

A photograph of two women in a bright, indoor setting. The woman on the right is smiling and holding a box of Blackmores Sleep Sound Formula and another smaller box. The woman on the left is seen from the back, wearing a purple top. The background is a bright window.

BLACKMORES LIMITED

FINANCIAL REPORT

for the Half-Year Ended 31 December 2010

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THE BEST OF HEALTH

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AUSTRALIA'S LEADING NATURAL HEALTH BRAND

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DIRECTORS' REPORT

The Directors of Blackmores Limited submit herewith the Financial Report of Blackmores Limited and its subsidiaries (the Group) for the half-year ended 31 December 2010. In order to comply with the provisions of the Corporations Act 2001, the Directors' Report is as follows:

The names of the Directors of the Company during and since the end of the half-year are:

Marcus C. Blackmore
Stephen J. Chapman
Verilyn C. Fitzgerald
Christine W. Holgate
Robert L. Stovold
Naseema Sparks
Brent W. Wallace

REVIEW OF OPERATIONS

The Directors report that sales for the six months to 31 December 2010 were \$116,737,000 (2009: \$108,822,000), an increase of 7.3%. The Group profit after tax for the half-year was \$14,242,000 (2009: \$12,797,000) an increase of 11.3% on last year. These results have been reviewed by our auditor.

INTERIM DIVIDEND

The Board has declared an interim dividend of 44 cents per share fully franked (2009: 42 cents fully franked), to be paid to shareholders registered at 5.00 pm on 8 March 2011 and to be paid on 22 March 2011.

DIVIDEND REINVESTMENT PLAN

The Dividend Reinvestment Plan was suspended during the reporting period and as such, a total of nil shares (2009: 95,014) to the value of \$nil (2009: \$1,683,000) were issued to shareholders under the Dividend Reinvestment Plan (DRP) relating to the final dividend declared for the previous financial year. The discount applied to these shares in the prior year was 7.5%.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 4 of the half-year Financial Report.

ROUNDING OFF AMOUNTS

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

Signed in accordance with a resolution of Directors made pursuant to s.306 (3) of the Corporations Act 2001.

On Behalf of the Directors



Marcus C. Blackmore AM
Chairman

Sydney, 22 February 2011

DECLARATION OF INDEPENDENCE



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

22 February 2011

Dear Board Members

Auditor's Independence Declaration to 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 review of the financial statements of Blackmores Limited for the half year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

DELOITTE TOUCHE TOHMATSU

P G Forrester
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

INDEPENDENT AUDITOR'S REVIEW REPORT



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Independent Auditor's Review Report to the members of Blackmores Limited

We have reviewed the accompanying half-year financial report of Blackmores Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2010, and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and the Directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 7 to 21.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Blackmores Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Member of Deloitte Touche Tohmatsu Limited

INDEPENDENT AUDITOR'S REVIEW REPORT (CONTINUED)

Deloitte.

Auditor's Independence Declaration

In conducting our review, 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.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Blackmores Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



P G Forrester
Partner
Chartered Accountants
Parramatta, 22 February 2011

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; and
- (b) 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.

Signed in accordance with a resolution of the Directors made pursuant to Section 303(5) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink, reading "Marcus C. Blackmore", with a horizontal line underneath it.

MARCUS C. BLACKMORE AM
Chairman
Sydney, 22 February 2011

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	NOTE	CONSOLIDATED	
		HALF-YEAR ENDED 31 DECEMBER 2010 \$000	HALF-YEAR ENDED 31 DECEMBER 2009 \$000
Sales	4	116,737	108,822
Royalties		448	444
Other income		1,116	576
Revenue and other income		118,301	109,842
Promotional and other rebates		11,787	9,690
Changes in inventories of finished goods and work in progress		(4,012)	3,174
Raw materials and consumables used		40,146	33,593
Employee benefits expense		27,007	23,968
Depreciation and amortisation expense		2,254	1,998
Selling and marketing expenses		9,788	8,982
Operating lease rental expenses		659	472
Professional and consulting expenses		1,557	897
Repairs and maintenance expenses		1,155	894
Freight expenses		1,477	1,608
Bank charges		570	448
Other expenses		4,307	4,510
Total expenses		96,695	90,234
Earnings before interest and tax		21,606	19,608
Interest revenue		109	112
Interest expense		(1,238)	(1,205)
Net interest expense		(1,129)	(1,093)
Profit before tax		20,477	18,515
Income tax expense		(6,235)	(5,718)
Profit for the period	4	14,242	12,797
EARNINGS PER SHARE FOR THE HALF-YEAR			
Basic earnings per share (cents)		85.2	77.6
Diluted earnings per share (cents)		85.2	77.6

