support Council, an honorary trustee of the Committee for the Economic Development of Australia (CEDA), an Alumnus of Harvard Business School, and an Honorary Fellow of the Heart Research Institute.

02

CHRISTINE HOLGATE**Chief Executive Officer and
Managing Director**

Ms Holgate joined the Board in November 2008. She has more than 30 years of diverse international leadership experience in highly regulated industries, including healthcare, media, telecommunications and finance. Ms Holgate was appointed to her current role as Blackmores Chief Executive Officer in November 2008.

She has more than 20 years of public board experience as either a Non-Executive Director or CEO and has held senior management positions in Asia, the Americas and Australia. Her prime responsibilities have been leading teams through significant change to deliver growth and expansion in Asia. Ms Holgate has three post-graduate diplomas and a Masters Degree in Business Administration (MBA).

She is the inaugural Chair of the Board of the Australia-ASEAN Council, supporting the development of trade and cultural relations between Australia and the 10 member countries of the ASEAN region. She also serves on the Board of Collingwood Football Club and was a Non-Executive Director of Ten Network Holdings Limited for five years, retiring in December 2015.

In 2015 Ms Holgate was recognised in the top 100 Women of Influence in Australia by the *Australian Financial Review* and named CEO of the Year by *CEO Magazine* (she was the first female to win this award). She was also named the highest performing CEO in Australia by the *Daily Telegraph* and received the Australian Growth Company Award for Women in Leadership. In 2013 Ms Holgate was honoured with the Rotary Paul Harris Award in recognition of her charitable work.

03

STEPHEN CHAPMAN

BCOMM, MBA, CA, FAICD

**Deputy Chairman and
Independent Director**

Mr Chapman is an investment banker and joined the Board in September 1993.

He is a founder and Chairman of Baron Partners Limited, an Australian investment bank. He is an independent Director of ANZ Wealth Group and the independent Chairman of ANZ Share Investing Limited (formerly ETrade Australia).

04

BRENT W WALLACE

BCOMM (MARKETING), FAICD

**Chairman of the Audit and Risk
Committee and Independent
Director**

Mr Wallace joined the Board in October 2005 and is Chairman of the Audit and Risk Committee and Independent Director.

He is a co-founder and CEO of Galileo Kaleidoscope (Galkal), a company known for its strategic marketing, brand and consumer research and insight solutions.

Mr Wallace has more than 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 Wide Fund for Nature (WWF), the global environmental group.

05

HELEN NASH

BA (HONS), GAICD

**Chairman of the People and
Remuneration Committee and
Independent Director**

Ms Nash joined the Board of Blackmores in October 2013. Ms Nash has more than 17 years of experience in brands and marketing, including seven years in fast moving consumer goods at Procter & Gamble, followed by three years in publishing at IPC Media.

She has held a variety of roles at McDonald's Australia over a period of nine years and most recently held the position of Chief Operating Officer, overseeing restaurant operations, marketing, menu, insights and research and information technology. Ms Nash is a Director of Metcash (since October 2015) and a Director of Southern Cross Media Group (since April 2015) and was a Board member of Pacific Brands Limited (until July 2016).

06

DAVID ANSELL

BA (COMMUNICATION), GAICD

Independent Director

Mr Ansell joined the Board in October 2013, following a highly successful career in consumer-facing organisations in Australia, Asia and the United States.

He played a pivotal role in the start-up years of Foxtel and was CEO of leading advertising agency Saatchi & Saatchi. He has led business units of Mars Incorporated in Australia and most recently in the United States. Mr Ansell has a strong operating and supply chain skill set and a deep understanding of consumer and customer strategy. He is also Managing Director and Chairman of Jacobs Douwe Egberts ANZ and a Board Member of Cycling Australia.

07

JOHN ARMSTRONG

B BUS, MBA, MAICD

Independent Director

Mr Armstrong joined the Board in May 2015.

He is a company director and financial professional, with over 25 years experience in various financial and commercial management roles. His most recent executive role was at SEEK Limited, an ASX 100 listed leading recruitment and education provider, where he was the Chief Financial Officer for over 12 years. In recent years, he also had a focus on SEEK's Asian operations and investments, including directorships of SEEK's business in China, Zhaopin (a US listed company), and SEEK Asia, which operates across South East Asia. Prior to SEEK, he held management roles at Carlton United Breweries and commenced his career at Ernst & Young.

Mr Armstrong is a Non-Executive Director of Melbourne IT (since February 2016) and was a Non-Executive Director of iProperty Group Ltd, until its recent sale (February 2016).

DIRECTORS' REPORT 2016

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

DIRECTORS' SHAREHOLDINGS

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

DIRECTORS	FULLY PAID ORDINARY SHARES	SHARE RIGHTS
David Ansell	1,000	-
John Armstrong	-	-
Marcus Blackmore	4,219,835	-
Stephen Chapman	20,028	-
Christine Holgate	45,002	46,563
Helen Nash	1,000	-
Brent Wallace	12,302	-
Total	4,299,167	46,563

SHARE RIGHTS GRANTED TO DIRECTORS AND SENIOR EXECUTIVES

Selected Senior Executives are invited annually by the Board to participate in the Executive Performance Share Plan (EPSP). Under this plan, eligible Senior Executives are granted rights to acquire shares in Blackmores. Refer to the Remuneration Report on pages 44 to 59 for more details. During the year, the following rights to shares were granted:

	2016 NUMBER ^{1,2}
Executive Director	
Christine Holgate	12,127
Senior Executives	
Lesley Braun	1,744
Aaron Canning	2,507
Nathan Cheong	1,744
Cecile Cooper	1,580
Richard Henfrey	2,452
Peter Osborne	1,986
	24,140

1. Nil shares vested in the 2016 Financial Year.

2. Rights granted during the 2016 Financial Year vest provided specific performance objectives and hurdles are met over the three year period commencing 1 July 2015 to the year ending 30 June 2018.

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 44 to 59.

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:	Brent Wallace, Chairman
	David Ansell
	John Armstrong
	Stephen Chapman ²
Nominations:	Stephen Chapman, Chairman ²
	David Ansell
	John Armstrong
	Marcus Blackmore
	Christine Holgate
	Helen Nash
	Brent Wallace
People and Remuneration:	Helen Nash, Chairman
	Marcus Blackmore ¹
	Stephen Chapman ²
	Brent Wallace

1. Marcus Blackmore ceased to be a member of the People and Remuneration Committee as at 30 June 2016 in accordance with ASX Listing Rule requirements.

2. Stephen Chapman was on an unpaid leave of absence from 14 April 2015 to 30 November 2015.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

COMPANY SECRETARIES

Cecile Cooper, BBus, Dip Inv Rel (AIRA), CPA, GAICD. Company Secretary and Director Corporate Affairs. Ms Cooper joined Blackmores in 1991. As Company Secretary, Ms Cooper is responsible for company secretarial and corporate governance support across the Group. She has held a variety of positions within Blackmores and her experience includes financial and management experience including enterprise resource planning system implementations, design of business reporting solutions, business management, risk management and compliance. Ms Cooper is the Chairman of CCNB Ltd.

Aaron Canning, BCom(Hons), FCCA, GAICD. Chief Financial Officer. Mr Canning joined Blackmores in 2014 as Chief Financial Officer. He has extensive management experience in Asia, New Zealand, the UK, the USA and Australia from ASX listed and multinational organisations including Goodman Fielder, Westfield and Diageo Plc. His most recent experience was with Goodman Fielder as the Managing Director Grocery Category. Prior to this he was the Managing Director Asia Pacific and Finance Director Asia Pacific. Mr Canning is a qualified accountant, Fellow of the Association of Chartered Certified Accountants and a member of the Australian Institute of Company Directors.

PRINCIPAL ACTIVITIES

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

RESULTS

The financial report for the years ended 30 June 2016 and 30 June 2015 and the results herein have been prepared in accordance with Australian Accounting Standards.

The net profit after tax (NPAT) attributable to the shareholders of the Blackmores Group for the financial year was \$100.0 million (2015: \$46.6 million).

A review of the operations of the Blackmores Group during the financial year and the results of those operations is set out in the Operating and Financial Review on pages 14 to 23 inclusive.

DIVIDENDS

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

- a final dividend of 135 cents per share fully franked in respect of the year ended 30 June 2015, as detailed in the Directors' Report for that financial year, was paid on 22 September 2015
- an interim dividend of 200 cents per share fully franked in respect of the year ended 30 June 2016 was paid on 24 March 2016
- on 24 August 2016, Directors declared a final dividend for the year ended 30 June 2016 of 210 cents per share fully franked, payable on 21 September 2016 to shareholders registered on 7 September 2016.

This will bring total ordinary dividends to 410 cents per share fully franked (2015: 203 cents per share fully franked) for the full year.

CHANGES IN STATE OF AFFAIRS

During the financial year there was no significant change in the state of affairs of the Blackmores Group other than that referred to in the Consolidated Financial Statements or notes thereto and elsewhere in the Annual Report of the Blackmores Group for the year ended 30 June 2016.

SUBSEQUENT EVENTS

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

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Board of Blackmores endorses the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. The Company's Corporate Governance Statement is available on the Blackmores' website at blackmores.com.au (Go to 'Investor Centre', then click on 'Corporate Governance').

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

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

DIRECTORS' MEETINGS

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

DIRECTORS	BOARD OF DIRECTORS		PEOPLE AND AUDIT & RISK COMMITTEE		NOMINATIONS COMMITTEE		REMUNERATION COMMITTEE	
	HELD ¹	ATTENDED	HELD ¹	ATTENDED	HELD ¹	ATTENDED	HELD ¹	ATTENDED
David Ansell	8	8	4	4	-	-	-	-
John Armstrong	8	8	4	4	-	-	-	-
Marcus Blackmore	8	8	-	-	-	-	3	3
Stephen Chapman ²	5	5	3	3	-	-	2	2
Christine Holgate ³	8	8	4	4	-	-	3	3
Helen Nash	8	8	-	-	-	-	3	3
Brent Wallace	8	8	4	4	-	-	3	2

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

2. Stephen Chapman was on an unpaid leave of absence from 14 April 2015 to 30 November 2015.

3. Christine Holgate's attendance at the Audit and Risk Committee and People and Remuneration Committee was as an invitee.

STATEMENT OF NON-AUDIT SERVICES

The Directors are satisfied that the provision of non-audit services during the year by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 12 to the Consolidated 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 60 of this Annual Report.

ROUNDING OFF AMOUNTS

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

2016 REMUNERATION REPORT

Introduction from the Chairman of the People and Remuneration Committee

Dear Shareholder,

I am pleased to present our Remuneration Report for 2016, which is designed to provide a clear summary of the remuneration strategy, arrangements and outcomes for the Chief Executive Officer (CEO), direct reports to the CEO (Senior Executives) and Non-Executive Directors.

2016 was another exceptional year of sales and profit growth across all areas of the business. These outstanding results are directly attributable to the dedication and quality of our people.

Throughout the year, management:

- Continued to deliver on the Group strategy to grow the business – sales up 52% and NPAT up 115%.
- Continued to deliver on the Group strategy to grow the Australian business – Australian revenue up 56.5% and EBIT up 100.9%.
- Continued to grow Blackmores' business in Asia – total Asia sales up 54% and Asian consumers now influence 50% of Group revenue.
- Continued to invest in world class innovation and new product development – launched 117 new products, announced a partnership with Bega to produce nutritional foods, and acquired Global Therapeutics, a leader in Chinese herbal medicine.
- Delivered responsible financial management resulting in strong net operating cash flows of \$83.7 million, net debt of \$17.8 million, and return on shareholders' equity of 56.1%.

These successes have been recognised in our share price which increased by 75% per cent during the year. We were one of the highest performing stock of the S&P/ASX 100 companies during 2016.

Blackmores delivered total shareholders' return (TSR) of 180% for FY16 and EPS accretion of 114.5% and dividend growth of 102%.

ALIGNING REMUNERATION WITH BUSINESS PERFORMANCE AND STRATEGY

Following last year's record growth across all areas of the business we reviewed our remuneration framework to ensure that it retains our key executives, rewards and recognises the individual contributions of our people and further inspires them to achieve results aligned to business strategy and shareholder interests. As part of this review, and with particular note to the growing size and resulting market capitalisation of the Company, the Committee conducted a thorough external benchmarking review of Senior Executive and Non-Executive Director Remuneration.

KEY OUTCOMES FOR FY16 REMUNERATION

1. Following the external benchmarking review, the Board undertook to increase the Fixed Annual Remuneration (FAR) of some senior executives. The increases ranged between 3% and 22%. Full details are on page 53.
2. The Board is very pleased with the ongoing performance of the CEO in continuing to deliver against the business strategy and leading the organisation through a period of unprecedented change and extraordinary growth. With regard to performance, relevant benchmarks and previous modest increases in FAR, the Board increased the CEO's FAR by 29%. It is the intention of the Board to conduct another review of the CEO's FAR for FY17.
3. In a year in which Blackmores delivered TSR of 180% and NPAT growth of 115%, it was appropriate to see NPAT financial targets for the Group and for most of Blackmores businesses achieved or exceeded. This triggered the payment of \$3,563,981 of short-term incentives (STI) to Key Management Personnel (KMP) for FY16 which was higher than FY15 STI payments. Additionally, for the first time the FY16 STI maximum potential incentive was set at 100% FAR and it is very pleasing to see that many senior executives have achieved this outcome. The CEO received \$890,098 in STI for FY16 which represented 100% FAR. The STI was based on statutory NPAT and the Board did not exercise discretion in changing the calculation for purposes of determining the financial achievement of targets. Full details of the STI payments are on page 55.
4. The Board was also very pleased that under the long-standing Profit Share scheme, whereby of 10% of NPAT is paid to employees of Blackmores, delivered 44 days incremental salary for each employee as a result of the record profit.
5. No executive long-term incentive (LTI) awards were eligible to vest in FY16 as the first three year LTI plan came into effect at the beginning of FY15. The FY16 LTI plan remains a three year plan. The total remuneration for the financial year, the details of which are shown on page 53, includes an accounting expense for all unvested performance rights and has been calculated using the value of the maximum number of rights that could vest over the three year performance period of each LTI plan.
6. In line with market capitalisation growth and following a review of relevant external benchmarks, Non-Executive Director fees were increased by 13.5%. Shareholders approved an increase of \$300,000 to the total Directors Fee pool at the FY15 AGM. The total pool is now \$1,000,000.

FUTURE CHANGES TO REMUNERATION BEING CONSIDERED

The FY17 LTI achievement hurdles have been increased following a review of market benchmarks and further consultation. The LTI plan will have an increased threshold hurdle of 5% three year compound annual growth rate (CAGR) in EPS. In order to receive the maximum award under the plan an achievement of 25% CAGR will be required. These new hurdles will ensure that executive reward is aligned with increasing shareholder value, a continuous focus on the successful achievement of long-term strategic goals and long-term retention of key executive management.

On behalf of the Board and People and Remuneration Committee, I invite you to read the 2016 Remuneration Report and welcome your feedback on our approach to and disclosure of Blackmores' remuneration arrangements.



Helen Nash
Chairman, People and Remuneration Committee

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4. Senior Executive Remuneration Structure
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7. Employment Contracts
8. Non-Executive Directors' Remuneration
9. Non-Executive Directors and Senior Executive Transactions

1. INTRODUCTION

The Directors of Blackmores Limited present the Remuneration Report (the 'Report') for the Blackmores Group. The Report outlines Blackmores' remuneration framework and the outcomes for the year ended 30 June 2016 (FY16) for Blackmores Key Management Personnel.

