

BLACKMORES®

# FINANCIAL REPORT

FOR THE HALF-YEAR ENDED  
31 DECEMBER 2015

# CONTENTS

- 1 [Directors' Report](#)
- 3 [Auditor's Independence Declaration](#)
- 4 [Independent Auditor's Review Report](#)
- 6 [Directors' Declaration](#)
- 7 [Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income](#)
- 8 [Condensed Consolidated Statement of Financial Position](#)
- 9 [Condensed Consolidated Statement of Changes in Equity](#)
- 10 [Condensed Consolidated Statement of Cash Flows](#)
- 11 [Notes to the Condensed Consolidated Financial Statements](#)

Cover image: Leah Boonthanom, Blackmores Corporate Communications Executive, at the Blackmores Campus.

# DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

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 2015. 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 Blackmore  
David Ansell  
John Armstrong  
Stephen Chapman  
Christine Holgate  
Helen Nash  
Brent Wallace

## REVIEW OF OPERATIONS AND FINANCIAL RESULTS

The Directors report that sales for the six months to 31 December 2015 were \$341.4 million (2014: \$206.4 million), an increase of 65%. The Group profit after tax for the half-year was \$48.3 million (2014: \$18.6 million), an increase of 160% on last year. These results have been reviewed by our auditor.

The strong results were due to continued sales growth across all segments, operational leverage and progressing the delivery of our four strategic priorities:

- **Consumer Centricity** - Support our important Australian business and improve our connectivity to customers by expanding our digital presence
- **Asia Growth** - Increase investment across the region and within key markets to deliver sustainable long term growth for the Group
- **Product Leadership** - Leverage the knowledge within the Blackmores Institute and BioCeuticals to drive product leadership and innovation and be recognised as the 'Authoritative Voice in Natural Health'
- **Operational Effectiveness** - Improve our operational effectiveness and leverage our size into scale in everything we do

Blackmores Australia sales for the period were \$237.6 million (2014: \$137.3 million), a 73% increase compared to the prior corresponding period with earnings before interest and tax (EBIT) of \$63.6 million. Sales to retailers in Australia have been bolstered by Chinese tourists and entrepreneurs, as well as from continued innovation and marketing activity. This included the launch of a Superfood range, the opening of a flagship store, education programs and digital marketing.

In Australia, our performance reflects strong relationships with our retail partners and our focus on deepening our consumer connectivity. Our recent initiative to engage our own in-store product advisors in retail channels will provide a strong platform to enhance

our understanding of our consumers and provide an opportunity for customers to seek evidence based information and personal consultations.

The Blackmores China business, in both our wholly foreign-owned enterprise (WFOE) and the free-trade zones, continues to grow in importance, with sales to Chinese consumers, both direct and through Australian retailers, estimated to represent 40% of Group revenues. Excluding these China sales, both the Group and our core Australian business are still in double digit growth.

By combining the contribution of the estimated indirect sales with our Asia-based revenues through Blackmores' established businesses in Thailand, Malaysia, Hong Kong, Singapore, Korea and Taiwan, the Asia region contributes approximately half of total Group sales. This highlights the growing importance of Asia to the Group and continued focus on delivering against our Asia growth strategy.

Blackmores Asia direct in-market sales were \$60.9 million, a 73% increase compared to the prior corresponding period. EBIT from the region was \$5.8 million, more than three times the prior corresponding period, highlighting the increasing profitability of the Asian business. The strength of the brand and proven demand for our products was reflected in sales growth in all of our markets in Asia.

Blackmores Institute has supported the expansion of Blackmores in Asia given the importance of education and knowledge underpinning the presence of our product range in new markets and the need to educate health care professionals. This was furthered in the period with a partnership agreement with Rangsit University in Bangkok to expand their pharmacy education program.

BioCeuticals sales were \$33.2 million (2014: \$26.7 million) an increase of 24%, with EBIT of \$5.0 million. New product launches resulted in a high level of practitioner support and demonstrated the benefits of our strategic focus on high quality, evidence-based products, education and research and commitment to remain a practitioner-only brand.