Notes to the condensed consolidated financial statements are included on pages 13 to 21.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	CONSOLIDATED	
	HALF-YEAR ENDED 31 DECEMBER 2010 \$000	HALF-YEAR ENDED 31 DECEMBER 2009 \$000
Profit for the period	14,242	12,797
Other comprehensive income		
Gain recognised on cash flow hedges	188	547
Foreign currency translation of controlled entities	(1,449)	(795)
Income tax relating to components of other comprehensive income	(57)	(164)
Other comprehensive income for the period (net of tax)	(1,318)	(412)
Total comprehensive income for the period	12,924	12,385

Notes to the condensed consolidated financial statements are included on pages 13 to 21.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

	CONSOLIDATED	
	AS AT 31 DECEMBER 2010	AS AT 30 JUNE 2010
	\$000	\$000
CURRENT ASSETS		
Cash and cash equivalents	12,625	21,507
Receivables	39,603	36,494
Other financial assets	133	-
Inventories	20,337	22,555
Other	1,610	2,429
Total current assets	74,308	82,985
NON-CURRENT ASSETS		
Property, plant and equipment	65,350	66,218
Investment property	2,160	2,160
Intangible assets	1,752	646
Goodwill	657	-
Deferred tax assets	2,269	2,326
Other	23	14
Total non-current assets	72,211	71,364
Total assets	146,519	154,349
CURRENT LIABILITIES		
Trade and other payables	22,851	26,575
Current tax liabilities	3,430	3,992
Other financial liabilities	198	660
Provisions	3,735	3,230
Total current liabilities	30,214	34,457
NON-CURRENT LIABILITIES		
Borrowings	42,000	47,356
Deferred tax liabilities	5	5
Provisions	818	741
Total non-current liabilities	42,823	48,102
Total liabilities	73,037	82,559
Net assets	73,482	71,790
EQUITY		
Issued capital	25,348	25,348
Reserves	1,660	2,470
Retained earnings	46,474	43,972
Total equity	73,482	71,790

Notes to the condensed consolidated financial statements are included on pages 13 to 21.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	ISSUED CAPITAL	EQUITY SETTLED EMPLOYEE BENEFITS RESERVE	HEDGE RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	RETAINED EARNINGS	TOTAL EQUITY
	\$000	\$000	\$000	\$000	\$000	\$000
Balance as at 1 July 2009	21,680	2,786	(676)	(1,234)	36,007	58,563
Dividend declared	-	-	-	-	(9,370)	(9,370)
Profit for the half-year	-	-	-	-	12,797	12,797
Other comprehensive income for the half-year	-	-	383	(795)	-	(412)
Total comprehensive income for the half-year	-	-	383	(795)	12,797	12,385
Issue of shares under Dividend Reinvestment Plan	1,683	-	-	-	-	1,683
Recognition of share-based payments	-	664	-	-	-	664
Balance as at 31 December 2009	23,363	3,450	(293)	(2,029)	39,434	63,925
Balance as at 1 July 2010	25,348	3,666	(303)	(893)	43,972	71,790
Dividend declared	-	-	-	-	(11,740)	(11,740)
Profit for the half-year	-	-	-	-	14,242	14,242
Other comprehensive income for the half-year	-	-	131	(1,449)	-	(1,318)
Total comprehensive income for the half-year	-	-	131	(1,449)	14,242	12,924
Recognition of share-based payments	-	508	-	-	-	508
Balance as at 31 December 2010	25,348	4,174	(172)	(2,342)	46,474	73,482