The Report has been prepared in accordance with the requirements of section 300A of the *Corporations Act 2001*.

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

Executive Directors - Chairman and the Chief Executive Officer and Managing Director.

Directors - Executive Directors and Non-Executive Directors.

Key Management Personnel - Non-Executive Directors and Senior Executives

Senior Executives - Executive Directors and the other company executives who have authority and responsibility for planning, directing and controlling the activities of the Blackmores Group, directly or indirectly.

Exercised - Owned.

Granted - Assigned to, but not yet vested.

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

Key Management Personnel

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

Non-Executive Directors

David Ansell	Non-Executive Director and member of the Audit and Risk Committee and Nominations Committee
John Armstrong	Non-Executive Director and member of the Audit and Risk Committee and Nominations Committee
Stephen Chapman	Non-Executive Director, Deputy Chairman, Chairman of the Nominations Committee, member of the Audit and Risk Committee and People and Remuneration Committee
Helen Nash	Non-Executive Director, Chairman of the People and Remuneration Committee and member of the Nominations Committee
Brent Wallace	Non-Executive Director, Chairman of the Audit and Risk Committee, member of the People and Remuneration Committee and Nominations Committee

Executive Directors

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

Senior Executives

Lesley Braun	Director Blackmores Institute
Aaron Canning	Chief Financial Officer
Nathan Cheong	Managing Director BioCeuticals
Cecile Cooper	Company Secretary and Director of Corporate Affairs
David Fenlon	Managing Director Australia and New Zealand
Richard Henfrey	Chief Operating Officer
Peter Osborne	Managing Director Asia

2016 REMUNERATION REPORT

2. SENIOR EXECUTIVE REMUNERATION OUTCOMES

The following table has been provided to disclose additional non-statutory information to assist shareholders in understanding the total value of the remuneration paid or payable to Senior Executives who were KMP of Blackmores in FY16.

The table sets out the cash and other benefits paid or payable relating to FY16.

The remuneration outcomes prepared in accordance with accounting standards as required by the *Corporations Act 2001* are contained on page 53 of the Report. The totals in the statutory remuneration table on page 53 of the Report are higher than the following table. This is because of the following:

1. leave movements - annual leave and long service leave movements due to an increase in the statutory accruals rather than cash payments; and
2. share-based payments - accounting standards require the share-based payments expense to be calculated using the fair value of the shares at grant date, amortised over the relevant performance and service period. The statutory remuneration table includes the accounting value for LTI grants for the FY15 and FY16 years which have not yet vested as they require performance hurdles and service periods being met in the future.

	SALARY AND FEES \$	STI AND PROFIT SHARE \$	NON- MONETARY ¹ \$	OTHER ² \$	SUPERANNUATION \$	TOTAL \$
Executive Directors						
Marcus Blackmore						
2016	364,530	368,691	37,901	4,011	19,308	794,441
2015	353,891	284,395	-	4,011	18,255	660,552
Christine Holgate						
2016	872,325	1,037,454	25,596	-	19,308	1,954,683
2015	671,475	528,599	-	-	18,255	1,218,329
Lesley Braun						
2016	281,131	286,818	6,713	-	19,308	593,970
2015	286,775	254,220	-	-	18,255	559,250
Aaron Canning						
2016	446,303	512,940	42,017	1,633	27,372	1,030,265
2015	231,710	217,239	-	1,633	31,338	481,920
Nathan Cheong						
2016	350,972	297,650	15,352	-	19,308	683,282
2015	268,304	147,655	-	-	7,947	423,906
Cecile Cooper						
2016	261,097	335,871	4,625	2,004	29,372	632,969
2015	207,245	203,170	-	2,004	29,024	441,443
David Fenlon						
2016	430,848	486,882	82,201	1,748	19,308	1,020,987
2015	412,514	370,351	-	1,748	18,441	803,054
Richard Henfrey						
2016	419,909	486,882	37,218	1,825	25,808	971,642
2015	362,079	346,199	15,566	1,825	24,755	750,424
Peter Osborne						
2016	375,744	391,508	-	-	-	767,252
2015	314,364	273,349	-	-	-	587,713
Former Senior Executive						
Chris Last ⁴						
2016	-	-	-	-	-	-
2015	237,480	13,944	-	5,836	13,691	270,951
Total						
2016	3,802,859	4,204,696	251,623	11,221	179,092	8,449,491
2015	3,345,837	2,639,121	15,566	17,057	179,961	6,197,542

1. 'Non-monetary' includes motor vehicle benefits and any fringe benefits tax paid on these benefits.

2. 'Other' includes insurance and superannuation membership fees.

3. The value of LTI grants that vested in FY16 was Nil.

4. Chris Last ceased as a Senior Executive 27 March 2015.

3. REMUNERATION GOVERNANCE AND FRAMEWORK

Remuneration Governance

People and Remuneration Committee

The primary responsibility of the People and Remuneration Committee (the 'Committee') is to make recommendations to the Board on remuneration strategy and policy for KMP and other executives of Blackmores that are in the best interests of Blackmores and its shareholders. This includes recommendations related to Non-Executive Directors Fees, executive remuneration and Short-term Incentives (STI) and Long-term Incentive (LTI) schemes. The Committee also advises the Board on remuneration policies and practices for the Company. The responsibilities of the People and Remuneration Committee are set out in the Committee's charter which can be viewed or downloaded from the Company's website at blackmores.com.au (go to 'Investor Centre', then click on 'Corporate Governance'). The charter is reviewed annually by the Committee and the Board.

The People and Remuneration Committee comprises three independent Non-Executive Directors and the Executive Chairman who have experience in both remuneration governance and the Blackmores business. The members during FY16 were Helen Nash (Committee Chairman), Marcus Blackmore (Executive Chairman), Stephen Chapman and Brent Wallace.

Marcus Blackmore will cease to be a member of the Committee in FY17 in accordance with ASX Listing Rule requirements.

Advisors to the Committee

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

The Committee did not use a remuneration consultant in the current financial year. Benchmarking of KMPs was conducted by utilising various independent published remuneration surveys.

Remuneration Framework

The remuneration framework links remuneration to both the Group's performance and the individual's performance and behaviour and provides the opportunity to share in the success and profitability of Blackmores in alignment with increased shareholder wealth. The remuneration framework is included in Blackmores' remuneration structure and policies and the key elements of this framework are illustrated below:

BLACKMORES REMUNERATION STRATEGY		
Rewards for the achievement of strategic goals, financial targets and operational performance	Attract and retain talented Senior Executives and Directors	Align Senior Executives to the enhancement of Blackmores' earnings and shareholder wealth
BLACKMORES REMUNERATION FRAMEWORK		
Fixed Remuneration - Not at Risk Component	Performance-based Remuneration - At Risk Component	
<p>Fixed Remuneration - It is targeted to be reasonable and fair, taking into account Senior Executives' responsibilities and experience compared with competitive market benchmarking against companies with relative size and scale of Blackmores' operations.</p>	<p>Short-term incentives (STI) - comprise cash payments linked to clearly specified annual group targets and individual objectives and behaviours. This element of remuneration is considered to be an effective tool in promoting the interests of Blackmores and its shareholders. The STI scheme is designed around appropriate performance benchmarks based primarily on Blackmores' NPAT performance relative to prior year and requires the achievement of year on year growth.</p> <p>Profit share - Executive Directors and Senior Executives participate in the same cash based profit share plan as all permanent Blackmores staff. The scheme allocates up to 10% of the Group NPAT to eligible employees.</p> <p>Long-term incentives (LTI) - Participation is open to Executive Directors and Senior Executives determined to be eligible by the Board. Under this plan, rights to acquire shares in Blackmores are granted annually to eligible Senior Executives at no cost and vest provided specific performance hurdles are met. The Chairman's incentive is a cash-based equivalent.</p> <p>Special long-term incentives (SLTI) - From time to time the Board may offer 'one-off' SLTIs to particular Executive Directors and Senior Executives in addition to the LTI. There are currently no SLTI's in place.</p>	

4. SENIOR EXECUTIVE REMUNERATION STRUCTURE

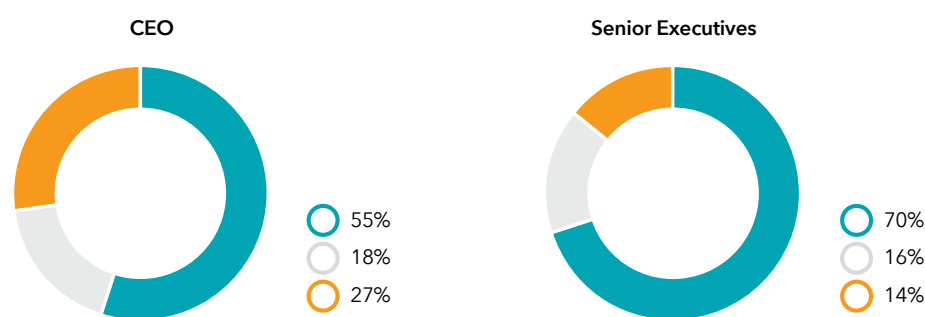
Executive Remuneration Mix

In determining the mix of Senior Executive remuneration, the Board aims to find a balance between:

- fixed (not at risk) and performance (at risk) remuneration
- short and long term remuneration
- remuneration paid in cash and deferred equity.

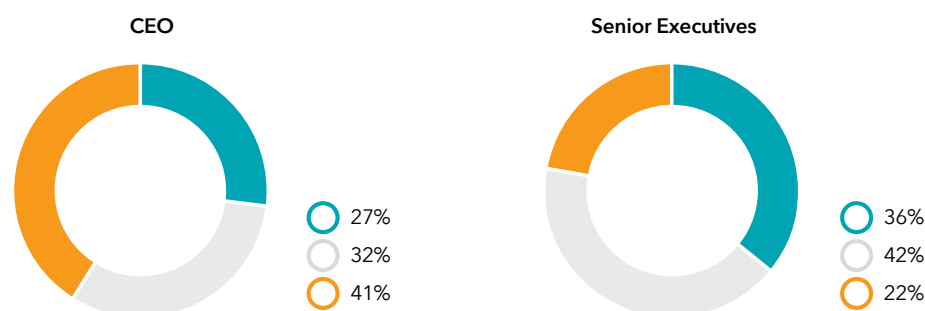
Blackmores' target of fixed and at risk components of the current Senior Executives disclosed in the Report as a percentage of total target annual remuneration for FY16, is as follows:

On Target Remuneration Mix



At maximum levels of STI and LTI the mix of remuneration elements expressed as a % of total remuneration² is as follows:

Remuneration Mix at Maximum Reward



1. Fixed remuneration includes cash, non-monetary benefits and superannuation.

2. Total is the Aggregate Reward (Fixed Remuneration plus STI plus Profit Share plus LTI).

3. LTI value is expressed as the % of Fixed Annual remuneration as at the start of the three year performance period.

● Fixed Remuneration¹

● STI / Profit Share

● LTI³

Fixed Annual Remuneration (FAR)

FAR includes base salary, non-monetary benefits (including fringe benefits tax and superannuation).

The Committee and the Board conducts an annual review of remuneration at the end of each financial year for Senior Executives. The process incorporates a comprehensive assessment of market benchmarking, individual and company performance. The review conducted at the commencement of FY16 considered the considerable growth in market capitalisation and the size and regional expansion of operations.

2016 REMUNERATION REPORT

Short-term Incentives (STI) – Performance Conditions

Specific information relating to the actual annual performance awards is set out in the table on page 54.

What is the annual incentive and who is eligible to participate?	The STI plan provides eligible employees with a reward for annual performance against measured targets set at the beginning of the performance period. Eligible employees include the Executive Directors, Senior Executives and other nominated employees.				
What is the amount the eligible employee can earn?		Chairman	Chief Executive Officer	Senior Executives	
	Year on year EBIT / NPAT Growth	% of FAR			
	Less than 4%	0%	0%	0%	
	>60%	Sliding Scale 100%	Sliding Scale 80%	Sliding Scale 80%	
What were the performance conditions for FY16?	Measures	Chairman	Chief Executive Officer	Senior Executives	
	Financial measures:			Group Roles	Divisional Heads
	Group NPAT achievement of growth over prior year	100%	100%	100%	30%
	Divisional EBIT achievement of growth over prior year	-	-	-	70%
	Individual objectives:				
	Financial (i.e. revenue, new product launches and other specific objectives)	NA	Personal multiplier of 0 - 1.25 applied to the outcome of financial measures	Personal multiplier of 0 - 1.25 applied to the outcome of financial measures	
	Non-financial measures (i.e. safety, employee engagement and other agreed objectives)				
Why were these performance measures chosen?	<p>NPAT performance over prior year is a well-recognised measure of financial performance and a key driver of shareholder returns. It is the primary measure considered by Directors in determining the level of dividend payments to shareholders. Using NPAT as an incentive performance measure ensures that incentive payments are aligned with Blackmores' business strategy and objectives.</p> <p>The incentive targets are set by the Board at levels designed to reward superior performance.</p> <p>Achievement of NPAT growth over prior year aligns remuneration outcomes with shareholder's expectations.</p> <p>Similarly EBIT as an incentive measure rewards dividend heads for the performance of business under their direct management.</p> <p>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.</p> <p>Blackmores' policy is that STIs will only be awarded when Blackmores meets agreed performance hurdles. In addition, Senior Executives are not awarded any STI in the instance of the lowest personal performance assessment.</p>				
When are performance conditions tested?	<p>NPAT and Divisional EBIT is calculated by Blackmores at the end of the financial year, verified by Blackmores' auditors and published in the Group's Financial Statements before any payment is made. This method was chosen to ensure transparency and consistency with disclosed information.</p> <p>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 KMP.</p>				

2016 REMUNERATION REPORT

Profit Share - Performance Conditions and Operation

Specific information relating to the actual annual performance awards is set out in the table on page 54.

What is the annual incentive and who is eligible to participate?	Senior Executives participate in a profit share plan, whereby up to 10% of the Group NPAT is allocated to all eligible permanent Group staff on a pro-rata basis by reference to their fixed annual remuneration. The profit share plan is in addition to the STI award.
What is the amount the executive can earn?	The amount distributed is a percentage of Group NPAT. As the amount is distributed on a pro-rata basis, the amount earned in any year depends on both the Group NPAT achievement and the total number of employees and salaries in the calculation. The approximate maximum amount of fixed annual remuneration that can be earned is 17%.
What were the performance conditions for FY16?	Under the Company's Collective Agreement, 7.5% of Group NPAT is allocated and an additional 2.5% of Group NPAT is allocated conditional on the achievement of Group NPAT growth on the prior financial year.
Why were these performance measures chosen?	NPAT is a well-recognised measure of financial performance and a key driver of shareholder returns. Using NPAT as an incentive performance measure ensures that incentive payments are aligned with Blackmores' business strategy and objectives.
When are performance conditions tested?	Profit share is paid twice a year based on Blackmores' NPAT calculation. All employees, including Senior Executives, may purchase up to \$1,000 of Blackmores shares each year under the Staff Share Acquisition Plan with money that would have otherwise been received under the profit share plan.

Long-term Incentives (LTI) - Performance Conditions

Specific information relating to the actual annual performance awards is set out in the table on page 54.