Blackmores New Zealand and Pure Animal Wellbeing also continued to demonstrate improved sales and earnings performances.

Total Group expenses grew 53%, to \$272.9 million, predominantly reflecting the increase of raw materials and freight needed to support the strong growth.

The Group's EBIT result was \$69.1 million (2014: \$28.2 million), an increase of 145%. There was a significant improvement in EBIT / sales margin reflecting a continued focus on management of expenses while supporting growth initiatives.

Meeting the needs of our consumers and the growing demand for our products has been our most important challenge particularly given our commitment to uphold unrivalled quality standards. As well as working closely with our growers and ingredient suppliers, we

# DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

have invested in additional plant and equipment to increase capacity. Combined with the addition of a third production and distribution shift, this has resulted in record productivity for the Group.

In October 2015, Blackmores announced an equal share partnership with Bega Cheese Limited (ASX: BGA) to develop and manufacture a range of nutritional foods, including high quality infant formula, through Bega's subsidiary Tatura.

Blackmores and Bega are iconic Australian brands and share a long history of producing quality products. Together we have highly complementary experience, Blackmores in health and nutrition and Bega in dairy manufacturing. This experience is matched by a strong alignment on sustainable sourcing and ingredient traceability as well as shared corporate values.

The partnership brings together the experience of each organisation to develop and produce a range of nutritional foods based on an understanding of our consumers in Australia and Asia. Bega will be the exclusive supplier of the Blackmores and Tatura formulations, the first of which were made available early in 2016 calendar year.

During the half-year to 31 December 2015 the Group entered into a long-term joint venture with Kalbe Farma to facilitate entry into the Indonesian market. This joint venture is called Kalbe Blackmores Nutrition and is consolidated into the Group's results. There have been no significant transactions during the period.

In the reporting period, Blackmores was proudly the recipient of several high profile awards including the NSW Exporter of the Year (Health and BioTech), Australian Exporter of the Year (Health and BioTech) and Australian Growth Company of the Year. Christine Holgate was recognised as one of the Australian Financial Review's top 100 most influential women, received Sparke Helmore's Women in Leadership Award and was awarded CEO Magazine's CEO of the Year.

## FINANCIAL POSITION OF THE GROUP

The Blackmores balance sheet is in a healthy position with a cash conversion rate of 112%, working capital at \$46 million and operating cash flow at \$60 million compared to \$29 million in the prior corresponding period. Net debt was cash positive at \$23 million with net interest cover at 50 times, compared to 21 times in the prior corresponding period.

Blackmores' strong performance in Asia offset the potential impact of the weaker Australian dollar in purchasing raw materials, supporting a \$0.5million net benefit on foreign exchange.

## SUBSEQUENT EVENTS

The agreements necessary to bring into effect the equal share partnership between Blackmores Limited and Bega Cheese Limited to develop and manufacture a range of nutritional foods, including high quality infant formula, through Bega's subsidiary Tatura, were signed subsequent to 31 December 2015.

The Group signed a new multi-currency facility with Standard Chartered Bank Singapore under the existing common terms deed arrangement on 22 February 2016.

## DIVIDENDS

The Board has declared an interim dividend of 200 cents fully franked, which is an increase of 194% compared to the prior corresponding period. The record date is 10 March 2016 and the dividend is payable on 24 March 2016.

We are pleased to be able to give our shareholders a 159% increase in earnings per share and a first half dividend of 200 cents, almost treble last year's first half dividend.

## AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 3 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

Dated in Sydney, 25 February 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

25 February 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 review of the financial statements of Blackmores Limited for the half-year ended 31 December 2015, 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
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU



Sarah Avis  
Partner  
Chartered Accountants



Deloitte Touche Tohmatsu  
ABN 74 490 121 060

Grosvenor Place  
225 George Street  
Sydney NSW 2000  
PO Box N250 Grosvenor Place  
Sydney NSW 1217 Australia

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

## 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 2015, the condensed consolidated statement of profit or loss and other 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 15.