Notes to the condensed consolidated financial statements are included on pages 13 to 21.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	NOTE	CONSOLIDATED	
		HALF-YEAR ENDED 31 DECEMBER 2010 \$000	HALF-YEAR ENDED 31 DECEMBER 2009 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		124,759	120,361
Payments to suppliers and employees		(104,482)	(105,076)
Cash generated from operations		20,277	15,285
Interest and other costs of finance paid		(1,238)	(1,205)
Income taxes paid		(6,796)	(4,987)
Net cash provided by operating activities	5	12,243	9,093
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		109	112
Payment for acquisition of subsidiary, net of cash acquired	6	(1,968)	-
Payment for property, plant and equipment		(1,275)	(1,608)
Net cash used in investing activities		(3,134)	(1,496)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(5,356)	-
Dividends paid ¹	3	(11,740)	(7,687)
Other		(75)	-
Net cash used in financing activities		(17,171)	(7,687)
Net decrease in cash and cash equivalents held		(8,062)	(90)
Cash and cash equivalents at the beginning of the period		21,507	13,716
Effect of exchange rate changes on the balance of cash held in foreign currencies		(820)	(371)
Cash and cash equivalents at the end of the period		12,625	13,255

Notes to the condensed consolidated financial statements are included on pages 13 to 21.

¹ Dividends declared totalled \$11,740,000 (2009: \$9,370,000) of which \$nil (2009: \$1,683,000) relates to shares issued under the Dividend Reinvestment Plan. The balance of \$11,740,000 (2009: \$7,687,000) was paid as cash to members.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

1. GENERAL INFORMATION

Blackmores Limited (the Company) is a public company listed on the Australian Securities Exchange (trading under the symbol 'BKL'), incorporated in Australia and operating in Australia, Asia and New Zealand.

Blackmores Limited's registered office and its principal place of business are as follows:

20 Jubilee Avenue
Warriewood NSW 2102
Telephone +612 9910 5000

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

2. SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Blackmores Limited (Blackmores) is a company domiciled in Australia. The Consolidated Interim Financial Report (Financial Report) of Blackmores as at and for the six months ended 31 December 2010 comprises Blackmores and its subsidiaries (Blackmores Group).

The consolidated annual financial report of the Blackmores Group as at and for the year ended 30 June 2010 is available upon request from the registered office of Blackmores at 20 Jubilee Avenue, Warriewood, NSW 2102 or online at www.blackmores.com.au.

Statement of Compliance and AASB 134 Interim Financial Reporting

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 "Interim Financial Reporting". Compliance with AASB 134 "Interim Financial Reporting" ensures compliance with the International Financial Reporting Standard IAS 34 Interim Financial Reporting.

The half-year financial report does not include all of the information included in an annual financial report and shall be read in conjunction with the most recent annual financial report as at and for the year ended 30 June 2010.

Basis of Preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian Dollars, unless otherwise noted.

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

The accounting policies and methods of computation applied by the Blackmores Group in this Financial Report are the same as those applied by the Blackmores Group in the consolidated Financial Report as at and for the year ended 30 June 2010, except as described below.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comparatives

Various comparative balances have been reclassified to align with current year presentation. These amendments have no material impact on the Financial Report.

Estimates

The preparation of the Financial Report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this Financial Report, the significant judgements made by management in applying the Blackmores Group's accounting policies and the key sources of uncertainty in estimation were the same as those that applied to the Financial Report as at and for the year ended 30 June 2010.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Adoption of new and revised Accounting Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

New and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the Group include:

- Amendments to AASB 5, 8, 101, 107, 117, 118, 136 and 139 as a consequence of AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

AASB 2009-5 introduces amendments into Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of the amendments are largely technical, clarifying particular terms, or eliminating unintended consequences. Other changes are more substantial, such as the current/non-current classification of convertible instruments, the classification of expenditures on unrecognised assets in the statement of cash flows and the classification of leases of land and buildings.

The adoption of these amendments has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

3. DIVIDENDS

	HALF-YEAR ENDED 31 DECEMBER 2010		HALF-YEAR ENDED 31 DECEMBER 2009	
	CENTS PER SHARE	TOTAL \$'000	CENTS PER SHARE	TOTAL \$'000
FULLY PAID ORDINARY SHARES				
<i>Recognised Amounts</i>				
Final dividend paid in respect of prior financial year: Franked to 100%	70	11,740	57	9,370
FULLY PAID ORDINARY SHARES				
<i>Unrecognised Amounts</i>				
Interim dividend: Franked to 100%	44	7,367	42	6,962

The interim dividend for the half-year ended 31 December 2010 has not been recognised because the interim dividend was declared subsequent to 31 December 2010. On the basis that the Directors will continue to declare dividends subsequent to the reporting date, the amounts disclosed as 'recognised' will be the final dividends in respect of the prior financial year.