What is the annual incentive and who is eligible to participate?	Eligible employees are invited annually by the Board to participate in the Executive Performance Share Plan (EPSP). Under this plan, eligible employees are granted rights to acquire shares in Blackmores. Eligible employees include the Executive Directors, Senior Executives and other nominated employees.		
What is the amount the eligible employee can earn?		Chief Executive Officer	Chairman and Senior Executives
	% of target performance	% of FAR	
	Less than 3.9%	0%	0%
	3.9%	25%	10%
	3.9% to 7.8%	Sliding scale	Sliding Scale
	7.8%	50%	20%
	7.8% to 17.9%	Sliding scale	Sliding scale
	17.9%	150%	60%
What was the performance condition for FY16?	The performance condition is the three-year compound annual growth rate in EPS. The performance period for measuring EPS growth is three years (FY16 to FY18).		
Why were these performance measures chosen?	In determining the performance conditions for Blackmores' LTI plan, the Board has recognised EPS growth to be the key driver of shareholder value, influencing both share price and the capacity to pay increased dividends. Growth in EPS is simple to calculate and basing the vesting of rights on EPS growth encourages Senior Executives to improve Blackmores' financial performance. As Senior Executives increase their shareholding in Blackmores through awards received under the EPSP, their interests become more directly aligned with those of Blackmores' other shareholders.		

2016 REMUNERATION REPORT

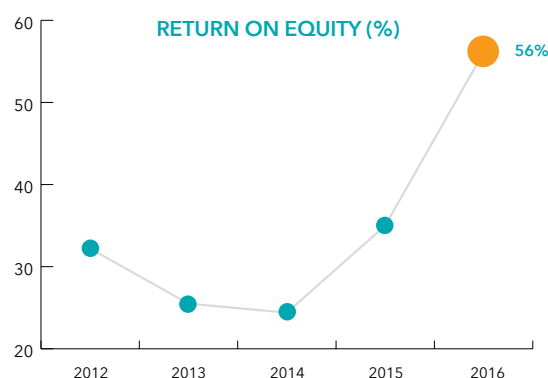
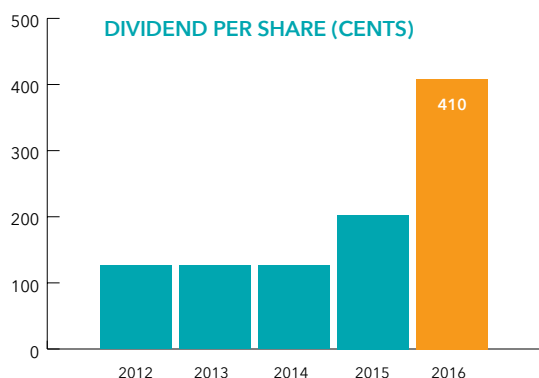
Long-term Incentives (LTI) – Performance Conditions

How does the EPSP operate?	<p>The value of rights granted to eligible employees is equivalent to a percentage of their base remuneration at the time of grant.</p> <p>The number of rights granted equals the value of rights divided by:</p> <ul style="list-style-type: none"> 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 2015) are announced to the ASX, less the amount of any final dividend per share declared as payable in respect of the prior financial year (year ended 30 June 2015). <p>Rights are automatically exercised following vesting, audit clearance of the 2018 Financial Statements, Board approval and the first trading window. These Blackmores shares are issued to participants at zero cost.</p> <p>The number of shares issued is identical to the number of rights exercised.</p> <p>In the case of the Chairman, a cash equivalent is paid in lieu of shares. Where regulations prohibit an equity based plan, a cash equivalent is awarded.</p>
When are performance conditions tested?	<p>Compounded annual growth in EPS is calculated at the end of the three year performance period and verified with reference to Blackmores' audited Financial Statements prior to determining the number of rights that will vest. This method was chosen as it is an objective test that is easy to calculate and ensures transparency and consistency with public disclosures.</p>
What happens if the eligible employee ceases employment during the performance period?	<p>If an executive ceases employment during the three year performance period the rights lapse. In certain circumstances the board has discretion to allow a portion of rights to vest for a 'good leaver'.</p>

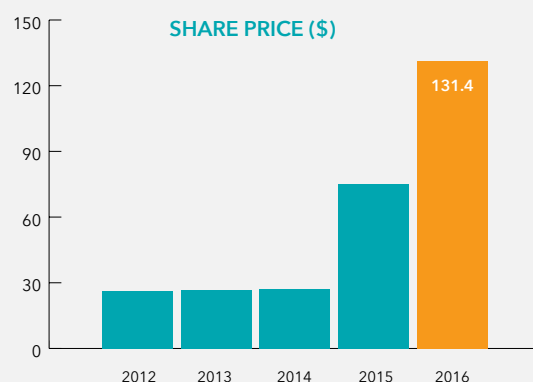
5. PERFORMANCE AND REMUNERATION OUTCOMES

Performance Incentives – Actual Performance 2016 Financial Year

A continued focus on delivering against the strategic priorities and unprecedented growth over the past two years is reflected in improved returns that are illustrated in the charts below:



Investors who bought a Blackmores share five years ago would have multiplied their investment five times.



2016 REMUNERATION REPORT

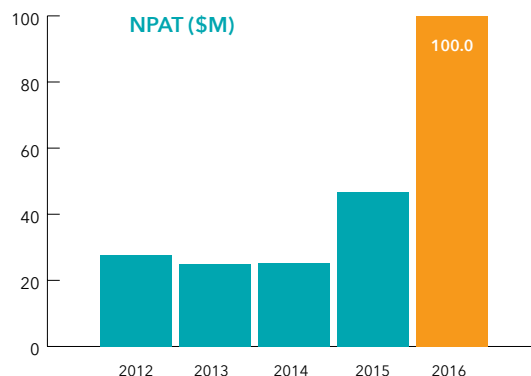
Short-term Incentives (STI)

Similar to previous years, NPAT achievement was selected as the Group performance measure for the STI awards in respect of FY16.

Blackmores' FY16 NPAT of \$100 million represented a 115% increase.

The amount awarded to the Senior Executives for the FY16 STI was \$3,563,981 (2015: \$2,245,759). This award is included under the 'STI and Profit Share' column in the remuneration disclosures table on page 53.

Blackmores NPAT over the past five years is shown in the following graph.

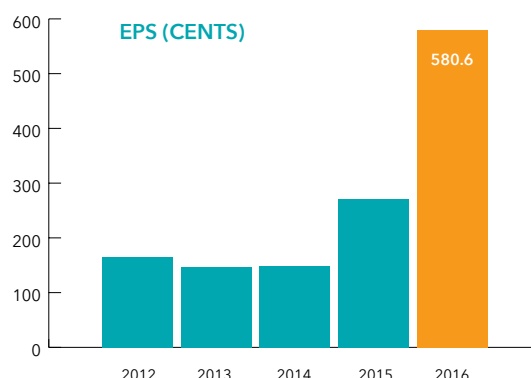


Long-term Incentives (LTI)

Similar to previous years, EPS achievement was selected as the Group performance measure for the LTI awards in respect of FY15.

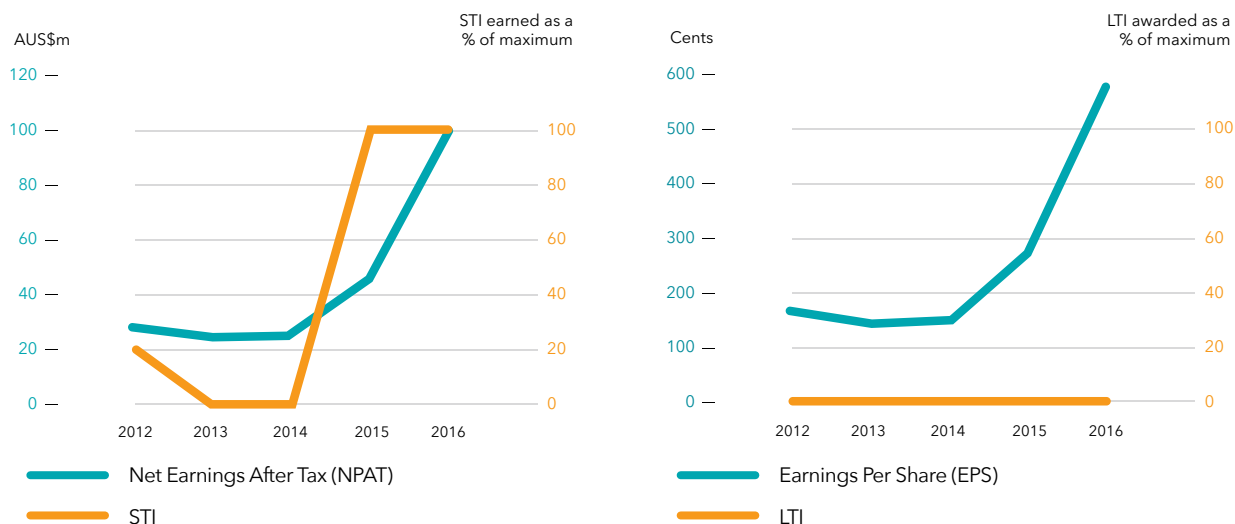
No long term incentive (LTI) awards were eligible to vest in FY16. A new LTI Plan first came into effect in FY15 LTI plan which included a three-year performance period.

The total remuneration for the financial year, the details of which are shown on page 53, includes an accounting expense of \$2,026,265 (2015: \$736,784) for these unvested performance rights. This amount has been calculated assuming the achievement of the maximum performance hurdle over the three-year performance period and represents one third of the total value of the unvested rights Blackmores EPS over the past five years is shown in this graph.



CEO Remuneration Outcomes - Five Year History

The Group's remuneration framework is designed to reward Senior Executives based on the achievement of the Group's performance goals and to share in the success and profitability of Blackmores in alignment with increased shareholder wealth. The history of the CEO performance related remuneration over the past five years illustrates this linkage to business performance.



2016 REMUNERATION REPORT

6. SENIOR EXECUTIVE REMUNERATION TABLES

Statutory Remuneration Table

The following table discloses the remuneration outcomes of the Senior Executives of Blackmores for the financial year ended 30 June 2016. The table has been prepared in accordance with Section 300A of the *Corporations Act 2001* and has been audited.

The amounts in statutory table are higher than from the remuneration table on page 46 because of the following:

1. Leave movements - annual leave and long service leave movements due to an increase in the statutory accruals are included rather than cash payments
2. Share-based payments - accounting standards requires share-based payments expense to be calculated using the grant date fair value of the shares amortised over the relevant performance and service period. The statutory remuneration table includes the accounting value for LTI grants for the FY15 and FY16 years which have not yet vested.

	SHORT-TERM EMPLOYMENT BENEFITS				POST-EMPLOYMENT BENEFITS	OTHER LONG-TERM EMPLOYMENT BENEFITS	SHARE-BASED PAYMENT	
	SALARY AND FEES \$	STI AND PROFIT SHARE ¹ \$	NON-MONETARY ² \$	OTHER ³ \$	SUPER-ANNUATION \$	OTHER ⁴ \$	PERFORMANCE RIGHTS ⁵ \$	TOTAL \$
Executive Directors								
Marcus Blackmore								
2016	357,770	368,691	37,901	33,418	19,308	7,088	166,433	990,609
2015	353,891	284,395	-	33,890	18,255	6,502	63,754	760,687
Christine Holgate								
2016	775,198	1,037,454	25,596	68,229	19,308	33,161	885,696	2,844,642
2015	637,909	528,599	-	52,622	18,255	12,410	289,492	1,539,287
Lesley Braun								
2016	267,401	286,818	6,713	11,612	19,308	1,401	137,188	730,441
2015	270,170	254,220	-	22,084	18,255	468	51,447	616,644
Aaron Canning ⁶								
2016	421,343	512,940	42,017	36,168	27,372	961	172,832	1,213,633
2015	200,198	217,239	-	19,812	31,338	-	49,580	518,167
Nathan Cheong								
2016	334,143	297,650	15,352	28,145	19,308	2,800	134,276	831,674
2015	254,076	147,655	-	22,635	7,947	712	48,535	481,560
Cecile Cooper								
2016	240,275	335,871	4,625	33,221	29,372	25,902	117,394	786,660
2015	194,364	203,170	-	19,880	29,024	7,440	39,716	493,594
David Fenlon								
2016	407,735	486,882	82,201	35,621	19,308	2,264	72,026	1,106,037
2015	387,255	370,351	-	32,539	18,441	859	72,026	881,471
Richard Henfrey								
2016	366,955	486,882	37,218	40,615	25,808	12,970	187,905	1,158,353
2015	328,407	346,199	15,566	32,052	24,755	6,795	67,357	821,131
Peter Osborne								
2016	317,937	391,508	-	28,661	-	-	152,515	890,621
2015	291,723	273,349	-	26,323	-	-	54,877	646,272

Former Senior Executive

Chris Last⁷

2016	-	-	-	-	-	-	-	-
2015	234,742	13,944	-	7,346	13,691	1,068	-	270,791
Total								
2016	3,488,757	4,204,696	251,623	315,690	179,092	86,547	2,026,265	10,552,670
2015	3,152,735	2,639,121	15,566	269,183	179,961	36,254	736,784	7,029,604

1. 'STI and Profit Share' includes amounts paid by way of profit share on 17 Dec 2015 and 24 Jun 2016.

2. 'Non-monetary' includes motor vehicle benefits and any fringe benefits tax paid on these benefits.

3. 'Other' shown in short-term employment benefits relate to provisions for annual leave.

4. 'Other' shown in long-term employment benefits relate to provisions for long service leave.

5. The FY16 share-based payments relate to the LTI plan and represent the FY16 portion of the fair value of rights granted in FY16 and FY15. Vesting of the rights remains subject to performance and service conditions as outlined page 50.

6. Aaron Canning joined 4 Dec 2014.

7. Chris Last ceased as a Senior Executive 27 Mar 2015.

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.

2016 REMUNERATION REPORT

Performance Related Remuneration

Statutory Performance Related Remuneration Table

The following table shows an analysis of the non-performance and performance related (STI, Profit Share and LTI) components of the FY16 remuneration mix detailed in the Statutory Remuneration table.

	NON-PERFORMANCE RELATED REMUNERATION ¹ %	STI AND PROFIT SHARE %	PERFORMANCE RIGHTS ² %	TOTAL PERFORMANCE RELATED REMUNERATION %
Executive Directors				
Marcus Blackmore				
2016	46.0%	37.2%	16.8%	54.0%
2015	54.2%	37.4%	8.4%	45.8%
Christine Holgate				
2016	32.4%	36.5%	31.1%	67.6%
2015	46.9%	34.3%	18.8%	53.1%
Senior Executives				
Lesley Braun				
2016	42.0%	39.2%	18.8%	58.0%
2015	50.4%	41.2%	8.4%	49.6%
Aaron Canning ³				
2016	43.5%	42.3%	14.2%	56.5%
2015	48.5%	41.9%	9.6%	51.5%
Nathan Cheong				
2016	48.1%	35.8%	16.1%	51.9%
2015	59.3%	30.7%	10.0%	40.7%
Cecile Cooper				
2016	42.4%	42.7%	14.9%	57.6%
2015	50.8%	41.2%	8.0%	49.2%
David Fenlon				
2016	49.5%	44.0%	6.5%	50.5%
2015	49.8%	42.0%	8.2%	50.2%
Richard Henfrey				
2016	41.7%	42.1%	16.2%	58.3%
2015	49.6%	42.2%	8.2%	50.4%
Peter Osborne				
2016	38.9%	44.0%	17.1%	61.1%
2015	49.2%	42.3%	8.5%	50.8%
Former Senior Executive				
Chris Last ⁴				
2016	-	-	-	-
2015	94.8%	5.2%	-	5.2%
Total				
2016	41.0%	39.8%	19.2%	59.0%
2015	52.0%	37.6%	10.5%	48.0%

1. Non-performance related remuneration includes the accounting expense from all of the columns in the 'Statutory Remuneration Table' other than 'STI and Profit Share' and the LTI 'Performance Rights'.