### *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 gives a true and fair view and 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 2015 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.

## *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 review 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 2015 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*  
DELOITTE TOUCHE TOHMATSU



Sarah Avis  
Partner  
Chartered Accountants  
Sydney, 25 February 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; 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



**Marcus C. Blackmore AM**  
Chairman

Sydney, 25 February 2016



# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	NOTES	31 December 2015 \$'000	31 December 2014 \$'000
Sales	4	341,433	206,361
Other income		567	369
<b>Revenue and other income</b>		<b>342,000</b>	<b>206,730</b>
Promotional and other rebates		58,038	37,264
Raw materials and consumables used		102,123	63,388
Employee benefits expenses		63,229	44,856
Selling and marketing expenses		23,581	13,971
Depreciation and amortisation expenses		3,471	3,081
Operating lease rental expenses		2,069	1,652
Professional and consulting expenses		3,583	3,718
Repairs and maintenance expenses		1,804	1,441
Freight expenses		5,158	2,925
Bank charges		1,077	550
Other expenses		8,784	5,676
<b>Total expenses</b>		<b>272,917</b>	<b>178,522</b>
<b>Earnings before interest and tax</b>	4	<b>69,083</b>	<b>28,208</b>
Interest revenue		182	212
Interest expense		(979)	(2,410)
<b>Net interest expense</b>		<b>(797)</b>	<b>(2,198)</b>
<b>Profit before tax</b>		<b>68,286</b>	<b>26,010</b>
Income tax expense		(19,982)	(7,395)
<b>Profit for the period</b>		<b>48,304</b>	<b>18,615</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Exchange differences arising on translation of foreign controlled entities		(1,082)	3,717
Net gain on hedging instruments entered into for cash flow hedges		746	166
Income tax relating to components of other comprehensive income		(224)	(50)
Other comprehensive income for the period, net of tax		(560)	3,833
<b>Total comprehensive income for the period</b>		<b>47,744</b>	<b>22,448</b>
<b>Profit attributable to:</b>			
Owners of the parent		48,300	18,615
Non-controlling interests		4	-
		<b>48,304</b>	<b>18,615</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		47,791	22,448
Non-controlling interests		(47)	-
		<b>47,744</b>	<b>22,448</b>
<b>EARNINGS PER SHARE</b>			
- Basic earnings per share (cents)		280.4	108.4
- Diluted earnings per share (cents)		278.2	107.9

Notes to the Condensed Consolidated Financial Statements are included on pages 11 to 15.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	NOTES	31 December 2015 \$'000	30 June 2015 \$'000
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		42,861	36,931
Receivables		114,980	107,076
Inventories		57,039	38,665
Other assets		3,475	5,172
<b>Total current assets</b>		<b>218,355</b>	<b>187,844</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		65,124	60,735
Investment property		2,160	2,160
Other intangible assets		18,340	18,530
Goodwill		16,863	16,863
Deferred tax assets		5,847	6,713
Other financial assets		581	562
<b>Total non-current assets</b>		<b>108,915</b>	<b>105,563</b>
<b>Total assets</b>		<b>327,270</b>	<b>293,407</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables		125,789	94,908
Current tax liabilities		11,105	12,862
Provisions		6,979	6,284
Other financial liabilities		7	944
<b>Total current liabilities</b>		<b>143,880</b>	<b>114,998</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing liabilities	6	20,000	44,000
Provisions		784	730
Other financial liabilities		1,052	202
Other liabilities		108	562
<b>Total non-current liabilities</b>		<b>21,944</b>	<b>45,494</b>
<b>Total liabilities</b>		<b>165,824</b>	<b>160,492</b>
<b>Net assets</b>		<b>161,446</b>	<b>132,915</b>
<b>EQUITY</b>			
Issued capital		37,753	37,753
Reserves		9,294	8,063
Retained earnings		112,145	87,099
<b>Equity attributable to shareholders of Blackmores Ltd</b>		<b>159,192</b>	<b>132,915</b>
Attributable to non-controlling interests		2,254	-
<b>Total equity</b>		<b>161,446</b>	<b>132,915</b>