On 22 February 2011 the Directors declared a fully franked interim dividend of 44 cents (2009: 42 cents) per share to the holders of fully paid ordinary shares in respect of the half-year ended 31 December 2010, to be paid to shareholders on 22 March 2011.

4. SEGMENT INFORMATION

BASIS OF SEGMENTATION

Information reported to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of performance is largely focused on geographical areas. In order to better align our segment reporting with our internal focus, our larger Asian markets - Thailand and Malaysia, are now presented as separate segments with the remainder of the Asian markets aggregated as 'Other Asia'. The Group's reportable segments under AASB 8 are therefore as follows:

- Australia
- Thailand
- Malaysia
- Other Asia
- New Zealand
- Other

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

4. SEGMENT INFORMATION (CONTINUED)

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

SEGMENT REVENUES FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	EXTERNAL SALES		INTER-SEGMENT ¹		OTHER		TOTAL	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Australia	94,219	90,939	7,688	8,704	-	-	101,907	99,643
Thailand	10,050	9,019	-	-	-	-	10,050	9,019
Malaysia	6,690	5,571	-	-	-	-	6,690	5,571
Other Asia ²	3,492	1,534	-	-	-	-	3,492	1,534
New Zealand	1,746	1,730	-	-	441	423	2,187	2,153
Other	540	29	-	-	7	21	547	50
Total of all segments	116,737	108,822	7,688	8,704	448	444	124,873	117,970
Eliminations							(7,688)	(8,704)
Consolidated revenue (excluding interest revenue and other income)							117,185	109,266

Included in external sales of the Australian segment of \$94,219,000 (2009: \$90,939,000) are sales of approximately \$18,990,388 (2009: \$14,361,979) which arose from sales to the Group's largest customer.

¹ Intersegment sales are recorded at cost plus 10%. Pricing is set using a budgeted exchange rate and reviewed at regular intervals.

² Other Asia comprises the markets of Singapore, Korea, Hong Kong and Taiwan.

EXTERNAL SALES TO CUSTOMERS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	TOTAL	
	2010 \$000	2009 \$000
Australia	94,219	90,939
Thailand	10,050	9,019
Malaysia	6,690	5,571
Other Asia	3,492	1,534
New Zealand	4,410	4,234
Other	540	29
Total of all segments	119,401	111,326

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

4. SEGMENT INFORMATION (CONTINUED)

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

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

SEGMENT RESULTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	TOTAL	
	2010 \$000	2009 \$000
Australia	11,471	10,995
Thailand	1,930	1,495
Malaysia	668	512
Other Asia	240	(443)
New Zealand	239	227
Other	(306)	11
Profit for the period	14,242	12,797

SEGMENT ASSETS AS AT 31 DECEMBER 2010

	ASSETS	
	AS AT 31 DECEMBER 2010 \$000	AS AT 30 JUNE 2010 \$000
Australia	131,674	141,170
Thailand	10,114	8,595
Malaysia	6,923	6,722
Other Asia	5,332	4,802
New Zealand	73	71
Other	2,040	14
Total of all segments	156,156	161,374
Eliminations	(9,637)	(7,025)
Consolidated	146,519	154,349

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

5. RECONCILIATION OF PROFIT AFTER TAX TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	CONSOLIDATED	
	HALF-YEAR ENDED 31 DECEMBER 2010 \$000	HALF-YEAR ENDED 31 DECEMBER 2009 \$000
Profit for the period	14,242	12,797
Interest revenue disclosed as investing cash flow	(109)	(112)
Depreciation and amortisation of non-current assets	2,254	1,998
Unrealised foreign exchange (gain)/loss	(361)	87
Share-based payments	508	664
Other	(641)	(373)
(Decrease)/increase in current tax liability	(562)	731
Increase in deferred tax balances	57	164
Decrease in deferred tax balances related to hedge reserve in equity	(57)	(164)
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
• Receivables	(3,036)	1,082
• Inventories	2,396	(2,352)
• Other debtors and prepayments	871	(38)
Increase/(decrease) in liabilities:		
• Payables	(3,889)	(5,534)
• Provisions	570	143
Net cash provided by operating activities	12,243	9,093