2. LTI is the 'Performance Rights' which includes the FY16 accounting expense of the FY16 portion of the rights granted in FY16 and FY15.

3. Aaron Canning joined 4 December 2014.

4. Chris Last ceased as a Senior Executive 27 March 2015.

2016 REMUNERATION REPORT

Short Term Incentives

The following table shows the details of the STI cash bonuses awarded as remuneration to Executive Directors and Senior Executives that was paid for the financial year ended 30 June 2016.

		STI		
	Included in remuneration ¹ \$	Personal ³ Multiplier	STI earned as a % of maximum STI %	% of maximum STI award forfeited ² %
Executive Directors				
Marcus Blackmore	307,016	-	100	0
Christine Holgate	890,098	1.25	100	0
Senior Executives				
Lesley Braun	239,262	1.00	80	20
Aaron Canning	434,917	1.15	92	8
Nathan Cheong ⁴	246,767	1.25	77	23
Cecile Cooper	290,000	1.25	100	0
David Fenlon	414,000	1.15	92	8
Richard Henfrey	414,000	1.15	92	8
Peter Osborne	327,921	1.15	92	8

1. Amounts included in remuneration for the financial year represent the amount related to the financial year based on achievement of personal goals and satisfaction of performance criteria. The Committee approved these amounts on 12 August 2016.

2. Amounts forfeited are due to the performance or service criteria not being met in relation to the current financial year.

3. The maximum potential award was achieved in respect of Group financial measure being Group NPAT achievement over prior year. Senior Executives have the ability to earn a personal multiplier on the achievement of individual objectives. The maximum multiplier is 1.25.

4. Nathan Cheong's STI financial measure includes divisional EBIT achievement over prior year. The maximum potential was not achieved in FY16.

Share based payments

The table below outlines the rights over ordinary shares in the Company that were granted as compensation to Executive Directors and Senior Executives during FY16 and FY15. 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 ^{2,5}	% OF NUMBER GRANTED	VALUE ³	DATE	VALUE OF RIGHTS NOT VESTED
Executive Director													
Christine Holgate	7/11/2014		34,436	\$25.22	\$868,476	\$32.22	\$1,109,528	30/06/2017	-	-	-	09/2017	\$1,109,527
	24/11/2015		12,127	\$147.49	\$1,788,611	\$179.50	\$2,176,797	30/02/2018	-	-	-	09/2018	\$2,176,796
Senior Executives													
Lesley Braun	7/11/2014		6,120	\$25.22	\$154,346	\$32.22	\$197,186	30/06/2017	-	-	-	09/2017	\$197,186
	24/11/2015		1,744	\$147.49	\$257,223	\$179.50	\$313,048	30/02/2018	-	-	-	09/2018	\$313,048
Aaron Canning	10/12/2014		5,143	\$28.92	\$148,736	\$32.65	\$167,919	30/06/2017	-	-	-	09/2017	\$167,918
	24/11/2015		2,507	\$147.49	\$369,757	\$179.50	\$450,007	30/02/2018	-	-	-	09/2018	\$450,006
Nathan Cheong	7/11/2014		5,773	\$25.22	\$145,595	\$32.22	\$186,006	30/06/2017	-	-	-	09/2017	\$186,006
	24/11/2015		1,744	\$147.49	\$257,223	\$179.50	\$313,048	30/02/2018	-	-	-	09/2018	\$313,048
Cecile Cooper	7/11/2014		4,724	\$25.22	\$119,139	\$32.22	\$152,207	30/06/2017	-	-	-	09/2017	\$152,207
	24/11/2015		1,580	\$147.49	\$233,034	\$179.50	\$283,610	30/02/2018	-	-	-	09/2018	\$283,610
David Fenlon	7/11/2014		8,568	\$25.22	\$216,085	\$32.22	\$276,061	30/06/2017	-	-	-	09/2017	\$276,060
Richard Henfrey	7/11/2014		8,012	\$25.22	\$202,063	\$32.22	\$258,147	30/06/2017	-	-	-	09/2017	\$258,146
	24/11/2015		2,452	\$147.49	\$361,645	\$179.50	\$440,134	30/02/2018	-	-	-	09/2018	\$440,134
Peter Osborne	7/11/2014		6,528	\$25.22	\$164,636	\$32.22	\$210,332	30/06/2017	-	-	-	09/2017	\$210,332
	24/11/2015		1,986	\$147.49	\$292,915	\$179.50	\$356,487	30/02/2018	-	-	-	09/2018	\$356,487

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 total value of rights granted in the year is the fair value of the rights calculated at the time of grant. This amount is allocated to remuneration over the vesting period (i.e. FY16 grant over 1 July 2015 to 30 June 2018).

3. The number of rights vested is equal to the number of rights exercised and the number of shares issued; vesting occurs on 30 Jun and shares are issued in Sep following audit clearance of the Group's results and Board approval.

4. Value of rights at exercise is equal to the number of rights exercised multiplied by the share price at exercise date.

5. There were nil shares that vested in the FY16 and FY15 years.

7. EMPLOYMENT CONTRACTS

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

TERMINATION

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

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

1. For the purposes of calculating Christine Holgate's payment, a month of pay is based on her total remuneration package at the time, being base salary, superannuation contributions and other benefits as agreed from time to time.

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

8. NON-EXECUTIVE DIRECTOR REMUNERATION

Non-Executive Directors receive fixed annual fees comprising a Board fee, Committee fee and Committee Chair fee as applicable. No incentive based payments are awarded to Non-Executive Directors.

Blackmores makes superannuation contributions on behalf of Non-Executive Directors in accordance with statutory obligations and each Non-Executive Director may sacrifice their fees in return for additional superannuation contributions paid by Blackmores. Retirement allowances were accrued until 1 October 2003 for Non-Executive Directors appointed prior to this date. 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. No further retirement allowances have accrued to these individuals. Non-Executive Directors appointed after 1 October 2003 do not receive a retirement allowance.

Shareholders at a meeting held on 29 October 2015 determined the maximum total Non-Executive Directors' fees payable, including committee fees, to be \$1,000,000 per year, to be distributed as the Board determines.

Compensation arrangements for Non-Executive Directors are determined by Blackmores after reviewing published remuneration surveys and market information. In line with market capitalisation and following a review of relevant external benchmarks, base and committee fees for Non-Executive Directors were increased in FY16 by 13.5% effective 1 July 2015.

Non-Executive Directors' fees levels for FY16 include:

FEES	2016			2015		
	CHAIRMAN \$	DEPUTY CHAIRMAN \$	MEMBER \$	CHAIRMAN \$	DEPUTY CHAIRMAN \$	MEMBER \$
Board ¹	-	47,894	95,787	-	42,196	84,394
Audit and Risk	16,356	-	9,813	14,410	-	8,646
People and Remuneration	16,356	-	9,813	14,410	-	8,646
Nomination	-	-	-	-	-	-

1. Chairman of the Board is an Executive Director

2016 REMUNERATION REPORT

The total annual Non-Executive Director remuneration for the Board of five Non-Executive Directors for FY16 was \$561,761.

The following table discloses the remuneration of the Non-Executive Directors for the financial year ended 30 June 2016.

	FEES AND ALLOWANCES \$	SHORT-TERM EMPLOYMENT BENEFITS NON-MONETARY ¹ \$	POST EMPLOYMENT BENEFITS SUPERANNUATION \$	TOTAL \$
Non-Executive Directors				
David Ansell				
2016	96,438	4,235	9,170	109,843
2015	84,968	-	8,074	93,042
John Armstrong ²				
2016	96,438	-	9,170	105,608
2015	14,052	-	1,335	15,387
Stephen Chapman ³				
2016	86,623	10,352	8,337	105,312
2015	106,737	-	10,140	116,877
Helen Nash				
2016	102,413	6,882	9,738	119,033
2015	88,654	-	8,422	97,076
Brent Wallace				
2016	111,375	-	10,590	121,965
2015	93,859	-	8,917	102,776
Former Non-Executive Director				
Verilyn Fitzgerald ⁴				
2016	-	-	-	-
2015	30,217	-	2,871	33,088
Total				
2016	493,287	21,469	47,005	561,761
2015	418,487	-	39,759	458,246

1. 'Non-monetary' includes benefits and any applicable fringe benefits tax.

2. John Armstrong joined as a Non-Executive Director 5 May 2015.

3. Stephen Chapman was on an unpaid leave of absence from 14 April 2015 to 30 November 2015.

4. Verilyn Fitzgerald retired as a Non-Executive Director 23 October 2015. Shareholders approved a retirement scheme by resolution in 1993 and V Fitzgerald was paid a retirement amount of \$138,000 in accordance with this approved scheme. The amount was fully provided and disclosed in prior year's financial statements.

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.

9. NON-EXECUTIVE DIRECTORS AND SENIOR EXECUTIVE TRANSACTIONS

EQUITY HOLDINGS

During FY16 and FY15 there were no share options in existence. There have been no share options issued since the end of the financial year.

SHARES

The table below outlines the fully paid ordinary shares of Blackmores Limited held by KMP.

FULLY PAID ORDINARY SHARES OF BLACKMORES LIMITED

2016	BALANCE AT 1/7/15 NUMBER	RECEIVED ON SETTLEMENT OF RIGHTS NUMBER	NET CHANGE OTHER ¹ NUMBER	BALANCE AT 30/6/16 NUMBER
Non-Executive Directors				
David Ansell	1,000	-	-	1,000
John Armstrong	-	-	-	-
Stephen Chapman	27,528	-	(7,500)	20,028
Helen Nash	1,000	-	-	1,000
Brent Wallace	13,701	-	(1,399)	12,302
Executive Directors				
Marcus Blackmore	4,268,815	-	(48,980)	4,219,835
Christine Holgate	68,102	-	(23,100)	45,002
Senior Executives				
Aaron Canning	15,500	-	12	15,512
Leslie Braun	10,855	-	(3,000)	7,855
Cecile Cooper	41,792	-	(988)	40,804
Richard Henfrey	7,797	-	(250)	7,547
Peter Osborne	356	-	(166)	190
Total	4,456,446	-	(85,371)	4,371,075

1. Includes shares issued under the Company's Staff Share Acquisition Plan.

RIGHTS TO SHARES

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

2016	BALANCE AS AT 1/7/15 NUMBER	GRANTED AS COMPEN- SATION NUMBER	EXERCISED NUMBER	NET OTHER CHANGE NUMBER	BALANCE AS AT 30/6/16 NUMBER	BALANCE VESTED AT 30/6/16 NUMBER	VESTED BUT NOT EXERCISABLE NUMBER	VESTED AND EXERCISABLE NUMBER	RIGHTS VESTED DURING YEAR NUMBER
Executive Director									
C Holgate	34,436	12,127	-	-	46,563	-	-	-	-
Senior Executives									
Lesley Braun	6,120	1,744	-	-	7,864	-	-	-	-
Aaron Canning	5,143	2,507	-	-	7,650	-	-	-	-
Nathan Cheong	5,773	1,744	-	-	7,517	-	-	-	-
Cecile Cooper	4,724	1,580	-	-	6,304	-	-	-	-
David Fenlon	8,568	-	-	-	8,568	-	-	-	-
Richard Henfrey	8,012	2,452	-	-	10,464	-	-	-	-
Peter Osborne	6,528	1,986	-	-	8,514	-	-	-	-
Total (for Key Management Personnel)	79,304	24,140	-	-	103,444	-	-	-	-

1. Rights granted during FY15 for Aaron Canning are for the period as a KMP (4 December 2014 to 30 June 2015).

2016 REMUNERATION REPORT

LOAN DISCLOSURES

There were no loan balances exceeding \$100,000 due from KMP during or at the end of the financial year (2015: \$nil).

OTHER TRANSACTIONS WITH KEY MANAGEMENT

Transactions entered into during the year with KMP of Blackmores Limited and the Group are on the same basis as normal employee, supplier or customer relationship on the same terms and conditions and those dealings on an arm's length basis which include:

- the receipt of 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
- terms and conditions of employment
- purchases of goods and services
- expense reimbursement.

No interest was paid to or received from KMP.

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, 24 August 2016

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor
Place
Sydney NSW 1220 Australia

DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

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

24 August 2016

Dear Board Members

Blackmores Limited

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

As lead audit partner for the audit of the financial statements of Blackmores Limited for the financial year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Sarah Avis
Partner
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

Independent Auditor's Report to the Members of Blackmores Limited

We have audited the accompanying financial report of Blackmores Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated 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 63 to 103.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT



Auditor's Independence Declaration

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

Opinion

In our opinion:

- (a) the financial report of Blackmores Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report of Blackmores Limited complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the remuneration report

We have audited the Remuneration Report included in pages 44 to 59 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Blackmores Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to read "Sarah Avis".

Sarah Avis
Partner
Chartered Accountants
Sydney, 24 August 2016

DIRECTORS' DECLARATION

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (b) in the Directors' opinion, the attached Financial Statements are in compliance with International Financial Reporting Standards, as stated in note 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 Group; and
- (d) the Directors have been given the declarations required by s.295A of the Corporations Act 2001.