Notes to the Condensed Consolidated Financial Statements are included on pages 11 to 15.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Issued Capital	Equity Settled Employee Benefits Reserve	Cash Flow Hedging Reserve	Foreign Currency Translation Reserve	Retained Earnings	Equity Attributable to owners of Blackmores Ltd	Non- controlling interests	Total equity
	\$'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	-	-	-	-	(14,205)	(14,205)	-	(14,205)
Profit for the period	-	-	-	-	18,615	18,615	-	18,615
Other comprehensive income for the period, net of tax	-	-	116	3,717	-	3,833	-	3,833
<b>Total comprehensive income for the period</b>	-	-	116	3,717	18,615	22,448	-	22,448
Issue of shares under Dividend Reinvestment Plan	3,251	-	-	-	-	3,251	-	3,251
Recognition of share-based payments	-	521	-	-	-	521	-	521
<b>Balance as at 31 December 2014</b>	<b>37,753</b>	<b>6,376</b>	<b>(397)</b>	<b>1,602</b>	<b>70,907</b>	<b>116,241</b>	<b>-</b>	<b>116,241</b>
Balance as at 1 July 2015	37,753	6,933	(913)	2,043	87,099	132,915	-	132,915
Dividends declared	-	-	-	-	(23,254)	(23,254)	-	(23,254)
Profit for the period	-	-	-	-	48,300	48,300	4	48,304
Other comprehensive income for the period, net of tax	-	-	522	(1,031)	-	(509)	(51)	(560)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>522</b>	<b>(1,031)</b>	<b>48,300</b>	<b>47,791</b>	<b>(47)</b>	<b>47,744</b>
Recognition of share-based payments	-	1,740	-	-	-	1,740	-	1,740
Equity issued to holders of non-controlling interests	-	-	-	-	-	-	2,301	2,301
<b>Balance as at 31 December 2015</b>	<b>37,753</b>	<b>8,673</b>	<b>(391)</b>	<b>1,012</b>	<b>112,145</b>	<b>159,192</b>	<b>2,254</b>	<b>161,446</b>

Notes to the Condensed Consolidated Financial Statements are included on pages 11 to 15.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	NOTES	31 December 2015 \$'000	31 December 2014 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		366,938	217,043
Payments to suppliers and employees		(285,497)	(179,986)
Cash generated from operations		81,441	37,057
Interest and other costs of finance paid		(979)	(2,410)
Income taxes paid		(20,508)	(5,855)
<b>Net cash flows from operating activities</b>	5	<b>59,954</b>	<b>28,792</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		182	212
Payments for property, plant and equipment and other intangible assets		(8,046)	(1,780)
Proceeds from disposal of property, plant and equipment		22	89
Dividends received		25	-
<b>Net cash used in investing activities</b>		<b>(7,817)</b>	<b>(1,479)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net repayment of borrowings		(24,000)	(10,000)
Dividends paid		(23,254)	(10,954)
Proceeds from issue of share capital to non-controlling interests		2,301	-
<b>Net cash used in financing activities</b>		<b>(44,953)</b>	<b>(20,954)</b>
<b>Net increase in cash and cash equivalents</b>		<b>7,184</b>	<b>6,359</b>
<b>Cash and cash equivalents at the beginning of the half-year</b>		<b>36,931</b>	<b>18,599</b>
Effects of exchange rate changes on the balance of cash held in foreign currencies		(1,254)	1,321
<b>Cash and cash equivalents at the end of the half-year</b>		<b>42,861</b>	<b>26,279</b>

Notes to the Condensed Consolidated Financial Statements are included on pages 11 to 15.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

## 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 and sales and marketing of health products for humans and animals including vitamins, herbal and mineral nutritional supplements.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### Reporting Entity

Blackmores Limited is a company domiciled in Australia. The Consolidated Interim Financial Report (Financial Report) of Blackmores Limited as at and for the half-year ended 31 December 2015 comprises Blackmores Limited and its subsidiaries (the Group).