6. ACQUISITION OF SUBSIDIARY

ACQUISITION OF PURE ANIMAL WELLBEING PTY LTD

On 2 July 2010, the Group signed an agreement to acquire 100% of the issued capital of Pure Animal Wellbeing Pty Ltd ("PAW") for a purchase price of \$2,000,000 payable in cash. The results of PAW have been consolidated by the Blackmores Group from this date.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

6. ACQUISITION OF SUBSIDIARY (CONTINUED)

	TOTAL 2010 \$000
CONSIDERATION TRANSFERRED	
Cash consideration	2,000
Cash and cash equivalents acquired	(32)
Net cash and cash equivalents transferred	1,968
FAIR VALUE OF ASSETS ACQUIRED AND LIABILITIES ASSUMED AT THE DATE OF ACQUISITION	
Current assets	
Trade receivables	74
Inventory	180
Non-current assets	
Property, plant and equipment	6
Intangible assets	1,230
Current liabilities	
Trade and other creditors	(166)
Provisions	(13)
	1,311
Goodwill arising on acquisition ¹	657
Cash consideration	1,968

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

Note

The initial accounting for the acquisition of PAW has only been provisionally determined at the end of the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

7. BORROWINGS

	CONSOLIDATED	
	AS AT 31 DECEMBER 2010 \$000	AS AT 30 JUNE 2010 \$000
Non-current		
Secured:		
Bank bills at amortised cost ^{1,2}	42,000	47,356
	42,000	47,356

Summary of borrowing arrangements:

¹Secured by registered mortgage debentures and a floating charge over certain assets of the Group.

²In accordance with the security arrangements of liabilities, as disclosed in this note to the Financial Statements, effectively all non-current assets of the Group have been pledged as security, except deferred tax assets.

8. ISSUANCES OF EQUITY SECURITIES

During the half-year ended 31 December 2010, the Company suspended the Dividend Reinvestment Plan (DRP) and as a result issued no shares during the half-year ended 31 December 2010 under its DRP. In the half-year ended 31 December 2009, 95,014 ordinary shares were issued for \$1,683,000 under the DRP.

During the half-year reporting period, the Company issued 66,908 (2009: 69,269) ordinary shares for \$nil consideration (2009: \$nil) under its executive and employee share plans for the year ended 30 June 2010. In the prior year the Company issued 8,840 ordinary shares to employees during the half-year being a bonus of 20 shares to each eligible employee of the Company. There were no other movements in the ordinary share capital or other issued share capital of the Company in the current or prior half-year reporting period.

Under the Company Executive Performance Share Plan, during the half-year, the Company granted entitlements to an allocation of ordinary shares provided specific performance objectives and hurdles are met in relation to the year ended 30 June 2011. If the performance and employment vesting conditions are met, the minimum number of rights that could be vested under the entitlement is 11,383 (2010: 13,278) and the maximum number of rights that could be vested is 64,352 (2010: 73,140). Several grant dates applied to these rights; as a result the following fair values applied to the number of rights listed below.

	GRANT DATE	FAIR VALUE AT GRANT DATE \$
GRANTS IN THE 2011 YEAR	13 September 2010	25.53
	9 December 2010	28.50
GRANTS IN THE 2010 YEAR	9 December 2009	18.67
	30 April 2010	21.53

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

9. CONTINGENT ASSETS/LIABILITIES AND COMMITMENTS

VARIATION CLAIMS BY BUILDING CONTRACTOR

The Company has received variations from the building contractor in respect of the construction of the Company's building at Warriewood. The Directors believe these claims are not justified in their totality and will be addressed in accordance with the contractual arrangements. No liability has been recorded in relation to these variation claims as at 31 December 2010.

There have been no other material changes since the 30 June 2010 Annual Financial Report.

10. SUBSEQUENT EVENTS

Subsequent to balance date, parts of Australia have been subject to a series of natural disasters. The Group is aware that a number of its traditional pharmacy customers have had stores damaged as a result of the floods which occurred after the reporting period. A number of the Group's grocery and banner/chain customers have been similarly impacted at their retail sites in addition to business disruption occurring at their distribution centres. The Group has worked in partnership with such customers to aid their restoration efforts and in some instances has granted extended credit terms. To date the Group has not suffered any material bad debts attributable to flood impact.