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

In the Directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in note 32 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

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

On behalf of the Directors



Marcus C Blackmore AM
Director

Dated in Sydney, 24 August 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	NOTES	2016 \$'000	2015 \$'000
Sales	5	717,211	471,615
Other income	6	1,045	908
Promotional and other rebates		(118,771)	(83,285)
Net revenue and other income		599,485	389,238
Raw materials and consumables used		214,263	147,750
Employee benefits expenses	7	134,933	94,353
Selling and marketing expenses		49,177	34,779
Depreciation and amortisation expenses	7	7,045	6,391
Operating lease rental expenses	7	4,496	3,519
Professional and consulting expenses		9,168	7,372
Repairs and maintenance expenses		4,683	3,275
Freight expenses		10,906	6,615
Bank charges		2,099	1,355
Other expenses		17,494	11,565
Total expenses		454,264	316,974
Earnings before interest and tax		145,221	72,264
Interest revenue		462	415
Interest expense	7	(2,272)	(3,847)
Net interest expense		(1,810)	(3,432)
Profit before tax		143,411	68,832
Income tax expense	9	(43,391)	(22,276)
Profit for the year		100,020	46,556
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign controlled entities		(838)	4,158
Net gain/(loss) on hedging instruments entered into for cash flow hedges, net of tax	24.2	537	(400)
Other comprehensive (expense)/income for the year, net of tax		(301)	3,758
Total comprehensive income for the year		99,719	50,314
Profit attributable to:			
Owners of the parent		100,008	46,556
Non-controlling interests		12	-
		100,020	46,556
Total comprehensive income attributable to:			
Owners of the parent		99,690	50,314
Non-controlling interests		29	-
		99,719	50,314
EARNINGS PER SHARE			
- Basic earnings per share (cents)	27	580.6	270.7
- Diluted earnings per share (cents)	27	575.9	269.1

Notes to the Consolidated Financial Statements are included on pages 68 to 103.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	NOTES	2016 \$'000	2015 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	35.1	37,653	36,931
Receivables	13	134,636	107,076
Inventories	14	116,486	38,665
Other assets		5,849	5,172
Total current assets		294,624	187,844
NON-CURRENT ASSETS			
Property, plant and equipment	15	67,626	60,735
Investment property	16	2,160	2,160
Other intangible assets	17	32,736	18,530
Goodwill	18	20,032	16,863
Deferred tax assets	9.2	12,257	6,713
Other assets		628	562
Amounts advanced to related parties	33	3,960	-
Total non-current assets		139,399	105,563
Total assets		434,023	293,407
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	19	160,478	94,908
Current tax liabilities	20	24,204	12,862
Provisions	22	7,588	6,284
Other liabilities		9	944
Total current liabilities		192,279	114,998
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	21	55,446	44,000
Provisions	22	1,134	730
Other liabilities		3,655	562
Deferred tax liabilities	9.2	916	202
Total non-current liabilities		61,151	45,494
Total liabilities		253,430	160,492
Net assets		180,593	132,915
EQUITY			
CAPITAL AND RESERVES			
Issued capital	23	37,753	37,753
Reserves	24	5,252	8,063
Retained earnings	25	135,258	87,099
Equity attributable to shareholders of Blackmores Ltd		178,263	132,915
Equity attributable to non-controlling interests	26	2,330	-
Total equity		180,593	132,915

Notes to the Consolidated Financial Statements are included on pages 68 to 103.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	NOTES	2016 \$'000	2015 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		766,436	480,780
Payments to suppliers and employees		(643,414)	(390,989)
Cash generated from operations		123,022	89,791
Interest and other costs of finance paid		(4,375)	(3,847)
Income taxes paid		(34,971)	(14,817)
Net cash flows from operating activities	35.3	83,676	71,127
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		462	415
Net cash outflow on acquisition of subsidiaries	38.5	(22,661)	-
Payments for property, plant and equipment and other intangible assets		(13,846)	(3,625)
Amounts advanced to related parties		(3,960)	-
Proceeds from disposal of property, plant and equipment		41	8
Dividends received		25	11
Net cash used in investing activities		(39,939)	(3,191)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from/(repayment of) bank borrowings		11,357	(29,000)
Proceeds from other borrowings		2,500	-
Dividends paid		(57,704)	(22,703)
Proceeds from issue of equity to non-controlling interests		2,301	-
Net cash used in financing activities		(41,546)	(51,703)
Net increase in cash and cash equivalents		2,191	16,233
Cash and cash equivalents at the beginning of the year		36,931	18,599
Effects of exchange rate changes on the balance of cash held in foreign currencies		(1,469)	2,099
Cash and cash equivalents at the end of the year	35.1	37,653	36,931

Notes to the Consolidated Financial Statements are included on pages 68 to 103.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Issued Capital	Equity-Settled Employee Benefits Reserve	Cash Flow Hedging Reserve	Foreign Currency Translation Reserve	Retained Earnings	Attributable to owners of Blackmores Ltd	Non- controlling interest	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2014	34,502	5,855	(513)	(2,115)	66,497	104,226	-	104,226
Dividends declared	-	-	-	-	(25,954)	(25,954)	-	(25,954)
Profit for the period	-	-	-	-	46,556	46,556	-	46,556
Loss recognised on cash flow hedges	-	-	(572)	-	-	(572)	-	(572)
Income tax related to loss on cash flow hedges	-	-	172	-	-	172	-	172
Foreign currency translation of controlled entities	-	-	-	4,158	-	4,158	-	4,158
Other comprehensive income for the year, net of tax	-	-	(400)	4,158	-	3,758	-	3,758
Total comprehensive income for the year	-	-	(400)	4,158	46,556	50,314	-	50,314
Issue of shares under Dividend Reinvestment Plan	3,251	-	-	-	-	3,251	-	3,251
Recognition of share-based payments	-	1,078	-	-	-	1,078	-	1,078
Balance as at 30 June 2015	37,753	6,933	(913)	2,043	87,099	132,915	-	132,915
Reclassification to retained earnings	-	(5,855)	-	-	5,855	-	-	-
Dividends declared	-	-	-	-	(57,704)	(57,704)	-	(57,704)
Profit for the period	-	-	-	-	100,008	100,008	12	100,020
Gain recognised on cash flow hedges	-	-	767	-	-	767	-	767
Income tax related to gain on cash flow hedges	-	-	(230)	-	-	(230)	-	(230)
Foreign currency translation of controlled entities	-	-	-	(855)	-	(855)	17	(838)
Other comprehensive income for the year, net of tax	-	-	537	(855)	-	(318)	17	(301)
Total comprehensive income for the year	-	-	537	(855)	100,008	99,690	29	99,719
Recognition of share-based payments	-	3,362	-	-	-	3,362	-	3,362
Equity issued to holders of non-controlling interests	-	-	-	-	-	-	2,301	2,301
Balance as at 30 June 2016	37,753	4,440	(376)	1,188	135,258	178,263	2,330	180,593

Notes to the Condensed Consolidated Financial Statements are included on pages 68 to 103.

NOTES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

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 is as follows:

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 REPORTING ENTITY

Blackmores Limited (the Company) is domiciled in Australia. The Consolidated Financial Report (Financial Report) of Blackmores as at and for the twelve months ended 30 June 2016 comprises Blackmores and its subsidiaries (the Group).

The Consolidated Annual Financial Report of the Group as at and for the year ended 30 June 2016 is available upon request from the registered office of Blackmores at 20 Jubilee Avenue, Warriewood, NSW 2102 or online at blackmores.com.au

2.2 STATEMENT OF COMPLIANCE

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

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

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

The Financial Statements were authorised for issue by the Directors on 24 August 2016.

2.3 BASIS OF PREPARATION

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

The accounting policies and methods of computation in the preparation of the Consolidated Financial Statements are consistent with those adopted and disclosed in the Consolidated Financial Statements for the year ended 30 June 2015.

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

2.4 BASIS OF CONSOLIDATION

The Consolidated Financial Statements incorporate the Financial Statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

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

2.5 CASH AND CASH EQUIVALENTS

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

2.6 FINANCIAL INSTRUMENTS

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

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

2.6.1 Financial Assets

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

2.6.1.1 Effective Interest Method

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

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

2.6.1.2 Financial Assets at FVTPL

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

2 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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

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

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

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

2.6.1.3 Loans and Receivables

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

2.6.2 Financial Liabilities and Equity Instruments

2.6.2.1 Classification as Debt or Equity

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

2.6.2.2 Equity Instruments

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

2.6.2.3 Financial Liabilities

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

2.6.2.4 Financial Liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other income' line item in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Fair value is determined in the manner described in note 36.

2.6.2.5 Other Financial Liabilities

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

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

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

2.6.3 Derivative Financial Instruments

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

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

2.6.3.1 Hedge Accounting

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

2 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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

2.6.3.2 Cash Flow Hedges

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

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

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

2.7 INVENTORIES

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

2.8 PROPERTY, PLANT AND EQUIPMENT

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

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise

from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

• Buildings	25-40 years
• Leasehold improvements	3-13 years
• Plant and equipment	3-20 years
• Motor vehicles	4-5 years

2.9 IMPAIRMENT OF NON-CURRENT ASSETS

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

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

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

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

2.10 BORROWING COSTS

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.11 LEASING

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

2.11.1 The Group as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

2 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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.

2.12 PROVISIONS

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

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

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

2.12.1 Onerous Contracts

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

2.13 EMPLOYEE BENEFITS

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

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

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

2.14 REVENUE RECOGNITION

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

2.14.1 Sale of Goods

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

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

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

2.14.2 Dividend and Interest Income

Dividend income from investments is recognised when the Group's right to receive payment has been established (provided that it is

probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

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

2.14.3 Government Grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

2.15 FOREIGN CURRENCIES

2.15.1 Individual Controlled Entities

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

2.15.2 Foreign Currency Transactions

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

2.15.3 Foreign Operations

For the purpose of presenting Consolidated Financial Statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

2.16 SHARE-BASED PAYMENTS

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

2 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

recognised in profit or loss over the remaining vesting period, with corresponding adjustment to the equity-settled employee benefits reserve.

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

2.17 GOODS AND SERVICE TAX

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

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

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

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

2.18 TAXATION

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

2.18.1 Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit for the year as reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income 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.

2.18.2 Deferred Tax

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

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

The carrying amount of deferred tax assets is reviewed at the end of

each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

2.18.3 Current and Deferred Tax for the Year

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

2.18.4 Tax Consolidated Group

Blackmores Ltd has formed a consolidated group for Australian income tax purposes. Blackmores Ltd is the head company of its Tax Consolidated Group and is liable for income tax liabilities of all its members.

Members of the Blackmores Ltd Tax Consolidated Group are Blackmores Ltd and all its 100% owned Australian subsidiaries.

2.19 INVESTMENT PROPERTY

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

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

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

2.20 INTANGIBLE ASSETS

2.20.1 Intangible Assets Acquired Separately

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

2 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

2.20.2 Internally generated Intangible Assets

2.20.2.1 Research and Development Expenditure

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

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

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

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

Brand names recognised by the Company have an indefinite useful life and are not amortised. Each period, the useful life of this asset is reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy stated in note 2.9.

2.20.2.2 Website Development Expenditure

Website development expenditure is recognised as an intangible asset to the extent that the above recognition criteria is met and the website will generate probable future economic benefits. Otherwise, it is expensed as incurred.

2.20.3 Intangible Assets Acquired in a Business Combination

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

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

2.20.4 Derecognition of Intangible Assets

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

2.21 BUSINESS COMBINATIONS

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

Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after

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

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

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

2.22 GOODWILL

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business (see note 2.21 above) less accumulated impairment losses, if any.

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

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

2.23 INTERESTS IN JOINT OPERATIONS

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the AASBs applicable to the particular assets, liabilities, revenues and expenses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

3 APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

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

Standards affecting presentation and disclosure

There are no new and/or revised Standards and Interpretations adopted in these Financial Statements affecting presentation or disclosure.

Standards and Interpretations affecting the reported results or financial position

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

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

There are no new Standards and Interpretations adopted in these Financial Statements.

3.3 STANDARDS AND INTERPRETATIONS IN ISSUE, NOT YET ADOPTED

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

Standard/Interpretation	Effective for annual periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 Financial Instruments, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), AASB 2014-1 Amendments to Australian Accounting Standards [Part E – Financial Instruments], AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', AASB 2015-8 'Amendments to Australian Accounting Standards – Effective date of AASB 15'	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2020
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'	1 January 2017	30 June 2018
AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'	1 January 2017	30 June 2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the accounting policies, which are described in note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

4.1 INVENTORY

Inventories are stated at the lower of cost and net realisable value. The Directors assess slow moving or obsolete inventory on a regular basis and a provision is raised to write down inventory to net realisable value as described in note 2.7.

4.2 IMPAIRMENT OF GOODWILL

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

The carrying amount of goodwill at 30 June 2016 was \$20,032 thousand (30 June 2015: \$16,863 thousand).

4.3 IMPAIRMENT OF NON-CURRENT ASSETS

The Directors considered the recoverability of the Group's non-current assets, including property, plant and equipment and other intangible assets. Based on the Group's performance, there are no indicators of impairment for non-current assets.

4.4 USEFUL LIVES OF PROPERTY PLANT AND EQUIPMENT

As described in note 2.8, the Group reviews the useful lives of property, plant and equipment at the end of each financial year. No changes were made during the current year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

5 REVENUE

	2016 \$'000	2015 \$'000
Revenue from sale of goods	717,211	471,615

6 OTHER INCOME

Dividends received	25	11
Government grant	1,020	897
	1,045	908

7 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

Interest expense		
Interest on bank loans	1,085	1,965
Net settlement of interest rate swaps	410	389
Bank margin activation and undrawn facility fees	777	1,493
Total interest expense	2,272	3,847
Depreciation of non-current assets	6,480	5,954
Amortisation of non-current assets	565	437
Total depreciation and amortisation expense	7,045	6,391
Operating lease minimum lease payments	4,496	3,519
Research and development costs expensed as incurred	10,200	8,972
Employee benefits expense		
Post-employment benefits:		
Defined contribution plans	6,280	4,850
Share-based payments:		
Equity-settled share-based payments	3,362	1,078
Other employee benefits	125,291	88,425
	134,933	94,353
Provision for stock obsolescence	3,027	2,734
Net foreign exchange losses/(gains)	2,877	(835)
Loss on disposal of non-current assets	358	14

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

8 SEGMENT INFORMATION

Information reported to the Group's Chief Operating Decision Maker for the purposes of resource allocation and assessment of segment performance is largely focused on geographical regions. The Group's reportable segments under AASB 8 are therefore as follows:

Australia
China (in-country)
Other Asia
BioCeuticals
Other
Corporate Costs

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

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

SEGMENT REVENUES

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

	2016 \$'000	2015 \$'000
Australia ¹	495,430	316,650
China (in-country) ²	48,014	7,548
Other Asia ³	81,360	76,403
BioCeuticals	69,170	55,531
Other ⁴	23,237	15,483
Total Segment Revenue⁵	717,211	471,615

The Group had one customer (2015: 2) who contributed more than 10% of the Group's revenue in the year. Included in external sales of the Australian segment of \$495,430 thousand (2015: \$316,650 thousand) are sales of \$183,875 thousand (2015: \$123,507 thousand) which arose from sales to the Group's largest customer.

1. Australia segment revenue also includes Pure Animal Well Being and the benefit of sales made to Australian customers which we believe are ultimately intended for Asian markets.
2. Sales through Blackmores' WFOE and free trade zone entities.
3. Other Asia comprises the markets of Thailand, Malaysia, Singapore, Hong Kong, Taiwan, Korea, Indonesia, Kazakhstan and Cambodia.
4. Other comprises New Zealand, Nutritional Foods, and Global Therapeutics.
5. Excludes interest revenue and other income.