The Consolidated Annual Financial Report of the Group for the financial year ended 30 June 2015 is available upon request from the registered office of Blackmores Limited at 20 Jubilee Avenue, Warriewood, NSW 2102 or online at [blackmores.com.au](http://blackmores.com.au).

### Statement of Compliance

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 report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report as at and for the financial year ended 30 June 2015.

### Basis of Preparation

The half-year Financial Report has been prepared on the basis of historical cost, except certain non-current assets and financial instruments that are measured at revalued amounts or fair values. 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 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 adopted in the preparation of the half-year Financial Report are consistent with those adopted and disclosed in the Group's 2015 Annual Financial Report for the financial year ended 30 June 2015, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

### Estimates

The preparation of the half-year 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 half-year Financial Report, the significant judgements made by management in applying the Group's accounting policies and the key sources of uncertainty in estimation were the same as those that applied to the Annual Financial Report for the financial year ended 30 June 2015.

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 half-year.

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

- AASB 2014-1 Amendments to Australian Accounting Standards [Part C - Materiality]

The adoption of this amendment 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 2015

## 3 DIVIDENDS

	Half-year ended 31 December 2015		Half-year ended 31 December 2014	
	CENTS PER SHARE	TOTAL \$'000	CENTS PER SHARE	TOTAL \$'000
<b>RECOGNISED AMOUNTS</b>				
FULLY PAID ORDINARY SHARES				
Final dividend paid in respect of prior financial year - fully franked at 30% corporate tax rate	135	23,254	83	14,205
<b>UNRECOGNISED AMOUNTS</b>				
FULLY PAID ORDINARY SHARES				
Interim dividend payable in respect of current financial year - fully franked at 30% corporate tax rate	200	34,450	68	11,713

## 4 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  
Asia  
BioCeuticals  
Other  
Corporate Costs

The principal activity of each segment is the development and/or marketing of health products including vitamins, 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:

	Consolidated Half-year ended	
	31 December 2015 \$'000	Restated 31 December 2014 \$'000
Australia <sup>1</sup>	237,592	137,338
Asia	60,919	35,307
BioCeuticals	33,234	26,711
Other <sup>2</sup>	10,230	7,369
Eliminations	(542)	(364)
<b>Total Segment Revenue<sup>3</sup></b>	<b>341,433</b>	<b>206,361</b>

The Group had one customer who contributed more than 10% of the Group's revenue in the period (2014:two). Included in external sales of the Australian segment of \$237,592 thousand (2014: \$137,338 thousand) are sales of \$86,532 thousand (2014: \$56,724 thousand) which arose from sales to the Group's largest customer.

1. Australia segment revenue for the half-year ended 31 December 2015 includes the benefit of sales made to Australian customers which we believe are ultimately intended for Asian Markets.

2. Other comprises the New Zealand and the PAW businesses.

3. Excludes interest revenue and other income.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

## 4 SEGMENT INFORMATION (CONT.)

### SEGMENT RESULTS

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

	31 December 2015 \$'000	Restated 31 December 2014 \$'000
Australia	63,636	27,674
Asia	5,802	1,737
BioCeuticals	4,960	4,112
Other	235	(201)
Corporate Costs	(5,550)	(5,114)
<b>Earnings before interest and tax</b>	<b>69,083</b>	<b>28,208</b>

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.