There have been no other matters or circumstances occurring subsequent to the end of the period that have significantly, or may significantly affect the operations of the Group, the results of those operations, or the state of the affairs of the group in future financial years.

Half Year Report of Blackmores Limited for the Period ended 31st December 2010

ABN 35 009 713 437

*This Half Year Report is provided to the Australian
Stock Exchange (ASX) under ASX Listing Rule 4.2A.3.*

Details of the Reporting Period and the Previous Corresponding Period

Current Reporting Period: Half Year ended 31 December 2010

Previous Corresponding Period: Half Year ended 31 December 2009

Results for Announcement to the Market

Revenue and Net Profit

		Percentage Change %		Amount \$'000
Revenue	up	7.2%	to	117,185
Profit from ordinary activities after tax attributable to members	up	11.3%	to	14,242
Net profit attributable to members	up	11.3%	to	14,242

Dividends (Distributions)

	Amount per security	Franked amount per security
Interim dividend	44 cents	100%
Record date for determining entitlements to the dividend: Interim dividend		8 March 2011

Brief Explanation of Revenue, Net Profit and Dividends (Distributions)

Please refer to attached press release for an explanation of the results.

Net Tangible Assets Per Security	Current Period	Previous Corresponding Period
Net Tangible Assets Per Security	\$ 4.11	\$ 4.13

Details relating to Dividends (Distributions)

	Date dividend payable	Amount per security cents	Amount per security of foreign conduit income cents
Interim Dividend:			
Current Year	22 March 2011	44	-
Previous Year	25 March 2010	42	-

Interim dividend (distribution) on all securities

	Current Period \$'000	Previous corresponding period \$'000
Ordinary securities (each class separately)	7,367	6,962
Preference securities (each class separately)	-	-
Other equity instruments (each class separately)	-	-
Total	7,367	6,962

Any other disclosures in relation to dividends (distributions).

The interim dividend was declared subsequent to December 2010 and has not been recognised in this report.

Details relating to Dividends (Distributions) (continued)

Dividend Reinvestment Plans

The dividend or distribution plans shown below are in operation

n/a

The last date(s) for receipt of election notices for the dividend or distribution plans

n/a

Details of Entities Over Which Control Has Been Gained or Lost

Control gained over entities

Name of entity (or group of entities)

Pure Animal Wellbeing Pty Limited

Date control gained

2 July 2010

Contribution of the controlled entity (or group of entities) to profit/(loss) from ordinary activities during the period, from the date of gaining control

Current Period
\$'000

nil

Previous Corresponding
Period
\$'000

Net profit/(loss) of the controlled entity (or group of entities) for the whole of the previous corresponding period.

n/a

Details of Entities Over Which Control Has Been Gained or Lost (continued)

Loss of control of entities

Name of entity (or group of entities)

n/a

Date control lost

n/a

Contribution of the controlled entity (or group of entities) to profit/(loss) from ordinary activities during the period, to the date of losing control

**Current Period
\$'000**

n/a

Contribution of the controlled entity (or group of entities) to profit/(loss) from ordinary activities for the whole of the previous corresponding period.

**Previous Corresponding Period
\$'000**

n/a

Details of Associates and Joint Venture Entities

Name of Entity	Ownership Interest		Contribution to net profit	
	Current Period %	Previous Corresponding Period %	Current Period \$'000	Previous Corresponding Period \$'000
Associates	-	-	-	-
Joint Venture/Entities	-	-	-	-
Aggregate Share of Profits/(Losses)	-	-	-	-

Information on Audit or Review

This interim report is based on accounts to which one of the following applies.

- | | | | |
|--------------------------|--|-------------------------------------|--|
| <input type="checkbox"/> | The accounts have been audited | <input checked="" type="checkbox"/> | The accounts have been subject to review |
| <input type="checkbox"/> | The accounts are in the process of being audited or subject to | <input type="checkbox"/> | The accounts have not yet been audited or reviewed |

Description of likely dispute or qualification if the accounts have not yet been audited or subject to review or are in the process of being audited or subjected to review

N/A

Description of dispute or qualification if the accounts have been audited or subjected to review.

N/A