SEGMENT RESULTS

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

	2016 \$'000	2015 \$'000
Australia	129,146	64,272
China (in-country)	12,596	1,167
Other Asia ¹	2,282	7,159
BioCeuticals	9,464	8,672
Other	916	(282)
Corporate Costs	(9,183)	(8,724)
Earnings before interest and tax	145,221	72,264

1. Other Asia includes an EBIT loss for Blackmores Korea Limited of \$2,798 thousand and additional investment in Indonesia and Blackmores International for the year.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

9 INCOME TAXES

9.1 INCOME TAX RECOGNISED IN PROFIT OR LOSS

	2016 \$'000	2015 \$'000
Current tax:		
Current tax expense in respect of the current year	47,475	25,021
Adjustments recognised in the current year in relation to the current tax of prior years	789	(221)
Deferred tax:		
Deferred tax benefit relating to the origination and reversal of temporary differences	(4,727)	(2,842)
Adjustments recognised in the current year in relation to the deferred tax of prior years	(146)	318
Total income tax expense recognised in the current year relating to continuing operations	43,391	22,276
The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the Consolidated Financial Statements as follows:		
Profit before tax	143,411	68,832
Income tax expense calculated at 30%	43,023	20,650
Effect of expenses that are not deductible in determining taxable profit	523	364
Effect of tax concessions	(362)	(321)
Effect of withholding tax on intercompany dividend	957	1,323
Effect of tax losses recognised	(735)	(164)
Effect of tax losses not recognised	788	1,100
Rate differential on overseas operations	(1,265)	(773)
Other items	(181)	-
	42,748	22,179
Under provision of income tax in previous year	643	97
Income tax expense recognised in profit or loss	43,391	22,276

The tax rate used for the 2016 and 2015 reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

9 INCOME TAXES (CONT.)

9.2 DEFERRED TAX BALANCES

Deferred tax assets arise from the following:

	OPENING BALANCE	CURRENT YEAR MOVEMENT RECOGNISED IN PROFIT OR LOSS	CURRENT YEAR MOVEMENT RECOGNISED IN OTHER COMPREHENSIVE INCOME	FILING DIFFERENCES RECOGNISED IN PROFIT OR LOSS	ACQUISITIONS	CLOSING BALANCE
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Temporary differences 2016						
Property, plant and equipment	(10)	20	-	(79)	-	(69)
Prepayments and other	(114)	52	-	-	-	(62)
Provisions	4,579	(930)	-	69	102	3,820
Accruals	2,033	4,085	-	435	85	6,638
Cash flow hedges	393	-	(230)	-	-	163
Website development	58	38	-	-	-	96
Foreign currency monetary items	(475)	98	-	26	-	(351)
Capitalised expenses	32	(3)	-	(33)	-	(4)
Tax losses recognised	12	(12)	-	-	-	-
Other	3	1,379	-	(272)	-	1,110
	6,511	4,727	(230)	146	187	11,341

Presented in the Consolidated Statement of Financial Position as follows:

Deferred tax asset	12,257
Deferred tax liability	(916)
	11,341

Temporary differences 2015

Property, plant and equipment	47	25	-	(82)	-	(10)
Prepayments and other	(143)	51	-	(22)	-	(114)
Provisions	2,369	2,197	-	13	-	4,579
Accruals	235	1,715	-	83	-	2,033
Cash flow hedges	221	-	172	-	-	393
Website development	65	(7)	-	-	-	58
Foreign currency monetary items	(90)	(385)	-	-	-	(475)
Capitalised expenses	509	(445)	-	(32)	-	32
Tax losses recognised	138	(94)	-	(32)	-	12
Other	464	(215)	-	(246)	-	3
	3,815	2,842	172	(318)	-	6,511

Presented in the Consolidated Statement of Financial Position as follows:

Deferred tax asset	6,713
Deferred tax liability	(202)
	6,511

UNRECOGNISED DEFERRED TAX ASSETS

	2016 \$'000	2015 \$'000
The following deferred tax assets have not been brought to account as assets:		
Tax losses - capital (no expiry date)	1,230	1,230
Tax losses - revenue (expiry: 2015)	-	1
Tax losses - revenue (expiry: 2017)	1	1
Tax losses - revenue (expiry: 2018)	34	34
Tax losses - revenue (expiry: 2019)	67	102
Tax losses - revenue (expiry: 2020)	120	444
Tax losses - revenue (expiry: 2021)	147	144
Tax losses - revenue (expiry: 2026)	572	-
	2,171	1,956

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

10 KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2016 \$	2015 \$
Short-term employee benefits	8,775,522	6,495,092
Post-employment benefits	226,097	219,720
Other long-term benefits	86,547	36,254
Share-based payment	2,026,265	736,784
	11,114,431	7,487,850

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

11 SHARE-BASED PAYMENTS

Executive and Employee Share Option Plan

The Executive Performance Share Plan was approved at Blackmores' Annual General Meeting in October 2015. Participation is open to Senior Executives determined to be eligible by the Board. Under this plan, rights to acquire shares in the Company are granted annually to eligible Senior Executives at no cost and vest provided specific performance hurdles are met.

The fair value of rights granted is calculated in accordance with AASB 2 'Share-based Payments'. Under the Company Executive Performance Share Plan, during the year the Company granted entitlements to an allocation of ordinary shares provided specific performance objectives and hurdles are met over the three year period commencing 1 July 2015 to the year ending 30 June 2018. If the performance and employment vesting conditions are met, the minimum number of rights that could be vested under the entitlement is 6,780 (2015: 19,553) and the maximum number of rights that could be vested is 40,673 (2015: 117,326). Several grant dates applied to these rights; as a result the following fair values applied to the number of rights listed below.

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

SHARE RIGHTS SERIES	NUMBER OF RIGHTS	GRANT DATE	EXPIRY DATE	EXERCISE PRICE	FAIR VALUE AT GRANT DATE
GRANTS IN THE 2016 YEAR					\$
Granted 25 November 2015	40,673	25 Nov 2015	30 Jun 2018	N/A	147.49
GRANTS IN THE 2015 YEAR					\$
Granted 7 November 2014	111,387	7 Nov 2014	30 Jun 2017	N/A	25.22
Granted 10 December 2014	5,143	10 Dec 2014	30 Jun 2017	N/A	28.92
Granted 20 April 2015	796	20 Apr 2015	30 Jun 2017	N/A	52.44

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

	2016		2015	
	NUMBER OF RIGHTS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF RIGHTS	WEIGHTED AVERAGE EXERCISE PRICE
Balance at the beginning of the year	117,326		-	
Granted during the year	40,673		117,326	
Forfeited during the year	-		-	
Exercised during the year	-	N/A	-	N/A
Expired during the year	-		-	
Balance at the end of the year	157,999		117,326	
Exercisable at the end of the year	157,999		117,326	

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

Share rights are vested at 30 June three years after grant and shares are subsequently issued in September of that year following audit clearance of the Group's result and Board approval. The issue price for share rights granted in the 2016 financial year will be determined in September 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

11 SHARE-BASED PAYMENTS (CONT.)

2016

RATE OF EPS GROWTH		PERCENTAGE OF PARTICIPANT'S BASE REMUNERATION		
		CHIEF EXECUTIVE OFFICER	SENIOR EXECUTIVES	OTHER SENIOR COMPANY MANAGEMENT
3.9%		25.0	10.0	5.0
3.9% to 7.8%	pro rata between	25.0 to 50.0	10.0 to 20.0	5.0 to 10.0
7.8%		50.0	20.0	10.0
7.8% to 17.9%	pro rata between	50.0 to 150.0	20.0 to 60.0	10.0 to 30.0
17.9%		150.0	60.0	30.0
Greater than 17.9%		150.0	60.0	30.0

2015

RATE OF EPS GROWTH		PERCENTAGE OF PARTICIPANT'S BASE REMUNERATION		
		CHIEF EXECUTIVE OFFICER	SENIOR EXECUTIVES	OTHER SENIOR COMPANY MANAGEMENT
3.9%		25.0	10.0	5.0
3.9% to 7.8%	pro rata between	25.0 to 50.0	10.0 to 20.0	5.0 to 10.0
7.8%		50.0	20.0	10.0
7.8% to 17.9%	pro rata between	50.0 to 150.0	20.0 to 60.0	10.0 to 30.0
17.9%		150.0	60.0	30.0
Greater than 17.9%		150.0	60.0	30.0

Share-Based Conditions

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

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

Staff Share Acquisition Plan

The Group has established a Staff Share Acquisition Plan. The plan is open to all employees including Senior Executives and enables them to purchase up to \$1,000 of Blackmores shares tax free (subject to taxable income thresholds) each year with money that would have otherwise been paid as profit share. 872 shares were issued during the year ended 30 June 2016 (2015: 1,640 shares). In July 2016, 651 shares (2015: 776 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 2016.

Options Plan

At 1 July 2015 and at 1 July 2014 there were no share options outstanding, none were issued during the year ended 30 June 2016 (2015: nil) and as at 30 June 2016 (2015: nil) 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 Consolidated Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

12 REMUNERATION OF AUDITOR

	2016 \$	2015 \$
Auditor of the Parent Entity		
Auditing or reviewing the Financial Statements	316,065	280,160
Taxation services	110,000	110,000
Other non-audit services ¹	253,293	45,500
	679,358	435,660
Network Firm of the Parent Company Auditor		
Auditing the Financial Statements	228,335	224,884
Taxation services	-	88,813
	228,335	313,697

The auditor of Blackmores Limited is Deloitte Touche Tohmatsu.

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

13 TRADE AND OTHER RECEIVABLES

	2016 \$'000	2015 \$'000
Current		
Current trade and other receivables ¹	135,518	107,355
Allowance for doubtful debts	(1,218)	(169)
Allowance for claims	(1,096)	(927)
	133,204	106,259
Goods and services tax (GST) recoverable	1,432	615
Other receivables	-	202
	134,636	107,076

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

At 30 June 2016, the Group had two customers (2015: three customers) each comprising amounts greater than 5% of the total trade receivables. These customers owed the Group more than \$46,000 thousand (2015: \$52,000 thousand) and accounted for approximately 35% (2015: 49%) of all receivables owing.

	2016 \$'000	2015 \$'000
Ageing of Past Due But Not Impaired		
0 - 30 days past due date	17,440	17,912
31 - 60 days past due date	3,125	827
61 - 90 days past due date	1,717	651
> 90 days past due date	1,443	710
Total	23,725	20,100

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

13 TRADE AND OTHER RECEIVABLES (CONT.)

	2016 \$'000	2015 \$'000
Ageing of Impaired Trade Receivables		
0 - 30 days	16	-
31 - 60 days	711	49
61 - 90 days	481	9
> 90 days	10	111
Total	1,218	169

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of \$31 thousand (2015: \$77 thousand). The Group does not hold any collateral over these balances. The Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Movement in the Allowance for Doubtful Debts

Balance at the beginning of the year	169	688
Amounts written off as uncollectable	-	(506)
Increase/(reduction) in provision	1,049	(13)
Balance at the end of the year	1,218	169

14 INVENTORIES

Ingredients	9,873	1,806
Raw materials	50,300	10,420
Finished goods	56,313	26,439
	116,486	38,665

The provision at balance date to cover inventory write down is \$2,107 thousand (2015: \$2,949 thousand).

15 PROPERTY, PLANT AND EQUIPMENT

	2016 \$'000	2015 \$'000
Cost	110,000	99,935
Accumulated depreciation	(42,374)	(39,200)
	67,626	60,735
Carrying amounts of:		
Freehold land	12,848	12,848
Buildings	30,123	31,054
Leasehold improvements	1,132	350
Plant and equipment	19,899	15,049
Motor vehicles	121	157
Capital work in progress	3,503	1,277
	67,626	60,735

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

15 PROPERTY, PLANT AND EQUIPMENT (CONT.)

	FREEHOLD LAND \$'000	BUILDINGS \$'000	LEASEHOLD IMPROVE- MENTS \$'000	PLANT AND EQUIPMENT \$'000	MOTOR VEHICLES \$'000	CAPITAL WORK IN PROGRESS \$'000	TOTAL \$'000
Cost							
Balance at 30 June 2014	12,848	36,983	735	45,754	293	363	96,976
Additions	-	-	78	1,585	85	1,277	3,025
Category transfers	-	-	-	363	-	(363)	-
Disposals	-	-	-	(214)	(64)	-	(278)
Net foreign currency exchange differences arising on translation of financial statements of foreign operations	-	-	13	199	-	-	212
Balance at 30 June 2015	12,848	36,983	826	47,687	314	1,277	99,935
Additions	-	-	1,086	8,946	-	3,503	13,535
Additions obtained through business combinations	-	-	147	399	15	-	561
Category transfers	-	-	26	1,251	-	(1,277)	-
Disposals	-	-	(378)	(3,579)	(73)	-	(4,030)
Net foreign currency exchange differences arising on translation of financial statements of foreign operations	-	-	(25)	24	-	-	(1)
Balance at 30 June 2016	12,848	36,983	1,682	54,728	256	3,503	110,000
Accumulated Depreciation							
Balance at 30 June 2014	-	(4,998)	(419)	(27,769)	(177)	-	(33,363)
Disposals	-	-	-	201	55	-	256
Depreciation expense	-	(931)	(74)	(4,914)	(35)	-	(5,954)
Net foreign currency exchange differences arising on translation of financial statements of foreign operations	-	-	17	(156)	-	-	(139)
Balance at 30 June 2015	-	(5,929)	(476)	(32,638)	(157)	-	(39,200)
Disposals	-	-	250	3,321	60	-	3,631
Assets obtained through business combinations	-	-	(84)	(262)	(6)	-	(352)
Depreciation expense	-	(931)	(252)	(5,265)	(32)	-	(6,480)
Net foreign currency exchange differences arising on translation of financial statements of foreign operations	-	-	12	15	-	-	27
Balance at 30 June 2016	-	(6,860)	(550)	(34,829)	(135)	-	(42,374)
Net Book Value							
As at 30 June 2015	12,848	31,054	350	15,049	157	1,277	60,735
As at 30 June 2016	12,848	30,123	1,132	19,899	121	3,503	67,626

No impairment losses have been recognised in the current year (2015: \$nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

16 INVESTMENT PROPERTY

	2016 \$'000	2015 \$'000
Cost of investment property	2,160	2,160
At cost		
Balance at beginning of year	2,160	2,160
Balance at end of year	2,160	2,160

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

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

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

17 OTHER INTANGIBLE ASSETS

	2016 \$'000	2015 \$'000
Cost	35,629	20,858
Accumulated amortisation and impairment	(2,893)	(2,328)
	32,736	18,530

	CAPITALISED WEBSITE \$'000	REGISTRA- TIONS ¹ \$'000	TRADE- MARKS ¹ \$'000	FORMULA- TIONS ¹ \$'000	ROYALTY STREAM \$'000	BRANDS ¹ \$'000	PATENTS \$'000	TOTAL \$'000
Cost								
Balance at 30 June 2014	2,070	893	288	272	450	15,313	972	20,258
Additions	-	-	-	-	-	-	-	-
Additions from internal development	600	-	-	-	-	-	-	600
Effect of foreign currency exchange differences	-	-	-	-	-	-	-	-
Balance at 30 June 2015	2,670	893	288	272	450	15,313	972	20,858
Additions	-	-	-	-	-	-	-	-
Additions from internal development	311	-	-	-	-	-	-	311
Assets obtained through business combination	-	-	1,160	-	-	13,300	-	14,460
Effect of foreign currency exchange differences	-	-	-	-	-	-	-	-
Balance at 30 June 2016	2,981	893	1,448	272	450	28,613	972	35,629
Accumulated Amortisation								
Balance at 30 June 2014	(1,610)	-	-	-	(188)	-	(97)	(1,895)
Amortisation expense	(334)	-	-	-	(90)	-	(13)	(437)
Effect of foreign currency exchange differences	4	-	-	-	-	-	-	4
Balance at 30 June 2015	(1,940)	-	-	-	(278)	-	(110)	(2,328)
Amortisation expense	(392)	-	-	-	(90)	-	(83)	(565)
Effect of foreign currency exchange differences	-	-	-	-	-	-	-	-
Balance at 30 June 2016	(2,332)	-	-	-	(368)	-	(193)	(2,893)
Net Book Value								
As at 30 June 2015	730	893	288	272	172	15,313	862	18,530
As at 30 June 2016	649	893	1,448	272	82	28,613	779	32,736

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

17 OTHER INTANGIBLE ASSETS (CONT.)

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

Capitalised website development	3 years
Patents	20 years
Royalty stream	5 years

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

18 GOODWILL

	2016 \$'000	2015 \$'000
Cost		
Balance at beginning of the year	16,863	16,863
Additional amounts recognised from business combinations occurring during the year (note 38.4)	3,169	-
Balance at end of the year	20,032	16,863
18.1 ALLOCATION OF GOODWILL TO CASH-GENERATING UNITS		
Goodwill has been allocated for impairment testing purposes to the following cash-generating units:		
Pure Animal Wellbeing	658	658
BioCeuticals	16,205	16,205
Global Therapeutics	3,169	-
	20,032	16,863
Intangible assets with indefinite lives have been allocated for impairment testing purposes to the following cash-generating units:		
Pure Animal Wellbeing	1,189	1,189
BioCeuticals	15,481	15,481
Global Therapeutics	14,460	-
	31,130	16,670

Pure Animal Wellbeing

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

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

BioCeuticals

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

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

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

Budgeted sales growth	Budgeted sales growth is expected to be in line with sales growth in the category
Budgeted margins	Budgeted margins are expected to remain consistent
Discount rate	The discount rate used for both Pure Animal Wellbeing and BioCeuticals is 8%

19 TRADE AND OTHER PAYABLES

	2016 \$'000	2015 \$'000
Trade payables ¹	102,096	52,835
Goods and services tax (GST) payable	4,339	2,940
Other creditors and accruals	54,043	39,133
	160,478	94,908

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

20 CURRENT TAX LIABILITIES

	2016 \$'000	2015 \$'000
Income tax payable	24,093	12,815
Withholding tax payable	111	47
	24,204	12,862

21 INTEREST BEARING LIABILITIES

	2016 \$'000	2015 \$'000
Non-current		
Secured – at amortised cost:		
Bank bills ¹	55,446	44,000

Summary of borrowing arrangements:

1. In accordance with the security arrangements of liabilities, as disclosed in this note to the Consolidated Financial Statements, effectively all assets of the Parent Entity have been pledged as security.