## 5 NOTE TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

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

	31 December 2015 \$'000	31 December 2014 \$'000
Profit for the period	48,304	18,615
Interest revenue disclosed as investing cash flow	(182)	(212)
Depreciation and amortisation of non-current assets	3,471	3,081
Share-based payments	1,740	521
Loss on disposal of non-current assets	332	-
Other	(81)	(1,981)
(Decrease)/increase in current tax liability	(1,757)	1,402
Decrease in deferred tax asset	866	226
Decrease in deferred tax balances related to hedge reserve in equity	(94)	(88)
Movements in working capital:		
• Current receivables	(7,687)	(8,543)
• Current inventories	(18,374)	1,550
• Other debtors and prepayments	1,755	(39)
• Current trade payables	30,881	11,584
• Provisions	836	70
• Other creditors	(56)	2,606
<b>Net cash flows from operating activities</b>	<b>59,954</b>	<b>28,792</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

## 6 INTEREST-BEARING LIABILITIES

	31 December 2015 \$'000	30 June 2015 \$'000
<b>Non-current</b>		
Unsecured - at amortised cost:		
Unsecured bank loan <sup>1</sup>	20,000	-
Secured - at amortised cost:		
Bank bills <sup>2,3</sup>	-	44,000
	<b>20,000</b>	<b>44,000</b>

Summary of borrowing arrangements:

1. During the half-year, the Group signed a new banking facility agreement with a multi-bank, unsecured, common terms deed structure.

2. Secured by registered mortgage debentures and a floating charge over certain assets of the Group, subsequently released on 7 August 2015.

3. In accordance with the security arrangements of liabilities, effectively all assets of the Parent Entity have been pledged as security, and subsequently released on 7 August 2015.

The Group signed a new multi-currency facility with Standard Chartered Bank Singapore under the existing common terms deed arrangement on 22 February 2016.

## 7 FINANCIAL INSTRUMENTS

### 7.1 Fair Value of Financial Instruments

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the Half-year Financial Report 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 CONDENSED 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).



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

## 7 FINANCIAL INSTRUMENTS (CONT.)

31 December 2015	LEVEL 1 \$'000	LEVEL 2 \$'000	LEVEL 3 \$'000	TOTAL \$'000
<b>Financial assets at fair value through profit or loss</b>				
Available-for-sale financial assets:				
Unquoted equities	-	-	438	438
<b>Total</b>	<b>-</b>	<b>-</b>	<b>438</b>	<b>438</b>
<b>Financial liabilities at fair value through profit or loss</b>				
Derivative financial liabilities	-	826	-	826
<b>Total</b>	<b>-</b>	<b>826</b>	<b>-</b>	<b>826</b>
30 June 2015	LEVEL 1 \$'000	LEVEL 2 \$'000	LEVEL 3 \$'000	TOTAL \$'000
<b>Financial assets at fair value through profit or loss</b>				
Available-for-sale financial assets:				
Unquoted equities	-	-	391	391
<b>Total</b>	<b>-</b>	<b>-</b>	<b>391</b>	<b>391</b>
<b>Financial liabilities at fair value through profit or loss</b>				
Derivative financial liabilities	-	423	-	423
<b>Total</b>	<b>-</b>	<b>423</b>	<b>-</b>	<b>423</b>

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.

## 8 JOINT VENTURES

During the half-year to 31 December 2015 the Group entered into a long-term joint venture with Kalbe Farma to facilitate entry into the Indonesian market. This joint venture is called Kalbe Blackmores Nutrition and is consolidated into the Group's results. There have been no significant transactions during the period.

## 9 CONTINGENT LIABILITIES

The Directors do not believe there are any contingent liabilities as at 31 December 2015 (2014: \$nil).

## 10 SUBSEQUENT EVENTS

The agreements necessary to bring into effect the equal share partnership between Blackmores Limited and Bega Cheese Limited (ASX: BGA) to develop and manufacture a range of nutritional foods, including high quality infant formula, through Bega's subsidiary Tatura, were signed subsequent to 31 December 2015.

The Group signed a new banking facility agreement on 22 February 2016 as described in note 6.

The Directors declared a fully franked dividend of 200 cents per share on 25 February 2016.

Other than the matters disclosed in this note, there has not been any matter or circumstance which has arisen since the end of the period which has significantly affected, or may significantly affect, the Group's operations, the results of those operations or the Group's state of affairs in future financial years.



**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](http://blackmores.com.au)**