22 PROVISIONS

	2016 \$'000	2015 \$'000
Current		
Employee benefits	7,440	6,136
Directors' retirement benefits	148	148
	7,588	6,284
Non-current		
Employee benefits	1,134	730

23 ISSUED CAPITAL

	2016 \$'000	2015 \$'000
17,225,156 fully paid ordinary shares (2015: 17,224,284)	37,753	37,753

	2016 NUMBER '000	2016 ISSUED CAPITAL \$'000	2015 NUMBER '000	2015 ISSUED CAPITAL \$'000
Fully Paid Ordinary Shares				
Balance at beginning of financial year	17,224	37,753	17,113	34,502
Issue of shares under Executive and employee share plans (notes 11, 34.3)	1	-	2	-
Issue of shares under Dividend Reinvestment Plan	-	-	109	3,251
Balance at end of financial year	17,225	37,753	17,224	37,753

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

Employee Share Plans

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

24 RESERVES

	2016 \$'000	2015 \$'000
Equity-settled employee benefits reserve	4,440	6,933
Cash flow hedging reserve	(376)	(913)
Foreign currency translation reserve	1,188	2,043
	5,252	8,063

24.1 EQUITY-SETTLED EMPLOYEE BENEFITS RESERVE

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

Balance at beginning of year	6,933	5,855
Reclassification to retained earnings	(5,855)	-
Recognition of share-based payments (net of tax)	3,362	1,078
Balance at end of year	4,440	6,933

24.2 CASH FLOW HEDGING RESERVE

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

Balance at beginning of year	(913)	(513)
Net gain/(loss) on revaluation (net of tax)	537	(400)
Balance at end of year	(376)	(913)

24.3 FOREIGN CURRENCY TRANSLATION RESERVE

Exchange differences relating to foreign currency monetary items forming part of the net investment in a foreign operation and the translation of foreign controlled entities are brought to account by entries made directly to the foreign currency translation reserve, as described in note 2.15 to the Consolidated Financial Statements.

Balance at beginning of year	2,043	(2,115)
Exchange differences arising on translating the foreign controlled entities	(855)	4,158
Balance at end of year	1,188	2,043

25 RETAINED EARNINGS

	2016 \$'000	2015 \$'000
Retained earnings	135,258	87,099
Balance at the beginning of the year	87,099	66,497
Reclassification of equity settled employee benefit reserve	5,855	-
Profit for the year	100,008	46,556
Payment of dividends	(57,704)	(25,954)
Balance at end of year	135,258	87,099

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

26 EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

	2016 \$'000	2015 \$'000
Balance at the beginning of the year	-	-
Non-controlling interests arising on the incorporation of PT Kalbe Blackmores Nutrition	2,301	-
Share of profit for the year	12	-
Share of other comprehensive income	17	-
Balance at end of year	2,330	-

27 EARNINGS PER SHARE

	2016 CENTS PER SHARE	2015 CENTS PER SHARE
Basic earnings per share	580.6	270.7
Diluted earnings per share	575.9	269.1

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:

	2016 \$'000	2015 \$'000
Earnings (reconciles directly to profit for the year in the Consolidated Statement of Profit or Loss)	100,008	46,556
	2016 NUMBER	2015 NUMBER
Weighted average number of ordinary shares on issue during the financial year used in the calculation of basic earnings per share	17,225,093	17,196,049

Diluted Earnings per Share

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

	2016 \$'000	2015 \$'000
Earnings (reconciles directly to profit for the year in the Consolidated Statement of Profit or Loss)	100,008	46,556
	2016 NUMBER	2015 NUMBER
Weighted average number of ordinary shares used in the calculation of basic earnings per share	17,225,093	17,196,049
Shares deemed to be issued for no consideration in respect of:		
Employee share plans	141,344	106,310
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	17,366,437	17,302,359

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

28 DIVIDENDS

	2016 CENTS PER SHARE	TOTAL \$'000	2015 CENTS PER SHARE	TOTAL \$'000
Recognised Amounts				
Fully paid ordinary shares				
Final dividend for year ended 30 June 2015 (2015: 30 June 2014)				
– fully franked at 30% corporate tax rate	135	23,254	83	14,205
Interim dividend for year ended 30 June 2016 (2015: 30 June 2015)				
– fully franked at 30% corporate tax rate	200	34,450	68	11,713
DRP residual payments	-	-	-	36
	335	57,704	151	25,954
Unrecognised Amounts				
Fully paid ordinary shares				
Final dividend – fully franked at 30% corporate tax rate	210	36,174		

The final dividend in respect of ordinary shares for the year ended 30 June 2016 has not been recognised in these Consolidated Financial Statements because the final dividend was declared subsequent to 30 June 2016.

	COMPANY	
	2016 \$'000	2015 \$'000
Adjusted franking account balance	21,075	19,985

29 COMMITMENTS FOR EXPENDITURE

	2016 \$'000	2015 \$'000
Research and Development Contracts		
Not longer than 1 year	348	158
Longer than 1 year and not longer than 5 years	145	70
	493	228
Plant and equipment		
Not longer than 1 year	3,906	9,800
Longer than 1 year and not longer than 5 years	-	-
	3,906	9,800
Promotional Services		
Not longer than 1 year	3,862	1,370
Longer than 1 year and not longer than 5 years	5,773	2,055
	9,635	3,425
Sponsorship		
Not longer than 1 year	1,198	1,118
Longer than 1 year and not longer than 5 years	5,378	1,502
	6,576	2,620

Lease Commitments

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

30 OPERATING LEASES

Leasing Arrangements

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

Non-cancellable Operating Lease Payments

	2016 \$'000	2015 \$'000
Not later than 1 year	5,414	2,269
Later than 1 year and not later than 5 years	12,389	2,543
Later than 5 years	-	-
	17,803	4,812

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

31 CONTINGENT LIABILITIES

The Directors do not believe there are any contingent liabilities as at 30 June 2016.

32 SUBSIDIARIES AND OTHER RELATED COMPANIES

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

NAME OF ENTITY	COUNTRY OF INCORPORATION	OWNERSHIP 2016 %	INTEREST 2015 %	PRINCIPAL ACTIVITY
Blackmores SPV Co Pty Limited ⁴	Australia	100	-	Holding company
Bemore Partnership Pty Limited ²	Australia	50	-	Marketing of infant and life stage nutritional powders
Blackmores Nominees Pty Limited ⁴	Australia	100	100	Management of employee share plans
Pat Health Limited	Hong Kong	100	100	Marketing of natural health products
Blackmores Beijing Co., Limited	China	100	100	Marketing of natural health products
Blackmores (Shanghai) Trading Co., Limited	China	100	100	Marketing of natural health products
Blackmores (Taiwan) Limited	Taiwan	100	100	Marketing of natural health products
Pure Animal Wellbeing Pty Limited ⁴	Australia	100	100	Holder of intellectual property for Animal Health Division
Blackmores (New Zealand) Limited	New Zealand	100	100	Marketing of natural health products
Blackmores (Singapore) Pte Limited	Singapore	100	100	Marketing of natural health products
Blackmores (Malaysia) Sdn Bhd	Malaysia	100	100	Marketing of natural health products
Blackmores Holdings Limited	Thailand	100	100	Holding company
Blackmores Limited	Thailand	100	100	Marketing of natural health products
Blackmores Korea Limited	Korea	100	100	Marketing of natural health products
Blackmores International Pte. Limited	Singapore	100	100	Regional head office
PT Kalbe Blackmores Nutrition ³	Indonesia	50	-	Marketing of natural health products
FIT-BioCeuticals Limited ⁴	Australia	100	100	Marketing of natural health products
FIT-BioCeuticals (NZ) Limited ¹	New Zealand	100	100	Marketing of natural health products
PharmaFoods Pty Limited ⁴	Australia	100	100	Marketing of natural health products
FIT-BioCeuticals Limited	United Kingdom	100	100	Marketing of natural health products
FIT-BioCeuticals (HK) Limited	Hong Kong	100	100	Marketing of natural health products
Hall Drug Technologies Pty Limited ⁴	Australia	100	100	Marketing of natural health products
New Century Herbs Pty Limited ⁴	Australia	100	-	Holding company
Global Therapeutics Pty Limited ⁴	Australia	100	-	Marketing of natural health products

1. These wholly owned subsidiaries have entered into a deed of cross guarantee with Blackmores Limited pursuant to ASIC class order 98/1418 and are relieved from the requirement to prepare and lodge an audited financial report.

2. Companies incorporated during the year ended 30 June 2016 for the purpose of the newly formed partnership with Bega Cheese Limited. Bemore Partnership Pty Limited represents 50% of shares issued and is a joint operation owned and managed equally by Bega Cheese Limited and Blackmores Limited.

3. PT Kalbe Blackmores Nutrition was incorporated during the year ended 30 June 2016. Blackmores International Pte Limited's shareholding in PT Kalbe Blackmores Nutrition represents 50%+1 of shares issued.

4. These subsidiaries are members of Blackmores Limited's Australian Tax Consolidated Group.

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

Economic Dependency

The Group is not significantly dependent upon any other entity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

32 SUBSIDIARIES AND OTHER RELATED COMPANIES (CONT.)

32.1 FINANCIAL SUPPORT

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

Statement of Profit or Loss and Other Comprehensive Income

	2016 \$'000	2015 \$'000
Sales	620,937	409,721
Other income	11,079	18,267
Promotional and other rebates	(86,744)	(65,877)
Revenue and other income	545,272	362,111
Raw materials and consumables used	213,207	144,692
Employee benefits expense	112,303	79,918
Selling and marketing expenses	31,685	24,119
Depreciation and amortisation expenses	6,544	6,156
Operating lease rental expenses	3,262	2,721
Professional and consulting expenses	7,390	5,440
Repairs and maintenance expenses	3,886	3,176
Freight expenses	8,431	5,992
Bank charges	2,041	1,316
Other expenses	16,367	13,661
Total expenses	405,116	287,191
Earnings before interest and tax	140,156	74,920
Interest revenue	252	297
Interest expense	(2,231)	(3,914)
Net interest expense	(1,979)	(3,617)
Profit before tax	138,177	71,303
Income tax expense	(39,744)	(17,767)
Profit for the year	98,433	53,536
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Net gain/(loss) on hedging instruments entered into for cash flow hedges, net of tax	537	(572)
Other comprehensive income for the year, net of tax	537	(572)
Total comprehensive income for the year	98,970	53,136
Profit attributable to:		
Owners of the parent	98,433	53,536
Non-controlling interests	-	-
	98,433	53,536
Total comprehensive income attributable to:		
Owners of the parent	98,970	53,136
Non-controlling interests	-	-
	98,970	53,136

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

32 SUBSIDIARIES AND OTHER RELATED COMPANIES (CONT.)

32.1 FINANCIAL SUPPORT (CONT.)

Statement of Financial Position

	2016 \$'000	2015 \$'000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	10,512	15,957
Receivables	129,554	101,273
Inventories	99,429	29,902
Other assets	4,493	3,582
Total current assets	243,988	150,713
NON-CURRENT ASSETS		
Property, plant and equipment	66,126	60,030
Investment property	2,160	2,160
Other intangible assets	31,450	17,429
Goodwill	19,374	16,205
Deferred tax assets	8,864	6,550
Other financial assets	15,588	5,584
Total non-current assets	143,562	107,957
Total assets	387,550	258,670
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	147,012	80,221
Current tax payable	21,902	11,629
Other financial liabilities	-	1,348
Provisions	8,844	5,942
Other	-	3,751
Total current liabilities	177,758	102,892
NON-CURRENT LIABILITIES		
Interest-bearing liabilities	52,000	44,000
Provisions	1,134	1,274
Other financial liabilities	1,139	109
Other	1,160	226
Total non-current liabilities	55,433	45,609
Total liabilities	233,191	148,501
Net assets	154,359	110,169
EQUITY		
CAPITAL AND RESERVES		
Issued capital	37,753	37,753
Reserves	3,419	5,813
Retained earnings	113,187	66,603
Total equity	154,359	110,169

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

33 JOINT OPERATIONS

The Group has the following interest in joint operations:

Bemore Partnership Pty Ltd

The following amounts are included in the Group's Financial Statements in relation to the joint operation, representing the Group's 50% share of Bemore Partnership Pty Ltd:

	2016 \$'000
Sales	4,329
Promotional and other rebates	(1,075)
Revenue and other income	3,254
Raw materials and consumables	1,945
Operating expenses	2,123
Net loss for the period ended 30 June 2016	(814)
	30 June 2016 \$'000
Cash and cash equivalents	822
Receivables	626
Inventory	5,029
Total assets	6,477
Other payables	510
Payables to Joint operators ¹	1,781
Loans from Joint operators ¹	5,000
Total liabilities	7,291
Net liabilities	(814)

1. Included in these balances are amounts owing to the Blackmores Group of \$3,960 thousand.

34 RELATED PARTY AND KEY MANAGEMENT PERSONNEL DISCLOSURES

34.1 EQUITY INTERESTS IN RELATED PARTIES

Equity interests in subsidiaries

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

34.2 LOAN DISCLOSURES

There were no loan balances exceeding \$100,000 due from Key Management Personnel during or at the end of the financial year (2015: nil).

34.3 OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

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

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

34.4 RELATED PARTY TRANSACTIONS

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

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

Trading transactions

During the year, group entities did not enter into any trading transactions with related parties that are not members of the Group (2015: \$nil).

Other related party transactions

During the financial year ended 30 June 2016, the following transactions occurred between the Group and its other related parties:

- Galileo Kaleidoscope Pty Ltd, a company of which Brent Wallace is a Director, performed certain consulting services for the Company for which fees of \$100,675 (2015: \$259,246) were charged.

Balances with related parties

No balances outstanding at the end of the financial year with related parties that are not members of the Group (2015: \$nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

35 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

35.1 CASH AND CASH EQUIVALENTS

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

	2016 \$'000	2015 \$'000
Cash and bank balances	37,653	36,931
Cash and cash equivalents	37,653	36,931

35.2 FINANCING FACILITIES

Unsecured bank overdraft facility, reviewed annually and payable at call:

Amount used	570	-
Amount unused	4,430	5,000
	5,000	5,000

Unsecured bank bill acceptance facility, reviewed annually:

Amount used	-	44,000
Amount unused	-	69,000
	-	113,000

Unsecured revolving term debt facility under Common Terms Deed:

Amount used	55,446	-
Amount unused	82,060	-
	137,506	-

The Group restructured borrowings during the year to unsecured debt under a Common Terms Deed with three banks.

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

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

	2016 \$'000	2015 \$'000
Profit for the year	100,020	46,556
Loss on disposal of non-current assets	358	14
Interest revenue disclosed as investing cash flow	(462)	(415)
Dividend income disclosed as investing cash flow	(25)	(11)
Depreciation and amortisation of non-current assets	7,045	6,391
Revaluation of investments	(67)	(26)
Share-based payments	3,362	1,078
Other	1,308	(295)
Increase in current tax liability	11,330	9,057
Increase in deferred tax balances	(4,830)	(2,668)
Decrease in deferred tax balances related to hedge reserve in equity	(230)	172
Movements in working capital:		
Current receivables	(24,212)	(34,055)
Current inventories	(73,845)	6,459
Other debtors and prepayments	(415)	(1,714)
Current trade payables	62,927	39,943
Provisions	1,412	641
Net cash flows from operating activities	83,676	71,127

35.4 NON-CASH TRANSACTIONS

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

During the year no shares (2015: 109,252) were issued under the Dividend Reinvestment Plan. Dividends settled in shares rather than cash during the year totalled nil (2015: \$3,251 thousand).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

36 FINANCIAL INSTRUMENTS

36.1 CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2015.

The capital structure of the Group consists of net debt (borrowings as disclosed in note 21 offset by cash and cash equivalents as disclosed in note 35) and equity of the Group (comprising issued capital, reserves and retained earnings as disclosed in notes 23, 24 and 25 respectively).

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

Operating cash flows are used to maintain and expand the Group's production and distribution assets, as well as make the routine outflows of tax, dividends and repayment of maturing debt. The Group's policy is to borrow centrally, using a variety of capital market issues and borrowing facilities, to meet anticipated funding requirements. The Group established a debt facility in Singapore during 2016 to assist with Asian funding.

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

Gearing ratio

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

	2016 \$'000	2015 \$'000
Debt ¹	55,446	44,000
Cash and bank balances	(37,653)	(36,931)
Net debt	17,793	7,069
Equity ²	178,263	132,915
Net debt divided by the sum of net debt and shareholders' equity	9.1%	5.1%

1. Debt is defined as long and short-term borrowings, as detailed in note 21.

2. Equity includes all capital and reserves that are managed as capital.

Categories of financial instruments

Financial Assets

Cash and bank balances	37,653	36,931
Loans and receivables	134,636	107,076
Other financial assets	471	391
	172,760	144,398

Financial Liabilities

Derivative instruments in designated hedge accounting relationships	834	424
Loans and payables	215,924	138,908
	216,758	139,332

36.2 FINANCIAL RISK MANAGEMENT OBJECTIVES

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

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

36.3 SIGNIFICANT ACCOUNTING POLICIES

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset and financial liability, are disclosed in note 2.6 to the Consolidated Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

36 FINANCIAL INSTRUMENTS (CONT.)

36.4 FOREIGN CURRENCY RISK MANAGEMENT

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

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

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

	LIABILITIES		ASSETS	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
United States Dollar (USD)	19,363	4,759	3,045	1,158
New Zealand Dollar (NZD)	10,917	7,678	297	19
Euro (EUR)	832	79	-	-
Canadian Dollar (CAD)	690	226	-	-
Swiss Franc (CHF)	93	(13)	-	-
Chinese (CNY)	4	-	57	-
Japanese Yen (JPY)	17	-	-	-
South Korean Won (KRW)	47	-	-	-
Thai Baht (THB)	5	-	12	-
Singapore Dollars (SGD)	2	-	-	-
Malaysian Ringgit (MYR)	7	-	-	-

Foreign currency sensitivity analysis

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

	PROFIT/ (LOSS)			
	10% INCREASE		10% DECREASE	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
USD impact	1,483	327	(1,813)	(400)
NZD impact	965	694	(1,180)	(851)
EUR impact	75	7	(93)	(9)
CAD impact	63	21	(76)	(25)
CHF impact	9	(1)	(10)	1
CNY impact	(5)	-	6	-
JPY impact	2	-	(2)	-
KRW impact	4	-	(5)	-

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

	EQUITY			
	10% INCREASE		10% DECREASE	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
USD impact	(2,499)	-	2,098	-
NZD impact	(24)	(2,273)	73	819

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

Option contracts

The Group did not utilise any option contracts during the year, so there were no open contracts at 30 June 2016 (2015: \$nil).

Forward foreign exchange contracts

The Group utilised forward foreign exchange contracts during the year. At 30 June 2016 there were open contracts of NZD2.0m, USD18.5m and MYR 1.2m (2015: NZD19.4m, USD3.1m and CAD 0.5m). These contracts are a partial hedge for upcoming raw material purchases.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

36 FINANCIAL INSTRUMENTS (CONT.)

36.5 INTEREST RATE RISK MANAGEMENT

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

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

	2016 \$'000	2015 \$'000
Financial Liabilities		
Borrowings	(55,446)	(44,000)
Interest rate swap ¹	20,000	44,000
Net exposure	(35,446)	-

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

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

	AVERAGE CONTRACTED FIXED INTEREST RATE		NOTIONAL PRINCIPAL AMOUNT		FAIR VALUE	
	2016 %	2015 %	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
OUTSTANDING FIXED FOR FLOATING CONTRACTS						
Less than 1 year	5.61	3.28	5,000	39,000	(90)	(173)
1 to 2 years	-	5.61	-	5,000	-	(250)
2 to 5 years	1.89	-	15,000	-	(20)	-
> 5 years	-	-	-	-	-	-
	2.82	3.54	20,000	44,000	(110)	(423)

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

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

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

Interest Rate Sensitivity Analysis

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

For the year ended 30 June 2016, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's net profit would decrease by \$273 thousand (2015: \$342 thousand) or increase by \$273 thousand (2015: \$342 thousand) respectively as a result of changes in the interest rates applicable to commercial bank bills.

For the year ended 30 June 2016, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's other equity reserves would increase by \$154 thousand or decrease by \$166 thousand respectively (2015: increase by \$92 thousand or decrease by \$132 thousand respectively) mainly as a result of the changes in the fair value of the interest rate swap.

There has been no change to the manner in which the Group manages and measures the risk from the previous year.

Interest Rate Swap Contracts

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

The Group entered into \$15m in new interest rate swaps during the 2016 financial year, and \$39m matured during the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

36 FINANCIAL INSTRUMENTS (CONT.)

36.6 CREDIT RISK MANAGEMENT

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

Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance.

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

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

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

36.7 LIQUIDITY RISK MANAGEMENT

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

Liquidity and Interest Risk

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

	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE %	<1 MONTH \$'000	1-3 MONTHS \$'000	3 MONTHS TO 1 YEAR \$'000	1-5 YEARS \$'000	5 YEARS \$'000	TOTAL \$'000
2016							
Trade and other payables	0.00	-	160,478	-	-	-	160,478
Borrowings	2.82	-	-	-	55,446	-	55,446
		-	160,478	-	55,446	-	215,924
2015							
Trade and other payables	0.00	-	94,908	-	-	-	94,908
Borrowings	3.54	-	-	-	44,000	-	44,000
		-	94,908	-	44,000	-	138,908

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

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative 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
2016						
Net settled:						
Interest rate swaps	(84)	-	(74)	40	-	(118)
	(84)	-	(74)	40	-	(118)
2015						
Net settled:						
Interest rate swaps	(89)	-	(257)	(84)	-	(430)
	(89)	-	(257)	(84)	-	(430)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

36 FINANCIAL INSTRUMENTS (CONT.)

36.8 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Valuation techniques and assumptions applied for the purpose of measuring fair value

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

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

Fair value measurements recognised in the consolidated statement of financial position

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

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

2016	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	-	-	471	471
Asset-backed securities reclassified from fair value through profit or loss	-	-	-	-
Total	-	-	471	471
Financial Liabilities at FVTPL				
Derivative financial Liabilities	-	110	-	110
Total	-	110	-	110
2015	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	-	-	391	391
Asset-backed securities reclassified from fair value through profit or loss	-	-	-	-
Total	-	-	391	391
Financial liabilities at FVTPL				
Derivative financial liabilities	-	423	-	423
Total	-	423	-	423

There were no transfers between Levels 1 and 2.

Derivatives

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

37 ASSETS PLEDGED AS SECURITY

In accordance with the security arrangements of liabilities, as disclosed in note 21 to the Consolidated Financial Statements, all assets of the Parent Entity have been pledged as security. The holder of the security does not have the right to sell or repledge the assets.

38 BUSINESS COMBINATIONS

38.1 SUBSIDIARIES ACQUIRED

On 10 May 2016 Blackmores Limited acquired 100% of Global Therapeutics Pty Limited and 100% of New Century Herbals Pty Limited.

38.2 CONSIDERATION TRANSFERRED

	2016 \$'000
Cash	22,880
Total	22,880

38.3 ASSETS ACQUIRED AND LIABILITIES ASSUMED AT THE DATE OF ACQUISITION

10 MAY 2016

Current assets	
Cash and cash equivalents	219
Trade and other receivables	3,349
Inventories	3,976
Other assets	262
Non-current assets	
Deferred tax assets	187
Plant and equipment	209
Intangible assets	14,460
Current liabilities	
Trade and other payables	(2,642)
Tax liabilities	(12)
Provisions	(297)
	19,711

38.4 GOODWILL ARISING ON ACQUISITION

Consideration transferred	22,880
Less: fair value of identifiable net assets acquired	(19,711)
Goodwill arising on acquisition	3,169

38.5 NET CASH OUTFLOW ON ACQUISITION OF SUBSIDIARIES

Consideration paid in cash	22,880
Less: cash and cash equivalent balances acquired	(219)
	22,661

38.6 IMPACT OF ACQUISITION ON THE RESULTS OF THE GROUP

Included in profit for the year is \$300 thousand attributable to the additional business generated by Global Therapeutics Limited. Revenue for the year includes \$3,100 thousand.

Had this business combination been effected on 1 July 2015, the revenue of the Group from continuing operations would have been \$20,627 thousand and the profit for the year from continuing operations would have been \$1,781 thousand. The directors of the Group consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

In determining the 'pro-forma' revenue and profit of the Group had Global Therapeutics been acquired at the beginning of the current year, the directors have calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

2015

No subsidiaries were acquired during the financial year ended 30 June 2015.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

39 PARENT ENTITY INFORMATION

The accounting policies of the Parent Entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated Financial Statements. Refer to note 2 for a summary of the significant accounting policies relating to the Group.

	2016 \$'000	2015 \$'000
Financial position		
Assets		
Current assets	207,705	127,561
Non-current assets	154,191	114,822
Total assets	361,896	242,383
Liabilities		
Current liabilities	160,735	138,209
Non-current liabilities	61,096	1,041
Total liabilities	221,831	139,250
Equity		
Issued capital	37,753	37,753
Retained earnings	98,808	59,493
Reserves	3,504	5,887
Total equity	140,065	103,133
Financial performance		
Profit for the year	91,164	57,313
Other comprehensive income	537	(400)
Total comprehensive income	91,701	56,913

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

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

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

Contingent liabilities

The Directors do not believe there are any contingent liabilities as at 30 June 2016 (2015: \$nil).

Commitments for the acquisition of property, plant and equipment by the parent entity

Plant and equipment		
Not longer than 1 year	3,906	9,800
	3,906	9,800

40 EVENTS AFTER THE REPORTING PERIOD

Final dividend

The Directors declared a fully franked final dividend of 210 cents per share on 24 August 2016 as described in note 28.

41 APPROVAL OF FINANCIAL STATEMENTS

The Consolidated Financial Statements were approved by the Board of Directors and authorised for issue on 24 August 2016.

ADDITIONAL INFORMATION

NUMBERS OF HOLDERS OF EQUITY SECURITIES AS AT 20 JULY 2016

ORDINARY SHARE CAPITAL

17,225,807 fully paid ordinary shares are held by 13,694 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	12,096
1,001 - 5,000	1,391
5,001 - 10,000	108
10,001 - 100,000	81
100,001 and over	18
Total	13,694
Holdings less than a marketable parcel	167

SUBSTANTIAL SHAREHOLDERS

FULLY PAID ORDINARY SHAREHOLDERS	NUMBER	PERCENTAGE
Marcus C Blackmore	4,219,835	24.50

TWENTY LARGEST HOLDERS OF QUOTED EQUITY SECURITIES AS AT 20 JULY 2016

FULLY PAID SHAREHOLDERS	NUMBER	ORDINARY PERCENTAGE
Mr M C Blackmore	3,316,401	19.25
Citicorp Nominees Pty Limited	1,050,235	6.10
HSBC Custody Nominees (Australia) Limited	774,556	4.50
JP Morgan Nominees Australia Limited	650,858	3.78
Dietary Products Aust Pty Limited	601,270	3.49
National Nominees Limited	490,418	2.85
Milton Corporation Limited	367,014	2.13
RBC Investor Services Australia Nominees P/L	295,177	1.71
Blackmore Foundation Pty Limited	278,200	1.62
BNP Paribas Nominees Pty Limited	260,847	1.51
HSBC Custody Nominees (Australia) A/C 3	254,923	1.48
AMP Life Limited	217,288	1.26
Pan Australian Nominees Pty Limited	192,830	1.12
Mrs E M Whellan	191,934	1.11
Ms J A Tait	118,813	0.69
Citicorp Nominees Pty Limited (Colonial First State Inv A/c)	117,201	0.68
Mr R Shepherd	115,000	0.67
Rathvale Pty Limited	103,205	0.60
Blackmore Superannuation Fund	99,230	0.58
Mrs P G Wright	93,462	0.54
Total	9,588,862	55.67

COMPANY INFORMATION

Company Secretary

The Company Secretaries are Cecile Cooper and Aaron Canning.

Principal Place of Business

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

Registered Office

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

Share Registry

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

Securities Exchange Listing

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

Direct Payment to Shareholders' Bank Accounts

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

Change of Address

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

Tax File Number

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

Shareholder Discount Plan

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

Corporate Governance Principles

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

Annual Report Mailing

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

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

To Consolidate Shareholdings

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

Investor Information

Securities analysts and institutional investors seeking information about the Company should contact Aaron Canning, 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:

David Ansell
John Armstrong
Stephen Chapman
Helen Nash
Brent Wallace

Auditor

Deloitte Touche Tohmatsu

Solicitor

David Lemon

Blackmores Online

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

NOTES



The background of the advertisement is a photograph of several olive trees in a field. The trees have dark trunks and dense green foliage. Sunlight filters through the leaves, creating a bokeh effect of bright, out-of-focus circles. In the lower-left corner, there is a large, semi-circular graphic element composed of overlapping teal and green shades. The Blackmores logo is positioned on the teal part of this graphic.

BLACKMORES®

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

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

blackmores.com.au